

## Press Release

November 3, 1999

### The Gränges Group Interim Report January-September 1999

## Strong improvement in earnings

- **Net sales rose by more than 22 percent during the third quarter – and by 15 percent, to MSEK 8 874 (7,702), for the period as a whole**
- **Operating profit rose 28 percent during the third quarter and was up by 18 percent compared with the corresponding period of 1998, excluding a nonrecurring gain**
- **Profit before tax for the period amounted to MSEK 447 (388), up 27 percent during the third quarter, and by 15 percent compared with the first nine months of 1998, excluding the nonrecurring gain**
- **Earnings per share rose 18 percent to SEK 8.50 (7.20)**

<b>Gränges in brief</b>	<b>Jan-Sep 1999</b>		Jan-Sep 1998	Jan-Dec 1998
Net sales, MSEK	<b>8 874</b>	+ 15%	7 702	10 249
Operating profit, MSEK	<b>514</b>	+ 18%	435 <sup>1</sup>	589 <sup>1</sup>
Profit before tax, MSEK	<b>447</b>	+15%	388 <sup>1</sup>	526 <sup>1</sup>
Return on capital employed, %	<b>16,2</b>		16,9 <sup>1</sup>	17,0 <sup>1</sup>
Return on shareholders' equity, %	<b>16,4</b>		16,1 <sup>1</sup>	16,0 <sup>1</sup>
Debt/equity ratio, %	<b>68</b>		47	43

<sup>1)</sup> Before nonrecurring capital gain of MSEK 69

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*This interim report is also available on Gränges' web site on the Internet: [www.graenges.se](http://www.graenges.se)*

## STRONG GROWTH IN EARNINGS AND SALES

Gränges' earnings continue to improve. Operating profit for the first nine months of the year totaled MSEK 514, an improvement of 18 percent compared with MSEK 435 in operating profit for the corresponding period of 1998, excluding the nonrecurring capital gain. The Group's operating margin was 5.8 percent, compared with 5.7 percent for the first nine months of the preceding year. The improvement was attributable to higher volumes, increased efficiency and a favorable mix of products with better value-added margins in the Extrusions and Strip & Foil business areas. The Autoplastics business area continued its restructuring work during the period and its earnings remained unsatisfactory.

The operating margin for Extrusions was 8.5 percent, against 7.6 percent in 1998. Strip & Foil showed a margin of 5.6 (4.9) percent and Autoplastics a margin of 0.8 (1.9) percent.

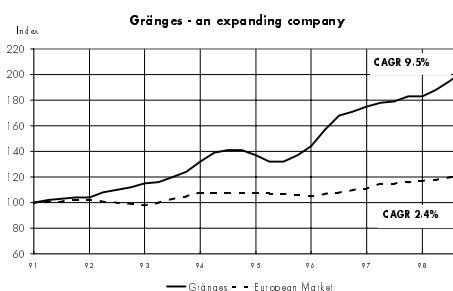
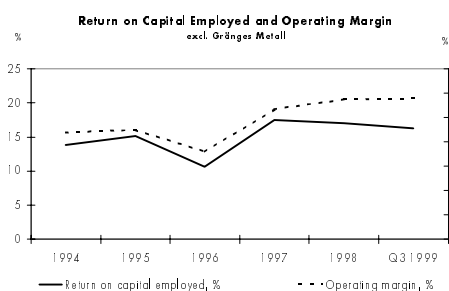
During the period, the Group's net sales rose by slightly more than 15 percent to MSEK 8,874 (7,702). The market for Gränges' products improved during the period. Gränges maintained its leading market positions and increased its share in most markets. Markets that developed particularly strongly included France, Germany and the Netherlands. The Autoplastics business area, which has made substantial marketing investments for a long period, showed strong sales growth of more than 44 percent, compared with the corresponding period of 1998. Of this, the merged operations from Norsk Hydro accounted for slightly more than 20 percent.

In terms of volumes, approximately 217,100 (190,400) tonnes of value-added aluminium products were delivered during the period, an increase of 14 percent (for comparable operations, the volume increase was nearly 4 percent). The European market for extrusions and rolled aluminium increased by around 1.5 percent during the corresponding period.

