

GRÄNGES ANNUAL REPORT 2015

A GLOBAL ALUMINIUM COMPANY SPECIALISING IN ROLLED PRODUCTS FOR THE HEAT EXCHANGER INDUSTRY

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GRÄNGES is a leading global supplier of rolled products for brazed aluminium heat exchangers. The company develops, produces and markets advanced materials that enhance efficiency in the customer manufacturing process and the performance of the final products; brazed heat exchangers. The company's geographical markets are Europe, Asia and the Americas. Its production facilities are located in Finspång, Sweden, and Shanghai, China, and have a combined annual capacity of 220,000 metric tonnes. Gränges has some 950 employees and net sales in 2015 totalled SEK 5,494 million. The share has been listed on Nasdaq Stockholm since October 2014. More information on Gränges is available at granges.com.

2015 IN BRIEF

Q1

- Adjusted operating profit increased 24.7%. Positive effects of favourable exchange rates.
- Strong demand in Asian and European markets. Sales volume increased 0.9%.

Q2

- Profits continued to improve, increased sales volume and higher net sales.
- Slowdown in Asia, due to some customers reducing inventories build up in the first quarter.
- Received Delphi 2014 Pinnacle Award in the best supplier category.

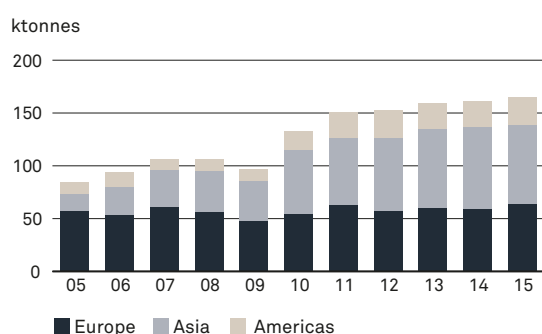
Q3

- Profits and net sales continued to improve. Strong growth in Europe and North America, while China continued to show signs of softness.
- Efficiency measures in Swedish operations. Clearer focus in R&D, metal purchasing and distribution.

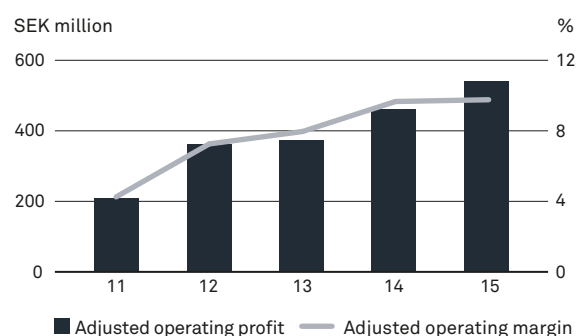
Q4

- Higher sales and improved earnings. Lower sales volume in Asia while sales in Europe and the Americas grew.
- Dividend increased to SEK 2.00 per share. Net debt decreased to SEK 275 million per 31 December 2015, supported by strong cash flow.

DEVELOPMENT OF SALES, 2005–2015



ADJUSTED OPERATING PROFIT, 2011–2015

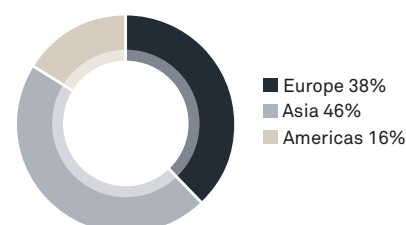


FINANCIAL SUMMARY

SEK million	2015	2014	Change
Sales volume, ktonnes	163.9	160.0	2.5 %
Net sales	5,494	4,748	15.7 %
Adjusted operating profit ¹⁾	541	463	16.9 %
Adjusted operating margin, %	9.8	9.7	0.1 ppt
Adjusted operating profit per tonne, kSEK	3.3	2.9	0.4
Operating profit	538	422	27.6 %
Operating margin, %	9.8	8.9	0.9 ppt
Profit for the year	379	319	18.8 %
Earnings per share basic, SEK	5.07	4.27	0.80
Earnings per share diluted, SEK	5.07	4.27	0.80
Cash flow before financing activities	600	597	0.5 %
Equity/assets, %	56.8	47.9	8.9 ppt
Net debt	275	765	-490
Return on capital employed, %	18.1	16.3	1.8 ppt

1) Adjusted for items affecting comparability (see Note 12 on page 73).

SALES VOLUME PER REGION, 2015



POSITIONED FOR CONTINUED PROFITABLE GROWTH

Brazing is the dominant technology for making aluminium heat exchangers in the automotive industry. In the years ahead there is likely to be a greater use of aluminium brazing technology in stationary heat exchangers, in which Gränges has a leading position.

Our industry

Gränges operates in a niche of the aluminium industry that develops and manufactures materials for producers of brazed aluminium heat exchangers. The niche is characterised by the following:

A small number of large customers

The customer base is concentrated. Gränges' seven largest customers account for 59 % of the Group's sales volume.

Global market

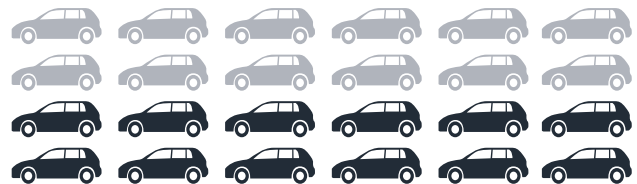
The customers are primarily large, global companies. A geographic presence in the customers' markets is necessary to meet customer demand.

High technological demands

Customers have stringent requirements for product performance and metallurgical properties. Typically, development of heat exchanger materials for a particular heat exchanger takes around two years. Development takes place in close collaboration with customers.

Niche in the aluminium industry

There is a number of small and larger players active in the rolling of aluminium products. Most of them offer large-scale production of simpler specifications. Few have the comprehensive overall competence required to produce the technically advanced materials in which Gränges specialises.



About half of the world's cars that are manufactured today have heat exchangers that contain Gränges' material and expertise.

Our end customers

Gränges' end customers are found in the automotive and HVAC&R industries.

Automotive industry

Demand for heat exchanger material is strongly linked to global vehicle production and the number of heat exchangers per vehicle. A number of unique heat exchangers are developed for each new vehicle platform. This work is carried out in close collaboration with customers to ensure that the final product has the right properties. Advanced requirements in terms of the product's characteristics, particularly energy efficiency, mean that aluminium brazing technology is a dominant part of today's heat exchanger industry.

HVAC&R industry

The market for stationary heat exchangers is fragmented, with many producers and a large number of end users and applications. These applications are found in areas such as commercial and residential buildings, data centres, food sectors, retail, healthcare and the manufacturing industry. Together they account for a high percentage of energy consumption in many countries. Demands for reduced energy consumption and limitations on the amounts and choice of refrigerants are expected to drive the shift towards brazed aluminium heat exchangers, which until now have had a relatively small market share.

Our business

Gränges' business has a number of strengths that ensure that the company is well-positioned for continued profitable growth.

Market-leading position

Gränges has a global market-leading position in aluminium heat exchanger materials. In 2015, its market share was around 20 %.

Strong presence in Asia

In 2015, 46 % of Gränges' sales came from customers in Asia, with China accounting for roughly half of Asian volume. Gränges established operations in China as early as 1996 and has since then built up a leading position in the region. The Asian market is expected to be Gränges' fastest growing in the next few years, even if growth slowed in 2015.

Well-invested facilities

The production facilities in China and Sweden are well-invested. In the next few years, annual maintenance investment is expected to be significantly less than depreciation.

Stable business model

Gränges' business model ensures that the price of the primary raw material – aluminium – is passed on to customers. Therefore Gränges' results do not depend on fluctuations in the price of aluminium. The Group's earnings are based on value added to the product that the customers are willing to pay for.

Potential for continued growth

Gränges has a strong position in its niche and unique competence in processed aluminium. This position is the foundation for continued growth and development in the following areas:

- Continued expansion in China
- Establishment in North America
- Increased use of aluminium in stationary heat exchangers
- Commercialisation of new innovations



Gränges is represented all over the world.

RECORD RESULTS AND ABOVE MARKET GROWTH

Johan Menckel, CEO of Gränges, on company performance in 2015, where Gränges will be in five years and what the company should focus on during 2016.

“We registered above-market growth in 2015, and at the same time, we met all our financial targets, and net debt decreased, which creates stability for the future - something we’re proud of.”

WHAT WAS MOST IMPORTANT IN 2015?

We have constantly improved profits over the past ten years. 2015 was yet another successful year when we achieved record results. We have had a strong focus on our customers and done further work on increasing efficiency, and this has contributed to the positive performance. We registered above-market growth in 2015, and at the same time, we met all our financial targets, and net debt decreased, which creates stability for the future – something we’re proud of.

ANYTHING SPECIAL IN THE MARKET YOU WANT TO HIGHLIGHT?

It has been a lukewarm year, with somewhat lower underlying market growth globally. If we look a little closer at our geographic markets, we see that development has varied. Growth in Asia was weaker than previous years, while demand increased in Europe and was unchanged in North America.

HOW IS GRÄNGES AFFECTED BY THE MARKET SITUATION?

As always, we focus on our customers and on offering the best technical solutions. It is also important that we have an efficient production process and make constant improvements operationally to keep costs down.

We were successful in all these respects during 2015, as can be seen from the year’s profits and from the fact that we grew more than the market. We were also named best supplier by two of our customers who are leading heat exchanger manufacturers.

HOW DO YOU SEE DEVELOPMENTS IN ASIA AND CHINA?

I am positive in the long term. Current forecasts indicate growth of around 5 %

per year in China for a long time to come, and as far as sales of cars in Asia are concerned, it is expected to be the region with the strongest growth globally. This is quite natural given the rapid increase in living standards. As incomes rise, more people want to have access to a car, moreover, demands regarding comfort increase, which contributes to sales of heat exchangers for air conditioning systems.

Already today, half of all the cars in the world are made in Asia, while North America and Europe each account for a quarter.

YOU CHANGED YOUR R&D ORGANISATION, WHY?

We have strengthened our R&D function, and created a more efficient organisation for the long term, with a clearer division between strategic research and product development, the latter being more concentrated on short-term customer requests. Research is now centralised ensuring that we will be able to strengthen our position as a technical leader for the long-term. Product development, which has a more short-term focus to improve existing products, has been integrated into operations in Finspång and Shanghai.

HOW WILL GRÄNGES LOOK FIVE YEARS FROM NOW?

We will have further refined our specialisation in the field of advanced rolled aluminium products for the heat exchanger industry. This means that our world-leading position in this niche will be stronger and that we will take market share, primarily in North America and Asia. In Europe we account for just over 30 % of the market today. We want

“In essence, it is persistent and goal-oriented work, our combined specialist competence and the strong Gränges culture that guarantee continued profitable growth.”

to achieve the same position in North America and Asia. It is no secret that establishing the company in North America is a high priority. I anticipate that in five years we will have our own production facility in place there.

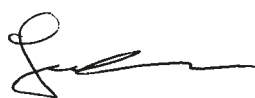
Our products for customers in the field of stationary heat exchangers and industrial applications will account for a major share of our sales in five years' time. There is a considerable need for reduced energy consumption and increased cost efficiency among property owners and this favours demand for brazed heat exchangers. Political ambition coupled with growing concern over climate change are key drivers in this area.

We have also taken further steps on sustainability. We have already come a good way along this road, as can be seen from the sustainability section in this annual report. One example of this is that we have become much better at re-using metal scrap in the production of alloys, which delivers environmental and financial benefits. However, the most important environmental contribution comes from our products, among other things by helping to reduce energy consumption

compared with less advanced products. This is also an important driving force in our future R&D work.

WHAT ARE YOU FOCUSING ON IN 2016?

We will continue to concentrate on what has brought in this year's record result: focusing on our customers while at the same time controlling costs, developing new attractive products and achieving continual operational improvement. In essence, it is persistent and goal-oriented work, our combined specialist competence and the strong Gränges culture that guarantee continued profitable growth. This is what makes me proud of being part of this company and the exciting future that lies ahead.



Johan Menckel
CEO



Return on capital
employed in 2015

18.1%

Improved operating earnings contributed to an increase in return on capital employed to 18.1% (16.3).

Focus areas 2016

- Continue to develop advanced products and solutions for our customers. Strengthening our position as the market leader in our niche.
- Capacity expansion, with North America and Asia as prioritised geographical regions.
- Constantly improve operations. Continue reducing our energy consumption and focusing on quality.
- Clarify Gränges' sustainability work. Prepare for reporting sustainability according to GRI from 2016.

THE INSIDE STORY

Modern vehicles typically contain up to ten different heat exchangers, sometimes more. In recent years, the number of heat exchangers per vehicle has increased, as engines have become more advanced, and environmental requirements and passenger comfort demands have grown. There are heat exchangers for cooling engines, transmission mechanisms and engine oil, air conditioning systems, and in some cases, batteries. Today, Gränges is a world leader in heat exchanger materials, and around 90 % of sales are to customers in the automotive industry.

○ Chiller
(for active battery cooling)

○ Battery radiator
(for passive battery cooling)
○ Hybrid system radiator

○ Charge air cooler
○ Condenser AC
○ Engine radiator

○ Engine oil cooler





- Evaporator AC
- Compartment heater

- Evaporator rear AC

- Transmission oil cooler

A CLEAR STRATEGY FOR GROWTH

Strategy

Gränges' strategy is to be a global niche player in the market for rolled products for brazed aluminium heat exchangers. By focusing on this niche and a global offering of customised products with a high technical content, Gränges aims to strengthen its leading position and continue to grow with strong profitability.

This strategy is based on a strong customer focus, leading edge technology, a high level of production expertise, continuous improvements and on being a sustainable long-term link in the value chain.

- Customer focus

Gränges collaborates closely with its customers to help improve their profitability. The company's focus enables it to build up advanced knowledge about global customers and tailor services to their needs, irrespective of whether it relates to product development, delivery, services or administration.

- Leading edge technology

Gränges aims to be a technology development partner in collaboration with its customers. The company's centre for research, development and applied engineering – Gränges Technology – uses its advanced knowledge to develop the right products for the needs of every individual customer. Product developers and technicians work closely with the customer to optimise the interaction between the materials and the customer's machinery and processes.

- Production expertise

Gränges' customers depend on high quality, highly reliable and consistent products. The company's priority is, and will remain, to deliver products and services that meet customer quality requirements. Although the company is working with advanced production technology and very complex processes, consistency in quality comes mainly from Gränges' highly skilled, experienced and dedicated employees. Gränges calls this industrial craftsmanship, which is the company's contribution to more efficient production and greater competence in brazed heat exchangers. Gränges' focus on this niche means that all resources can be used for targeted continual improvements.

- Continuous improvements

Gränges focuses on operational improvements and cost reductions to constantly improve its own efficiency. The Gränges Production System is Gränges' concept for lean manufacturing. This contributes to simplify production flows, directly link production steps and create well-defined and waste-free processes. Internal efficiency improvements contributed significantly to increased profits in 2015.

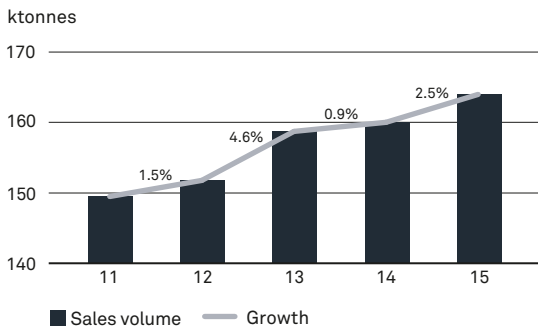
- A sustainable link in the value chain

Aluminium is often called the green metal, due to properties that enable effective recycling and remelting. By using aluminium's unique properties and helping its customers in the climate shift, Gränges will be a sustainable link in the value chain. Efficiently used resources, continual environmental improvements and focused safety initiatives are important in Gränges' own sustainability work.

Financial targets

Growth

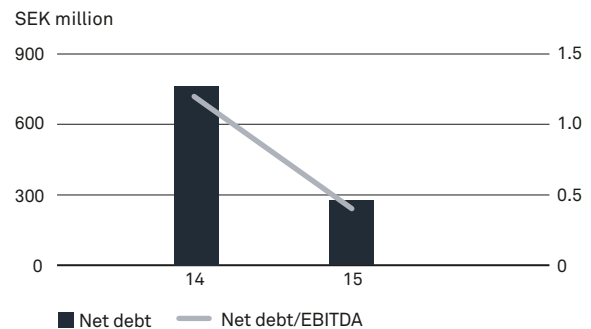
Gränges aims to grow sales volume at least in line with the company's end markets over time.



Gränges sales volume grew by 2.5 % in 2015, which was above market growth.

Capital structure

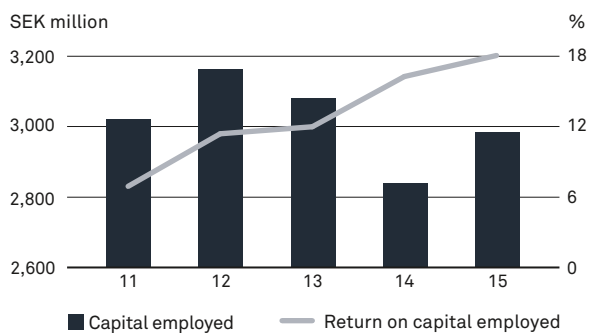
Gränges' net debt should normally be 1–2 times EBITDA over a 12-month period.



Net debt decreased by SEK 490 million during 2015 to SEK 275 million at 31 December 2015, driven by strong cash flow. Net debt corresponded to 0.4 times EBITDA at 31 December 2015.

Return on capital employed

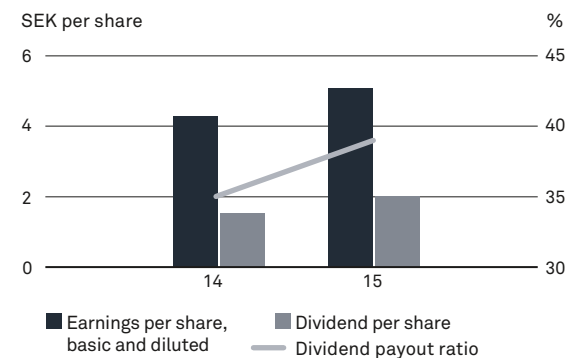
Gränges aims to generate a return on capital employed of 15–20 % over time.



Return on capital employed increased to 18.1 % by 31 December 2015. Improved adjusted operating profit contributed to the increase.

Dividend policy

Gränges aims to pay a dividend on its shares over time of 30–50 % of net profit for the year. Decisions on dividends will take into account the company's financial position, cash flow and outlook.



A dividend of SEK 2.00 per share is proposed. This is an increase of more than 30 % over last year. The proposed dividend corresponds to 39 % of the profit for the year.

A FOCUSED BUSINESS MODEL

Gränges' business model is based on a strict focus on materials for brazed heat exchangers. The company develops, produces and markets advanced materials that enhance the efficiency of the customer's manufacturing processes, and the performance of the final product, the brazed heat exchanger.

The clear focus of the business entails a high degree of specialisation, which contributes to increased competitiveness in terms of both product range and production processes.

STRONG, LONG-TERM CUSTOMER RELATIONSHIPS

Gränges' business is based on long-term customer relationships. In close co-operation with customers, Gränges develops specific products for each heat exchanger model, and subsequently provides customers with technical support throughout the entire product life cycle. The development of a new product takes an average of two years, followed by up to one year of product validation, before it is ready for serial production. Gränges' research and development department continuously develops new products and processes, which give a technical edge in several key areas.

LEADING-EDGE COMPETENCE IN KEY AREAS

Gränges has strong development and production competence in four key areas: development of alloys, cladding, rolling and thermo-mechanical processing and slitting. These competencies are combined to deliver high value-added products. Production takes place only after an order has been placed, and according to customer requirements. Gränges has a dynamic portfolio of some 1,500 products, which are adapted to specific customer needs.



ESTABLISHED REVENUE MODEL

Gränges generates revenues through sales of heat exchanger materials. Sales contracts contain two price components: the metal price, based on prevailing market prices; and a conversion price, which includes the added value Gränges contributes in the form of material properties and product complexity. The metal price component is passed on to customers, which means that Gränges is protected from fluctuations in raw material prices.

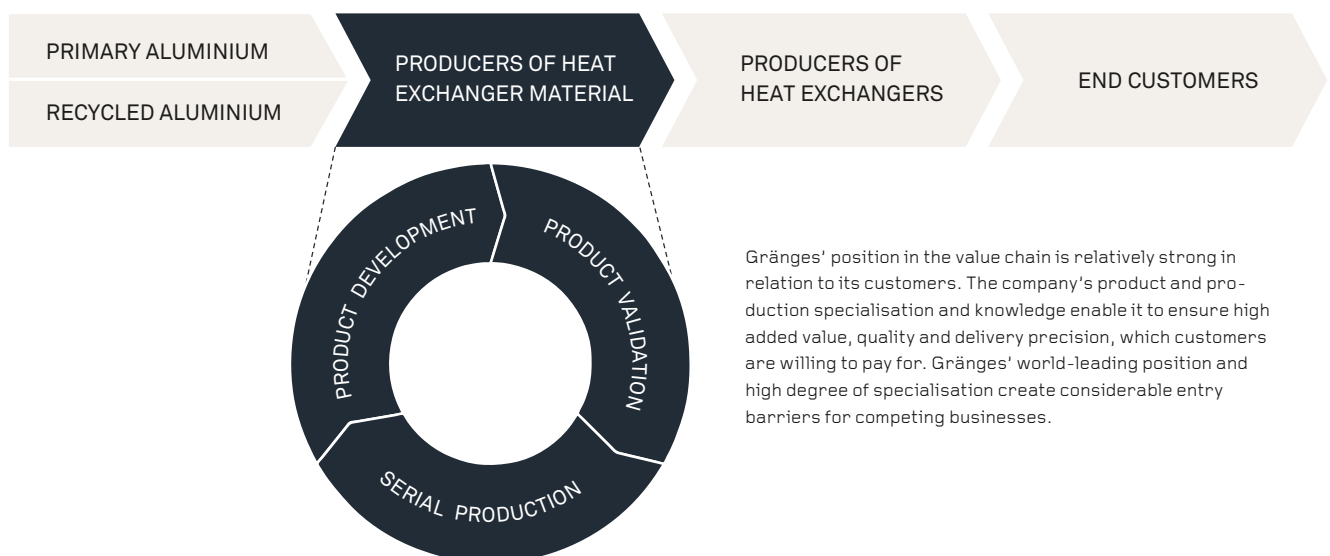
SPECIALLY ADAPTED PRODUCTION FACILITIES

Gränges' production facilities are optimised for producing heat exchanger materials. Between 2008–2012, Gränges conducted a major investment programme to increase capacity and productivity in its production facilities. This has resulted in better process stability, and improved profitability. The production facilities in China and Sweden are well-invested. During the next few years, annual maintenance investments are expected to be significantly less than depreciation.

EXPERIENCED ORGANISATION

Gränges' many years of specialisation within the development and production of rolled products for brazed heat exchangers has contributed to deep knowledge of material properties and manufacturing processes throughout the business. New knowledge and experience are systematically spread between different parts of the organisation, with a view to maintaining the competitive edge that has led to Gränges' world-leading position in its niche.

A strong position in the value chain



Gränges' position in the value chain is relatively strong in relation to its customers. The company's product and production specialisation and knowledge enable it to ensure high added value, quality and delivery precision, which customers are willing to pay for. Gränges' world-leading position and high degree of specialisation create considerable entry barriers for competing businesses.

TRENDS SET TO DRIVE GRÄNGES' DEVELOPMENT

Gränges is positively impacted by a number of powerful driving trends that are closely linked to the development of society at a global level. These include higher living standards, steps to reduce environmental impact, and a general desire to reduce costs.

DRIVING TRENDS AND THEIR CONSEQUENCES FOR GRÄNGES

Driving trend	Consequence	Advantages of aluminium	Outlook	Customers' maturity and demands	Consequence for Gränges
<p>AUTOMOTIVE INDUSTRY:</p> <p>Reduced negative impact on environment and increased cost efficiency. At the same time, meet the increased need for passenger comfort, which requires more heat exchangers.</p>	<p>Product development of lighter vehicles.</p> <p>Smaller and lighter engines and more complex systems which place greater demands on efficient cooling.</p> <p>Electric and hybrid vehicles require further cooling of electric motor's batteries, which leads to increased use of heat exchangers.</p>	<p>Aluminium is lighter than copper or steel and offers good functional performance.</p> <p>Aluminium is also indefinitely recyclable, corrosion resistant and more cost effective than copper or steel.</p>	<p>Aluminium content in vehicles is expected to increase by about 60 % between 2012 and 2025, according to the Aluminium Association.</p> <p>The number of hybrid and electric vehicles are expected to increase in the coming years, which will drive demand for heat exchangers.</p>	<p>High level of customer maturity and knowledge of aluminium.</p> <p>High demands on functionality, quality and delivery precision.</p>	<p>Increased demand for advanced aluminium materials, where Gränges is world-leading.</p>
<p>HVAC&R INDUSTRY:</p> <p>Achieve increased energy efficiency, reduce the use of environmentally harmful refrigerants, improve cost efficiency and ensure reliability.</p>	<p>Development of new products which are more energy and cost efficient than those at present.</p> <p>New more compact heat exchangers with less refrigerants that has low or no environmental impact.</p>	<p>Brazed aluminium heat exchangers are more energy and cost efficient regarding materials, manufacturing, transport and storage (the size of the heat exchanger can be up to 35 % smaller, with the same effect).</p> <p>Brazed aluminium heat exchangers run with lower amount of refrigerants.</p> <p>Brazed aluminium heat exchangers offer more consistent performance and achieve lower noise levels operationally than traditional solutions.</p>	<p>As legal requirements and regulations on the use of refrigerants become tougher, conversion to aluminium heat exchangers is expected to increase in coming years.</p> <p>Demand is also expected to be positively affected as customers and end-users increasingly have greater performance, energy efficiency and cost efficiency requirements.</p>	<p>Still low maturity and knowledge regarding advantages of brazed aluminium, but this is changing.</p> <p>Increasing demands on functionality, quality and efficiency.</p>	<p>Increased demand for advanced aluminium materials, where Gränges is world-leading.</p> <p>During the year Gränges has invested in new production capacity for folded tubes in the production facility in Shanghai. Folded tube technology is a relatively new development in the heat exchanger market that is suitable for stationary units.</p>



Higher living standards

Higher living standards leads to a greater overall demand for vehicles and an increased demand for comfort in vehicles and property. This trend is particularly pronounced in recently industrialised countries where living standards are rising rapidly. In the automotive industry for example, air conditioning has become a standard feature in mature markets, while penetration is still increasing in many developing countries. In the market for stationary heat exchangers (HVAC&R),

an increased penetration of air conditioning systems and heating systems in buildings also contributes to an increased demand for heat exchangers and aluminium heat exchanger materials.

Importance for Gränges: Increasing sales volume of advanced materials for heat exchangers, which need to meet the demands of reduced climate impact and a high degree of cost efficiency.

Reduced environmental impact

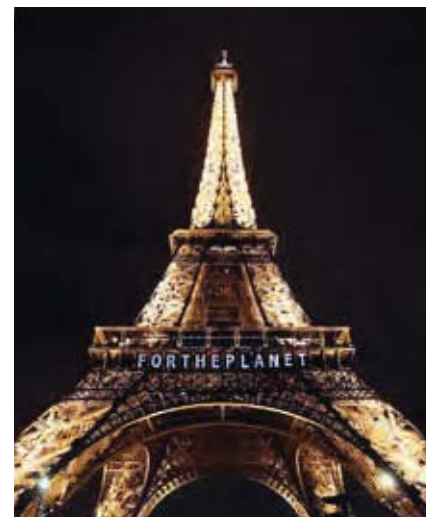
Ambitions to reduce emissions of harmful greenhouse gases affect product development in the automotive industry and HVAC&R in two ways: demands for lower weight and increased efficiency.

Certain components in the automotive industry – for example heat exchangers, engines, gear boxes and wheel rims – are already largely manufactured in aluminium. The trend for these components is towards a further reduction in weight through improved

design that translate in even higher demands regarding materials and components.

Similarly, the HVAC&R market faces the challenge of phasing out harmful refrigerants and using alternatives with a low or no impact on the environment. Today mechanically assembled copper tube heat exchangers are primarily used in HVAC&R applications. However, the advantages of brazed heat exchangers drive the conversion to aluminium products.

Importance for Gränges: To reduce the weight and improve efficiency of a heat exchanger, new and improved heat exchanger materials are required.



Paris Eiffel Tower during the UN Climate Conference 2015.



Efficiency demands

The need for reduced energy consumption, cost savings, and operational reliability on the part of manufacturers, and vehicle and HVAC&R systems users drives demand for efficient products from logistical and production perspectives, as well as for more energy-efficient engines and heat exchangers. This in turn leads to reduced use of resources and energy in production processes, and by end-user, which results in substantial savings across the total life cycle of the product.

For example, to improve car engine efficiency, vehicle manufacturers are

reducing engine size, and introducing increasingly complex systems that place greater demands on cooling systems. Moreover, manufacturers and consumers are showing growing interest in electric and hybrid vehicles, which require further cooling of engine batteries.

Importance for Gränges: More compact and efficient heat exchangers lead to increased demand for more technically advanced heat exchanger materials. An increased need for electric and hybrid engines results in potentially higher volumes.

A GLOBAL MARKET LEADER

Gränges has a leading position in the global market for rolled products for brazed aluminium heat exchangers. End customers are in the automotive industry and in the stationary heat exchangers market (HVAC&R).

Gränges' customers face continual improvement demands from their customers, which means they constantly need to improve heat exchanger performance.

In 2015, the market for rolled aluminium for brazed heat exchangers is estimated to have amounted to 800,000 tonnes, corresponding to a value of approximately SEK 25 billion.

THE AUTOMOTIVE INDUSTRY ACCOUNTS FOR 90 % OF SALES

The automotive industry accounted for some 90 % of Gränges' total sales volume in 2015. Growth in the automotive industry amounted to approximately 1 % (3) globally during the year. The forecast is for average annual growth of approximately 3 % between 2015 and 2020.

Since the 1990s, brazed aluminium heat exchangers have gradually increased their percentage share in the automotive industry at the expense of copper-based and mechanically assembled aluminium heat-exchangers, and today brazed heat exchangers account for almost 100 % of the market.

HVAC&R – GREAT FUTURE POTENTIAL

HVAC&R comprises systems for heating and cooling, for instance in private homes, commercial premises and industrial buildings. As in the automotive sector, HVAC&R is an important area of use for brazed aluminium heat exchangers. The total market for heat exchanger materials for HVAC&R is assessed to be approximately the same size as for the automotive industry. The low percentage of aluminium brazed heat exchangers so far means, however, that the HVAC&R market segment is considerably smaller for Gränges.

Expectations are that the manufacturers of HVAC&R will convert to brazed aluminium heat exchangers in the not too distant future, in line with developments in the automotive industry. This will drive growth for Gränges' products.

NEEDS OF GRÄNGES' CUSTOMERS

Gränges' customers face continual improvement demands from their customers, which means they constantly need to improve heat exchanger performance, minimise the total cost and increase the value of their engine-cooling and climate-control solutions. A central challenge is to constantly meet the new requirements arising from next-generation platforms, new applications and demands on the part of product end users and vehicle and application manufacturers. In practice this means that Gränges needs to be at the cutting edge regarding its ability to develop adaptable and customised aluminium materials.

LONG-TERM CUSTOMER RELATIONSHIPS

Gränges and its customers have well-developed collaboration related to design and production processes, all the way from when a new vehicle platform is developed, to trials and testing, as well as several years of deliveries pursuant to an agreement. This means that Gränges' customer relationships are long-term in nature. They are also the result of Gränges' strong brand name in the international market for heat exchanger materials, as well as



Gränges' capacity to be a global supplier, with high quality products and high delivery precision.

Of Gränges' customers, 85 % have used the company's products for more than ten years. The seven largest customers represented 59 % of the total volume sold in 2015. The largest customer accounted for 13 % of the total volume sold the same year.

COMPETITION AND MARKET SHARE

Gränges' competitors in the market for rolled products for brazed heat exchangers vary in size and strategic focus. However, Gränges is the only global supplier that focuses entirely on this market, which has given the company a market-leading position. Market share is estimated to be approximately 20 % globally. The competitors mainly comprise large global aluminium companies such as Alcoa, Aleris, Norsk Hydro, Novelis and UACJ. In Asia there are a number of local players who are direct competitors to Gränges in the Asian market.

HIGH DEGREE OF SPECIALISATION

To be successful in the market for advanced aluminium materials, a high degree of specialisation is necessary in terms of both product development and production. As a rule, a long history of constant improvements leads to an increased degree of productivity and quality, which in turn contributes to a positive spiral in the form of satisfied customers and increased profitability. This enables investments in new product development and technology, which leads to further strengthening of the Group's competitive advantages. It is precisely such a positive spiral that Gränges is in, where a high degree of specialisation contributes to ensuring a high level of competitiveness over time.

CONSIDERABLE ENTRY BARRIERS

The market for advanced aluminium materials is relatively difficult to break into while maintaining profitability. This is not primarily due to the fact that it is a capital-intensive industry, but rather to the high degree of competence and experience required to develop the new advanced materials demanded by customers. Competence and experience are also crucial for running flexible production with a high level of efficiency and being able to guarantee high delivery performance as regards volume, time and quality. All in all this entails high demands on well-adapted machine parks and processes that are refined over a long period of time.

Furthermore, flexible and efficient customer service is necessary as well as global logistics, as customers are, as a rule, global players who want to have daily just-in-time deliveries to avoid a build-up of inventory. So that customers will not be without input materials in their production, Gränges needs to be able to deliver up to 1,500 stock items, which requires high flexibility and good planning to minimise tying up capital in inventory and at the same time maintain high delivery precision.

