

HALF-YEAR REPORT 2018

Continued good development during second quarter

Second quarter 2018

- Sales volume increased by 0.5 per cent to 99.1 ktonnes (98.7). Net sales rose to SEK 3,443 million (3,081).
- Adjusted operating profit increased by 3.9 per cent to SEK 301 million (290), which corresponds to an adjusted operating margin of 8.7 per cent (9.4). Costs for US anti-dumping duties (AD/CVD) on imports from China are included with SEK 27 million.
- Profit for the period increased to SEK 214 million (192).
- Diluted earnings per share increased to SEK 2.84 (2.55).
- Cash flow before financing activities decreased to SEK 125 million (307) and includes capital expenditure of SEK –166 million (–61) and an increase in working capital of SEK –135 million due to US sanctions against one of Gränges' aluminium suppliers.

First half-year 2018

- Sales volume increased by 0.4 per cent to 194.2 ktonnes (193.5). Net sales rose to SEK 6,514 million (5,973).
- Adjusted operating profit increased by 10.6 per cent to SEK 583 million (527), which corresponds to an adjusted operating margin of 8.9 per cent (8.8). Costs for US anti-dumping duties (AD/CVD) on imports from China are included with SEK 27 million.
- Profit for the period increased to SEK 381 million (349) and includes SEK –64 million of items affecting comparability and profit from joint ventures of SEK 22 million.
- Diluted earnings per share increased to SEK 5.05 (4.63).
- Cash flow before financing activities decreased to SEK 318 million (382) and includes capital expenditure of SEK –289 million (–106) and an increase in working capital of SEK –135 million due to US sanctions against one of Gränges' aluminium suppliers.
- Net debt increased to SEK 2,621 million at 30 June 2018 (SEK 2,292 million at 31 December 2017), corresponding to 2.0 times adjusted EBITDA¹ (1.8).

Financial summary

SEK million	Q2			Jan – Jun			12 month rolling	Full year	
	2018	2017	Δ	2018	2017	Δ	Jul 2017– Jun 2018	2017	Δ
Sales volume, ktonnes	99.1	98.7	0.5%	194.2	193.5	0.4%	373.7	373.0	0.2%
Net sales	3,443	3,081	11.7%	6,514	5,973	9.1%	11,976	11,435	4.7%
Adjusted operating profit ¹	301	290	3.9%	583	527	10.6%	989	933	6.0%
Adjusted operating margin, %	8.7	9.4	–0.7 ppt	8.9	8.8	0.1 ppt	8.3	8.2	0.1 ppt
Adjusted operating profit per tonne, kSEK	3.0	2.9	0.1	3.0	2.7	0.3	2.6	2.5	0.1
Operating profit	301	290	3.9%	519	527	–1.6%	909	917	–1.0%
Operating margin, %	8.7	9.4	–0.7 ppt	8.0	8.8	–0.9 ppt	7.6	8.0	–0.4 ppt
Profit for the period	214	192	11.6%	381	349	9.3%	684	652	5.0%
Earnings per share basic, SEK	2.84	2.55	0.28	5.05	4.64	0.41	9.07	8.65	0.42
Earnings per share diluted, SEK	2.84	2.55	0.29	5.05	4.63	0.42	9.06	8.64	0.42
Cash flow before financing activities	125	307	–59.3%	318	382	–16.9%	507	572	–11.3%
Equity to assets, %	–	–	–	40.7	38.8	1.9 ppt	40.7 ²	41.5	–0.8 ppt
Net debt	–	–	–	2,621	2,481	140	2,621 ²	2,292	329
Return on capital employed, %	–	–	–	–	–	–	17.2	16.7	0.5 ppt

¹ Adjusted for items affecting comparability.

² Closing balances at the end of the period.

COMMENTS BY THE CEO

Increased profits, focus on growth and capacity expansion

STRONG RESULT DESPITE COSTS FOR US IMPORT DUTIES

Gränges has continued to develop well during the second quarter 2018. The sales volume was 99.1 ktonnes, which was slightly higher than last year and in line with expectations. Adjusted operating profit increased to SEK 301 million, and includes costs of SEK 27 million related to US anti-dumping and countervailing duties on imports of rolled aluminium from China. At the same time, we have continued to see positive effects of good metal management, improved productivity in Europe and price increases in North America. Exchange rate fluctuations have affected the adjusted operating profit positively by SEK 16 million during the second quarter 2018.

STABLE SALES VOLUME

In Asia, sales volume increased by 0.9 per cent in the second quarter, which was a lower rate than the overall market. Sales to automotive customers in China rose by 4.4 per cent in the quarter. In the first half of 2018, Gränges has had a higher sales growth than the market in China and India. In Europe, sales of heat exchanger materials increased by 3.2 per cent in the second quarter, while sales of industrial products were lower. In the Americas, sales volume was on par with the second quarter last year. Demand in the US is still very strong and has increased further after import duties have been imposed on rolled aluminium products from China. Gränges' reported sales volume of automotive heat exchanger materials imported to the US from Sweden and China is slightly higher than previous year.

PRODUCTION TO RESTART IN NEWPORT, ARKANSAS

In the first quarter of 2019 production will restart at our facility in Newport, Arkansas. The facility produced aluminium foil for consumer applications until 2015, and has subsequently been idle with a very limited business in surface treatment. The investment to upgrade existing rolling mills and equipment amounts to USD 26 million, and already from 2019 we expect a positive contribution to earnings.

