GRÄNGES

INVITATION TO ACQUIRE SHARES IN GRÄNGES AB (publ)

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

Carnegie SEB

JOINT BOOKRUNNERS

Danske Bank Handelsbanken Capital Markets

IMPORTANT INFORMATION TO INVESTORS

This offering circular (the "Offering Circular") has been prepared in connection with the offering to the public in Sweden and Norway and listing on NASDAQ OMX Stockholm (the "Offering") of shares in Gränges AB (publ) (a Swedish public limited liability company). In the Offering Circular, "Gränges", the "Company" or the "Group" refers to Gränges AB (publ), the group in which Gränges AB (publ) is the parent company or a subsidiary of the group, as the context may require. The "Principal Owner" or "Orkla" refers to, as the context may require, Orkla ASA or Orkla Industriinvesteringar AB, a wholly-owned subsidiary of Orkla ASA The "Managers" refer to Carnegie Investment Bank AB (publ) ("Carnegie"), Skandinaviska Enskilda Banken AB ("SEB"), Handelsbanken Capital Markets, a part of Svenska Handelsbanken AB (publ) ("Handelsbanken") and Danske Bank A/S, Denmark, Sweden branch ("Danske Bank"). The "Joint Global Coordinators" refer to Carnegie and SEB. See section "Definitions" for the definitions of these and other terms in the Offering Circular.

The figures included in the Offering Circular have, in certain cases, been rounded off and, consequently, the tables contained in the Offering Circular do not necessarily add up. All financial amounts are in Swedish kronor ("SEK"), unless otherwise indicated.

Except as expressly stated herein, no financial information in the Offering Circular has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Offering Circular that is not part of the information audited or reviewed by the Company's auditor as outlined herein originates from the Company's internal accounting and reporting systems.

The Offering is not directed to the general public in any country other than Sweden and Norway. Nor is the Offering directed to such persons whose participation requires additional offering circulars, registrations or measures other than those prescribed by Swedish law. No measures have been or will be taken in any other jurisdiction than Sweden and Norway that would allow any offer of the shares to the public, or allow holding and distribution of the Offering Circular or any other documents pertaining to the Company or shares in such jurisdiction. Applications to acquire shares that violate such rules may be deemed invalid. Persons into whose possession the Offering Circular comes are required by the Company, the Principal Owner and the Managers to inform themselves about and to observe such restrictions. Neither the Company nor the Principal Owner nor either of the Managers accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. The shares in the Offering have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Offering Circular. Any representation to the contrary is a criminal offence in the United States. The shares in the Offering have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "Securities Act") or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. In the United States, the shares will be sold only to persons reasonably believed to be qualified institutional buyers as defined in and in reliance on Rule 144A under the Securities Act or pursuant to another exemption from, or in a transaction not subject to, the requirements of the Securities Act. All offers and sales of shares outside the United States will be made in compliance with Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the shares in the Offering may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. In the United States, the Offering Circular is being furnished on a confidential basis solely for the purpose of enabling prospective investors to consider purchasing the particular securities described herein. The information contained in the Offering Circular has been provided by the Company and other sources identified herein. Distribution of the Offering Circular to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without the Company's prior written consent, is prohibited. Any reproduction or distribution of the Offering Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. The Offering Circular is personal to each offeree and does not constitute any offer to any other person or to the general public to acquire shares in the Offering.

The Offering Circular is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) (the "Order") or (iii) high net-worth entities falling within Articles 49(2)(a) to (d) of the Order, and other persons to whom it may lawfully be communicated (all such persons together being referred to as "relevant persons"). The Offering Circular is only directed at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

The Offering and the Offering Circular are governed by Swedish law. The courts of Sweden , with the Stockholm City District Court as first instance, have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Offering Circular.

A Swedish prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:1980) (Sw. *lagen (1991:980) om handel med finansiella instrument*). The Offering Circular is a translation into English of the Swedish prospectus approved and registered by the Swedish Financial Supervisory Authority. In the event of discrepancies between the Offering Circular and the Swedish prospectus, the Swedish prospectus shall prevail.

STABILIZATION

In connection with the Offering, the Joint Global Coordinators may carry out transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilization transactions may be effected on NASDAQ OMX Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on NASDAQ OMX Stockholm and ending no later than 30 calendar days thereafter. The Joint Global Coordinators are, however, not required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

Stabilization, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. Within one week of the end of the stabilization period, the Joint Global Coordinators will make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

FORWARD-LOOKING STATEMENTS

The Offering Circular contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, by example, contain wording such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "to the knowledge of" or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Offering Circular concerning the future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability and general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company's knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company's cash flow, financial condition and results of operations, to differ materially from the results, or fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favorable than the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are advised to read the Offering Circular, including the following sections: "Summary", "Risk factors", "Business overview" and "Operating and financial review", which include more detailed descriptions of factors that might have an impact on the Company's business and the market in which it operates. None of the Company, the Principal Owner or any of the Managers can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

The Managers make no representation or warranty, explicit or implicit, as to the accuracy, completeness or verification of the information contained in the Offering Circular and the contents of the Offering Circular neither is nor shall be relied upon as a promise or representation by the Managers in this respect, whether regarding the past or the future. The Managers assume no liability for the accuracy, completeness or verification of the Offering Circular and accordingly disclaim, to the greatest extent possible under applicable law, all liability that they otherwise may have been subject to for the information provided, regardless of whether such liability is based on tort law, contract law or other grounds.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Offering Circular may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in the Offering Circular may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, without limitation: changes in general economic conditions, in particular economic conditions in the markets on which the Company operates, lack of attractive products to sell, changes affecting interest rate levels, changes affecting currency exchange rates, changes in competition levels, changes in laws and regulations, and occurrence of accidents or environmental damages and systematic delivery failure.

After the date of the Offering Circular, none of the Company, the Principal Owner or any of the Managers assume any obligation, except as required by law or NASDAQ OMX Stockholm's Rule Book for Issuers, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

BUSINESS AND MARKET DATA

The Offering Circular includes industry and market data pertaining to Gränges' business and markets. Such information is based on the Company's analysis of multiple sources.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of industry and market data contained in the Offering Circular that were extracted or derived from such industry publications or reports. Business and market data are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market.

None of the Company, the Principal Owner or any of the Managers assumes responsibility for the correctness of any business or market data included in the Offering Circular. Information provided by third parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain through comparison with other information published by such third parties, no facts have been omitted in a way which would render the reproduced information inaccurate or misleading.

IMPORTANT INFORMATION ABOUT THE SELLING OF SHARES

Note that notifications about allotment to the public in Sweden will be made through distribution of contract notes, expected to be distributed on October 10, 2014. Institutional investors are expected to receive notification of allotment on or about October 10, 2014 in particular order, whereupon contract notes are dispatched. After payments for the allocated shares have been processed by Carnegie, SEB, Handelsbanken and Nordnet, the duly paid shares will be transferred to the securities depository account or the securities account specified by the acquirer. The time required to transfer payments and transfer duly paid shares to the acquirers of shares in Gränges may imply that these acquirers will not have shares available in the specified securities depository account or the securities account until around October 14, at the earliest. Trading in Gränges' shares on NASDAQ OMX Stockholm is expected to commence on or around October 10, 2014. Accordingly, if shares are not available in an acquirer's securities account or securities depository account until October 14, 2014 at the earliest, the acquirer may not be able to sell these shares on the stock exchange as from the time trading in the shares commences, but first when the shares are available in the securities account or the securities depository account.

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SUMMARY OF THE OFFERING

Number of shares offered
The Offering comprises 44,783,600 shares. No shares are issued by Gränges in connection with the Offering. The Principal Owner has reserved the right to increase the Offering by up to 8,956,700 additional shares. The Principal Owner has undertaken to, at the request of the Joint Global Coordinators, sell up to 8,061,000 additional existing shares to cover possible over-allotments in connection with the Offering.

Offering price
The price in the Offering is expected to be determined within the range of SEK 42–50. The Offering price will be determined through a book-building procedure and, consequently, based on demand and the overall market conditions. The price will be set by the Principal Owner in consultation with the Managers. The Offering price is expected to be announced by way of a press release on or about October 10, 2014.

Indicative timetable

Application period for the public offering in Sweden and Norway	September 30 – October 8, 2014
Application period for the institutional offering	September 30 – October 9, 2014
First day of trading on NASDAQ OMX Stockholm	October 10, 2014
Settlement date	October 14, 2014

Miscellaneous

Short name (ticker) on NASDAQ OMX Stockholm	GRNG
ISIN code	SE0006288015

Financial calendar

Interim report for the period January 1 – September 30, 2014	November 13, 2014
Year-end report 2014	February 11, 2015

Summary

The summary is drawn up in accordance with information requirements in the form of a number of "paragraphs" which should include certain information. The paragraphs are numbered in sections A–E (A.1–E.7). This summary contains all the paragraphs required in a summary for the relevant type of security and issuer. However, as certain paragraphs are not required, there may be gaps in paragraph numbering sequences. Even if it is necessary to include a paragraph in the summary for the security and issuer in question, it is possible that no relevant information can be provided for that paragraph. In such instances, the information has been replaced by a brief description of the paragraph, along with the specification "not applicable".

Section A – Introduction and warnings		
A.1	*Introduction and warnings*	This summary should be read as an introduction to the Offering Circular. Any decision to invest in the securities should be based on an assessment of the Offering Circular in its entirety by the investor. Where statements in respect of information contained in an offering circular are challenged in a court of law, the plaintiff investor may, in accordance with member states' national legislation, be forced to pay the costs of translating the offering circular before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the Offering Circular or if it does not, together with other parts of the Offering Circular, provide key information to help investors when considering whether to invest in the securities.
A.2	*Consent for use of the Offering Circular by financial intermediaries*	Not applicable. Financial intermediaries are not entitled to use the Offering Circular for subsequent trading or final placement of securities.

Section B – Issuer and any guarantor		
B.1	*Company and trading name*	Gränges AB (publ), reg. no. 556001-6122.
B.2	*Issuer's registered office and corporate form*	Gränges' registered office is in Stockholm, Sweden. The Company is a Swedish public limited liability company founded in Sweden under Swedish law and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act.
B.3	*Description of the issuer's operations*	Gränges is a leading global supplier of rolled products for the brazed aluminium heat exchanger industry. The Company develops, produces and markets advanced materials that enhance both production economy during the customer manufacturing process as well as the performance of the final products, the brazed heat exchangers. Gränges' vision is to help create smaller, lighter and more designable heat exchangers, to increase economic efficiency and reduce environmental impact. Gränges has its headquarters in Stockholm, Sweden and operates in three geographical regions: Europe, Asia and the Americas. The Company operates production, research and development facilities in Finspång, Sweden and Shanghai, China with total annual capacity of approximately 210,000 metric tonnes. Through sales and technical support offices in the U.S., India, Japan, South Korea and an agent in Brazil, the Company serves customers on every continent.
B.4a	*Trends influencing the issuer and the industries in which it is active*	The demand for Gränges' products is closely linked to the demand within the automotive industry and global vehicle production. The financial performance of Gränges therefore significantly depends on sales of light- and heavy-weight vehicles and the number of heat exchangers per vehicle. Automotive sales are a function of a number of macro-economic factors such as economic growth, employment levels, interest rates, the price of fuel, the pace of new vehicle model offerings, overall household wealth levels and purchasing power. Market trends shift industry dynamics and catalyse future development in the industry. Two macro trends are particularly relevant to both the automotive and HVAC&R product area. The first macro trend is the drive to produce more efficient environmentally friendly vehicles and HVAC&R systems. The second is a trend towards an increasingly global landscape with higher living standards.

B.5	*Description of the Group and the issuer's position within the Group*	The Group comprises the parent company Gränges AB (publ), five directly or indirectly wholly-owned subsidiaries, one branch and, through subsidiaries, two joint ventures (in each of which Gränges' ownership is 50 percent).
B.6	*Major shareholders, control over the Company and notifiable individuals, larger shareholders and control*	As at September 25, 2014, Gränges was wholly-owned by the Principal Owner, Orkla Industriinvesteringar AB. As at September 25, 2014, there were no other natural or legal persons who held more than five percent or more of the shares or votes in the Company.
B.7	*Financial information in summary*	The financial information below has been retrieved from the audited consolidated annual accounts for the period 2011–2013, prepared in accordance with IFRS, and the reviewed interim report for the period January 1 to June 30, 2014, prepared in accordance with IAS 34.

Summary of consolidated income statement

	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
Amounts in SEK million	2011	2012	2013	2013	2014
Net sales	4,840	4,946	4,642	2,473	2,333
Cost of materials	–3,186	–3,126	–2,806	–1,540	–1,359
Payroll and other operating expenses	–1,297	–1,294	–1,278	–652	–623
Depreciation and impairment charges	–148	–164	–187	–92	–97
Other income and expenses	–91	30	85	–22	–10
Operating profit (EBIT)	**118**	**392**	**456**	**167**	**244**
Profit from joint ventures	3	3	5	2	2
Finance income and costs	–57	–64	–43	–23	–14
Profit before taxes	**64**	**331**	**418**	**146**	**232**
Taxes	2	–15	–109	–38	–57
Profit for the period	**66**	**316**	**309**	**108**	**175**

B.7	*Financial information in summary, cont.*	**Summary of consolidated balance sheet**

	Audited Dec 31			Unaudited Jun 30	
Amounts in SEK million	2011	2012	2013	2013	2014
ASSETS					
Property, plant and equipment	1,646	1,713	1,661	1,720	1,618
Intangible assets	10	17	13	15	11
Deferred tax assets	38	19	34	36	36
Investments in joint ventures	26	27	25	37	28
Interest-bearing receivalbles	–	–	26	–	27
Total non-current assets	**1,720**	**1,776**	**1,759**	**1,808**	**1,720**
Inventories	838	800	680	699	717
Receivables	1,380	1,193	1,291	1,447	1,155
Cash and cash equivalents	452	527	896	761	1,247
Total current assets	**2,670**	**2,520**	**2,867**	**2,907**	**3,119**
Total assets	**4,390**	**4,296**	**4,626**	**4,715**	**4,839**
EQUITY AND LIABILITIES					
Shareholder's equity	2,260	2,208	3,098	2,941	3,418
Non-current interest-bearing liabilities	575	809	265	236	27
Non-current non interest-bearing liabilities	134	150	135	165	164
Current interest-bearing liabilities	679	457	412	625	416
Current non interest-bearing liabilities	742	672	716	748	814
Total equity and liabilities	**4,390**	**4,296**	**4,626**	**4,715**	**4,839**

B.7	*Financial information in summary, cont.*

Summary of consolidated cash flow statement

Amounts in SEK million	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
	2011	2012	2013	2013	2014
Operating profit	118	392	456	167	244
Amortisation, depreciation and impairment charges	148	164	194	92	97
Items without cash flow effect	0	–55	–136	0	0
Change in net working capital etc.	–106	215	118	–36	201
Taxes paid	–35	–67	–31	–49	–55
Cash flow from operating activities	**125**	**649**	**601**	**174**	**487**
Investments property, plant and equipment and intangible assets	–323	–293	–125	–49	–33
Sale of property, plant and equipment	12	2	5	1	0
Investments in joint ventures	0	0	–5	0	0
Other capital transactions	–20	43	–26	–34	–1
Cash flow from investing activities	**–331**	**–248**	**–151**	**–82**	**–34**
Shareholder/group contributions (net paid to/received from shareholders)	–6	–252	567	547	126
Interest paid/received (net)	–52	–59	–43	–26	–11
Change in interest-bearing liabilities	376	10	–586	–404	–234
Change in interest-bearing receivables	0	0	–26	0	–1
Change in net interest-bearing liabilities	376	10	–612	–404	–235
Cash flow from financing activities	**318**	**–301**	**–88**	**117**	**–120**
Change in cash and cash equivalents	**112**	**100**	**362**	**209**	**333**
Cash and cash equivalents at beginning of payroll	**319**	**452**	**527**	**527**	**896**
Change in cash and cash equivalents	112	100	362	209	333
Currency effect of cash and cash equivalents	21	–25	7	25	18
Cash and cash equivalents at end of the period	**452**	**527**	**896**	**761**	**1,247**

B.7	*Financial information in summary, cont.*	**The Group's net sales and sales volume by geography**

	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
	2011	2012	2013	2013	2014
Net sales (SEK million)					
Asia	2,243	2,416	2,271	1,233	1,151
Europe	1,914	1,757	1,673	875	852
Americas	683	772	698	367	330
Total net sales	**4,840**	**4,946**	**4,642**	**2,473**	**2,333**
Sales volume ('000 metric tonnes)					
Asia	64.7	70.4	75.0	39.3	40.4
Europe	61.5	55.9	59.5	30.0	31.0
Americas	23.2	25.3	24.0	12.4	11.7
Total sales volume	**149.4**	**151.7**	**158.6**	**81.8**	**83.1**

B.7	*Financial information in summary, cont.*	**The Group's key information and data**

SEK million unless otherwise stated	Jan 1 – Dec 31			Jan 1 – Jun 30	
	2011	2012	2013	2013	2014
Net sales and volume					
Sales volume ('000 metric tonnes)	149.4	151.7	158.6	81.8	83.1
Volume growth (%)	–	2%	5%	–	2%
Net sales	4,840	4,946	4,642	2,473	2,333
Profitability					
Operating profit	118	392	456	167	244
Operating margin (%)	2.4%	7.9%	9.8%	6.7%	10.5%
Adjusted operating profit	209	362	371	189	254
Adjusted operating margin (%)	4.3%	7.3%	8.0%	7.6%	10.9%
EBITDA	266	556	650	259	341
EBITDA margin (%)	5.5%	11.2%	14.0%	10.5%	14.6%
Adjusted EBITDA	357	526	558	281	351
Adjusted EBITDA margin (%)	7.4%	10.6%	12.0%	11.4%	15.1%
Per share data					
Earnings per share[1] (SEK)	1.77	8.47	8.28	2.88	4.69
Weighted outstanding ordinary shares (diluted) (number)	37,319,693	37,319,693	37,319,693	37,319,693	37,319,693
Employees					
Average number of employees (number)	988	947	964	960	949
Return indicators					
ROCE (%)	6.9%	11.4%	12.0%	11.1%	15.0%
ROE (%)	3.1%	14.1%	11.5%	–	12.1%
Capital employed (rolling 12 month average)	3,019	3,163	3,082	3,128	2,914
Equity (rolling 12 month average)	2,160	2,243	2,685	2,361	3,104

	Dec 31			Jun 30	
	2011	2012	2013	2013	2014
Capital structure					
Equity/ asset ratio (%)	51.5%	51.4%	67.0%	62.4%	70.6%
Net debt	928	867	–126	227	–711
Net debt/EBITDA	3.5x	1.6x	–0.2x	0.4x	–1.0x
Net debt/Adjusted EBITDA	2.6x	1.6x	–0.2x	0.4x	–1.1x
Net debt/Equity	0.4x	0.4x	0.0x	0.1x	–0.2x

1) Before and after dilution of shares.

B.7	*Financial information in summary, cont.*	***Significant changes since June 30, 2014*** On August 15, 2014, the Swedish Companies Registration Office registered a reduction of Gränges' share capital of SEK 833 million, as well as a reduction of restricted reserves of SEK 262 million (with a corresponding increase in retained earnings). As a result, the share capital of Gränges thereafter amounted to SEK 100 million. On September 2, 2014, an extraordinary shareholders' meeting declared a dividend of SEK 1 650 million to the Principal Owner. The dividend payment was executed on September 4, 2014.
B.8	*Proforma accounting*	Not applicable. The Offering Circular does not contain proforma accounting.
B.9	*Profit/loss forecast*	Not applicable. The Company has not presented any profit/loss forecast.
B.10	*Audit remarks*	Not applicable. There are no remarks in the audit reports.
B.11	*Net working capital*	Not applicable. Gränges believes that the existing net working capital is sufficient to meet the Company's needs over the next twelve month period.

Section C – Securities		
C.1	*Securities offered*	Shares in Gränges AB (publ), reg. no. 556001-6122. ISIN number SE0006288015.
C.2	*Denomination*	The shares are denominated in SEK.
C.3	*Total number of shares in the Company*	As at the date of the Offering Circular, there are 74,639,386 shares in the Company, each with a quota value of approximately SEK 1.339775. All issued shares have been fully paid.
C.4	*Rights associated with the securities*	Each share in the Company entitles the holder to one vote at shareholders' meetings, and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company. If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue. The shares carry the right to payment of dividend for the first time on the record date for distribution which falls immediately after the listing. All shares in the Company give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.
C.5	*Restrictions in free transferability*	Not applicable. The shares are not subject to any restrictions on transferability.
C.6	*Admission to trading*	NASDAQ OMX Stockholm's listing committee decided to admit the Company's shares to trading on NASDAQ OMX Stockholm, subject to certain conditions, such as that the distribution requirements in respect of the Company's shares being fulfilled no later than on the first day of trading. In case the Company's board of directors and Principal Owner ultimately resolve to list the Company's shares, trading in the Company's shares is expected to begin on or about October 10, 2014.
C.7	*Dividend policy*	Gränges aims to have an annual dividend corresponding to 30–50 percent of the net profit for the period. The pay out decision will be based on the Company's financial condition, cash flow and future outlook.

Section D – Risks		
D.1	*Main risks related to the issuer or the industry*	Gränges' business and industry are subject to certain risks which are completely or partly outside the control of the Company and which could affect Gränges' operations, financial condition or results of operations. Described below, in no particular order and without claim to be exhaustive, are some of the risk factors and significant circumstances considered to be material to Gränges' business and future development. Risks related to the Company's business and industry include that the demand for Gränges' products is dependent on end users' markets and end-customers' production, in particular within the automotive industry; Gränges is exposed to the price of aluminium and may be adversely affected by inability to properly manage such exposure; Gränges is dependent on the supply of aluminium and may be adversely affected by its suppliers facing financial or operational problems, being unable to make deliveries as agreed or decreasing or shutting down operations; Gränges is engaged in a highly competitive industry and increased competition may affect Gränges adversely; unforeseen and large interruptions of production may affect Gränges adversely; Gränges could be adversely affected by changes in the business or financial condition of a significant customer or customers; Gränges is exposed to risks related to the Chinese legal system; Gränges is exposed to economic and political risks associated with investment in China; inability to retain and recruit qualified personnel and executive management may adversely affect Gränges' operations; Gränges may be subject to liability under environmental laws and regulations and environmental compliance may increase operating costs.
D.3	*Main risks related to the securities*	Any investment in securities involves risks. Any such risk could cause the trading price of Gränges' shares to decline significantly and investors could lose all or parts of the value of their investment. Risks related to the Company's shares include that an active, liquid and orderly trading market for Gränges' shares may not develop, the price of its shares may be volatile, and potential investors could lose a portion or all of their investment; future sales of shares by existing shareholders could cause the share price to decline; the Principal Owner will continue to have significant influence over Gränges and the ability to influence matters requiring shareholder approval after the Offering; Gränges' ability to pay dividends is dependent upon its future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors; differences in currency exchange rates may adversely affect the value of shareholdings or dividends paid.

Section E – Offering		
E.1	*Issue proceeds and issue costs*	Not applicable. No shares or securities are issued by Gränges in connection with the preparation of the Offering Circular and Offering, and accordingly, there are no issue proceeds. Gränges' costs associated with the listing on NASDAQ OMX Stockholm and the Offering are expected to amount to approximately SEK 30 million. Such costs are mainly related to costs for auditors, attorneys, printing of the Offering Circular, costs related to management presentations, and other related costs. Gränges will not receive any proceeds from the Offering.
E.2a	*Motive and use of proceeds*	The Offering and the listing will expand the Company's shareholder base and enable Gränges to access the Swedish and international capital markets, which will promote the Company's continued growth and development. The board of directors and management of Gränges consider the Offering and listing of the Company's shares to be a logical and important step in Gränges development, which will also increase the awareness of Gränges and its operations.

E.3	*Offering forms and conditions*	The Offering: The Offering comprises 44,783,600 shares, representing approximately 60 percent of total number of shares in the Company, and is directed to the general public in Sweden and Norway and to institutional investors. The Principal Owner has reserved the right to increase the Offering by not more than 8,956,700 additional shares, representing not more than 12 percent of the total number of shares in the Company. The Principal Owner has granted an over-allotment option to the Joint Global Coordinators, whereby the Joint Global Coordinators, at the latest 30 days from the first day of trading of the Company's shares on NASDAQ OMX Stockholm, are entitled to acquire an additional maximum of 8,061,000 shares from the Principal Owner, corresponding to approximately 15 percent of the total number of shares in the Offering, for a price corresponding to the Offering price. The Over-allotment option may only be exercised in order to cover possible over-allotments within the framework of the Offering. Assuming that the Offering is increased in full by the Principal Owner and that the Over-allotment option is exercised in full, the total number of shares comprised by the Offering represents 61,801,300 shares, corresponding to approximately 83 percent of the total number of shares in the Company. Offering price: The Offering price is expected to be set within the range of SEK 42 to SEK 50 per share. The price range has been set by the Principal Owner in consultation with the Managers, based on the anticipated investment interest from institutional investors. However, the Offering price in the offering to the general public will not exceed SEK 50 per share. No brokerage commission will be charged. The Offering price will be announced through a press release around October 10, 2014. Application period: Applications for acquisition of shares by the general public in Sweden and Norway should be made during the period September 30 – October 8, 2014. Institutional investors in Sweden and from abroad are afforded the opportunity to participate in a book-building process from September 30 – October 9, 2014. Application: Applications for acquisitions of shares within the terms of the offer to the general public shall relate to a minimum of 250 shares and a maximum of 20,000 shares in even lots of 50 shares each. Applications shall be made using the special application form which can be obtained at the offices of Carnegie, SEB or Handelsbanken or ordered from Gränges. Application can also be made through SEB's internet bank, Handelsbanken's or Nordnet's internet banking service. Application forms are available on Gränges' website (www.granges.com), Carnegie's website (www.carnegie.se) and SEB's and Handelsbanken's websites for prospectuses (www.sebgroup.com/prospectuses) and (www.handelsbanken.se/investeringserbjudande) respectively. Further information regarding applications is set out in section "Terms and conditions". Applications by institutional investors shall be made in accordance with special instructions. Allotment: Decision on allotment of shares is made by the Principal Owner after consultation with the Managers, whereby the goal will be to achieve a good institutional ownership base and a broad distribution of the shares among the general public, in order to facilitate a regular and liquid trading in Gränges' shares on NASDAQ OMX Stockholm. The allotment does not depend on when the application is submitted during the application period. Only one application per person will be considered. In the event of oversubscription, allotment may take place with a lower number of shares than the application concerns, at which allotment wholly or partly may take place by random selection. Employees and members of the board of directors in Gränges, Swedish and Norwegian shareholders in Orkla ASA registered in the share ledger as per September 25, 2014, and certain customers in Carnegie, SEB and Handelsbanken who apply for acquisition of a maximum of 20,000 shares may be considered separately during allotment. Allotment among institutions that have submitted expressions of interest will be made on a wholly discretionary basis. Application and allotment for employees: Employees in Gränges who are residents in Sweden for tax purposes and wish to acquire shares must follow special instructions from the Company. Allotment to employees in Gränges, with exception of executive management, will relate to shares with a value of up to SEK 30,000 per employee.

E.4	*Interests and conflict of interests*	Gränges' financial advisors in connection with the Offering and the listing are Carnegie and SEB. Handelsbanken and Danske Bank, together with Carnegie and SEB, are acting as Joint Bookrunners in the Offering. These advisors (and companies closely related to them) have provided, and may in the future provide, services in the ordinary course of business and in connection with other transactions to Gränges for which they have received, and may in the future receive, compensation.
E.5	*Principal Owner/ Lock-up agreements*	Under the Placing Agreement which is expected to be entered into around October 9, 2014, the Principal Owner, shareholding members of the board of directors and certain shareholding employees in the Group, including the Company's executive management, will undertake, with certain exceptions, not to sell their respective holdings for a certain period after trading on NASDAQ OMX Stockholm has commenced (the "Lock-up period"). The Lock-up period for the Principal Owner will be 180 days whereas the Lock-up period for shareholding members of the board of directors and certain shareholding employees in the Group, including the Company's executive management, will be 360 days. At the end of the respective Lock-up period, the shares in question may be offered for sale, which may affect the market price of the share. Joint Global Coordinators may grant exceptions from this undertaking. Pursuant to the agreement, the Company will undertake, with certain exceptions, towards the Managers not to, for example resolve upon or propose to the shareholders' meeting an increase of the share capital through issuance of shares or other financial instruments for a period of 365 days from the first day of trading of the Company's shares on NASDAQ OMX Stockholm without a written consent from the Joint Global Coordinators.
E.6	*Dilution effect*	Not applicable. No shares are issued in connection with the Offering or the listing.
E.7	*Costs imposed on investors by the issuer or offerer*	Not applicable. Brokerage commission will not be charged.

2.

RISK FACTORS

Risk factors

An investment in Gränges' shares involves various risks. A number of factors affect, or could affect, Gränges' business, both directly and indirectly. Described below, in no particular order and without claim to be exhaustive, are some of the risk factors and significant circumstances considered to be material to Gränges' business and future development. The risks described below are not the only risks to which Gränges and its shareholders may be exposed. Additional risks that are not currently known to Gränges, or that Gränges currently believes are immaterial, may also adversely affect Gränges' business, results of operations or financial condition. Such risks could also cause the price of Gränges' shares to fall significantly, and investors could potentially lose all or part of their investment.

In addition to this section, investors should also take into consideration the other information contained in the Offering Circular in its entirety. The Offering Circular also contains forward-looking statements that are subject to future events, risks and uncertainties. Gränges' actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below and elsewhere in the Offering Circular.

Risks related to Gränges

THE DEMAND FOR GRÄNGES' PRODUCTS IS DEPENDENT ON END USERS' MARKETS AND END-CUSTOMERS' PRODUCTION, IN PARTICULAR WITHIN THE AUTOMOTIVE INDUSTRY

The majority of Gränges' customers are active within the automotive industry as suppliers to vehicle and original equipment manufacturers. As a result, the demand for Gränges' products is dependent on automotive industry production. Automotive industry production is largely driven by demand for and sales of vehicles, as well as stock levels of vehicle and equipment manufacturers. New vehicle demand, in turn, is dependent on consumer spending and is tied closely to the strength of the overall economy. During recessions or periods of low growth, the automotive industry typically experiences significant cutbacks in production, resulting in decreased demand for aluminium products. For example, in 2009 the global financial crisis led to a 20 percent decline in European automotive production according to LMC Automotive and a 24 percent decline in Gränges' sales in Europe. Moreover, fluctuations in local or regional economic conditions may also affect global automotive industry production. These factors, accordingly, may lead to fluctuations in demand and pricing for Gränges' products and services, which may adversely affect Gränges' business, financial condition or results of operations.

GRÄNGES IS EXPOSED TO THE PRICE OF ALUMINIUM AND MAY BE ADVERSELY AFFECTED BY INABILITY TO PROPERLY MANAGE SUCH EXPOSURE

Gränges has production facilities in Finspång and Shanghai. Gränges purchases large volumes of aluminium for production at these facilities. The purchasing price is generally based on the trading price on the London Metal Exchange ("LME"). However, the price of the aluminium supply for the facility in Shanghai is based on the trading price on the Shanghai Futures Exchange ("SHFE"). The revenue model for rolled aluminium products is based on a price model in which the cost of raw material is passed on to the customer, while Gränges is compensated for its processing by way of a conversion price paid by the customer in addition to the raw material costs. This entails that the raw material price risk is mostly passed on to by the customer, although Gränges is still exposed to fluctuations in market prices of aluminium as a result of, for example, the delay between a manufacturer purchasing its aluminium at potentially a different price, and the product being sold to the customer. In addition, differences between the LME and SHFE price may lead to a lower profit margin on products exported from Shanghai, as well as reduced profitability. Gränges' ability to reduce the effect of fluctuations in market prices by way of hedging measures is dependent upon many factors, including factors that are beyond the Company's control. All of these factors could adversely affect Gränges' business, financial condition or results of operations.

GRÄNGES IS DEPENDENT ON THE SUPPLY OF ALUMINIUM AND MAY BE ADVERSELY AFFECTED BY ITS SUPPLIERS FACING FINANCIAL OR OPERATIONAL PROBLEMS, BEING UNABLE TO MAKE DELIVERIES AS AGREED OR DECREASING OR SHUTTING DOWN OPERATIONS

Gränges is dependent on supplies of input goods, in particular aluminium. Gränges has supply agreements with a limited number of suppliers for aluminium and other raw materials. Regional supply constraints have occurred in the industry and increases in demand could exacerbate such issues. A particular risk in this respect is the supply of rolling slabs for Gränges' specific alloys. Slabs of high quality may be difficult to obtain in the future at current prices as they are not considered a standardised commodity and require specific suppliers' capabilities. Gränges is also to some extent dependent on scrap for its operations and acquires scrap inventory from numerous sources. As the suppliers of scrap generally are not bound by long-term contracts and have no obligation to sell scrap metals to the Company, in periods with low metal prices they may decide to hold scrap while waiting for higher prices. This can affect Gränges' ability to operate its business efficiently or could have a negative affect on the Company's financial condition.

Gränges may also be affected by its suppliers facing financial or operational problems, raising prices or being unable to make deliveries as agreed. Incorrect, delayed or missing deliveries from suppliers may in turn result in Gränges' products becoming delayed or deficient. If larger suppliers were to decrease or shut down their operations, this could affect Gränges' options for manufacturing and supplying its products and have an adverse effect on Gränges' margins. The occurrence of any one of these factors could result in increased costs, delayed deliveries and potential claims from its customers which in turn may adversely affect Gränges' business, financial condition or results of operations.

GRÄNGES IS ENGAGED IN A HIGHLY COMPETITIVE INDUSTRY. INCREASED COMPETITION MAY AFFECT GRÄNGES ADVERSELY

Gränges is engaged in a highly competitive industry. A large part of Gränges' sales are made to the automotive industry, which is a market segment with particularly high competition globally. If Gränges is unable to compete efficiently, its market share and sales volumes could be negatively impacted, which could have an adverse effect on its business, financial condition or results of operations. Further, most of Gränges' contracts are obtained through competitive bidding processes, which are customary for the industry. Price is one of the determining factors of most contracts awarded even though service quality, technological capability, reputation and experience also are considered in customer decisions. Producers with a different cost base than Gränges may, in certain circumstances, have a competitive pricing advantage. If global competitors increase their presence in the niche market in which Gränges operates, this could lead to increased competition. If Gränges does not compete successfully, the Group's share of industry sales, sales volumes and selling prices may be adversely affected, which could adversely affect its business, financial condition or results of operations.

UNFORESEEN AND LARGE INTERRUPTIONS OF PRODUCTION MAY AFFECT GRÄNGES ADVERSELY

Gränges' production comprises a chain of processes, in which disruptions or disturbances in any part of the chain, for example due to breakdowns, fires, labor disputes or natural disasters, can have repercussions on Gränges' ability to fulfill its obligations towards its customers. For example, the production facility in Finspång suffered a fire in 2010 which affected production capability. A specific risk within aluminium rolling is the failure of large mechanical structures such as large gear boxes or mill stands. Gränges' operations also entail risks of molten metal explosions, aluminium dust explosions or annealing furnace explosions. Replacement of assets damaged by such events could be difficult or expensive. Customers may be dependent on planned deliveries from Gränges, and customers that have to reschedule their production or deliveries due to delivery delays on Gränges' part may, to the extent not considered as a force majeure event, be able to pursue financial claims against the Company. Interruptions of production may also harm Gränges' reputation among current and potential customers, potentially resulting in a loss of business. To the extent that these losses are not fully covered by insurance, the Company's business, financial condition or results of operations may be adversely affected.

GRÄNGES COULD BE ADVERSELY AFFECTED BY CHANGES IN THE BUSINESS OR FINANCIAL CONDITION OF A SIGNIFICANT CUSTOMER OR CUSTOMERS

In 2013, the top five customers accounted for approximately 48 percent of Gränges' sales by volume. A significant downturn in the business or financial condition of a key customer or customers could adversely affect the Company. Gränges' customers may experience delays in the launch of new products, interruptions such as labor strikes, diminished liquidity or credit unavailability, weak demand for their products, or other difficulties in their business, resulting in lost business for Gränges. If a customer significantly relocates its manufacturing operations, such as to a low-cost country, Gränges may not be asked, or be able to, make deliveries to the new location to the same extent as prior to the relocation, or may not be able to source any or all of its products to the new location efficiently. Any material loss of contracts from one or more of significant customers could have an adverse effect on Gränges' business, financial condition or results of operations.

GRÄNGES IS EXPOSED TO RISKS RELATED TO THE CHINESE LEGAL SYSTEM

As Gränges has operations in China, Gränges is subject to general Chinese laws and regulations and, in particular, to laws applicable to wholly foreign-owned investments in China. In 1979, the Chinese government introduced comprehensive new laws on economic matters. These laws have significantly enhanced the protection afforded to various forms of foreign investments in China. However, the Chinese legal system continues to evolve rapidly and the interpretation of many laws and regulations entails uncertainties which may limit the protection available to foreign investments like the Company's subsidiary Gränges Shanghai. It is not always possible to predict the interpretation of relevant laws and regulations due to the lack of detailed implementation rules issued by government authorities. Some government authorities (including local government authorities) may not consistently apply rules and regulations issued either by themselves or other Chinese government authorities, thereby rendering strict compliance either impractical or, in some cases, impossible. For example, amendments to dividend distribution or dividend taxation rules and may affect Gränges Shanghai's ability to efficiently distribute dividends to Gränges.

From its establishment in China in 1996 and until Gränges Shanghai became a wholly-owned subsidiary of Gränges in 2003, Gränges Shanghai was jointly owned by Gränges and a Chinese state-owned joint venture partner. Certain supporting documents prepared in connection with the transactions to establish the joint venture and transfer all shares to Gränges cannot be located, primarily because both the joint venture partner and the local authorities involved have ceased to exist. The lack of full and complete documentation may result in penalties or adversely affect Gränges' ability to independently document full and indisputable title to part of the Chinese operations.

In China, resort to administrative and court proceedings to enforce legal protection granted by law or to enforce contractual rights may not always be successful. Administrative authorities and courts have significant discretion in interpreting and implementing statutory and contractual terms, and circumstances unrelated to the legal merits of a particular matter or dispute may influence their determination. It is therefore more difficult to assess the outcome of any proceedings and the level of protection that is available than it may be in more developed legal systems.

Accordingly, the factors outlined above could adversely affect Gränges' business, assets, equity, financial position or results of operations.

GRÄNGES IS EXPOSED TO ECONOMIC AND POLITICAL RISKS ASSOCIATED WITH INVESTMENTS IN CHINA

A substantial portion of Gränges' sales are generated in China, and Gränges anticipates that sales of its products in China will continue to represent a substantial proportion of its total sales in the near future. Over the last few decades, China has undergone profound political, economic and social changes. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the Chinese economy has experienced significant growth in the past three decades, growth has been uneven across different regions and among various economic sectors of China. In addition, there can be no assurance that the Chinese economy will continue to grow at the same rate. A slowdown in economic growth, an economic downturn or recession, or other adverse economic developments in the Chinese economy may materially affect demand for Gränges' products. The Chinese government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall economy, but may also have a negative effect on foreign held enterprises. The value of Gränges' assets may be affected by uncertainties such as unfavourable changes in Chinese laws and regulations or the interpretation thereof, domestic or foreign policy development, changes in government policies, taxation and interest rates, currency restrictions, restrictions on imports and sources of supply, currency devaluations, the nationalization or other expropriation of private enterprises and other political and economic developments in rules and regulations in China. Such economic and political risks may adversely affect the value of Gränges' assets, business and financial position.

INABILITY TO RETAIN AND RECRUIT QUALIFIED PERSONNEL AND EXECUTIVE MANAGEMENT MAY ADVERSELY AFFECT GRÄNGES' OPERATIONS

Gränges is dependent on its executive management and other key employees. These individuals possess sales, marketing, engineering, technical, manufacturing and financial skills that are critical to the operation of Gränges' business. For example, Gränges has a number of research and development specialists of importance to the Company who may be time consuming to replace. Moreover, the market demand for qualified individuals is high and Gränges may not be able to attract and retain qualified personnel to replace or succeed members of the executive management or other key employees, should the need arise. The loss of such individuals may adversely affect Gränges' ability to operate and expand its business, improve its operations or develop new products, and, as a result, the Group's business, financial condition or results of operations could be adversely affected.

GRÄNGES MAY BE SUBJECT TO LIABILITY UNDER ENVIRONMENTAL LAWS AND REGULATIONS AND ENVIRONMENTAL COMPLIANCE MAY INCREASE OPERATING COSTS

Gränges conducts business on properties which have a long history of industrial activities. The Company's operations are subject to environmental laws and regulations. As such, Gränges could be exposed to liability as previous or current owner and previous or current occupier of properties which are contaminated. Pursuant to the Swedish Environmental Code (1998:808), the entity that conducted operations that have contributed to contamination is responsible for any remediation. Such liability may also arise pursuant to laws in other jurisdictions where Gränges conducts business. Furthermore, liability for costs due to environmental responsibility could be incurred by way of agreement with a property owner or other party. Therefore, under certain circumstances, Gränges could face claims and liability regarding cost compensation or measures for soil decontamination or remediation to put the property into the condition prescribed by the Swedish Environmental Code or other applicable legislation, following the occurrence, or suspicion, of soil, water area or ground water contamination.

Changes in legislation or authority regulations setting out higher requirements or changed terms regarding health, security or environment, or a development towards stricter application of laws and regulations by authorities, could require further investments and lead to higher costs and other measures for operations that are subject to such regulations within the Group. Evolving regulatory standards and higher requirements can also result in increased litigation.

Accordingly, the factors outlined above could have an adverse effect on Gränges' business, financial condition or results of operations.

GRÄNGES' PRODUCTION IN FINSPÅNG RELIES ON INFRASTRUCTURE OWNED BY A THIRD PARTY

As part of a Group restructuring in 2009, Gränges transferred certain assets and infrastructure for distribution of operating media at its site in Finspång to Coor Service Management AB ("Coor"). Such infrastructure includes the main system, pipes, pump stations, distribution plant, furnace rooms and, compressors, as well as an LPG station and a power plant (hydroelectric power station). The parties have entered into two agreements under which infrastructure and operating media at the site are to be exclusively provided to Gränges by Coor valid until December 31, 2016. No assurances can be given regarding on what terms Gränges will be able to renew these agreements in the future. Further, if any of these agreements terminates and is not renewed, the Company could be required to replace existing infrastructure at the site which would be expensive, time consuming and might require new permits. Such a situation could adversely affect Gränges' business, financial position or results of operations.

INCREASES IN THE PRICES OF ENERGY MAY INCREASE GRÄNGES' COST OF GOODS SOLD

Gränges' energy costs represent the third largest component, after metal and labor costs, of the Group's operating expenses. Prices of energy have been, and will continue to be, affected by factors outside Gränges' control, such as supply and demand in both local and regional markets, as well as governmental regulation and imposition of further taxes on energy. Future increases in the prices of energy, or disruptions in energy supply, may adversely affect Gränges' business, financial condition or results of operations.

THE DEVELOPMENT OF GRÄNGES AS A STAND-ALONE GROUP OF ENTITIES IS ASSOCIATED WITH SEPARATION COSTS AND A NUMBER OF UNCERTAINTIES

The development of Gränges as a stand-alone group of entities has entailed separation costs, including among other things the use of key management personnel's time and attention, overhead and logistical costs, and the cost of recruiting, training and retaining a higher number of staff across different businesses. Gränges may incur higher operational costs than it would have had as a part of the Orkla/Sapa group due to loss of economies of scale, the need for stand-alone corporate and support services, and less access to certain resources compared to those available to the Company if continued as a part of the Orkla/Sapa group. Such factors could increase operating costs and adversely affect Gränges' business, financial condition or results of operations.

GRÄNGES WILL, FOR A TRANSITIONAL PERIOD, RELY ON THE SAPA GROUP FOR CERTAIN SERVICES

Gränges has previously relied on entities within the Sapa group to provide certain services; including accounting and finance services, treasury services, IT services, insurance and lab services. Through transitional arrangements entered into in conjunction with the legal demerger, entities within the Sapa group shall provide Gränges with such services. Gränges intends to either develop internal capabilities or make arrangements with third-party service providers to replace services provided by the Sapa group in the transitional period.

If Gränges fails to adequately replace the functions for which it currently relies on entities within the Sapa group, or is unable to enter into alternative arrangements with third parties on commercially viable terms, its business, financial condition or results of operations could be negatively affected.

SWEDISH LAW SUBJECTS GRÄNGES TO SECONDARY JOINT LIABILITY FOR CERTAIN OBLIGATIONS FROM THE DEMERGER

Through the legal demerger between Gränges and Sapa AB which was carried out in 2013 in accordance with the provisions of Chapter 24 of the Swedish Companies Act, the obligations of the prior company were divided between Gränges and Sapa AB in accordance with the principles set forth in the demerger plan. If Sapa AB is liable under the demerger plan for an obligation that arose prior to consummation of the demerger and fails to satisfy that obligation, the Company will, pursuant to the demerger provisions in Chapter 24 of the Swedish Companies Act, be subject to secondary joint liability for that obligation. Secondary joint liability does not apply in respect of obligations incurred after consummation of the demerger. This statutory liability is unlimited in time but is limited in amount to the equivalent of the real value of the net balance allocated to the non-defaulting party in the demerger. Accordingly, if Sapa AB is unable to satisfy its obligations, Gränges could be liable for Sapa AB's obligations that arose prior to the demerger. This liability could result in an adverse effect on the Company's business, financial condition or results of operations.

CHANGES TO ESTIMATES AND JUDGEMENTS RELATING TO THE SEPARATION MAY AFFECT THE PRESENTATION OF GRÄNGES' FINANCIAL HISTORY

As Gränges currently is part of the Orkla group, and previously was part of the Sapa group, its financial and accounting systems were linked to that of Orkla and Sapa. To produce the historical financial information presented in the Offering Circular as if it were a standalone entity for those periods, Gränges has made certain estimates, assumptions and judgments relating to the separation, which are based upon assumptions believed to be reasonable but which are inherently uncertain. The company could have conducted its business in a manner different than those set out by the estimates, assumptions and judgments if the Company had been a stand-alone group during the period. This entails a risk that actual future conditions shows a discrepancy compared to the estimates, assumptions and judgments which, if these conditions had been known in the preparation of the historical financial information, had resulted in a historical financial information that deviates adversely compared to the historical financial information presented in the Offering Circular.

TECHNOLOGICAL PROGRESS MIGHT RENDER THE TECHNOLOGIES USED BY GRÄNGES OBSOLETE

The market for Gränges' services and products is characterized by continual technological developments. Gränges' revenues and market share may suffer if competitors introduce new or enhanced products or services that its customers find more appealing. Gränges' proprietary technologies, equipment and facilities or work processes also may become obsolete or less competitive, which could reduce the profitability of Gränges' intellectual property. The Company must be able to design, develop, and produce and implement commercially competitive products and services in response to changes in technology. Failing to do so could adversely affect Gränges' business, financial condition or results of operations.

FAILURE TO PRESERVE INTELLECTUAL PROPERTY RIGHTS, OTHER PROPRIETARY INFORMATION OR TRADE SECRETS USED IN GRÄNGES' SERVICES AND PRODUCTS COULD ADVERSELY AFFECT ITS COMPETITIVE POSITION

Gränges' business relies on a variety of intellectual property rights, including but not limited to a number of solely and jointly owned patents, trademarks, other proprietary information and trade secrets, which are used in its services and products. Gränges may not be able to successfully preserve such intellectual property rights, proprietary information or trade secrets, and intellectual property rights of the Group could be invalidated, circumvented, or challenged, and Gränges may not be able to successfully protect its brand, trade name and trade secrets or gain or keep its competitive advantage. Some of Gränges' intellectual property rights are jointly owned with third parties, which poses a risk to Gränges' possibilities to exploit such intellectual property rights, as they are not disposed of solely by the Company.

There is a risk that the laws of some foreign countries in which Gränges is active may not adequately protect intellectual property rights. For example, the validity, enforceability and scope of protection of intellectual property rights in China are uncertain and still evolving, and Gränges may be subject to substantial risks in that respect. Gränges' patents have been subject to infringement in China, and there is a risk that infringements may occur again. Any litigation or proceeding or other effort to protect its intellectual property rights could result in substantial costs and diversion of Gränges' resources, and could seriously harm its business. Failure to protect intellectual property rights, other proprietary information or trade secrets, and any successful intellectual property challenges or infringement proceedings against Gränges, could adversely affect its competitive position which could result in an adverse effect on its business, financial condition or results of operations.

GRÄNGES' PRODUCTION SITES ARE INHERENTLY DANGEROUS WORKPLACES WHICH REQUIRE HIGH SAFETY STANDARDS

At Gränges, production sites, employees and others are often put in close proximity with large pieces of mechanized equipment, moving vehicles, chemicals and manufacturing processes, and strictly regulated materials which may be dangerous if not handled or operated correctly. Gränges is responsible for safety on its sites and, accordingly, must implement safety procedures. In case of a failure to implement such procedures, or if the implemented procedures are ineffective, employees and others may become injured. In 2013, there were two workplace accidents which led to the employee involved having at least one day of absence from work. In 2012 and 2011, the number of workplace accidents, which led to the employee involved having at least one day of absence from work, were two and five respectively. Unsafe work sites also have the potential to increase employee turnover and raise operating costs. Moreover, if Gränges fails to implement procedures for safety at worksites, or if safety procedures at worksites are ineffective, the sites may experience downtime, which, if not resolved in a timely and cost-effective manner, could prevent services from being carried out normally. Any of the foregoing could result in financial losses which could adversely affect Gränges' business, financial condition or results of operations.

GRÄNGES IS EXPOSED TO TAX RELATED RISKS

Gränges' sales are primarily made through subsidiaries in a number of countries. Transactions between Group companies are made according to Gränges' understanding or interpretation of current tax laws, tax treaties, other tax law stipulations and the requirements of the tax authorities concerned. Further, the tax authorities of the countries concerned could make assessments and take decisions which deviate from Gränges' understanding or interpretation of the abovementioned laws, treaties and other regulations.

Gränges is currently the subject of a tax audit in Sweden, covering income tax and VAT for the financial year 2012 and employer's contributions for the financial years 2012 and 2013. The tax audit was initiated on April 22, 2014 and the Swedish Tax Agency has communicated a preliminary decision to the Company dated 12 September 2014 in which no material reassessments have been proposed. The final decision is expected to be communicated in October 2014 and is not expected to result in any material reassessments.

Gränges' tax position, both for previous years and the present year, may change as a result of the decisions of the tax authorities concerned or as a result of changed laws, treaties and other regulations. Such decisions or changes, possibly retroactive, could adversely affect Gränges' business, financial condition or results of operations.

DISRUPTIONS IN GRÄNGES' IT SYSTEMS MAY MAKE IT DIFFICULT TO CONDUCT BUSINESS

Gränges' production relies on functioning IT systems at its production facilities in Finspång and Shanghai. Furthermore, IT systems are required for Gränges to purchase, sell and deliver products, to invoice its customers and to operate the Company's production facilities. The IT systems are also important tools for accounting and financial reporting. For example, disruptions as a consequence of upgrades of existing IT systems, or deficiencies that materialize in the function of Gränges' IT systems could, even in the short term, adversely affect its business, financial condition or results of operations.

GRÄNGES MAY NEED TO MAKE ADDITIONAL INVESTMENTS IN PRODUCTION CAPACITY TO MEET FUTURE DEMAND AND LEVERAGE GROWTH OPPORTUNITIES, WHICH MAY REQUIRE ADDITIONAL FUNDING

During the period 2008 to 2012, Gränges made significant investments in its Finspång and Shanghai plants to install new capacity and upgrade equipment in respect of capability as well as efficiency. During 2011 to 2013 total investments amounted to SEK 741 million. Gränges' current production capabilities may need to be additionally upgraded or new plants or equipment purchased to meet future demand or leverage business opportunities such as acquisitions, joint ventures or growth possibilities, including potential expansion in North America and/or China.

To finance such investments, Gränges may have to employ available financial assets and/or obtain additional financing through, for example, taking up loans or issuing new shares. The availability of such additional financing is dependent on a variety of factors, such as market conditions, general availability of credit, overall availability of credit within the financial markets and Gränges' credit rating. Gränges may be unable to raise sufficient funds, on favorable terms or at all, through public or private financing, strategic relationships or other arrangements to meet its future capital needs. Negative development in sales or margins or any unforeseen liabilities, changes in the timing for tax payments, payments of accounts payables or receipt of accounts receivables may lead to a strained liquidity and working capital position and a potential need for additional funding through equity financing, debt financing or other means. Further, any debt financing, if available, may involve restrictive covenants.

If any of the above risks materialize, Gränges may be forced to seek additional equity capital, restructure or refinance its debt, postpone raising of additional financing, bear a higher cost of financing, reduce or delay capital expenditures or sell assets or businesses at unfavourable times or at unfavorable prices or other terms. This could limit Gränges' ability to fulfil its business plan, decrease the Group's profitability and significantly reduce Gränges' financial flexibility.

Accordingly, the factors outlined above may adversely affect Gränges' business, financial condition or results of operations.

FUTURE ACQUISITIONS, DIVESTITURES OR STRUCTURAL INVESTMENTS MAY ADVERSELY AFFECT GRÄNGES' FINANCIAL CONDITION

As part of the Company's strategy, acquisitions, divestitures or structural investments may be carried out or pursued but not completed. There are numerous risks commonly encountered in strategic transactions, including the risk that Gränges may not be able to complete a transaction that has been announced, effectively integrate businesses acquired or generate the cost savings and synergies anticipated. Failure to do so could adversely affect Gränges' business, financial condition or results of operations.

GRÄNGES MAY BECOME INVOLVED AS A PARTY IN DISPUTES INCLUDING PRODUCT LIABILITY OR WARRANTY CLAIMS

From time to time, Gränges may become involved in disputes within its ordinary course of business, including with respect to environmental, health and safety, product liability, employees, taxes, personal injury, contractual and other matters. Gränges' products are essential components in heat exchangers used in automotive applications and if any of its products prove to be defective, it may be required to participate in a recall involving such products. Gränges is from time to time involved in product liability claims, among other disputes. Investigations involving Gränges, whether meritorious or not, can be costly to defend or comply with and could divert management's attention as well as operational resources. A successful claim brought against Gränges in excess of its available insurance coverage, or a requirement to participate in any product recall, could significantly reduce Gränges' profits or negatively affect its reputation. Accordingly, Gränges' business, financial condition or results of operations could be adversely affected.

