

INTERIM REPORT JANUARY-MARCH 2017

Strong sales and operating profit in the first quarter

First quarter 2017

- Sales volume increased to 94.8 ktonnes (45.1) and net sales was SEK 2,892 million (1,360). Excluding the acquired business in the US, sales volume increased by 7.0%.
- Adjusted operating profit increased by 52.7% to SEK 237 million (155), corresponding to an adjusted operating margin of 8.2% (11.4). Excluding the acquired business, adjusted operating profit rose 10.6% to SEK 172 million.
- Operating profit rose to SEK 237 million (155).
- Profit for the period increased to SEK 157 million (94).
- Diluted earnings per share rose to SEK 2.08 (1.25).
- Cash flow before financing activities increased to SEK 75 million (-22).
- Net debt amounted to SEK 2,665 million at 31 March 2017, corresponding to 2.1 times adjusted EBITDA¹.

Financial summary

SEK million	Q1			12 month rolling	Full year	
	2017	2016	Δ	Apr 2016- Mar 2017	2016	Δ
Sales volume, ktonnes	94.8	45.1	110.0%	288.8	239.1	20.8%
Net sales	2,892	1,360	112.7%	8,740	7,207	21.3%
Adjusted operating profit ²	237	155	52.7%	769	687	11.9%
Adjusted operating margin, %	8.2	11.4	-3.2 ppt	8.8	9.5	-0.7 ppt
Adjusted operating profit per tonne, kSEK	2.5	3.4	-0.9	2.7	2.9	-0.2
Operating profit	237	155	52.7%	641	559	14.7%
Operating margin, %	8.2	11.4	-3.2 ppt	7.3	7.8	-0.4 ppt
Profit for the period	157	94	67.7%	561	498	12.7%
Earnings per share basic, SEK	2.09	1.25	0.83	7.50	6.66	0.83
Earnings per share diluted, SEK	2.08	1.25	0.83	7.48	6.64	0.83
Cash flow before financing activities	75	-22	n/a	-1,950	-2,046	4.7%
Equity to assets, %	39.7	63.3	-23.6 ppt	39.7 ³	37.0	2.7 ppt
Net debt	2,665	316	2,349	2,665 ³	2,722	-57
Return on capital employed, %	-	-	-	17.0	17.5	-0.5 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 31 March 2017.

COMMENTS BY THE CEO

Continued good development in all our regions during first quarter

HIGHER SALES AND PROFIT

During the first quarter, sales volumes rose to 94.8 ktonnes (45.1), mainly due to a strong development in Asia and the Americas. Excluding the acquired operations in the US, sales volume rose by 7.0%. Adjusted operating profit increased to SEK 237 million (155). Excluding the acquired operations, operating profit rose by 11%.

GOOD DEMAND IN ASIA

We have continued to see very good demand in Asia during the first months of the year. In the first quarter sales volume increased by 9.1%. This is explained by a strong development in China driven by increased demand from both local and global customers. The tax rebate on smaller vehicles, which was reduced this year, has continued to have a positive effect. Sales to commercial vehicles have also increased as a result of a strong market in the wake of the stricter loading rules introduced in the end of 2016. In Europe, sales volume of heat exchanger materials increased by 5.8% in the first quarter, while sales volume of non-core industrial products were lower. In the Americas, demand continues to be strong. For the business acquired last year, sales volumes increased by 2.7% during the quarter due to higher sales to stationary exchangers. Sales of heat exchanger materials to the automotive industry rose by 13.3% in the first quarter compared with the previous year.

STRENGTHENING THE ORGANIZATION WITHIN RESEARCH AND INNOVATION

We are now taking the next step in the strategy work and increasing focus on research and innovation. As a result, Kent Schölin, current President Europe, will assume the role SVP Research & Innovation. This means that we strengthen this function at management level to best utilize the deep technical skills we possess, both in terms of current markets and customers, but also to better utilize opportunities in adjacent areas.

OUTLOOK

The market for heat exchanger materials to the automotive industry is expected to continue to grow in 2017. According to IHS, production of light vehicles is expected to grow by 2% throughout the year. For the second quarter, an increase of 3% is expected.

Gränges expects a better growth rate than the market in the Americas during second quarter, while we foresee a growth in line with or slightly lower than the market in Asia. In Europe we expect less decrease than the market. Expectations according to IHS are that Asia will grow by 9% and the Americas by 1%. In Europe, a decline of 5% is anticipated in second quarter. For the recently acquired business in the US, sales volume is expected to be in line with the second quarter last year.

