

HALF-YEAR REPORT 2019

# Continued soft market conditions in the second quarter

## Second quarter 2019

- Sales volume decreased by 6.3 per cent to 92.9 ktonnes (99.1). Net sales decreased to SEK 3,188 million (3,443).
- Adjusted operating profit was SEK 257 million (301), while adjusted operating profit per tonne amounted to 2.8 kSEK (3.0).
- Profit for the period decreased to SEK 171 million (214).
- Basic and diluted earnings per share decreased to SEK 2.26 (2.84).
- Cash flow before financing activities decreased to SEK -198 million (125) and includes capital expenditure of SEK 508 million (166). Of the total capital expenditure SEK 354 million relates to the expansion of the production facilities in the US and Sweden. Further, SEK 93 million relates to the acquisition of utilities infrastructure in Sweden.

## First half-year 2019

- Sales volume decreased by 5.4 per cent to 183.7 ktonnes (194.2). Net sales decreased to SEK 6,297 million (6,514).
- Adjusted operating profit was SEK 532 million (583), while adjusted operating profit per tonne amounted to 2.9 kSEK (3.0).
- Profit for the period decreased to SEK 355 million (381).
- Basic and diluted earnings per share decreased to SEK 4.70 (5.05).
- Cash flow before financing activities decreased to SEK -371 million (318) and includes capital expenditure of SEK 959 million (289). Of the total capital expenditure SEK 693 million relates to the expansion of the production facilities in the US and Sweden.
- Net debt increased to SEK 3,560 million at 30 June 2019 (SEK 2,494 million at 31 December 2018), corresponding to 2.6 times adjusted EBITDA<sup>1</sup> (1.8 times at 31 December 2018). Net debt at 30 June 2019 includes lease liabilities of SEK 257 million due to IFRS 16 Leases<sup>2</sup>.

## Financial summary

SEK million	Q2			Jan–Jun			12 months rolling	Full year	
	2019	2018	Δ	2019	2018	Δ	Jul 2018 – Jun 2019	2018	Δ
Sales volume, ktonnes	92.9	99.1	-6.3%	183.7	194.2	-5.4%	364.5	375.0	-2.8%
Net sales	3,188	3,443	-7.4%	6,297	6,514	-3.3%	12,693	12,910	-1.7%
Adjusted operating profit <sup>1</sup>	257	301	-14.6%	532	583	-8.8%	953	1,005	-5.1%
Adjusted operating margin, %	8.1	8.7	-0.7 ppt	8.4	8.9	-0.5 ppt	7.5	7.8	-0.3 ppt
Adjusted operating profit per tonne, kSEK	2.8	3.0	-0.3	2.9	3.0	-0.1	2.6	2.7	-0.1
Operating profit	257	301	-14.6%	532	519	2.5%	953	940	1.4%
Operating margin, %	8.1	8.7	-0.7 ppt	8.4	8.0	0.5 ppt	7.5	7.3	0.2 ppt
Profit for the period	171	214	-20.3%	355	381	-7.0%	661	688	-3.9%
Earnings per share basic, SEK	2.26	2.84	-0.57	4.70	5.05	-0.35	8.76	9.11	-0.35
Earnings per share diluted, SEK	2.26	2.84	-0.57	4.70	5.05	-0.35	8.76	9.11	-0.35
Cash flow before financing activities	-198	125	n/a	-371	318	n/a	-157	531	n/a
Equity to assets, %	-	-	-	40.2	40.7	-0.5 ppt	40.2 <sup>3</sup>	44.2	-3.9 ppt
Net debt	-	-	-	3,560	2,621	939	3,560 <sup>3</sup>	2,494	1,066
Return on capital employed, %	-	-	-	-	-	-	14.1	16.5	-2.4 ppt

<sup>1</sup> Adjusted for items affecting comparability, see Note 5 for further information.

<sup>2</sup> See Note 1 for further information on IFRS 16 Leases.

<sup>3</sup> Closing balances at the end of the period.

## COMMENTS BY THE CEO

# Continued soft market conditions in the second quarter

The softer market conditions that we experienced in the first quarter continued in the second quarter of 2019. Lower market demand resulted in a sales volume decline of 6 per cent to 92.9 ktonnes. The adjusted operating profit declined by SEK 44 million to SEK 257 million and included costs for the US expansion projects of SEK 16 million. Exchange rate fluctuations had a positive impact on adjusted operating profit of SEK 22 million during the quarter. The cash generation continued to be strong also in the second quarter. Cash flow before financing adjusted for expansion investments and acquisitions increased to SEK 249 million, which represents a cash conversion of 97 per cent.

During the second quarter market conditions were especially challenging in Europe and Asia, where the sales volume to automotive customers declined by 10 and 7 per cent respectively. This was driven by a continued significant slowdown of the light vehicle production in combination with further destocking in the supply chain. In Americas, the automotive sales volume was stable in the quarter. With regards to the HVAC & Other business, the market demand in Americas continued to develop positively in the quarter. Sales volume however decreased by 6 per cent compared with 2018 due to product mix optimization, capacity limitations connected to the ongoing expansion projects, as well as temporary production disturbances in the Salisbury plant at the end of the quarter.

### FOCUS ON EXPANSION PROJECTS AND COST REDUCTION

Due to the continued soft market outlook in primarily Europe and Asia we are now implementing cost reduction measures to align the cost base to current market conditions. In Americas large efforts are currently being made to finalize the expansion projects in Huntingdon and Newport. Start of production is planned for August with the first commercial shipments expected in September. Sales volume will gradually be ramped up during the fourth quarter.

### OUTLOOK

The global automotive market is expected to continue to be soft for the rest of 2019. Although the research firm IHS estimates a modest growth of 2 per cent for global light vehicle production in the third quarter, the outlook for the fourth quarter is slightly negative, resulting in a 3 per cent decline expected for the full year. For the third quarter Gränges expects a sales volume growth by low single digits. For automotive materials we foresee a low to mid-single digit reduction primarily driven by continued destocking in the supply chain, primarily in Asia but also partly in Europe. In Americas we expect a mid-single digit growth for the HVAC & Other business as new capacity will gradually become available during the third quarter.

As we look further ahead, we will continue to work actively with innovation and a more sustainable customer offering, which includes an increased focus on product development for electric vehicles. Demand for advanced heat exchanger materials for electric vehicles is expected to increase significantly in the coming years, as more car manufacturers choose liquid cooling solutions for batteries. In Americas the demand for HVAC and other products continues to be strong and with the new capacity available in Huntingdon and Newport we will be able to further strengthen our position in this market. Altogether, we are determined to continue to grow with sustainable profitability in the coming years.