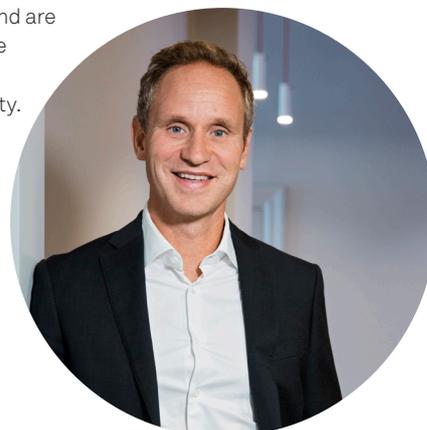
OUTLOOK

The global automotive market is expected to continue to grow in 2018. Research firm IHS estimates that the production of light vehicles will increase by 2 per cent globally this year. In the third quarter, growth is expected to be 4 per cent, according to IHS.

Gränges expects a stable sales volume of automotive heat exchanger materials in all our regions in the third quarter. The number of housing starts in the US is expected to show continued good growth in the coming quarter, which is beneficial for our HVAC products where we forecast low single digit growth.

As we look further ahead into 2018, we will continue to work actively with innovation and sustainable customer offerings, which includes increased focus on product development for electric vehicles where we see a good growth potential. Another important area is to ensure that we have both capacity and capability to meet future demand. We are currently working actively to establish new capacity in the US by expanding the production facility in Huntingdon and restart the facility in Newport. In total, these initiatives will add some 60 ktonnes in new capacity in second half of 2019. We are also reviewing capacity needs in Asia and Europe. We evaluate a number of options to grow our business and are determined to continue that path with good, sustainable profitability.

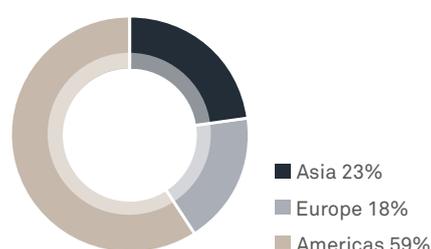
Johan Menckel
CEO Gränges



Second quarter 2018

- Sales volume **99.1** ktonnes
- Net sales SEK **3,443** million
- Adjusted operating profit SEK **301** million

Sales volume per region



US IMPORT DUTIES

The US Department of Commerce has in 2017 and 2018 imposed anti-dumping and countervailing duties (AD/CVD duties) on imports of rolled aluminium products from China. Consequently, Gränges has moved production of the material that has been produced in Shanghai and imported to the US to Finspång. During second quarter 2018, Gränges had costs for AD/CVD duties of SEK 27 million. No additional costs related to AD/CVD duties are expected from the third quarter of 2018.

In April 2018, the US also imposed general duties (Section 232) of 10 per cent on imports of aluminium products to the United States, including imports from manufacturers in the EU. These duties are in most cases regulated by Gränges' agreement with customers in US, or may partly be recovered through the metal price component. The net effect for Gränges is therefore expected to be limited. Filings for exemptions has been made with support from customers.

Sales volume increased by 0.5 per cent in the second quarter primarily driven by sales of Automotive heat exchanger material in Asia and Europe

MARKET DEVELOPMENT

According to the international research firm IHS¹, global light vehicle production increased by 4.0 per cent in the second quarter of 2018, compared to the corresponding quarter 2017. In Asia, light vehicle production increased by 6.1 per cent during the second quarter. In the third quarter of 2018, an increase of 2.4 per cent is expected in Asia. In Europe, light vehicle production increased by 4.8 per cent in the second quarter, and an increase of 2.4 per cent is expected in the third quarter of 2018. Light vehicle production in the Americas decreased by 0.3 per cent in the second quarter, whereas an increase of 9.3 per cent is anticipated in the third quarter of 2018. For the full year 2018, IHS forecasts an increase in global light vehicle production of 2.3 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 and construction of new houses and buildings.

SALES DEVELOPMENT

Gränges' sales volume in the second quarter of 2018 increased by 0.5 per cent to 99.1 ktonnes (98.7) compared to the same quarter previous year. Net sales increased to SEK 3,443 million (3,081). The net sales increase was mainly driven by an increased aluminium price, and a net positive effect from changes in foreign exchange rates of SEK 53 million.

For the Automotive business, sales volume increased to 49.5 ktonnes (49.3) and net sales increased to SEK 1,812 million (1,703) during the second quarter 2018. For the HVAC & Other business, sales volume increased to 49.6 ktonnes (49.3) while net sales increased to SEK 1,630 million (1,378).

During January-June 2018 Gränges' sales volume increased by 0.4 per cent to 194.2 ktonnes (193.5) compared to the corresponding period previous year. Net sales increased to SEK 6,514 million (5,973). The net effect of changes in foreign exchange rates was negative and amounted to SEK 123 million for the first half year 2018.

During January-June 2018 sales volume for the Automotive business, increased to 98.4 ktonnes (97.6) and net sales increased to SEK 3,569 million (3,336). For the HVAC & Other business, sales volume was stable at 95.8 ktonnes (95.8) while net sales increased to SEK 2,945 million (2,637) during January-June 2018.

¹ Source: IHS, 15 June 2018.

ASIA

In the second quarter of 2018, sales volume in Asia increased by 0.9 per cent to 22.5 ktonnes (22.3). The growth was primarily driven by sales to Automotive customers in China. During January–June 2018, sales volume in Asia increased to 45.5 ktonnes (45.0), which represents an increase of 1.2 per cent compared to previous year.

EUROPE

In the second quarter of 2018, sales volume in Europe decreased by 0.4 per cent to 17.8 ktonnes (17.9). Sales of heat exchanger material increased while sales of material for non-heat exchanger applications decreased during the quarter. During January–June 2018, sales volume in Europe reached 35.0 ktonnes (34.7), which represents an increase of 0.9 per cent compared to previous year.

