ANNUAL REPORT 2014

GRÄNGES

A GLOBAL ALUMINIUM COMPANY FOCUSED ON ROLLED PRODUCTS FOR THE HEAT EXCHANGER INDUSTRY.

CONTENTS

DESCRIPTION OF OPERATIONS

Gränges in brief	1
The inside story	2
CEO statement	4
Market overview	8
Business concept, targets and strategy	12
Business model	14
Products and production	16
Sales and customers	20
Sustainability	22
Employees	25
Investment story	26
The share	28

ANNUAL ACCOUNTS

Report of the Board of Directors	30
Operations	30
Operating risks and uncertainty factors	32
Corporate governance report	34
Board of Directors	42
Group Management	44
Content financial statements	46
Consolidated financial statements	47
Notes - consolidated financial statements	52
Parent company financial statements	73
Notes - parent company financial statements	78
Definitions	83
Four-year summary	84
Proposed appropriation of retained earnings	86
Auditor's report	87
Annual General Meeting	88
Addresses	88

GRÄNGES IN BRIEF

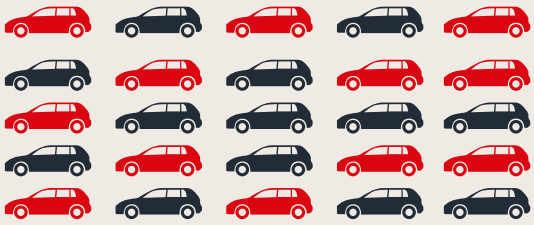
Gränges is represented all over the world.

There are many companies that can roll aluminium. But only a limited number of them can roll the special sheet that is used in brazed heat exchangers. And there is only one global company that is entirely specialised within this field – Gränges.

Gränges' focus has made us world leaders in our field. This position is based on an advanced understanding of all stages in the value chain. We collaborate closely with heat exchanger producers, which are our direct customers. Together, we are driving developments to meet the challenges facing end customers in the automotive industry.

20%

We have a global market share of approximately 20% in rolled products for brazed aluminium heat exchangers.



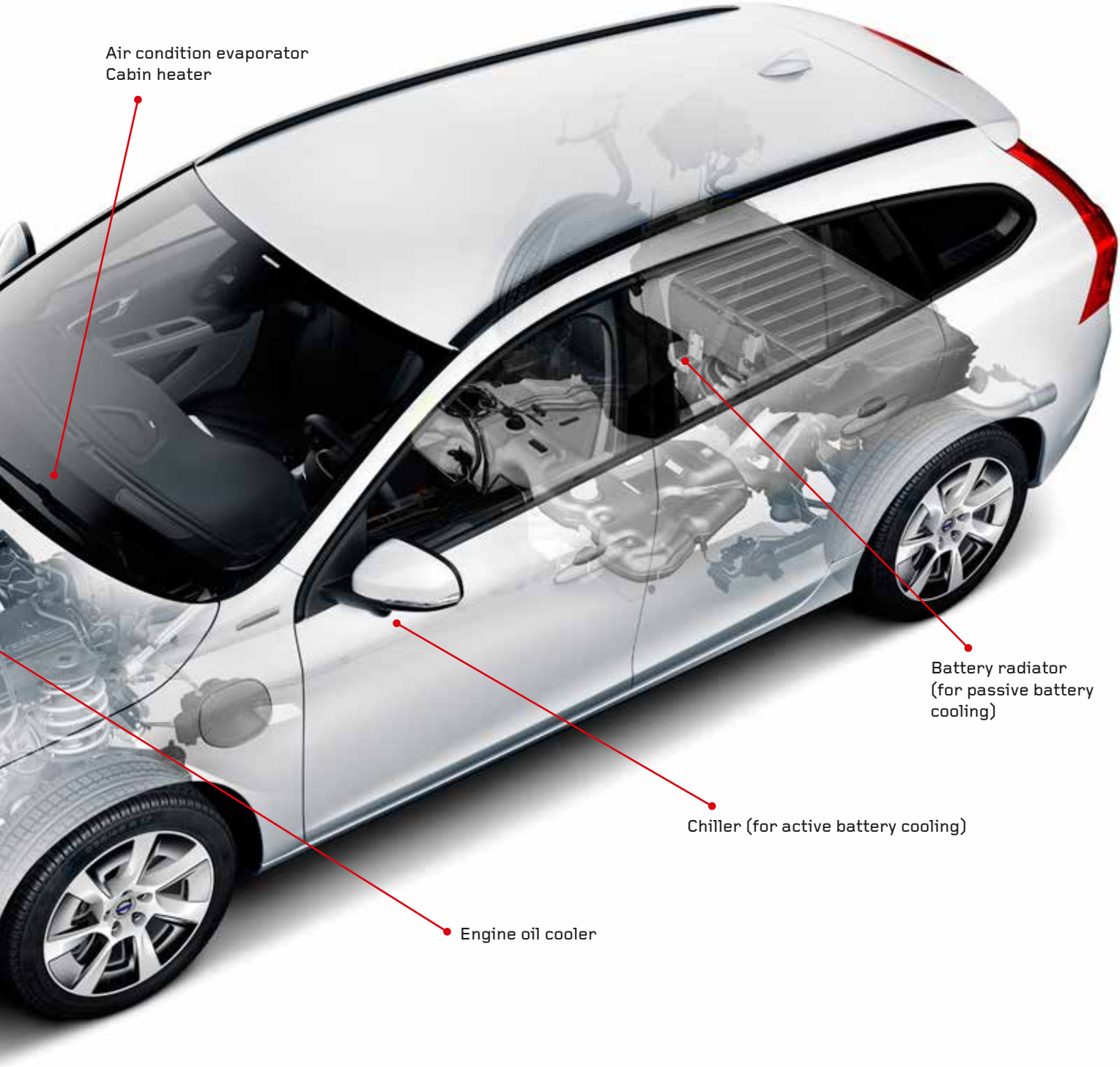
About half of the world's cars that are manufactured today have heat exchangers that contain our material and expertise.

The number of cars in the world is increasing. They are also becoming more and more advanced. In a modern vehicle, there can be up to ten different heat exchanger applications. Meanwhile, sustainability requirements are becoming tougher. Designs must be lighter and more efficient to reduce fuel consumption and emissions.

These demands are entirely in line with Gränges' core competence and are the basis of the innovative products we offer. Our vision provides a clear expression of this: To help create smaller, lighter and more designable heat exchangers to increase economic efficiency and reduce environmental impact.

THE INSIDE STORY

Modern vehicles have up to ten different heat exchangers, sometimes even more. In recent years, the number of heat exchangers per vehicle has increased, in line with the advancement of engines and higher demands in relation to the environment and passenger comfort. Among other products, there are heat exchangers for engine cooling, transmission and engine oil cooling, charge air coolers, air conditioning systems and in certain cases for coolers for batteries. Gränges is today a world leader in heat exchanger material and about 90% of the sales are to customers in the automotive industry.


Air condition evaporator
Cabin heater
Battery radiator
(for passive battery
cooling)
Chiller (for active battery cooling)
Engine oil cooler

A STRONG POSITION FOR THE FUTURE

For Gränges, 2014 was a good year. Our strategic work continued to deliver results and contributed to a stable volume trend, improved earnings and a good return for our shareholders.

25%

Operating profit adjusted for items affecting comparability increased by 25% in 2014.

160

Sales volume amounted to 160 ktonnes during 2014.

It is a pleasure for me to present the first Annual Report for the new Gränges.

After an absence of almost ten years, Gränges is back as a public company, listed on Nasdaq Stockholm since 10 October 2014. In my view, it has been a thoroughly successful listing. Many investors welcome a new and competitive engineeering company with a successful business model, clear sustainable profile and a good reputation. I consider the fact that we have gained so many large Swedish and Nordic owners to be a stamp of quality for us and our operations. It is also gratifying that we have received a good response from the general public with many private investors on our list of owners.

For Gränges, the listing means that we will gain a clearer focus on our operations. As an independent company, we can devote all our energy to develop our business further and to take advantage of the opportunities that arise. We have a strong position in our niche, with unique competencies in processed aluminium, which we see great potential to develop.

A SUCCESSFUL YEAR FOR GRÄNGES

During 2014, we passed several important milestones. The year was dominated by the listing process and the preparations for the initial public offering, which required a lot time from us in the management team. It is thus satisfying to be able to summarise it as a successful process, where today we have a base of stable and long-term owners that have received a good return on their holdings to date. At the end of February 2015, just over four months after the listing, the Gränges share had risen by about 70% since the introduction.

The profit for the full-year 2014 was an all-time high for Gränges. Operating profit, adjusted for items affecting comparability, increased by 25% in total. Meanwhile, we have continued to strengthen our cash flow and delivered according to our long-term goals in relation to capital employed and capital structure. Return on capital employed is a really important indicator for a company like us operating in a capital-intensive industry. Sales volume

IMPORTANT EVENTS 2014

Apart from the listing of Gränges on Nasdaq Stockholm, the following significant events occurred:

New credit facility
Gränges entered into a SEK 1,800 million multi-currency credit facility, which came into force in conjunction with the IPO on 10 October 2014.

Upgrading in Shanghai
At year-end 2014, the upgrading of the production facility in Shanghai to supply rolled aluminium with larger diameter was completed. The investment amounted to about SEK 50 million over a two-year period.

Energy efficiency in focus at Gränges' industry conference in China
Gränges hosted a technology seminar in China in mid-October 2014. Energy efficiency and more environmentally friendly emissions were in focus at the seminar.

Gränges listed on Nasdaq Stockholm
On 10 October 2014, Gränges was listed on Nasdaq Stockholm. The offering comprised existing shares sold by the principal owner Orkla at a rate of SEK 42.50 per share. In total, shares in the offering were sold for SEK 2.2 billion.

In connection with the offering, Gränges gained more than 5,000 new shareholders.

increased by 1%, which was a lower rate than our end markets. I am not concerned that we are temporarily growing at a somewhat slower rate than the automotive industry. We have long-term customer relationships with assignments that extend over several years and we secured two additional important contracts before year-end. Deliveries under these contracts will begin during spring 2015.

Other important work during the year included the upgrading of our production facility in Shanghai, which was completed at year-end. This investment amounted to about SEK 50 million over a two-year period. This was an extensive and complex investment, which means that we can supply aluminium coils with larger diameters, which our customers are requesting. The investment has also meant that we have increased our capacity and efficiency in the facility in Shanghai. The product handling in the cold rolling area is now fully automated, which means that forklift trucks are no longer needed in this production step. It also makes the workplace safer and reduces the risk of accidents.

Our technology seminar in China, which is arranged every second year, attracted around 300 customers and other industry representatives in Asia last year. The seminar is the only one of its kind and has become an important meeting place for the industry. Energy efficiency and more environmentally friendly emissions were the main topics at the seminar in 2014.

INCREASED DEMAND FOR ALUMINIUM PRODUCTS

Today, the automotive market constitutes the largest end market for Gränges and in 2014 accounted for about 90% of sales.

Asia, which is an attractive growth market for car manufacturers, is also our largest market. During 2014, volume growth remained favourable in Asia, due to the strong automotive market in China. In Europe, our sales volume decreased somewhat. The sales decline was partly explained by lower sales of scrap-based industrial products, which is positive

FINANCIAL SUMMARY

SEK million	2014	2013	Change
Sales volume, ktonnes	160.0	158.6	0.9%
Net sales	4,748	4,642	2.3%
Adjusted operating profit[1)]	463	371	24.8%
Adjusted operating profit per tonne, kSEK	2.9	2.3	0.6
Adjusted operating margin, %	9.7	8.0	1.8 ppt
Operating profit	422	456	–7.5%
Profit for the period	319	309	3.1%
Net cash flow before financing activities	597	450	32.6%
Return on capital employed, %	16.3	12.0	4.3 ppt
Earnings per share, SEK[2)]	4.27	4.14	0.13

[1)] Adjusted for items affecting comparability (see Note 12 on page 61).
[2)] Earnings per share, before and after dilution. Previous periods have been restated according to the current number of outstanding shares.

"Gränges' contribution to a better environment and lower carbon dioxide emissions are a natural consequence of our core competence."

and means that we have become more efficient in our materials handling, and partly by lower contracted volume related to one customer in heat exchanger materials. In the Americas, volume fell on a full-year basis, but it started to rise again in the fourth quarter due to the fact that we reached full production in two new contacts that were signed earlier in the year.

SUSTAINABILITY IS PART OF OUR CORE COMPETENCE

Gränges' contribution to a better environment and lower carbon dioxide emissions are a natural consequence of our core competence. Our customers' end customers, above all in the automotive industry, are continually striving to boost their engine efficiency in order to reduce fuel consumption and emissions. This imposes increasingly strict requirements for advanced heat exchanger materials. Gränges' vision is to help create smaller, lighter and more designable heat exchangers to increase energy efficiency and reduce environmental impact.

Even the market for stationary heat exchangers, such as air conditioning and heating systems, faces the challenge in the near future of reducing energy consumption and increasing the use of natural cooling agents with low, or no, environmental impact. Our own research and development is also closely linked to sustainability. There are few companies in our industry that can match the resources we invest in research and development, which is enabling us to be world-leading in what we do.

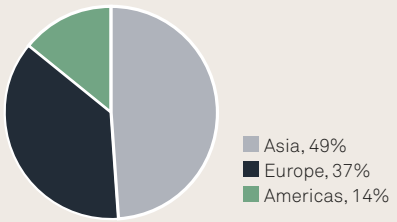
Of course, we also work systematically with the environmental impacts from our own facilities and we continually measure our most important sustainability indicators, in other words energy and water usage, recycling rates and workplace accidents. In recent years, we have made improvements in all of these four areas. Both of our production facilities are environmentally certified according to ISO and we work according to the international management system for health and safety at the workplace. We are also following with interest the initiative that has been taken in the aluminium industry to develop a common international framework for sustainability reporting in the entire value chain.

GOOD POTENTIAL FOR CONTINUED GROWTH

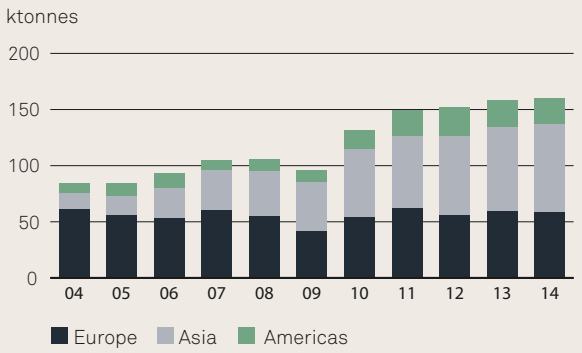
Gränges focuses exclusively on rolled products for brazed aluminium heat exchangers. Within this niche, we have developed world-leading competencies and a global leadership position. We have overall competencies and high-tech content that is hard to beat.

Our success in turn is built on our long experience of the business and good customer relationships. We continually collaborate with our customers in new development projects. Our agreements extend for several years. Often for as long as a particular vehicle platform is produced. Through close collaboration during the entire development of new heat exchanger models, we have built up advanced knowledge of our

Sales volume per region, 2014



Sales volume per region, 2004–2014



customers' processes and operations.

After major investments during the years 2008–2012, we have two well-invested production facilities and do not anticipate any large investment need in existing facilities in the next few years . Both facilities have good potential to make further improvements in efficiency and they complement each other excellently. They serve as benchmarks for each other and can exchange experience. In this way, they can make continuous improvements, so that we can grow our business and generate a good cash flow.

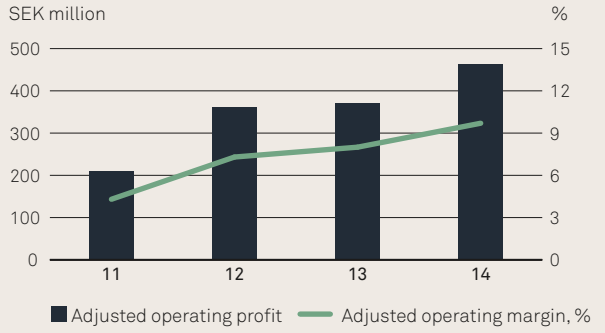
Our strong position in research and development also has great future potential and generates new patents. One example is TRILLIUM™, which is a pioneering technology simplifying the production of heat exchangers by eliminating the need to add flux salt. TRILLIUM™ enables new designs and contributes to a more environmentally friendly heat exchanger production process. TRILLIUM™ is now in commercial use and is already being delivered to two customers.

This all means that in 2015 we are now entering a new phase where we will take our strategy to the next level. This work has already begun. Gränges has a good reputation, we stand for quality, we have been established in China for almost 20 years and we are now also a listed company. This means that so far we have created a platform which will give the company the capacity to grow and expand and we are now actively considering the possibilities. What is important is that we can continue to grow with our customers, especially in China and North America. We should be where our customers are and where there is growth.

Finally, I would like to thank all of my Gränges colleagues for your valuable work, which has resulted in a good year for Gränges. I also want to thank our customers and partners for a good cooperation. We have an exciting future ahead of us with several challenges and opportunities. I am convinced that we together will continue to contribute to a successful development of Gränges.

Johan Menckel
CEO

Adjusted operating profit and operating margin, 2011–2014



ENVIRONMENT AND PROSPERITY ARE DRIVING DEVELOPMENT

Gränges has a leading global position in rolled products for brazed aluminium heat exchangers. This is a niche market, which requires specialist competence. During 2014, this niche accounted for 4% of the total market for rolled aluminium products.

90%

The automotive market accounted for about 90% of Gränges' total sales volume during 2014.

About 90% of Gränges' sales volume goes to producers of automotive heat exchangers, and a smaller share to producers of stationary heat exchangers, known as HVAC&R (heating, ventilation, air conditioning and refrigeration). Brazed aluminium heat exchangers are today standard in the automotive industry, while for the stationary market representing less than 5%. The expectations are that producers of stationary heat exchangers will convert to brazed aluminium heat exchangers, in line with the development that has occurred in the automotive industry.

In 2014, the market for rolled aluminium for brazed heat exchangers to the automotive industry is estimated to have amounted to about 720,000 tonnes, equivalent to a value of about SEK 20 billion. Including other applications, such as stationary products, the market that Gränges focuses on is estimated to have had a volume of about 800,000 tonnes in 2014.

GRÄNGES' MARKETS

Gränges' market is geographically divided into three regions: Europe, Asia and the Americas.

Europe is a mature market with a number of local and global players in the supply chain. Most demand comes from a handful of global producers of heat exchangers to the automotive industry. The most important submarkets in Europe are the UK, Italy, Germany, Czech Republic and Poland.

Asia is the least consolidated of the three geographical end markets both in terms of heat exchangers and heat exchanger materials. China is the most important market, followed by countries such as Japan, South Korea, India and Thailand.

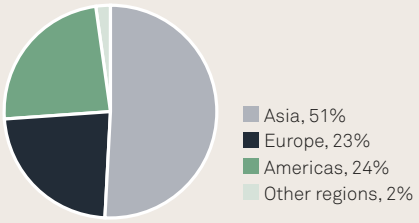
The United States is the largest market in the Americas region. The market for heat exchangers to the automotive industry is relatively consolidated with a few suppliers of heat exchanger materials.

The automotive industry – the largest end market

The automotive industry accounted for about 90% of Gränges' total sales volume in 2014. The automotive industry grew by about 3% globally during 2014 and is expected to continue growing at an average annual rate of about 3% between 2014 and 2017.

Since the 1990's, brazed aluminium heat exchangers have represented a larger portion in the automotive industry than copper-based heat exchangers. Today brazed heat exchangers account for almost 100% of the market. Increased cost efficiency,

Global light vehicle production by region, 2014



Source: IHS Automotive

reduced weight and more efficient heat exchangers have been the driving forces.

HVAC&R – potential for aluminium products
The HVAC&R industry like the automotive industry is a key field of application for brazed aluminium heat exchangers. The abbreviation HVAC&R (heating, ventilation, air conditioning and refrigeration) includes systems for heating and cooling, for instance in private houses, commercial premises and industrial buildings.

The total market for heat exchanger materials to the HVAC&R industry is estimated to be roughly as large as the automotive industry. However, the low proportion of aluminium heat exchangers means that the HVAC&R market segment is much smaller for Gränges. The conversion to aluminium heat exchangers is expected to accelerate in the coming years, which will drive growth for Gränges in the HVAC&R segment.

MARKET TRENDS

Two macro trends are especially relevant for the development in Gränges' end markets; the automotive industry and the market for stationary heat exchangers. Firstly, the drive to increase energy efficiency and reduce emissions, and secondly, the global industrialisation that accompanies higher living standards.

Requirements for reduced emissions
The ambition to reduce emissions of harmful greenhouse gases from burning fossil fuels is affecting product development in the automotive industry in two main ways; vehicles are becoming lighter and engines are becoming more efficient in order to reduce fuel consumption. In a similar way, the HVAC&R industry is facing the challenge of phasing out harmful refrigerants and using alternatives with low or no environmental impact. In light of increasingly stringent legal demands and rising energy costs, heat exchangers in stationary applications have to become more energy efficient in the future.

Vehicles are becoming lighter
One way to improve a vehicle´s fuel economy is to reduce its weight. Since aluminium is lighter than steel, the aluminium content per vehicle is expected to increase by approximately 60% from 2012 to 2025, according to the Aluminium Association. Some components such as heat exchangers, gearboxes and rims, are already largely manufactured in aluminium. For these components, the trend towards further weight reductions through improved design is continuing. In order to reduce the weight of a heat exchanger with maintained or improved performance, new and improved heat exchanger materials are required.

Engine design is improving
In order to increase efficiency of car engines and thereby reduce emissions, vehicle manufacturers are reducing engine sizes and introducing increasingly complex systems, which imposes stricter demands on efficient cooling. In addition, there is a growing interest among manufacturers and consumers in electric and hybrid vehicles, which requires additional cooling of batteries. This means greater pressure from automotive industry suppliers to provide more and more compact heat exchangers which in turn increases the demand for more technically advanced heat exchanger material.

60%

The aluminium content per vehicle is expected to grow by about 60% between 2012 and 2025.

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

"Gränges is the only global supplier that focuses exclusively on rolled products for the brazed heat exchanger market."

