

Financial statements content

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Consolidated income statement

| SEK million | NOTE | 2022 | 2021 |
|---|------------|---------------|-----------------------|
| Sales revenues | 33 | 24,253 | 18,044 |
| Other operating revenues | | 239 | 86 |
| Net sales | 6, 7, 8, 9 | 24,492 | 18,130 |
| Cost of materials | | -17,311 | -12,443 ¹⁾ |
| Payroll expenses | 10, 11 | -1,840 | -1,640 |
| Other operating expenses | 12, 13 | -3,277 | -2,376 |
| Depreciation, amortization and impairment charges | 19, 20, 21 | -914 | -678 |
| Items affecting comparability | 14 | -14 | -159 |
| Operating profit | | 1,136 | 833 |
| Profit from joint ventures | 15 | 2 | 2 |
| Financial income | 16 | 21 | 6 |
| Financial costs | 16 | -275 | -98 |
| Profit before taxes | | 884 | 743 |
| Income tax | 17 | -184 | -147 |
| Profit for the year | | 700 | 595 |
| Profit for the year attributable to | | | |
| – owners of the parent company | | 700 | 595 |
| – non-controlling interests | | 0 | 0 |
| Earnings per share | | | |
| Earnings per share, basic, SEK | 18 | 6.59 | 5.60 |
| Earnings per share, diluted, SEK | 18 | 6.58 | 5.58 |

1) Includes items affecting comparability of SEK –16 million, see Note 14 for further information.

Consolidated statement of comprehensive income

| SEK million | NOTE | 2022 | 2021 |
|---|------|--------------|------------|
| Profit for the year | | 700 | 595 |
| <i>Items not to be reclassified to profit/loss for the year</i> | | | |
| Remeasurement of pensions before tax | 11 | 140 | 25 |
| Tax on above | 17 | -29 | -8 |
| Total items not to be reclassified to profit/loss for the year | | 110 | 17 |
| <i>Items to be reclassified to profit/loss for the year</i> | | | |
| Change in hedging reserve before tax | 31 | 106 | -107 |
| Tax on above | 17 | -17 | 19 |
| Translation differences | | 602 | 466 |
| Total items to be reclassified to profit/loss for the year | | 691 | 378 |
| Comprehensive income for the year | | 1,501 | 990 |
| Comprehensive income for the year attributable to | | | |
| – owners of the parent company | | 1,501 | 990 |
| – non-controlling interests | | 0 | 0 |

Consolidated balance sheet

| SEK million | NOTE | 2022 | 2021 |
|---------------------------------|----------------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 19 | 1,499 | 1,407 |
| Property, plant and equipment | 20 | 7,271 | 6,498 |
| Right-of-use assets | 21 | 246 | 226 |
| Deferred tax assets | 17 | 33 | 55 |
| Interests in joint ventures | 15 | 19 | 16 |
| Other non-current receivables | 23, 30 | 182 | 122 |
| Total non-current assets | | 9,249 | 8,323 |
| Current assets | | | |
| Inventories | 22 | 4,270 | 3,933 |
| Receivables | 23, 24, 30, 33 | 3,093 | 2,696 |
| Interest-bearing receivables | 23, 29 | 38 | 5 |
| Cash and cash equivalents | 25 | 879 | 809 |
| Total current assets | | 8,280 | 7,444 |
| TOTAL ASSETS | | 17,530 | 15,767 |

| SEK million | NOTE | 2022 | 2021 |
|--|------------|---------------|---------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 26 | 142 | 142 |
| Share premium | 26 | 1,885 | 1,885 |
| Reserves | | 1,303 | 612 |
| Retained earnings | | 4,873 | 4,290 |
| Equity attributable to owners of the parent company | | 8,204 | 6,930 |
| Non-controlling interests | | 2 | 2 |
| Total equity | | 8,206 | 6,932 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 17 | 603 | 438 |
| Pension liabilities | 11 | 234 | 348 |
| Interest-bearing liabilities | 23, 29 | 2,863 | 2,414 |
| Provisions | 27 | 41 | 61 |
| Other non-current liabilities | 23, 30 | 42 | 35 |
| Total non-current liabilities | | 3,783 | 3,297 |
| Current liabilities | | | |
| Interest-bearing liabilities | 23, 29 | 2,197 | 1,694 |
| Current tax liabilities | | 16 | 12 |
| Provisions | 27 | 27 | 29 |
| Other current liabilities | 23, 28, 30 | 3,301 | 3,803 |
| Total current liabilities | | 5,541 | 5,539 |
| TOTAL EQUITY AND LIABILITIES | | 17,530 | 15,767 |

Consolidated statement of changes in equity

| SEK million | NOTE | Reserves | | | | Retained earnings including profit for the year | Total Gränges' shareholders | Non-controlling interests | Total equity |
|--|------|---------------|---------------|-----------------|---------------------|---|-----------------------------|---------------------------|--------------|
| | | Share capital | Share premium | Hedging reserve | Translation reserve | | | | |
| Opening balance at 1 January 2022 | | 142 | 1,885 | -25 | 637 | 4,290 | 6,930 | 2 | 6,932 |
| Profit for the year | | - | - | - | - | 700 | 700 | 0 | 700 |
| Items in other comprehensive income | | - | - | 89 | 602 | 110 | 801 | - | 801 |
| Group comprehensive income | | - | - | 89 | 602 | 810 | 1,501 | 0 | 1,501 |
| Dividend | | - | - | - | - | -239 | -239 | - | -239 |
| Option premium | | - | - | - | - | 7 | 7 | - | 7 |
| Share swap | | - | - | - | - | 5 | 5 | - | 5 |
| Closing balance at 31 December 2022 | | 142 | 1,885 | 64 | 1,239 | 4,873 | 8,204 | 2 | 8,206 |
| Opening balance at 1 January 2021 | | 142 | 1,885 | 63 | 171 | 3,707 | 5,968 | 2 | 5,970 |
| Profit for the year | | - | - | - | - | 595 | 595 | 0 | 595 |
| Items in other comprehensive income | | - | - | -88 | 466 | 17 | 395 | - | 395 |
| Group comprehensive income | | - | - | -88 | 466 | 612 | 990 | 0 | 990 |
| Dividend | | - | - | - | - | -117 | -117 | - | -117 |
| Share swap | 31 | - | - | - | - | 88 | 88 | - | 88 |
| Closing balance at 31 December 2021 | | 142 | 1,885 | -25 | 637 | 4,290 | 6,930 | 2 | 6,932 |

Consolidated cash flow statement

| SEK million | NOTE | 2022 | 2021 |
|--|--------|--------------|--------------|
| Operating profit | | 1,136 | 833 |
| Depreciation and impairment charges | | 914 | 678 |
| Other non-cash items | | -148 | 215 |
| Change in net working capital etc. | | -736 | -623 |
| Income taxes paid | | -65 | -116 |
| Cash flow from operating activities | | 1,102 | 988 |
| Acquisitions | | - | -90 |
| Investments in property, plant and equipment and intangible assets | 19, 20 | -993 | -836 |
| Cash flow from investing activities | | -993 | -926 |
| Dividend | | -239 | -117 |
| Share swap | | 5 | - |
| Option premium | | 7 | - |
| Interest paid | 16 | -280 | -87 |
| Interest received | 16 | 16 | 5 |
| New loans | | 14,707 | 6,466 |
| Repayment of loans | | -14,302 | -7,061 |
| Cash flow from financing activities | | -86 | -793 |
| Cash flow for the year | | 23 | -732 |
| Cash and cash equivalents at 1 January | | 809 | 1,473 |
| Cash flow for the year | | 23 | -732 |
| Translation difference on cash and cash equivalents | | 48 | 67 |
| Cash and cash equivalents at 31 December | 25 | 879 | 809 |

Reconciliation between opening and closing balance of liabilities whose cash flows are recognized in financing activities

| SEK million | 2022 | 2021 |
|--|--------------|--------------|
| Net interest-bearing liabilities at 1 January | 4,103 | 4,535 |
| Cash flow | 404 | -595 |
| <i>Non-cash items</i> | | |
| Translation differences | 467 | 130 |
| Change in accrual borrowing costs | -8 | 3 |
| New and remeasured leases | 56 | 30 |
| Net interest-bearing liabilities at 31 December | 5,022 | 4,103 |

Notes to the consolidated financial statements

1 General information

The Group's parent company, Gränges AB, is a Swedish public listed company. Company registration number is 556001-6122, and its registered office is in Stockholm with its head office on Linnégatan 18, SE-114 47 Stockholm. This document was approved for publication by the Board of Directors of Gränges AB on 15 March 2023.

2 Basis of preparation of consolidated financial statements

Basis of preparation

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

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

The financial statements have been prepared by applying the cost method, with the exception of financial assets and liabilities (including derivatives), which are measured at fair value.

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

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

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

Items affecting comparability

Items affecting comparability are presented in Note 14 and refer to non-recurring income and expenses.

The primary purpose of separating significant non-recurring items is to facilitate understanding of the underlying business development.

Consolidation

Subsidiaries

All companies over which the Group exercises a controlling influence are classified as subsidiaries. The Group controls a company when it is exposed to or has the right to a variable return from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are included in the consolidated accounts as of the date when the control is transferred to the Group and are consolidated up to the date when the controlling influence ceases.

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

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

Acquisition-related expenditures are expensed as incurred.

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

Joint arrangements

Shares in companies in which the Group exercises a controlling influence are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint arrangements are included in the consolidated accounts as of the date when significant influence is transferred to the Group and are consolidated up to the date when the significant influence ceases.

Gränges has assessed that its joint arrangement in Shanghai Gränges Moriyasu Aluminium Co Ltd should be classified as a joint venture. See Note 15 for further information on the joint arrangement.

Joint ventures are accounted for using the equity method, meaning that the investment is initially carried in the consolidated statement of financial position at cost. 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.

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 they operate ('the functional currency'). The consolidated financial statements are presented in Swedish krona (SEK), which is the Group's presentation currency.

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rates applying on the transaction date or the date when the items were remeasured. 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 recognized 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 recognized in other comprehensive income.

Financial receivables and liabilities in foreign currency are stated at the closing rate and any gain or loss is recognized 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 recognized in operating items in the income statement.

3 New accounting standards

New standards, amendments and interpretations effective from 1 January 2022 or later have not had any material impact on these financial statements.

New standards, amendments and interpretations effective from 1 January 2023 are not expected to have any significant impact on the Group's financial statements.

4 Accounting standards

Revenue from contracts with customers

Revenue is recognized to depict the transfer of promised goods or services to Gränges' customers in an amount that reflects the consideration which expects to be entitled to in exchange for those goods or services.

Gränges mainly sells rolled aluminium products for heat exchangers and selected niche applications. Revenue is generated through sale of material that is produced for a certain customer and application. Revenue is recognized at the point in time when control is transferred to the customer.

The transaction price for Gränges' products is based on the added value Gränges offers in terms of material properties and production complexity (fabrication price), and the price of the raw material, aluminium (metal price). The cost of the aluminium is mainly passed on to the customer through metal price clauses where the aluminium price is usually determined in connection with the delivery. Commodity price risk is described in Note 30.

In determining the transaction price for Gränges' products the Group considers the effect of variable consideration. The variable consideration, early payment discounts and retrospective volume discounts, is estimated at contract inception and included in the transaction price only to the extent that it is highly probable that a significant reversal of accumulated revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, Gränges updates the estimated transaction price including updating its assessment of whether an estimate of variable consideration is constrained.

Other revenue is limited and do under normal circumstances primarily refer to rental revenue from properties in Finspång, Sweden. The rental revenue is recognized on a straight-line basis over the lease term.

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

Statement of comprehensive income

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

Assets

Intangible assets

The Group has expenses for research and development. Expenditure for research is carried as a cost immediately while expenditure for

development is recognized 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 recognizing the projects as intangible assets are currently not met 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.

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

The customer relationships acquired as part of business combination are recognized at their fair value at the date of acquisition and are amortized on a straight-line basis over their estimated useful lives of 12 to 20 years.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the cash-generating unit to which the goodwill is attributed to is compared with the recoverable amount, which is the highest of the value in use and the fair value less cost of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Other acquired intellectual property rights are amortized over the time of the rights.

Property, plant and equipment

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 recognized 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, divided into different components, over their useful lives using the following percentage rates:

- buildings and land improvements 10–40 years,
- machinery, inventory and installations 5–30 years,
- fixtures and vehicles 5–20 years,
- IT equipment 5 years.

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 recognized. 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 directly attributable to the production of the Group's own property, plant and equipment are recognized as part of the cost of the asset.

Right-of-use assets

Carrying amounts for right-of-use assets and lease liabilities are based on cash flows at present value during expected contract periods. Discount rates are determined on the basis of assumptions regarding interest rates for loans during the corresponding period and with corresponding collateral. Right-of-use assets with contracts shorter than 12 months or which terminate within 12 months from the transition date are classified as short-term contracts and are therefore not included in the reported liabilities or rights of use. In addition, rights of use for office equipment or other low-value assets have also been classified as low-value contracts and are not included in the reported liabilities or right-of-use assets.

Right of use assets are depreciated from the commencement date of the contract and follow the depreciation period that is the shortest of the economic life or the contract period. At the commencement of a new lease agreement, an assessment is made whether it is reasonable or not to exercise an option to extend the lease, or the use of the opportunity to purchase the underlying assets, or utilize early termination. This means that Gränges as a lessee itself determines which contract length is considered reasonable instead of taking into account the termination clause in the agreements.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and cash equivalents with maturities of up to three months and only subject to insignificant changes in value.

CONT. NOTE 4

Provisions and liabilities**Pensions**

The Gränges Group's pension system in Europe and US primarily consists of defined contribution plans, but defined pension benefit plans also exist.

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 recognized in the income statement and balance sheet.

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

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

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

Provisions

Provisions are recognized 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 outcome of the Group's long-term incentive programme is dependent on the

Gränges' share's total return. Expected costs for LTI are reported as provision.

Provisions are 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 out-come of legal proceedings or the final settlement of an insurance claim. If the probability that the liability has been incurred exceeds 50 per cent a provision is recognized 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 recognized in the balance sheet if it is highly probable that the Group will receive the asset. Disclosures regarding contingent assets are given where an inflow of resources is probable.

Tax

Income tax is the sum of current tax and changes in deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. Current tax is recognized at the amount that is expected to be paid to the tax authorities based on the taxable income that is reported for the units included in the consolidated financial statements. The income tax is determined using tax rates that have been enacted on the balance sheet date. Uncertain tax positions are taken into account when calculating current tax if it is considered more than 50 per cent probability that the position will lead to an additional tax expense.

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 recognized to the extent that it is likely that the dividend will be distributed in a near future.

Deferred tax assets are reviewed continually and recognized 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 consist of cash and cash equivalents, loans, accounts receivables as well as derivatives. Purchases and sales of financial assets are recognized at the transaction date, which is the date when the Group undertakes to buy or sell the asset.

Accounts receivables are recognized when the invoice has been sent. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with ownership to another party.

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

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

Financial assets and liabilities are in general not netted even when there is a legal right of netting the carrying amounts and an intention to settle them by a net amount or to simultaneously realize 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.

Interest income and interest expense are recognized using the effective interest method and accounted for under "Financial income" and "Finance expenses" respectively.

Derivatives

Derivatives are classified either as measured at fair value through profit and loss or as hedging instruments for which hedge accounting is applied. Derivatives are measured at fair value at the balance sheet date and accounted for as assets or liabilities. Gains and losses on changes in fair value are recognized in profit or loss when the derivative is not part of a hedge relationship which meets the criteria for hedge accounting. Purchases and sales of derivatives are recognized at the transaction date.

Financial assets at amortized cost

The model for the financial assets in this category is to receive contractual cash flows, which have been assessed to only consist of payments of principal and interest. Assets in this category comprise of accounts receivables and other receivables as well as cash and cash equivalents. They are included in current assets, with the exception of items maturing later than 12 months from the end of the reporting period, which are classified as non-current assets.

