

HALF-YEAR REPORT 2017

Continued strong growth and profitability in second quarter

Second quarter 2017

- Sales volume increased to 98.7 ktonnes (46.5) and net sales was SEK 3,081 million (1,442). Excluding the acquired business in the US, sales volume increased by 6.2%.
- Adjusted operating profit increased by 61.6% to SEK 290 million (179), corresponding to an adjusted operating margin of 9.4% (12.4). Excluding the acquired business, adjusted operating profit rose 10.6% to SEK 193 million.
- Operating profit rose to SEK 290 million (154).
- Profit for the period increased to SEK 192 million (114).
- Diluted earnings per share rose to SEK 2.55 (1.52).
- Cash flow before financing activities increased to SEK 307 million (157).

First half-year 2017

- Sales volume increased to 193.5 ktonnes (91.6) and net sales was SEK 5,973 million (2,802). Excluding the acquired business in the US, sales volume increased by 6.6%.
- Adjusted operating profit increased by 57.5% to SEK 527 million (335), corresponding to an adjusted operating margin of 8.8% (11.9). Excluding the acquired business, adjusted operating profit rose 9.1% to SEK 365 million.
- Operating profit rose to SEK 527 million (309).
- Profit for the period increased to SEK 349 million (208).
- Diluted earnings per share rose to SEK 4.63 (2.78).
- Cash flow before financing activities increased to SEK 382 million (135).
- Net debt amounted to SEK 2,481 million at 30 June 2017 (SEK 2,722 million at 31 December 2016), corresponding to 1.9 times adjusted EBITDA¹ (2.1 times at 31 December 2016).

Financial summary

SEK million	Q2			Jan - Jun			12 month rolling	Full year	
	2017	2016	Δ	2017	2016	Δ	Jul 2016- Jun 2017	2016	Δ
Sales volume, ktonnes	98.7	46.5	112.4%	193.5	91.6	111.2%	341.0	239.1	42.6%
Net sales	3,081	1,442	113.6%	5,973	2,802	113.2%	10,379	7,207	44.0%
Adjusted operating profit ²	290	179	61.6%	527	335	57.5%	879	687	28.0%
Adjusted operating margin, %	9.4	12.4	-3.0 ppt	8.8	11.9	-3.1 ppt	8.5	9.5	-1.1 ppt
Adjusted operating profit per tonne, kSEK	2.9	3.9	-0.9	2.7	3.7	-0.9	2.6	2.9	-0.3
Operating profit	290	154	88.2%	527	309	70.4%	777	559	38.9%
Operating margin, %	9.4	10.7	-1.3 ppt	8.8	11.0	-2.2 ppt	7.5	7.8	-0.3 ppt
Profit for the period	192	114	68.5%	349	208	68.1%	639	498	28.4%
Earnings per share basic, SEK	2.55	1.53	1.03	4.64	2.78	1.86	8.52	6.66	1.86
Earnings per share diluted, SEK	2.55	1.52	1.02	4.63	2.78	1.85	8.50	6.64	1.85
Cash flow before financing activities	307	157	95.7%	382	135	183.0%	-1,799	-2,046	12.1%
Equity to assets, %	-	-	-	38.8	58.0	-19.2 ppt	38.8 ³	37.0	1.8 ppt
Net debt	-	-	-	2,481	335	2,146	2,481 ³	2,722	-241
Return on capital employed, %	-	-	-	-	-	-	17.4	17.5	-0.1 ppt

¹ Calculated on a rolling 12-month basis, including estimated adjusted EBITDA for the acquired business in the US as a part of the Gränges Group.

² Adjusted for items affecting comparability.

³ Balances per 30 June 2017.

COMMENTS BY THE CEO

Strong development in all regions during second quarter

STRONGEST QUARTER TO DATE

The positive trend that we saw in the beginning of 2017 continued throughout the second quarter, that turned out to be Gränges' strongest quarter to date. Sales volume increased to 98.7 ktonnes (46.5), thanks to strong sales in all regions, and adjusted operating profit increased to SEK 290 million (179). In operational terms, the business performed very well and we have achieved high product quality and good metal management at all our plants in the quarter. We also recorded a strong cash flow and by the end of June our net debt was back in target range of 1–2 times EBITDA.

STRONG DEMAND

In Asia, sales volume increased by 9.4 per cent, driven primarily by a strong development in China. Demand for larger cars of SUV model continues to be high. Sales to commercial vehicles also increased in the quarter. In Europe, sales of heat exchanger materials exceeded market growth in second quarter. Sales of non-heat exchanger products were also higher than last year and in total, sales volume in Europe was 5.7 per cent higher in the quarter. In the Americas, we continued to see good growth fuelled by strong sales of heat exchanger materials to stationary applications while sales to the automotive industry remained stable. In the US, we have successfully released some extra production capacity to meet some of the higher customer demand.

INCREASED INVESTMENT IN RESEARCH AND INNOVATION

Research and innovation is a core element of Gränges' strategy, and we are further increasing our efforts in this area. To support this initiative Kent Schölin, former President of Gränges Europe, has been appointed SVP Research & Innovation. This move increases our focus on research and innovation at group management level and allows us to better support our global customers in product development for future applications, such as electrical vehicles. Gränges views the global trend with increased electrification as positive. In June, we inaugurated our global centre for Research & Innovation in Finspång, marking an important step on this journey.