Suppliers who do not meet all these demands in the automotive industry risk losing a tender, which leads to the supplier risking having to wait until the next vehicle platform is launched after a number of years before it is possible to tender an offer again.

The fact that these entry barriers are considerable is illustrated historically by the many attempts to break into the market by players who have had capital for machines, but have lacked the knowledge, experience and flexibility that Gränges has with regard to products, production and customer service.

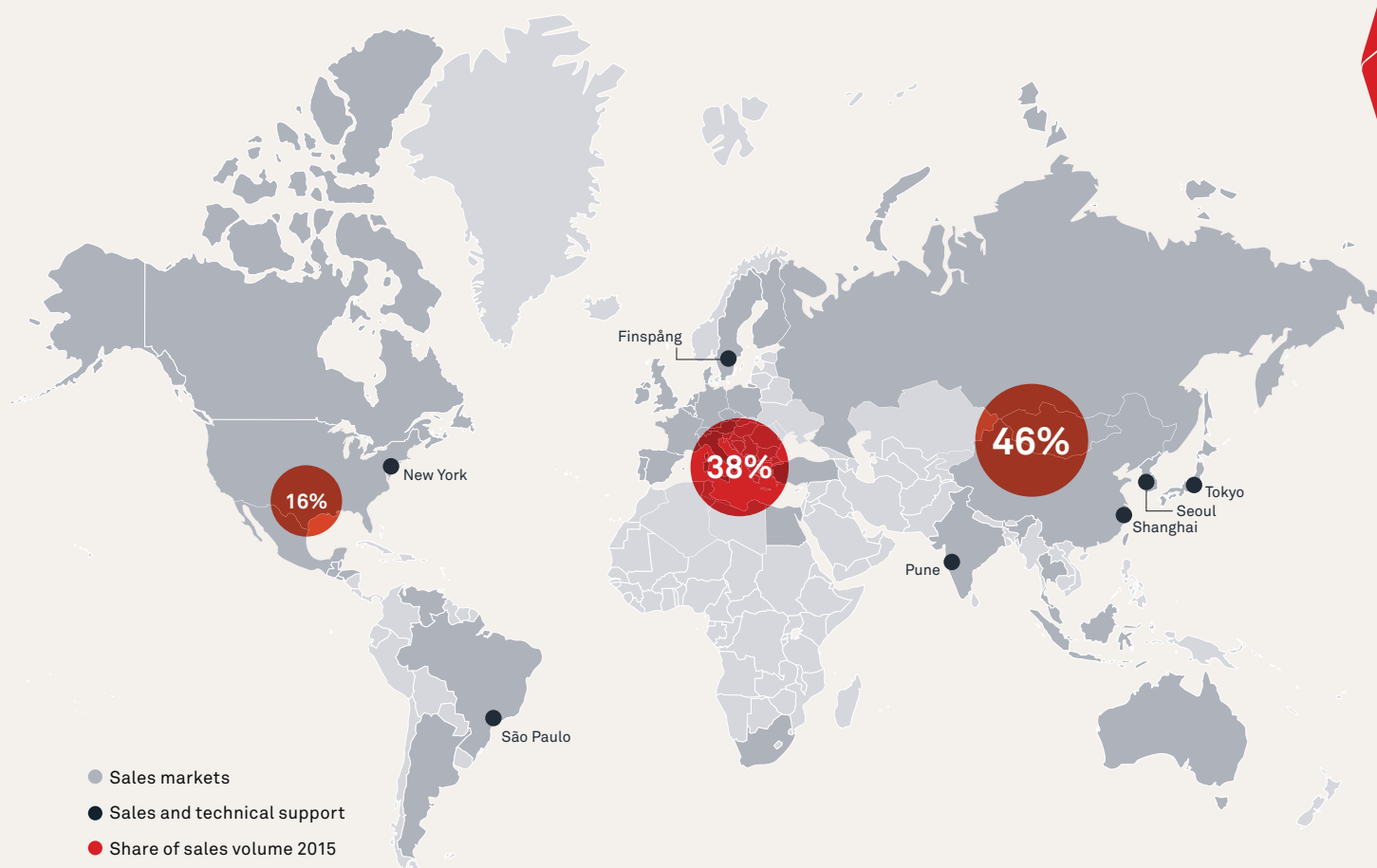
Market outlook

The market for rolled products for brazed aluminium heat exchangers is closely correlated with global vehicle production and affected by the number of heat exchangers per vehicle. Developments in the market for HVAC&R also have an impact, albeit to a lesser extent as the penetration of aluminium is lower so far.

Vehicle production is affected by a number of macroeconomic factors, for example economic growth, levels of employment, interest rates, consumer and their expenditure patterns, fuel prices, the launch rate of new vehicle models and overall household prosperity. The global market for light vehicles is expected to grow by an average of 3 % annually between 2015 and 2020, according to the international research and analysis firm IHS.

The underlying growth driver for heat exchangers in the HVAC&R segment, irrespective of type, is global construction expenditure, which is expected to grow by about 4 % annually over the next three years. Brazed aluminium heat exchangers are expected to gradually replace traditional mechanically assembled solutions. As a result, the HVAC&R market segment is expected to grow by an average of about 15 % annually between the years 2015 and 2020 for rolled products for brazed aluminium heat exchangers.

Gränges' customers are largely global, which requires that Gränges has a corresponding presence and reach. Gränges has sales offices and technical support in three continents and the production facilities in Finspång and Shanghai are key competence centres for research and product development in collaboration with customers.



Asia

A LEADING POSITION

Since the establishment of the Gränges Shanghai facility in 1996, the company has built up a leading position in the Asian market.

In 2015 Asia accounted for 46 % (49) of the Group's sales by volume, with China as the main market. Other key markets are Thailand, South Korea and India.

Most of the produced volume at Gränges Shanghai is sold in Asia, of which about half goes to China. Global customers accounted for 41 % (38) of the volume sold in 2015.

The fall-off in activity in the Chinese economy contributed to a slower growth rate in the demand for heat exchangers during the year. However, the long-term outlook is good. Seen as a percentage of the global production of light vehicles, China accounts for 27 % (26). The manufacturing of light vehicles in China is expected to increase by an average of 5 % annually between 2015 and 2020, according to IHS.

Europe

A LEADING POSITION

Gränges has a strong position in the European market and through high-tech content in its products has consolidated its leading market position during the year.

Overall the European market accounted for about 38 % (37) of the Group's sold volume in 2015, with the UK, Italy, the Czech Republic and Poland as the largest individual markets. Europe is a consolidated market with global customers, which accounted for about 75 % (77) of the sales volume in 2015. The majority of all volume supplied to Europe is produced at the Finspång facility.

The disclosures this year related to Volkswagen and the actual emission levels in its car models did not affect sales to any great extent during the year. In the long term the effects of the discussion can lead to a faster shift over to electric hybrid engines, which in turn requires that heat exchangers play a larger role, and this is positive for Gränges.

The Americas

GROWTH POTENTIAL

Gränges has been present in the American markets since 1994. The market for heat exchangers for the automotive industry is relatively concentrated, with just a few suppliers of heat exchanger materials.

In 2015, the Americas accounted for approximately 16 % (14) of the Group's sales by volume, where the main markets are the US and Mexico. There are also important markets in South America, for example Brazil.

Gränges' global customers accounted for approximately 73 % (62) of the volume sold in the Americas in 2015. The production facilities in Finspång and Shanghai supply customers in the Americas with products.

There is a clear opportunity for Gränges to strengthen its position in the Americas by establishing a production facility in the region.

WORLD-CLASS R&D

Gränges conducts world-class strategic research and customer-related product development using its extensive knowledge of material structures and properties, as well as its own and the customers' production processes. Strategic research work is conducted globally, and customer-related development is carried out locally, in close co-operation with the production facilities.

Gränges' R&D comprises more than 40 specialists. In 2015, the company carried out a reorganisation of the Swedish business to concentrate the technical competence in one department, this will allow for greater focus on technical research and development, and an improved use of our competences.

In concrete terms, the measures involve a streamlining of the Group's strategic research, which is conducted centrally, and customer-related product development, which is carried out locally, in close co-operation with the production facilities.

COLLABORATION WITH UNIVERSITIES

Several employees in Gränges' R&D hold a doctorate, and engage in collaboration with universities and institutes on a regular basis. New and modified products and alloys are initially tested on a pilot scale in laboratories, and through computer simulations, prior to full-scale production. This approach facilitates the planning of effective high-precision production processes.

TECHNICAL SUPPORT FOR CUSTOMERS

In addition to research and development work, Gränges' product developers and technicians help customers to optimise the interaction between Gränges' products and their own equipment, processes, and applications. Here the company's application centre, where

customers' forming and brazing processes can be replicated, provides support. Gränges' product developers and technicians are located in Asia, Europe, and the Americas.

ATTRACTIVE RESEARCH AND DEVELOPMENT PORTFOLIO

Some examples of research projects that Gränges also offers commercially to its customers are:

- MULTICLAD®, a multi-layer clad-product platform, which provides superior strength in combination with superior corrosion resistance. Trial deliveries were successfully made during the year. The products will facilitate replacement of mechanically assembled heat exchangers in the HVAC&R end-customer segment, where brazed units will enable lighter and less costly heat exchangers with higher performance. The MULTICLAD® technology is also being used to provide materials that can replace stainless steel in exhaust gas recirculation units in the automotive industry.
- TRILLIUM® is a product developed in collaboration with Sandvik. The material makes the brazing process possible without the need to add flux salt. This allows customers to overcome many limitations and high costs related to the traditional brazing process, where the application of

flux salt is needed. In 2015 production capacity was increased to meet a higher demand for this product.

- Strong-sagging-resistant fins. This technology allows customers to down-gauge fin materials and/or apply tougher brazing cycles without compromising quality and performance.

Gränges' research and development has resulted in 38 patent families and 143 patents, as of 31 December 2015. At the time of writing, a further 97 patent applications are pending.



TITANX – LONG TERM COOPERATION A WIN-WIN

TitanX is a leading global supplier of heat exchangers for commercial vehicles. Engine coolers, charge air coolers, and condensers in trucks and buses are made of up to 65 % aluminium.



“At TitanX we’ve always appreciated Gränges’ flexibility, speed and customer-oriented attitude”

Stefan Nordström
TitanX Group CEO

When manufacturing heat exchangers for commercial vehicles, the quality of the aluminum alloys is of utmost importance in ensuring maximum output. Engines are subject to intense pressure with temperature in modern, environmentally friendly truck engines reaching 270°C, and pressure exceeding four bars.

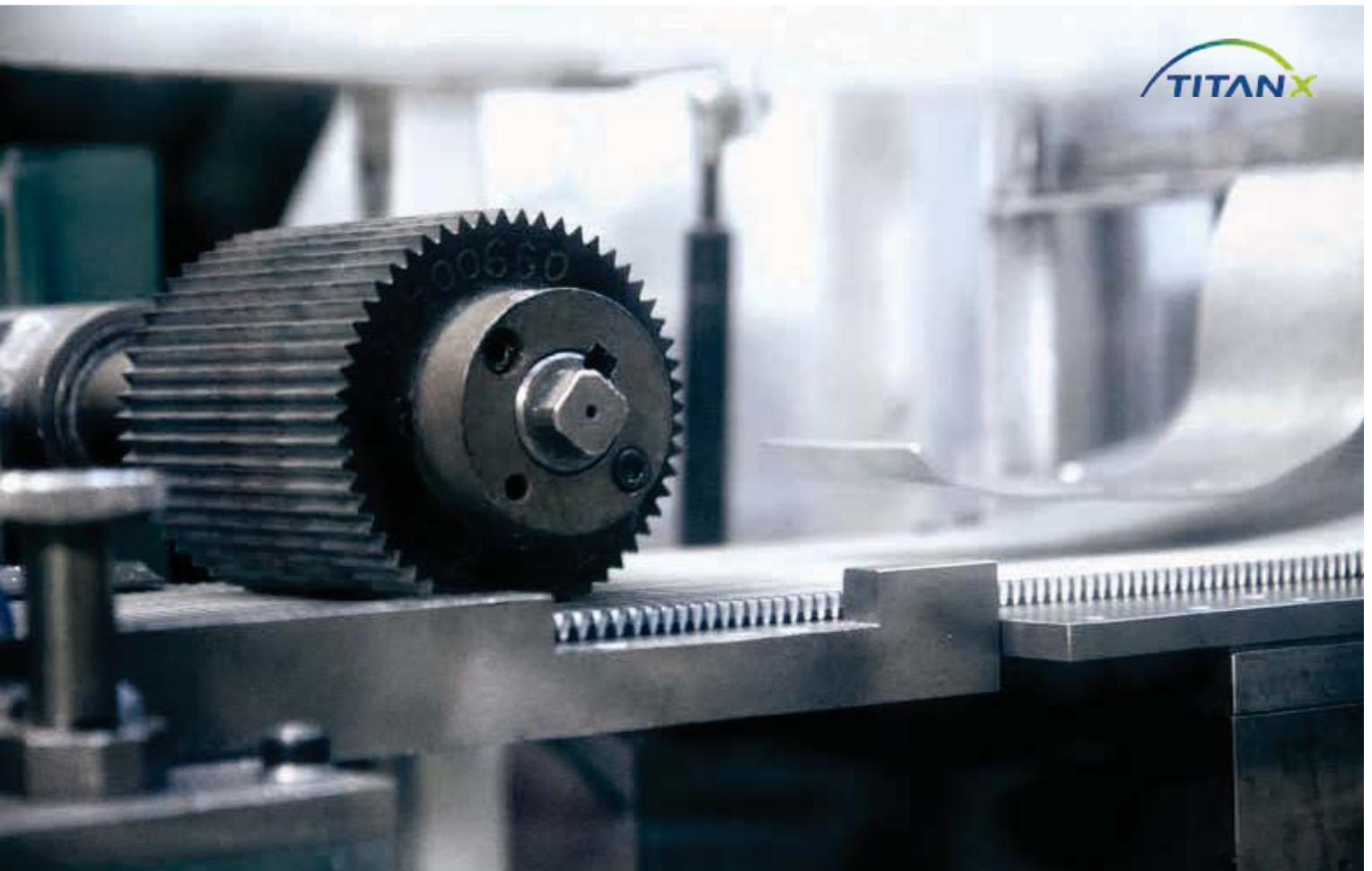
As a TitanX supplier, Gränges offers materials with the properties, the quality, and in the quantity they need.

“Our relationship goes way back. At TitanX we’ve always appreciated Gränges’ flexibility, speed and customer-oriented attitude,” says Stefan Nordström, TitanX Group CEO.

Gränges has supplied materials to TitanX since the 1970s. Thanks to this long-standing co-operation, TitanX has been able to develop market-leading products based on materials that meet ever increasing demands on the heat exchangers, and in cost-effective ways.

Gränges’ focus on the heat exchanger market has enabled the company to develop a thorough understanding of the industry. This makes Gränges a key partner for TitanX in the development of new products that best meet the challenges of the commercial vehicle industry, both in the short- and long-term.

“As of 2016, we entered a non-exclusive, long-term partnership agreement with the aim of creating value for both TitanX and Gränges at a global level”, says Nordström.



Heavy vehicles – brief facts

In 2014, almost 1,600,000 commercial vehicles were sold in Europe, Brazil, India, North America and China (according to AB Volvo's Annual Report 2014).

Heat exchangers play an increasingly important role in commercial vehicles. Today, a single vehicle can have up to six heat exchangers from TitanX. In addition to these, other heat exchangers are needed, for example for air-conditioning. The need for heat exchangers in heavy vehicles is expected to increase as demand grows for technologies such as hybrid engines and waste heat recovery, along with the greater use of electronics.

TitanX – brief facts

TitanX Engine Cooling is a global supplier of powertrain cooling solutions to commercial vehicles, both for OEMs and the independent aftermarket. TitanX with annual sales of more than SEK 1.6 billion (USD 192 million), and has some 800 employees worldwide. The company is headquartered in Gothenburg, Sweden, and has manufacturing sites in Sweden, USA, Brazil, China and Mexico.

POPULAR HIGH-TECH PRODUCTS

Gränges offers a comprehensive range of clad and unclad rolled aluminium products that are used for brazed heat exchangers with high functionality and performance requirements. Gränges' focus on technology, manufacturing processes, and material properties, contributes to creating smaller, lighter, and better designed heat exchangers, which in turn improve energy efficiency and reduce environmental impact.

The company's clear focus on offering leading products to the global heat exchanger market makes us a reliable partner.

Gränges' advanced products are the result of research and development, as well as development collaboration with customers, who contribute to constantly renewed knowledge in the company. The company's clear focus on offering leading products to the global heat exchanger market makes us a reliable partner – which is reflected in the company's long and stable collaboration with customers.

ADDED VALUE FOR THE CUSTOMER

Gränges offers a complete range of clad and unclad rolled aluminium products, which are used for brazed heat exchangers with high functionality and performance requirements. Depending

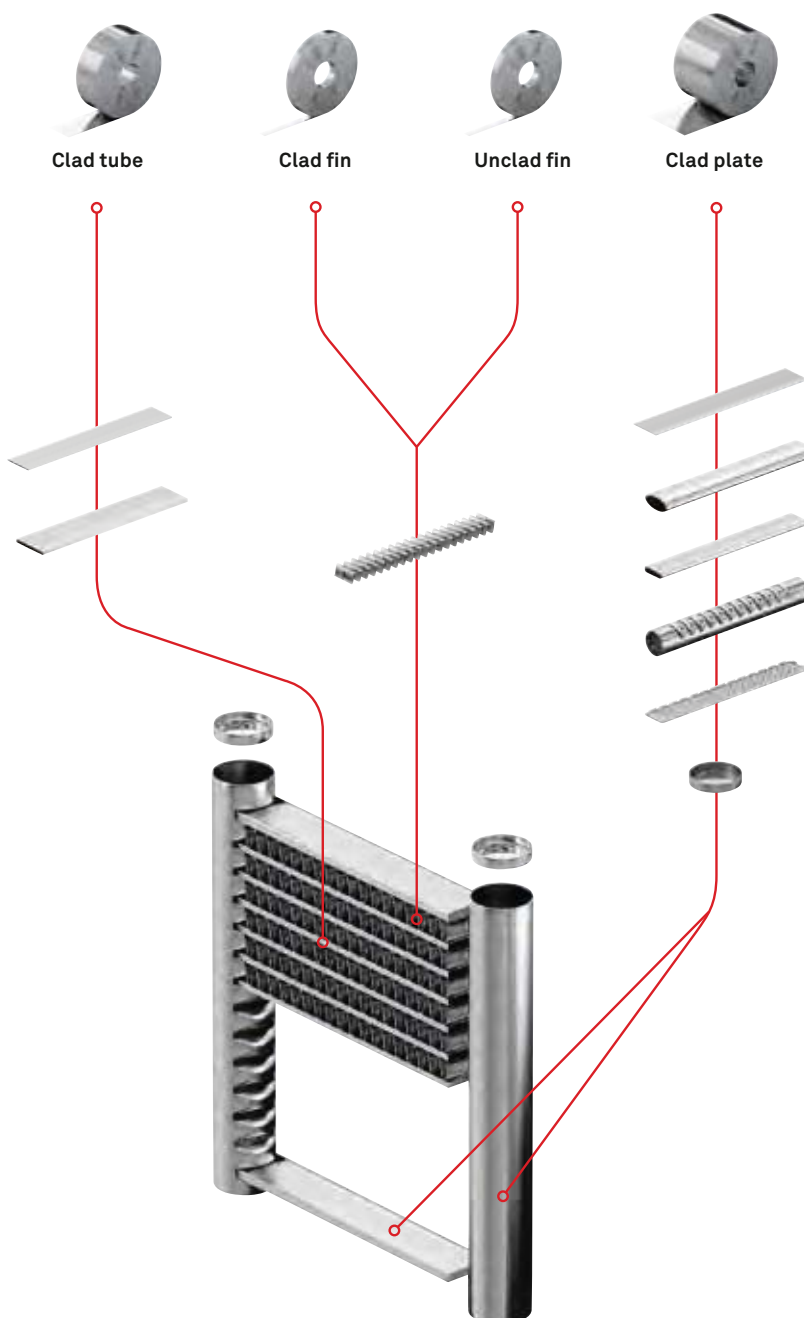
on the specific needs of a given application, Gränges offers multi-layer products with up to five layers. The diverse range of products offers almost unlimited opportunities for customised solutions based on carefully selected alloy combinations, delivery conditions, clad thicknesses and geometries. Due to customers' specific material requirements, new materials are being developed all the time.

By giving the products unique properties and customising solutions to meet specific customer needs, Gränges creates functional added value that customers are willing to pay for.



40 μm

Rolling down to 40 μm aluminium strips, slitting down to 10 mm widths.



Four product groups

There are a total of approximately 1,500 product specifications, including 150 combinations of alloys. The products can be divided up into four main groups:

Clad tube

Consists of a core alloy with braze clad on one or two sides, and in many cases a core alloy with a braze clad on the outside and a corrosion-resistant clad on the inner side of the tube. The customer makes a tube by folding or welding the material.

Clad fin

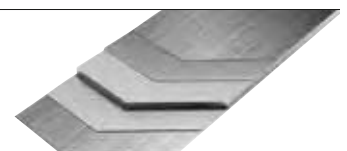
Consists of a core alloy with braze clad on each side, and is primarily used in condenser applications.

Unclad fin

The most basic heat exchanger material. Unclad fin consists of only one alloy without clad layers.

Clad plate

Consists of a core alloy clad with braze clad on one or two sides. The rolled product is stamped or shaped by the customer depending on the application and used in most kinds of heat exchanger applications, either for coolant plates or manifolds.



ADVANCED PRODUCTION AND EFFICIENT PROCESS

With 40 years experience and specialised knowledge of production of materials for brazed heat exchangers, Gränges has become world leader in rolled aluminium for the heat exchanger industry. The company has systematically built up a reputation for high quality, flexibility, customer service and delivery precision.

Gränges' two production facilities are located in Asia and Europe. The European facility is located in Finspång, Sweden. The factory was built in 1913, and production of aluminium for brazed heat exchangers began in 1972. Today, annual production capacity in Finspång amounts to 100,000 tonnes.

The company's production facility in Asia is located in Shanghai, China. Operations were established in 1996 as a jointly-owned company and Gränges took over full ownership in 2003. The development of the production facility in Shanghai was largely based on the sharing of knowledge and technology transfer from Finspång. Gränges has focused on increasing the capacity of the production facility in order to keep

pace with the fast market growth in the region. Capacity has increased from 12,000 tonnes in 1999, up to 120,000 tonnes in 2015.

Both facilities are certified according to international standards: Finspång according to ISO9001:2008, (quality); ISO TS 16949:2009, (quality); ISO14001:2004, (environment); ISO50001:2011, (energy). And in Shanghai according to ISO TS 16949:2003, (quality); ISO14001:2002, (environment); and OHSAS18001:2004, (health and safety).

COMPLEX PRODUCTION PROCESSES

Production of rolled products for brazed aluminium heat exchangers is a very complex process. The first stage in

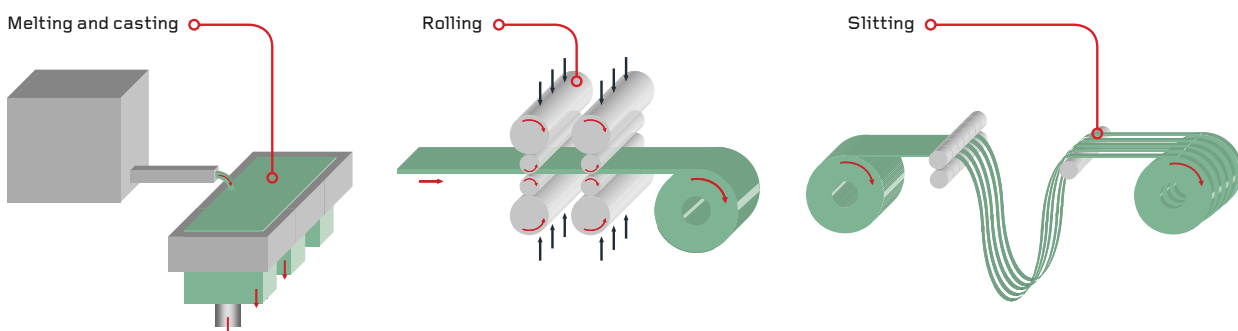
the production process consists of re-melting and casting, where aluminium ingots, alloying materials and recycled aluminium scrap are the input materials. Rolling slabs are produced during re-melting and casting in various alloys.

The next stage is the hot rolling process, where the material undergoes a first change of form. The material is preheated in a furnace to a temperature which makes the material soft and deformable. The hot rolling process creates a metallic bond between the clad plates and the core slabs. The hot rolled coils are then cooled down before they continue to the cold rolling.

During the cold rolling process, the material is further rolled down in several

Production process overview

There are several different steps in the manufacturing of rolled aluminium for brazed heat exchangers at Gränges: from melting and casting, to slitting and packaging. Each step has its own complexity, for example, the cladding process where one or several clad alloys are bonded to the core material via hot rolling.



passes to reach the required thickness. The coils can be heat treated in annealing furnaces between and after cold rolling 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 processes.

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

Depending on the final product, the coils are then slit into required widths.

TECHNICAL LEADERSHIP IN CRITICAL AREAS

Thanks to its focused strategy, Gränges has developed four specific competencies that have contributed to the company's technical leadership in heat exchanger materials:

Development of alloys: design of material where aluminium is combined with several alloying elements to achieve specific properties. Gränges has special expertise when it comes to developing alloys and combinations which have properties adapted to each

stage in the customers' production processes – from forming to assembly and brazing.

Cladding: an important competence that provides high added value and differentiates Gränges from producers of rolled products for general purposes. The company produces single and two-sided clad products, symmetrical and asymmetrical products and MULTICLAD® material with many different alloy combinations.

“... specific competencies have contributed to the company's technological leadership in heat exchanger materials”

Rolling and thermo-mechanical process: used to change the micro-structure of the alloys to achieve the desired properties in the finished product. Gränges has long experience of thermo-mechanical processing and its effect on the behaviour of materials in the brazing process.

Slitting: Gränges has extensive competence and experience in slitting technology, which plays an important part in the production of heat exchanger materials. The slitting process requires

craftsmanship and automation expertise to achieve the close tolerances that are required in terms of width, edge quality and winding.

DEMAND-DRIVEN PRODUCTION

Gränges operates demand-driven production based on lean manufacturing principles. Essentially, this seeks to create simple production flows, direct connection between stages of production and well-defined and waste-free processes. Production lead time should be as short as possible and balanced against the need for processes to be cost-efficient.

This production model also makes it possible for Gränges to offer flexible customer service.



Gränges praised by customers

Gränges' high quality, delivery precision, and production capacity are appreciated by customers - a fact highlighted by the awards that the company has received.

- In April 2015, Gränges received the Delphi 2014 Pinnacle Award. The assessment criteria were quality, value, and cost performance in 2014.
- In June 2015, Gränges Shanghai gained recognition from DENSO DMTT in Japan for its delivery precision and manufacturing capacity. At a ceremony in Tianjin, China, Gränges Shanghai received an award for best supplier.
- In October 2015, Gränges Shanghai received the award for best supplier in the QCD (quality, cost and delivery) category from Subros Limited in India, a subsidiary partly owned by Denso Corporations, and one of the leading suppliers of heat exchangers to the automotive industry in India.

SUSTAINABILITY

Sustainability is an integral part of Gränges' core competence and business. Gränges contributes to a more sustainable society through continual streamlining of production processes, environmentally-conscious product development and focused safety work.

GRÄNGES' ENVIRONMENTAL OBJECTIVES

In 2017, Gränges will reduce its energy consumption per produced tonne of aluminium by at least 10 % from 2005 levels.

Gränges strives to reduce greenhouse gas, and other airborne emissions, reduce noise pollution, and limit waste.

Gränges takes economic, environmental and social responsibility in its own business, and also takes responsibility for the work environment. Furthermore, Gränges takes part in initiatives to ensure that aluminium is mined, produced, and used in a sustainable manner.

Gränges' products enable smaller, lighter and more designable heat exchangers, thereby increasing economic efficiency and reducing environmental impact. The products increase the efficiency of customers' production processes, and the performance of the end product, the brazed heat exchanger. In this way, Gränges helps its customers to make their products more sustainable, and helps them improve their competitiveness.

GRÄNGES IN THE WORLD

Two key contributors to climate change are transport services and energy consumption in buildings. Greater climate awareness has led to increased demand for improved fuel economy in vehicles and climate-smart and energy-optimised buildings.

Regulatory requirements for more economical vehicle fuel consumption are becoming tougher. China has shifted to following EU norms for engines, and this is expected to contribute to an increased demand for Gränges' products. Regulatory requirements are also expected to drive demand for stationary heat exchangers, for example in air conditioning systems, primarily in Asia and North America.

THE GREEN METAL

Aluminium is often called the green metal, thanks to properties that support sustainable product development and enable recycling and re-melting.

Around 8 % of the Earth's crust consists of aluminium (in chemical compounds), and it is the most common metal found in the ground. However, metallic aluminium is not directly mined from the ground but extracted from bauxite.

Aluminium is light and strong, is easy to shape and process, is corrosion-resistant, and has good heat transfer properties.

In cars, lower weight results in lower fuel consumption. For every 100 kg reduction in weight, fuel consumption can be reduced by an average of 0.35 litres/100 km¹⁾, and greenhouse gas emissions can be reduced by 0.9 kilos/100 km.

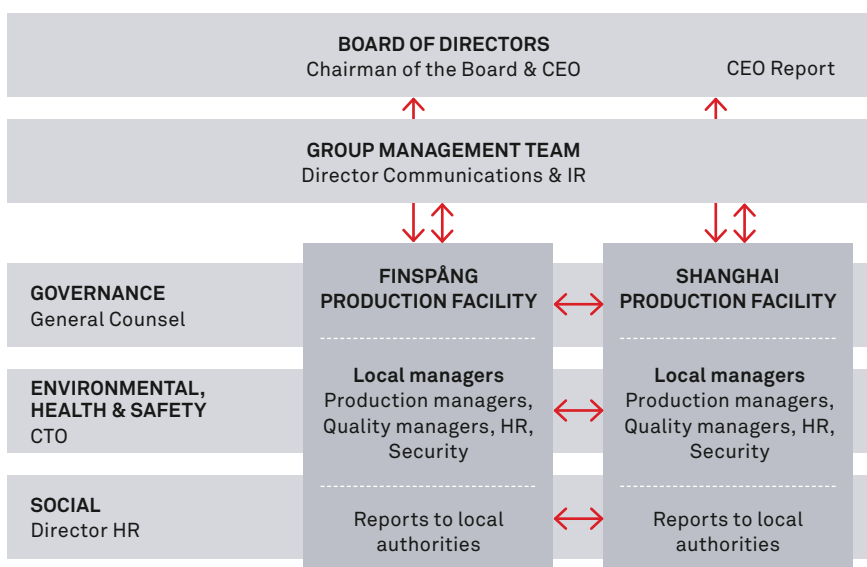
Aluminium can be recycled infinitely without losing its unique properties. An estimated 75 % of all aluminium ever been produced, since the metal was first extracted on an industrial scale in 1886, is still in use²⁾.

The electrolysis process for the production of primary aluminium requires a large amount of energy. However, once the metal has been produced, it can be recycled without quality deterioration, at only 5 % of the energy that is

1) The Potential Contribution of Light-Weighting to Reduce Transport Energy Consumption, Hinrich Helms and Udo Lambrecht, IFEU Heidelberg, 2006.

2) The European Aluminium Industry's Sustainable Roadmap Towards 2025, April 2015.

GRÄNGES SUSTAINABILITY ORGANISATION



The Director of Communications and IR is responsible for Gränges' work on sustainability at Group level. The CTO is responsible for environment, health, and safety; the General Counsel for governance; and the Director of HR for social responsibility.

required to produce primary aluminium. Today, 95 % of the aluminium content of all the cars in the world is recycled.

The percentage of recycled aluminium can be increased through improvements in the production process and by developing alloys which can absorb more recycled material.

LONG-TERM SUSTAINABLE LINK IN THE VALUE CHAIN

Gränges is a world-leader in rolled aluminium products for brazed heat exchangers. The efficient use of resources, continual innovation in

developing and manufacturing high-tech products and focused work on safety are crucial for Gränges' long-term sustainable development.