AMERICAS

In the second quarter of 2018, sales volume in the Americas increased by 0.5 per cent to 58.8 ktonnes (58.5). Of this, 49.6 ktonnes (49.3) relates to the HVAC & Other business while 9.2 ktonnes (9.1) relates to the Automotive business. During January–June 2018, sales volume in Americas was stable at 113.6 ktonnes (113.7) compared to previous year. 95.8 ktonnes (95.8) relates to the HVAC & Other business while 17.9 ktonnes (17.9) relates to the Automotive business.

OPERATING PROFIT

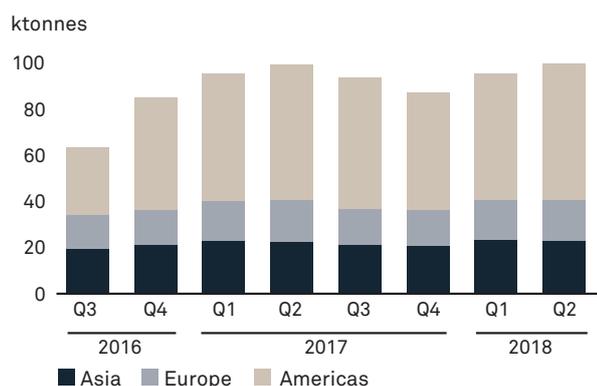
Adjusted operating profit for the second quarter of 2018 increased to SEK 301 million (290), corresponding to an adjusted operating margin of 8.7 per cent (9.4). The positive effects from improved metal management and a slightly higher average conversion price were partly offset by costs for US anti-dumping duties on imports from China amounting to SEK 27 million. Net changes in foreign exchange rates had a positive impact of SEK 16 million in the quarter and the effect from changed depreciation periods also had a positive impact with SEK 16 million.

Operating profit during the second quarter 2018 amounts to SEK 301 million (290). No items affecting comparability were recorded in the second quarter of 2018 or in the corresponding quarter last year.

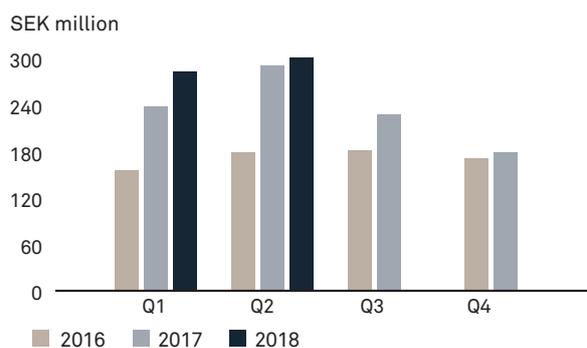
During the period January–June 2018, adjusted operating profit increased to SEK 583 million (527), corresponding to an adjusted operating margin of 8.9 per cent (8.8). Costs for US anti-dumping duties on imports from China are included with SEK 27 million. The net effect of changes in foreign exchange rates was negative and amounted to SEK 3 million in the first half of 2018, while the effect from changed depreciation periods had a positive impact of SEK 32 million.

Operating profit during January–June 2018 declined to SEK 519 million (527) and includes items affecting comparability of SEK –64 million (–) related to a change in the distribution model in the US on the imports from Sweden and China. For further information see Note 5.

Quarterly sales volume per region



Quarterly adjusted operating profit



PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before taxes for the second quarter 2018 increased to SEK 273 million (259). Finance income and costs was SEK –28 million (–31) and includes interest expenses of SEK 30 million and interest income of SEK 1 million. Income tax for the second quarter of 2018 amounted to SEK –59 million (–67) which corresponds to an effective tax rate of 22 per cent (26). The profit for the period was SEK 214 million (192) during the second quarter of 2018 and diluted earnings per share was SEK 2.84 (2.55).

During the period January–June 2018 profit before taxes increased to SEK 487 million (468) and includes a positive effect from joint ventures of SEK 22 million (2) which is related to revaluation from book value to fair value of Norca¹. In the first half of 2018, finance income and costs was SEK –53 million (–60) and includes interest expenses of SEK 57 million and interest income of SEK 2 million. Income tax for the period January–June 2018 was SEK –106 million (–119) which corresponds to an effective tax rate of 22 per cent (26). The profit for the first half year 2018 was SEK 381 million (349) and diluted earnings per share was SEK 5.05 (4.63).

CASH FLOW

Cash flow from operating activities declined to SEK 291 million (368) in the second quarter of 2018. Following US sanctions against Rusal, one of Gränges' aluminium slab suppliers, its consignment stock in Finspång has been closed and the supplier has been removed from Gränges' supply chain financing platform. This had a negative impact on working capital and cash flow of SEK 135 million in the second quarter. Furthermore, cash flow was negatively impacted by increased working capital due to the increased aluminium price. Cash flow from investing activities was SEK –166 million (–61) in the second quarter and fully relates to capital expenditure. Of the total capital expenditure, SEK 90 million referred to investments to maintain and improve efficiency in current production facilities and SEK –76 million related to the expansion of the Huntingdon facility in the US. Cash flow before financing activities amounted to SEK 125 million (307) in the second quarter of 2018.

Cash flow from financing activities was SEK –173 million (–45) and includes a dividend payment of SEK –227 million as resolved by Gränges' 2018 Annual General Meeting, new loans of SEK 1,000 million and amortisation of loans of SEK –919 million. Net financing from commercial papers was SEK 600 million during the second quarter of 2018.