During 2017, we will continue to work according to our strategic plan. It 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. We are optimistic about 2017 and are determined to continue to grow with sustainable profitability in the coming years.

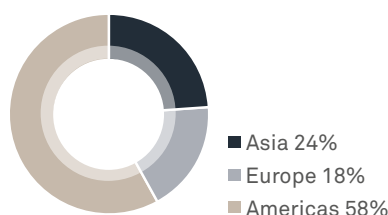
Johan Menckel
CEO Gränges



First quarter 2017

- Sales volume **94.8** ktonnes
- Net sales SEK **2,892** million
- Adjusted operating profit SEK **237** million

Sales volume per region



Excluding the acquired business, sales volume increased by 7.0% in the first quarter driven by sales in Asia and the Americas

MARKET DEVELOPMENT

According to the international research firm IHS, global light vehicle production increased by 4.2% in the first quarter of 2017¹, compared to the corresponding quarter 2016. In Asia, light vehicle production increased by 3.1% during the first quarter, with a growth of 2.9% in China. In the second quarter of 2017, a growth of 8.9% is expected in Asia. In Europe, light vehicle production increased by 6.6% in the first quarter, while a decrease of 4.6% is expected for the second quarter of 2017. Light vehicle production in the Americas increased by 2.8% in the first quarter, whereas a growth of 0.8% is anticipated in the second 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 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.

Regarding Gränges newly acquired operations in the US, materials for stationary heat exchangers represents about half of the total sales volume. The growth of this market is to a large extent correlated with the development of the US economy as a whole. Further, product development is driven by needs for more energy efficient devices and use of less harmful refrigerants.

SALES DEVELOPMENT

The sales volume in the first quarter of 2017 was 94.8 ktonnes (45.1), an increase of 110.0% compared to the same quarter previous year. Excluding the acquired business, sales volume increased by 7.0% to 48.3 ktonnes (45.1). Net sales increased to SEK 2,892 million (1,360) and was SEK 1,633 million (1,360) excluding acquired net sales. The net effect from changes in foreign exchange rates was positive with SEK 44 million in the quarter.

Higher sales volume and the effect from the increased aluminium price was partly offset by lower average conversion price.

ASIA

In the first quarter of 2017, sales volume in Asia increased by 9.1% to 22.7 ktonnes (20.8). The growth was primarily driven by sales to Chinese automotive customers.

EUROPE

In the first quarter of 2017, sales volume in Europe increased by 1.6% to 16.9 ktonnes (16.6). Sales of heat exchanger material increased while sales of material for non-heat exchanger applications decreased during the quarter.

AMERICAS

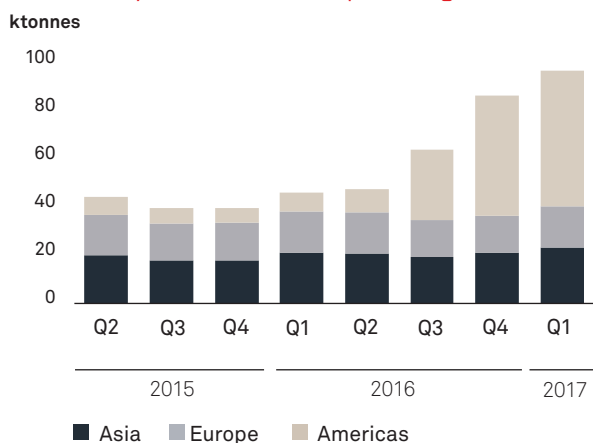
In the first quarter of 2017, sales volume in the Americas increased to 55.3 ktonnes (7.8) of which 46.5 ktonnes comes from the acquired business. The US facilities are operating close to maximum capacity. Excluding the acquired business, sales volume increased by 13.3% to 8.8 ktonnes (7.8) due to higher contracted volumes with several customers.