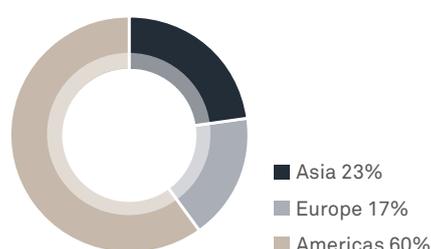
Johan Menckel  
CEO



## Second quarter 2019

- Sales volume **92.9** ktonnes
- Net sales SEK **3,188** million
- Adjusted operating profit SEK **257** million

## Sales volume per region



## Sales volume decreased by 6.3 per cent in the second quarter due to soft Automotive market conditions in Asia and Europe as well as capacity constraints in the HVAC & Other business

### 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 IHS<sup>1</sup>, global light vehicle production decreased by 6.1 per cent in the second quarter of 2019, compared to the corresponding quarter in 2018. In Asia, light vehicle production decreased by 5.9 per cent during the second quarter. This includes a decrease of 10.7 per cent in China while production in other Asian markets remained stable. In the third quarter of 2019, an increase of 1.2 per cent is expected in Asia. In Europe, light vehicle production declined by 6.9 per cent in the second quarter, while an increase of 4.5 per cent is expected for the third quarter of 2019. Light vehicle production in the Americas decreased by 1.8 per cent in the second quarter, whereas an increase of 2.9 per cent is anticipated in the third quarter of 2019. For the full year 2019, IHS forecasts a decrease in global light vehicle production of 2.7 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 AHRI<sup>2</sup>, US shipments of HVAC units increased by 3 per cent in the second quarter of 2019 compared to the corresponding quarter 2018. For the full year 2019, JP Morgan forecasts a growth in US shipments of HVAC units of 5 per cent.

### SALES DEVELOPMENT

Gränges' sales volume in the second quarter of 2019 decreased by 6.3 per cent to 92.9 ktonnes (99.1) compared to the same quarter previous year. Net sales amounted to SEK 3,188 million (3,443). The negative effect from lower sales volume and a decreased aluminium price was partly offset by a net positive effect from changes in foreign exchange rates of SEK 194 million and a slightly higher average conversion price.

For the Automotive business, sales volume decreased to 46.2 ktonnes (49.5) and net sales amounted to SEK 1,651 million (1,812) during the second quarter 2019. For the HVAC & Other business, sales volume decreased to 46.6 ktonnes (49.6) and net sales amounted to SEK 1,538 million (1,630).

During January-June 2019, Gränges' sales volume decreased by 5.4 per cent to 183.7 ktonnes (194.2) compared to the corresponding period previous year. Net sales amounted to SEK 6,297 million (6,514). The net effect of changes in foreign exchange rates was positive and amounted to SEK 486 million.

During January-June 2019 sales volume for the Automotive business decreased to 91.2 ktonnes (98.4) and net sales amounted to SEK 3,265 million (3,569). For the HVAC & Other business, sales volume decreased to 92.5 ktonnes (95.8) while net sales increased to SEK 3,032 million (2,945).

### Light vehicle production<sup>1</sup>

Year-on-year growth, %	Q2 2019	Q3 2019	Full year 2019
<b>Region</b>			
Asia	-5.9	1.2	-2.5
Europe	-6.9	4.5	-2.1
Americas	-1.8	2.9	-1.4
<b>Global</b>	<b>-6.1</b>	<b>1.8</b>	<b>-2.7</b>

### Gränges' sales volume

Sales volume, ktonnes	Apr-Jun 2019	Apr-Jun 2018	Δ
<b>Region</b>			
Asia Automotive	21.0	22.5	-6.8%
Europe Automotive	16.1	17.8	-9.5%
Americas Automotive	9.2	9.2	-0.5%
<b>Total Automotive</b>	<b>46.2</b>	<b>49.5</b>	<b>-6.6%</b>
Americas HVAC & Other	46.6	49.6	-6.0%
<b>Total</b>	<b>92.9</b>	<b>99.1</b>	<b>-6.3%</b>

<sup>1</sup> Source: IHS, 17 June 2019.

<sup>2</sup> Source: AHRI, 12 July 2019.

## ASIA

In the second quarter of 2019, sales volume in Asia decreased by 6.8 per cent to 21.0 ktonnes (22.5). The decline was primarily driven by lower sales to Chinese customers due to significantly lower automotive market demand and continued destocking in the supply chain. During January–June 2019, sales volume in Asia decreased to 41.0 ktonnes (45.5), which represents a decrease of 10.0 per cent compared to previous year.

## EUROPE

In the second quarter of 2019, sales volume in Europe decreased by 9.5 per cent to 16.1 ktonnes (17.8). The decline was driven by significantly lower automotive market demand and destocking in the supply chain. During January–June 2019, sales volume in Europe reached 32.6 ktonnes (35.0), which represents a decrease of 6.9 per cent compared to previous year.

## AMERICAS

In the second quarter of 2019, sales volume in the Americas decreased by 5.2 per cent to 55.8 ktonnes (58.8). Of this, 46.6 ktonnes (49.6) relates to the HVAC & Other business while 9.2 ktonnes (9.2) relates to the Automotive business. The decrease in sales volume for the HVAC & Other business was due to product mix optimization, capacity limitations connected to the ongoing expansion projects, as well as temporary production disturbances. During January–June 2019, sales volume in Americas decreased to 110.1 ktonnes (113.6) compared to previous year. 92.5 ktonnes (95.8) relates to the HVAC & Other business while 17.7 tonnes (17.9) relates to the Automotive business.

## OPERATING PROFIT

Adjusted operating profit for the second quarter of 2019 was SEK 257 million (301), corresponding to adjusted operating profit per tonne of 2.8 kSEK (3.0). Adjusted operating margin was 8.1 per cent

(8.7). The negative impact from lower sales volume and slightly higher operating cost was partly offset by higher average conversion price. Costs related to the US expansion projects amounted to SEK 16 million in the quarter. Net changes in foreign exchange rates had a positive impact of SEK 22 million in the quarter.

Operating profit for the second quarter of 2019 amounts to SEK 257 million (301). No items affecting comparability were recorded in the second quarter of 2019 or in the corresponding quarter last year.

