

HALF-YEAR REPORT 2016

Strong sales volume and earnings in the second quarter

Second quarter 2016

- Sales volume reached all time high at 46.5 ktonnes (43.4), an increase of 7.0% compared to previous year.
- Net sales totalled SEK 1,442 million (1,506), a decrease of 4.2% compared to previous year due to lower aluminium prices.
- Adjusted operating profit increased by 13.6% to SEK 179 million (158), corresponding to an adjusted operating margin of 12.4% (10.5).
- Operating profit amounted to SEK 154 million (158), including costs for M&A activities of SEK 25 million.
- Profit for the period was SEK 114 million (115). Earnings per share, basic, was SEK 1.53 (1.54) and diluted, SEK 1.52 (1.54).
- Cash flow before financing activities was SEK 157 million (175).

First half-year 2016

- Sales volume reached 91.6 ktonnes (86.1), an increase of 6.4% compared to previous year.
- Net sales totalled SEK 2,802 million (2,962), a decrease of 5.4%.
- Adjusted operating profit increased by 7.0% to SEK 335 million (313), corresponding to an adjusted operating margin of 11.9% (10.6).
- Operating profit amounted to SEK 309 million (313).
- Profit for the period was SEK 208 million (226). Earnings per share, basic and diluted, amounted to SEK 2.78 (3.03).
- Gränges has a solid financial position. At 30 June 2016, the equity to assets ratio amounted to 58.0% and net debt corresponded to 0.4 times adjusted EBITDA (on a rolling 12-month basis).

Financial summary

SEK million	Q2			Jan - Jun			12 month rolling	Full year	
	2016	2015	Δ	2016	2015	Δ	Jul 2015 - Jun 2016	2015	Δ
Sales volume, ktonnes	46.5	43.4	7.0%	91.6	86.1	6.4%	169.4	163.9	3.3%
Net sales	1,442	1,506	-4.2%	2,802	2,962	-5.4%	5,335	5,494	-2.9%
Adjusted operating profit ¹	179	158	13.6%	335	313	7.0%	563	541	4.1%
Adjusted operating margin, %	12.4	10.5	2.0 ppt	11.9	10.6	1.4 ppt	10.6	9.8	0.7 ppt
Adjusted operating profit per tonne, kSEK	3.9	3.6	0.2	3.7	3.6	0.0	3.3	3.3	0.0
Operating profit	154	158	-2.4%	309	313	-1.1%	535	538	-0.6%
Operating margin, %	10.7	10.5	0.2 ppt	11.0	10.6	0.5 ppt	10.0	9.8	0.2 ppt
Profit for the period	114	115	-1.0%	208	226	-8.3%	360	379	-5.0%
Earnings per share basic, SEK	1.53	1.54	-0.02	2.78	3.03	-0.25	4.82	5.07	-0.25
Earnings per share diluted, SEK	1.52	1.54	-0.02	2.78	3.03	-0.25	4.81	5.07	-0.25
Cash flow before financing activities	157	175	-10.2%	135	174	-22.3%	561	600	6.5%
Equity to assets, %	-	-	-	58.0	50.8	7.3 ppt	58.0 ²	56.8	1.3 ppt
Net debt	-	-	-	335	725	-390	335 ²	275	59
Return on capital employed, %	-	-	-	-	-	-	19.5	18.1	1.4 ppt

¹ Adjusted for items affecting comparability, see note 5.

² Balances per 30 June 2016.

COMMENTS BY THE CEO

Best quarter so far for Gränges - US acquisition in focus

The positive trend we saw in the beginning of 2016 continued in the second quarter. Sales volume increased by 7.0% driven by the recovery in Asia and continued strong development in Europe and the Americas. This means that we had a better growth rate than the market. The adjusted operating profit improved by 13.6% to SEK 179 million (158), as a result of higher sales volume and good productivity.

In Asia, it was mainly a strong development in China and India that contributed to the higher sales volume in the quarter. In Europe, sales of heat exchanger materials continued to develop very well during the second quarter. In the Americas Gränges continues to be successful and sales volume was 23.0% higher than last year.

US ACQUISITION IN FOCUS

Since mid-June we are in a process to acquire Noranda's downstream aluminum rolling business in the United States. The acquisition is a strategically important deal for Gränges and in line with our target to be the market leader in all geographic regions by 2020. The business is complementary to Gränges current business and will strengthen our position in the Americas as well as globally. We also gain access to an attractive customer base in stationary heat exchangers (HVAC&R), which is one of our growth areas. Currently we are waiting for the US Bankruptcy court to approve Gränges as buyer, which is expected in late July.

