

INTERIM REPORT JANUARY-SEPTEMBER 2017

Strong demand in the third quarter - investing in future growth

Third quarter 2017

- Sales volume increased to 93.0 ktonnes (62.8). Organic growth was 4.8 per cent. Net sales were SEK 2,728 million (1,859). Sales volume for the business acquired in 2016 increased to 48.9 ktonnes (21.8).¹
- Adjusted operating profit increased by 25.1 per cent to SEK 227 million (181), which corresponds to an adjusted operating margin of 8.3 per cent (9.7). The business acquired in 2016 is included with SEK 70 million (50).
- Profit for the period decreased to SEK 151 million (189). Third quarter last year includes a release of a tax provision of SEK 139 million.
- Diluted earnings per share decreased to SEK 2.00 (2.52).
- Cash flow before financing activities increased to SEK 148 million (-2,285).

January-September 2017

- Sales volume increased to 286.5 ktonnes (154.4). Organic growth was 5.9 per cent. Net sales were SEK 8,701 million (4,662). Sales volume for the business acquired in 2016 increased to 144.7 ktonnes (21.8).¹
- Adjusted operating profit increased by 46.1 per cent to SEK 754 million (516), corresponding to an adjusted operating margin of 8.7 per cent (11.1). The business acquired in 2016 is included with SEK 232 million (50).
- Profit for the period increased to SEK 500 million (397).
- Diluted earnings per share rose to SEK 6.62 (5.30).
- Cash flow before financing activities increased to SEK 530 million (-2,150).
- Net debt decreased to SEK 2,280 million at 30 September 2017 (SEK 2,722 million at 31 December 2016), corresponding to 1.7 times adjusted EBITDA (2.1 times at 31 December 2016).

Financial summary

SEK million	Q3			Jan - Sep			12 months rolling	Full year	
	2017	2016	Δ	2017	2016	Δ	Oct 2016- Sep 2017	2016	Δ
Sales volume, ktonnes	93.0	62.8	48.0%	286.5	154.4	85.5%	371.2	239.1	55.2%
Net sales	2,728	1,859	46.7%	8,701	4,662	86.7%	11,247	7,207	56.1%
Adjusted operating profit ²	227	181	25.1%	754	516	46.1%	925	687	34.6%
Adjusted operating margin, %	8.3	9.7	-1.4 ppt	8.7	11.1	-2.4 ppt	8.2	9.5	-1.3 ppt
Adjusted operating profit per tonne, kSEK	2.4	2.9	-0.4	2.6	3.3	-0.7	2.5	2.9	-0.4
Operating profit	227	88	158.5%	754	397	89.9%	916	559	63.8%
Operating margin, %	8.3	4.7	3.6 ppt	8.7	8.5	0.1 ppt	8.1	7.8	0.4 ppt
Profit for the period	151	189	-20.2%	500	397	26.0%	601	498	20.7%
Earnings per share basic, SEK	2.00	2.53	-0.53	6.63	5.31	1.32	7.99	6.66	1.32
Earnings per share diluted, SEK	2.00	2.52	-0.53	6.62	5.30	1.32	7.96	6.64	1.32
Cash flow before financing activities	148	-2,285	n/a	530	-2,150	n/a	634	-2,046	n/a
Equity to assets, %	-	-	-	40.3	35.8	4.5 ppt	40.3 ³	37.0	3.3 ppt
Net debt	-	-	-	2,280	2,823	-543	2,280 ³	2,722	-442
Return on capital employed, %	-	-	-	-	-	-	16.6	17.5	-0.9 ppt

¹ The acquired business has been consolidated into Gränges accounts as from 22 August 2016.

² Adjusted for items affecting comparability.

³ Balances per 30 September 2017.

COMMENTS BY THE CEO

Several important steps taken in our strategic growth plan during third quarter

STRONG DEMAND ACROSS REGIONS

We have seen continued strong demand in all regions in the third quarter. Sales volume increased by 48 per cent to 93 ktonnes and the adjusted operating profit improved to SEK 227 million. Exchange rate fluctuations, primarily a weaker dollar, had a negative impact on earnings of SEK 2 million in the quarter.

A strong market in China helped sales in Asia increase by 9 per cent in the third quarter. The increase is explained by good volumes, both to local and global customers, and is partly related to early deliveries of some orders for the fourth quarter. Sales to commercial vehicles in China have also been strong. In Europe sales volume rose by just over 3 per cent in the third quarter. In the Americas, sales volume continued to increase, but is still limited by the fact that the US plants currently produce close to maximum capacity. Sales of heat exchanger materials to automotive customers in the Americas were 11 per cent higher than in the third quarter last year.

INVESTMENT IN NEW CAPACITY

In September, we decided to take the next step in our strategic growth plan for North America. This includes an expansion of the Huntingdon facility to meet increased demand within the current product portfolio. In total, the investment amounts to USD 110 million over two years. When it comes to multi-layer aluminium products for brazed heat exchangers, we plan to enter into a joint venture with Japanese Mitsubishi Aluminum in North America.