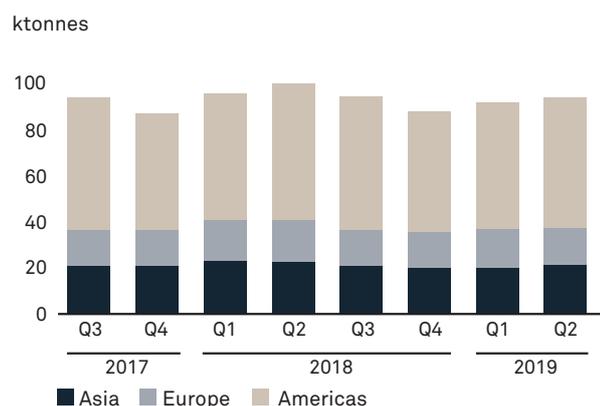
During the period January–June 2019, adjusted operating profit amounted to SEK 532 million (583), while adjusted operating profit per tonne was 2.9 kSEK (3.0). Adjusted operating margin amounted to 8.4 per cent (8.9). The net effect of changes in foreign exchange rates was positive and amounted to SEK 67 million in the first half of 2019.

Operating profit during January–June 2019 increased to SEK 532 million (519). No items affecting comparability were recorded in the period. In the corresponding period previous year, items affecting comparability was SEK –64 million.

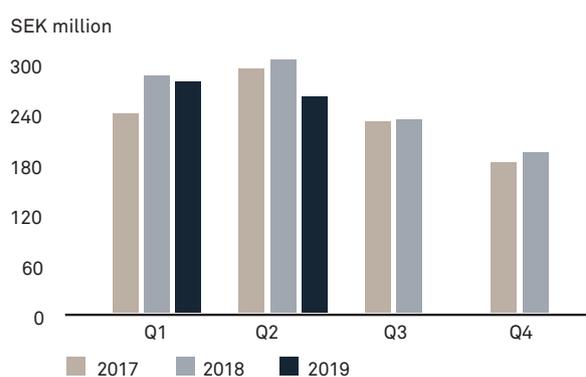
## PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before tax for the second quarter of 2019 amounted to SEK 215 million (273). Finance income and costs was SEK –42 million (–28) and includes interest expenses and financing costs of SEK 44 million and interest income of SEK 2 million. Interest expenses and financing cost in the second quarter of 2019 includes interest expenses of SEK 3 million (–) on lease liabilities due to the implementation of IFRS 16 (for further information see Note 1). Income tax for the second quarter of 2019 amounted to SEK –44 million (–59) which corresponds to an effective tax rate of 21 per cent (22). The profit for the period amounted to SEK 171 million (214) during the second quarter of 2019 and diluted earnings per share was SEK 2.26 (2.84).

## Quarterly sales volume per region



## Quarterly adjusted operating profit



During the period January–June 2019 profit before taxes amounted to SEK 454 million (487). In the first half of 2019, finance income and costs was SEK –79 million (–53) and includes interest expenses of SEK 84 million and interest income of SEK 3 million. Interest expenses and financing cost in the period includes interest expenses of SEK 6 million (–) on lease liabilities due to the implementation of IFRS 16 (for further information see Note 1). Income tax for the period January–June 2019 was SEK –99 million (–106) which corresponds to an effective tax rate of 22 per cent (22). The profit for the first half year 2019 was SEK 355 million (381) and diluted earnings per share was SEK 4.70 (5.05).

#### **CASH FLOW**

Cash flow from operating activities was SEK 310 million (291) in the second quarter of 2019. US sanctions against Rusal, one of Gränges' aluminium slab suppliers, were lifted on 27 January 2019. This had a positive impact on working capital and cash flow of SEK 85 million in the second quarter. Cash flow from investing activities amounted to SEK –508 million (–166) in the quarter and fully relates to capital expenditure. Of the total capital expenditure, SEK 62 million refer to investments to maintain and improve efficiency in current production facilities. Further, this includes investments related to the expansion of the production facilities in the US and Sweden of SEK 354 million as well as the acquisition of utilities infrastructure in Finspång of SEK 93 million. Cash flow before financing adjusted for expansion investments and acquisitions increased to SEK 249 million (204).

Cash flow from financing activities was SEK 302 million (–173) in the second quarter of 2019 and includes a dividend payment of SEK –242 million as resolved by Gränges' 2019 Annual General Meeting, new loans of SEK 2,444 million and repayment of loans of SEK –1,871 million. Net financing from commercial papers was SEK 400 million in the quarter.

During January–June 2019, cash flow from operating activities was SEK 588 million (585). Cash flow from investing activities amounted to SEK –959 million (–267) and fully relates to capital expenditure. Of this, SEK 173 million refer to maintenance investments, SEK 693 million relates to expansion investments, and SEK 93 million relates to the acquisition of utilities infrastructure in Finspång.

During January–June 2019 cash flow before financing activities amounted to SEK –371 million (318). Cash flow from financing activities was SEK 487 million (–446) and includes a dividend payment of SEK –242 million, new loans of SEK 2,924 million and repayment of loans of SEK –2,135 million.

Cash and cash equivalents amounted to SEK 581 million at 30 June 2019 (SEK 457 million 31 December 2018).

#### **FINANCIAL POSITION**

Gränges' total assets amounted to SEK 10,141 million at 30 June 2019 (SEK 8,773 million at 31 December 2018). The equity to assets ratio was 40.2 per cent at 30 June 2019 (44.2 per cent at 31 December 2018).

Consolidated net debt including pension and lease liabilities was SEK 3,560 million at 30 June 2019 (SEK 2,494 million at 31 December 2018). The increase in net debt is mainly due to investments related to the expansion of the production facilities in the US and Sweden. At 30 June 2019, the Group's net debt corresponded to 2.6 times adjusted EBITDA (1.8 times at 31 December 2018).

#### **EMPLOYEES**

The average number of employees was 1,814 (1,669) in the second quarter of 2019 and 1,827 (1,662) during the period January–June 2019. The increase in number of employees is mainly related to the expansion of the US production facilities.

#### **PARENT COMPANY**

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and administration of group functions. For the period January–June 2019, net sales in the parent company was SEK 98 million (96) and the result for the period was SEK –33 million (–30).

#### **SIGNIFICANT EVENTS DURING THE PERIOD**

##### **New credit facility agreement for Gränges**

Gränges refinanced the credit agreement that originally financed the acquisition of the US business in August 2016 and the new agreement came into force the first week of April 2019. The new credit facilities consist of a revolving credit facility available in several currencies of SEK 2,000 million with a term of 3 years and an option to prolong to 5 years, a term loan of USD 100 million with a term of 5 years and a revolving credit facility of USD 50 million with a term of 3 years. Gränges also entered an additional term loan of USD 25 million with a term of 4 years with AB Svensk Exportkredit.