Profit after tax totaled MSEK 310 (265), corresponding to earnings per share of SEK 8.50 (7.20) and a 16.4-percent (16.1) return on shareholders' equity. The return on capital employed for the period was 16.2 percent (16.9). All figures for 1998 have been calculated prior to the nonrecurring capital gain of MSEK 69.

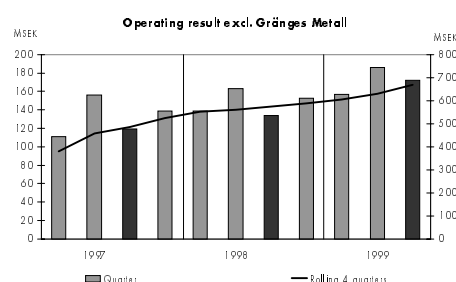
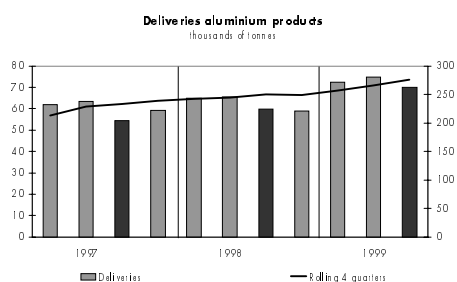
Tax costs for the Group are estimated to correspond to approximately 34 percent.

	99:3	98:3	%	Q1-Q3 99	Q1-Q3 98	%	9810 -9909	1998
Net sales, MSEK	2 981	2 435	+22	8 874	7 702	+15	11 420	10 249
Operating profit, MSEK	172	134	+28	514	435	+18	668	589
Profit before tax, MSEK	147	116	+27	447	388	+15	585	526
Operating margin, %	5,8	5,5		5,8	5,7		5,8	5,7



### Third quarter

Net sales during Q3 rose by more than 22 percent and amounted to MSEK 2,981 (2,435). Operating profit rose by 27 percent to MSEK 172 (134). Accordingly, the operating margin was 5.8 percent (5.5). In addition to volume increases (+17 percent), Q3 earnings were positively affected by increased efficiency and a good price and product mix, with a higher level of value-added products within both the Extrusions and the Strip & Foil business areas. The Autoplastics business area continued to show strong sales growth during the quarter (+60 percent), slightly more than half of which was accounted for by the merged operations from Norway. 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.



### Strategic review

During spring 1999, Gränges conducted a strategic review of the Group's positions in various product and geographic markets. The results of the review were presented at the same time as the six-month interim report. The main points can be summarized as follows:

- Gränges will focus on areas that are considered to offer the greatest growth and profit potential.
- The Group will expand within core areas, primarily in Europe and other selected markets
  - Extrusions are and shall remain Gränges' core operations
  - Common points of interest, of a technological or marketing nature, shall exist between the operations to be developed.
- The expansion program shall further develop and strengthen the Group's positions within selected product and geographic markets.
- Gränges' financial targets during an economic cycle are:
  - annual growth of 10-15 percent
  - an operating margin of at least 8 percent
  - a net margin of at least 5 percent
  - a return of at least 18 percent (on capital employed before tax, and on shareholders' equity after tax).

### Gränges to the A-list of OM Stockholm Exchange

During spring-99 the Board of Directors of Gränges decided to apply for registration of the company's shares on the A-list of the OM Stockholm Exchange. The Stockholm Exchange accepted the application and from September 2, 1999 Gränges is registered on the A-list of OM Stockholm Exchange.

## TREND BY BUSINESS AREA

### Extrusions (Sapa)

Including the acquisition of Intexalu, net sales rose by 14 percent to MSEK 4,745 (4,170). Operating profit improved by 27 percent to MSEK 405 (317), equivalent to an operating margin of 8.5 percent (7.6). During Q3, net sales rose by 20 percent, while operating profit improved by more than 32 percent, compared with the corresponding quarter of 1998. As a result, the operating margin for the third quarter was 9.2 percent. The improvement in operating profit was mainly attributable to increased volumes, together with improved margins for value-added products, greater productivity and the acquisition of Intexalu.

