

INTERIM REPORT JANUARY–SEPTEMBER 2021

Growth and increased profit, but challenging near-term outlook

Third quarter 2021

- Sales volume increased by 36.7 per cent to 118.5 ktonnes (86.7) and net sales to SEK 4,621 million (2,575). Excluding acquisitions sales volume increased by 11.1 per cent to 96.3 ktonnes and net sales was SEK 3,888 million.
- Sales volume excluding acquisitions was positively impacted by a continued year over year recovery from the COVID-19 pandemic, but negatively impacted by a sequential slowdown in automotive demand due to the semiconductor shortage.
- Adjusted operating profit increased to SEK 219 million (203) and adjusted operating profit per tonne was 1.8 kSEK (2.3). Excluding acquisitions, adjusted operating profit was SEK 192 million.
- Profit for the period increased to SEK 153 million (124) and includes no items affecting comparability (–26).
- Diluted earnings per share decreased to SEK 1.44 (1.45).
- Cash flow before financing activities adjusted for expansion investments and acquisitions was SEK –135 million (380).
- Sustainability-Linked Bond of SEK 600 million issued.

January–September 2021

- Sales volume increased by 52.3 per cent to 376.6 ktonnes (247.4) and net sales to SEK 13,272 million (7,858). Excluding acquisitions sales volume increased by 23.8 per cent to 306.2 ktonnes and net sales was SEK 11,128 million.
- Adjusted operating profit increased to SEK 870 million (455) and adjusted operating profit per tonne was 2.3 kSEK (1.8). Excluding acquisitions, adjusted operating profit increased to SEK 745 million.
- Profit for the period increased to SEK 618 million (257) and includes items affecting comparability of SEK –16 million (–37).
- Diluted earnings per share increased to SEK 5.79 (3.02).
- Cash flow before financing activities adjusted for expansion investments and acquisitions was SEK 144 million (948).
- Net debt increased to SEK 3,810 million at 30 September 2021 (SEK 3,292 million at 31 December 2020), corresponding to 2.2 times adjusted EBITDA^{1,2} (2.2 times at 31 December 2020).

Financial summary

SEK million	Q3			Jan–Sep			12 months rolling	Full year	
	2021	2020	Δ	2021	2020	Δ	Oct 2020 – Sep 2021	2020	Δ
Sales volume, ktonnes	118.5	86.7	36.7%	376.6	247.4	52.3%	479.9	350.6	36.9%
Net sales	4,621	2,575	79.5%	13,272	7,858	68.9%	16,421	11,008	49.2%
Adjusted operating profit ²	219	203	7.6%	870	455	91.2%	1,063	648	64.0%
Adjusted operating margin, %	4.7	7.9	–3.2 ppt	6.6	5.8	0.8 ppt	6.5	5.9	0.6 ppt
Adjusted operating profit per tonne, kSEK	1.8	2.3	–0.5	2.3	1.8	0.5	2.2	1.8	0.4
Operating profit	219	177	23.4%	854	417	104.5%	1,020	584	74.7%
Operating margin, %	4.7	6.9	–2.1 ppt	6.4	5.3	1.1 ppt	6.2	5.3	0.9 ppt
Profit for the period	153	124	23.8%	618	257	140.4%	724	363	99.3%
Earnings per share basic, SEK	1.44	1.45	–0.01	5.81	3.02	2.79	7.09	4.21	2.88
Earnings per share diluted, SEK	1.44	1.45	–0.02	5.79	3.02	2.78	7.07	4.21	2.86
Cash flow before financing activities	–220	348	n/a	–230	695	n/a	–1,248	–322	287.3%
Equity to assets, %	–	–	–	43.5	43.7	–0.2 ppt	43.5	43.7	–0.2 ppt
Net debt	–	–	–	3,810	2,812	998	3,810	3,292	518
Return on capital employed, %	–	–	–	–	–	–	11.2	8.1	3.2 ppt

¹ Includes adjusted EBITDA for acquisitions as a part of Gränges Group for 12 months, see alternative performance measures page 25 for further information.

² Adjusted for items affecting comparability, see Note 5 for further information.

COMMENTS BY THE CEO

Short-term challenges, long-term potential

GOOD DEMAND IN GENERAL, BUT SEVERE SLOW-DOWN IN AUTOMOTIVE

Gränges saw continued strong demand in most of our end-customer markets throughout the third quarter. As a result, sales volume grew by 11 per cent organically, compared with a relatively weak third quarter in 2020. Including Gränges Konin, the sales volume increased by 37 per cent to 119 thousand tonnes. However, the global shortage of semiconductors and other components caused severe supply chain problems for our automotive customers, which had an increasingly negative effect on our sales volume as the quarter progressed. Together with seasonal variation and the impact of temporary production disturbances in Gränges Americas, this led to a 10 per cent decline in sales volume in the third quarter compared to the strong second quarter of 2021.

INCREASED COST PRESSURE DURING THE QUARTER

The adjusted operating profit in the quarter increased to SEK 219 million, driven by higher sales volume and the acquisition of Gränges Konin. However, the inflationary environment in all regions has now started to impact our cost base. A higher aluminium price does not influence our operating profit since it is passed through to customers, although it does reduce our margin and increase our working capital. But we also saw dramatic cost increases for energy, freight, and other input costs such as alloy materials. These were only partially offset by price increases in the third quarter.

GOOD PROGRESS ON STRATEGIC INITIATIVES

We have made significant progress on many of our strategic initiatives. In Gränges Americas, we broke ground for the

construction of a new caster. In Gränges Europe, we finalized the first phase of the logistics improvement project in Sweden, which together with other actions will increase capacity and productivity and reduce our environmental impact with effect from the end of next year. In Poland, the planned capacity expansion program passed a milestone with the commissioning of a new furnace and casting complex as well as a new cold-rolling mill. Our investment in battery-related technologies also continued. In total, these investments make a solid platform for growth and productivity from 2023 and onwards, despite a near-term negative effect on our return on capital employed.

Our sustainability efforts continued to progress. For example, we were very proud to successfully issue a SEK 600 million sustainability-linked bond as a part of our new green and sustainability-linked finance framework. The interest rate of the bond is tied to the achievement of three selected 2025 sustainability targets. It was encouraging to see the high level of confidence among investors in our sustainability strategy and targets.



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Third quarter 2021

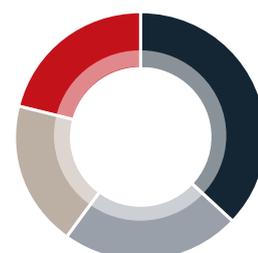
- Sales volume **118.5** ktonnes
- Net sales SEK **4,621** million
- Adjusted operating profit SEK **219** million

Sales volume per region



- Asia Pacific 15%
- Europe 29%
- North and South America 56%

Sales volume per end-customer



- Automotive 37%
- HVAC 23%
- Speciality packaging 19%
- Other niches 21%

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CHALLENGING FOURTH QUARTER

The outlook for the fourth quarter is challenging. On the one hand, we expect continued good demand in many end-customer markets. On the other hand, we expect that the demand from the automotive industry will continue to be very low throughout the fourth quarter. We are also planning for more extensive year-end maintenance in Gränges Americas compared to 2020. In summary, we expect the total sales volume in the fourth quarter to be around 10 per cent lower than in the third quarter.

We also expect the cost pressure to continue to increase throughout the quarter. Although some customer price increases will start to take effect before the end of the year, we do not expect them to mitigate the spike in input costs during the fourth quarter.

ACTION NEEDED

In the third quarter, our return on capital employed was 11.2 per cent, which is significantly below our target range of 15–20 per

cent. The main reason is a sudden drop in demand combined with a sharp cost increase for energy, freight and other costs. But whatever the reason, our current level of profitability is not satisfactory, especially against the backdrop of a generally quite strong economy.

In the near term, we need to intensify our efforts to offset cost increases with price increases, and to improve productivity and cost efficiency throughout our operations. Longer-term, we need to review and perhaps adjust the strategies in our two business areas to ensure that they take us to our stated financial and sustainability-related targets.

Given our stable global presence and customer base, a very strong team, and exciting growth opportunities in both existing and new end-customer markets, we have every possibility to succeed both short-term and long-term.

Jörgen Rosengren, CEO



Groundbreaking for a new casting line in Gränges Americas at the Huntingdon site.