OUTLOOK

The market for heat exchanger materials for the automotive industry is expected to grow in 2017. The market research firm IHS forecasts that production of light vehicles will increase by 1.8 per cent in full-year 2017. In the third quarter, an increase of 2.5 per cent is expected, according to IHS.

We expect a growth in line with or slightly below the anticipated market growth in Asia and in Europe in the third quarter. In the Americas, a growth slightly above the market is anticipated for the third quarter for automotive heat exchanger materials. For the business we acquired last year, we expect a growth in the third quarter.

During 2017, we will continue to work according to our strategic plan. This includes increased focus on customer offerings and innovations, sustainability, and ensuring that we have both the capacity and capability of our facilities to meet the demand of our customers. The feasibility study to determine further investments in the US as well as in Asia is running according to plan. We are optimistic about 2017 and are determined to continue to grow with sustainable profitability in the coming years.

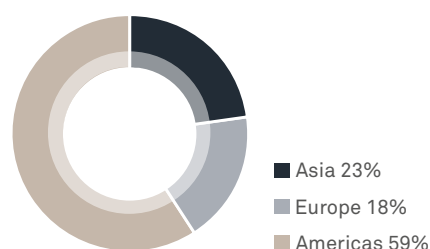
Johan Menckel
CEO Gränges



Second quarter 2017

- Sales volume **98.7** ktonnes
- Net sales SEK **3,081** million
- Adjusted operating profit SEK **290** million

Sales volume per region



Sales volume increased organically by 6.2% in the second quarter primarily driven by strong sales in Asia

MARKET DEVELOPMENT

According to the international research firm IHS, global light vehicle production decreased by 0.3% in the second quarter of 2017¹, compared to the corresponding quarter 2016. In Asia, light vehicle production increased by 1.6% during the second quarter. A decrease of 0.8% in China was more than compensated by a growth of 4.5% in other Asian markets. In the third quarter of 2017, a growth of 3.9% is expected in Asia. In Europe, light vehicle production decreased by 3.0% in the second quarter, while an increase of 4.0% is expected for the third quarter of 2017. Light vehicle production in the Americas decreased by 0.7% in the second quarter, whereas a decrease of 2.5% is anticipated in the third quarter of 2017. For the full year 2017, IHS forecasts an increase in global light vehicle production of 1.8%.

Demand for aluminium products for automotive heat exchangers, which is Gränges' largest market and accounts for about half of the Group's sales volume, is strongly correlated with production of light vehicles. Due to lead times in the supply chain there is, however, a time lag between growth in demand for Gränges' products and growth in vehicle production.

In the US operations, that were acquired in 2016, materials for stationary heat exchangers represents about half of the produced sales volume. The growth in this market is correlated with the development of the US economy. Further, product development is driven by needs for more energy efficient applications and less harmful refrigerants.

SALES DEVELOPMENT

The sales volume in the second quarter of 2017 was 98.7 ktonnes (46.5), an increase of 112.4% compared to the same quarter previous year. Excluding the acquired business, sales volume increased by 6.2% to 49.3 ktonnes (46.5). Net sales increased to SEK 3,081 million (1,442) and was SEK 1,703 million (1,442) excluding acquired net sales. The net effect from changes in foreign exchange rates was positive with SEK 75 million in the quarter. Higher sales vol-

ume and the effect from the increased aluminium price was partly offset by lower average conversion price.

During January–June 2017 sales volume increased to 193.5 ktonnes (91.6), an increase of 111.2% compared to the corresponding period previous year. Excluding the acquired business, sales volume increased by 6.6% to 97.6 ktonnes (91.6). Net sales totalled SEK 5,973 million (2,802) and was SEK 3,336 (2,802) excluding acquired net sales. The net effect of changes in foreign exchange rates was positive and amounted to SEK 120 million during January–June 2017.

ASIA

In the second quarter of 2017, sales volume in Asia increased by 9.4% to 22.3 ktonnes (20.4). The growth was primarily driven by sales to Chinese automotive customers. During January–June 2017, sales volume in Asia increased to 45.0 ktonnes (41.2), which represents an increase of 9.2% compared to previous year.

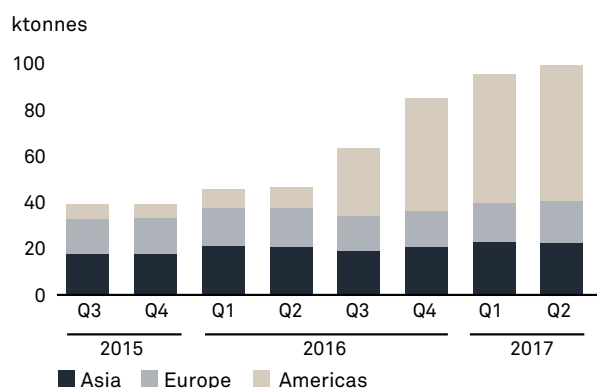
EUROPE

In the second quarter of 2017, sales volume in Europe increased by 5.7% to 17.9 ktonnes (16.9). Both sales of heat exchanger material and sales of material for non-heat exchanger applications increased during the quarter. During January–June 2017, sales volume in Europe reached 34.7 ktonnes (33.5), which represents an increase of 3.7% compared to previous year.

