

Press Release

January 28, 1999

Gränges Group Year-end Report for 1998

- **All Group business areas improved operating profit during the fourth quarter, compared with the corresponding period of 1997**
- **Excluding Gränges Metall and nonrecurring items, Group operating profit increased by 12 percent during 1998**
- **Expressed in tonnes, deliveries rose by 8 percent for comparable operations for 1998 as a whole**
- **Earnings per share, including nonrecurring items, totaled SEK 10.90 (7.20). Excluding nonrecurring items, earnings per share were SEK 9.80 (10.00¹)**
- **The Board proposes that a dividend of SEK 3.75 per share be paid for the 1998 fiscal year (2.50), corresponding to a total dividend payment of MSEK 137.3 (91.5)**
- **Staffan Bohman will become Gränges' new President and CEO, effective February 1, 1999**

Gränges in brief	Jan-Dec 1998	Jan-Dec 1997
Net sales, MSEK	10 249	9 957
Operating profit, MSEK	589²	613 ¹
Profit before tax, MSEK	526²	546 ¹
Return on capital employed %	17.0²	18.2 ¹
Return on shareholders' equity, %	16.0²	19.6 ¹
Debt/equity ratio, %	43	59
Deliveries in tonnes	249 200	238 900

¹ Before allocation of MSEK 146 to restructuring reserve

² Before nonrecurring capital gain of MSEK 69

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This report is also available on Gränges' website on the Internet:

www.graenges.se

CONTINUED GROWTH

The trend of sales developed favorably during the year. The Group's net sales rose by 3 percent to MSEK 10,249 (9,957). For comparable units, the increase was 7 percent. The average price for aluminium declined by slightly more than 8 percent during the year, which had an adverse effect on net sales.

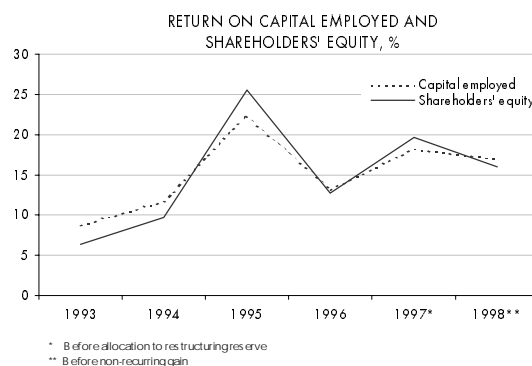
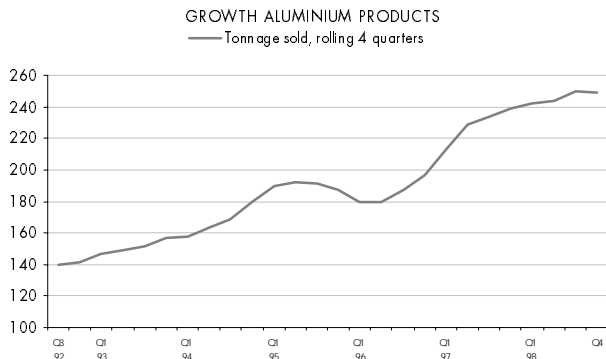
Approximately 249,200 (238,900) tonnes of value-added aluminium products were delivered during 1998, an increase of more than 4 percent compared with 1997. For comparable units, the increase was slightly more than 8 percent.

Before nonrecurring items, operating profit amounted to MSEK 589 (613). Operating profit declined by about 4 percent in relation to 1997. The downturn was attributable primarily to Gränges Metall having contributed MSEK 88 to Group earnings during 1997. Excluding Gränges Metall, earnings improved by 12 percent. This improvement was attributable mainly to higher volumes for Extrusions, a changed product mix and, accordingly, a larger proportion of added value in the margin for the Strip & Foil business area. Earnings by Autoplastics were down compared with the preceding year, due to the business area's Swedish operations being adversely affected by a number of factors. For the fourth quarter, Autoplastics reported an improvement in earnings compared with the same period last year.

Profit after tax, but before the nonrecurring capital gain, totaled MSEK 359 (368), equivalent to net earnings per share of SEK 9.80 (10.0) and a return on shareholders' equity of 16.0 (19.6) percent. The return on capital employed was 17.0 (18.2) percent.