During January–June 2018, cash flow from operating activities increased to SEK 585 million (489). Cash flow from investing activities was SEK –267 million (–106) and includes a positive net effect of SEK 24 million mainly related to the acquisition of the remaining 50 per cent of Norca Heat Transfer LLC¹. Capital expenditure during the first half year 2018 amounted to SEK –289 million (–106). Of this, SEK –148 million referred to maintenance investments and SEK –141 million related to expansion investments.

During January–June 2018 cash flow before financing activities amounted to SEK 318 million (382). Cash flow from financing activities was SEK –446 million (–509) and includes a dividend payment of SEK –227 million, new loans of SEK 1,261 million and amortisation of loans of SEK –1 434 million.

Cash and cash equivalents amounted to SEK 636 million at 30 June 2018 (SEK 742 million 31 December 2017).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 8,999 million at 30 June 2018 (SEK 8,005 million at 31 December 2017). The equity to assets ratio was 40.7 per cent at 30 June 2018 (41.5 per cent at 31 December 2017).

Consolidated net debt including pension liabilities was SEK 2,621 million at 30 June 2018 (SEK 2,292 million at 31 December 2017). At 30 June 2018, the Group's net debt corresponds to 2.0 times adjusted EBITDA.

EMPLOYEES

The average number of employees in the Gränges Group was 1,669 (1,548) in the second quarter of 2018 and 1,662 (1,524) during the period January–June 2018.

PARENT COMPANY

Gränges AB is the parent company of the Gränges Group. The operations include Group Management and Group functions such as finance, treasury, legal and communications. For the period January–June 2018, net sales in the parent company was SEK 96 million (65) and the loss for the period was SEK –30 million (–49).

¹ For further information about the acquisition see Note 7.

SIGNIFICANT EVENTS DURING THE PERIOD

Gränges to restart production in Newport, Arkansas

Gränges has decided to restart production at its Newport, Arkansas facility focusing on light gauge aluminium foil for various consumer applications. In total, the investment amounts to USD 26 million. The production in Newport will start in the first quarter of 2019, and then gradually expand as the upgrade is completed.

SIGNIFICANT EVENTS AFTER THE PERIOD

No significant events have occurred after the period.

THE SHARE

The share capital in Gränges amounts to SEK 101 million split on 75,517,386 shares, each with a quota value of SEK 1,339775. Gränges has only one class of shares.

OWNERSHIP STRUCTURE

Largest shareholders in Gränges at 30 June 2018¹.

Shareholder	Number of shares	Share of capital and votes %
Fjärde AP-fonden	7,111,207	9.4
AFA Försäkring	5,657,893	7.5
SEB Fonder	3,483,737	4.6
Swedbank Robur Fonder	3,469,442	4.6
Allianz Global Investors	2,785,794	3.7
Dimensional Fund Advisors	2,388,216	3.2
Fidelity	2,250,881	3.0
Paradice Investment Management	2,239,611	3.0
Unionen	1,700,000	2.3
Columbia Threadneedle	1,567,046	2.1
Franklin Templeton	1,362,103	1.8
Black Rock	843,320	1.1
Lazard Asset Management	841,173	1.1
Avanza Pension	584,791	0.8
Augustus Capital	566,185	0.7
Total 15 largest shareholders	36,851,399	48.8
Other	38,665,987	51.2
Total	75,517,386	100.0

¹ Source: Modular Finance Holdings.

The number of shareholders in Gränges was 8,610 at 30 June 2018, according to Euroclear.



OTHER

Annual General Meeting 2018

Gränges' Annual General Meeting 2018 was held on Thursday 3 May 2018. The AGM re-elected Anders G. Carlberg, Carina Andersson, Peter Carlsson, Katarina Lindström, Hans Porat and Ragnhild Wiborg. As new member of the Board, Mats Backman, CFO of Autoliv, was elected. Anders G. Carlberg was re-elected as Chairman of the Board. The Annual General Meeting resolved on a dividend of SEK 3.00 (2.40) per share, corresponding to a total of SEK 227 million (180), that was paid out on 11 May, 2018. Further, the Annual General Meeting resolved, like previous year, that the Board of Directors is authorized to, at one or more occasions, issue new shares up to 10 per cent of the total outstanding shares in Gränges. The authorization is valid until next Annual General 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 46–49 in Gränges' 2017 annual report.

SEASONAL VARIATIONS

Gränges' end-customer markets consists primarily of the global automotive industry and the HVAC industry in North America. Gränges' sales of rolled aluminium products to the automotive industry is correlated with the production of light vehicles. Demand on the HVAC market is driven by factors such as construction investments, new regulations for energy efficiency and climate impact, and are usually higher during summer months as there is more demand for cooling systems. Major annual maintenance work in Gränges' production facilities mainly occurs in the fourth quarter. Overall, seasonal factors mean that the fourth quarter usually is the weakest and the second quarter the strongest.



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, 19 July 2018
The Board of Directors of Gränges AB (publ)

Anders G. Carlberg
Chairman of the Board

Carina Andersson
Member of the Board

Mats Backman
Member of the Board

Peter Carlsson
Member of the Board

Katarina Lindström
Member of the Board

Hans Porat
Member of the Board

Ragnhild Wiborg
Member of the Board

Øystein Larsen
Employee representative

Konny Svensson
Employee representative

Johan Menckel
Chief Executive Officer

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

For additional information, please contact:

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 19 July 2018 at 07.30 CEST.

Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' half-year report for January–June 2018 at a webcasted conference call at 10.00 CEST, Thursday 19 July, 2018.

The webcast is available on www.granges.com/investors.

To participate in the conference call, please call +46 8 51999355 (Sweden), +44 203 1940550 (UK) or +1 8552692605 (USA). Please call a few minutes before the conference call starts. The presentation will be in English.