OPERATING PROFIT

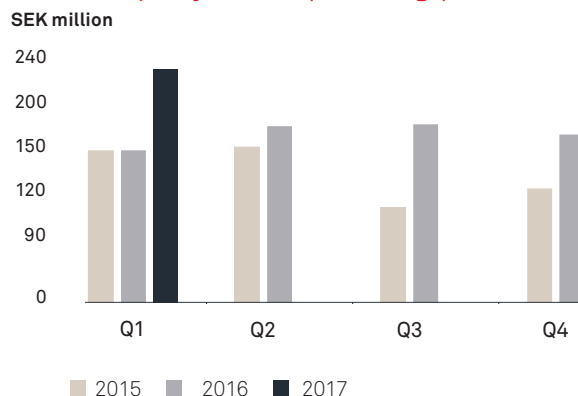
Adjusted operating profit for the first quarter of 2017 increased to SEK 237 million (155), corresponding to an adjusted operating margin of 8.2% (11.4). Excluding the acquired business, adjusted operating profit increased by 10.6% to SEK 172 million (155). Net changes in foreign exchange rates had a 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 first quarter of 2017 rose to SEK 237 million (155). No items affecting comparability were recorded in the first quarter of 2017 or in the corresponding quarter last year.

Quarterly sales volume per region



Quarterly adjusted operating profit



¹ Source: IHS, 16 March 2017.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

During the first quarter finance income and costs was SEK –29 million (–4) and includes interest expenses of SEK –31 million, interest income of SEK 1 million and foreign exchange effects of SEK 1 million. Profit before tax was SEK 209 million (152). Income tax for the first quarter of 2017 amounted to SEK –52 million (–58), which corresponds to an effective tax rate of 25%. Income tax in the first quarter of last year includes a withholding tax of SEK –20 million on a dividend paid to Gränges AB from the Chinese subsidiary. Excluding the withholding tax the effective tax rate was 25% in the first quarter of 2016.

The profit for the period increased to SEK 157 million (94) during the first quarter of 2017. Diluted earnings per share rose to SEK 2.08 (1.25).

CASH FLOW

Cash flow from operating activities was SEK 120 million (–8) in the first quarter of 2017 and was negatively impacted by increased working capital. The increase in working capital in the quarter was driven by the increased aluminium price as well as a seasonal build-up of inventories and receivables.

Cash flow from investing activities for the first quarter of 2017 was SEK –45 million (–14) and was mainly related to investments to maintain and improve efficiency in current production facilities. Cash flow before financing activities amounted to SEK 75 million (–22) in the first quarter of 2017.

Cash flow from financing activities for the first quarter of 2017 was SEK –464 million (–402) and includes new loans of SEK 57 million and amortisation of loans of SEK –471 million.

Cash and cash equivalents amounted to SEK 458 million at 31 March 2017 (SEK 851 million at 31 December 2016).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 7,790 million at 31 March 2017 (SEK 7,950 million at 31 December 2016). The equity to assets ratio was 39.7% at 31 March 2017 (37.0% at 31 December 2016). Consolidated net debt including pension liabilities was SEK 2,665 million at 31 March 2017 (SEK 2,722 million at 31 December 2016). At 31 March 2017, the Group's net debt corresponds to 2.1 times adjusted EBITDA¹.

EMPLOYEES

The average number of employees in the Gränges Group was 1,564 (962) in the first quarter of 2017.

PARENT COMPANY

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and Group functions such as Research and Innovation, finance, treasury, legal and communications. For the first quarter 2017, net sales in the parent company was SEK 31 million (24) and the profit for the period was SEK –24 million (363). 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

Gränges has published its Annual Report, including a sustainability report according to GRI's guidelines, on 14 March, 2017. The Annual Report is available for downloading on granges.com.

SIGNIFICANT EVENTS AFTER THE PERIOD

Changes in Gränges Group Management

Kent Schölin has been appointed Senior Vice President Research & Innovation for Gränges as of 1 May, 2017. Jörgen Abrahamsson, Vice President Production in Gränges Europe, will take on the position as acting President Europe and temporarily be a member of the Gränges Group management team.

The share

From October 2016, it has been possible to exercise options in the employee stock option programme LTI 2014, which is designed for senior executives and other key employees in Gränges. The exercise price is SEK 51 less paid dividend over the period. In April 2017, 20,000 options have been exercised. The share capital in Gränges then amounts to SEK 101 million split on 75,175,386 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 464,000. The option programme expires in November 2017.

OWNERSHIP STRUCTURE

Largest shareholders in Gränges at 31 March 2017¹.