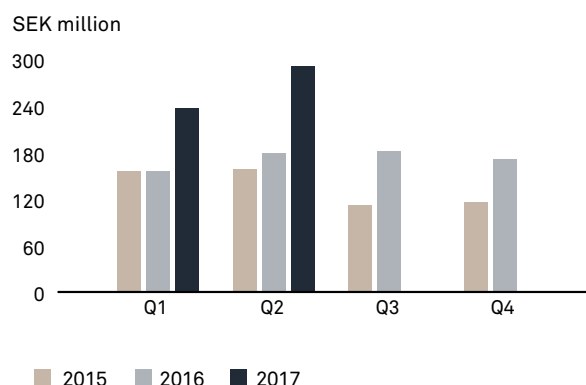
AMERICAS

In the second quarter of 2017, sales volume in the Americas increased to 58.5 ktonnes (9.2) of which 49.3 ktonnes comes from the acquired business. The US production facilities are operating close to maximum capacity. Excluding the acquired business, sales volume remained stable at 9.1 ktonnes (9.2) as higher comparables following the volume increase in second quarter 2016 are met. During January–June 2017, sales volume in Americas reached 113.7 ktonnes (16.9). Excluding the acquired business, sales volume increased by 6.0% to 17.9 ktonnes (16.9).

Quarterly sales volume per region



Quarterly adjusted operating profit



¹ Source: IHS, 16 June 2017.

OPERATING PROFIT

Adjusted operating profit for the second quarter of 2017 increased to SEK 290 million (179), corresponding to an adjusted operating margin of 9.4% (12.4). Excluding the acquired business, adjusted operating profit increased by 10.6% to SEK 193 million (179). Net changes in foreign exchange rates had a positive impact of SEK 18 million in the quarter. The positive effects from higher sales volume and improved metal management was offset by lower average conversion price and costs for implementation of a new ERP system.

Operating profit for the second quarter of 2017 rose to SEK 290 million (154). Items affecting comparability during the quarter was SEK 0 million (-25).

During the period January-June 2017, adjusted operating profit increased to SEK 527 million (335), corresponding to an adjusted operating margin of 8.8 % (11.9). Excluding the acquired business, adjusted operating profit increased by 9.1% to SEK 365 million (335). The net effect of changes in foreign exchange rates was positive and amounted to SEK 36 million for the first half year of 2017.

Operating profit during January-June 2017 increased to SEK 527 million (309), including items affecting comparability of SEK 0 million (-25).

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

During the second quarter, finance income and costs was SEK -31 million (-3) and includes interest expenses of SEK -28 million, interest income of SEK 1 million and foreign exchange effects of SEK -4 million. Profit before tax increased to SEK 259 million (152). Income tax for the second quarter of 2017 amounted to SEK -67 million (-38), which corresponds to an effective tax rate of 26% (25). The profit for the period increased to SEK 192 million (114) during the second quarter of 2017. Diluted earnings per share rose to SEK 2.55 (1.52).

During the period January-June 2017, finance income and costs amounted to SEK -60 million (-7). Profit before tax increased to SEK 468 million (303). Income tax for the first half year of 2017 was SEK -119 million (-96), which corresponds to an effective tax rate of 26% (32). Income tax for January-June 2016 includes withholding tax of SEK 20 million on dividends paid to Gränges AB from the Chinese subsidiary. Excluding the withholding tax, the effective tax rate in the first half year of 2016 was 25%. During January-June 2017, the profit for the period increased to SEK 349 million (208) and diluted earnings per share rose to SEK 4.63 (2.78).

CASH FLOW

Cash flow from operating activities increased to SEK 368 million (178) in the second quarter of 2017 and includes a tax refund in China of SEK 50 million related to pre-qualification as a high and new-technology enterprise. The pre-qualification means that Gränges' Chinese subsidiary pays a preliminary 15% in tax instead of the ordinary tax of 25%. Cash flow from investing activities was SEK -61 million (-21) and was mainly related to investments to maintain and improve efficiency in current production facilities. Cash flow before financing activities amounted to SEK 307 million (157). Cash flow from financing activities was SEK -45 million (8) and includes a dividend payment of SEK -180 million as resolved by Gränges' 2017 Annual General Meeting, new loans of SEK 300 million and amortisation of loans of SEK -145 million.

During January-June 2017, cash flow from operating activities increased to SEK 489 million (170) and cash flow from investing activities was SEK -106 million (-35). Cash flow before financing activities increased to SEK 382 million (135). Cash flow from financing activities was SEK -509 million (-395) and includes new loans of SEK 357 million and amortisation of loans of SEK -616 million.

Cash and cash equivalents amounted to SEK 702 million at 30 June 2017 (SEK 851 million at 31 December 2016).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 7,727 million at 30 June 2017 (SEK 7,950 million at 31 December 2016). The equity to assets ratio was 38.8% at 30 June 2017 (37.0% at 31 December 2016).

Consolidated net debt including pension liabilities was SEK 2,481 million at 30 June 2017 (SEK 2,722 million at 31 December 2016). At 30 June 2017, the Group's net debt corresponds to 1.9 times adjusted EBITDA¹.

EMPLOYEES

The average number of employees in the Gränges Group was 1,610 (961) in the second quarter of 2017 and 1,587 (962) during the period January-June 2017.

¹ Calculated on a rolling 12-month basis, including estimated adjusted EBITDA for the acquired business in the US as a part of the Gränges Group.

PARENT COMPANY

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and Group functions such as finance, treasury, legal and communications. For the period January-June 2017, net sales in the parent company was SEK 65 million (44) and the profit for the period was SEK -49 million (328). Previous year net profit included dividends from the Chinese subsidiary of SEK 403 million. Previous year income tax included withholding tax of SEK 20 million related to the dividends.