##### **Gränges acquired utilities infrastructure in Finspång**

Gränges acquired all the utilities infrastructure from Jernbro on its industrial premises in Finspång to ensure a safe, reliable and long-term energy and utilities supply. The acquisition amounted to SEK 93 million and has had a corresponding cash flow effect during the second quarter of 2019. The parties also agreed to new operation and maintenance agreements, which are expected to have positive impact on the profit over time.

## SIGNIFICANT EVENTS AFTER THE PERIOD

### Gränges' Shanghai site achieves ASI certification

Gränges' production facility in Shanghai, China, has successfully been certified against Aluminium Stewardship Initiative's (ASI) Performance Standard. ASI is a global, multi-stakeholder, non-profit standards setting and certification organisation which works to maximise the contribution of aluminium to a sustainable society. The ASI Performance Standard defines environmental, social and governance principles and criteria, with the aim to address sustainability issues in the aluminium value chain. The independent, third-party audit of Gränges production facility in Shanghai was carried out by DNV GL.

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 8,051 at 30 June 2019, according to Euroclear.

## Largest shareholders in Gränges at 30 June 2019<sup>1</sup>

Shareholder	Number of shares	Share of capital and votes %
Fjärde AP-fonden	7,155,679	9.5
AFA Försäkring	6,882,585	9.1
Swedbank Robur Fonder	4,598,834	6.1
Handelsbanken Fonder	3,569,041	4.7
Dimensional Fund Advisors	3,029,961	4.0
Allianz Global Investors	2,645,597	3.5
SEB Fonder	2,127,817	2.8
Unionen	1,850,000	2.4
Fidelity Investments (FMR)	1,686,227	2.2
Franklin Templeton	1,633,278	2.2
Columbia Threadneedle	1,488,189	2.0
Paradise Investment Management	1,308,260	1.7
BlackRock	999,137	1.3
Fidelity Investments Canada ULC	897,162	1.2
Avanza Pension	661,399	0.9
<b>Total 15 largest shareholders</b>	<b>40,533,166</b>	<b>53.7</b>
Other	34,984,220	46.3
<b>Total</b>	<b>75,517,386</b>	<b>100.0</b>

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



Expansion at Gränges' plant in Huntingdon, Tennessee, proceeding according to plan.

## OTHER

### Annual General Meeting 2019

Gränges AB held its Annual General Meeting on Wednesday 8 May 2019. The Annual General Meeting re-elected Anders G. Carlberg, Carina Andersson, Mats Backman, Peter Carlsson, Katarina Lindström, Hans Porat and Ragnhild Wiborg as Board members. Anders G. Carlberg was re-elected as Chairman of the Board. The Annual General Meeting resolved on a dividend of SEK 3.20 (3.00) per share, corresponding to a total of SEK 242 million (227), that was paid out by Euroclear Sweden AB on 15 May, 2019. Further, the Annual General Meeting resolved, in accordance with the Board of Director's proposal, that the Board of Directors is authorized to, at one or more occasions until the next Annual General Meeting, issue new shares and/or convertible bonds up to 10 per cent of the total outstanding shares in Gränges on the date of the authorization resolution.

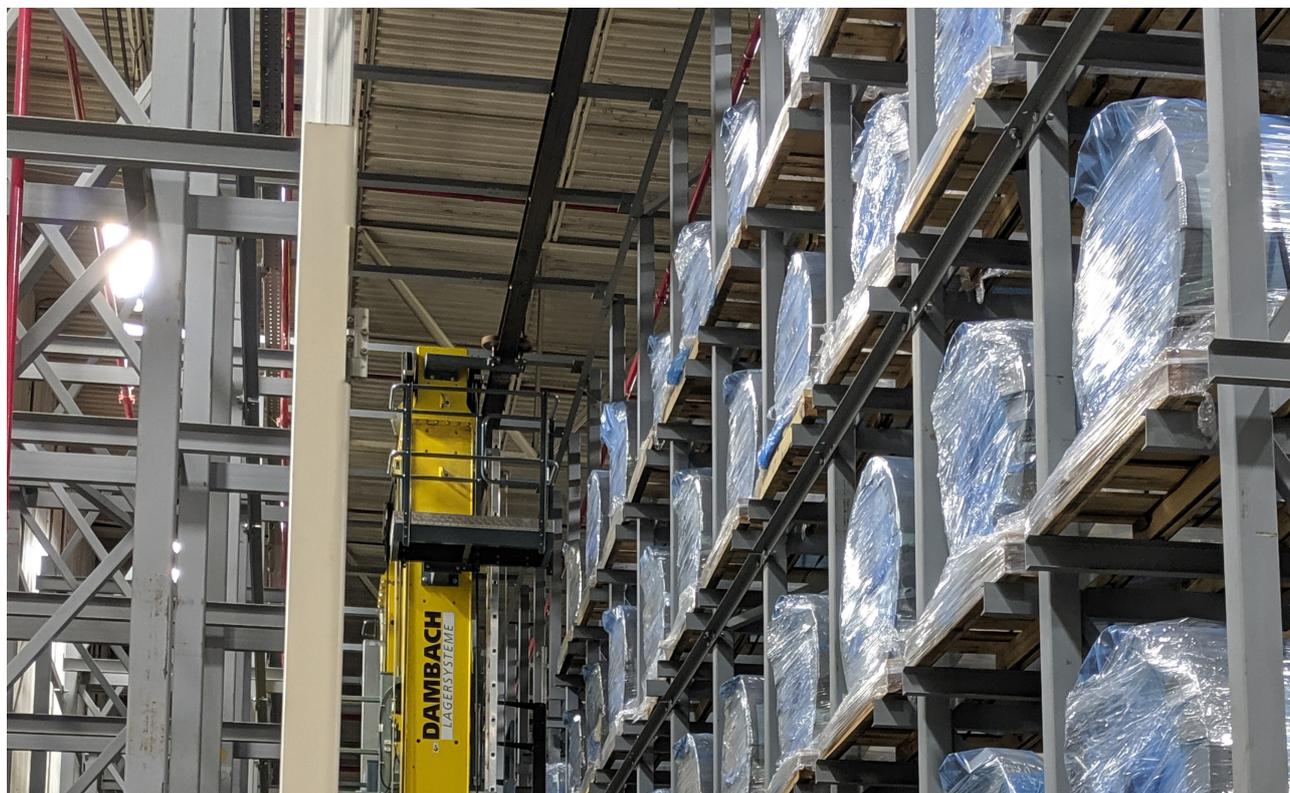
### RISKS AND UNCERTAINTY FACTORS

As a global group with operations in many parts of the world, Gränges is exposed to various risks and uncertainties such as raw

material price risk, market risk, operational and legal risk, as well as financial risk related to foreign exchange rates, interest rates, liquidity and refinancing. In its risk management, Gränges seeks to identify, evaluate, and reduce risks related to the Group's business and operations. More information about risk management is available on pages 44–47 in Gränges' 2018 annual report.