Living standards are rising

Higher living standards lead to an increased demand for comfort solutions. This trend is particularly clear in recently industrialised countries where living standards are rising rapidly. In the automotive industry, air conditioning has become a standard feature in mature markets while penetration is still increasing in many developing countries. Even in the HVAC&R segment, increasing penetration of air conditioning and heating systems in buildings is resulting in an increased demand for heat exchangers and heat exchanger material in aluminium.

MARKET SHARES AND COMPETITION

Suppliers of rolled products to the market for brazed heat exchangers vary in size and strategic focus. Gränges is the only global supplier that is exclusively focused on this market. Gränges has a market-leading position with an estimated market share of about 20% globally. The competitors mainly consist of major global aluminium companies such as Alcoa, Aleris, Norsk Hydro, Novelis and UACJ. In Asia, there are also many smaller local players, which are direct competitors to Gränges in the Asian market. One of these is Huafon.

MARKET EXPECTATIONS

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.

Vehicle production is affected by a number of macroeconomic factors, for example economic growth, levels of employment, interest rates, consumer and 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 2014 and 2017, according to the international research and analysis firm IHS.

In Asia, China is the largest market and accounts for around half of the light vehicle production in the region. In terms of global light vehicle production, China accounts for about 26%. Production of light vehicles in China is expected to grow by an average of about 6% annually between 2014 and 2017, according to 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 copper solutions. As a result, the HVAC&R market segment is expected to grow by an average of about 20% annually between 2014 and 2017 for rolled products for brazed aluminium heat exchangers.

26%

Light vehicle production in China corresponds to about half of the vehicle production in Asia and 26% of the global market.

BUSINESS CONCEPT, FINANCIAL TARGETS AND STRATEGY

TARGET FULLFILLMENT 2014

1%	16.3%	1.2xEBITDA	SEK1.50
Volume growth	Return on capital employed	Net debt at end-year	Dividend per share*

*Board's proposal to the AGM 2015

VISION

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

BUSINESS CONCEPT

Gränges is a leading global aluminium company, specialised in rolled products for the heat exchanger industry. Gränges develops, produces and markets advanced materials that enhance both production economy during the customer manufacturing process as well as the performance of the final products, the brazed heat exchangers.

Thanks to this clear focus, Gränges has built up a comprehensive knowledge and understanding of heat exchanger applications. Through continued research and development and collaboration with customers, Gränges contributes to customer competitiveness and to more sustainable products.

FINANCIAL TARGETS

GROWTH

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

RETURN METRIC

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

CAPITAL STRUCTURE

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

DIVIDEND POLICY

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

STRATEGY

Granges' 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 good profitability.

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

CUSTOMER FOCUS

Gränges collaborates closely with its customers in order to help improve their profitability. The company's focus enables it to build up advanced knowledge about global customers and tailor customer service to their needs, irrespective of whether it relates to product development, delivery terms, service levels or administrative routines.

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 engineers work closely with the customer to optimise the interaction between the materials and the customer's machinery and processes.

PRODUCTION EXPERTISE

Gränges' customers are dependent on high quality, highly reliable and consistent products. Gränges' number one 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 highly complex processes, consistency in quality mainly comes from employees who have a large skillset, vast experience and dedication to what they do. Gränges calls this industrial craftsmanship, which is the company's contribution to more efficient production and higher competence in brazed heat exchangers. Gränges' focus on this niche means that all resources can be used for continual improvements in this field.

CONTINIUS IMPROVEMENTS

Gränges focuses on operational improvements and cost reductions to improve its own efficiency. The Gränges Production System is Gränges' concept for lean manufacturing. This shall contribute to simple production flows, direct connection between production steps, and well-defined and waste-free processes. Improvements in internal efficiency made an important contribution to the increase in profits during 2014.

A SUSTAINABLE LINK IN THE VALUE CHAIN

Aluminium is often called the green metal, due to properties that enable effective recycling and re-melting. By utilising aluminium's unique properties and helping its customers in the climate shift, Gränges will be a sustainable link in the value chain. An efficient use of resources, continual environmental improvements and a focused safety work are important factors in Gränges own sustainability work.

A BUSINESS MODEL WITH A CLEAR FOCUS

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

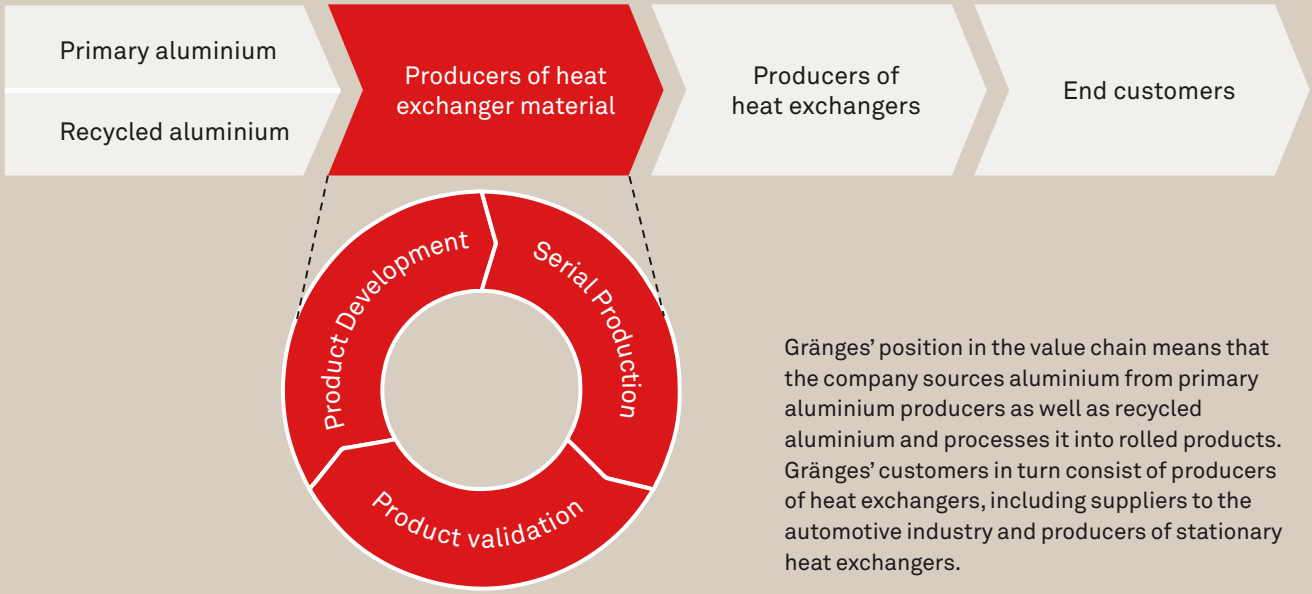
LONG-TERM CUSTOMER RELATIONSHIPS
Gränges' business is based on long-term customer relationships. In close collaboration with customers, Gränges develops specific products for each heat exchanger model and after that assists customers with technical support during the entire product life cycle. The development 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 enable a technological edge in several areas.

FOUR PRIORITISED COMPETENCE AREAS
Gränges has strong development and production competence in four 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 made and according to the customer's requirements. Gränges has a dynamic portfolio of about 1,500 products, which are adapted for specific customer needs.

ESTABLISHED REVENUE MODEL
Gränges generates revenue through sales of heat exchanger materials. Sales contracts contain two price components: one component which consists of the metal price based on prevailing market prices and a conversion price that 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 makes Gränges less sensitive to fluctuations in raw material prices.

SPECIALLY-ADAPTED PRODUCTION FACILITIES
Gränges' production facilities are optimsed for producing heat exchanger materials. During the period 2008–2012, Gränges carried out a large investment programme to increase capacity and productivity in the production units, which has resulted in greater production stability and improved profitability. The Group's production facilities are currently well-invested and in the medium-term, Gränges estimates that maintanance investments will be substantially less than the depreciation on excisting units.

EXPERIENCED ORGANISATION
Gränges' organisation collaborates on a global basis to share knowledge and experience in various areas of the operations. Important key words are proximity to the customers, flexibility and ability to act quickly. Gränges' Management team has extensive experience from the aluminium industry and development of rolled aluminium products. There is deep knowledge in the organisation about material properties and production processes, which today makes Gränges a world leader in rolled products for brazed heat exchangers.



Gränges' position in the value chain means that the company sources aluminium from primary aluminium producers as well as recycled aluminium and processes it into rolled products. Gränges' customers in turn consist of producers of heat exchangers, including suppliers to the automotive industry and producers of stationary heat exchangers.

ADVANCED PRODUCTS WITH HIGH-TECH CONTENT

Gränges' products are composed of advanced material, which is the result of our own research and development efforts as well as development collaboration in close customer relationships. Such collaboration can extend for up to five years until product development is complete, which creates stable and long-term customer relationships.

1,500

Gränges offers about 1,500 different product specifications.

Production of rolled products for brazed aluminium heat exchangers is a complex process. Gränges creates added value by giving the products unique properties and by tailoring solutions to specific customer needs.

Gränges offers a complete range of clad and unclad rolled aluminium products, which are used for brazed heat exchangers. In total, there are about 1,500 product specifications, including 150 alloy combinations.

TECHNOLOGICAL LEADERSHIP

Over the years, Gränges has developed four specific competencies, which have contributed to the company's technological leadership in heat exchanger materials: development of alloys, cladding, rolling and thermo-mechanical processing and slitting.

Development of alloys involves design of material where aluminium is combined with several alloying materials to achieve specific properties. Gränges has special expertise when it comes to developing alloys and combinations, which have properties adapted for each stage in the customers' production processes – from forming to assembly and brazing.

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

In the rolling and thermo-mechanical process, the microstructure of the alloys is changed to achieve desired properties in the final product. Gränges has long experience of thermo-mechanical processing and its effect on the behaviour of materials in the brazing process.

Gränges has leading competence and experience in slitting technology, which plays an important part in the production of heat exchanger materials. The slitting process requires both craftsmanship and automation expertise in order to achieve the close tolerances that are required in terms of bandwidth, edge quality and winding.

DEMAND-DRIVEN PRODUCTION

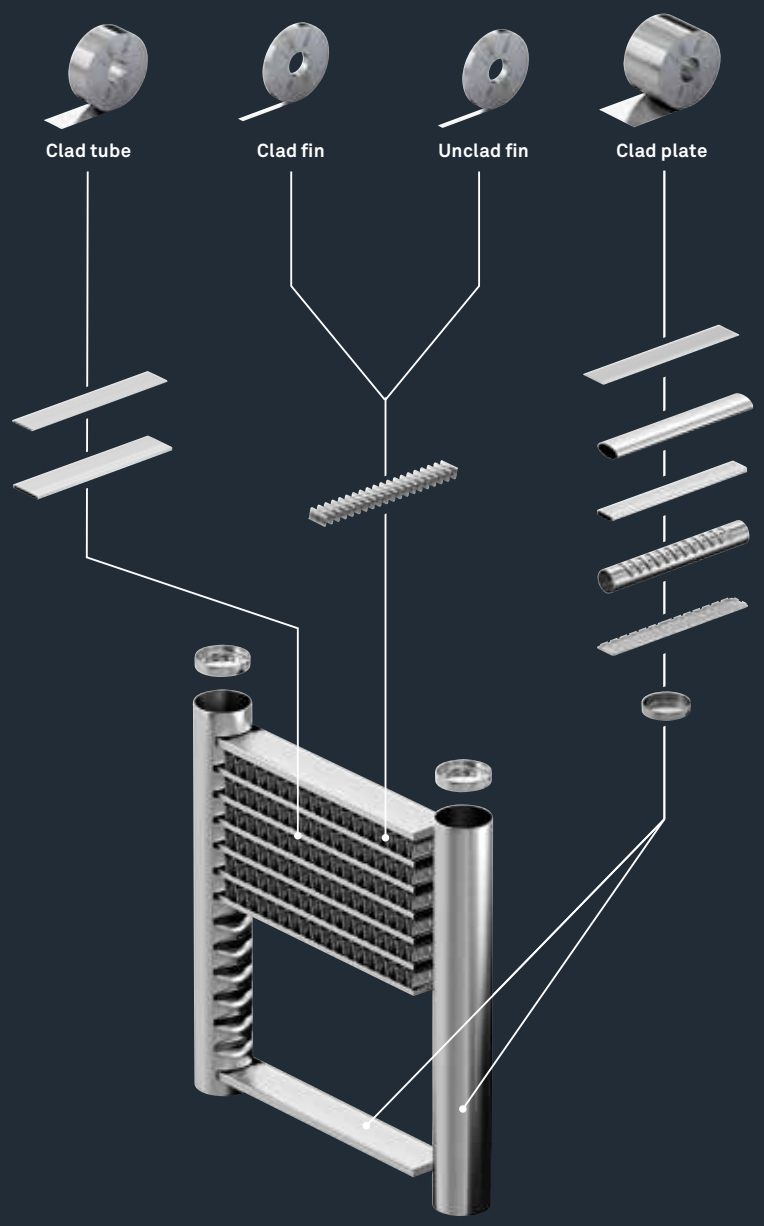
Gränges operates demand-driven production based on lean manufacturing principles, which aims for simple productions flows, direct connection between production steps, and well-defined and waste-free processes. Production lead time should be as short as possible, but balanced against the need that processes should be cost-efficient. This production model makes it possible for Gränges to offer flexible customer service.

The first stage in the production process is re-melting and casting. Aluminium ingots, alloying materials and recycled scrap are the input materials.

Rolling slabs are produced during re-melting and casting in various alloys which undergo a first change of form during the hot rolling process. The material is preheated in a furnace to a temperature which makes the material soft and deformable. The hot rolling process creates an intimate bond between the clad plates and the core slabs. The hot rolled coils are then cooled down before they continue to the cold rolling process.

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

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.



PRODUCTS

Gränges offers a full range of clad and unclad rolled aluminium products for brazed heat exchanger applications. The products are of four main types:

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 with a water-resistant clad on the tube inner side. The customer makes a tube by foldong or welding the material.

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

Unclad fin
The most basic product of the heat exchanger materials. 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 manifolds.

40 µm

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

220

The capacity in Gränges' two production facilities amounted to 220,000 tonnes in 2014.

TWO PRODUCTION FACILITIES

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

The company's production facility in Asia is located in Shanghai, China. The operations were established in 1996 as a jointly-owned company and Gränges took over full ownership in 2003. The development of the operations 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 thus increased from 12,000 tonnes in 1996 up to about 120,000 tonnes in 2014.

Both facilities are certified according to international standards. In Finspång according to ISO 9001:2008 (quality), ISO TS16949:2009 (quality), ISO14001:2004 (environment), ISO 50001:2011 (energy) and in Shanghai according to ISO TS 16949:2003 (quality), ISO14001:2002 (environment) and OHSAS18001:2004 (health and safety).

GRÄNGES TECHNOLOGY

Gränges has a world-leading research and development centre that works close to the company's customers, with advanced knowledge about metallurgy and understanding of the production process. This work is coordinated globally, but with local support in close cooperation with the production facilities.

Gränges Technology is the centre for the company's research and development activities and is composed of some 40 specialists in Europe and Asia. Several of the employees hold doctoral degrees and regular collaboration takes place with universities and schools of technology. New alloys and alloy combinations are initially tested through pilot rolling in laboratories and via computer simulations at Gränges Technology, before full-scale production takes place. This process facilitates planning of effective high-precision production processes.

Apart from Gränges Technology, Gränges has product developers and technicians who help customers to optimise the interaction between Gränges' products and their own machinery, processes and applications. To support this work, Gränges has an applications centre that can replicate customers' forming and brazing processes. Gränges' product developers and technicians are represented in Asia, Europe and North America.

GRÄNGES' RESEARCH AND DEVELOPMENT PORTFOLIO

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

- MULTICLAD®, a multi-layer clad-product platform. Gränges is currently developing several MULTICLAD® products, which exhibit high strength in combination with superior corrosion resistance. These products will replace 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 potentially replace stainless steel in exhaust gas recirculation units.
- 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.
- Strong-sagging-resistant fins. This technology allows customers to downgauge fin materials and/or apply tougher brazing cycles without compromising quality and performance.

Gränges' research and development efforts have resulted in 15 patent families and 174 patents, of which 88 have been granted to date.

CLOSE COLLABORATION BUILDS LONG-TERM RELATIONSHIPS

Gränges' customers consist of global and local heat exchanger producers. These in turn are suppliers of leading automotive and application manufacturers. The relationships with customers are long-term in nature. Gränges supports customers with product development and technical support over the entire life cycle of a heat exchanger model.

85%

of Gränges' customers have used the company's products for more than ten years.

The customers that use Gränges' products are under constant pressure to increase their competitiveness. They have to improve heat exchanger performance, minimise the total cost and increase the value of their engine cooling and climate control solutions. The challenge is to continually meet the demands of next generation platforms, new applications and new requirements among product end users and vehicle and application manufacturers.

Customer needs also impose strict demands for adaptable and sometimes customised aluminium materials. Gränges and its customers collaborate continually regarding design and production processes from the time that a new vehicle platform is developed, to trial and testing and delivery agreements for several years. This means that Gränges' customer relationships are long-term in nature. These long-term relationships are also a result of Gränges' strong brand in the international heat exchanger market, as well as Gränges' capacity to be a global supplier of high-quality products, with high delivery precision.

Of Gränges' customers, 85% have used the company's products for more than ten years. The seven largest customers represented 55% of the total sold volume in 2014 and the largest customer accounted for 12% of the total sold volume during the same year.

Q How many years has DENSO been doing business with Gränges?

"We started using Gränges' material back in 2008 for one product, and this has since increased to several applications. For our next generation heat exchangers we are using Gränges, and we expect that volumes will rise in the coming years."

What made you decide to choose Gränges as your business partner?

"The reasons why we choose Gränges are that they are the No 1 supplier of material for heat exchangers globally with a responsive and resilient supply system. Our companies collaborate closely around development of materials, which is facilitated by Gränges presence in Shanghai".

What do you think about doing business with Gränges?

"The material that Gränges delivers is of a high quality. In fact, in year 2014 we had not one remark on any delivery, which saves both cost and time for both parties. We value Gränges' commitment to delivery precision and quality and look forward to supporting these efforts in the future".

Do the products made by Gränges meet the needs of and match the expectation of DENSO?

"Gränges products conform well to our requirements, and we are pleased that Gränges has dedicated capacity for the material we need. That said, from our perspective there is always room for further improvement."

How does Gränges compare to the competitors?

"Gränges is regarded as a valuable and committed supplier, but it is important to benchmark with competitors on all levels and in all areas to achieve continuous improvements."

In your opinion , what are the key challenges in the heat exchanger industry in the next 1–3 years?

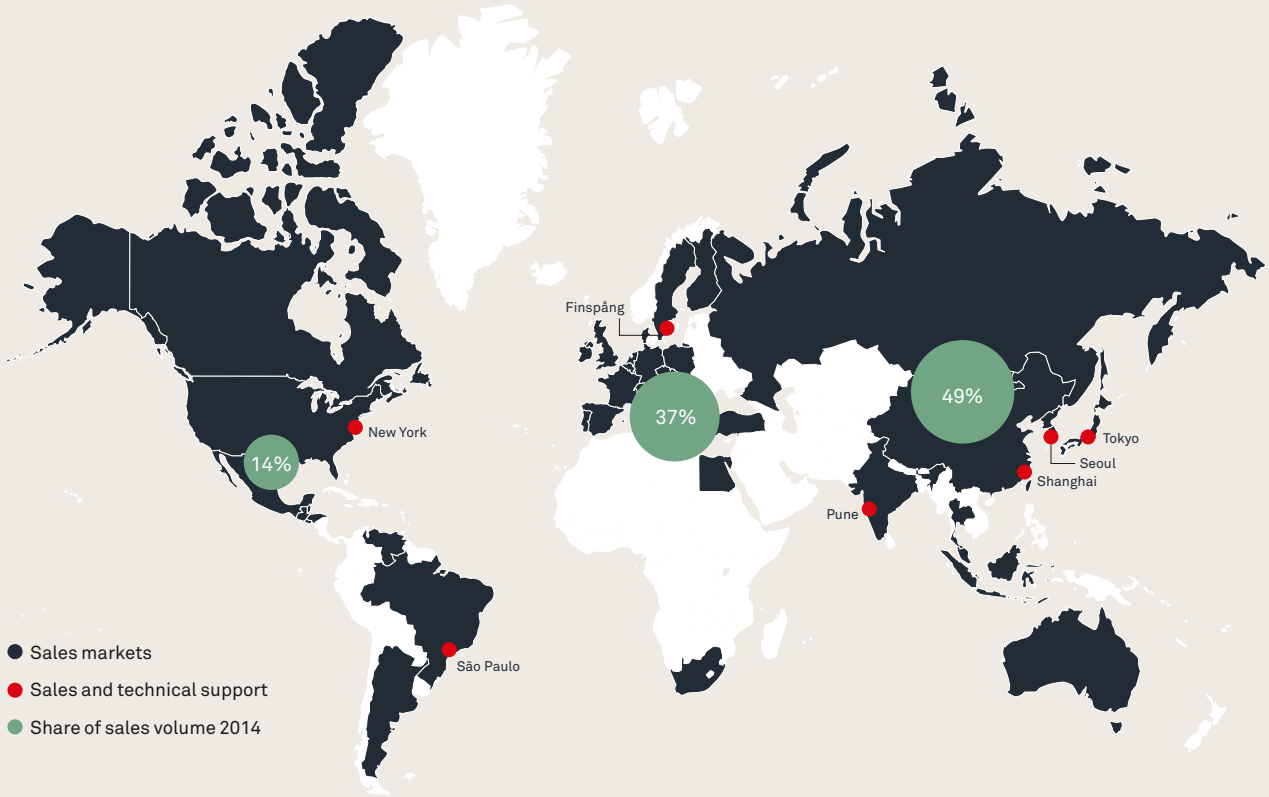
"At our company, we not only want to make our products thinner, lighter and less expensive, but to develop products that add value. This could mean supporting higher fuel efficiency and improving mounting adaptability of the heat exchangers. We rely on our relationship with Gränges to develop the new materials that will help us reach our goals."

INTERVIEW WITH:
Mr Deguchi, *Vice President*
Mr Sun, *QA Department General Manager*
Mr Wei, *Purchase Deputy General Manager*
Mr Abe, *Production Planning Department, General Manager*

DENSO (Tianjin) Thermal Products Co., Ltd. DMTT is DENSO Group's leading Thermal Production company in China.