SIGNIFICANT EVENTS DURING THE PERIOD

Changes in Gränges Group Management

Kent Schölin assumed the role as Senior Vice President Research & Innovation for Gränges on 1 May, 2017. Jörgen Abrahamsson, Vice President Production in Gränges Europe, was at the same time appointed acting President Europe and temporary member of the Gränges Group management team.

Inauguration of Gränges' Global Research Centre

Gränges inaugurated the expansion of its research and innovation centre i Finspång in June. Gränges R&I center have about 30 research specialists focusing on the development of the next generation material for brazed aluminium heat exchangers.

SIGNIFICANT EVENTS AFTER THE PERIOD

Director Sustainability Appointed

Sofia Hedevåg have been appointed Director Sustainability of Gränges. She will start her position on 1 October, 2017. Sofia Hedevåg comes from a position as VP Group Business Control at Swedish Match.



Kent Schölin, SVP Research & Innovation, Jörgen Abrahamsson, Acting President Europe and Johan Menckel, CEO Gränges.

THE SHARE

From October 2016, it has been possible to redeem options in the employee stock option programme LTI 2014, which targets senior executives and other key employees in Gränges. The exercise price is SEK 51 per option reduced by paid dividend during the period. During the second quarter 2017, 357,000 options have been exercised. The share capital in Gränges amounts to SEK 101 million split on 75,512,386 shares, each with a quota value of 1.339775. Gränges has only one class of shares. The number of outstanding employee stock options in LTI 2014 amounts to 127,000. The option programme expires in November 2017.

OWNERSHIP STRUCTURE

Largest shareholders in Gränges at 30 June 2017¹.

Shareholder	Number of shares	Share of capital and votes %
Fjärde AP-fonden	7,111,207	9.4
AFA Försäkring	5,090,890	6.7
JP Morgan Asset Management	3,234,384	4.3
SEB Fonder	3,205,167	4.2
Allianz Global Investors	2,863,377	3.8
Copper Rock Capital Partners	2,227,526	3.0
Dimensional Fund Advisors	1,529,246	2.0
Catella Fonder	1,444,751	1.9
Fidelity	1,415,290	1.9
Acadian Asset Management	1,261,569	1.7
Handelsbanken Fonder	1,250,000	1.7
Avanza Pension	1,242,068	1.6
Norges Bank	1,135,715	1.5
Columbia Threadneedle	1,041,365	1.4
Swedbank Försäkring	744,168	1.0
Total 15 largest shareholders	34,796,723	46.1
Other	40,715,663	53.9
Total	75,512,386	100.0

¹ Source: Modular Finance Holdings.

The number of shareholders in Gränges was 11,268 at 30 June 2017, according to Euroclear.

OTHER

Annual General Meeting 2017

Gränges' Annual General Meeting (AGM) 2017 was held on 4 May 2017. At the AGM, Anders G. Carlberg, Carina Andersson, Peter Carlsson, Katarina Lindström, Hans Porat and Ragnhild Wiborg was re-elected as Board Directors. Anders G. Carlberg was re-elected as Chairman of the Board. The AGM resolved on a dividend of SEK 2.40 (2.00) per share, corresponding to a total of SEK 180 million (149), for 2016.

RISKS AND UNCERTAINTY FACTORS

As a global group with operations in many parts of the world, Gränges is exposed to various risks and uncertainties such as raw material price risk, market risk, operational and legal risk, as well as financial risk related to foreign exchange rates, interest rates, liquidity and funding opportunities. In its risk management, Gränges seeks to identify, evaluate, and reduce risks related to the Group's business and operations. More information about risk management is available on pages 27–29 in Gränges' 2016 annual report.

SEASONAL VARIATIONS

Gränges' operations are subject to seasonal variations. Following the acquisition in North America which was completed in August 2016, the second quarter of the year is considered to be the strongest and the fourth quarter the weakest.

The Board of Directors and the CEO declare that the half-year report gives a true and fair view of the performance of the business, financial position and result of operations of the parent company and the group, and describes the principal risks and uncertainties that the parent company and its subsidiaries are facing.

Stockholm, 20 July 2017
The Board of Directors of Gränges AB (publ)

Anders G. Carlberg
Chairman of the Board

Carina Andersson
Member of the Board

Peter Carlsson
Member of the Board

Katarina Lindström
Member of the Board

Hans Porat
Member of the Board

Ragnhild Wiborg
Member of the Board

Øystein Larsen
Employee representative

Konny Svensson
Employee representative

Johan Menckel
Chief Executive Officer

This half-year report has not been reviewed by the auditors of the company.

For additional information, please contact:

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The information in this report is such that Gränges must disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, on Thursday 20 July 2017 at 07.30 CET.

Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' half-year report for January–June 2017 at a webcasted conference call at CET 10.00, Thursday 20 July, 2017.

The webcast can be viewed on www.granges.com/investors. To participate in the telephone conference, please call +46 856 642 661 (Sweden), +44 203 194 0544 (UK) or +1 855 269 2604 (USA). Please call a few minutes before the telephone conference starts. The presentation will be in English.