Net profit, including the nonrecurring capital gain, totaled MSEK 399, corresponding to earnings per share of SEK 10.90.

Before the nonrecurring capital gain, the Group's tax cost corresponded to about 32 percent.



SIGNIFICANT EVENTS DURING 1998

In 1998, Gränges completed the restructuring strategy initiated in 1995. This enabled all Group resources to be concentrated on the development, production and marketing of highly processed products based on aluminium and plastic.

The agreement reached in January 1998 to sell Gränges Metall was approved by a Special General Meeting of Gränges AB shareholders on February 26, 1998. The divestment of Gränges Metall generated a nonrecurring pre-tax gain of MSEK 69, including the reversal of MSEK 126 of the MSEK 146 allocated to the restructuring reserve in 1997. The takeover became effective retroactively as of January 1, 1998.

On October 29, 1998, a Special General Meeting of the Company's shareholders approved the proposal that Gränges should implement a part-ownership program for employees within the Gränges Group during the autumn. The offer, which for tax reasons was divided into two programs, consisted of a convertible debentures program and a warrants program. The programs mean that employees can purchase shares in

Gränges during the period extending from June 6, 2001 to July 2, 2004. Both the conversion and the subscription price are SEK 136. The dilution effect will be approximately 1,9 percent on full conversion of the convertibles and the warrants.

The Autoplastics Business Area continued to expand during 1998. During the first quarter, the remainder of the formerly 50-percent owned company, Raufoss Plastal Components (now Plastal Uddevalla AB), in Uddevalla, was acquired by Gränges and strengthened the Group's position in sequence deliveries and surface coating of plastic products for the Swedish automotive industry. To boost Gränges Autoplastics' capacity to support key customers in several markets, the decision was taken in 1997/98 to invest MSEK 120 in a plant for injection moulding and lacquering in Gliwice, Poland. It is estimated that the plant, which is currently under construction, will be put into operation in gradual stages during the first half of 1999. The new facility is located in very close proximity to the GM plant in Gliwice and Autoplastics will engage in sequence deliveries to the customer plant.

During the year, the Strip & Foil Business Area built a plant in Shanghai, China, for the production of heat exchanger strip. Construction work and the installation of machines and equipment were successfully implemented during the year. The total investment amounts to approximately MUSD 25 and operations will be managed through a jointly owned Chinese company in which Gränges has a 70-percent ownership interest.

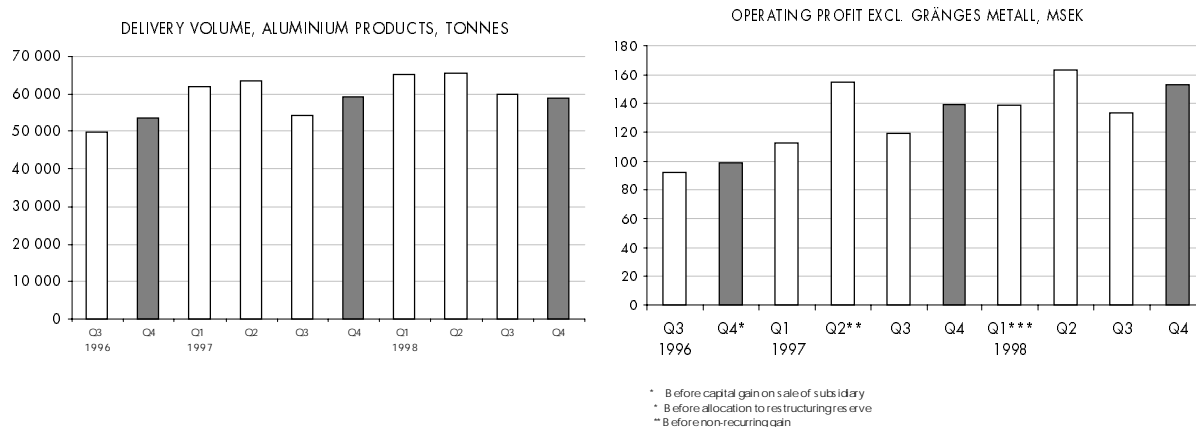
In January 1999, Gränges acquired Intexalu, one of the largest independent extrusion companies in France. Intexalu, which has sales of approximately MSEK 900, will become part of Gränges' Extrusions Business Area (Sapa). This acquisition means that Sapa becomes the third largest supplier of extrusions in France, with a market share of slightly more than 12 percent. The acquisition is effective as of January 1, 1999.