Financial calendar

25 October 2018	Interim Report January–September 2018
31 January 2019	Year-end Report 2019
25 April 2019	Interim Report January–March 2019
8 May 2019	Annual General Meeting 2019

CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Net sales		3,443	3,081	6,514	5,973	11,435
Cost of materials	5	-2,287	-1,996	-4,352 ¹	-3,852	-7,396
Payroll and other operating expenses		-766	-693	-1,472	-1,389	-2,735
Depreciation, amortization and impairment charges		-89	-102	-171	-204	-370
Items affecting comparability	5	-	-	-	-	-16
Operating profit		301	290	519	527	917
Profit or loss from joint ventures	7	0	1	22	2	-5
Finance income and costs		-28	-31	-53	-60	-115
Profit before tax		273	259	487	468	797
Income tax	6	-59	-67	-106	-119	-145
Profit for the period		214	192	381	349	652
Earnings per share						
Earnings per share basic, SEK		2.84	2.55	5.05	4.64	8.65
Earnings per share diluted, SEK		2.84	2.55	5.05	4.63	8.64

¹ Includes items affecting comparability of SEK -64 million.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Profit for the period	214	192	381	349	652
Items not to be reclassified to profit/loss in subsequent periods					
Remeasurement of pensions after tax	-7	-10	-5	0	12
Items to be reclassified to profit/loss in subsequent periods					
Change in hedging reserve after tax	-25	18	-52	33	41
Translation effects	108	-130	244	-159	-160
Comprehensive income for the period attributable to owners of the parent company	290	70	569	224	545

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS				
Property, plant and equipment		3,381	3,053	3,076
Intangible assets		702	586	640
Deferred tax assets		67	54	44
Investments in joint ventures		10	30	17
Interest-bearing receivables		–	34	33
Other non-current receivables	3	16	13	16
Non-current assets		4,176	3,769	3,827
Inventories		2,053	1,461	1,611
Receivables	3	2,134	1,794	1,826
Cash and cash equivalents		636	702	742
Current assets		4,823	3,957	4,179
TOTAL ASSETS		8,999	7,727	8,005
EQUITY AND LIABILITIES				
Share capital		101	101	101
Retained earnings		3,564	2,900	3,221
Equity		3,665	3,001	3,322
Interest-bearing liabilities	3	2,160	2,480	2,215
Provisions and other non-current liabilities	3	395	323	340
Non-current liabilities		2,555	2,802	2,555
Interest-bearing liabilities	3	800	453	576
Provisions and other current liabilities	3, 6	1,979	1,470	1,552
Current liabilities		2,780	1,923	2,128
TOTAL EQUITY AND LIABILITIES		8,999	7,727	8,005

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	30 Jun 2018	30 Jun 2017	31 Dec 2017
Opening balance	3,322	2,942	2,942
Profit for the period	381	349	652
Other comprehensive income for the period	187	–125	–107
Total comprehensive income for the period	569	224	545
Dividend	–227	–180	–180
Rights issue	–	16	16
Total transactions with owners	–227	–164	–164
Closing balance	3,665	3,001	3,322

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Operating profit	301	290	519	527	917
Depreciation, amortization and impairment charges	89	102	171	204	370
Other non-cash items	5	–	64	–	–
Change in working capital etc.	–82	–42	–137	–226	–267
Income taxes paid	–17	18	–32	–17	–53
Cash flow from operating activities	291	368	585	489	968
Acquisitions	7	–	24	–	–42
Investments in property, plant, equipment and intangible assets	–166	–61	–289	–106	–358
Other capital transactions	–	–	–3	–	4
Cash flow from investing activities	–166	–61	–267	–106	–396
Dividend	–227	–180	–227	–180	–180
Rights issue	–	16	–	16	16
Interest paid and received	–29	–35	–47	–86	–124
New loans	1,000	300	1,261	357	888
Amortization	–919	–145	–1,434	–616	–1,250
Cash flow from financing activities	–173	–45	–446	–509	–650
Cash flow for the period	–48	263	–128	–126	–79
Cash and cash equivalents at beginning of period	666	458	742	851	851
Cash flow for the period	–48	263	–128	–126	–79
Exchange rate differences in cash and cash equivalents	18	–19	22	–23	–30
Cash and cash equivalents at end of period	636	702	636	702	742

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Net sales	40	34	96	65	219
Payroll and other operating expenses	–61	–55	–132	–109	–240
Depreciation, amortization and impairment charges	–7	–6	–13	–14	–27
Operating profit/loss	–28	–28	–49	–58	–47
Dividends from subsidiaries	–	–	–	–	378
Finance income and costs	6	4	12	11	13
Profit/loss after financial items	–21	–24	–37	–47	344
Change in accelerated tax depreciation	–	–	–	–	–25
Group contributions	–	–	–	–	90
Income tax	3	0	7	–1	–23
Profit/loss for the period	–18	–24	–30	–49	385

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 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Property, plant and equipment	214	214	217
Intangible assets	153	165	159
Investments related to Group companies	1,160	1,093	1,160
Receivables from Group companies	2,543	2,093	2,344
Interest-bearing receivables	–	34	33
Other non-current receivables	17	14	13
Non-current assets	4,086	3,612	3,925
Receivables from Group companies	140	–	147
Other receivables	88	113	95
Cash and cash equivalents	39	138	106
Current assets	267	251	348
TOTAL ASSETS	4,353	3,863	4,273
EQUITY AND LIABILITIES			
Restricted equity	106	107	107
Non-restricted equity	910	732	1,166
Equity	1,017	839	1,273
Untaxed reserves	80	55	80
Provisions and other liabilities	22	22	22
Interest-bearing liabilities	2,160	2,480	2,215
Other non-current liabilities	11	1	3
Non-current liabilities	2,195	2,503	2,240
Liabilities to Group companies	87	21	–
Interest-bearing liabilities	800	354	548
Other liabilities	175	92	132
Current liabilities	1,062	466	680
TOTAL EQUITY AND LIABILITIES	4,353	3,863	4,273

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) 2017, which is available at www.granges.com. 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 2–15 is an integrated part of these financial statements.