Demand for extruded aluminium profiles in Europe remained stable during the first nine months of 1999, with an estimated growth of approximately 2.5 percent. Sapa, which continued to increase its market penetration by raising the degree of value added, also delivered higher volumes to most of its key markets during the period. In total, 132,600 (109,200) tonnes of extruded aluminium profiles were delivered during the period, an increase of more than 21 percent. For comparable units, the volume increase was approximately 3.5 percent.

	<b>99:3</b>	99:2	99:1	<b>98:3</b>	98:2	98:1	1998
Net sales, MSEK	<b>1 534</b>	1 629	1 583	<b>1 282</b>	1 463	1 425	5 477
Operating profit, MSEK	<b>142</b>	136	127	<b>107</b>	115	95	433
Operating margin, %	<b>9,2</b>	8,2	8,0	<b>8,4</b>	7,8	6,7	7,9
Deliveries, tonnes	<b>41 800</b>	46 000	44 800	<b>34 300</b>	38 200	36 700	142 700

### Strip & Foil (Finspong, Eurofoil)

Net sales for the period amounted to MSEK 2,105 (2,151). The lower level of sales was due to the phasing out of a production line at the foils plant in Belgium and lower sales of industrial products. Operating profit improved by 13 percent to MSEK 119 (105). This corresponded to an operating margin of 5.6 percent (4.9). During Q3, net sales rose by more than 5 percent to MSEK 704 and operating profit improved by 25 percent to MSEK 39. The improvement in profitability was due to a combination of higher volumes, an improved product mix and increased efficiency.

Demand for Strip & Foil's products was stronger than expected during the period. Heat exchanger strip continued to develop strongly, showing growth of more than 18 percent during the first nine months and of 34 percent during the third quarter. The heat exchanger strip plant in Shanghai was placed in production during Q3 and is expected to show steadily increasing volumes, although the contribution during Q3 was marginal.

Foil operations remained at approximately the same level as during the comparable period of 1998. The market for rolled products in Europe declined by about 1 percent during the first nine months of 1999.

In total, the business area delivered 84,400 tonnes (81.200) of aluminium strip and foil during the period.

	<b>99:3</b>	99:2	99:1	<b>98:3</b>	98:2	98:1	1998
Net sales, MSEK	<b>704</b>	711	690	<b>668</b>	726	757	2 802
Operating profit, MSEK	<b>39</b>	47	33	<b>31</b>	42	32	139
Operating margin, %	<b>5,5</b>	6,6	4,8	<b>4,6</b>	5,9	4,1	5,0
Deliveries, tonnes	<b>28 100</b>	29 000	27 300	<b>25 500</b>	27 400	28 300	106 500

### Autoplastics

Sales volumes of plastic components and systems for the automotive industry continued to show strong growth during the first nine months of 1999. Net sales for the business area rose by more than 44 percent to MSEK 1,902 (1,319). For comparable operations, sales rose by more than 20 percent.

Operating profit amounted to MSEK 16 (25). Operating profit for Q3 amounted to MSEK 2, compared with the break-even level reported for the corresponding quarter of 1998. During the period, the business area's earnings were adversely affected by start-up expenses for the plants in Italy, Poland and Spain and production losses for units being phased out.

The restructuring work completed to date to improve exterior operations has had a certain effect and the units in Simrishamn, Sweden and Gent, Belgium are showing increased productivity and higher earnings. The spare parts concept based in Raufoss, Norway is also developing satisfactorily. The interior operations were adversely affected by nonrecurring costs incurred in connection with the start up of a number of new customer products. The intensive rationalization and restructuring work in progress in all units will continue throughout the remainder of 1999.

	99:3	99:2	99:1	98:3	98:2	98:1	1998
Net sales, MSEK	714	677	511	445	444	430	1 864
Operating profit, MSEK	2	11	3	0	10	15	38
Operating margin, %	0,3	1,7	0,5	n.a.	2,2	3,4	2,0

### INVESTMENTS

Group investments (new and replacement investments) during the period totaled MSEK 602 (388). Investments during Q3 totaled MSEK 188 (179) and related mainly to the Autoplastics plants in Belgium, Italy, Poland and Spain.