Accounts receivables are always classified as current assets. The assets in this category are carried at amortized cost in the balance sheet applying the effective interest rate method. Accounts receivables are measured at the amount expected to be paid, that is after deducting expected credit losses.

CONT. NOTE 4

The Group applies an impairment model based on forward-looking expected credit losses (ECL). The ECL allowance applies to all items (from initial recognition). An analysis of expected credit losses is performed using a provision matrix adjusted for the market location of the customer to measure expected credit losses, where historical, current and forward-looking factors are taken into consideration. The ECL allowance is based on the life-time ECL for all accounts receivables.

Expected credit losses are calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For accounts receivables expected credit losses are calculated without discount. The asset's carrying amount is written down and the impairment loss including future changes in expected credit losses are recognized in the consolidated income statement.

The Group defines credit-impaired assets as assets which are past-due more than 90 days or assets with other observable information indicating a measurable decrease in estimated future cash flows.

Accounts payable

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

Borrowings (loans)

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

Lease liabilities

Leasing liabilities are based on calculated present value of payments during expected contract periods. Primarily the discount rate is based on implicit rate in the agreement. When implicit rate cannot be identified, the marginal loan interest rate is used instead, which corresponds to the interest rate the company would be offered if the acquisition was financed with loans from a financial institution.

Hedge accounting

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

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

Fair value hedging

Changes in the fair values of derivatives designated as hedging instruments are recognized immediately in the income statement. Changes in the fair value of the hedged item (inventory) relating to the hedged risk are recognized in the income statement in the same way and are recognized as an adjustment on the hedged item's carrying amount. Hedge accounting is discontinued if: (a) the hedge instrument has expired, been terminated, exercised or sold or (b) the hedge no longer meets the aforementioned criteria for hedging. In the case of a discontinued hedge, changes in the fair value of the hedged item are recognized in the balance sheet until the hedged item (inventory) is recognized as cost of materials in the income statement.

Cash flow hedges

The effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income and accumulated in the hedging reserve until the hedged transaction is executed. At that time the accumulated gains or losses on the hedging instrument will be reclassified to the income statement.

The ineffective portion of the hedging instrument is recognized immediately in the income statement. When a hedging instrument has expired, been sold, exercised or terminated, the accumulated gains or losses will remain in the hedging reserve and will be recognized in the income statement upon execution of the hedged transaction. If the hedged transaction is no longer expected to occur, the accumulated gain or loss on the hedging instrument will be recognized immediately in the income statement.

Operating segments

Gränges has two business areas, Gränges Eurasia and Gränges Americas, which are considered to constitute the Group's operating segments and are in consistent with the internal reporting submitted to the highest executive decision maker, which consists of the CEO

Gränges Eurasia includes three production facilities with direct chill casting and hot rolling technology in Finsspång (Sweden), Konin (Poland), and Shanghai (China), as well as Gränges Powder Metallurgy's facility in Saint-Avold (France). The largest end customer market for Gränges Eurasia is heat exchanger material for the automotive industry.

Gränges Americas uses continuous casting technology and includes three production facilities in Huntingdon, Salisbury, and Newport. The largest end-customer markets for Gränges Americas are heat exchanger material for the HVAC industry and speciality packaging material. Gränges Americas also serves as a distributor of heat exchanger material for the automotive industry from Gränges Eurasia on the North and South American market.

Gränges Eurasia is headed by the CEO and Gränges Americas is headed by the Regional President for the Americas region.

Group functions and other items that cannot be allocated to Gränges Eurasia or Gränges Americas are reported in Other and eliminations. The segment reporting presents volume, net sales, adjusted operating profit, operating profit, capital employed and return on capital employed for each segment. Financial items and taxes are reported and followed up for the Group as a whole. No detailed breakdown is presented for the number of employees or items in the balance sheet, in addition to capital employed. Capital employed does not include any tax items or accrued interest per business area.

Other principles**Cash flow**

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

Acquisitions

The acquisition method is used to account for the acquisitions of subsidiaries and operations. All payments to acquire a business are recorded at fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

Non-controlling interests

Non-controlling interests are recognized as a separate item in the Group's equity.

Government grants

Government grants are recognized 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 investments are accounted for as a reduction of the cost of the asset and reduces the basis for the depreciation.

Share-based payment

The Group has investment programmes for senior managers and other key employees where participants have invested in shares, call options and warrants in Gränges AB (publ). The participants have received conditional cash contributions intended for the investments. If the participant terminates their employment or is terminated within three years from the date of payment of the contributions, an amount corresponding to the cash contribution less tax ("net contribution") shall be repaid to Gränges. Further, the participants undertake not to sell the shares, call options or warrants within three years, should this

CONT. NOTE 4

happen the participant will be liable for repayment for amount corresponding to the net contribution pro rata number of sold shares, call options or warrants corresponding to the original allocation.

The cash contributions and attributable social security contributions are reported as personnel costs in the income statement over the vesting period of three years.

The call options and warrants have been based on market bases and the option premium has been determined by an independent appraiser according to a generally accepted valuation model (Black-Scholes). The premiums are reported in equity.

No new shares will be issued by Gränges in respect of the shares that can be acquired by the participants through the exercise of issued call options. The shares will instead be delivered by Gränges entering into a share swap agreement with a third party on market terms, through which the third party in its own name has acquired and upon exercise transfers shares to the participants. The financial exposure that arose during the issue of the call options has been hedged through the aforementioned share swap agreement. The share swap is considered an equity instrument and reported in equity. The swap is settled in cash.

Adapted synthetic programmes for foreign participants who do not have the opportunity to invest directly in Gränges' share or related financial instruments have been designed. The synthetic programmes are cash-settled programmes and give rise to commitment that are valued at fair value with recalculation every balance sheet day based on Gränges' share price and is reported as personnel costs, with corresponding liability. The financial exposure that arises has been hedged by entering into financial instruments with a third party where the revaluation at fair value is reported as part of the operating profit.

5 Significant accounting assessments and assumptions

In preparing Gränges' consolidated accounts, it is necessary to make a number of assessments and assumptions which can influence the carrying amounts of assets and liabilities. Future events and changes in operating parameters may make it necessary to make other assessments and assumptions. When preparing the financial state-

ments, management makes its best assessments in areas of significant importance. Accounting items where changes in assessments and assumptions would have a significant impact on the consolidated financial statements during next financial year are:

| Accounting item | Note | Assessments and assumptions that are of significant importance for carrying amounts |
|--|------|---|
| Pension liability | 11 | 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. |
| Taxes | 17 | The tax rate in China depends on whether Gränges qualifies as a high technology company. This qualification entails an income tax rate of 15 per cent instead of the ordinary rate of 25 per cent. However, to obtain the classification special requirements established need to be met and approved by local authorities. Gränges considers it to be more likely than not that the special requirements will be met for the financial year 2022 and therefore applies a tax rate of 15 per cent for the Chinese operation for 2022. |
| Intangible assets | 19 | Impairment test for goodwill is carried out annually or throughout the year if an indication occurs that may result in the need for impairment. Important assumptions on the basis of impairment testing are forecasts of future cash flows, which include assumptions for sales growth and operating margin. The discount rate is set based on assumptions about the weighted average cost of capital. Other intangible assets are amortized on a straight-line basis over the estimated useful life, and therefore a changed assessment of the useful life entails a change in carrying amount. Impairment test for other intangible assets is carried out if an indication occurs that may result in the need for impairment. No intangible assets have been impaired during 2022. |
| Tangible assets | 20 | Depreciation of tangible assets is recorded over the estimated useful life of components or tested for impairment in an indication of impairment is identified. Changes in assumptions regarding the recoverable amount and estimated useful life may lead to significant changes in value. Ongoing expansion investments regarding the production facilities are essential in their nature. Depreciation begins when the new facilities are put into use and the balance sheet's valuation and accounting are dependent on compliance with timetables and investment calculations. In 2022 tangible assets of SEK 181 million have been impaired due to a fire in one of the mills in Konin, Poland. |
| Right-of-use assets and lease liabilities | 21 | The value of identifiable right-of-use assets and lease liabilities are based on the present value of future payments during the expected contract periods. The discount rate is set based on assumptions in interest rates for loans during the corresponding period and with corresponding collateral. |
| Inventories | 22 | Valuation of production costs is done using calculation models based on current prices and cost levels, where direct and indirect production-related costs are attributed to manufactured products. For estimation of obsolescence, assumptions and assessments are based on the turnover rate and how realizable the inventory is. |

6 Operating segment information

| SEK million | 2022 | | | | 2021 | | | |
|---|------------------|-----------------|------------------------|---------------|------------------|-------------------|------------------------|-------------------|
| | Gränges Americas | Gränges Eurasia | Other and eliminations | Total | Gränges Americas | Gränges Eurasia | Other and eliminations | Total |
| Sales volume external, ktonnes | 249.0 | 230.4 | – | 479.3 | 252.4 | 236.6 | – | 488.9 |
| Sales volume internal, ktonnes | – | 24.2 | –24.2 | 0 | – | 26.9 | –26.9 | 0 |
| Total sales volume | 249.0 | 254.5 | –24.2 | 479.3 | 252.4 | 263.5 | –26.9 | 488.9 |
| Income statement | | | | | | | | |
| Net sales, external | 13,136 | 11,356 | – | 24,492 | 9,502 | 8,627 | – | 18,130 |
| Net sales, internal | –21 | 1,277 | –1,256 | 0 | –14 | 1,021 | –1,007 | 0 |
| Total net sales | 13,115 | 12,633 | –1,256 | 24,492 | 9,488 | 9,648 | –1,007 | 18,130 |
| Adjusted operating profit ¹⁾ | 795 | 448 | –93 | 1,150 | 655 | 446 | –92 | 1,008 |
| Operating profit | 782 | 441 | –87 | 1,136 | 691 | 280 ²⁾ | –138 ²⁾ | 833 ²⁾ |
| Adjusted operating profit per tonne, kSEK | 3.2 | 1.8 | n/a | 2.4 | 2.6 | 1.7 | n/a | 2.1 |

1) Adjusted for items affecting comparability, see Note 14 for further information.

2) Includes SEK 131 million in write-downs of intangible assets for Gränges Eurasia and SEK 27 million for Other and eliminations.

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

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

| 2022 SEK million | Sweden | Rest of Europe | China | Rest of Asia Pacific | USA | Rest of North and South Americas | Total |
|----------------------------------|--------|----------------|-------|----------------------|--------|----------------------------------|--------|
| Net sales | 527 | 6,683 | 2,370 | 1,383 | 12,505 | 1,025 | 24,492 |
| Non-current assets ¹⁾ | 1,082 | 2,360 | 969 | 0 | 4,604 | – | 9,016 |
| Average no. of employees | 465 | 880 | 505 | 9 | 835 | – | 2,694 |

| 2021 SEK million | Sweden | Rest of Europe | China | Rest of Asia Pacific | USA | Rest of North and South Americas | Total |
|----------------------------------|--------|----------------|-------|----------------------|-------|----------------------------------|--------|
| Net sales | 438 | 4,629 | 2,191 | 996 | 7,968 | 1,909 | 18,130 |
| Non-current assets ¹⁾ | 1,051 | 2,381 | 958 | 0 | 3,740 | – | 8,131 |
| Average no. of employees | 486 | 858 | 503 | 9 | 793 | – | 2,648 |

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

The ten largest customers accounted for 47 per cent (45) of sales. No customer accounted for more than 10 per cent of total sales in 2022 or 2021.

8 Revenue from contracts with customers

Gränges is a global supplier of rolled aluminium products for thermal management systems, speciality packaging, and selected niche applications. Gränges' customers are found in the automotive, HVAC, speciality packaging, and battery industries as well as in other niche markets such as transformers and wind turbines. Gränges has two business areas: Gränges Americas and Gränges Eurasia.

The transaction price for Gränges' products is based on the added value Gränges offers in terms of material properties and production complexity (fabrication price), and the price of the raw material, aluminium. The fabrication price is to a large extent pre-defined while the aluminium price is variable and based on metal price clauses connected to the market price.

Net sales by business area

| SEK million | 2022 | 2021 |
|--|---------------|---------------|
| <i>Gränges Americas</i> | | |
| Fabrication revenue | 4,542 | 3,182 |
| Raw material and other revenue | 8,553 | 6,251 |
| Revenue from contracts with customers | 13,095 | 9,432 |
| Other revenue | 20 | 56 |
| Total net sales Gränges Americas | 13,115 | 9,488 |
| <i>Gränges Eurasia</i> | | |
| Fabrication revenue | 5,112 | 3,861 |
| Raw material and other revenue | 7,318 | 5,773 |
| Revenue from contracts with customers | 12,430 | 9,633 |
| Other revenue | 203 | 15 |
| Total net sales Gränges Eurasia | 12,633 | 9,648 |
| <i>Other and eliminations</i> | | |
| Fabrication revenue | -771 | -588 |
| Raw material and other revenue | -485 | -419 |
| Revenue from contracts with customers | -1,256 | -1,007 |
| Other revenue | - | - |
| Total net sales other and eliminations | -1,256 | -1,007 |
| Total fabrication revenue | 8,883 | 6,454 |
| Total raw material and other revenue | 15,386 | 11,604 |
| Total revenue from contracts with customers | 24,269 | 18,059 |
| Total other revenue | 223 | 71 |
| Total net sales | 24,492 | 18,130 |

Other revenue is limited and primarily refer to insurance compensation related to a fire in the Konin facility, Poland and rental revenue from properties in Finspång, Sweden. Insurance compensation and rental revenue have not been classified as revenue from contracts with customers and is recognized in other revenue in the table above.

In determining the transaction price for Gränges' products the Group considers the effect of variable consideration. The variable consideration (early payment discounts and retrospective volume discounts) is estimated at contract inception and included in the transaction price only to the extent that it is highly probable that a significant reversal of accumulated revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The variable consideration is recognized as accrued expenses in the balance sheet.

The fabrication price allocated to the remaining (unsatisfied or partially unsatisfied) performance obligations in contracts with customers is shown in the table below.

Remaining performance obligations at 31 December

| SEK million | 2022 | 2021 |
|---------------------------------|---------------|---------------|
| Within 1 year | 6,078 | 5,238 |
| After 1 year but within 2 years | 3,414 | 3,097 |
| After 2 years | 1,226 | 1,673 |
| Total¹⁾ | 10,717 | 10,009 |

1) Corresponding to sales volume of 529 ktonnes (684).

Since the raw material price is variable, based on metal price clauses, Gränges only disclosures the amount of fabrication price allocated to the remaining performance obligations in contracts with customers.

9 Lease income

Future minimum lease payments relating to leases and other leases as lessor attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

| SEK million | 2022 | 2021 |
|----------------------------------|-----------|-----------|
| Within 1 year | 16 | 15 |
| Within 2–5 years | 43 | 34 |
| After 5 years | - | - |
| Total future lease income | 59 | 48 |

Lease income amounts to SEK 15 million (15) during 2022 and refer to rental income from properties in Finspång, Sweden.