FOURTH QUARTER

Although demand for Gränges' products based on aluminium was satisfactory during the quarter, it was not as strong as during the first half of the year. The market for extrusions showed slightly better growth than the market for rolled products. Gränges' share of these markets continued to increase.

Net sales during the fourth quarter amounted to MSEK 2,547 (2,681). The decrease should be seen against the background of a 15-percent fall in aluminium prices, compared with the corresponding quarter of 1997.

All of the business areas reported improvements in operating profit during the fourth quarter, compared with the equivalent period a year ago. Operating profit totaled MSEK 153 (190). The operating margin, accordingly, was 5.7 percent (6.2). The downturn in operating profit was attributable to Gränges Metall having contributed MSEK 50 to Group earnings during 1997. Expressed in tonnes, delivery volumes were largely the same as during the fourth quarter of the preceding year.



DEVELOPMENT BY BUSINESS AREA

Extrusions (Sapa)

Net sales rose by 5 percent to MSEK 5,477 (5,219). Operating profit improved by nearly 8 percent to MSEK 433 (403), corresponding to an operating margin of 7.9 percent (7.7).

Demand for aluminium extrusions in Europe remained favorable throughout the whole of 1998. According to the industry organization, EAA, the market in Western Europe grew by approximately 4 percent during the year, with continued high capacity utilization. Sapa continued to show favorable growth during 1998. In total, the company delivered 142,700 (135,000) tonnes of aluminium extrusions, an increase of nearly 6 percent compared with 1997. Sapa, one of the largest producers of aluminium extrusions in Europe, increased its volumes in all markets during the period.

During the year, Sapa secured its largest-ever order. The order was placed by Danish company, Maersk Container Industri, and comprises approximately 3,900 tonnes of aluminium extrusions, most of which will be produced in the large Sapa press, P5, in Finspång, Sweden.

	98:4	98:3	98:2	98:1	97:4	97:3	97:2	97:1
Net sales, MSEK	1 307	1 282	1 463	1 425	1 456	1 206	1 349	1 208
Operating profit, MSEK	116	107	115	95	109	98	116	80
Operating margin, %	8.8	8.4	7.8	6.7	7.5	8.1	8.6	6.6
Deliveries, tonnes	33 500	34 300	38 200	36 700	34 000	31 400	35 400	34 200

Strip & Foil (Eurofoil, Finspong)

According to EAA, the market for Strip & Foil's products grew by slightly more than 2 percent during 1998. During the second half of the year, foil production in particular was adversely affected by both the reduced demand from Russia and the ongoing turbulence in Asia.

Net sales rose by slightly more than 7 percent to MSEK 2,802 (2,611).

Operating profit improved to MSEK 139 (106). This corresponded to an operating margin of 5.0 percent, compared with 4.1 percent in 1997.

The improvement in profit was attributable to a combination of increasing volumes of products with a higher degree of valued-added, namely clad strip for heat exchangers, higher capacity utilization for special foils for the packaging industry, and higher productivity.

In total, 106,500 tonnes (104,000) of aluminium strip and foil were delivered during the year. Excluding the production of beverage can stock, which was discontinued in June 1997, volumes for comparable operations increased by slightly more than 10 percent. Deliveries of clad strip for heat-exchangers continued to grow and showed an increase of more than 25 percent, compared with 1997.

	98:4	98:3	98:2	98:1	97:4	97:3	97:2	97:1
Net sales, MSEK	652	668	726	757	684	603	688	636
Operating profit, MSEK	34	31	42	32	26	20	38	22
Operating margin, %	5.2	4.6	5.9	4.1	3.9	3.4	5.5	3.4
Deliveries, tonnes	25 300	25 500	27 400	28 300	25 200	22 900	28 100	27 800

Autoplastics (Plastal)

Sales volumes of plastic components and systems for the passenger car and truck markets developed favorably during the year. Net sales for the business area, including sales by acquired companies, increased by slightly more than 18 percent to MSEK 1,864 (1,579).