OUTLOOK

Regarding Gränges current business, we expect a better growth rate than the market in the second half of 2016 although at a somewhat lower rate than in the second quarter. According to the research firm IHS, global light vehicle production is expected to increase by 4% in the second half of the year. For the full year 2016, IHS forecasts a growth of 3%.

Gränges sales volume in Asia is expected to grow in line with the market during the second half of 2016, while we are predicting a better growth than the market in Europe. In the Americas, sales for the current business within heat exchanger materials is expected to continue to grow at a significantly higher rate than the market.

Overall, we are optimistic about the remainder of the year. We expect to complete the acquisition in the US during third quarter and the preparation of this is ongoing at the moment. From 2016 the acquired business is expected to be accretive to earnings per share. Our ambition is to continue to grow and strengthen our presence and position globally.

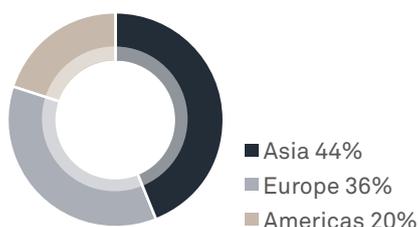
Johan Menckel
CEO of Gränges



Second quarter 2016

- Sales volume **46.5** ktonnes
- Net sales SEK **1,442** million
- Adjusted operating profit SEK **179** million
- Return on capital employed **19.5%**

Sales volume per region



“Sales volume in Asia increased by 4.0% in the second quarter, primarily driven by strong sales to Chinese automotive customers”

MARKET DEVELOPMENT

According to the international research firm IHS, global light vehicle production increased by 2.8% in the second quarter of 2016¹, compared to the corresponding quarter 2015. In Asia, light vehicle production increased by 2.3% during the second quarter, with 5.1% growth in China. In the second half of 2016, an increase of 4.4% is anticipated in Asia. In Europe, light vehicle production increased by 7.2% in the second quarter 2016, whereas a growth of 2.5% is expected for the second half year. Light vehicle production in the Americas increased by 0.3% in the second quarter, as growth of 2.8% in North America was offset by a weak South American market. For the second half of 2016, a growth of 2.6% is anticipated in the Americas. For the full year 2016, IHS forecasts an increase in global light vehicle production of 3.2%.

Demand for aluminium products for brazed heat exchangers, which is Gränges' main market and accounts for more than 90% of the sales volume, is strongly correlated with the market for 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.

SALES DEVELOPMENT

The sales volume in the second quarter of 2016 was 46.5 ktonnes (43.4), an increase of 7.0% compared to the same quarter previous year. Net sales totalled SEK 1,442 million (1,506). The net effect from changes in foreign exchange rates amounted to SEK -40 million in the quarter. The positive effect from higher sales volume was more than offset by the lower aluminium price and lower average conversion price.

During January-June 2016, sales volume reached 91.6 ktonnes (86.1), an increase of 6.4% compared to the corresponding period previous year. Net sales totalled SEK 2,802 million (2,962). The net effect of changes in foreign exchange rates was negative and amounted to SEK -19 million during January-June 2016.

ASIA

In the second quarter of 2016, sales volume in Asia increased by 4.0% to 20.4 ktonnes (19.6). The growth was primarily driven by sales to Chinese and Indian automotive customers. During January-June 2016, sales volume in Asia increased to 41.2 ktonnes (40.4), which represents an increase of 2.0% compared to previous year.

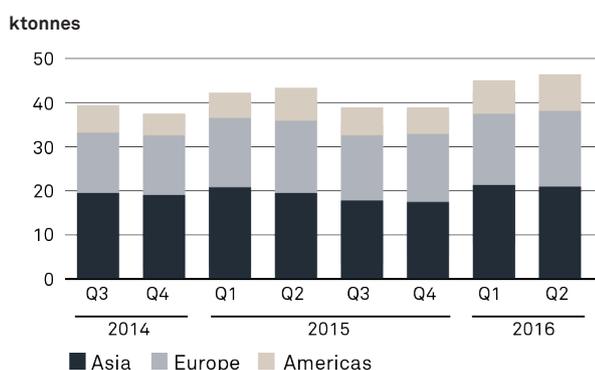
EUROPE

In the second quarter of 2016, sales volume in Europe increased by 3.3% to 16.9 ktonnes (16.4). Sales of heat exchanger material increased while sales of scrap based products for non-heat exchanger applications decreased during the quarter. During January-June 2016, sales volume in Europe reached 33.5 ktonnes (32.4), which represents an increase of 3.4% compared to previous year.