10 Payroll expenses

Average number of employees

| | 2022 | | 2021 | |
|---------------------|--------------------------|-----------------|--------------------------|-----------------|
| | Average no. of employees | Of which, women | Average no. of employees | Of which, women |
| Gränges AB | | | | |
| Sweden | 32 | 10 | 37 | 12 |
| Subsidiaries | | | | |
| Sweden | 433 | 88 | 449 | 91 |
| China | 505 | 57 | 503 | 58 |
| US | 835 | 118 | 793 | 102 |
| Poland | 844 | 79 | 829 | 74 |
| Other countries | 45 | 6 | 37 | 4 |
| Group total | 2,694 | 358 | 2,648 | 341 |

Board members and other senior executives

| | 2022 | | 2021 | |
|---|---------------------------|-----------------|---------------------------|-----------------|
| | No. at balance sheet date | Of which, women | No. at balance sheet date | Of which, women |
| Board members elected by AGM | 7 | 2 | 7 | 3 |
| CEO, Deputy CEO and other senior executives | 6 | 1 | 5 | 1 |

Salaries, remuneration, social security contributions and pension costs

| SEK million | 2022 | | | | 2021 | | | |
|--|--|-------------------------------|--------------|---------------|--|-------------------------------|--------------|---------------|
| | Salaries and remuneration (of which, variable portion) ¹⁾ | Social security contributions | Pension cost | Total | Salaries and remuneration (of which, variable portion) ¹⁾ | Social security contributions | Pension cost | Total |
| Gränges AB | | | | | | | | |
| Board, CEO, Deputy CEO and other senior executives | -31 (-12) | -11 | -6 | -48 | -28 (-9) | -9 | -7 | -44 |
| Other employees | -42 | -17 | -8 | -67 | -46 | -19 | -6 | -71 |
| Subsidiaries | | | | | | | | |
| Other senior executives | -23 (-12) | -1 | -1 | -24 | -25 (-17) | -0 | -1 | -26 |
| Other employees | -1,302 | -325 | -75 | -1,702 | -1,160 | -275 | -64 | -1,499 |
| Group total | -1,398 | -353 | -90 | -1,840 | -1,259 | -304 | -77 | -1,640 |

1) Government grants have reduced salaries and benefits by SEK 3 million (1) during 2022.

Salaries and other remuneration to the Board members, CEO, Deputy CEO and other senior executives

Board members

In 2022, the Board of Directors consisted of a total of nine full members, of which seven were elected by the Annual General Meeting (AGM) and two are employee representatives. All members elected by the AGM are independent from the company and the company's main owners.

The Chairman and the other six members of the Board, elected by the AGM, receive Directors' fees in accordance with the resolutions adopted by the AGM.

CEO and other senior executives

The remuneration paid to the CEO, Deputy CEO and other senior executives consists of a basic salary, variable remuneration, other benefits

and pension. Senior executives refer to the members of Group Management. The basic salary for the CEO is deliberated in the Remuneration Committee and adopted by the Board of Directors. For all other senior executives including deputy CEO the salaries are decided by the CEO with the support of the Chairman of the Board. The variable remuneration is based on results achieved in relation to defined targets and is made up of two components, a short-term incentive programme (STI) and a long-term incentive programme (LTI). Further, there are two investment programmes, IP 2020 and IP 2022.

The contract between the company and the CEO stipulates a mutual six-month period of notice. Additionally, in the case of termination by the company, severance pay is payable without deduction for an additional 12 months. The contracts between the company and the Deputy CEO, and other members of the Group Management stipulate a mutual six-month period of notice. Additionally, in the case of termination by the company, severance pay is payable for an additional 12 months, without deduction for the first six months.

Pension

The retirement age for the CEO is 65 years. The CEO has a direct pension in the form of a company-owned endowment insurance. The premiums to the endowment insurance amounts to 35 per cent of the basic salary. For other senior executives, including the Deputy CEO, the retirement age is 60–65 years depending on the country of employment and the pensions are premium-based.

Variable remuneration

Short-term incentive programme (STI)

The outcome of STI shall be governed by financial and non-financial parameters for the Gränges Group. The financial objective is related to value creation and the non-financial objective is linked to the carbon footprint of the business. Maximum remuneration for STI is 60 per cent of the fixed annual base salary for each individual in Group Management, with exception for the persons holding the position as Regional President, for whom the maximum remuneration can be up to 100 per cent of the fixed annual base salary.

Long-term incentive programmes (LTI 2021 LTI 2020 and LTI 2019)

Gränges' long-term incentive programmes are offered to the company's senior executives and certain selected key persons. The programmes are designed to replicate share ownership. An amount corresponding to corresponding to the outcome from STI for each year and participant is set aside in a so-called LTI bank. Provided that the participant is still employed by Gränges, one third of the amount for LTI 2019 during the years 2021, 2022 and 2023, for LTI 2020 during the years 2022, 2023 and 2024 and for LTI 2021 during the years 2023, 2024 and 2025. The payments are adjusted for the total return of the Gränges share. The costs for the long-term incentive programmes are recognized for during the performance years and are shown in the Remuneration and other benefits table.

CONT. NOTE 10

Investment programmes (IP 2020 and IP 2022)

The 2020 Annual General Meeting resolved on an investment programme, IP 2020, in which the participants invested an amount corresponding to up to 50 per cent of the annual base salary before tax in shares and call options in Gränges AB (publ). The participants received a conditional cash contribution which, after tax deducted (net contribution), amounted to 50 per cent of the investment amount. The cash contribution is recognized over the vesting period of three years and the cost is shown in the table Remuneration and other benefits. The option premium amounted to SEK 7.38 per call option. Each call option gives the right to acquire 1.13 shares in the company at an exercise price of SEK 77.16. The number of call options issued as of December 31, 2022 was 1,080,000. An adapted synthetic programme for foreign participants who do not have the opportunity to invest directly in Gränges shares was designed. The total number of synthetic options amounts to 792,000 and synthetic shares to 96,052 as of December 31, 2022. The commitment to the synthetic program is recognized as a payroll expense and is shown in the Remuneration and other benefits table.

The 2022 Annual General Meeting resolved on an additional investment program, IP 2022. Warrants have been transferred in accordance with the following:

(a) CEO: 180,000 warrants.

(b) Group management: 90,000 warrants per person. and

(c) Other key employees: a maximum of 30,000 warrants per person.

A subsidy has been paid which, after deduction of tax, amounts to 50 percent of the premium paid for each warrant (net contribution). The cash contribution is recognized over the vesting period of three years and the cost is shown in the table Remuneration and other benefits. The option premium amounted to SEK 14.63 per warrant. Each warrant gives the right to acquire 1 share in the company at an exercise price of SEK 87.53. The number of warrants issued as of December 31, 2022 was 540,000, of which 30,000 in own custody. An adapted synthetic programme for foreign participants who do not have the opportunity to invest directly in Gränges shares was designed. The total number of synthetic options amounts to 360,000 as of December 31, 2022. The commitment to the synthetic program is recognized as a payroll expense and is shown in the Remuneration and other benefits table.

Other benefits

Other benefits includes company cars and medical care benefits.

Remuneration and other benefits in 2022

| SEK million | Basic salary/ Directors' fee | STI ¹⁾ | LTI | IP ²⁾ | Total variable remuneration | Other benefits | Pension cost | Total |
|---|---------------------------------|-------------------|-------------|------------------|--------------------------------|--------------------|--------------|--------------|
| Board of Directors | | | | | | | | |
| Fredrik Arp | -0.9 | - | - | - | - | - | - | -0.9 |
| Steven Armstrong | -0.3 | - | - | - | - | - | - | -0.3 |
| Mats Backman | -0.5 | - | - | - | - | - | - | -0.5 |
| Martina Buchhauser | -0.4 | - | - | - | - | - | - | -0.4 |
| Peter Carlsson | -0.4 | - | - | - | - | - | - | -0.4 |
| Katarina Lindström | -0.4 | - | - | - | - | - | - | -0.4 |
| Hans Porat | -0.4 | - | - | - | - | - | - | -0.4 |
| Carina Andersson | -0.1 | - | - | - | - | - | - | -0.1 |
| Senior executives | | | | | | | | |
| CEO Jörgen Rosengren | -6.5 | -2.1 | -1.1 | -0.6 | -3.8 | -0.1 | -2.2 | -12.7 |
| Deputy CEO Oskar Hellström | -4.8 | -1.6 | -2.3 | -1.0 | -4.9 | -1.4 ³⁾ | -2.6 | -13.7 |
| Other senior executives (4 individuals) | -15.6 | -5.3 | -6.5 | -3.2 | -15.0 | -0.9 | -2.1 | -33.6 |
| Total | -30.2 | -9.0 | -9.9 | -4.8 | -23.7 | -2.4 | -6.9 | -63.2 |

Remuneration and other benefits in 2021

| SEK million | Basic salary/ Directors' fee | STI ⁴⁾ | LTI | IP ⁵⁾ | Total variable remuneration | Other benefits | Pension cost | Total |
|---|---------------------------------|-------------------|-------------|------------------|--------------------------------|-------------------|--------------|--------------|
| Board of Directors | | | | | | | | |
| Fredrik Arp | -0.8 | - | - | - | - | - | - | -0.8 |
| Carina Andersson | -0.3 | - | - | - | - | - | - | -0.3 |
| Mats Backman | -0.4 | - | - | - | - | - | - | -0.4 |
| Martina Buchhauser | -0.3 | - | - | - | - | - | - | -0.3 |
| Peter Carlsson | -0.3 | - | - | - | - | - | - | -0.3 |
| Katarina Lindström | -0.4 | - | - | - | - | - | - | -0.4 |
| Hans Porat | -0.3 | - | - | - | - | - | - | -0.3 |
| Ragnhild Wiborg | -0.1 | - | - | - | - | - | - | -0.1 |
| Senior executives | | | | | | | | |
| CEO Jörgen Rosengren | -2.5 | -1.5 | -0.5 | - | -2.0 | -0.1 | -0.8 | -5.4 |
| CEO Johan Menckel | -3.5 | - | - | -1.4 | -1.4 | -0.1 | -1.2 | -6.2 |
| Deputy CEO Oskar Hellström | -4.6 | -2.8 | -3.4 | -0.7 | -6.9 | -0.3 | -2.3 | -14.1 |
| Other senior executives (5 individuals) | -14.7 | -6.2 | -4.1 | -4.7 | -15.0 | -0.9 | -3.0 | -33.6 |
| Total | -25.3 | -10.5 | -7.9 | -6.8 | -25.2 | -1.4 | -7.4 | -59.2 |

1) The amounts are attributable to 2022 but will be disbursed in 2023.

2) The CEO has received a cash contribution of SEK 2.6 million, corresponding to a net contribution of SEK 1.3 million related to IP 2022. The Deputy CEO has received a cash contribution of SEK 1.3 million, corresponding to a net contribution of SEK 0.7 million related to IP 2022. Other senior executives have received cash contributions of SEK 2.7 million, corresponding to net contributions of SEK 1.3 million, respectively gross salary deductions of SEK 1.3 million related to IP 2022. The cash contributions are recognized over the vesting period of three years.

3) In order to ensure continuity in the Group Management after change of CEO, the Board of Directors decided to temporarily derogate from the guidelines for remuneration to senior executives and has paid SEK 1 million in special remuneration to the Deputy CEO.

4) The amounts were attributed to 2021 but were disbursed in 2022.

5) The number of synthetic options granted to other senior executives during 2021 for IP 2020 amounted to 290,000, and the number of synthetic shares to 31,490. As payment, SEK 4.4 million has been made through gross salary deductions.

11 Pensions

Gränges has pension plans in Sweden, Poland and the US. Approximately 87 per cent (79) of the employees in Sweden are covered by defined contribution pension plans, with the remainder covered by defined benefit plans. All permanent full-time employees in the US are eligible for the defined contribution plan. Approximately 7 per cent (9) of permanent full-time employees in the US are eligible for the defined benefit pension plan.

Defined contribution plans

Employees of Gränges in the Swedish and American operations 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 Group also operates defined benefit pension plans for hourly union employees in the US under broadly similar regulatory frameworks. However, these plans are closed to new entrants.

The Swedish plans are based on final salary at the time of retirement and length of service and provide a guaranteed level of pension payments for life. The American plans have a benefit based on a combination of pension factors and length of service. In the Swedish plans, pensions in payment are generally updated in line with the retail price index, whereas in the US plans, pensions do not receive inflationary increases once in payment. With the exception of this inflationary risk in Sweden, the plans face broadly similar risks, including the risk of increased life expectancy and sensitivity to changes in interest rates.

The defined benefit plans are accounted for as a provision in the balance sheet. Swedish plans are unfunded, but US plans are partially funded. To secure unfunded accrued pension rights of their employees in Sweden, 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 in Sweden are regulated by the Act (1967:531) respecting retirement pensions.

The Gränges Benefits Committee in the US is responsible for the oversight and management of the plans' investments. It has a written Investment Policy. The aim of the investment decisions made by the Committee is to achieve optimal returns while taking into account a reasonable level of risk. Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. An asset liability management assessment is conducted periodically.

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.

Assumptions for defined benefit plans

| | Sweden | | US | | Poland | |
|--|--------|------|----------|----------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Discount rate, % | 4.0 | 1.9 | 5.2 | 2.6–2.8 | 6.6 | 2.0 |
| Future salary adjustments, % | 3.3 | 3.5 | n/a | n/a | 3.5 | 2.8 |
| Income base amount, % | 3.0 | 3.2 | n/a | n/a | n/a | n/a |
| Inflation, % | 2.0 | 2.2 | n/a | n/a | n/a | n/a |
| Employee turnover, % | 5.0 | 5.0 | 4.0–20.0 | 4.0–20.0 | 1.0–5.0 | 1.0–5.0 |
| Weighted average remaining duration, years | 20.0 | 20.0 | 12.0 | 12.0 | n/a | n/a |

The assumptions for life expectancy in Sweden are based on DUS21 (DUS14) life expectancy tables.

The mortality assumption in the US is based on the Pri-2012 (Pri-2012) mortality tables, Scale MP-2021 (MP-2021).

Distribution of pension costs

| SEK million | Sweden | | US | | Poland | | Total | |
|--|------------|------------|------------|------------|-----------|-----------|-------------|------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Defined contribution plans | -34 | -28 | -35 | -30 | - | - | -72 | -58 |
| Current service costs | -11 | -10 | -3 | -3 | -1 | -1 | -15 | -13 |
| Administrative expenses | - | - | -5 | -4 | - | - | -5 | -4 |
| Pension costs recognized as operating expenses | -46 | -38 | -43 | -37 | -1 | -1 | -93 | -75 |
| Interest on net pension liabilities recognized as a financial expense | -5 | -3 | -2 | -3 | 0 | 0 | -7 | -5 |
| Pensions costs recognized in the income statement | -51 | -41 | -45 | -39 | -1 | -1 | -100 | -81 |
| Actuarial gains and losses recognized in the statement of comprehensive income | 99 | -3 | 124 | 15 | 2 | -1 | 225 | 12 |
| Return on plan assets greater than discount rate | - | - | -86 | 13 | - | - | -86 | 13 |
| Total pension costs | 48 | -44 | -7 | -11 | 1 | -1 | 40 | -56 |

Distribution of pension liabilities at 31 December

| SEK million | Sweden | | US | | Poland | | Total | |
|--|-------------|-------------|------------|------------|-----------|-----------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Present value of unfunded pension obligations | -177 | -270 | -50 | -70 | -7 | -8 | -234 | -348 |
| Present value of funded and partially funded pension obligations | - | - | -338 | -388 | - | - | -338 | -388 |
| Funded plan assets | - | - | 338 | 388 | - | - | 338 | 388 |
| Total pension liabilities | -177 | -270 | -50 | -70 | -7 | -8 | -234 | -348 |

CONT. NOTE 11

Changes in the present value of pension obligations

| SEK million | Sweden | | US | | Poland | | Total | |
|---|-------------|-------------|-------------|-------------|-----------|-----------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Pension obligations at 1 January | -270 | -258 | -458 | -439 | -8 | -7 | -736 | -705 |
| Current service costs | -11 | -10 | -3 | -3 | -1 | -1 | -15 | -13 |
| Interest on pension provision | -5 | -3 | -14 | -12 | 0 | 0 | -19 | -15 |
| Actuarial gains and losses recognized in the statement of comprehensive income: | | | | | | | | |
| – due to changes in financial assumptions | 104 | 5 | 105 | 10 | 3 | 0 | 212 | 15 |
| – due to changes in demographic assumptions | 2 | 0 | – | -2 | 0 | 0 | 2 | -2 |
| – due to experienced-based adjustments | -7 | -8 | 19 | 7 | -1 | 0 | 11 | -2 |
| Benefits paid during the year | 6 | 5 | 31 | 27 | 1 | 0 | 38 | 32 |
| Other | 4 | – | – | – | – | – | 4 | – |
| Translation differences | – | – | -69 | -46 | -1 | 0 | -70 | -46 |
| Pension obligations at 31 December | -177 | -270 | -388 | -458 | -7 | -8 | -572 | -736 |