MARKET DEVELOPMENT

Gränges is an aluminium technology company and a leading global supplier of rolled aluminium products and solutions for thermal management systems, speciality packaging and selected niche applications. Gränges' key end-customer markets are Automotive representing 40 per cent of year to date 2021 sales volume, HVAC representing 23 per cent of the sales volume, Speciality packaging and Other niches representing 17 per cent and 20 per cent respectively. Short term sales to the automotive industry is primarily driven by the number of vehicles produced. Longer term, the increasing share of hybrid and electric vehicles is expected to have a further positive impact on demand for Gränges' products. Sales to the HVAC industry is short term driven by consumer confidence and the general activity within building and construction, whereas increased requirements on energy efficiency of HVAC units is expected to have a further positive impact on the demand for Gränges' products in the longer term. The demand for materials for Speciality packaging is relatively stable in its nature and sales to Other niche applications are largely driven by the general economic activity.

In the third quarter 2021, most of Gränges' end-customer markets continued to recover from the significant drop of demand due to the COVID-19 pandemic last year. If excluding the acquired sales volume from Gränges Konin, the demand for Automotive products increased by 8 per cent compared with last year. Still, the slow-down in Automotive demand due to semiconductor shortage that was seen towards the end of second quarter continued into the third quarter. The research firm IHS¹ has continuously reduced its estimate for the third quarter which currently indicates a decrease of 20 per cent compared with the same quarter last year. A similar year over year decline is currently expected for the fourth quarter. Demand for HVAC products increased by 21 per cent in the third quarter driven by continued increase in HVAC unit production and an increase in market share. Demand for Specialty packaging materials was flat while materials for Other niches increased by 20 per cent in the third quarter.

SALES DEVELOPMENT

Gränges' sales volume in the third quarter of 2021 increased by 37 per cent to 118.5 ktonnes (86.7) and net sales by 79 per cent to SEK 4,621 million (2,575) compared to the same quarter previous year. Excluding acquisitions, sales volume increased by 11 per cent to 96.3 ktonnes and net sales by 51 per cent to SEK 3,888 million. The effect from higher sales volume and an increased aluminium price was partly offset by a net negative effect from changes in foreign exchange rates of SEK 14 million.

For Gränges Eurasia, sales volume increased to 60.9 ktonnes (31.8) and net sales rose to SEK 2,301 million (1,019) during the third quarter of 2021. For Gränges Americas, sales volume increased to 63.8 ktonnes (59.1) and net sales increased to SEK 2,562 million (1,704). For the acquired business, sales volume was 22.2 ktonnes and net sales amounted to SEK 733 million during the third quarter.

During January–September 2021, Gränges' sales volume increased by 52 per cent to 376.6 ktonnes (247.4) compared to the corresponding period previous year. Net sales amounted to SEK 13,272 million (7,858). Excluding acquisitions, sales volume increased by 24 per cent to 306.2 ktonnes and net sales by 42 per cent to SEK 11,128 million. The net effect of changes in foreign exchange rates was negative and amounted to SEK 891 million.

For Gränges Eurasia, sales volume increased to 204.5 ktonnes (98.6) and net sales rose to SEK 7,122 million (3,317) during January–September 2021. For Gränges Americas, sales volume increased to 195.5 ktonnes (164.2) and net sales rose to SEK 7,003 million (5,099). For the acquired business, sales volume was 70.5 ktonnes and net sales amounted to SEK 2,144 million during the first three quarters of 2021.

Sales volume growth excluding acquisitions Q3 2021

End market	Automotive		HVAC		Speciality packaging		Other niches		Total	
Asia Pacific	2%	➡	–	–	–	–	18%	↗	4%	➡
Europe	29%	⬆	–	–	–	–	40%	⬆	31%	⬆
North and South America	–1%	➡	21%	↗	0%	➡	16%	↗	10%	↗
Total	8%	↗	21%	↗	0%	➡	20%	↗	11%	↗

¹ Source: IHS, October 2021.

Asia Pacific

In the third quarter of 2021, sales volume in Asia Pacific increased by 4 per cent to 17.5 ktonnes (16.8). The increase was primarily driven by sales to Other niches while the demand for Automotive products remained fairly stable compared with the same quarter last year. During January–September 2021, sales volume increased to 62.0 ktonnes (48.5) representing an increase of 28 per cent.

Europe

In the third quarter of 2021, sales volume in Europe increased by 236 per cent to 34.7 ktonnes (10.3). Excluding acquisitions, sales volume increased by 31 per cent to 13.5 ktonnes. The increase was a combination of a continued year over year recovery of the Automotive demand and sustained growth in Other niches. During January–September 2021, sales volume increased to 109.5 ktonnes (32.6) which represents an increase of 236 per cent.

North and South America

In the third quarter of 2021, sales volume in North and South America increased by 11 per cent to 66.3 ktonnes (59.6). Excluding acquisitions, sales volume increased by 10 per cent to 65.4 ktonnes. The increase in sales volume driven by continued strong demand for materials to HVAC and Other niches was partly offset by temporary production disturbances in the Huntingdon and Salisbury facilities. Sales volume to Automotive customers remained fairly stable compared with the same quarter last year. During January–September 2021, sales volume increased to 205.1 ktonnes (166.3) corresponding to an increase of 23 per cent.

OPERATING PROFIT

Adjusted operating profit for the third quarter of 2021 increased to SEK 219 million (203), corresponding to adjusted operating profit per tonne of 1.8 kSEK (2.3). Adjusted operating margin amounted to 4.7 per cent (7.9). Excluding acquisitions, adjusted operating profit decreased to SEK 192 million. The operating profit was positively impacted by the increased sales volume, a higher average conversion price and positive effects from metal

management. Significant inflationary cost pressure related to for example energy and freight had a negative impact on the cost development in the quarter. Costs for strategic projects amounted to SEK 10 million and net changes in foreign exchange rates had a negative impact of SEK 16 million in the quarter.

Operating profit for the third quarter of 2021 increased to SEK 219 million (177). No items affecting comparability were recorded in the period (–26).

During the period January–September 2021, adjusted operating profit amounted to SEK 870 million (455), and adjusted operating profit per tonne was 2.3 kSEK (1.8). Excluding acquisitions, adjusted operating profit increased to SEK 745 million. Adjusted operating margin amounted to 6.6 per cent (5.8). The net effect of changes in foreign exchange rates was negative and amounted to SEK 114 million in the first three quarters of 2021.

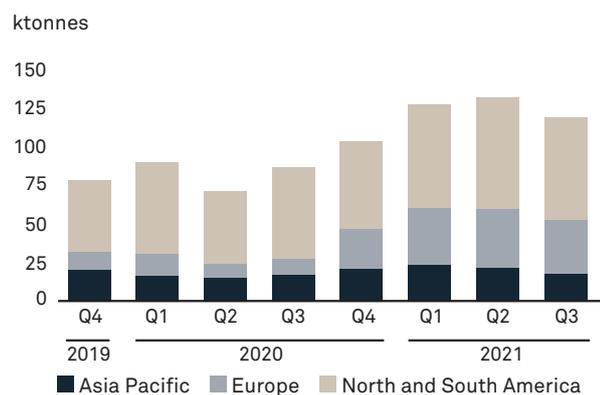
Operating profit during January–September 2021 amounted to SEK 854 million (417) and includes items affecting comparability of SEK –16 million (–37). For further information see Note 5.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

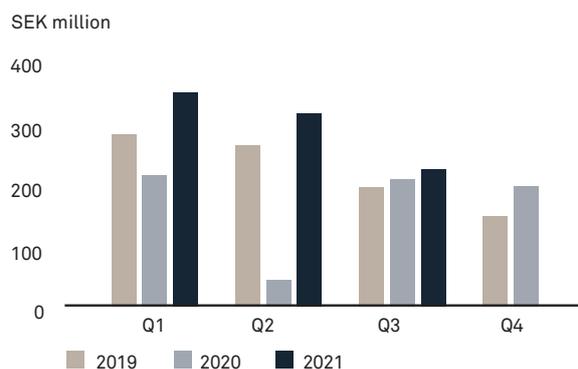
Profit before tax for the third quarter of 2021 increased to SEK 197 million (154). Finance income and costs was SEK –22 million (–24). Income tax for the third quarter of 2021 was SEK –44 million (–30) which corresponds to an effective tax rate of 22 per cent. The profit for the period amounted to SEK 153 million (124) during the third quarter of 2021 and diluted earnings per share was SEK 1.44 (1.45).

For the period January–September 2021, profit before tax increased to SEK 788 million (323). Finance income and costs was SEK –67 million (–95). Income tax for the period was SEK –170 million (–66) which corresponds to an effective tax rate of 22 per cent (21). The profit for the period increased to SEK 618 million (257) and diluted earnings per share rose to SEK 5.79 (3.02).

Quarterly sales volume per region



Quarterly adjusted operating profit



CASH FLOW

Cash flow from operating activities was negative SEK 34 million (426) in the third quarter of 2021. Working capital increased by SEK 421 million mainly driven by the increasing aluminium price. Cash flow from investing activities amounted to SEK –186 million (–78) in the quarter and fully relates to capital expenditure. Of this, SEK 101 million refers to investments to maintain and improve efficiency in current production facilities and SEK 85 million refers to investments related to the expansion of the production facilities.