PRESENCE ON THREE CONTINENTS

Gränges' customers are largely global in nature, which requires Gränges to have an equivalent presence and reach. Sales offices and technical support are found on three continents and the production facilities in Finspång and Shanghai are key centres for research and development competence in partnership with customers.



EUROPE – CONSOLIDATED MARKET WITH GLOBAL CUSTOMERS

Gränges has a strong position in the European market and through high-tech content in its products has retained its leading market position. Overall, the European market accounted for about 37% of the Group's sold volume in 2014, with the UK, Italy, Czech Republic and Poland as the largest individual markets. Europe is a consolidated market with global customers, which accounted for about 77% of the sales volume in 2014. The majority of all volume supplied to Europe is produced at the Finspång facility.

ASIA – STRONG PRESENCE AND LEADING POSITION

Since the start of the Gränges Shanghai facility in 1996, Gränges has built up a strong presence with a leading position in the Asian market. In 2014, Asia accounted for about 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 production volume at Gränges Shanghai is sold in Asia, of which about half goes to China. Global customers accounted for about 38% of sold volume in 2014.

AMERICAS – GLOBAL CUSTOMERS DOMINATE

Gränges has been present in the Americas since 1994 and has supplied global customers with its products. In 2014, the Americas accounted for about 14% of the Group's sales by volume, of which the main markets are the US and Mexico. Global customers accounted for about 62% of sold volume in the Americas in 2014. There are also important markets in South America, for example Brazil. The production facilities in Finspång and Shanghai supply customers in the Americas with products.

SUSTAINABILITY

Resource-efficiency, safety and innovation are crucial for sustainable development at Gränges. Through continual streamlining of production processes, focused safety work and environmentally-adapted product development, Gränges is strengthening the position of aluminium in a sustainable society.

Aluminium is often called the green metal, due to properties that support a sustainable environment, recycling and re-melting. Through increased recycling, innovative applications and environmentally-adapted product development, the sustainable value of aluminium can be maximised and the market for aluminium and aluminium applications can be strengthened. Gränges' environmental responsibility is based on minimising the environmental impact of its operations and the prevailing risks, both in relation to products and processes. 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' products enable more efficient and environmentally-adapted heat exchangers, which contributes to sustainable product development among the company's customers in the automotive industry and in the HVAC&R industry.

SUSTAINABLE MATERIAL IN THE ENTIRE PRODUCT LIFE CYCLE

Transport services and buildings account for about 40% of the world's climate impact. The climate shift has begun and will accelerate in line with development of new technological solutions. Important drivers of this trend are improved fuel economy in vehicles, development and greater use of new types of vehicles, and energy-optimised buildings.

Gränges contributes by enabling smaller, lighter and more designable heat exchangers that reduce the vehicle weight and that can be adapted to electric cars and hybrid vehicles. Since aluminium is corrosion-resistant and robust, the material in heat exchangers can be kept thinner than traditional material thus enabling further weight reductions. In stationary heat exchangers the transition from copper to aluminium provides a more efficient heat exchange process.

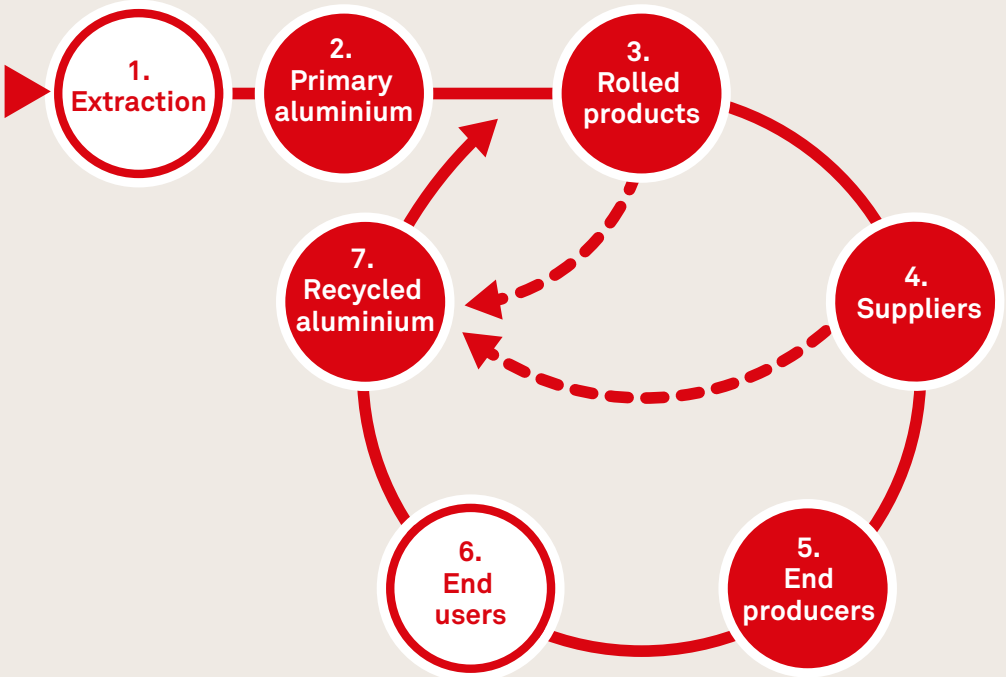
Gränges has developed a method for evaluating environmental sustainability through the entire life cycle of the company's products. This method focuses on developing sustainable products at an early stage of the product design process. Through close collaboration with the customer and deep knowledge of the customer's requirements and needs, Gränges can assist in the climate shift process and thereby act as a sustainable link in the value chain.

HIGH EFFICIENCY IS THE MAIN CONTRIBUTION

Aluminium is a valuable natural resource that can be recycled infinitely without losing its unique properties. Both the production and processing of aluminium and aluminium products are operations that demand a lot of energy. A maximum metal yield, greater use of recycled aluminium and energy-optimising processes are absolutely crucial to Gränges financial results, while representing the company's main contribution to reducing the environmental and climate burden.

A high metal yield in the production process means lower energy usage per tonne of finished product. These energy savings are achieved through improvements in production equipment and recycling of thermal energy. The share of recycled aluminium can be increased particularly through improvements in the production process and by developing alloys which can absorb more recycled material. Oils and other chemical additives are used in the rolling process. By optimising the rolling process and minimising process waste, the company aims to reduce the need for lubricants. Large volumes of water are used for cooling in different process steps. In Finspång, process water is sourced from a nearby lake and is returned after thorough cleaning. In Shanghai there is an efficient water recycling system, and for this reason the water consumption per unit produced is lower there than in Finspång.

RESPONSIBLE USE OF RESOURCES



STAGE 1–2:
A varying share of the aluminium Gränges uses comes from primary sources in the form of bauxite mines. Primary production is based on very energy-intensive processes, which also have a considerable local environmental impact. Gränges sources primary aluminium regionally, from nine different suppliers in Europe and in China. The ambition is to gradually, and in dialogue with suppliers, adjust the procurement strategy to the principles now being developed in the Aluminium Stewardship Initative (ASI), relating to traceability and responsible use of resources in the entire supply chain. Read more on: www.aluminium-stewardship.org

9

Number of primary aluminium suppliers

STAGE 3:
Efficient processes are crucial in order for Gränges to achieve sustainable long-term profitability. After metal procurement and personnel, energy constitutes the largest cost. Due to efficiency improvement measures, energy use per produced tonne has decreased progressively over the past three years.

–0.05

Decrease 2012–2014 MWH/tonne

STAGE 4–5:
By developing material that enables smaller, lighter and more designable heat exchangers, vehicles and heat pumps can be made lighter and more efficient. Aluminium from Gränges is already found in half of the world's cars and the trend is pointing towards more, smaller and lighter heat exchangers in vehicles. Stricter environment requirements on stationary heat exchangers are supporting the transition from copper to aluminium. Gränges has a strong market position in this shift.

50%

The share of global cars containing aluminium from Gränges

STAGE 6–7:
An increasing share of the aluminium used in Gränges' processes is recycled. This involves different types of purchased aluminium scrap and Gränges' own process scrap, which is efficiently reused in the processes. Gränges is also developing a system for taking back worn out products/production scrap from the company's customers. The energy requirement for recycling aluminium is just 5% of what is needed to produce primary aluminium. Our ambition is to increase the share of recycled raw material and further improve material efficiency/yield in our metal management.

68%

Share of recycled aluminium in Gränges Finspång

STRIVING FOR CONTINUOUS IMPROVEMENTS

At Gränges, there is an ambition to achieve continuous improvements. The operations for many years have been dominated by clear lean production thinking through the "Gränges Production System" concept. The point of departure is that everything that can be made more efficient, smarter or safer should be identified and utilised. Both of Gränges' production facilities are environmentally certified according to ISO14001. The entire company also works in accordance with OSHAS18001, a health and safety standard, and the facility in Shanghai is certified (read more about health and safety on page 25). There is an energy management system in operation in Finspång in order to continually describe and exploit remaining potential savings. These collective efforts provide the basis for systematic and target-oriented work on continuous improvements.

ENVIRONMENTAL PERFORMANCE	Energy usage (MWh)[1]			Energy usage (MWh/tonne)		
	2014	2013	2012	2014	2013	2012
Gränges Finspång	168,463	182,069	170,283	1.21	1.20	1.28
Gränges Shanghai	245,395	241,131	202,767	1.24	1.30	1.29
Gränges total	**413,858**	**423,200**	**373,050**	**1.23**	**1.25**	**1.28**

	Water usage (m^3)			Water usage (m^3/tonne)		
	2014	2013	2012	2014	2013	2012
Gränges Finspång[2]	2,655,048	2,614,611	2,236,094	19.1	17.2	16.8
Gränges Shanghai[3]	192,263	226,109	245,723	1.1	1.2	1.6

	Recycling rate[4]		
	2014	2013	2012
Gränges Finspång	68%	62%	57%
Gränges Shanghai	29%	29%	27%

[1] Electricity, natural gas and propane
[2] Use of industrial water in open systems
[3] Consumption of industrial water in closed systems
[4] Percentage share of scrap in re-melting

The facilities in Sweden and China maintain a high environmental performance, thanks to investments in energy efficiency and a consistent application of the Gränges Production System. The facilities' water supply system differs, as the facility in China operates with a closed system and a high recirculation rate. The share of recycled raw materials differs due to different market conditions for aluminium scrap in Europe and China.

For many years the operations have been dominated by clear lean production thinking through the "Gränges Production System" concept.

A NEW IDENTITY WITH A STARTING POINT IN TRADITION

Gränges' approximately 950 employees and their knowledge and innovative thinking are the basis for the company's ability to develop and produce high-quality products. The organisation is united in an ambition to achieve sustainable long-term profitability, high quality and safe working environments where people prosper, develop and perform.

Development and production of rolled products started in 1972 in Finspång where several of Gränges' employees have been involved since the start. The operations further build on a proud tradition of craftsmanship and advanced product knowledge in cladding, rolling and thermodynamic processing. An important milestone was when Gränges established a production facility in Shanghai in 1996. The Asian research and development centre was developed through knowledge transfer and training from highly-qualified personnel from Finspång.

Personnel structure	2014
Average number of employees, Group	952
– Europe	419
– Asia	534
Share of employees in production	63%

SHARED VALUES

During Gränges first years as a separate company there has been a need to formulate and strengthen the values and ambitions that the organisation needs to unite around in order to achieve the company's strategic objectives. With a starting point in Gränges' history, a new identity is now being developed and a corporate culture that is enduring and robust. Employees should feel proud of Gränges and their own contribution to the business and have the opportunity to understand each other's duties and roles. Each individual should feel noticed and influential. It should be fun to go to work.

Three words reflect Gränges' values:

- Action
- Commitment
- Accessibility

In the day-to-day work, this means a willingness to change and take responsibility for the company's performance and personal development, by taking the initiative, making decisions and learning from mistakes. It is also about considering the challenges facing the organisation and fulfilling obligations to each other and externally. Persistence and precision are crucial in all operational areas, where clarity is a key word. At Gränges, each employee should contribute to a good atmosphere by showing interest and a positive attitude. Everyone must take responsibility by paying attention to others and providing support and feedback, in a spirit of openness, informality and humility. Solid knowledge along with high accessibility and flexibility help promote a good level of service both internally and externally.

HEALTH AND SAFETY IN FOCUS

Casting houses and rolling mills are working environments that contain significant health and safety risks where strict safety routines may never be bypassed or receive a lower priority. Gränges has zero tolerance and takes an overall view in relation to health and safety, which is based on training, review and reward.

Health and safety questions are handled within the framework of a management system in line with the global OSHAS18001 standard. This work is based on a thorough risk analysis of the operations and an action programme that includes both technical improvements and safety procedures in the day-to-day work, as well as behavioural changes. Training in health, environment and safety is a part of the introductory programme for new employees and safety courses are mandatory for all operators. Gränges has also conducted leadership training in safety and behaviour-based safety training for all employees, who are requested to always alert each other about health and safety issues.

Frequency of accidents[1)]	2014	2013	2012
Gränges Finspång	12.6	8.4	13.4
Gränges Shanghai	5.6	6.6	9.6
Gränges total	**8.2**	**7.3**	**11.2**

[1)] Number of accidents forming basis of calculation per million hours worked.

950

Gränges approximately 950 employees are the basis for achieving sustainable long-term profitability.

WELL POSITIONED FOR FUTURE GROWTH

OUR INDUSTRY

Brazed aluminium heat exchangers is the dominant technology for manufacturing heat exchangers in the automotive industry. In the stationary heat exchanger segment, the use of aluminium is expected to grow in the coming years. Gränges has a leading position in both of these segments. Through its global offering, the company is well-positioned to implement its growth strategy.

Gränges operates in a niche of the aluminium industry that develops and manufactures material for brazed aluminium heat exchangers.

Our industry is characterised by:

FEW LARGE CUSTOMERS

The customer base is concentrated. Gränges' seven largest customers account for 55% of the Group's sales volume.

GLOBAL MARKET

Customers mainly consist of large global companies. To meet customer demand, geographical proximity to the customers is required in each market.

HIGH TECHNICAL DEMANDS

Customers impose high demands in respect of product performance and metallurgical properties. Development of heat exchanger materials typically takes about two years. This work occurs in close collaboration with customers and rigorous testing is conducted before the start of production.

NICHE IN THE ALUMINIUM INDUSTRY

There are many large and small players that are active within rolled aluminium products, and the majority of these companies offer large-scale production of less complicated products. Few companies have the overall competence required to produce the technologically-advanced material that Gränges specialises in.

OUR END CUSTOMERS

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

THE 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 the customers to ensure that the final product has the right charactertistics. Advanced requirements in respect of the products' characteristics, particularly in terms of energy efficiency, means that aluminium brazing technology is clearly dominant in the heat exchanger industry today.

THE HVAC&R INDUSTRY

Stationary heat exchangers have a broad group of end users. These users are found in the agricultural sector, retail, healthcare, manufacturing industry and in commerical and private real estate, among other sectors.

Demands for reduced energy consumption and lower carbon dioxide emissions are expected to drive the shift towards brazed aluminium heat exchangers, which until now have only accounted for a few percent of the market. The stationary heat exchanger market is fragmented with many producers and a large number of end users. However, these users combined account for a large share of the energy consumption in many countries.

OUR BUSINESS

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

MARKET-LEADING POSITION

Gränges has a global market-leading position in aluminium heat exchangers. The market share in 2014 amounted to approximately 20%.

STRONG PRESENCE IN ASIA

About 50% of Gränges' sales in 2014 came from customers in Asia, of which the Chinese market accounted for roughly half. Gränges established operations in China as early as 1996 and since then has built up a leading position in the region. Asia is the market that is expected to show the highest growth rate in the next few years.

WELL-INVESTED FACILITIES

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

STABLE BUSINESS MODEL

In Gränges' business model, the input cost – aluminium, is passed on to the customer. Gränges' results are thus not dependent on fluctuations in the aluminium price. The Group's earnings are based on the value that is added to the product.

POTENTIAL FOR CONTINUED GROWTH

Gränges has a strong position in its niche and unique competence in processed aluminium, which represents the basis 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

THE SHARE

On 10 October 2014, Gränges was listed on Nasdaq Stockholm. The offering comprised existing shares sold by the principal owner Orkla at a rate of SEK 42.50 per share. In total, shares in the offering were sold for some SEK 2.2 billion. At the end of February 2015, the share price had risen by nearly 70% which gives a market value of approximately SEK 5.4 billion.

THE SHARE CAPITAL

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. Ahead of the listing of the company's shares on Nasdaq Stockholm, 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
31 Dec 2013		–	37,319,693	–	932,992,325.00
14 Aug 2014	Decrease in share capital	–	37,319,693	–832,992,325.00	100,000,000.00
15 Sep 2014	Share split	37,319,693	74,639,386		100,000,000.00

TURNOVER AND TRADING

The Gränges share has been traded on a number of exchanges and trading platforms since the company's shares were listed on Nasdaq Stockholm. The share is part of the Mid Cap segment and belongs to the Automobile & Parts sector. In total, 27,982,901 shares in Gränges were traded during the period 10 October 2014 to 31 December 2014.

During 2014, official trading accounted for 64.19% of turnover, of which Nasdaq Stockholm accounted for about 63.33% of the share turnover. The unofficial or "off-book" trading accounted for 30.89% of the shares. 4.92% of the shares were traded in so-called "dark pools" with the largest share of trading on BATS Chi-X CXE, which amounted to 2.14%. The average daily turnover in the Gränges share amounted to 439,000[1)] shares per day.

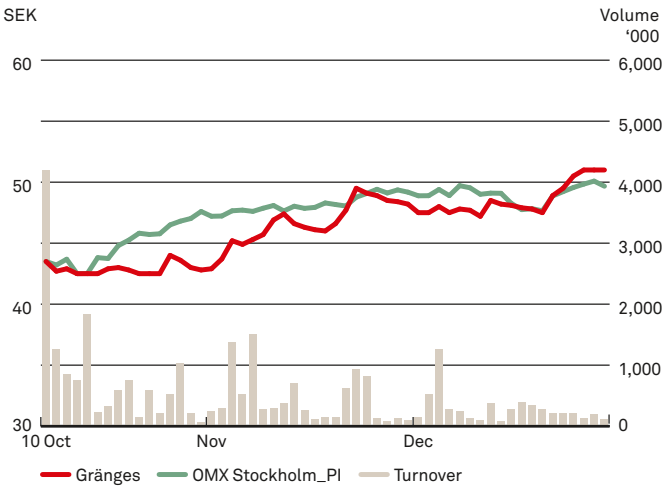
The highest price paid during 2014 of SEK 51 was recorded on 30 December, which also was the price that Gränges ended 2014 on. The lowest price paid during the year was SEK 42.50, which was recorded on a number of occasions at the end of October.

The Gränges share recorded an increase of 17.2% at year-end compared to the initial price paid on 10 October. This may be compared to the Nasdaq Stockholm OMX All Share index, which rose by 14.2% during the same period.

The share is traded under the ticker GRNG.

[1)] Excluding trading of 4,190,383 shares on the first trading day.

The Gränges' share development during 2014



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%.

On 30 December 2014, the number of shareholders in Gränges amounted to 5,506. The largest shareholder was Orkla Industriinvesteringar AB, whose holding amounted to 31.0% of the total number of shares, followed by Lannebo fonder with 11.8% of the total number of shares and Fjärde AP-fonden with 7.8% of the total number of shares. The combined ownership of the ten largest owners amounts to the equivalent of 70.0% of the total number of shares in Gränges.

OWNERSHIP

Largest shareholders	Shares	Share of capital and votes, %
Orkla Industriinvesteringar AB	23,138,286	31.0
Lannebo fonder	8,797,863	11.8
Fjärde AP-fonden	5,810,000	7.8
Afa Försäkring	3,490,000	4.7
Handelsbanken Fonder	2,682,162	3.6
Avanza Pension	2,317,530	3.1
Enter Fonder	1,870,506	2.5
SEB Investment Management	1,724,392	2.3
Norges Bank	1,200,000	1.6
Praktikertjänst Pensionsstift	1,200,000	1.6
Total 10 largest owners	52,230,739	70.0
Other shareholders	22,408,647	30.0
Total	**74,639,386**	**100**

Source: Euroclear as of 30 Dec 2014

SHARE DISTRIBUTION

Number of shares	Shareholders	Share of capital, %
1–500	3,448	1.3
501–1,000	765	0.9
1,001–5,000	940	3.0
5,001–10,000	136	1.4
10,001–15,000	50	0.8
15,001–20,000	28	0.7
20,001–	139	91.8
Total	**5,506**	**100**

Source: Euroclear as of 30 Dec 2014

Geographical distribution	Shareholders	Share of capital, %
Sweden	5,221	72.5
Norway	44	17.9
UK	33	6.9
Luxembourg	12	0.9
Ireland	78	0.8
Total other	118	1.1
Total	**5,506**	**100**

Source: Euroclear as of 30 Dec 2014

DIVIDEND

The Board of Directors of Gränges proposes a dividend of SEK 112 million, equivalent to SEK 1.50 per share for the 2014 financial year. The proposed dividend is equivalent to 35% of the net profit for the year 2014. The Board proposes Wednesday, 6 May 2015 as the record date for the dividend, which means that the dividend is expected to be disbursed on Monday, 11 May 2015.

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 pages 58–59.

ANALYSTS

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

Share data	2014	2013
Earnings, SEK	4.27	4.14
Equity, SEK	28.63	41.51
Cash flow from operating activities, SEK	9.08	8.05
Share price at end of period, SEK	51.00	–
Dividend, SEK[1)]	1.50	–
Dividend rate, %	35	–
Yield, %	2.9	–

[1)] The Board of Director's proposal to AGM 2015.

REPORT OF THE BOARD OF DIRECTORS

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 2014.

On 10 October 2014, Gränges was listed on Nasdaq Stockholm. The offering comprised existing shares sold by the principal owner Orkla at a rate of SEK 42.50 per share. In total, shares in the offering were sold for SEK 2.2 billion.

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 production efficiency during the customer manufacturing process as well as 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 include an increasing demand for products that offer more energy-efficient solutions and lower emissions.

Gränges has its headquarters in Stockholm, Sweden. The 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 about 220,000 tonnes in total.