EXPOSURE TO CURRENCY RISK MAY AFFECT GRÄNGES' CASH FLOW, INCOME STATEMENT AND BALANCE SHEET

Currency risk refers to the risk of exchange-rate fluctuations having an adverse effect on the Group's consolidated income statement, balance sheet or cash flow. Foreign exchange exposure occurs in conjunction with materials and services being bought or sold in currencies other than the respective subsidiary's local currency (transaction exposure) and during conversion of the balance sheets and income statements of foreign subsidiaries into SEK (translation exposure). Gränges' global operations give rise to significant cash flow in foreign currency. Gränges is principally exposed to changes in EUR, USD and CNY compared to SEK, but its exposure to changes in USD compared to CNY is also significant. In 2013, a (+/–) 10 percent change in SEK/EUR would have affected Gränges' operating profits, excluding currency hedges, by (+/–) SEK 83 million. The corresponding amount for a 10 percent change in SEK/USD was SEK 23 million and in CNY/USD SEK 62 million. As an example, a 10 percent depreciation of SEK against USD would have had a negative impact of SEK –23 million on Gränges' operating profits. Accordingly, any exchange-rate fluctuations could adversely affect Gränges' business, financial condition or results of operations.

GRÄNGES' INSURANCE COVERAGE MAY NOT PROVIDE SUFFICIENT FUNDS TO PROTECT GRÄNGES FROM ALL LIABILITIES THAT COULD RESULT FROM ITS OPERATIONS

Gränges maintains insurance policies to protect its core businesses against loss and/or potential liability in case of third party claims. Risks insured include property damage, business interruption, workers' compensation and employee benefits, public and product liability and recall. There are certain types of losses that generally are not insured because they are either considered uninsurable or excluded in the relevant insurance policies. This may for example be property losses occasioned by war or terrorism or professional/personal liability claims where there has been dishonesty, intention or criminal acts. In addition, most of the insurance policies of Gränges have limitations (sums insured) on the maximum amounts that may be recovered for any one loss event, any series of losses and in aggregate during an insurance period. Recovery is also generally dependent on the insured first making payment of the appropriate excess or deductible and that the maximum limitation amount has not already been exhausted. In the event of an uninsured loss, a loss that exceeds insured limits or a succession of such losses Gränges' business, financial condition or results of operations could be adversely affected.

GRÄNGES OPERATES IN A GLOBAL ENVIRONMENT AND IS CONSEQUENTLY EXPOSED TO LOCAL BUSINESS RISK IN MANY COUNTRIES

Gränges operates in a global environment and is consequently exposed to various risks. For example, misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by employees, agents or partners of Gränges could have a significant negative impact on the business and reputation of Gränges. Such conduct could result in failure to comply with government procurement regulations; regulations regarding the protection of classified information; regulations prohibiting bribery and other corrupt practices; regulations regarding the pricing of labour and other costs in contracts; regulations on lobbying or similar activities; regulations pertaining to internal controls over financial reporting; environmental, trade, competition and anti-trust laws and regulations; and any other applicable laws or regulations. Failure to comply with applicable laws or regulations or acts of misconduct could subject Gränges to fines, penalties, and suspension or debarment from contracting; or negative effects on its reputation, which could weaken its ability to win contracts and result in reduced revenues and profits.

Moreover, trade restrictions introduced by way of laws, policies, measures, controls or other actions implemented by the authorities in the countries where Gränges operates, or in other countries where Gränges may operate in the future, as well as sanctions or other measures by associations and organizations such as the EU and UN, may restrict the Company's operations, delay or prevent planned investments or otherwise adversely affect Gränges' financial results.

Gränges' business is also subject to risks inherent in its business activities, such as:

- Fees and rules relating to customs and anti-circumvention fines;
- Recessionary trends, inflation or instability in local markets;
- Differences and unexpected changes in regulatory environments, including environmental, health and safety, local planning and labor laws, rules and regulations;
- The introduction or application of more stringent product norms and standards and associated costs;
- Exposure to different legal standards and enforcement mechanisms and the cost of compliance with those standards;
- Being subject to multiple taxation regimes, including regulations relating to transfer pricing and withholding tax on remittance and other payments by or to subsidiaries;
- Being subject to various, and potentially overlapping, regulations and rules, particularly those relating to export and import controls, anti-corruption and anti-bribery;
- Longer payment terms for debtors on accounts receivables and difficulties collecting accounts receivable;

- Tariffs, duties, export controls, import restrictions and other trade barriers;
- Variances in pricing restrictions;
- Foreign exchange control and restriction on repatriation of funds; and
- Political and social unrest and instability.

Gränges may not be able to develop and implement systems, policies and practices to completely manage these risks or comply with applicable regulations without incurring additional costs.

The materialisation of any of these risks could adversely affect Gränges business, financial condition or results of operations.

Risks relating to the Offering

AN ACTIVE, LIQUID AND ORDERLY TRADING MARKET FOR GRÄNGES SHARES MAY NOT DEVELOP, THE PRICE OF ITS SHARES MAY BE VOLATILE, AND POTENTIAL INVESTORS COULD LOSE A PORTION OR ALL OF THEIR INVESTMENT

Prior to the Offering, there has been no public market for shares of Gränges. There is a risk that an active and liquid market will not develop or, if developed, that it will not be sustained after completion of the Offering. The Offering price will be determined through a book-building procedure and, consequently, based on demand and overall market conditions. The Offering price will be set by the Principal Owner in consultation with the Joint Global Coordinators. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell the shares following the Offering. Investors may, thus, not be able to resell share at or above the Offering price.

In addition, the stock market has experienced extreme price and volume fluctuations in the past that have often been unrelated or disproportionate to listed companies' operating performance. Broad market and industry factors may affect the market price of a company's shares, including Gränges, regardless of its actual operating performance. These fluctuations may be even more pronounced in the trading market for the shares shortly following the Offering. An investor who purchases shares in the Offering or in the market may lose a portion or all of the investment.

FUTURE SALES OF SHARES BY EXISTING SHAREHOLDERS COULD CAUSE THE SHARE PRICE TO DECLINE

The market price of Gränges' shares could decline if there are substantial sales of its shares, particularly sales by the Company's directors, executive management and significant shareholders, or otherwise when a large number of shares are sold. Any sales of substantial amounts of shares by the Principal Owner, or the perception that such sales might occur, could cause the market price of Gränges' shares to decline.

THE PRINCIPAL OWNER WILL CONTINUE TO HAVE SIGNIFICANT INFLUENCE OVER GRÄNGES AND THE ABILITY TO INFLUENCE MATTERS REQUIRING SHAREHOLDER APPROVAL AFTER THE OFFERING

After completion of the Offering, the Principal Owner will own over 17 percent of the shares in the Company. Thus, the Principal Owner would continue to have the potential to significantly influence the outcome of matters submitted to Gränges' shareholders for approval, including the election of directors and any capital increase, merger, consolidation or sale of all or substantially all of Gränges' assets. The interests of the Principal Owner may not be aligned with Gränges' interests or those of the other shareholders, and the Principal Owner could exercise influence over Gränges in a manner that is not in the best interest of the other shareholders.

GRÄNGES' ABILITY TO PAY DIVIDENDS IS DEPENDENT UPON ITS FUTURE EARNINGS, FINANCIAL CONDITION, CASH FLOWS, NET WORKING CAPITAL REQUIREMENTS, CAPITAL EXPENDITURES AND OTHER FACTORS

The amount of any future dividends that Gränges will pay, if any, will depend upon a number of factors, such as future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors. Gränges also may not have sufficient distributable funds, and Gränges' shareholders may not resolve to pay dividends in the future.

DIFFERENCES IN CURRENCY EXCHANGE RATES MAY ADVERSELY AFFECT THE VALUE OF SHAREHOLDINGS OR DIVIDENDS PAID

The shares will be quoted in SEK only, and any dividends will be paid in SEK. As a result, shareholders outside Sweden may experience adverse effects on the value of their shareholding and their dividends, when converted into other currencies, if SEK depreciates against the relevant currency.

SHAREHOLDERS IN THE UNITED STATES OR OTHER COUNTRIES OUTSIDE SWEDEN MAY NOT BE ABLE TO PARTICIPATE IN ANY POTENTIAL FUTURE CASH OFFERS

If the Company issues new shares in a cash issue, shareholders shall, as a general rule, have preferential rights to subscribe for new shares proportionally to the number of shares held prior to the issue. Shareholders in certain other countries may, however, be subject to limitations that prevent them from participating in rights offerings or otherwise makes participation difficult or limited. For example, shareholders in the United States may be unable to exercise rights to subscribe for new shares unless a registration statement under the Securities Act is effective in respect of such subscription rights and shares or an exemption from the registration requirements under the Securities Act is available. Shareholders in other jurisdictions outside Sweden may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. Gränges is under no obligation to file a registration statement under the Securities Act or seek similar approvals under the laws of any other jurisdiction outside Sweden in respect of any subscription rights and shares and doing so in the future may be impractical and costly. To the extent that Gränges' shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new shares in any future rights issues, their proportional interests in the Company would be reduced.

FUTURE ISSUANCES OF SHARES OR OTHER SECURITIES IN THE COMPANY MAY DILUTE THE HOLDINGS OF SHAREHOLDERS AND COULD AFFECT THE PRICE OF THE SHARES.

The Company may in the future decide to offer additional shares or other securities in order to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses, or for any other purpose. Any such additional offering could reduce the proportionate ownership and voting interests of holders of shares as well as the earnings per share and the net asset value per share of the Company, and any offering by the Company could have an adverse effect on the market price of the shares.

3.

INVITATION TO ACQUIRE SHARES IN GRÄNGES

Invitation to acquire shares in Gränges

The Company and the Principal Owner have resolved to diversify the Company's ownership base. As a result, the board of directors of Gränges has applied for a listing of the Company's shares on NASDAQ OMX Stockholm. Pursuant to the terms and conditions set out in the Offering Circular, investors are hereby invited to acquire shares from the Principal Owner representing 44,783,600 shares, corresponding to approximately 60 percent of the total number of shares in the Company. The Principal Owner has reserved the right to increase the Offering and sell an additional maximum of 8,956,700 shares, corresponding to approximately 12 percent of the total number of shares in the Company.

To cover possible over-allotment in connection with the Offering, the Principal Owner has undertaken to, at the request of the Joint Global Coordinators, sell additional shares representing not more than 15 percent of the number of shares comprised by the Offering (the "Over-allotment option"), equal to not more than 8,061,000 shares, representing approximately 11 percent of the total number of shares in the Company.

Assuming that the Offering is increased in full by the Principal Owner and that the Over-allotment option is exercised in full, the total number of shares comprised by the Offering represents 61,801,300 shares, corresponding to approximately 83 percent of the total number of shares in the Company.

The Offering price will be determined through a book-building procedure and will consequently be based on demand and overall market conditions. The Offering price will be established by the Principal Owner in consultation with the Managers, within a range of SEK 42–50 per share. The Offering price is expected to be published on or around October 10, 2014.

The total value of the Offering amounts to approximately SEK 1,881–2,239 million based on the price range and approximately SEK 2,596–3,090 million assuming that the Offering is increased in full and that the Over-allotment option is exercised in full.

Stockholm, September 26, 2014

Orkla Industriinvesteringar AB

4.

BACKGROUND AND REASONS

Background and reasons

Gränges is a leading global supplier of rolled products for brazed aluminium heat exchangers used primarily in automotive applications. The Company develops, produces and markets materials that enhance both the production economy during the customer manufacturing process as well as the performance of the final products, the brazed heat exchangers. Gränges' vision is to help create smaller, lighter and more designable heat exchangers to increase economic efficiency and reduce environmental impact. Gränges operates through three geographical regions: Europe, Asia and Americas with production, research and development in Finspång, Sweden, and Shanghai, China. Through sales and technical support offices in the U.S., India, Japan, South Korea and an agent in Brazil, the Company serves customers worldwide. Gränges has a global leading position in its market niche with an estimated total market share of approximately 20 percent.

The industrial group Gränges was founded already in 1896 in Grängesberg. The company comprised several industrial companies including Grängesbergs' mines, the railroad business TGOJ (Trafik AB Grängesberg-Oxelösund Järnväg), Oxelösunds' ironworks and a comprehensive shipping business.

Gränges acquired Svenska Metallverken in 1969, including Finspongs Metallverk which had been producing aluminium since 1913, and in 1976 Gränges acquired the Sapa group. Electrolux acquired the Gränges group in 1980, restructured the business and divested several Gränges' units. The aluminium based companies in Gränges were kept, and the reformed Gränges was reintroduced to the Stockholm Stock Exchange in 1997. In 2000, the group's name was changed to Sapa. Sapa was acquired by the listed Norwegian corporation Orkla ASA in 2005 and delisted from the Stockholm Stock Exchange.

In 2011, Orkla ASA decided to shift strategic focus to seek future growth in, and allocate capital to, the branded consumer goods sector, where Orkla ASA has its main operations. In 2012, Orkla ASA announced an agreement with Norsk Hydro ASA to combine their respective profiles, building systems and tubing business in a 50/50 joint venture. In order to facilitate the establishment of the joint venture a legal demerger of Sapa AB's assets and liabilities was carried out between the Company and a new company, subsequently called Sapa AB. The part of Sapa that focused on rolled aluminium products for brazed heat exchangers remained a wholly owned subsidiary of Orkla ASA and subsequently changed its name to Gränges.

Under Orkla's ownership, several important strategic initiatives have been implemented to create a platform for further growth, improve operational efficiency and establish a second R&D center, in China. The initiatives have resulted in higher production capacity, improved production stability and profitable growth through a continued global market leading position within rolled products for brazed heat exchangers. Gränges attention to customer needs, industrial craftsmanship and leading edge technology in production and development of materials for brazed aluminium heat exchangers are all important cornerstones in the Company's strategy. Gränges is well positioned to continue to benefit from underlying demand growth and has identified additional geographic and product growth opportunities that could further strengthen the Company´s future market position.

In accordance with Orkla's strategic priorities, a decision was taken to separate Gränges from the Orkla group in a manner that would provide Gränges with improved strategic and operational flexibility. Therefore, Orkla and the board of directors of Gränges believe that it is an appropriate time for Orkla to decrease its ownership and list the Company.

The Offering and the listing will expand the shareholder base and enable Gränges to access the Swedish and international capital markets and thereby increase financing alternatives, which will support the Company´s continued growth and development. The board of directors and management of Gränges consider the Offering and listing of the Company's shares to be a logical and important step in Gränges development, which will also increase the awareness of Gränges and its operations.

In other respects, reference should be made to the full particulars of the Offering Circular, which has been prepared by the board of directors of Gränges in connection with the application for listing of the Company's shares on NASDAQ OMX Stockholm and the Offering made in connection with the listing.

The board of directors of Gränges is responsible for the contents of the Offering Circular. It is hereby assured that all reasonable precautionary measures have been taken to ensure that the information contained in the Offering Circular, as far as the board of directors knows, corresponds to the factual circumstances and that nothing has been omitted that could affect its purpose. In the event that information comes from a third party, the information has been correctly reflected and no information has been omitted in a way that the reflected information would be false or misleading.

Stockholm, September 26, 2014

Gränges AB (publ)
Board of Directors

The board of directors of Gränges AB (publ) alone is responsible for the content of the Offering Circular. However, the Principal Owner confirms its commitment to the terms and conditions of the Offering in accordance with what is set out in "Terms and conditions".

Orkla Industriinvesteringar AB

5.

TERMS AND CONDITIONS

Terms and conditions

The Offering
The Offering is directed to the general public in Sweden and Norway[1], and to institutional investors[2]. The Offering comprises 44,783,600 shares[3], representing approximately 60 percent of the total number of shares in the Company.

The outcome of the Offering will be published through a press release around October 10, 2014.

Increase of the Offering
The Principal Owner has reserved the right to increase the Offering by not more than 8,956,700 additional shares, representing not more than 12 percent of the total number of shares in the Company.

Over-allotment option
The Offering may include up to an additional 8,061,000 shares, corresponding to 15 percent of the maximum number of shares in the Offering, if the over-allotment option is exercised to cover potential over-allotment in the Offering, as described in the section "Legal Considerations and Supplementary Information – Placing Agreement".

Allotment of shares
The allotment of shares for each part of the Offering will be based on demand. The allotment will be determined by the Principal Owner in consultation with the Managers.

Book-building process
To achieve market-based pricing of the shares in the Offering, institutional investors will be given the opportunity to participate in a book-building process by submitting expressions of interest. The book-building process will take place from September 30, 2014 to October 9, 2014. The offering price for all shares in the Offering will be determined through this process. The book-building process for institutional investors may be terminated earlier or extended. Announcement of such possible termination or extension will be made through a press release prior to the expiry of the application period. Refer to the section "The institutional offering".

Offering price
The offering price is expected to be set within the range of SEK 42 to SEK 50 per share. The price range has been set by the Principal Owner in consultation with the Managers, based on the anticipated investment interest from institutional investors. However, the offering price in the offering to the general public will not exceed SEK 50 per share. No brokerage commission will be charged. The offering price will be announced through a press release around October 10, 2014.

Application
THE OFFERING TO THE GENERAL PUBLIC IN SWEDEN

Applications for acquisition of shares within the terms of the offer to the general public should be made during the period of September 30, 2014 to October 8, 2014 and relate to a minimum of 250 shares and a maximum of 20,000[4] shares in even lots of 50 shares each. Applications shall be made using the special application form which can be obtained at the offices of Carnegie, SEB or Handelsbanken or ordered from Gränges. Application can also be made through SEB's internet bank or Handelsbanken's internet service or through Nordnet, see further below.

Application forms are available on Gränges' website (www.granges.com), Carnegie's website (www.carnegie.se) and SEB's and Handelsbanken's websites for prospectuses (www.sebgroup.com/prospectuses) and (www.handelsbanken.se/investeringserbjudande) respectively.

The application must have been received by Carnegie, SEB or Handelsbanken no later than October 8, 2014 by 5:00 p.m. (CET). Note that certain bank offices close before 5:00 p.m. (CET). Applications received late, as well as incomplete or incorrectly filled in application forms, may be discarded. No amendments or additions may be made to pre-printed text. Only one application per person may be made, and only the application that Carnegie, SEB or Handelsbanken registers first will be considered. Note that the application is binding.

Applicants with a securities depository account or Investment Savings Account with specific rules on securities transactions, such as endowment insurance, must check with the bank or institution managing the account, or providing insurance, if acquisition of shares within the terms of the Offering is possible. Note that the application must be submitted via the bank or institution with the account.

Applications via Carnegie

Applicants applying to acquire shares with Carnegie must have a securities account, service account or securities depository account with a Swedish securities institution of their choice or a securities depository account or Investment Savings Account with Carnegie. Applicants who do not have a securities account, service account or securities depository account with a securities institution of their choice or a securities depository account or Investment Savings Account with Carnegie, must open such an account prior to submission of the application form. Note that it may take some time to open a securities account, service account, securities depository account or an Investment Savings Account. For customers with an Investment Savings Account, Carnegie will, if the application results in allotment,

1) The offering to the general public refers to the offer of shares to private individuals and legal entities who subscribe for a maximum of 20,000 shares.
2) The institutional offering refers to private individuals and legal entities who subscribe for more than 20,000 shares.
3) Certain members of the board of directors and members of the executive management have committed, and are guaranteed by the Principal Owner, to acquire shares in Gränges in the Offering. Assuming a final price in the Offering set to SEK 46, corresponding to the midpoint of the price range in the Offering, the total number of shares purchased pursuant to these commitments amount to 120,644. See "Board of directors, executive management and auditor".
4) Parties who wish to subscribe for more than 20,000 shares must contact Carnegie, SEB, Handelsbanken or Danske Bank in accordance with the information set out in the section "The institutional offering".

acquire the corresponding number of shares in the Offering for further sale of the shares to the customer at the offering price.

The application shall be made using the specific application form and handed in at one of Carnegie's offices in Sweden or sent by post to:

Carnegie Investment Bank AB (publ)
Transaction Support
Regeringsgatan 56
SE-103 38 Stockholm

Applications via SEB
Applicants applying to acquire shares with SEB must have a securities account, service account, securities depository account with a securities institution of their choice or an Investment Savings Account with SEB. Applicants who do not have a securities account, service account, securities depository account with a securities institutions of their choice or an Investment Savings Account with SEB, must open such an account or depository account prior to submission of the application form. Note that it may take some time to open a securities account, service account, securities depository account or an Investment Savings Account.

Applicants applying through SEB must also have a bank account with SEB. The account with SEB must be a Privatkonto, Enkla sparkontot, Företagskonto or Enkla sparkontot företag. Note that information concerning bank accounts with SEB is mandatory only if the shares are to be registered in a securities account or a service account or if the shares are to be registered in a securities depository account in an institution that is not SEB.

Only one account may be specified for payment and the account holder must be the same person applying for acquisition of shares. At the acquisition of shares that are to be registered in an Investment Savings Account, payment must always be made using the funds available in the Investment Savings Account.

Customers of SEB's internet bank that have a so called Digipass, BankID or MobiltBankID can also apply via SEB's internet bank. Instructions for participating in the Offering via SEB's internet bank are available on SEB's internet bank.

The application shall otherwise be made using the specific application form and handed in at one of SEB's offices in Sweden or sent by post to:

SEB
Emissioner R B6
SE-106 40 Stockholm

Please note that shareholders in Orkla ASA as of September 25, 2014, shall send the application form direct to SEB Emissioner using the address above.

The balance on the bank account with SEB or the securities depository account or the Investment Savings Account with SEB stated on the application form must correspond to not less than the amount referred to in the application, calculated on the basis of the maximum price in the price range, for the period from 00:00 a.m. (CET) on October 9, 2014 until 24:00 p.m. (CET) on October 14, 2014. Accordingly, the funds must be available in or deposited in the specified bank account, securities depositary account or Investment Savings Account no later than October 8, 2014 to ensure that the necessary amount is available in the stated bank account, securities depository account or Investment Savings Account. This means that the account holder undertakes to keep this amount available in the specified account, securities depository account or Investment Savings Account for the aforementioned period and that the holder is aware that no allotment of shares will take place if the amount is insufficient during this period. Note that the amount may not be withdrawn during the stated period.

As soon as possible after allotment has taken place, the funds will be freely available for those who do not receive allotment. Funds which are not available give right to interest during the specified period in accordance with the terms and conditions of the account, securities depository account or Investment Savings Account specified in the application.

For customers with an Investment Savings Account with SEB, SEB will, if the application results in allotment, acquire the corresponding number of shares in the Offering for further sale to the customer at the price of the Offering.

Applications via Handelsbanken
Applications may be submitted to Handelsbanken according to one of the following options:

Complete the application form for the Offering and submit it to one of Handelsbanken's offices during the application period. The application form can be obtained from Handelsbanken's website (www.handelsbanken.se/investeringserbjudande), where the Offering circular also is available. The application form can also be sent to:

Handelsbanken Capital Markets
Emission
SE-106 70 Stockholm

Persons who apply for acquisition of shares must have a securities account or a service account with a Swedish account operator. Persons who do not have such an account must open one before the application is made. The application form must be received by Handelsbanken at the latest by 5:00 p.m (CET) on October 8, 2014.

Customers of Handelsbanken who are connected to the Internet banking services can also apply for acquisition of shares online in accordance with the instructions on Handelsbanken's website at www.handelsbanken.se under "Spara och placera", ”Aktuella erbjudanden". Applications via Handelsbanken's online banking service may be submitted until 24:00 a.m (CET) on October 8, 2014. Online applicants must have a securities account with a Swedish account operator or service account in Handelsbanken.

For customers with an Investment Savings Account, Handelsbanken will, if the application results in allotment, acquire the corresponding number of shares in the Offering for further sale to the customers Investment Savings Account at the offering price.

Applications via Nordnet
Persons who are depository account customer at Nordnet AB can apply for acquisition of shares via Nordnet's internet service. Application with Nordnet can be made during the period September 30, 2014 to October 8, 2014. In order to not lose the right to allotment, depsository account customers at Nordnet must have sufficient liquid funds accessible on the account during the period from October 8, 2014 to October 14, 2014. More information is available at www.nordnet.se.

THE OFFERING TO THE GENERAL PUBLIC IN NORWAY
Applications for acquisition of shares within the terms of the offering to the general public in Norway should be made during the period of September 30, 2014 to October 8, 2014 and relate to a minimum of 250 shares and a maximum of 20,000 shares in even lots of 50 shares each.

The application is made through Nordnet AS's internet service. Please note that applicants in Norway must be depository account customers at Nordnet. Persons who do not have a depository account at Nordnet must open such depository account prior to submission of the application form. More information is available at www.nordnet.no.

THE INSTITUTIONAL OFFERING
Institutional investors in Sweden and from abroad are invited to participate in a book-building process from September 30, 2014 to October 9, 2014. Applications from institutional investors in Sweden and from abroad shall be submitted to Carnegie (in accordance with certain instructions), SEB Equities (+46 (0)8 522 295 00), Handelsbanken (in accordance with certain instructions) or Danske Bank (in accordance with certain instructions).

EMPLOYEES IN GRÄNGES
Employees in Gränges who are residents in Sweden for tax purposes and wish to acquire shares must follow specific instructions from the Company.

Allotment
Decision on allotment of shares will be made by the Principal Owner after consultation with the Managers, whereby the goal will be to achieve a good institutional ownership base and a broad distribution of the shares among the general public, in order to facilitate regular and liquid trading in Gränges' shares on NASDAQ OMX Stockholm. The allotment does not depend on when the application is submitted during the application period. Only one application per person will be considered.

THE OFFERING TO THE GENERAL PUBLIC
In the event of oversubscription, allotment may take place with a lower number of shares than the application concerns, at which allotment wholly or partly may take place by random selection. Allotment to those receiving shares will occur, in the first place, so that a certain number of shares are allotted per application. In addition thereto, allotment takes place with a certain, the same for all, percentage share of the excess number of shares that the application concerns and will only take place in even lots of 50 shares. Note that to qualify for allotment, the balance of the bank account, securities depository account or Investment Savings Account with SEB stated on the application form must correspond to the lowest amount the application concerns, calculated based on the highest price in the price range. In addition, employees and members of the board of directors in Gränges, Swedish and Norwegian shareholders in Orkla ASA registered in the share ledger as per September 25, 2014 and certain customers of Carnegie, SEB and Handelsbanken, who apply for acquisition of a maximum of 20,000 shares may be considered separately during allotment. Allotment may also be made to employees of the Managers, however, without prioritising them. In such cases, the allotment takes place in accordance with the rules of the Swedish Securities Dealers Association and the Swedish Financial Supervisory Authority's regulations.

THE INSTITUTIONAL OFFERING
Decision on the allotment of shares within the Offering to institutional investors in Sweden and abroad will, as mentioned above, be made with the aim of achieving a good institutional ownership base in Gränges. Allotment among institutions that have submitted expressions of interest will be made on a wholly discretionary basis.

EMPLOYEES IN GRÄNGES
Allotment to employees in Gränges who are residents in Sweden for tax purposes will relate to shares with a value of up to SEK 30,000 per employee.

Notification of allotment and payment
THE OFFERING TO THE GENERAL PUBLIC
Allotment is expected to take place October 9, 2014. Shortly thereafter, a contract note will be sent to those that have received allotment in the Offering. Those who have not been allotted shares will not be notified. Information about allotment is also expected to be provided from 09.00 a.m. (CET) on October 10, 2014 for applications received by Carnegie via telephone +46 (0)8 588 694 87, for applications received by SEB via telephone +46 (0)8 639 27 50 or alternatively via the internet bank. Customers of Handelsbanken who are connected to the Internet banking services are expected to receive the contract note with notification of allotted shares around 09.00 a.m. (CET) on October 10, 2014, in their mailbox in the Internet service. Customers who have submitted their applications to a Handelsbanken branch office is expected to be able to obtain information regarding their allotment as from October 10, 2014 by contacting the branch office that received the application.

To receive information regarding allotment the following information must be provided: name, personal identity number/corporate registration number, securities account, service account, Investment Savings Account or securities depository account number with the bank or securities institution. Acquired and allotted shares shall be settled in cash in accordance with instructions on the contract note, on October 14, 2014 at the latest. In certain cases, payment is expected to be deducted from the bank account, specified in the application form, around October 13, 2014 and from the stated securities depositary account or Investment Savings Account around October 14, 2014.

Payment for shares allotted through Carnegie
Payment for allotted shares shall be made in accordance with instructions on the received contract note. Full payment for allotted shares shall be paid in cash via bankgiro 5294-6902 on October 14, 2014 at the latest.

Payment for shares allotted through SEB
Payment is expected to be deducted from the bank account specified in the application form on October 13, 2014 and from the stated securities depository account or Investment Savings Account on October 14, 2014.

Payment for shares allotted through Handelsbanken
For those who have specified a debit account (must be a general account, checking account or savings account in Handelsbanken) or a securities account in Handelsbanken at application, the payment will be debited from the specified depository account or the securities depository account on the settlement date. Handelsbanken has the right to withdraw proceeds corresponding to the number of shares applied for or such lower number of shares as is allotted in the event of oversubscription, from the specified bank account.

Customers of Handelsbanken who have specified a debit account or a securities depository account in Handelsbanken in the application, must ensure that funds corresponding to at least the amount that the application relates are available from 1:00 a.m. (CET) on the settlement date, which is estimated to be October 14, 2014. Persons, who have not specified a debit account or a securities depository account in Handelsbanken, will receive a contract note with an appended bank giro note.

Payment for shares allotted through Nordnet
For depository account customers at Nordnet, payment for allotted shares will be withdrawn from the indicated account at the latest on the settlement date October 14, 2014. Note that liquid funds for payment of the allotted shares shall be accessible on the depository account from the last day of the application period, October 8, 2014 until the settlement date October 14, 2014.

Insufficient or incorrect payment
If sufficient funds are not available on the bank account, securities depository account or Investment Savings Account on the settlement date or if full payment is not made in due time, allotted shares may be transferred and sold to another party. The party who initially received allotment of shares in the Offering may bear the difference, should the selling price in the event of such a transfer be less than the offering price.

THE INSTITUTIONAL OFFERING
Institutional investors are expected to receive information regarding allotment in a particular order around October 10, 2014, after which contract notes will be distributed. Full payment for allotted shares shall be paid in cash no later than October 14, 2014. Note that if full payment is not made in due time, allotted shares may be transferred to another party. The party who initially received allotment of shares in the Offering may bear the difference, should the selling price in the event of such a transfer be less than the offer price in the Offering.

Registration and recognition of allotted and paid-up shares

Registration with Euroclear Sweden AB ("Euroclear Sweden") of allotted and paid shares is expected to take place around October 14, 2014 for both institutional investors and the general public, after which Euroclear Sweden will distribute a notice stating the number of Gränges shares that have been registered in the recipient's securities account. Shareholders whose holdings are nominee-registered will be notified in accordance with the procedures of the respective nominee.

Listing on the stock exchange

The board of directors of Gränges has applied for listing of Gränges' shares on NASDAQ OMX Stockholm. NASDAQ OMX Stockholm's listing committee has decided to admit Gränges to trading on NASDAQ OMX Stockholm provided that customary conditions are fulfilled, such as the dispersion requirements in respect of the Company's shares being fulfilled no later than on the first day of trading.

Trading is expected to begin around October 10, 2014. Paid up shares will be transferred to the securities depository account, service account, Investment Savings Account or securities account specified by the acquirer, following processing of the application by the Managers. The time required to transfer the payment and shares to such accounts as specified by the acquirer may imply that the acquirer will not have the shares available in the specified securities depositary account, service account, Investment Savings Account or securities account until around October 14, 2014.

In the event that shares are not available on the acquirer's securities depository account, service account, Investment Savings Account or securities account before around October 14, 2014, acquirers may not be able to sell these shares on NASDAQ OMX Stockholm on the day the trading in the share begins, i.e. around October 10, 2014, but at the earliest when the shares are available on the securities depository account, service account, Investment Savings Account or securities account. Moreover, trading will commence before the terms and conditions for the completion of the Offering have been fulfilled. Trading will be conditional on completion of the Offering and should the Offering not be completed, any shares delivered shall be returned and any payments cancelled. Trading which takes place on October 10, 2014 is expected to occur with delivery and settlement on October 14, 2014.

In connection with the Offering, the Joint Global Coordinators may carry out transactions on NASDAQ OMX Stockholm which stabilise the market price of the share or maintain the price at a level that deviates from what would otherwise prevail in the market. Refer to the section "Legal considerations and supplementary information – Stabilization".

Announcement of the outcome of the Offering

The final outcome of the Offering will be announced through a press release which will be available on Gränges' website, www.granges.com, around October 10, 2014.

Right to dividend

The shares offered carry a right to dividend for the first time on the record date for the dividend that occurs immediately after completion of the Offering. Payment will be administered by Euroclear Sweden or, for nominee-registered shareholdings, in accordance with the procedures of the individual nominee. For more information, refer to the section "Share capital and ownership structure".

Terms and conditions for completion of the Offering

The Principal Owner, the Company and the Managers intend to enter into an agreement on the placing of shares in Gränges on October 9, 2014 (the "Placing Agreement"). The Offering is conditional upon that the interest in the Offering in the opinion of the Joint Global Coordinators is sufficient for trading in the shares, that the Placing Agreement is entered into, that certain terms and conditions in the agreement are fulfilled and that the Placing Agreement is not terminated. Pursuant to the Placing Agreement, the Managers' commitment to procure purchasers for or, if the Managers fail to do so, themselves acquire the shares comprised by the Offering is conditional upon, inter alia, that no events occur which have such a materially adverse impact on the Company that it would be inappropriate to complete the Offering ("material adverse events") and certain other customary conditions. The Joint Global Coordinators may terminate the Placing Agreement up until the settlement date, if any material adverse event occurs, if the warranties that the Company and the Principal Owner have given the Managers should not be true and correct or if any other condition stipulated by the Placing Agreement is not fulfilled. The Offering can be suspended if the above stated conditions are not fulfilled or if the Joint Global Coordinators terminate the Placing Agreement. In such case, neither delivery of nor payment for shares will be completed under the Offering. Refer to the section "Legal considerations and supplementary information" for more information on the Placing Agreement.

Other information

The fact that Carnegie is the issuer agent does not imply that Carnegie views any party that applies for shares in the Offering as a customer of the bank for the investment.

Carnegie's, SEB's, Handelsbanken's, Danske Bank's and Nordnet's receipt and handling of application forms will not result in any customer relationships between the acquirers in the Offering and each respective bank. The acquirer is, in relation to the acquisition, considered as a customer of Carnegie, SEB, Handelsbanken or Danske Bank only if the bank has provided advice to the acquirer regarding the acquisition, or has otherwise contacted the acquirer individually about the acquisition. The consequence of Carnegie, SEB, Handelsbanken or Danske Bank not regarding the acquirer as a customer in relation to the acquisition is that the rules regarding protection of investors under the Securities Markets Act (Sw. *lagen om värdepappersmarknaden) (SFS 2007:528)* will not be applicable to the acquisition. Among other things, this means that neither so-called "customer classification" or so-called "suitability assessment" will be made in relation to the acquisition. As a result, acquirers are themselves solely responsible for having adequate experience and knowledge to understand the risks associated with the acquisition.

Information about handling of personal information

Anyone acquiring shares in the Offering will submit certain information to Carnegie, SEB, Handelsbanken and Nordnet. Personal information submitted to Carnegie, SEB, Handelsbanken and Nordnet will be processed in data systems to the extent required to provide services and manage customer arrangements. Personal information obtained from sources other than the customer may also be processed. The personal information may also be processed in the data systems of companies or organizations with which Carnegie, SEB and Handelsbanken cooperate. Information pertaining to the treatment of personal information can be obtained from Carnegie's, SEB's or Handelsbanken's offices, which also accept requests for the correction of personal information.

Address details may be obtained by Carnegie, SEB and Handelsbanken through an automatic data search with Euroclear Sweden.

Important information regarding the possibility to sell allotted shares

Notifications about allotment to the general public in Sweden will be made through distribution of contract notes, expected to be distributed on or around October 10, 2014. After payments for the allotted shares have been processed by Carnegie, SEB, Handelsbanken and Nordnet, the duly paid shares will be transferred to the securities depository account, service account, Investment Savings account or securities account specified by the acquirer. The time required to transfer payments and transfer duly paid shares to the acquirers of shares in Gränges implies that these acquirers will not have shares available until October 14, 2014, at the earliest. Trading in Gränges' shares on NASDAQ OMX Stockholm is expected to commence on October 10, 2014. Please note that, accordingly, if shares are not available in an acquirer's securities account, securities depository account, Investment savings account or service account until October 14, 2014 at the earliest, the acquirer might not be able to sell these shares on the stock exchange as from the time trading in the shares commences, but only once the shares are available in the securities account, the securities depository account, Investment savings account or service account.

6.

MARKET OVERVIEW

Market overview

The Offering Circular includes business and market data concerning the Company's business and markets. Unless otherwise stated, this information is based on the Company's analysis and own market intelligence.

Introduction

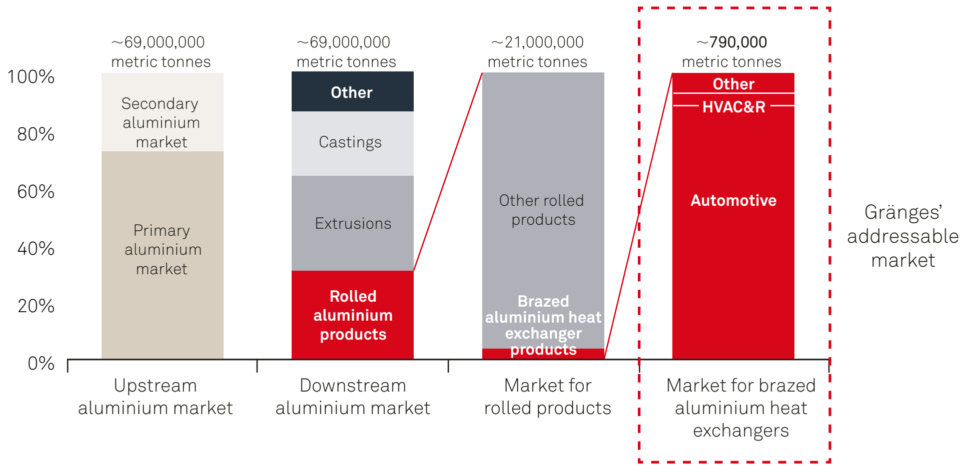
According to the World Aluminium Organization, the global upstream aluminium market had an annual capacity of approximately 69 million metric tonnes in 2013. The upstream aluminium market consists of recycled aluminium and primary aluminium (aluminium produced from mining bauxite that is refined into alumina and then processed into aluminium). The secondary aluminium market consists of processed aluminium in various forms including casted, extruded and rolled products. Rolled products, such as sheet, plate and foil, represented approximately 30 percent of the secondary aluminium market in 2013. Rolled products used in brazed aluminium heat exchangers represent a niche market in the global aluminium value chain.

ROLLED PRODUCTS USES AND END MARKETS

Within rolled aluminium products, the packaging industry consumes the majority of the sheet and foil for making beverage cans, foil containers and wrapping. Sheet is also used in buildings and in the transportation industry. Plate is used for airframes, vehicles and bridges, ship superstructures, cryogenic and chemical vessels as well as tooling plate.

Rolled products used in brazed aluminium heat exchangers constituted approximately four percent of the total market for rolled products and approximately one percent of the total upstream aluminium market in 2013 measured by volume. Within the rolled products used in brazed aluminium heat exchangers, the automotive and Heating, Ventilation, Air Conditioning and Refrigeration (HVAC&R) market segments are, at present, Gränges' main market segments. These two segments had an aggregate market size of approximately 720,000 metric tonnes in 2013, which corresponded to a value of approximately SEK 19 billion (for further information, see section "Market size and growth"). The rest of the market for brazed aluminium heat exchangers consists of various industrial applications such as air separators, air compressors, construction equipment, hydraulic systems, wind power and process cooling.

Rolled products for brazed aluminium heat exchanger within the global aluminium value chain (2013 by volume)



Source: World Aluminium Organization and Gränges' estimates based on market intelligence. See section "Market size and growth" for more information.

Rolled products for brazed aluminium heat exchangers

Heat exchangers are used in a variety of applications to transfer heat from one medium to another and can be used both for heating and cooling purposes. For example, in the automotive industry applications include radiators for engine cooling, oil coolers, condensers and evaporators for air conditioning systems, heaters, charge air coolers (CACs), exhaust gas recirculation coolers (EGRs), fuel coolers and coolers for batteries and electrical systems in hybrid cars.

The term brazed heat exchanger refers to heat exchangers produced using brazing technology. Brazing is the joining of metals using a molten filler metal, which melts during heating and forms a joint when cooling. As a production process, brazing is a versatile joining method that produces a strong, leak-proof connection. High thermal conductivity, good corrosion resistance, formability and low weight make aluminium an ideal material for producing brazed heat exchangers.

Rolled product producers, such as Gränges, purchase slab, scrap and ingot from the upstream aluminium industry. The aluminium is combined with other materials to form an alloy[1] which is then engineered and processed into an assortment of rolled products. This rolled aluminium is a highly engineered product consisting of one or several layers of material of varying complexity. Each layer either serves a specific purpose during the heat exchanger production process or is used to meet a heat exchanger functional requirement while in service. Rolled product producers sell products to "Tier 1 suppliers" who produce a variety of brazed aluminium heat exchanger applications that are then sold to end market OEMs, such as car manufacturers.

Gränges' position in the value chain for brazed aluminium heat exchangers

- Condensers
- Gas coolers
- Evaporators
- Heaters
- Radiators
- Oil coolers
- Fuel coolers
- EGR
- CAC

Upstream aluminium	Rolled product producers	Tier 1 suppliers – Automotive	Tier 1 suppliers – HVAC&R	OEMs – Automotive	OEMs – HVAC&R
Primary aluminium producers & Sellers of scrap aluminium	Alcoa, Aleris	Calsonic Kansei, Delphi, Denso	Danfoss	Audi, BMW, Buick	Atlas Copco
	Haufon, Norsk Hydro	Halla Visteon, Mahle Behr, Modine	Delphi	BYD, Cadillac, Chevrolet	Carrier
	Novelis, UACJ	TATA, Valeo, VW	LG	Chrysler, Citroën, Fiat	Dalkin
			Samsung	Ford, Freight-liner, Geely	Gree
				GMC, Hyundai, Isuzu	Haier
				Iveco, Jaguar, Kia	Ingersoll
				Land Rover, Mazda, Mercedes	LG
				Mitsubishi, Nissan, Smart	Midea
				Peugeot, Renault, Opel	Rand
				Seat, Skoda, Suzuki	Samsung
				Toyota, Volvo, VW	

Upstream aluminium → Rolled product producers → Tier 1 suppliers → OEMs

Source: Gränges

1) Other metals are combined with aluminium to create an alloy; however, the alloy is still predominantly composed of aluminium.

Market segments

Gränges produces rolled products for brazed aluminium heat exchangers for two distinct market segments:

1. **Automotive industry**, includes all types of vehicles from light to heavy duty as well as hybrid and electric vehicles. Automotive is the largest product area both by volume and value for rolled products used in brazed aluminium heat exchanger applications. In the automotive industry, brazing technology was industrialized in the 1980s and has become the primary manufacturing method since the 1990s, replacing copper based heat exchangers. Brazed aluminium heat exchangers in the automotive industry comprise a range of components and systems that are principally designed to promote more efficient operation of a vehicle's engine or to enhance the comfort of the occupants in the vehicle.

2. **HVAC&R** consists of rolled products for stationary brazed aluminium heat exchangers. HVAC (Heat, Ventilation, Air Condition) entails systems for human comfort purposes. Heat exchanger applications in this end-customer market are used in systems for residential and commercial buildings. Refrigerationer (R) entails systems for heating and cooling other than comfort purposes. Applications include systems for residential, commercial, industrial property and transportation refrigeration.

The main geographical end-customer markets for rolled products for brazed aluminium heat exchangers are:

1. **Asia:** China is the key end market; however, countries such as Japan, South Korea, India and Thailand are also important. The Asian market is the least concentrated of the three geographical end markets both in terms of suppliers and OEMs.

2. **Europe[1]:** key markets include the UK, Italy, Germany, the Czech Republic and Poland. The European market is developed; however, there are still a number of local as well as global suppliers. A majority of sales are derived from a handful of global Tier 1 automotive suppliers.

3. **Americas:** consists of North America (US, Canada and Mexico) and South America where North America is the largest market. The market in the Americas has high Tier 1 automotive supplier concentration and relatively few rolled product suppliers.

Market characteristics

Brazed heat exchangers must meet a variety of demanding requirements. In terms of performance, they have to ensure maximum heat transfer performance while keeping size and weight to a minimum. Furthermore, brazed heat exchangers must be durable, providing trouble-free performance throughout their service life. All of these requirements must be met in a cost-effective manner. Rolled aluminium products, in various forms, have the characteristics to meet the requirements of increasing market demands for cost-effective, energy-efficient and new, innovative applications.

The characteristics of rolled aluminium products empower system designers and product manufacturers with multiple options for performance and design improvement as well as cost reduction. However, the process of transforming aluminium from the upstream aluminium industry into rolled products for brazed aluminium heat exchangers is complex and requires a sophisticated knowledge of how the properties of aluminium can be influenced by different metal compositions and processes in order to meet customer demands. The market is continuously developing and the demand for research and development generates high barriers to entry.

In the automotive product area, brazed aluminium heat exchangers have become the primary heat exchanger manufacturing method. In contrast, brazed aluminium heat exchangers constitute less than five percent of all heat exchangers used in the HVAC&R market segment as of 2013. At present, the industry standard in the HVAC&R market segment is to use mechanically assembled copper based heat exchangers. The initial capital requirement needed for new production technology paired with a technology knowledge gap are factors that have limited the adoption of brazed aluminium heat exchangers in the HVAC&R product area and have led to challenges in getting brazed aluminium technology validated and accepted by OEMs.

1) Africa is included in the European end market. Africa constitutes a minor portion of the market for rolled products used in brazed aluminium heat exchanger applications – less than 5 percent

Market trends

Market trends shift industry dynamics and catalyse future development in the industry. The two macro trends that are particularly relevant to both the automotive and HVAC&R segment are the drive to increase energy efficiency and reduce emissions and the trend towards an increasingly global landscape with higher living standards.

IMPROVING EFFICIENCY AND REDUCING EMISSIONS

Drive to produce lighter vehicles

There is a strong incentive in the automotive industry to reduce vehicle weight, in order to improve fuel economy. As aluminium is lighter than steel, this trend is expected to lead to an increase in aluminium content per vehicle. Components such as heat exchangers, engines, transmissions and wheels have already adopted aluminium as the primary material used in production. Moreover, there is a drive to further reduce the weight of these components through redesign. For rolled product producers, this leads to competitive pressures to produce technically advanced material to support the development of lighter products, without sacrificing quality, performance or reliability. In contrast, automotive body panels and components such as hoods, fenders, doors and chassis are still predominantly produced using steel. Automotive aluminium content per vehicle is expected to increase by approximately 60 percent from the period 2012 to 2025, according to the Aluminium Association Transportation Group. This trend is expected to lead general purpose mills to shift their strategic focus towards automotive body panels and components, resulting in a lack of dedicated rolled product capacity in the brazed aluminium heat exchanger industry.

Engine redesign and downsizing

Automotive OEMs are reducing engine size and implementing increasingly complex systems in order to facilitate greater efficiency and reduce emissions. To supplement the performance of smaller engines, manufacturers often use turbochargers. Turbochargers are especially prevalent in diesel engines, which are increasingly used as an alternative to petroleum-based engines. The use of turbochargers requires CACs, a type of heat exchanger that cools the air entering the engine after it passes through the turbocharger. Additionally, electric and hybrid vehicles are receiving interest from automotive OEMs and environmentally conscious consumers. These vehicles requires implementation of brazed aluminium heat exchangers such as battery and electric system coolers that are similar to radiators in terms of construction and functionality. Engine redesign and downsizing leads Tier 1 suppliers to increase pressure on rolled product producers to provide technically advanced products that support the development of new applications, complex designs and compact brazed heat exchangers.

Reducing harmful emissions

Internal combustion engines produce harmful emissions by burning fossil fuels as well as through the leakage of refrigerants used in heat exchangers. To reduce exhaust system emissions, EGRs, a type of brazed aluminium heat exchanger, are used to reduce nitrogen oxide emissions. Similarly, in diesel engines brazed aluminium heat exchangers are used to cool unburned diesel fuel before returning the fluid to the gas tank. With regards to the refrigerants used in brazed aluminium heat exchangers, there is a movement to utilize alternative refrigerants that are not harmful to the environment. These developments are leading to system requirements that redefine the functional purpose and specifications of heat exchangers. For rolled product producers, this leads to an increasing demand for technology content that allows Tier 1 suppliers to create brazed aluminium heat exchangers that promote efficiency and reduce emissions in a cost efficient manner.

As with the automotive industry, refrigerant emissions generated by HVAC&R heat exchangers are harmful to the environment. As a result the HVAC&R end-customer market is facing pressure to phase out harmful refrigerants and use natural refrigerants with low, or no environmental impact. The substitution to more environmentally friendly refrigerants changes design specifications for heat exchangers. Rolled product producers are, accordingly, required to supply products that allow Tier 1 suppliers to redesign brazed aluminium heat exchangers that are suited to new requirements and specifications.

Increasingly energy efficient buildings and homes

HVAC&R heat exchanger applications constitute a large portion of the energy used in a building or home. In light of legislative mandates and high energy costs, heat exchangers used in the HVAC&R end-customer market require increased efficiency. This trend provides brazed aluminium heat exchanger manufactures with the opportunity to differentiate their product by producing more energy efficient applications.

EVOLVING GLOBAL LANDSCAPE AND INCREASING LIVING STANDARDS

Newly industrialised countries and economies of scale in the automotive industry

Newly industrialised countries, such as China, are driving changes in the automotive segment's industrial landscape, as they represent an increasing share of global vehicle demand. This trend has three marked effects on the automotive industry. First, to take advantage of economies of scale, OEMs are creating global platforms that ensure a presence in both newly industrialised and developed markets (e.g. the U.S and Europe). Second, within their global platforms, OEMs are increasingly basing production close to where their vehicles are sold in order to facilitate efficient logistics.

The first and second factors increase the importance of global reach on the part of automotive suppliers. Lastly, there is a trend towards "global modular mega-platforms" whereby automotive OEMs produce an increasing number of vehicle families, brands and models from the same set of common components. This trend towards "global modular mega-platforms" lead OEMs to increase quality and durability requirements for components supplied by Tier 1 suppliers, and in turn rolled product producers in order to maintain brand image and avoid costly mega-platform recalls. To meet OEM demands, the relationship between rolled product producers and Tier 1 suppliers is expected to become increasingly important.

Increasing living standards drive demand for human comfort applications

Higher living standards combined with higher temperatures due to the effects of global warming are leading to an increase in demand for human comfort applications. This trend is especially evident in newly industrialized countries where living standards are rapidly increasing. In the automotive industry, air conditioning is becoming a standard feature in vehicle platforms. The HVAC&R market segment has also seen an increased demand for human comfort applications, such as heat pumps and air conditioning units. As a result, the use of heat exchangers, such as condensers and evaporators that promote human comfort is expected to increase for both the automotive and the HVAC&R market segments.

Thick gauge product manufacturing.

Market size and growth

As of 2013, the total market size for rolled products used in brazed aluminium heat exchangers for automotive industry and the HVAC&R market segment was estimated by Gränges to be approximately 720,000 metric tonnes, with a corresponding value of approximately SEK 19 billion. Gränges' total market, including other applications, was estimated to be approximately 790,000 metric tonnes in 2013. Market size in the rolled products industry is normally measured in volume (metric tonnes). Gränges' estimates of the market are based on external forecasts (e.g. LMC Automotive) of the automotive production in different regions and a number of assumptions. The assumptions include number of heat exchangers per vehicle, the proportion of diesel cars and the proportion of cars with air conditioning, average weight of heat exchangers, type of heat exchanger, the proportion of brazed heat exchangers within HVAC&R and aftermarket. The market value is calculated by multiplying volume by the price parameter. The price parameter consists of metal price and a conversion price. The metal price is based on an official metal exchange price, where London Metal Exchange ("LME") is most commonly used. The conversion price includes the price to convert the metal into the finished rolled product and the customer value.

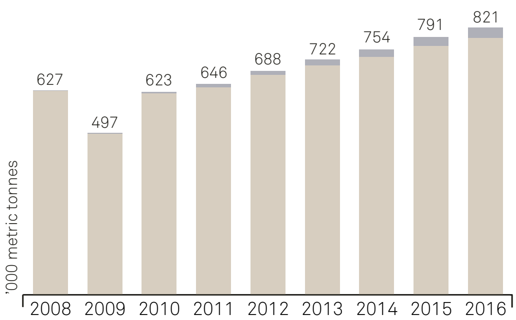
MARKET SIZE

The automotive product area is the largest market segment for brazed aluminium heat exchangers, accounting for over 90 percent of the total volume of sales in 2013. The charts below illustrate the historical development of the market for rolled products used in brazed aluminium heat exchangers by market segment.

The market is expected to grow at a CAGR of four percent between 2013 and 2016. The automotive market segment is expected to continue to represent the largest share of sales in the near to mid-term. Even though the total market for heat exchangers used in HVAC&R applications (including heat exchangers other than brazed aluminium heat exchangers) is approximately the same size as the automotive product area, the low portion of brazed aluminium heat exchangers for HVAC&R application makes this product area significant smaller. The growth of the HVAC&R market segment is expected to mainly be driven by the conversion from copper to aluminium based heat exchangers.