Cash flow before financing adjusted for expansion investments and acquisitions amounted to negative SEK 135 million (380). Cash flow from financing activities was SEK 263 million (–391) in the third quarter of 2021 and includes new loans of SEK 1,820 million and repayment of loans of SEK –1,493 million.

During January–September 2021, cash flow from operating activities was SEK 358 million (1,096). Cash flow from investing activities amounted to SEK –588 million (–401) in the period. This includes additional purchase consideration of SEK 14 million for the acquisition of Aluminium Konin and the purchase price of 64 million for the acquisition of Dispal®, see Note 7 for further information. Total capital expenditure was SEK 511 million in the period. Of this, SEK 214 million relates to investments to maintain and improve efficiency in current production facilities and SEK 296 million refers to investments related to the expansion of the production facilities.

During January–September 2021 cash flow before financing activities amounted to SEK –230 million (695). Cash flow from financing activities was SEK –214 million (–478) during the first three quarters and includes a dividend payment of SEK –117 million, new loans of SEK 4,049 million and repayment of loans of SEK –4,084 million.

Cash and cash equivalents amounted to SEK 1,074 million at 30 September 2021 (SEK 1,473 million 31 December 2020).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 15,498 million at 30 September 2021 (SEK 13,652 million at 31 December 2020). The equity to assets ratio was 43.5 per cent at 30 September 2021 (43.7 per cent at 31 December 2020).

Consolidated net debt including pension and lease liabilities was SEK 3,810 million at 30 September 2021 (SEK 3,292 million at 31 December 2020), corresponding to 2.2 times adjusted EBITDA¹ (2.2 times at 31 December 2020).

EMPLOYEES

The average number of employees was 2,664 (1,629) in the third quarter of 2021 and 2,637 (1,623) during the period January–September 2021. The increased number of employees is mainly related to the acquisition of Aluminium Konin.

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 period January–September 2021, net sales in the parent company was SEK 89 million (132). Result for the period was SEK –30 million (–45).

SUSTAINABILITY

As of August 25, 2021, the environmental management system at Gränges' Salisbury site in the US was successfully certified in accordance with the environmental management standard ISO 14001:2015. Through this certification, Gränges' operations in Salisbury guarantee to continuously improve their environmental performance and ensure that environmental impacts are identified, measured, analysed, and reduced. The independent, third-party audit of Gränges' environmental management system was carried out by NSF-ISR Ltd.

Gränges has an ambition to certify all production facilities in accordance with ISO 14001 (environmental management), ISO 50001 (energy management) as well as ISO 45001 or OHSAS 18001 (occupational health and safety management) to ensure resource-efficiency and comprehensive EHS (environment, health and safety) procedures across the company's operations. To date, Gränges' production sites in Finspång, Huntingdon, Salisbury and Shanghai are certified in accordance with the ISO 14001 standard, the sites in Finspång and Shanghai in accordance with ISO 50001 and the Shanghai site also in accordance with ISO 45001.

In September, Gränges successfully issued a five-year senior unsecured sustainability-linked bond in the amount of SEK 600 million under the company's updated MTN programme. The new bond is due in 2026. Gränges tied the sustainability-linked bond to the achievement of three defined sustainability performance targets (SPTs), which all play a central role in Gränges' sustainability strategy:

- SPT1: Reduce carbon emissions intensity from own operations and purchased energy (scope 1+2) by 25 per cent by 2025 compared to 2017
- SPT2: Reduce carbon emissions intensity from sourced metal inputs (scope 3) by 30 per cent by 2025 compared to 2017
- SPT3: Increase the share of recycled aluminium to at least 30 per cent of total sourced metal inputs by 2025

¹ Includes adjusted EBITDA for acquisitions as a part of Gränges Group for 12 months, see alternative performance measures for further information.

GRÄNGES EURASIA

- Continued market recovery partly slowed down by semiconductor shortage
- Organic increase in operating profit supported by acquisitions
- Significant inflationary pressure on energy and freight costs

MARKET AND SALES

Gränges Eurasia experienced continued market recovery in the third quarter of 2021 although a sequential slow down of the demand was seen from Automotive customers as increasing effects of semiconductor shortage continued to impact vehicle build rates. The sales volume in the third quarter reached 60.9 ktonnes, which represents a 92 per cent growth over the third quarter last year but a 13.6 per cent decline over the second quarter 2021. Net sales increased by 126 per cent to SEK 2,301 million (1,019) compared to the same quarter previous year. Excluding the acquired sales from Gränges Konin, the third quarter sales volume increased by 22 per cent and the net sales by 54 per cent compared with the same period last year. Net changes in foreign exchange rates had a positive effect on net sales of SEK 22 million.

OPERATING PROFIT

The adjusted operating profit for the third quarter 2021 increased to SEK 69 million (17), corresponding to an adjusted operating profit per tonne of 1.1 kSEK (0.5). Excluding the acquired operating profit from Gränges Konin of SEK 27 million, adjusted operating profit increased to SEK 42 million (17), corresponding to an adjusted operating profit per tonne of 1.1 kSEK. Positive effects from increased sales volume and favorable metal management was partly offset by increased operating costs due to inflationary pressure on for example energy and freight costs. Net changes in foreign exchange rates had a negative impact of SEK 13 million in the quarter. There are no items affecting comparability in the quarter. Return on capital employed was 8.7 per cent on a rolling 12-months basis.

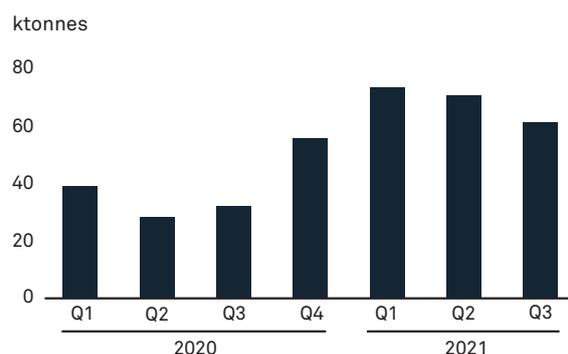
MILESTONE FOR KONIN EXPANSION

In September two important milestones were reached for the expansion of Gränges Konin. The first coil was successfully rolled in the new cold rolling mill and the first metal was melted in the new casting furnaces. When completed by the end of 2022 Gränges Konin will have several new capabilities and 40 ktonnes additional production capacity available for growth in heat exchanger materials, speciality packaging and other niche applications.

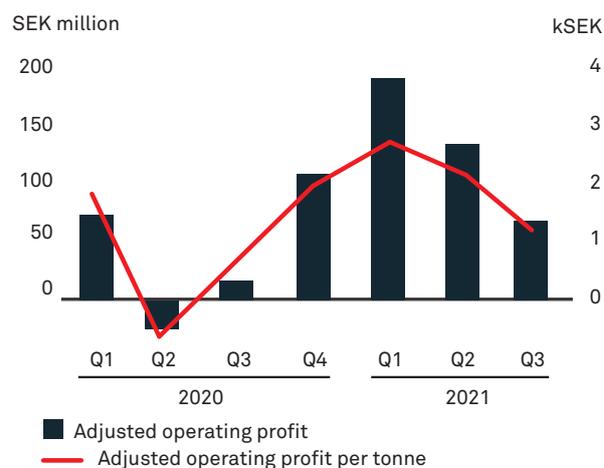
Financial summary

SEK million	Q3			Jan–Sep			12 months rolling	Full year	
	2021	2020	Δ	2021	2020	Δ	Oct 2020 – Sep 2021	2020	Δ
Sales volume external, ktonnes	54.8	27.7	98.1%	181.2	83.2	117.8%	229.5	131.5	74.5%
Sales volume internal, ktonnes	6.1	4.1	48.1%	23.3	15.4	51.6%	30.4	22.5	35.3%
Total sales volume, ktonnes	60.9	31.8	91.6%	204.5	98.6	107.5%	259.9	154.0	68.8%
Net sales, external	2,054	882	132.8%	6,266	2,773	125.9%	7,754	4,262	81.9%
Net sales, internal	248	137	81.3%	857	544	57.5%	1,088	775	40.4%
Total net sales	2,301	1,019	125.9%	7,122	3,317	114.7%	8,842	5,037	75.5%
Adjusted operating profit	69	17	318.0%	398	66	505.2%	508	176	189.2%
Operating profit	69	-8	n/a	382	41	836.9%	462	121	283.2%
Adjusted operating margin, %	3.0	1.6	1.4 ppt	5.6	2.0	3.6 ppt	5.7	3.5	2.3 ppt
Adjusted operating profit per tonne, kSEK	1.1	0.5	118.1%	1.9	0.7	191.7%	2.0	1.1	71.3%
Return on capital employed, %	-	-	-	-	-	-	8.7	4.6	4.1 ppt

Sales volume



Adjusted operating profit



GRÄNGES AMERICAS

- Continued strong market conditions
- Sales volume impacted by temporary production disturbances
- Continued increase in operating profit

MARKET AND SALES

Gränges Americas continued to experience a strong market activity in the third quarter of 2021 driven by increased underlying demand for HVAC and Other niche products, stable demand for Speciality packaging materials, while demand from Automotive customers slowed down due to the semiconductor shortage. Sales volume was limited by temporary production disturbances in the Huntingdon and Salisbury facilities, which reduced production capacity by about 4 ktonnes in the quarter. In total the sales volume in the third quarter 2021 increased by 7.9 per cent to 63.8 ktonnes (59.1). Net sales increased by 50 per cent to SEK 2,562 million (1,704) compared to the same quarter previous year. Net changes in foreign exchange rates had a negative effect on net sales of SEK 35 million.

