

Press Release

August 12, 1999

The Gränges Group Interim Report January-June 1999

Continued growth in both sales and earnings

- **Net sales up 12 percent to MSEK 5,893 (5,267)**
- **Operating profit rose 14 percent compared with the corresponding period of 1998, excluding a nonrecurring gain**
- **Profit before tax amounted to MSEK 300 (272), up slightly more than 10 percent compared with the first half of 1998, excluding the nonrecurring gain**
- **Autoplastics merger approved by European Commission**
- **Earnings per share totalled SEK 5.60 (5.10)**

Gränges in brief	Jan-June 1999	Jan-June 1998	Jan-Dec 1998
Net sales, MSEK	5 893	5 267	10 249
Operating profit, MSEK	343	302 ¹	589 ²
Profit before tax, MSEK	300	272 ¹	526 ²
Return on capital employed, %	16.8	17.7 ¹	17.0 ²
Return on shareholders' equity, %	16.3	17.2 ¹	16.0 ²
Debt/equity ratio, %	70	48	43

¹ Before nonrecurring gain of MSEK 69

In connection with the publication of its six-month interim report, Gränges cordially invites investors, financial analysts and journalists to attend a press conference that will be held at 10 a.m. today at the Hotel Anglais in Stockholm. Please notify your attendance by calling +46 8 459 59 00.

*For further information, please contact Cecilia Lager, Vice President
Investor Relations & Communication, tel. +46 8 459 59 41.*

This interim report is also available on Gränges' web site on the Internet: www.graenges.se

FAVOURABLE GROWTH CONTINUES

Markets for Gränges' products developed favourably during the period. The company's leading market positions were maintained and increasing shares were noted in several markets. Demand for Gränges' aluminium-based products was greater than in both the preceding quarter of 1999 and the corresponding six months of 1998. The Group's operations within plastic systems and plastic components, Autoplastics, showed very strong sales growth, up 36 percent compared with the corresponding period of 1998. Of this amount, the merged operations from Norsk Hydro accounted for about 15 percent.

Despite a lower average price for aluminium reducing the value of sales by 6 percent, net sales for the Group rose by 12 percent to MSEK 5,893 (5,267). Since the divestment of the Gränges Metall smelting works, Gränges is only a purchaser of aluminium and the Group's earnings are only marginally affected by fluctuations in the price of aluminium. Volumes of value-added aluminium products delivered during the period totalled approximately 147,100 (130,600) tonnes, up 13 percent. For comparable operations, volumes rose by slightly more than 2 percent.

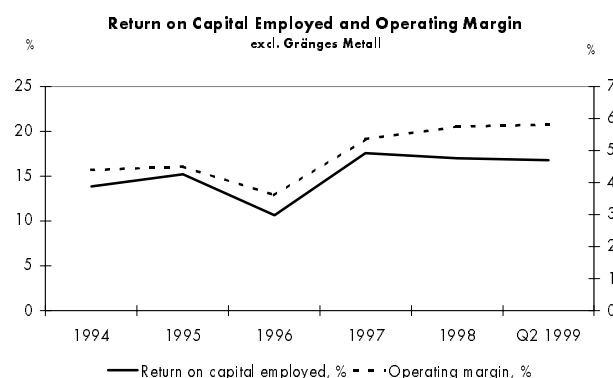
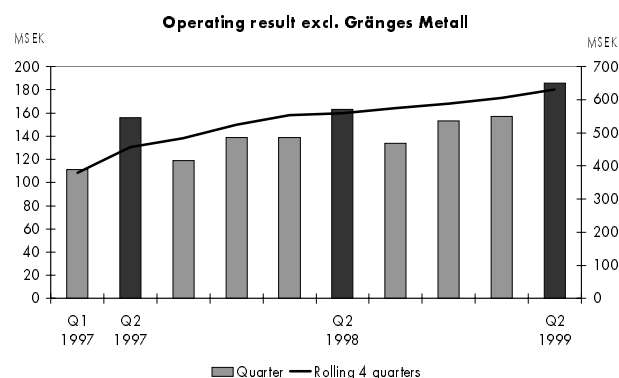
Operating profit amounted to MSEK 343, an improvement of 14 percent in relation to operating profit of MSEK 302 for the first half of 1998, excluding the nonrecurring gain. The improvement was attributable to higher volumes, a product mix with better value-added margins and increased productivity within the Extrusions and Strip & Foil business areas.

Within Autoplastics, which has operated under new management since the start of Q2 this year, a total review of all business area operations, ranging from existing customer relations, contracts and work methods to production units and technology development is being conducted on an intensive basis. This rationalisation and restructuring program is designed to increase profitability and strengthen operations. The business area continued to show weak earnings for the period. This was due primarily to production losses in the Swedish units that are being phased out plus start-up costs for the units in Italy, Poland and Spain.

