

INTERIM REPORT JANUARY–SEPTEMBER 2020

Strong operating profit and cash flow supported by improved market conditions

Third quarter 2020

- Sales volume increased by 1.1 per cent to 86.7 ktonnes (85.8). Net sales decreased to SEK 2,575 million (2,998).
- Adjusted operating profit increased to SEK 203 million (190) and adjusted operating profit per tonne increased to 2.3 kSEK (2.2).
- Profit for the period amounted to SEK 124 million (198) and includes items affecting comparability of SEK –26 million (–).
- Basic and diluted earnings per share amounted to SEK 1.64 (2.62).
- Cash flow before financing activities increased to SEK 348 million (155) and includes capital expenditure of SEK 61 million (409). Adjusted cash flow before financing activities was SEK 380 million (442).

January–September 2020

- Sales volume decreased by 8.2 per cent to 247.4 ktonnes (269.5). Net sales decreased to SEK 7,858 million (9,295).
- Adjusted operating profit was SEK 455 million (721) and adjusted operating profit per tonne was 1.8 kSEK (2.7).
- Profit for the period amounted to SEK 257 million (553) and includes items affecting comparability of SEK –37 million (–).
- Basic and diluted earnings per share amounted to SEK 3.40 (7.32).
- Cash flow before financing activities increased to SEK 695 million (–216) and includes capital expenditure of SEK 352 million (1,368). Adjusted cash flow before financing activities was SEK 948 million (857), representing a cash conversion of 208 per cent.
- Net debt decreased to SEK 2,812 million at 30 September 2020 (SEK 3,465 million at 31 December 2019), corresponding to 2.5 times adjusted EBITDA¹ (2.6 times at 31 December 2019).

Financial summary

SEK million	Q3			Jan–Sep			12 months rolling	Full year	
	2020	2019	Δ	2020	2019	Δ	Oct 2019 – Sep 2020	2019	Δ
Sales volume, ktonnes	86.7	85.8	1.1%	247.4	269.5	–8.2%	325.2	347.3	–6.4%
Net sales	2,575	2,998	–14.1%	7,858	9,295	–15.5%	10,541	11,978	–12.0%
Adjusted operating profit ¹	203	190	7.1%	455	721	–36.9%	599	866	–30.8%
Adjusted operating margin, %	7.9	6.3	1.6 ppt	5.8	7.8	–2.0 ppt	5.7	7.2	–1.5 ppt
Adjusted operating profit per tonne, kSEK	2.3	2.2	0.1	1.8	2.7	–0.8	1.8	2.5	–0.7
Operating profit	177	190	–6.6%	417	721	–42.1%	532	836	–36.4%
Operating margin, %	6.9	6.3	0.6 ppt	5.3	7.8	–2.4 ppt	5.0	7.0	–1.9 ppt
Profit for the period	124	198	–37.6%	257	553	–53.5%	304	600	–49.3%
Earnings per share basic, SEK	1.64	2.62	–0.99	3.40	7.32	–3.92	4.03	7.95	–3.92
Earnings per share diluted, SEK	1.64	2.62	–0.99	3.40	7.32	–3.92	4.03	7.95	–3.92
Cash flow before financing activities	348	155	124.7%	695	–216	n/a	763	–148	n/a
Equity to assets, %	–	–	–	43.7	40.7	3.0 ppt	43.7 ²	41.2	2.6 ppt
Net debt	–	–	–	2,812	3,606	–794	2,812 ²	3,465	–653
Return on capital employed, %	–	–	–	–	–	–	7.7	11.7	–4.0 ppt

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

² Closing balances at the end of the period.

COMMENTS BY THE CEO

Important milestones for growth initiatives reached in the quarter

IMPROVED MARKET CONDITIONS

We experienced clear signs of market recovery in the third quarter of 2020 although the COVID-19 pandemic continued to impact the markets in which Gränges operates. The sales volume in the third quarter reached 86.7 ktonnes, up 1 per cent compared with the same period last year and 23 per cent compared to the sales volume in the second quarter. The adjusted operating profit increased to SEK 203 million mainly explained by the higher sales volume and effects from cost reduction initiatives. The cash generation continued to be strong in the third quarter and the cash flow before financing, adjusted for expansion investments and acquisitions, amounted to SEK 380 million. As a consequence of this, net debt was reduced to SEK 2.8 billion, corresponding to 2.5 times EBITDA, at the end of the third quarter.

Market conditions in the third quarter were particularly strong for the HVAC & Other business, where a generally high market activity was further amplified by the long and warm summer season. The strong demand together with gains in market share contributed to a 15 per cent increase in sales volume compared with last year. For the automotive business we experienced a sequential recovery in the third quarter with a lower year over year decline than in the second quarter. The signs of recovery were strongest in Asia, with China as the main driver, and Americas, where sales to Automotive customers declined by only 5 per cent and 12 per cent respectively year over year despite reductions of inventory at customer level. The European automotive market remained challenging also in the third quarter with a sales volume decline of 27 per cent, although there was increased market activity in the end of the quarter.

As a consequence of the increased market demand in Americas, the Salisbury facility which was temporary closed in April, was re-opened during the third quarter. Further, we have also decided to complete the expansion of the Newport facility that was put on hold as a consequence of COVID-19.

NEW POWDER METALLURGY BUSINESS ESTABLISHED

In September we announced the establishment of the new business unit Gränges Powder Metallurgy, with focus on advanced aluminium powder and spray forming technology. The business unit is based on Gränges' acquisition of the remaining 49 per cent of the shares in Getek GmbH and of Dispal®. The strategic acquisition adds new capabilities and gives access to the fast-growing market for additive manufacturing powder materials for use in industrial 3D printing. The new business unit will enable us to expand our offering of advanced aluminium materials within current and new customer segments and contribute to further strengthen Gränges' platform for profitable growth.