Shareholder	Number of shares	Share of capital and votes %
Fjärde AP-fonden	7,373,931	9.8
AFA Försäkring	4,409,960	5.9
JP Morgan Asset Management	3,234,384	4.3
SEB Fonder	2,867,745	3.8
Copper Rock Capital Partners	2,227,526	3.0
Allianz Global Investors	2,112,501	2.8
Catella Fonder	1,604,951	2.1
Acadian Asset Management	1,261,569	1.7
Dimensional Fund Advisors	1,237,000	1.6
Fidelity	1,070,478	1.4
Total 10 largest shareholders	27,400,045	36.5
Other	47,755,341	63.5
Total	75,155,386	100.0

¹ Source: Modular Finance Holdings.

The number of shareholders in Gränges was 10,223 at 31 March 2017, according to Euroclear.

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.

OTHER

Annual General Meeting 2017

The Annual General Meeting (AGM) 2017 for Gränges AB (publ.) will be held in Näringslivets Hus, Storgatan 19, in Stockholm, on Thursday, May 4 2017 at 4pm. Light refreshments will be served from 3pm when registration begins.

The Nomination Committee for Gränges' AGM 2017 proposes re-election of Anders G. Carlberg, Carina Andersson, Peter Carlsson, Katarina Lindström, Hans Porat and Ragnhild Wiborg. Terje Andersen has declined re-election. Furthermore, the Nomination Committee proposes re-election of Anders G. Carlberg as Chairman of the Board.

More information of the Annual General Meeting 2017 is available at the company's webpage granges.com

Dividend

The Gränges Board of Directors proposes a dividend of SEK 180 million (149), amounting to SEK 2.40 (2.00) per share for 2016. The proposed dividend constitutes 36% (39%) of profit for the year in 2016. The Board's proposal reflects the company's financial position, cash flow and outlook, and the company's growth plans. The Board proposes Monday 8 May 2017 as the record date for the dividend. This means that the dividend, subject to the approval of the AGM, is expected to be disbursed on Thursday, 11 May 2017.

RISKS AND UNCERTAINTY FACTORS

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

SEASONAL VARIATIONS

Gränges' business is 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.

Stockholm, 27 April 2017

Johan Menckel
CEO, Gränges

This interim report has not been reviewed by the auditors of the company.

For additional information, please contact:

Pernilla Grennfelt
SVP Communications and Investor Relations
pernilla.grennfelt@granges.com
Telephone +46 (0) 702 90 99 55

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 27 April 2017 at 07.30 CET.

Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' interim report for January-March 2017 at a webcasted conference call at CET 10.00, Thursday 27 April, 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

4 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	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Net sales	3	2,892	1,360	7,207
Cost of materials		-1,856	-813	-4,374
Payroll and other operating expenses		-697	-341	-1,882
Depreciation and amortisation		-102	-50	-265
Items affecting comparability		-	-	-128
Operating profit		237	155	559
Profit from joint ventures		1	0	2
Finance income and costs		-29	-4	-61
Profit before tax		209	152	500
Income tax		-52	-58	-2
Profit for the period		157	94	498
Earnings per share				
Earnings per share basic, SEK		2.09	1.25	6.66
Earnings per share diluted, SEK		2.08	1.25	6.64

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Profit for the period	157	94	498
Items not to be reclassified to profit/loss in subsequent periods			
Remeasurement of pensions after tax	10	-	16
Items to be reclassified to profit/loss in subsequent periods			
Change in hedging reserve after tax	15	14	-26
Translation effects	-29	-71	69
Comprehensive income for the period attributable to owners of the parent company	154	37	557

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS				
Property, plant and equipment		3,239	1,601	3,347
Intangible assets		589	8	584
Deferred tax assets		63	49	64
Investments in joint ventures		31	30	30
Interest-bearing receivables		36	33	36
Other non-current receivables	2	11	6	10
Non-current assets		3,969	1,725	4,071
Inventories		1,601	855	1,428
Receivables	2	1,762	1,229	1,598
Interest-bearing receivables	2	0	0	2
Cash and cash equivalents		458	195	851
Current assets		3,822	2,279	3,878
TOTAL ASSETS		7,790	4,004	7,950
EQUITY AND LIABILITIES				
Share capital		101	100	101
Retained earnings		2,995	2,437	2,841
Equity		3,096	2,537	2,942
Interest-bearing liabilities		2,392	404	2,888
Provisions and other liabilities	2	320	189	321
Non-current liabilities		2,712	593	3,209
Interest-bearing liabilities		485	0	436
Other liabilities	2	1,498	874	1,363
Current liabilities		1,983	874	1,799
TOTAL EQUITY AND LIABILITIES		7,790	4,004	7,950