PURCHASING

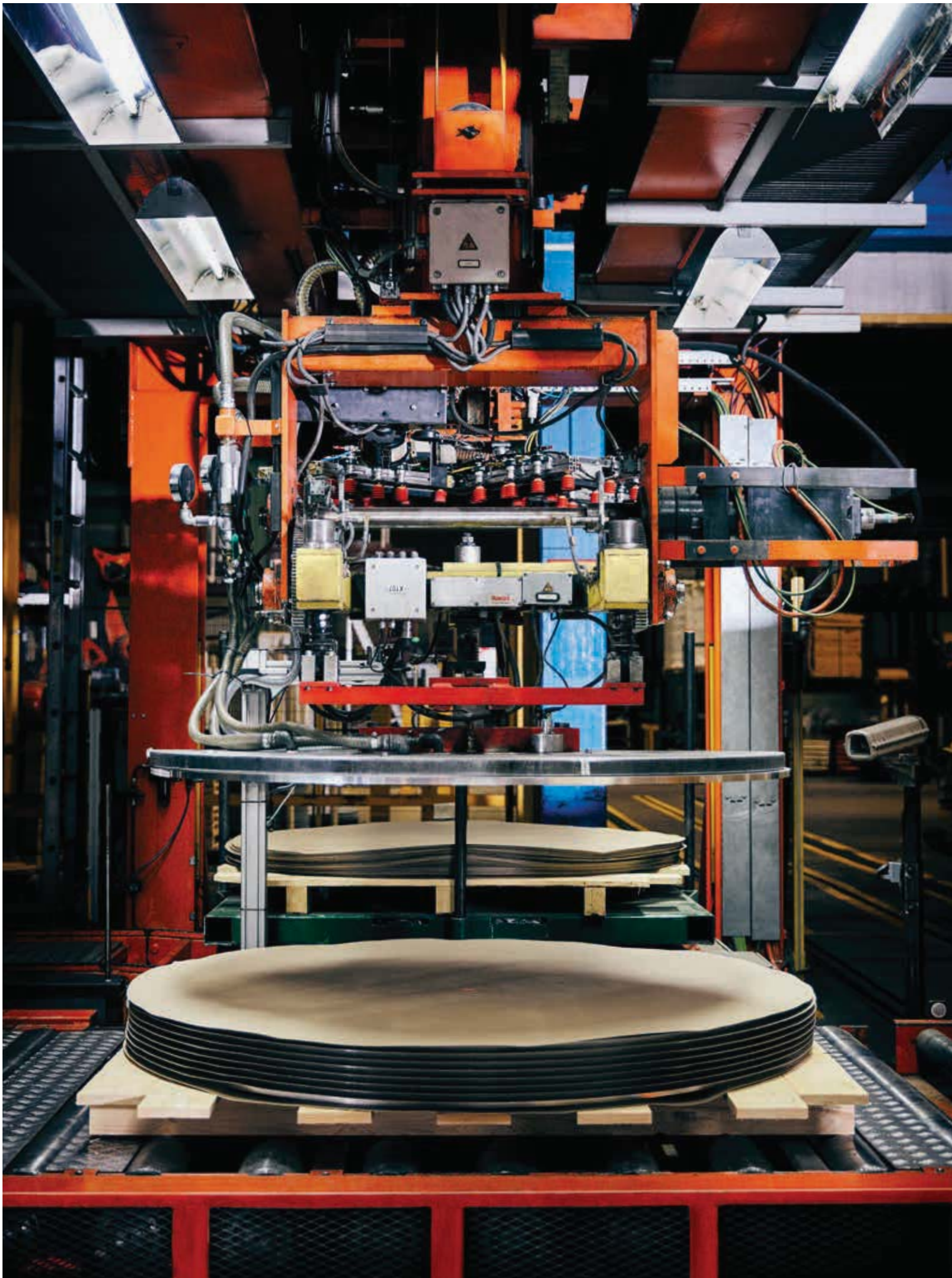
Gränges has comprehensive routines and guidelines for its purchasing. During the year the company has strengthened its collaboration with suppliers and improved internal controls and purchasing routines for scrap and other materials. With a view to ensuring sustainable supplier operations, Gränges has produced a new *Supplier Declaration*

for all suppliers. An efficient supply chain that is sustainable in the long term is an important part of Gränges' management of the purchasing of metal.

ENVIRONMENTAL RESPONSIBILITY

The fundamental aim of Gränges' environmental responsibility is to minimise the impact of the company's operations, processes, and finished products on the environment.

A maximum metal yield, an increased percentage of recycled aluminium and energy-optimised processes are absolutely crucial for Gränges' financial



results, and are at the same time the company's primary contribution to reducing the burden on the environment and climate.

Direct energy savings are achieved partly by improving production equipment and processes, partly through the recycling of thermal energy from the processes. Waste heat is reused for heating of premises, amongst other things.

An important aspect of alloy development is to enable a larger proportion of recycled scrap in Gränges own re-melting process. As a result, less primary aluminium needs to be purchased for the use in our products. In 2015, primary aluminium use at Finspång was reduced by approximately 15 % on the previous year. The increased percentage of recycled aluminium has resulted in substantial energy savings earlier in the value chain.

Gränges carries out regular energy surveys, and during the year the company has also carried out a survey of greenhouse gases, water usage and various kinds of emissions so as to identify improvement measures. The survey has initiated a number of projects that have contributed and will contribute to lower use of energy and lower carbon dioxide emissions in relation to the number of tonnes of aluminium produced.

Measures taken during the year include increased heat recycling; and a change of lighting in the rolling mill in Finspång to reduce energy consumption; investment in new casting moulds for higher metal yield; and a change of coolers in some of the rolling mills to prevent oil leaking into the water system.

The production facility in Shanghai now runs on natural gas rather than diesel. And by optimising the rolling process, Gränges reduced the consumption of rolling lubricants and additives at the facility.

TRANSPORT

Gränges continuously reviews how it can optimise transportation and logistics flows. The average load per truck is being increased by improving finished goods inventory levels.

Gränges strives to make internal logistics more efficient through process improvements and investments to reduce the use of forklifts. Eco-driving is encouraged at our Finspång facility to reduce fuel consumption. Furthermore, by optimising the load between different machines, the use of forklifts for material handling has been reduced at the facility.

LIFE CYCLE PERSPECTIVE

Gränges uses a life cycle perspective to evaluate the environmental sustainability of the company's products throughout their entire life cycle, from raw material to end use. The aim is to develop new alloys to recycle more scrap, and downgrade the components to enable the production of lighter, more efficient heat exchangers.

Gränges also works together with customers on new technologies and products to optimise the customers' processes, and to enable the production of more efficient heat exchangers.

ENVIRONMENTAL PERFORMANCE

	Energy use (MWh) ¹⁾		
	2015	2014	2013
Finspång	180,006	168,463	182,069
Shanghai	240,391	245,395	241,131
Total	420,397	413,858	423,200

	Energy use (MWh/tonne produced aluminium)		
	2015	2014	2013
Finspång	1.19	1.21	1.19
Shanghai	1.26	1.29	1.34
Total	1.23	1.26	1.28

	Water use (m ³)		
	2015	2014	2013
Finspång ²⁾	2,192,553	2,655,048	2,614,611
Shanghai ³⁾	173,902	192,263	226,109
Total	2,366,455	2,847,311	2,840,720

	Water use (m ³ /tonne produced aluminium)		
	2015	2014	2013
Finspång	14.4	19.1	17.2
Shanghai	0.9	1.0	1.3
Total	6.9	8.6	8.6

	Recycling rate ⁴⁾		
	2015	2014	2013
Finspång	70.5 %	67.7 %	62.3 %
Shanghai	25.2 %	28.6 %	29.4 %

	2015
Carbon dioxide emissions (kg)	
Finspång	11,965,559
Shanghai	30,186,968
Total	42,152,527

	2015
Carbon dioxide emissions (kg/tonne produced aluminium)	
Finspång	79
Shanghai	159
Total	123

- 1) Electricity, Propane and Natural gas.
 2) Use of industrial water in open system.
 3) Consumption of water in closed system.
 4) Percentage share of scrap in re-melting.

CONTINUOUS IMPROVEMENT

Gränges systematically works on and continually invests in different solutions to constantly make the operative processes more efficient. Resource efficiency involves Gränges being as economical as possible in its use of resources, in accordance with the lean principle. This contributes to simple production flows, direct connection between stages of production and well-defined and waste-free processes.

The production facilities in Finspång and Shanghai are comparable in their high environmental standards.

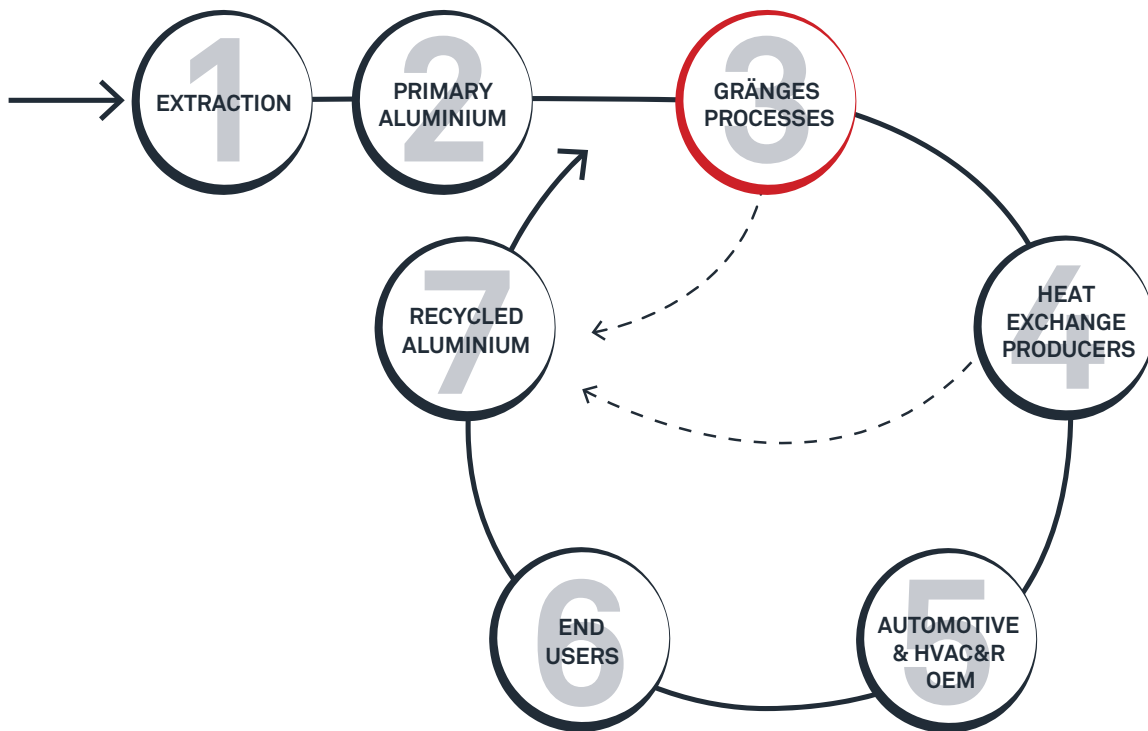
Large volumes of water are used for cooling in several stages of the process. The system for water supply is different in the two facilities. Shanghai has a closed cooling system with a high degree of recirculation. In Finspång there is good access to lake water, and the facility uses this water in an open cooling system. The water is returned to the lake after thorough cleaning. This means that water consumption at the Shanghai plant is not comparable to the water use in Finspång, since the majority of the cooling water is returned to environment.

Gränges remelts its own process scrap, and in addition purchases scrap from external sources to reduce the use of primary ingot. The percentage of recycled raw materials is different at the two plants due to different market conditions for aluminium scrap in China and Europe.

The production facilities in Shanghai and Finspång are both environmentally certified in accordance with ISO14001. Finspång's energy management system is certified according to ISO50001.



Responsible use of resources



STAGES 1–2:

A part of the aluminium raw material that Gränges uses originates from primary sources. The basic ore, bauxite, is extracted from bauxite mines. After refining the bauxite, aluminium oxide is used as an input to the smelter for the production of metallic aluminium. This so called "primary" production is energy-intensive, and the mining and refining may be intrusive to the local environment. Gränges sources primary aluminium regionally, from nine different suppliers in China and Europe.

Gränges is deploying activities to support improved traceability and responsibility in sourcing: a new supplier declaration has been communicated with suppliers, and initiatives are taken to join the ASI (Aluminium Stewardship Initiative).

STAGE 3:

Gränges' processes transform aluminium into higher value added products. Efficient transformation processes are crucial for Gränges to achieve sustainable long-term profitability. After metal and personnel costs, energy constitutes the largest cost element in total transformation costs. Gränges has successfully reduced its energy cost per tonne of aluminium in the past three years, thanks to efficiency improvements throughout its processes.

STAGES 4–5:

By developing material that enables smaller, lighter and more designable heat exchangers, vehicles, heat pumps and air conditioning systems can be made less heavy and more efficient. Aluminium from Gränges is found in half of the world's cars and the trend is towards more, smaller and lighter heat exchangers in vehicles. Stricter environmental requirements for stationary heat exchangers support the transition from copper to aluminium. Gränges has a strong position in this shift.

STAGES 6–7:

All aluminium used in Gränges' processes is recycled either in-house, externally or through selling.

Both purchased aluminium scrap, as well as a growing majority of Gränges' own process scrap, are recycled in-house. The energy requirement for re-melting aluminium amounts to only 5 % of what is needed to produce primary aluminium. The aim is to increase the percentage of recycled raw materials and further improve the metal yield. In 2015, the percentage of primary aluminium input at Finspång decreased by approximately 15 % from 2014.

9

Number of primary aluminium suppliers.

4⁰%

MWh/tonne decrease 2013–2015.

~50⁰%

Percentage of cars containing aluminium from Gränges.

71⁰%

Recycled scrap input percentage at Gränges Finspång.

SOCIAL RESPONSIBILITY

Gränges' profitability and growth, and its continued world-leading position, rest on the foundation of its knowledgeable, committed, and innovative employees. Gränges takes responsibility for creating a good and safe work environment where employees are happy, and develop, as well as making a long-term, sustainable contribution to society as a whole.

OBJECTIVE 1

ZERO

Zero tolerance of serious injuries and accidents.

OBJECTIVE 2

20%

20 % of all employees, including management, should be women.

OBJECTIVE 3

< 3%

Sickness leave of no more than 3 % in total.

AN ATTRACTIVE WORKPLACE

Gränges has approximately 950 employees. The Group strives to create a safe work environment, where there are good and interesting career development opportunities. Competent, committed, and innovative employees are key for the development and production of high-quality products.

STRONG CORPORATE CULTURE

The corporate culture is important because Gränges should be a safe workplace where employees feel good, are happy and develop. A strong corporate culture leads to a decrease in sick leave and accidents, increased efficiency at work, higher product quality and better profitability.

Gränges' corporate culture is based on the core values of action, commitment and accessibility.

This means, amongst other things, that all employees are expected to drive change by taking initiatives and being persistent and thorough, but also that the requirements regarding co-operation and service levels are very high. Paying attention to, and caring about responsibilities, colleagues and customers is all part of creating high-quality products and pride in one's own efforts, and the company as a whole.

In order to consolidate the organisation's core values and strengthen the feeling of unity, Gränges has for example held seminars and workshops during the year for all employees in Sweden and for managers at other offices all

over the world. The core values are an important factor in recruitment and promotion. The work on strengthening the corporate culture continues. The core values play an important and integral part in coming leadership programmes and exchange programmes, for example.

Gränges carries out employee surveys to assess and follow-up measures taken. The most recent survey showed very positive results on a number of parameters, including work satisfaction, opportunities for competence development, safety, and equal treatment irrespective of gender, age, sexual preference, and ethnicity.

CODE OF CONDUCT

All employees received Gränges' Code of Conduct during the year. Almost all employees have completed a web-based course as part of the implementation of the code in the company's day-to-day work.

Gränges actively works to prevent bribery and corruption, and managers, white-collar workers in positions of responsibility, and key people in purchasing and sales positions, have attended a training programme on these issues, in accordance with the principles of the UN Global Compact against corruption.

A whistleblower function enables employees to provide information anonymously if anything inappropriate should occur in the company. The whistleblower function is described in the Code of Conduct.

EQUALITY AND DIVERSITY

Gränges has high demands concerning the environment, health and safety at the workplace, and regarding working conditions, which should be adapted to each individual. All management groups should display diversity of age, gender and ethnicity.

Gränges' long-term objective is that the number of female employees should amount to 20 %, including managerial positions.

In recent years the company has taken several measures to improve equality. Gränges' aim is that it should be easy for employees to combine their working life and family life, and the company provides flexible solutions wherever possible to this end.

All employees should have fair salaries. The Group conducts regular surveys of Swedish businesses to identify, rectify, and prevent unfair differences in salary between men and women for the same work. Surveys conducted in 2015 show that there

were no significant salary differences at Gränges related to gender. The salary survey work will be extended during 2016 to include the whole Group.

Gränges has considered it self-evident that there should be diversity at the company for many years. Diversity is an important competitive factor, and reflects the international markets in which Gränges operates. Making use of all types of competence is an important part of maintaining the company's long-term competitiveness.

All employees are entitled to join unions and other organisations. Gränges' employees are covered by collective agreements.

FOCUS ON SAFETY

Gränges has zero tolerance of serious injuries and accidents. The Group has strict safety routines, and continually invests in various kinds of safety measures to prevent accidents at its production facilities in Finspång and Shanghai.

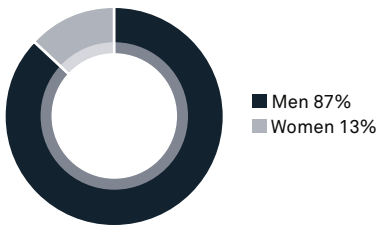
The most common injuries at Gränges in Finspång involve hands and fingers, constituting approximately a third of all injuries. The most common incidents at the Shanghai facility are hand injuries, followed by foot injuries, accounting for just over half and 20 % of all injuries respectively. No serious injuries were sustained in 2015.

The most critical categories for injuries are fall protection, molten metal, mobile equipment, (such as forklifts), closed areas such as tanks, ensuring that machinery is properly switched off prior to maintenance, and machine protection, such as adequate fencing and gates. These areas are of the highest priority. Gränges continually reviews how safety in these areas can be further improved.

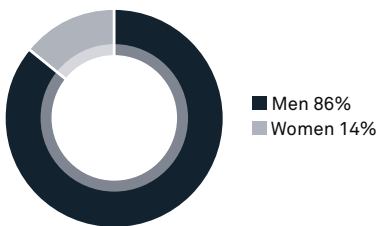
Gränges arranges safety training courses every year. Production personnel are also given special safety training, as well as training in risks related to hands and fingers. New employees are given training in safety issues as part of our induction programme.



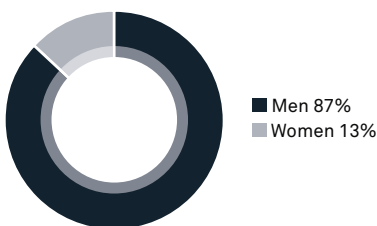
MEN AND WOMEN



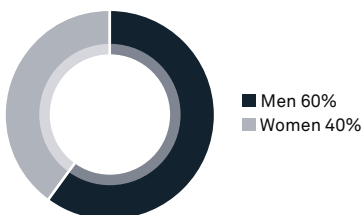
MEN AND WOMEN IN MANAGERIAL POSITIONS



MEN AND WOMEN IN GROUP MANAGEMENT



MEN AND WOMEN ON THE BOARD



Gränges in Finspång has introduced a new incident reporting system for even more meticulous reporting and follow-up, and has improved training routines for mobile equipment such as forklifts.

Health and safety issues are dealt with within the framework of a management system in accordance with the OSHAS18001 global standard in Finspång and Shanghai. The Shanghai facility is also OSHAS18001-certified.

Gränges also constantly works on the risk assessment and substitution of chemicals so as to reduce the personnel's exposure to them. The company meets the requirements of the EU's Reach regulation, (Registration, Evaluation, Authorisation and Restriction of Chemicals).

GRÄNGES IN SOCIETY

Gränges creates jobs, develops high-quality products with the least possible environmental impact, creates economic value and makes a contribution through sponsoring and charity. The company sponsors local organisations and associations in Finspång and Shanghai, such as sports clubs and various schools. These include Central South University in China, Linköping University and the Curt Nicolin Upper Secondary School in Finspång. Gränges also offers job training places and provides summer jobs for students.

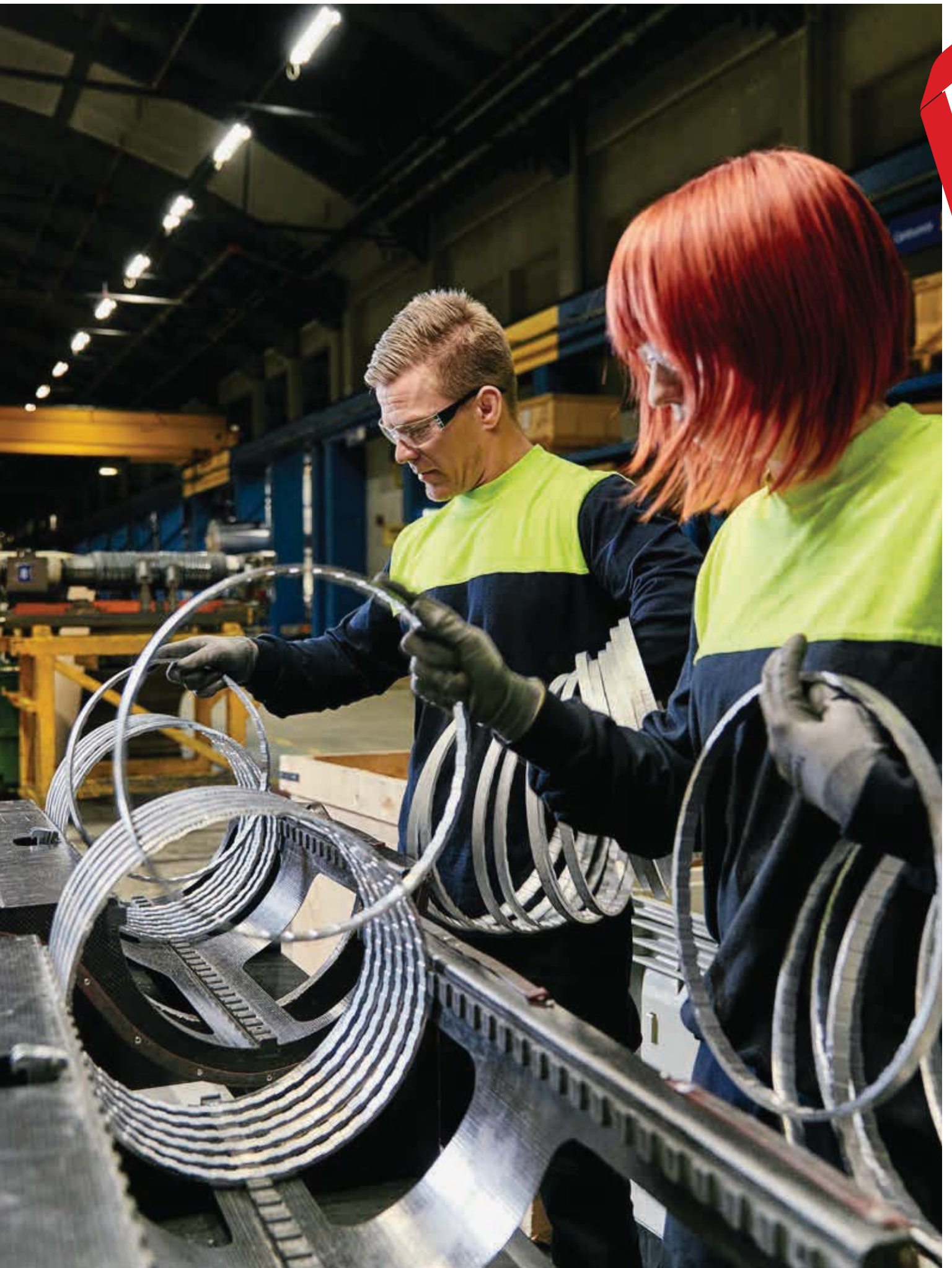
GRÄNGES EMPLOYEES

	2015	2014	2013
Average number of employees	964	952	964
– Whereof employees in production	563	552	566
Personnel turnover %	4.54	3.54	4.00
Sick leave, %	1.98	1.76	1.88
Average age	39	38	38

FREQUENCY OF ACCIDENTS¹⁾

	2015	2014	2013
Gränges Finspång	13.3	12.6	8.5
Gränges Shanghai	4.6	5.2	6.6
Gränges Total	7.9	7.8	7.3

1) Number of accidents per million hours worked.



RISK MANAGEMENT

As a global group with operations in different parts of the world, Gränges is exposed to various risks and uncertainty. Gränges' risk management aims to identify, assess, and reduce risks related to the Group's business and operations. Gränges is primarily exposed to risks in the following areas stated below.

Business risks

Business risks are managed by the operative units in accordance with the guidelines and procedures established for every business area and unit.

RISK	DESCRIPTION OF RISK	RISK MANAGEMENT AND COMMENTS FOR THE YEAR
AUTOMOTIVE MARKET DEVELOPMENT	<ul style="list-style-type: none"> About 90 % of Gränges' sales volume goes to suppliers in the automotive industry. Vehicle production is in turn dependent on a number of external factors such as the economy, interest rates, consumer behaviour and taxes. During an economic downturn, the automotive industry normally sees significant decreases in production, which results in lower demand for aluminium products that are used in vehicles. 	<ul style="list-style-type: none"> As Gränges has a global offering, the risk of downturns in individual markets affecting the company, is reduced. In 2015 higher sales volumes in Europe and North America compensated for a softer market in Asia as a consequence of the slowdown in the automotive market in China. Gränges also sells heat exchanger materials for stationary heat exchangers used in for example buildings and plants. The aim is to increase sales to new end-customer markets other than the automotive industry.
HEALTH AND SAFETY	<ul style="list-style-type: none"> Casting houses and rolling mills are work environments that contain significant health and safety risks where strict safety routines may never be bypassed or assigned a lower priority. If the implementation of safety procedures is unsuccessful or is not effective, employees and other persons may be injured. Unsafe workplaces can also increase employee turnover and raise operating costs. Injuries can mean production stoppages, which could result in financial costs for Gränges. 	<ul style="list-style-type: none"> Gränges has zero tolerance of serious injuries and accidents. Gränges has strict safety routines and continually invests in different types of safety measures to prevent accidents at the production facilities. None of the injuries that occurred in 2015 were serious. Hand and finger injuries were the most common kind of injury. During the year Gränges carried out projects for increased fire safety at the facilities in Finspång and Shanghai.
ENVIRONMENTAL IMPACT	<ul style="list-style-type: none"> Gränges conducts operations in properties where industrial operations have been carried on for a long time. Environmental laws and regulations govern the operations and Gränges can be held responsible for polluted land that Gränges uses or has used. Under the Swedish Environmental Code, the party that conducted the polluting operations is also responsible for cleaning up the land. 	<ul style="list-style-type: none"> The manufacture of heat exchanger materials is very energy-intensive and the capacity to reuse process scrap and to ensure quality is thus crucial to the Group's total environmental impact. When so requested, Gränges takes part in investigations conducted by local authorities or councils in Sweden to ascertain who is responsible for cleaning up land. At present, investigations are ongoing in a number of municipalities in (central) Sweden where business operations stem from business operations conducted by Gränges. During the year projects were carried out with a view to reducing energy consumption in both Finspång and Shanghai, and the facilities exchanged information on their experiences in this area.
SUPPLY OF ALUMINIUM AND OTHER METALS	<ul style="list-style-type: none"> Gränges is dependent on the supply of input goods, especially aluminium. Insufficient supply of slabs means that Gränges cannot produce certain alloys. In the future, high-quality slabs at the right price may be difficult to source as it is not a standardised commodity but requires specially qualified suppliers. 	<ul style="list-style-type: none"> As a rule, Gränges enters into agreements with slab suppliers for the year to come on the basis of estimated volumes. Agreements are entered into with two to five suppliers in each market in order to ensure deliveries. Gränges has its own casting houses in the production facilities, which makes the company less sensitive to supply issues regarding slabs.

Financial risks

Gränges has international business operations and is exposed to financial risks such as currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. Gränges uses derivatives and other financial instruments to reduce the risks in accordance with the Group's financial policy. Gränges has a central Group Treasury, whose most important responsibility is securing the Group's financial flexibility in the short and long term, as well as monitoring and managing financial risks in collaboration with the individual operative units. More information on the Group's financial risks is to be found in Note 25, page 78.

RISK	DESCRIPTION OF RISK	RISK MANAGEMENT AND COMMENTS FOR THE YEAR
CURRENCY RISKS	<ul style="list-style-type: none"> About 95 % of the Gränges Group's sales are generated outside of Sweden. Sales contracts are mainly signed in US dollars, euro and Chinese yuan, depending on where the customers are located. Changes in exchange rates have an impact on Gränges' income statements, balance sheets and cash flow. Over time, changes in exchange rates also affect the company's long-term competitiveness and thus its earning capacity. 	<ul style="list-style-type: none"> Gränges applies a financial policy that strictly regulates the company's management of changes in exchange rates. Gränges uses financial instruments (hedging) to reduce the company's exposure to changes in exchange rates with regard to the company's commercial cash flows. Changes in exchange rates for firm commitments are managed in accordance with a model whereby the entire exposure with a duration of up to 15 months is hedged. Exposures relating to customer orders without firm commitments are hedged up to 24 months.
COMMODITY PRICE RISK	<ul style="list-style-type: none"> Gränges procures large volumes of aluminium for the company's production facilities in Finspång and Shanghai. The price of aluminium is based on the trade price on LME in London or SHFE in Shanghai. Gränges' revenue model means that the cost of aluminium is passed on to the customer through adjustment in agreements both with customers and suppliers. Some time-lag can arise from the aluminium procurement date to the sale of the finished product, which means that Gränges to some extent is exposed to fluctuations in the price of aluminium. 	<ul style="list-style-type: none"> Gränges does not take any positions whereby the company speculates in the future value of aluminium. The aim is to maintain the balance between the company's long and short positions, that is positions whereby the company wins or loses from a change in the price of aluminium, at close to zero. Financial instruments allow Gränges to minimise the risk of changes in the price of aluminium during the time that Gränges has the metal in store for processing.
INTEREST RATE RISK	<ul style="list-style-type: none"> Gränges' interest rate risk mainly relates to the Group's interest-bearing liabilities and assets. Changes in interest rate levels may affect the Group's results and cash flow or the fair value of financial assets and liabilities. Interest rate risk has not been hedged by Gränges. 	<ul style="list-style-type: none"> Gränges' borrowings are in Swedish kronor (SEK) at a floating interest rate. Interest payments are made quarterly. Gränges' net debt has constantly decreased and corresponded to 0.4 times the Group's EBITDA result at the end of 2015. A low debt level reduces the interest rate risk.
LIQUIDITY RISK	<ul style="list-style-type: none"> Liquidity risk is the risk that Gränges will not be able to meet its payment obligations. Cash flow from operations, which is affected by changes in working capital, among other factors, is managed at the Group level. By monitoring liquidity flows in the short and long term, Gränges maintains good financial readiness. 	<ul style="list-style-type: none"> Gränges has a liquidity reserve that covers payments on loans for the coming twelve months, investment requirements and a strategic reserve. Excess liquidity is managed by the Group's treasury function and can be invested at approved banks to mature within six months. The aim is to minimise excess liquidity in the Group.
CREDIT RISK	<ul style="list-style-type: none"> The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk according to strict routines. The credit risk related to other financial instruments is low. Gränges seeks to minimise the liquid assets invested outside the Group and deposits of excess liquidity with other counterparties. 	<ul style="list-style-type: none"> Gränges' exposure to trade receivables is managed and followed up continually in local credit committees. The need for provisions to be made is tested on a quarterly basis according to predefined criteria. Historically, Gränges has had low losses on accounts receivable.

Other risks

Gränges is exposed to a number of other risks in areas such as personnel and legislation. To manage these risks, Gränges is actively working with education, policies and guidelines for employees of the Group.

RISK	DESCRIPTION OF RISK	RISK MANAGEMENT AND COMMENTS FOR THE YEAR
QUALIFIED PERSONNEL	<ul style="list-style-type: none"> Gränges operates in a specialised niche where experience and knowledge of the company's markets, customers and production are key factors for the company's success. Among other things, Gränges has a number of specialists in research and development who may be hard to replace. The loss of key employees can have a negative impact on Gränges' possibilities of conducting and developing its operations and its ability to develop new products. 	<ul style="list-style-type: none"> Gränges offers remuneration levels in line with market rates and conditions of employment necessary to recruit, develop and retain key employees. A reorganisation was carried out in 2015 whereby the Group's strategic research, amongst other things, was given a clearer role.
COMPLIANCE WITH REGULATIONS	<ul style="list-style-type: none"> Gränges operates in many different markets, with local laws and rules. If employees or persons who work on Gränges' behalf violate these laws and rules it could have negative consequences for Gränges. The company may be affected by events that damage confidence in the company, its operations or employees, e.g. if environmental, quality or ethical requirements are not met in the manner prescribed by Gränges. 	<ul style="list-style-type: none"> Gränges ensures that the company's employees are regularly informed of relevant changes in legislation or other rules that the company must follow. This is done through external partners, and also through membership in various industrial organisations. Gränges conducts in-house training of marketing and sales managers to ensure good knowledge and understanding of legal risks and requirements.
CLEAR VALUES	<ul style="list-style-type: none"> As a public company, far-reaching requirements are imposed in respect of conduct, ethics and transparency. Gränges has adopted a Code of Conduct, policies, guidelines and core values in order to ensure that the company and all employees always pursue sustainable entrepreneurship. Violations of the company's internal policies and Code of Conduct may have negative consequences for the company's reputation and brand and thereby adversely affect the company's earnings. 	<ul style="list-style-type: none"> Gränges ensures that the company's employees receive regular training in questions concerning morals and ethics and that the company's core values are complied with. The company's internal communication, in the form of the intranet, the personnel magazine and actual meetings, has the task of supporting and developing this work. Internal information was formalised in 2015, through the production of a personnel magazine and a joint intranet for the Group. The company's policies and guidelines have also been developed to support this work.



THE SHARE

Granges has been listed on the Nasdaq Stockholm stock exchange since October 2014, in the Mid Cap segment. Granges shares have performed strongly since the listing, and at the end of February 2016, the share had increased by some 60 %, amounting to a market value of around SEK 5.1 billion.

SHARE CAPITAL PERFORMANCE

The share capital in Granges amounts to SEK 100 million, divided into 74,639,386 shares, each with a quota value of SEK 1.339775. Granges only has one class of shares. Prior to

the listing on the Nasdaq Stockholm in 2014, the company's share capital was reduced from SEK 933 million to SEK 100 million and a 2:1 split of the company's shares was carried out.

