1st Quarter 2018

INTERIM REPORT JANUARY-MARCH 2018

Improved performance contributed to higher profit in the quarter

First quarter 2018

- Sales volume increased by 0.3 per cent to 95.0 ktonnes (94.8) and net sales was SEK 3,071 million (2,892).
- Adjusted operating profit increased by 18.7 per cent to SEK 282 million (237), which corresponds to an adjusted operating margin of 9.2 per cent (8.2).
- Profit for the period increased to SEK 167 million (157) 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 2.21 (2.08).
- Cash flow before financing activities increased to SEK 192 million (75) and includes capital expenditure of SEK –123 million (–45).
- Net debt increased to SEK 2,353 million at 31 March 2018 (SEK 2,292 million at 31 December 2017), corresponding to 1.8 times adjusted EBITDA[1] (1.8 times at 31 December 2017).

Financial summary

SEK million	Q1 2018	Q1 2017	Δ	12 month rolling Apr 2017-Mar 2018	Full year 2017	Δ
Sales volume, ktonnes	95.0	94.8	0.3%	373.2	373.0	0.1%
Net sales	3,071	2,892	6.2%	11,614	11,435	1.6%
Adjusted operating profit[1]	282	237	18.7%	977	933	4.8%
Adjusted operating margin, %	9.2	8.2	1.0	8.4	8.2	0.3
Adjusted operating profit per tonne, kSEK	3.0	2.5	0.5	2.6	2.5	0.1
Operating profit	217	237	–8.4%	897	917	–2.2%
Operating margin, %	7.1	8.2	–1.1	7.7	8.0	–0.3
Profit for the period	167	157	6.5%	662	652	1.6%
Earnings per share basic, SEK	2.21	2.09	0.13	8.74	8.65	0.09
Earnings per share diluted, SEK	2.21	2.08	0.13	8.76	8.64	0.11
Cash flow before financing activities	192	75	157.3%	689	572	20.6%
Equity to assets, %	42.2	39.7	2.5	42.2[2]	41.5	0.7
Net debt	2,353	2,665	–312	2,353[2]	2,292	61
Return on capital employed, %	–	–	–	17.3	16.7	0.6

[1] Adjusted for items affecting comparability.
[2] Closing balances at the end of the period.

COMMENTS BY THE CEO

Improved performance contributed to higher profit in the quarter

THE YEAR HAS STARTED WELL

Gränges has had a good start in 2018. Adjusted operating profit increased to SEK 282 million, while sales volume remained stable at 95 ktonnes. Improved productivity in Europe, good metal management and price increases in North America contributed to the higher profit. Exchange rate fluctuations have affected the adjusted operating profit negatively by SEK 19 million during the quarter.

In Asia, sales volume increased by 1.4 per cent in the first quarter, which was a better development than the general market. In China, sales volume was higher as a result of good development for commercial vehicles. In Europe, sales of heat exchanger materials increased by 2.2 per cent in the first quarter, driven by strong demand from our global customers in the region. In the Americas, sales were slightly lower during the first quarter due to temporary production disturbance in one of the rolling mills in Huntingdon. Demand in the US is still very strong and has increased further after the US introduced import duties on a number of rolled aluminium products from China. Gränges' reported sales volume of automotive heat exchanger materials imported to the US from Sweden and China is slightly lower than previous year. This is fully attributable to a change of distribution model for Gränges products in the US effective as of January 2018.

OUTLOOK

The automotive heat exchanger 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 during the year. In the second quarter, growth is expected to be 5 per cent, according to IHS.

For our automotive heat exchanger materials we are anticipating a lower growth rate than IHS' forecasts in all our regions during second 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. We also note that the uncertainty in the global aluminium market has increased as a consequence of the US sanctions against Rusal and the recently imposed import tariffs on certain rolled aluminium products from China. The effects for Gränges are, however, limited. In total, we expect the group's sales volume in the second quarter of 2018 to be in line with the second quarter last year.