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	31 Mar 2017	31 Mar 2016	31 Dec 2016
Opening balance as at 1 January	2,942	2,499	2,499
Profit for the period	157	94	498
Items in other comprehensive income for the period	-3	-57	59
Group comprehensive income for the period	154	37	557
Employee stock option scheme	-	0	1
Dividend	-	-	-149
Rights issue	-	-	34
Total transactions with owners, recognised directly in equity	-	0	-115
Closing balance	3,096	2,537	2,942

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Operating profit	237	155	559
Depreciation and amortisation	102	50	265
Change in working capital etc.	-185	-154	43
Income taxes paid	-35	-60	-181
Cash flow from operating activities	120	-8	686
Acquisitions	4	-	-2,581
Investments in property, plant, equipment and intangible assets	-45	-14	-155
Divestment of property, plant and equipment	-	-	0
Other capital transactions	-	-	4
Cash flow from investing activities	-45	-14	-2,732
Dividend	-	-	-149
Rights issue	-	-	34
Interest paid and received	-51	-4	-35
New loan	57	-	3,620
Amortisation	-471	-398	-1,224
Cash flow from financing activities	-464	-402	2,245
Cash flow for the period	-389	-424	198
Cash and cash equivalents at beginning of period	851	634	634
Cash flow for the period	-389	-424	198
Exchange rate differences in cash and cash equivalents	-4	-14	19
Cash and cash equivalents at end of period	458	195	851

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Net sales	31	24	119
Payroll and other operating expenses	-54	-38	-178
Depreciation and amortisation	-7	-4	-18
Operating profit/loss	-30	-17	-77
Dividends from subsidiaries	-	403	757
Finance income and costs	7	-2	-6
Profit/loss after financial items	-24	384	674
Change in accelerated depreciation	-	-	-46
Group contributions	-	-	132
Income tax	-1	-21	-42
Profit/loss for the period	-24	363	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	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS			
Property, plant and equipment	213	220	214
Intangible assets	167	–	170
Investments related to Group companies	1,093	427	1,093
Receivables from Group companies	2,301	308	2,204
Interest-bearing receivables	36	33	36
Other non-current receivables	11	4	11
Non-current assets	3,822	771	3,728
Receivables from Group companies	22	201	573
Other receivables	102	113	73
Cash and cash equivalents	56	43	182
Current assets	180	356	828
TOTAL ASSETS	4,002	1,347	4,557
EQUITY, PROVISIONS AND LIABILITIES			
Restricted equity	106	100	106
Non-restricted equity	923	712	946
Equity	1,029	812	1,052
Untaxed reserves	55	9	55
Provisions and other liabilities	22	22	22
Interest-bearing liabilities	2,392	404	2,888
Other non-current liabilities	2	0	5
Non-current liabilities	2,416	426	2,915
Interest-bearing liabilities	369	15	375
Other liabilities	135	84	161
Current liabilities	503	99	536
TOTAL EQUITY, PROVISIONS AND LIABILITIES	4,002	1,347	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 2–11 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	31 Mar 2017	31 Mar 2016	31 Dec 2016
Other non-current receivables	2	6	1
Receivables	36	49	31
Provisions and other liabilities	3	0	8
Other liabilities	90	35	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 210 million and SEK term loans of SEK 800 million. The USD term loan 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. At 31 March 2017, the revolving credit facility was undrawn. Other debt, which was short term, amounted to SEK 217 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 31 March 2017 is SEK 2,877 million (SEK 3,321 million at 31 December 2016). The fair value of borrowings amounted at 31 March 2017 to SEK 2,892 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	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Sales to joint ventures	296	227	961
Other income and expenses to joint ventures	1	-12	-53

SEK million	31 Mar 2017	31 Mar 2016	31 Dec 2016
Interest-bearing receivables (non-current) from joint ventures	36	33	36
Non-interest-bearing receivables from joint ventures	238	199	179
Non-interest-bearing liabilities to joint ventures	1	4	4

NOTE 4 ACQUISITION

On August 22, 2016 Gränges successfully completed the acquisition of Noranda Aluminum Holding Corporation's downstream aluminium rolling business in the US. The acquisition delivers on Gränges goal to be a global supplier with a more balanced footprint by firmly establishing the company in North America and as US market leader in the strategic stationary heat exchanger market. In addition, the acquisition expands Gränges' offering into attractive adjacent aluminium rolled product areas. Through the transaction, Gränges will more than double its sales volume and the significantly strengthened business creates very good opportunities for continued profitable growth.