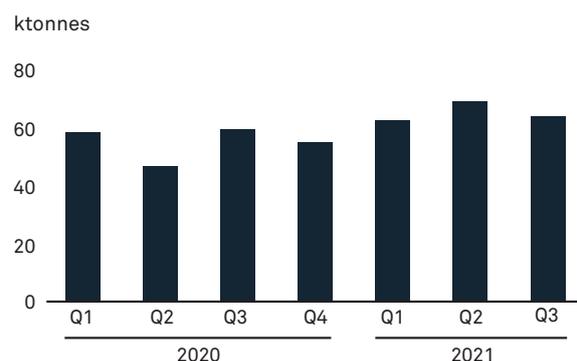
OPERATING PROFIT

The adjusted operating profit for the third quarter 2021 increased by 9.9 per cent to SEK 172 million (156), corresponding to an adjusted operating profit per tonne of 2.7 kSEK (2.6). The improvement in operating profit was driven by increased sales volume in combination with a higher average conversion price, whereas operating costs increased due to increased inflationary pressure and higher maintenance costs due to the temporary production disturbances. Net changes in foreign exchange rates had a negative impact of SEK 3 million in the quarter. There are no items affecting comparability in the quarter. Return on capital employed was 17.9 per cent on a rolling 12-months basis.

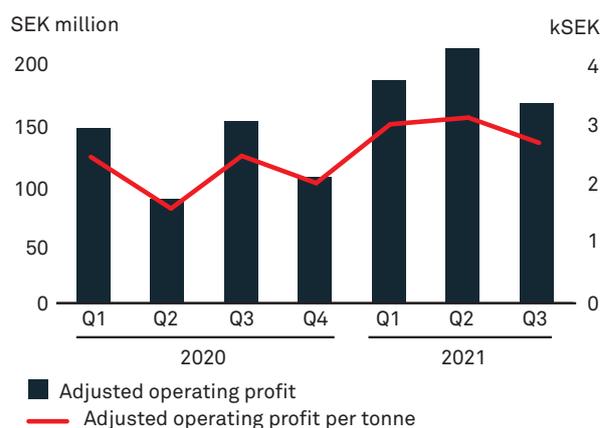
PLANNED MAINTENANCE OF HUNTINGDON MILL

In the fourth quarter additional maintenance activities are planned for the Huntingdon rolling mill. As a consequence of this available production capacity in Americas will be reduced by approximately 8 ktonnes in the fourth quarter.

Sales volume



Adjusted operating profit



Financial summary

SEK million	Q3			Jan-Sep			12 months rolling	Full year	
	2021	2020	Δ	2021	2020	Δ	Oct 2020 – Sep 2021	2020	Δ
Sales volume external, ktonnes	63.8	59.1	7.9%	195.5	164.2	19.1%	250.4	219.1	14.3%
Sales volume internal, ktonnes	-	-	-	-	-	-	-	-	-
Total sales volume, ktonnes	63.8	59.1	7.9%	195.5	164.2	19.1%	250.4	219.1	14.3%
Net sales, external	2,567	1,688	52.1%	7,004	5,072	38.1%	8,656	6,725	28.7%
Net sales, internal	-5	16	n/a	-1	26	n/a	-4	24	n/a
Total net sales	2,562	1,704	50.3%	7,003	5,099	37.3%	8,652	6,748	28.2%
Adjusted operating profit	172	156	9.9%	582	395	47.2%	690	503	37.1%
Operating profit	172	156	9.9%	582	395	47.2%	685	498	37.4%
Adjusted operating margin, %	6.7	9.2	-2.5 ppt	8.3	7.7	0.6 ppt	8.0	7.5	0.5 ppt
Adjusted operating profit per tonne, kSEK	2.7	2.6	2.2%	3.0	2.4	23.9%	2.8	2.3	20.1%
Return on capital employed, %	-	-	-	-	-	-	17.9	11.8	6.0 ppt

SIGNIFICANT EVENTS DURING THE PERIOD

Oskar Hellström appointed as Interim CEO

In July, Gränges' Board of Directors appointed Oskar Hellström, CFO and Deputy CEO, as Interim CEO in Gränges. The appointment was effective from 1 August 2021 and until Jörgen Rosengren assumed his position as CEO on 1 October 2021.

Gränges published an updated MTN prospectus and a combined Green and Sustainability-Linked Finance Framework

To support Gränges' sustainability ambitions and targets, the company in September published a combined Green and Sustainability-Linked Finance Framework to allow for the issuance of Green Bonds and Sustainability-Linked Bonds. To prepare for the possibility to issue an MTN (Medium Term Note) according to Green Bond and Sustainability-Linked Bond Principles, Gränges updated the MTN prospectus, originally published in 2018. The MTN programme has a frame amount of SEK 3 billion and allows for issuance in Swedish Krona. The Swedish Financial Supervisory Authority (SFSA/Finansinspektionen) approved and registered the prospectus on 20 September.

Gränges issued a SEK 600 million Sustainability-Linked Bond

In September, Gränges successfully issued a five-year senior unsecured sustainability-linked bond in the amount of SEK 600 million under the company's newly updated MTN programme. The new bond is due in 2026 and has a coupon of 3 months Stibor + 1.20 per cent. The transaction generated a stronger than expected interest from investors and the issuance was oversubscribed with an order book growing to above SEK 1,000 million. Gränges has tied the sustainability-linked bond to the achievement of three defined sustainability performance targets (SPTs), which all play a central role in Gränges' sustainability strategy. The repayment amount at maturity date is increased with 0.40 per cent per SPT, if Gränges does not fulfill the targets. Read more on page 6.

SIGNIFICANT EVENTS AFTER THE PERIOD

Jörgen Rosengren assumed his position as CEO

As previously announced, Jörgen Rosengren assumed his position as President and CEO of Gränges on 1 October 2021.

No other significant events have occurred after the period.



Celebration of the listing of Gränges' Sustainability-Linked Bond with Jörgen Rosengren, CEO, and Sofia Hedevåg, SVP Sustainability, ringing the Nasdaq stock market opening bell in Stockholm.

THE SHARE

The share capital in Gränges amounts to SEK 142 million split on 106,308,618 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 11,402 at 30 September 2021, according to Euroclear.

Largest shareholders in Gränges at 30 September 2021¹

Shareholder	Number of shares	Share of capital and votes %
Fourth Sw. National Pension Fund	9,864,534	9.3
Handelsbanken Funds	6,631,159	6.2
AFA Insurance	6,500,292	6.1
Swedbank Robur Funds	4,523,640	4.3
Dimensional Fund Advisors	4,336,593	4.1
Allianz Global Investors	3,482,939	3.3
Vanguard	3,073,847	2.9
Columbia Threadneedle	2,475,414	2.3
Norges Bank	2,358,970	2.2
Paradice Investment Management	2,132,390	2.0
Total 10 largest shareholders	45,379,778	42.7
Other	60,928,840	57.3
Total	106,308,618	100

¹ Source: Modular Finance.

OTHER

Nomination Committee appointed

The Nomination Committee for Gränges' Annual General Meeting 2022 has been appointed. The committee consists of representatives from Gränges' three largest shareholders as of 31 August 2021 and the Chairman of the Board, Fredrik Arp. The Fourth Swedish National Pension Fund (AP4) is represented by Jannis Kitsakis, AFA Insurance by Anders Algotsson and Handelsbanken Funds by Niklas Johansson. The Chairman of the Nomination Committee is Jannis Kitsakis.