NEXT GENERATION MATERIALS TO DRIVE FUTURE GROWTH

We have also taken an important step in terms of next generation heat exchanger materials. The investment in German GETEK, which manufactures aluminium billets utilizing advanced spray forming technology, means that we can address a larger market with innovative materials within Active Brazing. It is expected to be an important product category for Gränges in coming years.

OUTLOOK

The market for heat exchangers to the automotive industry is expected to grow in 2017. The market research firm IHS estimates that production of light vehicles will be unchanged in the fourth quarter compared to last year, which would sum up growth for the full year to 2 per cent.

Overall, Gränges expects a somewhat lower growth rate than the market in the fourth quarter due to lower sales volume of automotive heat exchanger materials in Asia and the Americas. In Europe, we expect a growth rate in line with the market. The US operations Gränges acquired in 2016 is expected to continue to grow in the fourth quarter. The impact of changes in foreign exchange rates on operating profit is expected to be negative in the fourth quarter compared to last year.

When looking into 2018, we foresee a positive development in all our regions. We will continue to focus on innovation and customer offering, sustainability and ensuring that we have both the capacity and capability of our facilities to meet future demand. That includes increased focus on product development for electrical vehicles, where we see a very good growth potential. We are determined to continue to grow with a sustainable profitability in the coming years.

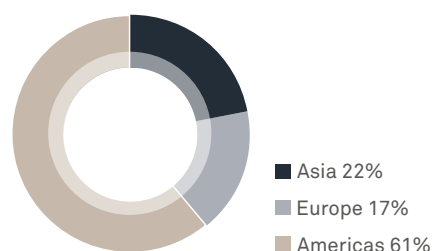
Johan Menckel
CEO Gränges



Third quarter 2017

- Sales volume **93.0** ktonnes
- Net sales SEK **2,728** million
- Adjusted operating profit SEK **227** million

Sales volume per region



Sales volume increased organically by 4.8 per cent in the third quarter primarily driven by strong sales in Asia

MARKET DEVELOPMENT

According to the international research firm IHS, global light vehicle production increased by 2.2 per cent in the third quarter of 2017¹, compared to the corresponding quarter 2016. In Asia, light vehicle production increased by 3.1 per cent during the third quarter. A flat development in China was compensated by a growth of 7.2 per cent in other Asian markets. In the fourth quarter of 2017, a decrease of 1.8 per cent is expected in Asia. In Europe, light vehicle production increased by 5.4 per cent in the third quarter, while an increase of 5.9 per cent is expected for the fourth quarter of 2017. Light vehicle production in the Americas decreased by 3.6 per cent in the third quarter, whereas a decrease of 0.9 per cent is anticipated in the fourth quarter of 2017. For the full year 2017, IHS forecasts an increase in global light vehicle production of 1.9 per cent.

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 correlated to the number of produced light vehicles. A higher share of hybrid vehicles, electrical vehicles and advanced features such as autonomous driving is also positive for the demand of heat exchanger materials. Due to lead times in the supply chain there is, however, a time lag between growth in demand for Gränges' products and vehicle production.

In the Americas, materials for stationary heat exchangers is the dominant product category. The growth in this market is mainly driven by energy efficiency requirements, construction of new houses and buildings, and population growth.

SALES DEVELOPMENT

The sales volume in the third quarter of 2017 increased by 48.0 per cent to 93.0 ktonnes (62.8) compared to the same quarter previous year. The organic growth during the quarter was 4.8 per cent. Net sales increased to SEK 2,728 million (1,859). For the business acquired in 2016, sales volume increased to 48.9 ktonnes (21.8) while net sales were SEK 1,254 million (525). The net effect from

changes in foreign exchange rates was negative with SEK 73 million in the quarter. Higher sales volume and the effect from the increased aluminium price was partly offset by lower average conversion price.

During January–September 2017 sales volume increased by 85.5 per cent to 286.5 ktonnes (154.4). The organic growth during the nine month period was 5.9 per cent. Net sales totalled SEK 8,701 million (4,662). For the business acquired in 2016, sales volume increased to 144.7 ktonnes (21.8) while net sales were SEK 3,891 million (525). The net effect of changes in foreign exchange rates was positive and amounted to SEK 46 million during January–September 2017.

ASIA

In the third quarter of 2017, sales volume in Asia increased by 9.4 per cent to 20.7 ktonnes (19.0). The growth was primarily driven by sales to Chinese automotive customers. During January–September 2017, sales volume in Asia increased by 9.3 per cent to 65.7 ktonnes (60.1).