Changes in the present value of plan assets

| SEK million | Sweden | | US | | Poland | | Total | |
|--|-------------|-------------|------------|------------|-----------|-----------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Plan assets at 1 January | – | – | 388 | 347 | – | – | 388 | 347 |
| Administrative expenses | – | – | -5 | -4 | – | – | -5 | -4 |
| Interest on plan assets | – | – | 11 | 9 | – | – | 11 | 9 |
| Return on plan assets greater than discount rate | – | – | -86 | 13 | – | – | -86 | 13 |
| Employer contributions | – | – | 2 | 13 | – | – | 2 | 13 |
| Benefits paid during the year | – | – | -31 | -27 | – | – | -31 | -27 |
| Translation differences | – | – | 58 | 36 | – | – | 58 | 36 |
| Plan assets at 31 December | – | – | 338 | 388 | – | – | 338 | 388 |
| Net pension liabilities | -177 | -270 | -50 | -70 | -7 | -8 | -234 | -348 |

Distribution of plan assets

| SEK million | Sweden | | US | | Poland | | Total | |
|-----------------------------|----------|----------|------------|------------|----------|----------|------------|------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| <i>Quoted</i> | | | | | | | | |
| Equity instruments | – | – | 164 | 221 | – | – | 164 | 221 |
| Interest-bearing securities | – | – | 165 | 166 | – | – | 165 | 166 |
| Total | – | – | 329 | 388 | – | – | 329 | 388 |
| <i>Unquoted</i> | | | | | | | | |
| Cash | – | – | 9 | – | – | – | 9 | – |
| Total | – | – | 9 | – | – | – | 9 | – |
| Total plan assets | – | – | 338 | 388 | – | – | 338 | 388 |

Sensitivity analysis of the effect on the pension liabilities (+increase/-decrease in pension liabilities)

| SEK million | Sweden | US | Total |
|--|--------|-----|-------|
| Discount rate, % | +0.5 | -13 | -28 |
| | -0.5 | 14 | 31 |
| Increased/decreased life expectancy, years | +1 | 6 | 17 |
| | -1 | -6 | -18 |

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.

Defined benefit pension liabilities terms

| SEK million | Sweden | US | Poland | Total |
|---|--------|-----|--------|-------|
| Benefits scheduled for disbursement within 12 months | 6 | 32 | 0 | 39 |
| Benefits scheduled for disbursement within 1–5 years | 34 | 128 | 2 | 163 |
| Benefits scheduled for disbursement after 5 years or more | 316 | 149 | 4 | 469 |

Contributions to plans for post-employment remuneration are estimated at SEK 7 million for the financial year 2023.

12 Remuneration to auditors

| SEK million | 2022 | 2021 |
|--|-------------|-------------|
| EY | | |
| Audit engagement | -7.8 | -7.0 |
| Audit services in addition to audit engagement | -1.3 | -0.8 |
| Tax advisory services | -0.1 | -0.2 |
| Total remuneration to auditors | -9.2 | -8.0 |

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

Tax advisory services include advice on tax, including transfer pricing issues, as well as value-added tax.

13 Other operating expenses

| SEK million | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| Energy and utility expenses | -1,018 | -654 |
| Freight expenses | -642 | -460 |
| Consumable material | -460 | -347 |
| Repair and maintenance expenses | -414 | -328 |
| Consultant fees | -191 | -173 |
| Insurance | -61 | -48 |
| Vehicle operating expenses | -40 | -35 |
| Travel expenses | -27 | -16 |
| Other | -424 | -315 |
| Total other operating expenses | -3,277 | -2,376 |

Government grants have reduced other operating expenses by SEK 31 million (34) during 2022.

14 Items affecting comparability

| SEK million | Financial statement line | 2022 | 2021 |
|--|-------------------------------|------------|-------------|
| Loss on open open aluminium position | Items affecting comparability | -76 | - |
| Insurance compensation | Items affecting comparability | 62 | 40 |
| Write-down of intangible assets | Items affecting comparability | - | -158 |
| Restructuring costs | Items affecting comparability | - | -42 |
| Realisation of fair value inventory step-up on acquired business | Cost of materials | - | -16 |
| Total items affecting comparability | | -14 | -175 |

During 2022 a non-recurring loss of SEK 76 million occurred related to an open aluminium position in one of the Gränges subsidiaries. The reason for the loss was a wrongly stated position and therefore unhedged exposure in combination with extremely high volatility in the price of aluminium during the second quarter of 2022. When the exposure was identified the open position was immediately closed. The loss has been assessed as an item affecting comparability.

In 2021 a fire occurred in one of the rolling mills in the US. The event was covered by property damage and interruption insurance. Insurance compensation corresponding to the costs for the fire was reported as part of adjusted operating profit. Insurance compensation in addition

to cost coverage and deductible, amounting to SEK 40 million, was handled as an item affecting comparability in 2021. The insurance claim was finally settled in 2022 and additional obtained insurance compensation of SEK 62 million is reported as an item affecting comparability.

In 2021 Gränges decided to simplify its organization by decentralizing the responsibility for innovation, digitalization and continuous improvement. The decentralization of digitalization led to that certain investments in group-wide IT systems no longer were relevant and written down by SEK 138 million. Remaining write-down of SEK 19 million referred to other intangible assets. The simplified organization also led to restructuring costs of SEK 42 million in 2021.

Residuary item affecting comparability in 2021 of SEK -16 million relates to realisation of fair value step-up on acquired inventory as part of business combination.

15 Joint arrangements

Gränges has a joint arrangement with Shanghai Gränges Moriyasu Aluminium Co Ltd which provides stamping capacity for Gränges' customers in China. Gränges owns 50 per cent of the company and the holding is classified as a joint venture and is accounted for using the equity method.

Investments accounted for in accordance with the equity method

| SEK million | Shanghai Gränges Moriyasu Aluminium |
|--|-------------------------------------|
| Carrying amount at 1 January 2022 | 16 |
| Acquisitions/sales | - |
| Share of profit/loss | 2 |
| Dividend | - |
| Tax | - |
| Translation differences | 1 |
| Carrying amount at 31 December 2022 | 19 |
| Carrying amount at 1 January 2021 | 13 |
| Acquisitions/sales | - |
| Share of profit/loss | 2 |
| Dividend | - |
| Tax | - |
| Translation differences | 2 |
| Carrying amount at 31 December 2021 | 16 |

No capital injection is deemed to be required to Shanghai Gränges Moriyasu Aluminium Co Ltd in 2023.

16 Financial income and costs

| SEK million | 2022 | 2021 |
|---|-------------|------------|
| Interest income | 10 | 5 |
| Net foreign exchange gain | 11 | 1 |
| Total financial income | 21 | 6 |
| Interest expense | -234 | -67 |
| Net interest expense, pensions | -7 | -5 |
| Interest expense on lease liabilities | -11 | -11 |
| Other financial expenses | -22 | -15 |
| Total financial costs | -275 | -98 |
| Total financial income and costs | -254 | -92 |

Financial income during 2022 is mainly related to interest income from bank deposits. Other financial expenses primarily consisted of costs for financing and bank fees.

17 Taxes

Tax expense

| SEK million | 2022 | 2021 |
|---------------------------------|-------------|-------------|
| Profit before taxes | 884 | 743 |
| Current tax | -100 | -74 |
| Deferred tax | -84 | -74 |
| Total tax | -184 | -147 |
| Tax as % of profit before taxes | 21 | 20 |

Reconciliation of the Group's tax rate

The following table shows a reconciliation of reported tax and tax calculated on Swedish tax rate of 20.6 per cent (20.6). The main tax components are shown below.

| SEK million | 2022 | 2021 |
|--|-------------|-------------|
| Earnings before tax multiplied by nominal tax rate in Sweden | -182 | -153 |
| Effect of foreign operations with tax rates other than 20.6 % (20.6) | 11 | 9 |
| Non-deductible expenses | -15 | -13 |
| Non-taxable income | 5 | 8 |
| Tax subsidies abroad | 14 | 21 |
| Other income tax paid abroad | -12 | -24 |
| Adjustment of tax in respect of prior years | -4 | 5 |
| Total tax | -184 | -147 |

Gränges' Chinese subsidiary has for tax purpose received a pre-qualification as a High and New-Technology Enterprise for the three-year period 2022 to 2024. The pre-qualification means that the company preliminarily pays 15 per cent in corporate income tax instead of the ordinary tax of 25 per cent for the period. In order to finally obtain the lower tax rate, the company must meet special requirements established by the authorities in China for each one of the three years. Gränges currently considers it to be more likely than not that the special requirements will be met for the financial year 2022 and therefore applies a tax rate of 15 per cent for the Chinese operation. If the ordinary tax rate of 25 percent had been applied for 2022, tax as a percentage of profit before tax for the Group would not have deviated significantly from the current 21 percent.

Tax subsidies abroad mainly refers to deduction in China where an enterprise enjoy 200 per cent deduction for eligible research and development expenses for income tax purpose.

Deferred tax

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

Deferred tax assets in respect of tax losses have been taken into account in full since the company is of the opinion that sufficient income will be generated in the future to be utilized against the tax losses. The tax losses amount to SEK 452 million (699) on 31 December 2022 and can be carried forward indefinitely. The tax losses carried forward are mainly attributable to direct tax deductions for investments in the US in 2019.

Deferred tax assets on other non-current items mainly refers to lease liabilities.

Deferred tax assets on other current items mainly refers to accrued expenses in China.

Change in deferred tax in the income statement

| SEK million | 2022 | 2021 |
|--|------------|------------|
| Change in deferred tax in balance sheet | -187 | -89 |
| Business combinations | - | 7 |
| Change in deferred tax, hedging reserve in other comprehensive income | 17 | -19 |
| Change in deferred tax, actuarial gains and losses on pensions in other comprehensive income | 32 | 9 |
| Translation effects in other comprehensive income | 53 | 19 |
| Change in deferred tax in the income statement | -84 | -74 |

Deferred tax on temporary differences

| SEK million | 2022 | | | 2021 | | |
|--|------------------------|----------------------------|------------------|------------------------|----------------------------|------------------|
| | Deferred tax asset (+) | Deferred tax liability (-) | Net deferred tax | Deferred tax asset (+) | Deferred tax liability (-) | Net deferred tax |
| Intangible assets | - | -92 | -92 | - | -93 | -93 |
| Property, plant and equipment | 4 | -761 | -757 | 6 | -598 | -592 |
| Financial instruments | 21 | -19 | 2 | 28 | -15 | 12 |
| Pension provisions | 29 | -32 | -3 | 41 | -20 | 21 |
| Other non-current items | 50 | -19 | 30 | 16 | - | 16 |
| Total non-current items | 103 | -924 | -821 | 90 | -726 | -636 |
| Inventories | 27 | -2 | 25 | 15 | -1 | 13 |
| Other current items | 163 | -33 | 131 | 96 | -3 | 93 |
| Total current items | 191 | -34 | 156 | 111 | -5 | 107 |
| Tax losses | 94 | - | 94 | 146 | - | 146 |
| Set-off | -356 | 356 | 0 | -293 | 293 | 0 |
| Net deferred tax assets (+) / liabilities (-) | 33 | -603 | -570 | 55 | -438 | -384 |

18 Earnings per share

Earnings per share are calculated by dividing the profit for the year attributed to owners of the parent company by the weighted average number of outstanding shares.

Gränges issued 1,080,000 call options related to an investment programme in 2020, IP 2020, which has led to a dilution of 65,534 (269,967) for weighted average number of outstanding shares in 2022. Investment programme IP 2022 has not led to any dilution. For further information on the investment programmes see Note 10.

| | 2022 | 2021 |
|---|-------------|-------------|
| Profit for the year attribute to owners of the parent company (SEK million) | 700 | 595 |
| Weighted average number of outstanding shares, basic | 106,308,618 | 106,308,618 |
| Weighted average number of outstanding shares, diluted | 106,374,152 | 106,578,585 |
| Earnings per share, basic, SEK | 6.59 | 5.60 |
| Earnings per share, diluted, SEK | 6.58 | 5.58 |

19 Intangible assets

| SEK million | Goodwill | IT | Customer relationships | Other | Total |
|--|------------|------------|------------------------|-----------|--------------|
| Carrying amount at 1 January 2022 | 873 | 71 | 445 | 18 | 1,407 |
| Business combinations | – | – | – | – | – |
| Acquisitions | – | 2 | – | 8 | 10 |
| Impairment | – | – | – | – | – |
| Amortization | – | –10 | –39 | –6 | –54 |
| Translation differences | 86 | 7 | 42 | 2 | 136 |
| Carrying amount at 31 December 2022 | 959 | 69 | 448 | 22 | 1,499 |
| Cost at 31 December 2022 | 959 | 298 | 585 | 86 | 1,930 |
| Accumulated amortization and impairment | – | –229 | –137 | –64 | –431 |
| Carrying amount at 31 December 2022 | 959 | 69 | 448 | 22 | 1,499 |
| Carrying amount at 1 January 2021 | 814 | 227 | 442 | 27 | 1,510 |
| Business combinations | 24 | – | 24 | 3 | 51 |
| Acquisitions | – | 0 | – | 13 | 13 |
| Impairment | – | –138 | – | –19 | –158 |
| Amortization | – | –25 | –36 | –6 | –67 |
| Translation differences | 35 | 6 | 16 | 0 | 56 |
| Carrying amount at 31 December 2021 | 873 | 71 | 445 | 18 | 1,407 |
| Cost at 31 December 2021 | 873 | 286 | 532 | 75 | 1,767 |
| Accumulated amortization and impairment | – | –216 | –86 | –57 | –360 |
| Carrying amount at 31 December 2021 | 873 | 71 | 445 | 18 | 1,407 |

Impairment test of goodwill

Impairment testing for goodwill is made annually or continuously during the year if an event that may result in impairment need arises. Gränges has defined the two business areas Gränges Eurasia and Gränges Americas to constitute cash-generating units (CGUs).

Goodwill for Gränges Eurasia amounts to SEK 554 million (511) and for Gränges Americas to SEK 405 million (355) as of 31 December 2022.

The forecast period is five years with an average growth rate of 7.9 per cent (6.7) for Gränges Eurasia and 0.7 per cent (2.8) for Gränges Americas. Estimated growth rate beyond the forecast period amounts to 2.0 per cent (2.0) for both of the CGUs. Cash flows have been discounted at a present value using a discount rate calculated at 8.6 per cent (8.0) after tax, corresponding to 9.3 per cent (8.7) before tax. Sensitivity analyses have been performed to evaluate whether reasonable changes in discount rate and the growth rate would indicate need for impairment. No reasonable changes in assumptions indicate need for impairment for Gränges Americas, while there is some indication of impairment for Gränges Eurasia in the event of a moderate increase in the discount rate in combination with reduction in estimated growth beyond the forecast period.

IT

IT mainly refers to capitalized production and ERP systems.

Customer relationships

The majority of the customer relationships arose in conjunction with the acquisition in US during 2016 and in Poland 2020. The acquired businesses had a number of customers that they have had long relationships with. The customer relationships are recognized at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives.

Other

The Group is running a large number of development projects but the criteria for recognizing the projects as intangible assets are currently not met. Total costs for research and development projects amount to SEK 71 million (72) for 2022.