Annual General Meeting 2022

Gränges' 2022 Annual General Meeting will be held on Wednesday 4 May 2022 at 16.00 CEST at IVA Conference Center (Wallenbergsalen), Grev Turegatan 16, Stockholm. Shareholders who wish to have a matter considered at the Annual General Meeting should normally submit such requests seven weeks before the meeting at the latest.

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 39–44 in Gränges' 2020 Annual and Sustainability Report.

SEASONAL VARIATIONS

Gränges' customers are found in the automotive industry, the HVAC industry, the packaging industry, as well as in many other niche markets. Gränges' sales to the automotive industry is highly correlated with the production of light vehicles. Sales to the HVAC industry are impacted by factors such as construction investments, new regulations for energy efficiency and climate impact, and it is usually higher during the summer period driven by a seasonally higher demand for cooling systems. Sales to the packaging and other industries are fairly stable throughout the year. Major annual maintenance work in Gränges' production facilities mainly occurs in the fourth quarter. Overall, the fourth quarter is usually the weakest quarter and the second quarter usually the strongest quarter of the year.

Stockholm, 21 October 2021

Jörgen Rosengren
Chief Executive Officer

REVIEW REPORT

Gränges AB, corporate identity number 556001-6122

Introduction

We have reviewed the condensed interim report for Gränges AB as at September 30, 2021 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410. Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 21 October 2021
Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

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This information is information that Gränges AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on Thursday 21 October 2021 at 07.30 CET.

Webcasted telephone conference

CEO Jörgen Rosengren and CFO Oskar Hellström will present Gränges' interim report for January–September 2021 at a webcasted conference call at 10.00 CEST, Thursday 21 October, 2021.

The webcast is available on www.granges.com/investors. To participate in the conference call, please call +46 8 5664 2651 (Sweden), +44 3333 000 804 (United Kingdom) or +1 631 913 1422 (United States). PIN code: 6978 8601#. Please call a few minutes before the conference call starts. The presentation will be in English.

Financial calendar

27 January, 2022	Year-end Report 2021
17 March, 2022	Annual Report 2021
21 April, 2022	Interim Report, January–March 2022
4 May, 2022	Annual General Meeting 2022

CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales	2	4,621	2,575	13,272	7,858	11,008
Cost of materials	5	-3,207	-1,561	-8,920 ¹	-4,796	-6,778 ²
Payroll and other operating expenses		-993	-682	-2,981	-2,203	-3,059
Depreciation, amortization and impairment charges		-202	-129	-518	-404	-553
Items affecting comparability	5	-	-26	-	-37	-33
Operating profit		219	177	854	417	584
Profit or loss from joint ventures	4	0	1	1	1	2
Finance income and costs		-22	-24	-67	-95	-132
Profit before tax		197	154	788	323	454
Income tax	6	-44	-30	-170	-66	-91
Profit for the period		153	124	618	257	363
Profit for the period attributable to						
- owners of the parent company		153	124	618	257	363
- non-controlling interests		0	-	0	-	0
Earnings per share						
Earnings per share basic, SEK		1.44	1.45	5.81	3.02	4.21
Earnings per share diluted, SEK		1.44	1.45	5.79	3.02	4.21

¹ Includes items affecting comparability of SEK -16 million, see Note 5 for further information.

² Includes items affecting comparability of SEK -31 million, see Note 5 for further information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Profit for the period	153	124	618	257	363
Items not to be reclassified to profit/loss in subsequent periods					
Remeasurement of pensions after tax	-4	1	21	-18	1
Items to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve after tax	-57	0	-115	-32	61
Translation effects	107	-56	279	-78	-463
Comprehensive Income for the period	198	68	803	128	-37
Comprehensive income for the period attributable to					
- owners of the parent company	198	68	803	128	-37
- non-controlling interests	0	-	0	-	0

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS				
Intangible assets		1,542	822	1,510
Property, plant and equipment		6,388	4,954	6,066
Deferred tax assets		36	28	20
Investments in joint ventures	4	15	13	13
Interest-bearing receivables		–	2	–
Other non-current receivables	3	118	6	24
Non-current assets		8,099	5,825	7,633
Inventories		3,461	1,606	2,398
Receivables	3	2,848	1,770	2,021
Interest-bearing receivables	3	15	32	128
Cash and cash equivalents		1,074	923	1,473
Current assets		7,399	4,330	6,020
TOTAL ASSETS		15,498	10,155	13,652
EQUITY AND LIABILITIES				
Share capital		142	101	142
Retained earnings		6,603	4,341	5,828
Equity		6,745	4,442	5,970
Interest-bearing liabilities	3	2,593	2,332	2,351
Provisions and other non-current liabilities	3	832	573	718
Non-current liabilities		3,425	2,905	3,068
Interest-bearing liabilities	3	1,972	1,045	2,184
Provisions and other current liabilities	3	3,355	1,763	2,429
Current liabilities		5,327	2,808	4,614
TOTAL EQUITY AND LIABILITIES		15,498	10,155	13,652

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	30 Sep 2021	30 Sep 2020	31 Dec 2020
Opening balance	5,968	4,314	4,314
Profit for the period	618	257	363
Other comprehensive income for the period	186	–129	–401
Total comprehensive income for the period	803	128	–37
Dividend	–117	–	–
Share swap	88	–	–193
Option premium	–	–	8
Issue in kind	–	–	215
Rights issue	–	–	1,662
Total transactions with owners	–29	–	1,691
Equity attributable to owners of the parent company	6,743	4,442	5,968
Equity attributable to non-controlling interests	2	–	2
Closing balance	6,745	4,442	5,970

CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED)

SEK million	Note	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Operating profit		219	177	854	417	584
Depreciation, amortization and impairment charges		202	129	518	404	553
Other non-cash items	5	-	25	16	25	45
Change in working capital etc.		-421	105	-942	279	290
Income taxes paid		-33	-10	-88	-29	-59
Cash flow from operating activities		-34	426	358	1,096	1,414
Acquisitions	7	-	-	-78	-	-1,196
Investments in property, plant, equipment and intangible assets		-186	-61	-511	-352	-557
Divestments		-	-	-	-	17
Other capital transactions		-	-17	-	-49	-
Cash flow from investing activities		-186	-78	-588	-401	-1,736
Cash flow before financing activities		-220	348	-230	695	-322
Dividend		-	-	-117	-	-
Share swaps		-	-	0	-	-193
Option premium		-	-	-	-	8
Rights issue		-	-	-	-	1,662
Interest paid and received		-64	-20	-61	-105	-142
New loans		1,820	670	4,049	2,589	5,785
Repayment of loans		-1,493	-1,041	-4,084	-2,963	-5,970
Cash flow from financing activities		263	-391	-214	-478	1,149
Cash flow for the period		43	-43	-444	217	827
Cash and cash equivalents at beginning of period		1,008	987	1,473	747	747
Cash flow for the period		43	-43	-444	217	827
Exchange rate differences in cash and cash equivalents		23	-21	45	-41	-101
Cash and cash equivalents at end of period		1,074	923	1,074	923	1,473

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales	30	41	89	132	169
Payroll and other operating expenses	-41	-47	-151	-172	-249
Depreciation, amortization and impairment charges	-2	-5	-6	-16	-21
Operating profit/loss	-13	-11	-68	-56	-101
Dividends from subsidiaries	-	-	-	-	194
Finance income and costs	15	-1	27	2	-13
Profit/loss after financial items	2	-12	-41	-54	80
Appropriations	-	-	-	-	30
Income tax	3	2	11	9	12
Profit/loss for the period	4	-11	-30	-45	122

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Profit for the period	4	-11	-30	-45	122
Items to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve after tax	-	-9	-	-41	1
Comprehensive income for the period attributable to owners of the parent company	4	-19	-30	-87	123

PARENT COMPANY BALANCE SHEET (CONDENSED)

SEK million	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS			
Intangible assets	28	35	33
Property, plant and equipment	2	181	170
Shares in Group companies	2,894	1,160	2,891
Deferred tax assets	39	-	27
Receivables from Group companies	2,596	1,905	1,579
Other non-current receivables	105	14	5
Non-current assets	5,663	3,295	4,706
Receivables from Group companies	532	173	870
Other receivables	108	86	248
Cash and cash equivalents	687	77	736
Current assets	1,328	336	1,853
TOTAL ASSETS	6,991	3,631	6,559
EQUITY AND LIABILITIES			
Restricted equity	150	110	151
Non-restricted equity	3,304	1,503	3,362
Equity	3,454	1,613	3,513
Untaxed reserves	-	30	-
Interest-bearing liabilities	1,314	721	698
Provisions and other non-current liabilities	34	20	32
Non-current liabilities	1,348	742	730
Liabilities to Group companies	375	217	262
Interest-bearing liabilities	1,615	930	1,865
Provisions and other current liabilities	199	99	189
Current liabilities	2,189	1,246	2,316
TOTAL EQUITY AND LIABILITIES	6,991	3,631	6,559

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) 2020. 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. New standards, amendments and interpretations effective from 1 January 2021 or later have not had any material impact on this financial report.

