

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

Amounts in SEK million	Q2			Jan-Jun			12-month rolling	Full year	Δ
	2014	2013	Δ	2014	2013	Δ	Jul 2013 - Jun 2014	2013	
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

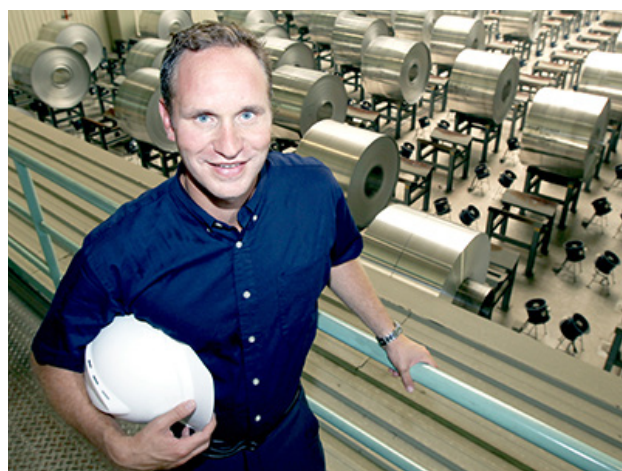
Our net sales fell by 6% to SEK 2 333 million in the first half of the year due to lower aluminium prices. As our revenue model passes through the aluminium price in the value chain the lower aluminium price has an insignificant impact on earnings. In volume terms, the increase was about 2% and we are 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



JOHAN MENCKEL, VD OCH KONCERNCHEF

“We are very satisfied with the good result”

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)

SECOND QUARTER

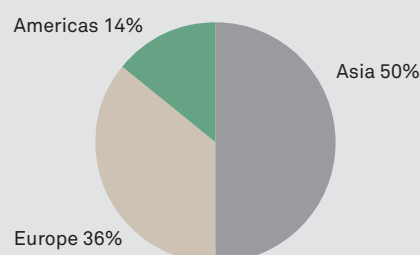
Sales volume

42 ktonnes

Net sales

SEK **1 176** million

Sales volume per region



Adjusted operating profit

SEK **130** million

Adjusted operating margin

11.1 %

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.

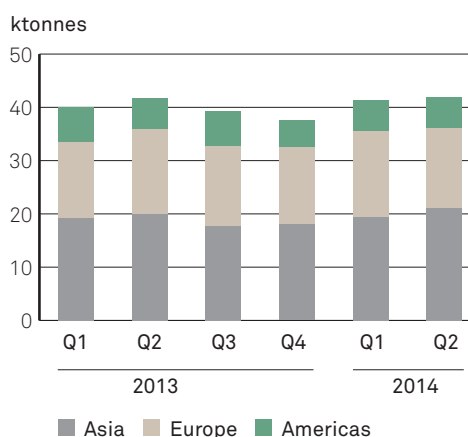
According to the IHS forecast from July 16, 2014 the global light vehicle production in the second quarter is estimated to have increased by close to 3% compared to the same quarter last year. For the first half of the year IHS estimates a growth of some 4%. In Asia, which accounts for about 50% of Gränges' 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

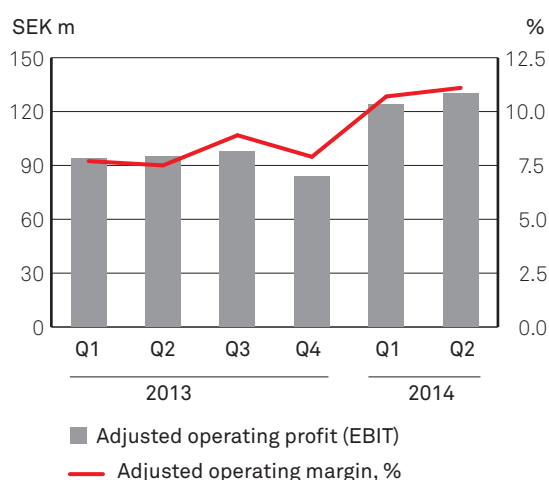
In the second quarter volume to the Americas region decreased by 5% to 6 ktonnes (6). The reduction compared to last year is mainly a result of lower contracted volumes with some customers offsetting the growth of others. Volume for the first half of the year amounted to 12 ktonnes (12), a decrease by 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 posi-

tive 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

For additional information, please contact:

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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	Terje Andersen	Ragnhild Wiborg
Chairman of the board	Member of the board	Member of the board

Bertil Villard	Conny Svensson	Øystein Larsen
Member of the board	Employee representative	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					
Shareholder/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

Amounts in SEK million	2014		2013			
	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 activities	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

Amounts in SEK million	2014		2013			
	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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