The transaction is an asset deal conducted by Gränges Americas Inc, a wholly owned subsidiary to Gränges AB. The acquired business is consolidated from 22 August, 2016. The preliminary acquisition balance is presented below.

Preliminary purchase price allocation	USD million	SEK million
Property, plant and equipment	197	1,673
Intangible assets	23	196
Other non-current receivables	2	14
Inventories	52	437
Receivables	40	337
Provision and other liabilities	-18	-155
Other liabilities	-30	-253
Net identifiable assets and liabilities	265	2,250
Goodwill	39	331
Cash consideration	305	2,581
Cash consideration paid for acquisition	-305	-2,581
Cash and Cash equivalents in acquired operation	-	-
Effect on the Group's cash and cash equivalents	-305	-2,581

There has been no change in the preliminary purchase price allocation in the first quarter 2017 compared to the fourth quarter 2016.

Goodwill is mainly justified by market access into Americas and synergies from shared distribution in North America for the Gränges group companies.

CONSOLIDATED QUARTERLY DATA

SEK million	2017		2016			2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume, ktonnes	94.8	84.7	62.8	46.5	45.1	38.9	38.9	43.4
Income statement								
Net sales	2,892	2,546	1,859	1,442	1,360	1,252	1,281	1,506
Adjusted EBITDA ¹	339	267	251	228	206	168	165	210
Adjusted operating profit ¹	237	171	181	179	155	116	112	158
Operating profit	237	162	88	154	155	128	97	158
Profit for the period	157	101	189	114	94	83	69	115
Adjusted EBITDA margin, %	11.7	10.5	13.5	15.8	15.1	13.4	12.9	13.9
Adjusted operating margin, %	8.2	6.7	9.7	12.4	11.4	9.2	8.8	10.5
Adjusted operating profit per tonne, kSEK	2.5	2.0	2.9	3.9	3.4	3.0	2.9	3.6
Operating margin, %	8.2	6.4	4.7	10.7	11.4	10.2	7.6	10.5
Net margin, %	5.4	4.0	10.2	7.9	6.9	6.7	5.4	7.6
Balance sheet								
Non-current assets	3,969	4,071	3,951	1,712	1,725	1,800	1,849	1,867
Current assets	3,822	3,878	3,631	2,578	2,279	2,601	2,772	2,818
Equity	3,096	2,942	2,712	2,489	2,537	2,499	2,435	2,378
Non-current liabilities	2,712	3,209	3,370	775	593	989	1,262	1,293
Current liabilities	1,983	1,799	1,500	1,025	874	914	925	1,014
Cash flow								
Operating activities	120	171	344	178	-8	184	300	212
Investing activities	-45	-68	-2,629	-21	-14	-25	-34	-37
Cash flow before financing activities	75	104	-2,285	157	-22	159	267	175
Financing activities	-464	-21	2,660	8	-402	-282	-57	-17
Cash flow for the period	-389	83	375	165	-424	-123	209	158
Capital structure								
Net debt	2,665	2,722	2,823	335	316	275	442	725
Equity to assets, %	39.7	37.0	35.8	58.0	63.3	56.8	52.7	50.8
Data per share, SEK								
Earnings per share basic	2.09	1.35	2.53	1.53	1.25	1.12	0.93	1.54
Earnings per share diluted	2.08	1.35	2.52	1.52	1.25	1.11	0.93	1.54
Equity ²	41.10	39.17	36.21	33.29	33.93	33.45	32.62	31.81
Cash flow from operating activities ²	1.60	2.28	4.51	2.38	-0.10	2.46	4.02	2.84
Share price at the end of the period	82.00	86.00	87.50	73.00	70.50	70.00	54.25	59.00
Weighted outstanding ordinary shares, basic in thousands	75,155.4	74,897.4	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	75,320.6	75,106.6	74,898.5	74,767.3	74,764.6	74,719.4	74,657.3	74,754.3

¹ Adjusted for items affecting comparability.