Operating segments

Following recent years' successful growth initiatives that have resulted in a larger production footprint and a more diverse product portfolio Gränges sees an opportunity to further increase efficiency and transparency by grouping the different businesses based on production technology and end-customer markets. As of the first quarter of 2021 Gränges established two business areas: Gränges Eurasia and Gränges Americas. Gränges Eurasia includes the three rolling mills with direct chill casting and hot rolling technology in Finspång, Sweden, Konin, Poland, and Shanghai, China, as well as the newly established Gränges Powder Metallurgy business unit in St Avold, France. The largest end-customer market for Gränges Eurasia is heat exchanger material for the automotive industry. Gränges Americas includes the three rolling mills in Huntingdon, Salisbury, and Newport with continuous casting technology. The largest end-customer markets for Gränges Americas are heat exchanger material for the HVAC industry and speciality packaging material. Gränges Americas also serves as a distributor of heat exchanger material for the automotive industry from Gränges Eurasia on the North and South American market. Gränges Eurasia is headed by the CEO and Gränges Americas is headed by the Regional President for the Americas region.

The grouping of the businesses into two business areas, Gränges Eurasia and Gränges Americas, is considered to constitute the Group's operating segments and is consistent with the internal reporting submitted to the highest executive decision maker, which consists of the CEO. Group functions and other items that cannot be allocated to Gränges Eurasia or Gränges Americas are reported in Other and eliminations. The segment reporting presents volume, net sales, adjusted operating profit, operating profit, capital employed and return on capital employed for each segment. Financial items and taxes are reported and followed up for the Group as a whole. No detailed breakdown is presented for number of employees or items in the balance sheet, in addition to capital employed. Capital employed does not include any tax items or accrued interest per business area.

The interim information on pages 2–19 is an integrated part of these financial statements.

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Gränges' 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 pre defined while the aluminium price is variable and based on metal price clauses connected to the market price. The tables below show Gränges' net sales by geographical region and by business area divided by type of revenue.

SEK million	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Net sales by region					
Asia Pacific	697	526	2,279	1,599	2,268
Europe	1,256	327	3,667	1,101	1,875
North and South America	2,631	1,717	7,263	5,146	6,848
Total revenue from contracts with customers	4,584	2,570	13,209	7,846	10,991
Other revenue	37	4	63	13	17
Net sales	4,621	2,575	13,272	7,858	11,008

SEK million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales by business area					
<i>Gränges Eurasia</i>					
Fabrication revenue	844	488	2,968	1,639	2,642
Raw material and other revenue	1,454	531	4,143	1,678	2,395
Revenue from contracts with customers	2,298	1,019	7,111	3,317	5,037
Other revenue	4	-	11	-	-
Total net sales Gränges Eurasia	2,301	1,019	7,122	3,317	5,037
<i>Gränges Americas</i>					
Fabrication revenue	803	741	2,436	2,172	2,855
Raw material and other revenue	1,725	963	4,515	2,926	3,893
Revenue from contracts with customers	2,529	1,704	6,951	5,099	6,748
Other revenue	33	-	52	-	-
Total net sales Gränges Americas	2,562	1,704	7,003	5,099	6,748
<i>Other and eliminations</i>					
Fabrication revenue	-138	-96	-501	-367	-512
Raw material and other revenue	-105	-57	-352	-203	-282
Revenue from contracts with customers	-242	-153	-853	-570	-794
Other revenue	-	4	-	13	17
Total net sales other and eliminations	-242	-148	-853	-558	-778
Total fabrication revenue	1,509	1,134	4,904	3,444	4,985
Total raw material and other revenue	3,075	1,436	8,305	4,402	6,006
Total revenue from contracts with customers	4,584	2,570	13,209	7,846	10,991
Total other revenue	37	4	63	13	17
Total net sales	4,621	2,575	13,272	7,858	11,008

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, aluminium futures and interest rate swaps) included in the balance sheet.

SEK million	30 Sep 2021	30 Sep 2020	31 Dec 2020
Non-current assets	105	1	6
Current assets	100	78	249
Non-current liabilities	0	1	-
Current liabilities	303	57	138

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 consist both of financing from banks and institutions and the credit market. As per September 30 2021, the amount of outstanding term loans was USD 150 million and SEK 400 million. Gränges' revolving credit facilities amounted to SEK 2,440 million and were unutilized as per September 30 2021. Financing from banks and institutions also includes working capital loans of CNY 210 million. Gränges repaid a bond of SEK 300 million during the third quarter of 2021, which was issued under the company's MTN programme in 2018. Gränges also issued a senior unsecured Sustainability-Linked Bond of 600 MSEK with a maturity of five years. The amount of outstanding commercial papers was SEK 1,400 million.

The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

SEK million	Limit/Program amount	Year			Total
		< 1	1–2	> 2	
Term loans					
SEK		200	–	200	400
USD		–	440	880	1,320
Bonds in MTN programme	3,000	–	300	600	900
Commercial papers	1,500	1,400	–	–	1,400
Revolving Credit Facilities	2,425	–	–	–	–
Lease liabilities		44	34	149	227
Other interest-bearing liabilities		328	–	–10	318
Total interest-bearing liabilities		1,972	774	1,819	4,565

Interest-bearing liabilities are measured at amortized cost and the carrying amount as of 30 September 2021 was SEK 4,565 million (SEK 4,535 million as of 31 December 2020). The fair value of interest-bearing liabilities amounted to SEK 4,575 million as of 30 September 2021 (SEK 4,547 million as of 31 December 2020). 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 2020 Annual Report. During the period there have been no significant transactions with related parties.

NOTE 5 ITEMS AFFECTING COMPARABILITY

SEK million	Financial statement line	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Realisation of fair value inventory step-up on acquired business	Cost of materials	–	–	–16	–	–31
M&A costs	Items affecting comparability	–	–1	–	–12	–19
Restructuring costs	Items affecting comparability	–	–25	–	–25	–14
Items affecting comparability		–	–26	–16	–37	–64

In the fourth quarter 2020 Gränges acquired Aluminium Konin, a Polish flat rolled aluminium producer. The costs for the acquisition amounted to SEK 19 million and were reported as an item affecting comparability in 2020. All of Aluminium Konin's assets were valued at fair value by Gränges, as was the inventory. Upon sale of the acquired inventory, the difference between fair value and book value was realized. The amount was reported in the financial statement line cost of materials and is deemed to be an item affecting comparability. The item amounted to SEK 16 million for the first quarter 2021, no further effect has occurred in the third quarter since all of the acquired inventory already had been sold. The corresponding amount for 2020 was SEK 31 million. For further information on the acquisition, see Note 7.

Restructuring costs for the full year 2020 refer to the organizational changes in Gränges' Swedish and US operations.

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 preliminarily 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 2021 and therefore applies a tax rate of 15 per cent for the Chinese subsidiary.

NOTE 7 ACQUISITIONS

Aluminium Konin

In the fourth quarter 2020 Gränges acquired Aluminium Konin, a Polish flat rolled aluminium producer. The acquired business was consolidated from November, 2020. The preliminary purchase price allocation was updated during the first quarter 2021 with

SEK 3 million (PLN 1 million). No further updates have been done in the third quarter, but the purchase price allocation is still preliminary and subject to change if additional information of fair value is obtained.

Preliminary purchase price allocation Aluminium Konin	PLN million	SEK million
Intangible assets	138	335
Property, plant and equipment	624	1,514
Other non-current receivables	10	23
Inventories	242	586
Other current receivables	159	388
Cash and cash equivalents	24	57
Interest-bearing liabilities	507	1,231
Provision and other liabilities	290	704
Net identifiable assets and liabilities	400	969
Goodwill	204	495
Purchase price	606	1,464
Issue in kind of new issued shares in Gränges	90	215
Paid cash for the acquisition	516	1,249
Purchase price	606	1,464
Less issue in kind of new issued shares in Gränges	-90	-215
Less cash and cash equivalents in acquired operation	-24	-57
Effect on the Group's cash and cash equivalents	-492	-1,192

Cash consideration paid during the first quarter 2021 amounted to SEK 14 million (PLN 6 million), cash consideration paid in 2020 amounted to SEK 1,236 million (PLN 510 million). No additional compensation has been paid during the second or third quarter 2021.