Gränges has long-term customer relationships with global suppliers of heat exchangers to the automotive industry. During 2014, the company's seven largest customers accounted for 55% 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 Americas, the first half of the year are generally a little stronger than the second half of the year. Gränges' increased exposure to global markets has led to lower seasonal variations.

SALES

During 2014, sales volume reached 160.0 ktonnes (158.6), an increase of 1% compared to the previous year. Net sales amounted to SEK 4,748 million (4,642). The net effect of changes in foreign exchange rates was positive and amounted to SEK 160 million during 2014, while lower aluminium prices had a negative impact on net sales.

EARNINGS

During 2014, operating profit amounted to SEK 422 million (456). Operating profit for the previous year includes insurance compensation of SEK 136 million. Adjusted operating profit totalled SEK 463 million (371), corresponding to an adjusted operating margin of 9.7% (8.0). The improved earnings are mainly driven by internal improvements in internal efficiency and productivity, especially in the production facility in Finspång. The restructuring of the Swedish operations carried out in late 2013 had a positive impact on earnings in 2014. Increased head office costs and an impairment of a fixed asset of SEK 7 million had a negative impact on earnings. The net effect of changes in foreign exchange rates was positive and amounted to SEK 35 million during the year.

In 2014, net financial items amounted to SEK –5 million (–43), including a foreign exchange gain on a dividend from the subsidiary in Shanghai of SEK 25 million (0). Profit before tax amounted to SEK 420 million (418), including profits of joint ventures of SEK 3 million (5). Income tax during 2014 amounted to SEK –102 million (–109), which corresponds to an effective tax rate of 24% (26). 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.

Profit for the period increased to SEK 319 million (309) during 2014. Earnings per share, before and after dilution, amounted to SEK 4.27 (4.14).

CASH FLOW

During 2014, cash flow from operating activities amounted to SEK 678 million (601). Cash flow from operating activities includes insurance compensation of SEK 325 million (0) related to a fire in Finspång in 2010, of which SEK 13 million was paid to Sapa as compensation for a damaged building. Compared to the previous year, cash flow was negatively impacted by an increased working capital requirement due to higher aluminium prices and higher taxes paid.

During the year, cash flow from investing activities amounted to SEK –81 million (–151). Sale of property had a positive impact of SEK 14 million on cash flow from investing activities. Net cash flow before financing activities amounted to SEK 597 million (450) during 2014.

During 2014, cash flow from financing activities amounted to SEK –941 million (–88). Ahead of the listing of Gränges, a one-time dividend of SEK 1,650 million was paid to Orkla Industriinvesteringar, and a SEK 950 million loan was raised at the same time. Cash and cash equivalents amounted to SEK 644 million at 31 December 2014 (SEK 896 million at 31 December 2013).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 4,460 million at 31 December 2014 (SEK 4,626 million at 31 December 2013). The equity to assets ratio amounted to 47.9% at 31 December 2014 (67.0% at 31 December 2013).

Consolidated net debt including pension liabilities amounted to SEK 765 million at 31 December 2014 (net cash SEK 126 million at 31 December 2013). In September 2014, a one-time dividend was paid to Orkla Industriinvesteringar AB of SEK 1,650 million ahead of the listing, of which SEK 700 million was funded by existing cash balances and SEK 950 million via a loan from Orkla ASA. The loan from Orkla was subsequently replaced by external bank financing.

Gränges entered into a multicurrency credit facility of SEK 1,800 million, which came into force in conjunction with the IPO on 10 October 2014. The credit facility has a maturity of five years and will be used for general business purposes.

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

EMPLOYEES

The average number of employees in the Gränges Group was 952 (964) during 2014.

RESEARCH AND DEVELOPMENT

Gränges' research and development operations are conducted in proximity to the production facilities in Sweden and China. About 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 October 2014, Gränges hosted a technology seminar in China. Energy efficiency and more environmentally friendly emissions were in focus. The seminar, which is held every second year, was the eighth since Gränges started its operations in China in 1996. Delegates included some 300 people representing Gränges' key customers and partners in Asia.

ENVIRONMENTAL IMPACT AND SUSTAINABLE DEVELOPMENT

Gränges' environmental responsibility is based on minimising the environmental impact of its operations and the prevailing risks, both in relation to 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 a zero tolerance and takes an overall view in relation to health and safety, which is based on communication, training, review and reward. More information about Gränges' environmental and sustainability work may be found on pages 22–24.

EVENTS AFTER THE END OF THE YEAR

No signficant events have occurred after the end of the year and up to the beginning of March 2015, when the Board of Directors approved and signed this annual report.

OUTLOOK

The growth in global vehicle production softened at the end of 2014. This trend is expected to continue during the first half of 2015. Somewhat improved growth figures are expected during the second half of the year. Overall production of light vehicles is expected to increase by 2% during 2015, according to IHS Automotive.

Rising aluminium premiums is expected to have some negative impact during 2015, provided that the high premium levels remain. This means that there might be some time lag before Gränges receives full coverage for the entire premium cost. Meanwhile, the weakening of the Swedish krona is expected to have a positive impact during 2015.

Gränges has a leading global position and a clear growth strategy. Our aim is to secure and further strengthen our position with continued good profitability.

PARENT COMPANY

Gränges AB is the parent company of the Gränges Group. The operations include the Group Management and Group-wide functions such as accounting, treasury, legal and communication. The parent company has five directly or indirect owned subsidaries and is via subsidaries partner in two joint ventures.

Gränges AB is the former parent company of the Sapa Group. A legal split of the company took place in March 2013 when Gränges and Sapa became separate companies. As a consequence, the historical financial statements include Sapa operations through the first quarter of 2013. The lower costs in 2014 are partly explained by the fact that costs related to Sapa ar included in the first quarter of 2013, and partly by a loss in connection with a disposal of property in 2013.

During 2014, net sales in the parent company totalled SEK 95 million (152) and the profit for the period was SEK 108 million (383).

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 1,339,775 SEK. Gränges only has one class of shares. Ahead of the listing 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 split of the company's shares was carried out.

Until the IPO, Gränges was a wholly-owned subsidiary of Norway-based Orkla. The listing meant that Orkla reduced its holdings to 31.0% of the capital through a sale of existing shares. On 31 December 2014, the following shareholders owned more than 10% of Gränges' capital and votes.

Orkla Industriinvesteringar AB	23,138,286	31.0%
Lannebo Fonder	8,797,863	11.8%

Ahead of the IPO, 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.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

Senior executives in this paragraph refers to the CEO and the other seven members of the company's Group Management team. In 2014, the Group Management was expanded by two persons. On 1 September 2014, Niclas Nelson took over as Gränges' General Counsel and on 15 September 2014, Pernilla Grennfelt joined the company as Director of Communications and Investor Relations.

For information about personnel expenses and remuneration to senior executives during 2014, see Note 8 to the consolidated accounts.

Decisions regarding levels of compensation during 2014 and other terms of employment for the company's CEO, were taken by the Board of Directors which is elected until the Annual General Meeting 2015. For 2014, the CEO in addition to basic salary, is entitled to variable remuneration which is based on results achieved in relation to the set targets and is made up of two components, a short-term incentive programme (STI) and a long-term incentive programme (LTI). The renumeration from the short-term incentive programme can amount to a maximum of 100% of the basic salary for the CEO and to 67% of the basic salary for the other senior executives.

Long-tem share-based payment

Through a resolution passed at an Extraordinary General Meeting before the IPO on 10 October 2014, the remuneration to senior executives and other key people was supplemented during the year with an employee incentive programme (LTI 2014). The programme comprises a total of 1,000,000 employee stock options and has a term of two years and can then be exercised during a period of 12 months. The programme aims to promote and encourage loyalty to the company by aligning personal interests with those of the shareholders.

To participate in the programme, senior executives and other key people must still be employed in the company when the conversion period expires. The programme has a ceiling equivalent to three times the annual salary for each employee.

THE BOARD'S PROPOSED GUIDELINES AHEAD OF THE ANNUAL GENERAL MEETING 2015

Ahead of the Annual General Meeting 2015, the Board has drawn up proposed guidelines for remuneration to senior executives. The proposal suggests that remuneration should consist of fixed salary, variable remuneration, other benefits and pension. In order to be able to attract and retain competencies, Gränges aims to offer its employees an attractive and competitive fixed salary. The salary level depends on the proportions and complexity of the actual position and the annual performance of the individual.

OPERATING RISKS AND UNCERTAINTY FACTORS

Gränges is primarily exposed to risks in the following areas:

BUSINESS RISKS

Automotive market development

About 90% of Gränges' sales volume goes to suppliers in the automotive industry. Vehicle production in turn is dependent on a number of external factors such as the economic situation, 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.

Health and safety

Casting houses and rolling mills are working 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 processes 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.

Environmental impact

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 carries on the operations is also responsible for cleaning up the land.

Access to aluminium and other metals
Gränges is dependent on access to input goods, especially aluminium. Insufficient access to slabs means that Gränges cannot produce certain alloys. In the future, high quality slabs at the right price may be difficult to source because it is not a standardised commodity but requires specially qualified suppliers.

FINANCIAL RISKS
Gränges main financial risks are described in brief below. For a more comprehensive description see Note 25.

Currency risk
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.

Commodity price risk
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 the London Metal Exchange, LME, in London or on the Shanghai Future Exchange, SHFE, in Shanghai. Gränges' revenue model means that the aluminium cost is passed on to the customer through adjustment in agreements both with customers and with 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 aluminium price.

Interest rate risk
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.

Liquidity risk
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 a group level. By monitoring liquidity flows in the short and long term, Gränges maintains good financial readiness.

Credit risk
The management of credit risk related to trade receivables 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.

OTHER RISKS
Qualified personnel
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.

Compliance with regulations
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.

Clear values
As a public company far-reaching requirements are imposed in respect of conduct, ethics and transparency. Gränges has adopted a Code of Conduct, policies and guidelines and shared 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.

CORPORATE GOVERNANCE REPORT 2014

COMMENTS BY THE CHAIRMAN

Dear shareholders, as Chairman of Gränges, I would like to take this opportunity to offer some brief reflections about the past year.

Last year's listing of Gränges, means that we are now operating in a public environment with a large number of new shareholders. It is gratifying to note that we have received great interest in our business to date and that we can now count a number of long-term funds among our largest shareholders – which have stated their support for our goals and our strategies. As a Board, we feel a great responsibility to realise these commitments in the best possible way.

In 2014, a lot of the Board's time was devoted to creating the routines and formal work plans required in a listed company. In this way, we have laid the foundations for good corporate governance, through routines for financial reporting, internal control, policies and sustainability work, among other ways. Today the work of the Board is functioning very well, with a well-balanced mix of competencies and experience.

Other questions for the Board have related to the internal work on improving efficiency, which is continually ongoing at our production facilities. It is a matter of continuously improving and streamlining our operations in order to remain competitive on the global market. Another important area for the Board is about safeguarding competencies in the organisation and we can state that Gränges has a committed and experienced Management team, under the leadership of CEO Johan Menckel.

Today Gränges has a strong global position in its market niche. Our mission in the Board is to create the conditions to strengthen this position further. One of the most important questions we have to deal with during the coming year is how we will continue to develop Gränges' business and take advantage of our competencies in rolled aluminium.

Stockholm in February 2015

Anders G Carlberg
Chairman of the Board

Gränges AB was listed on Nasdaq Stockholm on 10 October 2014. The work of the Board of Directors and the Management team during 2014 was dominated by preparations ahead of the coming IPO. During the year, new routines were implemented, new policies adopted and new Group functions were established. As Gränges is listed on Nasdaq Stockholm in the Mid Cap segment, the company is subject to Nasdaq Stockholm's rules for issuers and applies the Swedish Code of Corporate Governance (the "Code").

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 the Swedish listed companies by promoting a positive development of corporate governance in these enterprises.

ORGANISATION

The Group's operations during 2014 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 and has its registered office in Stockholm with headquarters at Humlegårdsgatan 19 A in Stockholm.

LIST OF EXTERNAL AND INTERNAL RULES AND REGULATIONS AND POLICIES AFFECTING CORPORATE GOVERNANCE

Internal rules and regulations and policies

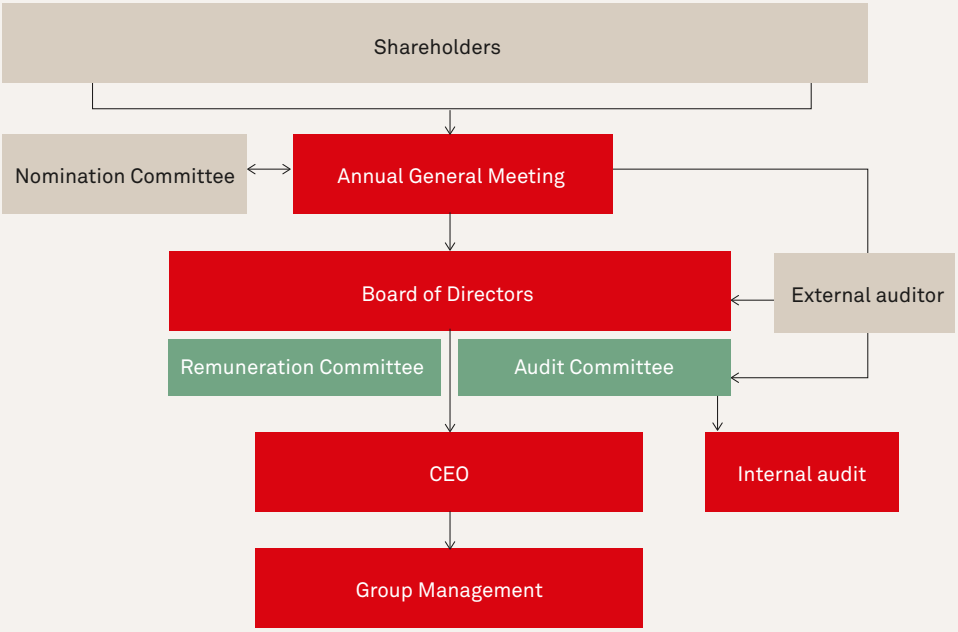
- Articles of Association
- The formal work plan of the Board including instructions to the CEO and instructions to committees
- Policies, relating to internal financial control, among other areas
- Code of Conduct (business ethics rules)

External rules and regulations

- Swedish Companies Act
- Swedish Bookkeeping Act
- Swedish Annual Accounts Act
- International Financial Reporting Standards (IFRS)
- Rules for issuers on Nasdaq Stockholm
- Swedish Code of Corporate Governance (www.bolagsstyrning.se)

THE CODE AND ANY DEVIATIONS FROM IT

Since 1 February 2010, all companies whose shares 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 comply or explain, which means that a company may deviate from the Code's provisions without this constituting a breach of the Code itself. However, a company that does not apply a provision must provide a good explanation as to why it has chosen not to do so.



Gränges was listed on Nasdaq Stockholm on 10 October 2014 and it was therefore not possible to establish a Nomination Committee in the manner prescribed by the Code. A deviation from the Code has occurred as regards how the Nomination Committee has been constituted, which is a question for the Annual General Meeting (AGM), and the date for when the Nomination Committee's members with contact information must be stated on the company's website, which under the Code should occur no later than six months before the AGM. A review of the share register in Gränges on 31 October 2014, confirmed the identities of the three largest shareholders in the company. The Chairman of the Board has subsequently investigated the possibility of these owners participating in the work of the Nomination Committee and serving on the Nomination Committee, in addition to him, ahead of the AGM 2015. The Nomination Committee was in fact appointed in this manner and was announced on the company's website on 21 November 2014. For the reasons stated, the company thus believes that the deviations from items 2.1 and 2.5 of the Code are justified primarily by the fact that the company did not have to apply the code before 10 October 2014.

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 5,506 at 31 December 2014. Orkla Industriinvesteringar AB was the largest shareholder followed by Lannebo Fonder, Fjärde AP-Fonden and AFA Försäkring. Of the shareholders, 62.6% of shareholders held 500 shares or less and the ten largest shareholders held 70,0% of the total number of shares. The share of foreign ownership amounted to 28.5%. A detailed table showing share ownership as of 31 December 2014 may be found on page 29. Shareholdings of Board members and the company management are shown in the table on page 38.

Of the company's shareholders, Orkla Industriinvesteringar AB and Lannebo Fonder both 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 AGM has not authorised the Board to resolve that the company should issue new shares or acquire its own shares.

THE 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. At the AGM, the shareholders resolve on the following items, among others:

- Adoption of the annual accounts and consolidated accounts.
- Appropriation of the company's profit.
- Discharge from liability for the Board and the CEO.
- Election of the Board, its Chairman and appointment of auditor. The Articles of Association prescribe that the appointment of Board members shall occur at the company's AGM. The Articles of Association do not contain any provisions regarding dismissal of Board members or regarding amendment of the Articles of Association.
- Appoints members of the Nomination Committee or the principles for its composition.
- Remuneration to the Board of Directors and auditor.
- Guidelines for remuneration to the CEO and other senior executives including any share-based incentive programme.
- Resolutions on issuance of new shares or mandate to the Board concerning this.

GENERAL MEETINGS DURING 2014

The company held its AGM on 20 May 2014 as well as three Extraordinary General Meetings (EGMs) during 2014. All general meetings took place during the period before the IPO and thus Orkla Industriinvesteringar AB represented all shares at the meetings.

At the AGM on 20 May, Terje Andersen, Anders G. Carlberg, Svein Tore Holsether and Beatriz Malo de Molina Laborde were elected as Board members with Terje Andersen as Chairman. Ernst&Young AB were appointed at the Orkla Group holding company's general meeting of shareholders as auditing firm, which for Gränges meant that the authorised public accountant Erik Sandström was appointed as chief auditor.

At an EGM on 23 May, the share capital was reduced by SEK 832,992,325 to SEK 100,000,000 and a reserve fund of SEK 262,381,905 was dissolved.

At an EGM on 17 June, the Board members Holsether and Malo de Molina Laborde were discharged and Bertil Villard and Ragnhild Wiborg were elected. Anders G. Carlberg was elected Chairman.

At an EGM on 2 September 2014, Carina Andersson was elected as a Board member. It was further resolved

- to pay a dividend to Orkla Industriinvesteringar AB of SEK 1,650,000,000, equivalent to SEK 44.21 per share,
- to carry out a 2:1 share split,
- to approve an employee incentive programme to senior executives, to the effect that a maximum of 25 persons in the company were offered employee stock options with the possibility, the day after the interim report for the third quarter 2016, and until two weeks after the interim report for the third quarter 2017, to acquire one share per stock option at a price equivalent to 120% of the share's introduction price of SEK 42.50 (i.e. SEK 51) and
- to approve the directors' fees.

NOMINATION COMMITTEE

The duties of the Nomination Committee before the AGM include proposing the Chairman of the Board, Board members,

auditor, chairman of the AGM, directors' fees, fees for committee work and fees to the auditor. The Nomination Committee shall also propose principles for the composition of the Nomination Committee.

How the Nomination Committee is composed ahead of the AGM 2015 and how it was announced on www.granges.com has been described above in the section concerning the Code and any deviations from it.

NOMINATION COMMITTEE AHEAD OF THE AGM 2015

Appointed by/name	% of the votes 31 Dec 2014
Orkla Industriinvesteringar AB/ Mikael Aru	31.0
Lannebo Fonder/ Claes Murander	11.8
Fjärde AP-fonden/ Jannis Kitsakis	7.8
Anders G. Carlberg – Chairman of Gränges' Board of Directors	

Shareholders had until 31 January 2015 to submit proposals and viewpoints to the Nomination Committee. The Nomination Committee's proposals are published in the notice convening the AGM. In connection with notice being issued, the Nomination Committee provided a reasoned statement to the proposal for the Board and other matters it has to prepare.

WORK OF THE NOMINATION COMMITTEE AHEAD OF THE AGM 2015

Since the Nomination Committee was constituted in the autumn of 2014, it has met on two occasions. The Chairman of the Board explained to the Nomination Committee that since the members of the company's Board joined on a continual basis and the company was only listed on Nasdaq Stockholm since 10 October, that no customary annual evaluation of the Board and CEO was carried out, and will not be carried out, in respect of 2014.

The Nomination Committee has confirmed that the composition of the Board is satisfactory from a gender distribution perspective. The Nomination Committee works continually on identification and evaluation of potential new Board members.

RESPONSIBILITY OF THE BOARD

The overriding duty of the Board is to manage the affairs of the company in the best possible way. The Board shall continually assess the Group's financial situation and evaluate the operational management. The Board decides on questions including the Group's strategic direction and organisation and resolves on important acquisitions, investments or disposals. Every year, based on the proposal of the Remuneration Committee, the Board shall prepare proposed guidelines for determination of salaries and other remuneration to the CEO and other members of the company's management for resolution at the AGM.

THE FORMAL WORK PLAN OF THE BOARD OF DIRECTORS

Each year the Board adopts a formal work plan including a CEO instruction, which governs the division of work between the Board and the CEO.

The formal work plan also governs how the board work should be divided among the Board 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, the Group's results and 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.

CHAIRMAN OF THE BOARD

The Chairman 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, has been entrusted with a special responsibility in respect of communication with the capital market. In addition, the Chairman is responsible for the day-to-day contact with the CEO and for ensuring that the Board as such fulfils its duties and obligations.

COMPOSITION OF THE BOARD OF DIRECTORS

Under the Articles of Association, the Board should be composed of not less than four (4) and not more than eight (8) members elected by the general meeting of shareholders with not more than four (4) deputy members. The Board constitutes a quorum when more than half of the Board members (including members appointed by the employees) are present. The Board considering the company's operations, phase of development and circumstances in general, should have an appropriate composition characterised by versatility and breadth as regards the competence, experience and background of members.

THE WORK OF THE BOARD IN 2014

During 2014, twelve (12) recorded meetings were held and the Board was competent to take decisions at all meetings. During the period from 10 October until year-end 2014, i.e. when the company's shares had been introduced on Nasdaq Stockholm, three (3) Board meetings were held. The secretary to the Board since 1 September 2014, has been Gränges' General Counsel, Niclas Nelson, who is not a member of the Board.

A large number of Board meetings were held in connection with the IPO and the work surrounding it. This work largely concentrated on creating the structure and on putting the instruments in place that are required by a listed company.