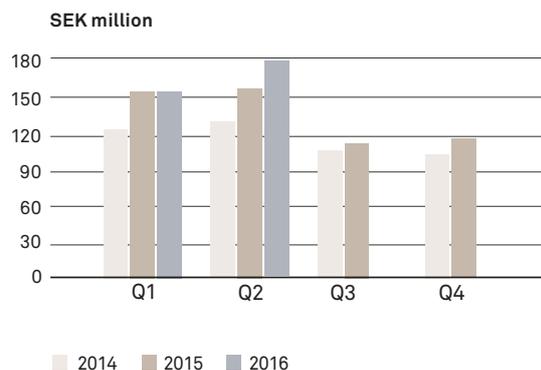
AMERICAS

In the second quarter of 2016, sales volume in the Americas increased by 23.0% to 9.2 ktonnes (7.4), due to higher contracted volumes with several customers. During January-June 2016, sales volume in Americas reached 16.9 ktonnes (13.3), an increase of 26.9% compared to previous year.

Quarterly sales volume per region



Quarterly adjusted operating profit



¹ Source: IHS, June 15 2016.

OPERATING PROFIT

Adjusted operating profit for the second quarter of 2016 increased to SEK 179 million (158), corresponding to an adjusted operating margin of 12.4% (10.5). Net changes in foreign exchange rates had a positive impact of SEK 15 million in the quarter. The positive effects from higher sales volume and improved productivity were partly offset by lower average conversion price.

Operating profit for the second quarter of 2016 was SEK 154 million (158), a decrease of 2.4%. Operating profit includes items affecting comparability of SEK -25 million (-), which relates to M&A activities in the US.

During the period January-June 2016, adjusted operating profit increased to SEK 335 million (313), corresponding to an adjusted operating margin of 11.9% (10.6). The net effect of changes in foreign exchange rates was positive and amounted to SEK 46 million for the first half year 2016. Operating profit during January-June 2016 was SEK 309 million (313).

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Finance income and costs amounted to SEK -3 million (-5) in the second quarter of 2016, including interest expenses of SEK -4 million and interest income of SEK 1 million. Profit before tax was SEK 152 million (153). Income tax for the second quarter of 2016 was SEK -38 million (-38), which corresponds to an effective tax rate of 25% (25) in the quarter.

During the period January-June 2016, finance income and costs amounted to SEK -7 million (-12). Profit before tax was SEK 303 million (302). The tax expense for the first half year 2016 was SEK -96 million (-75) and includes withholding tax of SEK 20 million on a dividend paid to Gränges AB from the Chinese subsidiary during the first quarter 2016. Excluding the withholding tax, the effective tax rate was 25% (25).

The profit for the period was SEK 114 million (115) during the second quarter of 2016. Earnings per share basic, amounted to SEK 1.53 (1.54) and diluted to 1.52 (1.54). During January-June 2016, the profit for the period was SEK 208 million (226) and earnings per share, basic and diluted, amounted to SEK 2.78 (3.03).

CASH FLOW

Cash flow from operating activities was SEK 178 million (212) in the second quarter of 2016 as a reduction in working capital was offset by paid income taxes. During the period January-June 2016, cash flow from operating activities was SEK 170 million (240) and was impacted by withholding tax of SEK -20 million on a dividend to Gränges AB from the Chinese subsidiary.

Cash flow from investing activities for the second quarter of 2016 was SEK -21 million (-37). Capital expenditure during the quarter was mainly related to investments to maintain and improve efficiency in current production facilities. During the period January-June 2016, cash flow from investing activities was SEK -35 million (-66). Cash flow before financing activities amounted to SEK 157 million (175) in the second quarter of 2016 and to SEK 135 million (174) in the first half year of 2016.

Cash flow from financing activities for the second quarter of 2016 was SEK 8 million (-17) and includes a dividend payment of SEK -149 million as resolved by Gränges' 2016 Annual General Meeting. During the period January-June 2016 cash flow from financing activities was SEK -395 million (-308) and was negatively impacted by a reduction in external bank financing.

Cash and cash equivalents amounted to SEK 361 million at 30 June 2016 (SEK 634 million at 31 December 2015).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 4,290 million at 30 June 2016 (SEK 4,402 million at 31 December 2015). The equity to assets ratio was 58.0% at 30 June 2016 (56.8% at 31 December 2015).

Consolidated net debt including pension liabilities was SEK 335 million at 30 June 2016 (SEK 275 million at 31 December 2015). At 30 June 2016, the Group's net debt was 0.4 times adjusted EBITDA (calculated on a rolling 12-month basis).