SHARE CAPITAL DEVELOPMENT

Date	Event	Change in number of shares	Total number of shares	Change in share capital SEK	Total share capital SEK
01 Jan 2014		–	37,319,693	–	932,992,325
14 Aug 2014	Decrease in share capital	–	37,319,693	–832,992,325	100,000,000
15 Sep 2014	Share split	37,319,693	74,639,386	–	100,000,000
31 Dec 2015		–	74,639,386	–	100,000,000

TURNOVER AND TRADING

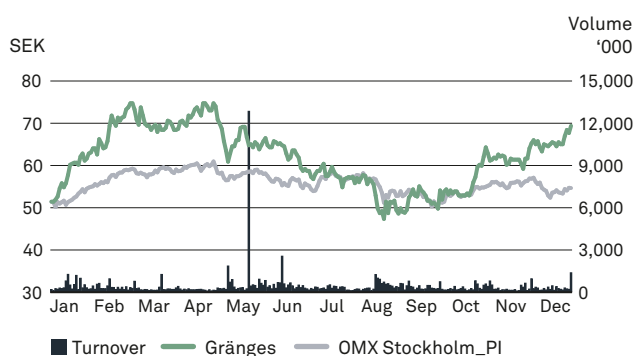
The Granges share has been traded on a number of exchanges and trading platforms since the company's shares were listed on the Nasdaq Stockholm. The share is included in the Mid Cap segment and belongs to the Automobile & Parts sector. In total, 90,003,683 shares in Granges were traded during fiscal year 2015.

During 2015, official trading accounted for 52.3 % of turnover, of which Nasdaq Stockholm accounted for about 46.6 % of the share turnover. The unofficial or "off-book" trading accounted for 38.1 % of the shares. 5.2 % of the shares were traded in so-called "dark pools" with the largest share of trading on BATS Chi-X CXE. The average daily turnover in the Granges share amounted to 359,000 shares per day.

The Granges share recorded an increase of 35.9 % at year-end 2015. This may be compared to the Nasdaq Stockholm OMX All Share index, which rose by 6.5 % during the same period. The highest price paid during 2015 of SEK 78.25 was recorded on 27 February. The lowest price paid during the year was SEK 46.10, which was recorded on 24 August.

The share is traded under the ticker GRNG.

THE GRANGES' SHARE DEVELOPMENT DURING 2015



SHARE INFORMATION

Market	Nasdaq Stockholm
Segment	Mid Cap Stockholm
Ticker symbol	GRNG
ISIN code	SE0006288015
Listed since	10 October 2014
Currency	SEK
Number of shares	74,639,386

OWNERSHIP CHANGES

In connection with the listing of Gränges on 10 October 2014, the principal owner Orkla sold 51,501,100 existing shares in a public offering. Orkla's ownership thereby decreased from 100 to 31.0 %. In May 2015 Orkla decreased its ownership to 16.0 %.

There are no pre-emption clauses, refusal clauses or other restrictions on the transfer of shares in the company by law, the company's articles of association or any agreement or other document in which the company is a party.

On 31 December 2015, the number of shareholders in Gränges amounted to 7,912. The largest shareholder was Orkla Industriinvesteringar AB, whose holding amounted to 16.0 % of the total number of shares, followed by Lannebo fonder with 9.3 % of the total number of shares and Fourth Swedish National Pension Fund (AP4) with 8.4 % of the total number of shares. The combined ownership of the ten largest owners amounts to the equivalent of 51.7 % of the total number of shares in Gränges.

OWNERSHIP

Largest shareholders	Shares	Share of capital and votes, %
Orkla Industriinvesteringar AB	11,942,378	16.0
Lannebo fonder	6,940,711	9.3
Fjärde AP-fonden	6,274,996	8.4
Afa Försäkring	5,451,881	7.3
SEB Fonder	1,501,462	2.0
DNB Fonder	1,462,591	2.0
Catella Fonder	1,413,400	1.9
Clients Fonder	1,366,453	1.8
Länsförsäkringar Fonder	1,189,879	1.6
Invesco Funds	1,061,388	1.4
Total 10 largest shareholders	38,605,139	51.7
Other shareholders	36,034,247	48.3
Total	74,639,386	100

Source: Holdings as of 30 Dec 2015.

SHARE DISTRIBUTION

Number of shares	Shareholders	Share of capital, %
1–500	4,876	61.6
501–1,000	1,246	15.8
1,001–5,000	1,295	16.4
5,001–10,000	185	2.3
10,001–15,000	73	0.9
15,001–20,000	49	0.6
20,001–	188	2.4
Total	7,912	100

Source: Euroclear as of 30 Dec 2015.

Geographical distribution	Shareholders	Share of capital, %
Sweden	7,532	61.0
Norway	38	16.6
UK	44	11.4
United States	40	5.8
Luxemburg	21	1.5
Total other	237	3.7
Total	7,912	100

Source: Euroclear as of 30 Dec 2015.

DIVIDEND

The Board of Directors of Gränges proposes a dividend of SEK 149 million (112), equivalent to SEK 2.00 (1.50) per share for the 2015 financial year. The proposed dividend is equivalent to 39 % (35) of the net profit for the year 2015. The Board proposes Monday, 2 May 2016 as the record date for the dividend, which means that the dividend is expected to be disbursed on Friday, 6 May 2016.

Gränges dividend policy is to pay a dividend of 30–50 % of the net profit for the period. Decisions on dividends will take into account the company's financial position, cash flow and future prospects.

INCENTIVE PROGRAMME

In conjunction with Gränges IPO, an employee stock option programme was established for senior executives and other key people. The programme comprises a total of 1 million employee stock options, with a corresponding number of underlying shares, and has a term of two years, and an exercise period of a further year after that. If exercised in full, the employee stock option programme would lead to a dilution of approximately 1.3 % of the total number of shares. For more information about remuneration and the employee stock option programme, see Note 8 on page 70.

ANALYSTS

For information about the analysts who follow Gränges, visit www.granges.com.

SHARE DATA

	2015	2014
Earnings, SEK ¹⁾	5.07	4.27
Equity, SEK ¹⁾	33.49	28.63
Cash flow from operating activities, SEK ¹⁾	9.71	9.08
Share price at end of period, SEK	70.00	51.00
Dividend, SEK	2.00 ²⁾	1.50
Dividend rate, %	39	35
Yield, %	2.9	2.9

1) Calculated on the weighted outstanding ordinary shares, basic.

2) The Board of Director's proposal to AGM 2016.

BOARD OF DIRECTORS' REPORT

The Board of Directors and the Chief Executive Officer of Gränges AB (publ), corporate identity number 556001-6122, hereby submit the annual accounts and consolidated accounts for the financial year 1 January–31 December 2015.

OPERATIONS

Gränges is a leading global supplier of rolled products for the brazed aluminium heat exchanger industry. The Group develops, produces and markets advanced materials that enhance both the efficiency of the customer's manufacturing process and the performance of the final products, the brazed heat exchangers.

Demand for Gränges' products is closely connected to global light vehicle production. Gränges' financial results are therefore largely dependent on the volume of vehicles produced and the number of heat exchangers per vehicle. The automotive market in turn is affected by a number of macroeconomic factors such as economic growth, employment, interest rates and fuel prices. Other strong and relevant trends that affect the automotive industry are an increasing demand for products that offer more energy-efficient solutions and lower emissions.

Gränges has its headquarters in Stockholm, Sweden. Operations are divided organisationally into three regions: Asia, Europe and the Americas. Production takes place at production units in Finspång, Sweden, and Shanghai, China. The annual production capacity amounts to 220,000 tonnes in total.

Gränges has long-term customer relationships with global suppliers of heat exchangers to the automotive industry. During 2015, the company's seven largest customers accounted for 59 % of the total sales volume.

SEASONAL VARIATIONS

Gränges' business is subject to seasonal variations to a limited degree. Due to the summer vacations and Christmas holidays in Europe and the North America, the first half of the year is generally a little stronger than the second half of the year. Gränges' increased exposure to global markets has led to lower seasonal variations.

MARKET DEVELOPMENT

The demand for aluminium products for brazed heat exchangers, which is Gränges' main market and which accounts for more than 90 % of the company's sales volume, is strongly correlated to the market for light vehicles. Due to lead times in the production chain, there is a certain time lag between the development of Gränges' market and vehicle production.

Global production of light vehicles increased by 1.4 % in 2015 compared with 2014, according to the international research and analysis firm, IHS. Production of light vehicles in Asia increased by 1.6 % in 2015 and in China the increase isolated was 4.1 %. In Europe production of light vehicles increased by 3.8 % in 2015. In the Americas production of light vehicles decreased by 1.5 % in 2015 where growth in North America was counteracted by a weaker market in South America.

SALES

During 2015 sales volume reached 163.9 ktonnes (160.0), an increase of 2.5 % compared with the previous year. Net sales amounted to SEK 5,494 million (4,748). The net effect of changes in exchange rates was positive and amounted to SEK 625 million during 2015 (160).

Asia

During 2015, sales volume in Asia decreased by 3.7 % compared to previous year and reached 75.5 ktonnes (78.3).

Europe

During the 2015, sales volume in Europe reached 62.7 ktonnes (58.6), representing an increase of 7.1 % compared to previous year.

Americas

During 2015, sales volume in the Americas reached 25.8 ktonnes (23.1), an increase of 11.7 % compared to previous year.

OPERATING PROFIT

During 2015, operating profit amounted to SEK 538 million (422). Adjusted operating profit totalled SEK 541 (463), corresponding to an adjusted operating margin of 9.8 % (9.7). Changes in foreign exchange rates had a positive effect of SEK 165 million. A downturn in the aluminium premium meant an unfavourable price lag between the premiums Gränges pay and the premiums Gränges receive. These price lag effects on the aluminium premium negatively affected operating profit by SEK –59 million in 2015.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

In 2015, net financial items amounted to SEK –19 million (–5). Profit before tax amounted to SEK 521 million (420), including profits from joint ventures of SEK 2 million (3). Income tax during 2015 amounted to SEK –143 million (–102), which corresponds to an effective tax rate of 27 % (24). Income tax for 2015 includes withholding tax paid abroad of SEK –15 million on a dividend to Gränges AB from the Chinese subsidiary.

Gränges has been pre-qualified for a tax rate in China of 15 % instead of 25 % during the years 2013–2015. Pending final notice from the tax authorities, Gränges applies the higher tax rate in China. Provisions at 31 December 2015 for the higher tax rate amounted to SEK 141 million (SEK 86 million at 31 December 2014).

Profit for the year increased to SEK 379 million (319) in 2015.

Earnings per share, basic and diluted, increased to SEK 5.07 (4.27).

CASH FLOW

During 2015, cash flow from operating activities amounted to SEK 725 million (678). Cash flow from operating activities for 2014 included insurance compensation of SEK 325 million attributable to a fire in Finspång in 2010. Compared to the previous year the cash flow was positively impacted as a result of increased operating profit and reduced working capital.

During the year, cash flow from investing activities amounted to SEK –125 million (–81). Sale of properties had a positive impact of SEK 5 million (14) on cash flow from investing activities. Cash flow before financing activities amounted to SEK 600 million (597) during 2015.

During 2015, cash flow from financing activities amounted to SEK –647 million (–941) due to repayment of bank loans and reduced external financing of working capital in China. Dividend paid during 2015 had a negative impact of SEK –112 million (–1,650) on cash flow. Cash and cash equivalents amounted to SEK 634 million at 31 December 2015 (SEK 644 million at 31 December 2014).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 4,402 million at 31 December 2015 (SEK 4,460 million at 31 December 2014).

The equity to assets ratio amounted to SEK 56.8 % at 31 December 2015 (47.9 % at 31 December 2014).

The Group's net debt including pension liabilities amounted to SEK 275 million at 31 December 2015 (SEK 765 million at 31 December 2014).

Gränges entered into a multicurrency credit facility of SEK 1,800 million in conjunction with the IPO on 10 October 2014. The credit facility has a remaining maturity of four years and will be used for general business purposes. At 31 December 2015, SEK 810 million of the credit facility had been utilised (SEK 900 million at 31 December 2014).

At 31 December 2015, the Group's net debt was 0.4 times adjusted EBITDA (calculated on a rolling 12-month basis) (1.2 times adjusted EBITDA at 31 December 2014).

CHANGE IN ORGANISATION

On 10 September 2015, it was announced that Gränges had decided to make changes in the organisation of the Swedish business. The aim was to take greater advantage of the Group's technical competence through increased focus on strategic research and customer related technical development and also to ensure more efficient management of metal purchasing and distribution.

When this was announced, notice was given that the work force would be reduced and after negotiations were completed approximately 25 positions were lost in Sweden, above all in administrative functions. The measures decided on entailed costs of SEK 15 million during 2015.

The change in the organisation will give Gränges' research and development a clearer focus. The Group's strategic research is coordinated globally, while other research and development projects will be more integrated in the business and can be conducted closer to customers.

EMPLOYEES

The average number of employees in the Gränges Group amounted to 964 (952) during 2015. Gränges strives to have a safe work environment with good and interesting development opportunities for the employees. Competent, committed and innovative employees are the key element in the development and manufacturing of high-quality products. Furthermore, Gränges has high demands regarding the workplace in matters of the environment, health and safety and in terms of the work conditions being adapted to every individual. All managerial groups should be a good blend in terms of age, gender and ethnicity.

Gränges' long-term objective is that the percentage of women shall amount to 20 %, and this includes managerial positions. In recent years the company has taken several measures to improve equality. Gränges wants to make it easy for employees to combine their working life and family and provides flexible solutions wherever possible.

Regular salary surveys have been carried out in Sweden so that all employees shall have fair salaries. These surveys aim to detect, wrectify and prevent unwarranted differences in salary. The survey showed that there were no significant differences in salary during 2015.

All employees are entitled to join unions and other organisations. Employees in Gränges' business in Sweden are covered by collective agreements.

Gränges has zero tolerance of serious injuries and accidents. Gränges has strict safety routines and constantly invests in different types of safety measures to prevent accidents at the production facilities in Shanghai and Finspång.

More information on Gränges' equality, diversity and safety work is to be found in the Sustainability section.

RESEARCH AND DEVELOPMENT

Gränges' research and development operations are conducted in proximity to the production facilities in Sweden and China. As has been described above in the *Change in Organisation* section, Gränges' research and development was given a clearer focus during 2015. The Group's strategic research is coordinated globally, while other research and development projects will be more integrated in the business and can be conducted closer to customers.

More than 40 (40) employees work in the R&D organisation in total. The work is application and customer-oriented and supports the company's business model.

New alloys and alloy combinations are continually tested in laboratories and via computer simulations. The results are then used in validating full-scale production to customers.

Gränges' research and development operations have successfully developed a number of unique products. One example is TRILLIUM®, which was developed in partnership with Sandvik, and MULTICLAD®, which is a multi-layer clad product platform. Gränges holds a number of important patents.

In November 2015, Gränges hosted a technology seminar in Chennai, India. The seminar, which is held every second year, was the fifth since 2007, when the first one was held. About 70 of the company's largest customers and business partners in the region attended the seminar.

ENVIRONMENTAL IMPACT AND SUSTAINABLE DEVELOPMENT

Gränges' environmental responsibility is based on minimising the environmental impact of its operations and the prevailing risks, in relation to both products and processes. Gränges conducts operations that require permits both in Finspång and in Shanghai. Increased energy efficiency is an important aspect of Gränges' environmental strategy, as well as maximum metal yield and greater use of recycled aluminium in production. Gränges' environmental impact mainly consists of energy and water usage.

Health and safety are prioritised areas for sustainable development. Gränges has zero tolerance and takes a holistic view in relation to health and safety, which is based on communication, training, review and reward. More information about Gränges' environmental and safety work is to be found on page 26.

EVENTS AFTER THE END OF THE YEAR

No significant events have occurred after the end of the year and up to the beginning of March 2016, when the Board of Directors approved and signed this annual report.

OUTLOOK

According to the research firm IHS, global production of light vehicles is expected to increase by 3.1 % in 2016.

The effects of the eduction in aluminium premiums 2015 are expected to have a negative impact during the first quarter 2016.

Further, signs are seen of a more stable market in Asia. In China, which is the single most important market in the region, the government has taken a number of measures to stimulate the economy. The wage inflation and price competition in Asia are expected to continue and become more visible during 2016. A continued positive development is expected in Europe and the Americas. Gränges has a strong position today and the aim is to strengthen it further with continued good profitability.

PARENT COMPANY

Gränges AB is the parent company of the Gränges Group. Operations include Group Management and joint corporate functions such as strategic R&D, accounting, treasury, legal, communication and leasing of properties. The parent company has five directly or indirectly wholly-owned Group companies and one indirect branch office, and is a partner in two joint ventures via subsidiaries.

During 2015, net sales in the parent company amounted to SEK 128 million (95). These sales consisted primarily of invoicing of services to the subsidiaries and leasing of properties.

Operating profit amounted to SEK -47 million (-74) in 2015 and the increase is primarily due to increased revenues.

Profit for the year in 2015 amounted to SEK 254 million (108) and this includes dividend of SEK 306 million received from a subsidiary and a received Group contribution of SEK 15 million.

THE GRÄNGES SHARE AND OWNERSHIP

The share capital in Gränges amounts to SEK 100 million, divided into 74,639,386 shares, each with a quota value of SEK 1.339775. Gränges only has one class of shares.

There are no pre-emption clauses, refusal clauses or other restrictions on the transfer of shares in the company by law, the company's articles of association or any agreement or other document in which the company is a party.

At 31 December 2015 Gränges had one shareholder, Orkla Industriinvesteringar AB, that owned more than 10 % of Gränges' capital and votes.

Orkla Industriinvesteringar AB	11,942,378	16.0 %
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Ahead of the IPO in 2014, an employee stock option programme was established for senior executives and other key people in the company. If exercised in full, the employee stock option programme would lead to a dilution of approximately 1.3 % of the total number of shares in Gränges. The dilution effect for 2015 amounted to 0.1 %.

THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION AHEAD OF THE 2016 ANNUAL GENERAL MEETING

Ahead of the 2016 Annual General Meeting, the Board has drawn up the following proposed guidelines for remuneration to senior executives.

General Gränges will offer the remuneration levels and employment terms necessary in order to recruit, develop and retain senior executives. These individuals must have the expertise, motivation and capacity to be able to uphold, develop and implement comprehensive, value-creating strategic objectives for the Gränges Group. Senior executives refers to the Group's Chief Executive Officer and members of the Management Team. Remuneration to the Management Team is to be determined by the Board of Directors, but must follow the guidelines adopted by the General Meeting. The basic principle is that remuneration is to be competitive and consist of a fixed salary and a variable component in the form of various incentive programmes. Applicable laws and other relevant regulations – both Swedish and foreign – in the sector should always be observed.

Fixed salary The fixed salary is to consist of normal basic pay. The salary is based on responsibility, performance, skills and the complexity and scope of the duties.

Variable pay Variable pay is to consist of an annual short-term incentive programme (STI 2016) and a long-term incentive programme (LTI 2016). Both STI 2016 and the proposed LTI 2016 programme will provide cash payouts. There will be no guaranteed variable remuneration.

Annual short-term incentive programme (STI 2016) The outcome of the STI is determined by a number of parameters consisting of financial key ratios for the Group, such as EBITA/adjusted operating profit and cash conversion, and individual predetermined targets. Remuneration under STI 2016 are not to exceed 60 % of basic pay.

Long-term incentive programme (LTI 2016) On condition that the General Meeting passes this resolution, a long-term incentive program (LTI 2016) will be offered to senior executives and certain key individuals. LTI 2016 will run for three years and is structured as follows: An amount equivalent to the payout from STI 2016 for each participant will be reserved in a special so-called LTI bank. Provided that the participants remain in the employ of the Gränges Group, the payout will be made at the rate of one third per year during the years 2018, 2019 and 2020, adjusted for the Gränges Group's total return. The total payout from LTI 2016 and STI 2016 payable in one year is maximised at 1.5 times an annual salary. A more detailed account of the LTI programme is provided in a proposal prepared specially for the General Meeting.

Other benefits Benefits that are not directly related to fixed and variable pay, such as car allowance, should facilitate the execution of duties and be in line with standard practices in the market for this target group.

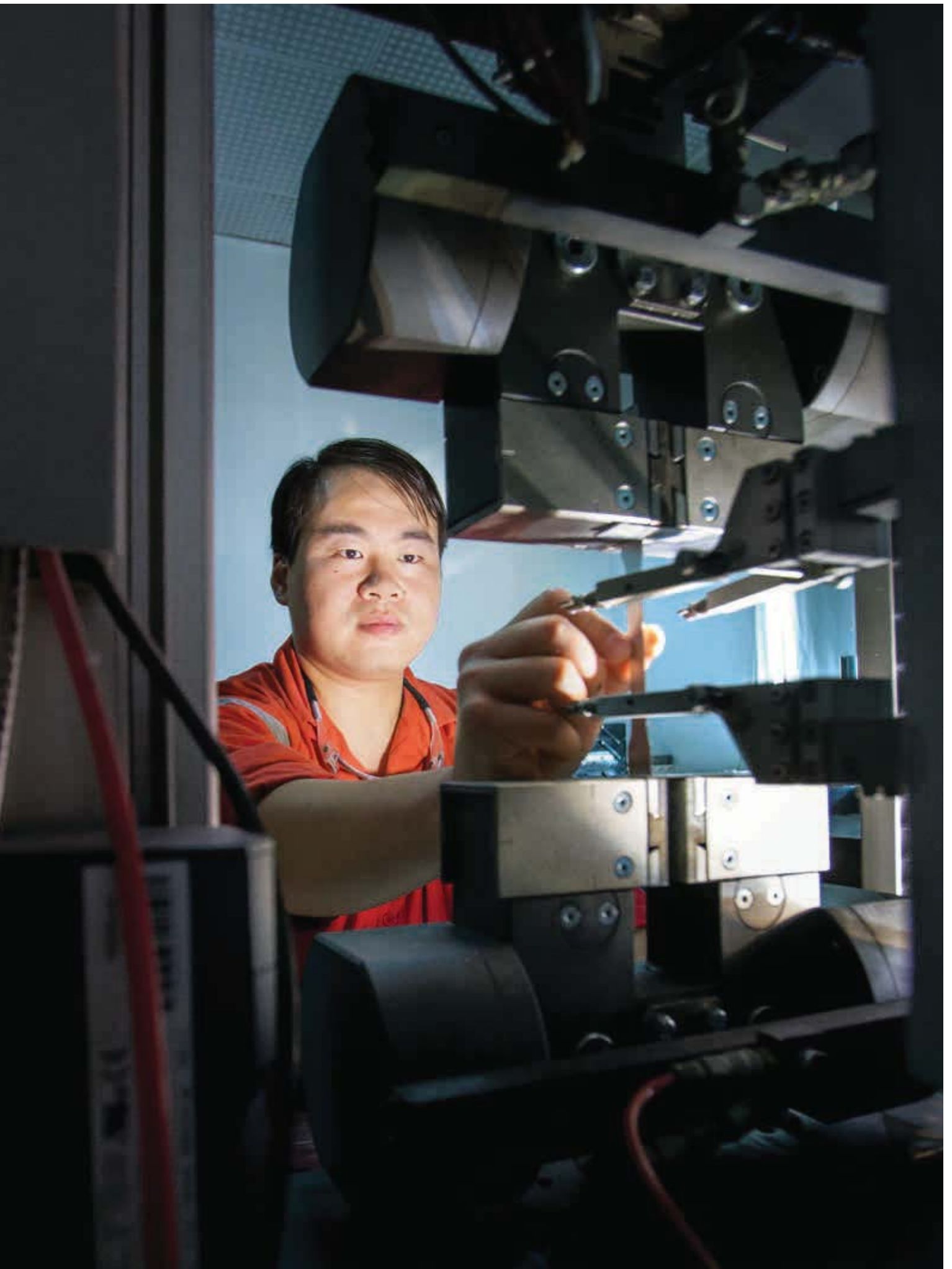
Pension Pension benefits are to comply with Swedish laws and relevant collective agreements, and be limited to the ITP plan (supplementary pension for salaried employees in industry and commerce). Gränges thus has both defined contribution and defined benefit commitments based on individual circumstances. Pension terms are to be in line with market norms. The retirement age for the Chief Executive Officer is 65. The retirement age for other senior executives is 60–65, depending on in which country they are employed.

Period of notice of termination The contract between the company and Chief Executive Officer stipulates a mutual twelve-month period of notice. Additionally, in the case of termination by the company, severance pay is payable without deduction for an additional twelve months. The contracts between the company and other senior executives stipulate a mutual six-month period of notice. Additionally, in the case of termination by the company, severance pay is payable of an additional twelve months, without deduction for the first six months.

OPERATING RISKS AND UNCERTAINTY FACTORS

As a group operating globally and in multiple jurisdictions, Gränges is exposed to various risks and uncertainties, such as raw material prices, market risks, operational and legal risks, as well as financial risks related to changes in foreign exchange rates, interest rates, liquidity and funding capability. Risk management in Gränges is focused on identifying, evaluating and reducing risks related to the group's business and operating environment. In section, operating risks and uncertainty factors, on page 36–38 Gränges' risks and risk management is further described.

For a more comprehensive description of the financial risks (see Note 25).



CORPORATE GOVERNANCE REPORT 2015



DEAR SHAREHOLDER,

During the year, we have been actively managing Gränges' interests, and creating the conditions for future profits and strong dividend potential.

One of the issues that the Board has considered this year, is preparing the conditions for Gränges' future growth. This involves the identification and analysis of risk, and ensuring that we are financially well-equipped. Strong results and healthy cash flow contributed to Gränges' strengthening its balance sheet and reducing debt. In the light of this, the Board considers that an increase in the dividend of 33 % to SEK 2.00 per share is reasonable.

Sound corporate governance is founded on an understanding of our various markets

Last year, the growth slowed in Asia after decades of expansion. Heightened concern about this development in China has been high on the Board's agenda. In September, the Board visited Gränges' facility in Shanghai. Asia is currently Gränges' most important market, and it is the region that is expected to experience the strongest growth in the coming years. Through its understanding of this market, the Board has an important responsibility to ensure that Gränges retains and strengthens its position as the leading supplier in the region in the long term.

Innovation is the key driving force for the development and sales of heat exchanger materials. Gränges' strategic research has therefore been given a sharper focus, at the same time as additional resources are being allocated to customer-related technical development. Gränges devotes more resources to research and development into heat exchanger materials than its competitors. Our R&D has departments in both Finspång and Shanghai. A couple further patent applications were submitted during the year.

On behalf of the Board, I would like to express our appreciation to the company's management and employees. Well-defined and goal-oriented work in the past year has enabled Gränges to deliver sustainable and improved results under the leadership of Johan Menckel. Gränges' focus is unchanged. We will continue to work in the best interests of our customers, employees, and shareholders – thereby contribute to sustainable development for society as a whole.

Stockholm, February 2016

Anders G. Carlberg
Chairman of the Board

“We will continue to work in the best interests of our customers, employees, and shareholders – thereby contribute to sustainable development for society as a whole.”

Gränges AB has been listed on Nasdaq Stockholm since October 2014. Gränges' corporate governance is based on Swedish rules and Swedish legislation, primarily the Swedish Companies' Act, but also Nasdaq Stockholm's rules for issuers, the Swedish Corporate Governance Code ("the Code"), the Articles of Association, and other relevant internal and external regulations and policies.

Good corporate governance is about ensuring that the company is administered in a sustainable, responsible and effective manner, with the interests of its owners as guiding principles. Good corporate governance contributes to increased confidence among existing and potential owners, customers, legislators and the general public as well as other stakeholders. In this way, industry's freedom to develop is ensured as well as the supply of risk capital and competence. The aim of the Code is to strengthen confidence in Swedish listed companies by promoting a positive development of corporate governance in these enterprises.

This Corporate Governance Report has been drawn up as part of Gränges' application of the Code. The Corporate Governance Report has been reviewed by the company's auditors.

Gränges does not report any deviations from the Code for 2015.

ORGANISATION

The Group's operations during 2015 consisted of the three geographical regions Asia, Europe and the Americas. The two production facilities are located in Finspång, Sweden and in Shanghai, China. The parent company of the Group, Gränges AB, is a Swedish public limited liability company with corporate identity number 556001-6122. It has its registered office in Stockholm with headquarter at Humlegårdsgatan 19A.

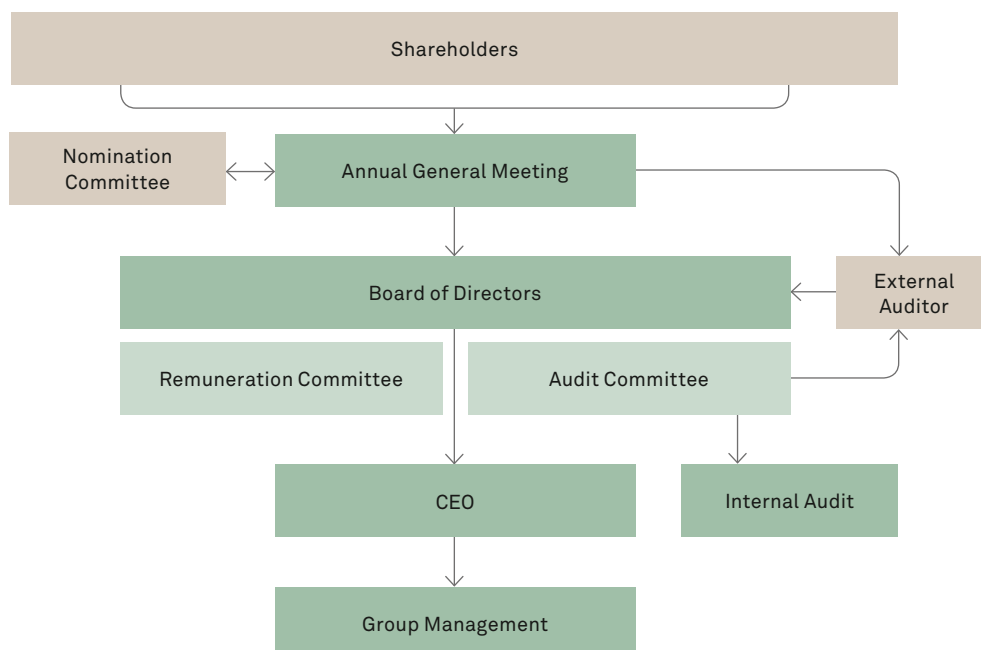
THE CODE

All companies whose shares or depository receipts are listed for trading on Nasdaq Stockholm or another regulated market in Sweden, irrespective of market value, must apply the Code. The Code is based on the principle of "comply or explain", which means that a company may deviate from the Code's provisions without this constituting a breach of the Code, if in this particular instance it is considered to lead to better corporate governance. However, a company that does not apply a provision must provide a good explanation as to why it has chosen to do so. Effective corporate governance at Gränges can be summarised as a number of complementary components, as described below.

SHAREHOLDERS

The share capital in Gränges amounts to SEK 100 million, distributed among 74,639,386 shares which provide the right to an equal number of votes and an equal share in the company's assets and profits. The number of shareholders in Gränges amounted to 7,912 at 31 December 2015. Orkla Industriinvesteringar AB was the largest shareholder, followed by Lannebo Fonder, Fjärde AP-Fonden and AFA Försäkring. Of the shareholders, 61.6 % held 500 shares or less and the ten largest shareholders held 51.7 % of the total number of shares. The share of foreign ownership amounted to 39.0 %. A detailed table showing share ownership as of 31 December 2015 may be found on page 41. Shareholdings of Board members and the Group management are shown in the table on page 54–57.

One of the company's shareholders, Orkla Industriinvesteringar AB, have a shareholding equivalent to more than 10 % of the total number of shares and the total number of votes.



There are no limitations as regards how many votes each shareholder may cast at a general meeting of shareholders.

The Annual General Meeting of 4 May 2015 authorised the Board, on one or more occasions before the 2016 Annual General Meeting, to make a decision to issue new shares and/or convertible instruments equivalent to 10 % of the total number of shares outstanding in the company at the time of the resolution adopted by the Annual General Meeting, that is to say 7,463,938 shares in total.

ANNUAL GENERAL MEETING

The company's highest decision-making body is the Annual General Meeting (AGM), where the owners exercise their influence in the company. Shareholders entered in the register of shareholders on the record day and who have given notification in time are entitled to attend the AGM, in person or represented by another party. At the AGM, which is to be held within six months after the end of each financial year, the shareholders adopt resolutions on various matters, including the following:

- Adoption of the income statement and balance sheet, as well as the consolidated income statement and consolidated balance sheet.
- Appropriation of the company's profit.
- Discharge from liability for the Board and the CEO.
- Election of members of the Board, the Chairman of the Board and auditors.
- Guidelines for remuneration to the CEO and other senior executives, including any share-based incentive programme.

2015 Annual general meeting

The AGM was held on 4 May 2015. At the meeting, 63.78 % of the shares in the company were represented.

At the AGM Anders G. Carlberg was re-elected as Chairman of the Board. In addition, Terje Andersen, Bertil Villard, Ragnhild Wiborg and Carina Andersson were re-elected as members of the Board. The auditing firm Ernst & Young AB was again appointed as auditor and the authorised public accountant Erik Sandström was appointed by Ernst & Young AB as the chief auditor.

Other resolutions were also adopted, amongst other things to:

- pay a dividend of SEK 1.50 per share to the shareholders
- authorise the Board to issue a maximum of 10 % of the number of shares at the time of the AGM in a new issue of shares and/or issue of convertible instruments,
- adopt a short-term annual incentive programme for senior executives and other key persons in the Group. This programme will be determined by a number of parameters, consisting of key financial figures for the Group, such as adjusted operating profit and capital employed, and by predetermined individual objectives. According to the resolution, remuneration (STI) for 2015 may amount to no more than 60 % of annual basic salary,
- adopt a long-term incentive programme for senior executives and certain key persons in the Group whereby an amount corresponding to the outcome from STI 2015 for each participant is set aside in a so-called LTI bank and, provided that the person is still employed at Gränges, a third of the amount will be paid each year during 2017, 2018 and 2019 adjusted for the total return of Gränges' share, and
- approve Board members' and the auditor's fees.