### SEASONAL VARIATIONS

Gränges' end-customer markets consist primarily of the global automotive industry and the HVAC industry in North America. Gränges' sales of rolled aluminium products to the automotive industry is correlated with the production of light vehicles. Demand on the HVAC market is driven by factors such as construction investments, new regulations for energy efficiency and climate impact, and are usually higher during summer months as there is more demand for cooling systems 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.



The Board of Directors and the CEO declare that the half-year report gives a true and fair view of the performance of the business, financial position and result of operations of the parent company and the group, and describes the principal risks and uncertainties that the parent company and its subsidiaries are facing.

Stockholm, 18 July 2019  
The Board of Directors of Gränges AB (publ)

Anders G. Carlberg  
*Chairman of the Board*

Carina Andersson  
*Member of the Board*

Mats Backman  
*Member of the Board*

Peter Carlsson  
*Member of the Board*

Katarina Lindström  
*Member of the Board*

Hans Porat  
*Member of the Board*

Ragnhild Wiborg  
*Member of the Board*

Öystein Larsen  
*Employee representative*

Konny Svensson  
*Employee representative*

Johan Menckel  
*Chief Executive Officer*

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

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### For additional information, please contact:

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Telephone +46 8 459 59 00

*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 18 July, 2019 at 07.30 CEST.*

### Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' half-year report for January–June 2019 at a webcasted conference call at 10.00 CEST, Thursday 18 July, 2019.

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

### Financial calendar

24 October, 2019	Interim Report January–September 2019
30 January, 2020	Year-end Report 2019
30 April, 2020	Interim report January–March 2020
7 May, 2020	Annual General Meeting 2020

## CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Net sales	2	3,188	3,443	6,297	6,514	12,910
Cost of materials	5	-2,036	-2,287	-3,993	-4,352 <sup>1</sup>	-8,601 <sup>1</sup>
Payroll and other operating expenses		-782	-766	-1,552	-1,472	-3,016
Depreciation, amortization and impairment charges		-113	-89	-221	-171	-353
<b>Operating profit</b>	1	<b>257</b>	<b>301</b>	<b>532</b>	<b>519</b>	<b>940</b>
Profit or loss from joint ventures		0	0	0	22	22
Finance income and costs		-42	-28	-79	-53	-113
<b>Profit before tax</b>		<b>215</b>	<b>273</b>	<b>454</b>	<b>487</b>	<b>849</b>
Income tax	6	-44	-59	-99	-106	-161
<b>Profit for the period</b>	1	<b>171</b>	<b>214</b>	<b>355</b>	<b>381</b>	<b>688</b>
<b>Earnings per share</b>						
Earnings per share basic, SEK		2.26	2.84	4.70	5.05	9.11
Earnings per share diluted, SEK		2.26	2.84	4.70	5.05	9.11

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
<b>Profit for the period</b>	<b>171</b>	<b>214</b>	<b>355</b>	<b>381</b>	<b>688</b>
<b>Items not to be reclassified to profit/loss in subsequent periods</b>					
Remeasurement of pensions after tax	-24	-7	-24	-5	-20
<b>Items to be reclassified to profit/loss in subsequent periods</b>					
Change in hedging reserve after tax	-5	-25	5	-52	-32
Translation effects	-51	108	109	244	142
<b>Comprehensive income for the period attributable to owners of the parent company</b>	<b>92</b>	<b>290</b>	<b>445</b>	<b>569</b>	<b>778</b>

## CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
<b>ASSETS</b>				
Intangible assets		854	702	761
Property, plant and equipment	1	4,701	3,381	3,651
Deferred tax assets		55	67	54
Investments in joint ventures		11	10	10
Interest-bearing receivables		2	-	2
Other non-current receivables	3	10	16	11
<b>Non-current assets</b>		<b>5,633</b>	<b>4,176</b>	<b>4,489</b>
Inventories		2,015	2,053	1,968
Receivables	3	1,911	2,134	1,859
Interest-bearing receivables		1	-	-
Cash and cash equivalents		581	636	457
<b>Current assets</b>		<b>4,508</b>	<b>4,823</b>	<b>4,285</b>
<b>TOTAL ASSETS</b>		<b>10,141</b>	<b>8,999</b>	<b>8,773</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		101	101	101
Retained earnings		3,976	3,564	3,772
<b>Equity</b>		<b>4,077</b>	<b>3,665</b>	<b>3,873</b>
Interest-bearing liabilities	1, 3	2,587	2,160	2,117
Provisions and other non-current liabilities	3	467	395	406
<b>Non-current liabilities</b>		<b>3,055</b>	<b>2,555</b>	<b>2,522</b>
Interest-bearing liabilities	1, 3	1,197	800	515
Provisions and other current liabilities	3, 6	1,812	1,979	1,862
<b>Current liabilities</b>		<b>3,009</b>	<b>2,780</b>	<b>2,378</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,141</b>	<b>8,999</b>	<b>8,773</b>

## CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	30 Jun 2019	30 Jun 2018	31 Dec 2018
<b>Opening balance</b>	<b>3,873</b>	<b>3,322</b>	<b>3,322</b>
Profit for the period	355	381	688
Other comprehensive income for the period	91	187	90
<b>Total comprehensive income for the period</b>	<b>445</b>	<b>569</b>	<b>778</b>
Dividend	-242	-227	-227
<b>Total transactions with owners</b>	<b>-242</b>	<b>-227</b>	<b>-227</b>
<b>Closing balance</b>	<b>4,077</b>	<b>3,665</b>	<b>3,873</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Note	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Operating profit		257	301	532	519	940
Depreciation, amortization and impairment charges		113	89	221	171	353
Other non-cash items	5	–	–	–	64	64
Change in working capital etc.		–19	–82	–107	–137	98
Income taxes paid		–41	–17	–58	–32	–105
<b>Cash flow from operating activities</b>		<b>310</b>	<b>291</b>	<b>588</b>	<b>585</b>	<b>1,351</b>
Acquisitions		–	–	–	24	24
Investments in property, plant, equipment and intangible assets		–508	–166	–959	–289	–843
Other capital transactions		–	–	–	–3	0
<b>Cash flow from investing activities</b>		<b>–508</b>	<b>–166</b>	<b>–959</b>	<b>–267</b>	<b>–819</b>
<b>Cash flow before financing activities</b>		<b>–198</b>	<b>125</b>	<b>–371</b>	<b>318</b>	<b>532</b>
Dividend		–242	–227	–242	–227	–227
Interest paid and received		–29	–29	–60	–47	–98
New loans		2,444	1,000	2,924	1,261	3,078
Repayment of loans		–1,871	–919	–2,135	–1,434	–3,579
<b>Cash flow from financing activities</b>		<b>302</b>	<b>–173</b>	<b>487</b>	<b>–446</b>	<b>–825</b>
<b>Cash flow for the period</b>		<b>104</b>	<b>–48</b>	<b>116</b>	<b>–128</b>	<b>–294</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>485</b>	<b>666</b>	<b>457</b>	<b>742</b>	<b>742</b>
Cash flow for the period		104	–48	116	–128	–294
Exchange rate differences in cash and cash equivalents		–8	18	8	22	9
<b>Cash and cash equivalents at end of period</b>		<b>581</b>	<b>636</b>	<b>581</b>	<b>636</b>	<b>457</b>

## PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Net sales	50	40	98	96	203
Payroll and other operating expenses	–65	–61	–133	–132	–257
Depreciation, amortization and impairment charges	–5	–7	–9	–13	–26
<b>Operating profit/loss</b>	<b>–21</b>	<b>–28</b>	<b>–44</b>	<b>–49</b>	<b>–80</b>
Dividends from subsidiaries	–	–	–	–	517
Finance income and costs	–3	6	2	12	18
<b>Profit/loss after financial items</b>	<b>–23</b>	<b>–21</b>	<b>–42</b>	<b>–37</b>	<b>455</b>
Appropriations	–	–	–	–	43
Group contributions	–	–	–	–	115
Income tax	5	3	9	7	–53
<b>Profit/loss for the period</b>	<b>–18</b>	<b>–18</b>	<b>–33</b>	<b>–30</b>	<b>560</b>

The Parent Company has no items which are accounted for as other comprehensive income. Total comprehensive income is therefore the same as profit/loss for the period.

## PARENT COMPANY BALANCE SHEET (CONDENSED)

SEK million	30 Jun 2019	30 Jun 2018	31 Dec 2018
<b>ASSETS</b>			
Intangible assets	42	153	7
Property, plant and equipment	201	214	206
Investments related to Group companies	1,160	1,160	1,160
Receivables from Group companies	2,013	2,543	2,674
Other non-current receivables	17	17	8
<b>Non-current assets</b>	<b>3,432</b>	<b>4,086</b>	<b>4,054</b>
Receivables from Group companies	87	140	161
Other receivables	48	88	75
Cash and cash equivalents	70	39	120
<b>Current assets</b>	<b>205</b>	<b>267</b>	<b>356</b>
<b>TOTAL ASSETS</b>	<b>3,638</b>	<b>4,353</b>	<b>4,411</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted equity	110	106	108
Non-restricted equity	1,222	910	1,498
<b>Equity</b>	<b>1,331</b>	<b>1,017</b>	<b>1,606</b>
<b>Untaxed reserves</b>	<b>37</b>	<b>80</b>	<b>37</b>
Provisions and other liabilities	29	22	27
Interest-bearing liabilities	857	2,160	2,117
Other non-current liabilities	2	11	0
<b>Non-current liabilities</b>	<b>888</b>	<b>2,195</b>	<b>2,144</b>
Liabilities to Group companies	182	87	29
Interest-bearing liabilities	1,079	800	450
Other liabilities	120	175	144
<b>Current liabilities</b>	<b>1,381</b>	<b>1,062</b>	<b>622</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,638</b>	<b>4,353</b>	<b>4,411</b>

# NOTES

## NOTE 1 ACCOUNTING PRINCIPLES

The Gränges Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted are consistent with those described in the Annual Report for Gränges AB (publ) 2018, with exception for new and updated standards and interpretations described below. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Reporting for Legal Entities. From 2019 the parent company will apply RFR 2 IFRS 16 item 1 and continue to recognize leases in the income statement on a straight-line basis over the lease term.

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

### IFRS 16 Leases

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

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

SEK million	Apr–Jun 2019	Jan–Jun 2019
<b>Consolidated income statement</b>		
Payroll and other operating expenses	14	30
Depreciation, amortization and impairment charges	–13	–26
<b>Operating profit</b>	<b>2</b>	<b>3</b>
Finance income and costs	–3	–6
<b>Profit before tax</b>	<b>–1</b>	<b>–2</b>
Income tax	0	1
<b>Profit for the period</b>	<b>–1</b>	<b>–2</b>

SEK million	30 Jun 2019
<b>Consolidated balance sheet</b>	
Property, plant and equipment	256
<b>Non-current assets</b>	<b>256</b>
Retained earnings	–2
<b>Equity</b>	<b>–2</b>
Interest-bearing liabilities	207
<b>Non-current liabilities</b>	<b>207</b>
Interest-bearing liabilities	50
<b>Current liabilities</b>	<b>50</b>

SEK million	Apr–Jun 2019	Jan–Jun 2019
<b>Consolidated statement of cash flows</b>		
Operating profit	2	3
Depreciation, amortization and impairment charges	13	26
<b>Cash flow from operating activities</b>	<b>14</b>	<b>30</b>
Interest paid and received	–3	–6
Repayments of loans	–12	–25
<b>Cash flow from financing activities</b>	<b>–14</b>	<b>–30</b>
<b>Cash flow for the period</b>	<b>–</b>	<b>–</b>

### IFRIC 23 Uncertainty over income tax treatments

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

## NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
<b>Sales by region</b>					
Asia	717	813	1,405	1,577	3,004
Europe	517	644	1,101	1,253	2,403
Americas	1,949	1,981	3,781	3,673	7,482
<b>Total revenue from contracts with customers</b>	<b>3,183</b>	<b>3,437</b>	<b>6,287</b>	<b>6,503</b>	<b>12,889</b>
Other revenue	5	5	10	10	21
<b>Net sales</b>	<b>3,188</b>	<b>3,443</b>	<b>6,297</b>	<b>6,514</b>	<b>12,910</b>

SEK million	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
<b>Sales by market</b>					
Automotive					
Fabrication revenue	792	835	1,563	1,618	3,117
Raw material and other revenue	854	973	1,692	1,941	3,754
Total	1,646	1,807	3,255	3,558	6,870
HVAC & Other					
Fabrication revenue	552	492	1,079	916	1,907
Raw material and other revenue	986	1,138	1,953	2,029	4,111
Total	1,538	1,630	3,032	2,945	6,019
<b>Total revenue from contracts with customers</b>	<b>3,183</b>	<b>3,437</b>	<b>6,287</b>	<b>6,503</b>	<b>12,889</b>
Other revenue	5	5	10	10	21
<b>Net sales</b>	<b>3,188</b>	<b>3,443</b>	<b>6,297</b>	<b>6,514</b>	<b>12,910</b>