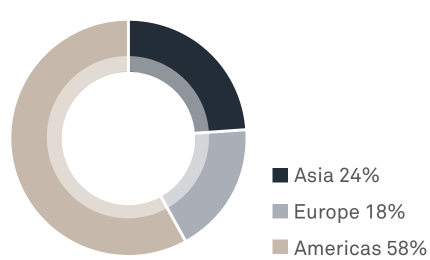
As we look further ahead into 2018, we will continue to work actively with innovation and customer offerings, which includes increased focus on product development for electric vehicles where we see a good growth potential. Sustainability is another important area, as well as ensuring that we have both capacity and capability to meet future demand. We are currently working actively to establish new capacity in the United States by expanding the production facility in Huntingdon, but are also reviewing the 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

First quarter 2018

- Sales volume **95.0** ktonnes
- Net sales SEK **3,071** million
- Adjusted operating profit SEK **282** million

Sales volume per region



US SANCTIONS
On 6 April 2018, the US Department of the Treasury's Office of Foreign Asset Control designated certain legal and natural persons as subject to sanctions, including United Company Rusal, which owns Kubikenborg Aluminium AB (Kubal) in Sundsvall, Sweden. Kubal is a supplier of aluminium slabs to Gränges in Finspång.

On 23 April 2018, the US Treasury announced that it has extended the deadline for wind down of dealings with Rusal and its subsidiaries until October 2018. Change in ownership of Rusal may result in lifted sanctions.

Gränges is taking measures to reduce risks and ensure that the company has sufficient access to aluminium slabs in Finspång. In 2017, deliveries from Kubal corresponded to about 20 per cent of the supply of aluminium slabs to Finspång. This represented less than 5 per cent of Gränges group's total metal purchases. The measures taken so far are expected to have reduced risks related to Kubal.

Sales volume increased by 0.3 per cent in the first quarter driven by sales to the Automotive business

MARKET DEVELOPMENT
According to the international research firm IHS[1], global light vehicle production decreased by 0.7 per cent in the first quarter of 2018, compared to the corresponding quarter 2017. In Asia, light vehicle production decreased by 1.5 per cent during the first quarter. In the second quarter of 2018, an increase of 4.7 per cent is expected in Asia. In Europe, light vehicle production increased by 0.9 per cent in the first quarter, and an increase of 5.3 per cent is expected for the second quarter of 2018. Light vehicle production in the Americas decreased by 0.6 per cent in the first quarter, whereas an increase of 5.9 per cent is anticipated in the second quarter of 2018. For the full year 2018, 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 and construction of new houses and buildings.

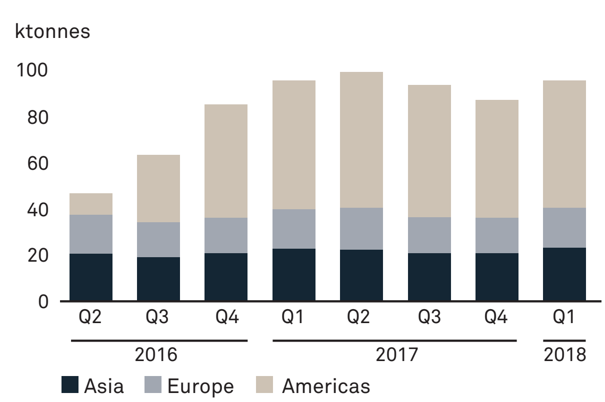
SALES DEVELOPMENT
Gränges' sales volume in the first quarter of 2018 increased by 0.3 per cent to 95.0 ktonnes (94.8) compared to the same quarter previous year. Net sales increased to SEK 3,071 million (2,892). The net sales increase was mainly driven by an increased aluminium price, partly offset by the net effect from changes in foreign exchange rates with negative SEK 176 million.

For the Automotive business, sales volume increased to 48.9 ktonnes (48.3) and net sales increased to SEK 1,756 million (1,633) during the first quarter 2018. For the HVAC & Other business, sales volume decreased to 46.2 ktonnes (46.5) while net sales increased to SEK 1,315 million (1,260).

ASIA
In the first quarter of 2018, sales volume in Asia increased by 1.4 per cent to 23.0 ktonnes (22.7). The growth was mainly driven by increased sales to commercial vehicles in China and India.

EUROPE
In the first quarter of 2018, sales volume in Europe increased by 2.2 per cent to 17.2 ktonnes (16.9). Sales of heat exchanger material increased while sales of material for non-heat exchanger applications decreased during the quarter.

Quarterly sales volume per region



[1] Source: IHS, 16 March 2018.

AMERICAS

In the first quarter of 2018, sales volume in the Americas decreased by 0.8 per cent to 54.8 ktonnes (55.3). Of this, 46.2 ktonnes (46.5) relates to the HVAC & Other business while 8.7 ktonnes (8.8) relates to the Automotive business.