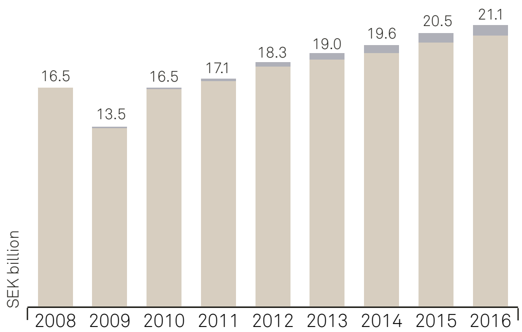
Rolled products for brazed aluminium heat exchangers – by market segment

Rolled products for brazed aluminium heat exchangers ('000 metric tonnes)



	Total	HVAC&R	Automotive
CAGR 08–13	3%	65%	2%
CAGR 13–16F	4%	21%	4%

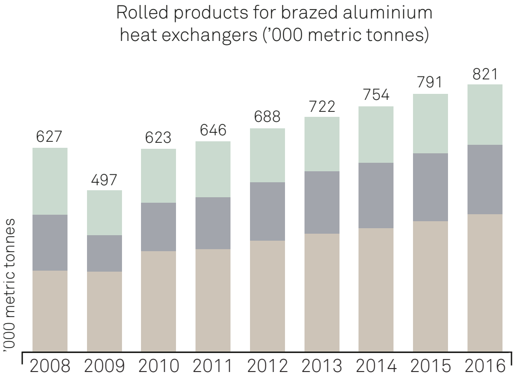
Rolled products for brazed aluminium heat exchangers (SEK billion)



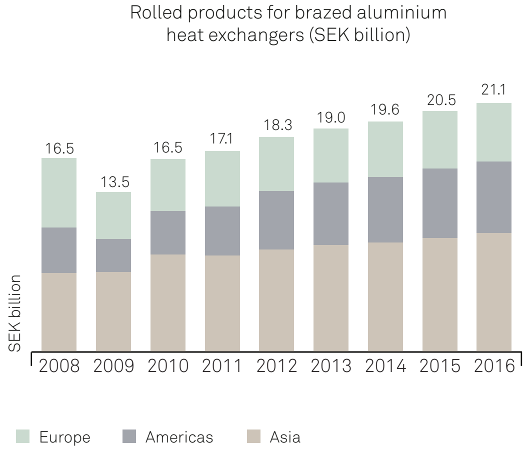
HVAC&R Automotive

Source: Gränges' estimates based on market intelligence. See section "Market size and growth" for more information. (Constant currency as per June 3, 2014 used for USD/SEK 6.69 and CNY/SEK 1.08. Market value based on constant LME prices calculated using annual averages).

Rolled products for brazed aluminium heat exchangers – by geography



	Total	Europe	Americas	Asia
CAGR 08–13	3%	–4%	2%	8%
CAGR 13–16F	4%	3%	4%	5%



Source: Gränges' estimates based on market intelligence. See section "Market size and growth" for more information. (Constant currency as per June 3, 2014 used for USD/SEK 6.69 and CNY/SEK 1.08. Market value based on constant LME prices calculated using annual averages).

The graphs above show the market data broken down by geography. The Asian market has historically exhibited the most robust growth with a CAGR of approximately eight percent from the period 2008 to 2013. Markets in Europe and the Americas were significantly affected by the financial crisis in 2008 and 2009, but have rebounded. Europe had a negative CAGR of four percent between 2008 to 2013. In Americas the CAGR was two percent in the corresponding period.

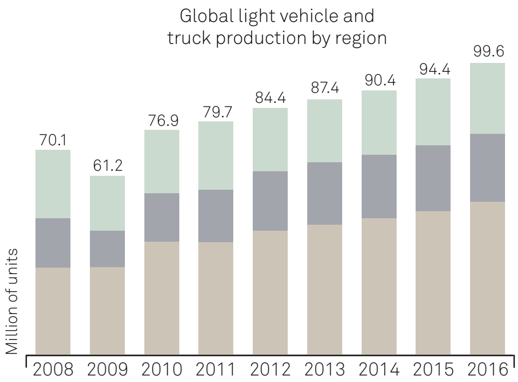
AUTOMOTIVE MARKET SEGMENT

The market for rolled products used in brazed aluminium heat exchangers in the automotive end-customer market is directly related to overall automotive industry development. The two main drivers for the automotive product area are (i) automotive industry vehicle production and (ii) the number of heat exchangers per vehicle.

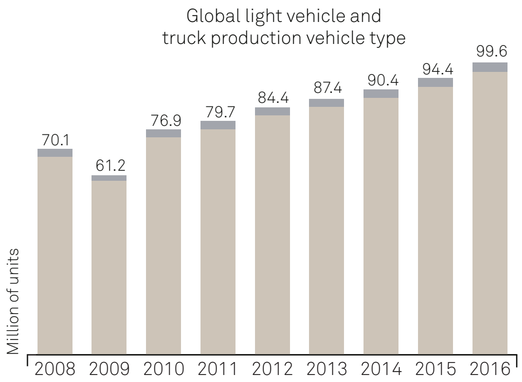
Automotive industry vehicle production

Automotive vehicle production is a function of a number of macro-economic factors, such as economic growth, employment levels, interest rates, consumer spending patterns, the price of fuel, the pace of new vehicle model offerings and overall household wealth levels. The global light vehicle and truck market is expected to grow at a CAGR of approximately four percent between 2013 and 2016, according to LMC Automotive.

Global automotive vehicle production



	Total	Europe	Americas	Asia
CAGR 08–13	5%	–2%	5%	8%
CAGR 13–16F	4%	4%	3%	6%



	Total	Trucks	Light vehicles
CAGR 08–13	5%	1%	5%
CAGR 13–16F	4%	5%	4%

Source: LMC Automotive

Asia represents the largest end market and an attractive growth market for automakers. In Asia, China is the main driver for vehicle production, accounting for approximately 50 percent of vehicle sales in the Asian market and approximately 25 percent of vehicle sales worldwide in 2013, according to LMC Automotive. Chinese automotive sales were relatively unaffected by the economic downturn in 2008 to 2009 and is expected to grow at a CAGR of approximately nine percent between 2013 and 2016, according to LMC Automotive. This is a higher growth rate than Asia as a whole, which is expected to grow at a CAGR of six percent for the same period. Europe and the Americas are expected to show stable growth with a CAGR of four and three percent respectively between 2013 and 2016, according to LMC Automotive.

GROWTH WITHIN THE AUTOMOTIVE MARKET SEGMENT

Given the close historical correlation between rolled products for brazed aluminium heat exchangers in the automotive segment and vehicle sales, Gränges expects the market for rolled products to grow in line with vehicle production at a CAGR of approximately four percent between 2013 and 2016, as shown in the figures below.

There are a number of factors that have the potential to increase the number of heat exchangers per vehicle such as, increasing use of air condition, new and smaller engines and decreased harmful pollutant. Within the forecast period, the projected increase in the number of heat exchangers per vehicle is not expected to have a significant effect on the market.

HVAC&R MARKET SEGMENT

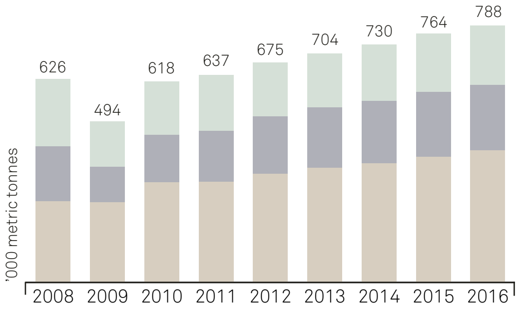
The underlying growth driver for HVAC&R heat exchangers, irrespective of type, is global construction expenditure, which is forecasted to grow at a CAGR of approximately four percent over the next four years according to the IHS World Petrochemical Conference. Unlike the automotive market segment, growth in the underlying HVAC&R heat exchanger market is of secondary importance due to the fact that brazed heat exchangers constituted less than five percent of the overall market as of 2013. For this reason, the main driver behind growth in the market for rolled products for brazed aluminium heat exchangers in the HVAC&R market segment is expected to be the increasing adoption of brazed aluminium heat exchangers. Factors contributing to the adoption of brazing technology include the potential for efficiency gains and cost reduction.

Efficiency gains realized by using brazed aluminium heat exchangers

Brazed aluminium heat exchangers are able to achieve improved energy efficiency compared to copper based heat exchangers, due to design and construction elements. Aluminium heat exchangers are smaller, lighter and uses less material than copper based heat exchangers. Brazed heat exchangers achieve higher efficiency because of better air-side and refrigerant-side heat transfer coefficients. Increased efficiency relates to a reduction in overall system cost due to a reduction in the electricity used by the application.

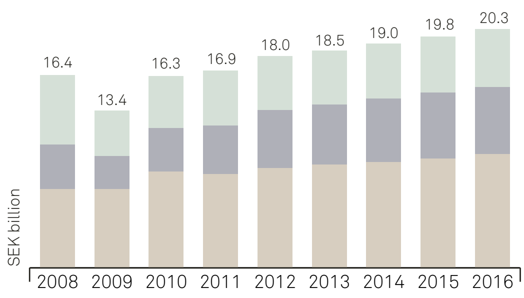
Rolled products for brazed aluminium heat exchangers in the automotive segment

Rolled aluminium for automotive brazed heat exchangers ('000 metric tonnes)



	Total	Europe	Americas	Asia
CAGR 08–13	2%	–4%	2%	7%
CAGR 13–16F	4%	3%	3%	5%

Rolled aluminium for automotive brazed heat exchangers (SEK billion)

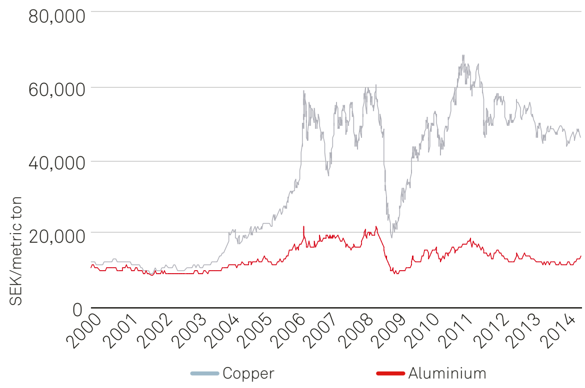


Europe Americas Asia

Source: Gränges' estimates based on market intelligence. See section "Market size and growth" for more information. (Constant currency as per June 3, 2014 used for USD/SEK 6.69 and CNY/SEK 1.08. Market value based on constant LME prices calculated using annual averages).

Brazed aluminium heat exchangers' cost advantage
Another important reason that brazed aluminium heat exchangers have a cost advantage over traditional copper solutions is the discrepancy in pricing between copper and aluminium. This discrepancy has become pronounced in recent years, with copper trading at approximately four times the price of aluminium (July 2014). Furthermore, the characteristics of brazed aluminium heat exchangers also provide other functional benefits that ultimately translate to total system cost savings.

Copper price vs. aluminium price (SEK/metric ton)

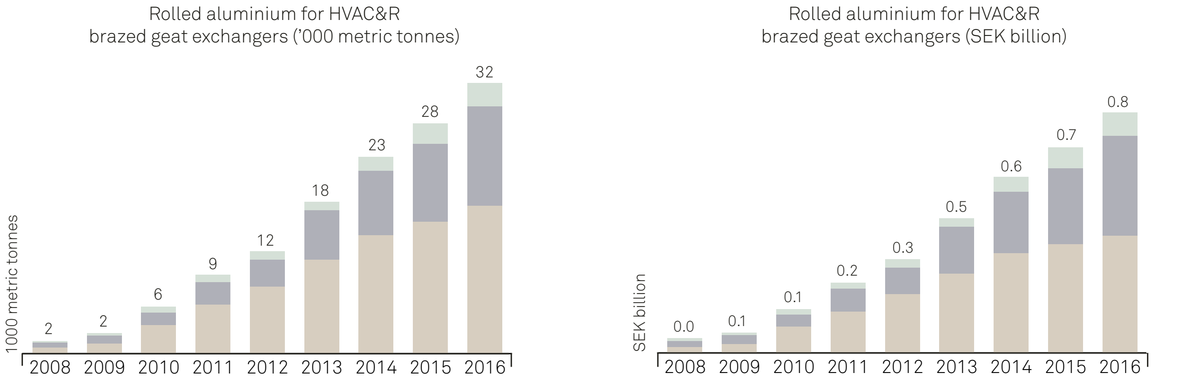


1) Based constant currency as per June 30, 2014 USD/SEK 6.74.
Source: Bloomberg

GROWTH WITHIN THE HVAC&R MARKET SEGMENT
The initial capital requirements needed for new production technology paired with a technology knowledge gap are factors that have delayed the validation and acceptance of brazed aluminium technology in the HVAC&R product area; however, brazed aluminium heat exchangers are expected to gradually displace traditional copper solutions. As a result, the HVAC&R market segment for rolled products in brazed aluminium heat exchangers is estimated to grow at a CAGR of approximately 20 percent between 2013 and 2016.

The growth is based on increased substitution of brazed aluminium heat exchangers rather than growth in the overall market for heat exchangers in the HVAC&R product area. The relative importance of substitution compared to construction expenditure is highlighted by the increase in the rolled product market for HVAC&R heat exchangers from 2008 to 2009. Despite the economic downturn and sharp decrease in construction expenditures in Europe and the Americas, the rolled product market for brazed heat exchangers in the HVAC&R product area is estimated to have grown a CAGR of by approximately 38 percent and 58 percent, respectively, during the period 2008 to 2013. The high growth is partly a result of growth from low volumes.

Rolled products for brazed aluminium heat exchangers in the HVAC&R product area



	Total	Europe	Americas	Asia
CAGR 08–13	65%	38%	58%	74%
CAGR 13–16F	21%	41%	26%	16%

Europe Americas Asia

Source: Gränges' estimates based on market intelligence. See section "Market size and growth" for more information. (Constant currency as per June 3, 2014 used for USD/SEK 6.69 and CNY/SEK 1.08. Market value based on constant LME prices calculated using annual averages).

Competitive landscape

The market for brazed aluminium heat exchangers is serviced by rolled product suppliers that vary in size and relative focus on the brazed heat exchanger market. Gränges is the only global supplier with sole focus on the brazed aluminium heat exchanger market and held a leading position with an estimated market share of 20 percent of the global market volume in 2013. The Company estimates that its three main competitors have market shares of approximately 10, 10 and 5 percent, respectively within the global market volume in 2013. Within the two product areas, automotive and HVAC&R, Gränges had leading market positions with an estimated market volume of 20 and 40 percent, respectively. Most of Gränges' competitors are large international companies engaged in several sub segments of the aluminium industry. Gränges considers Alcoa, Aleris, Haufon, Norsk Hydro, Novelis and UACJ to be six of its largest competitors. Gränges also faces competition from local actors in newly industrialized countries, primarely China.

Gränges differentiates itself from global aluminium companies by being a niche actor with tailored products in combination with a production facilities that is only used for rolled products for brazed aluminium heat exchangers. Compared to low cost producers, Gränges also has the capacity to meet customers' global demand.

Cast house at Gränges in Shanghai.

7.

BUSINESS OVERVIEW

Business overview

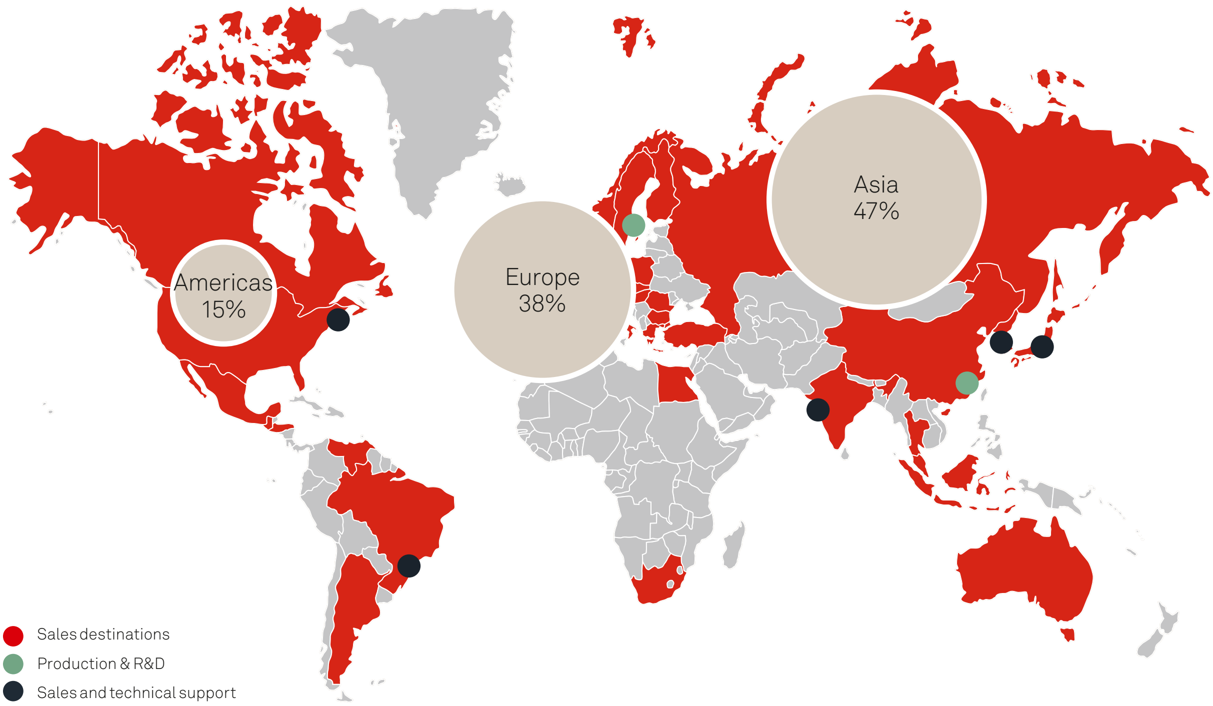
Introduction

Gränges is a leading global supplier of rolled products for the brazed aluminium heat exchanger industry. The Company develops, produces and markets advanced materials that enhance both production economy during the customer manufacturing process, as well as the performance of the final products, the brazed heat exchangers. Gränges' vision is to help create smaller, lighter and more designable heat exchangers, to increase economic efficiency and reduce environmental impact.

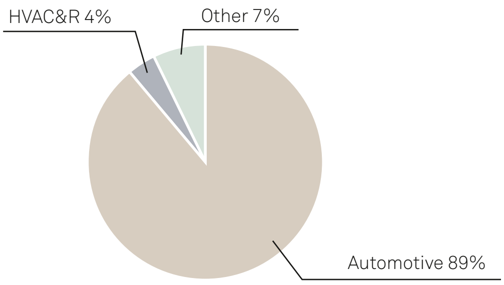
Gränges has its headquarters in Stockholm, Sweden and operates in three geographical regions: Europe, Asia and the Americas. The Company operates production, research and development facilities in Finspång and Shanghai with total annual capacity of approximately 210,000 metric tonnes. Through sales and technical support offices in the U.S., India, Japan, South Korea and an agent in Brazil, the Company serves customers worldwide.

The Company was originally founded in 1896 and focused initially on mining. Later, operations within steel, shipping and railroad were started. Gränges' current operation was started in 1972 when the Company started to develop brazed heat exchanger material. As a part of the Sapa group, Gränges was listed on the Stockholm Stock Exchange from 1997 to 2005.

Geographic footprint (buy volume sold in 2013)



Volume split per market segment ('000 metric tonnes) 2013[1)]

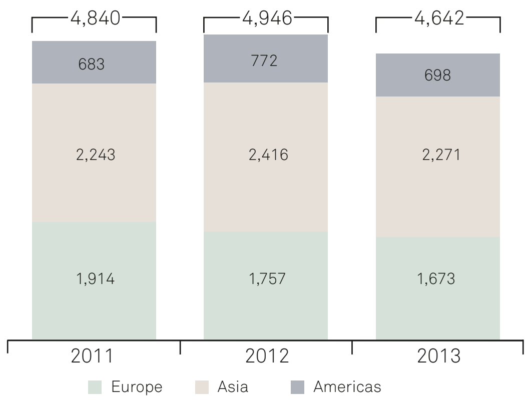


Gränges is the only global supplier with its sole focus on brazed aluminium heat exchangers. In 2013, it held a market-leading position with a global market share of approximately 20 percent and had net sales of SEK 4,642 million and an operating profit of SEK 456 million, corresponding to an operating margin of 9.8 percent. From January to June 2014, the average number of employees was 949.

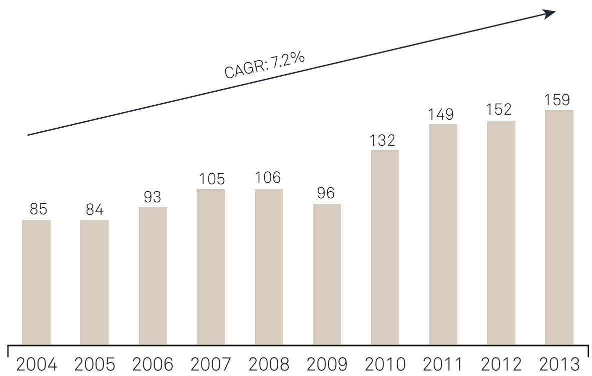
In order to develop and produce aluminium brazing sheet, Gränges purchases different forms of aluminium (scrap, ingot and slabs) from the aluminium industry. Gränges processes and engineers the aluminium into brazing sheet, which is slit into widths from 10 to 1,400 mm, and sells it to heat exchanger producers. The Company is primarily engaged in products for the automotive industry, but also for the HVAC&R end-customer market.

1) Other include products to non-heat transfer applications, e.g. building sheet and other industrial applications.

Net sales (SEKm)

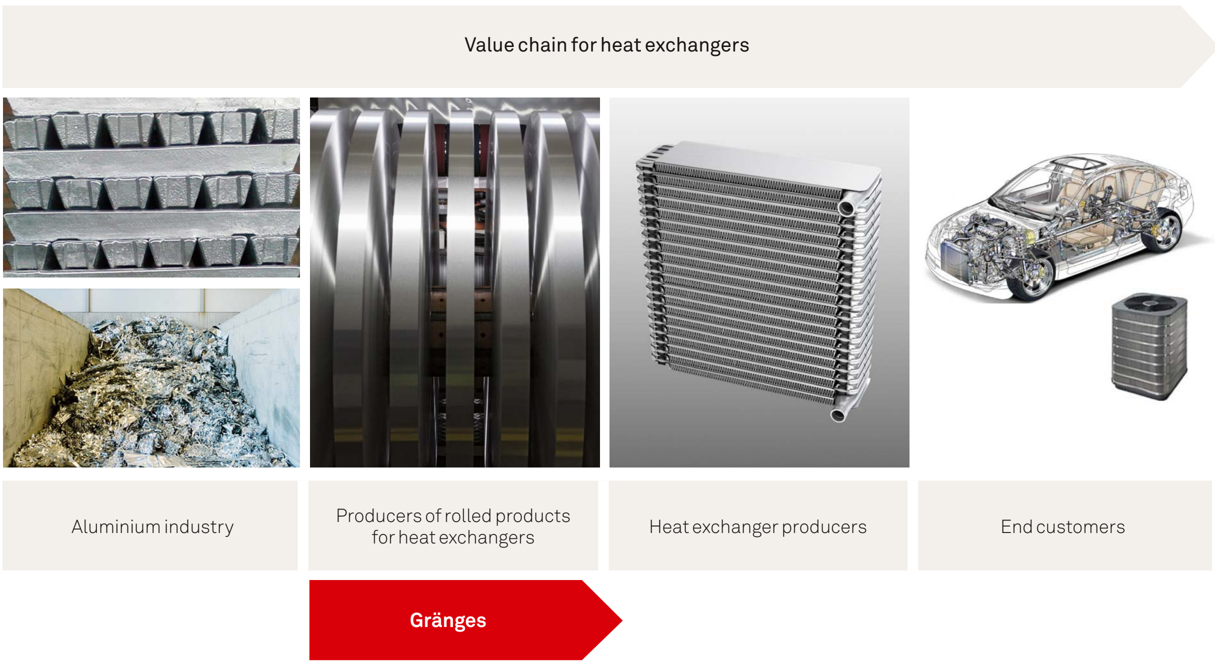


Volume sold ('000 metric tonnes)



Gränges has long-standing relationships with leading global brazed heat exchanger manufacturers, and has developed a strong foothold in each of the three geographical regions. Global OEMs depend on stable and secure supply, irrespective of their geographical location. Approximately 85 percent of customers have been with the Company for more than ten years. The Company's strong customer relations support stable revenues.

Gränges has a strong track record of research and development achievements with a portfolio of new products and on-going projects, such as TRILLIUM™ and MULTICLAD™. See section "Gränges' research and development portfolio" for further information.



Cabinet for corrosion testing, SWAAT (Sea Water Acetic Acid Tests) at Gränges Technology.

Vision and business model

VISION

Gränges' vision is to help create smaller, lighter and more designable heat exchangers to increase economic efficiency and reduce environmental impact.

BUSINESS MODEL

Gränges is solely focused on rolled products for the brazed heat exchanger industry. Gränges develops, produces and markets advanced materials that enhance both the production economy during the customer manufacturing process as well as the performance of the final product, the brazed heat exchanger.

The sole focus allows Gränges to develop a deep knowledge of its customers' processes and applications. The Company dedicates its equipment, processes and capacity to the specific customer requirements. This leads to the ability to deliver the right products and services while consistently delivering high quality, security and flexibility of supply for its customers.

Gränges' business is based on long-term customer commitments where the Company supports the customers with product development, service and technical support during the entire life-cycle for a heat exchanger model. The Company is highly customer centric in order to support the needs of demanding customers: primarily the global sub-suppliers (Tier 1 suppliers) to the automotive industry. This customer group faces demanding product specifications from large automotive OEMs and requires help from Gränges' demonstrated research and development capacity, knowledge of customer business challenges and ability to tailor products and solutions to customer needs.

Gränges has strong competencies within development and production, which can be classified into four distinctive fields: (i) Alloy development, (ii) Cladding, (iii) Rolling and thermo-mechanical processing and (iv) Slitting. All of these competencies work together to deliver a high value-added product.

The Company operates a make-to-order (MTO) supply chain. Gränges provides tailor-made products fitted for specific customer applications and has a dynamic portfolio of approximately 1,500 active articles.

Gränges generates revenue through the sale of finished products, with prices expressed per metric tonne. Product prices are differentiated by Gränges' added value in terms of, inter alia, material properties and production complexity.

Financial objectives

In relation to its strategy, Gränges has formulated certain financial targets presented below. All statements under this section are forward-looking statements.

GROWTH

Gränges aims to grow volumes sold at least in line with its existing end markets over time.

RETURN METRIC

Gränges aims to generate a 15 percent to 20 percent return on average capital employed over time.

CAPITAL STRUCTURE

The Net Interest Bearing Debt should normally be in the range of one to two times EBITDA over the last twelve months.

DIVIDEND POLICY

Gränges aims to have an annual dividend corresponding to 30 to 50 percentage of the net profit for the period. The pay out decision will be based on the Company's financial position, cash flow and future outlook.

Strengths and competitive advantages

GLOBAL LEADERSHIP ON NICHE MARKET

Gränges has a global leading market position in rolled products used in brazed aluminium heat exchangers with a total market share estimated at approximately 20 percent in 2013. The Company supplies products for the automotive and HVAC&R end-customer markets. Gränges holds leading positions in both these segments, with estimated 20 percent and 40 percent global market shares by volume in 2013, respectively.

The Company holds strategic positions in key geographical regions. Gränges is a leading supplier in Asia, which is the geographical market that has exhibited the largest growth over the last years. Furthermore, there are attractive growth prospects for the North American market. Gränges' close integration of its geographical regions offers significant competitive opportunities, e.g. within product development.

FOCUSED BUSINESS MODEL

Gränges' sole focus on brazed heat exchanger products represents, in the view of the Company, a competitive advantage. As a market leader, the Company has demonstrated its ability to develop and deliver a full range of rolled aluminium products in its niche with a competitive price.

In 2013, over 90 percent of Gränges production was materials for heat exchanger applications. The Company estimates that less than 20 percent of the volumes produced by its most significant competitors during the same period were materials for heat exchangers.[1] Gränges' remaining production volume consists of materials for building applications and for brazed heat exchangers for industrial applications.

STRONG CUSTOMER RELATIONS

Gränges was an early developer of material for brazed aluminium heat exchangers in Europe and consequently has built strong customer relationships over years of cooperation with its customers. Being the first established supplier of rolled aluminium products to manufacturers of brazed heat exchangers in Asia (outside of Japan) created a significant first mover advantage. With previous knowledge from Europe, Gränges educated local Asian customers in switching to brazed heat exchanger manufacturing. Through Norca Heat Transfer LLC ("Norca"), Gränges Joint venture in North America related to distribution and administration, the Company has also achieved an important market position in North America despite having no production facilities in the region. The market position was achieved through strong customer relationships, founded on Gränges' flexibility and ability on a global basis to cater its customers' needs. Gränges is involved with the customers throughout the entire product life cycle.

Gränges has long-standing relationships with all Tier 1 suppliers of heat exchangers for the automotive industry. The Company's strong customer relations support stable revenues. Around 85 percent of customers have been with the Company for more than ten years, and in 2013 the top five customers represented 48 percent of total sold volumes.

MARKET LEADING RESEARCH AND DEVELOPMENT CAPABILITIES

Gränges has a research and development team dedicated to rolled aluminium solutions for brazed heat exchangers. The Company has a strong track record of research and development achievements and a portfolio of on-going projects such as the state-of-the-art technology TRILLIUM™ and MULTICLAD™ multi-layered-clad. For further information see section "Research and development".

Gränges has acquired specific competencies relevant to brazed aluminium heat exchangers over its more than 40 years' experience developing brazing materials. The Asian research and development centre has obtained aluminium brazing competences through knowledge transfer and training from a highly educated staff from the research and development centre in Finspång

EXPERIENCED ORGANIZATION

Gränges maintains a close integration of its geographical regions and offers significant competitive opportunities to share best practice and collaborate globally to serve its customers. The Company's organization is based on customer closeness, flexibility and being agile.

1) Based on the Company's market and customer intelligence and analysis of competitors' public reports.

Gränges' management team has long professional experience in the aluminium industry and is knowledgeable in all aspects of integrated operations. Gränges' global organization has long experience and competence within production and development of rolled products for brazed heat exchangers. Many employees within the Asian organization have been with Gränges since commissioning of the plant in 1996.

STRONG CASH FLOW

Since 2012, Gränges has intensified its focus on operational efficiency improvements which have led to increased production stability. This has been achieved through organisational improvements, investments in higher safety and better preparation for planned production stops. Since 2011, margins have improved significantly, and the adjusted operating margin has increased from 4.3 percent in 2011 to 8.0 percent in 2013 and to 10.9 percent in the first six months of 2014. Today, Gränges has well-invested production facilities and production stability which gives the Company the possibility to focus on further operational improvements. Near-term, the Company expects that the cash flow from operations will be sufficient to fund both further organic growth and dividend payments to shareholders.

Current business strategy

Gränges' business strategy is based on being a niche actor with its expertise within the market for rolled products for brazed heat exchangers in aluminium. By only focusing on this niche and a global offering of tailored products with high-technology content, Gränges' aims for a profitable organic growth and to maintain and strengthen the Company's market leading position.

STRENGTHEN GLOBAL LEADERSHIP

Gränges focuses on three cornerstones to strengthen the global leadership: Industrial craftsmanship, Leading edge technology and Attention to customer needs.

Industrial craftsmanship

Gränges' customers' operations are dependent on the quality, reliability and consistency the Company delivers, which is why the quality of Gränges' products and services is, and will remain, the Company's number one priority. The Company recognises that, although it is working with advanced production technology and highly complex processes, consistency in quality comes from competence. It is a result of employees with a large skillset, vast experience and dedication to what they do. Gränges calls this industrial craftsmanship, which is the Company's contribution to more efficient production and higher competence within brazed heat exchangers. The Company's sole focus allows it to devote resources to improvements in its field.

Leading edge technology

Gränges capitalises on being a technology development partner in close cooperation with its customers. The Company's centre for research, development and applied engineering – Gränges Technology – uses its knowledge to develop the right materials for the customers' needs. Product developers and technical support engineers work closely with customers to optimise material-machine interaction.

Attention to customer needs

Gränges works closely with its customers to continually improve their profitability. The Company's industry focus and attention to global customers, enable it to tailor customer service to customer needs, whether it relates to product development, delivery terms, service levels or administrative routines.

EXECUTE EFFICIENCY IMPROVEMENTS

Gränges focuses on operational improvements and cost reductions to reach higher efficiency. The Gränges Production System is Gränges' concept for lean manufacturing aimed at simple production flows, direct connection between production steps and well-defined and waste-free processes. The Company launched a program in the summer of 2013 for the production plants in Europe and Asia. The ongoing efficiency focus with cost control has increased cost awareness and budget adherence which has improved the operating margin. The adjusted operating margin improved from 7.6 percent to 10.9 percent during the first six months of 2014 compared to the same period in 2013.

SUSTAINABLE DEVELOPMENT

Gränges continuously works towards sustainable development without compromising environmental conditions. Aluminium is sometimes called the green metal, due to properties that support sustainability, such as recycling and re-melting. Gränges' ambition is to minimise the environmental impact of its products and processes. Increased energy efficiency is a key part of Gränges' sustainability efforts, as well as increased use of recycled aluminium. Principally, Gränges achieves the latter by upgrading the production equipment and by developing innovative, sustainable products that can be recycled.

Future opportunities

Gränges has identified the following growth opportunities that it believes are interesting for the future further development of the business.

Expansion in China

The Asian market remains attractive and is expected to continue to exhibit above global average growth in vehicle production. The continued increase in vehicle demand is expected to partly be driven by a relatively high amount of new first time car owners. This growing customer base will require affordable modern cars, in turn translating into a growing demand for cost-efficient and cost-competitive brazed heat exchanger solutions.

The emerging demand for more cost-efficient brazed heat exchanger solutions creates opportunities for Gränges. In order to capture this opportunity, Gränges is considering expanding through establishing a second manufacturing facility in China. Gränges sees several attractive structural opportunities to add such capacity allowing for a shorter time to market compared to a greenfield investment. Between 2008 and 2010, Gränges added approximately 40,000 metric tonnes of capacity (hot rolling, cold rolling and slitting) in China in a expansion of the existing production facility. This investment amounted to approximately CNY 500 million (SEK 568 million[1)]). Since 2010, the Company has increased the production capacity even further. The investments during this period was approximately half of the investments made during 2008 to 2010, but had led to an increase in production capacity of the same magnitude.

Expansion in North America

Gränges is currently successfully supplying its global customers in North America from its production facilities in both Sweden and China. Complementing Gränges' existing offering in the region with a local manufacturing base would improve Gränges' ability to serve its existing and new customers and thereby strengthen its position on the market, which is currently dominated by two local competitors with local manufacturing capacity. Also, establishing local manufacturing is further expected to improve economics of supplying customers in the region.

Although establishing production capacity in North America is regarded to be primarily a long-term growth opportunity, the Company is continuously evaluating opportunities to acquire and upgrade an existing production facility, which is expected to be significantly more cost efficient than a greenfield expansion. Adding greenfield capacity in North America is estimated to require a substantially larger investment compared to adding greenfield capacity in China.

Expansion within HVAC&R

The stationary aluminium heat exchanger market is anticipated to exhibit significant growth over the next years, with an estimated CAGR of approximately 20 percent between 2013 and 2016, as a result of a shift from copper heat exchangers towards brazed aluminium heat exchangers in the HVAC&R end-customer market. To date, less than five percent of the global HVAC&R end-customer market has been converted to aluminium, leaving room for further conversion. For further information see "Market overview".

Over the past years, Gränges has invested in strong relationships with key customers within the segment. The alloy and material solutions and developments for the HVAC&R end-customer market are very similar to those for the automotive industry. Therefore Gränges is well positioned to capture growth opportunities in this segment.

Heat exchangers for industrial applications

In Asia, there are a handful of markets and applications which are fairly mature, for example, brazed heat exchangers for off-highway machinery, locomotives, wind mills and air separation equipment. The current market for industrial applications is expected to grow as brazing technology can be applied more widely in other industries for other applications. Certain industries may adopt the brazing technology in, for example, water heaters or cooling of LED lighting. There are opportunities for Gränges to penetrate both the mature markets and the emerging markets.

TRILLIUM™ commercialisation

The traditional brazing process that is used by the producers of heat exchangers today requires the application of a flux salt. Flux salt has significant negative consequences in customers' production of brazed heat exchangers in terms of operational cost, equipment contamination and protection of environment and heat exchanger design freedom.

Gränges has developed TRILLIUM™, an entirely new material, which has the flux salt incorporated into the raw material. This means that Gränges' customers can avoid the problem associated with the application of flux salt in the brazing process. TRILLIUM™ enables Gränges and its customers to remain at the forefront of applications for rolled aluminium products that are difficult to realise based on traditional brazing technology. Gränges is further developing and improving the processes and economics of TRILLIUM™, and as the production volumes are scaled-up, production cost is expected to be reduced which would enable customers to purchase the material for increasingly more applications.

1) CNY/SEK 1.14 as of August 31, 2014.

History

The industrial group Gränges was founded already in 1896 in Grängesberg. The company comprised several industial companies including Grängesbergs' mines, the railroad business TGOJ (Trafik AB Grängesberg-Oxelösund Järnväg), Oxelösunds' ironworks and a comprehensive shipping business.

Gränges acquired Svenska Metallverken in 1969, including Finspongs Metallverk which had been producing aluminium since 1913, and in 1976 Gränges acquired the Sapa group. Electrolux acquired the Gränges group in 1980, restructed the business and divested several of Gränges' business units. The aluminium based companies in Gränges were kept, and the reformed Gränges was reintroduced to the Stockholm Stock Exchange in 1997. In 2000 the Company's name was changed to Sapa. Sapa was acquired by the listed Norwegian corporation Orkla in 2005 and delisted from the Stockholm Stock Exchange.

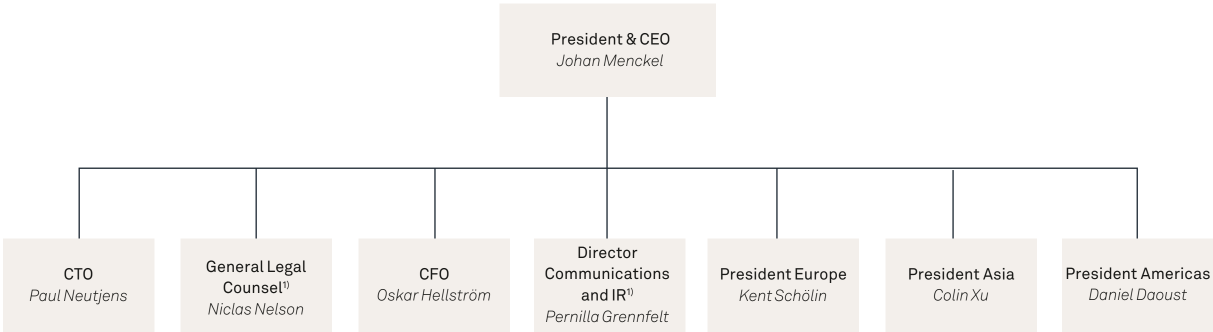
In 2011, Orkla decided to shift strategic focus to seek future growth in, and allocate capital to, the branded consumer goods sector, where Orkla has its main operations. In 2012, Orkla ASA announced an agreement with Norsk Hydro ASA to combine their respective profiles, building systems and tubing business in a 50/50 joint venture. In order to facilitate the establishment of the joint venture a legal demerger of Sapa AB's assets and liabilities was carried out between the Company and a new company, subsequently called Sapa AB. The part of Sapa that focused on rolled aluminium products for brazed heat exchangers remained a wholly owned subsidiary of Orkla ASA and subsequently changed name to Gränges.

The current operation in Gränges started in 1972 when the development and production of brazed aluminium heat transfer material was started in Finspång. Gränges reached an important milestone when the Company established a production facility in Shanghai and thereby achieving a global position.

1896	1913	1922	1942	1969	1972	1976	1996	2000	2013
Gränges, the industrial group, is formed in the city of Grängesberg, Sweden	Finspongs Metallverk (Finspong Metal Works) is founded in Finspång, Sweden	Aluminium production starts at the Finspång plant	Svenska Metallverken (Swedish Metal Works, est 1897) acquires Finspongs Metallverk	Gränges acquires Svenska Metallverken	Gränges produces its first brazed heat exchanger material in Finspång	Gränges acquires Sapa	The Gränges Shanghai plant is founded	Name change to Sapa Heat Transfer	Independent, focused company again under the Gränges brand name

Gränges operations

GRÄNGES ORGANIZATION AND GEOGRAPHICAL PRESENCE



ORGANIZATION AND EMPLOYEES

Gränges is a global organization that operates in three geographical regions: Europe, Asia and the Americas with global accounts supporting all geographical regions on a global level. The heat exchanger market is relatively consolidated with a limited number of large global customers. The business is governed through a matrix reporting structure, combining global accounts with regional market and production entities.

Gränges has established central group functions for managing finance, treasury, legal and communications. The executive management comprises the President and CEO, CFO, CTO, President Europe, President Asia, President Americas, General Legal Counsel and Director Communications and IR.

Average number of employees	2011	2012	2013
Europe	498	455	445
Asia	490	492	519
Gränges Group	988	947	964
Americas[2]	8	8	8

From January to June 2014, the average number of employees was 949, including 417 in Europe and 532 in Asia. In addition, Gränges had 8 representatives in the Americas[2], with 84 percent of the employees working within production.

1) Employed from September 2014.
2) Personnel in the Americas are employed in Norca.

SALES AND CUSTOMERS

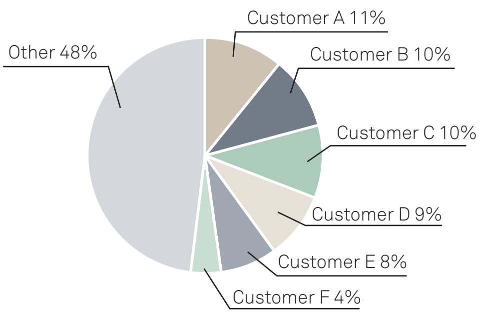
Gränges has long customer relationships. The Company serves its key customers on both a global and local level to enable team efficiency and develop global relationships. The customers consist of global and local suppliers producing heat exchangers, e.g. for the automotive industry. Gränges has sales and technical support offices in the United States, South Korea, Japan, India and an agent in Brazil. Gränges has global key account managers, who are responsible for coordinating sales, developing relationships with global key accounts and identifying potential business opportunities from a global perspective. The top five customers represented 48 percent of total volumes sold with the largest customer accounting for ten percent of total volumes sold in 2013. The top five customers have been customers for every year for the past 15 years.

Gränges' customer interaction processes are of a long-term nature, and involve continuous interaction from early concept phase until the after service. The process time from the start to complete validation can in many cases take several years due to the lengthiness of a supplier's qualification process.

Contract description in general

Sales contracts are priced in two components; a pass-through aluminium metal price component based on a metal exchange quotation (often the London Metal Exchange), plus a "conversion price" including the cost and profit of the supplier. As a result, most of the raw material price risk is absorbed by the customers. The duration of customer agreements is typically one to three years. Due to the long lifetime of end-user platforms, contracts are often extended after expiration of the previous contract.

Sales volume per customer 2013 ('000 metric tonnes)



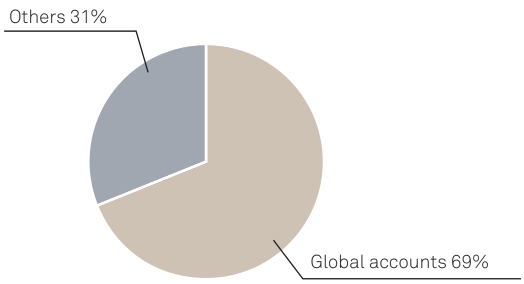
Customer interaction process for new customers

Vehicle platform development	Material specification	Tender	Sampling and test runs	Continuous delivery agreement
• End customer develops nes vehicle platform • Gränges maintains close dialogue to support customer and be proactive in product development	• The aluminium materials to use are specified jointly by the customer and end customer • Gränges often involved by customer as R&D and technical support	• Gränges is one of 3–4 suppliers to submit quotes • Gränges quotes price and volume commitments for continuous delivery	• Testing in various stages performed by customer • Gränges participates together with customer in testings and validation process	• Gränges enters into 1–3 year contracts (average c. 2 years) together with 1–2 other suppliers • Contracts are typically tied to a final product • Contract length implies inherent stickiness in customer relationships
Year 0–2	**Year 2–3**	**Year 3–4**	**Year 3–5**	**Year 4–6 onwards**

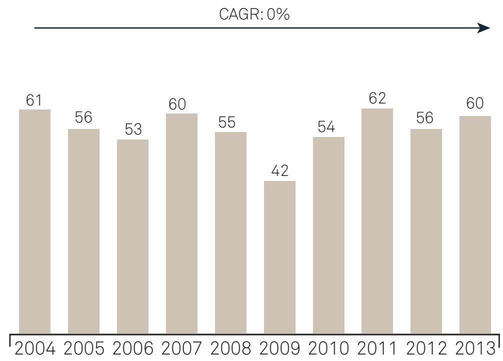
GRÄNGES EUROPE

Europe is a highly consolidated market with a large portion of the global OEMs. Gränges has a strong footprint in the European market and has through high technology content maintained its leading market position. Global accounts represented 69 percent of sales volume in 2013. The European market represented 38 percent of the Group's volume sold in 2013. Key markets are the UK, Italy, the Czech Republic and Poland. Nearly all of the volumes delivered to Europe are produced at the production facility in Finspång.

Sales by customer type (volume)



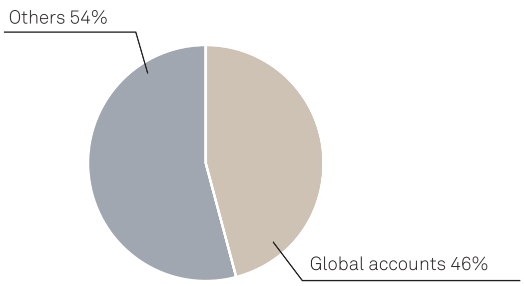
Volume sold in Europe 2004–2013 ('000 metric tonnes)



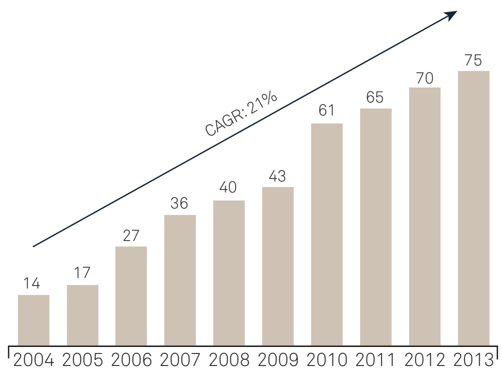
GRÄNGES ASIA

Since its establishment in 1996 Gränges has built a strong footprint in the Asian market and has through high-technology content established a leading market position. In 2013, Asia comprised 47 percent of Group volumes sold with the key market being China. Other important markets in Asia are Korea, India and Thailand. China comprises approximately half of the sold volume for Gränges Shanghai. Global accounts represented 46 percent of volumes sold in 2013. Nearly all of Asia's production volume is delivered within the region.

Sales by customer type (volume)



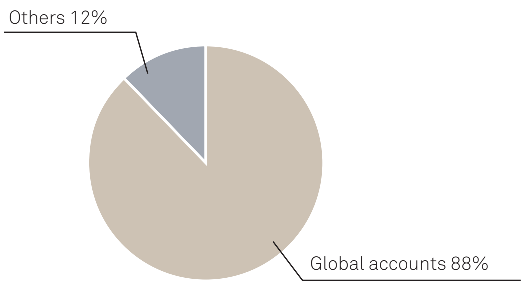
Volume sold in Asia 2004–2013 ('000 metric tonnes)



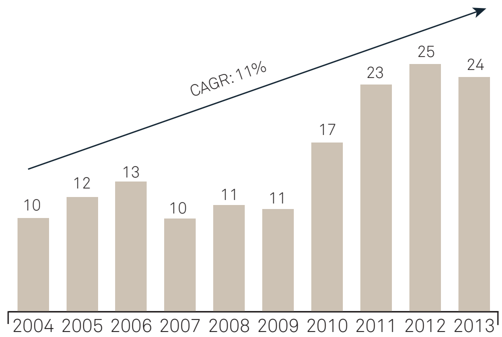
GRÄNGES AMERICAS

Gränges has been present on the market in Americas since 1994 and supplied products for its global customers. Global accounts represent 88 percent of volumes sold in the Americas in 2013. In 2013, the Americas comprised 15 percent of Group volumes sold. Key markets are the United States and Mexico. However, South American countries, such as Brazil, are also important markets. In the Americas, all volumes are sourced either from the Finspång or the Shanghai production facilities.

Sales by customer type (volume)



Volume sold in Americas 2004–2013 ('000 metric tonnes)



PRODUCTS

Gränges offers a full range of clad and unclad rolled aluminium products for brazed heat exchanger applications. The products are of four main types and come in approximately 1,500 varieties with 150 active aluminium alloy combinations.

Depending on the intended application, the characteristics of the products differ. A variety of aluminium alloy systems are used in heat exchangers and several alloy alternatives have been developed by Gränges for the purpose of optimising performance during the customer manufacturing process as well as optimising the performance of the brazed heat exchanger (e.g. corrosion resistance).

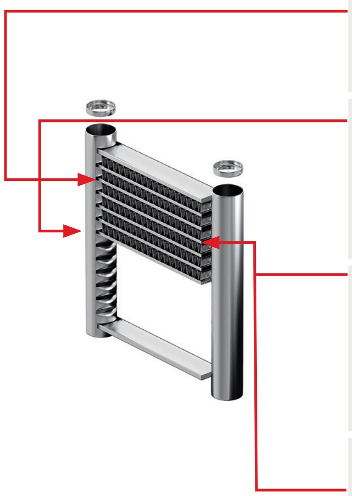
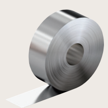
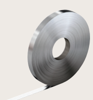
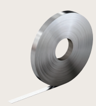
Gränges has four main types of products; clad tube, clad plate, clad fin and unclad fin. For most heat exchangers two or three product types are used. Despite the fact that all the four product types consist of aluminium alloys and are produced mainly with the same equipment, they differ in price, production capacity requirement, contribution relative to capacity need, and customer purchasing criteria.

The production of rolled products for the brazed heat exchanger industry is a complex and value-adding process, which gives products unique characteristics and enables Gränges to tailor solutions to specific customer needs.

Gränges has strong competencies within development and production, which can be classified into four distinctive fields: (i) alloy development, (ii) cladding, (iii) rolling and thermo-mechanical processing and (iv) slitting.

Alloy development

An aluminium alloy is a mixture of primarily aluminium with one or several metals. The purpose of alloying is to obtain specific properties different from pure aluminium. Gränges has special competence in developing alloys and clad alloy combinations for brazed aluminium heat exchangers. The Company's materials are "pre-loaded" with properties that are customised for each step of the customers' manufacturing processes – from cutting and forming to assembly and brazing.

Heat exchanger	Gränges products	
	Clad tube 	Consists of a core alloy clad with braze clad on one or two sides, and in may cases, a core alloy clad with a braze clad on the outside and with a water-resistant clad on the tube inner side. The clad tube is folded or welded inte a tube by the customer.
	Clad plate 	Consists of a core alloy clad with braze clad on one or two sides. The rolled product is stamped by the customer depending on the application and used in most kinds of heat exchanger applications either for coolant plates or for manifolds.
	Clad fin 	Consists of a core alloy clad with braze clad on each side, and is primarily used in parallel flow condensers.
	Unclad fin 	The most basic product of the heat exchanger materials. Unclad fin consists of only one alloy without clad layers.

Cladding

Cladding is a core competence and is a complex high value-added process. The Company manufactures single- and double-side clad, symmetrical and asymmetrical as well as MULTICLAD™ packages in a multitude of alloy combinations.

There are many different types of clad products: such as waterside claddings for corrosion protection, or inter-layer multi-claddings between core and braze alloys.

Various types of cladding techniques

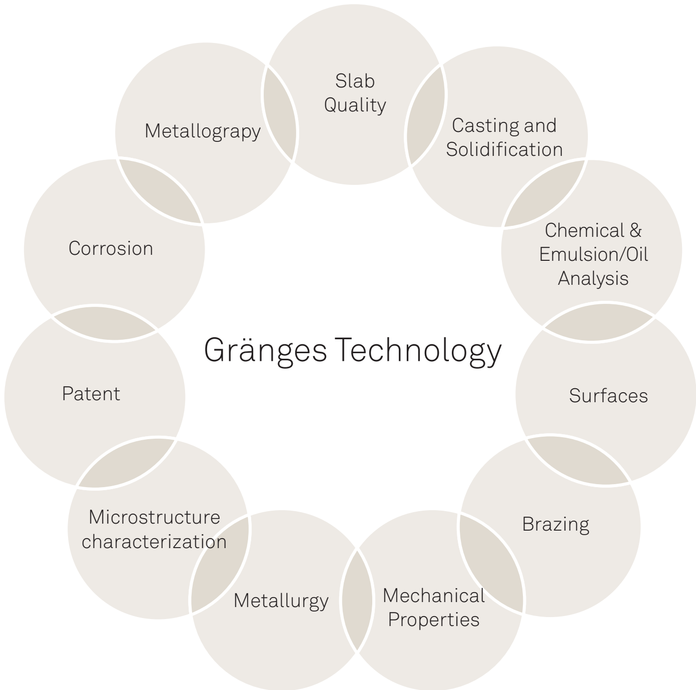
Rolling and thermo-mechanical processing

The hot and cold rolling process, in combination with thermal treatments, alters the micro structural characteristics of the alloys in order to achieve the required “pre-loaded” product properties at final gauge. Gränges has a long-standing expertise in thermo-mechanical processing and its influence on the material behaviour in the brazing process.

Slitting

Heat exchanger manufacturing processes are often automated and require products with high slit-edge quality, low edge-bow, straight winding quality and tight width tolerances to ensure the expected performance. Gränges has state-of-the-art slitting technology.

Aluminium strip for heat exchangers.



RESEARCH AND DEVELOPMENT

A key factor for Gränges' success is a long tradition of research and development that has evolved to support Gränges business model. The Company's research and development is organised around close global coordination with local presence and is located in connection with its production facilities. Gränges' research and development is application and customer oriented, essential features of Gränges' business model.

Gränges Technology

Gränges Technology is Gränges' centre for research, development and applied technology and consists of 39 specialists, whereof 22 are in Europe and 17 are in Asia. Many of the employees hold PhD's and the Company regularly collaborates with universities and technical institutes.