EMPLOYEES

The average number of employees in the Gränges Group was 961 (975) in the second quarter of 2016 and 962 (966) during the period January-June 2016.

PARENT COMPANY

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and Group functions such as R&D, finance, treasury, legal and communications. For the period January-June 2016, net sales in the parent company was SEK 44 million (54) and the profit for the half year was SEK 328 million (-35). The net profit includes a dividend from the Chinese subsidiary of SEK 403 million.

SIGNIFICANT EVENTS DURING THE PERIOD

Gränges awarded for best interim report

Gränges was awarded Best interim report 2015 in the competition Listed Company of the Year on Nasdaq Stockholm, organized by Kanton and Aktiespararna. Gränges was listed in October, 2014, and 2015 was the first year the company participated in the competition.

Gränges enters acquisition process in the US

In June, 2016, Gränges entered into a process to acquire Noranda's downstream aluminium rolling business in the United States.

Gränges was designated as the prioritized bidder (stalking horse bidder) by Noranda, which means that Gränges' bid sets the floor for any other qualified bidder.

SIGNIFICANT EVENTS AFTER THE PERIOD

Approval of US acquisition expected in the end of July

Gränges won the court supervised auction to acquire Noranda's downstream aluminium rolling business in the United States, which was announced on 8 July, 2016. Gränges final bid values the business and related assets to USD 324.2 million. Gränges has secured committed bank financing for the transaction. The completion of the acquisition is subject to an approval of Gränges as buyer by the US Bankruptcy Court. A decision is expected in the end of July at the earliest.

SHARE INFORMATION

The share capital in Gränges amounts to SEK 100 million, divided into 74,639,386 shares, each with a quota value of SEK 1.339775. Gränges only has one class of shares.

OWNERSHIP STRUCTURE

Largest shareholders in Gränges at 30 June 2016¹.

Shareholder	Number of shares	Share of capital and votes %
Fjärde AP-fonden	6,548,931	8.8
AFA Försäkring	5,646,805	7.6
Old Mutual	3,996,515	5.4
JP Morgan Asset Management	3,273,913	4.4
Catella Fonder	3,165,200	4.2
SEB Fonder	1,891,541	2.5
Carnegie Fonder	1,500,000	2.0
Kristian Wiman	1,000,000	1.3
Norges Bank	985,232	1.3
ABF Pension Scheme	949,809	1.3
Total 10 largest shareholders	28,957,946	38.8
Other	45,681,440	61.2
Total	74,639,386	100.0

¹ Source: Modular Finance Holdings.

The number of shareholders in Gränges was 8,185 at 30 June 2016.

OTHER

GRÄNGES ANNUAL GENERAL MEETING ELECTED NEW BOARD MEMBERS AND RESOLVED ON DIVIDEND

At Gränges' Annual General Meeting 2016, held 28 April 2016, Peter Carlsson, Katarina Lindström and Hans Porat were elected new board members of Gränges AB. Anders G Carlberg, Terje Andersen, Carina Andersson and Ragnhild Wiborg were reelected board members. Anders G Carlberg was reelected as the Chairman of the Board.

The AGM resolved on a dividend of SEK 2.00 per share, or SEK 149 million in total, that was paid out on 6 May, 2016. Further, the AGM resolved that the Board of Directors is authorised to, at one or more occasions, issue new shares up to 10% of the total outstanding shares in Gränges. The authorisation is valid until Gränges Annual General Meeting 2017.

RISKS AND UNCERTAINTY FACTORS

As a Group operating globally and in multiple jurisdictions, Gränges is exposed to various risks and uncertainties, such as raw material prices, market risks, operational and legal risks, as well as financial risks related to changes in foreign exchange rates, interest rates, liquidity and funding capability. Risk management in Gränges is focused on identifying, evaluating and reducing risks related to the Group's business and operating environment. No additional significant risks affecting the operations of Gränges have emerged since year-end 2015. More information about risk management is available on pages 36–38 of Gränges' 2015 annual report.

SEASONAL VARIATIONS

Gränges' business is subject to seasonal variations to a limited degree. Due to summer vacations and Christmas holidays in Europe and the Americas, the first six months are generally stronger than the second half of the year. Gränges' increased presence in global markets has led to lower seasonal variations.

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, 21 July 2016
The Board of Directors of Gränges AB (publ)

Anders G Carlberg
Chairman of the Board

Terje Andersen
Member of the Board

Carina Andersson
Member of the Board

Peter Carlsson
Member of the Board

Katarina Lindström
Member of the Board

Ragnhild Wiborg
Member of the Board

Hans Porat
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 21 July 2016 at 07.30 CET.

Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' half-year report for January-June 2016 at a webcasted conference call at CET 10.00, Thursday 21 July, 2016.

The webcast can be accessed on www.granges.com/investors. To take part 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

27 October 2016	Interim Report January-September 2016
2 February 2017	Year-end Report 2016
27 April 2017	Interim Report January-March 2017
5 May 2017	2017 Annual General Meeting
20 July 2017	Half-year Report 2017
26 October 2017	Interim Report January-September 2017

CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Net sales	3	1,442	1,506	2,802	2,962	5,494
Cost of materials		-816	-931	-1,628	-1,818	-3,280
Payroll and other operating expenses		-398	-365	-740	-729	-1,465
Depreciation and amortisation		-49	-52	-99	-103	-208
Items affecting comparability	5	-25	-	-25	-	-3
Operating profit		154	158	309	313	538
Profit from joint ventures		1	1	1	1	2
Finance income and costs		-3	-5	-7	-12	-19
Profit before tax		152	153	303	302	521
Income tax		-38	-38	-96	-75	-143
Profit for the period		114	115	208	226	379
Earnings per share						
Earnings per share basic, SEK		1.53	1.54	2.78	3.03	5.07
Earnings per share diluted, SEK		1.52	1.54	2.78	3.03	5.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Profit for the period	114	115	208	226	379
Items not to be reclassified to profit/loss in subsequent periods					
Remeasurement of pensions after tax	-18	-0	-18	-11	10
Items to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve after tax	-22	12	-8	19	23
Translation effects	28	-114	-44	119	62
Comprehensive income for the period attributable to owners of the parent company	102	13	139	353	474

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	30 Jun 2016	30 Jun 2015	31 Dec 2015
ASSETS				
Property, plant and equipment		1,587	1,743	1,669
Intangible assets		7	10	9
Deferred tax assets		51	49	54
Investments in joint ventures		32	32	30
Interest-bearing receivables		34	33	34
Other non-current receivables	2	0	-	4
Non-current assets		1,712	1,867	1,800
Inventories		864	905	888
Receivables	2	1,354	1,372	1,080
Cash and cash equivalents		361	541	634
Current assets		2,578	2,818	2,601
TOTAL ASSETS		4,290	4,685	4,402
EQUITY AND LIABILITIES				
Share capital		100	100	100
Retained earnings		2,389	2,278	2,399
Equity		2,489	2,378	2,499
Interest-bearing liabilities		565	1,093	804
Provisions and other liabilities	2	210	200	185
Non-current liabilities		775	1,293	989
Interest-bearing liabilities		1	42	0
Other liabilities	2	1,024	972	913
Current liabilities		1,025	1,014	914
TOTAL EQUITY AND LIABILITIES		4,290	4,685	4,402

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	30 Jun 2016	30 Jun 2015	31 Dec 2015
Opening balance as at 1 January	2,499	2,137	2,137
Profit for the period	208	226	379
Items in comprehensive income for the period	-69	127	95
Group comprehensive income for the period	139	353	474
Employee stock option scheme	1	1	1
Dividend	-149	-112	-112
Total transactions with owners, recognised directly in equity	-149	-111	-111
Closing balance	2,489	2,378	2,499

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Apr–Jun 2016	Apr–Jun 2015	Jan–Jun 2016	Jan–Jun 2015	Jan–Dec 2015
Operating profit	154	158	309	313	538
Depreciation and amortisation	49	52	99	103	217
Change in working capital etc.	26	37	-128	-95	100
Income taxes paid	-50	-34	-110	-80	-130
Cash flow from operating activities	178	212	170	240	725
Investments in property, plant, equipment and intangible assets	-21	-37	-35	-66	-134
Divestment of property, plant and equipment	0	0	0	0	5
Other capital transactions	-	-	-	-	4
Cash flow from investing activities	-21	-37	-35	-66	-125
Dividend	-149	-112	-149	-112	-112
Interest paid and received	-2	-4	-6	-9	-15
<i>Change in interest-bearing liabilities</i>	<i>160</i>	<i>98</i>	<i>-239</i>	<i>-185</i>	<i>-517</i>
<i>Change in interest-bearing receivables</i>	<i>-1</i>	<i>2</i>	<i>0</i>	<i>-2</i>	<i>-3</i>
Change in interest-bearing liabilities and receivables	159	100	-239	-186	-520
Cash flow from financing activities	8	-17	-395	-308	-647
Cash flow for the period	165	158	-259	-134	-47
Cash and cash equivalents at beginning of period	195	391	634	644	644
Cash flow for the period	165	158	-259	-134	-47
Exchange rate differences in cash and cash equivalents	1	-8	-13	33	37
Cash and cash equivalents at end of period	361	541	361	541	634