Financial calendar

26 October 2017	Interim Report January–September 2017
1 February 2018	Year-end Report 2017
26 April 2018	Interim Report January–March 2018
3 May 2018	Annual General Meeting
19 July 2018	Half-year Report 2018
25 October 2018	Interim Report January–September 2018

CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net sales	3	3,081	1,442	5,973	2,802	7,207
Cost of materials		-1,996	-816	-3,852	-1,628	-4,374
Payroll and other operating expenses		-693	-398	-1,389	-740	-1,882
Depreciation and amortisation		-102	-49	-204	-99	-265
Items affecting comparability		-	-25	-	-25	-128
Operating profit		290	154	527	309	559
Profit from joint ventures		1	1	2	1	2
Finance income and costs		-31	-3	-60	-7	-61
Profit before tax		259	152	468	303	500
Income tax	4	-67	-38	-119	-96	-2
Profit for the period		192	114	349	208	498
Earnings per share						
Earnings per share basic, SEK		2.55	1.53	4.64	2.78	6.66
Earnings per share diluted, SEK		2.55	1.52	4.63	2.78	6.64

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Profit for the period	192	114	349	208	498
Items not to be reclassified to profit/loss in subsequent periods					
Remeasurement of pensions after tax	-10	-18	0	-18	16
Items to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve after tax	18	-22	33	-8	-26
Translation effects	-130	28	-159	-44	69
Comprehensive income for the period attributable to owners of the parent company	70	102	224	139	557

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS				
Property, plant and equipment		3,053	1,587	3,347
Intangible assets		586	7	584
Deferred tax assets		54	51	64
Investments in joint ventures		30	32	30
Interest-bearing receivables		34	34	36
Other non-current receivables	2	13	0	10
Non-current assets		3,769	1,712	4,071
Inventories		1,461	864	1,428
Receivables	2	1,793	1,353	1,598
Interest-bearing receivables	2	1	0	2
Cash and cash equivalents		702	361	851
Current assets		3,957	2,578	3,878
TOTAL ASSETS		7,727	4,290	7,950
EQUITY AND LIABILITIES				
Share capital	5	101	100	101
Retained earnings		2,900	2,389	2,841
Equity	5	3,001	2,489	2,942
Interest-bearing liabilities		2,480	565	2,888
Provisions and other liabilities	2	323	210	321
Non-current liabilities		2,802	775	3,209
Interest-bearing liabilities		453	1	436
Provisions and other liabilities	2, 4	1,470	1,024	1,363
Current liabilities		1,923	1,025	1,799
TOTAL EQUITY AND LIABILITIES		7,727	4,290	7,950

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million		30 Jun 2017	30 Jun 2016	31 Dec 2016
Opening balance as at 1 January		2,942	2,499	2,499
Profit for the period		349	208	498
Items in other comprehensive income for the period		-125	-69	59
Group comprehensive income for the period		224	139	557
Employee stock option scheme		-	1	1
Dividend		-180	-149	-149
Rights issue	5	16	-	34
Total transactions with owners, recognised directly in equity		-164	-149	-115
Closing balance		3,001	2,489	2,942

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Operating profit	290	154	527	309	559
Depreciation and amortisation	102	49	204	99	265
Change in working capital etc.	-42	26	-226	-128	43
Income taxes paid	18	-50	-17	-110	-181
Cash flow from operating activities	368	178	489	170	686
Acquisitions	-	-	-	-	-2,581
Investments in property, plant, equipment and intangible assets	-61	-21	-106	-35	-155
Other capital transactions	-	-	-	-	4
Cash flow from investing activities	-61	-21	-106	-35	-2,732
Dividend	-180	-149	-180	-149	-149
Rights issue	5 16	-	16	-	34
Interest paid and received	-35	-2	-86	-6	-35
New loan	300	160	357	160	3,620
Amortisation	-145	-1	-616	-399	-1,224
Cash flow from financing activities	-45	8	-509	-395	2,245
Cash flow for the period	263	165	-126	-259	198
Cash and cash equivalents at beginning of period	458	195	851	634	634
Cash flow for the period	263	165	-126	-259	198
Exchange rate differences in cash and cash equivalents	-19	1	-23	-13	19
Cash and cash equivalents at end of period	702	361	702	361	851

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net sales	34	20	65	44	119
Payroll and other operating expenses	-55	-50	-109	-88	-178
Depreciation and amortisation	-6	-4	-14	-7	-18
Operating profit/loss	-28	-34	-58	-51	-77
Dividends from subsidiaries	-	-	-	403	757
Finance income and costs	4	-1	11	-3	-6
Profit/loss after financial items	-24	-35	-47	349	674
Change in accelerated depreciation	-	-	-	-	-46
Group contributions	-	-	-	-	132
Income tax	0	-1	-1	-22	-42
Profit/loss for the period	-24	-35	-49	328	718

The Parent Company has no items which are accounted for as other comprehensive income. Total comprehensive income is therefore the same as profit/loss for the period.

PARENT COMPANY BALANCE SHEET (CONDENSED)

SEK million	30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS			
Property, plant and equipment	214	216	214
Intangible assets	165	–	170
Investments related to Group companies	1,093	429	1,093
Receivables from Group companies	2,093	310	2,204
Interest-bearing receivables	34	34	36
Other non-current receivables	14	0	11
Non-current assets	3,612	989	3,728
Receivables from Group companies	–	126	573
Other receivables	113	125	73
Cash and cash equivalents	138	113	182
Current assets	251	363	828
TOTAL ASSETS	3,863	1,352	4,557
EQUITY, PROVISIONS AND LIABILITIES			
Restricted equity	107	100	106
Non-restricted equity	732	528	946
Equity	839	628	1,052
Untaxed reserves	55	9	55
Provisions and other liabilities	22	26	22
Interest-bearing liabilities	2,480	565	2,888
Other non-current liabilities	1	–	5
Non-current liabilities	2,503	590	2,915
Liabilities to Group companies	21	–	–
Interest-bearing liabilities	354	1	375
Other liabilities	92	124	161
Current liabilities	466	125	536
TOTAL EQUITY, PROVISIONS AND LIABILITIES	3,863	1,352	4,557

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

The Gränges Group applies International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting principles adopted are consistent with those described in the Annual Report for Gränges AB (publ) 2016, which is available at www.granges.com. There are no new accounting principles applicable from 2017 that significantly affect the Gränges Group. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Reporting for Legal Entities.