ACQUISITION OF ALUMINIUM KONIN

In November 2019 we announced the acquisition of Aluminium Konin. The acquisition will strengthen the product offering and presence in Europe and contribute with strong positions in new attractive niche markets. Aluminium Konin will also add new capabilities and capacity to expand the offering for future transportation solutions, such as electric vehicles. During the third quarter we received clearance from competition authorities and agreed with the seller on a new structure for the payment of the purchase price, where a part of the payment will be made in Gränges shares. The transaction is expected to be completed in the fourth quarter and we look forward to finalizing this strategic acquisition. Following the completion of the transaction we intend to undertake a new share issue, with preferential rights for existing shareholders, to finance the acquisition and future growth investments in line with our strategy.

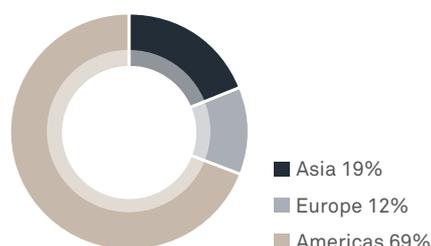


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Third quarter 2020

- Sales volume **86.7** ktonnes
- Net sales SEK **2,575** million
- Adjusted operating profit SEK **203** million

Sales volume per region



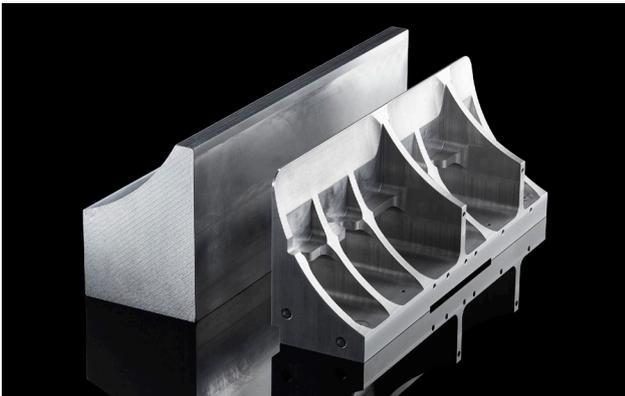
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OUTLOOK

It remains difficult to provide reliable forecasting of underlying market demand, although the market uncertainty following the COVID-19 pandemic has been reduced. The research firm IHS currently assumes a continued recovery of the global light vehicle production with a sequential growth of 9 per cent from the third to the fourth quarter and a year over year decline in the fourth quarter of 3 per cent. For the fourth quarter Gränges currently expects an organic increase in sales volume by low single digits compared with last year. This includes a stable development for the Automotive and a mid-single digit growth for the HVAC & Other business.

As we look further ahead, we will continue to work actively with innovation, efficiency improvements, and develop our sustainable customer offering even more. During the autumn we have further developed our growth strategy and going forward we will focus our efforts on four primary areas: Electrified transportation, Thermal management, New rolled products niches and New materials technology. With a strong commitment to constantly improve and develop, Gränges is well positioned to deliver sustainable and profitable growth throughout the economic cycle.

Johan Menckel, CEO



Applications from the Dispal® business, which is included in Gränges' new business area Powder Metallurgy.



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 3.5 per cent in the third quarter of 2020, compared to the corresponding quarter in 2019. In Asia, light vehicle production decreased by 1.4 per cent during the third quarter. This includes an increase of 10.6 per cent in China while production in other Asian markets declined by 14.7 per cent. In the fourth quarter of 2020, a decrease of 4.3 per cent is expected in Asia. In Europe, light vehicle production declined by 7.7 per cent in the third quarter, and a decrease of 1.1 per cent is expected for the fourth quarter of 2020. Light vehicle production in the Americas declined by 3.4 per cent in the third quarter, and an increase of 0.6 per cent is anticipated in the fourth quarter of 2020. For the full year 2020, IHS forecasts a decrease in global light vehicle production of 17.9 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 16.1 per cent in the third quarter of 2020 compared to the corresponding quarter 2019. The full year 2020 outlook is currently uncertain as US shipments of HVAC units are expected to be impacted by COVID-19.

SALES DEVELOPMENT

Gränges' sales volume in the third quarter of 2020 increased by 1.1 per cent to 86.7 ktonnes (85.8) compared to the same quarter previous year. Net sales amounted to SEK 2,575 million (2,998). The decrease in net sales was primarily driven by a decreased aluminium price. Changes in foreign exchange rates had a net negative effect of SEK 232 million.

For the Automotive business, sales volume decreased to 34.9 ktonnes (40.6) and net sales was SEK 1,143 million (1,508) during the third quarter 2020. For the HVAC & Other business, sales volume increased to 51.8 ktonnes (45.2) and net sales amounted to SEK 1,432 million (1,491).

During January-September 2020, Gränges' sales volume decreased by 8.2 per cent to 247.4 ktonnes (269.5) compared to the corresponding period previous year. Net sales amounted to SEK 7,858 million (9,295). The net effect of changes in foreign exchange rates was negative and amounted to SEK 55 million.

During January-September 2020 sales volume for the Automotive business decreased to 100.5 ktonnes (131.8) and net sales to SEK 3,452 million (4,773). For the HVAC & Other business, sales volume increased to 146.9 ktonnes (137.7) while net sales amounted to SEK 4,407 million (4,523).