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Apr–Jun 2016	Apr–Jun 2015	Jan–Jun 2016	Jan–Jun 2015	Jan–Dec 2015
Net sales	20	29	44	54	128
Payroll and other operating expenses	-50	-37	-88	-75	-159
Depreciation	-4	-4	-7	-8	-15
Operating profit/loss	-34	-13	-51	-28	-47
Dividends from subsidiaries	-	-	403	-	306
Finance income and costs	-1	-3	-3	-5	-10
Profit/loss after financial items	-35	-16	349	-33	249
Change in accelerated depreciation	-	-	-	-	1
Group contributions	-	-	-	-	15
Income tax	-1	-2	-22	-2	-10
Profit/loss for the period	-35	-17	328	-35	254

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 2016	30 Jun 2015	31 Dec 2015
ASSETS			
Property, plant and equipment	216	233	223
Participations in Group companies	429	423	426
Non-interest-bearing receivables from Group companies	310	289	303
Interest-bearing receivables	34	33	34
Other non-current receivables	0	-	14
Financial assets	773	745	776
Non-current assets	989	978	999
Interest-bearing receivables from Group companies	61	300	159
Non-interest-bearing receivables from Group companies	65	43	28
Other receivables	125	111	78
Cash and cash equivalents	113	0	106
Current assets	363	454	371
TOTAL ASSETS	1,352	1,432	1,371
EQUITY, PROVISIONS AND LIABILITIES			
Restricted equity	100	100	100
Non-restricted equity	528	58	349
Equity	628	158	449
Untaxed reserves	9	10	9
Provisions and other liabilities	26	22	23
Interest-bearing liabilities	565	1,086	804
Non-current liabilities	590	1,109	827
Liabilities to Group companies	-	42	-
Other non-interest-bearing liabilities	125	113	86
Current liabilities	125	156	86
TOTAL EQUITY, PROVISIONS AND LIABILITIES	1,352	1,432	1,371

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) 2015, which is available at www.granges.com. There are no new accounting principles applicable from 2016 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. During 2016 the Parent Company has changed its accounting principle to apply IAS 39, which has resulted in the derivatives being measured at fair value instead of at cost. The change in accounting policy to fair value is deemed to provide more relevant information. The change in accounting policy is applied retrospectively in the Parent company. The change in measuring derivatives from cost to fair value has resulted in an effect on derivative assets of SEK 33 million at 30 June 2016 (SEK 62 million at 30 June 2015, and SEK 40 million at 31 December 2015) and on derivative liabilities of SEK 63 million at 30 June 2016 (SEK 45 million 30 June 2015, and SEK 27 million at 31 December 2015). The Parent Company has a hedging strategy where group internal and group external derivatives are entered into back to back. The change in accounting policy has therefore had a gross up effect on the balance sheet but the effect on profit or loss has been zero and the effect on the opening balance of equity as of 1 January 2016 amounts to zero.

The change in accounting principle for the Parent Company has no impact on Gränges Group's financial statements.

The interim information on pages 2-12 are an integrated part of these financial statements.

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 2016	30 Jun 2015	31 Dec 2015
Other non-current receivables	0	-	4
Receivables	33	70	42
Provisions and other liabilities	5	-	1
Other liabilities	75	51	51

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.

Borrowings are measured at amortised cost and the carrying amount at 30 June 2016 is SEK 565 million (SEK 804 million at 31 December 2015). The fair value of borrowings amounted at 30 June 2016 to SEK 570 million (SEK 810 million at 31 December 2015). For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

NOTE 3 TAX

Gränges has been pre-qualified for a tax rate in China of 15% instead of 25% during the period 2013-2015. Pending the final notice from the tax authorities for the three year period, Gränges has applied the higher tax rate in China and per 30 June 2016 the provision for the tax amounts to SEK 139 million. A final notice from the tax authorities is expected during the second half of 2016. An application for the period 2016-2018 has not been filed yet and a tax rate of 25% is applied for 2016.

NOTE 4 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 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Sales to joint ventures	258	228	485	423	801
Expenses to joint ventures	-6	-14	-18	-15	-47

SEK million	30 Jun 2016	31 Jun 2015	31 Dec 2015
Interest-bearing receivables (non-current) from joint ventures	34	33	34
Non-interest-bearing receivables from joint ventures	213	172	110
Non-interest-bearing liabilities to joint ventures	6	1	7

NOTE 5 ITEMS AFFECTING COMPARABILITY

SEK million	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
M&A costs	-25	-	-25	-	-
Restructuring costs	-	-	-	-	-15
Insurance settlement	-	-	-	-	21
Write-down of machinery and equipment	-	-	-	-	-8
Total items affecting comparability	-25	-	-25	-	-3

During the second quarter 2016 Gränges had costs of SEK -25 million related to acquisition activities in the US.