20 Property, plant and equipment

| SEK million | Land, land improvements and buildings | Machinery and equipment | Fixed assets under construction | Fixtures, vehicles, etc. | Total |
|---|---------------------------------------|-------------------------|---------------------------------|--------------------------|---------------|
| Carrying amount at 1 January 2022 | 1,512 | 3,883 | 1,020 | 84 | 6,498 |
| Business combinations | – | – | – | – | – |
| Acquisitions ¹⁾ | 1 | 1 | 970 | 10 | 983 |
| Divestments and disposals | 0 | 0 | – | –2 | –2 |
| Transferred assets, fixed assets under construction | 227 | 690 | –957 | 39 | 0 |
| Impairment | – | – | –181 | – | –181 |
| Depreciation | –87 | –522 | – | –24 | –632 |
| Translation differences | 143 | 394 | 65 | 4 | 606 |
| Carrying amount at 31 December 2022 | 1,797 | 4,446 | 917 | 111 | 7,271 |
| Cost at 31 December 2022 | 2,435 | 9,802 | 1,107 | 418 | 13,762 |
| Accumulated depreciation and impairment | –638 | –5,356 | –190 | –307 | –6,491 |
| Carrying amount at 31 December 2022 | 1,797 | 4,446 | 917 | 111 | 7,271 |
| Carrying amount at 1 January 2021 | 1,316 | 3,505 | 926 | 87 | 5,834 |
| Business combinations | – | 9 | –1 | 0 | 8 |
| Acquisitions ¹⁾ | 2 | 10 | 810 | 2 | 824 |
| Divestments and disposals | 0 | 0 | – | 0 | 0 |
| Transferred assets, fixed assets under construction | 185 | 536 | –737 | 15 | 0 |
| Impairment | –15 | –26 | – | – | –41 |
| Depreciation | –66 | –430 | – | –23 | –519 |
| Translation differences | 90 | 281 | 22 | 2 | 395 |
| Carrying amount at 31 December 2021 | 1,512 | 3,883 | 1,020 | 84 | 6,498 |
| Cost at 31 December 2021 | 2,019 | 8,413 | 1,020 | 362 | 11,814 |
| Accumulated depreciation and impairment | –507 | –4,531 | – | –278 | –5,316 |
| Carrying amount at 31 December 2021 | 1,512 | 3,883 | 1,020 | 84 | 6,498 |

1) Includes government grants of SEK 6 million (7) for 2022. The grant has reduced the acquisitions.

As a result of a fire in one of the rolling mills in the Konin facility in Poland, assets amounting to SEK 181 million were impaired during the year.

21 Right-of-use-assets and lease liabilities

| SEK million | Land and buildings | Machinery and equipment | Fixtures, vehicles, etc. | Total right-of-use-assets | Total lease liabilities |
|--|--------------------|-------------------------|--------------------------|---------------------------|-------------------------|
| Carrying amount at 1 January 2022 | 72 | 137 | 17 | 226 | 236 |
| Acquisitions | 3 | 12 | 17 | 33 | 33 |
| Interest expense on lease liabilities | – | – | – | – | 11 |
| Extension and termination options | 0 | 0 | – | 0 | 0 |
| Lease payments | – | – | – | – | –52 |
| Depreciation | –13 | –20 | –14 | –46 | – |
| Remeasurements | 22 | 1 | 0 | 23 | 23 |
| Canceled contracts | 0 | 0 | 0 | 0 | 0 |
| Translation differences | 3 | 7 | 0 | 11 | 11 |
| Carrying amount at 31 December 2022 | 88 | 138 | 20 | 246 | 261 |
| Cost at 31 December 2022 | 128 | 211 | 39 | 378 | |
| Accumulated depreciation | –40 | –74 | –19 | –132 | |
| Carrying amount at 31 December 2022 | 88 | 138 | 20 | 246 | |
| Carrying amount at 1 January 2021 | 70 | 133 | 29 | 232 | 237 |
| Acquisitions | 16 | 8 | 6 | 30 | 30 |
| Interest expense on lease liabilities | – | – | – | – | 11 |
| Extension and termination options | 0 | 0 | – | 0 | 0 |
| Lease payments | – | – | – | – | –57 |
| Depreciation | –15 | –17 | –18 | –50 | – |
| Remeasurements | – | 0 | 0 | 0 | 0 |
| Canceled contracts | 0 | 0 | 0 | 0 | 0 |
| Translation differences | 1 | 14 | 0 | 15 | 15 |
| Carrying amount at 31 December 2021 | 72 | 137 | 17 | 226 | 236 |
| Cost at 31 December 2021 | 100 | 187 | 49 | 336 | |
| Accumulated depreciation | –28 | –50 | –32 | –110 | |
| Carrying amount at 31 December 2021 | 72 | 137 | 17 | 226 | |

The expense related to short-term leases and leases of low-value assets for 2022 amounts to SEK 6 million (4). The expense related to variable lease payments not included in the lease liabilities is not significant.

For further information about non-current and current lease liabilities, see Note 29. For maturity analysis for lease liabilities, see Note 30.

22 Inventories

| SEK million | 2022 | 2021 |
|--------------------------------|--------------|--------------|
| Raw materials | 1,339 | 1,039 |
| Work in progress | 1,473 | 1,583 |
| Finished goods and merchandise | 1,288 | 1,139 |
| Derivatives | 25 | 53 |
| Other | 187 | 142 |
| Provision for obsolescence | –42 | –22 |
| Total inventories | 4,270 | 3,933 |

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

The amount of inventories recognized as an expense is included in cost of materials and amounted in 2022 to SEK 17,311 million (12,427) including the change in the provision for obsolescence of SEK –18 million (4).

23 Overview of financial instruments

| 2022 SEK million | Note | Measurement level | Financial instruments at fair value through profit or loss | Derivatives included in hedge accounting | Financial assets measured at amortized cost | Financial liabilities measured at amortized cost | Total | Of which interest- bearing |
|--|------------|----------------------|--|---|--|---|---------------|----------------------------------|
| <i>Non-current assets</i> | | | | | | | | |
| Non-current financial receivables | 29, 33 | | – | – | – | – | – | – |
| Non-current derivatives | 31 | 2 | – | 170 | – | – | 170 | – |
| Total | | | – | 170 | – | – | 170 | – |
| <i>Current assets</i> | | | | | | | | |
| Accounts receivable | 24 | | – | – | 2,275 | – | 2,275 | – |
| Other current receivables | | | – | – | 290 | – | 290 | – |
| Current derivatives | 24, 29, 31 | 2 | 85 | 46 | – | – | 131 | 38 |
| Cash and cash equivalents | 25 | | – | – | 879 | – | 879 | 879 |
| Total | | | 85 | 46 | 3,445 | – | 3,576 | 917 |
| <i>Non-current liabilities</i> | | | | | | | | |
| Non-current financial liabilities | 29 | | – | – | – | 2,863 | 2,863 | 2,863 |
| Non-current derivatives | 31 | 2 | – | 13 | – | – | 13 | 13 |
| Total | | | – | 13 | – | 2,863 | 2,876 | 2,876 |
| <i>Current liabilities</i> | | | | | | | | |
| Current financial liabilities | 29 | | – | – | – | 2,148 | 2,148 | 2,148 |
| Accounts payable | 28 | | – | – | – | 2,568 | 2,568 | – |
| Other current liabilities | 28 | | – | – | – | 5 | 5 | – |
| Current derivatives | 28, 29, 31 | 2 | 105 | 47 | – | 50 | 202 | 50 |
| Total | | | 105 | 47 | – | 4,770 | 4,923 | 2,197 |
| Total financial instruments (receivables + / liabilities –) | | | –20 | 156 | 3,445 | –7,633 | –4,053 | –4,156 |

Measurement of financial instruments

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

Level 1: Quoted, unadjusted prices in active markets for identical instruments.

Level 2: Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the instrument.

Level 3: Non-observable inputs that have significant impact on the fair value of the instrument.

Currency forwards

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

Aluminium futures

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

Interest-bearing receivables and liabilities

The fair value of interest-bearing assets and liabilities is provided for disclosure purposes and is estimated by discounting the future cash flows of principal and interest at the current market rate. In the fair value measurement of borrowings, the credit spread has remained constant unless there is clear evidence that a change in the Group's creditworthiness has resulted in an observable change in the credit spread. As per 31 December 2022, the fair value of borrowings amounted to SEK 5,077 million (4,117).

Other receivables and liabilities

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

No transfers from one level to another in the valuation hierarchy were made in 2022 and 2021.

CONT. NOTE 23

| 2021 SEK million | Note | Measurement level | Financial instruments at fair value through profit or loss | Derivatives included in hedge accounting | Financial assets measured at amortized cost | Financial liabilities measured at amortized cost | Total | Of which interest- bearing |
|--|------------|----------------------|--|---|--|---|---------------|----------------------------------|
| <i>Non-current assets</i> | | | | | | | | |
| Non-current financial receivables | 29, 33 | | – | – | – | – | – | – |
| Non-current derivatives | 31 | 2 | – | 105 | – | – | 105 | – |
| Total | | | – | 105 | – | – | 105 | – |
| <i>Current assets</i> | | | | | | | | |
| Accounts receivable | 24 | | – | – | 2,153 | – | 2,153 | – |
| Other current receivables | | | – | – | 195 | – | 195 | – |
| Current derivatives | 24, 29, 31 | 2 | 125 | 9 | – | – | 134 | 5 |
| Cash and cash equivalents | 25 | | – | – | 809 | – | 809 | 809 |
| Total | | | 125 | 9 | 3,157 | – | 3,291 | 814 |
| <i>Non-current liabilities</i> | | | | | | | | |
| Non-current financial liabilities | 29 | | – | – | – | 2,414 | 2,414 | 2,414 |
| Non-current derivatives | 31 | 2 | – | 1 | – | – | 1 | 1 |
| Total | | | – | 1 | – | 2,414 | 2,414 | 2,414 |
| <i>Current liabilities</i> | | | | | | | | |
| Current financial liabilities | 29 | | – | – | – | 1,646 | 1,646 | 1,646 |
| Accounts payable | 28 | | – | – | – | 3,009 | 3,009 | – |
| Other current liabilities | 28 | | – | – | – | 5 | 5 | – |
| Current derivatives | 28, 29, 31 | 2 | 136 | 66 | 9 | 39 | 249 | 48 |
| Total | | | 136 | 66 | 9 | 4,700 | 4,909 | 1,694 |
| Total financial instruments (receivables + / liabilities –) | | | –11 | 47 | 3,148 | –7,114 | –3,929 | –3,296 |

24 Current receivables

| SEK million | 2022 | 2021 |
|--------------------------------------|--------------|--------------|
| Accounts receivable | 2,275 | 2,153 |
| Derivatives | 93 | 129 |
| Other current receivables | 536 | 263 |
| Total financial receivables | 2,905 | 2,545 |
| Advances to suppliers/accrued income | 148 | 79 |
| Tax receivables | 40 | 72 |
| Total current receivables | 3,093 | 2,696 |

Change in provisions for expected credit losses

| SEK million | 2022 | 2021 |
|---|------------|------------|
| Provisions for expected credit losses at 1 January | -36 | -29 |
| Expected credit losses recognized in income statement | 9 | -13 |
| Used during the year | 6 | 8 |
| Translation differences | -2 | -2 |
| Provisions for expected credit losses at 31 December | -22 | -36 |

Accounts receivables maturity structure

| SEK million | 2022 | 2021 |
|--|--------------|--------------|
| Not yet due | 1,932 | 1,840 |
| Overdue 1–30 days | 281 | 234 |
| Overdue 31–60 days | 46 | 47 |
| Overdue 61–90 days | 12 | 17 |
| Overdue more than 90 days | 26 | 51 |
| Provisions for expected credit losses at 31 December | -22 | -36 |
| Accounts receivable, carrying amount at 31 December | 2,275 | 2,153 |

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.

Credit losses have historically been relatively small and stable. Five customers accounted for 26 per cent of total outstanding accounts receivable at 31 December 2022 (five customers accounted for 33 per cent of the total outstanding accounts in 2021).

A more detailed description of the customer base is given in Note 8.

25 Cash and cash equivalents

| SEK million | 2022 | 2021 |
|--|------------|------------|
| Cash and bank balances | 879 | 809 |
| Total cash and cash equivalents | 879 | 809 |

26 Share capital

| | 2022 | 2021 |
|----------------------------------|--------------------|--------------------|
| Opening numbers of shares | 106,308,618 | 106,308,618 |
| Closing numbers of shares | 106,308,618 | 106,308,618 |

| SEK million | 2022 | 2021 |
|---------------------------------------|------------|------------|
| Share capital, opening balance | 142 | 142 |
| Share capital, closing balance | 142 | 142 |

| SEK million | 2022 | 2021 |
|---------------------------------------|--------------|--------------|
| Share premium, opening balance | 1,885 | 1,885 |
| Share premium, closing balance | 1,885 | 1,885 |

The articles of association for Gränges AB state that the share capital shall be not less than SEK 100,000,000 and not more than SEK 400,000,000. The number of shares shall be not less than 75,000,000 and not more than 300,000,000.

The share capital comprises a single class of share and amounts to SEK 142 million as of 31 December 2022. Share capital is divided into 106,308,618 shares, each with a quota value of SEK 1.339775. For earnings per share and dilutive effect, see Note 18.

27 Provisions

| SEK million | Employee benefits | |
|--|-------------------|-----------|
| | 2022 | 2021 |
| Carrying amount at 1 January | 89 | 54 |
| Provisions made during the year | 3 | 76 |
| Provisions used during the year | -33 | -41 |
| Unutilized provisions reversed during the year | -2 | -5 |
| Reclassifications | 3 | 3 |
| Translation differences | 6 | 2 |
| Carrying amount at 31 December | 68 | 89 |
| of which non-current | 41 | 61 |
| of which current | 27 | 29 |

A provision for employee benefits is recognized in accordance with agreements entered for long-term incentive programmes and other personnel obligations.

28 Other current liabilities

| SEK million | 2022 | 2021 |
|---|--------------|--------------|
| Accounts payable | 2,568 | 3,009 |
| Derivatives | 153 | 201 |
| Non-interest-bearing liabilities | 5 | 5 |
| Total non-interest-bearing financial liabilities | 2,726 | 3,215 |
| Employee-related liabilities | 280 | 290 |
| Accrued expenses | 208 | 244 |
| Employee withholding tax | 13 | 18 |
| Other current liabilities | 75 | 36 |
| Total other current liabilities | 3,301 | 3,803 |

29 Financial and interest-bearing liabilities

Financing

Gränges' interest-bearing liabilities mainly consist of financing from banks, institutions, and the credit market.

During the fourth quarter of 2022, Gränges refinanced a Revolving Credit Facility of SEK 3,500 million and term loans of USD 160 million and SEK 200 million. The new agreements have a sustainability-linked structure where the applicable loan margin will be impacted by Gränges sustainability performance.

Gränges non-current interest-bearing liabilities consisted of term loans of USD 160 million (125), SEK 400 million (200) and bonds of SEK 600 million (900) issued under Gränges MTN programme (Medium Term Note). The Revolving Credit Facility of SEK 3,500 million (2,000) was unutilized as per 31 December 2022.

| SEK million | Carrying amount | |
|---|-----------------|--------------|
| | 2022 | 2021 |
| <i>Non-current interest-bearing liabilities</i> | | |
| Interest-bearing loans | 2,049 | 1,323 |
| Bonds in MTN programme | 600 | 900 |
| Lease liabilities | 214 | 191 |
| Total non-current interest-bearing liabilities | 2,863 | 2,414 |
| <i>Current interest-bearing liabilities</i> | | |
| Interest-bearing loans | 151 | 297 |
| Bonds in MTN programme | 300 | - |
| Overdraft Facilities | 17 | 105 |
| Commercial papers | 1,633 | 1,200 |
| Interest-bearing derivatives | 50 | 48 |
| Lease liabilities | 47 | 44 |
| Total current interest-bearing liabilities | 2,197 | 1,694 |
| Total interest-bearing liabilities | 5,060 | 4,109 |
| <i>Interest-bearing receivables</i> | | |
| Current interest-bearing derivatives | 38 | 5 |
| Cash and cash equivalents | 879 | 809 |
| Total interest-bearing receivables | 917 | 814 |
| Net interest-bearing liabilities | 4,143 | 3,295 |

Current interest-bearing liabilities consisted of interest-bearing loans of SEK 151 million (297), bonds of SEK 300 million (0) issued under Gränges MTN programme and commercial papers of SEK 1,633 million (1,200). Overdraft facilities were utilized with PLN 7 million (42).