OPERATING PROFIT

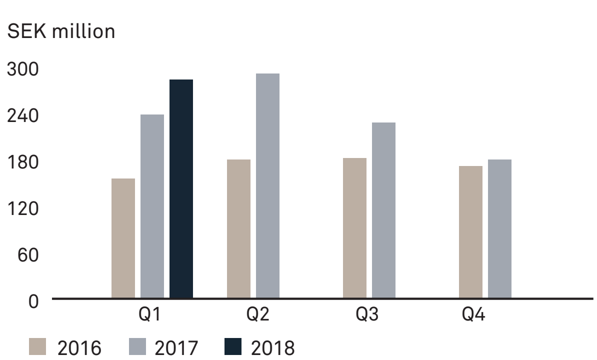
Adjusted operating profit for the first quarter of 2018 increased to SEK 282 million (237), corresponding to an adjusted operating margin of 9.2 per cent (8.2). The increase was driven by positive effects from improved metal management and productivity, as well as a slightly higher average conversion price. Net changes in foreign exchange rates had a negative impact of SEK 19 million in the quarter whereas the effect from changed depreciation periods was positive with SEK 16 million.

Operating profit for the first quarter of 2018 declined to SEK 217 million (237). Operating profit 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.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit before taxes increased to SEK 214 million (209) and includes a positive effect from joint ventures of SEK 22 million (1) which is related to revaluation from book value to fair value of Norca. During the first quarter, finance income and costs was SEK -25 million (-29) and includes interest expenses of SEK -26 million and interest income of SEK 1 million. Income tax for the first quarter of 2018 amounted to SEK -47 million (-52) which corresponds to an effective tax rate of 22 per cent (25). The profit for the period was SEK 167 million (157) during the first quarter of 2018 and diluted earnings per share was SEK 2.21 (2.08).

Quarterly adjusted operating profit



CASH FLOW

Cash flow from operating activities increased to SEK 294 million (120) in the first quarter of 2018. The increase in working capital was driven by a seasonal build-up of inventories and receivables. Cash flow from investing activities for the first quarter of 2018 was SEK -102 million (-45) 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 LLC. Capital expenditure during the quarter amounted to SEK -123 million (-45). Of this, SEK -57 million referred to investments to maintain and improve efficiency in current production facilities and SEK -65 million related to the expansion of the Huntingdon facility in the US. Cash flow before financing activities amounted to SEK 192 million (75) in the first quarter of 2018. Cash flow from financing activities was SEK -272 million (-464) and includes new loans of SEK 261 million and amortisation of loans of SEK -515 million.

Cash and cash equivalents amounted to SEK 666 million at 31 March 2018 (SEK 742 million 31 December 2017).

FINANCIAL POSITION

Gränges' total assets amounted to SEK 8,530 million at 31 March 2018 (SEK 8,005 million at 31 December 2017). The equity to assets ratio was 42.2 per cent at 31 March 2018 (41.5 per cent at 31 December 2017).

Consolidated net debt including pension liabilities was SEK 2,353 million at 31 March 2018 (SEK 2,292 million at 31 December 2017). At 31 March 2018, the Group's net debt corresponds to 1.8 times adjusted EBITDA.

EMPLOYEES

The average number of employees in the Gränges Group was 1,655 (1,500) in the first quarter of 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, business development and communications. For the period January-March 2018, net sales in the parent company were SEK 56 million (31) and the result for the period was SEK –12 million (–24).

[1] Source: IHS, 15 December 2017.

SIGNIFICANT EVENTS DURING THE PERIOD

Changed distribution model for imported volumes to the US

On 2 January 2018, Gränges acquired the remaining 50 per cent of the American sales and distribution company Norca Heat Transfer LLC ("Norca"). More information is available in Note 7 on page 13 in the report.

Capital Markets Day

On 21 March 2018, Gränges held a capital markets day in Stockholm. Gränges CEO Johan Menckel confirmed the company's goals and strategy for 2020, and emphasized the growth ambitions for the coming years focusing on innovation, expansion and sustainability. Gränges also gave an updated view on the electrical vehicles market, as well as the expansion projects in the US. An investigation of a restart of the facility in Newport, Arkansas, was also communicated.

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 31 March 2018[1].