CONSOLIDATED QUARTERLY DATA

SEK million	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume, ktonnes	46.5	45.1	38.9	38.9	43.4	42.7	37.7	39.3
Income statement								
Net sales	1,442	1,360	1,252	1,281	1,506	1,456	1,217	1,198
Adjusted EBITDA ¹	228	206	168	165	210	206	157	156
Adjusted operating profit ¹	179	155	116	112	158	155	103	106
Operating profit	154	155	128	97	158	155	97	81
Profit for the period	114	94	83	69	115	111	89	55
Adjusted EBITDA margin, %	15.8	15.1	13.4	12.9	13.9	14.2	12.9	13.0
Adjusted operating margin, %	12.4	11.4	9.2	8.8	10.5	10.6	8.4	8.8
Adjusted operating profit per tonne, kSEK	3.9	3.4	3.0	2.9	3.6	3.6	2.7	2.7
Operating margin, %	10.7	11.4	10.2	7.6	10.5	10.6	7.9	6.8
Net margin, %	7.9	6.9	6.7	5.4	7.6	7.6	7.3	4.6
Balance sheet								
Non-current assets	1,712	1,725	1,800	1,849	1,867	1,942	1,829	1,801
Current assets	2,578	2,279	2,601	2,772	2,818	2,796	2,631	2,647
Equity	2,489	2,537	2,499	2,435	2,378	2,478	2,137	1,969
Non-current liabilities	775	593	989	1,262	1,293	1,086	1,071	1,116
Current liabilities	1,025	874	914	925	1,014	1,174	1,253	1,364
Cash flow								
Operating activities	178	-8	184	300	212	28	227	-36
Investing activities	-21	-14	-25	-34	-37	-29	-39	-9
Cash flow before financing activities	157	-22	159	267	175	-1	188	-45
Financing activities	8	-402	-282	-57	-17	-291	-155	-665
Cash flow for the period	165	-424	-123	209	158	-292	33	-710
Capital structure								
Net debt	335	316	275	442	725	775	765	951
Equity to assets, %	58.0	63.3	56.8	52.7	50.8	52.3	47.9	44.3
Data per share, SEK								
Earnings per share basic ²	1.53	1.25	1.12	0.93	1.54	1.49	1.19	0.73
Earnings per share diluted ²	1.52	1.25	1.11	0.93	1.54	1.49	1.19	0.73
Equity ³	33.35	33.98	33.49	32.62	31.86	33.16	28.63	26.38
Cash flow from operating activities ³	2.39	-0.11	2.47	4.02	2.84	0.38	3.04	-0.49
Share price at the end of the period	73.00	70.50	70.00	54.25	59.00	69.25	51.00	-
Weighted outstanding ordinary shares, basic in thousands	74,639.4	74,639.4	74,639.4	74,639.4	74,639.4	74,639.4	74,639.4	74,639.4
Weighted outstanding ordinary shares, diluted in thousands	74,767.3	74,764.6	74,719.4	74,657.3	74,754.3	74,744.8	74,639.4	74,639.4

¹ Adjusted for items affecting comparability, see note 5.

² Previous periods have been restated according to the current number of outstanding shares.

³ Calculated on weighted outstanding ordinary shares, basic.

CONSOLIDATED QUARTERLY DATA

SEK million	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume by region, ktonnes								
Asia	20.4	20.8	17.5	17.6	19.6	20.7	18.8	19.1
Europe	16.9	16.6	15.4	14.9	16.4	16.0	13.6	14.0
Americas	9.2	7.8	6.0	6.5	7.4	5.9	5.2	6.2
Total	46.5	45.1	38.9	38.9	43.4	42.7	37.7	39.3
Net sales by region								
Asia	639	646	569	605	720	742	634	594
Europe	498	473	477	470	526	506	410	416
Americas	306	241	206	206	260	208	173	188
Total	1,442	1,360	1,252	1,281	1,506	1,456	1,217	1,198
Employees								
Average number of employees	961	962	949	975	975	958	955	955