Operating profit amounted to MSEK 38 (68) and the operating margin thus narrowed to 2.0 percent (4.3). An improvement was noted in the fourth quarter, in relation to both the corresponding quarter of 1997 and the third quarter of 1998. The business area's Swedish operations showed weak development throughout the year due to model changes, production disruptions at customer plants and surplus labor. Other operations, particularly the business area's Italian operations and Plastal Kungälv AB, continued to report favorable earnings.

	98:4	98:3	98:2	98:1	97:4	97:3	97:2	97:1
Net sales, MSEK	544	445	444	430	483	314	417	365
Operating profit, MSEK	13	0	10	15	8	7	28	25
Operating margin, %	2,3	n.a.	2,2	3,4	1,7	2,2	6,8	6,8

Other operations

In connection with the sale of Gränges Metall, MSEK 126 of the MSEK 146 allocated earlier to the restructuring reserve was reversed. The divestment generated a nonrecurring capital gain of about MSEK 69, which was included in earnings for the first quarter of 1998. Including adjustments for inter-company profits, Gränges Metall contributed MSEK 88 to Group earnings in 1997. During the fourth quarter of 1997, Gränges Metall contributed MSEK 50 to Group earnings.

INVESTMENTS

Group investments (new and replacement investments) during the year totaled MSEK 661 (598). The larger investments related to Strip & Foil's plant in Shanghai, China, and Autoplastics' plant in Gliwice, Poland, which combined totaled around MSEK 150 in 1998. In addition, a number of upgrades and replacements were made to existing production equipment in all business areas.

FINANCING AND LIQUIDITY

At year-end 1998, the Group's debt/equity ratio was 43 percent (59 percent at year-end 1997). Interest expense for the period was lower than during 1997, primarily as a result of the decrease in net debt.

At the end of the year, the Group's cash reserve¹ totaled MSEK 701. The proportion of long-term loans (excluding the non-utilized portion of approved lines of credit), as a percentage of total interest-bearing liabilities, was 63 percent. The utilized portion of the Group's approved lines of credit totaling MUSD 160 corresponded to MUSD 40.

Cash flow, after investments during the year, totaled MSEK 306.

1) Cash + short-term investments - short-term loans + total outstanding lines of credit.

PERSONNEL

The average number of employees in the Gränges Group during 1998 was 6,520 (1997: 6,885).

PROPOSED DIVIDEND

The Board has decided to propose that the Annual General Meeting approve a dividend of SEK 3.75 per share (2.50) for the 1998 fiscal year, corresponding to a total dividend payment of MSEK 137.3 (91.5).

ANNUAL GENERAL MEETING

The Gränges AB Annual General Meeting will be held on Thursday, April 29, 1999 at Nybrokajen 11 (the former Academy of Music) in Stockholm, Sweden. (The time of the Meeting will be advised later).

FINANCIAL REPORTING DATES IN 1999

First quarter report and AGM	April 29
Half-year report	August 11
Third quarter report	November 4
Report on full-year 1999 operations	January 2000

The 1998 Annual Report will be available upon request from Gränges AB's office, Humlegårdsgatan 17, Stockholm, tel +46-8-459 5900, as of mid-March 1999. The Annual Report will be distributed simultaneously at this time to the company's shareholders.

Gränges AB (publ)
Stockholm, January 28, 1999

LARS WESTERBERG
 President and Chief Executive Officer

PRO FORMA ACCOUNTING:

The *pro forma* accounts for 1997 do not include the allocation of MSEK 146 to a restructuring reserve during the second quarter for the disposal of Gränges Metall AB.

The *pro forma* accounts for 1998 do not include the nonrecurring effects achieved following the sale of Gränges Metall AB as per January 1, 1998.

This report has not been examined by the Company's auditors.