### FINANCING, LIQUIDITY AND SHAREHOLDERS' EQUITY

The Group's debt/equity ratio was 68 percent (70 percent at the beginning of Q3). Interest expense for the period was higher than in the first nine months of 1998 due to the acquisition of French company Intexalu. The interest coverage ratio was 6.5.

After investments, Group cash flow for the period totaled MSEK 1.5. High investment levels and the acquisition of Intexalu affected cash flow. After the payment of approximately MSEK 137 in dividends to shareholders, cash flow was negative at MSEK 136.

The shareholders' equity increased by MSEK 79 during the first nine months of the year, after distribution of a dividend of MSEK 137. Movements in foreign exchange rates affected shareholders' equity negatively with approximately MSEK 95.

### PERSONNEL

The average number of employees in the Gränges Group as at September 30, 1999 was 7,499 (1998: 6,520).

*Gränges AB (publ)*  
*Stockholm, November 3, 1999*

STAFFAN BOHMAN  
 President and Chief Executive Officer

**Appendices:****Summary of Consolidated Income Statements****Summary of Consolidated Balance sheets****Summary of Key Figures****Financial Information by Business Area****Consolidated Cash Flow****FINANCIAL REPORTING DATES 1999-2000**

1999 Year-end report:	January 27, 2000
Annual General Meeting	April 6, 2000
Interim report Jan-March 2000	April 26, 2000
Interim report Jan-June 2000	July 20, 2000
Interim report Jan-Sept 2000	October 24, 2000
2000 Year-end report:	January, 2001

**An overhead-slide presentation of this release can be downloaded as a PDF file from the Gränges website on the Internet, address: [www.graenges.se](http://www.graenges.se) (Select: Financial Information/Presentations).**

<b>Consolidated income statements</b>	<b>July-Sep 1999</b>	<b>Jan-Sep 1999</b>	Proforma Jan-Sep 1998 <sup>1</sup>	Proforma Jan-Dec 1998 <sup>1</sup>
MSEK				
Net sales	<b>2 980.6</b>	<b>8 873.6</b>	7 702.1	10 248.9
Cost of goods sold	<b>-2 457.5</b>	<b>-7 253.6</b>	-6 279.9	-8 353.3
<b>Gross profit</b>	<b>523.1</b>	<b>1 620.0</b>	1 422.2	1 895.6
Selling and administrative expenses	<b>-351.3</b>	<b>-1 113.7</b>	-994.7	-1 327.7
Other operating revenues/expenses	<b>-0.3</b>	<b>8.2</b>	7.9	20.8
<b>Operating profit</b>	<b>171.5</b>	<b>514.5</b>	435.4	588.7
Financial items	<b>-25.0</b>	<b>-67.8</b>	-47.8	-62.5
<b>Profit after financial items</b>	<b>146.5</b>	<b>446.7</b>	387.6	526.2
Taxes	<b>-48.9</b>	<b>-150.9</b>	-124.0	-168.8
Minority interest in net profit	<b>9.2</b>	<b>14.7</b>	1.6	2.0
<b>Net profit</b>	<b>106.8</b>	<b>310.5</b>	265.2	359.4

<sup>1</sup> Before the nonrecurring gain of MSEK 69

<b>Consolidate balance sheets</b>	<b>Sep 30 1999</b>	Sep 30 1998	Dec 31 1998
MSEK			
Intangible assets	<b>200.7</b>	77.3	99.9
Tangible assets	<b>3 344.3</b>	2 443.7	2 641.5
Financial assets	<b>18.5</b>	12.8	15.2
Inventories	<b>1 718.8</b>	1 447.6	1 450.9
Current receivables	<b>2 658.3</b>	2 097.7	1 919.3
Liquid funds	<b>346.5</b>	297.0	448.4
<b>Total assets</b>	<b>8 287.1</b>	6 376.1	6 575.2
Shareholders' equity	<b>2 588.7</b>	2 367.3	2 510.,0
Interest-bearing liabilities and provisions	<b>2 115.3</b>	1 421.4	1 519.0
Interest-free liabilities and provisions	<b>3 583.1</b>	2 587.4	2 546.2
<b>Total shareholders' equity and liabilities</b>	<b>8 287.1</b>	6 376.1	6 575.2