The duration of the interest-bearing debt portfolio was two months. The loan facilities are subject to covenants, which are Net Debt/ EBITDA and Interest coverage ratio. The covenants were fulfilled at 31 December 2022.

Gränges Sustainability-linked bond of SEK 600 million matures in September 2026. The Sustainability-Linked bond is tied to three Sustainability Performance Targets (SPTs). Gränges ability to fulfill the SPTs will affect the repayment amount of the bond at the maturity date. A step-up of 0.40 per cent per SPT will be applicable on the redemption price, which equals to a maximum of 101.2 per cent of the nominal value in total, should the targets not be fulfilled.

Under the current loan agreements Gränges has entered into customary undertakings not to pledge assets or in a similar manner use its property to give creditors priority over existing lenders.

30 Financial risk

Financial risk management

Gränges operates globally and is exposed to various financial risks – such as market risk related to currency rates, commodity prices and interest rates, but also to liquidity risk and credit risk. Gränges uses derivatives and other financial instruments to mitigate these risks in accordance with the Group's Financial Management Policy which is decided by the Board.

Gränges manages financial risks in a non-speculative manner and all transactions in financial derivatives are executed in order to limit financial risks within the Group.

Currency risk

Transaction exposure

Gränges is exposed to currency risk as sales and purchases are largely made in different currencies. Movements in the exchange rates may cause fluctuations in the value of financial instruments, such as debt instruments, accounts receivables and accounts payables, and the value of expected and contracted cash flows. In 2022, sales volume to countries outside Sweden accounted for 98 per cent (98) of Gränges' total sales volume. The largest currencies were USD, CNY and EUR.

The sales price for Gränges' products is divided into a metal price component for the raw material and a conversion price component covering Gränges' processing costs and margin. The cost of the aluminium is passed on to the customer through metal price clauses. Both purchase and sales price for the metal component are generally based on the same price index and in the same currency, for example the London Metal Exchange (LME) or Shanghai Futures Exchange (SHFE). Therefore, no material currency exposure arises from the metal price component. The largest portion of Gränges' cost base for processing is in USD, CNY, PLN and SEK while the conversion price is set primarily in USD, CNY and EUR. The conversion price is generally contracted for a longer period of time.

The Group's sensitivity to exchange rate fluctuations before currency hedges, i.e. excluding the impact of currency derivatives, is shown in the table on the next page.

CONT. NOTE 30

| 2022 | Change, % | Effect on operating profit, SEK million |
|---------|-----------|---|
| USD/CNY | +/-10% | +/-65 |
| USD/SEK | +/-10% | +/-1 |
| EUR/SEK | +/-10% | +/-93 |
| EUR/PLN | +/-10% | +/-135 |
| USD/PLN | +/-10% | -/+16 |

The objective of Gränges' currency hedging activities is to minimize the effect of rapid changes in currency rates in the short and medium term by hedging a part of the Group's foreign currency exposure. Transaction exposure is hedged up to 24 months in advance. In 2022, 50–75 per cent of the forecasted currency exposure of the coming 12 months was hedged.

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

Gränges applies hedge accounting. The various types of hedging are described in Note 31.

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, USD and PLN, and the total translation exposure was SEK 5,000 million (3,503) at 31 December 2022. Gränges does not hedge this exposure.

Commodity price risk

The price of aluminium is Gränges most significant commodity price risk. Aluminium is traded on the LME and SHFE and the prices set on these exchanges are used as basis for Gränges metal purchases and sales. Commodity price exposure arises as there is a time lag between purchase of raw materials and sales of finished goods. Price changes that may occur may affect Gränges operating profit negatively.

Gränges primarily reduces the exposure by matching price terms from suppliers with price terms offered to its customers. Furthermore, Gränges is also using financial derivatives, such as forwards and futures contracts with LME and SHFE as underlying price index, to reduce the metal price exposure.

As per 31 December 2022, Gränges had sold a net volume of 43,480 tonnes (58,200) based on LME and 10,380 tonnes (11,225) based on SHFE.

Interest rate risk

Gränges' interest rate risk is primarily related to the Group's interest-bearing liabilities and assets. The majority of Gränges' interest-bearing liabilities have variable interest rates. The average duration of the loan portfolio at 31 December 2022 was two months (two). The duration of the loan portfolio may be prolonged either by changing interest rate terms in loan agreements or by using financial instruments, such as interest rate swaps. The duration of the interest-bearing debt was not prolonged with financial instruments during 2022.

Credit risk

Credit risks related to accounts receivable and other current assets is managed as part of the commercial risk and is monitored continuously by the legal entities. Gränges' customers are spread over various countries and geographic markets. Credit losses have historically been low due to the relatively strong financial position of Gränges' customers as well as strict credit procedures. Credit insurances are used occasionally.

Gränges' credit risks related to financial instruments are managed by choosing counterparties with a good credit rating and by limiting the risk per counterparty. Gränges also enters into ISDA agreements with financial counterparties, which entails a right to offset assets and liabilities in relation to the same counterparty in the case of a credit event.

Liquidity risk

Liquidity risk is the risk that Gränges will be unable to fulfil its payment obligations. Gränges' Financial Management Policy stipulates metrics to ensure adequate liquidity in the Group. Cash flow from operating activities is managed centrally and Gränges monitors both short and long-term liquidity in the Group.

The table on the next page shows the maturity structure for the Group's contractual financial liabilities. The amounts refer to non-discounted future cash flows and may therefore differ from the recognized figures. All variable interest cash flows have been calculated at the rate prevailing on the balance sheet date and all future cash flows in foreign currency are translated to SEK using the closing rate at year-end. The table also includes derivatives which are recognized 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 available credit facilities.

Currency contracts linked to hedging of future income and expenses

| Maturity 31 Dec 2022 | EUR/SEK | | USD/SEK | | USD/CNY | | EUR/PLN | | USD/PLN | |
|-------------------------|-------------------------------------|--------------|-------------------------------------|-------------|-------------------------------------|-------------|-------------------------------------|-------------|-------------------------------------|-------------|
| | Sold volumes, EUR million net | Price | Sold volumes, USD million net | Price | Sold volumes, USD million net | Price | Sold volumes, EUR million net | Price | Sold volumes, USD million net | Price |
| FY 2023 | 64 | 10.62 | 12 | 9.78 | 61 | 6.79 | 49 | 4.89 | -7 | 4.67 |
| FY 2024 | 20 | 10.92 | - | - | 5 | 6.83 | - | - | - | - |
| Total | 84 | 10.69 | 12 | 9.78 | 66 | 6.79 | 49 | 4.89 | -7 | 4.67 |
| 31 Dec 2021 | | | | | | | | | | |
| FY 2022 and FY 2023 | 80 | 10.28 | 26 | 8.60 | 52 | 6.56 | 101 | 4.61 | -4 | 3.98 |

Sensitivity analysis

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

CONT. NOTE 30

The table shows a partial analysis of the sensitivity of financial instruments, where the isolated effect on the income statement and other comprehensive income is calculated. This is done on the basis of a chosen hypothetical change in market prices or prices in the balance sheet at 31 December 2022. 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 into account any correlations with other parameters.
- Financial instruments 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 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 recognized in the income statement and other comprehensive income depending on classification according to hedge accounting. Effects which are accounted for in the income statement also affect other comprehensive income in addition to the figures presented in the table.

| 2022 SEK million | Carrying amount | Contractual cash flows | <1 year | 1–2 years | 2–4 years | >4 years |
|--|-----------------|---------------------------|--------------|------------|--------------|------------|
| Lease liabilities | 261 | 252 | 47 | 44 | 58 | 192 |
| Other interest-bearing liabilities | 4,806 | 5,073 | 2,222 | 509 | 2,342 | 0 |
| Accounts payable | 2,568 | 2,568 | 2,568 | – | – | – |
| Other current liabilities | 5 | 5 | 5 | – | – | – |
| Net-settled derivatives ¹⁾ – aluminium derivatives | –7 | – | – | – | – | – |
| Inflow | – | 54 | 54 | – | – | – |
| Outflow | – | –61 | –61 | – | – | – |
| Gross-settled derivatives ¹⁾ – currency derivatives | –18 | – | – | – | – | – |
| Inflow | – | 135 | 133 | 1 | – | – |
| Outflow | – | –152 | –147 | –5 | – | – |
| Total | 7,616 | 7,873 | 4,821 | 550 | 2,400 | 192 |

| 2021 SEK million | Carrying amount | Contractual cash flows | <1 year | 1–2 years | 2–4 years | >4 years |
|--|-----------------|---------------------------|--------------|------------|--------------|------------|
| Lease liabilities | 236 | 329 | 46 | 38 | 54 | 191 |
| Other interest-bearing liabilities | 3,874 | 3,935 | 1,641 | 557 | 1,132 | 605 |
| Accounts payable | 3,009 | 3,009 | 3,009 | – | – | – |
| Other current liabilities | 5 | 5 | 5 | – | – | – |
| Net-settled derivatives ¹⁾ – aluminium derivatives | –54 | – | – | – | – | – |
| Inflow | – | 93 | 93 | – | – | – |
| Outflow | – | –147 | –147 | – | – | – |
| Gross-settled derivatives ¹⁾ – currency derivatives | –43 | – | – | – | – | – |
| Inflow | – | –64 | –64 | 0 | – | – |
| Outflow | – | 21 | 21 | 0 | – | – |
| Total | 7,027 | 7,181 | 4,604 | 595 | 1,186 | 796 |

1) Including derivatives recognized as assets.

| SEK million | Accounting before tax effects on | | | |
|---|----------------------------------|--------|----------------------------|--------|
| | Income statement | | Other comprehensive income | |
| | 2022 | 2021 | 2022 | 2021 |
| Interest rate risk: +/-1 % parallel shift in yield curves, all currencies | -/+40 | -/+30 | – | – |
| Currency risk: +/-10 % change in FX rate, USD/SEK | -/+7 | -/+13 | -/+23 | -/+22 |
| Currency risk: +/-10 % change in FX rate, EUR/SEK | -/+16 | -/+20 | -/+71 | -/+48 |
| Currency risk: +/-10 % change in FX rate, CNY/USD | – | – | -/+37 | -/+22 |
| Currency risk: +/-10 % change in FX rate, USD/PLN | – | +/-17 | +/-3 | +/-8 |
| Currency risk: +/-10 % change in FX rate, EUR/PLN | -/+20 | -/+15 | -/+122 | -/+173 |
| Price risk: +/-20 % change in LME prices | -/+205 | -/+285 | -/+13 | -/+13 |

31 Derivatives and hedging

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

Derivatives and hedging

| SEK million | 2022 | | 2021 | |
|---|------------|-----------------|------------|-----------------|
| | Assets (+) | Liabilities (-) | Assets (+) | Liabilities (-) |
| Cash flow hedges | | | | |
| Share derivatives | 116 | - | 105 | - |
| Currency forwards, currency swaps | 62 | -50 | 7 | -36 |
| Aluminium futures | 37 | -10 | 3 | -32 |
| Total | 216 | -60 | 115 | -68 |
| Fair value hedges | | | | |
| Currency forwards, currency swaps | 17 | -6 | 3 | -15 |
| Aluminium futures | 20 | -52 | 89 | -115 |
| Total | 37 | -58 | 92 | -130 |
| Other derivatives – changes in fair value recognized in income statement | | | | |
| Currency forwards, currency swaps | 48 | -96 | 32 | -44 |
| Interest rate swaps | - | - | 0 | -9 |
| Aluminium futures | 0 | 1 | 1 | 0 |
| Total | 48 | -97 | 33 | -53 |
| Total derivatives | 301 | -215 | 239 | -251 |

Cash flow hedges

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

No gain or loss has been recognized in the income statement as a result of ineffective hedging in 2022 and 2021. All expected cash flows that were hedged in 2022 still qualify for hedge accounting.

Change in hedging reserve

| SEK million | 2022 | 2021 |
|---|------------|------------|
| Opening hedging reserve before tax | -32 | 74 |
| Reclassified to income statement | 57 | -21 |
| Change in value during the year | 47 | -85 |
| Closing hedging reserve before tax | 71 | -32 |
| Deferred tax, hedging reserve | -7 | 10 |
| Closing hedging reserve after tax | 65 | -21 |

A positive hedging reserve will result in a positive recognition in the income statement in the future. Accumulated hedging gains and losses from cash flow hedges which were recognized in the hedging reserve as at 31 December 2022 and are expected to be recognized in the income statement (before tax) are SEK -2 million for 2023 and SEK 157 million after 2022.

Fair value hedging

Gränges is using aluminium forwards and futures to hedge the inventory. Currency exposure related to the inventory is hedged with currency forwards. Metal and currency derivatives are jointly designated as a hedging instrument in the fair value hedge. Gain and loss on hedged items, as well as the hedging instrument, are recognized as currency gain and loss in the income statement. The value of inventory is adjusted with the change in fair value of the hedged item. Gain on the hedging instruments amounted to SEK 17 million in 2022 (-15) and loss on the hedged items attributable to the hedged risk amounted to SEK -17 million in 2022 (15).

Interest rate swaps

Gränges occasionally uses basis swaps to convert external financing from Stibor/SEK exposure to Libor/USD exposure. The total nominal value of the basis swaps corresponded to USD 0 million (20) at 31 December 2022.

Share swap

Gränges has, in accordance with the resolution at the Annual General Meeting 2020, entered into a share swap agreement in order to be able to deliver shares to the participants in the incentive programme, IP 2020. The number of shares in the share swap amounted to 1,220,400 on 31 December 2022. The share swap is considered an equity instrument reported in equity.

Offsetting

Financial assets and liabilities subject to an enforceable master netting arrangement or similar agreement relate to the Group's derivatives. Gränges has entered into ISDA-agreements with relevant financial counterparties.

| SEK million | Gross amounts | Offset | Net amounts in balance sheet | Derivatives not intended to be settled net | Collaterals received/pledged | Net amounts |
|------------------------|---------------|--------|------------------------------|--|------------------------------|-------------|
| 2022 | | | | | | |
| Derivative assets | 188 | - | 188 | 94 | - | 94 |
| Derivative liabilities | -214 | - | -214 | -98 | - | -116 |
| 2021 | | | | | | |
| Derivative assets | 146 | - | 146 | 125 | - | 21 |
| Derivative liabilities | -254 | - | -254 | -125 | - | -129 |

32 Guarantees and contingent liabilities

Contingent liabilities

| SEK million | 2022 | 2021 |
|-------------------------------------|----------|----------|
| Guarantees | 4 | 7 |
| Total contingent liabilities | 4 | 7 |

Disputes

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

Environmental issues

The Group has conducted industrial production for a long time at facilities in Finspång, Västerås and Upplands Väsby. In light of the public review of potentially polluted areas in Sweden that is being conducted by the Swedish Environmental Protection Agency and country administrative boards, Gränges may be involved in reviews and investigations relating to facilities where industrial production has historically taken place. For instance, industrial production has been conducted by various operators at Gränges' facility in Finspång since the 16th century.