Light vehicle production¹

Year-on-year growth, %	Q3 2020	Q4 2020	Full year 2020
Region			
Asia	-1.4	-4.3	-14.1
Europe	-7.7	-1.1	-22.6
Americas	-3.4	0.6	-22.0
Global	-3.5	-2.7	-17.9

Gränges' sales volume

Sales volume, ktonnes	Jul-Sep 2020	Jul-Sep 2019	Δ
Region			
Asia Automotive	16.8	17.7	-5.0%
Europe Automotive	10.3	14.1	-26.8%
Americas Automotive	7.8	8.8	-11.5%
Total Automotive	34.9	40.6	-14.0%
Americas HVAC & Other	51.8	45.2	14.7%
Total	86.7	85.8	1.1%

¹ Source: IHS, 16 October 2020.

² Source: AHRI, 9 October 2020.

ASIA

In the third quarter of 2020, sales volume in Asia decreased by 5.0 per cent to 16.8 ktonnes (17.7). The decrease was driven by the slowdown in light vehicle production due to COVID-19 as well as inventory reductions at several of Gränges' customers. However, signs of a market recovery were seen across most Asian markets, especially in China.

During January–September 2020, sales volume in Asia declined to 48.5 ktonnes (58.6), which represents a decrease of 17.2 per cent compared to previous year.

EUROPE

In the third quarter of 2020, sales volume in Europe decreased by 26.8 per cent to 10.3 ktonnes (14.1). The decline was driven by a continued significant slowdown of light vehicle production due to COVID-19 and inventory reductions at several of Gränges' customers. However, market activity increased at the end of the third quarter.

During January–September 2020, sales volume in Europe reached 32.6 ktonnes (46.7), which represents a decrease of 30.2 per cent compared to previous year.

AMERICAS

In the third quarter of 2020, sales volume in the Americas increased by 10.4 per cent to 59.6 ktonnes (54.0). Of this, 51.8 ktonnes (45.2) relates to the HVAC & Other business while 7.8 ktonnes (8.8) relates to the Automotive business. For the HVAC & Other business, the long and warm summer season as well as market share gains contributed to the 14.7 per cent increase in sales volume. In the Automotive business, sales volume decreased by 11.5 per cent driven by the slowdown in light vehicle production due to COVID-19 as well as inventory reductions at several of Gränges' automotive customers. However, visible signs of a market recovery were seen in the third quarter.

During January–September 2020, sales volume in Americas increased to 166.3 ktonnes (164.1) compared to previous year. 146.9 ktonnes (137.7) relates to the HVAC & Other business while 19.3 ktonnes (26.5) relates to the Automotive business.

OPERATING PROFIT

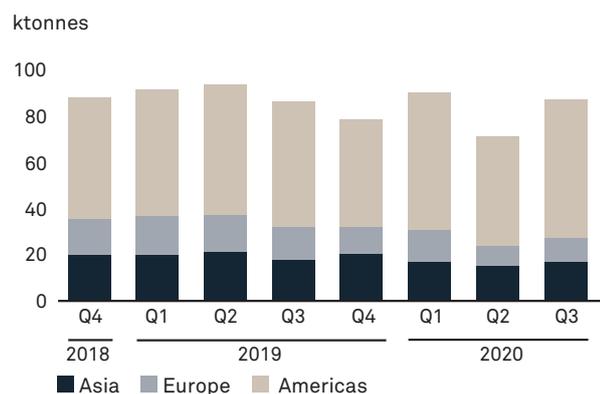
Adjusted operating profit for the third quarter of 2020 increased to SEK 203 million (190), corresponding to adjusted operating profit per tonne of 2.3 kSEK (2.2). Adjusted operating margin increased to 7.9 per cent (6.3). Positive effects from the increased sales volume, higher average conversion price and cost savings were partly offset by less optimal metal management and higher depreciation related to the completed expansion projects in the US. Operating profit includes government grants of SEK 10 million related to financial support in connection with COVID-19. Net changes in foreign exchange rates had a negative impact of SEK 5 million in the quarter.

Operating profit for the third quarter of 2020 amounted to SEK 177 million (190) and includes items affecting comparability of SEK –26 million (–). Items affecting comparability in the quarter refers to restructuring costs related to the organizational changes in the Swedish operations and costs for the ongoing acquisition of Aluminium Konin. For further information see Note 5.

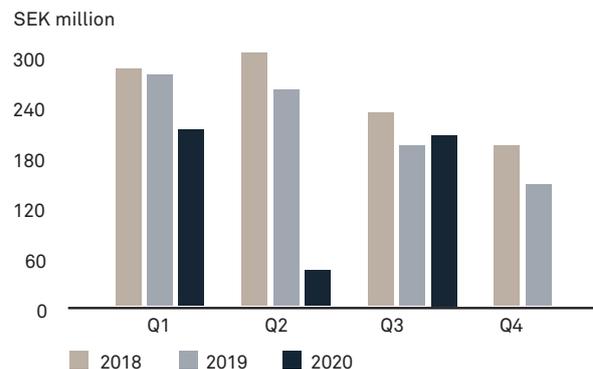
During the period January–September 2020, adjusted operating profit amounted to SEK 455 million (721), while adjusted operating profit per tonne was 1.8 kSEK (2.7). Adjusted operating margin reached 5.8 per cent (7.8). The net effect of changes in foreign exchange rates was positive and amounted to SEK 44 million in the period.

Operating profit during January–September 2020 amounted to SEK 417 million (721) and includes items affecting comparability of SEK –37 million (–). 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 third quarter of 2020 amounted to SEK 154 million (154). Finance income and costs was SEK –24 million (–36) and includes interest expenses and financing costs of SEK 25 million and interest income of SEK 1 million. Income tax for the third quarter of 2020 was SEK –30 million (44) which corresponds to an effective tax rate of 19 per cent. Income tax in the third quarter 2019 was positively impacted by a released provision and retroactive adjustment of income tax in China. The profit for the period was SEK 124 million (198) during the third quarter of 2020 and diluted earnings per share amounted to SEK 1.64 (2.62).