AUDITORS

According to the Articles of Association, Gränges AB should have not less than one and not more than two auditors. Registered auditing firms may be appointed as auditor. At the general meeting of shareholders of the Orkla Group's holding company, Ernst & Young AB was appointed, which for Gränges meant that Erik Sandström became chief auditor until the AGM 2015.

The external audit of the parent company and Group accounts and of the administration of the Board and CEO was 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 meets the entire Board once every year. Regarding fees to the auditor, refer to Note 9.

REMUNERATION COMMITTEE

Duties

In addition to the Chairman of the Board, the Remuneration Committee shall consist of one or more Board members elected by the general meeting, who shall be independent in relation to the company and the company 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 proposals for the Board 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 the company management and also following and evaluating the application of these principles. The Remuneration Committee shall also follow and evaluate programmes for variable remuneration to the company 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 serves as the secretary to the Committee.

The work 2014

During 2014, the work of the Remuneration Committee included drawing up the employee incentive programme, which the EGM approved on 2 September 2014.

BOARD ATTENDANCE AND REMUNERATION

Name	Independent in relation to the company/ owners	Attendance Audit	Attendance Remuneration	Attendance Board meetings	Directors' fees	Fees Audit Committee	Fees Remuneration Committee	Total fees
Anders G. Carlberg	Yes		1/1	12/12	550,000[3]		50,000	600,000
Terje Andersen	No	4/4	1/1	12/12	275,000	40,000	25,000	340,000
Bertil Villard[1]	Yes	4/4	1/1	8/9	275,000	40,000	25,000	340,000
Ragnhild Wiborg[1]	Yes	4/4		8/9	275,000	130,000[3]		405,000
Carina Andersson[2]	Yes			3/4	210,000			210,000
Öystein Larsen	Empl. rep.			12/12	60,000[4]			60,000
Konny Svensson	Empl. rep.			12/12	60,000[4]			60,000
Claudi Martin Callizo	Dep. Empl. rep.			10/11	60,000[4]			60,000
Tommy Andersson	Dep. Empl. rep.			11/12	60,000[4]			60,000

[1] Elected to the Board at the EGM on 17 June 2014.
[2] Elected to the Board at the EGM on 2 September 2014.
[3] Special remuneration of SEK 50,000 to the Chairman of the Board and Audit Committee in view of the extra work related to the IPO.
[4] Of which SEK 20,000 was extra remuneration in connection with the work related the IPO.

AUDIT COMMITTEE

Duties

According to the formal work plan of the Board, the Audit Committee should consist of at least three (3) Board members elected by the general meeting. The members may not be employees of the company. The majority of the members should be independent in relation to the company and the company 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 Committee continually meets the company's auditors and evaluates the auditing work. The company's CFO presents reports to the Committee.

There is an established risk management process in the company that is based on production processes and flows. The Audit Committee considers the risk areas that have been identified (both business risk and 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 among other things, is based on the risks that have emerged in the risk management process. 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.

The work 2014

During 2014, the Audit Committee has established the routines and structures required in a listed environment. The focus has been on ensuring quality in the financial information that was released to potential investors in connection with the IPO and after that continuing this work before the production of the Q3 and Q4 reports. In addition to this, the Committee developed an audit plan together with the auditors and held consultations with the auditors about the internal control and the audit of the annual accounts.

THE GROUP MANAGEMENT'S WORK AND RESPONSIBILITY

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 larger investments are prepared by the Group Management for resolution by the Board.

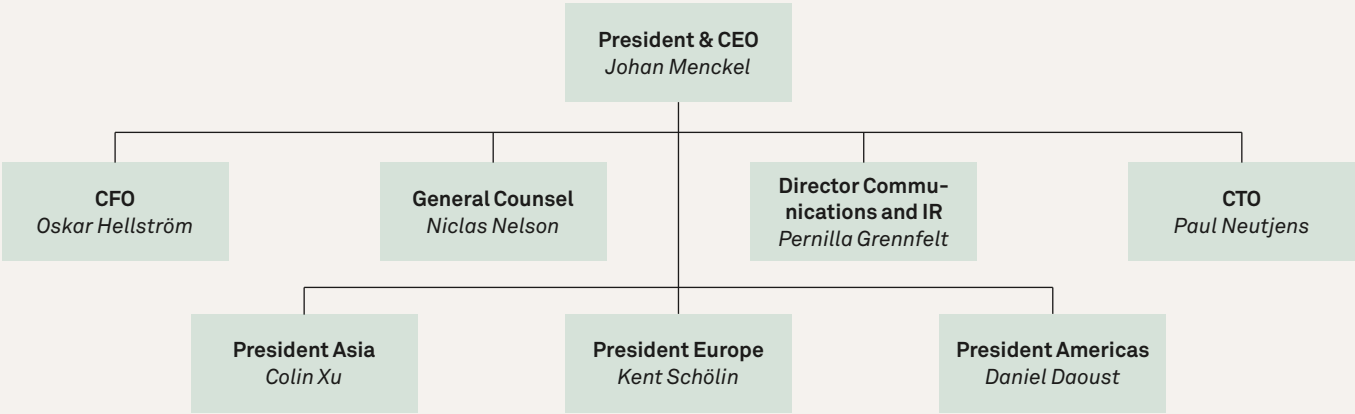
The CEO is responsible for the day-to-day management of the company in accordance with the Board's guidelines and instructions. On 31 December 2014, the Group Management was composed of eight (8) people, including the CEO, President Europe, President Asia and President Americas, CFO, CTO, General Counsel and Director Communications and Investor Relations.

The Group Management holds monthly meetings in order to follow up the Group's and subsidiaries' results and financial position.

Other questions dealt with at Group Management meetings include strategic issues and 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 employee representatives also serve on these boards. The boards of the subsidiaries monitor the day-to-day operations and approve the budgets and strategies of each subsidiary.

GUIDELINES FOR REMUNERATION

Guidelines for remuneration have been drawn up by the Remuneration Committee in early 2015. These are described on page 59 and will be presented in their entirety in the decision data before the AGM on 4 May 2015.



THE BOARD'S DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT REGARDING THE FINANCIAL REPORTING

Gränges' Board is responsible for the internal control under the Swedish Companies Act and the Code. The internal control shall ensure that the external financial reporting with reasonable certainty is reliable and prepared in accordance with generally accepted auditing standards, that applicable laws and regulations are followed and that requirements on listed companies are complied with. This account was prepared in accordance with the Swedish Annual Accounts Act.

Framework for internal control and risk management regarding the 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 over financial reporting is based on five components. The five components are: control environment, risk assessment, control activities, information and communication and monitoring. Gränges' internal control process is designed with reasonable certainty to ensure 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 on listed companies in Sweden. This is dependent on a good control environment, reliable risk assessments, established control activities and that information and communication and monitoring work in a satisfactory manner.

Control environment

The control environment is defined by the organisational structure, the 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 over 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 allocated 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 under way to further develop group-wide policies and manuals. These policies and manuals include the Financial Management Directive, Metal Management Directive, Group Accounting Manual and the Instruction for Financial Reporting. Apart from the above, there are important group-wide steering documents such as the information policy, the Group's authorisation manual and Code of Conduct (business ethics rules). Starting in 2014 and continuing during 2015, a large portion of the Group's approximately 950 employees will participate in training relating to the Code of Conduct. To further strengthen the internal control and risk management, a Whistleblower function was established during 2014, through which 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.

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 integrated part of the day-to-day reporting to the Group Management and Board, which forms the basis for the assessment of risks of errors in the financial reporting. Gränges' operations are defined by processes with established routines and systems. The risk assessment thus largely occurs within the framework of these processes. At Group level, overall risk assessments are performed. 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 as well as interest rate and credit risks are mainly handled by the parent company's finance department in accordance with the Financial Management Directive, Metal Management Directive, Group Accounting Manual and the Instruction for Financial Reporting.

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 indentified in the risk assessment. Depending on the character and type of control activity, corrective action, implementation, documentation and quality assurance occurs 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 over financial reporting. Most controls and processes are automated and access to 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 onwards in the company. Monitoring by the Group Management occurs through regular meetings with the heads of subsidiaries, among other ways, regarding the operations, the financial posi-

tion and results as well as financial and operating key ratios. The Board continually analyses operating reports 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 risks of errors in the financial reporting.

The closing of the books and annual accounts work are processes where further risks arise for errors in the financial reporting. This work quite naturally is of a less repetitive nature and usually 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 income statement and balance sheet items are specified and commented on.

Information and communication

Gränges' financial reporting follows the Group's guidelines and policies and is updated and communicated regularly by the Management to all the employees concerned. The accounting function has an operating responsibility for the 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, 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 Authority.

Monitoring

The Board's monitoring of the internal control over 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 2014, 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

AUDITOR

ERIK SANDSTRÖM
Born: 1975.
Auditor in charge.
EY

1 ANDERS G CARLBERG
Chairman
Born: 1943.
M.Sc. in Business Administration. Elected to the Board, 2014.
Chairman of the Remuneration Committee.

Chairman of Herenco AB. Board member of Erik Penser AB, Investmentbolaget Latour AB, Sweco AB, AxFast AB, Recipharm AB and of Beijer Alma AB.
Previous positions: CEO of J.S. Saba, CEO of Nobel Industrier, CEO of Axel Johnson International, vice CEO of SSAB and other companies. Board member of Sapa 2002–2013.
Shareholding: 35,294 shares

2 TERJE ANDERSEN
Board member
Born: 1958.
M.Sc. in Business Administration. Elected to the Board, 2009.
Member of the Audit Committee and the Remuneration Committee.

Group Manager of Orkla Investments, Orkla ASA. Chairman of Orkla Energi AS, Industriinvesteringar AB, 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.
Shareholding: 2,352 shares

3 CARINA ANDERSSON
Board member
Born: 1964.
M.Sc. Material Science. Elected to the Board, 2014.

Board member of Beijer Alma AB and SinterCast AB.
Previous positions: Sandvik Materials Technology, CEO of Ramnäs Bruk AB and CEO of Scana Ramnäs AB. Board member of Mälardalens Högskola and chairman of Sandvik Powdermet, Sandvik Osprey and Sandvik RiserTechnology.
Shareholding: 2,352 shares

4 BERTIL VILLARD
Board member
Born: 1952.
Master of Laws. Elected to the Board, 2014. Member of the Audit Committee and the Remuneration Committee.

Partner in Advokatbyrån Vinge AB. Chairman of Landsort Care AB (1-3). Board member of Cleanergy AB, Auriant Mining AB, Mercuri International Group AB, Novestra AB and of Prior & Nilsson Fond- och Kapitalförvaltning.
Previous positions: Head of Corporate Finance at Alfred Berg Fondkommission AB, General Counsel at Esselte AB, and other companies.
Shareholding: 35,294 shares

5 RAGNHILD WIBORG
Board member
Born: 1961.
M.Sc. in Business Administration. Elected to the Board, 2014.
Chairman of the Audit Committee.

Board member of Kistefos AS, RECSilicon ASA, Borregaard ASA, IMSkaugen 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.
Shareholding: 1,176 shares

EMPLOYEE REPRESENTATIVES

1 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

2 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. Twelve years' experience of Board work. Employee representative of IF Metall.
Shareholding: 235 shares

3 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

4 CLAUDI MARTIN CALLIZO
Deputy employee representative
Born: 1979.
M.Sc. Material Science and Doctor 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

1 JOHAN MENCKEL
CEO
Born: 1971
Member of the Management Team since 2013. M.Sc. Engineering. Consultant at Accenture, 1996-2004. Management positions at Sapa Heat Transfer, 2004-2006. MD of Sapa Heat Transfer Shanghai, 2007-2010. Business Area President of Sapa Profiles Asia, 2011-2012. CEO of Sapa Heat Transfer, 2012-2013. CEO of Gränges since 2013.
Other assignments: Member of the Board of Directors in Svenska Postkodföreningen AB
Holding: 28,235 shares, 200,000 employee stock options[1)]

3 PERNILLA GRENNFELT
Director Communication and Investor Relations
Born: 1970
Member of the Management Team since 2014. B. Sc. Economics. Advisor at Matteus Fondkommission, 1996-1999. Journalist and Editor at New Agency Direkt, 1999-2005. Head of Investor Relations at Hakon Invest, 2005-2013. IR Manger at ICA Gruppen, 2013-2014. Director Communication and Investor Relations at Gränges since 2014.
Holding: 4,705 shares, 40,000 employee stock options[1)]

5 NICLAS NELSON
General Counsel
Born: 1964
Member of the Management Team since 2014. LL.B. Law Clerk at City Court of Malmö, 1990-1992. Associate at Vinge, 1992-1993. Attorney at Hökerberg & Söderqvist Advokatbyrå, 1993-1998. Legal Counsel at ABB, 1998-2002. Associate General Counsel at Autoliv, 2002-2014. General Counsel at Gränges since 2014.
Other assignments: Member of the Board of Directors of SWERMA
Holding: 4,705 shares, 40,000 employee stock options[1)]

7 KENT SCHÖLIN
President Europe
Born: 1964
Member of the Management Board since 2013. M.Sc. in Engineering, Material Science. Research engineer at Gränges Technology 1989-1994. Several management positions at Sapa Heat Transfer, 1994-2004. CEO of Gunnebo Gateway, 2005-2012. President for Sapa Heat Transfer Finspång, 2012-2013. President for Gränges Europe since 2013.
Holding: 4,705 shares, 100,000 stock options[1)]

2 DANIEL DAOUST
President Americas
Born: 1957
Member of the Management Team since 2013. B.Sc. Engineering, Metallurgical Science. Several leading positions Aleris Aluminum Rolled Products Canada, 1988-2008. Regional Manager for Sapa Heat Transfer North America, 2009-2013. President Gränges Americas since 2013.
Holding: 0 shares

4 OSKAR HELLSTRÖM
CFO
Born: 1979
Member of the Management Team since 2013. M.Sc. Engineering and B.Sc. Economics. Consultant at Booz Allen Hamilton, 2005-2008. Strategy Manager at Sapa Group, 2008-2009. Director Group Development & Control at Sapa Group, 2009-2011. CFO of Sapa Heat Transfer, 2011-2013. CFO of Gränges since 2013.
Holding: 11,764 shares, 125,000 employee stock options[1)]

6 PAUL NEUTJENS
CTO
Born: 1959
Member of the Management Team since 2013. M.Sc. Engineering, Metallurgy and Applied Material Science. Several management positions at Hoogovens Aluminium, 1986-1994. Several management positions at Alcoa, 1994-2007. Director of Lean Production at Sapa Profiles Europe, 2007-2010. Strategic Project Director at Sapa Heat Transfer, 2011-2012. CTO at Gränges since 2013.
Holding: 0 shares

8 COLIN XU
President Asia
Born: 1976
Member of the Management Team since 2013. M.Sc. Economics and Business Administration, MBA. Several leading management positions at Sapa Heat Transfer Shanghai, 2003-2010. President for Sapa Heat Transfer Shanghai, 2011-2013. President for Gränges Asia since 2013.
Holding: 0 shares, 100,000 stock options[1)]

[1)] See note 8.

CONTENT
FINANCIAL STATEMENTS

GROUP

Consolidated income statement	47
Consolidated statement of comprehensive income	48
Consolidated balance sheet	49
Consolidated statement of changes in equity	50
Consolidated cash flow statement	51
Definitions	83
Four-year summary	84
Proposed appropriation of retained earnings	86
Auditor's report	87

PARENT COMPANY

Parent company income statement	73
Parent company balance sheet	74
Statements of changes in equity	76
Parent company cash flow statement	77

NOTES GROUP

Note 1	General information	52
Note 2	Basis of preparation of consolidated financial statements	52
Note 3	New accounting standards	53
Note 4	Accounting standards	53
Note 5	Use of estimates and assumptions in preparing the consolidated financial statements	56
Note 6	Investments accounted for using the equity method	57
Note 7	Geographic breakdown of net sales, non-current assets and number of employees	57
Note 8	Payroll expenses	58
Note 9	Remuneration of auditors	60
Note 10	Pensions	60
Note 11	Other operating expenses	61
Note 12	Items affecting comparability	61
Note 13	Financial income and expenses	61
Note 14	Taxes	61
Note 15	Earnings per share	62
Note 16	Intangible assets	63
Note 17	Property, plant and equipment	63
Note 18	Inventories	64
Note 19	Overview of financial instruments	64
Note 20	Current receivables	65
Note 21	Cash and cash equivalents	66
Note 22	Other liabilities	66
Note 23	Capital management	66
Note 24	Financing and interest-bearing liabilities	66
Note 25	Financial risk	66
Note 26	Derivaties and hedging	70
Note 27	Share capital	71
Note 28	Leasing	71
Note 29	Pledged assets, guarantees and contingent liabilities	72
Note 30	Related-party transactions	72
Note 31	Events after the balance sheet date	72

NOTES PARENT COMPANY

Note 1	Accounting principles	78
Note 2	Financial risk management	78
Note 3	Breakdown of net sales by area of operation	78
Note 4	Other operating revenue and operating expenses	79
Note 5	Operating lease payments	79
Note 6	Remuneration of auditors	79
Note 7	Payroll expenses	79
Note 8	Interest income and similar items	79
Note 9	Interest expenses and similar items	79
Note 10	Taxes	80
Note 11	Property, plant and equipment	80
Note 12	Participations in Group companies	81
Note 13	Provision for pension and similar obligations	81
Note 14	Non-current liabilities	81
Note 15	Accrued expenses and deferred income	81
Note 16	Pledged assets	81
Note 17	Contingent liabilities	81
Note 18	Related-party transactions	82
Note 19	Other items without cash flow effect	82
Note 20	Demerger	82

CONSOLIDATED INCOME STATEMENT

SEK million	Note	2014	2013
Sales revenues	30	4,739	4,628
Other operating revenues		9	14
Net sales	**7**	**4,748**	**4,642**
Cost of materials		–2,819	–2,806
Payroll expenses	8, 10	–444	–418
Other operating expenses	11	–821	–860
Depreciation and impairment charges	17	–201	–187
Other income and expenses	12	–41	85
Operating profit		**422**	**456**
Profit from joint ventures	6	3	5
Financial income	13	35	5
Financial costs	13	–40	–48
Profit before taxes		**420**	**418**
Taxes	14	–102	–109
Profit for the period		**319**	**309**
Profit for the period attributable to owners of the parent		319	309
Adjusted operating profit[1)]		463	371

[1)] Operating profit before items affecting comparability

EARNINGS PER SHARE

Amounts in SEK	Note	2014	2013
Earnings per share, before and after dilution	15	4.27	4.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	2014	2013
Profit for the period		319	309
Items not to be reclassified to profit/loss in subsequent periods			
Actuarial gains and losses pensions before tax	10	–26	10
Tax on above		6	–2
Items to be reclassified to profit/loss in subsequent periods			
Change in hedging reserve before tax	26	–27	–20
Tax on above		6	4
Translation effects		285	25
Comprehensive income for the period attributable to owners of the parent		**563**	**327**

CONSOLIDATED BALANCE SHEET

SEK million	Note	2014	2013
ASSETS			
Property, plant and equipment	17	1,713	1,661
Intangible assets	16	11	13
Deferred tax assets	14	44	34
Interests in joint ventures	6	30	25
Interest-bearing receivables	19, 24, 30	31	26
Non-current assets		**1,829**	**1,759**
Inventories	18	815	680
Receivables	20, 30	1,172	1,291
Cash and cash equivalents	21	644	896
Current assets		**2,631**	**2,867**
TOTAL ASSETS		**4,460**	**4,626**
EQUITY AND LIABILITIES			
Share capital	27	100	933
Other paid-in equity		–	262
Retained earnings		2,037	1,903
Equity		**2,137**	**3,098**
Deferred tax liabilities	14	32	16
Pension liabilities	10	146	119
Interest-bearing liabilities	19, 24	892	265
Non-current liabilities		**1,071**	**400**
Interest-bearing liabilities	19, 24	401	412
Current tax liabilities	14	131	94
Other liabilities	22	722	622
Current liabilities		**1,253**	**1,128**
TOTAL EQUITY AND LIABILITIES		**4,460**	**4,626**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Other paid in equity	Hedging reserve	Translation effects	Retained earnings	Total equity
Opening balance, 1 January 2013	**933**	**262**	**10**	**120**	**883**	**2,208**
Profit for the year	–	–	–	–	*309*	*309*
Items in comprehensive income	–	–	*–15*	*25*	*8*	*18*
Group comprehensive income	**–**	**–**	**–15**	**25**	**317**	**327**
Group and shareholder contributions	–	–	–	–	563	563
Closing balance, 31 December 2013	**933**	**262**	**–5**	**145**	**1,763**	**3,098**
Opening balance, 1 January 2014						
Profit for the year	–	–	–	–	*319*	*319*
Items in comprehensive income	–	–	*–21*	*285*	*–20*	*244*
Group comprehensive income	**–**	**–**	**–21**	**285**	**299**	**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**	**430**	**1,633**	**2,137**

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	2014	2013
Operating profit		422	456
Depreciation and impairment charges		201	194
Other items without cash flow effect	12	–	–136
Change in net working capital etc.		144	118
Income tax paid (net)		–88	–31
Cash flow from operating activities		**678**	**601**
Investments in property, plant and equipment and intangible assets	16, 17	–94	–125
Divestment of property, plant and equipment		14	5
Investments in joint ventures and associated companies	6	0	–5
Other capital transactions		–1	–26
Cash flow from investing activities		**–81**	**–151**
Dividend and group contributions (net paid to/received from shareholders)		–1,524	567
Interest paid/received (net)	13	–28	–43
Change in interest-bearing liabilities		616	–586
Change in interest-bearing receivables		–5	–26
Net change in interest-bearing liabilities/receivables		611	–612
Cash flow from financing activities		**–941**	**–88**
Cash flow for the year		**–344**	**362**
Cash and cash equivalents at 1 January		**896**	**527**
Cash flow for the year		–344	362
Exchange rate difference in cash and cash equivalents		92	7
Cash and cash equivalents at 31 December	**21**	**644**	**896**

NOTES – CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

Gränges AB (the parent company) and its subsidiaries (together called the Group) develops, manufactures and markets rolled aluminium material for production of heat exchangers. The Group has researc h 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. Until 2013, Gränges was a part of the Sapa Group, operating under the name of Sapa Heat Transfer.

This document was approved for publication by the Board of Directors of Gränges on 6 March 2015.