Gränges, together with a third party, has entered into a commitment to carry out sampling linked to the previously conducted operations in Upplands Väsby. At present, however, there is no obligation for Gränges regarding remediation or restoration of land or watercourses and no provision or contingent liability has been reported.

33 Related party transactions

Intra Group transactions are executed in accordance with specific arrangements at arm's length and shared costs in Gränges are allocated among the companies in the Group using allocation formulas depending on the types of expenditure.

Transactions with Moriyasu Aluminium Co Ltd. are specified in the table below.

| SEK million | 2022 | 2021 |
|---|------|------|
| Transactions with joint ventures | | |
| Sales | 12 | 12 |
| Accounts receivable | 4 | 3 |

For information on remuneration and benefits to board members and senior executives, see Note 10.

There are no other significant transactions with related parties.

34 Events after the balance sheet date

26 January 2023, Gränges announced plans to invest SEK 600 million in increased battery cathode foil production in Finspång to meet growing marked demand in Europe.

No other significant events have occurred after the balance sheet date.

Alternative performance measures

Gränges makes use of the alternative performance measures return on capital employed, net debt, equity to assets ratio and cash conversion. Gränges believes that these performance measures are useful for readers of the financial reports as a complement to other performance measures when assessing the possibility of dividends, the implementation of strategic investments, and the Group's ability to meet financial commitments. Further, Gränges uses the alternative performance measures adjusted operating profit, adjusted operating profit per tonne and adjusted EBITDA, which are measures that Gränges considers to be relevant for investors who want to understand the profit generation excluding items affecting comparability. For definitions of the measures, see page 111.

| SEK million | 2022 | 2021 |
|---|---------------|---------------|
| Adjusted operating profit | | |
| Operating profit | 1,136 | 833 |
| Items affecting comparability | 14 | 175 |
| Adjusted operating profit | 1,150 | 1,008 |
| Adjusted operating profit per tonne | | |
| Adjusted operating profit | 1,150 | 1,008 |
| Sales volume, ktonnes | 479.3 | 488.9 |
| Adjusted operating profit per tonne, kSEK | 2.4 | 2.1 |
| Adjusted EBITDA | | |
| Adjusted operating profit | 1,150 | 1,008 |
| Depreciation and amortization | 914 | 678 |
| Adjusted EBITDA | 2,064 | 1,686 |
| Return on capital employed | | |
| Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average | 17,022 | 13,717 |
| Non-interest bearing liabilities, rolling 12 months average | -5,022 | -3,948 |
| Pensions, rolling 12 months average | 291 | 348 |
| Capital employed (rolling 12 months average) | 12,292 | 10,117 |
| Adjusted operating profit | 1,150 | 1,008 |
| Return on capital employed, % | 9.4 | 10.0 |

| SEK million | 2022 | 2021 |
|--|--------------|--------------|
| Financial net debt/Adjusted EBITDA | | |
| Cash and cash equivalents and interest-bearing receivables | -917 | -814 |
| Interest-bearing liabilities | 5,060 | 4,109 |
| Lease liabilities | -261 | -236 |
| Financial net debt | 3,882 | 3,059 |
| Adjusted EBITDA, rolling 12 months | 2,064 | 1,686 |
| Financial net debt/Adjusted EBITDA | 1.9 | 1.8 |
| Equity to assets | | |
| Equity | 8,206 | 6,932 |
| Total assets | 17,530 | 15,767 |
| Equity to assets, % | 46.8 | 44.0 |
| Adjusted cash flow before financing activities | | |
| Cash flow before financing activities | 109 | 62 |
| Cash flow from expansion investments | 509 | 456 |
| Cash flow from acquisitions and other capital transactions | - | 90 |
| Adjusted cash flow before financing activities | 618 | 607 |
| Cash conversion | | |
| Adjusted cash flow before financing activities | 618 | 607 |
| Adjusted operating profit | 1,150 | 1,008 |
| Cash conversion, % | 54 | 60 |

Definitions

Adjusted EBITDA

Adjusted operating profit before depreciation and impairment charges.

Adjusted cash flow before financing activities

Cash flow before financing activities excluding cash flow from non-maintenance investments and acquisitions.

Adjusted operating profit

Operating profit excluding items affecting comparability.

Adjusted operating profit per tonne

Adjusted operating profit divided by sales volume.

Average number of employees

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

Capital employed

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

Cash conversion

Adjusted cash flow before financing activities divided by adjusted operating profit.

Cash flow before financing activities

Cash flow from operating activities plus cash flow from investing activities.

Earnings per share

Profit for the period divided by the total number of shares.

Equity to Assets

Equity divided by total assets.

Financial net debt

Cash and cash equivalents and interest-bearing receivables minus interest-bearing liabilities, excluding lease liabilities.

Financial net debt/Adjusted EBITDA

Financial net debt divided by adjusted 12-month rolling EBITDA.

Items affecting comparability

Non-recurring income and expenses.

ktonnes

Volume expressed in thousands of metric tonnes.

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.

Five-year summary

| SEK million | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------|--------|--------|--------|--------|
| Sales volume, ktonnes | 479.3 | 488.9 | 350.6 | 347.3 | 375.0 |
| Income statement | | | | | |
| Net sales | 24,492 | 18,130 | 11,008 | 11,978 | 12,910 |
| Adjusted EBITDA ¹⁾ | 2,064 | 1,686 | 1,201 | 1,327 | 1,357 |
| Adjusted operating profit ¹⁾ | 1,150 | 1,008 | 648 | 866 | 1,005 |
| Operating profit | 1,136 | 833 | 584 | 836 | 940 |
| Profit for the year | 700 | 595 | 363 | 600 | 688 |
| Adjusted EBITDA margin | 8.4 | 9.3 | 10.9 | 11.1 | 10.5 |
| Adjusted operating margin | 4.7 | 5.6 | 5.9 | 7.2 | 7.8 |
| Operating margin | 4.6 | 4.6 | 5.3 | 7.0 | 7.3 |
| Net margin | 2.9 | 3.3 | 3.3 | 5.0 | 5.3 |
| Balance sheet | | | | | |
| Non-current assets | 9,249 | 8,323 | 7,633 | 6,025 | 4,489 |
| Current assets | 8,280 | 7,444 | 6,020 | 4,455 | 4,285 |
| Equity | 8,206 | 6,932 | 5,970 | 4,314 | 3,873 |
| Non-current liabilities | 3,783 | 3,297 | 3,068 | 3,414 | 2,522 |
| Current liabilities | 5,541 | 5,539 | 4,614 | 2,752 | 2,378 |
| Cash flow | | | | | |
| Operating activities | 1,102 | 988 | 1,414 | 1,441 | 1,351 |
| Investing activities | -993 | -926 | -1,736 | -1,590 | -819 |
| Cash flow before financing activities | 109 | 62 | -322 | -148 | 531 |
| Financing activities | -86 | -793 | 1,149 | 440 | -825 |
| Cash flow for the year | 23 | -732 | 827 | 292 | -294 |
| 1) Adjusted for items affecting comparability (see Note 14 in the notes to the consolidated accounts). | | | | | |
| Capital structure, return indicators and employees | | | | | |
| Capital employed | 12,583 | 10,574 | 9,262 | 7,779 | 6,367 |
| Net debt | 4,377 | 3,643 | 3,292 | 3,465 | 2,494 |
| Equity/assets ratio, % | 46.8 | 44.0 | 43.7 | 41.2 | 44.2 |
| Financial net debt/Adjusted EBITDA, multiple | 1.9x | 1.8x | - | - | - |
| Capital employed (rolling 12 months average) | 12,292 | 10,117 | 8,028 | 7,411 | 6,098 |
| Return on capital employed, % | 9.4 | 10.0 | 8.1 | 11.7 | 16.5 |
| Equity (rolling 12 months average) | 7,725 | 6,521 | 4,752 | 4,175 | 3,633 |
| Return on equity, % | 9.1 | 9.1 | 7.6 | 14.4 | 18.9 |
| Average number of employees | 2,694 | 2,648 | 1,792 | 1,805 | 1,699 |

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------------|---------------|---------------|----------|----------|
| Data per share, SEK¹⁾ | | | | | |
| Earnings per share, basic | 6.59 | 5.60 | 4.21 | 7.05 | 8.08 |
| Earnings per share, diluted | 6.58 | 5.58 | 4.21 | 7.05 | 8.08 |
| Equity | 77.14 | 65.04 | 69.13 | 50.65 | 45.47 |
| Cash flow from operating activities | 10.36 | 9.27 | 16.38 | 16.92 | 15.86 |
| Dividend | 2.50 ²⁾ | 2.25 | 1.10 | - | 2.84 |
| Dividend yield, % | 2.93 | 2.12 | 1.10 | - | 3.98 |
| Share price at year-end | 85.30 | 106.10 | 100.20 | 87.73 | 71.37 |
| Weighted outstanding ordinary shares, basic in thousands | 106,308.6 | 106,308.6 | 86,324.8 | 85,177.3 | 85,177.3 |
| Weighted outstanding ordinary shares, diluted in thousands | 106,374.2 | 106,578.6 | 86,336.6 | 85,177.3 | 85,177.3 |
| Sales volume by business area, ktonnes | | | | | |
| Gränges Americas | 249.0 | 252.4 | 219.4 | - | - |
| Gränges Eurasia | 254.5 | 263.5 | 154.0 | - | - |
| Other and eliminations | -24.2 | -26.9 | -22.8 | - | - |
| Total | 479.3 | 488.9 | 350.6 | - | - |
| Sales volume by end-customer, ktonnes | | | | | |
| Automotive | 189.8 | 193.7 | 146.1 | - | - |
| HVAC | 104.5 | 105.7 | 86.2 | - | - |
| Speciality packaging | 86.8 | 85.6 | 64.4 | - | - |
| Other niches | 98.3 | 103.9 | 53.9 | - | - |
| Total | 479.3 | 488.9 | 350.6 | - | - |
| Net sales by business area, SEK million | | | | | |
| Gränges Americas | 13,115 | 9,488 | 6,748 | - | - |
| Gränges Eurasia | 12,633 | 9,648 | 5,037 | - | - |
| Other and eliminations | -1,256 | -1,007 | -778 | - | - |
| Total | 24,492 | 18,130 | 11,008 | - | - |

1) Calculated on weighted outstanding ordinary shares, diluted.

2) Cash dividend for 2023 as proposed.

Parent company income statement

| SEK million | NOTE | 2022 | 2021 |
|---|---------|------------|-------------|
| Net sales | 3 | 133 | 142 |
| Payroll expenses | 7 | -115 | -115 |
| Other operating expenses | 4, 5, 6 | -102 | -111 |
| Depreciation, amortization and impairment charges | 10 | -1 | -34 |
| Operating loss | | -86 | -119 |
| Financial income | 8 | 258 | 84 |
| Financial costs | 8 | -201 | -43 |
| Financial items | | 57 | 41 |
| Profit after financial items | | -29 | -78 |
| Group contributions | | 34 | - |
| Appropriations | | 34 | - |
| Profit before taxes | | 5 | -78 |
| Tax on profit for the year | 9 | -13 | 15 |
| Profit for the year | | -8 | -63 |

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 | 2022 | 2021 |
|--|------|--------------|--------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 0 | 2 |
| Shares in Group companies | 11 | 2,986 | 2,906 |
| Deferred tax assets | 9 | 35 | 47 |
| Receivables from Group companies | | 2,281 | 2,659 |
| Other non-current receivables | | 116 | 105 |
| Total non-current assets | | 5,418 | 5,718 |
| Current receivables | | | |
| Receivables from Group companies | | 2,885 | 649 |
| Other receivables | | 96 | 118 |
| Prepaid expenses and accrued income | | 16 | 11 |
| Total current receivables | | 2,998 | 778 |
| Cash and cash equivalents | | | |
| Cash and bank balances | | 229 | 446 |
| Total cash and cash equivalents | | 229 | 446 |
| Total current assets | | 3,227 | 1,224 |
| TOTAL ASSETS | | 8,645 | 6,942 |

| SEK million | NOTE | 2022 | 2021 |
|--------------------------------------|------|--------------|--------------|
| EQUITY AND LIABILITIES | | | |
| Restricted equity | | | |
| Share capital | 12 | 142 | 142 |
| Total restricted equity | | 142 | 142 |
| Non-restricted equity | | | |
| Retained earnings | | 3,052 | 3,342 |
| Profit for the year | | -8 | -63 |
| Total non-restricted equity | | 3,045 | 3,280 |
| Total equity | | 3,187 | 3,422 |
| Provisions | | | |
| Provisions for pensions | 13 | 34 | 28 |
| Other provisions | 14 | 4 | 6 |
| Total provisions | | 38 | 34 |
| Non-current liabilities | | | |
| Interest-bearing liabilities | 15 | 2,649 | 1,095 |
| Other liabilities | | 5 | - |
| Total non-current liabilities | | 2,645 | 1,095 |
| Current liabilities | | | |
| Other provisions | 14 | 8 | 9 |
| Liabilities to Group companies | | 598 | 696 |
| Interest-bearing liabilities | 15 | 1,982 | 1,474 |
| Accounts payable | | 6 | 7 |
| Other liabilities | | 131 | 130 |
| Accrued expenses and deferred income | 16 | 40 | 75 |
| Total current liabilities | | 2,766 | 2,391 |
| TOTAL EQUITY AND LIABILITIES | | 8,645 | 6,942 |

Parent company statement of changes in equity

| SEK million | Restricted equity | | Unrestricted equity | | | Total equity |
|--|-------------------|-------------------|-----------------------|-------------------|---------------------|--------------|
| | Share capital | Statutory reserve | Share premium reserve | Retained earnings | Profit for the year | |
| Opening balance at 1 January 2022 | 142 | – | – | 3,341 | –63 | 3,422 |
| Appropriation of retained earnings: | | | | | | |
| Carried forward | – | – | – | –63 | 63 | – |
| Dividend | – | – | – | –239 | – | –239 |
| Comprehensive income for the year | – | – | – | – | –8 | –8 |
| Share swap | – | – | – | 5 | – | 5 |
| Option premium | – | – | – | 7 | – | 7 |
| Closing balance at 31 December 2022 | 142 | – | – | 3,052 | –8 | 3,187 |
| Opening balance at 1 January 2021 | 142 | 8 | 1,835 | 1,405 | 122 | 3,513 |
| Appropriation of retained earnings: | | | | | | |
| Carried forward | – | – | –1,835 | 1,957 | –122 | – |
| Dividend | – | – | – | –117 | – | –117 |
| Comprehensive income for the year | – | – | – | – | –63 | –63 |
| Change in fund for development expenditure | – | –8 | – | 8 | – | – |
| Share swap | – | – | – | 88 | – | 88 |
| Closing balance at 31 December 2021 | 142 | – | – | 3,342 | –63 | 3,422 |

Parent company cash flow statement

| SEK million | NOTE | 2022 | 2021 |
|--|------|-------------|-------------|
| Operating loss | | -86 | -119 |
| Depreciation, amortization and impairment charges | | 1 | 34 |
| Change in net working capital etc. | | -35 | -55 |
| Taxes paid | | 2 | -8 |
| Cash flow from operating activities | | -118 | -148 |
| Acquisitions | 11 | - | -26 |
| Investments in Group companies | 11 | -80 | - |
| Divestments of property, plant and equipment and intangible assets | 10 | - | 165 |
| Cash flow from investing activities | | -80 | -140 |
| Dividend paid to shareholders | | -239 | -117 |
| Share swap | | 5 | - |
| Option premium | | 7 | - |
| Interest paid | | -203 | -41 |
| Interest received | | 110 | 75 |
| New loans | | 14,356 | 6,061 |
| Repayment of loans | | -12,589 | -6,026 |
| Financial intra-group transactions | | -1,467 | -234 |
| Cash flow from financing activities | | -19 | -282 |
| Cash flow for the year | | -216 | -290 |
| Cash and cash equivalents at 1 January | | 446 | 736 |
| Cash flow for the year | | -216 | -290 |
| Cash and cash equivalents at 31 December | | 229 | 446 |

Reconciliation between opening and closing balance of liabilities whose cash flows are recognized in financing activities

| SEK million | 2022 | 2021 |
|--|--------------|--------------|
| Interest-bearing liabilities at 1 January | 2,569 | 2,563 |
| Cash flow | 1,767 | 35 |
| <i>Non-cash items</i> | | |
| Translation differences | 315 | -30 |
| Change in accrual borrowing costs | -11 | 2 |
| Interest-bearing liabilities at 31 December | 4,640 | 2,569 |

Notes to the parent company financial statements

1 Accounting principles

The Parent Company financial statements have been prepared in accordance to the Annual Accounts Act and RFR 2 Reporting for Legal Entities. Application of RFR 2 entails that the Parent Company is to apply all IFRS and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligation Vesting Act and in regard to the connection between accounting and taxation. Changes in RFR 2 has not had material impact on the financial reports of the parent company.