NOMINATION COMMITTEE

The duties of the Nomination Committee before the AGM consist of proposing the Chairman of the Board, Board members, the auditor, the chairman of the AGM, Board fees, fees for committee work and fees for the auditor. The Nomination Committee shall also propose a new Nomination Committee or criteria for its composition.

The result of the Board's annual evaluation of the work carried out by the Board shall be presented to the Nomination Committee in its entirety. In its assessment of the Board's evaluation and in its proposal concerning the composition of the Board, the Nomination Committee shall pay particular attention to the Code's demands regarding the diversity and breadth of the Board and with regard to trying to achieve an equal gender distribution.

The Nomination Committee for the 2016 Annual General Meeting was appointed in line with the resolution of the AGM held on 4 May 2015. According to the resolution, Gränges' Nomination Committee for the 2016 AGM shall comprise representatives for the company's three largest shareholders at 31 August 2015 together with the company Chairman of the Board. If one of these shareholders is no longer one of the three largest shareholders, its representative shall tender his/her resignation and the shareholder next in line shall be offered a seat on the Nomination Committee, if the Nomination Committee deems this necessary. The Chairman of the Nomination Committee shall be the committee member representing the largest shareholder, unless otherwise agreed by the Nomination Committee.

At 31 August 2015, Gränges' three largest shareholders were Orkla Industriinvesteringar AB, Lannebo Fonder and Fjärde AP-fonden, and they were given the opportunity to nominate candidates for the Nomination Committee. On 24 September 2015, it was announced on the company's website that the Nomination Committee for the 2016 Annual General Meeting had the following composition: Mikael Aru (Orkla Industriinvesteringar AB), Claes Murander (Lannebo Fonder), Jannis Kitsakis (Fjärde AP-fonden) and Anders G. Carlberg (Gränges' Chairman of the Board). The Chairman of the Nomination Committee is Mikael Aru.

Nomination Committee for the 2016 AGM

Appointed by/name	% of the votes 31 December 2015
Orkla Industriinvesteringar AB/Mikael Aru	16.0
Lannebo Fonder/Claes Murander	9.3
Fjärde AP-fonden/Jannis Kitsakis	8.4
Chairman of Gränges' Board of Directors/ Anders G. Carlberg	0.0 ¹⁾

1) For the Chairman of the Boards' share holding, see page 54.

Shareholders have until 31 January 2016 to submit proposals and viewpoints to the Nomination Committee. The Nomination Committee's proposal is published in the notice convening the AGM. In connection with the notice being issued, the Nomination Committee provided a reasoned statement concerning its proposal to the Board on www.granges.com as well as an account of how the Nomination Committee's work was conducted.

Work of the Nomination Committee ahead of the 2016 AGM

The Nomination Committee has met five times since it was constituted in the autumn of 2015. The Chairman of the Board gave an account at the first meeting of the evaluation of the work of the Board that the Chairman had carried out during autumn 2015. The result of this evaluation was predominantly positive.

Ahead of the 2016 AGM the Nomination Committee has made an assessment of whether the composition of the present Board is appropriate regarding breadth, diversity and gender equality and meets the demands made of the Board given the company's present and future situation. The annual evaluation of the Board has been part of the basis for this assessment. The Nomination Committee works continually on the identification and evaluation of potential new Board members.

Pursuant to the instructions for the Nomination Committee adopted at the 2015 AGM, no fees shall be paid to the Nomination Committee.

THE BOARD

The overriding duty of the Board is to manage the affairs of the company in the interests of the company and all shareholders. The Board shall continually assess the financial situation of the company and the Group and ensure that the company's financial position can be satisfactorily verified. The Board shall also evaluate Group management. The Board decides on questions including the Group's strategic direction and organisation and resolves on important acquisitions, investments or disposals. Before each AGM, based on the proposal of the Remuneration Committee, the Board shall prepare proposed guidelines for determination of remuneration to the CEO and the other members of the Group's management. Each year the Board shall evaluate the work of the Board by means of a systematic and structured process, with a view to developing the Board's procedures and efficiency. During 2015 this was done under the leadership of the Chairman of the Board, who had all members and deputy members of the Board grade certain elements of the work of the Board and also gave the members of the Board the opportunity to submit proposals for improvement measures. The results of the evaluation were very positive throughout.

Formal work plan of the Board of Directors

Each year the Board adopts a formal work plan including instructions for the CEO, which amongst other things governs the division of work between the Board and the CEO.

The formal work plan governs how the Board's work should be divided among the Board's members, how often the Board should meet and how the work should be divided in the Board's committees. In addition, the formal work plan also states that there shall be a Remuneration Committee and an Audit Committee. Ahead of every Board meeting, the Board members receive the agenda and decision data. Each Board meeting includes a review of the current business situation and the Group's results, financial position and outlook. Other questions that are dealt with include the competitive and market situation. The Board regularly follows up the overall risk situation from various aspects and the health and safety work, including accident statistics, in the Group. The Board also has a system for continual follow-up of decisions and unresolved issues.

Chairman of the Board

The Chairman organises and leads the work of the Board, represents the company in ownership questions, is responsible for the evaluation of the Board's work and since the IPO and up until the end of 2015 was entrusted with a special responsibility in respect of communication with capital markets. In addition, the Chairman is responsible for the day-to-day contact with the CEO and for ensuring that the Board effectively meets its duties and obligations.

Composition of the Board of Directors

Under the Articles of Association, the Board shall be composed of not less than four and not more than eight members elected by the general meeting of shareholders, with not more than four deputy members. The Board constitutes a quorum when more than half of all Board members (including members appointed by the employees) are present. Taking into account the company's operations, phase of development, and circumstances in general, the Board shall have an appropriate composition characterised by diversity and breadth as regards the competence, experience and background of the members. Pursuant to the Act regarding representation on the Board for employees in the private sector, the employees are entitled to appoint two Board members and two deputy members to the Board. The employee organisations have utilised this entitlement.

The work of the Board in 2015

During 2015, eleven recorded meetings were held and there was a quorum at all meetings. The company's CEO and CFO were present at all meetings. The secretary to the Board is Gränges' General Counsel.

The Board held three telephone meetings regarding the decision to publish the interim reports. The other meetings were regular meetings and two of these eight meetings were held at Gränges' facilities in Finspång and Shanghai. At the meetings held on 19 February and 4 December, the Board had sessions where no one from the Group management participated.

Remuneration Committee

In addition to the Chairman of the Board, the Remuneration Committee shall consist of one or more Board members elected by the general meeting of shareholders, who shall be independent in relation to the company and the Group management. Members of the Remuneration Committee should have the requisite knowledge and experience in questions regarding remuneration to senior executives. The CEO shall participate in the Committee's meetings in a reporting capacity. The duties of the Remuneration Committee are set out in the formal work plan of the Board. The Remuneration Committee submits proposals to the Board regarding the CEO's salary and other terms of employment and prescribes the framework for the salaries and terms of employment of the other members of the Group management. The duties of the Remuneration Committee include preparing the Board's proposal on guidelines for principles of remuneration, preparing the Board's proposed guidelines for determination of salary and remuneration to the CEO and other members of Group management and also following and evaluating the application of these principles. The Remuneration Committee shall also follow and evaluate programmes for variable remuneration

of Group management. The CEO is co-opted to the Committee but does not participate in the discussion dealing with his own salary and terms of employment. The company's General Counsel is the secretary to the Committee.

During 2015 the work of the Remuneration Committee included drawing up the short-term and long-term incentive programmes for senior executives and other key persons, and in this connection a large number of different models were analysed. A proposal for a resolution concerning remuneration of the CEO, based on the short-term incentive programme, was also drawn up.

Audit Committee

According to the formal work plan of the Board, the Audit Committee should consist of at least three Board members elected by the general meeting of shareholders. The members may not be employees of the company. The majority of the members should be independent in relation to the company and Group management. The Committee elects a chairman from among its members, who may not be the Chairman of the Board. The duties of the Audit Committee are described in the formal work plan of the Board. The chairman of the Audit Committee is responsible for ensuring that the entire Board is continually informed about the Committee's work, and, if required, submits matters to the Board for resolution. The primary duty of the Audit Committee is to support the Board in its work of ensuring quality in the financial reporting. The Audit Committee monitors the company's financial reporting and, in this respect, the effectiveness of the company's internal control, internal auditing and risk management. The Committee continually meets the company's auditors and evaluates the auditing work. The company's CFO presents reports to the Committee and the General counsel is the secretary to the committee.

There is an established risk management process in the company that is based on operational processes and flows. The Audit Committee considers the risk areas that have been identified (both business risk and the risk of errors in the financial reporting) in this process. Based on the outcome, the focus and scope of the audit are analysed together with the company's auditors.

The Audit Committee adopts an annual internal audit plan, which amongst other things is based on the risks that have emerged in the risk management process.

During 2015 internal audit was performed in the operations in Shanghai. The outcome of this exercise was satisfactory.

The audit plan is discussed with the external auditors in order to improve the efficiency and quality of the day-to-day audit work. The Committee analyses and also highlights important accounting questions that affect the Group and assists the Nomination Committee in drawing up proposals for auditors and their remuneration.

During 2015 the Audit Committee performed review on the quarterly reports so as to always be able to ensure quality in the financial controls, and also worked on projects concerning currency hedging strategy, internal controls, inventory management, analysis of cash generating unit and the need for a new Enterprise Resource Planning system (ERP). The auditor attended all the meetings and he reported throughout the year on controls and audit plans.

AUDITOR

The company's internal auditing is reported to the Board and shall ensure that the company has sufficient control systems in place for the financial reporting. The external auditor's duty is to examine the company's annual accounts and bookkeeping, and to examine the Board's and the CEO's administration of the company.

According to the Articles of Association, Gränges AB should have not less than one and not more than two auditors. Registered

BOARD AND COMMITTEE ATTENDANCE

Namn	Independent in relation to the company/ owners	Attendance Board meet- ings	Attendance Audit Commit- tee meetings	Attendance Remuneration Committee meetings	Directors' fees, SEK	Audit Commit- tee fees, SEK	Remuneration Committee fees, SEK	Total fees, SEK
Anders G. Carlberg	Yes	11/11		2/2	500,000		50,000	550,000
Terje Andersen	No	11/11	5/5	2/2	275,000	40,000	25,000	340,000
Carina Andersson	Yes	11/11			275,000			275,000
Bertil Villard	Yes	11/11	5/5	2/2	275,000	40,000	25,000	340,000
Ragnhild Wiborg	Yes	11/11	5/5		275,000	80,000		355,000
Øystein Larsen	Empl. rep.	11/11		2/2	40,000			40,000
Konny Svensson	Empl. rep.	11/11	5/5		40,000			40,000
Tommy Andersson	Dep. Empl. rep.	11/11			40,000			40,000
Claudi Martin Callizo	Dep. Empl. rep.	10/11			40,000			40,000
Total fees, SEK					1,760,000	160,000	100,000	2,020,000

auditing firms may be appointed as auditor. Ernst & Young AB was appointed as auditor at the general meeting of shareholders. Ernst & Young AB has informed the company that the authorised public accountant Erik Sandström is the chief auditor until the 2016 AGM.

The external audit of the parent company and Group accounts and of the administration of the Board and the CEO is conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. The company's chief auditor participates in all meetings of the Audit Committee and one Board meeting. Regarding fees to the auditor, please refer to Note 9.

GROUP MANAGEMENT

The Group management is responsible for designing and implementing the Group's overall strategies and handles questions such as product and customer strategies as well as acquisitions and divestments. These questions and major investments are prepared by the Group management for resolution by the Board.

The CEO is responsible for the day-to-day management of the company in accordance with the Board's guidelines and instructions. On 31 December 2015, the Group management consisted of eight people: the CEO, President Asia, President Europe, President Americas, CFO, CTO, General Counsel and Director Communications and Investor Relations.

The Group management holds monthly meetings in order to follow up the Group's results and financial position. Other questions dealt with at Group management meetings include strategic issues and the follow-up of budgets and forecasts. Subsidiaries are also followed up more directly by virtue of the fact that the CEO is Chairman of the two subsidiaries in Finspång and in Shanghai. Other members of the Group management and, as regards Sweden, employee representatives also serve on these Boards. The Boards of the subsidiaries monitor the day-to-day operations and approve the strategies and budgets of each subsidiary.

Remuneration of Group Management

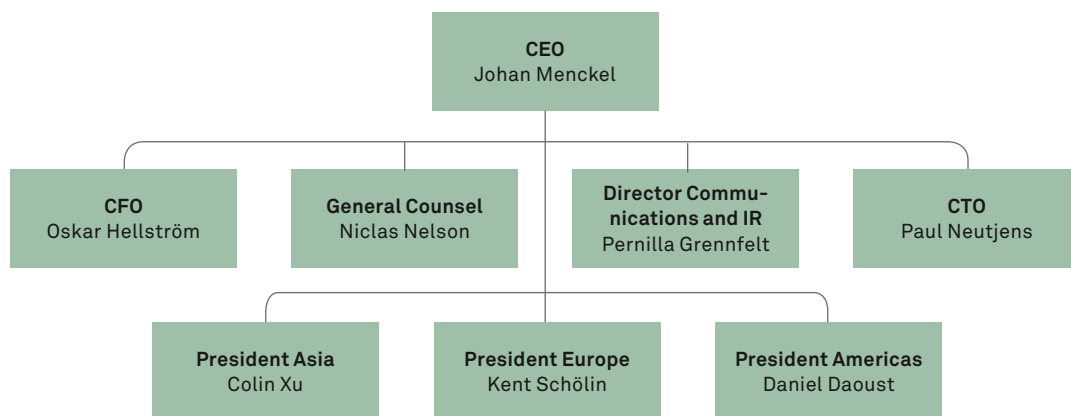
Guidelines for remuneration of senior executives were analysed and developed by the Remuneration Committee at the beginning of 2016. These are described on page 44 and will be presented in their entirety in the decision data for the AGM to be held on 28 April 2016.

The Board's description of internal control and risk management regarding financial reporting

Under the Swedish Companies' Act and the Code, it is the responsibility of Gränges AB's Board that the company has good internal control. Internal control shall ensure that the company's financial reporting is reliable and prepared in accordance with laws, applicable accounting standards and other requirements for listed companies.

Framework for internal control and risk management regarding financial reporting

Gränges complies with the established international framework, Internal Control Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In accordance with COSO, Gränges' process for internal control of financial reporting is based on five components. These five components are: the control environment, risk assessment, control activities, information and communication and monitoring. Gränges' internal control process is designed to ensure with reasonable certainty the quality and accuracy of the financial reporting and to ensure that the reporting is prepared in accordance with applicable laws and regulations, accounting standards and other requirements for listed companies in Sweden. This is dependent on a good control environment, reliable risk assessments and established control activities and on information, communication and monitoring working in a satisfactory manner.



Control environment

The control environment is defined by the organisational structure, the Group management's working methods and values and other roles and responsibilities in the organisation. The Audit Committee assists the Board in relation to important accounting questions that the Group applies and monitors the internal control of financial reporting. In order to maintain an effective control environment and good internal control, the Board has delegated the day-to-day responsibility to the CEO, who in turn has assigned the responsibility to other members of the Group management.

Quality in the financial reporting is ensured through a number of different measures and routines. Continual work is ongoing to further develop joint Group policies and manuals. These policies and manuals include the Financial Management Directive, the Metal Management Directive, the Group Accounting Manual and the Instruction for Financial Reporting. Apart from the above, there are important joint Group steering documents such as the Information Policy, the Group's Authorisation Manual and the Code of Conduct (business ethics rules). Starting in 2014 and continuing during 2015, a large portion of the Group's employees participated in a web-based training course regarding the Code of Conduct. In addition, the General Counsel held a training course for certain specially defined groups in the Group regarding business ethics issues and related questions. To further strengthen internal control and risk management, the whistleblower function was developed during 2015, whereby serious irregularities and violations of the company's business ethics rules can be reported. The aim of this function is to guarantee safety in the work environment, to maintain good business ethics and to limit financial irregularities and thereby further improve the quality of Gränges' financial reporting for the benefit of the company's shareholders, owners, employees, customers and suppliers. The implementation of the whistleblower function in the Group has gone somewhat slower than estimated, and the company's internal control has shown that the function must be clarified and presented to broader groups. These improvement measures have been implemented in both the company's internal magazine "Exchange" and in the new intranet which was introduced during Spring 2016.

Risk assessment

Gränges' organisation is exposed to internal and external risks. To reasonably ensure good internal control, risks that may affect the financial reporting are identified, measured and managed. This is an integral part of the day-to-day reporting to the Group management and Board, which forms the basis for the assessment of risk of errors in the financial reporting. Gränges' operations are defined by processes with established routines and systems. Risk assessment thus largely occurs within the framework of these processes. Managers in the Group identify, monitor and follow up these risks. This creates the basis for taking well-founded and correct business decisions at all levels. As a rule, financial risks such as currency, commodity, refinancing and counterparty risks in general and interest rate and credit risks are mainly handled by the parent company's Finance Department in accordance with the Financial Management Directive, the Metal Management Directive, the Group Accounting Manual and the Instruction for Financial Reporting. During 2015, the Group management carried out a risk study regarding corruption risks, which was followed up by an analysis of whether the company has the necessary tools and rules in place to minimise the risks of corruption.

Control measures/activities

The main purpose of control activities is to prevent and discover material errors in the financial reporting at an early stage so that these errors can be managed and remedied. There are control

activities at both an overall level and at a more detailed level in the Group of a manual and automated character. Routines and activities have been designed to handle and remedy material risks that are related to the financial reporting and that were identified in the risk assessment. Depending on the character and type of control activity, corrective action, implementation, documentation and quality assurance occur at a Group or subsidiary level. As in the case of other processes, each manager is responsible for the completeness and accuracy of the control activities.

The Group has a common consolidation system, where the legal entities report, which provides good internal control of financial reporting. Most controls and processes are automated and authorisation to access IT systems is limited.

Control activities are performed at all levels in the Group. One example that can be mentioned is the established controller function, which analyses and follows up deviations and reports its findings to other parts of the Group. Monitoring by the Group management occurs, for example, through regular meetings with the heads of subsidiaries regarding operations, the financial position and results as well as financial and operating key ratios. The Board continually analyses reports on operations where the Group management gives an account of the previous period and comments on the Group's financial position and results. In this way, significant fluctuations and deviations are followed up, which limits the risk of errors in the financial reporting.

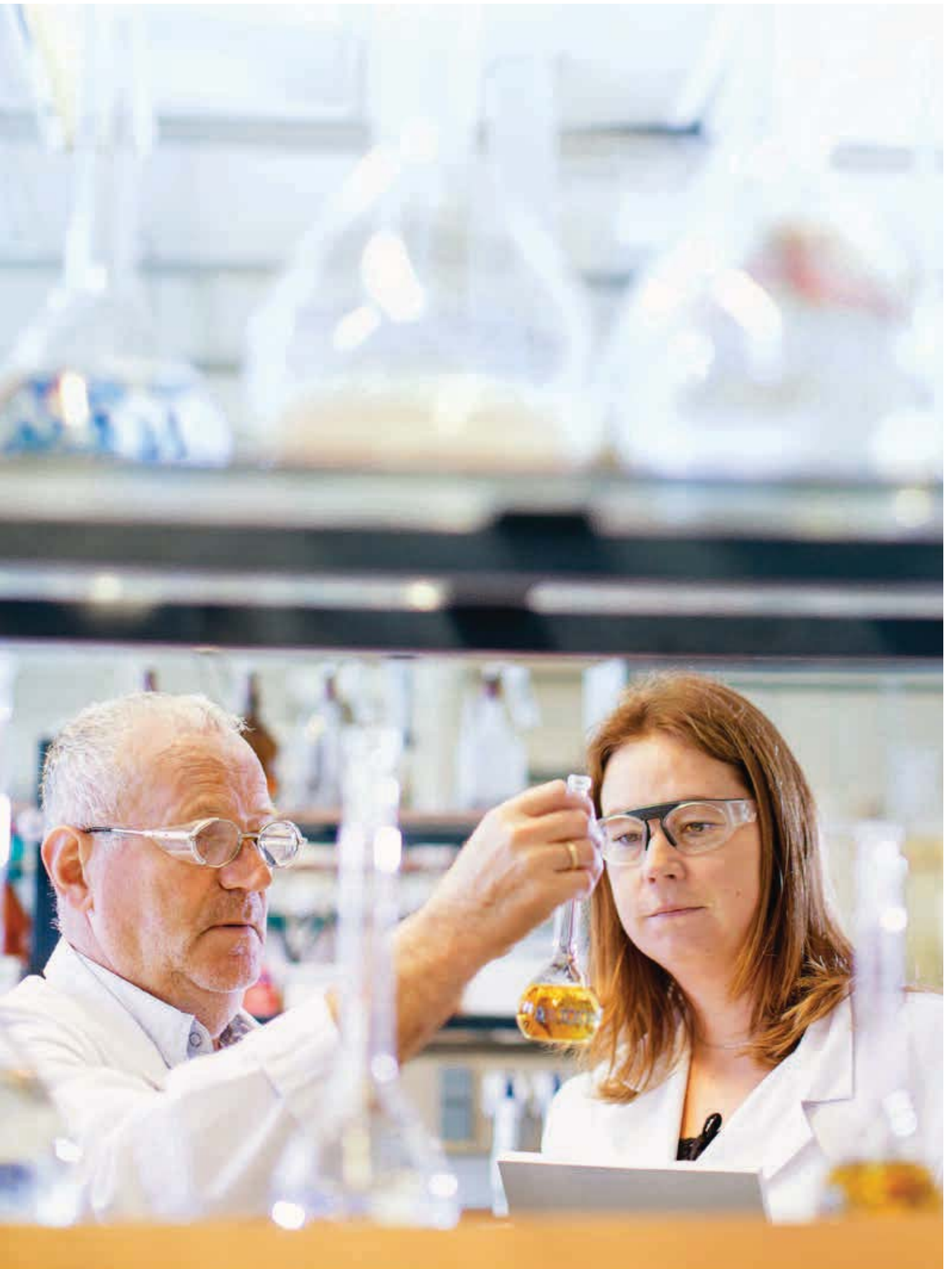
The closing of the books and the work on the annual accounts are processes where there is further risk that errors arise in the financial reporting. This work is quite naturally of a less repetitive nature and often involves a number of instances where estimates are made. Important control activities include ensuring that there is a well-functioning reporting structure where subsidiaries report according to standardised models and that important income statement and balance sheet items are specified and commented on.

Information and communication

Gränges' financial reporting follows the Group guidelines and policies and is updated and communicated regularly by the Group management to all the employees concerned. The accounting function has operative responsibility for the day-to-day financial reporting and works to ensure that the Group's guidelines, policies and instructions are applied in a uniform manner in the Group. The accounting function is also tasked with identifying and communicating deficiencies in the financial reporting. All communication shall occur in accordance with Nasdaq Stockholm's rules for issuers and in conformity with other applicable regulations. The financial information should provide the capital and stock markets with a comprehensive and clear view of the company and its financial position, performance and strategy. All financial reports and press releases published on the company's website are simultaneously released to Nasdaq Stockholm and the Swedish Financial Supervisory Board.

Monitoring

The Board's monitoring of internal control of financial reporting mainly occurs through the Audit Committee, including monitoring of the internal audit and through contacts with the external auditors and their work and reports. The external auditors monitor selected areas of the internal control on an annual basis within the framework of the statutory audit. The external auditors report the outcome of their audit to the Audit Committee and the Group management. Significant observations are also reported directly to the Board. As regards the audit for 2015, the auditors have monitored the internal control in selected key processes and have reported their findings to the Audit Committee and Group management.



BOARD OF DIRECTORS



ANDERS G CARLBERG

Chairman

Born: 1943.

M.Sc. in Business Administration.

Chairman of Herenco AB. Board member of Erik Penser AB, Investmentbolaget Latour AB, Sweco AB, AxFast AB, Recipharm AB and Beijer Alma AB.

Previous positions: Board member of Sapa 2002–2013. CEO of J.S. Saba, CEO of Nobel Industrier, CEO of Axel Johnson International, Deputy CEO of SSAB and other companies.

Elected to the Board, 2014.

Chairman of the Remuneration Committee.

Shareholding: 35,294 shares.



TERJE ANDERSEN

Board member

Born: 1958.

M.Sc. in Business Administration.

CEO of Orkla Investments, Orkla ASA. Chairman of Orkla Energi AS, Orkla Industriinvesteringar AB and Sarpsfoss AS. Board member of Borregaard ASA, Jotun AS and Sapa AS.

Previous positions: CFO of Orkla ASA. Various executive positions at Orkla since 1989. Prior to that worked at Nevi Finans AS and as a consultant at Deloitte Touche.

Elected to the Board, 2009.

Member of the Audit Committee and the Remuneration Committee.

Shareholding: 2,352 shares.



CARINA ANDERSSON

Board member

Born: 1964.

M.Sc. in Engineering, Material Science.

Board member of Beijer Alma AB, SinterCast AB and Systemair AB.

Previous positions: Sandvik Materials Technology, CEO of Ramnäs Bruk AB and CEO of Scana Ramnäs AB. Board member of Mälardalens Högskola and Sandvik Riser Technology and chairman of Sandvik Powdermet and Sandvik Osprey.

Elected to the Board, 2014.

Shareholding: 2,352 shares.

AUDITOR



BERTIL VILLARD

Board member

Born: 1952.

LL.M.

Partner at Advokatbyrån Vinge AB. Chairman of Landsort Care AB (1–3). Board member of Cleanergy AB, Polaris A/S, Mercuri International Group AB, Novestra AB and Prior & Nilsson Fond- och Kapitalförvaltning.

Previous positions: Head of Corporate Finance at Alfred Berg Fondkommission AB, General Counsel at Esselte AB and other companies.

Elected to the Board, 2014.

Member of the Audit Committee and the Remuneration Committee.

Shareholding: 35,294 shares.



RAGNHILD WIBORG

Board member

Born: 1961.

M.Sc. in Business Administration.

Board member of Kistefos AS, REC Silicon ASA, Borregaard ASA, IM Skaugen ASA and EAMSolar ASA.

Previous positions: Fund management operations at Odin Fonder and at Wiborg Kapitalförvaltning. Worked at several investment banks, including Pareto, ABG Sundal Collier, First Chicago and Scandinavian Bank.

Elected to the Board, 2014.

Chairman of the Audit Committee.

Shareholding: 1,176 shares.



ERIK SANDSTRÖM

Auditor in charge

Born: 1975.

Authorized public accountant and member of FAR.

Other assignments: Södra Skogsägarna, Rottneros, Munters, Tradedoubler, Å.F.

EMPLOYEE REPRESENTATIVES



ÖYSTEIN LARSEN

Employee representative
Born: 1957.

Has been an employee representative on the Board since 2010.

Employed at Gränges since 1979.

Works in IT Development.

Employee representative of Unionen.

Shareholding: 470 shares.



KONNY SVENSSON

Employee representative
Born: 1954.

Upper secondary school education.

Has been an employee representative on the Board since 2013.

Employed at Gränges since 2008.

Works as an industrial electrician.

Employee representative of IF Metall.

Shareholding: 235 shares.



TOMMY ANDERSSON

Deputy employee representative
Born: 1980.

Has been an employee representative on the Board since 2014.

Employed at Gränges since 1999.

Works in production engineering for re-melting.

Employee representative of IF Metall.

Shareholding: 0 shares.



CLAUDI MARTIN CALLIZO

Deputy employee representative
Born: 1979.

M.Sc. Material Science and PhD of Engineering.

Has been an employee representative on the Board since 2014.

Employed at Gränges since 2008.

Works as HVAC&R Technical Manager.

Representative of the Swedish Association of Graduate Engineers and the Union for Professionals (Sw. Akademikerförbundet).

Shareholding: 470 shares.

GROUP MANAGEMENT



JOHAN MENCKEL

CEO

Born: 1971

M.Sc. Engineering.

CEO of Gränges since 2013. CEO of Sapa Heat Transfer, 2012–2013. Business Area President of Sapa Profiles Asia, 2011–2012. MD of Sapa Heat Transfer Shanghai, 2007–2010. Management positions at Sapa Heat Transfer, 2004–2006. Consultant at Accenture, 1996–2004.

Member of the Management Team since 2013.

Other assignments: Member of the Board of Directors in Svenska Postkodföreningen AB.

Shareholding: 38,000 shares, 200,000 employee stock options.



DANIEL DAOUST

President Americas

Born: 1957

B.Sc. Engineering, Metallurgical Science.

President Gränges Americas since 2013. Regional Manager for Sapa Heat Transfer North America, 2009–2013. Several leading positions Aleris Aluminum Rolled Products Canada, 1988–2008.

Member of the Management Team since 2013.

Shareholding: 0 shares.



PERNILLA GRENNFELT

Director Communications and Investor Relations

Born: 1970

B.Sc. Economics.

Director Communications and Investor Relations at Gränges since 2014. IR Manger at ICA Gruppen, 2013–2014. Head of Investor Relations at Hakon Invest, 2005–2013. Journalist and Editor at News Agency Direkt, 1999–2005. Advisor at Matteus Fondkommission, 1996–1999.

Member of the Management Team since 2014.

Shareholding: 4,905 shares, 40,000 employee stock options.



OSKAR HELLSTRÖM

CFO

Born: 1979

M.Sc. Engineering and B.Sc. Economics.

CFO of Gränges since 2013. CFO of Sapa Heat Transfer, 2011–2013. Director Group Development & Control at Sapa Group, 2009–2011. Strategy Manager at Sapa Group, 2008–2009. Consultant at Booz Allen Hamilton, 2005–2008.

Member of the Management Team since 2013.

Shareholding: 15,000 shares, 125,000 employee stock options.



NICLAS NELSON

General Counsel

Born: 1964

LL.M.

General Counsel at Gränges since 2014. Associate General Counsel at Autoliv, 2002–2014. Legal Counsel at ABB, 1998–2002. Attorney at Hökerberg & Söderqvist Advokatbyrå, 1993–1998. Associate at Vinge, 1992–1993. Law Clerk at City Court of Malmö, 1990–1992.

Member of the Management Team since 2014.

Other assignments: Chairman of the Board of Directors of SWERMA (Swedish Risk Management Association).

Shareholding: 5,000 shares, 40,000 employee stock options.



PAUL NEUTJENS

CTO

Born: 1959

M.Sc. Engineering, Metallurgy and Applied Material Science.

CTO at Gränges since 2013. Strategic Project Director at Sapa Heat Transfer, 2011–2012. Director of Lean Production at Sapa Profiles Europe, 2007–2010. Several management positions at Alcoa, 1994–2007. Several management positions at Hoogovens Aluminium, 1986–1994.

Member of the Management Team since 2013.

Shareholding: 4,000 shares.



KENT SCHÖLIN

President Europe

Born: 1964

M.Sc. in Engineering, Material Science.

President for Gränges Europe since 2013. MD for Sapa Heat Transfer Finspång, 2012–2013. MD of Gunnebo Gateway, 2005–2012. Several management positions at Sapa Heat Transfer, 1994–2004. Research engineer at Gränges Technology 1989–1994.

Member of the Management Board since 2013.

Shareholding: 4,705 shares, 100,000 employee stock options.



COLIN XU

President Asia

Born: 1976

M.Sc. Economics and Business Administration, MBA.

President for Gränges Asia since 2013. MD for Sapa Heat Transfer Shanghai, 2011–2013. Several leading management positions at Sapa Heat Transfer Shanghai, 2003–2010.

Member of the Management Team since 2013.

Shareholding: 0 shares, 100,000 employee stock options.

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CONSOLIDATED INCOME STATEMENT

SEK million	Note	2015	2014
Sales revenues	30	5,485	4,739
Other operating revenues		9	9
Net sales	7	5,494	4,748
Cost of materials		-3,280	-2,819
Payroll expenses	8, 10	-501	-444
Other operating expenses	11	-965	-821
Depreciation and impairment charges	17	-208	-201
Items affecting comparability	12	-3	-41
Operating profit		538	422
Profit from joint ventures	6	2	3
Financial income	13	5	35
Financial costs	13	-24	-40
Profit before taxes		521	420
Income Tax	14	-143	-102
Profit for the year		379	319
Profit for the year attributable to owners of the parent		379	319
Adjusted operating profit ¹⁾		541	463

1) Operating profit before items affecting comparability.