The Group's operating margin was 5.8 percent, compared with 5.7 percent for the first half of 1998. Extrusions reached a margin of 8.2 percent, compared with 7.3 percent for the first half of 1998. Strip & Foil noted a margin of 5.7 percent (5.0) and Autoplastics a margin of 1.2 percent (2.8).

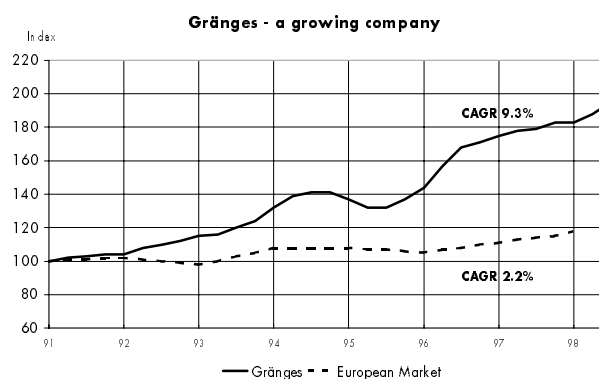
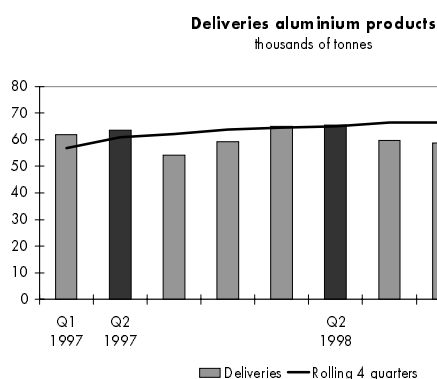
Profit after tax totalled MSEK 204 (186), corresponding to earnings per share of SEK 5.60 (5.10) and a 16.3-percent (17.2) return on shareholders' equity. The return on capital employed for the period was 16.8 percent (17.7).

Tax costs for the Group are estimated to total approximately 34 percent, which is higher than previously, due to an increased proportion of earnings being generated in countries with high tax rates.



Second quarter

Net sales during Q2 amounted to MSEK 3,058 (2,648), up by slightly more than 15 percent. Operating profit rose by nearly 15 percent to MSEK 186 (163). Accordingly, the operating margin was 6.1 percent (6.1). In addition to volume increases (+14 percent), Q2 earnings were positively affected by increased productivity and a higher level of value-added within both the Extrusions and the Strip & Foil business areas. The Autoplastics business area continued to show strong sales growth during the quarter (+52 percent), slightly more than half of which was accounted for by the newly merged operations. In terms of earnings, this positive sales trend was offset by the costs of the extensive restructuring work conducted at production units in Sweden and start-up costs for new plants in Europe. The newly merged operations within Bumper Systems made a limited contribution to earnings during the period.



MERGERS AND ACQUISITIONS

Autoplastics merger approved by European Commission

On March 1, 1999, it was announced that Gränges and Norsk Hydro ASA's Hydro Raufoss Automotive Division had reached an agreement in principle to merge Gränges Autoplastics with Hydro Raufoss Automotive Bumper Systems. The merger agreement was signed in July and is effective as of May 1, 1999. The merger creates one of Europe's most prominent suppliers of painted exterior plastic systems for the automotive sector.

As published earlier, Gränges implemented a major acquisition in France during the first quarter of 1999 when it purchased the extrusions company Intexalu. This acquisition, which was consolidated as of January 1, 1999, makes Gränges the third largest supplier of extruded aluminium profiles in France.

OTHER

Allotment of options to senior executives

As announced in a separate press release and in the interim report on the first quarter, Gränges implemented an additional allotment of options to senior executives within the Group during Q1 1999.

Heat exchanger strip plant inaugurated in Shanghai, China

On June 22, 1999, Gränges inaugurated its new plant in Shanghai, China. The new facility, which will produce heat exchanger strip for the Chinese and Asian markets, has

an annual capacity of slightly more than 12,000 tonnes. Production will be increased gradually but it will take about 3–4 years before full capacity utilisation is reached.

DEVELOPMENT BY BUSINESS AREA

Extrusions (Sapa)

Demand for extruded aluminium profiles in Europe remained stable during the first half of 1999, with an estimated growth of approximately 1.5 percent. Sapa, which continued to expand its market penetration by producing an increased level of value-added products, also delivered higher volumes to key markets during the period. The units in Germany, France and Scandinavia noted particularly favourable development.