New and updated standards applicable for periods commencing January 1, 2018 and later

From the financial year beginning 1 January 2018, Gränges applies IFRS 9 Financial Instruments and IFRS 15 Revenues from contracts with customers. The new standards have not had a material impact on the Group's financial statements.

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and Measurement. The new model regarding calculation of credit loss impacts the impairment process, however it has not had a significant impact on the Group's financial statements. The new principles for hedge accounting have had no impact on the Group's financial statements. The transition has not had a material impact on the Group's financial statements and consequently previous periods have not been restated.

IFRS 15 Revenues from contracts with customers has replaced existing revenue standards and interpretations. Gränges has chosen to adopt IFRS 15 with full retrospective approach from 1 January 2018. The transition has not had a material impact on the Group's financial statements and consequently previous periods have not been restated.

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

IFRS 16 Leasing is effective 1 January 2019. Gränges has initiated the work with evaluating the effects of the new standard. The initial assessment is that the new standard will impact Gränges insofar as leasing contracts for premises, vehicles and other large leasing objects will be recognized in the balance sheet.

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Gränges mainly sells goods in different regions and revenues from the sale is recognized in the income statement when control is passed to the customer. Revenues from sale of services are limited and primarily refer to rental income from properties owned by Gränges AB. The revenue recognition for goods occur at point in time, while the rental income is recognized on a straight-line basis over the lease term.

SEK million	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Sales by region					
Asia	813	759	1,577	1,526	2,911
Europe	644	607	1,253	1,147	2,210
Americas	1,981	1,710	3,673	3,290	6,294
Total revenue from contract with customers	3,437	3,076	6,503	5,963	11,415
Other revenue	5	5	10	10	20
Net sales	3,443	3,081	6,514	5,973	11,435

The selling price for Gränges' products is divided into a metal price component for the raw aluminium and a conversion price component covering Gränges' processing costs and margin. The cost of the aluminium is mainly passed on to the customer through metal price clauses.

NOTE 3 FINANCIAL INSTRUMENTS

The Group's financial assets comprise loans and accounts receivable as well as derivatives. The Group's financial liabilities comprise borrowings and accounts payable as well as derivatives. The table below shows the fair value of the derivatives (currency forwards and aluminium futures) included in the balance sheet.

SEK million	30 Jun 2018	30 Jun 2017	31 Dec 2017
Other non-current receivables	–	6	5
Receivables	82	53	68
Provisions and other non-current liabilities	12	1	3
Provisions and other current liabilities	127	46	67

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 of USD term loans amounting to USD 220 million and SEK term loans of SEK 200 million. Outstanding commercial papers amounted to SEK 800 million as of 30 June 2018 (SEK 300 million as of 31 December 2017). A term loan of SEK 470 million was repaid during the second quarter of 2018. Gränges has a revolving credit facility of SEK 1,200 million, with a remaining maturity of three years. The revolving credit facility was unutilized as of 30 June 2018. At the end of the period, Gränges had no other current interest-bearing liabilities (SEK 30 million as of 31 December 2017). The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

SEK million	Frame	Year			Total
		< 1	1-2	> 2	
Term loans					
SEK		-	200	-	200
USD		-	134	1,838	1,972
Commercial papers	1,500	800	-	-	800
Revolving Credit Facility	1,200	-	-	-	-
Other interest-bearing liabilities		-	-	-	-
Total		800	334	1,838	2,972

Borrowings are measured at amortized cost and the carrying amount as of 30 June 2018 was SEK 2,960 million (SEK 2,791 million as of 31 December 2017). The fair value of borrowings amounted to SEK 2,972 million as of 30 June 2018 (SEK 2,805 million as of 31 December 2017). For other receivables and liabilities, which are short-term, the carrying amount is considered to reflect the fair value.

NOTE 4 RELATED PARTY TRANSACTIONS

As of 2 January, Gränges owns 100 per cent of Norca Heat Transfer LLC ("Norca") and Norca is from the first quarter of 2018, consolidated into Gränges by using the acquisition method. No other changes have been made to the group or parent company in relations or transactions with related parties, compared to what is described in the 2017 Annual Report. During 2018 there have been no significant transactions with related parties.

NOTE 5 ITEMS AFFECTING COMPARABILITY

SEK million	Financial statement line	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Inventory effect due to changed distribution model	Cost of materials	-	-	-64	-	-
Closure costs for US sales company	Items affecting comparability	-	-	-	-	-16
Items affecting comparability		-	-	-64	-	-16

On January 2 2018, Gränges acquired the remaining 50 per cent of the joint venture company Norca Heat Transfer LLC ("Norca"), which previously has managed import and distribution of Gränges' heat exchanger materials to customers in North America. This import is related to products that are produced at the facilities in Finspång and Shanghai. As of January 2018, the import and sales to customers in North America is managed by Gränges Americas. The acquisition of the remaining 50 per cent of Norca included finished products from Gränges that Norca had in inventory at the time for the acquisition. As Gränges already had reported the profit for these products when sold to Norca in 2017, a negative effect on operating profit of SEK -64 million occurred in the first quarter of 2018. This had no impact on the cash flow and is included in other non-cash items in the consolidated statement of cash flows.

During the second quarter 2018 no items affecting comparability were recorded.