Note 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.

The legal Gränges Group was established through a demerger of the former Sapa Group into Sapa and Gränges, which was finalised in March 2013. This was a common control transaction resulting in no change in control. The demerger resulted in two separate legal entities (Gränges AB and New Sapa AB) that already, prior to the demerger, were managed and operated separately. In other words, economically the two new entities are continuations of their respective businesses, and none of them are continuations of the business of the former entity.

The legal demerger has meant that the parent company Gränges AB's accounts in the preparation of the consolidated accounts for the financial year 2013 have been adjusted for the parts pertaining to the Sapa operations for the period January-March 2013. The activities of the parent company during this period mainly comprised parent company functions.

The subsidiaries of the Gränges Group already reported as separate entities in the old Sapa structure. This means that the demerger has neither affected the operations nor the accounting of the subsidiaries included in the Gränges Group for the period. For further information on the demerger, see Note 20 to the parent company (financial statements).

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.

Assets whose value no longer corresponds to their carrying amount are impaired to the recoverable amount, which is the higher of value in use and fair value less selling expenses.

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 million SEK (SEKm). 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 PRINCIPLES

The year-end financial statements show the Group's overall financial results and financial position, presenting the parent company Gränges AB and its controlling interest in other companies as a single economic unit. All companies have consistently applied the same accounting principles and all intra-group transactions have been eliminated.

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. The criterion for determining whether a company should be consolidated is whether the Group is deemed to have a controlling influence. If the Group has a controlling influence but owns less than 100% of the subsidiaries, the non-controlling interest and the Group's share of the subsidiaries' profits after tax and their share of equity are presented on separate lines. Gränges has no non-controlling interests.

Shares in companies in which the Group exercises a controlling influence together with other entities (joint ventures, see Note 6) are accounted for by applying the equity method. This applies to companies in respect of which the Group has entered into an agreement with another party to operate and develop a joint company in which neither party exercises unilateral control. 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, 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 kronor (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.

Note 3 New accounting standards

NEW ACCOUNTING STANDARDS ADOPTED BY THE GROUP IN 2014

No standards, amendments and interpretations which became effective for financial years beginning on 1 January 2014 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 2014 and have 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 adresses the classification, measurement and accounting of financial assets and liabilities. The full version of IFRS 9 was released in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains a mixed approach to measurement but simplifies the approach in some respects. There will be three measurement categories for financial assets, amortised cost, fair value through other comprehensive income and fair value through profit and loss. How an instrument should be classified depends on the company's business model and the characteristics of the instrument. Investments in equity instruments should be measured at fair value through profit and loss but there is also an option of measuring the instrument at fair value through other comprehensive income upon initial recognition. In this case no reclassification to the income statement is made when the instrument is sold. IFRS 9 also introduces a new model for calculating the provision for credit losses based on expected credit losses. For financial liabilities the methods of classification and measurement are not changed except in the case where a liability is measured at fair value through profit and loss using the fair value option. Changes in value attributable to changes in an entity's credit risk should then be accounted for in other comprehensive income. IFRS 9 reduces the requirements for the use of hedge accounting by replacing the 80/125 rule with a requirement that there exist an economic relationship between the hedging instrument and hedged item, and that the hedge ratio must be the same as that used in the company's risk management. The required hedging documentation also differs only in minor respects from that required under IAS 39. The standard is effective for financial years beginning on 1 January 2018. Early application is permitted. The standard has not yet been adopted by the EU. The Group has not yet evaluated the effects of introducing the standard.

IFRS 15 Revenue from Contracts with Customers regulates the accounting of revenue. The principles on which IFRS 15 is based are intended to give users of financial statements more valuable information about a company's revenue. Under the expanded disclosure requirements, information on the type of revenue, date of settlement, uncertainties associated with the recognition of revenue and cash flows attributable to the company's customer contracts must be disclosed. Under IFRS 15, revenue should be recognised when a customer receives control over the sold good or service and is able to use or obtains a benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and their associated SIC and IFRIC. IFRS 15 becomes effective from 1 January 2017. Early application is permitted. The standard has not yet been adopted by the EU. The Group has not yet evaluated the effects of introducing the standard.

There are no otherIFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Note 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.

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 as it is earned 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. Actuarial gains and losses on pensions are recognised in the consolidated statement of comprehensive income.

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 20–33%.

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. Feasibility studies for existing or new products, production processes, etc. for the purpose of securing future earnings. 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.

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. Stock goods which qualify as hedging items are recognised at fair value (see "Fair value hedging" below).

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

PROVISIONS AND LIABILITIES

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

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 cost relating to service during the current period is accounted for as payroll expenses while interest on pension obligations is recognised as a financial expense.

The accrued liability is calculated on an accumulated straight-line basis and measured as the present value of estimated future pension payments earned at the balance sheet date. The reported net liability is the sum of the earned pension liability.

Changes in the liability for defined benefit plans due to changes in pension plans are recognised fully in the income statement when the change gives rise to an immediate outgoing payment.

Actuarial gains and losses are recognised in equity through the statement of 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. Disclosure requirements apply for contingent liabilities where an inflow of resources is probable.

Tax. Income tax is the sum of current tax and changes in deferred tax. Current tax is recognised in the annual accounts 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. Current tax and changes in deferred tax are recognised in other comprehensive income to the extent that they relate to items included in other comprehensive income.

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 receivables as well as derivatives. Derivatives are classified either as measured at fair value through profit and loss or as derivatives for which hedge accounting is applied.

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.

Financial instruments are initially recognised at fair value plus transaction costs, which applies to all financial assets that are not measured at fair value through profit and loss. Financial assets measured at fair value through profit and loss are initially recognised at fair value while the related transaction costs are recognised in the income statement. 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. After the acquisition date, loans and receivables are stated at amortised cost by applying the effective interest method.

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 measured at fair value at the balance sheet date and accounted for as assets or liabilities. Gains and losses on realisation or changes in fair value are recognised in the income statement in cases where 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 not 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. The Group's loans and receivables comprise trade receivable and other receivables as well as cash and cash equivalents. These are carried at amortised cost in the balance sheet.

At the end of each reporting period the Group assesses whether there is objective evidence of impairment of financial assets. A financial asset is impaired and is written down only if there is objective evidence of impairment as a consequence of one or several events occurring after the initial recognition of the asset and these events affect the estimated future cash flows for the financial asset, which can be reliably measured.

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, observable information pointing to a measurable decrease in estimated future cash flows, etc.

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 creditworthiness), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

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, 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 probable, and (5) the hedge relationship is reviewed on a regular basis and has proved to be effective.

Fair value hedging. Changes in the fair values of derivatives designated as hedge instruments are recognised immediately in the income statement. Changes in the fair value of the hedged item are recognised in the income statement in the same way. 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 and written off over the remaining life of the item by applying the effective interest method, in the same way as for the hedging instrument.

Cash flow hedges. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and reclassified to the income statement upon execution of the hedged transaction, and presented in the same line as the hedged transaction. 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 comprehensive income, even if the hedged transaction is still expected to occur, and will only be recognised in the income statement upon execution of the transaction. If the hedged transaction is no longer expected to occur, the accumulated unrealised gain or loss on the hedging instrument will be recognised immediately in the income statement.

Accounts payable are obligations to pay for goods or services which have been acquired from suppliers or service provides in the course of the company's operating activities. Accounts payable are classified as current liabilities if they fall due within one year. If not, they are accounted for as non-current liabilities.

Accounts payable are initially carried at fair value and subsequently at amortised cost by applying the effective interest method.

Loans are initially stated 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.

Measurement of financial instruments.
The Group uses the following hierarchy to determine the fair values of financial instruments (see Note 19):

Level 1: Quoted, unadjusted prices in active markets for identical assets and liabilities.
Level 2: Other technique in which all inputs which have a significant impact on the recognised carrying amount are directly or indirectly observable.
Level 3: Other technique in which the inputs which have a significant impact on the recognised carrying amount are not based on observable market data.

Derivatives are deemed to belong to level 2. Currency forwards contracts are measured at observable market prices. Different maturities add an interest rate element, resulting in an estimated fair value for currency forwards. Aluminium futures are measured at observable quoted prices on LME (London Metal Exchange) and SHFE (Shanghai Futures Exchange).

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.

OTHER PRINCIPLES

Business combinations are accounted for in accordance with the acquisition method. When a subsidiary is acquired a purchase price allocation is carried out. The acquisition is accounted for in the financial statements as of the date when control is transferred to the Group. The date for control is normally that day when the acquisition agreement takes effect and has been approved by all relevant regulators, and is normally subsequent to the contract date. Asset and liabilities are stated at fair value at the acquisition date. The residual value is recognised as goodwill. If there are non-controlling interests in the acquired entity, the allocated assets and liabilities are attributed to these. Transactions with non-controlling interests are recognised in equity. In companies where the Group already held an interest prior to the business combination each change in the value of the previous interest is accounted for in the income statement. Consolidated equity will therefore be affected by the remeasurement of the assets as if the entire acquisition had taken place at this time. In principle, the same procedure is performed in connection with the establishment of a joint venture and acquisition of an associated company. However, these are not to be regarded as acquisitions, as the Group does not obtain control.

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. In 2013 balances in Orkla ASA's centralised cash management system were included in "Cash and cash equivalents" while debt obligations were included in "Interest-bearing liabilities" and thus form part of financing activities in the consolidated cash flow statement.

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. Financial leases are capitalised and amortised over the term of the lease. 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 corresonding 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.

Note 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 at the closing date. The carrying amounts of net sales and expenses for the presented periods are also affected. In preparing these financial statements, management has made its best judgements of certain amounts which are included in the financial statements, having regard to their importance. Actual outcomes may differ from previously made estimates. 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	
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 and 2014. 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.

Note 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 640 million in 2014 and SEK 644 million in 2013.

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 2014	20	5	25
Acquisitions/sales	–	–	–
Share of profit/loss	3	0	3
Dividend	–3	–	–3
Foreign exchange differences	4	1	5
Carrying amount 31 December 2014	**24**	**6**	**30**
Carrying amount 1 January 2013	27	–	27
Acquisitions	–	5	5
Share of profit/loss	5	–	5
Dividend	–12	–	–12
Foreign exchange differences	0	0	0
Carrying amount 31 December 2013	**20**	**6**	**25**

NORCA HEAT TRANSFER (100%)
Items in the income statement and statement of financial position (100%)

	Norca Heat Transfer	
USD million	**2014**	**2013**
Operating revenue	94	99
Operating profit	2	3
Profit after tax	1	2
Current assets	44	43
Non-current assets	–	–
Total assets	**44**	**43**
Current liabilities	14	15
Non-current liabilities	22	20
Total liabilities	**36**	**35**

Note 7 Geographic breakdown of net sales, non-current assets and 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.

	Net sales		Non-current assets[1]		Average no. of employees	
SEK million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Asia	2,378	2,271	1,117	988	534	519
Sweden	194	210	614	691	419	445
Rest of Europe	1,485	1,463	–	–	–	–
North and South Americas	691	698	24	20	–	–
Total	**4,748**	**4,642**	**1,754**	**1,699**	**952**	**964**

[1] Excluding deferred tax assets and interest-bearing receivables

The seven largest customers accounted for 55% of sales, with two customers representing more than 10% each of total sales. Customer A accounted for 10.3%, or SEK 489 million, in 2014 (10.3%, or SEK 479 million, in 2013) and Customer B accounted for 10.2%, or SEK 484 million, (10.2%, or SEK 471 million, in 2013).

Note 8 Payroll expenses

Average number of employees

	2014		2013	
	Average no. of employees	Of which, women	Average no. of employees	Of which, women
Gränges AB				
Sweden	41	16	36	12
Subsidiaries				
Sweden	378	57	409	60
China	521	53	506	52
Other countries	12	4	13	2
Group total	**952**	**130**	**964**	**126**

Board members and other senior executives

	2014		2013	
	No. at balance sheet date	Of which, women	No. at balance sheet date	Of which, women
Gränges AB				
Board members	5	2	5	1
CEO and other senior executives	8	1	6	–

Salaries, other remuneration and social security contributions

	2014			2013		
Salaries, other remuneration and social security contributions **SEK million**	**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	17 (10)	5	2	6 (2)	2	1
Other employees	14	8	3	43	29	11
Subsidiaries						
Board, CEO and other senior executives	11 (5)	3	1	7 (2)	1	1
Other employees	265	84	18	225	66	12
Group total	**306**	**101**	**23**	**281**	**97**	**24**

In 2014 a new Board of Directors consisting of five members was appointed in Gränges. 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. Gränges' senior management team was increased by two persons in 2014 and consisted of eight persons at year-end, including the Chief Executive Officer.

The Chairman and other members of the Board receive Directors' fees in accordance with the resolutions adopted by the annual general meeting. At an extraordinary general meeting, it was resolved to pay a fee of SEK 0.5 million to the Chairman of the Board and SEK 0.2-0.3 million to the other members of the Board. The chairman of the Audit Committee receives an additional fee of SEK 0.1 million and the chairman of the Remuneration Committee an additional fee of SEK 0.1. Employee representatives receive a regular fee of SEK 40 thousand and an additional fee of SEK 20 thousand for 2014. The remuneration paid to the Chief Executive Officer and other senior executives consists of a basic salary, variable salary, other benefits and pension. Senior executives refer to the members of the Group management team. 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, a short-term incentive programme (STI) and a long-term incentive programme (LTI). The remuneration from the short-term incentive programme can amount to a maximum of 100% of the basic salary for the CEO and to 67% of the basic salary for the other senior executives. A basic salary of SEK 2.7 (2.1) million and variable pay of SEK 5.9 (1.3) million was paid to the CEO during the year. A basic salary of SEK 9.0 (6.9) million and variable pay of SEK 8.2 (2.0) million was paid to other senior executives during the year. As part of the separation from the Orkla Group a long-term incentive program was terminated in 2014, as a result of which SEK 4.6 million was paid to the CEO and SEK 5.9 million to the other senior executives.

Remuneration and other benefits in 2014

	Basic salary/ Directors' fee	Variable remuneration	Other benefits	Pension	Total
Board of Directors					
Anders G Carlberg	0.5	–	0.1	–	0.6
Terje Andersen	0.3	–	0.1	–	0.3
Carina Andersson	0.2	–	–	–	0.2
Bertil Villard	0.3	–	0.1	–	0.3
Ragnhild Wiborg	0.3	–	0.1	–	0.4
Management					
CEO Johan Menckel	2.7	5.9	–	0.3	9.0
Other senior executives (7 individuals)	9.0	8.2	0.2	1.6	19.3
Total	**13.3**	**14.1**	**0.5**	**1.9**	**30.1**

Remuneration and other benefits in 2013

	Basic salary/ Directors' fee	Variable remuneration	Other benefits	Pension	Total
Board of Directors					
Anders G Carlberg	0.3	–	–	–	0.3
Terje Andersson	–	–	–	–	–
Anders Ullberg	0.1	–	–	–	0.1
Svein Tore Holsether	–	–	–	–	–
Beatriz Malo de Molina Laborde	–	–	–	–	–
Management					
CEO Johan Menckel	2.1	1.3	–	0.3	3.6
Other senior executives (5 individuals)	6.9	2.0	–	1.0	10.0
Total	**9.4**	**3.3**	**–**	**1.3**	**14.0**

The retirement age for the Chief Executive Officer is 65 years. The pension cost is defined-benefit in accordance with the ITP supplementary pension plan. 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. The contract between the company and Chief Executive Officer is subject to 12 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 12 monthly salaries, which is set off against income from new employment. The contracts between the company and other senior executives are subject to 6-12 months' notice by either party without deduction. Other income during the period of notice is set-off from remuneration during this period. In case of termination by the company the executive is entitled to severance pay of a further 0-12 monthly salaries, which is set-off against income from new employment. Other income is deducted from severance pay.

SHARE-BASED PAYMENTS (LTI)

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 2014 was SEK 0.7 million. Equity has increased by SEK 0.2 million while cash-settled employee stock options and expenses for social security contributions have led to an increase in liabilities of SEK 0.5 million

Note 9 Remuneration of auditors

SEK million	2014	2013
EY		
Audit engagement	1.7	1.7
Audit services in addition to audit engagement	3.5	–
Tax advisory services	0.7	0.6
Other services	1.1	0.2
Total, Group	**7.0**	**2.5**

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 primarily is mainly related to work in connection with the company's listing during the year but also includes review of interim reports. 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.

Note 10 Pensions

Gränges has pension plans in Sweden. Approximately 62% (64) of the employees are covered by defined contribution pension plans, with the remainder covered by defined benefit plans.

DEFINED CONTRIBUTION PLANS

Employees of Gränges 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	
	2014	2013
Discount rate	2.6%	4.0%
Future salary adjustments	2.5%	3.0%
Income base amount	2.5%	3.0%
Inflation	1.5%	2.0%
Employee turnover	4.0%	4.0%
Expected average remaining vesting period	16.9	17.1

Distribution of pension costs SEK million	2014	2013
Defined contribution plans	–16	–20
Current costs for defined benefit plans	–3	–4
Pension cost recognised as operating expense	**–19**	**–24**
Interest on pension obligations recognised as a financial expense	–5	–5
Pensions costs recognised in the income statement	**–24**	**–29**
Actuarial gains and losses recognised in the statement of comprehensive income	–26	10
Total pension costs	**–50**	**–19**

Distribution of pension liabilities at 31 December SEK million	2014	2013
Present value of unfunded pension	**–146**	**–119**
Accrued pension commitments	–1	–2
Funded plan assets	1	2
Total pension costs	**–146**	**–119**

Changes in the present value of pension obligations during the year SEK million	2014	2013
Pension obligations 1 January	–119	–128
Service cost	–3	–4
Interest on pension provision	–5	–5
Actuarial gains and losses recognised in the statement of comprehensive income:		
– due to changes in financial assumptions	–25	8
– due to experienced-based adjustments	–1	2
Benefits paid during the year	5	8
Pension obligations 31 December	**–146**	**–119**

Sensitivity analysis

The sensitivity for the material assumption on the discount rate, based on 2.6%, is calculated as follows:

- 2.1%. increased pension obligation by 9.6%
- 3.1%, reduced pension obligation by 8.4%

An increase or decrease in life expectancy by one year increases or decreases the pension obligation by 4.7%.

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 25 years.

Contributions to plans for post-employment remuneration are estimated at SEK 4 million for the financial year 2015.

Note 11 Other operating expenses

SEK million	2014	2013
External freight expenses	–125	–127
Energy expenses	–236	–231
Repair and maintenance expenses	–141	–138
Consultants, legal advisors, temporary staff	–26	–31
Vehicle operating expenses	–11	–12
Rental/leasing	–17	–17
Operating expenses for office equipment etc.	–9	–11
Other	–257	–293
Total other operating expenses	**–821**	**–860**

Note 12 Items affecting comparability

SEK million	2014	2013
Listing costs	–50	–
Demerger and divestment costs	15	–24
Net cost, fire in Finspång	–5	136
Restructuring costs, Finspång	–	–13
Capital loss from sale of property	–4	–
Other	4	–14
Total items affecting comparability	**–41**	**85**
Of which:		
Impairment of property, plant and equipment	–	–7

Items affecting comparability include non-recurring income and expenses which affect comparability. Disclosure is made to improve the comparability between different periods. Gränges was listed on the stock exchange in October 2014. Costs attributable to this process in 2014 were SEK 50 million. Out of the total cost, SEK 32 million is directly attributable to the listing process while SEK 18 million is related to the separation of IT systems between Gränges and Orkla.

In 2014 the company demanded and received repayment of SEK 15 million in VAT from the Swedish Tax Agency. The VAT was attributable to costs for the demerger that was carried out in 2013 and partly to a previously initiated, but discontinued, divestment process. Cost in 2013 mainly relate to consulting and advisory services and totalled to SEK 24 million.

In December 2013 arbitration proceedings between Gränges and the insurer concerning a fire in a cold rolling mill at the Finspång production plant in 2010 were brought to a close. Under the settlement that was reached, Gränges received compensation, which after legal costs, arbitration costs and compensation to Sapa for damaged property, had a positive impact of SEK 136 million on the operating profit for 2013. Additional legal costs of SEK 5 million related to the legal process after the fire were incurred in 2014.

In 2013 the Finspång production plant was restructured, resulting in costs of SEK 13 million related to staff cutbacks.

In 2014 an industrial property in Skultuna, Sweden was sold, resulting in a loss 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. Other expenses of SEK 14 million for 2013 refer primarily to an impairment loss of SEK 7 million on a property in Finspång.

Note 13 Financial income and costs

Financial income and expenses

SEK million	2014	2013
Interest income	6	4
Net foreign exchange gains	25	–
Other interest income	3	1
Total financial income	**35**	**5**
Interest expense from Orkla Group	–2	–12
Interest expense	–30	–31
Interest expense, pensions	–5	–5
Other financial expenses	–2	–
Total financial expense	**–40**	**–48**
Net financial expense	**5**	**–43**

Net foreign exchange gains in 2014 refer to exchange rate gains on a dividend from the subsidiary in Shanghai. Other financial income mainly consists of interest income from bank deposits in China. Financial expense refers to interest on borrowing.

Note 14 Taxes

Tax expense

SEK million	2014	2013
Profit before taxes	420	418
Current tax	–109	–105
Deferred tax	7	–4
Total tax	**–102**	**–109**
Tax as a percentage of profit before taxes	24%	26%

Reconciliation of the Group's tax rate

The following table shows a reconciliation of reported tax and taxed based on Swedish tax rates. The main tax components are shown below.

Reconciliation of the Group's tax rate

SEK million	2014	2013
Earnings before tax multiplied by nominal tax rate in Sweden	–93	–92
Effect of foreign operations with tax rates other than 22%	–13	–12
Changes in tax legislation	–	14
Profit/loss from joint ventures	1	1
Non-deductible expenses	–3	–11
Non-taxable income (net)	10	13
Withheld tax on dividends	–	–21
Income tax paid abroad	–3	–
Unrecognised deferred tax assets for the year	0	–
Adjustment of tax in respect of prior years	–1	–1
Total tax expense for the Group	**–102**	**–109**

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 estima-

te 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 and 2014. If the lower tax rate of 15% was used for calculation of tax for 2013 and 2014, the total tax expense and provision for current tax would have been SEK 75 million lower. In addition, deferred tax assets and tax liabilities would have been SEK 17 million lower as per 31 December 2014. 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 decision to apply the normal rate in 2013 for Shanghai's operations has led to increased deferred tax assets of SEK 14 million for 2013. As the dividend from the Chinese subsidiary is subject to withholding tax of 5%, a provision of 21 million was made during 2013.