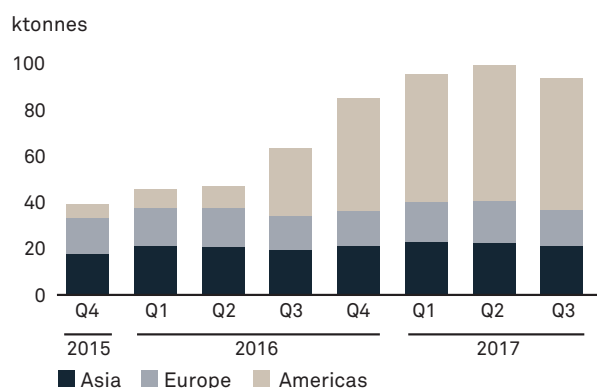
EUROPE

In the third quarter of 2017, sales volume in Europe increased by 3.3 per cent to 15.5 ktonnes (15.0). Both sales of heat exchanger material and sales of material for non-heat exchanger applications increased during the quarter. During January–September 2017, sales volume in Europe reached 50.2 ktonnes (48.5), which represents an increase of 3.6 per cent compared to previous year.

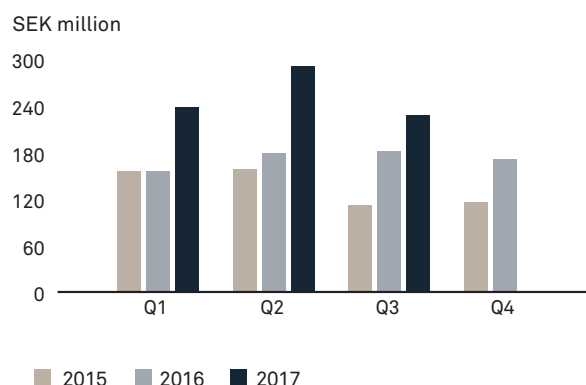
AMERICAS

In the third quarter of 2017, sales volume in the Americas increased by 96.6 per cent to 56.8 ktonnes (28.9). Of this, 48.9 ktonnes (21.8) relates to the business acquired in 2016. During January–September 2017, sales volume in Americas reached 170.5 ktonnes (45.8), out of which 144.7 ktonnes (21.8) relates to the business acquired in 2016.

Quarterly sales volume per region



Quarterly adjusted operating profit



¹ Source: IHS, 18 September 2017.

OPERATING PROFIT

Adjusted operating profit for the third quarter of 2017 increased to SEK 227 million (181), corresponding to an adjusted operating margin of 8.3 per cent (9.7). The business acquired in 2016 is included with SEK 70 million (50). The positive effects from higher sales volume and improved metal management were partly offset by lower average conversion price. Further, costs for strategic projects and the implementation of a new ERP system had a negative impact of SEK -11 million. Net changes in foreign exchange rates had a negative impact of SEK -2 million in the quarter.

Operating profit for the third quarter of 2017 rose to SEK 227 million (88). Items affecting comparability during the quarter was SEK 0 million (-94). The third quarter last year includes costs of SEK 94 million related to the acquisition of Noranda's downstream operations in the US.

During the period January–September 2017, adjusted operating profit increased to SEK 754 million (516), corresponding to an adjusted operating margin of 8.7 per cent (11.1). The net effect of changes in foreign exchange rates was positive and amounted to SEK 34 million for the first three quarters of 2017.

Operating profit during January–September 2017 increased to SEK 754 million (397), including items affecting comparability of SEK 0 million (-119).

Revised assessment of useful life of property, plant and equipment

During the third quarter, the useful life of Gränges' tangible fixed assets have been reviewed and revised to better reflect the actual useful life of the assets. The revised assessment has an impact on the depreciation periods applied in Gränges and the new useful life assumptions are now more in line with assumptions applied by peers. The net positive effect on adjusted operating profit due to changed depreciation periods amounts to SEK 7 million in the third quarter. For more information refer to Note 1.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

During the third quarter, finance income and costs was SEK -24 million (-26) and includes interest expenses of SEK -24 million, interest income of SEK 2 million and foreign exchange effects of SEK -2 million. Profit before tax increased to SEK 203 million (62). Income tax for the third quarter of 2017 amounted to SEK -52 million (127) which corresponds to an effective tax rate of 26 per cent. Income tax for the third quarter of last year includes a release of a provision for corporate income tax in China with a positive effect of SEK 139 million. Excluding the released tax provision, the effective tax rate was 20 per cent in the third quarter of 2016. The profit for the period was SEK 151 million (189) during the third quarter of 2017 and diluted earnings per share was SEK 2.00 (2.52).

During the period January–September 2017, finance income and costs amounted to SEK -85 million (-33). Profit before tax increased to SEK 671 million (365). Income tax for the first three quarters of 2017 was SEK -172 million (31), which corresponds to an effective tax rate of 26 per cent. Income tax for January–September 2016 includes the release of a provision for corporate income tax in China with a positive effect of SEK 139 million, as well as withholding tax of SEK -20 million paid on a dividend from the Chinese subsidiary. Excluding these effects, the effective tax rate for the first three quarters of 2016 was 24 per cent. During January–September 2017, the profit for the period increased to SEK 500 million (397) and diluted earnings per share rose to SEK 6.62 (5.30).