NOTE 6 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 preliminarily pays 15 per cent in corporate income 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 each one of the three years. In view of the difficulties to estimate whether these special requirements will be met, corporate income tax in the Chinese operation has been based on the standard rate of 25 per cent until the tax return has been approved by Chinese authorities. The provision for the higher tax rate amounted to SEK 88 million as of 30 June 2018 (SEK 73 million as of 31 March 2018), of which SEK 53 million attributable to the financial year 2017 and the remaining SEK 35 million attributable to the financial year 2018.

During the second quarter 2018, the Swedish Parliament approved the proposal of reduced corporate taxation in Sweden, which will be in two steps from 22 to 20.6 per cent from 2019 to 2021. In the first two years, the tax will be reduced to 21.4 per cent and then to 20.6 per cent. As a result of the reduced corporate tax, deferred tax has been recalculated. This has no material impact on the profit for the period.

NOTE 7 ACQUISITIONS

Norca

Norca Heat Transfer LLC ("Norca"), in which Gränges held a 50 per cent ownership until January 2018, has previously administered the import and distribution of Gränges' heat exchanger materials to customers in North America supplied from the production sites in Finspång and Shanghai. As of 2 January 2018 Gränges acquired the remaining 50 per cent of Norca for a purchase price of USD 4 million. The Group's distribution in North America is during 2018 coordinated through Gränges Americas.

Purchase price allocation Norca	USD million	SEK million
Current assets, excluding cash	59.8	482
Cash	7.1	57
Interest-bearing liabilities	24.5	197
Other current liabilities	34.5	278
Net identifiable assets and liabilities	8.0	64
Goodwill	–	–
Consolidated value of share in associates	1.3	11
Revaluation of previously owned shares	2.7	22
Purchase consideration	4.0	32
Total purchase price	8.0	64
Consideration transferred	–4.0	–32
Cash and cash equivalents in acquired businesses	7.1	57
Effect on Group's cash and cash equivalents, acquisitions	3.1	26

Norca was until the acquisition classified as a joint venture and consolidated according to the equity method. Following the acquisition, the operation is consolidated according to the acquisition method. The consolidated value of share in associates was SEK 11 million at the time of acquisition. The result of revaluation at fair value amounted to SEK 22 million and is recognised as profit from joint ventures in the income statement during the first quarter 2018.

Norca only distributed products from Gränges, meaning that the inventory in Norca consisted of products only from Gränges. When consolidating using the equity method, 50 per cent of the intercompany profit in inventory was eliminated and accounted for in the line investments in joint ventures. When using the acquisition method 100 per cent of internal profit in inventory is eliminated and accounted for within cost of materials.

The purchase price allocation has been determined without adjustments and corresponds with the information about the acquisition presented in Note 29 in the Annual Report 2017.

CONSOLIDATED QUARTERLY DATA

SEK million	2018		2017			2016		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume, ktonnes	99.1	95.0	86.5	93.0	98.7	94.8	84.7	62.8
Income statement								
Net sales	3,443	3,071	2,734	2,728	3,081	2,892	2,546	1,859
Adjusted EBITDA ¹	390	364	262	309	392	339	267	251
Adjusted operating profit ¹	301	282	179	227	290	237	171	181
Operating profit	301	217	163	227	290	237	162	88
Profit for the period	214	167	152	151	192	157	101	189
Adjusted EBITDA margin, %	11.3	11.8	9.6	11.3	12.7	11.7	10.5	13.5
Adjusted operating margin, %	8.7	9.2	6.6	8.3	9.4	8.2	6.7	9.7
Adjusted operating profit per tonne, kSEK	3.0	3.0	2.1	2.4	2.9	2.5	2.0	2.9
Operating margin, %	8.7	7.1	6.0	8.3	9.4	8.2	6.4	4.7
Net margin, %	6.2	5.4	5.6	5.5	6.2	5.4	4.0	10.2
Balance sheet								
Non-current assets	4,176	3,934	3,827	3,674	3,769	3,969	4,071	3,951
Current assets	4,823	4,596	4,179	4,040	3,957	3,822	3,878	3,631
Equity	3,665	3,601	3,322	3,106	3,001	3,096	2,942	2,712
Non-current liabilities	2,555	2,608	2,555	2,762	2,802	2,712	3,209	3,370
Current liabilities	2,780	2,321	2,128	1,847	1,923	1,983	1,799	1,500
Cash flow								
Operating activities	291	294	257	222	368	120	171	344
Investing activities	-166	-102	-216	-74	-61	-45	-68	-2,629
Cash flow before financing activities	125	192	41	148	307	75	104	-2,285
Financing activities	-173	-272	-9	-133	-45	-464	-21	2,660
Cash flow for the period	-48	-80	32	16	263	-389	83	375
Capital structure								
Net debt	2,621	2,353	2,292	2,280	2,481	2,665	2,722	2,823
Equity to assets, %	40.7	42.2	41.5	40.3	38.8	39.7	37.0	35.8
Data per share, SEK								
Earnings per share basic	2.84	2.21	2.02	2.00	2.55	2.09	1.35	2.53
Earnings per share diluted	2.84	2.21	2.02	2.00	2.55	2.08	1.35	2.52
Equity ²	48.53	47.68	44.00	41.13	39.81	41.10	39.17	36.21
Cash flow from operating activities ²	3.85	3.89	3.40	2.94	4.89	1.60	2.28	4.51
Share price at the end of the period	117.3	97.95	84.25	93.25	77.50	82.00	86.00	87.50
Weighted outstanding ordinary shares, basic in thousands	75,517.4	75,517.4	75,513.7	75,512.4	75,295.0	75,155.4	74,897.4	74,639.4
Weighted outstanding ordinary shares, diluted in thousands	75,517.4	75,517.4	75,515.4	75,514.8	75,398.0	75,320.6	75,106.6	74,898.5

¹ Adjusted for items affecting comparability.