Shareholder	Number of shares	Share of capital and votes %
Fjärde AP-fonden	7,111,207	9.4
AFA Försäkring	5,135,890	6.8
SEB Fonder	3,380,970	4.5
Swedbank Robur Fonder	3,340,136	4.4
Allianz Global Investors	2,785,794	3.7
Fidelity	2,494,052	3.3
Copper Rock Capital Partners	2,227,526	3.0
Dimensional Fund Advisors	2,182,295	2.9
Unionen	1,700,000	2.3
Columbia Threadneedle	1,451,636	1.9
Norges Bank	1,320,589	1.7
Acadian Asset Management LLC	1,261,569	1.7
Lazard Asset Management	939,768	1.2
Paradice Fonder	857,854	1.1
T. Rowe Price	807,746	1.1
Total 15 largest shareholders	**36,997,032**	**49.0**
Other	38,520,354	51.0
Total	**75,517,386**	**100.0**

[1] Source: Modular Finance Holdings.

The number of shareholders in Gränges was 8,906 at 31 March 2018, according to Euroclear.

Sofia Hedevåg, VP Sustainability, speaks at Gränges Capital Markets Day 2018 in Stockholm, Sweden.

OTHER

Annual General Meeting 2018

The Annual General Meeting 2018 in Gränges AB (publ) takes place at Näringslivets Hus, Storgatan 19, Stockholm, on Thursday 3 May 2018 at 16.00 CEST. Registration starts at 15.00 CEST and light refreshments are served.

The Nomination Committee proposals

The Nomination Committee of Gränges proposes that Board member Anders G. Carlberg, Carina Andersson, Peter Carlsson, Katarina Lindström, Hans Porat and Ragnhild Wiborg will be re-elected at the Annual General Meeting 2018. The Nomination Committee also proposes election of Mats Backman, CFO at Autoliv, Inc., as new Board member. Anders G. Carlberg is proposed to be re-elected as Chairman of the Board.

The Nomination Committee's complete proposal is available on granges.com.

Dividend

Gränges' Board of Directors proposes a dividend of SEK 227 million (180), equivalent to SEK 3.00 (2.40) per share for 2017. The proposed dividend represents 35 per cent (36) of profit for the year 2017. In its proposal, the Board of Directors has taken into account the company's financial position, cash flow and future outlook, and the company's growth plans. The record date for the dividend is proposed to be Monday, 7 May, 2018, which means that the dividend, assuming the AGM's approval, is expected to be paid on Friday, 11 May, 2018.

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

Demand for aluminium products for brazed heat exchangers, which is Gränges main market and accounts for about 50 percent of the Group's sales volume, is correlated with the production of light vehicles. The HVAC market, whose basic growth factors are global building investments, new energy efficiency regulations, climate change, is also to some extent characterized by seasonal variations, as demand for input materials for refrigeration plants for the North and South American market is higher during the summer. Major planned annual maintenance work of Gränges production facilities takes place mainly in the fourth quarter. Overall, seasonal factors mean that the fourth quarter is the weakest and the second quarter is the strongest.

Stockholm, 26 April 2018

Johan Menckel
CEO Gränges

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

For additional information, please contact:

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The information in this report is such that Gränges must disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, on Thursday 26 April 2018 at 07.30 CEST.

Webcasted telephone conference

CEO Johan Menckel and CFO Oskar Hellström will present Gränges' interim report for January–March 2018 at a webcasted conference call at 10.00 CEST, Thursday 26 April, 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

3 May 2018	Annual General Meeting 2018
19 July 2018	Half-year Report 2018
25 October 2018	Interim Report January–September 2018

CONSOLIDATED INCOME STATEMENT (CONDENSED)

SEK million	Note	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Net sales		**3,071**	**2,892**	**11,435**
Cost of materials	5	–2,066[1]	–1,856	–7,396
Payroll and other operating expenses		–706	–697	–2,735
Depreciation, amortization and impairment charges		–82	–102	–370
Items affecting comparability	5	–	–	–16
Operating profit		**217**	**237**	**917**
Profit or loss from joint ventures	7	22	1	–5
Finance income and costs		–25	–29	–115
Profit before tax		**214**	**209**	**797**
Income tax	6	–47	–52	–145
Profit for the period		**167**	**157**	**652**
Earnings per share				
Earnings per share basic, SEK		2.21	2.09	8.65
Earnings per share diluted, SEK		2.21	2.08	8.64

[1] Includes items affecting comparability of SEK –64 million.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

SEK million	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Profit for the period	**167**	**157**	**652**
Items not to be reclassified to profit/loss in subsequent periods			
Remeasurement of pensions after tax	2	10	12
Items to be reclassified to profit/loss in subsequent periods			
Change in hedging reserve after tax	–26	15	41
Translation effects	136	–29	–160
Comprehensive income for the period attributable to owners of the parent company	**278**	**154**	**545**

CONSOLIDATED BALANCE SHEET (CONDENSED)