Including the acquisition of Intexalu, net sales rose 11 percent to MSEK 3,212 (2,888). Operating profit improved by 25 percent to MSEK 263 (210), equivalent to an operating margin of 8.2 percent (7.3). The improvement in operating profit was mainly attributable to increased volumes, improved margins for value-added products, greater productivity and the acquisition of Intexalu.

In total, 90,800 (74,900) tonnes of extruded aluminium profiles were delivered during the period, an increase of more than 20 percent. For comparable operations, the volume increase was approximately 3 percent.

	99:2	99:1	98:2	98:1	1998
Net sales, MSEK	1 629	1 583	1 463	1 425	5 477
Operating profit, MSEK	136	127	115	95	433
Operating margin, %	8.2	8.0	7.8	6.7	7.9
Deliveries, tonnes	46 000	44 800	38 200	36 700	142 700

(Tonnage figures for Q1, 99 have been adjusted downward by 200 tonnes compared with the proceeding interim report)

Strip & Foil (Eurofoil, Finspong)

Stronger demand than expected was experienced in the Strip & Foil business area's markets during the period. Heat exchanger strip continued to show strong growth (+17 percent during Q2) at the same time as foils showed an increase compared with both the preceding quarter of 1999 and the corresponding six months of 1998. During the first half of 1999, the market for rolled products in Europe declined by nearly 3 percent. As a result of the business climate, recycled-metal operations noted a sharp downturn compared with the corresponding period of 1998.

Net sales amounted to MSEK 1,401 (1,483). The approximately 5-percent decrease was wholly attributable to lower aluminium prices.

Operating profit improved to MSEK 80 (74), corresponding to an operating margin of 5.7 percent (5.0). The improvement in profitability was due to a combination of higher volumes, an improved product mix and increased productivity.

In total, the business area delivered 56,300 tonnes (55,700) of aluminium strip and foil during the period.

	99:2	99:1	98:2	98:1	1998
Net sales, MSEK	711	690	726	757	2 802
Operating profit, MSEK	47	33	42	32	139
Operating margin, %	6.6	4.8	5.9	4.1	5.0
Deliveries, tonnes	29 000	27 300	27 400	28 300	106 500

Autoplastics

During the second quarter, the merger of Gränges Autoplastics and Hydro Raufoss' operations in the automotive plastic systems area was implemented. The new operation was consolidated in Gränges' accounts effective May 1, 1999.

Sales volumes of plastic components and systems for the automotive industry continued to show strong growth during the first half of 1999. Net sales for the business area increased by nearly 36 percent to MSEK 1,188 (874). For comparable operations, sales rose by more than 20 percent.

Operating profit amounted to MSEK 14 (24). Accordingly, the operating margin narrowed to 1.2 percent (2.8). During the period, the business area's earnings were adversely affected by reduced demand from certain segments of the trucks sector during Q1, start-up expenses for the plants in Italy, Poland and Spain and production losses for units being phased out.

Work to phase out the units in Kristinehamn and Olofström is proceeding according to plan and is estimated to be completed during the first half of year 2000. The restructuring work completed to date to improve operations in Simrishamn has been successful and led to improved earnings through increased productivity and lower production costs. The rationalisation and restructuring work is a highly important step to increase Autoplastics' profitability and strengthen its operations.

	99:2	99:1	98:2	98:1	1998
Net sales, MSEK	677	511	444	430	1 864
Operating profit, MSEK	11	3	10	15	38
Operating margin, %	1.7	0.5	2.2	3.4	2.0

INVESTMENTS

Group investments (new and replacement investments) during the period totaled MSEK 414 (209). The larger investments related to the Autoplastics plants in Belgium, Italy, Poland and Spain, the Strip & Foil plants in Shanghai, China, and Luxembourg and to IT investments within the Extrusions business area.

FINANCING AND LIQUIDITY

The Group's debt/equity ratio was 70 percent (43 percent at year-end 1998). Interest expense for the period was higher than in the first half of 1998 due to the acquisition of French company Intexalu. The interest coverage ratio was 6.3.

After investments, Group cash flow for the period was negative at MSEK 36. High investment levels and the acquisition of Intexalu affected cash flow. After the payment of approximately MSEK 137 in dividends to shareholders, the negative cash flow totalled MSEK 173.

PERSONNEL

The average number of employees in the Gränges Group as at June 30, 1999 was 7,272 (1998: 6,520).

FINANCIAL REPORTING DATES IN 1999

Gränges will publish reports on its operations in 1999 on the following dates:

November 4 – Third-quarter report

January 2000 – Year-end report for 1999

Gränges AB (publ)
Stockholm, August 12, 1999

STAFFAN BOHMAN
President and Chief Executive Officer

PRO FORMA ACCOUNTING

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.