CASH FLOW

Cash flow from operating activities decreased to SEK 222 million (344) in the third quarter of 2017 and was negatively impacted by increased working capital due to the increased aluminium price. Cash flow from investing activities was SEK -74 million (-2,629) and was mainly related to investments to maintain and improve efficiency in current production facilities. Cash flow from investing activities in the third quarter of 2016 includes cash consideration for the US acquisition of SEK -2,598 million. Cash flow before financing activities amounted to SEK 148 million (-2,285). Cash flow from financing activities was SEK -133 million (2,660) and includes amortisation of loans of SEK -128 million.

During January–September 2017, cash flow from operating activities increased to SEK 710 million (514) and cash flow from investing activities was SEK -180 million (-2,664). Cash flow before financing activities increased to SEK 530 million (-2,150). Cash flow from financing activities was SEK -641 million (-2,265) and includes a dividend payment of SEK -180 million as resolved by Gränges' 2017 Annual General Meeting, new loans of SEK 357 million and amortisation of loans of SEK -744 million.

Cash and cash equivalents amounted to SEK 703 million at 30 September 2017 (SEK 851 million at 31 December 2016).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 7,714 million at 30 September 2017 (SEK 7,950 million at 31 December 2016). The equity to assets ratio was 40.3 per cent at 30 September 2017 (37.0 per cent at 31 December 2016).

Consolidated net debt including pension liabilities was SEK 2,280 million at 30 September 2017 (SEK 2,722 million at 31 December 2016). At 30 September 2017, the Group's net debt corresponds to 1.7 times adjusted EBITDA.

EMPLOYEES

The average number of employees in the Gränges Group was 1,633 (1,145) in the third quarter of 2017 and 1,602 (1,023) during the period January–September 2017.

Capacity expansion to support future growth

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, business development and communications. For the period January-September 2017, net sales in the parent company were SEK 100 million (70) and the result for the period was SEK -58 million (292). 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 invests in US capacity expansion

Gränges will invest USD 110 million to expand the aluminium rolling operation in Huntingdon, Tennessee, meeting growing demand for light gauge foil, automotive heat exchanger materials, and heating, ventilation and air conditioning (HVAC) applications. The expansion marks the next step in Gränges' strategic growth plan for North America, and includes investments in buildings, casters, cold rolling mills, annealing furnaces and slitters. The project, that is financed using available credit facilities and operational cash flows, is estimated to take about two years to complete and will contribute positively to Gränges operating profit in 2019.

Gränges and Mitsubishi Aluminum to form a joint venture in North America

Gränges has signed a letter of intent with Japanese Mitsubishi Aluminum Co., Ltd to form a joint venture in North America for manufacturing of advanced aluminium materials for brazed automotive heat exchangers. Once formed, the joint venture will com-

bine the high expertise of Gränges and Mitsubishi Aluminum within aluminium rolling for the establishment of a new production facility in North America. The joint venture is expected to be established in 2018.

SIGNIFICANT EVENTS AFTER THE PERIOD

Jörgen Abrahamsson new President Europe

Jörgen Abrahamsson, who has been Acting President for Gränges Europe since May 2017, has assumed a permanent position as President Europe. Furthermore, Fredrik Spens has been recruited as Deputy President Gränges Europe with responsibility for regional marketing and sales. Fredrik Spens starts his new position in January 2018.

Gränges invests in advanced spray-forming technology

Gränges invests in a production company together with German Erbslöh Aluminium GmbH to produce billets using advanced spray-forming technology. Gränges invests EUR 4.4 million in cash for 51 per cent of the joint company, GETEK GmbH. Erbslöh, contributing production assets and know-how, will own 49 per cent of GETEK. In October, Gränges' investment received approval from the competition authorities. The investment secures competence and the supply chain within advanced spray-forming technology, that will enable growth in next generation materials for heat exchangers.

Gränges establishes a commercial paper program

Gränges has established a commercial paper program with a frame amount of SEK 1,500 million. The program is a complement to the Group's other sources of funding.



Gränges production facility in Huntingdon, Tennessee, USA.

THE SHARE

From October 2016, it has been possible to redeem options in the employee stock option program 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. 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 at 30 September 2017. The option program expires in November 2017.