² Calculated on weighted outstanding ordinary shares, diluted.

CONSOLIDATED QUARTERLY DATA

SEK million	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales volume by region, ktonnes								
Asia	22.7	20.7	19.0	20.4	20.8	17.5	17.6	19.6
Europe	16.9	15.2	15.0	16.9	16.6	15.4	14.9	16.4
Americas	55.3	48.8	28.9	9.2	7.8	6.0	6.5	7.4
Total	94.8	84.7	62.8	46.5	45.1	38.9	38.9	43.4
Net sales by region								
Asia	767	719	619	639	646	569	605	720
Europe	545	497	465	498	473	477	470	526
Americas	1,580	1,330	775	306	241	206	206	260
Total	2,892	2,546	1,859	1,442	1,360	1,252	1,281	1,506
Employees								
Average number of employees	1,564	1,545	1,145	961	962	949	975	975

CONSOLIDATED 12-MONTH ROLLING DATA

SEK million	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	Jul 2014 - Jun 2015
Sales volume, ktonnes	288.8	239.1	193.4	169.4	166.4	163.9	162.7	163.0
Income statement								
Net sales	8,740	7,207	5,913	5,335	5,398	5,494	5,460	5,377
Adjusted EBITDA ¹	1,085	952	853	768	749	749	738	728
Adjusted operating profit ¹	769	687	632	563	541	541	528	521
Operating profit	641	559	525	535	539	538	507	491
Adjusted EBITDA margin, %	12.4	13.2	14.4	14.4	13.9	13.6	13.5	13.5
Adjusted operating margin, %	8.8	9.5	10.7	10.6	10.0	9.8	9.7	9.7
Adjusted operating profit per tonne, kSEK	2.7	2.9	3.3	3.3	3.3	3.3	3.2	3.2
Operating margin, %	7.3	7.8	8.9	10.0	10.0	9.8	9.3	9.1
Capital structure and return indicators								
Capital employed	4,527	3,930	3,372	2,886	2,972	2,982	3,011	2,977
Return on capital employed, %	17.0	17.5	18.7	19.5	18.2	18.1	17.5	17.5
Equity	2,755	2,636	2,534	2,468	2,465	2,385	2,279	2,476
Return on equity, %	20.4	18.9	18.9	14.6	14.6	15.9	16.9	14.9
Net debt / Adjusted EBITDA	2.1 ²	2.1 ²	2.2 ²	0.4	0.4	0.4	0.6	1.0

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 15.

SEK million	Q1		12 month rolling	Full year
	2017	2016	Apr 2016- Mar 2017	2016
Adjusted operating profit				
Operating profit	237	155	641	559
Items affecting comparability	-	-	128	128
Adjusted operating profit	237	155	769	687
Adjusted EBITDA				
Adjusted operating profit	237	155	769	687
Depreciation and amortisation	102	50	317	265
Adjusted EBITDA	339	206	1,085	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	-	-	1,085	952
Estimated Adjusted EBITDA for the acquired business in the US as if part of the Gränges group 1 January-21 August 2016	-	-	209	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	-	-	1,294	1,274
Return on capital employed				
Total assets less cash and cash equivalents and interest-bearing receivables	-	-	5,766	5,054
Non-interest-bearing liabilities	-	-	-1,479	-1,335
Pensions	-	-	241	212
Capital employed	-	-	4,527	3,930
Adjusted operating profit	-	-	769	687
Return on capital employed, %	-	-	17.0	17.5
Net debt				
Cash and cash equivalents and interest-bearing receivables	-494	-228	-494 ¹	-889
Interest bearing liabilities	2,877	404	2,877 ¹	3,324
Pensions	282	139	282 ¹	288
Net debt	2,665	316	2,665¹	2,722
Equity to assets				
Equity	3,096	2,537	3,096 ¹	2,942
Total assets	7,790	4,004	7,790 ¹	7,950
Equity to assets, %	39.7	63.3	39.7¹	37.0

¹ Balances at 31 March 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.



Head office

Gränges AB (publ)
Box 5505
SE-114 85 Stockholm
Sweden

Visiting address

Humlegårdsgatan 19A
114 46 Stockholm

Tel: +46 8 459 59 00
www.granges.com
Reg. no. 556001-6122

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 1,500 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 R&D, 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.