During the period January–September 2020 profit before taxes amounted to SEK 323 million (608). In the period, finance income and costs was SEK –95 million (–115) and includes interest expenses of SEK 102 million and interest income of SEK 7 million. Income tax for the period January–September 2020 was SEK –66 million (–55) which corresponds to an effective tax rate of 21 per cent (9). The profit for the period was SEK 257 million (553) and diluted earnings per share was SEK 3.40 (7.32).

CASH FLOW

Cash flow from operating activities amounted to SEK 426 million (564) in the third quarter of 2020. This was driven by working capital reductions following a continued high focus on working capital control and a positive effect from increased accounts payable due to improved payment terms with suppliers. Cash flow from investing activities amounted to SEK –78 million (–409) in the quarter. Of this, SEK 61 million relates to capital expenditure and SEK 17 million to a negative effect from realized currency hedges connected to the ongoing acquisition of Aluminium Konin. Of the total capital expenditure, SEK 45 million refers to investments to maintain and improve efficiency in current production facilities and SEK 15 million refers 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 380 million (442).

Cash flow from financing activities was SEK –391 million (21) in the third quarter of 2020 and includes new loans of SEK 670 million and repayment of loans of SEK –1,041 million. Net financing from commercial papers was SEK –70 million in the quarter.

During January–September 2020, cash flow from operating activities was SEK 1,096 million (1,152). Cash flow from investing activities amounted to SEK –401 million (–1,368) in the period. Of this, SEK 352 million relates to capital expenditure and SEK 49 million to a negative effect from realized currency hedges connected to the acquisition of Aluminium Konin. Of the total capital expenditure, SEK 148 million refers to investments to maintain and improve efficiency in current production facilities and SEK 204 million refers to investments related to the expansion of the production facilities in the US and Sweden. During January–September 2020 cash flow before financing adjusted for expansion investments and acquisitions amounted to SEK 948 million (857).

Cash flow from financing activities was SEK –478 million (509) and includes new loans of SEK 2,589 million and repayment of loans of SEK –2,963 million.

Cash and cash equivalents amounted to SEK 923 million at 30 September 2020 (SEK 747 million 31 December 2019).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 10,155 million at 30 September 2020 (SEK 10,480 million at 31 December 2019). The equity to assets ratio was 43.7 per cent at 30 September 2020 (41.2 per cent at 31 December 2019).

Consolidated net debt including pension and lease liabilities was SEK 2,812 million at 30 September 2020 (SEK 3,465 million at 31 December 2019), corresponding to 2.5 times adjusted EBITDA (2.6 times at 31 December 2019).

EMPLOYEES

The average number of employees was 1,629 (1,813) in the third quarter of 2020 and 1,623 (1,812) during the period January–September 2020. Implemented temporary layoffs and reduced working hours have decreased average number of employees as of the second quarter of 2020.

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 2020, net sales in the parent company was SEK 132 million (141) and the result for the period was SEK –45 million (–47).

SIGNIFICANT EVENTS DURING THE PERIOD

Gränges' acquisition of Aluminium Konin approved by the EU Commission

In September, Gränges' acquisition of the Polish flat rolled aluminium producer Aluminium Konin was approved by the EU Commission. The acquisition is thereby approved by all relevant competition authorities.

Gränges completes acquisition of GETEK GmbH and creates the new business unit Gränges Powder Metallurgy

In September, Gränges signed an agreement to acquire the remaining 49 per cent of the shares in GETEK GmbH as well as the business Dispal® for EUR 8.5 million from Erbslöh Aluminium GmbH.

On 1 October the acquisition of GETEK GmbH was closed, and in connection with that the name of the company was changed to Gränges Powder Metallurgy GmbH. The acquired business constitutes a new business unit within Gränges, focusing on advanced aluminium powder and spray forming technology. The new business unit creates opportunities for growth in new materials technology in the fast-growing market for powder materials and additive manufacturing, also known as industrial 3D printing. The acquisition of the Dispal® business will be completed on 1 January 2021.

Gränges improves efficiency and adapts European operations

As part of improving efficiency and adapting Gränges Europe's operations to current market conditions, a decision was made in August on organizational changes in the Swedish operations. In connection with the reorganization, a notice of redundancy was announced that will affect 75 positions in total, whereof 50 positions within the blue-collar organization and 25 within the white-collar organization in Sweden.

Gränges has initiated cooperation with Alcoa to reduce climate impact

In July, Gränges reached an agreement with Alcoa to source ECOLUM™ rolling slabs, part of Alcoa's SUSTANA™ line of low-carbon products, which are produced at hydroelectric-powered aluminium smelters and guarantee no more than 4.0 tonnes CO₂e per tonne aluminium, including emissions from bauxite mining and alumina refining, which gives a significantly lower carbon footprint than the industry average. The cooperation reinforces Gränges' climate strategy and focus to collaborate along the value chain to reduce climate impact.

SIGNIFICANT EVENTS AFTER THE PERIOD

Gränges and Boryszew have agreed on a new structure regarding the payment of the purchase price for Aluminium Konin

In October, Gränges and Boryszew S.A., the seller of Aluminium Konin, signed an agreement on a new structure regarding the payment of the purchase price for the acquisition of Aluminium Konin:

- A part of the purchase price payment will consist of a non-cash issue of shares in Gränges AB to the seller, Boryszew S.A.. The non-cash issue will amount to about 10 per cent of the Enterprise Value (approximately SEK 2.2 billion or PLN 938 million on a cash and debt free basis), corresponding to about SEK 200 million. The price per share and the number of shares will be determined on market terms.
- Boryszew has committed to subscribe for its share of Gränges' planned rights issue and to retain the shares for at least 6 months after the completion of the transaction.