<b>Key figures and other information</b>	<b>Jan-Sep 1999</b>	Pro forma Jan-Sep 1998	Pro forma Jan-Dec 1998
MSEK			
Return on shareholders' equity, %	<b>16.4</b>	16.1 <sup>1</sup>	16.0 <sup>1</sup>
Number of shares, '000	<b>36 617</b>	36 617	36 617
Net earnings per share, SEK	<b>8.50</b>	7.20 <sup>1</sup>	9.80 <sup>1</sup>
Net earnings per share after full conversion, SEK	<b>8.30</b>	7.20 <sup>1</sup>	9.60 <sup>1</sup>
Shareholders' equity per share, SEK	<b>70.70</b>	64.70	68.50
Return on capital employed, %	<b>16.2</b>	16.9 <sup>1</sup>	17.0 <sup>1</sup>
Operating margin, %	<b>5.8</b>	5.7 <sup>1</sup>	5.7 <sup>1</sup>
Capital turnover rate, multiple	<b>2.8</b>	3.0 <sup>1</sup>	3.0 <sup>1</sup>
Equity/assets ratio, %	<b>31</b>	37	38
Debt/equity ratio, %	<b>68</b>	47	43
Net debt, MSEK	<b>1 769</b>	1 124	1 071
New and replacement investments, MSEK	<b>602</b>	388	661
Average number of employees	<b>7 499</b>	6 468	6 520

<sup>1</sup> Before nonrecurring gain of MSEK 69

<b>Financial information by business area</b> MSEK	<b>July-Sep</b> <b>1999</b>	<b>Jan-Sep</b> <b>1999</b>	Jan-Sep 1998	%	Jan-Dec 1998
<b>Extrusions</b>					
Net sales	<b>1 533.6</b>	<b>4 745.1</b>	4 169.6	+14	5 476.7
Operating profit	<b>141.8</b>	<b>404.8</b>	317.4	+28	433.0
<b>Strip &amp; Foil</b>					
Net sales	<b>703.6</b>	<b>2 104.6</b>	2 151.3	-2	2 801.9
Operating profit	<b>38.9</b>	<b>118.9</b>	105.4	+13	139.3
<b>Autoplastics</b>					
Net sales	<b>713.9</b>	<b>1 901.8</b>	1 318.9	+44	1 863.9
Operating profit	<b>2.1</b>	<b>16.1</b>	24.7	-35	38.2
<b>Other companies and Group items</b>	<b>84.7</b>	<b>291.3</b>	290.0	+/-0	402.0
Net sales	<b>-55.2</b>	<b>-169.2</b>	-227.7	+26	-295.6
Inter-company sales	<b>-11.3</b>	<b>-25.3</b>	-12.1 <sup>1</sup>	-109	-21.8 <sup>1</sup>
Operating profit/loss					
<b>Group</b>					
Net sales	<b>2 980.6</b>	<b>8 873.6</b>	7 702.1		10 248.9
Operating profit	<b>171.5</b>	<b>514.5</b>	435.4		588.7

<sup>1</sup> Before nonrecurring gain of MSEK 69

<b>Cash flow</b> MSEK	<b>Jan-Sep</b> <b>1999</b>	Jan-Dec 1998
Operating profit	<b>514.5</b>	588.7
Depreciation and other items not affecting liquidity	<b>346.5</b>	315.9
Interest received/paid	<b>-64.1</b>	-62.2
Income tax paid	<b>-122.7</b>	-145.1
Change in working capital	<b>-158.6</b>	-50.3
<b>Cash flow from ongoing operations</b>	<b>515.6</b>	647.0
New and replacement investments	<b>-601.9</b>	-661.5
Company acquisitions/divestments	<b>87.5</b>	213.0
Other fixed assets	<b>0.3</b>	-4.0
<b>Cash flow after investments</b>	<b>1.5</b>	194.5
Dividend	<b>-137.3</b>	-91.5
<b>Cash flow after dividend</b>	<b>-135.8</b>	103.0

The cash flow statement for 1998 has been reclassified in accordance with RR7

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

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.

Goodwill is depreciated, subject to a separate evaluation, over an economic lifecycle up to 20 years. Acquired goodwill during 1999 has been estimated to have an economic value of 20 years.