DEFERRED TAX

Deferred tax consists of the Group's tax items, which are settled in the future. The table below specifies deferred tax receivables 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 tax liabilities.

Deferred tax on temporary differences

	2014			2013		
SEK million	**Deferred tax asset**	**Deferred tax liability (–)**	**Net deferred tax**	**Deferred tax asset**	**Deferred tax liability (–)**	**Net deferred tax**
Property, plant and equipment	8	–51	–43	4	–49	–45
Hedging reserve in equity	6	–	6	1	–	1
Net pension provision	13	–	13	7	–	7
Other non-current items	–	–	0	1	–	1
Total non-current items	**27**	**–51**	**–24**	**13**	**–49**	**–36**
Current receivables	9	–	9	13	–	13
Inventories	2	–	2	1	–	1
Provisions	–	–	0	12	–	12
Delayed Group contribution	–	–	0	28	–	28
Other current items	25	–	25	3	–3	0
Total current items	**36**	**0**	**37**	**57**	**–3**	**54**
Tax losses	–	–	–	–	–	–
Set-off	–19	19	–	–36	36	–
Net deferred tax assets/liabilities	**44**	**–32**	**13**	**34**	**–16**	**18**

Change in deferred tax in the income statement

SEK million	**2014**	**2013**
Change in deferred tax	–5	21
Change in deferred tax, hedging reserve in other comprehensive income	–6	–4
Change in deferred tax, actuarial gains and losses on pensions in other comprehensive income	–6	2
Change in deferred tax on Group contributions in equity	28	–24
Translation effects in other comprehensive income	–4	1
Change in deferred tax in the income statement	**7**	**–4**

Note 15 Earnings per share

The listing of the company's shares on Nasdaq Stockholm was preceded by a 2:1 share split, after which the number of outstanding shares is 74,639,386. Earnings per share have been calculated based on the profit for the year attributable to the patent company's shareholders and have, for 2014 as well as 2013, been calculated based on the number of outstanding shares after the share split. For further information on the completed share split, see Note 27 Share capital.

	2014	**2013**
Net profit for the period, (SEK million)	319	309
Number of outstanding shares	74,639,386	74,639,386
Earnings per share, before and after dilution, SEK	**4.27**	**4.14**

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 stock option programme has not resulted in any dilution, as the exercise price exceeded the average share price over the period.

Note 16 Intangible assets

SEK million	IT	Goodwill	Total
Carrying amount, 1 January 2014	**8**	**5**	**13**
Acquisitions	0	–	–
Amortisation	–3	–	–3
Currency translation	–	0	–
Carrying amount, 31 December 2014	**6**	**5**	**11**
Cost, 31 December 2014	**26**	**5**	**31**
Accumulated amortisation and impairment	–18	–	–18
Carrying amount, 31 December 2014	**6**	**5**	**11**

SEK million	IT	Goodwill	Total
Carrying amount, 1 January 2013	**12**	**5**	**17**
Acquisitions	–	–	–
Amortisation	–4	–	–4
Currency translation	–	–	–
Carrying amount, 31 December 2013	**8**	**5**	**13**
Cost, 31 December 2013	**26**	**5**	**31**
Accumulated amortisation and impairment	–18	–	–18
Carrying amount, 31 December 2013	**8**	**5**	**13**

IT systems are amortised on a straight-line basis, 20-33% annually. The Group expensed SEK 56 million for research and development in 2014 (SEK 55 million in 2013).

Note 17 Property, plant and equipment

SEK million	Land, land improvements and buildings[1]	Machinery and installations	Fixed assets under construction	Fixtures, vehicles, etc.	Total
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
Currency translation	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**
Carrying amount, 1 January 2013	**479**	**901**	**282**	**51**	**1,713**
Acquisitions	7	3	114	1	125
Sales	–	–1	–	–	–1
Transferred assets, fixed assets under construction	2	291	–303	10	–
Impairment	–7	–	–	–	–7
Depreciation	–26	–143	–	–14	–183
Currency translation	3	11	–	–	14
Carrying amount, 31 December 2013	**458**	**1,062**	**93**	**48**	**1,661**
Cost, 31 December 2013	**704**	**2,572**	**93**	**148**	**3,517**
Accumulated depreciation and impairment	–246	–1,510	–	–100	–1,856
Carrying amount, 31 December 2013	**458**	**1,062**	**93**	**48**	**1,661**

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

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

Note 18 Inventories

Inventories SEK million	2014	2013
Raw materials	268	229
Work in progress	255	167
Finished goods and merchandise	299	287
Provision for obsolescence	–7	–3
Total inventories	**815**	**680**

Inventories are measured at the lower of cost and fair value after deduction of selling costs. Impairment to net realisable value occurred during 2014 of SEK 9 million.

Note 19 Overview of financial instruments

No transfers from one level to another in the valuation hierarchy were made in 2014 and 2013. The Group's derivatives are defined as Level 2 in the fair value hierarchy. A description of how derivatives are measured is found in Note 26.

Most of the Group's financial assets and liabilities have short maturities and its interest-bearing liabilities have variable interest rates. Management therefore deems that there are no significant differences between the fair values and carrying amounts of financial instruments carried at amortised cost.

2014 SEK million	Note	Measurement level	Financial instruments held at fair-value through profit and loss	Derivatives included in cash flow hedges	Financial liabilities measured at amortised cost	Loans and receivables	Total	Of which interest-bearing
Non-current assets								
Non-current financial receivables		–	–	–	–	31	31	31
Total		–	–	–	**–**	**31**	**31**	**31**
Current assets								
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		**–**	**–**	**–**	**–**	**–**	**1,743**	**644**
Non-current liabilities								
Non-current financial liabilities	24	–	–	–	892		892	892
Total		**–**	**–**	**–**	**–**	**–**	**892**	**892**
Current liabilities								
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		**–**	**–**	**–**	**–**	**–**	**899**	**401**
Total financial instruments		**–**	**1**	**–31**	**–1,706**	**1,719**	**–17**	**–618**
Level 2: Other technique in which all inputs which have a significant impact on the recognised carrying amount are either directly or indirectly observable.							**–30**	

cont. note 19

2013 SEK million	Note	Measure-ment level	Financial instruments held at fair-value through profit and loss	Derivatives included in cash flow hedges	Financial lia-bilities mea-sured at amor-tised cost	Loans and receivables	Total	Of which interest-bearing
Non-current assets								
Non-current financial receivables		–	–	–	–	26	26	26
Total		**–**	**–**	**–**	**–**	**–**	**26**	**26**
Current assets								
Accounts receivable	20	–	–	–	–	764	764	–
Other current receivables	20	–	–	–	–	90	90	–
Current derivatives	20, 26	2	18	7	–		25	–
Cash and cash equivalents	21	–	–	–	–	896	896	896
Total		**–**	**–**	**–**	**–**	**–**	**1,775**	**896**
Non-current liabilities								
Non-current financial liabilities	24	–	–	–	265	–	265	265
Total		**–**	**–**	**–**	**–**	**–**	**265**	**265**
Current liabilities								
Current financial liabilities	24	–	–	–	412	–	412	412
Accounts payable	22	–	–	–	375	–	375	–
Other current liabilities	22	–	–	–	6	–	6	–
Current derivatives	22, 26	2	15	14	–	–	29	–
Total		**–**	**–**	**–**	**–**	**–**	**822**	**412**
Total financial instruments		**–**	**3**	**–7**	**–1,058**	**1,776**	**714**	**245**
Level 2: Other technique in which all inputs which have a significant impact on the recognised carrying amount are either directly or indirectly observable.							**–4**	

Note 20 Current receivables

SEK million	2014	2013
Accounts receivable	951	764
Derivatives	55	25
Other current receivables	94	90
Total financial receivables	**1,100**	**879**
Advances to suppliers/accrued income[1]	58	401
Tax receivables	14	11
Total current receivables	**1,172**	**1,291**

[1] The figure for 2013 includes an insurance claim in connection with the fire in Finspång, see Note 12.

Change in provisions for doubtful accounts receivable:

SEK million	2014	2013
Provisions for bad debts, 1 January	–64	–32
Bad debts recognised as an expense	3	–34
Used during the year	34	2
Translation effects	–10	0
Provisions for bad debts, 31 December	**–37**	**–64**

Accounts receivable have the following maturity structure:

SEK million	2014	2013
Not yet due	697	522
Overdue 1–30 days	123	129
Overdue 31–60 days	68	55
Overdue 61–90 days	24	27
Overdue more than 90 days	76	95
Accounts receivable, carrying amount 31 December	**988**	**828**

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 18% of total outstanding accounts receivable at 31 December 2014 (five customers accounted for 22% of the total in 2013).

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

Note 21 Cash and cash equivalents

SEK million	2014	2013
Cash and cash equivalents	644	616
Current deposits with Orkla	–	280
Total cash and cash equivalents	**644**	**896**

Liquidity planning for Gränges has historically been performed by Orkla. As of the stock market listing in October 2014 liquidity planning has been performed centrally in the Gränges Group. In the case where cash and cash equivalents in China shall be be made available for the parent company, this occurs today through dividend.

Note 22 Other liabilities

Other liabilities SEK million	2014	2013
Accounts payable	413	375
Derivatives	83	29
Non-interest-bearing liabilities	2	6
Total non-interest-bearing financial liabilities	**499**	**410**
Value-added tax, employee withholding tax etc.	28	33
Accrued expenses	87	78
Employee-related liabilities	88	79
Other current liabilities	19	22
Total current liabilities	**722**	**622**

Note 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. New long-term funding for the Gränges Group was arranged in October 2014. 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.

Capital management SEK million	2014	2013
Total interest-bearing liabilities to Orkla	–	346
Total other interest-bearing liabilities	1,293	331
Total interest-bearing receivables	675	922
Net interest-bearing liabilities	**618**	**–245**
Provision for pensions	146	119
Net liability	**765**	**–126**
Adjusted EBITDA	664	558
Net liability/Adjusted EBITDA	**1.2**	**–0.2**

Note 24 Financing and interest-bearing liabilities

FINANCING

Gränges' primary source of financing until the stock market listing was loan facilities from its then parent company, Orkla ASA. After the listing this financing was replaced by a five-year revolving credit facility of SEK 1,800 million, available in several currencies. Gränges has the right to choose among maturities and fixed-interest terms of one, two, three or six months. At 31 December 2014 SEK 900 million had been drawn with an average fixed-interest term of three months. The credit facility is subject to covenants, which were being met by a wide margin at 31 December.

	Carrying amount	
SEK million	2014	2013
Non-current interest-bearing liabilities		
Bank loans	892	–
Loans from Orkla	–	265
Total non-current interest-bearing liabilities	**892**	**265**
Current interest-bearing liabilities		
Bank loans	–	–
Loans from Orkla	–	81
Other loans	398	331
Interest-bearing derivatives	2	–
Total current interest-bearing liabilities	**401**	**412**
Total interest-bearing liabilities	**1,293**	**677**
Interest-bearing receivables		
Non-current interest-bearing receivables	31	26
Cash and cash equivalents	644	896
Total interest-bearing receivables	**675**	**922**
Net interest-bearing liabilities	**618**	**–245**

Note 25 Financial risk

FINANCIAL RISK MANAGEMENT

Gränges operates internationally 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 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 2014, sales to countries outside Sweden accounted for 97% (97) of Gränges' total sales volume while net revenues in foreign currencies totalled SEK 4,543 million (4,415). 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.

cont. note 25

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. Generally speaking, 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 is shown in the table below.

2014	Change, %	Effect on operating profit, SEKm
EUR/SEK	±10	±61
USD/SEK	±10	±6
USD/CNY	±10	±60

The transaction risk is hedged based on the current policy. The objective for Gränges' currency hedging activities 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 based on a rolling forecast in which a portion of the forecast currency exposure is hedged. In 2014, 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[1] linked to hedging of future income and expenses

31 Dec 2014	EUR/SEK		USD/SEK		USD/CNY	
Maturity	Sold volumes EUR million, net	Price	Sold volumes, USD million net	Price	Sold volumes USD million, net	Price
Q1 2015	17	9.03	8	6.88	25	6.18
Q2 2015	19	9.05	6	6.66	21	6.28
Q3 2015	14	9.20	4	6.82	17	6.25
Q4 2015	18	9.27	4	7.32	10	6.26
Q1 2016	4	9.46	2	7.75	–	–
Total	**72**	**9.15**	**25**	**6.95**	**73**	**6.24**
31 Dec 2013						
Q1-4 2014 and Q1 2015	89	8.83	37	6.60	73	6.20

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

Metal currency contracts[1] linked to hedging of future income and expenses

31 Dec 2014	EUR/SEK		USD/SEK		USD/CNY	
Maturity	Sold volumes EUR million, net	Price	Sold volumes USD million, net	Price	Sold volumes USD million, net	Price
Q1-2 2015	1	8.57	35	7.17	2	6.18
31 Dec 2013						
Q1-2 2014	2	8.78	20	6.52	3	6.22

[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 2,763 million at 31 December 2014. 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 2014 Gränges had sold a net 14,325 tonnes (18,375) of aluminium for hedging on LME and 7,500 tonnes (3,240) 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 has been credit facilities from its parent company, Orkla ASA. After the stock market listing the Orkla funding has been replaced by a five-year RCF (revolving credit facility) with an option to borrow money for terms of one, two, three or six months. The average maturity at 31 December 2014 was 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. Currency-related derivatives are presented on a gross settlement basis. 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.

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	–
Accrued interest	–	–	–	–	–	–
Accounts payable	413	413	413	–	–	–
Other current liabilities	2	2	2	–	–	–
Net-settled derivatives[1]	–29	–	–	–	–	–
Inflow	–	–41	–41	0	–	–
Outflow	–	12	12	0	–	–
Gross-settled derivatives[1]	59	–	–	–	–	–
Inflow	–	–1,818	–1,764	–54	–	–
Outflow	–	1,813	1,759	54	–	–
Total	**1,738**	**1,739**	**–**	**–**	**–**	**–**

[1] Including derivatives recognised as assets

2013 SEK million	Carrying amount	Contractual cash flows	< 1 year	1–3 years	3–5 years	> 5 years
Interest-bearing liabilities to Orkla	346	346	81	265	–	–
Other interest-bearing liabilities	331	331	331	–	–	–
Accrued interest	–	32	13	13	6	–
Accounts payable	375	375	375	–	–	–
Other current-liabilities	6	6	6	–	–	–
Net-settled derivatives[1]	–6	–	–	–	–	–
Inflow	–	–11	–11	–	–	–
Outflow	–	5	5	–	–	–
Gross-settled derivatives[1]	10	–	–	–	–	–
Inflow	–	–1,714	–1,605	–109	–	–
Outflow	–	1,707	1,601	106	–	–
Total	**1,062**	**1,077**	**796**	**275**	**6**	**–**

[1] Including derivatives recognised as assets

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. Gränges engages the International Swap Dealers Association (ISDA) for counterparties in respect of derivative transactions for which nettling of settlement risk is prescribed. Derivatives are accounted for on a gross basis in the balance sheet.

Maximum credit risk

The maximum credit exposure for the Group in respect of financial instruments is represented by total gross receivables. In the hypothetical and unlikely event that no receivables are received the maximum credit risk is:

SEK million	2014	2013
Cash and cash equivalents	644	896
Accounts receivable	951	764
Other current receivables	94	90
Non-current receivables	31	26
Derivatives	55	25
Total	**1,775**	**1,801**

cont. note 25

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 as 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.

	Accounting effects on			
	Income statement		Comprehensive income	
2014 **SEK million**	**Increase**	**Decrease**	**Increase**	**Decrease**
Interest rate risk: 100bp parallel shift in yield curves, all currencies	–6	6	–	–
Currency risk: 10% change in FX rate, USD/SEK	–2	2	–16	16
Currency risk: 10% change in FX rate, EUR/SEK	–5	5	–51	51
Currency risk: 10% change in FX rate, CNY/USD	–57	57	–	–
Price risk: 20% change in LME prices	–77	77	8	–8

	Accounting effects on			
	Income statement		Comprehensive income	
2013 **SEK million**	**Increase**	**Decrease**	**Increase**	**Decrease**
Interest rate risk: 100bp parallel shift in yield curves, all currencies	2	–2	–	–
Currency risk: 10% change in FX rate, USD/SEK	–1	1	–13	13
Currency risk: 10% change in FX rate, EUR/SEK	–4	4	–58	58
Currency risk: 10% change in FX rate, CNY/USD	–42	42	–	–
Price risk: 20% change in LME prices	–62	62	9	–9

Note 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	2014		2013	
SEK million	Assets	Liabilities	Assets	Liabilities
Cash flow hedges				
Currency forwards, currency swaps	4	–35	7	–12
Aluminium futures	–	–1	–	–2
Total	**4**	**–36**	**7**	**–14**
Fair value hedges				
Currency forwards, currency swaps	3	–19	3	–2
Aluminium futures	41	–11	12	–4
Total	**44**	**–30**	**15**	**–6**
Other derivatives – Changes in fair value recognised in income statement				
Currency forwards, currency swaps	8	–19	3	–9
Total	**8**	**–19**	**3**	**–9**
Total derivatives	**55**	**–85**	**25**	**–29**

CALCULATION OF FAIR VALUE

Currency forwards and currency swaps are measured at fair value based on observed currency forwards prices for contracts with equivalent maturities at the balance sheet date.

Futures contracts for aluminium are measured at fair value based on the quoted futures price on LME (London Metal Exchange).

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 initially recognised in the hedging reserve in equity and reversed 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 2014 and 2013. All expected cash flows that were hedged in 2014 still qualify for hedge accounting.

Change in hedging reserve

SEK million	2014	2013
Opening hedging reserve before tax	**–7**	**13**
Reclassified to income statement – Net turnover	–10	13
Change in value during the year	–15	–33
Closing hedging reserve before tax	**–32**	**–7**
Deferred tax, hedging reserve	6	2
Closing hedging reserve after tax	**–26**	**–5**

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 2014 and are expected to be recovered in the income statement (before tax) are SEK –32 million for 2015 and SEK 0 million after 2015.

FAIR VALUE HEDGING

Gränges has hedged currency risks on firm commitments using currency forwards. Gains and losses on hedged items and the hedging instrument are recognised as a currency gain or loss in the income statement.

Gränges sells aluminium futures contracts to hedge the value of inventory through 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.

DERIVATIVES WHICH ARE NOT INCLUDED IN IFRS HEDGING RELATIONSHIPS

There are also derivatives which are not included in the hedging reserve under IFRS, for the following reasons:

- Derivatives which are not designated in formal hedging relationships when changes in the fair value of the hedging instrument and the hedging reserve are naturally netted in the income statement, for example currency risk on loans and other monetary items.
- Meeting strict hedge accounting requirements in accordance with IFRS is not always possible or practicable. Some of the other currency hedges belong to this category.

Changes in the fair values of derivatives which have not been included in the hedge relationship are recognised directly in the income statement.

Note 27 Share capital

SEK million	No. of shares	Share capital	Other contributed capital	Total
At 1 January 2013	37,319,693	933	262	1,195
At 31 December 2013	37,319,693	933	262	1,195
Reduction of share capital and statutory reserve	–	–833	–262	–1,095
2:1 split	37,319,693	–	–	–
At 31 December 2014	74,639,386	100	–	100

Prior to the listing, a recapitalisation of the Group occurred, which among other things, meant a reduction in the share capital and dissolution of previously recognised statutory reserves and a dividend of SEK 1,650 million to the previous sole owner Orkla. The restricted equity that was reduced related to the period before the demerger of the Gränges and Sapa operations and did not represent the previous owner's contribution to the current Gränges Group. Thus transactions such as this recapitalisation are accounted for as a reduction of other paid-up capital.

Note 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

	Land and buildings		Fixtures and vehicles		Other assets		Total	
SEK million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Costs, current year	–1	–1	–15	–15	–1	–1	–17	–17
Costs, next year	–1	–	–14	–11	0	–	–15	–11
Total costs, 2-5 years	–2	–	–20	–24	0	–	–22	–24
Total costs after 5 years	0	–	0	–	–	–	0	–
Total future lease costs	**–3**	**–**	**–34**	**–35**	**0**	**–**	**–37**	**–35**

OPERATING LEASES – LESSOR
Leased property, plant and equipment

	Land and buildings		Fixtures and vehicles		Other assets		Total	
SEK million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Income, current year	24	27	–	–	–	–	24	27
Income, next year	12	23	–	–	–	–	12	23
Total income, 2-5 years	35	14	–	–	–	–	35	14
Total income after 5 years	–	–	–	–	–	–	–	–
Total future lease income	**48**	**37**	**–**	**–**	**–**	**–**	**48**	**37**

The Group lets industrial properties, premises and a few apartments in Finstpång.

Note 29 Pledged assets, guarantees and contingent liabilities

Contingent liabilities

SEK million	2014	2013
Endowment policy	3	2
Guarantee commitment PRI Pensionsgaranti	2	2
Excise duty obligation (under excise duty suspension system)	0	2

Pledged assets

SEK million	2014	2013
Property mortgages	15	15
Own liabilities covered by property mortgages	1	2

Gränges 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.

Environmental questions

Gränges' production is conducted at facilities in Finspång and Shanghai. The company holds and complies with necessary permits and meets demands relating to safety, reporting and control concerning its operations. During 2012, 2013 and 2014, Gränges exceeded the emission limit for nitrogen oxide at its production facility in Finspång. As far as the company is aware, no report was made in relation to these emissions.

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 players 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.

Note 30 Related-party transactions

Until 10 October 2014 Gränges was 100% owned by Orkla ASA (through Industriinvesteringer AS and Orkla Industriinvesteringar AB) and therefore had intra-group relationships with the Orkla Group. Gränges has paid its share of shared costs to Orkla ASA. Orkla ASA has provided the necessary equity and loan capital (see Note 23 Capital management). At the balance sheet date Orkla owned 31% of Gränges and 50% of SAPA. This means that both Orkla and SAPA are still related parties to Gränges. Transactions between Orkla ASA and Gränges are specified in the table below. Financial expenses are described in Note 12.