The interim information on pages 2–13 are an integrated part of these financial statements.

New standards which have not yet become effective but will be applied in future periods

IFRS 15 Revenues from contracts with customers replace existing revenue standards and interpretations. The standard is endorsed by the EU and is effective 1 January, 2018. Gränges Group's analysis of the new standard is ongoing and based on the work so far, Gränges does not expect any significant effects on the Group's financial statements. The analysis is however still ongoing and is expected to be completed during the third quarter of 2017.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard is endorsed by the EU and is effective 1 January, 2018. Gränges Group's analysis of the new standard is ongoing and based on the work so far, Gränges does not expect any impact on the Group's financial statements from the new principles regarding classification of financial assets. The new principles regarding calculation of credit loss will impact the impairment process, however preliminary analysis indicate that the impact on the Group's financial statements is limited. Finally Gränges is also currently analysing the impact of changing principles of hedge accounting to the principles in IFRS 9. The work on identifying possible effects from transition to IFRS 9 continues and is expected to be completed during the autumn 2017.

NOTE 2 FINANCIAL INSTRUMENTS

Financial instruments measured at fair value consist of derivative instruments (currency forwards and aluminium futures). The table below shows the fair value of the derivatives included in the balance sheet.

SEK million	30 Jun 2017	30 Jun 2016	31 Dec 2016
Other non-current receivables	6	0	1
Receivables	53	33	31
Provisions and other liabilities	1	5	8
Other liabilities	46	75	91

All derivatives are measured at fair value and are classified according to level 2, i.e., all significant inputs required for measurement of the instruments are observable. 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 are measured at observable quoted prices on LME (London Metal Exchange) and SHFE (Shanghai Futures Exchange) for similar assets and liabilities.

Gränges' interest bearing debt consists mainly of a USD term loan of USD 195 million and SEK term loans of SEK 800 million. The USD term loan was amortized with USD 15 million in the second quarter and is amortized with USD 30 million a year. Gränges also has a revolving credit facility of SEK 1,200 million, available in several currencies, with a remaining maturity of three years. Gränges has the right to choose among maturities and fixed interest terms of one, two, three or six months. The revolving credit facility was utilized with SEK 300 million at 30 June 2017. Other interest-bearing debt, which was short term, amounted to SEK 200 million. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

Borrowings are measured at amortised cost and the carrying amount at 30 June 2017 is SEK 2,933 million (SEK 3,321 million at 31 December 2016). The fair value of borrowings amounted at 30 June 2017 to SEK 2,948 million (SEK 3,339 million at 31 December 2016). For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

NOTE 3 RELATED PARTY TRANSACTIONS

Gränges has a share of 50% in two joint ventures, Norca Heat Transfer LLC and Shanghai Gränges Moriyasu Aluminium Co Ltd. Gränges reports these two joint ventures based on the equity method and transactions with them are specified in the table below.

SEK million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Sales to joint ventures	188	258	484	485	961
Other income and expenses to joint ventures	3	-6	4	-18	-53

SEK million	30 Jun 2017	30 Jun 2016	31 Dec 2016
Interest-bearing receivables (non-current) from joint ventures	34	34	36
Non-interest-bearing receivables from joint ventures	285	213	179
Non-interest-bearing liabilities to joint ventures	0	6	4

NOTE 4 TAX

Gränges' Chinese subsidiary has during the second quarter 2017 obtained a pre-qualification as a High and New-Technology Enterprise for the three years period 2016 to 2018. The pre-qualification means that the company preliminary pays 15% in tax instead of the ordinary tax of 25% for the period. Preliminary tax payments prior to the obtained pre-qualification were based on a tax rate of 25% and the difference between the two rates have been recovered to the company. However, in order to finally obtain the lower tax rate, the company must meet the special requirements established for the entire three years period 2016 to 2018. Local authorities will subsequently, and for each of the years in question, check whether the company has met these requirements. In view of the difficulties to currently estimate whether these special requirements will be met for the entire period, income tax in the Chinese operation has been based on the higher tax rate of 25% for 2016 and half year 2017. At 30 June 2017, the provision for the higher tax rate amounts to SEK 84 million.

NOTE 5 SHARE CAPITAL DEVELOPMENT

SEK million	Event	Change number of Shares	Total number or shares	Change share capital	Total share capital
1 January 2017	-	-	75,155,386	-	101
4 April 2017	Rights issue	20,000	75,175,386	0	101
31 May 2017	Rights issue	337,000	75,512,386	0	101

The number of shares and share capital in Gränges has changed during the second quarter 2017 as a result of the exercise of 357,000 options within the company's incentive program LTI 2014. Equity has in total increased by SEK 16 million due to the rights issued.