EARNINGS PER SHARE

SEK	Note	2015	2014
Earnings per share, basic	15	5.07	4.27
Earnings per share, diluted	15	5.07	4.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	2015	2014
Profit for the year		379	319
<i>Items not to be reclassified to profit/loss in subsequent years</i>			
Remeasurement of pensions before tax	10	13	-26
Tax on above		-3	6
<i>Items to be reclassified to profit/loss in subsequent years</i>			
Change in hedging reserve before tax	26	29	-27
Tax on above		-6	6
Translation differences		62	285
Comprehensive income for the year attributable to the owners of the parent company		474	563

CONSOLIDATED BALANCE SHEET

SEK million	Note	2015	2014
ASSETS			
Property, plant and equipment	17	1,669	1,713
Intangible assets	16	9	11
Deferred tax assets	14	54	44
Interests in joint ventures	6	30	30
Interest-bearing receivables	19, 24, 30	34	31
Other non-current receivables	26	4	–
Total non-current assets		1,800	1,829
Inventories	18	888	815
Receivables	20, 30	1,080	1,172
Cash and cash equivalents	21	634	644
Total current assets		2,601	2,631
TOTAL ASSETS		4,402	4,460
EQUITY AND LIABILITIES			
Share capital	27	100	100
Reserves		453	358
Retained earnings		1,947	1,679
Total equity		2,499	2,137
Deferred tax liabilities	14	45	32
Pension liabilities	10	138	146
Interest-bearing liabilities	19, 24	804	892
Other non-current liabilities	26	1	–
Total non-current liabilities		989	1,071
Interest-bearing liabilities	19, 24	0	401
Current tax liabilities	14	185	131
Other current liabilities	22	728	722
Total current liabilities		914	1,253
TOTAL EQUITY AND LIABILITIES		4,402	4,460

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Other paid in equity	Hedging reserve	Defined benefit pension plans	Translation differences	Retained earnings	Total equity
Opening balance, 1 January 2014	933	262	-5	-26	145	1,789	3,098
Profit for the year	-	-	-	-	-	319	319
<i>Items in comprehensive income</i>	-	-	-21	-20	285	-	244
Group comprehensive income	-	-	-21	-20	285	319	563
Group and shareholder contributions	-	-	-	-	-	126	126
Reduction of share capital and statutory reserve	-833	-262	-	-	-	1,095	0
Employee stock option scheme	-	-	-	-	-	0	0
Dividend	-	-	-	-	-	-1,650	-1,650
Closing balance, 31 December 2014	100	0	-26	-46	430	1,679	2,137
Opening balance, 1 January 2015	100	0	-26	-46	430	1,679	2,137
Profit for the year	-	-	-	-	-	379	379
<i>Items in comprehensive income</i>	-	-	23	10	62	-	95
Group comprehensive income	-	-	23	10	62	379	474
Employee stock option scheme	-	-	-	-	-	1	1
Dividend	-	-	-	-	-	-112	-112
Closing balance, 31 December 2015	100	0	-3	-36	492	1,947	2,499

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	2015	2014
Operating profit		538	422
Depreciation and impairment charges		217	201
Change in net working capital etc.		100	144
Income taxes paid		-130	-88
Cash flow from operating activities		725	678
Investments in property, plant and equipment and intangible assets	16, 17	-134	-94
Divestment of property, plant and equipment		5	14
Other capital transactions		4	-1
Cash flow from investing activities		-125	-81
Dividend and group contributions to/from Orkla Group		-	-1,524
Dividend		-112	-
Interest paid and received	13	-15	-28
<i>Change in interest-bearing liabilities</i>		-517	616
<i>Change in interest-bearing receivables</i>		-3	-5
Net change in interest-bearing liabilities/receivables		-520	611
Cash flow from financing activities		-647	-941
Cash flow for the year		-47	-344
Cash and cash equivalents at 1 January		644	896
Cash flow for the year		-47	-344
Translation difference on cash and cash equivalents		37	92
Cash and cash equivalents at 31 December	21	634	644

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Gränges AB (the parent company) and its subsidiaries (together called the Group) develops, manufactures and markets rolled aluminum material for production of heat exchangers. The Group has research and production facilities in Finspång, Sweden and Shanghai, China and serves the global market through sales offices in the USA, India, Korea and Japan. The parent company is registered in Sweden and has its head office at Humlegårdsgatan 19A, SE-114 85 Stockholm.

This document was approved for publication by the Board of Directors of Gränges AB on 8 March 2016.

2 Basis of preparation of consolidated financial statements

BASIS OF PREPARATION

The Gränges Group includes, in addition to the parent company Gränges AB, directly and indirectly held subsidiaries of Gränges AB.

Significant accounting principles applied in preparing these consolidated financial statements are described below. Unless otherwise stated, these principles have been applied consistently for all the years presented. The consolidated financial statements have been prepared and presented in compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The financial statements have been prepared by applying the cost method, with the exception of financial assets and liabilities (including derivatives), which are measured at fair value. Preparing financial statements in accordance with IFRS requires the use of important accounting estimates.

Management is also required to make certain judgements in applying the Group's accounting principles. Areas which involve a high degree of judgement, are complex or where assumptions and estimates have a material impact on the consolidated accounts are described in Note 5.

An asset or liability is classified as current when it is a part of an entity's normal operations, is primarily held for trading, matures within 12 months and consists of cash and cash equivalents at the balance sheet date. Other items are classified as non-current. A dividend is classified as a liability only upon formal approval by a general meeting of shareholders.

Unless otherwise stated, all amounts are stated in SEK million. Negative amounts refer to expenses or outgoing payments (cash flow).

ITEMS AFFECTING COMPARABILITY

Items affecting comparability are presented in a separate line and refer to non-recurring income and expenses.

The primary purpose of this is to present significant non-recurring items separately in order to ensure that changes and the comparability of items presented in adjusted operating profit are more relevant for comparative purposes. Income and expenses that are carried in this line and specified and commented on in Note 12.

CONSOLIDATION

Subsidiaries

All companies over which the Group exercises a controlling influence are classified as subsidiaries. The Group controls a company when it is exposed to or has the right to a variable return from its involvement

with the company and has the ability to affect those returns through its power over the company. Subsidiaries are included in the consolidated accounts as of the date when the control is transferred to the Group and are consolidated up to the date when the controlling influence ceases.

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business and equity interests issued by the group. The consideration also includes fair value of all assets or liabilities resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Joint arrangements

Shares in companies in which the Group exercises a controlling influence are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Gränges has made a judgement of its joint arrangements and determined they should be classified as a joint ventures. Interests in joint ventures are accounted for using the equity method.

Under the equity method, investments in joint ventures are initially carried at cost in the consolidated statement of financial position. The carrying amount is then increased or decreased to take account of the Group's share of the profit or loss and other comprehensive income from its joint ventures after the date of acquisition. The Group's share of the profit or loss is presented in the line "Profit from joint ventures" in the income statement and the line "Interests in joint ventures" in the balance sheet. The principal company in this category is Norca Heat Transfer LLC, in which Gränges has a 50 % stake. The remaining 50 % is owned by Kirchain Inc. (see Note 6).

FOREIGN CURRENCY TRANSLATION

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the operates ('the functional currency'). The consolidated financial statements are presented in Swedish krona (SEK), which is the Group's presentation currency.

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rates applying on the transaction date or the date when the items were re-measured. Foreign exchange gains and losses arising from such transactions and upon translation of monetary assets and liabilities in foreign currency at closing day rates are recognised in the income statement. The exception is when the transactions constitute hedges and meet the criteria for hedge accounting of cash flows or net investments, in which case any gains and losses are recognised in other comprehensive income.

Financial receivables and liabilities in foreign currency are stated at the closing rate and any gain or loss is recognised in financial items in the income statement. Other monetary items in foreign currency are carried at the closing rate and any gain or loss is recognised in operating items in the income statement.

3 New accounting standards

NEW ACCOUNTING STANDARDS ADOPTED BY THE GROUP IN 2015

No standards, amendments and interpretations which became effective for financial years beginning on 1 January 2015 have had a material impact on the consolidated financial statements.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS WHICH HAVE NOT YET BECOME EFFECTIVE BUT WILL SOON BE APPLIED IN FUTURE PERIODS

A number of new standards and interpretations are effective for financial years beginning after 1 January 2016 and have not been applied in preparing these financial statements. None of these are expected to have a material impact on the Group's financial statements, with the following exceptions:

IFRS 9 Financial Instruments

IFRS 9 will enter into force on 1 January 2018 and replaces IAS 39 Financial instruments: Recognition and measurement. Various parts of IFRS 9 have been revised, and one part relates to the classification and measurement of financial assets and liabilities. Classification of financial assets is determined on initial recognition based on the cash flow characteristics of the asset and the company's business model. Dependent on classification the financial assets will be measured at amortised cost, at fair value through other comprehensive income (OCI) or at fair value through profit or loss. For financial liabilities there are no changes that will impact the Group.

Further the hedge accounting principles have been revised in IFRS 9. The new principles give companies better opportunities to present the financial risk management strategies in the financial statements. As a general rule, it will be easier to apply hedge accounting, as more risk components can qualify as hedged item. The new standard also introduces expanded disclosure requirements and changes in presentation.

IFRS 9 also introduces a new impairment model based on expected credit losses. The new expected credit loss (ECL) model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. A simplified approach is to be used for financial assets that do not have a significant financing component (eg accounts and lease receivables), which means impairment will be recognised based on lifetime ECL and there is no need to track the changes in credit quality.

The standard has not yet been adopted by the EU, but is scheduled to be endorsed during the first half of 2016. The Group believes that mainly hedge accounting and impairment will impact the financial statements. Classification and measurement of financial assets is not expected to affect the way the assets are valued, but the process of how the classification is done will need to be reviewed. In 2016, an assessment will be initiated to identify the effects IFRS 9 will have on the consolidated financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 is the new standard for recognition of revenue. IFRS 15 replace IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations (IFRIC and SIC). A revenue is recognised when control of a goods or service transfers to a customer – so the

notion of control replaces the existing notion of risks and rewards. The basic principle in IFRS 15 is that a company recognise revenue in the way that best reflects the transfer of the goods or service to the customer. A new five-step process must be applied before revenue can be recognised:

- Step 1: identify contracts with customers
- Step 2: identify the separate performance obligation
- Step 3: determine the transaction price of the contract
- Step 4: allocate the transaction price to each of the separate performance obligations, and
- Step 5: recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The standard has not yet been adopted by the EU. The Group has not yet evaluated the effects of introducing the standard.

IFRS 16 Leases

In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

4 Accounting standards

REVENUE RECOGNITION

Revenue is recognised to the extent that it is likely that the economic benefits will accrue to the company and the revenue can be reliably measured, irrespective of when payment is made. Revenue is stated at the fair value of the compensation which has been or will be received, having regard to contractual terms governing payment excluding taxes and duties.

Sales of goods. The Gränges Group sells goods in different markets, and revenues from the sale of goods are recognised in the income statement when the material risks and benefits associated with ownership of the goods have been transferred to the buyer.

cont. Note 4

Sales of services. Revenues from the sale of services are limited for the Gränges Group and primarily refer to rental income from properties owned by Gränges AB. Rental income is allocated to accounting periods in accordance with the lease and is recognised in the income statement in the period to which the lease refers.

Gains on the sale of property, plant and equipment are accounted for as "Other income" and are included in the income statement.

Interest income is recognised using the effective interest method and accounted for under "Financial income".

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income includes items which are recognised in equity but which are not included in the regular profit or loss for the period. The items in the statement are actuarial gains and losses on pensions, changes in the hedging reserve in hedging transactions and currency translation effects.

ASSETS

Property, plant and equipment are tangible, long-lived assets which are intended for the production or delivery of goods or for administrative purposes. They are stated at cost in the balance sheet less accumulated depreciation and impairment. Maintenance of assets is recognised in operating expenses when the maintenance is carried out while more significant periodic maintenance and expenses for replacements and improvements are accounted for as an investment and added to the cost of the assets.

To distribute the cost down to the estimated residual value, items of property, plant and equipment are depreciated on a straight-line basis over their useful lives using the following percentage rates:

- buildings and land improvements 2.5–10 %,
- machinery and installations 5–20 %,
- fixtures and vehicles 5–20 %,
- IT equipment 20 %.

Useful lives and residual values of assets are reviewed each year and adjusted where required.

If the residual value exceeds the carrying amount no further depreciation charges are recognised. This applies especially to buildings. If there are indications of impairment of an asset, the asset is written down to its recoverable amount if this is lower than the carrying amount. The recoverable amount is the higher of net realisable value and value in use.

Loan expenses in connection with the production of the Group's own property, plant and equipment are recognised as part of the cost of the asset.

Intangible assets. The Group has expenses for research and development. Expenditure for research is carried as an expense immediately while expenditure for development is recognised as an intangible asset if the underlying economic factors are identifiable and represent future economic benefits controlled by the Group.

The Group is running a large number of development projects but the criteria for recognising the projects as intangible assets are currently not met (see Note 16).

Capitalised expenditure for internally generated or specially adapted software is recognised as intangible assets. These are depreciated on a straight-line basis over 5 years.

Expenditure for internally generated intangible assets is expensed immediately, as the future economic benefits for the company cannot be identified and because it is not possible to obtain any degree of certainty during the development phase of the intangible assets. The fair value of intangible assets acquired by the company through acquisitions is capitalised.

Intangible assets with indefinite useful lives are not amortised while other intangible assets are amortised over their expected useful lives.

Inventories are measured at the lower of cost and net realisable value. Purchased goods are measured at cost in accordance with the FIFO principle while own-produced finished goods and products in progress are measured at production cost. A deduction is made for obsolescence. The net realisable value is the estimated selling price less selling costs. For a description of inventories as hedged item in a fair value hedge see "Fair value hedging" page 67.

Cash and cash equivalents comprise cash and cash equivalents with maturities of up to three months.

PROVISIONS AND LIABILITIES

Pensions. Gränges group has a pension system in Sweden that primarily consists of defined contribution plans as well as some unfunded defined benefit plans in Sweden.

For defined contribution pension plans the company has a responsibility to make contractual payments for its employees' future pensions. Future pensions are determined by the size of contributions and the return on the plan assets. After the contributions have been paid the company has no further payment obligations under the defined contribution plan. No provisions are therefore made in the balance sheet.

The company's pension costs for its defined contribution plans consist of payments to employees' pension plans during the reporting period and are accounted for as payroll expenses.

Defined benefit pension plans are based on a promise from the company to the employees that they will receive a certain pension upon retirement, normally defined as a percentage of their final salary. The company is responsible for the size of the future pension benefit and the economic value of this obligation are recognised in the income statement and balance sheet.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The cost relating to service during the current period is accounted for as payroll expenses. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Provisions are recognised for potential loss-making contracts and for restructuring when the decision to restructure is made. Provisions do not cover any potential future operating losses. As regards restructuring reserves, there must exist a detailed plan identifying which operations will be restructured as well as a well-founded expectation among those affected by the restructuring. It must also be possible to reliably estimate the cost of the restructuring.

The provision is calculated based on the best estimate of expected costs. If the effect is significant, expected future cash flows will be discounted.

Contingent liabilities and contingent assets. A contingent liability or contingent asset is a potential obligation or potential asset whose existence is uncertain and which will be confirmed by the occurrence or non-occurrence of a specific future event, such as the outcome of legal proceedings or the final settlement of an insurance claim. If the probability that the liability has been incurred exceeds 50 % a provision is recognised in the balance sheet. If the probability is lower a contingent liability is shown as an additional disclosure in the financial statements, unless the probability of an outgoing payment is remote. An asset is only recognised in the balance sheet if it is highly probable that the Group will receive the asset. Disclosures regarding contingent assets are given where an inflow of resources is probable.

Tax. Income tax is the sum of current tax and changes in deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Current tax is recognised at the amount that is expected to be paid to the tax authorities based on the taxable income that is reported for the units included in the consolidated financial statements. The income tax is determined using tax rates that have been enacted on the balance sheet date.

Deferred tax in the balance sheet has been calculated at the nominal tax rate based on temporary differences for assets and liabilities at the balance sheet date.

A provision for deferred tax on retained earnings in foreign subsidiaries is recognised to the extent that it is likely that the dividend will be distributed in a near future.

Deferred tax assets are reviewed continually and recognised in the balance sheet only to the extent that it is likely that future taxable profits can be used.

Deferred tax liabilities and deferred tax assets are offset insofar as this is possible under local tax laws and regulations.

FINANCIAL INSTRUMENTS

The Group's financial assets comprise loans and accounts receivable as well as derivatives. Purchases and sales of financial assets are recognised at the transaction date, which is the date when the Group undertakes to buy or sell the asset. Accounts receivable are recognised when the invoice has been sent. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with ownership to another party.

The Group's financial liabilities comprise borrowings and accounts payable as well as derivatives. Financial liabilities are recognised in the balance sheet when the counterparty has performed and a contractual obligation to pay exists. Accounts payable are recognised when the invoice has been received. Financial liabilities are derecognised from the balance sheet when the contractual obligation has been fulfilled or in some other way extinguished.

Financial instruments are initially recognised at fair value plus transaction costs, which applies to all financial assets and liabilities that are not measured at fair value through profit and loss. These are initially recognised at fair value excluding transaction costs.

Financial assets and liabilities are netted and the net amount is recognised in the balance sheet only when there is a legal right of netting the carrying amounts and an intention to settle them by a net amount or to simultaneously realise the asset and settle the liability. The legal right must not depend on future events and must be legally binding for the company and the counterparty both in case of normal business activities and in the event of default, insolvency or bankruptcy.

Derivatives are classified either as measured at fair value through profit and loss in the subcategory that is called held for trading or as hedging instrument for which hedge accounting is applied. Derivatives are measured at fair value at the balance sheet date and accounted for as assets or liabilities. Gains and losses on changes in fair value are recognised in profit or loss when the derivative is not part of a hedge relationship which meets the criteria for hedge accounting. Embedded derivatives in contracts are identified and measured separately. Gränges currently has no embedded derivatives. Purchases and sales of derivatives are recognised at the transaction date.

Loans and receivables are financial assets which are non-derivatives, have fixed or determinable payments, and are not listed on an active market. They are included in current assets, with the exception of items maturing later than twelve months from the end of the reporting period, which are classified as non-current assets. Accounts receivable are always classified as current assets. The Group's loans and receivables comprise accounts receivable and other receivable as well as cash and cash equivalents. These are carried at amortised cost in the balance sheet applying the effective interest rate method. Receivable are measured at the amount expected to be paid, i.e. after deducting bad debts. At the end of each reporting period the Group assesses whether there is objective evidence of impairment of financial assets. Objective evidence of impairment includes, for example, indications of significant financial difficulties of a debtor, non-payment of or arrears on the payment of interest or principal and observable information pointing to a measurable decrease in estimated future cash flows.

The impairment loss is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses which have not occurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is written down and the impairment loss is recognised in the consolidated income statement. If the impairment is reduced in a subsequent period and this

can objectively be attributed to an event occurring after recognition of the impairment loss (such as an improvement in a debtor's credit-worthiness), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Accounts payable are obligations to pay for goods or services which have been acquired from suppliers or service providers in the course of the company's operating activities. Accounts payable are classified as current liabilities. Accounts payable are measured at amortised cost.

Borrowings (loans) are initially recognised at fair value, net of transaction costs. Subsequently loans are carried at amortised cost and any difference between the amount received (net of transaction costs) and the amount repayable is recognised in the income statement over the term of the loan by applying the effective interest method.

Hedge accounting. The Group uses the following criteria for classifying a derivative or other financial instrument as a hedging instrument: (1) the hedging instrument is expected to be very effective in offsetting changes in the fair value of or cash flows for an identifiable item (hedged item), with an expected hedge efficiency of 80–125 %, (2) the hedge efficiency can be reliably measured, (3) satisfactory documentation is drawn up before the hedging instrument is acquired showing, in particular, that the hedge relationship is effective, (4) in case of the use of cash flow hedges, that the future transaction is deemed to be highly probable, and (5) the hedge relationship is reviewed on a regular basis and has proved to be effective, i.e. between 80–125 %.

Gains and losses on the hedging instrument are recognised in the income statement at the same time as gains and losses from the hedged item.

Fair value hedging. Changes in the fair values of derivatives designated as hedging instruments are recognised immediately in the income statement. Changes in the fair value of the hedged item (inventory) relating to the hedged risk are recognised in the income statement in the same way and are recognised as an adjustment on the hedged item's carrying amount. Hedge accounting is discontinued if: (a) the hedge instrument has expired, been terminated, exercised or sold, (b) the hedge no longer meets the aforementioned criteria for hedging, or (c) the Group for some reason chooses not to continue to hedge fair value. In the case of a discontinued hedge, changes in the fair value of the hedged item are recognised in the balance sheet until the hedged item (inventory) is recognised as cost of materials in the income statement.

Cash flow hedges. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and accumulated in the hedging reserve until the hedged transaction is executed. At that time the accumulated gains or losses on the hedging instrument will be reclassified to the income statement. The ineffective portion of the hedging instrument is recognised immediately in the income statement. When a hedging instrument has expired, been sold, exercised or terminated, or the Group has discontinued the hedge relationship, the accumulated gains or losses will remain in the hedging reserve and will be recognised in the income statement upon execution of the hedged transaction. If the hedged transaction is no longer expected to occur, the accumulated gain or loss on the hedging instrument will be recognised immediately in the income statement.

SEGMENTS

Gränges develops, produces and distributes aluminium material for heat exchanger applications. The heat exchanger industry is global and relatively consolidated, with a small number of global customers accounting for more than 50 % of Gränges' sales. A single Key Account organisation handles all Gränges' global key customers. The operations are governed through a matrix structure which combines key customers with regional markets and production units.

Due to the global character of the operations Gränges reports a single global segment in line with IFRS 8.

For information on the geographic distribution of non-current assets, sales revenue and the average number of employees (see Note 7).

cont. Note 4

OTHER PRINCIPLES

Cash flow. The cash flow statement, which has been prepared using the indirect method, shows cash flows from operating activities, investing activities and financing activities, and explains changes in "Cash and cash equivalents" for the reporting period.

Leasing. Leases are classified based on the extent to which the economic risks and benefits associated with ownership of the leased asset are held by the lessor or lessee. A lease is classified as a financial lease if it essentially transfers all risks and benefits associated with ownership of an asset. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term. Other leases are classified as operating leases. Expenses related to such leases are accounted for as operating expenses.

Share-based payments. The Group operates a share-based compensation plan under which payments are made in the form of shares and the company receives services from employees as compensation for the Group's equity instruments (employee stock options). The fair value of the employee services received in exchange for the grant of the options is recognised as an expense along with a corresponding increase in equity. The total amount recognised as an expense is based on the fair value of the granted employee stock options as determined on the grant date.

The Group also has a share-based remuneration plan based on cash settlement. The fair value of employee services received in exchange for the grant of the options is recognised as an expense along with a corresponding increase in liabilities. The cost of cash-settled instruments is based on the fair value of the granted employee stock options, as determined at each closing date until final settlement.

At the end of each reporting period the Group reviews its estimates of how many shares are expected to be vested based on the service condition. Any deviations from the original estimates identified in such reviews are recognised in the income statement with corresponding adjustments in equity for equity-settled instruments and liabilities for cash-settled instruments.

When options are exercised, the company issues new shares. The proceeds received, net after any directly attributable transaction costs, are credited to the share capital (quotient value) and other paid in equity.

Social security contributions payable in connection with the grant of stock options are considered as an integral part of the grant itself, and the charge will be treated as cash-settled transaction that is remeasured at each closing date until settlement is made.

Government grants are recognised in the financial statements when it is a reasonable assurance that the grant will be received. The grants are accounted for either as income or a reduction of expenses, and are in the latter case matched with the expenses which they are intended to compensate for. Government grants attributable to assets are accounted for as a reduction of the cost of the asset. The grant reduces the depreciation of the asset.

5 Use of estimates and assumptions in preparing the consolidated financial statements

In preparing Gränges' consolidated accounts, it is necessary to make a number of estimates and assumptions which can influence the carrying amounts of assets and liabilities. When preparing the financial statements, management makes its best judgements in areas of significant importance. Areas where estimates and judgements are of significant importance for the consolidated financial statements are:

Accounting item	Note	Estimate/assumptions
Property, plant and equipment	17	Recoverable amount and estimate of correct remaining useful life
Income tax	14	Determination of tax rate for profits in China
Pension liability	10	Economic and demographic assumptions

The value of property, plant and equipment is based on cost and is depreciated over the estimated useful life. For several of Gränges' items of property, plant and equipment changes in assumptions can have a significant impact on the value.

Gränges has obtained a qualification as a high technology company in China for the period 2013 to 2015. This qualification means that Gränges in China can avail of an income tax rate of 15 % instead of the ordinary rate of 25 %. In view of the difficulties to currently estimate whether these special requirements will be met for the entire period, income tax in the Chinese operations has been based on the higher tax rate of 25 % for 2013 to 2015. Further information, including on the effect of applying the lower tax rate is provided in Note 14.

Gränges has a number of defined benefit pension plans. The present value of the pension obligations depends on a number of factors which are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net pension expense (income) include the discount rate. Each change in these assumptions has an impact on the carrying amount of the pension obligation. Further information on sensitivity analyses etc. for changes in material assumptions is provided in Note 10.

Future events and changes in operating parameters may make it necessary to make other estimates and assumptions.

The financial statements can also be affected by the choice of accounting principles and judgements made in applying the principles. This applies, for example, to certain items which are accounted for as "Items affecting comparability" in a separate line. Gränges has also chosen to present earnings from joint ventures after the operating profit.

6 Investments accounted for using the equity method

Gränges reports two joint ventures, in which Gränges has a share of 50 % based on the equity method.

Norca Heat Transfer LLC is a sales and distribution company which acts as distributor for Gränges' products in the North American market. Sales to Norca were SEK 801 million in 2015 (640).

Shanghai Gränges Moriyasu Aluminium Co Ltd provides stamping capacity for Gränges' customers in China.

The company does not deem that any significant capital injections will be required in the joint ventures in which Gränges participates.

Investments accounted for in accordance with the equity method

SEK million	Norca Heat Transfer	Shanghai Gränges Moriyasu Aluminium	Total
Carrying amount 1 January 2015	24	6	30
Acquisitions/sales	–	–	–
Share of profit/loss	2	0	2
Dividend	–4	–	–4
Translation differences	2	0	2
Carrying amount 31 December 2015	24	6	30
Carrying amount 1 January 2014	20	5	25
Acquisitions/sales	–	–	–
Share of profit/loss	3	0	3
Dividend	–3	–	–3
Translation differences	4	1	5
Carrying amount 31 December 2014	24	6	30

Norca Heat Transfer (100 %)

Items in the income statement and statement of financial position (100 %).

USD million	Norca Heat Transfer	
	2015	2014
Operating revenue	99	94
Operating profit	2	2
Profit after tax	1	1
Current assets	46	44
Non-current assets	–	–
Total assets	46	44
Current liabilities	13	14
Non-current liabilities	25	22
Total liabilities	38	36

7 Geographic breakdown of net sales, non-current assets and average number of employees

Net sales are distributed regionally based on where the customers are located. Non-current assets and the average number of employees are based on where Gränges is located.

SEK million	Net sales		Non-current assets ¹⁾		Average no. of employees	
	2015	2014	2015	2014	2015	2014
Asia	2,637	2,378	1,108	1,117	541	534
Sweden	226	194	576	614	423	419
Rest of Europe	1,752	1,485	–	–	–	–
Americas	880	691	24	24	–	–
Total	5,494	4,748	1,708	1,754	964	952

1) Excluding deferred tax assets, interest-bearing receivables and other non-current receivables.

The seven largest customers accounted for 57 % (55) of sales, with two customers representing more than 10 % each of total sales. Customer A accounted for 12.3 %, or SEK 677 million in 2015 (11.0 %, or SEK 523 million, in 2014) and customer B accounted for 10.9 % in 2015, or SEK 600 million, (10.8 %, or SEK 513 million, in 2014).

8 Payroll expenses

Average number of employees

	2015		2014	
	Average no. of employees	Of which, women	Average no. of employees	Of which, women
Gränges AB				
Sweden	41	16	38	16
Subsidiaries				
Sweden	382	56	381	57
China	528	51	521	53
Other countries	13	4	12	4
Group total	964	127	952	130

Board members and other senior executives

	2015		2014	
	No. at balance sheet date	Of which, women	No. at balance sheet date	Of which, women
Gränges AB				
Board members	5	2	5	2
CEO and other senior executives	8	1	8	1

Salaries, other remuneration and social security contributions

SEK million	2015			2014		
	Salaries and remuneration (of which, variable portion)	Social sec. contrib.	Pension	Salaries and remuneration (of which, variable portion)	Social sec. contrib.	Pension
Gränges AB						
Board, CEO and other senior executives	19 (9)	7	4	17 (10)	5	2
Other employees	21	7	3	15	7	3
Subsidiaries						
Board, CEO and other senior executives	14 (6)	4	1	11 (5)	3	1
Other employees	305	98	17	265	84	18
Group total	360	117	24	307	100	23

SALARIES AND OTHER REMUNERATION TO THE BOARD MEMBERS, CEO AND OTHER SENIOR EXECUTIVES

Board members

In 2015 the Board of Directors consist of five members, elected by the Annual General Meeting. Four of the Board members are independent from the company and the company's main owners while one Board member is independent from the company but not from the company's largest shareholder, Orkla. Two employee representatives and two deputy employee representatives are also represented on the Board.

The Chairman and other members of the Board receive Directors' fees in accordance with the resolutions adopted by the annual general meeting. The Chairman of the Board receives fee of 500 kSEK and 275 kSEK to the other members of the Board. The chairman of the Audit Committee receives an additional fee of 80 kSEK and the chairman of the Remuneration Committee an additional fee of 50 kSEK. Employee representatives receive a fee of 40 kSEK.

Remuneration to the Board members are in some cases done through invoicing from their own companies. In addition to the board fee, social security contributions are then charged as a cost, which is considered to be cost neutral for Gränges.

CEO and other senior executives

The remuneration paid to the CEO and other senior executives consists of a basic salary, variable remuneration, other benefits and pension. Senior executives refer to the members of the Group management team. During 2015 the Group management team consisted of eight persons, including the CEO.

The salaries of the CEO and other senior executives are deliberated in the Remuneration Committee and adopted by the Board of Directors. The variable remuneration is based on results achieved in relation to the set targets and is made up of two components, short-term

incentive programme (STI) and long-term incentive programme (LTI). Several long-term incentive programmes can run parallel. The remuneration from the short-term incentive programme can amount to a maximum of 60 % of the basic salary for the CEO and for the other senior executives.

A basic salary of SEK 4.0 million (2.7) and short term incentive of SEK 1.8 million (5.9) was paid to the CEO during the year. A reservation for long term incentive (LTI) was done by SEK 2.2 million (0.1). A basic salary of SEK 12.9 million (9.0) and short term incentive (STI) of SEK 4.6 million (8.2) was paid to other senior executives during the year. A reservation for long term incentive (LTI) was done by SEK 6.2 million (0.2).

The contract between the company and CEO is subject to twelve months' notice by either party without deduction. In case of termination by the company the CEO is also entitled to severance pay of a further twelve monthly salaries, which is set off against income from new employment. The contracts between the company and other senior executives are subject to six months' notice by either party without deduction. In case of termination by the company the executive is entitled to severance pay of a further twelve monthly salaries, which is set-off against income from new employment.

PENSION

The retirement age for the CEO is 65 years. In addition to ordinary defined-benefit pension in accordance with the ITP-plan, the CEO has a direct pension in form of a company-owned endowment insurance. The premiums to the endowment insurance amounts to 35 % of the basic salary, reduced with what's being payed to ITP. For other senior executives the retirement age is 60–65 years depending on the country of employment and both premium-based and defined-benefit-based obligations exist.

Remuneration and other benefits in 2015

	Basic salary/ Directors' fee	Short-term incentive pro- gramme (STI) ¹⁾	Employee stock option programme (LTI 2014)	Long-term incen- tive programme (LTI 2015)	Total variable remuneration	Other benefits	Pension	Total
Board of Directors								
Anders G. Carlberg	0.6	–	–	–	–	–	–	0.6
Terje Andersen	0.3	–	–	–	–	–	–	0.3
Carina Andersson	0.3	–	–	–	–	–	–	0.3
Bertil Villard	0.3	–	–	–	–	–	–	0.3
Ragnhild Wiborg	0.4	–	–	–	–	–	–	0.4
Management								
CEO Johan Menckel	4.0	1.8	0.4 ³⁾	1.8	4.0	0.0	1.4	9.5
Other senior executives (7 individuals)	12.9	4.6	1.5 ⁴⁾	4.6	10.8	0.2	2.7	26.6
Total	18.8	6.5	1.9	6.5	14.8	0.2	4.1	37.9

Remuneration and other benefits in 2014

	Basic salary/ Directors' fee	Short-term incentive programme (STI) ²⁾	Employee stock option programme (LTI 2014)	Long-term incentive programme (LTI 2015)	Total variable remuneration	Other benefits	Pension	Total
Board of Directors								
Anders G. Carlberg	0.6	–	–	–	–	–	–	0.6
Terje Andersen	0.3	–	–	–	–	–	–	0.3
Carina Andersson	0.2	–	–	–	–	–	–	0.2
Bertil Villard	0.3	–	–	–	–	–	–	0.3
Ragnhild Wiborg	0.4	–	–	–	–	–	–	0.4
Management								
CEO Johan Menckel	2.7	5.9	0.1 ³⁾	–	5.9	–	0.3	9.0
Other senior executives (7 individuals)	9.0	8.2	0.2 ⁴⁾	–	8.3	0.2	1.9	19.4
Total	13.3	14.1	0.3	–	14.2	0.2	2.2	30.2

1) The amounts are attributable to 2015 but will be disbursed in 2016.

2) The amounts are attributable to 2014 but were disbursed in 2015.

3) Vested employee stock options is settled with equity (shares) which means that the expense is based on the fair value of the option at grant date, i.e. 10 October 2014 (3.82). However, the benefit value (current fair value/option) at 31 December 2015 for the employee amounts to 19.08 SEK/option (7.00). A total of 100,000 (22,466) number of options have been vested.

4) Vested employee stock options for four employees is settled with equity (shares), see above footnote 3, while vested employee options for one employee is settled with cash. The expense for cash-settled options is based on fair value of the option at each reporting period, 19.08 SEK/option (7.00), which is equivalent to the benefit value. A total of 152,500 (34,260) number of equity-settled options and 50,000 (11,133) number of cash-settled options have been vested.

VARIABLE REMUNERATION**Short-term incentive programme (STI)**

The remuneration from the short-term incentive programme can amount to a maximum of 60 % of the basic salary for the CEO and for the other senior executives.

The outcome of the short-term incentive programme is determined by a number of parameters consisting of key financial figures for the Group, such as adjusted operating profit and capita employed, and by performance against predetermined individual objectives.