New alloys and alloy combinations are continuously tested via pilot rolling. Results obtained from pilot testing are sometimes enhanced with computer simulations and are then used to plan full scale production validations.

Product development

Gränges has product development engineers supporting customers on a daily basis to optimise the interaction between Gränges' products and the customers' machines, processes and applications. To support this, the Company has application centres that can replicate the customer forming and brazing processes. Currently, the Company has 18 full-time employees within Product Development; eleven in Asia, five in Europe and two in the Americas.

GRÄNGES' RESEARCH AND DEVELOPMENT PORTFOLIO

The following technologies are, amongst others, examples of Gränges' research and development portfolio:

- TRILLIUM™ is a product developed in collaboration with Sandvik Osprey Ltd. ("Sandvik Osprey"). The material enables customers to overcome many limitations and high costs related to the prevailing brazing process, where the application of flux salt is needed. TRILLIUM™ enables novel heat exchanger designs that are difficult to realise with the traditional brazing process.
- MULTICLAD™ is a multi-layer-clad product platform. Gränges is currently developing several MULTICLAD™ products which exhibit high strength in combination with superior corrosion resistance. These products are an alternative to mechanically assembled heat exchangers in the HVAC&R end-customer market by brazed units and allow for lighter and less costly units with equal or better performance. The MULTICLAD™ technology is also being used to provide materials that can potentially replace stainless steel for exhaust gas recirculation units.
- Strong-Sagging-Resistant fins. This technology will allow customers to downgauge fin materials and/or apply tougher brazing cycles without compromising quality and performance.

A selection of Gränges portfolio of patents			
Trillium	**High strength and sagging resistant fin material**	**Reduction of shearing and crop losses at rolling of assembled slabs**	**MLC Tube**
• Priority date: March 14, 2007 • Granted in Eurasia, South Africa, Mexico, China and pending in others • Flux free brazing technology	• Priority date: September 29, 2006 • Granted in Sweden, South Africa and Russia, pending in others • Strong and sagging resistant fin suitable for use in normal to extreme brazing conditions	• Priority date: December 1, 2005 • Granted in Sweden, USA, China, Japan and European Patent	• Priority date: July 27, 2012 • Pending • Multilayer clad tube material characterized with high strength and superior corrosion performance

PATENTS

Gränges' research and development has resulted in 15 patent families and 174 patents, of which 88 have been granted and 86 are pending. The research and development portfolio is an important part of Gränges' entire intellectual rights and know-how. However, no single patent is considered to be material for the Company. The Company has an active approach to protect a part of its intellectual property by means of patents. The main objectives for patent protection are promotion and branding, as well as to ensure the freedom to operate and discourage reverse engineering attempts as a defensive strategy.

The nature of the technology allows and requires protecting the subtle details of the metallurgy and thermo-mechanical processing through secrecy, and value is often created through the specific, undisclosed know-how in addition to the public claims in the patent files.

Gränges has so far not licensed its technology, and current revenues are not directly dependent on patent protection. No patents that will expire in the near future are expected to directly affect the revenue stream.

Gränges believes that the specific patent families listed in the table above have the potential to enhance the value of its portfolio.

PRODUCTION

Gränges applies demand-based supply chain based on the principles of a lean manufacturing aimed at simple production flows, direct connection between production steps and well-defined and waste-free processes. Production lead-time is as short as possible but balanced with the need to run processes cost-efficiently. This supply chain model allows Gränges to provide a flexible delivery and service to its customers.

PRODUCTION PROCESS

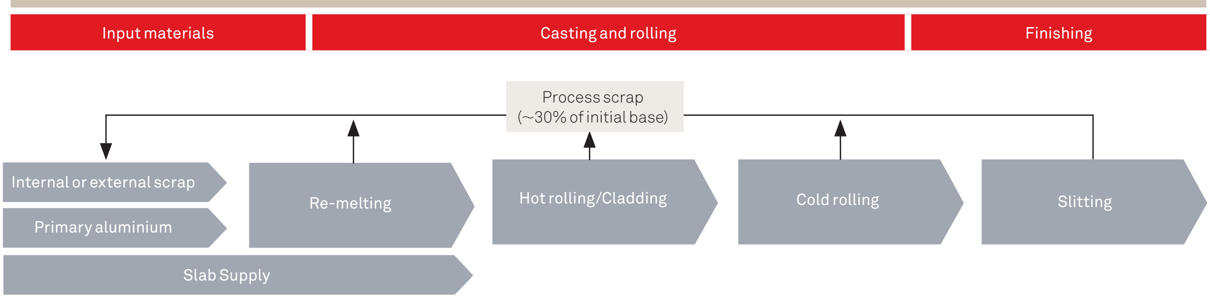
Re-melting and casting

Aluminium ingots, alloying metals and recycled scrap are input materials for the casting process. Rolling slabs in various alloys are produced by means of the direct chill casting process.

Hot rolling

The hot rolling process provides the initial deformation of the rolling slabs or clad packages. The slabs or clad packages are preheated in a furnace to a temperature which makes the material soft and deformable. In the first hot rolling passes, an intimate bond is created between the clad plates and the core slabs. The material is then further rolled out to an intermediate gauge and coiled. The hot rolled coils are then cooled down in storage before they can continue to the cold rolling process.

Overview of the production process

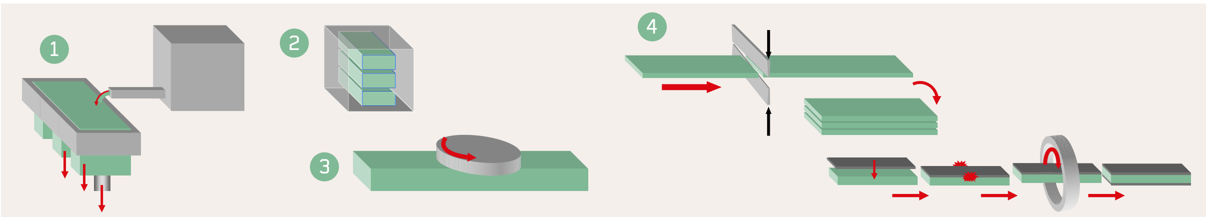


Cold rolling and annealing
After the hot rolled coils have cooled down, they will be transferred to the cold rolling. During the cold rolling the material will be further rolled down in several passes to reach the required gauge. The coils can be heat treated in annealing furnaces to obtain the required strength and formability. Surface characteristics, flatness, gauge and strength are the most important quality attributes obtained from the cold rolling and annealing process.

Finishing
The cold rolled coils are further processed in the finishing department. If needed, the flatness of the material is further improved by tension-levelling.

The “mother” coils can be split-up length wise or width-wise to obtain smaller coil sizes. Depending on the final product the coils are then slit into different widths.

Production flow



1. Casting
Casting produces slabs with desired alloy, microstructure, shape and size.

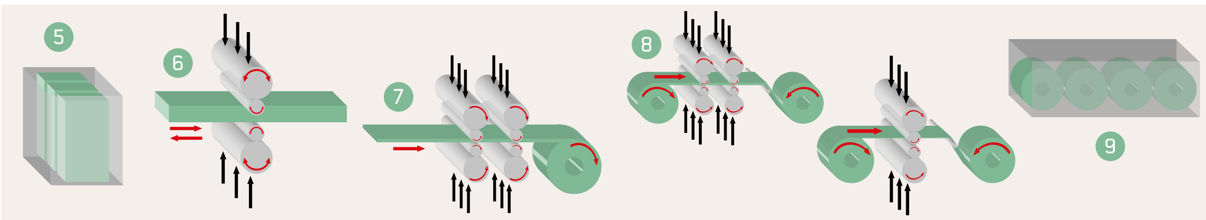
2. Homogenization
High quality slabs should have a homogeneous composition. This is most common for alloys which require high moldability.

3. Scalping
Scalping removes parallell surfaces and casting skin consisting of a thick oxide layer.

4. Production of metal slabs

Plate cutting
Cutting of plates in the right length and width.

Welding
Slabs and plates are combined and merged to enable handling in the preheating furnaces.



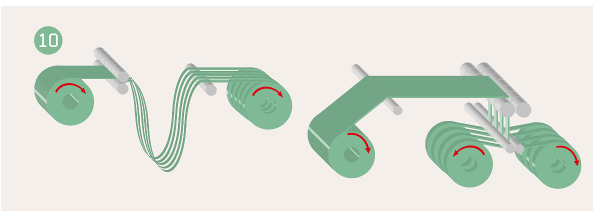
5. Pre-heating
Makes the material soft enough for rolling and gives the material the right microstructure and high end-quality.

6. Hot rolling break-down
Unplated and plated slabs are hot rolled into plates in a four-high reversing mill.

7. Hot rolling finishing
Finishing hot rolling of coils with profile control in a continuous tandem mill. Finished coils are reeled on to a coil.

8. Cold rolling
Pre- and finishing rolling of coils are made in three separate cold rolling mills. Some alloys require heat treatment after pre-rolling.

9. Annealing
By annealing after cold rolling the material softens into the right strength.



10. Slitting
Slitting of the material in strips with the width that the customer requests.

PRODUCTION IN FINSPÅNG, SWEDEN

The production facility in Europe is located in Finspång. The plant was established in 1913, and the development and production of aluminium heat transfer material started in 1972. The current annual capacity of Finspång is 90,000 to 100,000 metric tonnes, and the utilisation rate was approximately 75 percent in 2013. Efficiency has increased from 139 metric tonnes per full-time employee in 2009 to 175 metric tonnes per full-time employee in 2013.

Key equipment at Finspång

Finspång operates a re-melt facility with several direct chill casting complexes for in-house scrap re-melting and slab production.

The hot rolling department has a scalper and a clad package assembly centre with high-bay storage. The hot line consists of a breakdown mill and a two-stand tandem finishing mill.

The cold rolling department consists of a two-stand 4-high tandem mill for the breakdown passes and two single stand 4-high non-reversible cold mills as well as annealing furnaces. The finishing department has a tension levelling line and six slitters with various capabilities for fin, tube and wider slit products. The finishing department is equipped with an in-house tooling workshop. The finished slit coils are packed by means of two automated packing lines.

Finspång external certifications

ISO 9001:2008 (Quality)
ISO TS 16949:2009 (Quality)
ISO14001:2004 (Environment)
ISO 50001:2011 (Energy)

PRODUCTION IN SHANGHAI, ASIA

The Company's production facility in Asia is located in Shanghai. The Shanghai plant was established in 1996 as a joint venture, and became 100 percent owned by Gränges in 2003. Development of the Shanghai production facility was to a large extent based on knowledge sharing and technology transfer from the Finspång production facility. The Company was the first established supplier that focused on rolled aluminium for the brazed heat exchanger market to enter China.

The plant in Shanghai has focused on capacity expansion to keep pace with the fast market growth in the region. Capacity of the plant has increased from 12,000 metric tonnes in 1996 to between 110,000 and 120,000 metric tonnes in 2013. The utilisation rate was approximately 75 percent in 2013.

Key equipment at Shanghai

Shanghai operates a re-melt facility with several direct chill casting complexes for in-house scrap re-melting and slab production.

The hot rolling department has a scalper and a clad package assembly centre with high-bay storage. The hot line consists of a single stand mill with two coilers.

The cold rolling department consists of a two-stand 4-high tandem mill for the breakdown passes and three single stand 4-high non-reversible cold mills as well as annealing furnaces. The finishing department has a tension levelling line and six slitters with various capabilities for fin, tube and wider slit products. The finishing department is equipped with an in-house tooling workshop. The finished slit coils are packed by semi-automated and manual packing lines.

Shanghai external certifications

Shanghai has obtained the following external certifications:
ISO TS 16949:2003 (Quality)
ISO14001:2002 (Environment)
OHSAS18001:2004 (Safety Management System)
PED: 2013 (Pressure Equipment Directive)

Brazed heat exchanger applications.


60t

Intermediate flat store with forced cooling at Gränges in Shanghai.

OPERATIONAL PRODUCTION IMPROVEMENTS

Gränges aims for continuous operational improvements within the production facilities. Important initiatives are to drive improvements such as metal optimisation, production efficiency and cost reductions.

Metal optimisation

Metal optimisation aims at making optimised make or buy decisions for slabs, reducing raw material cost for in-house slab production and improving yield in the entire supply chain.

Production efficiency

Production efficiency is achieved by reducing unplanned disruptions in each process step as well as ensuring an even flow of products between the process steps through planning and system improvements.

Cost reductions

Cost reduction is partly an effect from a more stable production process in terms of savings in maintenance and direct employee costs (manning and overtime). Cost reduction is however also aimed at indirect costs.

KEY RAW MATERIALS

Primary aluminium (ingot)

Aluminium ingot is a rough cast material used in the re-melting process to dilute scrape based melting charges and to reach the correct composition for the rolling slabs.

Scrap

Scrap consists of leftover metals from a previous internal process or metals externally purchased from scrap metal merchants. The scrap is recycled and is an important source of raw material and input for the Gränges re-melt facilities. Gränges continuously works with improving scrap management to minimise input materials cost through efficient handling of the approximately 30 percent scrap generated in the production process.

Rolling slab

A rolling slab is a rectangular shaped alloyed aluminium product that is used as an input to the rolling process. They can be either purchased or produced internally in the re-melt facility.

Energy

Electricity and gas are the main sources of energy in the production process.

Rolling coolants and lubricants

In the rolling process oils and additives are used. For the hot rolling process, an oil-water emulsion is applied, while kerosene based oil formulas are used as coolant and lubricant in the cold mills.

Packaging materials

Wood, cardboard, paper and plastic are the main packaging materials used for protection during handling of shipping of materials.

Supplier contracts

The subsidiaries Gränges Sweden and Gränges Shanghai enter into purchase agreements for certain amounts of primary aluminium on a yearly basis with large suppliers. Two of Gränges Sweden's suppliers carry a consignment stock at the plant in Finspång from which delivered products are drawn. The purchase price for primary aluminium is generally based on the trading price on the London Metal Exchange and, as regards China, the price on the Shanghai Futures Exchange. In addition to the primary aluminium base price, there is a premium paid to the supplier of the aluminium. The premium varies depending on the type and quality of the sourced aluminium, as well as the location of delivery reflecting regional supply-chain cost. Gränges has also entered into agreements with suppliers of logistic services for the forwarding of products from Gränges' plants in Finspång and Shanghai. Suppliers of aluminium scrap and alloying metals are generally not bound by long term agreements as purchases are made on the spot-market.

ENVIRONMENT, HEALTH AND SAFETY

Health and safety

Gränges has an integrated approach to health and safety that is based on communicating, training and follow-up. The regional organizations are responsible for implementing local safety standards and governance frameworks to create a safe and good working environment for employees. EHS training is a part of Gränges introductory program for new employees, and the safety courses are mandatory for all operators. The Company has also implemented a safety management training and a behaviour-based safety training for all employees. Gränges takes responsibility for creating a better workplace to comply with all local regulations and laws.

Environment

Gränges is environmentally focused and strives for an environmentally efficient production. Aluminium is considered environmentally friendly metal since it is suitable for recycling. Gränges' product development and research and development progress also contributes to lighter vehicles and increased product efficiency, resulting in lower energy consumption.

8.

SELECTED FINANCIAL INFORMATION

Selected financial information

Basis of preparation of the consolidated financial statements

The selected consolidated financial information presented below has been derived from Gränges' audited consolidated annual accounts for the period 2011–2013, prepared in accordance with International Financial Reporting Standards ("IFRS"). The information has also been derived from the reviewed interim report for the period January 1 to June 30, 2014, prepared in accordance with IAS 34.

Until 2013, Gränges was a part of the Sapa group and operated under the name Sapa Heat Transfer. The Gränges Group was established through dividing the former Sapa group into Sapa and Gränges, the legal split of the former Sapa AB took place in March 2013. The consolidated Gränges Group includes direct and indirect subsidiaries of Gränges. For further information regarding basis for preparation of the consolidated annual accounts for the years 2011–2013, see page 7 to 8 in Gränges' audited consolidated annual accounts for the period 2011–2013 which are included in the Offering Circular. Gränges' result, financial position and cash flow may, however, not reflect what the results of the operations, financial position and cash flows would have been if the Gränges Group had been a stand-alone company during the periods presented. For further information see section "Factors affecting Gränges' operating profit".

The following information should be read in conjunction with section "Operational and financial overview", Gränges audited consolidated annual accounts for the period 2011–2013 and the reviewed interim report for the period January 1 to June 30, 2014 including the related notes in the sections "Interim report for the period January 1 to June 30, 2014" and "Audited consolidated annual accounts for the period 2011–2013".

Summary of consolidated income statement[1)]

Amounts in SEK million	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
	2011	2012	2013	2013	2014
Net sales	4,840	4,946	4,642	2,473	2,333
Cost of materials	–3,186	–3,126	–2,806	–1,540	–1,359
Payroll and other operating expenses	–1,297	–1,294	–1,278	–652	–623
Depreciation and impairment charges	–148	–164	–187	–92	–97
Other income and expenses	–91	30	85	–22	–10
Operating profit (EBIT)	**118**	**392**	**456**	**167**	**244**
Profit from joint ventures	3	3	5	2	2
Finance income and costs	–57	–64	–43	–23	–14
Profit before taxes	**64**	**331**	**418**	**146**	**232**
Taxes	2	–15	–109	–38	–57
Profit for the period	**66**	**316**	**309**	**108**	**175**

Summary of consolidated balance sheet[1)]

Amounts in SEK million	Audited Dec 31			Unaudited Jun 30	
	2011	2012	2013	2013	2014
ASSETS					
Property, plant and equipment	1,646	1,713	1,661	1,720	1,618
Intangible assets	10	17	13	15	11
Deferred tax assets	38	19	34	36	36
Investments in joint ventures	26	27	25	37	28
Interest-bearing receivables	–	–	26	–	27
Total non-current assets	**1,720**	**1,776**	**1,759**	**1,808**	**1,720**
Inventories	838	800	680	699	717
Receivables	1,380	1,193	1,291	1,447	1,155
Cash and cash equivalents	452	527	896	761	1,247
Total current assets	**2,670**	**2,520**	**2,867**	**2,907**	**3,119**
Total assets	**4,390**	**4,296**	**4,626**	**4,715**	**4,839**
EQUITY AND LIABILITIES					
Shareholder's equity	2,260	2,208	3,098	2,941	3,418
Non-current interest-bearing liabilities	575	809	265	236	27
Non-current non interest-bearing liabilities	134	150	135	165	164
Current interest-bearing liabilities	679	457	412	625	416
Current non interest-bearing liabilities	742	672	716	748	814
Total equity and liabilities	**4,390**	**4,296**	**4,626**	**4,715**	**4,839**

1. The selected consolidated financial information presented below has been derived from the audited consolidated annual accounts for the period 2011–2013 and the reviewed interim report for the period January 1 to June 30, 2014.

Summary of consolidated cash flow statement[1)]

Amounts in SEK million	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
	2011	2012	2013	2013	2014
Operating profit	118	392	456	167	244
Amortisation, depreciation and impairment charges	148	164	194	92	97
Items without cash flow effect	0	–55	–136	0	0
Change in net working capital etc.	–106	215	118	–36	201
Taxes paid	–35	–67	–31	–49	–55
Cash flow from operating activities	**125**	**649**	**601**	**174**	**487**
Investments property, plant and equipment and intangible assets	–323	–293	–125	–49	–33
Sale of property, plant and equipment	12	2	5	1	0
Investments in joint ventures	0	0	–5	0	0
Other capital transactions	–20	43	–26	–34	–1
Cash flow from investing activities	**–331**	**–248**	**–151**	**–82**	**–34**
Shareholders/group contributions (net paid to/received from shareholders)	–6	–252	567	547	126
Interest paid/received (net)	–52	–59	–43	–26	–11
Change in interest-bearing liabilities	376	10	–586	–404	–234
Change in interest-bearing receivables	0	0	–26	0	–1
Change in net interest-bearing liabilities	376	10	–612	–404	–235
Cash flow from financing activities	**318**	**–301**	**–88**	**117**	**–120**
Change in cash and cash equivalents	**112**	**100**	**362**	**209**	**333**
Cash and cash equivalents at beginning of period	**319**	**452**	**527**	**527**	**896**
Change in cash and cash equivalents	112	100	362	209	333
Currency effect of cash and cash equivalents	21	–25	7	25	18
Cash and cash equivalents at end of period	**452**	**527**	**896**	**761**	**1,247**

The Group's net sales and sales volume by geography[1)]

	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
	2011	2012	2013	2013	2014
Net sales (SEK million)					
Asia	2,243	2,416	2,271	1,233	1,151
Europe	1,914	1,757	1,673	875	853
Americas	683	772	698	367	330
Total net sales	**4,840**	**4,946**	**4,642**	**2,473**	**2,333**
Sales volume ('000 metric tonnes)					
Asia	64.7	70.4	75.0	39.3	40.4
Europe	61.5	55.9	59.5	30.0	31.0
Americas	23.2	25.3	24.0	12.4	11.7
Total sales volume	**149.4**	**151.7**	**158.6**	**81.8**	**83.1**

1. The selected consolidated financial information presented below has been derived from the audited consolidated annual accounts for the period 2011–2013 and the reviewed interim report for the period January 1 to June 30, 2014.

The Group's key information and data[1)]

	Jan 1 – Dec 31			Jan 1 – Jun 30	
SEK million unless otherwise stated	2011	2012	2013	2013	2014
Net sales and volume					
Sales volume ('000 metric tonnes)	149.4	151.7	158.6	81.8	83.1
Volume growth (%)	–	2%	5%	–	2%
Net sales	4,840	4,946	4,642	2,473	2,333
Profitability					
Operating profit	118	392	456	167	244
Operating margin (%)	2.4%	7.9%	9.8%	6.7%	10.5%
Adjusted operating profit	209	362	371	189	254
Adjusted operating margin (%)	4.3%	7.3%	8.0%	7.6%	10.9%
EBITDA	266	556	650	259	341
EBITDA margin (%)	5.5%	11.2%	14.0%	10.5%	14.6%
Adjusted EBITDA	357	526	558	281	351
Adjusted EBITDA margin (%)	7.4%	10.6%	12.0%	11.4%	15.1%
Per share data					
Earnings per share[2)] (SEK)	1.77	8.47	8.28	2.88	4.69
Weighted outstanding ordinary shares (diluted) (number)	37,319,693	37,319,693	37,319,693	37,319,693	37,319,693
Employees					
Average number of employees	988	947	964	960	949
Return indicators					
ROCE (%)	6.9%	11.4%	12.0%	11.1%	15.0%
ROE (%)	3.1%	14.1%	11.5%	–	12.1%
Capital employed (rolling 12 month average)	3,019	3,163	3,082	3,128	2,914
Equity (rolling 12 month average)	2,160	2,243	2,685	2,361	3,104
	Dec 31			Jun 30	
	2011	2012	2013	2013	2014
Capital structure					
Equity/ asset ratio (%)	51.5%	51.4%	67.0%	62.4%	70.6%
Net debt	928	867	–126	227	–711
Net debt/EBITDA	3.5x	1.6x	–0.2x	0.4x	–1.0x
Net debt/Adjusted EBITDA	2.6x	1.6x	–0.2x	0.4x	–1.1x
Net debt/Equity	0.4x	0.4x	0.0x	0.1x	–0.2x

1. The selected consolidated financial information presented below has been derived from the audited consolidated annual accounts for the period 2011–2013 and the reviewed interim report for the period January 1 to June 30, 2014.
2. Before and after dilution of shares.

Financial definitions

OPERATING MARGIN (%)
Operating profit as a percentage of net sales.

ADJUSTED OPERATING PROFIT
Operating profit adjusted for other income and expenses. See section “Operational and Financial Review – Use of non-IFRS measures” for more information.

ADJUSTED OPERATING MARGIN (%)
Adjusted operating profit as a percentage of net sales. See section “Operational and Financial Review – Use of non-IFRS measures” for more information.

EBITDA
Operating profit before depreciation, amortization and impairment losses.

EBITDA MARGIN (%)
EBITDA as a percentage of net sales.

ADJUSTED EBITDA
Adjusted operating profit before depreciation, amortization and impairment losses. See section “Operational and Financial Review – Use of non-IFRS measures” for more information.

ADJUSTED EBITDA MARGIN (%)
Adjusted EBITDA as a percentage of net sales during the period. See section “Operational and Financial Review – Use of non-IFRS measures” for more information.

EARNINGS PER SHARE
Profit for the period after non-controlling interest divided by the weighted average number of ordinary shares outstanding.

NUMBER OF EMPLOYEES
Average number of full-time employees during the period.

EQUITY / ASSETS RATIO
Closing balance of equity, as a percentage of total assets.

NET DEBT
Interest bearing liabilities and pension liabilities less cash and cash equivalents and interest-bearing receivables at the end of the period.

NET DEBT/EBITDA
Net debt divided by EBITDA over the last twelve months.

NET DEBT/ADJUSTED EBITDA
Net debt divided by adjusted EBITDA over the last twelve months.

NET DEBT/EQUITY
Net debt in relation to shareholders’ equity.

CAPITAL EMPLOYED
Total assets less cash and cash equivalents/interest bearing recievables and non-interest bearing liabilities.

ROCE (%)
Adjusted operating profit during the last twelve months as a percentage of average capital employed over the last twelve months.

ROE (%)
Profit for the last twelve months in relation to average equity over last twelve months.

9.

OPERATING AND FINANCIAL REVIEW

Operating and financial review

The information presented below should be read in conjunction with section "Selected financial information" and the Company's audited consolidated annual accounts for the period 2011–2013 and the reviewed interim report for the period January 1 to June 30, 2014, which can be found in another section in the Offering Circular. The information below contains forward-looking statements that are subject to various risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of many different factors, including, but not limited to, those described in section "Important information to investors – Forward-looking information" and elsewhere in the Offering Circular, including those in section "Risk factors". The Company's audited consolidated annual accounts for the period 2011–2013 and the reviewed interim report for the period January 1 to June 30, 2014 have been prepared in accordance with IFRS.

Overview

Gränges is a leading global supplier to manufacturers of rolled products for brazed aluminium heat exchangers. The Company produces and markets advanced materials that enhance both the efficiency during the customer manufacturing process as well as the performance of brazed heat exchangers. Gränges has its headquarters in Stockholm and operates in three geographical regions: Europe, Asia and the Americas. The Company operates production, research and development facilities in Finspång and Shanghai with a total annual production capacity of approximately 210,000 metric tonnes.

The Company was originally founded in 1896 and started to produce aluminium in 1922. Gränges developed its first brazed heat exchanger material in 1972. In 2013, Gränges was separated from the Sapa group.

In 2013, Gränges generated SEK 4,642 million of total sales revenue, and in the period January 1 to June 30, 2014 Gränges generated SEK 2,333 million of total sales revenue.

In 2013, the Company generated sales revenue allocated per geographical region of SEK 2,271 million in Asia, SEK 1,673 million in Europe and SEK 698 million in the Americas. In the period January 1 to June 30, 2014, Gränges generated sales revenue allocated per geographical region of SEK 1,151 million in Asia, SEK 853 million in Europe and SEK 330 million in Americas.

Gränges provides products to suppliers for two main market segments, the Automotive industry and HVAC&R which represented about 88 percent and about 4 percent of sales in the period January 1 to June 30, 2014 respectively. Sales to residual customers represented about 7 percent during the period.

Gränges continuously seeks operational improvements in order to achieve higher production and cost efficiency. In the last quarter of 2013, a restructuring was carried out in the production facility in Finspång, in order to reduce the manning.

In February 2010 there was a fire in one of the cold rolling bays in the production facility in Finspång. Extraordinary costs related to the fire were booked as other income and expense during 2010 and 2011. In December 2013, an arbitral award was issued in the process between Gränges and the insurance company related to the fire. See section "Use of non-IFRS information" for further information.

Factors affecting Gränges' operating profit

Gränges believes that the following factors are those that mainly affect the Company's financial performance:

- Market and general economic conditions
- Sales volume and pricing
- Prices of raw materials
- Operational efficiency
- Energy costs
- Research and development
- Investments in production capacity
- Currency fluctuations
- Seasonality
- Gränges as a stand-alone company

MARKET AND GENERAL ECONOMIC CONDITIONS

The demand for Gränges' products is closely linked to the demand within the automotive industry and global vehicle production. The financial performance of Gränges therefore significantly depends on sales of light and heavy vehicles and the number of heat exchangers per vehicle. Automotive sales are a function of a number of macro economic factors such as economic growth, employment levels, interest rates, the price of fuel, the pace of new vehicle model offerings, overall household wealth levels and purchasing power. The European and North American markets for heat exchanger materials are more mature markets compared to the Asian market. In the more mature markets, underlying economic growth has a larger effect on the demand for Gränges' products compared to underlying economic growth in emerging markets. For example, the economic downturn in 2008 and 2009 had limited impact on vehicle production in China, while both Europe and North America were significantly affected, with decreasing vehicle production as a result. This was reflected in Gränges' sold volumes in both Europe and Americas which declined by 24 percent and 4 percent, respectively, in 2009 compared to 2008, while Gränges Asia experienced a growth in sold volume during the same period of 10 percent.

Furhermore, Gränges' operation in Shanghai is exposed to a relatively high salary inflation which have had an impact on the Company's development of pay roll expenses.

SALES VOLUME AND PRICING

Gränges' net sales and margins are largely dependent on sales volume. The volume sold is affected by general market demand and Gränges' ability to have an attractive offering in the competitive landscape. The pricing model for aluminium rolled products is based on a conversion fee model in which a conversion price is charged on top of the cost of aluminium raw material that is passed through to the customer. Even though Gränges' revenue is impacted by fluctuation in aluminium prices, most of the raw material price risk is absorbed by the customer, hence reducing the volatility of Gränges' profit and cash flows. Although Gränges' profit and cash flows are relatively unaffected by aluminium prices, an increase in the price of aluminium will decrease the profit margin. The conversion price is determined through negotiation with customers and dependent on among other things production type and quality (difficulty to produce), volume and delivery time. The conversion price is intended to cover Gränges' operating costs and drives profits and margins.

Although Gränges' net sales is mainly driven by the volumes sold, the mix of product types and geographical distribution also affects net sales. However, this mix has remained relatively stable over the periods under review, and accordingly has not resulted in any significant shifts in net sales.

Compared to more mature markets, there have been pricing pressure and price reductions in China for rolled aluminium products over the last years due to new capacity on the market and increased technical knowledge among suppliers. These factors have affected Gränges, although the Company's product development and focus on high technology content has mitigated the efficiency of some of the general price reductions.

PRICES OF RAW MATERIALS

Material cost is Gränges' largest cost item, corresponding to about 65 percent of total operating costs in 2013, where aluminium constitutes the main part of material costs. Aluminium raw material in Gränges' production mainly consists of primary aluminium (ingots and rolling slabs), and externally produced rolling slabs, externally purchased scrap as well as internally generated scrap (recycled aluminium from the production process).

Primary aluminium prices are determined by global market forces of supply and demand and, as a result, aluminium prices are volatile. In most markets primary aluminium prices are quoted on the London Metal Exchange ("LME"). In China primary aluminium prices are established locally on the Shanghai Futures Exchange ("SHFE"). In addition to the base LME or SHFE primary aluminium price, customers such as Gränges also pay a premium to the supplier of the aluminium. The premium varies depending on the type and quality of the sourced aluminium, as well as the location of delivery reflecting regional supply-chain cost, as well as regional physical aluminium supply and demand balance.

Aluminium rolled product prices on the other hand are generally determined by a conversion fee-based model in which the costs of aluminium raw material are passed through to the customer. Accordingly, a producer of aluminium rolled products is largely insulated from exposure to fluctuations in the market price of aluminium, although some exposure remains due to "metal lag", whereby aluminium is purchased by the producer at an earlier time, and at a potentially different price than when the product is sold to the customer. Typically the lag between metal procurement and the product shipments is two to three months. Gränges applies inventory hedging to eliminate the impact of fluctuations in aluminium price during this period. For further information see section "Financial risk management".

All aluminium content in Gränges' products sold in Europe and the Americas, both purchases and sales, are priced with reference to the LME. In China, aluminium content is priced with reference to the SHFE.

Aluminium price 2004–2014 (LME)

Source: Bloomberg

Unlike primary aluminium base price (i.e. LME or SHFE), fluctuations in regional physical premium may not be eliminated using financial hedging. Instead Gränges mitigates variations in premiums by negotiating fixed premiums with both suppliers and customers for a certain period of time. Alternatively, the purchasing price from suppliers and sales price to customers include price adjustments in line with publicly available regional premiums (e.g. Metal Bulletin for Europe), hence transferring variations in premium down the value chain. Still, from time to time, premium-volatility may impact Gränges' margins.

OPERATIONAL EFFICIENCY

Supported by the "Gränges Production System", Gränges continuously works to enhance the operational efficiency of its business. An illustration of the result of these efforts was seen during 2013 and the period January 1 to June 30, 2014 where operating margins increased as a result of internal efficiency and restructuring measures. The Group's adjusted operating margin increased to 8.0 percent in 2013, compared to 2012 and 2011 when the adjusted operating margin was 7.3 percent and 4.3 percent respectively. For the period January 1 to June 30, 2014 the adjusted operating margin was 10.9 percent, compared to 7.6 for the corresponding period 2013. See section "Use of non-IFRS measures" for more information.

To improve operational efficiency, Gränges primarily focuses on three areas: metal optimisation, production efficiency and cost reduction. Efficient metal optimisation has enabled Gränges to increase the scrap recycle rate and reduce the usage of primary aluminium in production, which is typically more expensive than scrap. Gränges also work continuously to increase scrap used in the production by sourcing from external sources. During the last twelve months, the portion of scrap as input raw material has increased which has had a positive impact on operating profit. By focusing on process and equipment efficiency, Gränges has managed to increase the throughput of the production plants and improve the production yield at the same time as production costs have been reduced. This has allowed Gränges to reduce the workforce in Europe from an average of 455 full time equivalents in 2012 to an average of 417 full-time equivalents for the first half of 2014. In Asia the improved productivity has enabled the number of full time equivalents to grow slower than the growth in produced volume in recent periods.

ENERGY COSTS

The main energy sources used in Gränges' operation are electricity and gas. During 2013 energy costs represented the third largest component of the Company's operational costs, after metal and payroll costs. Gränges purchases the majority of required electricity for the production in Finspång on a spot-market basis. However, in an effort to secure favourable energy costs, some of the electricity has been acquired at fixed price commitments. The electricity for the production in Shanghai is purchased on the regulated electricity market in China.

RESEARCH AND DEVELOPMENT

Gränges' ability to develop and enhance its product offering in order to meet the high demands from its customers and comply with new market requirements affects the Company's results. The Company's research and development team focuses on fundamental alloy development and product development. The development team also works together with the Company's customers to design and validate products that meet stringent customer requirements and are cost-efficient to manufacture. The Company's research and development costs mainly comprise personnel costs related to the 57 members of the research and development team and the product development team.

INVESTMENTS IN PRODUCTION CAPACITY

In the rolled aluminium industry, the initial substantial investments in production equipment such as rolling mills, various heat treatment equipment and cast house have resulted in relatively high barriers to entry the industry. From 2008 to 2012, Gränges went through an expansion phase to obtain the current production capacity of approximately 210,000 metric tonnes per year. Significant investments were made in both the Finspång and Shanghai production facilities to install new capacity and upgrade equipment both in terms of capabilities and efficiency, and total investments made during 2011 to 2013 amounted to SEK 741 million. Today, Gränges' production facilities are well invested, and primarily maintenance investments are required in the near term to maintain current production capacity. In the near term, Gränges estimates that annual maintenance capital expenditures for the Company's current operations would be about 70 to 80 percent of depreciation. Additional capacity expansion, however, would require additional investments.

CURRENCY FLUCTUATIONS

Because of Gränges' international activities, Gränges' profit and financial position are exposed to exchange rate risks. Currency exposure comprises both transaction and translation exposure. Gränges generates a portion of sales and incurs a portion of expenses in currencies other than SEK, principally CNY, EUR and USD. In 2013, approximately 35 percent of external net sales were generated in USD, 30 percent in CNY, 30 percent in EUR and 5 percent in SEK. Operating costs, excluding cost of materials, were mainly incurred in SEK and CNY which represented approximately 60 percent and 40 percent during 2013, respectively.

A sensitivity analysis for transaction exposure is presented below. The table sets forth how exchange rate fluctuations would have impacted the consolidated operating profit for 2013, excluding currency hedges. The effect on operating profit assumes that all other variables are constant.

Sensitivity analysis 2013	Change, %	Effect in Operating Profit, SEKm
SEK/EUR	+/–10	+/– 83
SEK/USD	+/–10	+/– 23
CNY/USD	+/–10	+/– 62

The table shows that an improvement of Gränges' main export currencies EUR and USD compared to the main currency for the cost base gives a positive impact on the operating profit. As an example, a 10 percent appreciation of SEK against USD (SEK/USD +10%) would have had a positive impact of SEK +23 million.

Gränges' consolidated annual accounts are presented in SEK. However, its subsidiaries prepare financial statements in their functional currency, which includes currencies other than SEK. As a result, Gränges must translate the assets, liabilities, revenues and costs of all of its operations with a functional currency other than SEK, into SEK at the applicable exchange rates. Generally, Gränges translates the income statement and financial position of its foreign subsidiaries into SEK using the average exchange rate for the reporting period and the period-end exchange rate, respectively.

SEASONALITY

Gränges' business is to a relatively limited degree subject to seasonality effects. Typically, the first six months of the year stronger than the last six months of the year due to the summer vacations and the Christmas holiday in Europe and the Americas that occurs during the last six months of the year. However, Gränges' increased exposure to global markets has, in recent periods, decreased the effect of this seasonal pattern. As an example, China celebrates its new year during the first half of the year. Ultimately, Gränges' seasonal patterns are driven by the number of working days in a certain period.

GRÄNGES AS A STAND-ALONE COMPANY

Gränges' separation from the Orkla group will have an impact on the Company's operating and financial costs going forward. The operational cost as a listed company will mainly be affected by an increasing cost for the administration of the Group, as the Orkla group support functions will no longer be available to Gränges after the separation. Examples of areas where support functions have or will be established within Gränges include, finance, legal, communications, and IT. In addition to the costs related to the Offering estimated to amount to approximately SEK 30 million, Gränges is estimated to have one-off costs associated with the separation from the Orkla group of approximately SEK 10 million, primarily attributable to the Company's IT systems. As Gränges will finance the Company through a new credit facility that is replacing the previous intra group funding from the Orkla group, historical financial costs are not necessarily representative of the future. For further information see section "Equity and indebtedness in connection with the IPO".

Vacuum lift for aluminium strips in finishing before shipment from Gränges in Finspång.

Use of non-IFRS measures

In the Offering Circular, the following unaudited non-IFRS measures and ratios have been included, which are not required by, or presented in accordance with IFRS: EBITDA, adjusted EBITDA and adjusted operating profit. Non-IFRS measures are presented because it is believed that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Gränges' operating results as reported under IFRS. Non-IFRS measures and ratios are not measurements of performance under IFRS and should not be considered as alternatives to operating profit or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

Gränges defines adjusted EBITDA as operating profit adjusted for depreciation, amortization and items affecting comparability. Adjusted operating profit is defined as reported operating profit adjusted for items affecting comparability. The following table sets forth a reconciliation of adjusted EBITDA and adjusted operating profit to reported operating profit for the periods indicated.

	Jan 1 – Dec 31			Jan 1 – Jun 30	
Amounts in SEK million	2011	2012	2013	2013	2014
Operating profit (EBIT)	**118**	**392**	**456**	**167**	**244**
Adjustments related to Other income and expenses	91	–30	–85	22	10
Adjusted EBIT	**209**	**362**	**371**	**189**	**254**
Depreciation and write-downs	148	164	187	92	97
Adjusted EBITDA	**357**	**526**	**558**	**281**	**351**
Non-recurring items					
M&A costs[1]	–	–	–24	–14	–5
Net costs fire Finspång[2]	–54	51	136	–1	–5
Restructuring costs Finspång[3]	–12	–10	–13	–	–
Other[4]	–25	–11	–14	–7	–
Other income and expenses	**–91**	**30**	**85**	**–22**	**–10**

1. In 2013, Gränges was separated from Sapa through a demerger and Orkla started a process to divest Gränges, a process that was later stopped. The total negative impact of the demerger and divestment process on Gränges operating profit was SEK 24 million mainly consisting of consultant and legal fees. In 2014 the process was initiated to prepare Gränges for an IPO. The cost for the IPO process was SEK 5 million during the period January 1 to June 30, 2014.
2. In February 2010 there was a fire in one of the cold rolling bays at the Finspång production facility. Although the rebuild and ramp up of the affected production assets was completed by the middle of 2010 express freight to customers was required to fulfill delivery commitments in 2011 at a total cost of SEK 54 million. In 2012 a provision from 2010 for potential customer claims related to the fire was released. Net of legal fees this had a positive impact of SEK 51 million on the operating profit. In December 2013, an arbitral award was issued in the process between Gränges and the insurance company. The settlement entitled Gränges to an additional net compensation of SEK 325 million in addition to the SEK 120 million paid in 2010. As Gränges had a booked net claim of SEK 165 million at the time of the settlement, the claim was increased by SEK 160 million to SEK 325 million in December 2013. Net of legal fees, arbitration costs, and compensation to Sapa for a damaged building, this had a positive impact of SEK 136 million on the operating profit in 2013. The legal fees related to the process between Gränges and the insurance company amounted to SEK 5 million for the period January 1 to June 30, 2014.
3. Investments in combination with efficiency improvements have allowed for a gradual reduction of the work force in Finspång. In total the manning has been reduced by approximately 100 employees from 2010 to 2013. The cost associated with the downsizing of the organization amount to SEK 12 million, SEK 10 million, and SEK 13 million for 2011, 2012 and 2013 respectively. In 2012 the local management team in Finspång was replaced. The figure for 2012 primary includes the cost for severance payments to the previous management team.
4. In 2011 Gränges made a decision to optimise across the production footprint and transfer the production of a part of the business in Americas from the plant in Finspång to the plant in Shanghai. Total cost for this transfer, which has affected the result during this period, amounted to SEK 25 million. The cost of SEK 14 million in 2013 was mainly related to a SEK 7 million write down of real estate in Finspång.

Key items in the income statement

The following is a description of certain of the line items in Gränges consolidated income statement.

NET SALES

Net sales include the sales of rolled aluminium products primarily to manufactures of heat exchangers.

As a result of Gränges international operations, Gränges record a breakdown of sales by geographical region. In the historical financials Gränges' discloses group sales to companies within Orkla and Sapa group. Net sales also includes other operating revenue which is income from activities outside the course of ordinary business, such as gains and losses from the sale of tangible and intangible assets and rental income from externally leased property.

COST OF MATERIALS

Cost of materials includes raw material costs, such as aluminium, alloying elements, metal premium and packaging material.

PAY ROLL EXPENSES

Pay roll expenses include salaries and wages, pension and other personnel expenses.

OTHER OPERATING EXPENSES

Other operating expenses include freight costs, energy costs (e.g. production and heating), repair and maintenance costs, cost for temporary staff, consultants and operating expenses for vehicles and rental/leasing costs.

DEPRECIATION AND WRITE-DOWN OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated on a straight line basis. Property and land is depreciated 2.5 to 10 percent per year, machinery and plants 5 to 20 percent; fixtures, fittings and vehicles 5 to 20 percent and IT equipment 33 percent. The period of depreciation is reviewed each year and if there are changes in useful life, depreciation is adjusted.

OTHER INCOME AND EXPENSES

Other income and expenses includes material non-recurring items.

PROFIT FROM JOINT VENTURES

Profit from joint ventures includes profit from investments accounted for under the equity method. There are two joint ventures in which Gränges' has a 50 percent ownership; Norca and Gränges Moriyasu Aluminium Co. Ltd. ("Gränges Moriyasu"). For further information see section "Legal considerations and supplementary information - Related party transactions".

FINANCIAL INCOME AND COSTS

Financial income and costs includes interest income and other financial income. Financial expenses included interest expenses, other financial expenses and net gains and losses from foreign currency exchange related to financial transactions and other financial items.

TAXES

Income tax expense consists of the total of current taxes and changes in deferred tax. Current taxes are recognised in the financial statements at the amount that is expected to be paid to the tax authorities on the basis of taxable income reported for entities included in the audited consolidated annual accounts for the period 2011–2013. Current taxes and changes in deferred tax are included in other comprehensive income to the extent that they relate to items that are included in other comprehensive income. Deferred tax in the balance sheet has been calculated at the nominal tax rate based on temporary differences between accounting and tax basis of assets and liabilities on the balance sheet date. Deferred tax liability relating to goodwill has not been recognised in the balance sheet. A provision for deferred tax on retained earnings in foreign subsidiaries is recognised to the extent it is probable that dividends will be distributed in the foreseeable future. Deferred tax assets are continuously assessed and are only recognised in the balance sheet to the extent it is probable that future taxable profit will be large enough for the asset to be usefully applied. Deferred tax liability and deferred tax assets are offset as far as this is possible under taxation legislation and regulations.

Gränges is exposed to different tax rates in Sweden and China. The effective tax rate is dependent upon the different tax rates and distribution of earnings between the countries. In 2013, the effective tax rate was 26 percent.

Gränges has for tax reason received a qualification as a high technology company in China during the period of 2013 to 2015. This qualification gives Gränges the possibility of using an income tax of 15 percent instead of 25 percent. To be able to receive the lower taxation level, Gränges needs to fulfil certain requirements for the whole period. Local authorities will in retrospect test the relevant year to investigate if Gränges has fulfilled these requirements. With regards to the uncertainty and the difficulty to asses if these conditions will be fulfilled for the whole period, taxation on revenue for the Chinese operations for 2013 and the first half year of 2014 is estimated to the higher tax rate of 25 percent.

Gränges' financial performance

The following table sets forth, for the periods presented, the consolidated income statement. The information in the tables below should be read in conjunction with the consolidated annual accounts for the period 2011–2013 and the interim report for the period January 1 to June 30, 2014 and the related notes which are to be found in another part of the Offering Circular.

Amounts in SEK million	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
	2011	2012	2013	2013	2014
Net sales	4,840	4,946	4,642	2,473	2,333
Cost of materials	–3,186	–3,126	–2,806	–1,540	–1,359
Payroll and other operating expenses	–1,297	–1,294	–1,278	–652	–623
Depreciation and impairment charges	–148	–164	–187	–92	–97
Other income and expenses	–91	30	85	–22	–10
Operating profit (EBIT)	**118**	**392**	**456**	**167**	**244**
Profit from joint ventures	3	3	5	2	2
Finance income and costs	–57	–64	–43	–23	–14
Profit before taxes	**64**	**331**	**418**	**146**	**232**
Taxes	2	–15	–109	–38	–57
Profit for the period	**66**	**316**	**309**	**108**	**175**

The following tables shows net sales and volume by geographical region for the periods presented.

	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
	2011	2012	2013	2013	2014
Net sales (SEK million)					
Asia	2,243	2,416	2,271	1,233	1,151
Europe	1,914	1,757	1,673	875	853
Americas	683	772	698	367	330
Total net sales	**4,840**	**4,946**	**4,642**	**2,473**	**2,333**
Sales volume ('000 metric tonnes)					
Asia	64.7	70.4	75.0	39.3	40.4
Europe	61.5	55.9	59.5	30.0	31.0
Americas	23.2	25.3	24.0	12.4	11.7
Total sales volume	**149.4**	**151.7**	**158.6**	**81.8**	**83.1**

SIX MONTHS PERIOD ENDED JUNE 30, 2014 COMPARED TO SIX MONTHS ENDED JUNE 30, 2013

Volume and net sales

Volume increased by 2 percent to 83,100 metric tonnes for the first half of 2014, compared to 81,800 metric tonnes for the same period in 2013. Net sales for the corresponding periods declined from SEK 2,473 million in 2013 to SEK 2,333 million in 2014. The decline in net sales was primarily driven by lower aluminium prices which were passed through to customers. The average conversion price remained stable between the periods whereas the net impact of foreign exchange rates on net sales was positive SEK 12 million.

Volume to Asia increased by 3 percent from 39,300 metric tonnes in the first half year of 2013 to 40,400 metric tonnes in 2014. The improvement was mainly driven by the continued strong light vehicle production growth in China. In Europe volume increased by 3 percent from 30,000 metric tonnes in the first half year of 2013 to 31,000 metric tonnes for the corresponding period in 2014 whereas volume to the Americas declined 6 percent from 12,400 metric tonnes in the first half year of 2013 to 11,700 metric tonnes for the corresponding period in 2014. The decline in the Americas was a combination of a weaker market in South America and lower contracted volumes to some North American customers.

Operating profit (EBIT)

The operating profit for the first half of 2014 amounted to SEK 244 million compared to SEK 167 million for the same period in 2013. The adjusted operating profit increased by 35 percent to SEK 254 million in the first half of 2014 from SEK 189 million for the corresponding period in 2013, reflecting an increase in adjusted operating margin from 7.6 percent to 10.9 percent. The improvement between the same periods in the previous year was primarily driven by internal efficiency improvements including the effects of a successful restructuring of the operation in Finspång that was conducted in the fourth quarter of 2013 in combination with by increased sales volumes. The net impact of foreign exchange rates on operating profit was negative SEK 3 million.

Cost of materials in the period January 1 to June 30, 2014 amounted to SEK 1,359 million compared to SEK 1,540 million in the same period in 2013. The decrease in cost of materials despite the increase in volume was driven by lower aluminium prices and improved internal metal management and scrap utilization.

Payroll and other operating expenses decreased from SEK 652 million in the period January 1 to June 30, 2013 to SEK 623 million for the same period in 2014 primarily driven by internal efficiency improvements. Depreciation increased by SEK 5 million from SEK 92 million for the period January 1 to June 30, 2013 to SEK 97 million for the same period in 2014.

Profit before taxes

Profit before taxes for the period January 1 to June 30, 2014 increased to SEK 232 million compared to SEK 146 million for the same period in 2013. The increase was driven by improved operating profit in combination with a reduction in net finance costs.

Profit for the period

The profit for the period increased by SEK 67 million to SEK 175 million for the first half of 2014 compared to SEK 108 million for the same period in 2013. Profit for the period was negatively impacted by an increase of taxes from SEK 38 million in the first half year of 2013 to SEK 57 million in the corresponding period in 2014 following the higher profit before taxes.

YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

Volume and net sales

Volume increased by 5 percent to 158,600 metric tonnes for 2013, compared to 151,700 metric tonnes for 2012. Net sales for the corresponding periods declined from SEK 4,946 million in 2012 to SEK 4,642 million in 2013. The decline in net sales was primarily driven by lower aluminium price in combination with a negative net impact of foreign exchange rates on net sales of SEK 99 million. The aluminium price effect has limited impact on profit, since it is passed through to the customer. The average conversion price remained stable between the years.

Volume to Asia increased by 7 percent from 70,400 metric tonnes in 2012 to 75,000 metric tonnes in 2013. The increase was mainly driven by continued strong growth in light vehicle production in the region. In Europe the volume increased by 6 percent from 55,900 metric tonnes in 2012 to 59,500 metric tonnes in 2013 driven by Gränges' strong position among the most successful light vehicle producers. Volume to Americas declined 5 percent from 25,300 metric tonnes in 2012 to 24,000 metric tonnes in 2013. This was mainly driven by lower contracted volumes to two customers in North America.

Operating profit (EBIT)

Operating profit for 2013 amounted to SEK 456 million compared to SEK 392 million for 2012. Adjusted operating profit increased to SEK 371 million in 2013 from SEK 362 million in 2012, and the adjusted operating margin improved from 7.3 percent to 8.0 percent driven by the decrease in net sales compared to 2012 as a consequence of lower aluminium prices. The increase in sales volume in 2013 had a positive impact on operating profit; however, this was largely offset by the negative net impact of foreign exchange rates of SEK 57 million and cost increases due to operational issues in the Finspång plant. In addition increasing depreciation following large expansion investments made in the period had a negative impact on operating profit.

Cost of materials declined to SEK 2,806 million in 2013 compared to SEK 3,126 million in 2012 as lower aluminium prices offset the increase in material costs driven by the higher volume and operational issues in the Finspång plant.

Payroll and other operating expenses decreased from SEK 1,294 million in 2012 to SEK 1,278 million in 2013. Volume and inflation driven increases in payroll expenses from SEK 405 million in 2012 to SEK 418 million in 2013 and energy costs from SEK 218 million in 2012 to SEK 231 million in 2013 and were offset by a reduction in external freight costs from SEK 149 million in 2012 to SEK 127 million in 2013. The reduction in freight costs was driven by optimisation across the production footprint in combination with a strategic transportation sourcing initiative. The repair and maintenance cost remained stable and amounted to SEK 138 million in 2013 compared to SEK 136 million in 2012.

Depreciation increased by SEK 23 million from SEK 164 million in 2012 to SEK 187 million in 2013.

Profit before taxes

Profit before taxes for 2013 increased to SEK 418 million compared to SEK 331 million for 2012. The increase from 2012 to 2013 was driven by the improved operating profit in combination with a reduction in net finance cost.

Profit for the period

Profit for 2013 decreased by SEK 7 million to SEK 309 million for 2013 compared to SEK 316 million for 2012. Profit for the period was negatively impacted by an increase of taxes from SEK 15 million in 2012 to SEK 109 million in 2013, due to withholding tax on dividend from China negatively impacting in 2013 and a correction of the 2010 tax rate in China following an approval of Gränges as 'high technology enterprise' positively impacting in 2012.

YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

Volume and net sales

Volume increased by 2 percent to 151,700 metric tonnes for 2012, compared to 149,400 metric tonnes for 2011. Net sales increased from SEK 4,840 million in 2011 to SEK 4,946 million in 2012. Conversion price increases carried out in Europe and the Americas had a positive effect on net sales. Moreover, the net impact of foreign exchange rates was positive SEK 129 million, whereas lower aluminium price had a negative impact on net sales.

Volume to Asia increased by 9 percent from 64,700 metric tonnes in 2011 to 70,400 metric tonnes in 2012. The improvement was mainly driven by strong growth in light vehicle production in China and South East Asia. In Europe volume decreased by 9 percent from 61,500 metric tonnes in 2011 to 55,900 metric tonnes in 2012. The decrease was driven by an unfavourable development of the underlying market as there was a significant drop in the European light vehicle production during the period. Volume to Americas increased 9 percent from 23,200 metric tonnes in 2011 to 25,300 metric tonnes in 2012. This was mainly driven by strong growth in North American light vehicle production.