Gränges' intended rights issue of approximately SEK 2 billion will be reduced by the size of the non-cash issue.

Gränges announced that third quarter sales volume and operating profit were expected to be above market expectations

In October, Gränges communicated that the third quarter sales volume and operating profit were expected to be above market expectations. The operating profit in the third quarter has been positively impacted by stronger market demand and increased effects from cost reduction initiatives.

No other 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 9,833 at 30 September 2020, according to Euroclear.

Largest shareholders in Gränges at 30 September 2020¹

Shareholder	Number of shares	Share of capital and votes %
Fourth Sw. National Pension Fund	7,233,994	9.6
AFA Insurance	6,866,585	9.1
Handelsbanken Funds	5,679,595	7.5
Swedbank Robur Funds	4,809,903	6.4
Franklin Templeton	3,567,641	4.7
Dimensional Fund Advisors	3,188,034	4.2
Allianz Global Investors	2,866,950	3.8
Paradice Investment Management	2,606,605	3.5
Columbia Threadneedle	1,944,590	2.6
Fidelity Investments (FMR)	1,908,851	2.5
Total 10 largest shareholders	40,672,748	53.9
Other	34,844,638	46.1
Total	75,517,386	100.0

¹ Source: Modular Finance.

OTHER

Nomination Committee appointed

The Nomination Committee for Gränges' Annual General Meeting 2021 has been appointed. The committee consists of representatives from Gränges' three largest shareholders as of 31 August 2020 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 2021

Gränges' 2021 Annual General Meeting will be held on Thursday 6 May 2021 at 16.00 CEST at Näringslivets Hus, 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 32–35 in Gränges' 2019 annual report.

A new business risk during 2020 is the spread of COVID-19.

Gränges considers that the risk management described in the annual report 2019 essentially covers the market risks that may arise as a result of the coronavirus. Regarding the risk for increased sick leave and difficulties in managing the Group effectively in the event of key employees being ill, contingency plans have been established and remote access to business-critical systems have been secured.

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, 22 October 2020

Johan Menckel
Chief Executive Officer

REVIEW REPORT

Gränges AB, corporate identity number 556001-6122

Introduction

We have reviewed the condensed interim report for Gränges AB as at September 30, 2020 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, 22 October 2020
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

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 22 October, 2020 at 07.30 CEST.

Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' interim report for January–September 2020 at a webcasted conference call at 10.00 CEST, Thursday 22 October, 2020.

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: 69788601#. Please call a few minutes before the conference call starts. The presentation will be in English.

Financial calendar

28 January, 2021	Year-end Report 2020
22 April, 2021	Interim Report January–March 2021
6 May, 2021	Annual General Meeting 2021
16 July, 2021	Half-year Report 2021

CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales	2	2,575	2,998	7,858	9,295	11,978
Cost of materials		-1,561	-1,918	-4,796	-5,911	-7,620
Payroll and other operating expenses		-682	-776	-2,203	-2,327	-3,031
Depreciation, amortization and impairment charges		-129	-115	-404	-336	-461
Items affecting comparability	5	-26	-	-37	-	-30
Operating profit		177	190	417	721	836
Profit or loss from joint ventures	4	1	1	1	1	1
Finance income and costs		-24	-36	-95	-115	-152
Profit before tax		154	154	323	608	686
Income tax	6	-30	44	-66	-55	-86
Profit for the period		124	198	257	553	600
Profit for the period attributable to						
- owners of the parent		124	198	257	553	600
- non-controlling interests		-	-	-	-	-
Earnings per share						
Earnings per share basic, SEK		1.64	2.62	3.40	7.32	7.95
Earnings per share diluted, SEK		1.64	2.62	3.40	7.32	7.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Profit for the period	124	198	257	553	600
Items not to be reclassified to profit/loss in subsequent periods					
Remeasurement of pensions after tax	1	0	-18	-23	-31
Items to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve after tax	0	-10	-32	-5	22
Translation effects	-56	117	-78	226	91
Comprehensive income for the period attributable to owners of the parent company	68	305	128	750	682

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS				
Intangible assets		822	897	874
Property, plant and equipment		4,954	5,178	5,101
Deferred tax assets		28	54	28
Investments in joint ventures	4	13	12	12
Interest-bearing receivables		2	2	2
Other non-current receivables	3	6	10	8
Non-current assets		5,825	6,153	6,025
Inventories		1,606	1,948	1,957
Receivables	3	1,770	1,887	1,748
Interest-bearing receivables	3	32	–	3
Cash and cash equivalents		923	775	747
Current assets		4,330	4,609	4,455
TOTAL ASSETS		10,155	10,762	10,480
EQUITY AND LIABILITIES				
Share capital		101	101	101
Retained earnings		4,341	4,281	4,213
Equity		4,442	4,382	4,314
Interest-bearing liabilities	3	2,332	2,785	2,901
Provisions and other non-current liabilities	3	573	495	513
Non-current liabilities		2,905	3,280	3,414
Interest-bearing liabilities	3	1,045	1,233	953
Provisions and other current liabilities	3	1,763	1,867	1,799
Current liabilities		2,808	3,100	2,752
TOTAL EQUITY AND LIABILITIES		10,155	10,762	10,480