GETEK

In 2020 it was announced that Gränges would acquire the remaining 49 per cent of the shares in GETEK GmbH as well as the business Dispal®, including production assets, intellectual properties and trademark Dispal®, from Erbslöh Aluminium GmbH. GETEK GmbH was until 1 October 2020 jointly owned by Gränges (51 per cent) and Erbslöh (49 per cent) and classified as a joint operation. Gränges has recognized its direct right to jointly owned assets, liabilities, revenues and expenses in the financial statements since 2017. The acquisition of the remaining 49 per cent shares in GETEK GmbH was done 1 October 2020 and the operation has been consolidated in full since then. The Dispal® business was acquired 1 January 2021 and is included from 2021.

The preliminary acquisition balance presented at 31 December 2020 was updated during the first quarter 2021 due to updated fair value valuations of the net assets and adjustment of the purchase price. No further updates have been done in the third quarter but the purchase price allocation is still preliminary and subject to change if additional information of fair value is obtained.

Preliminary purchase price allocation GETEK	EUR million	SEK million
Non-current assets	6.5	66
Current assets, excluding cash	2.7	27
Cash and cash equivalents	0.1	1
Non-current liabilities	1.0	10
Current liabilities	1.0	11
Net identifiable assets and liabilities	7.2	73
Goodwill	5.3	52
Purchase price	12.5	124
Initial investment in joint operation	4.6	44
Paid cash	8.0	80
Purchase price	12.6	124
Less initial investment in joint operation	-4.6	-44
Effect on the Group's cash and cash equivalents	-8.0	-80

Cash consideration paid during the first quarter 2021 amounted to SEK 64 million (EUR 6.3 million), cash consideration paid in 2020 amounted to SEK 16 million (EUR 1.6 million). No additional compensation has been paid during the second or third quarter 2021.

CONSOLIDATED QUARTERLY DATA

SEK million	2021			2020			2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume, ktonnes	118.5	131.4	126.7	103.3	86.7	70.8	89.9	77.9
Income statement								
Net sales	4,621	4,609	4,043	3,149	2,575	2,221	3,063	2,682
Adjusted EBITDA ¹	420	468	499	342	332	182	345	269
Adjusted operating profit ¹	219	309	342	193	203	42	210	144
Operating profit	219	309	326	167	177	37	204	115
Profit for the period	153	226	239	106	124	1	133	47
Adjusted EBITDA margin, %	9.1	10.2	12.3	10.9	12.9	8.2	11.3	10.0
Adjusted operating margin, %	4.7	6.7	8.5	6.1	7.9	1.9	6.9	5.4
Adjusted operating profit per tonne, kSEK	1.8	2.4	2.7	1.9	2.3	0.6	2.3	1.9
Operating margin, %	4.7	6.7	8.1	5.3	6.9	1.7	6.6	4.3
Net margin, %	3.3	4.9	5.9	3.4	4.8	0.0	4.3	1.8
Balance sheet								
Non-current assets	8,099	8,003	8,062	7,633	5,825	6,047	6,491	6,025
Current assets	7,399	6,810	6,009	6,020	4,330	4,156	5,121	4,455
Equity	6,745	6,546	6,424	5,970	4,442	4,374	4,663	4,314
Non-current liabilities	3,425	2,761	2,780	3,068	2,905	3,719	3,910	3,414
Current liabilities	5,327	5,505	4,867	4,614	2,808	2,109	3,038	2,752
Cash flow								
Operating activities	-34	395	-3	318	426	283	387	289
Investing activities	-186	-156	-247	-1,335	-78	-117	-207	-221
Before financing activities	-220	239	-250	-1,017	348	166	181	68
Financing activities	263	169	-646	1,628	-391	-312	225	-69
Cash flow for the period	43	409	-896	611	-43	-146	406	-1
Capital structure								
Net debt	3,810	3,532	3,690	3,292	2,812	3,247	3,559	3,465
Equity to assets, %	43.5	44.2	45.7	43.7	43.7	42.9	40.2	41.2
Data per share, SEK²								
Earnings per share basic	1.44	2.12	2.25	1.19	1.45	0.01	1.56	0.56
Earnings per share diluted	1.44	2.12	2.24	1.19	1.45	0.01	1.56	0.56
Equity	63.26	61.40	60.25	66.49	52.15	51.36	54.75	50.65
Cash flow from operating activities	-0.32	3.71	-0.03	3.54	5.00	3.32	4.55	3.39
Share price at the end of the period	105.50	118.90	113.50	100.20	71.06	65.39	43.62	87.73
Weighted outstanding ordinary shares, basic in thousands	106,308.6	106,308.6	106,308.6	89,742.0	85,177.3	85,177.3	85,177.3	85,177.3
Weighted outstanding ordinary shares, diluted in thousands	106,615.3	106,623.1	106,620.7	89,789.3	85,177.3	85,177.3	85,177.3	85,177.3

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

² Calculated on weighted outstanding ordinary shares, diluted.

CONSOLIDATED QUARTERLY DATA

	2021			2020			2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume by region, ktonnes								
Asia Pacific	17.5	21.4	23.2	20.9	16.8	15.1	16.7	20.4
Europe	34.7	37.7	37.1	25.7	10.3	8.6	13.7	11.5
North and South America	66.3	72.3	66.5	56.7	59.6	47.1	59.5	46.0
Total	118.5	131.4	126.7	103.3	86.7	70.8	89.9	77.9
Sales volume by end-customer, ktonnes								
Automotive	44.3	51.4	55.3	46.8	35.3	25.2	38.7	–
HVAC	27.1	30.4	26.1	19.4	22.4	20.2	24.3	–
Speciality packaging	22.7	22.8	19.1	18.2	18.1	13.7	14.4	–
Other niches	24.4	26.8	26.2	18.8	10.9	11.6	12.5	–
Total	118.5	131.4	126.7	103.3	86.7	70.8	89.9	–
Net sales by region, SEK million								
Asia Pacific	697	801	781	669	526	486	587	714
Europe	1,259	1,274	1,145	778	331	310	473	443
North and South America	2,664	2,534	2,117	1,702	1,717	1,425	2,004	1,524
Total	4,621	4,609	4,043	3,149	2,575	2,221	3,063	2,682
Employees								
Average number of employees	2,664	2,645	2,602	2,297	1,629	1,489	1,751	1,781

End market	Automotive		HVAC		Speciality packaging		Other niches		Total	
	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
ktonnes										
Asia Pacific	15.0	14.7	0.6	0.4	–	–	1.9	1.7	17.5	16.8
Europe	17.1	9.0	0.1	0.1	4.7	–	12.8	1.3	34.7	10.3
North and South America	12.2	11.7	26.5	21.9	18.0	18.1	9.6	7.9	66.3	59.6
Total	44.3	35.3	27.1	22.4	22.7	18.1	24.4	10.9	118.5	86.7

CONSOLIDATED 12-MONTHS ROLLING DATA

SEK million	Oct 2020 – Sep 2021	Jul 2020 – Jun 2021	Apr 2020 – Mar 2021	Jan 2020 – Dec 2020	Oct 2019 – Sep 2020	Jul 2019 – Jun 2020	Apr 2019 – Mar 2020	Jan 2019 – Dec 2019
Sales volume, ktonnes	479.9	448.1	387.5	350.6	325.2	324.3	346.4	347.3
Income statement								
Net sales	16,421	14,375	11,987	11,008	10,541	10,964	11,932	11,978
Adjusted EBITDA ¹	1,729	1,641	1,355	1,201	1,129	1,101	1,289	1,327
Adjusted operating profit ¹	1,063	1,048	780	648	599	586	801	866
Operating profit	1,020	979	707	584	532	545	765	836
Adjusted EBITDA margin, %	10.5	11.4	11.3	10.9	10.7	10.0	10.8	11.1
Adjusted operating margin, %	6.5	7.3	6.5	5.9	5.7	5.3	6.7	7.2
Adjusted operating profit per tonne, kSEK	2.2	2.3	2.0	1.8	1.8	1.8	2.3	2.5
Operating margin, %	6.2	6.8	5.9	5.3	5.0	5.0	6.4	7.0
Capital structure and return indicators								
Capital employed	9,453	8,866	8,495	8,028	7,773	7,849	7,782	7,411
Return on capital employed, %	11.2	11.8	9.2	8.1	7.7	7.5	10.3	11.7
Equity	6,024	5,550	5,174	4,752	4,435	4,362	4,333	4,175
Return on equity, %	12.0	12.5	9.1	7.6	6.9	8.7	12.7	14.4
Net debt / Adjusted EBITDA ²	2.2	2.0	2.4	2.2	2.5	2.9	2.8	2.6

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

² Includes adjusted EBITDA for acquisitions as a part of Gränges Group for 12 months, see alternative performance measures for further information.