OWNERSHIP STRUCTURE

Largest shareholders in Gränges at 30 September 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
SEB Fonder	3,828,379	5.1
Allianz Global Investors	2,885,224	3.8
Copper Rock Capital Partners	2,227,526	2.9
Dimensional Fund Advisors	1,660,333	2.2
Fidelity	1,416,571	1.9
Acadian Asset Management	1,261,569	1.7
Catella Fonder	1,217,454	1.6
Columbia Threadneedle	1,121,049	1.5
Handelsbanken Fonder	1,100,000	1.5
Norges Bank	1,079,786	1.4
Avanza Pension	873,279	1.2
Paradice Fonder	824,041	1.1
Alliance Bernstein	776,945	1.0
Total 15 largest shareholders	32,474,253	43.0
Other	43,038,133	57.0
Total	75,512,386	100.0

¹ Source: Modular Finance Holdings.

The number of shareholders in Gränges was 9,747 at 30 September 2017, according to Euroclear.

OTHER

Nomination Committee appointed

Gränges Nomination Committee for the 2018 Annual General Meeting has been appointed. The committee constitutes representatives from Gränges three largest shareholders and the Chairman of Gränges Board of Directors, Anders G. Carlberg. Fjärde AP-fonden is represented by Jannis Kitsakis, AFA Försäkring is represented by Anders Algotsson, and SEB Fonder by Rikard Andersson.

Annual General Meeting 2018

Gränges' 2018 Annual General Meeting will be held Thursday, 3 May, 2018 at 16.00 CEST at Näringslivets Hus, Stockholm. Shareholders wishing to have matters considered at the Annual General Meeting should submit such requests seven (7) weeks before the meeting.

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.

Stockholm, 26 October 2017

Johan Menckel
Chief Executive Officer

REVIEW REPORT

Gränges AB, corporate identity number 556001-6122

Introduction

We have reviewed the condensed interim report for Gränges AB as at September 30, 2017 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 26 October, 2017

Ernst & Young AB

Erik Sandström

Authorized Public Accountant

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 26 October 2017 at 07.30 CEST.

Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' interim report for January–September 2017 at a web-casted conference call at CEST 10.00, Thursday 26 October, 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

1 February 2018	Year-end Report 2017
26 April 2018	Interim Report January–March 2018
13 March 2018	Annual Report 2017
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	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan -Sep 2016	Jan-Dec 2016
Net sales	3	2,728	1,859	8,701	4,662	7,207
Cost of materials		-1,770	-1,122	-5,622	-2,750	-4,374
Payroll and other operating expenses		-649	-487	-2,038	-1,226	-1,882
Depreciation, amortization and impairment charges		-83	-70	-287	-169	-265
Items affecting comparability		-	-94	-	-119	-128
Operating profit		227	88	754	397	559
Profit from joint ventures		1	1	2	2	2
Finance income and costs		-24	-26	-85	-33	-61
Profit before tax		203	62	671	365	500
Income tax	4	-52	127	-172	31	-2
Profit for the period		151	189	500	397	498
Earnings per share						
Earnings per share basic, SEK		2.00	2.53	6.63	5.31	6.66
Earnings per share diluted, SEK		2.00	2.52	6.62	5.30	6.64

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan -Sep 2016	Jan-Dec 2016
Profit for the period	151	189	500	397	498
Items not to be reclassified to profit/loss in subsequent periods					
Remeasurement of pensions after tax	6	-7	6	-24	16
Items to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve after tax	11	-7	44	-15	-26
Translation effects	-63	47	-222	3	69
Comprehensive income for the period attributable to owners of the parent company	104	222	328	361	557

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS				
Property, plant and equipment		2,955	3,303	3,347
Intangible assets		591	454	584
Deferred tax assets		50	114	64
Investments in joint ventures		29	33	30
Interest-bearing receivables		33	34	36
Other non-current receivables	2	17	13	10
Non-current assets		3,674	3,951	4,071
Inventories		1,525	1,229	1,428
Receivables	2	1,812	1,652	1,598
Interest-bearing receivables	2	0	4	2
Cash and cash equivalents		703	746	851
Current assets		4,040	3,631	3,878
TOTAL ASSETS		7,714	7,582	7,950
EQUITY AND LIABILITIES				
Share capital		101	100	101
Retained earnings		3,005	2,612	2,841
Equity		3,106	2,712	2,942
Interest-bearing liabilities		2,401	3,016	2,888
Provisions and other liabilities	2	361	354	321
Non-current liabilities		2,762	3,370	3,209
Interest-bearing liabilities		345	258	436
Provisions and other liabilities	2, 4	1,502	1,242	1,363
Current liabilities		1,847	1,500	1,799
TOTAL EQUITY AND LIABILITIES		7,714	7,582	7,950

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
Opening balance as at 1 January	2,942	2,499	2,499
Profit for the period	500	397	498
Items in other comprehensive income for the period	-172	-36	59
Group comprehensive income for the period	328	361	557
Employee stock option scheme	-	1	1
Dividend	-180	-149	-149
Rights issue	16	-	34
Total transactions with owners, recognized directly in equity	-164	-148	-115
Closing balance	3,106	2,712	2,942