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	30 Sep 2020	30 Sep 2019	31 Dec 2019
Opening balance	4,314	3,873	3,873
Profit for the period	257	553	600
Other comprehensive income for the period	–129	197	82
Total comprehensive income for the period	128	750	682
Dividend	–	–242	–242
Total transactions with owners	–	–242	–242
Closing balance	4,442	4,382	4,314

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Note	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Operating profit		177	190	417	721	836
Depreciation, amortization and impairment charges		129	115	404	336	461
Other non-cash items	5	25	-	25	-	-
Change in working capital etc.		105	259	279	153	236
Income taxes paid		-10	-1	-29	-58	-92
Cash flow from operating activities		426	564	1,096	1,152	1,441
Investments in property, plant, equipment and intangible assets		-61	-409	-352	-1,368	-1,590
Other capital transactions		-17	-	-49	-	-
Cash flow from investing activities		-78	-409	-401	-1,368	-1,590
Cash flow before financing activities		348	155	695	-216	-148
Dividend		-	-	-	-242	-242
Interest paid and received		-20	-41	-105	-101	-137
New loans		670	1,036	2,589	3,960	5,546
Repayment of loans		-1,041	-974	-2,963	-3,108	-4,727
Cash flow from financing activities		-391	21	-478	509	440
Cash flow for the period		-43	176	217	293	292
Cash and cash equivalents at beginning of period		987	581	747	457	457
Cash flow for the period		-43	176	217	293	292
Exchange rate differences in cash and cash equivalents		-21	17	-41	25	-2
Cash and cash equivalents at end of period		923	775	923	775	747

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales	41	43	132	141	187
Payroll and other operating expenses	-47	-55	-172	-189	-256
Depreciation, amortization and impairment charges	-5	-5	-16	-14	-20
Operating profit/loss	-11	-18	-56	-62	-88
Dividends from subsidiaries	-	-	-	-	335
Finance income and costs	-1	4	2	6	7
Profit/loss after financial items	-12	-14	-54	-56	254
Appropriations	-	-	-	-	97
Income tax	2	1	9	9	-16
Profit/loss for the period	-11	-14	-45	-47	335

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Profit for the period	-11	-14	-45	-47	335
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	-19	-14	-87	-47	334

PARENT COMPANY BALANCE SHEET (CONDENSED)

SEK million	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS			
Intangible assets	35	41	40
Property, plant and equipment	181	198	192
Shares in Group companies	1,160	1,160	1,160
Receivables from Group companies	1,905	2,053	2,102
Other non-current receivables	14	20	3
Non-current assets	3,295	3,472	3,497
Receivables from Group companies	173	102	164
Other receivables	86	50	47
Cash and cash equivalents	77	72	190
Current assets	336	224	402
TOTAL ASSETS	3,631	3,696	3,899
EQUITY AND LIABILITIES			
Restricted equity	110	110	111
Non-restricted equity	1,503	1,207	1,589
Equity	1,613	1,318	1,699
Untaxed reserves	30	37	30
Interest-bearing liabilities	721	920	1,065
Provisions and other non-current liabilities	20	31	32
Non-current liabilities	742	951	1,097
Liabilities to Group companies	217	144	75
Interest-bearing liabilities	930	1,114	901
Provisions and other current liabilities	99	132	96
Current liabilities	1,246	1,389	1,072
TOTAL EQUITY AND LIABILITIES	3,631	3,696	3,899

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) 2019. 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 2020 or later have not had any material impact on this financial report.

The COVID-19 pandemic has increased the economic uncertainty and the impact on Gränges and measures taken are described in the comments by the CEO, and in the description of the financial development on pages 4–6. Government grants of SEK 10 million related to financial support in connection with COVID-19 have reduced personnel and other operating expenses during the third quarter 2020. Corresponding amount for the period January–September 2020 amounts to SEK 25 million. In addition Gränges has used the opportunity to defer payments of SEK 59 million for social security contributions, whereof SEK 46 million is due for payment during the fourth quarter 2020 and the remaining SEK 11 million during 2021. Apart from the company's updated risk assessment described on page 8, Gränges management assesses that there are no additional significant uncertainties or judgements due to COVID-19 that have materially impacted the financial information in this interim report.

The interim information on pages 2–16 is an integrated part of these 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' net sales by geographical region and by market divided by type of revenue.

SEK million	Jul–Sep 2020	Jul–Sep 2019	Jan–Sep 2020	Jan–Sep 2019	Jan–Dec 2019
Net sales by region					
Asia	526	617	1,599	2,021	2,736
Europe	327	532	1,101	1,633	2,074
Americas	1,717	1,845	5,146	5,626	7,150
Total revenue from contracts with customers	2,570	2,994	7,846	9,281	11,960
Other revenue	4	5	13	15	18
Net sales	2,575	2,998	7,858	9,295	11,978

SEK million	Jul–Sep 2020	Jul–Sep 2019	Jan–Sep 2020	Jan–Sep 2019	Jan–Dec 2019
Net sales by market					
Automotive					
Fabrication revenue	544	709	1,653	2,272	2,925
Raw material and other revenue	595	794	1,786	2,486	3,267
Total	1,139	1,503	3,439	4,758	6,192
HVAC & Other					
Fabrication revenue	590	540	1,791	1,620	2,074
Raw material and other revenue	841	951	2,616	2,903	3,694
Total	1,432	1,491	4,407	4,523	5,768
Total revenue from contracts with customers	2,570	2,994	7,846	9,281	11,960
Other revenue	4	5	13	15	18
Net sales	2,575	2,998	7,858	9,295	11,978

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 2020	30 Sep 2019	31 Dec 2019
Non-current assets	1	–	3
Current assets	78	45	37
Non-current liabilities	1	84	38
Current liabilities	57	99	45

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 30 September 2020. Gränges' revolving credit facilities amounted to SEK 2,450 million, whereof SEK 315 million was utilized. Interest-bearing liabilities also include corporate bonds of SEK 600 million, issued under Gränges' MTN programme, and commercial papers of SEK 619 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 September 30, 2020, is subject to extension options and had an initial maximum tenor of 18 months and is finally due 27 May 2021.