SEK million	2014	2013
Transactions with previous group companies		
Sales	48	62
Costs	–18	–17
Accounts receivable	–	–
Accounts payable	1	–
Other receivables/liabilities	1	–
Interest-bearing liabilities (non current)	–	265
Interest-bearing liabilities (current)	–	81
Transactions with joint ventures		
Sales	640	646
Interest-bearing receivables (non current)	31	26
Accounts receivable	101	96

Gränges also receives minor services from Orkla Shared Services (IT and payroll) and Orkla Insurance Company Ltd (insurance). Gränges also has a small number of minor purchases and sales to other companies in the Orkla Group.

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 agreements 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.

Note 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 accounts.

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2014	2013
Net sales	**3**	**95**	**152**
Other operating expenses	4, 5, 6	–92	–290
Payroll expenses	7	–59	–79
Amortisation, depreciation and impairment charges	11	–16	–20
Operating loss		**–74**	**–237**
Profit/loss from financial items			
Dividends from subsidiaries		100	477
Income from participations in Group	12	–	24
Financial income	8	36	77
Financial costs	9	–6	–99
Net financial items		**130**	**480**
Profit after financial items		**56**	**243**
Appropriations			
Change in accelerated depreciation		0	10
Group contributions		55	161
Tax on profit for the year	10	–3	–31
Profit for the year		**108**	**383**

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	2014	2013
ASSETS			
Property, plant and equipment	**11**		
Buildings and land		212	236
Plant and machinery		8	10
Equipment		10	12
Fixed assets under construction and advances to suppliers		2	0
Total		**234**	**257**
Financial assets			
Participations in Group companies	12	422	422
Non-interest-bearing receivables from Group companies		130	575
Other non-current receivables		31	26
Total		**582**	**1,023**
Total non-current assets		**816**	**1,280**
Current assets			
Current receivables			
Accounts receivable		4	4
Interest-bearing receivables from Group companies		300	575
Non-interest-bearing receivables from Group companies		166	172
Other receivables		11	27
Prepaid expenses and accrued income		6	1
Total		**487**	**779**
Current assets			
Cash and cash equivalents		21	1
Total current assets		**507**	**780**
TOTAL ASSETS		**1,323**	**2,060**

SEK million	Note	2014	2013
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		100	933
Statutory reserve		–	262
Total		**100**	**1,195**
Non-restricted equity			
Retained earnings		97	269
Profit for the year		108	383
Total		**205**	**653**
Total equity		**305**	**1,848**
Untaxed reserves			
Accelerated depreciation		10	9
Provisions			
Provisions for pensions	13	22	21
Deferred tax liability	10	1	1
Total provisions		**22**	**22**
Non-current liabilities	**14**		
Bank loans		892	–
Current liabilities			
Trade payables		14	8
Interest-bearing liabilities to parent company	18	1	26
Non-interest-bearing liabilities to Group companies		1	84
Other liabilities		59	39
Accrued expenses and deferred income	15	18	23
Total current liabilities		**94**	**180**
Total liabilities		**1,009**	**180**
TOTAL EQUITY AND LIABILITIES		**1,323**	**2,060**
Pledged assets	16	15	15
Contingent liabilities	17	25	25

STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Statutory reserve	Non-restricted equity	Total equity
Opening balance, 1 January 2013	933	262	5,418	6,614
Profit for the year	–	–	383	383
Partial split	–	–	–5,268	5,268
Shareholder contribution received	–	–	119	119
Closing balance, 31 December 2013	**933**	**262**	**652**	**1,848**
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**

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. Prior to the listing 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 (publ).

PARENT COMPANY CASH FLOW STATEMENT

SEK million	Note	2014	2013
Operating loss		–74	–237
Amortisation, depreciation and impairment charges		16	20
Items without cash flow effect	19	–	122
Change in net working capital etc.		653	–89
Taxes paid		–6	–3
Cash flow from operating activities		**589**	**–186**
Investments in property, plant and equipment and intangible assets		–4	–4
Sale of property, plant and equipment		7	7
Investments in joint ventures and associates		0	–
Other capital transactions		–	–
Cash flow from investing activities		**2**	**3**
Dividends/Group contributions (net to/from shareholders)		–1,494	323
Interest paid/received (net)		35	–74
Change in interest-bearing liabilities		892	191
Change in interest-bearing receivables		–4	–
Change in net interest-bearing liabilities/receivables		889	191
Cash flow from financing activities		**–571**	**440**
Change in cash and cash equivalents		**20**	**257**
Cash and cash equivalents at 1 January		**1**	**234**
Change in cash and cash equivalents		20	257
Cash and cash equivalents at demerger	20	–	–490
Cash and cash equivalents at 31 december		**21**	**1**

NOTES – PARENT COMPANY FINANCIAL STATEMENTS

Note 1 Accounting principles

The Parent Company applies the Annual Accounts Act and RFR 2 Reporting for Legal Entities. Application of RFR 2 entails that in interim reporting for Legal Entities, the Parent Company is to apply all IFRSs and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligation Vesting Act and taking into account the connection between accounting and taxation. The changes in RFR 2 applicable for financial years beginning on 1 January 2014 has not had a material impact on the financial reports of the parent company.

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 has applied the principles of FAR's Recommendation RedR4 Accounting of pension liabilities and pension costs. Consequently there are differences between the Gränges Group and the Parent Company in the accounting of defined benefit pension plans.

Regarding machinery and equipment, the Parent Company recognises the difference between depreciation according to plan and tax depreciation as accumulated additional depreciation, included in untaxed reserves.

Group contributions received from subsidiaries are recognised as financial revenues and Group contributions received from the parent company are recognised in equity.

Gränges Group applies IAS 39 Financial instruments: Recognition and measurement and measure derivatives at fair value. The Parent Company measures the derivatives at cost in accordance with the Swedish Annual Accounts Act.

Note 2 Financial risk management

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

OVERVIEW OF FINANCIAL INSTRUMENTS

The amounts of derivatives held at the balance sheet date are presented below.

2014	Nominal amount, SEK million			Unrealised value, SEK million		
Currency derivatives	Call	Put	Net Asset	Liability	Debt	Net Asset
DKK	–3	3	0	0	0	0
EUR	–938	938	0	28	–28	0
GBP	–2	2	0	0	0	0
USD	–876	847	–29	56	–58	–2
Total	**–1,818**	**1,789**	**–29**	**84**	**–86**	**–2**

A majority of the Group's currency derivatives mature within 12 months while a small portion has remaining maturities of up to 15 months.

2014	Volume, tonnes			Unrealised value, SEK million		
Currency derivatives	Call	Put	Net Asset	Liability	Debt	Net Asset
Commodity derivatives	44,475	–44 ,475	0	47	–47	0

All commodity derivatives have remaining maturities of less than 12 months.

The amounts of derivatives held at the balance sheet date are presented below.

2013	Nominal amount, SEK million			Unrealised value, SEK million		
Currency derivatives	Call	Put	Net Asset	Liability	Debt	Net Asset
DKK	–5	5	0	0	0	0
EUR	–958	958	0	17	–17	0
GBP	–1	1	0	0	0	0
NOK	0	0	0	0	0	0
USD	–846	850	4	11	–11	0
Total	**–1,810**	**1,814**	**4**	**28**	**–27**	**0**

A majority of the Group's currency derivatives mature within 12 months while a small portion has remaining maturities of up to 15 months.

2013	Volume, tonnes			Unrealised value, SEK million		
Currency derivatives	Call	Put	Net Asset	Liability	Debt	Net Asset
Commodity derivatives	44,475	–44,475	0	16	–16	0

All commodity derivatives have remaining maturities of less than 12 months.

Note 3 Breakdown of net sales by area of operation

SEK million	2014	2013
Intra-group service charges	32	81
Rental income	34	39
Research and development	28	28
Other	1	4
Total	**95**	**152**

Note 4 Other operating revenue and operating expenses

SEK million	2014	2013
Listing costs	–50	–
Demerger and divestment costs	15	–
Foreign exchange gains	–	5
Capital loss on sale of property	–4	–119
Other expenses	4	0
Total	**–35**	**–113**

Note 5 Operating lease payments

SEK million	Machinery and equipment		Buildings and land	
Distribution of lease payments	**2014**	**2013**	**2014**	**2013**
Payments made during the year	0.0	0.4	0.3	1.1
Contractual payments to be made				
– next year	–	0.0	2.0	–
– between two and five years	0.2	0.0	8.0	–
– later than five years	–	–	–	–
Total	**0.2**	**0.0**	10.0	–

SEK million	Machinery and equipment		Buildings and land	
Distribution of lease payments	**2014**	**2013**	**2014**	**2013**
Payments made during the year	–	–	33.7	39.1
Contractual payments to be made				
– next year			12.5	36.5
– between two and five years	–	–	35.4	17.6
– later than five years	–	–	–	–
Total	**–**	**–**	**47.9**	**54.1**

Note 6 Remuneration of auditors

SEK million	2014	2013
Ernst & Young AB		
– Audit engagement	0.7	0.9
– Audit services in addition to audit engagement	3.2	0.0
– Tax advisory services	0.6	0.6
– Other services	1.1	0.2
Total	**5.6**	**1.7**

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 primarily is mainly related to work in connection with the company's listing during the year but also includes review of interim reports. 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.

Note 7 Payroll expenses

Salaries and remuneration totalled 30.4 (49.0) and social security contributions were 13.5 (30.3), of which 4.1 (11.7) refers to pension costs. Pension costs of 0.3 (0.3) refer to the CEO and Deputy CEO. The company's outstanding pension obligations for these are kSEK 33 (22).

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

Note 8 Interest income and similar items

SEK million	2014	2013
Interest income from Group companies	10	60
External interest income	1	1
Foreign exchange differences	25	15
Total	**36**	**77**

Note 9 Interest expense and similar items

SEK million	2014	2013
Interest expense to Group companies	–2	–93
External interest expense	–2	–5
Estimated financial expense related to pension liability	–1	–1
Total	**–6**	**–99**

Note 10 Taxes

SEK million	2014	2013
Tax expense for the year		
Current tax	–3	–28
Deferred tax attributable to		
Changes in temporary differences for the year	1	–3
Total	**–3**	**–31**

Reconciliation of effective tax	2014	%	2013	%
Profit before tax	111	–	414	–
Tax at applicable tax rate	–24	–22.0	–91	–22.0
Tax effects of:				
Non-deductible expenses	–1	–0.1	–32	–7.6
Non-deductible income	25	22.5	105	25.4
Correction/Change of previous year's taxation	0	0.0	11	2.6
Foreign taxes	–3	–2.7	–24	–5.8
Total	**–3**	**–2.7**	**–31**	**–7.4**

The company's effective tax rate of 2.7 percent (7.4) in 2014 differs from the nominal tax rate in Sweden, which is primarily an effect of a dividend received from Gränges Sweden AB. This income is also included in the basis for non-taxable income.

DEFERRED TAX LIABILITY

The deferred tax liability of SEK 1 million (1) relates to temporary differences between the carrying amounts and value for tax purposes of buildings.

Note 11 Property, plant and equipment

SEK million	Land, land improvments and buildings	Machinery and plant	Equipment, tools and other installations	Assets under construction and advances to suppliers	Total property, plant and equipment
Carrying amount, 1 januari 2013	**362**	**12**	**29**	**17**	**420**
Acquisitions	3	–	0	2	4
Sales	–126	–	–1	–	–126
Reclassifications	17	0	1	–17	0
Demerger	–4	–2	–14	–1	–21
Depreciations and impairment charges	–16	–1	–3	–	–19
Carrying amount, 31 december 2013	**236**	**10**	**12**	**0**	**257**
Accumulated cost	**395**	**100**	**26**	**0**	**522**
Accumulated depreciation and impairment	–160	–91	–14	–	–265
Carrying amount, 31 december 2013	**236**	**10**	**12**	**0**	**257**
Carrying amount, 1 januari 2014	**236**	**10**	**12**	**0**	**257**
Acquisitions	0	0	0	2	3
Sales	–12	0	–	0	–12
Reclassifications	0	0	0	0	0
Depreciations and impairment charges	–13	–2	–2	0	–16
Carrying amount, 31 december 2014	**212**	**8**	**10**	**2**	**234**
Accumulated cost	**346**	**100**	**28**	**2**	**475**
Accumulated depreciation and impairment	–134	–92	–16	0	–241
Carrying amount, 31 december 2014	**212**	**8**	**10**	**2**	**234**

Note 12 Participations in Group companies

SEK million	Reg. no	Registered office	No. of shares	Share of capital and votes, %	Carrying amount, SEK million
Swedish Group companies					
Gränges Sweden AB	556002-6113	Finspång	300,000	100/100	163.0
Gränges Skultuna AB	556913-7358	Skultuna	50,000	100/100	0.4
Total					**163.4**
Foreign Group companies					
Gränges Aluminium (Shanghai) Ltd		Shanghai, China	–	100/100	255.7
Gränges Japan Ltd		Tokyo, Japan	–	100/100	2.5
Total					**258.3**
Total, Group companies					**421.7**

Note 13 Provision for pensions and similar obligations

Defined benefit pensions

SEK million	2014	2013
Provision under Pension Obligations Vesting Act		
– FPG/PRI pensions	20	20
– Other	–	–
Pension obligation secured through transfer of funds to pension trust	1	2
Total	**22**	**21**

Specification of pension-related changes in debt that are recognised in the balance sheet.

SEK million	2014	2013
Liability at beginning of year related to pension obligations	21	182
Demerger	–	–157
Cost recognised in income statement	2	2
Pension payments	–1	–5
Liability at end of year related to pension obligations	**22**	**21**

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. Stripping out 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	2014	2013
Pensions paid during the year	–1	–5
Increase/decrease in capital value	–1	4
Less interest portion in PRI	1	1
Total operating expense	–1	–1
Interest expense	–1	–1
Total	**–2**	**–2**

Note 14 Non-current liabilities

Gränges' primary source of financing until the stock market listing was loan facilities from its then parent company, Orkla ASA. After the flotation this financing was replaced by a five-year revolving credit facility of SEK 1,800 million, available in several currencies. Gränges has the right to choose among maturities and fixed- rate terms of one, two, three or six months. At 31 December 2014 SEK 900 million had been drawn with an average fixed-rate term of three months. The credit facility is subject to covenants, which were being met by a wide margin at 31 December.

Note 15 Accrued expenses and deferred income

SEK million	2014	2013
Accrued salaries, holiday pay and social-security contributions	16	15
Other accrued expenses and deferred income	2	8
Total	**18**	**23**

Note 16 Pledged assets

SEK million	2014	2013
For own liabilities and provisions:		
Related to provisions for pensions and similar obligations		
– Property mortgages	15	15
Total	**15**	**15**

Gränges in connection with signing the revolving credit facility described in Note 14 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.

Note 17 Contingent liabilities

SEK million	2014	2013
Other contingent liabilities	25	25
– of which, for subsidiaries	(25)	(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.

Note 18 Related-party transactions

Until 10 October Gränges was 100% owned by Orkla ASA, Norway (reg.no. 910 747 711) with registered office in Skøyen. Gränges AB has a controlling influence over its subsidiaries, see Note 12 Participations in Group companies in the notes to the consolidated accounts.

No Board member, senior executive or auditor 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 2014. 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	2014	67	4	852	358
Subsidiaries	2013	123	30	1,196	3
Orkla Group	2014	–	–8	–	1
Orkla Group	2013	–	22	126	26
Sapa Group	2014	3	–9	0	1
Sapa Group	2013	2	3	3	3
Associates	2014	–	–2	31	0
Associates	2013	–	–	26	–

Note 19 Other items without cash flow effect

SEK million	2014	2013
Provisions	–	2
Capital loss on sale of property	–	119
Other	–	1
Total	**–**	**122**

Note 20 Demerger

In December 2012, a legal split of Gränges' assets and liabilities was carried out between Gränges and the newly established company Sapa AB in accordance with the rules for demergers in Chapter 24 of the Swedish Companies Act (SFS 2005:551). The demerger was registered by the Swedish Companies Registration Office in March 2013 and means that net assets with a book value of SEK 5,268 million were transferred to Sapa AB (556914-0790). The result from 1 January until 28 March 2013 is fully included in Gränges AB and amounted to SEK - 91 million.

The demerger plan means that the business areas Sapa Profiles, Sapa Building Systems and Sapa Heat Transfer Extruded Products and Sapa Heat Transfer Welded Products including all pertaining rights and obligations, were transferred to the new company Sapa AB, while the operations in Sapa Heat Transfer Rolled Products remained with Gränges. Other rights and obligations that did not pertain to the transferred operations were retained by Gränges. If a company that under the demerger plan is primarily responsible for an obligation that arose prior to the demerger cannot fulfil the obligation, then under the provisions in Chapter 24 of the Companies Act (SFS 2005:551) the other party may become secondarily jointly and severally liable for the obligation. This secondary joint and several liability does not apply to obligations that arose after the demerger was carried out. Thus Gränges could become secondarily jointly and severally liable for obligations related to Sapa which arose prior to the demerger. This statutory liability is not limited in time, but is limited for each company to an amount not more that the actual value of the net proceeds allocated to the company in connection with the demerger. However, Gränges estimates that the likelihood of such secondary joint and several liability arising is extemely small as this would first require a historical obligation to materialise and second that Sapa AB will not be able to take responsiblity for the obligation.

DEFINITIONS

Adjusted EBITDA. Adjusted operating profit before depreciation and impairment.

Adjusted operating profit. Operating excluding items affecting comparability.

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.

FOUR-YEAR SUMMARY

SEK million	2011	2012	2013	2014
Sales volume, ktonnes	149.4	151.7	158,6	160.0
Income statement				
Net sales	4,840	4,946	4,642	4,748
Adjusted EBITDA[1)]	357	526	558	664
Adjusted operating profit[1)]	209	362	371	463
Operating profit	118	392	456	422
Profit for the period	66	316	309	319
Adjusted EBITDA margin	7.4	10.6	12.0	14.0
Adjusted operating margin	4.3	7.3	8.0	9.7
Operating margin	2.4	7.9	9.8	8.9
Net margin	1.4	6.4	6.7	6.7
Balance sheet				
Non-current assets	1,720	1,776	1,759	1,829
Current assets	2,670	2,520	2,867	2,631
Equity	2,260	2,208	3,098	2,137
Non-current liabilities	709	959	400	1,071
Current liabilities	1,421	1,129	1,128	1,253
Cash flow				
Operating activities	125	649	601	678
Investing activities	–331	–248	–151	–81
Net cash flow before financing activities	–206	401	450	597
Financing activities	318	–301	–88	–941
Cash flow for the period	112	100	362	–344

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

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

Data per share, SEK	2011	2012	2013	2014
Earnings, before and after dilution	0.88	4.24	4.14	4.27
Equity	30	30	42	29
Net cash flow before financing activities	–2.76	5.37	6.03	8.00
Dividend[1]	–	–	–	1.50
Dividend yield, %	–	–	–	2.94
Share price at year-end	–	–	–	51.00
Weighted outstanding ordinary shares, thousands[2]	74,639.4	74,639.4	74,639.4	74,639.4
Sales volume by region, ktonnes				
Asia	64.7	70.4	75.0	78.3
Europe	61.5	55.9	59.5	58.6
Americas	23.2	25.3	24.0	23.1
Gränges	**149.4**	**151.7**	**158.6**	**160.0**
Net sales by region, SEK million				
Asia	2,243	2,416	2,271	2,379
Europe	1,914	1,757	1,673	1,678
Americas	683	772	698	691
Gränges	**4,840**	**4,946**	**4,642**	**4,748**

[1] Cash dividend for 2014 as proposed.
[2] Earnings per share, before and after dilution. Previous periods 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 205,165,271 be appropriated as follows:

SEK million	2014
Dividend to shareholders	111,959,079
Carried forward	93,206,192
Total	**205,165,271**

The proposed dividend of SEK 112 million, or SEK 1.50 per share, represents 35% of the profit for 2014. In preparing its dividend proposal the Board of Directors has taken account of the company's financial position, cash flow and outlook.

Stockholm, 6 March 2015

The Board of Directors of Gränges AB (publ)

Anders 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 12 March 2015

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 Tuesday, 17 March 2015.

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 year 2014-01-01–2014-12-31, except for the corporate governance statement on pages 34-45. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 30–86.

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 2014 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 2014 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 34–45. 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 year 2014-01-01–2014-12 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 page 34–35 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 den 12 mars 2015

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

ANNUAL GENERAL MEETING 2015

Gränges' Annual General Meeting (AGM) for 2015 will be held at 4 p.m. on Monday 4 May 2015 at Näringslivets Hus, Storgatan 19 in Stockholm. Registration begins at 3 p.m. Light refreshments will be served in connection with the AGM.

Participation
Shareholders wishing to participate in the AGM must be registered in the share register kept by Euroclear Sweden on Monday, 27 April 2015 and register to attend the AGM on the company's website, www.granges.com, by telephone on +46 732 01 49 12 or by letter to Gränges AB, Juridik, Box 5055, SE-114 85 Stockholm. Registration to attend must be received by the company no later than Monday, 27 April 2015.

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 2015 will be published around 24 March 2015 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 112 million, or SEK 1.50 per share, for the 2014 financial year. The proposed record date for the dividend is 6 May 2015, which means that the dividend is expected to be paid on Monday, 11 May 2015, subject to approval of the proposal by the AGM.

For further information, please contact:
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GRÄNGES FINANCIAL CALENDAR 2015

Interim report, January-March 2015	4 May 2015
Annual General Meeting 2015	4 May 2015
Interim report, January-June 2015	21 July 2015
Interim report, January-September 2015	23 October 2015

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

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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 the Grängesberg mines, TGOJ rail business, Öxelösund 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 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 Gränges berg

1922

Aluminium production begins in Finspång

1972

Production of materials for brazed aluminium heat exchangers begins

1996

Gränges establishes a production plant in Shanghai

1997

Gränges is listed on the stock exchange in Stockholm

2005

Orkla buys out Sapa (Gränges) through a public bid and delists the company

2013

Gränges becomes a stand-alone company and takes back its old name

2014

The new Gränges is listed on the Nasdaq Stockholm stock exchange

Production: Hallvarsson & Halvarsson in co-operation with Gränges AB