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan -Sep 2016	Jan-Dec 2016
Operating profit	227	88	754	397	559
Depreciation and amortization	83	70	287	169	265
Change in working capital etc.	-42	237	-268	109	43
Income taxes paid	-46	-50	-62	-160	-181
Cash flow from operating activities	222	344	710	514	686
Acquisitions	-	-2,598	-	-2,598	-2,581
Investments in property, plant, equipment and intangible assets	-74	-31	-180	-66	-155
Other capital transactions	-	-	-	-	4
Cash flow from investing activities	-74	-2,629	-180	-2,664	-2,732
Dividend	-	-	-180	-149	-149
Rights issue	-	-	16	-	34
Interest paid and received	-4	-28	-90	-33	-35
New loan	-	3,258	357	3,258	3,620
Amortization	-128	-570	-744	-810	-1,224
Cash flow from financing activities	-133	2,660	-641	2,265	2,245
Cash flow for the period	16	375	-111	115	198
Cash and cash equivalents at beginning of period	702	361	851	634	634
Cash flow for the period	16	375	-111	115	198
Exchange rate differences in cash and cash equivalents	-15	10	-37	-2	19
Cash and cash equivalents at end of period	703	746	703	746	851

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan -Sep 2016	Jan-Dec 2016
Net sales	35	25	100	70	119
Payroll and other operating expenses	-59	-46	-168	-134	-178
Depreciation and amortization	-6	-5	-20	-12	-18
Operating profit/loss	-30	-26	-89	-77	-77
Dividends from subsidiaries	-	-	-	403	757
Finance income and costs	5	-10	16	-12	-6
Profit/loss after financial items	-26	-36	-73	314	674
Change in accelerated depreciation	-	-	-	-	-46
Group contributions	-	-	-	-	132
Income tax	16	-1	15	-22	-42
Profit/loss for the period	-10	-36	-58	292	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 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS			
Property, plant and equipment	212	213	214
Intangible assets	162	–	170
Investments related to Group companies	1,093	1,271	1,093
Receivables from Group companies	2,040	2,105	2,204
Interest-bearing receivables	33	34	36
Other non-current receivables	30	10	11
Non-current assets	3,569	3,633	3,728
Receivables from Group companies	–	281	573
Other receivables	127	96	73
Cash and cash equivalents	131	30	182
Current assets	258	407	828
TOTAL ASSETS	3,827	4,040	4,557
EQUITY, PROVISIONS AND LIABILITIES			
Restricted equity	107	100	106
Non-restricted equity	723	490	946
Equity	830	590	1,052
Untaxed reserves	55	9	55
Provisions and other liabilities	22	22	22
Interest-bearing liabilities	2,401	3,016	2,888
Other non-current liabilities	2	6	5
Non-current liabilities	2,424	3,044	2,915
Liabilities to Group companies	40	–	–
Interest-bearing liabilities	345	258	375
Other liabilities	134	139	161
Current liabilities	519	397	536
TOTAL EQUITY, PROVISIONS AND LIABILITIES	3,827	4,040	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 is an integrated part of these financial statements.

Revised assessment of useful life of property, plant and equipment

The value of property, plant and equipment is based on cost and is depreciated over the estimated useful life. In connection with the acquisition of the US operation in 2016 an extensive study was performed to determine the value of the tangible fixed assets and their remaining useful life. The preliminary study showed that life expectancy was different from the assessments applied by Gränges in terms of useful lives, mainly related to machinery and installations. In connection with the determination of the acquisition balance in the third quarter 2017, a study was carried out on Gränges entire operation regarding machinery and installations and based on this study a new assessment of the useful lives has been made as from 1 July 2017. Previous depreciation periods for machinery and installations of between 5 and 20 years depending on type of component have now been updated to between 5 and 30 years. The change in assessment has decreased the costs on the line depreciation, amortization and impairment charges in the consolidated income statement for Q3 2017 by SEK 12 million. Of the SEK 12 million, SEK 17 million are decreased costs due to extended remaining useful life and SEK –5 million are increased costs due to reduced remaining useful life. In addition, the line cost of materials has been affected by increased costs of SEK –5 million during Q3 2017 as a result of the revised assumptions. In total, the revised assumptions have affected the operating profit positively by SEK 7 million in Q3 2017. No further effect is expected on cost of material for the coming quarters. Based on the current foreign exchange rates the revised assumptions are expected to reduce depreciation, amortization and impairment charges by about SEK 16 million per quarter going forward.

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' analysis of the new standard has been completed during the third quarter 2017 and no significant effects are expected on the Group's financial statements. Gränges Group intends to adopt IFRS 15 using the full retrospective approach from January 1, 2018. IFRS 15 contains increased disclosures requirements and those requirements will need to be analyzed further.