SEK million	Limit/Program amount	Year			Total
		< 1	1–2	> 2	
Term loans					
SEK		–	200	–	200
USD		–	–	1,351	1,351
Bonds in MTN programme	3,000	300	300	–	600
Commercial papers	1,500	619	–	–	619
Revolving Credit Facilities	2,450	–	315	–	315
Lease liabilities		49	40	133	222
Other interest-bearing liabilities		77	–1	–6	70
Total interest-bearing liabilities		1,045	854	1,478	3,377

Interest-bearing liabilities are measured at amortized cost and the carrying amount as of 30 September 2020 was SEK 3,377 million (SEK 3,853 million as of 31 December 2019). The fair value of interest-bearing liabilities amounted to SEK 3,384 million as of 30 September 2020 (SEK 3,864 million as of 31 December 2019). 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 2019 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 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Restructuring costs	Items affecting comparability	-25	-	-25	-	-14
M&A costs	Items affecting comparability	-1	-	-12	-	-16
Items affecting comparability		-26	-	-37	-	-30

As part of improving efficiency and adapting Gränges Europe's operations to current market conditions, a decision was made in August on organizational changes in the Swedish operations. In connection with the reorganization, a notice of redundancy was announced that will affect 75 positions in total, whereof 50 positions within the blue-collar organization and 25 within the white-collar organization in Sweden. The cost for the restructuring amounted to SEK 25 million for the third quarter 2020 and has not impacted Gränges' cash flow.

During the fourth quarter 2019 Gränges announced the acquisition of Aluminium Konin, a Polish flat rolled aluminium producer. The transaction is expected to be closed during the fourth quarter 2020 and the costs for the ongoing acquisition of Aluminium Konin amount to SEK 1 million during the third quarter 2020 and to SEK 12 million for the period January–September 2020.

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 2020 and therefore applies a tax rate of 15 per cent for the Chinese operation.

NOTE 7 ACQUISITIONS

On 17 September 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®, for EUR 8.5 million from Erbslöh Aluminium GmbH. The name of the company will be changed to Gränges Powder Metallurgy GmbH and the focus will be on advanced aluminium powder and spray forming technology. GETEK GmbH has been jointly owned by Gränges (51 per cent) and Erbslöh (49 per cent) since 2017 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 and the Dispal business will be acquired 1 January 2021. The acquisition will be consolidated gradually from 1 October 2020.

Preliminary purchase price allocation Gränges Powder Metallurgy	EUR million	SEK million
Non-current assets	6.3	66
Current assets, excluding cash	2.0	21
Cash	0.1	1
Non-current liabilities	0.3	3
Current liabilities	1.0	11
Net identifiable assets and liabilities	6.9	73
Goodwill	6.2	61
Purchase price	8.5	89
Investment in joint operation	4.6	44

The purchase price allocation of Gränges Powder Metallurgy is still preliminary. No purchase price was paid per 30 September 2020. The acquisition has not led to any substantial transaction costs for Gränges. Goodwill is mainly justified by the advanced aluminium powder and spray forming technology.

CONSOLIDATED QUARTERLY DATA

SEK million	2020				2019			2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume, ktonnes	86.7	70.8	89.9	77.9	85.8	92.9	90.8	87.4
Income statement								
Net sales	2,575	2,221	3,063	2,682	2,998	3,188	3,109	3,074
Adjusted EBITDA ¹	332	182	345	269	305	370	382	283
Adjusted operating profit ¹	203	42	210	144	190	257	275	191
Operating profit	177	37	204	115	190	257	275	191
Profit for the period	124	1	133	47	198	171	184	149
Adjusted EBITDA margin, %	12.9	8.2	11.3	10.0	10.2	11.6	12.3	9.2
Adjusted operating margin, %	7.9	1.9	6.9	5.4	6.3	8.1	8.8	6.2
Adjusted operating profit per tonne, kSEK	2.3	0.6	2.3	1.9	2.2	2.8	3.0	2.2
Operating margin, %	6.9	1.7	6.6	4.3	6.3	8.1	8.8	6.2
Net margin, %	4.8	0.0	4.3	1.8	6.6	5.4	5.9	4.8
Balance sheet								
Non-current assets	5,825	6,047	6,491	6,025	6,153	5,633	5,260	4,489
Current assets	4,330	4,156	5,121	4,455	4,609	4,508	4,516	4,285
Equity	4,442	4,374	4,663	4,314	4,382	4,077	4,227	3,873
Non-current liabilities	2,905	3,719	3,910	3,414	3,280	3,055	2,840	2,522
Current liabilities	2,808	2,109	3,038	2,752	3,100	3,009	2,709	2,378
Cash flow								
Operating activities	426	283	387	289	564	310	278	450
Investing activities	-78	-117	-207	-221	-409	-508	-451	-316
Before financing activities	348	166	181	68	155	-198	-173	133
Financing activities	-391	-312	225	-69	21	302	185	-339
Cash flow for the period	-43	-146	406	-1	176	104	12	-206
Capital structure								
Net debt	2,812	3,247	3,559	3,465	3,606	3,560	3,057	2,494
Equity to assets, %	43.7	42.9	40.2	41.2	40.7	40.2	43.2	44.2
Data per share, SEK								
Earnings per share basic	1.64	0.01	1.76	0.63	2.62	2.26	2.44	1.97
Earnings per share diluted	1.64	0.01	1.76	0.63	2.62	2.26	2.44	1.97
Equity ²	58.82	57.93	61.75	57.13	58.02	53.99	55.97	51.29
Cash flow from operating activities ²	5.64	3.75	5.13	3.83	7.47	4.11	3.68	5.95
Share price at the end of the period	80.15	73.75	49.20	98.95	100.50	106.40	95.70	80.50
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	2020			2019			2018	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume by region, ktonnes								
Asia	16.8	15.1	16.7	20.4	17.7	21.0	20.0	19.9
Europe	10.3	8.6	13.7	11.5	14.1	16.1	16.5	15.3
Americas	59.6	47.1	59.5	46.0	54.0	55.8	54.4	52.2
Total	86.7	70.8	89.9	77.9	85.8	92.9	90.8	87.4
Net sales by region								
Asia	526	486	587	714	617	717	687	694
Europe	331	310	473	443	537	522	589	582
Americas	1,717	1,425	2,004	1,524	1,845	1,949	1,832	1,799
Total	2,575	2,221	3,063	2,682	2,998	3,188	3,109	3,074
Employees								
Average number of employees	1,629	1,489	1,751	1,781	1,813	1,814	1,810	1,777