Operating profit (EBIT)

Operating profit for 2012 amounted to SEK 392 million compared to SEK 118 million for 2011. Adjusted operating profit increased by 73 percent to SEK 362 million in 2012 from SEK 209 million in 2011, and adjusted operating margin improved from 4.3 percent to 7.3 percent. The improvement in operating profit was primarily driven by an increase in average conversion price in combination with internal efficiency improvements. The net impact of foreign exchange rates on operating profit was negative SEK 1 million. Increasing depreciation following large expansion investments made in 2012 had a negative impact on operating profit.

Cost of materials declined to SEK 3,126 million in 2012 compared to SEK 3,186 million in 2011, as lower aluminium prices offset the increase in material costs driven by higher volume.

Payroll and other operating expenses remained stable and amounted to SEK 1,294 million in 2012 compared to SEK 1,297 million in 2011. Volume and inflation driven increases in payroll expenses from SEK 399 million in 2011 to SEK 405 million in 2012 and energy costs from SEK 207 million in 2011 to SEK 218 million in 2012 were offset by a reduction in repair and maintenance costs from SEK 150 million in 2011 to SEK 136 million in 2012. External freight costs remained stable and amounted to SEK 149 million in 2012 compared to SEK 157 million in 2011.

Depreciation increased by SEK 16 million from SEK 148 million in 2011 to SEK 164 million in 2012.

Profit before taxes

Profit before taxes for 2012 increased to SEK 331 million compared to SEK 64 million for 2011. The increase from 2011 to 2012 was due to improved operating profit although the net finance cost increased slightly in the period from SEK 57 million in 2011 to SEK 64 million in 2012.

Profit for the period

Profit for the period increased by SEK 250 million to SEK 316 million for 2012 compared to SEK 66 million for 2011. The development in profit for the period was negatively impacted by a tax revenue of SEK 2 million in 2011 to a tax cost of SEK 15 million in 2012, primarily driven by higher profit before tax in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Gränges' liquidity requirements arise primarily from the need to fund working capital and capital expenditures requirements. Principal sources of liquidity are cash generated from operations, cash and cash equivalents on-hand and borrowings.

Gränges' historic cash flow from financing activities will not be representative for Gränges as a listed company. Historically, Gränges' main source of financing has been loan facilities from its ultimate parent, Orkla ASA, and local short term credit facilities with banks. In connection with the IPO, Gränges has entered into a five-year SEK 1,800 million multicurrency revolving credit facility with Svenska Handelsbanken AB and Skandinaviska Enskilda Banken AB. For further information see section "Equity and indebtedness in connection with the IPO".

Lab furnace for CAB brazing at Gränges Application centre in Shanghai.

Slitting machine in the production flow and slit aluminium strips for clad fin.

Research and development at Gränges Technology.

Cash flow

The following table summarizes Gränges' cash flow in the periods presented.

Amounts in SEK million	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
	2011	2012	2013	2013	2014
Cash flow from operating activities	125	649	601	174	487
Cash flow from investing activities	–331	–248	–151	–82	–34
Cash flow from financing activities	318	–301	–88	117	–120
Change in cash and cash equivalents	**112**	**100**	**362**	**209**	**333**

Six months period ended June 30, 2014 compared to six months ended June 30, 2013

Cash flow from operating activities

Cash flow from operating activities for the period January 1 to June 30, 2014 gave rise to an inflow of SEK 487 million, compared to an inflow of SEK 174 million for the corresponding period in 2013. Cash flow was positively impacted by an extraordinary working capital release of SEK 325 million related to an insurance settlement following a fire in the production facility in Finspång in 2010. Adjusted for the insurance settlement, cash flow from operating activities the first half year of 2014 amounted to SEK 162 million, as operating profits were partially offset by taxes paid and an increase in working capital as inventory was built to allow for production stops during the summer period.

Cash flow from investing activities

Cash flow from investing activities for the six month period ended June 30, 2014 gave rise to an outflow of SEK 34 million, compared to an outflow of SEK 82 million in the corresponding period in 2013. Cash flow from investing activities for the period was mainly related to maintenance type investments to maintain and improve production facilities. The higher outflow in the six month period ended June 30, 2013 was mainly driven by the finalisation of the large investment programs carried out during 2011 and 2012.

Cash flow from financing activities

Cash flow from financing activities for the six month period ended June 30, 2014 gave rise to an outflow of SEK 120 million, compared to an inflow of SEK 117 million for the corresponding period 2013. During the period, net interest-bearing liabilities decreased by SEK 235 million while net interest paid amounted to SEK 11 million. Further to this, cash flow from financing activities also included a SEK 126 million cash payment of group contribution from the Orkla group.

Year ended December 31, 2013 compared to the year ended December 31, 2012

Cash flow from operating activities

Cash flow from operating activities gave rise to an inflow of SEK 601 million in 2013 compared to SEK 649 million in 2012. The decrease was mainly due to the high working capital release in 2012. Gränges' also had a release of working capital in 2013, although lower than in 2012, and an increasing operating profit compared to 2012. Decreased working capital levels were primarily due to continued positive effects from inventory reduction efforts in the production plant in Finspång as well as reducing the level of accounts receivable within the whole organization.

Cash flow from investing activities

Cash flow from investing activities gave rise to an outflow of SEK 151 million in 2013, compared to an outflow of SEK 248 million in 2012. The investments were lower in 2013 since a large expansion investment program was finalised in the early parts of 2013 and the majority of the investment program was conducted during 2011 and 2012. Capital expenditure during the period primarily referred to maintenance type investments to sustain and improve existing production facilities.

Cash flow from financing activities

Cash flow from financing activities gave rise to an outflow of SEK 88 million in 2013, compared to an outflow of SEK 301 million in 2012. During the period, net interest-bearing liabilities decreased by SEK 612 million while net interest paid amounted to SEK 43 million. Further to this, cash flow from financing activities was positively impacted by net shareholder and group contributions of SEK 567 million.

Year ended 31 December, 2012 compared to the year ended 31 December, 2011

Cash flow from operating activities

Cash flow from operating activities gave rise to an inflow of SEK 649 million in 2012, compared to SEK 125 million in 2011. The increase was mainly due to a higher operating profit together with activities to reduce working capital levels, through decrease in inventory in Finspång and optimisation of the total level of receivables in the organization.

Cash flow from investing activities

Cash flow from investing activities gave rise to an outflow of SEK 248 million in 2012, compared to an outflow of SEK 331 million in 2011. Investing activities during the period primarily related to capital expenditures as the large expansion investment program initiated in 2011 continued in 2012 in both production facilities in Finspång and Shanghai.

Cash flow from financing activities

Cash flow from financing activities gave rise to an outflow of SEK 301 million in 2012, compared to an inflow of SEK 318 million in 2011. The decrease was mainly due to the negative impact from net shareholder and group contributions of SEK 252 million. Interest-bearing liabilities also increased by SEK 10 million in 2012 compared to an increase of SEK 376 million in 2011.

Working capital

Working capital is driven by the volume of produced and sold rolled aluminium products. Accordingly, working capital assets primarily consists of trade receivables and inventory. Working capital liabilities consist mainly of accounts payable, employee related liabilities and accrued expenses. Further included are some short-term working capital facilities from banks for financing of purchasing of raw materials in China, which are not included in the table displaying working capital below. For further information see section "Capitalization, indebtedness and other financial information".

The table below summarizes Gränges' working capital, as of the dates presented.

	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
Amounts in SEK million	2011	2012	2013	2013	2014
Inventory	838	800	680	699	717
Receivables	1,380	1,193	1,291	1,447	1,155
Accounts payable	–463	–458	–375	–445	–422
Other liabilities[1]	–235	–213	–247	–295	–284
Working capital	**1,520**	**1,322**	**1,349**	**1,406**	**1,165**
Adjustments[2]	165	165	325	165	–
Adjusted working capital	**1,355**	**1,157**	**1,024**	**1,241**	**1,165**
As % of net sales (last 12 months)	28.0%	23.4%	22.1%	25.8%	25.9%
Net sales (last 12 months)	4,840	4,946	4,642	4,809	4,502

1) Excluding income tax payable.
2) Net impact on reported working capital from insurance claim relating to the 2010 fire in the plant in Finspång. See section "Use of non-IFRS measures" for further information.

Six months period ended June 30, 2014 compared to six months ended June 30, 2013

Working capital decreased by SEK 241 million to SEK 1,165 million for the six month period ended June 30, 2014, as compared to SEK 1,406 million for the six month period ended June 30, 2013. Adjusted for the fire insurance claim working capital decreased by SEK 76 million, primarily explained by a decreasing level of receivables.

Year ended December 31, 2013 compared to year ended December 31, 2012

Working capital increased by SEK 27 million to SEK 1,349 million in 2013, as compared to SEK 1,322 million for 2012. Adjusted for the fire insurance claim working capital decreased by SEK 133 million. This change primarily resulted from a continued decrease in inventory levels.

Year ended December 31, 2012 compared to year ended December 31, 2011

Working capital decreased by SEK 198 million to SEK 1,322 million for 2012, as compared to SEK 1,520 million for 2011. This change primarily resulted from a decrease in inventory and current receivables, following management's efforts to reduce working capital.

Liquidity arrangements

Gränges' primary sources of liquidity are, and are expected to remain, cash flow from operations and borrowings. Historically, Gränges' main source of financing has been loan facilities from its ultimate parent, Orkla ASA and some short-term working capital facilities from banks.

Gränges has entered into a five year SEK 1,800 million Multicurrency Revolving Credit Facility (the "Facility") with Svenska Handelsbanken AB (publ) and Skandinaviska Enskilda Banken AB, with Svenska Handelsbanken AB (publ) acting as agent. Furthermore, Gränges Shanghai has credit facilities with a total of CNY 1,350 million and USD 50 million, respectively. For further information see section "Capitalization, indebtedness and other financial information – Financial arrangements".

Gränges ability to meet future working capital, capital expenditure and debt service requirement will depends on the Company's future financial performance, which is affected by a range of economic, competitive and business factors, many of which are outside of Gränges control.

Investments

Gränges continuously invests to maintain production facilities and equipment. In addition investments are made to upgrade or expand production facilities to increase productivity and capacity or address health and safety issues. In recent years Gränges has invested a considerable amount in expanding the capacity in the whole production flow in Shanghai as well as in significantly increasing the cast house capacity in Finspång.

Amounts in SEK million	Audited Jan 1 – Dec 31			Unaudited Jan 1 – Jun 30	
	2011	2012	2013	2013	2014
Investments in intangible assets	3	–	–	–	–
Investments in property, plant and equipment	320	293	125	49	33
Total investments in intangible assets and property, plant and equipment	**323**	**293**	**125**	**49**	**33**

In 2011 and 2012, Gränges invested SEK 323 million and SEK 293 million respectively in an expansion in Shanghai, involving a new cast house furnace, a new cold mill and a new slitter and a new casting centre in Finspång, where three cold rolling mills was upgraded. In 2013 the major expansion programs had been completed and the investment level was reduced to SEK 125 million. The largest individual investment in 2013 was an upgrade of the production equipment in Shanghai to allow for a larger slab and coil size. In 2014, Gränges' focus is on consolidating previous investments made and the investment level has been further reduced to SEK 33 million for the first half of the year 2014.

Gränges assesses that the future investment need to maintain the current production footprint in the medium term is some 70 to 80 percent of depreciation annually. This does not include any potential expansion outside of the current footprint.

WORKING CAPITAL STATEMENT

Gränges consider that its existing working capital is sufficient to meet the Company's needs over the next twelve months period.

TANGIBLE ASSETS

The net book value of Gränges tangible assets as at June 30, 2014, amounted to SEK 1,618 million, comprising machinery and plants of SEK 1,003 million, land, buildings and other property of SEK 451 million, assets under construction of SEK 122 million and fixtures, fittings, vehicles, IT and other assets of SEK 42 million.

QUARTERLY FINANCIAL INFORMATION[1)]

The Company believes that the information set out below is relevant information for investors. However, please note that the table is based on information retrieved form the Company's internal accounts, which are not included in the audit reports submitted by the auditor.

	2011				2012			
Amounts in SEK million	Q 1	Q2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Sales volume	40.7	39.0	36.4	33.3	38.0	40.9	35.6	37.1
Net sales	1,335	1,233	1,167	1,106	1,235	1,375	1,156	1,180
Operating profit	**40**	**32**	**62**	**–17**	**81**	**113**	**101**	**98**
Adjustments	52	42	–29	27	1	7	–26	–13
Adjusted operating profit	**92**	**74**	**33**	**10**	**82**	**120**	**74**	**85**
Adjusted EBITDA	**129**	**111**	**70**	**48**	**123**	**163**	**117**	**124**

	2013				2014	
Amounts in SEK million	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2
Sales volume	40.0	41.8	39.2	37.6	41.3	41.7
Net sales	1,220	1,253	1,104	1,065	1,157	1,176
Operating profit	**94**	**73**	**60**	**230**	**120**	**124**
Adjustments	0	22	39	–146	4	6
Adjusted operating profit	**94**	**95**	**98**	**84**	**124**	**130**
Adjusted EBITDA	**138**	**143**	**145**	**132**	**173**	**178**

DEVELOPMENT SINCE JUNE 30, 2014

Significant changes since June 30, 2014

On August 15, 2014, the Swedish Companies Registration Office registered a reduction of Gränges' share capital of SEK 833 million, as well as a reduction of restricted reserves of SEK 262 million (with a corresponding increase in retained earnings). As a result, the share capital of Gränges thereafter amounted to SEK 100 million.

On September 2, 2014, an extraordinary shareholders' meeting declared a dividend of SEK 1 650 million to the Principal Owner. The dividend payment was executed on September 4, 2014.

Other changes since June 30, 2014

Just like in 2013, the last two quarters of 2014 are expected to be financially weaker than the first two quarters. The warm summer in Sweden increased the time for the produced material to cool in the production process, which resulted in a lower produced volume than planned. Historically, Gränges has compensated for small production deviations by a higher production in the following quarter.

1) Unaudited financial information.

10.

CAPITALIZATION, INDEBTEDNESS AND OTHER FINANCIAL INFORMATION

Capitalization, indebtedness and other financial information

The tables in this section describe the Company's capitalization and indebtedness at Group level as at June 30, 2014. See section "Share capital and ownership structure" for further information about the Company's share capital and shares. The tables in this section should be read in conjunction with section "Operating and financial review" and the Company's historical financial information, including the related notes, which are included elsewhere in the Offering Circular.

Historically, Gränges' main source of financing, besides accrued equity, has been loan facilities from the Orkla group's parent company, Orkla ASA. In connection with the listing of the Company's shares on NASDAQ OMX Stockholm, Gränges has established new main loan financing by way of a credit facility with Svenska Handelsbanken AB (publ) and Skandinaviska Enskilda Banken AB which will be used to refinance the loans to Orkla. After June 30, 2014, significant changes have been made in Gränges equity and indebtedness. On August 15, 2014, a reduction of the Company's share capital of SEK 833 million and a reduction of restricted reserves of SEK 262 million, which in aggregate increased retained earnings by SEK 1,095 million. On September 2, 2014, an extraordinary shareholders' meeting in Gränges resolved to distribute a dividend of SEK 1 650 million to the current owner Orkla Industriinvesteringar AB. The dividend payment was executed on September 4, 2014. For further information see section "Equity and indebtedness in connection with the IPO" below.

Capitalization

Amounts in SEK million	June 30, 2014
Current debt	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	416
Total current debt	**416**
Non-current debt	
Guaranteed[1]	120
Secured	–
Unguaranteed/unsecured	27
Total non-current debt	**147**
Shareholders' equity	
Share capital	933
Other contributed capital	–
Other reserves	262
Retained earnings	2,223
Total equity	**3,418**

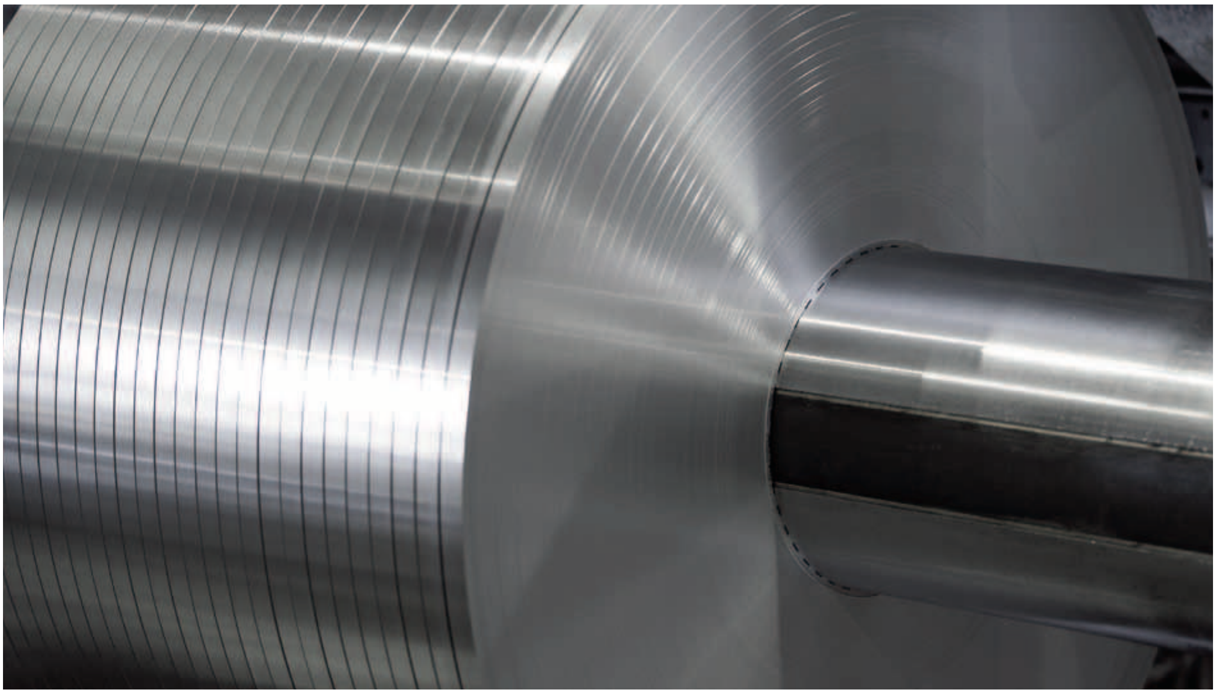
1) The guarantee undertaking refers to pension liabilities.

Net indebtedness

	Amounts in SEK million	June 30, 2014
(A)	Cash	–
(B)	Cash equivalents	1,247
(C)	Trading securities	–
(D)	**Liquidity (A)+(B)+(C)**	**1,247**
(E)	**Current financial receivables**	**27**
(F)	Current bank debt	416
(G)	Current portion of non-current debt	–
(H)	Other current financial debt	–
(I)	**Current financial debt (F)+(G)+(H)**	**416**
(J)	**Net current financial indebtedness (I)-(E)-(D)**	**–858**
(K)	Non-current bank loans	27
(L)	Bonds issued	–
(M)	Other non-current financial debt	120
(N)	**Non-current financial indebtedness (K)+(L)+(M)**	**147**
(O)	**Net financial indebtedness (J)+(N)**	**–711**

The table below sets forth the maturity profile for Gränges' contractual financial liabilities, including liabilities which are not recognised in the financial position as per December 31, 2013. The amounts represent undiscounted future cash flows, and may therefore deviate from recognised figures. Derivatives related to currency are presented with gross settlement. The table also includes derivatives recognised as assets on the balance sheet date, as derivatives may include both positive and negative cash flows, and the fair value fluctuates over time.

Amounts in SEK million as per December 31, 2013	Book value	Contractual cash flows	< 1 year	1–3 years	3–5 years
Intrest-bearing liabilities to Orkla	346	346	81	265	–
Interest-bearing liabilities, other	331	331	331	–	–
Interest payable	–	32	13	13	6
Accounts payable	375	375	375	–	–
Other current liabilites	6	6	6	–	–
Net settled derivatives	–6				
Inflow		–11	–11	–	–
Outflow		5	5	–	–
Gross settled derivatives	10				
Inflow		–1,714	–1,605	–109	–
Outflow		1,707	1,601	106	–
Total	**1,062**	**1,077**	**796**	**275**	**6**



Slit aluminium strip.

Financial arrangements

EQUITY AND INDEBTEDNESS IN CONNECTION WITH THE LISTING

In connection with the Offering, Gränges has entered into a SEK 1,800 million Multicurrency Revolving Credit Facility with Svenska Handelsbanken AB (publ) and Skandinaviska Enskilda Banken AB, with Svenska Handelsbanken AB (publ) acting as agent.

The facility is for 5 years. Interest will be based on interbank rates ("IBOR") for the relevant borrowing currency, plus a margin. The margin will vary depending on the ratio of net debt to EBITDA. Further, utilisation fees apply, depending on the ratio of outstanding loans under the facility to the total facility amount. A commitment fee, defined as a percentage of the applicable loan margin, is payable calculated on the unutilised portion of the facility at any time.

The loan agreement contains customary representations, undertakings and covenants for Gränges and its subsidiaries. The undertakings include, inter alia, a negative pledge clause, with standard exceptions, as well as limitations on disposals and acquisitions. Financial covenants include a leverage ratio (Net Interest Bearing Debt relative to EBITDA) and an interest coverage ratio (EBITDA relative to net finance cost). In the event that Gränges fails to satisfy these undertakings and covenants, the lenders are entitled to cancel the credit facility and demand repayment of outstanding loans.

After June 30, 2014, significant changes have been made in Gränges' equity and indebtedness. On August 15, 2014, a reduction of the Company's share capital of SEK 833 million and a reduction of restricted reserves of SEK 262 million, which in aggregate increased retained earnings by SEK 1,095 million. On September 2, 2014, an extraordinary shareholders' meeting in Gränges resolved to distribute a dividend of SEK 1 650 million to the current owner Orkla Industriinvesteringar AB. The dividend was distributed on September 4, 2014 and was financed by available liquid funds and a loan from the Orkla group's parent company Orkla ASA. This loan will be repaid after the listing of Gränges on NASDAQ OMX Stockholm and will be replaced by the credit facility from Svenska Handelsbanken AB (publ) and Skandinaviska Enskilda Banken AB, described above.

Below is a summary of Gränges' equity and indebtedness as of June 30, 2014, with adjustments for the events described above in order to present how the Company's financial position would have been on June 30, 2014 if the events had occurred before June 30, 2014.

CAPITAL STRUCTURE IN CONNECTION WITH THE LISTING

Amounts in SEK million	June 30, 2014	Reduction restricted equity[1]	Dividend to Orkla[2]	Increase of interest-bearing liabilities[3]	June 30, 2014 following adjustment
Share capital	933	–833			100
Reserves	262	–262			–
Retained earnings	2,223	1,095	–1,650		1,668
Equity	**3,418**	**–**	**–1,650**	**–**	**1,768**
Interest-bearing liabilities, long-term	147			950	1,097
Interest-bearing liabilities, current	416				416
Interest-bearing liabilities	**563**	**–**	**–**	**950**	**1,513**
Cash and equivalents	1,274		–1,650	950	574
Net indebtedness	**–711**	**–**	**–1,650**	**–**	**939**
Net debt/Adjusted EBITDA	–1.1x				1.5x
Net debt/EBITDA	–1.0x				1.3x
Equity/Assets ratio	70.6%				43.8%

1) On August 15, 2014 a reduction of the Company's share capital of SEK 833 million was registered, as well as a reduction of restricted reserves of SEK 262 million which in aggregate increased retained earnings by SEK 1,095 million.

2) On September 2, 2014, an extraordinary shareholders' meeting in Gränges resolved to distribute a dividend of SEK 1,650 million to Orkla Industriinvesteringar AB. The dividend payment was executed on September 4, 2014.

3) The dividend has been made through loans from the Orkla group's parent company Orkla ASA. In connection with the listing on NASDAQ OMX Stockholm, the loan will be replaced by, and the dividend will thus be funded by, available cash and equivalents and an increase of interest bearing debt by utilizing the new credit facility described above. As of the date of the Offering Circular, the Company estimates that the increase in interest bearing debt will be approximately SEK 950 million, and the remainder will be taken from available cash and equivalents.

OTHER FINANCIAL ARRANGEMENTS

Gränges Shanghai has a general credit facility with Shanghai Pudong Development Bank amounting to CNY 350 million as well as a working capital facility in an amount of USD 50 million from Skandinaviska Enskilda Banken AB, Shanghai Branch. In addition, Gränges Shanghai also has a general credit facility in the amount of CNY 600 million with the Agricultural Bank of China, Shanghai Branch, Jiading Sub-branch as well as a credit line in the amount of CNY 400 million from the Bank of Nanjing, Shanghai Branch. Gränges Shanghai's credit facilities have primarily been established to meet local Chinese raw material suppliers' demands to be paid in local currency.

Financial risk management

Gränges operates internationally and is exposed to financial risks including currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. Gränges uses derivatives and other financial instruments to reduce these risks in accordance with the Group's financial policy and metal policy.

Gränges has a central group treasury. Its most important tasks are to enable Gränges' financial flexibility in the short and long term, and to monitor and manage financial risk in cooperation with individual operating entities. Gränges manages its currency and price risk in accordance the financial and metal policy.

This section describes the most important risk factors within Gränges and the management of these. In this context, financial risk is defined as risk related to financial instruments. These may either be hedging instruments for underlying risk, or viewed as a source of risk themselves. Gränges manage the financial risks in a non-speculative manner, such that all transactions in financial instruments are based on an underlying business requirement. Gränges initiates hedging transactions directly with external counterparties.

Currency risk management

Gränges has substantial exports out of Sweden and China and is therefore exposed to currency risk. Gränges seeks to hedge this risk according to Group policy. Generally currency exposure related to firm commitments from the customer, usually for periods of up to 12 months, is hedged. Currency exposure related to customer orders without firm commitments is typically hedged based on a rolling forecast where a certain portion of the forecasted currency need is hedged. Gränges applies hedge accounting for most hedges of future transactions, either cash flow hedges or fair value hedges of firm commitments.

Commodity price risk management

Aluminium is traded primarily on the London Metal Exchange (LME) but also on the Shanghai Future Exchange (SHFE). For Gränges the prices of both products and metal purchases are affected by fluctuations in the market price of aluminium on the LME and the SHFE. The leading principle is that Gränges shall – to the extent possible – avoid being exposed to the changes in the LME price or any other reference price like the SHFE price. Gränges seeks to reduce this risk primarily by linking prices from metal suppliers to prices towards customers. Additionally, aluminium futures contracts on LME and SHFE are entered into, within defined limits, to mitigate price risk related to orders and the value of unsold metal in stock. Gränges normally has a certain stock level for which prices to customers have not been fixed. When the aluminium market price is increasing, this will have a positive effect on profit, and a decreasing price will affect profit negatively. As of 31 December 2013 Gränges had net sold 18,375 metric tonnes (2012: 26,375 metric ton) of aluminium for hedging at on the LME and a net sold 3,240 metric ton (2012: 3,000 metric ton) for hedging at on the SHFE.

Interest rate risk management

Gränges' interest-rate risk is mainly related to the Group's interest-bearing liabilities and assets. Gränges' main source of financing has been loan facilities from its ultimate parent, Orkla ASA. Loans and deposits with Orkla ASA are mainly at floating interest rates. This interest-rate risk has not been hedged by Gränges. As the Company's has entered into a new credit facility in connection with the IPO, the interest rate risk will be changed. Going forward, the interest rate risk will be managed internally by Gränges' treasury function by evaluating and manage the Company's interest rate durations.

Liquidity risk management

Liquidity risk is the risk that Gränges is not able to meet its payment obligations. Gränges management initiates measures, deemed necessary to maintain a strong liquidity. As part of the IPO for the Gränges Group, new long-term financing has been arranged. Cash flow from operations, which among other factors is affected by changes in working capital, is managed operationally at a group level. Gränges monitors liquidity flows, short- and long-term, through reporting.

Credit risk management

The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk, and is continuously monitored by the operating entities. There is no significant concentration of credit risk in respect of single counterparties. Credit losses have historically been modest due to a relatively stable and financially healthy customer base as well as stringent monitoring of trade receivables. With these risk mitigation measures in place, Gränges believes its current credit risk is acceptable. Gränges considers its credit risk related to other financial instruments to be low. Gränges seeks to minimise the liquid assets deposited outside the group and for deposits of excess liquidity with other counterparties, Gränges has requirements relating to the bank's credit rating. Gränges has International Swap Dealers Association (ISDA) agreements in place with its counterparts for derivative transactions which provides for netting of settlement risk. Derivatives are, however, reported gross in the balance sheet.

11.

BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND AUDITOR

Board of directors, executive management and auditor

Board of directors

Gränges' board of directors consists of five ordinary members, including the chairman of the board, with no deputy board members, all of whom are elected for the period up until the end of the annual shareholders' meeting 2015, as well as two employee representatives and two deputy employee representatives. The table below shows the members of the board of directors, when they were first elected and whether they are considered to be independent of the Company and/or the Principal Owner.

			Independent of	
Name	Position	Member since	The Company	The Principal Owner
Anders Carlberg	Chairman of the board	2002	Yes	Yes
Bertil Villard	Board member	2014	Yes	Yes
Ragnhild Wiborg	Board member	2014	Yes	Yes
Terje Andersen	Board member	2009	Yes	No
Carina Andersson	Board member	2014	Yes	Yes
Öystein Larsen	Employee representative	2010	–	–
Conny Svensson	Employee representative	2013	–	–
Tommy Andersson	Deputy employee representative	2014	–	–
Claudi Martin Callizo	Deputy employee representative	2014	–	–

Anders Carlberg

Chairman of the board since 2014. Board member since 2002.

Born: 1943.

Education: M.Sc. in Business Administration from Lund University.

Other current assignments: Chairman of the board of directors of Herenco Aktiebolag. Member of the board of directors of Axel Johnson Inc. AxFast AB, Beijer Alma AB (publ), Erik Penser Aktiebolag, Erik Penser Bankaktiebolag, Investmentaktiebolaget Latour, SWECO AB (publ), Recipharm AB (publ), Smilbandsbolaget AB and Åda Golfintressenter AB. Deputy member of the board of directors of Vidya Performance Consulting AB.

Previous assignments (last five years): Chairman of the board of directors of AxIndustries AB and Höganäs Aktiebolag. CEO and member of the board of directors of Axel Johnson International Aktiebolag. Member of the board of directors of Axel Johnson Aktiebolag, Emballator AB, Latour Förvaltning AB, Martin & Servera Aktiebolag, Mekonomen Aktiebolag, Orkla Industriinvesteringar AB, Sapa AB, Sapa Profiles Holding AB, SSAB AB (publ) and Säkl AB. Partner of Fairway Handelsbolag.

Bertil Villard

Board member since 2014.

Born: 1952.

Education: Master of Laws from Stockholm University.

Other current assignments: Chairman of the board of directors of Landsort Care AB, Landsort Care 2 AB and Landsort Care 3 AB. Member of the board of directors of AB Novestra, Auriant Mining AB, Bertil Villard Holding AB, Cleanergy AB, Mercuri International Group AB and Prior & Nilsson Fond- och Kapitalförvaltning Aktiebolag. Deputy member of the board of directors of Advokat CJMGB AB, Advokat Johan Winnerblad AB, PPRD Nordic AB and Tengroth & Co AB.

Previous assignments (last five years): Chairman of the board of directors of Advokatfirman Vinge Aktiebolag, Advoktafirman Vinge Stockholm AB, AMF Pensionsförsäkring AB, Burgundy AB, KISI Invest Aktiebolag and Voddler Group AB. Member of the board of directors of Aktiebolaget Nyhetsbyrån Direkt, HEXICON AB and Lernia AB. Deputy member of the board of directors of Voddler Sweden AB.

Ragnhild Wiborg
Board member since 2014.

Born: 1961.

Education: M.Sc. in Business Administration from Stockholm School of Economics.

Other current assignments: CEO and member of the board of directors of Wiborg Kapitalförvaltning AB. Member of the board of directors of Borregaard ASA, Brunsbica AS, EAMSolar ASA, IMSkaugen ASA, Jesem AS, Kistefos AS, RECSilicon ASA and Sevan Drilling ASA. CEO of Cerebrum Invest.

Previous assignments (last five years): Member of the board of directors of REC ASA.

Carina Andersson
Board member since 2014.

Born: 1964.

Education: M.Sc. Material Science from the Royal Institute of Technology, Stockholm.

Other current assignments: Member of the board of directors of Beijer Alma AB (publ) and SinterCast Aktiebolag (publ).

Previous assignments (last five years): Chairman of the board of directors of Sandvik Osprey Ltd and Sandvik Powder Solutions AB. Member of the board of directors of Sandvik Riser Technology AS. General manager of Sandvik AB.

Terje Andersen
Board member since 2009.

Born: 1958.

Education: M.Sc. in Business Administration from Norwegian School of Economics.

Other current assignments: CEO and manager of Orkla Investments, Orkla ASA. Chairman of the board of directors of Alno Eiendom AS, BRG Holding AS, Finansgruppen Eiendom AS, Industriinvesteringer AS, KA Mangan Management AS, Orkla Asia Holding AS, Orkla Brands AS, Orkla Energi AS, Orkla Industriinvesteringar AB, Reach Media AS and Viking Askim AS. Member of the board of directors of Borregaard ASA, Jotun AS, Orkla Eiendom AS, Orkla Shared Services AS and Sapa AS.

Previous assignments (last five years): CFO of Orkla ASA. Chairman of the board of directors of Elkem Solar AS and Sapa AB. Member of the board of directors of Elkem AS. Member of the representative assembly of Storebrand ASA.

EMPLOYEE REPRESENTATIVES

Öystein Larsen
Öystein Larsen is a member of the board of directors in the capacity of employee representative for Gränges and has been employed within IT Development with Gränges since 1979. Öystein Larsen is a representative of Unionen.

Conny Svensson
Conny Svensson is a member of the board of directors in the capacity of employee representative for Gränges and has been employed as an industrial electrician with Gränges since 2008. Conny Svensson is a representative of IF Metall.

Tommy Andersson
Tommy Andersson is a member of the board of directors in the capacity of deputy employee representative for Gränges and has been employed as smelter with Gränges since 1999. Tommy Andersson is a representative of IF Metall.

Claudi Martin Callizo
Claudi Martin Callizo is a member of the board of directors in the capacity of deputy employee representative for Gränges and has been employed as HVAC&R Technical Manager with Gränges since 2008. Claudi Martin Callizo is a representative of the Swedish Association of Graduate Engineers (Sw. *Sveriges Ingenjörer*) and the Union for Professionals (Sw. *Akademikerförbundet*).

Executive management

Johan Menckel
CEO since 2013, Gränges since 2004.

Born: 1971.

Education: M.Sc. in Industrial Engineering and Management from the Royal Institute of Technology, Stockholm.

Other current assignments: Chairman of the board of directors of Gränges Aluminium Shanghai Ltd., Gränges India Pvt. Ltd., Gränges Japan Ltd. and Gränges Sweden AB. Member of the board of directors of Svenska Postkodföreningen. CEO and member of the board of directors of The Menckels AB.

Previous assignments (last five years): Chairman of the board of directors of Remi Claeys Aluminium NV, Sapa Heat Transfer Tubes GmbH, Sapa Profiles India Pvt. Ltd. and Sapa Profiles (Jiangyin) Co. Ltd. Member of the board of directors of Monterrey Extrusions S DER.L.DE.C.V., Sapa Asia Limited Management company, Sapa Ben Thanh Aluminum Profiles Co. Ltd., Sapa Chalco Aluminium Products (Chongqing) Co. Ltd., Sapa Profiles (Shanghai) Co. Ltd. and Sapa (Shanghai) Management Co. Ltd.

Oskar Hellström
CFO since 2011.

Born: 1979.

Education: M.Sc. in Industrial Engineering and Management from Linköping Institute of Technology. B.Sc. in Economics and Business Administration from Stockholm University.

Other current assignments: Member of the board of directors of Gränges Aluminium Shanghai Ltd and Gränges Sweden AB.

Previous assignments (last five years): CEO of Gränges Sweden AB. Member of the board of directors of Remi Claeys Aluminium NV. Deputy member of the board of directors of Orkla Industriinvesteringar AB.

Paul Neutjens
CTO since 2012, Gränges since 2011.

Born: 1959.

Education: M.Sc. in Metallurgy and Applied Material Science from Catholic University of Louvain.

Other current assignments: Member of the board of directors of Leanlight Consulting BV.

Previous assignments (last five years): Member of the boards of directors of Gränges Sweden AB and Remi Claeys Aluminium NV.

Kent Schölin
President Europe since 2012.

Born: 1964.

Education: M.Sc. in Material Science from Royal Institute of Technology, Stockholm.

Other current assignments: CEO of Gränges Sweden AB.

Previous assignments (last five years): CEO of Gunnebo Gateway AB. Member of the board of directors of Gateway Loss Prevention SLU, Gateway Portugal, Gateway Varesikring AS and PRODIMO Aktiebolag.

Colin Xu
President Asia since 2011.

Born: 1976.

Education: EMBA degree from CEIBS (China Europe International Business School), Bachelor of Business Administration from Shanghai Science and Engineering University.

Other current assignments: CEO of Gränges Aluminium Shanghai Ltd. Member of the board of directors of Shanghai Gränges Moriyasu Aluminium Co. Ltd.

Previous assignments (last five years): Supervisor of Sapa Heat Transfer Shanghai Co. Ltd.

Daniel Daoust
President Americas since 2009.

Born: 1957.

Education: B.Sc. in Metallurgical Engineering from Ecole Polytechnique de Montréal.

Other current assignments: None.

Previous assignments (last five years): Sales & Marketing Director of Aleris Aluminium Canada LP.

Niclas Nelson
General Counsel since 2014.

Born: 1964.

Education: Master of Laws from Lund University.

Other current assignments: Member of the board of directors of SWERMA.

Previous assignments (last five years): Deputy Legal Counsel at Autoliv AB. CEO of Franco Suedoise d'Investissment SAS. Chairman of the board of directors of Autoliv Cankor Otomotiv Emniyet Sistemleri Sanayi Ve Ticaret A.S., Autoliv East Europe Aktiebolag and Autoliv Italia SPA. Deputy chairman of the board of directors of Autoliv Metal Pres Sanayi Ve Ticaret A.S. Member of the board of directors of Airbags International Aktiebolag AIA, AS Norma, Autoliv ASP BV, Autoliv Poland Sp.z.o.o, Autoliv BKI SAU, Autoliv India Private Ltd., Autoliv KLE SAU, Autoliv Philippines Inc, Autoliv (Nanjing) Vehicle Safety Co. Ltd. and Autosafety SL. Deputy member of the board of directors of Autoliv-Cipro Aktiebolag and Airbags International Aktiebolag AIA. Co-Manager at ASW El Fahs (Steering Wheels), ASW2 Nadour (Steering Wheels), ASW3 Nadour (Steering Wheels), Autoliv France SNC, ISO AIR SNC, OEA Europé SARL, SCI ISI Immo and Steering Wheels Tunisia 1.

Pernilla Grennfelt
Director Communication and IR since 2014.

Born: 1970.

Education: M.Sc. in Business Administration from Gothenburg University.

Other current assignments: None.

Previous assignments (last five years): IR Manager at Hakon Invest and Ica Gruppen AB.

Commitment by certain members of the board of directors and members of the executive management to acquire shares

Certain members of the board of directors and members of the executive management have committed, and are guaranteed by the Principal Owner, to acquire shares in Gränges in the Offering corresponding to the amounts set out in the table below. Assuming an Offering price set to SEK 46, corresponding to the midpoint of the price range in the Offering, the commitments will result in acquisition of shares in accordance with what is stated in the table below.

Members of the board of directors and executive management not set out in the table below holds no, and have not committed to acquire, shares in the Company.

Name	Amount (in SEK)	Number of shares in Gränges
Board of directors		
Anders Carlberg	1,500,000	32,608
Bertil Villard	1,500,000	32,608
Terje Andersen	100,000	2,173
Ragnhild Wiborg	50,000	1,086
Carina Andersson	100,000	2,173
Executive management		
Johan Menckel	1,200,000	26,086
Oskar Hellström	500,000	10,869
Kent Schölin	200,000	4,347
Pernilla Grennfelt	200,000	4,347
Niclas Nelson	200,000	4,347

Auditor

Ernst & Young AB has been the Company's auditor since 2007 and was, at the annual shareholders' meeting 2014, re-elected until the end of the annual shareholders' meeting 2015. Erik Sandström (born 1975) is the auditor in charge. Erik Sandström is an authorized public accountant and a member of FAR (professional institute for authorized public accountants). Ernst & Young AB's office address is Jakobsbergsgatan 24, SE-103 99 Stockholm, Sweden. Ernst & Young AB has been auditor throughout the entire period which the historical financial information in the Offering Circular covers.

Other information about the board of directors and executive management

There are no family ties between any of the members of the board of directors or executive management.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and executive management of the Company and their private interests and/or other undertakings.

Carina Andersson has in 2011 paid a penalty to the Swedish Financial Supervisory Authority for being late with a notification of changes in shareholding for persons with an insider position. The breach was deemed as minor. Except for this breach, during the last five years, none of the members of the board of directors or the members of the executive management have (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation, (iii), been the subject of sanctions or accused by authorities or bodies acting for particular professional groups under public law or (iv) been subject to injunctions against carrying on business.

All members of the board of directors and the members of the executive management are available at the Company's main office at Humlegårdsgatan 17, SE-114 46 Stockholm, Sweden.

12.

CORPORATE GOVERNANCE

Corporate governance

Corporate governance

Gränges is a Swedish public limited liability company. Prior to the listing on NASDAQ OMX Stockholm, corporate governance in the Company was based on Swedish law and internal rules and instructions. Once the Company has been listed on NASDAQ OMX Stockholm, the Company will also comply with NASDAQ OMX Stockholm's Rule Book for Issuers and apply the Swedish Corporate Governance Code (the "Code"). The Code applies to all Swedish companies with shares listed on a regulated market in Sweden and shall be fully applied from the first annual shareholders' meeting held the year following the listing. The Company is not obliged to comply with every rule in the Code as the Code itself provides for the possibility to deviate from the rules, provided that any such deviations and the chosen alternative solutions are described and the reasons therefore are explained in the corporate governance report (under the so-called "comply or explain principle").

The Company will apply the Code from the time of the listing of the shares on NASDAQ OMX Stockholm. Any deviation from the Code will be reported in the Company's corporate governance report, which will be prepared for the first time for the financial year 2014. However, in the first corporate governance report, the Company is not required to explain non-compliance with such rules that have not been relevant during the period covered by the corporate governance report. Currently, the Company does not expect to report any deviations from the Code in the corporate governance report, other than what is set out in "Share capital and ownership structure – Incentive program" regarding the lack of performance conditions and the incentive program's vesting period. The purpose of the incentive program is to enable the Group to recruit and keep qualified staff in connection with the Offering. Allotment of warrants in connection with the Offering establishes a link between employees' remunerations and the Company's results of operations and value growth, which promotes company loyalty and thereby long term value growth in the Company. A further purpose of the incentive program is to unite the interests of shareholders, executive management and key individuals. The reason for the deviation from the Code is that, with respect to the listing, the Company assesses such incentive program to be appropriate for its purpose considering that the Company has not previously been listed. A vesting period of two years is deemed adequate for the Company in its present situation.

Shareholders' meeting

According to the Swedish Companies Act, the shareholders' meeting is the Company's ultimate decision-making body. At the shareholders' meeting, the shareholders exercise their voting rights in key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, discharge from liability of members of the board of directors and the CEO, election of members of the board of directors and auditors and remuneration to the board of directors and the auditors.

The annual shareholders' meeting must be held within six months from the end of the financial year. In addition to the annual shareholders' meeting, extraordinary shareholders' meetings may be convened. According to the articles of association, shareholders' meetings are convened by publication of the convening notice in the Swedish National Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in Svenska Dagbladet.

RIGHT TO PARTICIPATE IN SHAREHOLDERS' MEETINGS

Shareholders who wish to participate in a shareholders' meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day falling five workdays prior to the meeting, and notify the Company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend the shareholders' meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the shareholders' meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all shares owned or represented by the shareholder.

SHAREHOLDER INITIATIVES

Shareholders who wish to have a matter brought before the shareholders' meeting must submit a written request to the board of directors. Such request must normally be received by the board of directors no later than seven weeks prior to the shareholders' meeting.

Board of directors

The board of directors is the second-highest decision-making body after the shareholders' meeting. According to the Swedish Companies Act, the board of directors is responsible for the organization of the company and the management of the company's affairs, which means that the board of directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The board of directors is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the board of directors appoints the CEO.

Members of the board of directors are normally appointed by the annual shareholders' meeting for the period until the end of the next annual shareholders' meeting. According to the Company's articles of association, the members of the board of directors elected by the shareholders' meeting shall be not less than four and not more than eight with not more than four deputy members.

According to the Code, the chairman of the board of directors is to be elected by the shareholders' meeting and have a special responsibility for leading the work of the board of directors and for ensuring that the work of the board of directors is efficiently organized.

The board of directors applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the board of directors, functions and the division of work between the members of the board of directors and the CEO. At the inaugural board meeting, the board of directors also adopts instructions for the CEO, including instructions for financial reporting.

The board of directors meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues which cannot be postponed until the next ordinary board meeting. In addition to the board meetings, the chairman of the board of directors and the CEO continuously discuss the management of the Company.

Currently, the Company's board of directors consists of five ordinary members and two employee representatives, who are presented in section "Board of directors, executive management and auditor".

AUDIT COMMITTEE

Gränges has an audit committee consisting of three members: Ragnhild Wiborg, Terje Andersen and Bertil Villard. The audit committee shall, without it affecting the responsibilities and tasks of the board of directors, monitor the Company's financial reporting, monitor the efficiency of the Company's internal controls and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the Company, and assist in the preparation of proposals for the shareholders' meeting's decision on election of auditors.

REMUNERATION COMMITTEE

Gränges has a remuneration committee consisting of three members: Anders Carlberg, Terje Andersen and Bertil Villard. The remuneration committee shall prepare matters concerning remuneration principles, remuneration and other employment terms for the CEO and the executive management.

The CEO and other executive management

The CEO is subordinated to the board of directors and is responsible for the everyday management and operations of the Company. The division of work between the board of directors and the CEO is set out in the rules of procedure for the board of directors and the CEO's instructions. The CEO is also responsible for the preparation of reports and compiling information for the board meetings and for presenting such materials at the board meetings.

According to the instructions for the financial reporting, the CEO is responsible for the financial reporting of the Company and consequently must ensure that the board of directors receives adequate information for the board of directors to be able to evaluate the Company's financial condition.

The CEO must continuously keep the board of directors informed of developments in the Company's operations, the development of sales, the Company's result and financial condition, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and executive management are presented in section "Board of directors, executive management and auditor".

Remuneration to the members of the board of directors, CEO and executive management

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS

Fees and other remuneration to the members of the board of directors, including the chairman, are resolved by the annual shareholders' meeting. At an extraordinary shareholders' meeting held on September 2, 2014, it was resolved that, for the period until the next annual shareholders' meeting, remuneration shall amount to SEK 500,000 for the chairman of the board of directors, SEK 275,000 for other members of the board of directors, except for Carina Andersson, whose remuneration shall amount to SEK 210,000, since her time on the board of directors is covering a shorter period of time, SEK 80,000 for the chairman of the Audit Committee, SEK 40,000 for other members of the Audit Committee, SEK 50,000 for the chairman of the Remuneration Committee and SEK 25,000 for other members of the Remuneration Committee. All employee representatives shall, for the corresponding period, receive remuneration of SEK 40,000 each. The Chairman of the board of directors and the Chairman of the Audit Committee shall receive additional remuneration of SEK 50,000 each for extra work in connection with the IPO. The members of the board of directors are not entitled to any benefits following termination of their assignments as board members.

GUIDELINES FOR REMUNERATION TO THE CEO AND OTHER EXECUTIVE MANAGEMENT

The first annual shareholders' meeting to be held following the listing on NASDAQ OMX Stockholm will resolve on guidelines which shall apply in relation to remuneration to the CEO and the other members of the executive management.

REMUNERATION DURING THE FINANCIAL YEAR 2013

The table below presents an overview of remuneration to the board of directors and the CEO for the financial year 2013.

Amounts in SEK million	Board fee	Remuneration (including variable remuneration)	Other benefits	Pension costs	Total
Anders Carlberg	0.25	–	–	–	0.25
Terje Andersen	–	–	–	–	–
Johan Menckel	–	3.23	–	0.34	3.57
Other executive management	–	6.74	–	1.09	7.83
Total	**0.25**	**9.97**	**–**	**1.43**	**11.65**

CURRENT EMPLOYMENT AGREEMENTS FOR THE CEO AND OTHER EXECUTIVE MANAGEMENT

Decisions as to the current remuneration levels and other conditions for employment for the CEO have been resolved by the board of directors.

The CEO is entitled to a fixed annual salary of SEK 4 million and variable remuneration for 2014 corresponding to not more than 67 percent of his fixed annual salary with an annual bonus target of 20 percent. For 2014, members of executive management are, in addition to their fixed salary, generally entitled to a maximum annual bonus of 67 percent of their annual salary with an annual bonus target of 20 percent. In 2013, the total remuneration to current members of executive management who were employed during 2013 amounted to approximately SEK 10 million (see appropriation in table above). As of the day of the Offering Circular, executive management has been increased by two persons and now comprises a total of seven individuals in addition to the CEO. As part of the separation from the Orkla group and the planned IPO, as per June 30, 2014 the Company has terminated certain incentive programs for executive management, resulting in a remuneration of SEK 3.2 million for the CEO and SEK 4.8 million, including social insurance contributions, for other members of the executive management.

Agreements concerning pensions shall, wherever possible, be based on fixed premiums and must be in accordance with the levels, practice and collective bargaining agreements applicable in the country where the relevant member of the executive management is employed.

Members of the executive management domiciled in Sweden and their employers are entitled to a mutual notice period of 6–12 months. Some members of the executive management are entitled to severance pay in the amount of 12 months' salary on top of their salary during the notice period when notice is given by the Company.

Gränges has entered into a consultancy agreement with Paul Neutjens, CTO of the Company. Under certain conditions, Gränges is obliged to pay certain remuneration upon termination of the consultancy agreement. If terminated during the period 2014–2015, such remuneration would amount to EUR 400,000. Thereafter, the remuneration gradually decreases and as of 2024, the Company is no longer obliged to pay any remuneration upon termination of the consultancy agreement.

As regards the employment of the executive manager of Asia, there is a notice period of 6 months for the employee and 30 days for Gränges Shanghai (to the extent Gränges Shanghai is legally entitled to terminate the employment). The employee is entitled to severance pay by law. The severance pay calculation is primarily based on an average monthly salary (with an upper limit currently three times the local average monthly salary) and the number of years in service, where each year of service (with an upper limit currently corresponding to 12 years of service) entitles the employee to one average monthly salary.

The executive manager of North America is employed under a so called "at will" employment which, inter alia, implies that both the employee and the employer Norca may terminate the employment immediately, without any notice period. The employee is generally entitled to severance pay amounting to 6 months' salary upon termination of the employment by Norca.

Insider and information policy

The Company has prepared a policy document for the purpose of informing employees and others concerned within Gränges of the rules and regulations applicable to the dissemination of information by the Company and the special requirements imposed on persons who are active in a listed company with regard to, e.g. price-sensitive information.

Internal control

The Company has not established a separate function for internal control. This task is performed by the board of directors' audit committee and the board of directors. Moreover, at Group level, each CEO of a legal entity together with the Group finance department and CFO are responsible for ensuring that necessary control is performed along with adequate monitoring.

The Group has adopted policies on internal control and procedures in respect of the Company's subsidiaries. The executive managers of Gränges' regional operations report to Group Management in accordance with a stipulated plan. With the objective of ensuring an adequate organization for control measures, Gränges' group management is represented in the subsidiaries' boards of directors. Such representation is deemed important particularly with regards to the China branch, which entails special demands in this respect.

The internal control comprises the control of the Company's and Group's organization, procedures and remedial measures. The object is, inter alia, to ensure reliable and correct financial reporting, and to ensure that the Company's and Group's financial reports are prepared in accordance with law and applicable accounting standards and that other requirements are complied with. The internal control system is also intended to monitor compliance with the Company's and Group's policies, principles and instructions. Internal control also involves analysis of risks and follow up of implemented information and business systems.

Auditing

The auditor shall review the Company's annual reports and accounting, as well as the management of the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the annual shareholders' meeting.

Pursuant to the Company's articles of association, the Company shall have not less than one and not more than two auditors and not more than two deputy auditors. The Company's auditor is Ernst & Young AB, with Erik Sandström as auditor in charge. The Company's auditor is presented in more detail in section "Board of directors, executive management and auditor".

In 2013, the total remuneration of the Company's auditor amounted to SEK 1 million.

13.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

Share capital and ownership structure

General information

Pursuant to the Company's articles of association, the Company's share capital may not be less than SEK 80,000,000 and not more than SEK 320,000,000, and the number of shares may not be less than 32,000,000 and not more than 128,000,000. As at the date of the Offering Circular, the Company has issued a total of 74,639,386 shares. The shares are denominated in SEK and the quota value of each share is approximately SEK 1.339775.

All shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferable.

The offered shares are not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been made for the offered shares during the current or preceding financial year.

Certain rights associated with the shares

All issued shares in the Company are of the same class. The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act.

VOTING RIGHTS

Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

PREFERENTIAL RIGHTS TO NEW SHARES ETC.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

RIGHTS TO DIVIDENDS AND BALANCES IN CASE OF LIQUIDATION

All shares give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.

Resolutions regarding dividends are passed by shareholders' meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the shareholders' meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation period of ten years. Upon the expiry of the period of limitations, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Shareholders not resident in Sweden for tax purposes must normally pay Swedish withholding tax, see also section "Tax considerations in Sweden".

Central securities register

The Company's shares are registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479). This register is managed by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm. No share certificates are issued for the Company's shares. The account operator is SEB. The ISIN code for the Company's shares is SE0006288015.

Share capital development

The below table shows historic changes in the Company's share capital since December 31, 2010.

		Number of shares		Share capital, SEK	
Time	Event	Change	Total	Change	Total
2010-12-31		–	37,319,693	–	932,992,325.00
2014-08-14	Reduction of share capital	–	37,319,693	–832,992,325.00	100,000,000.00
2014-09-15	Share split	37,319,693	74,639,386		100,000,000.00

Convertibles, warrants, etc.