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' 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 Sep 2017	30 Sep 2016	31 Dec 2016
Other non-current receivables	6	0	1
Receivables	68	24	31
Provisions and other liabilities	2	7	8
Other liabilities	59	74	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 is amortized with USD 30 million per year. Gränges also has a revolving credit facility of SEK 1,200 million, available in several currencies, with a remaining maturity of three years. The revolving credit facility was utilized with SEK 270 million at 30 September 2017. Other interest-bearing debt, which was short term, amounted to SEK 100 million. The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

Borrowings are measured at amortized cost and the carrying amount at 30 September 2017 is SEK 2,746 million (SEK 3,321 million at 31 December 2016). The fair value of borrowings amounted at 30 September 2017 to SEK 2,761 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 per cent 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	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan -Sep 2016	Jan-Dec 2016
Sales to joint ventures	120	229	603	715	961
Other income and expenses to joint ventures	0	-24	4	-41	-53

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
Interest-bearing receivables (non-current) from joint ventures	33	34	36
Non-interest-bearing receivables from joint ventures	245	164	179
Non-interest-bearing liabilities to joint ventures	1	12	4

NOTE 4 TAX

Gränges' Chinese subsidiary has 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 per cent in tax instead of the ordinary tax of 25 per cent for the period. However, in order to finally obtain the lower tax rate, the company must meet special requirements established by the authorities in China 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 standard rate of 25 per cent for 2016 and for the first three quarters of 2017. At 30 September 2017, the provision for the higher tax rate amounts to SEK 97 million.

NOTE 5 ACQUISITION

The acquisition balance from the acquisition of Noranda Aluminum Holding Corporation's downstream rolling business in the US, which was presented in the annual report for 2016, has been determined without adjustments during the third quarter 2017.

NOTE 6 CONTINGENT LIABILITIES

SEK million	2017	2016
Guarantee commitment PRI Pensionsgaranti	2	2
Guarantee for workers' compensation	6	7
Guarantee for bank loan at Norca Heat Transfer LLC	166	-

During the third quarter 2017 Gränges has issued an guarantee for a bank loan at the joint venture company Norca Heat Transfer LLC.

CONSOLIDATED QUARTERLY DATA

SEK million	2017				2016			2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume, ktonnes	93.0	98.7	94.8	84.7	62.8	46.5	45.1	38.9
Income statement								
Net sales	2,728	3,081	2,892	2,546	1,859	1,442	1,360	1,252
Adjusted EBITDA ¹	309	392	339	267	251	228	206	168
Adjusted operating profit ¹	227	290	237	171	181	179	155	116
Operating profit	227	290	237	162	88	154	155	128
Profit for the period	151	192	157	101	189	114	94	83
Adjusted EBITDA margin, %	11.3	12.7	11.7	10.5	13.5	15.8	15.1	13.4
Adjusted operating margin, %	8.3	9.4	8.2	6.7	9.7	12.4	11.4	9.2
Adjusted operating profit per tonne, kSEK	2.4	2.9	2.5	2.0	2.9	3.9	3.4	3.0
Operating margin, %	8.3	9.4	8.2	6.4	4.7	10.7	11.4	10.2
Net margin, %	5.5	6.2	5.4	4.0	10.2	7.9	6.9	6.7
Balance sheet								
Non-current assets	3,674	3,769	3,969	4,071	3,951	1,712	1,725	1,800
Current assets	4,040	3,957	3,822	3,878	3,631	2,578	2,279	2,601
Equity	3,106	3,001	3,096	2,942	2,712	2,489	2,537	2,499
Non-current liabilities	2,762	2,802	2,712	3,209	3,370	775	593	989
Current liabilities	1,847	1,923	1,983	1,799	1,500	1,025	874	914
Cash flow								
Operating activities	222	368	120	171	344	178	-8	184
Investing activities	-74	-61	-45	-68	-2,629	-21	-14	-25
Cash flow before financing activities	148	307	75	104	-2,285	157	-22	159
Financing activities	-133	-45	-464	-21	2,660	8	-402	-282
Cash flow for the period	16	263	-389	83	375	165	-424	-123
Capital structure								
Net debt	2,280	2,481	2,665	2,722	2,823	335	316	275
Equity to assets, %	40.3	38.8	39.7	37.0	35.8	58.0	63.3	56.8
Data per share, SEK								
Earnings per share basic	2.00	2.55	2.09	1.35	2.53	1.53	1.25	1.12
Earnings per share diluted	2.00	2.55	2.08	1.35	2.52	1.52	1.25	1.11
Equity ²	41.13	39.81	41.10	39.17	36.21	33.29	33.93	33.45
Cash flow from operating activities ²	2.94	4.89	1.60	2.28	4.51	2.38	-0.10	2.46
Share price at the end of the period	93.25	77.50	82.00	86.00	87.50	73.00	70.50	70.00
Weighted outstanding ordinary shares, basic in thousands	75,512.4	75,295.0	75,155.4	74,897.4	74,639.4	74,639.4	74,639.4	74,639.4
Weighted outstanding ordinary shares, diluted in thousands	75,514.8	75,398.0	75,320.6	75,106.6	74,898.5	74,767.3	74,764.6	74,719.4

¹ Adjusted for items affecting comparability.