CONSOLIDATED 12-MONTHS ROLLING DATA

SEK million	Oct 2019 – Sep 2020	Jul 2019 – Jun 2020	Apr 2019 – Mar 2019	Jan 2019 – Dec 2019	Oct 2018 – Sep 2019	Jul 2018 – Jun 2019	Apr 2018 – Mar 2019	Jan 2018 – Dec 2018
Sales volume, ktonnes	325.2	324.3	346.4	347.3	356.9	364.5	370.8	375.0
Income statement								
Net sales	10,541	10,964	11,932	11,978	12,370	12,693	12,947	12,910
Adjusted EBITDA ¹	1,129	1,101	1,289	1,327	1,341	1,356	1,376	1,357
Adjusted operating profit ¹	599	586	801	866	913	953	997	1,005
Operating profit	532	545	765	836	913	953	997	940
Adjusted EBITDA margin, %	10.7	10.0	10.8	11.1	10.8	10.7	10.6	10.5
Adjusted operating margin, %	5.7	5.3	6.7	7.2	7.4	7.5	7.7	7.8
Adjusted operating profit per tonne, kSEK	1.8	1.8	2.3	2.5	2.6	2.6	2.7	2.7
Operating margin, %	5.0	5.0	6.4	7.0	7.4	7.5	7.7	7.3
Capital structure and return indicators								
Capital employed	7,773	7,849	7,782	7,411	7,109	6,769	6,432	6,098
Return on capital employed, %	7.7	7.5	10.3	11.7	12.8	14.1	15.5	16.5
Equity	4,435	4,362	4,333	4,175	4,053	3,909	3,814	3,633
Return on equity, %	6.9	8.7	12.7	14.4	17.3	16.9	18.5	18.9
Net debt / Adjusted EBITDA	2.5	2.9	2.8	2.6	2.7	2.6	2.2	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	Q3		Jan – Sep		12 months rolling	Full year
	2020	2019	2020	2019	Oct 2019 – Sep 2020	2019
Adjusted operating profit						
Operating profit	177	190	417	721	532	836
Items affecting comparability	26	–	37	–	67	30
Adjusted operating profit	203	190	455	721	599	866
Adjusted operating profit per tonne						
Adjusted operating profit	203	190	455	721	599	866
Sales volume, ktonnes	86.7	85.8	247.4	269.5	325.2	347.3
Adjusted operating profit per tonne, kSEK	2.3	2.2	1.8	2.7	1.8	2.5
Adjusted EBITDA						
Adjusted operating profit	203	190	455	721	599	866
Depreciation, amortization and impairment charges	129	115	404	336	529	461
Adjusted EBITDA	332	305	859	1,058	1,129	1,327
Return on capital employed						
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	–	–	–	–	9,706	9,375
Non-interest-bearing liabilities, rolling 12 months average	–	–	–	–	–2,311	–2,311
Pensions, rolling 12 months average	–	–	–	–	378	348
Capital employed	–	–	–	–	7,773	7,411
Adjusted operating profit	–	–	–	–	599	866
Return on capital employed, %	–	–	–	–	7.7	11.7
Net debt						
Cash and cash equivalents and interest-bearing receivables	–	–	–957	–777	–957 ¹	–752
Interest-bearing liabilities	–	–	3,377	4,018	3,377 ¹	3,853
Pensions	–	–	392	365	392 ¹	363
Net debt	–	–	2,812	3,606	2,812¹	3,465
Equity to assets						
Equity	–	–	4,442	4,382	4,442 ¹	4,314
Total assets	–	–	10,155	10,762	10,155 ¹	10,480
Equity to assets, %	–	–	43.7	40.7	43.7¹	41.2
Adjusted cash flow before financing activities						
Cash flow before financing activities	348	155	695	–216	763	–148
Cash flow from expansion investments	15	287	204	980	327	1,103
Cash flow from other non-maintenance investments	–	–	–	93	–	93
Cash flow from other capital transactions	17	–	49	–	49	–
Adjusted cash flow before financing activities	380	442	948	857	1,139	1,048
Cash conversion						
Adjusted cash flow before financing activities	380	442	948	857	1,139	1,048
Adjusted operating profit	203	190	455	721	599	866
Cash conversion, %	187	233	208	119	190	121

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 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 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.