² Calculated on weighted outstanding ordinary shares, diluted.

CONSOLIDATED QUARTERLY DATA

SEK million	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales volume by region, ktonnes								
Asia	22.5	23.0	20.6	20.7	22.3	22.7	20.7	19.0
Europe	17.8	17.2	15.4	15.5	17.9	16.9	15.2	15.0
Americas	58.8	54.8	50.6	56.8	58.5	55.3	48.8	28.9
Total	99.1	95.0	86.5	93.0	98.7	94.8	84.7	62.8
Net sales by region								
Asia	813	765	709	676	759	767	719	619
Europe	649	615	557	516	612	545	497	465
Americas	1,981	1,692	1,468	1,536	1,710	1,580	1,330	775
Total	3,443	3,071	2,734	2,728	3,081	2,892	2,546	1,859
Employees								
Average number of employees	1,669	1,655	1,632	1,592	1,548	1,500	1,499	1,123

CONSOLIDATED 12-MONTHS ROLLING DATA

SEK million	Jul 2017 – Jun 2018	Apr 2017 – Mar 2018	Jan 2017 – Dec 2017	Oct 2016 – Sep 2017	Jul 2016 – Jun 2017	Apr 2016 – Mar 2017	Jan 2016 – Dec 2016	Oct 2015 – Sep 2016
Sales volume, ktonnes	373.7	373.2	373.0	371.2	341.0	288.8	239.1	193.4
Income statement								
Net sales	11,976	11,614	11,435	11,247	10,379	8,740	7,207	5,913
Adjusted EBITDA ¹	1,325	1,328	1,303	1,308	1,249	1,085	952	853
Adjusted operating profit ¹	989	977	933	925	879	769	687	632
Operating profit	909	897	917	916	777	641	559	525
Adjusted EBITDA margin, %	11.1	11.4	11.4	11.6	12.0	12.4	13.2	14.4
Adjusted operating margin, %	8.3	8.4	8.2	8.2	8.5	8.8	9.5	10.7
Adjusted operating profit per tonne, kSEK	2.6	2.6	2.5	2.5	2.6	2.7	2.9	3.3
Operating margin, %	7.6	7.7	8.0	8.1	7.5	7.3	7.8	8.9
Capital structure and return indicators								
Capital employed	5,744	5,639	5,581	5,565	5,053	4,527	3,930	3,372
Return on capital employed, %	17.2	17.3	16.7	16.6	17.4	17.0	17.5	18.7
Equity	3,339	3,225	3,093	2,971	2,848	2,755	2,636	2,534
Return on equity, %	20.5	20.5	21.1	20.2	22.4	20.4	18.9	18.9
Net debt / Adjusted EBITDA	2.0	1.8	1.8	1.7	1.9	2.1	2.1	2.2

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 19.

SEK million	Q2		Jan – Jun		12 month rolling	Full year
	2018	2017	2018	2017	Jul 2017 – Jun 2018	2017
Adjusted operating profit						
Operating profit	301	290	519	527	909	917
Items affecting comparability	–	–	64	–	80	16
Adjusted operating profit	301	290	583	527	989	933
Adjusted EBITDA						
Adjusted operating profit	301	290	583	527	989	933
Depreciation and amortization	89	102	171	204	337	370
Adjusted EBITDA	390	392	754	732	1,325	1,303
Return on capital employed						
Total assets less cash and cash equivalents and interest-bearing receivables, rolling 12 months average	–	–	–	–	7,485	7,111
Non-interest-bearing liabilities, rolling 12 months average	–	–	–	–	–2,022	–1,810
Pensions, rolling 12 months average	–	–	–	–	281	280
Capital employed	–	–	–	–	5,744	5,581
Adjusted operating profit	–	–	–	–	989	933
Return on capital employed, %	–	–	–	–	17.2	16.7
Net debt						
Cash and cash equivalents and interest-bearing receivables	–	–	–636	–737	–636 ¹	–775
Interest bearing liabilities	–	–	2,961	2,933	2,961 ¹	2,791
Pensions	–	–	297	285	297 ¹	276
Net debt	–	–	2,621	2,481	2,621¹	2,292
Equity to assets						
Equity	–	–	3,665	3,001	3,665 ¹	3,322
Total assets	–	–	8,999	7,727	8,999 ¹	8,005
Equity to assets, %	–	–	40.7	38.8	40.7¹	41.5

¹ Closing balance at the end of the period.

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 Krona.

Glossary

Alloy

Material composed of one metal with additions of other metals and/or elements.

Aluminium strip

Rolled aluminium in coil form.

Brazing

Joining of metals through melting and solidification.

Cladding

A layer of metal bonded to a dissimilar metal or alloy.

Heat exchanger

A device for transferring heat from one medium to another.

HVAC

Heat exchangers for Heating, Ventilation and Air Conditioning, sometimes used to define the stationary heat exchanger market.

LME

London Metal Exchange.

Rolled aluminium

Aluminium that has been hot and/or cold rolled to desired gauge.

Scrap

Aluminium that can be re-melted.

SHFE

Shanghai Futures Exchange.



Head office

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

Visiting address

Linnégatan 18
114 47 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 11 billion. The share is listed on Nasdaq Stockholm. More information on Gränges is available at granges.com.

VISION AND BUSINESS CONCEPT

Gränges vision is to transform the world through innovative, aluminium engineering. We support our customers with research and innovation, product development, and technical support during the product's life-cycle. 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.