FINANCIALS PER BUSINESS AREA

SEK million	Jul–Sep 2021				Jul–Sep 2020			
	Gränges Eurasia	Gränges Americas	Other and eliminations	Total	Gränges Eurasia	Gränges Americas	Other and eliminations	Total
Sales volume external, ktonnes	54.8	63.8	–	118.5	27.7	59.1	–	86.7
Sales volume internal, ktonnes	6.1	–	–6.1	0	4.1	–	–4.1	0
Total sales volume	60.9	63.8	–6.1	118.5	31.8	59.1	–4.1	86.7
Income statement								
Net sales, external	2,054	2,567	–	4,621	882	1,688	4	2,575
Net sales, internal	248	–5	–242	0	137	16	–153	0
Total net sales	2,301	2,562	–242	4,621	1,019	1,704	–148	2,575
Adjusted operating profit ¹	69	172	–22	219	17	156	30	203
Operating profit	69	172	–22	219	–8	156	29	177
Adjusted operating margin, %	3.0	6.7	n/a	4.7	1.6	9.2	n/a	7.9
Adjusted operating profit per tonne, kSEK	1.1	2.7	n/a	1.8	0.5	2.6	n/a	2.3
Capital structure and return indicators								
Capital employed ²	6,840	4,066	–351	10,555	3,237	3,989	28	7,254
Return on capital employed, % ³	8.7	17.9	n/a	11.2	4.9	9.8	n/a	7.7

SEK million	Jan–Sep 2021				Jan–Sep 2020			
	Gränges Eurasia	Gränges Americas	Other and eliminations	Total	Gränges Eurasia	Gränges Americas	Other and eliminations	Total
Sales volume external, ktonnes	181.2	195.5	–	376.6	83.2	164.2	–	247.4
Sales volume internal, ktonnes	23.3	–	–23.3	0	15.4	–	–15.4	0
Total sales volume	204.5	195.5	–23.3	376.6	98.6	164.2	–15.4	247.4
Income statement								
Net sales, external	6,266	7,004	2	13,272	2,773	5,072	13	7,858
Net sales, internal	857	–1	–856	0	544	26	–570	0
Total net sales	7,122	7,003	–853	13,272	3,317	5,099	–558	7,858
Adjusted operating profit ¹	398	582	–110	870	66	395	–6	455
Operating profit	382	582	–110	854	41	395	–18	417
Adjusted operating margin, %	5.6	8.3	n/a	6.6	2.0	7.7	n/a	5.8
Adjusted operating profit per tonne, kSEK	1.9	3.0	n/a	2.3	0.7	2.4	n/a	1.8

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

² Closing balance at end of the period.

³ Calculated on the average capital employed during the past 12-months period.

FINANCIALS PER BUSINESS AREA

SEK million	Gränges Eurasia						
	2021			2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume external, ktonnes	54.8	62.4	64.0	48.3	27.7	24.1	31.4
Sales volume internal, ktonnes	6.1	8.0	9.2	7.1	4.1	3.9	7.3
Total sales volume, ktonnes	60.9	70.4	73.2	55.4	31.8	28.0	38.8
Income statement							
Net sales, external	2,054	2,184	2,028	1,488	882	806	1,085
Net sales, internal	248	298	311	231	137	137	270
Total net sales	2,301	2,482	2,339	1,720	1,019	943	1,355
Adjusted operating profit ¹	69	136	193	110	17	-25	74
Operating profit	69	136	177	80	-8	-25	74
Adjusted operating margin, %	3.0	5.5	8.3	6.4	1.6	-2.6	5.4
Adjusted operating profit per tonne, kSEK	1.1	1.9	2.6	2.0	0.5	-0.9	1.9
Capital structure and return indicators							
Capital employed ²	6,840	6,647	6,483	5,911	3,237	3,179	3,338
Return on capital employed, % ³	8.7	9.0	6.7	4.6	4.9	7.4	12.7

SEK million	Gränges Americas						
	2021			2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales volume external, ktonnes	63.8	69.0	62.7	54.9	59.1	46.7	58.4
Sales volume internal, ktonnes	-	-	-	-	-	-	-
Total sales volume, ktonnes	63.8	69.0	62.7	54.9	59.1	46.7	58.4
Income statement							
Net sales, external	2,567	2,425	2,012	1,652	1,688	1,411	1,974
Net sales, internal	-5	1	3	-3	16	10	1
Total net sales	2,562	2,426	2,015	1,650	1,704	1,420	1,974
Adjusted operating profit ¹	172	219	191	108	156	89	150
Operating profit	172	219	191	103	156	89	150
Adjusted operating margin, %	6.7	9.0	9.5	6.5	9.2	6.3	7.6
Adjusted operating profit per tonne, kSEK	2.7	3.2	3.0	2.0	2.6	1.9	2.6
Capital structure and return indicators							
Capital employed ²	4,066	3,761	3,895	3,555	3,989	4,441	4,898
Return on capital employed, % ³	17.9	17.2	13.1	11.8	9.8	8.1	9.3

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

² Closing balance at end of the period.

³ Calculated on the average capital employed during the past 12-months period.

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 26.

SEK million	Q3		Jan–Sep		12 months rolling	Full year
	2021	2020	2021	2020	Oct 2020 – Sep 2021	2020
Adjusted operating profit						
Operating profit	219	177	854	417	1,020	584
Items affecting comparability	–	26	16	37	43	64
Adjusted operating profit	219	203	870	455	1,063	648
Adjusted operating profit per tonne						
Adjusted operating profit	219	203	870	455	1,063	648
Sales volume, ktonnes	118.5	86.7	376.6	247.4	479.9	350.6
Adjusted operating profit per tonne, kSEK	1.8	2.3	2.3	1.8	2.2	1.8
Adjusted EBITDA						
Adjusted operating profit	219	203	870	455	1,063	648
Depreciation, amortization and impairment charges	202	129	518	404	666	553
Adjusted EBITDA	420	332	1,387	859	1,729	1,201
EBITDA for Aluminium Konin	–	–	–	–	34	276
Adjusted EBITDA incl. Aluminium Konin as a part of Gränges Group for 12 months	420	332	1,387	859	1,763	1,477
Return on capital employed						
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	–	–	–	–	12,566	10,119
Non-interest-bearing liabilities, rolling 12 months average	–	–	–	–	–3,470	–2,468
Pensions, rolling 12 months average	–	–	–	–	357	377
Capital employed	–	–	–	–	9,453	8,028
Adjusted operating profit	–	–	–	–	1,063	648
Return on capital employed, %	–	–	–	–	11.2	8.1
Net debt						
Cash and cash equivalents and interest-bearing receivables	–	–	–1,089	–957	–1,089 ¹	–1,601
Interest-bearing liabilities	–	–	4,565	3,377	4,565 ¹	4,535
Pensions	–	–	334	392	334 ¹	358
Net debt	–	–	3,810	2,812	3,810¹	3,292
Equity to assets						
Equity	–	–	6,745	4,442	6,745 ¹	5,970
Total assets	–	–	15,498	10,155	15,498 ¹	13,652
Equity to assets, %	–	–	43.5	43.7	43.5¹	43.7
Adjusted cash flow before financing activities						
Cash flow before financing activities	–220	348	–230	695	–1,248	–322
Cash flow from expansion investments	85	15	296	204	399	306
Cash flow from acquisitions and other capital transactions	–	17	78	49	1,224	1,196
Adjusted cash flow before financing activities	–135	380	144	948	375	1,180
Cash conversion						
Adjusted cash flow before financing activities	–135	380	144	948	375	1,180
Adjusted operating profit	219	203	870	455	1,063	648
Cash conversion, %	n/a	187	17	208	35	182

¹ Closing balance at the end of the period.

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 an aluminium technology company that drives the development of lighter, smarter, and more sustainable aluminium products and solutions. The company offers advanced materials that enhance efficiency in the customers' manufacturing process and the performance of the final products. Gränges' innovative engineering has transformed the industry for more than 125 years, and the company holds leading positions in rolled products for thermal management systems, speciality packaging and selected niche applications. Gränges has production facilities and conducts sales on three continents, Asia, Europe, and Americas. The total annual production capacity amounts to 560 ktonnes. Gränges has 2,600 employees and the share is listed on Nasdaq Stockholm. More information on Gränges is available at www.granges.com.

PURPOSE AND PROMISE

Gränges' purpose is to develop lighter, smarter and more sustainable aluminium products and solutions. Gränges' promise is to use expertise, flexibility and speed to deliver to the needs of today and tomorrow.

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 growth targeting four areas: Thermal management, Electrified transportation, New rolled products niches and New materials technology. The implementation of the strategy is supported by a focus on sustainability, innovation, digitalization and continuous improvement. Together with Gränges' strong company culture and committed employees, this will further strengthen Gränges' competitiveness and value creation as well as enabling Gränges to fulfil its purpose and promise.