Long-term incentive programme (LTI 2015)

The company's long-term incentive programme (LTI 2015) was adopted by a resolution at the Annual General Meeting held on 4 May 2015. The programme comprises the company's senior executives and certain selected key persons. The incentive programme aims to promote and encourage loyalty to the company by aligning personal objectives and interests with the shareholders' interest of strong share price performance and a good dividend.

The programme is designed so that an amount corresponding to the outcome from STI 2015 for each participant is set aside in a so-called LTI bank. The total reservation for LTI 2015 is shown in the table Remuneration and other benefits. Provided that the participant is still employed at Gränges, one third of the amount is paid per year during 2017, 2018 and 2019, adjusted for total return of Gränges shares. The total outcome of LTI 2015 and STI for payment in any one year shall be a maximum of 1.5 times annual salary.

Employee stock option programme (LTI 2014)

On 10 October 2014 employee stock options were granted free of charge to senior executives and other key individuals in the Group. The granted stock options have a term of two years from the grant-date (vesting period) followed by an exercise period of one year. The exercise price is SEK 51.00 equivalent to 120 % of the price in the offering in connection with the stock market listing less dividends paid during the vesting period. The employee stock options are contingent on senior executives and key individuals remaining employees of the company. In the event of full exercise, the employee stock option programme would result in a dilution of about 1.3 % of the total number of shares in Gränges.

The employee stock option programme comprises 1,000,000 stock options, of which 395,000 have been allocated to employees outside Sweden. It is the intention to settle employee stock options offered to employees outside Sweden in cash.

The weighted average fair value of employee stock options offered in 2014, calculated using the Black & Scholes valuation model, was SEK 3.82 per option.

The total expense recognised in the income statement for the employee stock options, including expenses for social security contributions, in 2015 was SEK 8.6 million (0.7). Equity has increased by SEK 1.0 million (0.2) while cash-settled employee stock options and expenses for social security contributions have led to an increase in liabilities of SEK 7.5 million (0.5).

OTHER BENEFITS

Other benefits consists of company cars and medical benefits.

9 Remuneration to auditors

SEK million	2015	2014
EY		
Audit engagement	2.9	1.7
Audit services in addition to audit engagement	0.3	3.5
Tax advisory services	0.9	0.7
Other services	4.2	1.1
Total remuneration to auditors	8.3	7.0

Audit engagement refers to the examination of the annual report and accounting records and of the Board of Directors and CEO's management of the company, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit services in addition to audit engagement is mainly related to review of interim reports. The cost for 2014 primarily relates to work in connection with the company's listing.

Tax advisory services include advice on tax, including transfer pricing issues, as well as value-added tax. Other services refer to advice that is not attributable to any of the aforementioned categories of services.

10 Pensions

Gränges has pension plans in Sweden. Approximately 71 % (62) of the employees in Sweden are covered by defined contribution pension plans, with the remainder covered by defined benefit plans.

DEFINED CONTRIBUTION PLANS

Employees of Gränges in the Swedish operation are mainly covered by pension plans classified as defined contribution plans. Defined contribution plans are arrangements in which the company pays annual contributions to its employees' pension plans and where future pensions are determined by the amount of contributions paid and the return on the pension assets. In Sweden employees covered by a collective bargaining agreement have defined contribution pension plans, as do salaried employees born after 1979 under the ITP1 supplementary pension plan.

DEFINED BENEFIT PLANS

The defined benefit pension plan in Sweden applies for salaried employees covered by the ITP2 supplementary pension plan, based on a collective agreement between the Confederation of Swedish Enterprise and the trade unions for salaried employees in the private sector. The pension plan is a net plan under which the pension obligation is not linked to changes in Swedish social insurance schemes. Under the applicable collective agreement, all salaried employees born in 1979 or after are covered by a defined contribution plan. This means that the scope of the defined benefit plan will be reduced over time. The defined benefit plan is based on the final salary of the employee and gives the beneficiaries life-long pension payments. The plan exposes Gränges to various risks, including the risk of increased life expectancy and salaries, and sensitivity to changes in interest rates.

Gränges' defined benefit plan is unfunded and is accounted for as a provision in the balance sheet. To secure unfunded accrued pension rights of their employees, companies need to take out a credit insurance policy with Försäkringsbolaget PRI Pensionsgaranti. PRI Pensionsgaranti also administers and calculates the Group's unfunded pension obligations. The Group's pensions are regulated by the Swedish Pension Obligations Vesting Act. The Group also has a pension obligation, which is covered by transfer of funds to a pension trust, amounting to SEK 1 million.

Special payroll tax has been taken into account in calculating pension obligations.

ASSUMPTIONS FOR DEFINED BENEFIT PLANS

The assumptions are defined in consultation with professional actuaries. Assumptions on future salary adjustments and sales are specific to the Group. The discount rate is determined by reference to high-quality corporate bonds traded in a well functioning market, which reflect the duration of the pension obligation. In Sweden the discount rate is based on secured mortgage bonds.

The assumptions for life expectancy are based on PRI's life expectancy tables as of 30 June 2011.

Assumptions for defined benefit plans, Sweden

	2015	2014
Discount rate	3.2 %	2.6 %
Future salary adjustments	2.6 %	2.5 %
Income base amount	2.5 %	2.5 %
Inflation	1.5 %	1.5 %
Employee turnover	4.0 %	4.0 %
Weighted average remaining duration, years	18.0	18.0

Distribution of pension costs

SEK million	2015	2014
Defined contribution plans	-19	-16
Current costs for defined benefit plans	-5	-3
Pension cost recognised as operating expense	-24	-19
Interest on pension obligations recognised as a financial expense	-4	-5
Pensions costs recognised in the income statement	-28	-24
Actuarial gains and losses recognised in the statement of comprehensive income	13	-26
Total pension costs	-16	-50

Distribution of pension liabilities at 31 December

SEK million	2015	2014
Present value of unfunded pension	-138	-146
Present value of pension commitments	-1	-1
Funded plan assets	1	1
Total pension liabilities	-138	-146

Changes in the present value of pension obligations during the year

SEK million	2015	2014
Pension obligations 1 January	-146	-119
Current service cost	-5	-3
Interest on pension provision	-4	-5
Actuarial gains and losses recognised in the statement of comprehensive income:		
– due to changes in financial assumptions	15	-25
– due to experienced-based adjustments	-3	-1
Benefits paid during the year	5	5
Pension obligations 31 December	-138	-146

Sensitivity analysis

The sensitivity for the material assumption on applied discount rate, based on 3.2 %, is calculated as follows:

- 2.7 %, increased pension obligation by 9.3 %
- 3.7 %, reduced pension obligation by 8.1 %

An increase or decrease in life expectancy by one year increases or decreases the pension obligation by 3.6 %.

The sensitivity analysis is based on a change in an individual actuarial assumption while other assumptions remain unchanged. This method shows the obligation's sensitivity to a single assumption. This is a simplified method, as actuarial assumptions are normally correlated.

The duration of the pension obligation is 18 years.

Contributions to plans for post-employment remuneration are estimated at SEK 5 million for the financial year 2016.

11 Other operating expenses

SEK million	2015	2014
Energy expenses	-254	-236
Freight expenses	-149	-125
Repair and maintenance expenses	-128	-141
Consultants, legal advisors, temporary staff	-56	-26
Rental/leasing	-18	-17
Vehicle operating expenses	-14	-11
Operating expenses for office equipment	-8	-9
Other	-337	-257
Total other operating expenses	-965	-821

12 Items affecting comparability

SEK million	2015	2014
Restructuring costs	-15	-
Insurance settlement	21	-
Write-down of machinery	-8	-
Listing costs	-	-50
Demerger and divestment costs	-	15
Cost for fire in Finspång	-	-5
Capital loss from sale of property	-	-4
Other	-	4
Total items affecting comparability	-3	-41

Items affecting comparability include non-recurring income and expenses. Disclosure is made to improve the comparability between different periods.

On 10 September 2015 a restructuring of the Swedish operation was announced. The aim was to take greater advantage of the Group's technical competence through increased focus on strategic research and customer-related technical development and also to ensure more efficient management of metal purchasing and distribution. In this connection, notice was given of personnel reductions, primarily within administrative functions. After completed union negotiations around 25 positions was reduced at a cost of SEK -15 million.

In December 2015 a settlement with Gränges' insurance company was reached for the embezzlement of metal scrap performed by a former employee in Finspång. Gränges obtained compensation amounting to SEK 21 million, which corresponds to requested amount less deductible.

During 2015 write down of machinery was done with SEK -8 million in Finspång. The write-down was done for machinery no longer used in the operations.

Items affecting comparability for 2014, mainly relates to costs for the listing of Gränges on the stock exchange of SEK -50 million. In addition Gränges received repayment of SEK 15 million in VAT during 2014. Additional items 2014 comprises costs of SEK -5 million related to a fire that occurred in Finspång 2010 and a capital loss for an industrial property in Skultuna, Sweden, of SEK -4 million. Other items of SEK 4 million for 2014 include insurance compensation relating to a customer claim from 2011 and a fire at Gränges' production plant in Shanghai in 2010 as well as costs for the termination of variable remuneration schemes for senior executives as part of the separation from Orkla.

13 Financial income and costs

SEK million	2015	2014
Interest income	5	6
Net foreign exchange gains	-	25
Other interest income	0	3
Total financial income	5	35
Interest expense from Orkla Group	-	-2
Interest expense	-14	-30
Interest expense, pensions	-4	-5
Net foreign exchange losses	-1	-
Other financial expenses	-6	-2
Total financial costs	-24	-40
Total financial income and costs	-19	-5

Financial income in 2015 mainly consists of interest income from bank deposits in China. Financial expenses primarily refers to interest on borrowing. Net foreign exchange gains in 2014 mainly referred to exchange rate gains on a dividend from the Chinese subsidiary to Gränges AB.

14 Taxes

Tax expense

SEK million	2015	2014
Profit before taxes	521	420
Current tax	-153	-109
Deferred tax	10	7
Total tax	-143	-102
Tax as % of profit before taxes	27	24

Reconciliation of the Group's tax rate

The following table shows a reconciliation of reported tax and tax calculated on Swedish tax rate. The main tax components are shown below.

SEK million	2015	2014
Earnings before tax multiplied by nominal tax rate in Sweden	-115	-93
Effect of foreign operations with tax rates other than 22 %	-17	-13
Profit/loss from joint ventures	1	1
Non-deductible expenses	-1	-3
Non-taxable income	6	10
Income tax paid abroad	-19	-3
Adjustment of tax in respect of prior years	2	-1
Total tax	-143	-102

Corporation tax for companies with registered office in Sweden is 22 %.

Gränges has obtained a qualification as a high technology company in China for the period 2013 to 2015. This qualification means that Gränges in China can avail of an income tax rate of 15 % instead of the ordinary 25 %. However, to obtain the lower tax rate, Gränges must meet the special requirements established for the entire period 2013 to 2015. Local authorities will subsequently, and for each of the years in question, check whether Gränges has met these requirements. In view of the difficulties to currently estimate whether these special requirements will be met for the entire period, income tax in the Chinese operations has been based on the higher tax rate of 25 % for 2013 to 2015. If the lower tax rate of 15 % was used for calculation of tax for the period 2013 to 2015, the total tax expense and provision

cont. Note 14

for current tax would have been SEK 141 million lower. Gränges continually reviews its handling of this issue based on additional information concerning whether the requirements for availing of the lower tax rate will be met for the relevant period. The company has not yet applied for an additional three year period (2016–2018) classification as a high technology company.

Income tax paid abroad mainly consists of paid income tax of SEK –15 million in China on dividend from the subsidiary in Shanghai to Gränges AB.

DEFERRED TAX

Deferred tax consists of the Group's tax items, which are settled in the future. The table below specifies deferred tax assets and tax liabilities relating to temporary differences between the carrying amounts and tax bases of assets and liabilities.

The table shows the breakdown of the Group's deferred taxes.

Deferred tax on temporary differences

SEK million	2015			2014		
	Deferred tax asset (+)	Deferred tax liability (-)	Net deferred tax	Deferred tax asset (+)	Deferred tax liability (-)	Net deferred tax
Property, plant and equipment	–	–47	–47	8	–51	–43
Hedging reserve in equity	2	–1	1	6	–	6
Net pension provision	10	–	10	13	–	13
Other non-current items	0	–	0	–	–	0
Total non-current items	13	–48	–36	27	–51	–24
Current receivables	11	–	11	9	–	9
Inventories	4	–	4	2	–	2
Provisions	0	–	0	–	–	0
Other current items	30	–4	26	25	–	25
Total current items	45	–4	41	36	–	37
Tax losses	11	–	11	–	–	–
Set-off	–14	14	0	–19	19	–
Net deferred tax assets (+) / liabilities (-)	54	–37	17	44	–32	13

Deferred tax asset in respect of tax losses have been taken into account in full since the company is of the opinion that sufficient income will be generated in the future to be utilised against the tax losses. There are no unutilised tax losses in the Group.

Change in deferred tax in the income statement

SEK million	2015	2014
Change in deferred tax	4	–5
Change in deferred tax, hedging reserve in other comprehensive income	6	–6
Change in deferred tax, actuarial gains and losses on pensions in other comprehensive income	3	–6
Change in deferred tax on Group contributions in equity	–	28
Translation effects in other comprehensive income	–3	–4
Change in deferred tax in the income statement	10	7

15 Earnings per share

Earnings per share are calculated by dividing the profit for the year by the weighted average number of outstanding shares. For further information of Gränges shares see Note 27 Share capital.

	2015	2014
Profit for the year (SEK million)	379	319
Weighted average number of outstanding shares, basic	74,639,386	74,639,386
Weighted average number of outstanding shares, diluted	74,728,482	74,639,386
Earnings per share, basic, SEK	5.07	4.27
Earnings per share, diluted, SEK	5.07	4.27

In connection with the stock market listing of Gränges an employee stock option programme for senior executives and key individuals of the company was introduced (for more information, see Note 8 Payroll expenses). The employee stock option programme has resulted in a dilution effect for 2015 of 89,096 shares.

16 Intangible assets

SEK million	IT	Goodwill	Total	SEK million	IT	Goodwill	Total
Carrying amount, 1 January 2015	6	5	11	Carrying amount, 1 January 2014	8	5	13
Acquisitions	–	–	–	Acquisitions	0	–	–
Amortisation	–3	–	–3	Amortisation	–3	–	–3
Translation differences	–	0	0	Translation differences	–	0	–
Carrying amount, 31 December 2015	3	6	9	Carrying amount, 31 December 2014	6	5	11
Cost, 31 December 2015	26	6	32	Cost, 31 December 2014	26	5	31
Accumulated amortisation and impairment	–23	–	–23	Accumulated amortisation and impairment	–18	–	–18
Carrying amount, 31 December 2015	3	6	9	Carrying amount, 31 December 2014	6	5	11

The Group expensed SEK 57 million (56) during 2015 for research and development.

17 Property, plant and equipment

SEK million	Land, land improvements and buildings ¹⁾	Machinery and equipment	Fixed assets under construction	Fixtures, vehicles, etc.	Total
Carrying amount, 1 January 2015	463	1,065	144	41	1,713
Acquisitions	12	79	31	12	134
Sales	–1	–1	–	–	–2
Transferred assets, fixed assets under construction	–5	75	–75	5	0
Impairment	–	–8	–	–	–8
Depreciation	–27	–162	–	–16	–205
Translation differences	9	24	5	0	37
Carrying amount, 31 December 2015	451	1,071	105	42	1,669
Cost, 31 December 2015	749	2,910	105	173	3,937
Accumulated depreciation and impairment	–298	–1,838	–	–130	–2,266
Carrying amount, 31 December 2015	451	1,071	105	42	1,669
Carrying amount, 1 January 2014	458	1,062	93	48	1,661
Acquisitions	0	44	43	5	93
Sales	–12	–4	–	0	–16
Transferred assets, fixed assets under construction	1	5	–6	1	0
Impairment	0	–7	–	0	–7
Depreciation	–25	–151	–	–14	–190
Translation differences	41	116	14	2	173
Carrying amount, 31 December 2014	463	1,065	144	41	1,713
Cost, 31 December 2014	734	2,733	144	156	3,767
Accumulated depreciation and impairment	–271	–1,668	–	–114	–2,053
Carrying amount, 31 December 2014	463	1,065	144	41	1,713

1) The carrying amount relating to land was less than SEK 1 million in all presented periods.

For information on lease costs regarding leased property, plant and equipment, see Note 28.

For information on collateral and mortgages related to property, plant and equipment, see Note 29.

18 Inventories

SEK million	2015	2014
Raw materials	339	268
Work in progress	242	255
Finished goods and merchandise	323	299
Provision for obsolescence	-16	-7
Total inventories	888	815

Inventories are measured at the lower of cost and fair value after deduction of selling costs.

19 Overview of financial instruments

2015 SEK million	Note	Measurement level	Financial instruments at fair value through profit or loss	Derivatives included in hedge accounting	Financial liabilities measured at amortised cost	Loans and receivables	Total	Of which interest- bearing
<i>Non-current assets</i>								
Non-current financial receivables		-	-	-	-	34	34	34
Non-current derivatives	26	2	-	4	-	-	4	-
Total		-	-	4	-	34	38	34
<i>Current assets</i>								
Accounts receivable	20	-	-	-	-	870	870	-
Other current receivables	20	-	-	-	-	106	106	-
Current derivatives	20, 26	2	30	12	-	-	42	0
Cash and cash equivalents	21	-	-	-	-	634	634	634
Total		-	30	12	-	1,610	1,652	634
<i>Non-current liabilities</i>								
Non-current financial liabilities	24	-	-	-	804	-	804	804
Non-current derivatives	26	2	-	1	-	-	1	-
Total		-	-	1	804	-	805	804
<i>Current liabilities</i>								
Current financial liabilities	24	-	-	-	-	-	-	-
Accounts payable	22	-	-	-	443	-	443	-
Other current liabilities	22	-	-	-	13	-	13	-
Current derivatives	22, 26	2	31	20	-	-	51	0
Total		-	31	20	456	-	507	0
Total financial instruments (receivables + / liabilities -)		-	-1	-5	-1,260	1,644	378	-136

2014 SEK million	Note	Measurement level	Financial instruments at fair value through profit or loss	Derivatives included in hedge accounting	Financial liabilities measured at amortised cost	Loans and receivables	Total	Of which interest- bearing
<i>Non-current assets</i>								
Non-current financial receivables		–	–	–	–	31	31	31
Total		–	–	–	–	31	31	31
<i>Current assets</i>								
Accounts receivable	20	–	–	–	–	951	951	–
Other current receivables	20	–	–	–	–	94	94	–
Current derivatives	20, 26	2	51	4	–	–	55	–
Cash and cash equivalents	21	–	–	–	–	644	644	644
Total		–	51	4	–	1,689	1,743	644
<i>Non-current liabilities</i>								
Non-current financial liabilities	24	–	–	–	892	–	892	892
Total		–	–	–	–	–	892	892
<i>Current liabilities</i>								
Current financial liabilities	24	–	–	–	398	–	398	398
Accounts payable	22	–	–	–	413	–	413	–
Other current liabilities	22	–	–	–	2	–	2	–
Current derivatives	22, 26	2	50	35	–	–	85	2
Total		–	50	35	813	–	899	401
Total financial instruments (receivables + / liabilities –)		–	1	–31	–1,706	1,719	–17	–618

MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy to determine the fair values of financial instruments:

- Level 1: Quoted, unadjusted prices in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the instrument.
- Level 3: Non-observable inputs that have significant impact on the fair value of the instrument.

Currency forwards

Fair value of currency forward contracts is calculated by discounting the difference between the contracted forward rate and the forward rate that can be contracted on the balance sheet date for the remaining contract period.

Aluminium futures

Aluminium futures are measured at observable quoted prices on LME (London Metal Exchange) and SHFE (Shanghai Futures Exchange) for similar assets and liabilities.

Interest-bearing receivables and liabilities

The fair value of interest-bearing assets and liabilities is provided for disclosure purposes and is estimated by discounting the future cash flows of principal and interest discounted at the current market rate. In the fair value measurement of borrowings the credit spread has remained constant unless there is clear evidence that a change in the Group's creditworthiness has resulted in an observable change in the credit spread. The fair value of borrowings amounted in 2015 to SEK 810 million (900).

Other receivables and liabilities

For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

No transfers from one level to another in the valuation hierarchy were made in 2015 and 2014.

20 Current receivables

SEK million	2015	2014
Accounts receivable	870	951
Derivatives	42	55
Other current receivables	106	94
Total financial receivables	1,018	1,100
Advances to suppliers/accrued income	22	58
Tax receivables	39	14
Total current receivables	1,080	1,172

Change in provisions for bad debts

SEK million	2015	2014
Provisions for bad debts, 1 January	–37	–64
Bad debts recognised as an expense	–13	3
Used during the year	5	34
Translation differences	–1	–10
Provisions for bad debts, 31 December	–46	–37

Accounts receivables maturity structure

SEK million	2015	2014
Not yet due	616	697
Overdue 1–30 days	144	123
Overdue 31–60 days	48	68
Overdue 61–90 days	32	24
Overdue more than 90 days	76	76
Accounts receivable, carrying amount 31 December	916	988

cont. Note 20

The maturity structure of overdue receivables has been relatively stable over time and reflects the fact that Gränges operates in certain regions and markets where payments from customers are generally somewhat slow. Overdue accounts receivable are allocated across the whole customer base.

Bad debts have historically been relatively small and stable. Five customers accounted for 25 % of total outstanding accounts receivable at 31 December 2015 (five customers accounted for 18 % of the total in 2014).

A more detailed description of the customer base is given in Note 4 (under section Segments) and in Note 7.

21 Cash and cash equivalents

SEK million	2015	2014
Cash and bank balances	634	644
Total cash and cash equivalents	634	644

22 Other current liabilities

SEK million	2015	2014
Accounts payable	443	413
Derivatives	51	83
Non-interest-bearing liabilities	13	2
Total non-interest-bearing financial liabilities	507	499
Value-added tax, employee withholding tax etc.	29	28
Accrued expenses	85	87
Employee-related liabilities	91	88
Other current liabilities	17	19
Total other current liabilities	728	722

23 Capital management

Gränges' capital management is governed by principles adopted by the Board of Directors. The capital structure is also adapted to legal and tax considerations. The company's financial objective for capital management is a net debt of one to two times EBITDA over the past twelve months. A further description of Gränges' management of financing issues is given in Notes 24 and 25. Gränges does not currently have an official credit rating.

SEK million	2015	2014
Total interest-bearing liabilities	804	1,293
Total interest-bearing receivables	667	675
Net interest-bearing liabilities	137	618
Provision for pensions	138	146
Net debt	275	765
Adjusted EBITDA	749	664
Net debt/Adjusted EBITDA	0.4	1.2

24 Financing and interest-bearing liabilities

FINANCING

Gränges' primary source of financing is a revolving credit facility of SEK 1,800 million, available in several currencies, with a remaining of four years. Gränges has the right to choose among maturities and fixed interest terms of one, two, three or six months. At 31 December 2015 SEK 810 million (900) had been drawn with an average fixed interest term of two months. The credit facility is subject to covenants, which were fulfilled by a wide margin at 31 December 2015.

SEK million	Carrying amount	
	2015	2014
<i>Non-current interest-bearing liabilities</i>		
Bank loans	804	892
Total non-current interest-bearing liabilities	804	892
<i>Current interest-bearing liabilities</i>		
Other loans	–	398
Interest-bearing derivatives	0	2
Total current interest-bearing liabilities	0	401
Total interest-bearing liabilities	804	1,293
<i>Interest-bearing receivables</i>		
Non-current interest-bearing receivables	34	31
Cash and cash equivalents	634	644
Total interest-bearing receivables	667	675
Net interest-bearing liabilities	137	618

In connection with signing the revolving credit facility Gränges has entered into a customary undertaking to not pledge assets or in a similar manner use its property to give creditors a better right than the banks that are providing the credit facility.

25 Financial risk

FINANCIAL RISK MANAGEMENT

Gränges operates internationally and is exposed to financial risks such as market risk in the form of currency risk, commodity price risk and interest rate risk, and also liquidity risk and credit risk. Gränges uses derivatives and other financial instruments to reduce the risks in accordance with the Group's financial policy.

Gränges has a Group Treasury department whose most important task is to secure the Group's short- and long-term financial flexibility, and to monitor and manage financial risks in collaboration with the individual operating units.

This section describes the key financial risk factors in the Gränges Group and how these are managed. In this context, financial risk refers to risk pertaining to financial instruments. These can either be hedging instruments for the underlying risk or be viewed as a source of risk in themselves. Gränges manages financial risks in a non-speculative manner, which means that all transactions in financial instruments are adapted to manage financial risks in the operations.

CURRENCY RISK

Transaction exposure

Gränges conducts operations globally and is thereby exposed to currency risk. The main exposure derives from the Group's sales and purchases in different currencies. These currency risks consist partly of the risk of fluctuations in the value of financial instruments, i.e. accounts receivable and accounts payable, and partly of the currency risk in expected and contracted payment flows. In 2015, sales to countries outside Sweden accounted for 97 % (97) of Gränges' total sales volume while net revenues in foreign currencies totalled SEK 5,268 million (4,543). The largest flow currencies were EUR, USD and CNY.

The selling price for Gränges' products is divided into a metal price component for the raw aluminium and a conversion price component covering Gränges' processing costs and margin. The metal price clause for the cost of the raw aluminium is passed on to the customer, as the aluminium price is generally set in connection with delivery. As both purchase and selling prices for metals are based on the world market price, which is expressed in US dollars and set on the London Metal Exchange (LME), no material currency exposures arise on the metal price component. Unlike the metal price, the conversion price is subject to contracts covering a longer period of time, thus creating a greater currency risk.

The largest portion of Gränges' cost base for processing is in SEK and CNY while the conversion price is set primarily in EUR, USD and CNY. In general, a weak SEK and CNY relative to EUR and USD has a positive impact on Gränges' operating profit. The Group's sensitivity to exchange rate fluctuations before currency hedges, i.e. excluding the impact of currency derivatives, is shown in the table below.

2015	Change, %	Effect on operating profit, SEKm
EUR/SEK	±10	± 63
USD/SEK	±10	±11
USD/CNY	±10	±80

The transaction risk is hedged based on the current policy. The objective for Gränges' currency hedging activities, in short and medium term, is to hedge a carefully considered portion of the Group's foreign currency exposure. The purpose of hedging the currency exposure is to even out the fluctuations. Exposures relating to customer orders without firm commitments are hedged up to 24 months out in time based on a rolling forecast in which a portion of the forecast currency exposure is hedged. In 2015, 50–70 % of the forecast currency exposure for the coming 12 months was hedged.

The Group's total outstanding currency hedges of future transactions at the balance sheet date are shown in the tables below.

Currency contracts linked to hedging of future income and expenses¹⁾

31 Dec 2015 Maturity	EUR/SEK		USD/SEK		USD/CNY	
	Sold volumes, EUR million net	Price	Sold volumes, USD million net	Price	Sold volumes, USD million net	Price
Q1 2016	21	9.39	8	8.27	23	6.41
Q2 2016	21	9.30	7	8.35	20	6.36
Q3 2016	14	9.30	4	8.35	16	6.46
Q4 2016	10	9.35	4	8.28	11	6.50
FY 2017	20	9.33	6	8.24	9	6.61
Total	87	9.33	30	8.29	79	6.44
31 Dec 2014						
Q1–4 2015 and Q1 2016	72	9.15	25	6.95	73	6.24

1) In currency pairs where the net hedged position exceeds SEK 20 million.

Metal related currency contracts linked to hedging of future income and expenses¹⁾

31 Dec 2015 Maturity	EUR/SEK		USD/SEK		USD/CNY	
	Sold volumes, EUR million net	Price	Sold volumes, USD million net	Price	Sold volumes, USD million net	Price
Q1–2 2016	–1	8.28	27	8.35	6	6.41
31 Dec 2014						
Q1–2 2015	1	8.57	35	7.17	2	6.18

1) In currency pairs where the net hedged position exceeds SEK 20 million.

Gränges applies hedge accounting for most hedges of future transactions, either cash flow hedges or fair value hedges of firm commitments. The various types of hedging are described in Note 26.

Translation exposure

As SEK is the presentation currency for the Group, Gränges is exposed to currency risk upon translation of net investments in foreign operations. This refers mainly to CNY, for which the translation exposure was SEK 2,241 million (2,065) at 31 December 2015. Gränges does not hedge this exposure.

COMMODITY PRICE RISK

Aluminium is traded mainly on the London Metal Exchange (LME) but also on the Shanghai Futures Exchange (SHFE). For Gränges, prices of metal purchases are influenced by fluctuations in the market price of aluminium on LME and SHFE. The guiding principle is that Gränges should, where possible, avoid exposures to changes in the LME price or other benchmark prices, such as the SHFE price. Gränges reduces this risk primarily by linking prices from metal

suppliers to the prices it offers its customers. In addition, futures contracts for aluminium on LME and SHFE are concluded subject to defined limits in order to reduce the price risk in connection with orders and the value of unsold metal in stock.

Gränges normally has a certain level of stock for which the price to the customer has not been fixed. A rising market price of aluminium has a positive impact on earnings while a falling price has a negative effect. At 31 December 2015 Gränges had sold a net 15,800 tonnes (14,325) of aluminium for hedging on LME and 7,500 tonnes (7,500) for hedging on SHFE.

INTEREST RATE RISK

Gränges' interest rate risk is primarily related to the Group's interest-bearing liabilities and assets. Gränges' primary source of funding is the revolving credit facility with an option to borrow money for terms of one, two, three or six months. The average maturity at 31 December 2015 was two months (three months). Gränges' loans have variable interest rates. The interest rate risk has not been hedged by Gränges.

cont. Note 25

LIQUIDITY RISK

Liquidity risk is the risk that Gränges will be unable to fulfil its payment obligations. Operationally, cash flow from operating activities is managed centrally in the Gränges Group and is relatively stable. Gränges monitors short and long-term liquidity flows through reporting. Gränges' management initiates measures that are deemed necessary to maintain strong liquidity in the Group. Due to the measures described above Gränges has limited liquidity risk.

The table shows the maturity structure for the Gränges Group's contractual financial liabilities. The amounts refer to non-discounted

future cash flows and may therefore differ from the recognised figures. All variable interest cash flows have been calculated at the rate prevailing on the balance sheet date and all future cash flows in foreign currency are translated to SEK using the closing rate at year-end. The table also includes derivatives which are recognised as assets at the balance sheet date, as derivatives can include both positive and negative cash flows, and the fair value varies over time. Financial liabilities are managed using operating cash flow, liquid and interest-bearing assets and, where necessary, undrawn credit facilities.

2015 SEK million	Carrying amount	Contractual cash flows	< 1 year	1–3 years	3–5 years	> 5 years
Other interest-bearing liabilities	804	849	11	21	817	–
Accounts payable	443	443	443	–	–	–
Other current liabilities	13	13	13	–	–	–
Net-settled derivatives ¹⁾ – aluminium derivatives	4	–	–	–	–	–
Inflow	–	–13	–13	–	–	–
Outflow	–	17	17	–	–	–
Gross-settled derivatives ¹⁾ – currency derivatives	2	–	–	–	–	–
Inflow	–	–2,979	–2,815	–164	–	–
Outflow	–	2,977	2,813	164	–	–
Total	1,266	1,307	469	21	817	–

1) Including derivatives recognised as assets.

2014 SEK million	Carrying amount	Contractual cash flows	< 1 year	1–3 years	3–5 years	> 5 years
Other interest-bearing liabilities	1,293	1,357	404	29	924	–
Accounts payable	413	413	413	–	–	–
Other current liabilities	2	2	2	–	–	–
Net-settled derivatives ¹⁾ – aluminium derivatives	–29	–	–	–	–	–
Inflow	–	–41	–41	0	–	–
Outflow	–	12	12	0	–	–
Gross-settled derivatives ¹⁾ – currency derivatives	59	–	–	–	–	–
Inflow	–	–1,818	–1,764	–54	–	–
Outflow	–	1,813	1,759	54	–	–
Total	1,738	1,739	785	29	924	–

1) Including derivatives recognised as assets.

CREDIT RISK

The management of credit risks related to accounts receivable and other current assets is handled as part of the commercial risk and monitored continuously by the operating units. There is no significant concentration of credits risks to individual counterparties.

Credit losses have historically been low due to the relatively strong financial position of Gränges' customers as well as strict credit procedures. With these risk reducing measures in place, the current credit risk is deemed acceptable.

Gränges considers that the credit risk related to other financial instruments is low. Gränges strives to minimise those liquid assets which are deposited outside the Group and excess liquidity deposited with other counterparties. Gränges has defined creditworthiness requirements for banks.

The maximum credit exposure for the Group in respect of financial instruments is represented by the carrying amount.

SENSITIVITY ANALYSIS

Financial instruments in the Gränges Group are exposed to different types of market risk which can affect the income statement or equity. Financial instruments, especially derivatives, are used as a means of hedging financial and operational exposures.

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 other comprehensive income is calculated. This is done on the basis of a chosen hypothetical change in market prices or prices in the balance sheet at 31 December. In accordance with IFRS, the analysis only covers financial instruments and is not intended to provide a full overview of the Group's market risk, for example:

- For currency hedges of concluded contracts changes in the fair value of the hedging instrument will affect the income statement while changes in the fair value of the underlying hedged contract that is offset by the hedging instrument will not be shown, as this is not a financial instrument.

- If one of the parameters changes the analysis will not take account of any correlations with other parameters.
- Financial instruments issued in the functional currency of individual units do not create a currency risk and are therefore not included in this analysis. For the same reason the currency exposure is not included upon translation of such financial instruments into the presentation currency.

Generally, the effect on the income statement and other comprehensive income of financial instruments shown in the table below is expected to offset the effects of the hedged items in cases where the financial instruments are included in a hedging relationship.