CHANGED ACCOUNTING PRINCIPLES

The maximum amortization period for consolidated goodwill has been changed from 10 to 20 years. This change applies only to acquisitions made as of January 1, 1999.

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

GRÄNGES GROUP

Income statement		Pro forma	Pro forma
MSEK	Jan-June	Jan-June	Jan-Dec
	1999	1998 ¹	1998 ¹
Net sales	5 893.0	5 267.1	10 248.9
Cost of goods sold	-4 796.1	-4 291.3	-8 353.3
Gross profit	1 096.9	975.8	1 895.6
Selling and administrative expenses	-762.4	-678.0	-1 327.7
Other operating income/expenses	8.5	3.9	20.8
Operating profit	343.0	301.7	588.7
Financial items	-42.8	-29.9	-62.5
Profit after financial items	300.2	271.8	526.2
Taxes	-102.0	-87.0	-168.8
Minority share in net profit	5.5	1.0	2.0
Net profit	203.7	185.8	359.4

¹Before nonrecurring gain of MSEK 69

Balance sheet	June 30,	June 30,	Dec 31,
MSEK	1999	1998	1998
Intangible fixed assets	204.5	63.1	99.9
Tangible fixed assets	3 301.1	2 339.4	2 641.5
Financial fixed assets	17.6	8.4	15.2
Inventories	1 643.9	1 414.3	1 450.9
Current receivables	2 646.2	2 011.3	1 919.3
Liquid funds	385.6	340.4	448.4
Total assets	8 198.9	6 176.9	6 575.2
Shareholders' equity	2 503.1	2 238.8	2 510.0
Interest-bearing liabilities and provisions	2 143.3	1 410.6	1 519.0
Interest-free liabilities and provisions	3 552.5	2 527.5	2 546.2
Total equity and liabilities	8 198.9	6 176.9	6 575.2

Key figures and other information	Jan-June	Pro forma	Pro forma
	1999	Jan-June	Jan-Dec
		1998	1998
Return on shareholders' equity, %	16.3	17.2 ¹	16.0 ¹
Number of shares, 000s	36 617	36 617	36 617
Net earnings per share, SEK	5.60	5.10 ¹	9.80 ¹
Shareholders' equity per share, SEK	68.40	61.10	68.50
Return on capital employed, %	16.8	17.7 ¹	17.0 ¹
Operating margin, %	5.8	5.7 ¹	5.7 ¹
Capital turnover rate, multiple	2.9	3.1 ¹	3.0 ¹
Equity ratio, %	31	36	38
Debt ratio, %	70	48	43
Net debt, MSEK	1 758	1 070	1 071
New and replacement investments, MSEK	414	209	661
Average number of employees	7 272	6 515	6 520

¹Before nonrecurring gain of MSEK 69

Financial information per business area	Jan-June 1999	Jan-June 1998	Jan-Dec 1998
MSEK			
Extrusions			
Net sales	3 211.5	2 887.6	5 476.7
Operating profit	263.0	209.9	433.0
Strip & Foil			
Net sales	1 401.0	1 482.9	2 801.9
Operating profit	80.0	74.0	139.3
Autoplastics			
Net sales	1 187.9	874.4	1 863.9
Operating profit	14.0	24.4	38.2
Other companies and group items			
Net sales	206.6	208.7	402.0
Inter-company sales	-114.0	-186.5	-295.6
Operating profit	-14.0	-6.6 ¹	-21.8 ¹
Group			
Net sales	5 893.0	5 267.1	10 248.9
Operating profit	343.0	301.7	588.7

¹Before nonrecurring gain of MSEK 69

Cash flow	Jan-June 1999	Jan-Dec 1998
MSEK		
Operating profit	343.0	657.8
Depreciations and other items not affecting cash flow	239.7	289.8
Interest received/paid	-41.1	-62.2
Paid income tax	-66.3	-160.3
Change in working capital	-186.7	-29.8
Cash flow from operating activities	288.6	695.3
New and replacement investments	-414.0	-661.5
Company acquisitions/divestments	89.1	213.0
Other fixed assets	0.4	-4.0
Cash flow after investments	-35.9	242.8
Dividend	-137.3	-91.5
Cash flow after dividend	-173.2	151.3

Cash flow statement for 1998 has been reclassified in accordance with RR7.

The overhead slide presentation of this report can be downloaded as a PDF file from the Gränges web site on the Internet: www.graenges.se. Choose "Financial Information/Presentations."