## NOTE 3 FINANCIAL INSTRUMENTS

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

SEK million	30 Jun 2019	30 Jun 2018	31 Dec 2018
Other non-current receivables	1	–	2
Receivables	43	82	76
Provisions and other non-current liabilities	34	12	5
Provisions and other current liabilities	61	127	71

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

Gränges' interest-bearing liabilities mainly consists of financing from banks and institutions. The amount of outstanding term loans was USD 150 million and SEK 200 million as per 30 June 2019. Gränges' revolving credit facilities amounted to SEK 2,463 million, whereof SEK 370 million was utilized. Interest-bearing liabilities also includes corporate bonds of SEK 600 million, issued under Gränges MTN program, and commercial papers of SEK 880 million. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

SEK million	Frame amount	Year			Total
		< 1	1–2	> 2	
Term loans					
SEK		200	–	–	200
USD		–	–	1,377	1,377
Bonds in MTN program	3,000	–	–	600	600
Commercial papers	1,500	880	–	–	880
Revolving Credit Facilities	2,463	–	–	370	370
Lease liabilities		50	46	162	257
Other interest-bearing liabilities		67	–	32	99
<b>Total interest-bearing liabilities</b>		<b>1,197</b>	<b>46</b>	<b>2,541</b>	<b>3,784</b>

Interest-bearing liabilities are measured at amortized cost and the carrying amount as of 30 June 2019 was SEK 3,784 million (SEK 2,632 million as of 31 December 2018). The fair value of interest-bearing liabilities amounted to SEK 3,796 million as of 30 June 2019 (SEK 2,641 million as of 31 December 2018). For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

#### NOTE 4 RELATED PARTY TRANSACTIONS

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

#### NOTE 5 ITEMS AFFECTING COMPARABILITY

SEK million	Financial statement line	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Inventory effect due to changed distribution model	Cost of materials	–	–	–	–64	–64
<b>Items affecting comparability</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–64</b>	<b>–64</b>

During the second quarter 2019 no items affecting comparability were recorded. Items affecting comparability for the full-year 2018 relates to costs due to changed distribution model for import of heat exchanger materials to Gränges' customers in North America.

#### NOTE 6 TAX

Gränges' Chinese subsidiary obtained a pre-qualification as a High and New-Technology Enterprise for the three years period 2016 to 2018. The pre-qualification meant that the company preliminarily paid 15 per cent in corporate income tax instead of the ordinary tax of 25 per cent for the period. However, in order to finally obtain the lower tax rate, the company must meet special requirements established by the authorities in China for each one of the three years. The tax returns for the financial years 2016 and 2017 have been approved and thereby also the special requirements to finally obtain the lower tax rate for the respective years. In view of the difficulties to currently estimate whether these special requirements will be met for the financial year 2018, corporate income tax for the Chinese operation has been based on the standard rate of 25 per cent for 2018. The liability for the higher tax rate applied on 2018 years profit for China amount to SEK 53 million per 30 June 2019.

The pre-qualification as a High and New-Technology Enterprise was valid for the three years period 2016 to 2018. Since the qualification is not valid for the financial year 2019 Gränges' Chinese subsidiary pays and applies the standard tax rate of 25 per cent for the first half-year 2019.

# CONSOLIDATED QUARTERLY DATA

SEK million	2019		2018			2017		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume, ktonnes	92.9	90.8	87.4	93.4	99.1	95.0	86.5	93.0
<b>Income statement</b>								
Net sales	3,188	3,109	3,074	3,322	3,443	3,071	2,734	2,728
Adjusted EBITDA <sup>1</sup>	370	382	283	320	390	364	262	309
Adjusted operating profit <sup>1</sup>	257	275	191	230	301	282	179	227
Operating profit	257	275	191	230	301	217	163	227
Profit for the period	171	184	149	158	214	167	152	151
Adjusted EBITDA margin, %	11.6	12.3	9.2	9.6	11.3	11.8	9.6	11.3
Adjusted operating margin, %	8.1	8.8	6.2	6.9	8.7	9.2	6.6	8.3
Adjusted operating profit per tonne, kSEK	2.8	3.0	2.2	2.5	3.0	3.0	2.1	2.4
Operating margin, %	8.1	8.8	6.2	6.9	8.7	7.1	6.0	8.3
Net margin, %	5.4	5.9	4.8	4.7	6.2	5.4	5.6	5.5
<b>Balance sheet</b>								
Non-current assets	5,633	5,260	4,489	4,243	4,176	3,934	3,827	3,674
Current assets	4,508	4,516	4,285	4,639	4,823	4,596	4,179	4,040
Equity	4,077	4,227	3,873	3,705	3,665	3,601	3,322	3,106
Non-current liabilities	3,055	2,840	2,522	2,884	2,555	2,608	2,555	2,762
Current liabilities	3,009	2,709	2,378	2,293	2,780	2,321	2,128	1,847
<b>Cash flow</b>								
Operating activities	310	278	450	316	291	294	257	222
Investing activities	-508	-451	-316	-236	-166	-102	-216	-74
Before financing activities	-198	-173	133	81	125	192	41	148
Financing activities	302	185	-339	-41	-173	-272	-9	-133
Cash flow for the period	104	12	-206	40	-48	-80	32	16
<b>Capital structure</b>								
Net debt	3,560	3,057	2,494	2,565	2,621	2,353	2,292	2,280
Equity to assets, %	40.2	43.2	44.2	41.7	40.7	42.2	41.5	40.3
<b>Data per share, SEK</b>								
Earnings per share basic	2.26	2.44	1.97	2.09	2.84	2.21	2.02	2.00
Earnings per share diluted	2.26	2.44	1.97	2.09	2.84	2.21	2.02	2.00
Equity <sup>2</sup>	53.99	55.97	51.29	49.07	48.53	47.68	44.00	41.13
Cash flow from operating activities <sup>2</sup>	4.11	3.68	5.95	4.19	3.85	3.89	3.40	2.94
Share price at the end of the period	106.40	95.70	80.50	106.00	117.30	97.95	84.25	93.25
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	75,513.7	75,512.4
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	75,515.4	75,514.8

<sup>1</sup> Adjusted for items affecting comparability, see Note 5 for further information.