In accordance with what is set out under "Incentive program" below, the Company has issued in total 1,000,000 warrants, all of which are held by the wholly-owned subsidiary Gränges Skultuna AB.

Other than what is set out above, there are no outstanding warrants, convertibles or other share-related instruments in the Company.

Incentive program

The Company has established an employee incentive program (the "LTI"), addressed to Gränges' executive management and other key employees, as a way to promote and stimulate continuous loyalty with the operations by linking the interests of such persons with the interests of the shareholders. The LTI comprises a total of 1,000,000 employee warrants, with a maximum of 200,000 warrants to the CEO and a maximum of 150,000 warrants to other members of the executive management and other key individuals of the Group. The LTI runs for two years as from the listing on NASDAQ OMX Stockholm, followed by a conversion period of one year. The LTI does not contain conditions on performance. The strike price is 120 percent of the final price in the Offer. If exercised in full, the LTI would lead to a dilution of 1.3 percent of the total number of shares in the Company. The Company's total costs for the incentive program, including social insurance contributions, amounts to approximately SEK 5.3 million.[1] In order to secure implementation of the LTI, the Company has issued the warrants to the wholly-owned subsidiary Gränges Skultuna AB.

Ownership structure

The table below sets forth Gränges' ownership structure immediately before the Offering and directly after completion of the Offering.

	Shareholding before the Offering		After the Offering (if the Offering is not increased and the Over-allotment option is not exercised)		After the Offering (if the Offering is increased in full and the Over-allotment option is not exercised)		After the Offering (if the Offering is increased in full and the Over-allotment option is exercised in full)	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Shareholder								
Orkla	74,639,386	100.0	29,855,786	40.0	20,899,086	28.0	12.838,086	17.2
New share-holders	–	–	44,783,600	60.0	53,740,300	72.0	61,801,300	82.8
Total	**74,639,386**	**100.0**	**74,639,386**	**100.0**	**74,639,386**	**100.0**	**74,639,386**	**100.0**

Lock up-arrangements, etc.

Under the Placing Agreement which is expected to be entered into around October 9, 2014, the Principal Owner, shareholding members of the board of directors and certain shareholding employees in the Group, including the Company's executive management, will undertake, with certain exceptions, not to sell their respective holdings for a certain period after trading on NASDAQ OMX Stockholm has commenced (the "Lock-up period"). The Lock-up period for the Principal Owner will be 180 days whereas the Lock-up period for shareholding members of the board of directors and certain shareholding employees in the Group, including the Company's executive management, will be 360 days. At the end of the respective Lock-up period, the shares may be offered for sale, which may affect the market price of the share. Joint Global Coordinators may grant exceptions from this undertaking. Pursuant to the agreement, the Company will undertake, with certain exceptions, towards the Joint Global Coordinators not to, e.g. resolve upon or propose to the shareholders' meeting an increase of the share capital through issuance of shares or other financial instruments for a period of 365 days from the first day of trading of the Company's shares on NASDAQ OMX Stockholm without written consent from the Joint Global Coordinators. See section "Legal considerations and supplementary information – Placing agreement".

1) Based on an Offering Price corresponding to the midpoint of the price range in the offer.

14.

ARTICLES OF ASSOCIATION

Articles of association

Articles of association for Gränges AB (publ), registration number 556001-6122, adopted by the extraordinary shareholders' meeting on September 2, 2014.

1 § Name
The company's name is Gränges AB (publ).

2 § Registered office
The board of directors' registered office shall be situated in Stockholm, Sweden.

3 § Object of the company's business
The object of the company's business is to, directly or indirectly through subsidiaries, produce, process and sell metals, in particular aluminium and plastic products, trade in and recycle scrap metal, own and manage real property and other property, as well as to carry out other activities compatible therewith.

4 § Share capital and shares
The share capital shall be not less than SEK 80,000,000 and not more than SEK 320,000,000. The number of shares shall be not less than 32,000,000 and not more than 128,000,000.

5 § Euroclear company
The company's shares shall be registered in a securities register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

6 § Board of directors
In addition to such members of the board who accordance with law may be appointed in a different manner the number of members of the board shall be not less than four and not more than eight with not more than four deputy members.

7 § Auditor
The company shall have not less than one and not more than two auditors and not more than two deputy auditors. As auditor and, when applicable, deputy auditor, an authorised public accountant or a registered public accounting firm shall be elected.

8 § Notice of shareholders' meeting
Notice of shareholders' meetings shall be published in the Swedish Official Gazette and be kept available on the company's website. An announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

9 § Participation in shareholders' meetings
Shareholders who wish to participate in a shareholders' meeting shall be registered as shareholders on a transcript of the entire share register as stipulated in Chapter 7, Section 28, third paragraph of the Swedish Companies Act that relates to the conditions prevailing five workdays prior to the meeting and shall also provide notification of their intention to attend the meeting no later than on the date stipulated in the notice convening the shareholders' meeting. The latter mentioned day must not be a Sunday, any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be more than the fifth weekday prior to the meeting. A shareholder may be joined by one or two counsel at the shareholders' meeting, provided that this has been notified in accordance with the previous section.

10 § Opening of shareholders' meetings
The chairman of the board, or the person appointed by the board, opens shareholders' meeting and conducts the business until the chairman of the meeting has been elected.

11 § Location for shareholders' meetings
Shareholders' meetings shall be held in Stockholm or Finspång.

12 § Financial year
The company's financial year shall be the calendar year.

15.

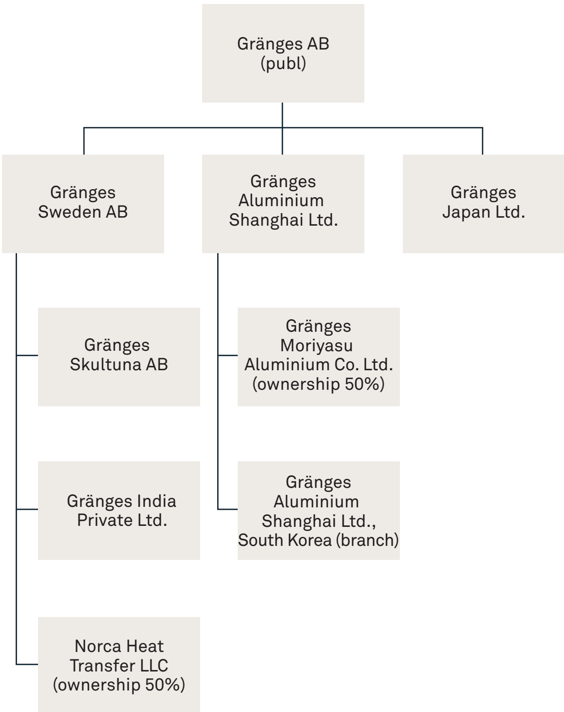
LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

Legal considerations and supplementary information

Legal group structure

The Company's business is conducted in accordance with the Swedish Companies Act. The parent company Gränges AB (publ) (registration number 556001-6122) is a Swedish public limited liability company which was founded on July 30, 1896 and registered with the Swedish Companies Registration Office on November 29, 1897. The Company's registered office is situated in Stockholm, Sweden.

Currently, the Company is the parent company of five wholly-owned subsidiaries, has one branch and is partner in two joint ventures, in both of which Gränges' ownership is 50 percent.



Demerger of the Company

In December 2012, a legal demerger of the Company's assets and liabilities was carried out between the Company and a new company, subsequently called Sapa AB, in accordance with the provisions on demergers in Chapter 24 of the Swedish Companies Act. The purpose of the demerger was to combine the respective Profiles and Building Systems businesses of Orkla and Hydro Aluminium AS in a joint venture company. The demerger was registered by the Swedish Companies Registration Office in March 2013.

By way of the demerger, the business areas Sapa Profiles, Sapa Building Systems, Extruded Products and Welded Products, including all rights and obligations relating to these businesses, were transferred to a new company subsequently called Sapa AB, leaving the rolled products business in the Company. The remaining rights and liabilities of the Company not attributable to the transferred businesses were kept by the Company. If a transferee company is liable under the demerger plan for an obligation that arose prior to consummation of the demerger and fails to satisfy that obligation, the transferor company will, pursuant to the demerger provisions in Chapter 24 of the Swedish Companies Act, be subject to secondary joint liability for that obligation. Secondary joint liability does not apply in respect of obligations incurred after consummation of the demerger. This statutory liability is unlimited in time but is limited in amount to the equivalent of the net value allocated to the non-defaulting party in the demerger. However, the Company's assessment is that there is very little risk of such secondary joint liability to arise as it would require first that a historical obligation is materialized and second that Sapa AB fails to satisfy such obligation.

Material agreements

FINANCING ARRANGEMENTS

For information regarding Gränges' financing arrangements, see "Capitalization, indebtedness and other financial information – Financial arrangements".

CO-OPERATIONS

Co-operation with Coor Service Management AB

On December 1, 2009, the Company sold its former group company Sapa Industriservice AB to Coor Service Management AB ("Coor"). As part of the share purchase agreement, Gränges entered into a Framework Service Agreement and an Operating Media Supply Agreement with Coor in relation to the Finspång industrial site. The current agreements expire on December 31, 2016. Under the Framework service agreement, Coor shall provide services and products, including administrative services, building and construction, logistics, security, and waste disposal. Coor is the exclusive supplier of a majority of the services under the agreement, and the Company may neither perform the services itself nor engage any third party to perform such services. Under the Operating media supply agreement, Coor shall provide LPG, industrial water, municipal water, production and distribution of heating and compressed air, water purification, maintenance of the industrial zone, is network supplier of electricity and provides ground security service to the industrial site in Finspång. The Company is obliged to purchase its entire need for operating media at the Finspång site from Coor.

Further, Coor owns the infrastructure for distribution of utilities (for example the main system, pipes, pump stations, distribution plant, furnace rooms, compressors, LPG station and power plant) on the Company's real property in Finspång. Since at least parts of the infrastructure for utilities (for example main system, pipes, furnace rooms etc.) shall be deemed as fixtures to the real properties and such fixtures have not been separated from the real properties after the transfer of the fixtures to Coor, the transfer of such fixtures is not valid against any bona fide third party.

Further, the Company has, under the share purchase agreement, issued an indemnity to Coor, which is valid for 20 years, regarding potential claims in respect of contaminations in the lakes located south of the purchased property.

Joint ownership of patents with Sandvik Osprey

Gränges Sweden has entered into a Development Collaboration and Patent co-ownership agreement with Sandvik Osprey regarding the joint ownership of patents to an invention (TRILLIUM™) and the sale from Sandvik Osprey to Gränges Sweden of products (so called "liners") exploiting the invention. Under the agreement, the parties jointly own the rights to the invention and patents in respect of the invention. Additionally, the parties shall have equal rights to any improvements to the invention made by either party during the term of the agreement.

Joint venture – Norca

Gränges Sweden owns and controls 50 percent of the US joint venture company Norca established in 1994 together with Kirchain, Inc. ("Kirchain"), and the parties have entered into an Operating Agreement regarding the joint ventures operations. Kirchain is the Managing Member of Norca, with the right, power and authority on behalf of Norca to manage and control the day-to-day business affairs of Norca.

Gränges Sweden has appointed Norca as distributor with exclusive right to forward products (clad and un-clad aluminium sheets and strips used in the manufacture of brazed radiators, coolers, evaporators, heat exchangers and similar products) in the U.S., Canada and Mexico.

Intellectual property

Gränges is the registered holder of numerous domain names, trademarks and pending applications, including inter alia several registrations worldwide of the word mark and figurative mark GRÄNGES, the figurative mark G, the word mark and figurative mark TRILLIUM™ and the word mark MULTICLAD™. Gränges also holds several patents and patent applications. Some patents and patent applications are co-owned with Sandvik Osprey according to the Development Collaboration and Patent Co-ownership agreement.

The Company is the holder of know-how consisting of reports resulting from research and development pertaining to the rolled products business which can be found in the R&D Database.

Neither Gränges nor Gränges Sweden uses licensed intellectual property rights. Gränges Shanghai licenses a non-exclusive right to use certain know-how to produce, use, sell, offer for sale and dispose of certain aluminium products in China (including Hong Kong and Macao but excluding Taiwan).

No intellectual property right held by Gränges is subject to any pledge. The Company is not aware of any imminent or on-going disputes or litigations in relation to intellectual property rights.

Environment and permits

Gränges conducts manufacturing at facilities in Finspång and Shanghai and holds and complies with required permits and fulfills security, reporting and control requirements within the relevant areas. Gränges Sweden has exceeded emission limit values in 2012, 2013 and 2014 as regards nitrogen oxide emitting from melting furnaces at the facilities in Finspång. As of the date of the Offering Circular, no offence report has been submitted in respect of the emissions that the Company is aware of.

The Group has over a long period of time run manufacturing facilities on sites in Finspång, Västerås and Upplands-Väsby. As the Swedish Environmental Protection Agency (Sw. *Naturvårdsverket*) and the County Administrative Boards (Sw. *Länsstyrelser*) are carrying out a general inventory of potentially polluted areas in Sweden, the Company is involved in environmental assessments and investigations of sites where industrial activities historically have been carried out, which thus are considered as potentially polluted sites. For example, industrial activities have been carried out by various operators on the Gränges Sweden manufacturing site in Finspång since the 16th century.

Ongoing investigations with respect to polluted and potentially polluted areas affecting Gränges covers the manufacturing facilities in Finspång and areas surrounding the site as well as three former manufacturing sites in Västerås and the former manufacturing site Messingen in Upplands-Väsby and Kopparlunden in Västerås. The land on the latter two sites is being developed by third parties. Gränges is not involved in investigations covering these sites since such work is handled by the parties developing the areas.

As of the date of the Offering Circular, there are no pending requirements to remedy directed at Gränges as a result of completed investigations. Ongoing investigations will, however, be continued in the foreseeable future.

Gränges Moriyasu is in the process of constructing a production line in Shanghai which requires applying for approval of an environmental impact assessment for the production line prior to starting the construction as well as submitting necessary reports with respect to hazardous factors from a work environment perspective. The approval of the environmental impact assessment is expected to be obtained in October 2014.

Disputes

In 2013, Gränges Sweden was involved in an arbitration proceeding against an insurer regarding an insurance claim relating to a cold mill fire at the site in Finspång in 2010. An arbitral award was rendered on December 12, 2013 whereby Gränges Sweden was awarded a total amount of SEK 445 million.

Other than what is stated above, the Group is not, and has not been, party to any legal or arbitration proceedings during the last 12 months which may have, or have had, significant effects on the Company's or the Group's financial condition or profitability.

Insurance

The Company is part of most of the Orkla group's global insurance programmes covering (i) third party liability (public and products), (ii) recall and contamination, (iii) environmental liability, (iv) crime, (v) director's and officer's liability and (vi) transport and marine cargo while there is a separate property damage and business interruption programme in place for the operations in Finspång and Shanghai. Certain subsidiaries and joint ventures of the group have additional insurance cover under separate policies.

The Company is in the process of procuring standalone insurance cover corresponding to the above which will be in force from December 1, 2014, when the insurances described above expire.

The Company believes that the Group's insurance coverage is in line with the coverage held by other companies in the sector and that the insurance coverage is adequate for the risks normally associated with the Company's business. In relation to employees, the Company's and Gränges Sweden's insurance coverage is in line with the applicable collective bargaining agreements and mandatory law.

Placing Agreement

According to the terms of an agreement on placing of shares which is intended to be signed on or around October 9, 2014 between the Company, the Principal Owner and the Managers (the "Placing Agreement"), the Principal Owner undertakes to divest approximately 60 percent of the shares in the Company to the purchasers indicated by the Managers, or if the Managers fail to indicate purchasers, they have undertaken to themselves acquire the shares comprised by the Offering. The Principal Owner has reserved the right to increase the Offering by not more than 12 percent of the total number of shares in the Company. The Principal Owner also intends to grant an Over-allotment option, whereby it pledges at the request of the Joint Global Coordinators at the latest 30 days from the first day of trading in the Company's shares to divest an additional maximum of 15 percent of the shares in the Offering, corresponding to approximately 11 percent of the total number of shares in the Company. The Over-allotment option may only be exercised in order to cover possible over-allotments within the framework of the Offering.

Through the Placing Agreement, the Company makes customary representations and warranties to the Managers, primarily in relation to the information in the Offering Circular being correct, the Offering Circular and the Offering fulfilling requirements in laws and regulation and that there are no legal, or other, hindrances for the Company to enter into the agreement or for the completion of the Offering. Pursuant to the Placing Agreement, the Mangers' commitment to indicate purchasers to or, if the Managers fail to do so, themselves acquire the shares comprised by the Offering is conditional upon, among other things, that the representations and warranties given by the Company and the Principal Owner are correct. Under the Placing Agreement, the Company will, subject to customary qualifications, undertake to indemnify the Managers against certain claims under certain conditions.

Through the Placing Agreement, the Principal Owner, shareholding members of the board of directors and certain shareholding employees in the Group, including the Company's executive management, undertake, with customary conditions, not to sell their shares during the Lock-up period (see further in section "Share capital and ownership structure – Lock up-arrangements, etc."). Under the Placing Agreement, the Company also undertakes during the 365 days following first day of trading in the shares on NASDAQ Stockholm, not to (i) issue, offer, pledge, sell, undertake to sell or otherwise transfer or divest, directly or indirectly, any shares in the Company or any other securities which are convertible to or can be exercised or exchanged for such shares, or (ii) purchase or sell options or other instruments or enter into swap agreements or other arrangements which wholly or partly assign financial risk associated with ownership of the Company to another party. The Joint Global Coordinators may, however, grant exemptions from these limitations.

Stabilization

In connection with the Offering, the Joint Global Coordinators may effect transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilisation transactions may be effected on NASDAQ OMX Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on NASDAQ OMX Stockholm and ending not later than 30 calendar days thereafter. The Joint Global Coordinators are, however, not required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

Stabilization, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. Within one week of the end of the stabilization period, the Joint Global Coordinators will make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilisation transactions were carried out.

The Principal Owner's ownership may amount to less than 30 percent of the shares and votes in the Company if over-allotment (and the share loan connected there to) is exercised in whole or in part. If the Joint Global Coordinators conducts stabilization measures, the Principal Owner's share of the shares and votes may increase to at least 30 percent of the votes in the Company, which triggers the requirement to make a mandatory bid according to the Swedish Act Concerning Public Takeover Bids in the Stock Market (Sw. *lag (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*). The Principal Owner has obtained an exemption from such mandatory bid requirement from the Swedish Securities Council according to a statement (Statement No. 2014:4).

Related party transactions

Within the Group, certain related party transactions are carried out. Such transactions are also made with the Group's joint venture, Norca. For more information about related party transactions, see note 4 in the interim report for the period January 1–June 30, 2014 on page 134 and note 30 in the audited consolidated annual accounts on page 178. Transactions with related parties are also reported in note 6 of the audited consolidated annual accounts on page 153 regarding transactions with Norca and in notes 8–9 in the audited consolidated annual accounts on pages 154–156 regarding employees, personnel expenses, pensions and fees to the board of directors.

After June 30, 2014, the following related party transactions have occurred:

- Issuance of an indemnity to Orkla ASA with regard to their undertaking towards the insurance company PRI to, if necessary, provide adequate collateral and if necessary fulfil the concerned employer's pension undertakings vis-à-vis the concerned employees under the collective bargaining agreement ITP, and
- Transactions with the Sapa group for providing certain treasury services and IT systems.

Related party transactions are made on terms equivalent to those that prevail in arm's length transactions.

Interests of advisors

Gränges' financial advisors in connection with the Offering and the listing are Carnegie and SEB. Handelsbanken and Danske Bank, together with Carnegie and SEB, act as Joint Bookrunners in the Offering. These advisors (and companies closely related to them) have provided, and may in the future provide, services in the ordinary course of business and in connection with other transactions to Gränges for which they have received, and may in the future receive, compensation.

Costs related to the Offering

Gränges' costs associated with the listing on NASDAQ OMX Stockholm and the Offering are expected to amount to approximately SEK 30 million, of which SEK 5 million has been charged to the result for the period January 1 – June 30, 2014. Such costs primarily relate to costs for auditors, attorneys, printing of the Offering Circular, costs related to management presentations, etc. Gränges will not receive any proceeds from the Offering.

Documents available for inspection

Gränges' (i) articles of association and (ii) the consolidated annual accounts, signed by the auditor, for the financial years 2011–2013, including auditors' report, are available for inspection during office hours at the Company's head office at Humlegårdsgatan 17, SE- 114 46 Stockholm, Sweden. These documents are also available in electronic form on Gränges' website, www.granges.com.

16.

TAX CONSIDERATIONS IN SWEDEN

Tax considerations in Sweden

Below is a summary of certain tax issues related to the Offering and the admission for trading of the shares in the Company on NASDAQ OMX Stockholm. Except as described below in the section "Non-resident shareholders", this summary addresses Swedish tax consequences only to private individuals and limited liability companies that are residents of Sweden for tax purposes. The summary is based on current legislation and is intended to provide general information only regarding the shares in the Company as from the admission for trading on NASDAQ OMX Stockholm.

The summary does not cover:

- *situations where shares are held as current assets in business operations;*
- *situations where shares are held by a limited partnership or a partnership;*
- *situations where shares are held in an Investment Savings Account (Sw. investeringssparkonto);*
- *the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds shares in the Company that are deemed to be held for business purposes (for tax purposes);*
- *the special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies or to shares acquired by means of such shares;*
- *the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. investeraravdrag);*
- *foreign companies conducting business through a permanent establishment in Sweden; or*
- *foreign companies that have been Swedish companies.*

Further, special tax rules apply to certain categories of companies. The tax consequences for each individual shareholder depend to some extent on the holder's particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the tax consequences that could arise from the Offering and the admission for trading of the shares in the Company on NASDAQ OMX Stockholm, including the applicability and effect of foreign tax legislation (including regulations) and provisions in tax treaties for the avoidance of double taxation.

Private individuals

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30 percent.

Capital losses from the sale of listed shares may be fully offset against taxable capital gains in the same year from the sale of shares, or other listed securities taxed as shares (except for units in mutual funds (Sw. *värdepappersfonder*) or hedge funds (Sw. *specialfonder*) holding Swedish receivables only (Sw. *räntefonder*)). Capital losses not absorbed under these set-off rules are deductible at 70 percent in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30 percent of the net loss that does not exceed SEK 100,000 and 21 percent of any remaining net loss. A net loss cannot be carried forward to future tax years.

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 percent is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Allotments of shares to employees

Normally, the allotment of shares is not a taxable event. However, for employees allotment of shares may in certain situations give rise to benefits taxation. Benefits taxation should, however, not occur if the employees (including Directors and alternate Directors and existing shareholders), on the same terms and conditions as others, acquire not more than 20 per cent of the total number of shares offered and the employee does not acquire shares for more than SEK 30,000.

Limited liability companies

For limited liability companies (Sw. *aktiebolag*) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 22 percent.

Deductible capital losses from the sale of shares may only offset taxable capital gains from the sale of shares and other securities taxed as shares. A net capital loss from the sale of shares that cannot be utilized during the year of the loss, may be carried forward (by the limited liability company that has suffered the loss) and offset against taxable capital gains from the sale of shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from another legal entity's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this for a tax year having the same filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same filing date). Special tax rules may apply to certain categories of companies or certain legal persons, e.g. investment companies.

Non-resident shareholders

For shareholders not resident in Sweden for tax purposes that receive dividends on shares in a Swedish limited liability company, a Swedish tax of 30 percent is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company, such as payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The 30 percent tax rate may be reduced under applicable tax treaties for the avoidance of double taxation. For example, under the U.S.-Sweden income tax treaty the tax rate on dividends paid to U.S. holders entitled to the benefits of the U.S.-Sweden income tax treaty should not exceed 15 percent. In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee. Investors entitled to reduced tax rates under applicable tax treaties may seek a refund from the Swedish tax authorities if the full 30 percent tax rate has been withheld.

Shareholders not resident in Sweden for tax purposes – which are not conducting business through a permanent establishment in Sweden – are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their country of residence.

According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden or have had a habitual abode in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by tax treaties for the avoidance of double taxation.

17.

TAX CONSIDERATIONS IN NORWAY

Tax considerations in Norway

Set out below is a summary of certain Norwegian tax matters related to an investment in the Company. The summary regarding Norwegian taxation is based on the laws in force in Norway as at the date of this Offering Circular, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should specifically consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian shareholder refers to the tax residency rather than the nationality of the shareholder.

TAXATION OF DIVIDENDS

Norwegian Personal Shareholders

Dividends received by shareholders who are individuals resident in Norway for tax purposes ("**Norwegian Personal Shareholders**") are taxable as ordinary income in Norway for such shareholders at a flat rate of 27 percent to the extent the dividend exceeds a tax-free allowance.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a risk free interest rate based on the effective rate after tax of interest on treasury bills (Nw.: *statskasseveksler*) with three months maturity. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realisation, of the same share.

Norwegian Corporate Shareholders

Dividends distributed from the Company to shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Shareholders**"), are effectively taxed at a rate of 0.81 percent (3 percent of dividend income from such shares is included in the calculation of ordinary income for Norwegian Corporate Shareholders and ordinary income is subject to tax at a flat rate of 27 percent).

TAXATION OF CAPITAL GAINS ON REALISATION OF SHARES

Norwegian Personal Shareholders

Sale, redemption or other disposal of shares is considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the Norwegian Personal Shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a rate of 27 percent.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share as the difference between the consideration for the share and the Norwegian Personal Shareholder's cost price of the share, including costs incurred in relation to the acquisition or realisation of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to the section "Taxation of dividends – Norwegian Personal Shareholders" above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realisation of a share will be annulled.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Norwegian Corporate Shareholders
Norwegian Corporate Shareholders are exempt from tax on capital gains derived from the realisation of shares qualifying for participation exemption, including shares in the Company. Losses upon the realisation and costs incurred in connection with the purchase and realisation of such shares are not deductible for tax purposes.

TAX CREDIT
Income taxes or capital gains taxes payable by Norwegian Shareholders in other jurisdictions, or withholding tax payable on redemption amounts in respect of the Shares, may be deducted when calculating the Norwegian tax payable on the same income. The deduction is limited, however, to the corresponding amount of Norwegian tax applicable. The right for both Norway and other jurisdictions to tax Norwegian Shareholders directly or through the application of withholding taxes may be limited by an applicable tax treaty.

NET WEALTH TAX
The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal net wealth tax rate is 1.0 percent of the value assessed. The value for assessment purposes for listed shares is equal to the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year).

Norwegian Corporate Shareholders are not subject to net wealth tax.

Shareholders not resident in Norway for tax purposes are not subject to Norwegian net wealth tax. Non-Norwegian Personal Shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

VAT AND TRANSFER TAXES
No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

INHERITANCE TAX
A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

18.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences to the U.S. Holders described below of the ownership and disposition of the Company's shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the shares. This discussion applies only to U.S. Holders that hold shares as capital assets. In addition, this discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax consequences, any aspect of the Medicare contribution tax on "net investment income" and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or certain traders in securities;
- persons holding shares as part of a straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities;
- persons that own or are deemed to own ten percent or more of the Company's voting stock; or
- persons holding shares in connection with a trade or business outside the United States.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of you and your partners generally will depend on the status of the partners and your activities. If you are a partnership holding shares or a partner in such partnership, you should consult your tax adviser as to your particular U.S. federal income tax consequences of holding and disposing of the shares.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the income tax treaty between Sweden and the United States (the "Treaty"), all as of the date hereof. These laws are subject to change, possibly with retroactive effect.

You are a "U.S. Holder" for purposes of this discussion if for U.S. federal income tax purposes you are a beneficial owner of the Company's shares and are:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

You should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Except as specifically described below, this discussion assumes that the Company is not, and will not become, a passive foreign investment company (a "PFIC"), as described below, for any taxable year.

TAXATION OF DISTRIBUTIONS

Distributions paid on the shares (including the amount of any Swedish taxes withheld), other than certain pro rata distributions of shares to all shareholders, will be treated as dividends to the extent paid out of the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to you as dividends.

Subject to applicable limitations, if you are a non-corporate U.S. Holder, dividends paid to you may be eligible for taxation as "qualified dividend income" and therefore may be taxable at favorable rates. You should consult your tax adviser regarding the availability of the reduced tax rate on dividends. Dividends will generally be included in your income on the date of receipt. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code.

Dividends will generally be included in your income on the date of receipt of the dividends. The amount of any dividend income paid in Swedish kronor will be the U.S. dollar amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you should not be required to recognise foreign currency gain or loss in respect of the amount received. You may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt, and any such gain or loss will be U.S.-source ordinary income or loss.

Dividends will be treated as foreign-source dividend income for foreign tax credit purposes. Subject to applicable limitations, some of which vary depending upon your circumstances, Swedish income taxes withheld from dividend payments on shares at a rate not exceeding any applicable Treaty rate will be creditable against your U.S. federal income tax liability. Swedish income taxes withheld in excess of the applicable Treaty rate will not be eligible for credit against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the creditability of foreign taxes in your particular circumstances. In lieu of claiming a foreign tax credit, you may elect to deduct foreign taxes, including any Swedish taxes, in computing your taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the relevant taxable year.

SALE OR OTHER TAXABLE DISPOSITION OF SHARES

You generally will recognise taxable gain or loss on a sale or other taxable disposition of the shares equal to the difference between the amount realised on the sale or disposition and your tax basis in the shares, each as determined in U.S. dollars. This gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if at the time of sale or disposition the shares have been held for more than one year. Any gain or loss will generally be U.S.-source for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

PASSIVE FOREIGN INVESTMENT COMPANY RULES

In general, a non-U.S. corporation will be a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes interest, rents, dividends, royalties and certain gains. The Company does not expect to be a PFIC for its current taxable year or in the foreseeable future. However, because PFIC status depends on the composition and character of the Company's income and assets and the value of its assets from time to time, there can be no assurance that the Company will not be a PFIC for any taxable year.

Generally, if the Company were a PFIC for any taxable year during which you held the Company's shares, gains recognised upon a disposition (including, under certain circumstances, a pledge) of shares by you would be allocated ratably over your holding period for such shares. The amounts allocated to the taxable year of disposition and to years before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the resulting tax liability. Further, to the extent that any distribution you receive on your shares exceeds 125% of the average of the annual distributions on such shares received during the preceding three years or your holding period, whichever is shorter, that distribution would be subject to taxation in the same manner. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the shares.

If you own the Company's shares during any year in which the Company is a PFIC, you must file IRS Form 8621 with respect to the Company, generally with your federal income tax return for that year.

You should consult your tax adviser regarding whether the Company is a PFIC and the potential application of the PFIC rules to your ownership of shares for any taxable year.

BACKUP WITHHOLDING AND INFORMATION REPORTING

Payments of dividends and sales proceeds that are made within the United States or through U.S. or certain U.S.-related financial intermediaries will generally be subject to information reporting and backup withholding, unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service.

You may be required to report information relating to non-U.S. accounts through which the shares are held (or information regarding the shares if the shares are not held through any financial institution). You should consult your tax adviser regarding your reporting obligations with respect to the shares.

19.

TRANSFER RESTRICTIONS

Transfer restrictions

The shares in the Offering have not been and will not be registered under the Securities Act of 1933 or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

In addition, until the end of the 40th calendar day after commencement of the Offering, an offering or sale of shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirement of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

Each purchaser of the shares in the Offering within the United States purchasing pursuant to Rule 144A under the U.S. Securities Act or another exemption from the registration requirements of the U.S. Securities Act will be deemed to have represented and agreed that it has received a copy of the Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

i. the purchaser acknowledges that the shares in the Offering have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

(ii) the purchaser (i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and (iii) is acquiring such shares in the Offering for its own account or for the account of a QIB;

(iii) the purchaser is aware that the shares in the Offering are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;

(iv) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such shares in the Offering, such shares in the Offering may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, or (iii) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(v) the shares in the Offering are "restricted securities" within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 for resale of any shares;

(vi) the purchaser will not deposit or cause to be deposited such shares in the Offering into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such shares are "restricted securities" within the meaning of Rule 144(a)(3); and

(vii) the Company shall not recognise any offer, sale pledge or other transfer of the shares in the Offering made other than in compliance with the above-stated restrictions.

Each purchaser of the shares in the Offering in compliance with Regulation S will be deemed to have represented and agreed that it has received a copy of the Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

(i) the purchaser acknowledges that the Shares in the Offering have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to significant restrictions on transfer;

(ii) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the shares in the Offering was, located outside the United States at the time the buy order for the shares was originated;

(iii) the purchaser acknowledges that the shares in the Offering have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;

(iv) the purchaser is aware of the restrictions on the offer and sale of the shares in the Offering pursuant to Regulation S described in this document; and

(v) the Company shall not recognise any offer, sale, pledge or other transfer of the shares in the Offering made other than in compliance with the above-stated restrictions.

20.

DEFINITIONS

Definitions

The terms defined below are used in the Offering Circular:

Alloy
Material based on several metals.

Brazing
Joining of metals through melting.

The Company, Gränges or the Group
Gränges AB (publ), the group in which Gränges AB (publ) is the parent company or a subsidiary of the group, as the context may require.

Carnegie
Carnegie Investment Bank AB (publ).

Casting
Liquid aluminium is poured into a mold.

Clad
Surface layer.

CNY
Chinese yuan.

Code
The Swedish Code of Corporate Governance.

Corrosion
Gradual destruction of materials.

Danske Bank
Danske Bank A/S, Denmark, Sweden branch.

EGR cooler
Cooler of component that recirculate a portion of the exhaust gas back to the engine

EUR
Euro.

Euroclear Sweden
Euroclear Sweden AB.

Extrusion
Technology to produce objects with a profile.

Flux salt
Substance that is added to improve brazing process.

Gränges Shanghai
The Company's subsidiary with a production facility in Shanghai

Gränges Sweden
The Company's subsidiary with a production facility in Finspång.

Handelsbanken
Handelsbanken Capital Markets, a part of Svenska Handelsbanken AB (publ).

Heat exchanger
Application where heat is transferred from one medium to another.

HVAC&R
Heating, Ventilation, Air Conditioning and Refrigeration.

IFRS
International Financial Reporting Standards.

Ingot
Casted aluminium.

Joint Global Coordinators
Carnegie and SEB.

LME
London Metal Exchange

Lock-up period
The lock-up period described under "Share capital and ownership structure – Lock up-arrangements, etc."

Managers
Carnegie, SEB, Handelsbanken and Danske Bank.

NASDAQ OMX Stockholm
The regulated market operated by NASDAQ OMX Stockholm AB.

Offering
The offer of shares as set out in the Offering Circular.

Offering Circular
This offering circular.

Offering price
The final offering price is expected to be determined within the range of SEK 42–50.

Over-allotment option
The over-allotment option described in section "Terms and conditions – over-allotment option".

Placing Agreement
The agreement regarding the placing of shares described in section "Legal considerations and supplementary information – Placing Agreement".

Principal Owner or Orkla
Orkla Industriinvesteringar AB, a wholly-owned subsidiary of Orkla ASA.

Rolled aluminium
Aluminium that has been down gauged, passing through two or more rolls.

Scrap
Residual aluminium that can be re-melted.

SEK
Swedish krona.

SEB
Skandinaviska Enskilda Banken AB.

SHFE
Shanghai Futures Exchange.

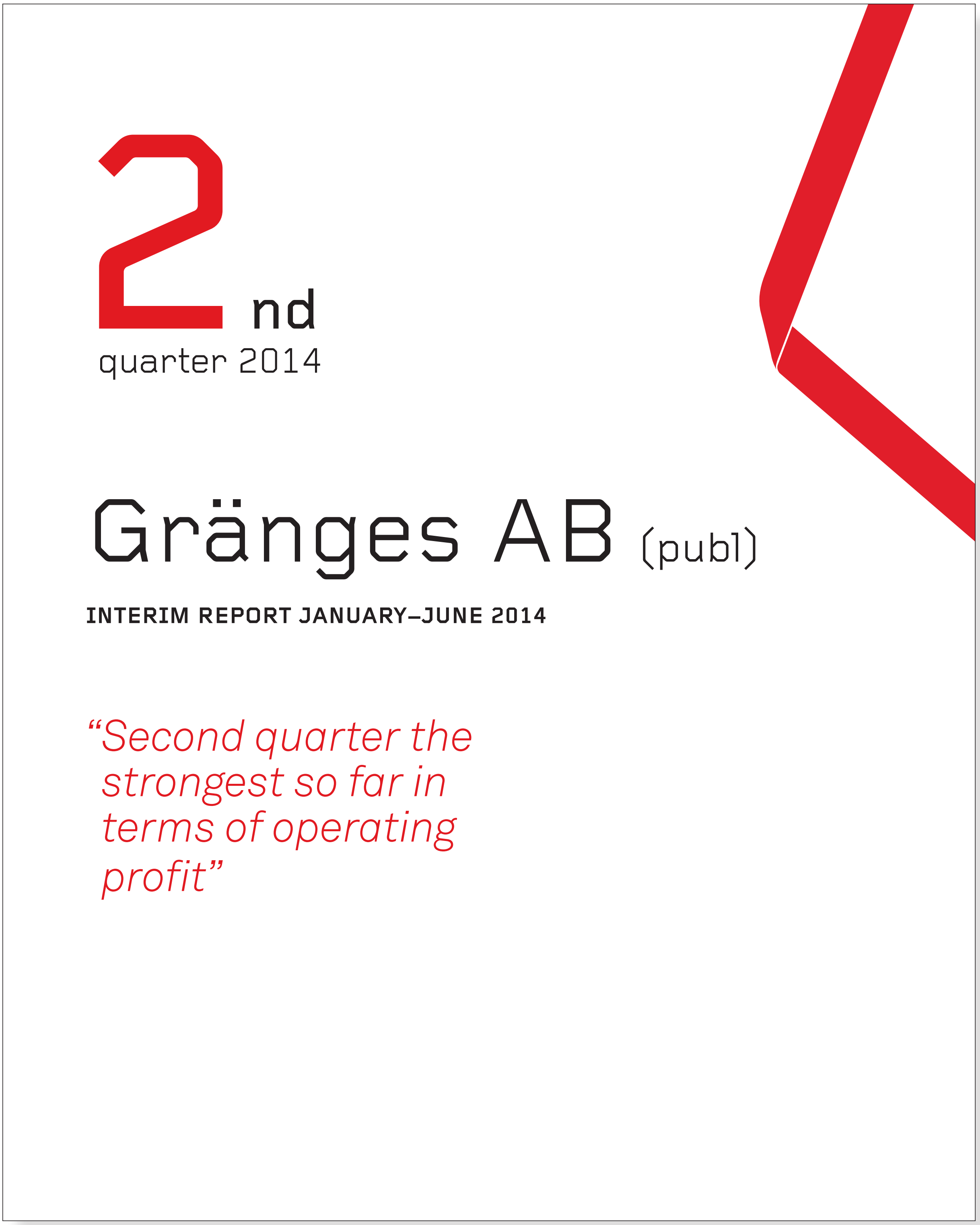
Slab
Casted aluminium block for rolling.

Swedish Companies Act
The Swedish Companies Act (Sw. *aktiebolagslagen (SFS 2005:551)*)

Tier 1 supplier
Direct supplier to OEMs (Original Equipment Manufacturers).

USD
US Dollar.

Interim report for the period January 1 – June 30, 2014



2nd quarter 2014

Gränges AB (publ)

INTERIM REPORT JANUARY–JUNE 2014

"Second quarter the strongest so far in terms of operating profit"

SECOND QUARTER THE STRONGEST SO FAR IN TERMS OF OPERATING PROFIT

SECOND QUARTER 2014 IN BRIEF

- Sales volumes reached 42 ktonnes (42), at level with the same period last year
- Net sales amounted to SEK 1 176 million (1 253), down 6% on the same period last year
- Operating profit (EBIT) increased to SEK 124 million (73), 10.5% (5.8%) of net sales
- Adjusted operating profit (Adjusted EBIT) increased to SEK 130 million (95), 11.1% (7.5%) of net sales
- Profit for the period was SEK 90 million (48)
- Earnings per share, basic and diluted, were SEK 2.41 (1.28)
- Net cash flow before financing activities reached SEK 91 million (114)

JANUARY–JUNE 2014 IN BRIEF

- Sales volumes reached 83 ktonnes (82), up 2% on the same period last year
- Net sales amounted to SEK 2 333 million (2 473), down 6% on the same period last year
- Operating profit (EBIT) increased to SEK 244 million (167), 10.5% (6.7%) of net sales
- Adjusted operating profit (Adjusted EBIT) increased to SEK 254 million (189), 10.9% (7.6%) of net sales
- Profit for the period was SEK 175 million (108)
- Earnings per share, basic and diluted, were SEK 4.69 (2.88)
- Net cash flow before financing activities reached SEK 453 million (92) including SEK 325 million from an insurance settlement

ABOUT GRÄNGES – INNOVATIVE ALUMINIUM ENGINEERING

Gränges is a global aluminium company solely focused on rolled products for the heat exchanger industry. The majority of Gränges' customers are in the automotive industry. Around half of all cars in the world today have heat exchangers containing materials and expertise supplied by Gränges, which makes us the global market leader in this segment. Our innovation and development process combines leading edge technology with deep knowledge of our customers' business. We support to create smaller, lighter and more designable heat exchangers to increase operational efficiency and reduce environmental impact. Gränges employs approximately 950 people. Our head office is located in Stockholm, Sweden. Research and development and production facilities are located in Finspång, Sweden and Shanghai, China. For more information about Gränges, please visit www.granges.com.

KEY FIGURES FOR THE GROUP

	Q2			Jan-Jun			12-month rolling	Full year	
Amounts in SEK million	2014	2013	Δ	2014	2013	Δ	Jul 2013 - Jun 2014	2013	Δ
Sales volume (ktonnes)	41.7	41.8	-0.1%	83.1	81.8	1.6%	159.9	158.6	0.8%
Net sales	1 176	1 253	-6.1%	2 333	2 473	-5.7%	4 502	4 642	-3.0%
Adjusted EBITDA	178	143	25.1%	351	281	25.1%	628	558	12.7%
Adjusted EBITDA margin, %	15.2	11.4	3.8 ppt	15.1	11.4	3.7 ppt	14.0	12.0	1.9 ppt
Adjusted operating profit (EBIT)	130	95	37.8%	254	189	35.0%	437	371	17.8%
Adjusted operating margin, %	11.1	7.5	3.5 ppt	10.9	7.6	3.3 ppt	9.7	8.0	1.7 ppt
Operating profit (EBIT)	124	73	70.2%	244	167	46.5%	534	456	17.0%
Operating margin, %	10.5	5.8	4.7 ppt	10.5	6.7	3.7 ppt	11.9	9.8	2.0 ppt
Profit for the period	90	48	88.3%	175	108	62.7%	377	309	21.8%
Net cash flow before financing activities	91	114	-20.1%	453	92	394.7%	812	450	80.4%
Return on capital employed, %	-	-	-	-	-	-	15.0	12.0	3.0 ppt
Earnings per share (SEK)*	2.41	1.28	1.13	4.69	2.88	1.81	10.09	8.28	1.81

*) Basic and diluted

COMMENTS BY THE PRESIDENT & CEO

We are very satisfied with the good result, the best individual quarter for Gränges in terms of operating profit since the establishment of the current footprint in 1996. The adjusted operating profit increased by almost 40% to SEK 130 million (95) corresponding to an adjusted operating margin of 11.1% (7.5%). The improvement versus last year is primarily driven by internal efficiency improvements and by the effects of a successful restructuring of the operation in Finspång, Sweden. Typically the demand, and therefore the result, is slightly higher during the first two quarters compared to the second half of the year due to holiday seasons.

Favourable position

Our net sales fell by 6% to SEK 2 333 million in the first half of the year due to lower aluminium prices. As our revenue model passes through the aluminium price in the value chain the lower aluminium price has an insignificant impact on earnings. In volume terms, the increase was about 2% and we are well positioned to capture the future growth in the global automotive industry.

Strong and stable relations

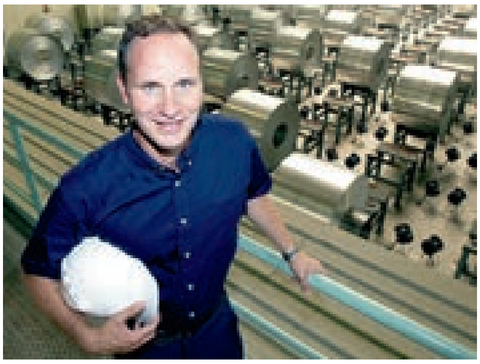
All in all Gränges has a leading global position, and the full range of products, in the market of flat rolled products for manufacturing of brazed aluminium heat exchangers. Furthermore, we have a well invested production platform with an annual capacity of 210 ktonnes, and long-lasting relationships with a stable customer base. During the quarter Gränges successfully agreed on a new multi-year contract with one of our major customers. Moreover, we were awarded as an excellent supplier by Denso in China.

IPO readiness

Our current owner Orkla announced in May its intention to explore the possibility of a listing of Gränges at Nasdaq OMX in Stockholm. During the quarter we continued to make the company ready for this step if and when our owners choose to use this option. Among other things, we have strengthened our organization with a number of new key positions.

The management are looking forward to a potential listing and are committed to continue to create value for our owners.

Johan Menckel, President and CEO Gränges AB (publ)



JOHAN MENCKEL, VD OCH KONCERNCHEF

“We are very satisfied with the good result”

SECOND QUARTER

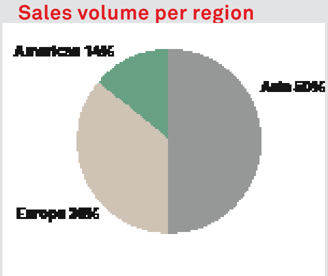
Sales volume
42 ktonnes

Net sales
SEK 1 176 million

Adjusted operating profit
SEK 130 million

Adjusted operating margin
11.1 %

Sales volume per region



MARKET DEVELOPMENT

Around 90% of Gränges' total sales volume is directed towards the automotive industry and the remaining part to HVAC&R (Heating, Ventilation, Air Condition, and Refrigeration) and other industries. Generally there is a strong correlation between the demand for aluminium products for brazed heat exchangers and the light vehicle production, but as Gränges is further up in the supply chain than the vehicle producers there may from time to time be a slight timing difference between vehicle production and growth in Gränges' relevant market.

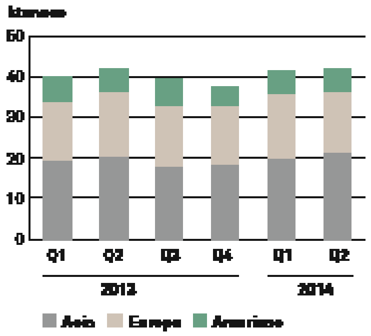
According to the IHS forecast from July 16, 2014 the global light vehicle production in the second quarter is estimated to have increased by close to 3% compared to the same quarter last year. For the first half of the year IHS estimates a growth of some 4%. In Asia, which accounts for about 50% of Gränges' sales, the light vehicle production is estimated to have grown by some 5% in the second quarter as well as in the first half of the year, primarily driven by a strong growth in China. In Europe, which make up around 35% of Gränges sales, light vehicle production grew by 2% in the second quarter and by close to 5% in the first half of the year. In Americas, where Gränges generates about 15% of total sales, the light vehicle production is estimated to have declined by some 3% in the second quarter, following a demand drop in South America, whereas the first half of the year is neutral compared to last year.

For the full year IHS estimates the global light vehicle production to increase by some 4%.

VOLUME AND NET SALES

Volume for the second quarter reached 42 ktonnes (42) which is at level with the volume in the corresponding period last year. The stable volume level is primarily a consequence of underlying positive demand development being impacted by the timing of the Easter period. Net sales for the second quarter reached SEK 1 176 million (1 253). The decline in net sales was primarily driven by the lower aluminium price which is of pass through nature and has insignificant impact on earnings. The net impact of foreign exchange rates on net sales was positive SEK 5 million compared to second quarter last year. Volume for the first half of the year reached 83 ktonnes (82), an increase by 2% compared with the corresponding period last year. Net sales for the first half of the year totalled SEK 2 333 million (2 473). The net impact of foreign exchange rates on net sales was positive SEK 12 million compared to the first half of last year.

SALES VOLUME



Asia

In the second quarter volume to the Asia region increased by 5% to 21 ktonnes (20). The improvement on last year is mainly driven by the strong light vehicle production growth in China, whereas sales to rest of Asia grew at a somewhat slower pace. Volume for the first half of the year amounted to 40 ktonnes (39), an increase by 3% compared with the corresponding period last year.

Europe

In the second quarter volume to the Europe region decreased by 5% to 15 ktonnes (16). The lower volume compared to last year is mainly attributed to timing effects with the Easter period coinciding with second quarter in 2014 and in the first quarter in 2013. Volume for the first half of the year amounted to 31 ktonnes (30), an increase by 3% compared with the corresponding period last year.

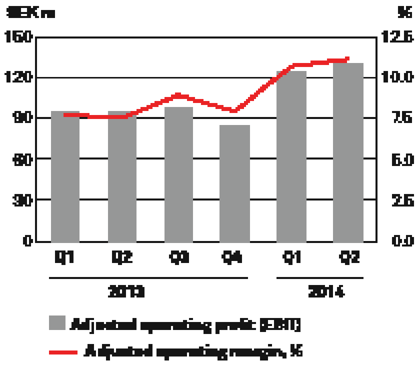
Americas

In the second quarter volume to the Americas region decreased by 5% to 6 ktonnes (6). The reduction compared to last year is mainly a result of lower contracted volumes with some customers offsetting the growth of others. Volume for the first half of the year amounted to 12 ktonnes (12), a decrease by 6% compared with the corresponding period last year.

OPERATING PROFIT

Operating profit for the second quarter increased by 70% to SEK 124 million (73). The operating profit adjusted for non recurring items of SEK 130 million (95), corresponding to an adjusted operating margin of 11.1% (7.5%), is the strongest ever in an individual quarter since the establishment of the current footprint in 1996. The improvement on last year was primarily driven by internal efficiency improvements and by the effects of the restructuring of the operation in Finspång. The net impact of foreign exchange rates on operating profit was positive SEK 5 million compared to second quarter last year. Driven by the efficiency improvements operating profit for the first half of the year increased to SEK 244 million (167) and the adjusted operating profit amounted to SEK 254 million (189), corresponding to an adjusted operating margin of 10.9% (7.6%). The net impact of foreign exchange rates on operating profit was negative SEK -3 million compared to first half of last year.

QUARTERLY OPERATING PROFIT AND OPERATING MARGIN, ADJUSTED



PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

In the second quarter the financial income and costs amounted to SEK -5 million (-8) which is fully attributable to interest expenses. Profit before taxes reached SEK 120 million (65), including profit from joint ventures of SEK 1 million (0). Income taxes for period amounted to SEK -30 million (-17), which corresponds to an effective tax rate of 25% (26%). Gränges has been pre-qualified for 15% instead of 25% corporate tax in China from 2013 to 2015. Until the tax audit is passed Gränges applies the higher tax rate.

Profit for the period was SEK 90 million (48), which mean earnings per share, basic and diluted, of SEK 2.41 (1.28) for the second quarter. For the first half of the year the profit for the period amounted to SEK 175 million (108) and the earnings per share to SEK 4.69 (2.88).

CASH FLOW

Cash flow from operating activities for the second quarter amounted to SEK 104 million (149). Compared to the same period last year the positive cash effect from improved operating profit was offset by higher taxes paid and an increase in working capital as inventory was built to allow for production stops during the summer period. For the first half of the year cash flow from operating activities reached SEK 487 million (174). The period was, however, positively impacted by an extraordinary working capital release of SEK 325 million related to an insurance settlement following a fire in Finspång in 2010.

Cash flow from investing activities for the second quarter amounted to SEK -13 million (-35) driven by a lower investment level than in the corresponding period last year. Gränges has recently been through a large expansion investment program and the capital expenditure in 2014 is mainly related to maintenance type investments to maintain and improve the production facilities. For the first half of the year cash flow from investing activities amounted to SEK -34 million (-82).

Net cash flow before financing activities amounted to SEK 91 million (114) for the second quarter and reached SEK 453 million (92) for the first half of the year.

Cash flow from financing activities for the second quarter amounted to SEK 120 million (57) including a SEK 126 million cash payment of a group contribution from the Orkla Group. For the first half of the year cash flow from financing activities totalled SEK -120 million (117).

Change in cash and cash equivalents including the effect of foreign exchange rate differences amounted to SEK 238 million (194) for the second quarter and to SEK 351 million (234) for the first half of the year. Cash and cash equivalents consequently increased by the same amount from SEK 896 million at year end 2013 to SEK 1 247 million at the end of the first half of the year.

FINANCIAL POSITION

The net cash position including pension liabilities at the end of the second quarter amounted to SEK 711 million (-227), an increase of SEK 585 million from the beginning of the year and of SEK 938 million from the second quarter of last year. The change in net cash is mainly driven by the strong net cash flow before financing activities in combination with a group contribution of SEK 126 million from Orkla.

At the end of the first half of the year total equity amounted to SEK 3 418 million (2 941). The increase in equity is mainly driven by the profit for the period together with the group contribution from Orkla.

A potential listing of Gränges AB (publ) on NASDAQ OMX Stockholm would result in changes in the capital structure as internal funding from Orkla would no longer be available.

PARENT COMPANY

The parent company of the group, Gränges AB (publ), is the former parent company of the Sapa group. A legal split of the company into Gränges AB (publ) and Sapa AB took place in March 2013. As a consequence the financial statements of the parent company include the full financial history of Sapa AB for the first quarter of 2013. The cost reduction in 2014 is primarily due to expenses related to Sapa AB that are included for the first three months of 2013 (this has no impact on the consolidated statements), as well as a loss in connection with property disposals in 2013.

PERSONNEL

The average number of employees was 947 (966) in the second quarter and 949 (960) for the first half of the year. The reduction in manning compared to last year was driven by a restructuring in Finspång, Sweden that was carried out in the fourth quarter and involved 40 employees. The reduction of employees in Finspång was partly offset by an increase of employees in Shanghai, China to handle increasing volumes.

RISKS AND BUSINESS UNCERTAINTIES

As a group operating globally and in multiple jurisdictions, Gränges is exposed to various risks and uncertainties, such as market, operational and legal risks, as well as to financial risks related to changes in currency rates, interest rates, liquidity and funding capability. Risk management actions in Gränges are focused on identifying, evaluating and reducing risks related to the Group's business and operating environment.