CONSOLIDATED QUARTERLY DATA

SEK million	2017		2016			2015		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume, ktonnes	98.7	94.8	84.7	62.8	46.5	45.1	38.9	38.9
Income statement								
Net sales	3,081	2,892	2,546	1,859	1,442	1,360	1,252	1,281
Adjusted EBITDA ¹	392	339	267	251	228	206	168	165
Adjusted operating profit ¹	290	237	171	181	179	155	116	112
Operating profit	290	237	162	88	154	155	128	97
Profit for the period	192	157	101	189	114	94	83	69
Adjusted EBITDA margin, %	12.7	11.7	10.5	13.5	15.8	15.1	13.4	12.9
Adjusted operating margin, %	9.4	8.2	6.7	9.7	12.4	11.4	9.2	8.8
Adjusted operating profit per tonne, kSEK	2.9	2.5	2.0	2.9	3.9	3.4	3.0	2.9
Operating margin, %	9.4	8.2	6.4	4.7	10.7	11.4	10.2	7.6
Net margin, %	6.2	5.4	4.0	10.2	7.9	6.9	6.7	5.4
Balance sheet								
Non-current assets	3,769	3,969	4,071	3,951	1,712	1,725	1,800	1,849
Current assets	3,957	3,822	3,878	3,631	2,578	2,279	2,601	2,772
Equity	3,001	3,096	2,942	2,712	2,489	2,537	2,499	2,435
Non-current liabilities	2,802	2,712	3,209	3,370	775	593	989	1,262
Current liabilities	1,923	1,983	1,799	1,500	1,025	874	914	925
Cash flow								
Operating activities	368	120	171	344	178	-8	184	300
Investing activities	-61	-45	-68	-2,629	-21	-14	-25	-34
Cash flow before financing activities	307	75	104	-2,285	157	-22	159	267
Financing activities	-45	-464	-21	2,660	8	-402	-282	-57
Cash flow for the period	263	-389	83	375	165	-424	-123	209
Capital structure								
Net debt	2,481	2,665	2,722	2,823	335	316	275	442
Equity to assets, %	38.8	39.7	37.0	35.8	58.0	63.3	56.8	52.7
Data per share, SEK								
Earnings per share basic	2.55	2.09	1.35	2.53	1.53	1.25	1.12	0.93
Earnings per share diluted	2.55	2.08	1.35	2.52	1.52	1.25	1.11	0.93
Equity ²	39.81	41.10	39.17	36.21	33.29	33.93	33.45	32.62
Cash flow from operating activities ²	4.89	1.60	2.28	4.51	2.38	-0.10	2.46	4.02
Share price at the end of the period	77.50	82.00	86.00	87.50	73.00	70.50	70.00	54.25
Weighted outstanding ordinary shares, basic in thousands	75,295.0	75,155.4	74,897.4	74,639.4	74,639.4	74,639.4	74,639.4	74,639.4
Weighted outstanding ordinary shares, diluted in thousands	75,398.0	75,320.6	75,106.6	74,898.5	74,767.3	74,764.6	74,719.4	74,657.3

¹ Adjusted for items affecting comparability.

² Calculated on weighted outstanding ordinary shares, diluted.

CONSOLIDATED QUARTERLY DATA

SEK million	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume by region, ktonnes								
Asia	22.3	22.7	20.7	19.0	20.4	20.8	17.5	17.6
Europe	17.9	16.9	15.2	15.0	16.9	16.6	15.4	14.9
Americas	58.5	55.3	48.8	28.9	9.2	7.8	6.0	6.5
Total	98.7	94.8	84.7	62.8	46.5	45.1	38.9	38.9
Net sales by region								
Asia	759	767	719	619	639	646	569	605
Europe	612	545	497	465	498	473	477	470
Americas	1,710	1,580	1,330	775	306	241	206	206
Total	3,081	2,892	2,546	1,859	1,442	1,360	1,252	1,281
Employees								
Average number of employees	1,610	1,564	1,545	1,145	961	962	949	975

CONSOLIDATED 12-MONTH ROLLING DATA

SEK million	Jul 2016 - Jun 2017	Apr 2016 - Mar 2017	Jan 2016 - Dec 2016	Oct 2015 - Sep 2016	Jul 2015 - Jun 2016	Apr 2015 - Mar 2016	Jan 2015 - Dec 2015	Oct 2014 - Sep 2015
Sales volume, ktonnes	341.0	288.8	239.1	193.4	169.4	166.4	163.9	162.7
Income statement								
Net sales	10,379	8,740	7,207	5,913	5,335	5,398	5,494	5,460
Adjusted EBITDA ¹	1,249	1,085	952	853	768	749	749	738
Adjusted operating profit ¹	879	769	687	632	563	541	541	528
Operating profit	777	641	559	525	535	539	538	507
Adjusted EBITDA margin, %	12.0	12.4	13.2	14.4	14.4	13.9	13.6	13.5
Adjusted operating margin, %	8.5	8.8	9.5	10.7	10.6	10.0	9.8	9.7
Adjusted operating profit per tonne, kSEK	2.6	2.7	2.9	3.3	3.3	3.3	3.3	3.2
Operating margin, %	7.5	7.3	7.8	8.9	10.0	10.0	9.8	9.3
Capital structure and return indicators								
Capital employed	5,053	4,527	3,930	3,372	2,886	2,972	2,982	3,011
Return on capital employed, %	17.4	17.0	17.5	18.7	19.5	18.2	18.1	17.5
Equity	2,848	2,755	2,636	2,534	2,468	2,465	2,385	2,279
Return on equity, %	22.4	20.4	18.9	18.9	14.6	14.6	15.9	16.9
Net debt / Adjusted EBITDA	1.9 ²	2.1 ²	2.1 ²	2.2 ²	0.4	0.4	0.4	0.6

¹ Adjusted for items affecting comparability.