Accounting effects of changes in market risk are classified to the income statement and other comprehensive income depending on where the effect of changes in fair value should be recognised initially. Effects which are accounted for in the income statement also affect other comprehensive income in addition to the figures presented in the table.

SEK million	Accounting before tax effects on			
	Income statement		Comprehensive income	
	2015	2014	2015	2014
Interest rate risk: 100 bp parallel shift in yield curves, all currencies	-/+2	-/+6	-	-
Currency risk: +/-10 % change in FX rate, USD/SEK	-/+2	-/+2	-/+21	-/+16
Currency risk: +/-10 % change in FX rate, EUR/SEK	-/+6	-/+5	-/+60	-/+51
Currency risk: +/-10 % change in FX rate, CNY/USD	0	-/+57	-/+52	-
Price risk: +/-20 % change in LME prices	-/+76	-/+77	+/-13	+/-8

26 Derivatives and hedging

The table below shows the fair value of all outstanding derivatives grouped by their treatment in the financial statements.

Derivatives and hedging

SEK million	2015		2014	
	Assets (+)	Liabilities (-)	Assets (+)	Liabilities (-)
Cash flow hedges				
Currency forwards, currency swaps	16	-18	4	-35
Aluminium futures	0	-4	-	-1
Total	16	-21	4	-36
Fair value hedges				
Currency forwards, currency swaps	5	-4	3	-19
Aluminium futures	13	-12	41	-11
Total	17	-16	44	-30
Other derivatives – changes in fair value recognised in income statement				
Currency forwards, currency swaps	13	-13	8	-19
Aluminium futures	-	-1	-	-
Total	13	-14	8	-19
Total derivatives	47	-52	55	-85

CASH FLOW HEDGES

Gränges' purchases of futures contracts for aluminium on LME as well as currency forwards are identified as hedging instruments in cash flow hedges. All derivatives are classified as hedging instruments in cash flow hedges accounted for at fair value in the balance sheet. Changes in fair value are recognised in other comprehensive income and accumulated in the hedging reserve in equity and reclassified to the income statement when the hedged cash flows are recognised in the income statement.

No gain or loss has been recognised in the income statement as a result of ineffective hedging in 2015 and 2014. All expected cash flows that were hedged in 2015 still qualify for hedge accounting.

Change in hedging reserve

SEK million	2015	2014
Opening hedging reserve before tax	-32	-7
Reclassified to income statement	32	10
Change in value during the year	-5	-35
Closing hedging reserve before tax	-5	-32
Deferred tax, hedging reserve	1	6
Closing hedging reserve after tax	-3	-26

A negative hedging reserve will result in negative figures in the income statement in the future. Accumulated hedging gains and losses from cash flow hedges which were recognised in the hedging reserve as at 31 December 2015 and are expected to be recovered in the income statement (before tax) are SEK -7 million for 2016 and SEK 3 million after 2016.

FAIR VALUE HEDGING

Gränges sells aluminium futures contracts to hedge the value of inventory. Where there is also a currency risk exposure related currency derivatives are entered into. Metal and currency derivatives are then together designated as hedging instrument in fair value hedges. Gains and losses on hedged items as well as the hedging instrument are accounted for as currency gains and losses in the income statement and the value of inventory is adjusted by changes in the fair value of the hedged risk. Losses on the hedging instrument amounted to SEK -7 million in 2015 (-1) and gains on the hedged item attributable to the hedged risk amounted to SEK 7 million in 2015 (1).

OFFSETTING

Financial assets and liabilities subject to an enforceable master netting arrangement or similar agreement relate only to the Group's derivatives. Gränges engages the International Swap Dealers Association (ISDA) for counterparties in respect of derivative transactions for which netting of settlement risk is prescribed.

SEK million	Gross amounts	Offset	Net amounts in balance sheet	Derivatives not intended to be settled net	Collaterals received/pledged	Net amounts
2015						
Derivative assets	47	-	47	30	-	17
Derivative liabilities	-52	-	-52	-30	-	-23
2014						
Derivative assets	55	-	55	26	-	29
Derivative liabilities	-85	-	-85	-26	-	-59

27 Share capital

SEK million	No. of shares	Share capital	Other contributed capital	Total
1 January 2014	37,319,693	933	262	1,195
Reduction of share capital and statutory reserve	–	–833	–262	–1,095
2:1 split	37,319,693	–	–	–
31 December 2014	74,639,386	100	–	100
31 December 2015	74,639,386	100	–	100

The articles of association for Gränges AB state that 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. The share capital comprises a single class of share.

At the annual general meeting for 2015 it was adopted that the Board was authorised to issue a maximum of 10 % of the number of shares at the time of the AGM in a new issue of shares and/or issue convertible instruments. The authorisation is valid until the annual general meeting 2016. No new shares have been issued during 2015.

For earnings per share and dilutive effect see Note 15 Earnings per share.

28 Leasing

The reported expenses relating to operating leases reflect the minimum lease payment during the period of notice. Gränges has no significant finance leases.

Operating leases – lessees

Leased property, plant and equipment

SEK million	Land and buildings		Fixtures and vehicles		Other assets		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Costs, current year	–2	–1	–16	–15	–	–1	–18	–17
Costs, next year	–2	–1	–10	–14	–	0	–12	–15
Total costs, 2–5 years	–6	–2	–5	–20	–	0	–11	–22
Total costs after 5 years	–6	0	–	0	–	–	–6	0
Total future lease costs	–14	–3	–15	–34	–	0	–29	–37

Operating leases – lessor

Leased property, plant and equipment

SEK million	Land and buildings		Fixtures and vehicles		Other assets		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Income, current year	20	24	–	–	–	–	20	24
Income, next year	21	12	–	–	–	–	21	12
Total income, 2–5 years	55	35	–	–	–	–	55	35
Total income after 5 years	0	–	–	–	–	–	0	–
Total future lease income	75	48	–	–	–	–	75	48

The Group lets industrial properties and premises in Finspång.

29 Pledged assets, guarantees and contingent liabilities

Pledged assets

SEK million	2015	2014
Property mortgages	15	15
Own liabilities covered by property mortgages	1	1

Contingent liabilities

SEK million	2015	2014
Endowment policy	1	3
Guarantee commitment PRI Pensionsgaranti	2	2
Excise duty obligation	–	0

Gränges has, in connection with signing the revolving credit facility described in Note 24, has entered into a customary undertaking to not pledge assets or in a similar manner use its property to give creditors a better right than the banks that are providing the credit facility.

Disputes

From time to time disputes with counterparties arise in the ongoing operations. The Group regularly makes assessments and provisions if necessary in the accounts. Currently, the Group is not involved in any major litigation that is expected to substantially affect the accounts negatively.

Environmental questions

The Group has conducted industrial production for a long time at facilities in Finspång, Västerås and Upplands Väsby. In light of the public review of potentially polluted areas in Sweden that is being conducted by the Swedish Environmental Protection Agency and country administrative boards, Gränges may be involved in reviews and investigations relating to facilities where industrial production has historically taken place. For instance, industrial production has been conducted by various operators at Gränges' facility in Finspång since the 16th century. There are currently no ongoing cases relating to responsibility in this respect.

Joint venture Norca

Gränges has a contractual undertaking to the jointly-owned US company Norca Heat Transfer LLC to compensate Norca in the event of inventory obsolescence. In addition, Gränges has an obligation to bear any bad debt losses in Norca that are not covered by credit insurance. Historically, Gränges has not incurred significant costs for these undertakings. In 2015, Gränges had costs amounting to SEK –7 million (–1) for inventory obsolescence at Norca.

30 Related party transactions

Until the listing on 10 October 2014 Gränges was 100 % owned by Orkla ASA (through Industriinvesteringer AS and Orkla Industriinvesteringar AB). At the balance sheet date Orkla owned 16 % (31) of Gränges and 50 % (50) of Sapa. This means that both Orkla and Sapa still are related parties to Gränges. The transactions with Orkla Group (including Sapa) and Gränges' joint ventures, Norca Heat Transfer LLC and Shanghai Gränges Moriyasu Aluminium Co Ltd, are specified in the table below.

SEK million	2015	2014
Transactions with Orkla Group		
Sales	171	48
Costs	–15	–18
Accounts receivable	34	–
Accounts payable	1	1
Other receivables/liabilities	–	1
Transactions with joint ventures		
Sales	801	640
Costs	–47	–11
Interest-bearing receivables (non current)	34	31
Accounts receivable	110	101
Non-interest-bearing liabilities	7	–

Purchases from Orkla in 2015 was SEK 1 million.

Gränges has an equity interest in the Norca Heat Transfer LLC joint venture in the USA (see Note 6). The interest is accounted for using the equity method.

Internal trades in the Group are executed in accordance with specific arrangements at arm's length and shared costs in Gränges are allocated among the companies in the Group using allocation formulas depending on the types of expenditure. There are no other transactions with related parties. For information on remuneration and benefits to key individuals in senior positions, see Note 8.

31 Events after the balance sheet date

No significant events have occurred after year-end and up until the Board of Directors approved and signed the annual report.

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2015	2014
Net sales	3	128	95
Payroll expenses	7	-60	-59
Other operating expenses	4, 5, 6	-99	-92
Depreciation and impairment charges	11	-15	-16
Operating loss		-47	-74
Profit/loss from financial items			
Dividends from subsidiaries		306	100
Financial income	8	6	36
Financial costs	9	-16	-6
Financial items		296	130
Profit after financial items		249	56
Appropriations			
Change in accelerated depreciation		1	0
Group contributions		15	55
Tax on profit for the year	10	-10	-3
Profit for the year		254	108

The parent company has no items which are accounted for as other comprehensive income. Total comprehensive income is therefore the same as profit for the year.

PARENT COMPANY BALANCE SHEET

SEK million	Note	2015	2014
ASSETS			
Property, plant and equipment	11		
Buildings and land		203	212
Machinery and equipment		3	8
Fixtures, vehicles etc.		10	10
Fixed assets under construction		7	2
Total		223	234
Financial assets			
Participations in Group companies	12	426	422
Non-interest-bearing receivables from Group companies		306	130
Other non-current receivables	10	44	31
Total		776	582
Total non-current assets		999	816
Current receivables			
Accounts receivable		3	4
Interest-bearing receivables from Group companies		159	300
Non-interest-bearing receivables from Group companies		38	166
Other receivables		35	11
Prepaid expenses and accrued income		5	6
Total		239	487
Cash and cash equivalents			
Cash and bank balances		106	21
Total current assets		345	507
TOTAL ASSETS		1,344	1,323

SEK million	Note	2015	2014
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		100	100
Total		100	100
Non-restricted equity			
Retained earnings		95	97
Profit for the year		254	108
Total		349	205
Total equity		449	305
Untaxed reserves			
Accelerated depreciation		9	10
Provisions			
Provisions for pensions	13	22	22
Deferred tax liability	10	–	1
Total		22	22
Non-current liabilities			
Bank loans	14	804	892
Current liabilities			
Accounts payable		14	14
Interest-bearing liabilities to Group companies	18	–	1
Non-interest-bearing liabilities to Group companies		–	1
Other liabilities		23	59
Accrued expenses and deferred income	15	23	18
Total		60	94
Total liabilities		895	1,009
TOTAL EQUITY AND LIABILITIES		1,344	1,323
Pledged assets	16	15	15
Contingent liabilities	17	93	25

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Statutory reserve	Non-restricted equity	Total equity
Opening balance, 1 January 2014	933	262	652	1,848
Profit for the year	–	–	108	108
Reduction of share capital/statutory reserve	–833	–262	1,095	–
Employee stock options	–	–	0	0
Dividend	–	–	–1,650	–1,650
Closing balance, 31 December 2014	100	0	205	305
Opening balance, 1 January 2015	100	0	205	305
Profit for the year	–	–	254	254
Employee stock options	–	–	1	1
Dividend	–	–	–112	–112
Closing balance, 31 December 2015	100	0	349	449

The share capital of Gränges AB is SEK 100 million, represented by 74,639,386 shares, each with a quotient value of SEK 1.339775. Gränges AB has only one share class. In connection to the listing in 2014 of the company's shares on Nasdaq Stockholm the share capital was reduced from SEK 933 million to SEK 100 million and a 2:1 share split was implemented. A dividend was subsequently paid to Orkla Industriinvesteringar AB prior to the listing of Gränges AB.

PARENT COMPANY CASH FLOW STATEMENT

SEK million	Note	2015	2014
Operating loss		-47	-74
Depreciation and impairment charges		15	16
Items without cash flow effect		4	-
Change in net working capital etc.		-27	653
Taxes paid		-27	-6
Cash flow from operating activities		-82	589
Investments in property, plant and equipment and intangible assets		-10	-4
Sale of property, plant and equipment		4	7
Cash flow from investing activities		-6	2
Dividend and group contributions to/from Orkla Group		-	-1,494
Dividend paid to shareholders		-112	-
Dividend received from subsidiary		291	-
Interest paid/received		-10	35
<i>Change in interest-bearing liabilities</i>		-88	892
<i>Change in interest-bearing receivables</i>		92	-4
Change in net interest-bearing liabilities/receivables		4	889
Cash flow from financing activities		173	-571
Cash flow for the year		85	20
Cash and cash equivalents at 1 January		21	1
Cash flow for the year		85	20
Cash and cash equivalents at 31 December		106	21

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 Accounting principles

The Parent Company financial statements have been prepared in accordance to the Annual Accounts Act and RFR 2 Reporting for Legal Entities. Application of RFR 2 entails that the Parent Company is to apply all IFRS 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 in regard to the connection between accounting and taxation. The changes in RFR 2 applicable for financial years beginning on 1 January 2015 has not had a material impact on the financial reports of the parent company.

An account of the Gränges Group's accounting policies are described in Note 4 Accounting standards in the consolidated financial statements. The main deviations between the accounting policies 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 the Pension Obligations Vesting Act. 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.

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.

2 Financial risk management

Gränges' financial risks are monitored centrally in the Group, see the notes to the consolidated financial statements, Note 25 Financial risk.

The Parent Company applies hedge accounting for the risk exposure arising from the derivative transactions with Gränges Sweden AB by entering into offsetting derivatives. As hedge accounting is applied and the relationships are expected to be highly effective no unrealised gains or losses are recognised on the derivatives.

In addition, the Parent Company holds a few derivatives to an insignificant value at the closing date.

3 Breakdown of net sales by area of operation

SEK million	2015	2014
Intra-group service charges	66	32
Rental income	30	34
Research and development	27	28
Other	5	1
Total breakdown of net sales by area of operation	128	95

4 Other operating expenses

SEK million	2015	2014
Listing costs	–	–50
Demerger and divestment costs	–	15
Restructuring costs	–4	–
Capital loss on sale of property	–	–4
Other expenses	0	4
Total other operating revenue and operating expenses	–4	–35

5 Operating lease payments

Distribution of lease payments

SEK million	Machinery and equipment		Buildings and land	
	2015	2014	2015	2014
Payments made during the year	0	0	4	0
Contractual payments to be made				
– next year	0	–	2	2
– between two and five years	1	0	5	8
– later than five years	–	–	–	–
Total future lease costs	1	0	7	10

Distribution of lease income

SEK million	Machinery and equipment		Buildings and land	
	2015	2014	2015	2014
Payments received during the year	–	–	30	34
Contractual payments to be received				
– next year	–	–	31	13
– between two and five years	–	–	82	35
– later than five years	–	–	4	–
Total future lease income	–	–	117	48

6 Remuneration to auditors

SEK million	2015	2014
Ernst & Young AB		
– Audit engagement	1.3	0.7
– Audit services in addition to audit engagement	0.1	3.2
– Tax advisory services	0.9	0.6
– Other services	2.9	1.1
Total remuneration to auditors	5.2	5.6

Audit engagement refers to the review of the annual report and accounting records and of the Board of Directors and CEO's management of the company, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit services in addition to audit engagement consisted in 2015 primarily of review of interim reports, while in 2014 mainly consisted of work in connection with the company's listing. Tax advisory services include advice on tax, including transfer pricing issues, as well as value-added tax. Other services refer to advice that is not attributable to any of the aforementioned categories of services.

7 Payroll expenses

Salaries and remuneration totalled 40.0 (31.4), and social security contributions were 14.3 (12.5), of which 4.8 (4.1) refers to pension costs. Pension costs of 1.4 (0.3) refer to the CEO. The company's outstanding pension obligations for the CEO are kSEK 44 (33).

Read more about the average number of employees, salaries and remuneration, including incentive schemes, in Note 8 to the consolidated financial statements.

8 Financial income

SEK million	2015	2014
Interest income from Group companies	6	10
External interest income	1	1
Foreign exchange differences	–1	25
Total financial income	6	36

9 Financial costs

SEK million	2015	2014
Interest expense to Group companies	0	–2
External interest expense	–15	–2
Estimated financial expense related to pension liability	–1	–1
Total financial costs	–16	–6

10 Taxes

Tax expense for the year

SEK million	2015	2014
Current tax	-20	-3
<i>Deferred tax attributable to</i>		
Changes in temporary differences for the year	11	1
Total tax	-10	-3

Reconciliation of effective tax

SEK million	2015	%	2014	%
Profit before tax	264	-	111	-
Tax at applicable tax rate	-58	-22.0	-24	-22.0
Tax effects of:				
Non-deductible expenses	0	-0.2	-1	-0.1
Non-taxable income	69	26.2	25	22.5
Correction/Change of previous year's taxation	-1	-0.4	0	0.0
Foreign taxes	-19	-7.4	-3	-2.7
Total tax	-10	-3.7	-3	-2.7

The company's effective tax rate of 3.7 % (2.7) in 2015 differs from the nominal tax rate in Sweden, which is primarily an effect of a dividend received from Gränges Aluminium (Shanghai) Ltd. This income is also included in the basis for non-taxable income.

Deferred tax

SEK million	2015	2014
Buildings and land improvements	0	-1
Tax loss carry forwards	11	-
Total deferred tax asset (+) / liability (-)	11	-1

The company assesses that the tax loss carry forwards of SEK 11 million will be utilised during 2016.

11 Property, plant and equipment

SEK million	Land, land improvements and buildings	Machinery and equipment	Fixtures, vehicles, etc.	Assets under construction	Total property, plant and equipment
Carrying amount, 1 januari 2015	212	8	10	2	234
Acquisitions	0	1	1	5	7
Sales	-	-5	-	-	-5
Transferred assets, fixed assets under construction	4	-	-	-	4
Depreciations and impairment charges	-12	-1	-2	0	-15
Carrying amount, 31 december 2015	203	3	10	7	223
Accumulated cost	412	114	19	7	552
Accumulated depreciation and impairment charges	-208	-112	-9	0	-329
Carrying amount, 31 december 2015	204	3	10	7	223
Carrying amount, 1 januari 2014	236	10	12	0	257
Acquisitions	0	0	0	2	3
Sales	-12	0	-	0	-12
Transferred assets, fixed assets under construction	0	0	0	0	0
Depreciations and impairment charges	-13	-2	-2	0	-16
Carrying amount, 31 december 2014	212	8	10	2	232
Accumulated cost	408	119	18	2	546
Accumulated depreciation and impairment charges	-197	-110	-7	0	-314
Carrying amount, 31 december 2014	212	8	10	2	234

12 Participations in Group companies

SEK million	Reg. no	Registered office	No. of shares	Share of capital and votes, %	Carrying amount, SEK million
<i>Swedish Group companies</i>					
Gränges Sweden AB	556002-6113	Finspång	300,000	100/100	167.1
Gränges Skultuna AB	556913-7358	Skultuna	50,000	100/100	0.1
Total					167.1
<i>Foreign Group companies</i>					
Gränges Aluminium (Shanghai) Ltd		Shanghai, China	–	100/100	256.4
Gränges Japan Ltd		Tokyo, Japan	–	100/100	2.5
Total					258.9
Total participations in Group companies					426.0

When cash and cash equivalents in China shall be made available for the parent company, this is done through dividend payments which today is being taxed with 5 %.

13 Provision for pensions and similar obligations

Defined benefit pensions

SEK million	2015	2014
Provision under Pension Obligations Vesting Act		
– FPG/PRI pensions	21	20
Pension obligation secured through transfer of funds to pension trust	1	1
Total provision for pensions and similar obligations	22	22

Specification of change in pension liability recognised in the balance sheet.

SEK million	2015	2014
Liability at beginning of year related to pension obligations	22	21
Cost recognised in income statement	2	2
Pension payments	–2	–1
Liability at the end of year related to pension obligations	22	22

Actuarial bases for calculating the capital value pursuant to the Pension Obligations Vesting Act are defined by the Swedish Financial Regulatory Authority. Application of the Pension Obligations Vesting Act is a condition for the right to make tax deductions. Excluding cost for pension premiums, fees paid to PRI and premiums paid to FPG, the pension cost for the year is distributed as follows:

SEK million	2015	2014
Pensions paid during the year	–2	–1
Increase/decrease in capital value	0	–1
Less interest portion in PRI	1	1
Total operating expense	–1	–1
Interest expense	–1	–1
Total	–2	–2

14 Non-current liabilities

Gränges' primary source of financing is a credit facility of SEK 1,800 million, available in multiple currencies, with a remaining maturity of 4 years. Gränges has the right to choose among maturities and fixed-rate terms of one, two, three or six months. At 31 December 2015, SEK 810 million (900) had been drawn with an average fixed-rate term of two months. The credit facility is subject to covenants, which were being met by a wide margin at 31 December.

15 Accrued expenses and deferred income

SEK million	2015	2014
Accrued salaries, holiday pay and social-security contributions	19	16
Other accrued expenses and deferred income	5	2
Total accrued expenses and deferred income	23	18

16 Pledged assets

SEK million	2015	2014
For own liabilities and provisions:		
Related to provisions for pensions and similar obligations		
– Property mortgages	15	15
Total pledged assets	15	15

Gränges has, in connection with signing the revolving credit facility described in Note 14, entered into a customary undertaking to not pledge assets or in a similar manner use its property to give creditors a better right than the banks that are providing the credit facility.

17 Contingent liabilities

SEK million	2015	2014
Other contingent liabilities	93	25
– of which, for subsidiaries	92	25

DISPUTES

The company is not a party to any dispute. As long as the company does not have any legal or formal obligation as a result of a past event, and it is uncertain whether an outflow of economic resources will be required to settle a future obligation, nothing is recognised in the income statement or balance sheet.

18 Related party transactions

Until the listing on 10 October 2014 Gränges was 100 % owned by Orkla ASA (through Industriinvesteringar AS and Orkla Industriinvesteringar AB). At closing date 31 December 2015, Orkla owned 16 % (31) of Gränges and 50 % (50) of Sapa. This means that both Orkla and Sapa still are related parties to Gränges. Related-party transactions are specified in the table below. Gränges AB has a controlling influence over its subsidiaries, see Note 12 Participations in Group companies.

No board member or senior executive of Gränges AB or its subsidiaries has independently or through a company or related party had any direct involvement in a business transaction concluded by Gränges AB that was or is of an unusual character or subject to unusual terms and conditions and that occurred in 2015. For information on remuneration to senior executives see Note 7.

SEK million	Year	Sales to related parties	Purchases from related parties	Receivable from related parties at 31 December	Liability to related parties at 31 December
Subsidiaries	2015	90	5	37	0
Subsidiaries	2014	67	4	852	358
Orkla Group	2015	–	1	–	0
Orkla Group	2014	–	–8	–	1
Sapa Group	2015	4	7	1	0
Sapa Group	2014	3	–9	0	1
Associates	2015	1	0	0	0
Associates	2014	–	–2	31	0

DEFINITIONS

Adjusted EBITDA. Adjusted operating profit before depreciation and impairment.

Adjusted operating profit. Operating excluding items affecting comparability.

Average number of employees. The average number of employees converted to full-time positions.

Capital employed. Total assets less cash and cash equivalents and interest-bearing receivables, minus non-interest bearing liabilities.

Earnings per share. Profit for the period divided by the total number of shares. Historical share data has been recalculated and based on the present number of shares to improve comparability.

Items affecting comparability. Non-recurring income and expenses.

ktonnes. Volume expressed in thousands of metric tonnes.

Net cash flow before financing activities. Cash flow from operating activities plus cash flow from investing activities.

Net debt. Cash and cash equivalents and interest-bearing receivables minus interest-bearing liabilities, including pensions.

Operating profit. Profit before net financial items and tax.

Return on capital employed. Adjusted operating profit divided by average capital employed during the past 12-month period.

Return on equity. Profit for the period divided by average equity during the past 12-month period.

Sales volume. Volumes sold in metric tonnes.

SEK. Swedish kronor.

GLOSSARY

Alloy. Material consisting of several metals.

Aluminium strip. Rolled aluminium in coils.

Brazing. Joining of metals through melting.

Cladding. Surface layer.

Heat exchanger. A device for transferring heat from one medium to another.

HVAC&R. Heating, Ventilation, Air Conditioning and Refrigeration.

LME. London Metal Exchange.

Rolled aluminium. Aluminium that has been down gauged, passing through two or more rollers.

Scrap. Residual aluminium that can be re-melted.

SHFE. Shanghai Futures Exchange.

FIVE-YEAR SUMMARY

SEK million	2015	2014	2013	2012	2011
Sales volume, ktonnes	163.9	160.0	158.6	151.7	149.4
Income statement					
Net sales	5,494	4,748	4,642	4,946	4,840
Adjusted EBITDA ¹⁾	749	664	558	526	357
Adjusted operating profit ¹⁾	541	463	371	362	209
Operating profit	538	422	456	392	118
Profit for the year	379	319	309	316	66
Adjusted EBITDA margin	13.6	14.0	12.0	10.6	7.4
Adjusted operating margin	9.8	9.7	8.0	7.3	4.3
Operating margin	9.8	8.9	9.8	7.9	2.4
Net margin	6.9	6.7	6.7	6.4	1.4
Balance sheet					
Non-current assets	1,800	1,829	1,759	1,776	1,720
Current assets	2,601	2,631	2,867	2,520	2,670
Equity	2,499	2,137	3,098	2,208	2,260
Non-current liabilities	989	1,071	400	959	709
Current liabilities	914	1,253	1,128	1,129	1,421
Cash flow					
Operating activities	725	678	601	649	125
Investing activities	-125	-81	-151	-248	-331
Cash flow before financing activities	600	597	450	401	-206
Financing activities	-647	-941	-88	-301	318
Cash flow for the year	-47	-344	362	100	112

1) Adjusted for items affecting comparability (see Note 12 in the notes to the consolidated accounts).

Capital structure, return indicators and employees

Capital employed	2,775	2,901	2,972	3,075	3,189
Net debt	275	765	-126	867	928
Equity/assets ratio, %	56.8	47.9	67.0	51.4	51.5
Net debt/Adjusted EBITDA, multiple	0.4x	1.2x	-0.2x	1.6x	2.6x
Capital employed (rolling 12 month average)	2,982	2,837	3,082	3,163	3,019
Return on capital employed, %	18.1	16.3	12.0	11.4	6.9
Equity (rolling 12 month average)	2,385	2,755	2,685	2,243	-
Return on equity, %	15.9	11.6	11.5	-	-
Average number of employees	964	952	964	947	988

	2015	2014	2013	2012	2011
Data per share, SEK					
Earnings per share, basic	5.07	4.27	4.14	4.24	0.88
Earnings per share, diluted	5.07	4.27	4.14	4.24	0.88
Equity ¹⁾	33	29	42	30	30
Cash flow from operating activities ¹⁾	9.71	9.08	8.05	8.69	1.67
Dividend ²⁾	2.00	1.50	–	–	–
Dividend yield, %	2.86	2.94	–	–	–
Share price at year-end	70.00	51.00	–	–	–
Weighted outstanding ordinary shares, basic in thousands ³⁾	74,639.4	74,639.4	74,639.4	74,639.4	74,639.4
Weighted outstanding ordinary shares, diluted in thousands ³⁾	74,719.4	74,639.4	74,639.4	74,639.4	74,639.4
Sales volume by region, ktonnes					
Asia	75.5	78.3	75.0	70.4	64.7
Europe	62.7	58.6	59.5	55.9	61.5
Americas	25.8	23.1	24.0	25.3	23.2
Total	163.9	160.0	158.6	151.7	149.4
Net sales by region, SEK million					
Asia	2,637	2,378	2,271	2,416	2,243
Europe	1,978	1,679	1,673	1,757	1,914
Americas	880	691	698	772	683
Total	5,494	4,748	4,642	4,946	4,840

1) Calculated on weighted outstanding ordinary shares, basic.

2) Cash dividend for 2016 as proposed.

3) Previous years have been restated according to the current number of outstanding shares.

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes that the retained earnings of SEK 348,694,762 be appropriated as follows:

SEK	2015
Dividend to shareholders	149,278,772
Carried forward	199,415,990
Total	348,694,762

The proposed dividend of SEK 149 million, or SEK 2.00 per share, represents 39 % of the profit for 2015. In preparing its dividend proposal the Board of Directors has taken account of the company's financial position, cash flow and outlook.

Stockholm 8 March 2016
The Board of Directors of Gränges AB (publ)

Anders G. Carlberg
Chairman of the Board

Carina Andersson
Member 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

Konny Svensson
Employee representative

Johan Menckel
Chief Executive Officer

We submitted our audit report on 11 March 2016
Ernst & Young AB

Erik Sandström
Authorised Public Accountant

This information is such that Gränges must disclose pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on Friday, 11 March 2016.

AUDITOR'S REPORT

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF GRÄNGES AB (PUBL),
CORPORATE IDENTITY NUMBER 556001-6122

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Gränges AB (Publ) for the financial year 2015-01-01–2015-12-31, except for the corporate governance statement on pages 46–57. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 42–98.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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 company'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 and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 46–57. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Gränges AB (Publ) for the financial year 2015-01-01–2015-12-31. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 46–57 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm 11 March 2016

Ernst & Young AB

Erik Sandström

Authorized Public Accountant

ANNUAL GENERAL MEETING 2016

Gränges' Annual General Meeting (AGM) for 2016 will be held at 16.00 CET on Thursday 28 April 2016 at Berns, Berzelii Park in Stockholm. Registration begins at 15.00 CET.

Participation

Shareholders wishing to participate in the AGM must be registered in the share register kept by Euroclear Sweden on Friday, 22 April 2016 and register to attend the AGM on the company's website, granges.com, by telephone on +46 732 07 42 52 or by letter to Gränges AB, Juridik, Box 5505, SE-114 85 Stockholm. Registration to attend must be received by the company no later than Friday, 22 April 2016.

When registering, shareholders must state their name, personal ID or company registration number, address and telephone number as well as the number of any assistants. The information provided will be used only for Gränges' AGM.

Nominee-registered shares

Shareholders whose shares are registered with a nominee must, to have the right to attend the AGM, have their shares temporarily re-registered with Euroclear Sweden AB. A request for re-registration should be submitted to the nominee well in advance of the AGM.

Notice convening the AGM

Gränges' notice convening the AGM for 2016 will be published around 18 March 2016 through a press release and on the company's website. Other decision data will be available on the company's website. Printed information can be ordered via info@granges.com.

Dividend

The Board of Directors of Gränges proposes a dividend of SEK 149 million, or SEK 2.00 per share, for the 2015 financial year. The proposed record date for the dividend is 2 May 2016, which means that the dividend is expected to be paid on Friday, 6 May 2016, subject to approval of the proposal by the AGM.

For further information, please contact:

Pernilla Grennfelt, Director Communications and IR
pernilla.grennfelt@granges.com, tel: +46 702 90 99 55.

GRÄNGES ANNUAL REPORT

Gränges' annual report is available on the company's website, www.granges.com, in Swedish and English. The annual report is also available in printed format and can be ordered at arsredovisning@granges.com.

GRÄNGES FINANCIAL CALENDAR 2016

Interim report, January–March 2016	28 April 2016
Annual General Meeting 2016	28 April 2016
Half-year report, January–June 2016	21 July 2016
Interim report, January–September 2016	27 October 2016

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HISTORY

The foundation for today's Gränges was laid in 1896 in Grängesberg. Thereafter, several different industrial enterprises became part of the Group, including Grängesberg mines, the TGOJ rail business, Oxelösund ironworks and a shipping business. In 1969 the Group acquired Svenska Metallverken, which included an aluminium products business, an operation that would later evolve into Gränges and Sapa. In 1972 work began on the development and production of aluminium heat exchanger strips in Finspång.

After the Gränges Group was acquired by Electrolux in 1980 a number of structural changes were implemented, resulting in the sale of most of Gränges' businesses. What remained was the production of aluminium.

A key milestone came in 1996, when Gränges established a global presence by opening a production plant in Shanghai. In 1997 Gränges was listed on the Stock Exchange in Stockholm and in 2000 Gränges changed name to Sapa.

In 2005 Sapa was acquired and delisted after Orkla of Norway made a bid for the company. At the time Sapa had two lines of business: rolled aluminium products and extruded aluminium profiles. In 2013 the rolled products business took back the name of Gränges and in 2014 Orkla decided to list Gränges on the Nasdaq Stockholm Stock Exchange.

1896

The industrial Group is formed in Grängesberg.

1972

Production of materials for brazed aluminium heat exchangers begins.

1997

Gränges is listed on the Stock Exchange in Stockholm.

2013

Gränges becomes a stand-alone company and takes back its old name.

1922

Aluminium production begins in Finspång.

1996

Gränges establishes a production plant in Shanghai.

2005

Orkla buys Sapa (Gränges) through a public bid and delists the company.

2014

The new Gränges is listed on the Nasdaq Stockholm Stock Exchange.



Concept, text and production: Solberg in co-operation with Gränges.

Photographers: David Einar, Mats Lundqvist, Tobias Ohls, Anders Sjölund, Superstudio, TitanX, Volvo Cars among others.

Print: Göteborgstryckeriet 2016.



A GLOBAL ALUMINIUM COMPANY FOCUSED ON ROLLED
PRODUCTS FOR THE HEAT EXCHANGER INDUSTRY