CONSOLIDATED 12-MONTH ROLLING DATA

SEK million	Jul 2015 - Jun 2016	Apr 2015 - Mar 2016	Jan 2015 - Dec 2015	Oct 2014 - Sep 2015	Jul 2014 - Jun 2015	Apr 2014 - Mar 2015	Jan 2014 - Dec 2014	Oct 2013 - Sep 2014
Sales volume, ktonnes	169.4	166.4	163.9	162.7	163.0	161.4	160.0	160.0
Income statement								
Net sales	5,335	5,398	5,494	5,460	5,377	5,047	4,748	4,596
Adjusted EBITDA ¹	768	749	749	738	728	697	664	639
Adjusted operating profit ¹	563	541	541	528	521	494	463	444
Operating profit	535	539	538	507	491	457	422	555
Adjusted EBITDA margin, %	14.4	13.9	13.6	13.5	13.5	13.8	14.0	13.9
Adjusted operating margin, %	10.6	10.0	9.8	9.7	9.7	9.8	9.7	9.7
Adjusted operating profit per tonne, kSEK	3.3	3.3	3.3	3.2	3.2	3.1	2.9	2.8
Operating margin, %	10.0	10.0	9.8	9.3	9.1	9.1	8.9	12.1
Capital structure and return indicators								
Capital employed	2,886	2,972	2,982	3,011	2,977	2,893	2,837	2,864
Return on capital employed, %	19.5	18.2	18.1	17.5	17.5	17.1	16.3	15.5
Equity	2,468	2,465	2,385	2,279	2,476	2,631	2,755	2,910
Return on equity, %	14.6	14.6	15.9	16.9	14.9	13.1	11.6	13.5
Net debt / Adjusted EBITDA	0.4	0.4	0.4	0.6	1.0	1.1	1.2	1.5

¹ Adjusted for items affecting comparability, see note 5.

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 dividend, 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.

SEK million	Q2		Jan - Jun		12 month rolling	Full year
	2016	2015	2016	2015	Jul 2015 - Jun 2016	2015
Adjusted operating profit						
Operating profit	154	158	309	313	535	538
Items affecting comparability	25	-	25	-	28	3
Adjusted operating profit	179	158	335	313	563	541
Adjusted EBITDA						
Adjusted operating profit	179	158	335	313	563	541
Depreciation and amortisation	49	52	99	103	205	208
Adjusted EBITDA	228	210	434	416	768	749
Return on capital employed						
Total assets less cash and cash equivalents and interest-bearing receivables	-	-	-	-	3,872	3,957
Non-interest bearing liabilities, excluding pensions	-	-	-	-	-985	-976
Capital employed	-	-	-	-	2,886	2,982
Adjusted operating profit	-	-	-	-	563	541
Return on capital employed, %	-	-	-	-	19.5	18.1
Net debt						
Cash and cash equivalents and interest-bearing receivables	-	-	-395	-574	-395 ¹	-667
Interest bearing liabilities, including pensions	-	-	729	1,299	729 ¹	942
Net debt	-	-	335	725	335¹	275
Equity to assets						
Equity	-	-	2,489	2,378	2,489 ¹	2,499
Total assets	-	-	4,290	4,685	4,290 ¹	4,402
Equity to assets, %	-	-	58.0	50.8	58.0¹	56.8

¹ Balances at 30 June 2016.

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. Historical share date has been recalculated and based on the present number of shares to increase comparability.

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&R

Heating, Ventilation, Air Conditioning and Refrigeration.

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 leading global supplier of rolled products for brazed aluminium heat exchangers. The company develops, produces and markets advanced materials that enhance efficiency in the customer manufacturing process and the performance of the final products; brazed heat exchangers. The company's geographical markets are Europe, Asia and the Americas. Its production facilities are located in Finspång, Sweden, and Shanghai, China, and have a combined annual capacity of 220,000 metric tonnes. Gränges has some 950 employees and net sales in 2015 totalled SEK 5,494 million. The share has been listed on Nasdaq Stockholm since October 2014. More information on Gränges is available at www.granges.com.

BUSINESS CONCEPT

Gränges' vision is to help create smaller, lighter and more designable heat exchangers to increase economic efficiency and reduce environmental impact.

BUSINESS MODEL

Gränges' business model is based on long-term customer commitments where the company supports customers with product development, service and technical support during the entire lifecycle for a heat exchanger model. Revenue is generated through the sale of finished products. Prices are expressed per metric tonne and based on the added value Gränges offers in terms of material properties and product complexity as well as the price of the raw material, aluminium.

STRATEGIES

Granges' strategy is to be a global niche player in the market for rolled products for brazed aluminium heat exchangers. By focusing on this niche and a global offering of customised products with a high technology content, Gränges aims to strengthen its leading position and continue to grow with good profitability. The strategy is based on a strong customer focus, leading technology and high level of production expertise.