EVENTS AFTER THE REPORTING DATE

On May 23, 2014 an extraordinary shareholders meeting of Gränges AB decided to apply for a reduction of the restricted share capital and other restricted capital in Gränges AB to SEK 100 million in order to provide flexibility for a change in capital structure before a potential listing of Gränges AB.

On August 15, 2014 the Swedish Companies Registration Office registered a reduction of Gränges AB's share capital of SEK 833 million, as well as a reduction of restricted reserves of SEK 262 million (with the corresponding amount increasing retained earnings). Consequently, the share capital of Gränges AB thereafter amounted to SEK 100 million.

On August 12, 2014 Gränges AB's board of directors resolved to propose to the extraordinary shareholders' meeting to declare a dividend of SEK 1 650 million to Orkla. The record day for the profit distribution shall be the day after the shareholder's meeting which is planned to be held in September. The dividend will be funded by existing cash balances and a loan from Orkla which is to be refinanced through Gränges' new senior debt facility in connection with a potential IPO.

On August 20, 2014 Gränges entered into a SEK 1 800 million multicurrency revolving credit facility with Svenska Handelsbanken AB (publ) and Skandinaviska Enskilda Banken AB (publ), with Svenska Handelsbanken AB (publ) acting as agent. The facility is for five years and will come into effect after a potential listing of Gränges AB (publ) on NASDAQ OMX Stockholm, after which loans from and deposits with Orkla will be settled. The loan agreement contains standard representations, undertakings and covenants for Gränges and its subsidiaries.

On July 1, 2014 Gränges divested an industrial property in Skultuna, Sweden. The book value of the asset was SEK 11 million and the sale generated a loss of SEK 4 million.

In order to further strengthen the executive management team Gränges has completed the recruitment of Niclas Nelson as General Legal Counsel and Pernilla Grennfelt as Director Communications and Investor Relations.

FINANCIAL CALENDAR

13 November 2014: Interim Report January – September 2014

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Director Investor Relations
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Stockholm 29th of August, 2014

The board of directors and the CEO certify that the interim report gives a fair view of the performance of the business, financial position and results of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Anders Carlberg Chairman of the board	Terje Andersen Member of the board	Ragnhild Wiborg Member of the board
Bertil Villard Member of the board	Conny Svensson Employee representative	Öystein Larsen Employee representative
Johan Menckel President & CEO		

CONSOLIDATED INCOME STATEMENT (CONDENSED)

Amounts in SEK million	Note	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Net sales	**4**	**1 176**	**1 253**	**2 333**	**2 473**	**4 642**
Cost of materials		-679	-774	-1 359	-1 540	-2 806
Payroll and other operating expenses		-319	-336	-623	-652	-1 278
Depreciation and impairment charges		-48	-48	-97	-92	-187
Other income and expenses	5	-6	-22	-10	-22	85
Operating profit		**124**	**73**	**244**	**167**	**456**
Profit from joint ventures		1	0	2	2	5
Finance income and costs		-5	-8	-14	-23	-43
Profit before taxes		**120**	**65**	**232**	**146**	**418**
Taxes		-30	-17	-57	-38	-109
Profit for the period		**90**	**48**	**175**	**108**	**309**
Earnings per share						
Earnings per share (SEK), basic and diluted		2.41	1.28	4.69	2.88	8.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

Amounts in SEK million	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Profit for the period	90	48	175	108	309
Items not to be reclassified to profit/ loss in subsequent periods					
Actuarial gains and losses pensions after tax	-	-	-	-	8
Items to be reclassified to profit/ loss in subsequent periods					
Change in hedging reserve after tax	18	-8	10	-20	-15
Translation effects	1	81	9	82	25
Comprehensive income	**19**	**73**	**19**	**62**	**18**
Comprehensive income attributable to owners of the parent	**109**	**121**	**194**	**170**	**327**

CONSOLIDATED BALANCE SHEET (CONDENSED)

Amounts in SEK million	Note	2014-06-30	2013-06-30	2013-12-31
ASSETS				
Property, plant and equipment		1 618	1 720	1 661
Intangible assets		11	15	13
Deferred tax assets		36	36	34
Investments in joint ventures		28	37	25
Interest-bearing receivables		27	-	26
Non-current assets		**1 720**	**1 808**	**1 759**
Inventories		717	699	680
Receivables	2	1 155	1 447	1 291
Cash and cash equivalents		1 247	761	896
Current assets		**3 119**	**2 907**	**2 867**
TOTAL ASSETS		**4 839**	**4 715**	**4 626**
EQUITY				
Paid in equity		1 195	1 195	1 195
Retained earnings		2 223	1 746	1 903
Total equity		**3 418**	**2 941**	**3 098**
LIABILITIES				
Interest-bearing liabilities		27	236	265
Provisions and other non-current liabilities		164	165	135
Non-current liabilities		**191**	**401**	**400**
Interest-bearing liabilities		416	625	412
Other current liabilities	2	814	748	716
Current liabilities		**1 230**	**1 373**	**1 128**
TOTAL EQUITY AND LIABILITIES		**4 839**	**4 715**	**4 626**

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

Amounts in SEK million	2014	2013
Opening balance as at 1 January	**3 098**	**2 208**
Profit/loss for the period	175	108
Items in comprehensive income for the period	19	62
Total comprehensive income for the period	**194**	**170**
Group contributions/Shareholder contributions	126	563
Total transactions with owners, recognised directly in equity	**126**	**563**
Closing balance as at 30 June	**3 418**	**2 941**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK million	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Operating profit	124	73	244	167	456
Depreciation and impairment charges	48	48	97	92	194
Items without cash flow effect	-	-	-	-	-136
Change in net working capital etc.	-44	77	201	-36	118
Taxes paid	-24	-49	-55	-49	-31
Cash flow from operating activities	**104**	**149**	**487**	**174**	**601**
Cash flow from investing activities					
Investments property, plant and equipment and intangible assets	-12	-23	-33	-49	-125
Sales of property, plant and equipment	0	-	0	1	5
Investment in joint ventures	-	-	-	-	-5
Other capital transactions	-1	-12	-1	-34	-26
Cash flow from investing activities	**-13**	**-35**	**-34**	**-82**	**-151**
Cash flow from financing activities					
Shereholder/group contributions (net paid to/received from shareholders)	126	532	126	547	567
Interest paid/received (net)	-4	-8	-11	-26	-43
Change in interest-bearing liabilities	-1	-467	-234	-404	-586
Change in interest-bearing receivables	-1	-	-1	-	-26
Change in net interest-bearing liabilities	-2	-467	-235	-404	-612
Cash flow from financing activities	**120**	**57**	**-120**	**117**	**-88**
Cash and cash equivalents at beginning of period	**1 009**	**567**	**896**	**527**	**527**
Change in cash and cash equivalents	211	171	333	209	362
Currency effect of cash and cash equivalents	27	23	18	25	7
Cash and cash equivalents at end of period	**1 247**	**761**	**1 247**	**761**	**896**

PARENT COMPANY INCOME STATEMENT (CONDENSED)

Amounts in SEK million	Jan-Jun 2014	Jan-Jun 2013
Net sales	48	89
Payroll and other operating expenses	-58	-178
Depreciation and impairment charges	-8	-12
Other income and expenses	2	-113
Operating profit	**-16**	**-214**
Financial income and costs	15	-10
Profit/loss before taxes	**-1**	**-224**
Taxes	0	0
Profit/loss for the period	**-1**	**-224**

PARENT COMPANY BALANCE SHEET (CONDENSED)

Amounts in SEK million	2014-06-30	2013-12-31
ASSETS		
Property, plant and equipment	249	257
Participations in group companies	421	421
Receivables from group companies	560	575
Interest-bearing receivables	27	27
Financial fixed assets	**1 008**	**1 023**
Non-current assets	**1 257**	**1 280**
Receivables from group companies	317	747
Other receivables	73	32
Cash and cash equivalents	337	1
Current assets	**727**	**780**
TOTAL ASSETS	**1 984**	**2 060**
EQUITY AND LIABILITIES		
Equity		
Restricted equity	1 195	1 195
Unrestricted equity	652	653
Total equity	**1 847**	**1 848**
Untaxed reserves, additional depreciation	9	9
Provisions and other non-current liabilities	50	49
Liabilities to group companies	19	84
Other current liabilities	59	70
Total current liabilities	**78**	**154**
TOTAL EQUITY AND LIABILITIES	**1 984**	**2 060**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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 Consolidated Financial Statements for Gränges AB (publ) 2011-2013, which are available at www.granges.com. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act.

Accounting principles for the Parent Company

The Parent Company applies the Annual Accounts Act and RFR 2 Reporting for legal entities. Application of RFR 2 entails that in interim reporting for legal entities, the Parent Company is to apply all IFRSs and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligation Vesting Act and taking into account the connection between accounting and taxation.

The main deviations between the accounting principles applied by the Gränges Group and the parent company are described below.

Gränges Group applies IAS 19 Employee Benefits in the consolidated financial statements. The Parent Company applies the principles of FAR's Recommendation RedR4 Accounting of pension liabilities and pension costs. Consequently there are differences between the Gränges Group and the Parent Company in the accounting of defined benefit pension plans.

Regarding machinery and equipment, the Parent Company recognises the difference between depreciation according to plan and tax depreciation as accumulated additional depreciation, included in untaxed reserves.

Group contributions received from subsidiaries are recognised as financial revenues and group contributions received from the parent company are recognised in equity.

Gränges Group applies IAS 39 Financial instruments: Recognition and measurement and measure derivatives at fair value. The Parent Company measures the derivatives at cost in accordance with the Swedish Annual Accounts Act.

New accounting principles 2014

No new IFRS or IFRIC-interpretations have had any material impact during 2014.

NOTE 2 FINANCIAL INSTRUMENTS

Financial instruments measured at fair value consist of derivative instruments (currency forwards, currency swaps and aluminium futures). Receivables include derivative instruments amounting to SEK 16 million (SEK 75 million for the corresponding period in 2013 and SEK 25 million as of 31st December 2013). Other liabilities include derivative instruments amounting to SEK 46 million (SEK 34 million for the corresponding period in 2013 and SEK 29 million as of 31st December 2013).

All derivatives measured at fair value are classified according to level 2, i.e. all significant inputs required to determine the fair value of the instruments are observable. The derivatives are calculated as follows. Currency forwards and currency swaps are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the statement of financial position date. Aluminium futures are measured at fair value using the quoted futures price on the LME (London Metal Exchange).

The use of derivatives involves a counterparty risk, in that a potential gain will not be realized if the counterparty does not fulfill its part of the contract. The Group has entered into netting agreements (primarily ISDA) agreements with counterparties that are eligible for derivative transactions. Netting means that receivables and debts may be offset in some situations, including in the event of counterparty insolvency. These netting agreements have no impact on the Granges Group's reported financial position, as derivative transactions are reported gross.

Management has assessed that there are no material differences between the fair values and carrying values of financial instruments carried at amortized cost. For current borrowings the impact of discounting is not significant and interest-bearing liabilities are also at variable interest rates.

NOTE 3 INSURANCE SETTLEMENT

In December 2013 an arbitral award was issued in the process between Gränges and the insurer related to the fire in Finspång in February 2010. The settlement entitled Gränges to a net compensation of SEK 325 million, in addition to the SEK 120 million already received in 2010. As Gränges at the time of the settlement had a booked net claim of SEK 165 million the claim was increased by SEK 160 million to SEK 325 million in December 2013, recording an other income and an increase in receivables. The cash flow effect of the settlement occurred in January 2014.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 4 RELATED PARTY TRANSACTIONS

Transactions are made between Gränges Group and the owner Orkla Group. Gränges has paid its share of joint expenses to Orkla. Orkla has provided capital through equity and loans. Transactions are also made with the joint venture, Norca Heat Transfer LLC. The transactions with Orkla and Norca are specified in the table below.

Amounts in SEK million	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
Joint expenses from Orkla ASA and Sapa Group	-1	-4	-2	-11	-17
Sales to group companies and joint venture	149	153	307	325	708

Amounts in SEK million	2014-06-30	2013-06-30	2013-12-31
Interest-bearing receivables joint ventures	27	-	26
Accounts receivable	21	-	-
Accounts payable	1	2	-
Interest-bearing liabilities (non-current)	27	235	265
Interest-bearing liabilities (current)	18	73	81

NOTE 5 OTHER INCOME AND EXPENSES

Amounts in SEK million	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Dec 2013
M&A costs	-5	-14	-5	-14	-24
Finspång fire costs (net)	-1	-1	-5	-1	136
Finspång restructuring costs	-	-	-	-	-13
Other costs	-	-7	-	-7	-14
Total other income and expenses	**-6**	**-22**	**-10**	**-22**	**85**
Of this:					
Write-down property, plant and equipment	-	-	-	-	-7
Write-down intangible assets	-	-	-	-	-

In 2014 a process was initiated to prepare Gränges for an IPO. The costs for this process amounted to SEK 5 million for the first half of the year in 2014. M&A costs in 2013 refer to consultant fees for the demerger of Gränges AB and Sapa AB, and for a later cancelled process to divest Gränges.

Finspång fire costs relates to the aftermath of the fire in Finspång in February 2010. The costs for the first half of the year in 2013 and 2014 respectively refer to consultant fees related to an arbitration process between Gränges and the insurance company.

CONSOLIDATED QUARTERLY DATA

	2014		2013			
Amounts in SEK million	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Sales volume (ktonnes)	41.7	41.3	37.6	39.2	41.8	40.0
Income statement						
Net sales	1 176	1 157	1 065	1 104	1 253	1 220
Adjusted EBITDA	178	173	132	145	143	138
Adjusted operating profit (EBIT)	130	124	84	98	95	94
Operating profit (EBIT)	124	120	230	60	73	94
Profit for the period	90	85	162	40	48	60
Margins						
Adjusted EBITDA margin, %	15.2	15.0	12.4	13.1	11.4	11.3
Adjusted operating margin, %	11.1	10.7	7.9	8.9	7.5	7.7
Operating margin, %	10.5	10.4	21.6	5.4	5.8	7.7
Net margin, %	7.7	7.4	15.2	3.6	3.8	4.9
Cash flow						
Operating activities	104	383	277	151	149	25
Investment activities	(13)	(21)	(42)	(27)	(35)	(47)
Net cash flow before financing activities	**91**	**362**	**235**	**124**	**114**	**(22)**
Financing activites	120	(241)	(70)	(134)	57	59
Cash flow for the period	**211**	**122**	**165**	**(11)**	**171**	**37**
Data per share						
Earnings per share (SEK)*	2.41	2.28	4.33	1.06	1.28	1.60
Number of outstanding shares						
Weighted outstanding ordinary shares, '000	37 319.7	37 319.7	37 319.7	37 319.7	37 319.7	37 319.7

*) Basic and diluted

CONSOLIDATED QUARTERLY DATA

	2014		2013			
Amounts in SEK million	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Sales volume (ktonnes)						
Asia	21.1	19.4	18.0	17.7	20.0	19.3
Europe	15.0	16.0	14.5	15.0	15.8	14.2
Americas	5.7	6.0	5.1	6.5	5.9	6.5
Gränges	**41.7**	**41.3**	**37.6**	**39.2**	**41.8**	**40.0**
Net sales						
Asia	588	563	535	504	626	607
Europe	426	426	385	412	454	421
Americas	162	168	145	187	174	193
Gränges	**1 176**	**1 157**	**1 065**	**1 104**	**1 253**	**1 220**

Amounts in SEK million	**2014-06-30**	**2014-03-31**	**2013-12-31**	**2013-09-30**	**2013-06-30**	**2013-03-31**
Balance sheet						
Non-current assets	1 720	1 715	1 759	1 767	1 808	1 781
Current assets	3 119	2 754	2 867	2 730	2 907	2 664
Equity	3 418	3 154	3 098	2 912	2 941	2 266
Non-current liabilities	191	163	400	430	401	977
Current liabilities	1 230	1 152	1 128	1 155	1 373	1 202
Other						
Net cash/(debt)	711	471	126	(128)	(227)	(890)
Capital employed	2 707	2 683	2 972	3 039	3 167	3 156

CONSOLIDATED 12-MONTH ROLLING DATA

Amounts in SEK million	Jul 2013 - Jun 2014	Apr 2013 - Mar 2014	Jan 2013 - Dec 2013	Oct 2012 - Sep 2013	Jul 2012 - Jun 2013	Apr 2012 - Mar 2013
Sales volume (ktonnes)	159.9	160.0	158.6	158.1	154.5	153.6
Income statement						
Net sales	4 502	4 579	4 642	4 757	4 809	4 931
Adjusted EBITDA	628	593	558	550	522	542
Adjusted operating profit (EBIT)	437	401	371	372	348	374
Operating profit (EBIT)	534	482	456	324	365	405
Margins						
Adjusted EBITDA margin, %	14.0	12.9	12.0	11.6	10.8	11.0
Adjusted operating margin, %	9.7	8.8	8.0	7.8	7.2	7.6
Operating margin, %	11.9	10.5	9.8	6.8	7.6	8.2
Return indicators						
Return on capital employed, %	15.0	13.4	12.0	12.0	11.1	11.8
Return on equity, %	12.1	11.6	11.5	-	-	-
Other						
Net debt / Adjusted EBITDA	(1.1)	(0.8)	(0.2)	0.2	0.4	1.6

DEFINITIONS

Sales volume
Volumes sold in metric tonnes

Operating profit (EBIT)
Profit before interest and taxes

Adjusted operating profit (Adjusted EBIT)
Operating profit adjusted for other income and expenses

Adjusted EBITDA
Adjusted operating profit before depreciation and impairment charges

Net cash flow before financing activities
Cash flow from operating activities + cash flow from investing activities

Cash conversion rate
Net cash flow before financing activities as percentage of adjusted EBITDA

Capital employed
(Total assets – cash and cash equivalents – interest-bearing receivables) – (Non-interest bearing liabilities)

Return on capital employed (ROCE)
(Adjusted operating profit, rolling 12 months) / (Capital employed, rolling 12 months average)

Return on equity (ROE)
(Profit for the period, rolling 12 months) / (Equity, rolling 12 months average)

Net cash/(debt)
(Cash and cash equivalents + interest-bearing receivables) – (Interest bearing liabilities + pension liabilities); all calculated at end of period

Other income and expenses
Revenues and costs considered to be non-recurring

kton
One thousand metric tonnes

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Reg.no. 556001-6122

Auditors' report regarding interim report for the period January 1 – June 30, 2014

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

Gränges AB (publ), corporate identity number 556001-6122

Introduction

We have reviewed the condensed interim report for Gränges AB (publ) as at June 30, 2014 and for the sixth 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

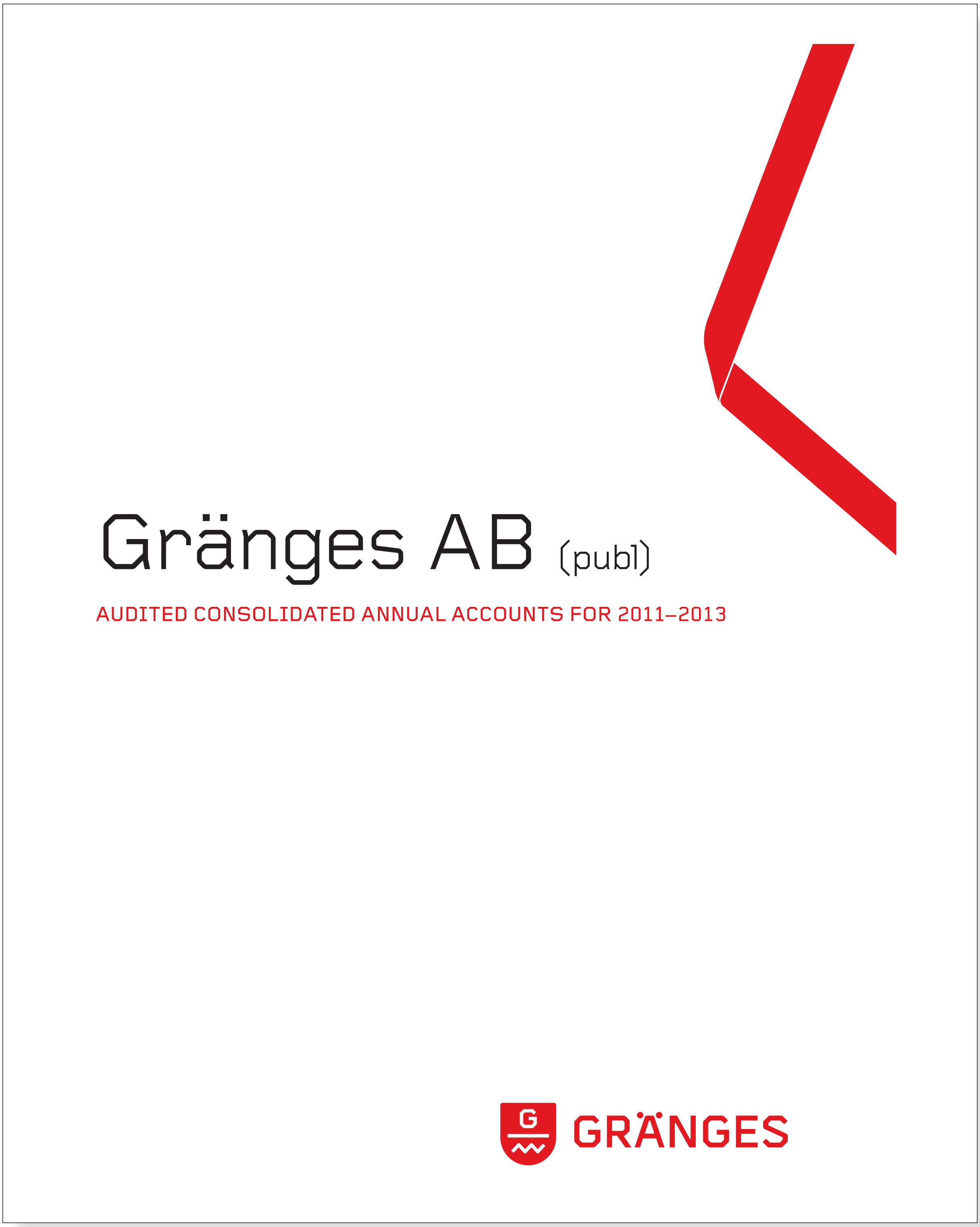
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent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

Stockholm, August 29, 2014

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Audited consolidated annual accounts for the period 2011–2013



Gränges AB (publ)

AUDITED CONSOLIDATED ANNUAL ACCOUNTS FOR 2011–2013

GRÄNGES

CONSOLIDATED INCOME STATEMENT

Amounts in SEK million	Note	2013	2012	2011
Sales revenues		4 566	4 826	4 696
Sales revenues, group	30	62	80	106
Other operating revenues		14	40	38
Net sales	7	**4 642**	**4 946**	**4 840**
Cost of materials		–2 806	–3 126	–3 186
Payroll expenses	8,9	–418	–405	–399
Other operating expenses	10	–860	–889	–898
Depreciation and impairment charges	17	–187	–164	–148
Other income and expenses	11	85	30	–91
Operating profit		**456**	**392**	**118**
Profit from joint ventures	6	5	3	3
Finance income	12	5	2	3
Finance costs	12	–48	–66	–60
Profit/loss before taxes		**418**	**331**	**64**
Taxes	13	–109	–15	2
Profit/loss for the year		**309**	**316**	**66**
Profit/loss attributable to non-controlling interests		–	–	–
Profit/loss attributable to owners of the parent		309	316	66
Adjusted operating profit[1]		371	362	209

1) Operating profit before other income and expenses.

EARNINGS PER SHARE

	Note	2013	2012	2011
Earnings per share (SEK), basic and diluted	14	8.28	8.47	1.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	Note	2013	2012	2011
Profit/loss for the year		309	316	66
Items not to be reclassified to profit/loss in subsequent periods				
Actuarial gains and losses pensions before tax	9	10	1	–2
Tax on above		–2	0	0
Items to be reclassified to profit/loss in subsequent periods				
Change in hedging reserve before tax	26	–20	–13	–73
Tax on above		4	4	18
Items charged to equity in joint ventures	6	–	–2	–1
Translation effects		25	–70	115
Comprehensive income		**327**	**236**	**123**
Profit/loss attributable to non-controlling interests		–	–	–
Profit/loss attributable to owners of the parent		327	236	123

2 GRÄNGES AB (PUBL) AUDITED CONSOLIDATED ANNUAL ACCOUNTS FOR 2011–2013

CONSOLIDATED BALANCE SHEET

Amounts in SEK million	Note	2013	2012	2011
ASSETS				
Property, plant and equipment	17	1 661	1 713	1 646
Intangible assets	16	13	17	10
Deferred tax assets	13	34	19	38
Investments in joint ventures	6	25	27	26
Interest-bearing receivables	19,24,30	26	–	–
Non-current assets		**1 759**	**1 776**	**1 720**
Inventories	18	680	800	838
Receivables	20	1 291	1 193	1 380
Cash and cash equivalents	21	896	527	452
Current assets		**2 867**	**2 520**	**2 670**
TOTAL ASSETS		**4 626**	**4 296**	**4 390**
EQUITY AND LIABILITIES				
Paid-in equity	27	1 195	1 195	1 195
Retained earnings		1 903	1 013	1 065
Equity		**3 098**	**2 208**	**2 260**
Deferred tax	13	16	22	8
Pension liabilities	9	119	128	126
Interest-bearing liabilities	19, 24	265	809	575
Non-current liabilities		**400**	**959**	**709**
Interest-bearing liabilities	19, 24	412	457	679
Income tax payable	13	94	1	44
Other liabilities	22	622	671	698
Current liabilities		**1 128**	**1 129**	**1 421**
TOTAL EQUITY AND LIABILITIES		**4 626**	**4 296**	**4 390**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK million	Note	2013	2012	2011
Operating profit		456	392	118
Depreciation and impairment charges		194	164	148
Items without cash flow effect	11	–136	–55	–
Change in net working capital etc.		118	215	–106
Taxes paid		–31	–67	–35
Cash flow from operating activities		**601**	**649**	**125**
Investments property, plant and equipment and intangible assets	16, 17	–125	–293	–323
Sale of property, plant and equipment		5	2	12
Investment in joint ventures	6	–5	–	–
Other capital transactions		–26	43	–20
Cash flow from investing activities		**–151**	**–248**	**–331**
Shareholder and group contributions (net paid to/received from shareholders)		567	–252	–6
Interest paid/received (net)	12	–43	–59	–52
Change in interest-bearing liabilities		–586	10	376
Change in interest-bearing receivables		–26	–	–
Change in net interest-bearing liabilities		–612	10	376
Cash flow from financing activities		**–88**	**–301**	**318**
Change in cash and cash equivalents		**362**	**100**	**112**
Cash and cash equivalents as of 1 January		**527**	**452**	**319**
Change in cash and cash equivalents		362	100	112
Currency effect of cash and cash equivalents		7	–25	21
Cash and cash equivalents as of 31 December	**21**	**896**	**527**	**452**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK million	Share-capital	Statutory reserve	Total paid-in equity	Hedging reserve	Translation effects	Other equity	Total Equity
Equity 1.1.2011	**933**	**262**	**1 195**	**74**	**78**	**811**	**2 158**
Profit/loss for the year			–			66	66
Items in comprehensive income			–	–55	114	–2	57
Group comprehensive income	–	–	–	–55	114	64	123
Group contributions			–	–	–	–21	–21
Equity 31.12.2011	**933**	**262**	**1 195**	**19**	**192**	**854**	**2 260**
Profit/loss for the year			–			316	316
Items in comprehensive income			–	–9	–72	1	–80
Group comprehensive income	–	–	–	–9	–72	317	236
Group contributions			–	–	–	–288	–288
Equity 31.12.2012	**933**	**262**	**1 195**	**10**	**120**	**883**	**2 208**
Profit/loss for the year			–			309	309
Items in comprehensive income			–	–15	25	8	18
Group comprehensive income	–	–	–	–15	25	317	327
Group contributions and shareholder contributions			–	–	–	563	563
Equity 31.12.2013	**933**	**262**	**1 195**	**–5**	**145**	**1 763**	**3 098**

CONTENTS – NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: General Information

Gränges AB (the parent company) and its subsidiaries (together called the Group) develop, produce, and distribute rolled aluminium material for heat exchanger applications. The Group has R&D and production facilities in Finspång, Sweden, and Shanghai, China, and serves the global market through sales companies in the USA, India, Korea, and Japan. The parent company is registered in Sweden with offices located on Humlegårdsgatan in Stockholm. Up until 2013 Gränges was a part of the Sapa Group and operated under the name 'Sapa Heat Transfer'.

The Board of Directors of Gränges AB has on 29 August, 2014, approved this document for publication.

Note 2: Basis for preparation of the consolidated financial statements

BACKGROUND

In connection with the potential initial public offering of Gränges AB historical consolidated financial statements for the periods 2011, 2012 and 2013 have been prepared.

BASIS FOR PREPARATION

The consolidated Gränges Group includes, in addition to the parent company Gränges AB, direct and indirect held subsidiaries of Gränges AB based on the legal structure that existed on 31 December 2013. Gränges AB is owned by Orkla Industriinvesteringar AB, ultimately owned by Orkla ASA in Norway.

The legal Gränges Group was established through a demerger of the former Sapa Group into Sapa (today a joint venture with Hydro active within aluminium extrusions) and Gränges (active within aluminium rolling) which was finalized in March 2013. This was a common control transaction for Orkla resulting in no shift in control but merely a restructuring of legal structures.

A legal demerger of the parent company of the former Sapa Group, Sapa AB, (now name changed to Gränges AB and parent company of the Gränges Group) was finalized in March 2013. The demerger resulted in two separate legal entities (Gränges AB and New Sapa AB) that already, prior to the demerger, was managed and operated separately. In other words, economically the two new entities are continuations of their respective businesses, and none of them are continuations of the business of the former entity.

There is currently no guidance regarding common control transactions in the International Financial Reporting Standards (IFRS). Based on the structure of the demerger, Gränges has chosen to prepare the consolidated financial statements as described below which Gränges believes is in line with current practice.

The legal demerger has meant that the parent company Gränges AB's accounts in the preparation of the consolidated financial statements for the financial years 2011–2013 has been adjusted for the parts pertaining to the Sapa operations for the period January-March 2013 and the full years 2011 and 2012. The activities of the parent company during the period 2011–2013 mainly comprised parent company functions.

The subsidiaries of the Gränges Group already reported as separate entities in the old Sapa structure and the previously reported financial statements for those subsidiaries have been consolidated by Orkla. This means that the demerger has neither affected the operations nor the accounting of the subsidiaries included in the Gränges Group for the period 2011–2013.

The consolidated financial statements are general-purpose financial statements and have been prepared and presented in full compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The Gränges Group is using the same presentation and accounting principles for all three years. The valuation and recognition of the items in the financial statements have been carried out in accordance with current IFRS standards. The most important principles are described below.

The financial statements are primarily based on the historical cost principle. Cash flow hedges that satisfy the criteria for hedge accounting are reported at fair value in the balance sheet and changes in value are recognised in comprehensive income.

Assets that no longer justify their value are written down to the recoverable amount, which is the higher of value in use and fair value minus selling costs.

The accrual accounting principle and the going concern assumption are underlying assumptions for preparing the financial statements.

An asset or liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it falls due within 12 months and when it consists of cash or cash equivalents on the balance sheet date. Other items are non-current. A dividend does not become a liability until it has been formally approved by the general meeting.

All amounts are in million SEK unless otherwise stated. Negative figures are either expenses or disbursements (cash flow). The functional currency of the parent company is SEK and the Group's reporting currency is SEK.

OTHER INCOME AND EXPENSES

Other income and expenses are presented on a separate line. The main purpose of this line is to present material non-recurring items and items substantially relating to other periods separately to ensure that the changes in and comparability of the lines presented in Adjusted operating profit are more relevant to the company.

CONSOLIDATION PRINCIPLES

The financial statements show the overall financial results and the overall financial position when the parent company Gränges AB and its controlling interests in other companies are presented as a single economic entity. All the companies have applied consistent principles and all intercompany matters have been eliminated.

Interests in companies in which the Group alone has controlling interest (subsidiaries) have been fully consolidated, line by line, in the consolidated financial statements from the date the Group has control and are consolidated until the date that such control ends. The determining factor for whether an enterprise is to be consolidated is whether the Group is deemed to have control. If the Group has control, but owns less than 100% of the subsidiaries, the non-controlling interests' share of profit or loss after tax and their share of equity are presented on separate lines. Gränges has no non-controlling interests.

Interests in companies in which the Group together with others has controlling interest (joint ventures, see Note 6) are accounted for using the equity method. This applies to companies where the Group has entered into an agreement with another party to operate and develop a joint company in which neither of the parties alone has control. The Group's share of profit or loss after tax and equity in the joint venture is presented on one line in the income statement and the balance sheet, respectively, on the line "Profit/loss from joint ventures" in the income statement and the line "Investments in joint ventures" in the balance sheet. The main company in this category is Norca Heat Transfer, in which Gränges owns 50%, and the remaining 50% is owned by Kirchain Inc. (see Note 6).

Interests in companies over which the Group has significant influence (associates) are also valued using the equity method. This applies to companies in which the Group owns an interest of between 20% and 50%. Gränges does not have any interests in associates.

THE BASIS FOR ALLOCATION OF INCOME, EXPENSES AND ASSETS AND LIABILITIES

Gränges Group is mainly reported the same way as the segment Gränges in Orkla's annual report, except from goodwill on Orkla level. Some assumptions were taken when the total Sapa business was divided into Sapa (part of future JV) and the Gränges business in 2012.

Regarding allocation of general and overhead costs between the two businesses, the assumptions made in establishing Sapa JV are also valid for the establishing of Gränges in the years 2011 and 2012. In 2013 the Gränges Group has been reported on its own from April, but as a part of the Orkla Group the Gränges Group has not established own functions for finance, tax and some other Corporate functions. The Gränges Group has been charged for management fee to compensate for the lack of own functions. Operating as a listed company Gränges has to build its own functions for these areas.

The Orkla Group uses a centralised approach to financing of its operations. As a result, the Gränges business has not had separate external financing. There has been no allocation of Orkla's external debt to the Gränges business. Intercompany loans held by legal entities transferred to the Gränges Group are included in the consolidated balance sheet of the Group.

When the demerger in Sapa AB took place in 2013, intercompany borrowings were converted to equity. The equity in 2011 and 2012 consist of equity in the legal entities in the new Gränges Group and interest free borrowings and receivables from or to the Orkla Group have been allocated to equity.

Orkla ASA has historically used a centralized approach to cash management that operates as an internal banking system (cash pool). Balances owed to, or owing from, Gränges Group entities under the Orkla ASA centralised cash management have been presented gross in the balance sheet and included in "Cash and cash equivalents" (see Note 21) and "Interest-bearing liabilities" (see Note 24) respectively. The level of "Cash, cash equivalents and deposit in Group cash pool" may not be indicative of the future level of cash in the new Gränges Group.

Note 3: New accounting standards

New and amended IASB accounting standards that have been endorsed by the EU may affect the preparation and presentation of financial statements to varying degrees. As from the 2013 financial year, Gränges has adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. In addition, IFRS 13 Fair Value Measurement and amendments to IAS 19 Employee Benefits were adopted as from 1 January 2013. The introduction of the new standards has also entailed changes in IAS 27 Revised, Separate Financial Statements, IAS 28 Revised, Investments in Associates and Joint Ventures. A minor change has also been made in IAS 32 Amendment, Offsetting Financial Assets and Financial Liabilities. The effects of the changes with regard to pensions (IAS 19) and for joint ventures (IFRS 11) are restated for all three years. The other standards have no material effect on Gränges consolidated financial statements. A limited number of amended standards and interpretations shall be applied as from 2014 but none of them are expected to have any impact on Gränges' accounting.

FUTURE CHANGES IN STANDARDS

The consolidated financial statements will be affected by IFRS amendments in the future. In May 2014, IASB issued a new standard on revenue and in July they issued the remaining parts of the new standard on financial instruments. IASB is also working on new standards for leasing and insurance contracts and a number of amendments to existing standards. Gränges has thus far not analyzed any potential effects from future IFRS amendments.

Note 4: Key accounting principles

PROFIT/LOSS

Revenue is recognised when it is probable that transactions will generate future economic benefit that will flow to the company and the amount of the revenue can be measured with reliability. Sales revenues are presented after deducting discounts, value added tax and other government charges and taxes.

Sales of goods. The Gränges Group sells goods on many different markets, and revenues from the sale of goods are recognised in the income statement when the risk and rewards of ownership of the goods are passed to the buyer.

Sales of services. Revenues from sales of services for the Gränges Group are limited and primarily refer to rental income from premises owned by Gränges AB. Rental income from rent of premises is recognised on a straight line basis over the lease term.

Gains on the sale of property, plant and equipment are presented as "Other income" and are included in the income statement.

Interest revenues are recognised when they are earned and are presented under "Finance income".

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income presents items that are recognised in equity, but are not included in ordinary profit or loss for the period. The items in the statement are actuarial gains and losses on pensions, changes in hedging reserves in hedging transactions and currency translation effects. Actuarial gains and losses on pensions are recognised in equity with permanent effect, while the other items are recognised in equity temporarily and reversed when the related assets/items are sold or settled.

ASSETS

Property, plant and equipment are tangible items intended for production, delivery of goods or administrative purposes and have a lasting useful life. They are recognised in the balance sheet at cost minus any accumulated depreciation and write-downs. Direct maintenance of assets is expensed under operating expenses as and when the maintenance is carried out, while major periodical maintenance and expenditure on replacements or improvements are added to the cost price of the assets. Property, plant and equipment are depreciated on a straight line basis over their useful life. Residual value is taken into account and the depreciation plan is reviewed annually. If there is any indication that an asset may be impaired, the asset will be written down to the recoverable amount if the recoverable amount is lower than the carrying value.

Borrowing costs related to the production of the Group's own property, plant and equipment are capitalised as a part of the cost of the asset.

Intangible assets. Research and development (R&D) expenditure is the expenses incurred by the Group in conducting research and development, studies of existing or new products, production processes, etc. in order to secure future earnings. Expenditure on research will always be expensed directly, while expenditure on development will be recognised in the balance sheet if the underlying economic factors are identifiable and represent probable future economic benefits of which the Group has control. The Group has a large number of projects under consideration at all times, but for the time being no projects that end in capitalisation, apart from the IT development described below. This is due to the considerable uncertainty throughout the decision-making process and the fact that only a small percentage of all projects culminate in commercial products. Furthermore, the expenses that qualify for recognition in the balance sheet are relatively small, as it is only from the time the decision to develop the product is made that development expenses can be capitalised, and that decision-making point comes at a late stage of the process (see Note 16).

Capitalised expenditure on internally generated or specially adapted computer programmes is presented as intangible assets. The reinvestment need of specially adapted computer programmes and the like is similar to that of other tangible assets, and the amortisation of this type of intangible asset is presented together with the Group's other depreciation.

Expenditures related to internal generated intangible assets are expensed directly since the future economic benefits to the company cannot be identified and shown to be probable with any degree of certainty at the time the intangible assets are being developed. The fair value of intangible assets acquired by the company through business combinations is capitalised. Intangible assets with indefinite life will not be amortised while other intangible assets will be amortised over their useful life. Gränges has at present no such capitalised intangible assets.

Goodwill is the residual value consisting of the difference between the purchase price and the capitalised value of an acquired company after a purchase price allocation has been carried out. The concept of goodwill comprises payment for expectations of synergy gains, assets related to employees, other intangible assets that do not qualify for capitalisation as a separate item and the fact that deferred tax may not be discounted. Capitalised goodwill derives solely from acquisitions. Goodwill is not amortised, but is tested at least once a year for impairment prior to preparing and presenting the financial statements for the third quarter. Gränges has only recognised a minor goodwill in the balance sheet.

Inventories are valued at the lower of cost and net realisable value. Purchased goods are valued at cost according to the FIFO principle, while internally manufactured finished goods and work in progress are valued at production cost. Deductions are made for obsolescence. Net realisable value is the estimated selling price minus selling costs. Inventory items which qualify as hedging objects in fair value hedges are carried at fair value (see "Fair value hedging" below).

Accounts receivable are recognised and presented at the original invoice amount and written down if events causing a loss have occurred that can be measured reliably and that will affect payment of the receivable. Trade receivables are thus valued at amortised cost using the effective interest rate method. The interest rate element is disregarded if it is immaterial, which is the case for the vast majority of the Group's trade receivables.

Cash and cash equivalents (including deposits in Group cash pool) are held for the purpose of meeting short-term fluctuations in liquidity rather than for investment purposes. Cash and cash equivalents consist of cash, bank deposits and current deposits with a maturity of three months or less. As far as possible, excess liquidity is placed with Orkla's cash pool or as deposits with Orkla, see Note 21. In some countries e.g. China, it may not be possible to participate in cash pools.

EQUITY, DEBT AND LIABILITIES

Pensions. Gränges has pension schemes in Sweden, mainly defined contribution plans but also some unfunded defined benefit plans.

In the defined contribution pension plans, the company is responsible for making an agreed contribution to the employee's pension assets. The future pension will be determined by the amount of the contributions and the return on the pension savings. Once the contributions have been paid, there are no further payment obligations attached to the defined contribution pension, i.e. there is no liability to record in the balance sheet. The pension costs related to defined contribution plans will be equal to the contributions to employees' pension savings in the reporting period and is reported as payroll expenses.

Defined benefit pension plans are based on a promise by the company to the employees that they will receive a certain level of pension upon retirement, normally defined as a percentage of final pay. The company is responsible for the amount of the future pension benefit and the financial value of this obligation must be reported in the income statement and balance sheet. The current service cost is reported as payroll expenses, while interests on pension obligations are reported as finance cost.

The accrued liability is calculated on a straight-line accruals basis, and is measured as the present value of the estimated future pension payments that are vested on the balance sheet date. The capitalised net liability is the sum of the accrued pension liability.

Changes in the liability for defined benefit plans due to changes in pension plans are reported in their entirety in the income statement in the case of changes that give rise to an immediate paid-up policy entitlement. Actuarial gains and losses are recognised in equity through the statement of comprehensive income.

Provisions are recognised in the financial statements in the case of potential loss making contracts and restructuring measures that have been adopted. The provisions will not cover possible future operating losses. In the case of restructuring provisions, there must be a detailed plan that identifies which parts of the business are to be restructured, and a valid expectation must have been created among those concerned that the restructuring will be carried out. In addition, it must be possible to provide a reliable estimate of the amount of the liability. The provision is calculated on the basis of the best estimate of anticipated expenses. If the effect is material, anticipated future cash flows will be discounted, using a current pre-tax interest rate that reflects the risks specific to the provision.

Contingent liabilities and contingent assets. A contingent liability or asset is a possible obligation or a possible asset whose existence is uncertain and will be confirmed by the occurrence or non-occurrence of a future special event, such as the outcome of legal proceedings or the final settlement of an insurance claim. If there is a more than 50% probability that a liability has arisen, a provision is recognised in the balance sheet. If the probability is lower, a contingent liability is disclosed in notes to the financial statements unless the probability of disbursement is very small. An asset will only be recognised in the balance sheet if it is highly probable (95%) that the Group will receive the asset. The disclosure requirement applies to contingent assets where an inflow of economic benefits is probable.

Taxes. Income tax expense consists of the total of current taxes and changes in deferred tax. Current taxes are recognised in the financial statements at the amount that is expected to be paid to the tax authorities on the basis of taxable income reported for entities included in consolidated financial statements. Current taxes and changes in deferred tax are taken to other comprehensive income to the extent that they relate to items that are included in other comprehensive income.

Deferred tax in the balance sheet has been calculated at the nominal tax rate based on temporary differences between accounting and tax basis of assets and liabilities on the balance sheet date. Deferred tax liability relating to goodwill has not been recognised in the balance sheet.

A provision for deferred tax on retained earnings in foreign subsidiaries is recognised to the extent it is probable that dividends will be distributed in the near future.

Deferred tax assets are continuously assessed and are only recognised in the balance sheet to the extent it is probable that future taxable profit will be large enough for the asset to be utilised. Deferred tax liability and deferred tax assets are offset as far as this is possible under taxation legislation and regulations.

FINANCIAL MATTERS

Foreign currency. Transactions in foreign currencies are presented at the exchange rate on the date of the transaction. Financial receivables and liabilities in foreign currencies are presented at the exchange rate on the balance sheet date, and any gain or loss is reported in the income statement as financial items. Other monetary items in a foreign currency are presented at the exchange rate on the balance sheet date, and any gain or loss is reported in the income statement as operating items. Revenues and expenses in subsidiaries with a different functional currency from that of the parent company are translated monthly at the average exchange rate for the month and accumulated. Balance sheet items in subsidiaries with a different functional currency are translated at the exchange rate on the balance sheet date. Translation differences are reported in comprehensive income. Upon disposal of foreign subsidiaries, accumulated translation differences reported in comprehensive income will be reclassified to the income statement.

Derivatives are valued at fair value on the balance sheet date and reported as receivables or liabilities. Gains and losses due to realisation or changes in fair value are reported in the income statement in cases where the derivative is not part of a hedge relationship that satisfies the criteria for hedge accounting. Embedded derivatives in contracts are identified and valued separately. Gränges currently has no embedded derivatives. Purchases and sales of derivatives are recognised at trade date.

Loans and receivables are carried at amortised cost. Thus changes in value resulting from changes in interest rate during the interest rate period are not reported in the income statement.

Hedging. The Group uses the following criteria for classifying a derivative or another financial instrument as a hedging instrument: (1) the hedging instrument is expected to be highly effective in offsetting changes in fair value or cash flows to an identified object – the hedging effectiveness is expected to be between 80–125%, (2) the hedging effectiveness can be measured reliably, (3) satisfactory documentation is established before entering into the hedging instrument, showing among other things that the hedging relationship is effective, (4) in the case of cash flow hedges, that the future transaction is considered to be probable, and (5) the hedging relationship is evaluated regularly and has proved to be effective.

Fair value hedging. Changes in the fair value of derivatives designated as hedging instruments are immediately recognised in income. Changes in the fair value of the hedged item are recognised in income in the same way. Hedge accounting is discontinued if: (a) the hedging instrument has matured, or is terminated, exercised or sold, (b) the hedge no longer satisfies the above mentioned requirements for hedging, or (c) the Group for some reason decides not to continue the fair value hedge. In the case of a discontinued hedge relationship, the changes in the fair value of the hedged item recognised in the balance sheet will be amortised over the remaining life of the item, using the effective interest rate method, in the same way as for the hedging instrument.

Cash flow hedges. DThe efficient part of changes in the fair value of a hedging instrument is recognised in comprehensive income and reclassified to the income statement when the hedged transaction is carried out, and presented on the same line as the hedged transaction. The inefficient part of the hedging instrument is immediately reported in the income statement. When a hedging instrument has matured, or is sold, exercised or terminated, or the Group discontinues the hedging relationship, even though the hedged transaction is still expected to occur, the accumulated gains or losses at this point will remain in comprehensive income, and will be recognised in the income statement when the transaction occurs. If the hedged transaction is no longer expected to occur, the accumulated unrealised gains or losses on the hedging instrument will be recognised in income immediately.

Measurement of financial instruments. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments, by valuation technique (see Note 19):

Level 1: Quoted, unadjusted prices in active markets for identical assets and liabilities.
Level 2: Other techniques for which all inputs which have significant effect on the recorded fair value, are observable, either directly or indirectly.
Level 3: Other techniques which use inputs that have significant effect on the recorded fair value that are not based on observable market data.

The Gränges Group do not have either listed nor unlisted shares that would have been considered to be at level 1 or 3.

Derivatives are considered to be at level 2. The foreign exchange element in currency forward contracts is measured at observable market prices. Different maturity dates add an interest-rate element resulting in an estimated fair value of the currency forward contracts. Aluminium futures are measured at observable quoted future prices on the LME (London Metal Exchange) and the SHFE (Shanghai Future Exchange).

SEGMENTS

Gränges develops, produces, and distributes rolled aluminium material for heat exchanger applications. The heat exchanger industry is global and relatively consolidated with a small number of large global customers accounting for more than 50% of Gränges' sales. A key account organization is responsible for Gränges' global key customers. The business is governed through a matrix reporting structure combining key accounts with regional markets and production entities.

Historically, as part of the Sapa Group, Gränges reporting structure was based on regional or local operating entities. This was in line with how Sapa's main business, the aluminium extrusions, was followed up. This is a business that is largely exposed to local or regional markets as opposed to Gränges large share of global customers. Following the separation from Sapa, Gränges has chosen to align its modus operandi and reporting structure with the more global nature of its business. As a consequence, Gränges reports one global segment, in line with IFRS 8 requirements.

For figures of the geographical distribution of non-current assets, net sales and average number of employees, see Note 7.

OTHER MATTERS

Business combinations are accounted for using the acquisition method. When a subsidiary is acquired, a purchase price allocation is carried out. The acquisition is reported in the financial statements from the date the Group has control. The date of control is normally the date on which the acquisition agreement takes effect and has been approved by all the relevant authorities, and will normally be after the contract date. Assets and liabilities are valued at fair value at the time of acquisition. The residual value of the acquisition is classified as goodwill. If there are non-controlling interests in the acquired company, these will receive their share of allocated assets and liabilities. Transactions with the non-controlling interests will be recognised in equity. In companies where the Group already owned interests prior to the business combination, any change in the value of earlier interests will be recognised in the income statement. The Group's equity will therefore be affected by the fact that the assets are repriced as if the entire acquisition had been made at this time. The same procedure will in principle be carried out in connection with the establishment of a joint venture and with the acquisition of an associate. These are, however, not considered to be business combinations because the Group does not obtain control.

Cash flow. The cash flow statement has been prepared using the indirect method and shows cash flows from operating, investing and financing activities and explains changes in "Cash and cash equivalents" in the reporting period. Balances being part of the Orkla ASA centralised cash pool are included in "Cash and cash equivalents", while balances owed from Gränges Group entities to Orkla ASA are included in "Interest-bearing liabilities" and reported within cash flow from financing activities.

Leasing. Leases are classified according to the extent to which the risks and rewards associated with ownership of a leased asset lie with the lessor or the lessee. A lease is classified as a finance lease if it substantially transfers all risks and rewards incidental to ownership of an asset. Finance leases are capitalised and depreciated over the lease period. Other leases are operating leases. Expenses related to such leases are reported as current operating expenses.

Share-based remuneration. The Gränges Group has participated in Orkla ASA's share savings programmes, long-term incentive agreements and share options. The sale of shares to employees at a price lower than the market value is accounted for by recognising the difference between the market value of the shares and the purchase price as a payroll expense. In 2013, a 30% discount was again offered in connection with the sale of shares to employees. The option programme for executive management was valued on the basis of the fair value of the option at the time the option programme was adopted (the award date), using the Black-Scholes model. The cost of the option programme was invoiced from Orkla ASA to Gränges AB and accrued over the period during which the employee earned the right to receive it (the vesting period). The option costs are recognised as payroll expenses. No new options have been awarded since 2012. The option programme for executive management was replaced in 2012 by a long-term incentive (LTI) agreement. An amount equivalent to what was paid out in annual variable compensation is provided for in a bonus bank for LTI recipients. The amount falls due for payment in three equal instalments; one, two and three years after the LTI is awarded. In order to be eligible for the LTI payout, the recipient must remain employed at the time the LTI is paid out.

Government grants are recognised in the financial statements when it is highly probable that they will be received. The grants are presented either as revenue or as a reduction in costs and, in the latter case, matched with the costs for which they are intended to compensate. Government grants that relate to assets are recognised as a reduction in the acquisition cost of the asset. The grant reduces the depreciation of the asset.

Note 5: Use of estimates in preparing the consolidated financial statements

The management has made use of estimates and assumptions in preparing the consolidated financial statements. This applies to assets, liabilities, revenues, expenses and supplementary information related to contingent liabilities. Areas where estimates have considerable significance are:

Amounts in SEK million	Note	Estimate/assumptions	Carrying value
Accounting item			
Property, plant and equipment	17	Recoverable amount and estimation of correct remaining useful life	1 661
Inventories / Metal exposure	18	Recoverable amount and use of metal hedging	680
Pension liabilities	9	Economic and demographic assumptions	119

Property, plant and equipment are largely based on a directly paid cost price and depreciated over estimated useful life. In the case of several of Gränges tangible assets, changes in assumptions may lead to substantial changes in value.

Inventories are valued at the lower of cost and net realisable value. Purchased goods are valued at cost according to the first in first out (FIFO) principle, while internally manufactured finished goods and work in progress are valued at production cost. Deductions are made for obsolescence. Net realisable value is the estimated selling price minus selling costs. Inventory-items which qualify as hedging-objects in fair value hedges are carried at fair value (see "Fair value hedging" above).

Gränges has some defined benefit plans, all classified as unfunded. The pension plans are "net plans" that do not link the reported liabilities to changes in Swedish social security. The plans are largely determined by collective agreements.

Future events and changes in operating parameters may make it necessary to change estimates and assumptions. New interpretations of standards may result in changes in the principles chosen and presentation. Such changes will be recognised in the financial statements when new estimates are prepared and whenever new requirements with regard to presentation are introduced. These matters are discussed in both the section on principles and other notes.

EXERCISE OF JUDGEMENT

The financial statements may also be affected by the choice of accounting principles and the judgement exercised in applying them. This applies, for instance, that certain items are presented as "Other income and expenses" on a separate line. Gränges has also chosen to present profit or loss from joint ventures after operating profit. It is important to note that use of a different set of assumptions for the presentation of the financial statements could have resulted in significant changes in the lines presented.

Note 6: Investments accounted for under the equity method

Gränges is accounting for two joint ventures, both in which Gränges holds a 50% share, using the equity method.

Norca Heat Transfer LLC is a sales and distribution company acting as a distributor of Gränges' products in the North American market. Gränges have a contractual obligation to compensate Norca for any losses in relation to obsolete inventory held by Norca. Furthermore Gränges have obliged to cover any losses that Norca experiences in relation to bad debts not subject to credit insurance. Gränges has historically not experienced any significant cost under these commitments. Sales to Norca amounted to SEK 644 million in 2013, and to SEK 722 million and SEK 628 million in 2012 and 2011 respectively.