² Calculated on weighted outstanding ordinary shares, diluted.

CONSOLIDATED QUARTERLY DATA

SEK million	2017			2016			2015	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales volume by region, ktonnes								
Asia	20.7	22.3	22.7	20.7	19.0	20.4	20.8	17.5
Europe	15.5	17.9	16.9	15.2	15.0	16.9	16.6	15.4
Americas	56.8	58.5	55.3	48.8	28.9	9.2	7.8	6.0
Total	93.0	98.7	94.8	84.7	62.8	46.5	45.1	38.9
Net sales by region								
Asia	676	759	767	719	619	639	646	569
Europe	516	612	545	497	465	498	473	477
Americas	1,536	1,710	1,580	1,330	775	306	241	206
Total	2,728	3,081	2,892	2,546	1,859	1,442	1,360	1,252
Employees								
Average number of employees	1,633	1,610	1,564	1,545	1,145	961	962	949

CONSOLIDATED 12-MONTHS ROLLING DATA

SEK million	Oct 2016 - Sep 2017	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
Sales volume, ktonnes	371.2	341.0	288.8	239.1	193.4	169.4	166.4	163.9
Income statement								
Net sales	11,247	10,379	8,740	7,207	5,913	5,335	5,398	5,494
Adjusted EBITDA ¹	1,308	1,249	1,085	952	853	768	749	749
Adjusted operating profit ¹	925	879	769	687	632	563	541	541
Operating profit	916	777	641	559	525	535	539	538
Adjusted EBITDA margin, %	11.6	12.0	12.4	13.2	14.4	14.4	13.9	13.6
Adjusted operating margin, %	8.2	8.5	8.8	9.5	10.7	10.6	10.0	9.8
Adjusted operating profit per tonne, kSEK	2.5	2.6	2.7	2.9	3.3	3.3	3.3	3.3
Operating margin, %	8.1	7.5	7.3	7.8	8.9	10.0	10.0	9.8
Capital structure and return indicators								
Capital employed	5,565	5,053	4,527	3,930	3,372	2,886	2,972	2,982
Return on capital employed, %	16.6	17.4	17.0	17.5	18.7	19.5	18.2	18.1
Equity	2,971	2,848	2,755	2,636	2,534	2,468	2,465	2,385
Return on equity, %	20.2	22.4	20.4	18.9	18.9	14.6	14.6	15.9
Net debt / Adjusted EBITDA	1.7	1.9	2.1	2.1	2.2	0.4	0.4	0.4

¹ Adjusted for items affecting comparability.

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.

	Q3		Jan - Sep		12 months rolling	Full year
SEK million	2017	2016	2017	2016	Oct 2016- Sep 2017	2016
Adjusted operating profit						
Operating profit	227	88	754	397	916	559
Items affecting comparability	-	94	-	119	9	128
Adjusted operating profit	227	181	754	516	925	687
Adjusted EBITDA						
Adjusted operating profit	227	181	754	516	925	687
Depreciation and amortization	83	70	287	169	383	265
Adjusted EBITDA	309	251	1,041	685	1,308	952
Return on capital employed						
Total assets less cash and cash equivalents and interest-bearing receivables	-	-	-	-	7,025	5,054
Non-interest-bearing liabilities	-	-	-	-	-1,751	-1,335
Pensions	-	-	-	-	291	212
Capital employed	-	-	-	-	5,565	3,930
Adjusted operating profit	-	-	-	-	925	687
Return on capital employed, %	-	-	-	-	16.6	17.5
Net debt						
Cash and cash equivalents and interest-bearing receivables	-	-	-736	-784	-736 ¹	-889
Interest bearing liabilities	-	-	2,746	3,274	2,746 ¹	3,324
Pensions	-	-	270	333	270 ¹	288
Net debt	-	-	2,280	2,823	2,280¹	2,722
Equity to assets						
Equity	-	-	3,106	2,712	3,106 ¹	2,942
Total assets	-	-	7,714	7,582	7,714 ¹	7,950
Equity to assets, %	-	-	40.3	35.8	40.3¹	37.0

¹ Balances at 30 September 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.

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.

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.

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 leading global supplier of rolled aluminium products for heat exchanger applications and other niche markets. In materials for brazed heat exchangers Gränges is the global leader with a market share of approximately 20 per cent. The company develops, produces and markets advanced materials that enhance efficiency in the customer manufacturing process and the performance of the final products. The company's geographical markets are Europe, Asia and the Americas. Its production facilities are located in Sweden, China and the United States, and have a combined annual capacity of 420,000 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 for the material is passed on to 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. 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.