GRÄNGES GROUP

Income Statement	Pro forma Jan-Dec 1998²	Pro forma Jan-Dec 1997 ¹	Jan-Dec 1998	Jan-Dec 1997
MSEK				
Net sales	10 248.9	9 956.9	10 248.9	9 956.9
Cost of goods sold	-8 353.3	-7 894.7	-8 353.3	-7 894.7
Gross profit	1 895.6	2 062.2	1 895.6	2 062.2
Selling and administrative expenses	-1 327.7	-1 459.5	-1 327.7	-1 459.5
Nonrecurring gain/allocation to restructuring reserve			69.1	-146.0
Other operating income/expenses	20.8	10.1	20.8	10.1
Operating profit	588.7	612.8	657.8	466.8
Financial items	-62.5	-66.6	-62.5	-66.6
Profit after financial items	526.2	546.2	595.3	400.2
Taxes	-168.8	-178.8	-198.7	-137.8
Minority share in net profit	2.0	0.4	2.0	0.4
Net profit	359.4	367.8	398.6	262.8

¹ Before allocation of MSEK 146 to restructuring reserve

² Before nonrecurring capital gain of MSEK 69

Balance sheet	Dec 31, 1998	Dec 31, 1997
MSEK		
Intangible assets	99.9	67.1
Tangible fixed assets	2 641.5	2 406.4
Financial fixed assets	15.2	14.7
Inventories	1 450.9	1 457.4
Current receivables	1 919.3	1 861.9
Liquid funds	448.4	311.8
Total assets	6 575.2	6 119.3
Shareholders' equity	2 510.0	2 095.2
Interest-bearing liabilities	1 519.0	1 558.7
Provisions and interest-free liabilities	2 546.2	2 465.4
Total equity and liabilities	6 575.2	6 119.3

Key figures and other information	Pro forma Jan-Dec 1998	Pro forma Jan-Dec 1997	Jan-dec 1998	Jan-dec 1997
Return on shareholders' equity, %	16.0²	19.6 ¹	17.4	13.4
Number of shares, 000s	36 617	36 617	36 617	36 617
Net earnings per share, SEK	9.80²	10.00 ¹	10.90	7.20
Shareholders' equity per share, SEK	68.50	57.20	68.50	57.20
Return on capital employed, %	17.0²	18.2 ¹	19.1	14.2
Operating margin, %	5.7²	6.2 ¹	6.4	4.7
Capital turnover rate, multiple	3.0²	3.0 ¹	3.0	3.0
Equity ratio, %	38	34	38	34
Debt ratio, %	43	59	43	59
Net debt, MSEK	1 071	1 227	1 071	1 227
New and replacement investments, MSEK	661	598	661	598
Average number of employees	6 520	6 885	6 520	6 885

¹ Before allocation of MSEK 146 to restructuring reserve

² Before nonrecurring capital gain of MSEK 69

Financial information by business area	Jan-Dec	Jan-Dec
MSEK	1998	1997
Extrusions		
Net sales	5 476.7	5 219
Operating profit	433.0	403
Strip & Foil		
Net sales	2 801.9	2 611
Operating profit	139.3	106
Autoplastics		
Net sales	1 863.9	1 579
Operating profit	38.2	68
Other operations		
Gränges Metall		
Net sales	-	1 451
Operating profit	-	102
Adjustment for inter-company profit	-	-14
Other companies and group items		
Net sales	402.0	765
Inter-company sales	-295.6	-1 668
Operating profit	-21.8²	-52 ¹
Group		
Net sales	10 248.9	9 957
Operating profit	588.7	613

¹ Before allocation of MSEK 146 to restructuring reserve

² Before nonrecurring capital gain of MSEK 69

Cash flow	Jan-Dec	Jan-Dec
MSEK	1998	1997
Operating profit	588.7²	612.8 ¹
Depreciations, etc	361.4	375.2
Financial items	-62.5	-66.6
Taxes paid	-154.7	-153.4
Change in working capital	172.1	135.9
Cash flow from operating activities	905.0	903.9
New and replacement investments	-661.4	-598.2
Plants in acquired companies, etc	-12.3	-15.5
Other changes in fixed assets	74.4	51.3
Cash flow after investments	305.7	341.5
Dividend	-91.5	-
Cash flow after dividend	214.2	341.5

¹ Before allocation of MSEK 146 to restructuring reserve

² Before nonrecurring capital gain of MSEK 69

Presentation kit for this report can be found as PDF-file on Gränges' website on the Internet: www.graenges.se. Select Financial Information/Presentations.