An account of the Gränges Group's accounting policies are described in Note 4 Accounting standards in the consolidated financial statements. The main deviations between the accounting policies applied by the Gränges Group and the parent company are described below.

Gränges Group applies IAS 19 Employee Benefits in the consolidated financial statements. The Parent Company applies the principles of the Pension Obligations Vesting Act. Consequently there are differences between the Gränges Group and the Parent Company in the accounting of defined benefit pension plans.

Group contributions received from subsidiaries are recognized as appropriations.

Capitalized development expenditure is allocated to a fund for development expenditure. The fund is restricted equity and dissolve at the same rate as amortization or impairment of the capitalized development.

The parent company applies RFR 2 IFRS 16 item 1 and recognizes leases in the income statement on a straight-line basis over the lease term.

2 Financial risk management

Gränges' financial risks are monitored centrally in the Group, see notes to the consolidated financial statements, Note 30 Financial risk.

The parent company uses derivatives and other financial instruments to mitigate the risk exposure in the subsidiaries. There is generally no net exposure in the parent company as external positions are offset with intercompany contracts. Hedge accounting is not applicable for these contracts in the parent company.

Foreign exchange and interest rate risk related to financing is managed with foreign exchange and interest rate derivatives. The underlying exposure arises as the majority of the parent company's external financing is in SEK and the majority of the intercompany loans are in foreign currency. The interest-bearing liabilities of the parent company is further described in Note 15 Interest-bearing liabilities.

3 Breakdown of net sales by area of operation

| SEK million | 2022 | 2021 |
|--|------------|------------|
| Intra-group service charges | 133 | 142 |
| Total breakdown of net sales by area of operation | 133 | 142 |

4 Items affecting comparability

| SEK million | 2022 | 2021 |
|--|----------|------------|
| Restructuring costs | – | –42 |
| Write-down of intangible assets | – | –27 |
| Total items affecting comparability | – | –69 |

During the year, Gränges AB did not have any items affecting comparability.

In previous year, Gränges AB had a total of SEK 69 million in items affecting comparability, due to restructuring that was decided to simplify the organization by decentralizing the responsibility for innovation, digitalization and continuous improvement. Organizational restructuring was done at a cost of SEK 42 million, write-downs of group-wide IT systems of SEK 7 million and other intangible assets of SEK 19 million.

5 Operating lease payments

Distribution of lease payments

Future minimum lease payments relating to leases and other leases in the capacity of lessees attributable to non-cancellable agreements are distributed on the balance sheet date over the following maturity dates:

| SEK million | 2022 | 2021 |
|--|------------|------------|
| Within one year | –5 | –4 |
| Later than one year but within five years | –5 | –6 |
| Total future minimum lease payments | –10 | –10 |

Leasing costs amount to SEK 6 million (6) during 2022.

6 Remuneration to auditors

| SEK million | 2022 | 2021 |
|--|-------------|-------------|
| Ernst & Young AB | | |
| Audit engagement | –2.0 | –2.1 |
| Audit services in addition to audit engagement | –0.5 | –0.2 |
| Tax advisory services | –0.1 | –0.1 |
| Total remuneration to auditors | –2.6 | –2.4 |

Audit engagement refers to the review of the annual report and accounting records and of the Board of Directors and CEO's management of the company, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks.

Audit services in addition to audit engagement is primarily of review of interim reports.

Tax advisory services include advice on tax, including transfer pricing issues, as well as value-added tax.

7 Payroll expenses

Salaries and remuneration totalled SEK –73.0 million (–73.9), and social charges were SEK –41.7 million (–41.2), whereof SEK –14.1 million (–12.5) refers to pension costs. Pension costs of SEK –2.2 million (–1.6) refers to the CEO. The company's outstanding pension obligations for the CEO are SEK 2.9 million (0) and to former CEO SEK 10.5 million (10.5).

Read more about the average number of employees, salaries and remuneration, including incentives, in Note 10 to the consolidated financial statements.

8 Financial income and costs

| SEK million | 2022 | 2021 |
|---|-------------|------------|
| Interest income from Group companies | 249 | 83 |
| External interest income | 4 | 1 |
| Net foreign exchange gain | 5 | 0 |
| Total financial income | 258 | 84 |
| Interest expense to Group companies | –2 | 0 |
| External interest expense | –169 | –31 |
| Interest expense, pensions | –5 | –1 |
| Net exchange loss | – | – |
| Other financial expenses | –25 | –11 |
| Total financial costs | –201 | –43 |
| Total financial income and costs | 57 | 41 |

9 Taxes

Tax expense for the year

| SEK million | 2022 | 2021 |
|---------------------------------|------------|-----------|
| Profit before taxes | 5 | -78 |
| Current tax | -1 | -4 |
| Deferred tax | -11 | 19 |
| Total tax | -13 | 15 |
| Tax as % of profit before taxes | -248.0 | -19.7 |

Reconciliation of effective tax

| SEK million | 2022 | % | 2021 | % |
|---|------------|---------------|-----------|--------------|
| Profit before taxes | 5 | - | -78 | - |
| Tax at applicable tax rate | -1 | -20.6 | 16 | -20.6 |
| Non-deductible expenses | -6 | -120.5 | -1 | 1.0 |
| Non-taxable income | - | - | 5 | -6.2 |
| Adjustment of tax in respect of prior years | -4 | -78.7 | -1 | 1.0 |
| Foreign taxes | -1 | -27.8 | -4 | 5.1 |
| Total tax | -13 | -248.0 | 15 | -19.7 |

Deferred tax

| SEK million | 2022 | 2021 |
|---|-----------|-----------|
| Tax loss carry forwards | 31 | 42 |
| Pension obligations | 3 | 4 |
| Other items | 1 | 1 |
| Total deferred tax asset (+) / liability (-) | 35 | 47 |

Deferred tax asset in respect of tax losses have been taken into account in full since the company is of the opinion that sufficient income will be generated in the future to be utilized against the tax losses. The tax losses amount to SEK 149 million (204) per 31 December 2022 and can be carried forward indefinitely.

10 Property, plant and equipment

| SEK million | Land, land improvements and buildings | Machinery and equipment | Fixtures, vehicles, etc. | Total property, plant and equipment |
|---|---------------------------------------|-------------------------|--------------------------|-------------------------------------|
| Carrying amount at 1 January 2022 | - | 2 | - | 2 |
| Acquisitions | - | 0 | - | 0 |
| Disposals | - | - | - | - |
| Depreciations and impairment charges | - | -1 | - | -1 |
| Carrying amount at 31 December 2022 | - | 0 | - | 0 |
| Cost amount at 31 December 2022 | - | 120 | - | 120 |
| Accumulated depreciation and impairment charges | - | -120 | - | -120 |
| Carrying amount at 31 December 2022 | - | 0 | - | 0 |
| Carrying amount at 1 January 2021 | 162 | 4 | 5 | 192 |
| Acquisitions | - | - | - | - |
| Disposals | -162 | - | -5 | -167 |
| Depreciations and impairment charges | - | -2 | - | -2 |
| Carrying amount at 31 December 2021 | - | 2 | - | 2 |
| Cost at 31 December 2021 | - | 120 | - | 120 |
| Accumulated depreciation and impairment charges | - | -118 | - | -118 |
| Carrying amount at 31 December 2021 | - | 2 | - | 2 |

11 Shares in Group companies

| SEK million | Reg. no | Registered office | Share of capital and votes, % | Carrying amount, opening balance | Investments | Carrying amount, closing balance |
|--|-------------|---------------------|-------------------------------|----------------------------------|-------------|----------------------------------|
| Gränges Finspång AB | 556002-6113 | Finspång, Sweden | 100/100 | 186 | - | 186 |
| Gränges Skultuna AB | 556913-7358 | Skultuna, Sweden | 100/100 | 0 | - | 0 |
| Gränges Americas Inc. | - | Delaware, USA | 100/100 | 671 | - | 671 |
| Granges Aluminium (Shanghai) Co., Ltd. | - | Shanghai, China | 100/100 | 256 | - | 256 |
| Gränges International Inc. | - | Delaware, USA | 100/100 | 66 | - | 66 |
| Gränges Japan Ltd | - | Tokyo, Japan | 100/100 | 3 | - | 3 |
| Gränges Powder Metallurgy GmbH | - | Velbert, Germany | 100/100 | 38 | - | 38 |
| Gränges Konin S.A. | - | Warsaw, Poland | 100/100 | 1,685 | - | 1,685 |
| Gränges Powder Metallurgy SAS | - | Saint-Avoid, France | 100/100 | - | 80 | 80 |
| Total shares in Group companies | | | | 2,906 | 80 | 2,986 |

12 Share capital

| | 2022 | 2021 |
|-------------------|-------------|-------------|
| Numbers of shares | 106,308,618 | 106,308,618 |
| SEK million | 2022 | 2021 |
| Share capital | 142 | 142 |

The articles of association for Gränges AB state that the share capital shall be not less than SEK 100,000,000 and not more than SEK 400,000,000. The number of shares shall be not less than 75,000,000 and not more than 300,000,000.

The share capital comprises a single class of share and amounts to SEK 142 million (142) as of 31 December 2022. Share capital is divided into 106,308,618 shares (106,308,618), each with a quota value of SEK 1.339775.

Earnings per share and dilutive effect is presented in the Group's Note 18.

13 Provision for pensions

| SEK million | 2022 | 2021 |
|--|-----------|-----------|
| Liability at beginning of year related to ITP 2 | 28 | 26 |
| Pension costs | 2 | 2 |
| Interest expense, pensions | 5 | 1 |
| Pension payments | -1 | -1 |
| Liability at the end of year related to ITP 2 | 34 | 28 |
| Liability at the end of year related to pension obligations | 34 | 28 |

Actuarial basis 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.

14 Other provisions

| SEK million | 2022 | 2021 |
|--|----------|----------|
| Non-current provisions | | |
| Provisions for long-term incentive programme (LTI) | 4 | 4 |
| Other provisions | 1 | 2 |
| Total non-current provisions | 4 | 6 |
| Current provisions | | |
| Provisions for long-term incentive programme (LTI) | 8 | 9 |
| Total current provisions | 8 | 9 |

A provision for employee benefits is recognized in accordance with agreements entered for long-term incentive programmes and other personnel obligations.

15 Interest-bearing liabilities

As per 31 December 2022, the parent company's interest-bearing liabilities consisted of non-current term loans of SEK 400 million and USD 160 million. The interest-bearing liabilities also included bonds of SEK 900 million issued under Gränges MTN programme, where SEK 300 million was current and SEK 600 million was non-current. Gränges' commercial paper programme was utilized with SEK 1,632 million. Gränges also has a revolving credit facility of SEK 3,500 million, which was unutilized at 31 December 2022.

The loan facilities are subject to covenants, which are Net Debt/ EBITDA and Interest coverage ratio. The covenants were fulfilled at 31 December 2022.

| SEK million | Carrying amount | |
|---|-----------------|--------------|
| | 2022 | 2021 |
| <i>Non-current interest-bearing liabilities</i> | | |
| Interest-bearing loans | 2,065 | 200 |
| Bonds in MTN programme | 600 | 900 |
| Revolving Credit Facilities | - | - |
| Accrued loan costs | -16 | -5 |
| Total non-current interest-bearing liabilities | 2,649 | 1,095 |
| <i>Current interest-bearing liabilities</i> | | |
| Interest-bearing loans | - | 226 |
| Bonds in MTN programme | 300 | - |
| Revolving Credit Facilities | - | - |
| Commercial papers | 1,633 | 1,199 |
| Interest-bearing derivatives | 50 | 49 |
| Total current interest-bearing liabilities | 1,982 | 1,474 |
| Total interest-bearing liabilities | 4,631 | 2,569 |

16 Accrued expenses and deferred income

| SEK million | 2022 | 2021 |
|---|-----------|-----------|
| Personnel-related liabilities | 28 | 28 |
| Other accrued expenses and deferred income | 12 | 47 |
| Total accrued expenses and deferred income | 40 | 75 |

17 Pledged assets and contingent liabilities

Contingent liabilities

| SEK million | 2022 | 2021 |
|--|------------|------------|
| Guarantee commitment PRI Pensionsgaranti | 1 | 1 |
| Contingent liabilities for subsidiaries | 958 | 774 |
| Total contingent liabilities | 958 | 775 |

Pledged assets

Gränges AB has, in connection with signing the new credit facility described in Note 29 of the group, entered into a customary undertaking to not pledge assets or in a similar manner use its property to give creditors a better right than the banks that are providing the credit facility.

Disputes

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 recognized in the income statement or balance sheet.

18 Related party transactions

No board member or senior executive of Gränges AB or its subsidiaries has independently or through a company or related party had any direct involvement in a business transaction concluded by Gränges AB that was or is of an unusual character or subject to unusual terms and conditions.

| SEK million | 2022 | 2021 |
|---|-------|-------|
| Sales to related parties | 133 | 141 |
| Purchases from related parties | 6 | 25 |
| Interest income on receivables from related parties | 249 | 82 |
| Interest expenses on liabilities to related parties | 2 | – |
| Interest-bearing receivables from related parties | 4,812 | 3,089 |
| Interest-bearing liabilities to related parties | 8 | – |
| Non-interest-bearing receivables from related parties | 354 | 200 |
| Non-interest-bearing liabilities to related parties | 55 | 696 |

19 Proposed appropriation of retained earnings

The Board of Directors proposes that the retained earnings of:

| SEK | |
|------------------------------|----------------------|
| Profits carried forward | 3,039,952,524 |
| Share swap | 4,967,550 |
| Option premiums | 7,461,300 |
| Profit for the year | –7,709,908 |
| Non-restricted equity | 3,044,671,466 |

Be appropriated as follows:

| | |
|--|----------------------|
| Dividend to shareholders of 2.50 SEK per share | 265,771,545 |
| Carried forward | 2,778,899,920 |
| Total | 3,044,671,466 |

The proposed dividend of SEK 266 million, or SEK 2.50 per share, represents 38 per cent of the Group's profit for 2022. In preparing its dividend proposal the Board of Directors has taken account of the company's financial position, cash flow and outlook.

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The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted for use in the EU, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Company and describes substantial risks and uncertainties that the Group companies faces.

Stockholm, 15 March 2023
The Board of Directors of Gränges AB (publ)

Fredrik Arp
Chairman of the Board

Jörgen Rosengren
Chief Executive Officer

Mats Backman
Member of the Board

Martina Buchhauser
Member of the Board

Steven Armstrong
Member of the Board

Peter Carlsson
Member of the Board

Katarina Lindström
Member of the Board

Hans Porat
Member of the Board

Isabelle Jonsson
Employee representative

Emelie Gunnstedt
Employee representative

We submitted our audit report on 15 March 2023
Ernst & Young AB

Andreas Troberg
Authorized 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 Thursday, 16 March 2023.