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

## CONSOLIDATED QUARTERLY DATA

SEK million	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Sales volume by region, ktonnes</b>								
Asia	21.0	20.0	19.9	20.8	22.5	23.0	20.6	20.7
Europe	16.1	16.5	15.3	15.1	17.8	17.2	15.4	15.5
Americas	55.8	54.4	52.2	57.5	58.8	54.8	50.6	56.8
<b>Total</b>	<b>92.9</b>	<b>90.8</b>	<b>87.4</b>	<b>93.4</b>	<b>99.1</b>	<b>95.0</b>	<b>86.5</b>	<b>93.0</b>
<b>Net sales by region</b>								
Asia	717	687	694	732	813	765	709	676
Europe	522	589	582	579	649	615	557	516
Americas	1,949	1,832	1,799	2,011	1,981	1,692	1,468	1,536
<b>Total</b>	<b>3,188</b>	<b>3,109</b>	<b>3,074</b>	<b>3,322</b>	<b>3,443</b>	<b>3,071</b>	<b>2,734</b>	<b>2,728</b>
<b>Employees</b>								
Average number of employees	1,814	1,810	1,777	1,695	1,669	1,655	1,632	1,592

## CONSOLIDATED 12-MONTHS ROLLING DATA

SEK million	Jul 2018 – Jun 2019	Apr 2018 – Mar 2019	Jan 2018 – Dec 2018	Oct 2017 – Sep 2018	Jul 2017 – Jun 2018	Apr 2017 – Mar 2018	Jan 2017 – Dec 2017	Oct 2016 – Sep 2017
Sales volume, ktonnes	364.5	370.8	375.0	374.0	373.7	373.2	373.0	371.2
<b>Income statement</b>								
Net sales	12,693	12,947	12,910	12,570	11,976	11,614	11,435	11,247
Adjusted EBITDA <sup>1</sup>	1,356	1,376	1,357	1,336	1,325	1,328	1,303	1,308
Adjusted operating profit <sup>1</sup>	953	997	1,005	992	989	977	933	925
Operating profit	953	997	940	912	909	897	917	916
Adjusted EBITDA margin, %	10.7	10.6	10.5	10.6	11.1	11.4	11.4	11.6
Adjusted operating margin, %	7.5	7.7	7.8	7.9	8.3	8.4	8.2	8.2
Adjusted operating profit per tonne, kSEK	2.6	2.7	2.7	2.7	2.6	2.6	2.5	2.5
Operating margin, %	7.5	7.7	7.3	7.3	7.6	7.7	8.0	8.1
<b>Capital structure and return indicators</b>								
Capital employed	6,769	6,432	6,098	5,902	5,744	5,639	5,581	5,565
Return on capital employed, %	14.1	15.5	16.5	16.8	17.2	17.3	16.7	16.6
Equity	3,909	3,814	3,633	3,480	3,339	3,225	3,093	2,971
Return on equity, %	16.9	18.5	18.9	19.9	20.5	20.5	21.1	20.2
Net debt / Adjusted EBITDA	2.6	2.2	1.8	1.9	2.0	1.8	1.8	1.7

<sup>1</sup> 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	Q2		Jan–Jun		12 months rolling	Full year
	2019	2018	2019	2018	Jul 2018 – Jun 2019	2018
<b>Adjusted operating profit</b>						
Operating profit	257	301	532	519	953	940
Items affecting comparability	–	–	–	64	–	64
<b>Adjusted operating profit</b>	<b>257</b>	<b>301</b>	<b>532</b>	<b>583</b>	<b>953</b>	<b>1,005</b>
<b>Adjusted operating profit per tonne</b>						
Adjusted operating profit	257	301	532	583	953	1,005
Sales volume, ktonnes	92.9	99.1	183.7	194.2	364.5	375.0
<b>Adjusted operating profit per tonne, kSEK</b>	<b>2.8</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>	<b>2.6</b>	<b>2.7</b>
<b>Adjusted EBITDA</b>						
Adjusted operating profit	257	301	532	583	953	1,005
Depreciation and amortization	113	89	221	171	403	353
<b>Adjusted EBITDA</b>	<b>370</b>	<b>390</b>	<b>753</b>	<b>754</b>	<b>1,356</b>	<b>1,357</b>
<b>Return on capital employed</b>						
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	–	–	–	–	8,750	7,999
Non-interest-bearing liabilities, rolling 12 months average	–	–	–	–	–2,300	–2,194
Pensions, rolling 12 months average	–	–	–	–	320	293
<b>Capital employed</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,769</b>	<b>6,098</b>
Adjusted operating profit	–	–	–	–	953	1,005
<b>Return on capital employed, %</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14.1</b>	<b>16.5</b>
<b>Net debt</b>						
Cash and cash equivalents and interest-bearing receivables	–	–	–584	–636	–584 <sup>1</sup>	–459
Interest-bearing liabilities	–	–	3,784	2,961	3,784 <sup>1</sup>	2,632
Pensions	–	–	360	297	360 <sup>1</sup>	321
<b>Net debt</b>	<b>–</b>	<b>–</b>	<b>3,560</b>	<b>2,621</b>	<b>3,560<sup>1</sup></b>	<b>2,494</b>
<b>Equity to assets</b>						
Equity	–	–	4,077	3,665	4,077 <sup>1</sup>	3,873
Total assets	–	–	10,141	8,999	10,141 <sup>1</sup>	8,773
<b>Equity to assets, %</b>	<b>–</b>	<b>–</b>	<b>40.2</b>	<b>40.7</b>	<b>40.2<sup>1</sup></b>	<b>44.2</b>
<b>Adjusted cash flow before financing activities</b>						
Cash flow before financing activities	–198	125	–371	318	–157	532
Cash flow from expansion investments	354	79	693	141	1,022	470
Cash flow from other non-maintenance investments	93	–	93	–	93	–
Cash flow from acquisitions	–	–	–	–24	–	–24
<b>Adjusted cash flow before financing activities</b>	<b>249</b>	<b>204</b>	<b>415</b>	<b>435</b>	<b>958</b>	<b>977</b>
<b>Cash conversion</b>						
Adjusted cash flow before financing activities	249	204	415	435	958	977
Adjusted operating profit	257	301	532	583	953	1,005
<b>Cash conversion, %</b>	<b>96.7</b>	<b>67.8</b>	<b>78.0</b>	<b>74.6</b>	<b>90.7</b>	<b>97.2</b>

<sup>1</sup> 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 420,000 metric tonnes. Gränges has around 1,800 employees and net sales of SEK 13 billion. The share is listed on Nasdaq Stockholm. More information on Gränges is available at [www.granges.com](http://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.