Shanghai Gränges Moriyasu Aluminium Co. Ltd. is currently establishing a stamping operation that will provide Gränges' customers with stamping capacity in China.

No significant capital contributions are required in joint ventures in which Gränges is a participant.

INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

Amounts in SEK million	Norca Heat Transfer	Shanghai Gränges Moriyasu Aluminium	Total
Cost price 31 December 2013	–	5	5
Book value 1 January 2011	24	–	24
Additions/disposals 2011	–	–	–
Additions/disposals 2012	–	–	–
Additions/disposals 2013	–	5	5
Share of profit 2011	3	–	3
Share of profit 2012	3	–	3
Share of profit 2013	5	–	5
Dividends 2011	–	–	–
Dividends 2012	–	–	–
Dividends 2013	–12	–	–12
Items charged to equity 2011	–1	–	–1
Items charged to equity 2012	–2	–	–2
Items charged to equity 2013	–	–	–
Book value 31 December 2011	26	–	26
Book value 31 December 2012	27	–	27
Book value 31 December 2013	20	5	25
Ownership interest 31 December 2013	50.0 %	50.0 %	

NORCA HEAT TRANSFER (100% FIGURES):

Items in the income statement and statement of financial position (100 % figures)

	Norca Heat Transfer		
Amounts in USD million	2013	2012	2011
Operating revenues	99	98	90
Operating profit	3	2	2
Profit/loss after tax and non-controlling interests	2	2	2
Current assets	43	48	42
Non-current assets	–	–	–
Total assets	**43**	**48**	**42**
Current liabilities	15	13	14
Non-current liabilities	20	24	19
Total liabilities	**35**	**37**	**33**

Note 7: Geographical breakdowns of net sales, non-current assets and average number of employees

Net sales are broken down by region based on the customers' location. The breakdown of non-current assets and average number of employees is based on the location of the companies.

	Net sales			Non-current assets[1]			Average nr of employees		
Amounts in SEK million	2013	2012	2011	2013	2012	2011	2013	2012	2011
Asia	2 271	2 416	2 243	988	975	932	519	492	490
Sweden	210	284	241	691	755	724	445	455	498
Rest of Europe	1 463	1 473	1 673	–	–	–	–	–	–
Americas	698	772	683	20	27	26	–	–	–
Total	**4 642**	**4 946**	**4 840**	**1 699**	**1 757**	**1 682**	**964**	**947**	**988**

1) Excluding deferred tax assets and interest-bearing receivables.

The six largest customers represent 50% of sales with two customers each representing more than 10% of total sales. Customer A represents 10.3% or SEK 479 million in 2013 (9.5% or SEK 466 million in 2012 and 9.6% or SEK 460 million in 2011) and Customer B represents 10.2% or SEK 471 million in 2013 (8.3% or SEK 409 million in 2012 and 3.3% or SEK 157 million in 2011).

Note 8: Payroll expenses

PAYROLL EXPENSES

Amounts in SEK million	2013	2012	2011
Wages	–291	–290	–289
Employer's national insurance contribution	–101	–92	–90
Pension costs	–24	–21	–19
Other payments etc.	–2	–2	–1
Payroll expenses	**–418**	**–405**	**–399**
Average number of employees	964	947	988

REMUNERATION OF THE EXECUTIVE MANAGEMENT

	2013			2012			2011		
Amounts in SEK Thousand	Salary incl. bonus	Share based payments	Pensions costs	Salary incl. bonus	Share based payments	Pensions costs	Salary incl. bonus	Share based payments	Pensions costs
Remuneration to CEO	3 230	–	339	2 804	–	329	2 565	1 014	666
Remuneration to other members of the Group Executive Board	6 739	–	1 086	7 018	–	1 124	9 961	947	1 185
Number of options to CEO 31 December		–			–			70 000	
Number of options to other members of the Group Executive Board 31 December		–			–			65 000	

During 2011 and 2012 Gränges did not have a formal Board of Directors but was managed as a business area within the Sapa Group. From 2013 a formal Board of Directors was established comprising four Directors and four employee representatives. One of the Directors is independent and obtained a remuneration of 250 kSEK for 2013. The Gränges Executive Management consisted of four members in addition to the CEO in 2013 and 2012, and five members in addition to the CEO in 2011.

The current CEO, Johan Menckel, held a position as Business Area President Asia and Middle East within the Sapa Group during 2011. In that position he received 50,000 options for a shared based payment of 724 kSEK in 2011. Johan Menckel had a total of 100,000 options at year end 2013.

Gränges Executive Management has, in line with executive management in other Orkla subsidiaries, been eligible for certain long term incentives for 2012 and 2013. Such Orkla related incentive structures will be discontinued.

Note 9: Pensions

Gränges has pension schemes in Sweden. About 83% of the employees are covered by defined contribution pension plans and the rest are covered by defined benefit pension plans.

DEFINED CONTRIBUTION PLANS

Employees in Gränges are mainly covered by pension plans classified as defined contribution plans. Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employees' pension plans, and where the future pension is determined by the amount of the contributions and the return on the pension plan assets. In Sweden the blue collar employees are covered by defined contribution pension plans and also the white collar employees born after 1979 in accordance with the ITP1 pension scheme.

DEFINED BENEFIT PLANS

The defined benefit pension plan in Sweden consists of white collar employees who are covered by the ITP2 pension scheme, based on collective agreements between the Swedish Employer Confederation and the trade unions for salaried employees within the private sector. The pension plan is a net plan that does not link the reported liabilities to changes in Swedish social security. All white collar employees born in 1979 or later are, according to collective agreements, covered by the ITP1-scheme, a defined contribution plan. This means that the scope of the defined benefit plan will gradually be reduced. The defined benefit plan is based on final salary and ensures the beneficiary lifelong pension payments. The plan exposes Gränges for different risks, including the risk for increased longevity and salaries, and sensitivity to interest rate changes.

The defined benefit plan in Gränges is unfunded and recognised by provisions in the balance sheet. To secure unfunded accrued pension rights, companies must take out credit insurance, supplied by the PRI Pensionsgaranti insurance company. PRI Pensionsgaranti also records and calculates the Group's unfunded pension liabilities. The pensions are regulated by the Swedish Law on the Safeguarding of Pensions.

Account has been taken of payroll tax on the pension liabilities.

ASSUMPTIONS RELATING TO DEFINED BENEFIT PLANS

The assumptions are decided after consultation with actuarial expertise. Future salary adjustment and turnover are Group specific assumptions. The discount rate is determined with reference to high quality corporate bonds traded in a deep market, reflecting the duration of the pension obligation. In Sweden the discount rate is based on covered mortgage bonds.

The mortality estimate is based on updated mortality tables at 30 June 2011, included in the calculations on 31 December 2011.

ASSUMPTIONS DEFINED BENEFIT PLANS

	Sweden		
	2013	2012	2011
Discount rate	4.0 %	3.5 %	3.5 %
Future salary adjustment	3.0 %	3.0 %	3.0 %
Income base amount	3.0 %	3.0 %	3.0 %
Adjustment of benefits	2.0 %	2.0 %	2.0 %
Turnover	4.0 %	4.0 %	4.0 %
Expected average remaining vesting period	17.1	18.2	19.1

BREAKDOWN OF NET PENSION COSTS

Amounts in SEK million	2013	2012	2011
Contribution plans	–20	–18	–17
Current service cost for defined benefit plans	–4	–3	–2
Pension cost defined as operating cost	**–24**	**–21**	**–19**
Interest on pension obligations defined as finance cost	–5	–3	–3
Net pension costs reported in income statement	**–29**	**–24**	**–22**
Actuarial gains and losses in statement of comprehensive income	10	1	–2
Total pension costs	**–19**	**–23**	**–24**

BREAKDOWN OF NET PENSION LIABILITIES AS OF 31 DECEMBER

Amounts in SEK million	2013	2012	2011
Present value of unfunded pension liabilities	**–119**	**–128**	**–126**
Capitalised pension liabilities	–119	–128	–126
Capitalised plan assets	–	–	–

CHANGES IN THE PRESENT VALUE OF PENSION OBLIGATIONS DURING THE YEAR

Amounts in SEK million	2013	2012	2011
Pension obligations 1 January	–128	–126	–122
Current service cost	–4	–3	–2
Interest on pension obligations	–5	–3	–3
Actuarial gains and losses reported in statement of comprehensive income:			
– due to changes in financial assumptions	8	1	–
– due to changes in demographic assumptions	2	–	–2
Benefits paid during the year	8	3	3
Pension obligations 31 December	**–119**	**–128**	**–126**

SENSITIVITY ANALYSIS

The sensitivity to the significant assumption discount rate, based on 4%, is estimated to be as follows:

- 3.5%: increased benefit obligation with 9%
- 4.5%: decreased benefit obligation with 8%

An increase or decrease of longevity with one year will increase or decrease the benefit obligation with 3%.

The sensitivity analysis is based on a change in one single actuarial assumption while the other assumptions remain unchanged. This method shows the obligation´s sensitivity to one single assumption. This is a simplified method as most often the actuarial assumptions are correlated.

The duration of the pension liability is 25.3 years.

CASH FLOW

Gränges pays the pensions for the unfunded defined benefit plans. Pensions expected to be paid for 2014 amount to SEK 5 million.

Note 10: Other operating expenses

Amounts in SEK million	2013	2012	2011
External freight costs	–127	–149	–152
Energy costs (production and heating)	–231	–218	–207
Repair and maintenance costs	–138	–136	–150
Consultants, legal advisors, temporary staff, etc.	–31	–30	–44
Operating expenses vehicles	–12	–11	–11
Rental/leasing	–17	–18	–16
Operating expenses, office equipment etc.	–11	–12	–11
Other	–293	–315	–307
Total other operating expenses	**–860**	**–889**	**–898**

Note 11: Other income and expenses

Amounts in SEK million	2013	2012	2011
M&A costs	–24	–	–
Finspång fire costs (net)	136	51	–54
Finspång restructuring costs	–13	–10	–12
Other costs	–14	–11	–25
Total other income and expenses	**85**	**30**	**–91**
Of this:			
Write-down property, plant and equipment	–7	–	–
Write-down intangible assets	–	–	–

In 2013, Gränges was separated from Sapa through a demerger and Orkla started a process to divest Gränges, a process that was later cancelled. The total negative impact of the demerger and divestment processes on Gränges operating profit was SEK 24 million mainly related to consultant fees and legal fees. In 2014 a process was initiated to prepare Gränges for an IPO.

In February 2010 there was a fire in one of the cold rolling bays in the operation in Finspång. Although the rebuild and ramp up of the affected production assets was completed by mid 2010 express freight to customers was required to fulfil delivery commitments in 2011 at a total cost of SEK 54 million. In 2012 a provision from 2010 for potential customer claims related to the fire was released. Net of legal fees this had a positive impact of SEK 51 million on the operating profit. In December 2013 an arbitral award was issued in the process between Gränges and the insurance company. The settlement entitled Gränges to an additional net compensation of SEK 325 million in addition to the SEK 120 million paid in 2010. As Gränges at the time of the settlement had a booked net claim of SEK 165 million the claim was increased by SEK 160 million to SEK 325 million in December 2013. Net of legal fees, arbitration costs, and compensation to Sapa for a damaged building, this had a positive impact of SEK 136 million on the operating profit in 2013.

Investments in combination with efficiency improvements have allowed for a gradual reduction of the work force in Finspång. In total the manning has been reduced with approximately 100 employees from 2010 to 2013. The cost associated with the downsizing of the organization amount to SEK 12 million, SEK 10 million, and SEK 13 million for 2011, 2012 and 2013 respectively. In 2012 the local management team in Finspång was replaced. The figure for 2012 includes the cost for severance payments to the previous management team.

In 2011 Gränges made a decision to optimise across the production footprint and transfer the production of a part of the Americas business from the plant in Finspång to the plant in Shanghai. At the time of the decision a provision of SEK 25 million was made in order to cover for additional costs related to the production transfer. Of the SEK 14 million in other costs in 2013, SEK 7 million was related to a write down of real estate in Finspång.

Note 12: Finance income and finance costs

Amounts in SEK million	2013	2012	2011
Interest income	4	2	2
Other finance income	1	–	1
Total finance income	**5**	**2**	**3**
Interest costs from Orkla Group	–12	–28	–21
Interest costs	–31	–34	–33
Net foreign exchange loss	–	–	–3
Interest pensions	–5	–3	–3
Other finance costs	–	–1	–
Total finance costs	**–48**	**–66**	**–60**
Net finance costs (A)	**–43**	**–64**	**–57**
Reconciliation against cash flow:			
Change in accrued interest etc.	–5	2	2
Interest pensions, not cash flow effect	5	3	3
Total (B)	**–**	**5**	**5**
Paid financial items in cash flow (A+B)	**–43**	**–59**	**–52**

Financial income mainly consists of interest income related to bank deposits in China with relatively low interest rates. Financial costs relate to interest rate for the loans from Orkla and the external loans in China, both with floating interest rates.

Note 13: Taxes

TAX EXPENSE

Amounts in SEK million	2013	2012	2011
Profit before tax	**418**	**331**	**64**
Current tax expense	–105	–13	–20
Deferred tax expense	–4	–2	22
Total tax expense	**–109**	**–15**	**2**
Tax as % of "Profit before taxes"	26 %	5 %	–3 %

RECONCILIATION OF THE GROUP'S TAX RATE

In the following table, reported taxes are reconciled with the tax expense based on the Swedish tax rates. The main tax components are specified below.

Amounts in SEK million	2013	2012	2011
Profit before tax multiplied with the nominal tax rate in Sweden	–92	–86	–17
Foreign operations with tax rate other than 22 % (26.3 % before 2013)	–12	32	30
Changes in tax law	14	5	–
Profit from joint ventures	1	1	1
Non-deductible expenses / non-taxable revenues (net)	2	–1	3
Witholding tax on dividend	–21	–	–13
Unrecognised deferred tax assets, this year	–	–	–2
Adjustment previous year's taxes	–1	34	–
The Group's total tax expense	**–109**	**–15**	**2**

The ordinary tax rate for companies domiciled in Sweden was 22% in 2013, a reduction from the previous level 26.3%.

The ordinary tax rate for companies domiciled in China is 25%. However, the Shanghai business qualified for the reduced tax rate of 15% applying to High Tech Enterprises for the period 2010–2012. The Chinese tax authority has given a preliminary acceptance for a 15% High Tech Enterprise taxation for Shanghai also for the period 2013–2015. Still, since the formal acceptance was not given during 2013, a tax rate of 25% has been applied in 2013.

If the 15% tax rate had been applied for 2013 the current tax had been SEK 35 million lower. If the 15% tax rate had been applied for temporary differences as of December 2013 the deferred tax expense had been SEK 11 million higher for 2013.

As dividend from the Chinese subsidiary currently is subject to a withholding of 5% a provision of SEK 21 million has been made in relation to this as of December 31,2013.

The change in the Swedish tax rate from 26.3 % to 22 % in 2013 resulted in reduced deferred tax liability of SEK 5 million in 2012. The decision to apply the ordinary tax rate in 2013 for the Shanghai business resulted in increased deferred tax assets of SEK 14 million in 2013.

Adjustment of previous year's taxes of SEK 34 million in 2012 is an adjustment of the tax rate in 2010 related to the approval of the Shanghai business as High Tech. The applied tax rate in 2010 was 25%.

Results from the joint venture Norca Heat Transfer LLC are recognised on an after-tax basis and thus do not impact the Group's tax expense.

DEFERRED TAX

Deferred tax liabilities consists of the Group's tax liabilities that are payable in the future. The table below lists deferred tax assets and liabilities relating to the temporary differences between the carrying amount of an asset or liability and its tax base. The table shows the composition of the Group's deferred tax, and indicates as such when deferred taxes are payable.

Amounts in SEK million	2013	2012	2011
Deferred tax on temporary differences			
Hedging reserve in equity	–1	3	7
Property, plant and equipment	45	45	56
Net pension liability	–7	–8	–8
Other non-current items	–1	1	–
Total non-current items	**36**	**41**	**55**
Current receivables	–13	–22	–35
Inventories	–1	–1	–7
Provisions	–12	–11	–7
Time lag group contributions	–28	–4	–36
Total current items	**–54**	**–38**	**–85**
Tax losses carried forward	–	–2	–2
Net deferred tax assets/deferred tax liabilities	**–18**	**1**	**–32**
Deferred tax assets not recognised	–	2	2
Net deferred tax assets/liabilites	**–18**	**3**	**–30**
Change in deferred tax	21	–33	60
Change in deferred tax hedging reserve taken to other comprehensive income	–4	–4	–18
Change in deferred tax actuarial gains and losses pensions taken to other comprehensive income	2	0	0
Change in deferred tax group contributions in equity	–24	32	–20
Translation effects taken to other comprehensive income	1	3	–
Change in deferred tax total comprehensive income	**–4**	**–2**	**22**

LOSSES CARRIED FORWARD BY EXPIRY DATE

With the exception of the business in India there is no tax losses carried forward in the group. The tax loss in India of SEK 7 million in 2012 is nearly absorbed by taxable income in 2013. The remaining tax loss of SEK 1 million per 31.12.2013 is expected to be used in 2014.

Note 14: Earnings per share

The basic earnings per share are calculated as the ratio of the profit for the year divided by the weighted average number of ordinary shares outstanding, 37,319,693 share for all years. No dilution effects exist for the years 2011 through 2013.

Earnings per share is calculated on basis of profit of the year after non-controlling interests.

	2013	2012	2011
Profit/loss for the year after non-controlling interests (SEK million)	309	316	66
Number of shares outstanding	37,319,693	37,319,693	37,319,693
Earnings per share (SEK), basic and diluted	**8.28**	**8.47**	**1.77**

Note 15: Impairment assessments

The Gränges Group has substantial non-current assets in the form of tangible (property, plant and equipment) and some minor intangible assets. An explanation of the details of and changes in these assets is presented separately in Note 16 and Note 17. The Group also has other non-current assets that mainly consist of investments in companies recognised using the equity method. These are disclosed in Note 6 and are not covered in the description below. Estimate uncertainty attaches to property, plant and equipment and intangible assets exists, and changes in underlying assumptions could have a sizable impact, however, the risk for material write-downs is viewed to be low. Both valuation and estimated useful life are based on future information that is always subject to a certain degree of uncertainty.

Tangible assets (property, plant and equipment) are basically capitalised at acquisition cost and, if they have a limited useful life, will be systematically depreciated over that period. Account is taken of residual value. Useful life and residual value are based on estimates of future development. The uncertainty and risk related to intangible assets are limited due to the small amounts. Booked goodwill is SEK 5 million and IT-systems SEK 8 million. The goodwill is linked to the Gränges Shanghai business and IT-systems consist of EDP programs.

The Gränges Group routinely monitors assets and if there are indications that the value of an asset is no longer recoverable, an impairment test will immediately be carried out to determine whether the asset can still justify its carrying value. If new estimates conclude that the value is no longer recoverable, the asset is written down to the recoverable amount, i.e. the greater of the net sales value and the value in use (discounted cash flow).

Goodwill are not amortised on a regular basis and are therefore tested at least annually for impairment. At Gränges, impairment testing is carried out in the third quarter. If there are special indications of a reduction in value, impairment testing is carried out more frequently (see above). Cash flows relating to the assets are identified and discounted. Future cash flow is based on specified assumptions and the plans adopted by the unit. If the discounted value of future cash flows is lower than the capitalised value of the unit's capital employed, the assets are written down to the recoverable amount.

DISCOUNT RATE

The discount rate applied is based on the Group's cost of capital, which is estimated to be 10.7% before tax, based on a weighted average of required rates of return for the Group's equity and debt (WACC). The required rate of return on the Group's equity is estimated by using the capital asset pricing model (CAPM). The required rate of return on debt is estimated on the basis of a long-term risk-free interest rate to which is added a credit margin derived from Gränges marginal long-term borrowing rate.

Note 16: Intangible assets

Amounts in SEK million	IT	Goodwill	Total
Book value 1 January 2013	**12**	**5**	**17**
Additions	–	–	–
Reclassification	–	–	–
Amortisation	–4	–	–4
Currency translations	–	–	–
Book value 31 December 2013	**8**	**5**	**13**
Initial cost 31 December 2013	26	5	31
Accumulated amortisation and write-downs	–18	–	–18
Book value 31 December 2013	**8**	**5**	**13**
Book value 1 January 2012	**5**	**5**	**10**
Additions	–	–	–
Transfered from assets under construction[1]	11	–	11
Amortisation	–4	–	–4
Currency translations	–	–	–
Book value 31 December 2012	**12**	**5**	**17**
Initial cost 31 December 2012	26	5	31
Accumulated amortisation and write-downs	–14	–	–14
Book value 31 December 2012	**12**	**5**	**17**
Book value 1 January 2011	**5**	**5**	**10**
Additions	3	–	3
Reclassification	–	–	–
Amortisation	–3	–	–3
Currency translations	–	–	–
Book value 31 December 2011	**5**	**5**	**10**
Initial cost 31 December 2011	15	5	20
Accumulated amortisation and write-downs	–10	–	–10
Book value 31 December 2011	**5**	**5**	**10**

1) Net reclassifications relate to figures transferred from note 17.

IT-systems are amortised on a straight line basis at 20 to 33%. In addition, the Gränges Group expensed SEK 55 million in 2013 in research and development costs (SEK 65 million in 2012 and SEK 53 million in 2011).

Note 17: Property, plant and equipment

Amounts in SEK million	Land, buildings and other property[1]	Machinery and plants	Assets under construction	Fixtures, fittings, vehicles etc.	Total
Book value 1 January 2013	**479**	**901**	**282**	**51**	**1 713**
Additions	7	3	114	1	125
Disposals	–	–1	–	–	–1
Transferred assets under construction	2	291	–303	10	–
Write-downs	–7	–	–	–	–7
Depreciation	–26	–143	–	–14	–183
Currency translation	3	11	–	–	14
Book value 31 December 2013	**458**	**1 062**	**93**	**48**	**1 661**
Initial cost 31 December 2013	704	2 572	93	148	3 517
Accumulated depreciation and write-downs	–246	–1 510	–	–100	–1 856
Book value 31 December 2013	**458**	**1 062**	**93**	**48**	**1 661**
Book value 1 January 2012	**509**	**910**	**165**	**62**	**1 646**
Additions	–	–	289	4	293
Disposals	–	–12	–	–1	–13
Transferred assets under construction[2]	–	153	–165	1	–11
Depreciation	–19	–127	–	–14	–160
Currency translation	–11	–23	–7	–1	–42
Book value 31 December 2012	**479**	**901**	**282**	**51**	**1 713**
Initial cost 31 December 2012	697	2 287	282	134	3 400
Accumulated depreciation and write-downs	–218	–1 386	0	–83	–1 687
Book value 31 December 2012	**479**	**901**	**282**	**51**	**1 713**
Book value 1 January 2011	**506**	**860**	**1**	**59**	**1 426**
Additions	1	–	317	2	320
Disposals	–	–8	–5	–	–13
Transferred assets under construction	2	144	–154	8	–
Depreciation	–16	–120	–	–9	–145
Currency translation	16	34	6	2	58
Book value 31 December 2011	**509**	**910**	**165**	**62**	**1 646**
Initial cost 31 December 2011	703	2 180	165	134	3 182
Accumulated depreciation and write-downs	–194	–1 270	–	–72	–1 536
Book value 31 December 2011	**509**	**910**	**165**	**62**	**1 646**

1) Book value of land amounted to less than 1 MSEK in all periods presented above.
2) Net reclassifications relate to figures transferred to note 16.

Property, plant and equipment are depreciated on a straight line basis at the following rates: buildings and other property 2.5 to 10%, machinery and plants, 5 to 20%, fixtures, fittings and vehicles 5 to 20%and IT equipment 33%. The period of depreciation is reviewed each year and if there are changes in useful life, depreciation is adjusted.

The residual value is also calculated and if it is higher than the carrying value, depreciation is stopped. This applies in particular to buildings. The table above covers both directly acquired assets and assets acquired through the allocation of excess value in connection with the purchase of a business.

For disclosures of security and mortgages related to the Group's property, plant and equipment see Note 29.

Note 18: Inventories

Amounts in SEK million	2013	2012	2011
Raw materials	229	327	330
Work in progress	167	181	202
Finished goods and merchandise	287	296	311
Provision for obsolescence	–3	–4	–5
Total inventories	**680**	**800**	**838**

Inventories are valued at the lower of acquisition cost and net realisable value after deducting selling costs.

Note 19: Overview of financial instruments

There were no transfers from one level to another in the measurement hierarchy in 2013, 2012 and 2011. The measurement of the Group's derivatives is defined as level 2. A description of how the derivatives are measured is provided in Note 26.

Most of the financial assets and liabilities have a short duration and in addition the interest-bearing liabilities have variable interest rates. Management assesses that there are no material differences between fair values and the carrying amounts of financial instruments recognized at amortized costs.

2013

Amounts in SEK million	Note	Measurement level	Financial instruments at fair value through profit and loss	Financial instruments at fair value through comprehensive income	Financial liabilities measured at amortised cost	Deposits and receivables	Total	Of this interest bearing
Non-current assets								
Non-current financial receivables						26	26	26
Total							**26**	**26**
Current assets								
Accounts receivable	20					764	764	–
Other current receivables	20					90	90	–
Current derivatives	20, 26	2	18	7			25	–
Cash and cash equivalents	21					896	896	896
Total							**1 775**	**896**
Non-current liabilities								
Non-current financial liabilities	24				265		265	265
Total							**265**	**265**
Current liabilities								
Current financial liabilities	24				412		412	412
Accounts payable	22				375		375	–
Other current liabilities	22				6		6	–
Current derivatives	22, 26	2	15	14			29	–
Total							**822**	**412**
Total financial instruments			**3**	**–7**	**–1 058**	**1 776**	**714**	**245**
Total measurement level 2 - Other techniques for which all inputs which have significant effect on the recorded fair value are observable, directly or indirectly							**–4**	

2012

Amounts in SEK million	Note	Measure-ment level	Financial instru-ments at fair value through profit and loss	Financial instru-ments at fair value through compre-hensive income	Financial liabilities measured at amor-tised cost	Deposits and receiv-ables	Total	Of this interest bearing
Current assets								
Accounts receivable	20					790	790	
Other current receivables	20					109	109	
Current derivatives	20, 26	2	24	17			41	
Cash and cash equivalents	21					527	527	527
Total							**1 467**	**527**
Non-current liabilities								
Non-current financial liabilities	24				809		809	809
Total							**809**	**809**
Current liabilities								
Current financial liabilities	24				457		457	457
Accounts payable	22				458		458	–
Current derivatives	22, 26	2	24	4			28	–
Total							**943**	**457**
Total financial instruments			**0**	**13**	**–1 724**	**1 426**	**–285**	**–739**
Total measurement level 2 - Other techniques for which all inputs which have significant effect on the recorded fair value are observable, directly or indirectly							**13**	

2011

Amounts in SEK million	Note	Measure-ment level	Financial instru-ments at fair value through profit and loss	Financial instru-ments at fair value through compre-hensive income	Financial liabilities measured at amor-tised cost	Deposits and receiv-ables	Total	Of this interest bearing
Current assets								
Accounts receivable	20					814	814	
Other current receivables	20					224	224	
Current derivatives	20, 26	2	80	37			117	
Cash and cash equivalents	21					452	452	452
Total							**1 607**	**452**
Non-current liabilities								
Non-current financial liabilities	24				575		575	575
Total							**575**	**575**
Current liabilities								
Current financial liabilities	24				679		679	679
Accounts payable	22				463		463	–
Current derivatives	22, 26	2	33	10			43	–
Total							**1 185**	**679**
Total financial instruments			**47**	**27**	**–1 717**	**1 490**	**–153**	**–802**
Total measurement level 2 - Other techniques for which all inputs which have significant effect on the recorded fair value are observable, directly or indirectly							**74**	

Note 20: Receivables (current)

Amounts in SEK million	2013	2012	2011
Accounts receivable	764	790	814
Derivatives	25	41	117
Other current receivables	90	109	224
Total financial receivables non-interest bearing	**879**	**940**	**1 155**
Advance payment to suppliers/earned income[1]	401	248	222
Tax receivables	11	5	3
Total current receivables	**1 291**	**1 193**	**1 380**

1) Includes the insurance claim related to the fire in Finspång, see Note 11.

Change in provisions for bad debts:

Amounts in SEK million	2013	2012	2011
Provisions for bad debts 1 January	32	30	21
Bad debts recognised as expense	34	11	7
Utilization during the year	–2	–8	–
Translation effects	–	–1	2
Provisions for bad debts 31 December	**64**	**32**	**30**

Accounts receivable have the following due dates:

Amounts in SEK million	2013	2012	2011
Accounts receivable not due	522	525	542
Overdue receivables 1–30 days	129	134	84
Overdue receivables 31–60 days	55	62	66
Overdue receivables 61–90 days	27	14	29
Overdue receivables over 90 days	95	87	123
Accounts receivable carrying amount 31 December	**828**	**822**	**844**

The ageing structure for overdue debt have been relatively stable over time and reflects the fact that Gränges operates in some regions and markets were payments from customer in general are somewhat slow. The overdue accounts receivable are spread across the customer base

Bad debt losses have historically been relatively low and stable. The increased bad debt in 2013 is mainly related to one customer who due to prolonged currency restrictions is unable to make payments to Gränges. Except for this the bad debt provision is spread across the customer base.

Five customers represent 22% of total outstanding accounts receivables at Dec 31,2013 (five customer 20% total outstanding 2012 and five customers 20% of total outstanding in 2011).

Gränges' customer base is further described in Note 4 (see section "Segments") and in Note 7.

Note 21: Cash and cash equivalents

Amounts in SEK million	2013	2012	2011
Cash at bank and in hand	616	440	391
Current deposits with Orkla	280	82	61
Restricted deposits	–	5	–
Total cash and cash equivalents	**896**	**527**	**452**

Liquidity planning for Gränges has historically been carried out at Orkla level optimizing liquidity across the whole Orkla group. As standalone company liquidity planning will be done at Gränges group level and as a consequence the Cash at bank and in hand that are predominantly related to the Shanghai operation will be transferred to Gränges AB as dividend during the second half of 2014.

Note 22: Other liabilities (current)

Amounts in SEK million	2013	2012	2011
Accounts payable	375	458	463
Derivatives	29	28	43
Non interest-bearing liabilities	6	–	–
Total financial liabilities non interest-bearing	**410**	**486**	**506**
Value added tax, employee taxes etc.	33	20	17
Accrued expenses	78	111	59
Employee related liabilities	79	46	48
Other short term liabilities	22	8	68
Total current liabilities	**622**	**671**	**698**

Note 23: Capital management

Gränges capital management is governed by policies set out by its ultimate parent, Orkla ASA, which policy is to provide necessary capital through a combination of equity and loans. One of the main objectives is to maintain a financial structure that, through solidity and cash flows, secures Gränges credit worthiness. The capital structure is also adapted to legal and tax considerations. The short term liquidity of Gränges is deposited with Orkla ASA, through bank accounts which take part in Orkla's cash-pools. Long-term funding is in place for the Gränges Group from Orkla ASA. The loan agreements include "Change of control" clauses.

When the demerger in Sapa AB took place in 2013, intercompany borrowings were converted to equity. The equity in 2011 and 2012 consist of equity in the legal entities in the new Gränges group and interest free borrowings and receivables from and to the Orkla Group have been allocated to equity.

Gränges management of funding is further described in Note 24 and Note 25. Gränges has no official credit rating.

Orkla considers a disposal of its shares in Gränges. Upon such disposal, Gränges' loans from and deposits with Orkla ASA will be settled and replaced by other counterparties. Further, a disposal may bring about changes in Gränges' capital structure. Refer to Note 31 for further details.

The Group's capital consists of net interest-bearing liabilities and equity:

Amounts in SEK million	2013	2012	2011
Total interest-bearing liabilities Orkla	346	809	862
Total interest-bearing liabilities other	331	457	392
Total interest-bearing receivables	922	527	452
Net interest-bearing liabilities	**–245**	**739**	**802**
Group's equity[1]	3 098	2 208	2 260
Net gearing (net interest-bearing liabilities/equity)	–0.08	0.33	0.35

1) The Group's equity also includes the value of cash flow hedges taken to comprehensive income.

Note 24: Funding and interest-bearing liabilities

FUNDING

Gränges main source of financing has been loan facilities from its ultimate parent, Orkla ASA. In addition, some short-term working capital facilities from banks providing cash management services are in place. Gränges Group's long term funding is provided by the ultimate parent, Orkla ASA.

	Book value		
Amounts in SEK million	2013	2012	2011
Non-current interest-bearing liabilities			
Loans from Orkla	265	809	575
Total non-current interest-bearing liabilities	**265**	**809**	**575**
Current interest-bearing liabilities			
Bank loans, overdraft	–	24	9
Loans from Orkla	81	–	287
Other loans	331	433	383
Total current interest-bearing liabilities	**412**	**457**	**679**
Total interest-bearing liabilities	**677**	**1 266**	**1 254**
Interest bearing receivables			
Non-current interest-bearing receivables	26	–	–
Cash and cash equivalents	896	527	452
Total interest-bearing receivables	**922**	**527**	**452**
Net interest-bearing liabilities	**–245**	**739**	**802**

Note 25: Financial risk

ORGANISATION OF FINANCIAL RISK MANAGEMENT

Gränges operates internationally and is exposed to financial risks like currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. Gränges uses derivatives and other financial instruments to reduce these risks in accordance with the Group's financial policy.

Gränges has a central Group Treasury. Its most important tasks are to ensure the Group's financial flexibility in the short and long term, and to monitor and manage financial risk in cooperation with individual operational entities. Gränges manages its currency and price risk in accordance with these principles, as well as cash collection and credit risk on due amounts from customers.

FINANCIAL RISKS

This section describes the most important risk factors within Gränges Group and the management of these. In this context, financial risk is defined as risk related to financial instruments. These may either be hedging instruments for underlying risk, or viewed as a source of risk themselves. Gränges manage the financial risks in a non-speculative manner, such that all transactions in financial instruments are matched to an underlying business requirement. Gränges initiates hedging-transactions directly with external counterparts.

CURRENCY RISK

Gränges has substantial export out of Sweden and China, and is therefore exposed to currency risk. This risk is being hedged according to policy. Currency exposure related to firm commitments from the customer, usually for periods of up to 12 months, is hedged. Currency exposure related to customer orders without firm commitments is hedged based on a rolling forecast where a certain portion of the forecasted currency need is hedged. Gränges applies hedge accounting for most hedges of future transactions, either cash flow hedges or fair value hedges of firm commitments. The different types of hedges are described in Note 26.

The Group's aggregated outstanding currency hedges of future transactions on the balance sheet date are shown in the table below.

Foreign exchange contracts linked to hedging of future revenues and costs[1]:

2013

Puchase currency Amounts in SEK million	Amount	Sale currency	Amount	Maturity
SEK	704	EUR	80	2014
SEK	100	EUR	11	2015
SEK	359	USD	55	2014
SEK	15	USD	2	2015
CNY	468	USD	76	2014

1) In currency pairs where the net total of hedges is more than SEK 20 million.

2012

Puchase currency Amounts in SEK million	Amount	Sale currency	Amount	Maturity
SEK	571	EUR	64	2013
SEK	36	EUR	4	2014
SEK	516	USD	76	2014
CNY	360	USD	57	2013

1) In currency pairs where the net total of hedges is more than SEK 20 million.

2011

Puchase currency Amounts in SEK million	Amount	Sale currency	Amount	Maturity
SEK	721	EUR	76	2012
SEK	83	EUR	9	2013
SEK	576	USD	86	2012
SEK	5	USD	1	2013
CNY	323	USD	51	2012

1) In currency pairs where the net total of hedges is more than SEK 20 million.

As SEK is the presentation currency for the Group, Gränges is exposed to currency translation risk for net investments in foreign operations. This is substantially only in CNY, where the translation exposure as of 31 December 2013 is SEK 2.0 billion. Gränges does not hedge this exposure.

COMMODITY PRICE RISK

Aluminium is traded primarily on the London Metal Exchange (LME) but also on the Shanghai Future Exchange (SHFE). For Gränges the prices of both products and metal purchases are affected by fluctuations in the market price of aluminium on the LME and the SHFE. The leading principle is that Gränges shall – to the extent possible – avoid being exposed to the changes in the LME price or any other reference price like the SHFE price. Gränges seeks to reduce this risk primarily by linking prices from metal suppliers to prices towards customers. Additionally, aluminium futures contracts on LME and SHFE are entered into, within defined limits, to mitigate price risk related to orders and the value of unsold metal in stock. Gränges normally has a certain stock level for which prices to customers have not been fixed. When the LME (London Metal Exchange) aluminium market price is increasing, this will have a positive effect on profit, and a decreasing price will affect profit negatively. As of 31 December 2013 Gränges had net sold 18,375 tonnes (2012: 26,375 metric ton) of aluminium for hedging at on the LME and a net sold 3,240 metric ton (2012: 3,000 metric ton) for hedging at on the SHFE (Shanghai Futures Exchange).

INTEREST RATE RISK

Gränges' interest-rate risk is mainly related to the Group's interest-bearing liabilities and assets. Gränges main source of financing has been loan facilities from its ultimate parent, Orkla ASA. Loans and deposits with Orkla ASA are mainly at floating interest rates. The interest-rate risk has not been hedged by Gränges.

LIQUIDITY RISK

Liquidity risk is the risk that Gränges is not able to meet its payment obligations. Gränges management initiates measures, together with its ultimate parent, deemed necessary to maintain a strong liquidity. As part of a potential public listing process (IPO) for the Gränges Group, new long-term financing will be arranged, and will be established prior to an IPO as described in Note 31.

Cash flow from operations, which among other factors is affected by changes in working capital, is managed operationally at Gränges Group level, and is relatively stable. Gränges monitors liquidity flows, short- and long-term, through reporting. Due to the above-mentioned measures, the Gränges Group has limited liquidity risk.

The table shows the maturity profile for the Gränges Group's contractual financial liabilities. The amounts represent undiscounted future cash flows, and may therefore deviate from recognised figures. Derivatives related to currency are presented with gross settlement. The table also includes derivatives recognised as assets on the balance sheet date, as derivatives may include both positive and negative cash flows, and the fair value fluctuates over time. The financial liabilities are serviced by cash flow from operations, liquid and interest-bearing assets, and, when necessary, drawings on unutilised credit facilities.

2013

Amounts in SEK million	Book value	Contractual cash flows	< 1 year	1–3 year	3–5 year	> 5 year
Interest-bearing liabilities to Orkla	346	346	81	265		
Interest-bearing liabilities, other	331	331	331			
Interest payable	–	32	13	13	6	
Accounts payable	375	375	375			
Other current liabilities	6	6	6			
Net settled derivatives[1]	–6					
Inflow		–11	–11			
Outflow		5	5			
Gross settled derivatives[1]	10					
Inflow		–1,714	–1,605	–109		
Outflow		1,707	1,601	106		
Total	**1,062**	**1,077**	**796**	**275**	**6**	**–**

1) Including derivatives recognised as assets.

2012

Amounts in SEK million	Book value	Contractual cash flows	< 1 year	1–3 year	3–5 year	> 5 year
Interest-bearing liabilities to Orkla	809	809	–	809		
Interest-bearing liabilities, other	457	457	457			
Interest payable	5	106	41	65		
Accounts payable	458	458	458			
Net settled derivatives[1]	15					
Inflow		–6	–6			
Outflow		19	19			
Gross settled derivatives[1]	–28					
Inflow		–1,580	–1,548	–32		
Outflow		1,541	1,510	31		
Total	**1,716**	**1,804**	**931**	**873**	**–**	**–**

1) Including derivatives recognised as assets.

2011

Amounts in SEK million	Book value	Contractual cash flows	< 1 year	1–3 year	3–5 year	> 5 year
Interest-bearing liabilities to Orkla	862	862	287	575		
Interest-bearing liabilities, other	392	392	392			
Interest payable	2	71	31	40		
Accounts payable	463	463	463			
Net settled derivatives[1]	–63					
Inflow		–73	–73			
Outflow		10	10			
Gross settled derivatives[1]	–11					
Inflow		–1,994	–1,907	–87		
Outflow		1,983	1,902	81		
Total	**1,645**	**1,714**	**1,105**	**609**	**–**	**–**

1) Including derivatives recognised as assets.

CREDIT RISK

The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk, and is continuously monitored by the operating entities. There is no significant concentration of credit risk in respect of single counterparts. Credit losses are historically modest due to a stable and financially healthy customer base as well as stringent monitoring of trade receivables. With these risk mitigation measures in place, the current credit risk is considered acceptable.

Gränges considers its credit risk related to other financial instruments to be low. Gränges seeks to minimise the liquid assets deposited outside the Group and for deposits of excess liquidity with other counterparts, Gränges has requirements relating to the bank's credit rating. Gränges has International Swap Dealers Association (ISDA) agreements in place with its counterparts for derivative transactions which provides for netting of settlement risk. Derivatives are, however, reported gross in the balance sheet.

Maximum credit risk

The maximum credit exposure for the Group related to financial instruments corresponds to total gross receivables. In the hypothetical and unlikely event that no receivables are redeemed, this amounts to:

Amounts in SEK million	2013	2012	2011
Cash and cash equivalents	896	527	452
Accounts receivable	764	790	814
Other current receivables	90	109	224
Non-current receivables	26	–	–
Derivatives	25	41	117
Total	**1,801**	**1,467**	**1,607**

Sensitivity analysis

The financial instruments of the Gränges Group are exposed to different types of market risk which can affect the income statement or equity. Financial instruments, in particular derivatives, are applied as means of hedging both financial and operational exposure.

The table below shows a partial analysis of the sensitivity of financial instruments, where the isolated effect of each type of risk on the income statement and on other comprehensive income is estimated. This is done on the basis of a selected hypothetical change in market prices or rates on the balance sheet as of 31 December. According to IFRS, the analysis covers only financial instruments and is not meant to give a complete overview of the Group's market risk, for instance:

- For currency hedges of contracts entered into, changes in fair value of the hedging instrument will affect the income statement, while changes in the fair value of the underlying hedged contract offset by the hedging instrument will not be shown, as it is not a financial instrument.
- If one of the parameters changes, the analysis will not take account of any correlation with other parameters.
- Financial instruments denominated in the entities' functional currencies do not constitute any currency risk and are therefore not included in this analysis. Nor is the currency exposure on translation of such financial instruments to the presentation currency of the Group included, for the same reason.

Generally, the effect on the income statement and other comprehensive income of financial instruments in the table below is expected to offset the effects of the hedged items where financial instruments are part of a hedging relationship.

Accounting effects of changes in market risk are classified to income statement and other comprehensive income according to where the effect of the changes in fair value will be recognised initially. Effects recognised in the income statement will also affect other comprehensive income beyond the figures presented in the table.

2013

Amounts in SEK million	Accounting effects on income statement of increase	decrease	comprehensive income of increase	decrease
Interest rate risk: 100 bp parallel shift in interest curves all currencies	2	–2	–	–
Currency risk: 10% change in FX-rate USD/SEK	–43	43	–12	12
Currency risk: 10% change in FX-rate CNY/SEK	50	–50	–	–
Currency risk: 10% change in FX-rate EUR/SEK	–4	4	–54	54
Price risk: 20% change in LME-prices	–62	62	9	–9

2012

Amounts in SEK million	Accounting effects on income statement of increase	decrease	comprehensive income of increase	decrease
Interest rate risk: 100 bp parallel shift in interest curves all currencies	–6	6	–	–
Currency risk: 10% change in FX-rate USD/SEK	–29	29	–12	12
Currency risk: 10% change in FX-rate CNY/SEK	38	–38	–	–
Currency risk: 10% change in FX-rate EUR/SEK	–28	28	–42	42
Price risk: 20% change in LME-prices	–88	88	7	–7

2011

Amounts in SEK million	Accounting effects on income statement of increase	decrease	comprehensive income of increase	decrease
Interest rate risk: 100 bp parallel shift in interest curves all currencies	–7	7	–	–
Currency risk: 10% change in FX-rate USD/SEK	–35	35	–9	9
Currency risk: 10% change in FX-rate CNY/SEK	35	–35	–	–
Currency risk: 10% change in FX-rate EUR/SEK	–	–	–53	53
Price risk: 20% change in LME-prices	–90	90	12	–12

Note 26: Derivatives and hedging

The table below shows the fair value of all outstanding derivative financial instruments grouped according to treatment in the financial statements:

DERIVATIVES AND HEDGING

	2013		2012		2011	
Amounts in SEK million	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedges						
Currency forwards, currency swaps	7	–12	17	–4	37	–7
Aluminium futures	–	–2	–	–	–	–3
Total	**7**	**–14**	**17**	**–4**	**37**	**–10**
Fair value hedges						
Currency forwards, currency swaps	3	–2	17	–2	7	–26
Aluminium futures	12	–4	7	–22	73	–7
Total	**15**	**–6**	**24**	**–24**	**80**	**–33**
Other derivatives – Fair value changes recognised in income statement						
Currency forwards, currency swaps	3	–9	–	–	–	–
Total	**3**	**–9**	**–**	**–**	**–**	**–**
Total derivatives	**25**	**–29**	**41**	**–28**	**117**	**–43**

CALCULATION OF FAIR VALUE

Currency forwards and currency swaps are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the balance sheet date.

Aluminium futures are measured at fair value using the quoted futures price on the LME (London Metal Exchange)

These derivative financial instruments are designated in hedge relationships as follows:

CASH FLOW HEDGES

Gränges purchases of aluminium futures on the LME, as well as currency forwards are designated as hedging instruments in cash flow hedges. All derivatives designated as hedging instruments in cash flow hedges are carried at fair value in the balance sheet. Changes in fair value are provisionally recognized in the equity hedging reserve, and recycled to the income statement as the cash flows being hedged are recognised in the income statement.

No gain or loss has been recorded in the income statement as a result of hedging inefficiency during 2013 or 2012. All expected cash flows which have been hedged during 2013 still qualify for hedge accounting.

DEVELOPMENT OF THE EQUITY HEDGING RESERVE

Amounts in SEK million	2013	2012	2011
Opening balance hedging reserve before tax	13	26	99
Reclassified to P/L - Net sales	13	21	72
Fair value change during the year	–33	–34	–145
Closing balance hedging reserve before tax	**–7**	**13**	**26**
Deferred tax hedging reserve	2	–3	–7
Closing balance hedging reserve after tax	**–5**	**10**	**19**

A negative hedging reserve means a negative recognition in the income statement in the future. Accumulated hedging gains/losses from cash flow hedges recognized in the equity hedging reserve as of 31 December 2013 are expected to be recycled to the income statement (before tax) with SEK –8 million for 2014 and SEK 1 million after 2014.

FAIR VALUE HEDGES

Gränges has hedges of currency risk on firm commitments using forward currency contracts. Gains/losses on hedging objects and hedging instruments are recorded as currency gain or loss in the income statement.

Gränges sells aluminium futures contracts in order to hedge the value of stocks in fair value hedges. Gains/losses on hedging objects and hedging instruments are recorded as currency gain/loss in the income statement, and the value of the stocks is adjusted by the changes in fair value of the hedged risk.

DERIVATIVES NOT INCLUDED IN IFRS HEDGING RELATIONSHIPS

There are also derivatives not included in hedging relationships according to IFRS for the following reasons:

- Derivatives are not designated in formal hedging relationships when changes in the fair value of hedging instruments and hedging objects are naturally offset in the income statement, for example currency risk on loans and other monetary items.
- Meeting strict IFRS hedge accounting criteria is not always possible or practical. Some of the other currency hedges are in this category.

Changes in the fair value of derivative instruments which are not part of a hedging relationship are immediately recognised in the income statement.

Note 27: Share capital

The share capital in Gränges AB consists of 37,319,693 shares, each with nominal value of 25 SEK.

Orkla Industriinvesteringar AB owns 100% of the shares in Gränges AB. Orkla Industriinvesteringar AB are owned 100% by Industriinvesteringer AS which is 100% owned by Orkla ASA.

Note 28: Leasing

Reported costs related to operating leases reflect the minimum leasing cost during the period of notice. Gränges has no material financial leasing.

OPERATING LEASES - LEASEE

Rented/leased property, plant and equipment

	Land, building, property			Fixtures, vehicles			Other assets			Total		
Amounts in SEK million	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Cost current year	**–1**	**–1**	**–**	**–15**	**–16**	**–15**	**–1**	**–1**	**–1**	**–17**	**–18**	**–16**
Cost next year	–	–	–	–11	–14	–13	–	–	–	–11	–14	–13
Total costs 2–5 years	–	–	–	–24	–37	–41	–	–	–	–24	–37	–41
Total costs after 5 years	–	–	–	–	–	–	–	–	–	–	–	–
Total future leasing costs	**–**	**–**	**–**	**–35**	**–51**	**–54**	**–**	**–**	**–**	**–35**	**–51**	**–54**

OPERATING LEASES - LESSOR

Rented/leased property, plant and equipment

	Land, building, property			Fixtures, vehicles			Other assets			Total		
Amounts in SEK million	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Cost current year	**27**	**30**	**29**	**–**	**–**	**–**	**–**	**–**	**–**	**27**	**30**	**29**
Cost next year	23	21	21	–	–	–	–	–	–	23	21	21
Total costs 2–5 years	14	16	26	–	–	–	–	–	–	14	16	26
Total costs after 5 years	–	–	–	–	–	–	–	–	–	–	–	–
Total future leasing costs	**37**	**37**	**47**	**–**	**–**	**–**	**–**	**–**	**–**	**37**	**37**	**47**

Note 29: Pledges, guarantees and contingent liabilities

CONTINGENT LIABILITIES

Amounts in SEK million	2013	2012	2011
Guarantee commitment PRI Pensionsgaranti	2	2	2
Excise duty obligation (under excise duty suspension system)	2	1	3

PLEDGED ASSETS

Amounts in SEK million	2013	2012	2011
Property mortgage	15	15	15
Own liabilities covered by the property mortage	2	2	3

The Group is part of certain litigations and disputes but none of them are expected to have any major impact on Gränges' financial position.

Note 30: Related parties

Gränges has been owned 100 % from Orkla ASA (through Industriinvesteringer AS and Orkla Industriinvesteringar AB) and has therefore intercompany relations with the Orkla Group. Gränges has paid its share of joint expenses to Orkla ASA. Orkla ASA has provided necessary capital through equity and loans (see Note 23 Capital Management). Intercompany relations between Orkla ASA and Gränges are specified in the table below. Finance expenses are specified in Note 12.

INTERCOMPANY RELATIONS WITH GROUP COMPANIES

Amounts in SEK million	2013	2012	2011
Joint expenses from Orkla ASA and Sapa Group	–17	–36	–34
Sales to group companies	62	80	106
Accounts receivable	–	80	83
Interest-bearing receivables joint ventures (non-current)	27	–	–
Accounts payable	–	–9	–5
Interest-bearing liabilities (non-current)	265	809	575
Interest-bearing liabilities (current)	81	–	287
Other receivables/(liabilities)	–	6	74

Gränges also obtains minor services from Orkla Shared Services (IT and payroll) and Orkla Insurance Company Ltd (Insurance). Gränges have some minor sales and purchases to other companies within the Orkla Group.

Gränges has ownership interests in a joint venture, Norca Heat Transfer LLC in USA (see Note 6). This is presented using the equity method, one line consolidation.

Internal trading within the Group is carried out in accordance with special agreements on an arm's length basis, and joint expenses in Gränges are distributed among the Group companies in accordance with distribution formulas, depending on the various types of expense. There have been no other transactions with related parties. Information regarding the executive management is disclosed in Note 8.

Note 31: Subsequent events

After the 2013 year end closing the Board of Directors of Orkla ASA, the ultimate parent of Gränges AB, decided to explore the possibility of listing its wholly-owned subsidiary Gränges AB on NASDAQ OMX Stockholm.

On May 23, 2014, an extraordinary shareholders meeting of Gränges AB resolved to amend the company's articles of association and thereby changing company category to a public company and to register the shares with Euroclear. It was further decided to apply for a reduction of the restricted share capital and other restricted capital in Gränges AB to SEK 100 million in order to provide flexibility a possible future change in capital structure. On August 15, 2014 the Swedish Companies Registration Office registered a reduction of Gränges AB's share capital of SEK 833 million, as well as a reduction of restricted reserves of SEK 262 million (with the corresponding amount increasing retained earnings). Consequently, the share capital of Gränges AB thereafter amounted to SEK 100 million.

On August 12 Gränges AB's board of directors resolved to propose to the extraordinary shareholders' meeting to declare a dividend of SEK 1,650 million to Orkla. The record day for the profit distribution shall be the day after the shareholder's meeting which is planned to be held in September. The dividend will be funded by existing cash balances and a loan from Orkla which is to be refinanced through Gränges' new senior debt facility in connection with a potential IPO.

On August 20, 2014 Gränges entered into a SEK 1,800 million multicurrency revolving credit facility with Svenska Handelsbanken AB (publ) and Skandinaviska Enskilda Banken AB, with Svenska Handelsbanken AB (publ) acting as agent. The facility is for five years and will come into effect after a potential listing of Gränges AB (publ) on NASDAQ OMX Stockholm, after which loans from and deposits with Orkla will be settled. The loan agreement contains standard representations, undertakings and covenants for Gränges and its subsidiaries.

On July 1, 2014 Gränges divested an industrial property in Skultuna, Sweden. The book value of the asset was SEK 11 million and the sale generated a loss of SEK 4 million.

The CEO Johan Menckel exercised his outstanding Orkla options as of 3 July 2014.

Stockholm, August 29, 2014

The board of directors of Gränges AB (publ)

Anders Carlberg *Chairman of the board*	Terje Andersen *Member of the board*	Ragnhild Wiborg *Member of the board*
Bertil Villard *Member of the board*	Öystein Larsen *Employee representative*	Conny Svensson *Employee representative*
	Johan Menckel *President & CEO*	

Our audit report was submitted August 29, 2014

Ernst & Young AB

Erik Sandström
Authorized public accountant

Auditor's report regarding the audited consolidated annual accounts for the period 2011–2013

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Gränges AB, which comprise the consolidated balance sheet as at December 31, 2013, 2012 and 2011 and the consolidated income statement, statement of changes in equity and cash flow statement for the years then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give, in all material respects, a true and fair view of the consolidated financial position of Gränges AB as at December 31, 2013, 2012 and 2011 and of its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Stockholm, August 29, 2014

Ernst & Young AB

Erik Sandström
Authorized public accountant

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