² Calculated on a rolling 12-month basis, including estimated adjusted EBITDA on a stand alone basis for the acquired business in the US.

Alternative Performance Measures

Gränges makes use of the alternative performance measures Return on capital employed, Net debt and Equity to assets ratio. 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 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 17.

SEK million	Q2		Jan- Jun		12 month rolling	Full year
	2017	2016	2017	2016	Jul 2016- Jun 2017	2016
Adjusted operating profit						
Operating profit	290	154	527	309	777	559
Items affecting comparability	-	25	-	25	102	128
Adjusted operating profit	290	179	527	335	879	687
Adjusted EBITDA						
Adjusted operating profit	290	179	527	335	879	687
Depreciation and amortisation	102	49	204	99	370	265
Adjusted EBITDA	392	228	732	434	1,249	952
Adjusted EBITDA including estimated adjusted EBITDA for the acquired business in the US as if part of the Gränges group for the full year						
Adjusted EBITDA	-	-	-	-	1,249	952
Estimated Adjusted EBITDA for the acquired business in the US as if part of the Gränges group 1 January-21 August 2016	-	-	-	-	67	322
Adjusted EBITDA including estimated adjusted EBITDA for the acquired business in the US as if part of the Gränges group for the full year	-	-	-	-	1,316	1,274
Return on capital employed						
Total assets less cash and cash equivalents and interest-bearing receivables	-	-	-	-	6,409	5,054
Non-interest-bearing liabilities	-	-	-	-	-1,625	-1,335
Pensions	-	-	-	-	270	212
Capital employed	-	-	-	-	5,053	3,930
Adjusted operating profit	-	-	-	-	879	687
Return on capital employed, %	-	-	-	-	17.4	17.5
Net debt						
Cash and cash equivalents and interest-bearing receivables	-	-	-737	-395	-737 ¹	-889
Interest bearing liabilities	-	-	2,933	566	2,933 ¹	3,324
Pensions	-	-	285	163	285 ¹	288
Net debt	-	-	2,481	335	2,481¹	2,722
Equity to assets						
Equity	-	-	3,001	2,489	3,001 ¹	2,942
Total assets	-	-	7,727	4,290	7,727 ¹	7,950
Equity to assets, %	-	-	38.8	58.0	38.8¹	37.0

¹ Balances at 30 June 2017.

Definitions

Adjusted EBITDA

Adjusted operating profit before depreciation and impairment charges.

Adjusted operating profit

Operating profit excluding items affecting comparability.

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, excluding pensions.

Earnings per share

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

Equity to Assets

Equity divided by total assets.

Items affecting comparability

Non-recurring income and expenses.

ktonnes

Volume expressed in thousands of metric tonnes.

Cash flow before financing activities

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

Net debt

Cash and cash equivalents and interest-bearing receivables minus interest-bearing liabilities, including pensions.

Operating profit

Profit before net financial items and tax.

Return on capital employed

Adjusted operating profit divided by average capital employed during the past 12-month period.

Return on equity

Profit for the period divided by average equity during the past 12-month period.

Sales volume

Volumes sold in metric tonnes.

SEK

Swedish kronor.

Glossary

Alloy

Material consisting of several metals.

Aluminium strip

Rolled aluminium in coils.

Brazing

Joining of metals through melting.

Cladding

Surface layer.

Heat exchanger

A device for transferring heat from one medium to another.

HVAC

Heating, Ventilation and Air Conditioning.

LME

London Metal Exchange.

MPE tube

Multi-Port Extrusion tube used in brazed aluminium heat exchangers.

Rolled aluminium

Aluminium that has been down gauged, passing through two or more rollers.

Scrap

Residual aluminium that can be re-melted.

SHFE

Shanghai Futures Exchange.



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ABOUT GRÄNGES

Gränges is a global leader in aluminium engineering, manufacturing and innovation. We focus on rolled aluminium products for heat exchangers and selected niche applications. In materials for brazed heat exchangers, Gränges is the global leader with a market share of approximately 20%. Its production facilities are located in Sweden, China and the United States, and have a combined annual capacity of 400,000 metric tonnes. Gränges has some 1,600 employees and net sales of more than SEK 10 billion. The share is listed on Nasdaq Stockholm. More information on Gränges is available at granges.com.

BUSINESS CONCEPT

Gränges vision is to transform the world through innovative, aluminium engineering. We support our customers with Research & Innovation, product development, and technical support during the product's lifecycle. Thereby, Gränges helps create smaller, lighter and more designable materials that increase economic efficiency and reduce environmental impact.

BUSINESS MODEL

Gränges business model is based on long-term customer relationships. Revenue is generated through sale of material that is produced for a certain customer and application. Prices are expressed in metric tonnes and based on the added value Gränges offers in terms of material properties and production complexity, and the price of the raw material; aluminium. The cost of the raw material is passed on to the customer.

STRATEGY

Gränges have a clear strategy for coming years. By offering customized products with a high technical content, Gränges aims to grow significantly above market rate in the coming years. By 2020, Gränges shall be the market leader in all geographical regions within rolled aluminium heat exchanger materials. That goal is based on four strategic pillars; Drive growth through innovations; Create value from sustainability; Increase efficiency through continuous improvements; and Grow presence through structural expansion.