SEK million	Note	31 Mar 2018	31 Mar 2017	31 Dec 2017
ASSETS				
Property, plant and equipment		3,184	3,239	3,076
Intangible assets		657	589	640
Deferred tax assets		66	63	44
Investments in joint ventures		10	31	17
Interest–bearing receivables		–	36	33
Other non–current receivables	3	17	11	16
Non–current assets		**3,934**	**3,969**	**3,827**
Inventories		1,884	1,601	1,611
Receivables	3	2,045	1,762	1,826
Cash and cash equivalents		666	458	742
Current assets		**4,596**	**3,822**	**4,179**
TOTAL ASSETS		**8,530**	**7,790**	**8,005**
EQUITY AND LIABILITIES				
Share capital		101	101	101
Retained earnings		3,500	2,995	3,221
Equity		**3,601**	**3,096**	**3,322**
Interest–bearing liabilities		2,255	2,392	2,215
Provisions and other non-current liabilities	3	352	320	340
Non–current liabilities		**2,608**	**2,712**	**2,555**
Interest–bearing liabilities		485	485	576
Provisions and other current liabilities	3, 6	1,837	1,498	1,552
Current liabilities		**2,321**	**1,983**	**2,128**
TOTAL EQUITY AND LIABILITIES		**8,530**	**7,790**	**8,005**

CONSOLIDATED CHANGES IN EQUITY (CONDENSED)

SEK million	31 Mar 2018	31 Mar 2017	31 Dec 2017
Opening balance as at 1 January	**3,322**	**2,942**	**2,942**
Profit for the period	167	157	652
Other comprehensive income for the period	111	–3	–107
Total comprehensive income for the period	**278**	**154**	**545**
Dividend	–	–	–180
Rights issue	–	–	16
Total transactions with owners	**–**	**–**	**–164**
Closing balance	**3,601**	**3,096**	**3,322**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million		Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Operating profit		217	237	917
Depreciation, amortization and impairment charges		82	102	370
Other non-cash items	5	64	–	–
Change in working capital etc.		–55	–185	–267
Income taxes paid		–15	–35	–53
Cash flow from operating activities		**294**	**120**	**968**
Acquisitions	7	24	–	–42
Investments in property, plant, equipment and intangible assets		–123	–45	–358
Other capital transactions		–3	–	4
Cash flow from investing activities		**–102**	**–45**	**–396**
Dividend		–	–	–180
Rights issue		–	–	16
Interest paid and received		–18	–51	–124
New loans		261	57	888
Amortization		–515	–471	–1,250
Cash flow from financing activities		**–272**	**–464**	**–650**
Cash flow for the period		**–80**	**–389**	**–79**
Cash and cash equivalents at beginning of period		**742**	**851**	**851**
Cash flow for the period		–80	–389	–79
Exchange rate differences in cash and cash equivalents		4	–4	–30
Cash and cash equivalents at end of period		**666**	**458**	**742**

PARENT COMPANY INCOME STATEMENT (CONDENSED)

SEK million	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Net sales	**56**	**31**	**219**
Payroll and other operating expenses	–71	–54	–240
Depreciation, amortization and impairment charges	–7	–7	–27
Operating profit/loss	**–21**	**–30**	**-47**
Dividends from subsidiaries	–	–	378
Finance income and costs	6	7	13
Profit/loss after financial items	**–16**	**–24**	**344**
Change in accelerated tax depreciation	–	–	–25
Group contributions	–	–	90
Income tax	4	–1	–23
Profit/loss for the period	**–12**	**–24**	**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	31 Mar 2018	31 Mar 2017	31 Dec 2017
ASSETS			
Property, plant and equipment	216	213	217
Intangible assets	156	167	159
Investments related to Group companies	1,160	1,093	1,160
Receivables from Group companies	2,381	2,301	2,344
Interest–bearing receivables	–	36	33
Other non–current receivables	15	11	13
Non–current assets	**3,928**	**3,822**	**3,925**
Receivables from Group companies	95	22	147
Other receivables	87	102	95
Cash and cash equivalents	207	56	106
Current assets	**389**	**180**	**348**
TOTAL ASSETS	**4,317**	**4,002**	**4,273**
EQUITY AND LIABILITIES			
Restricted equity	107	106	107
Non–restricted equity	1,155	923	1,166
Equity	**1,261**	**1,029**	**1,273**
Untaxed reserves	**80**	**55**	**80**
Provisions and other liabilities	22	22	22
Interest–bearing liabilities	2,255	2,392	2,215
Other non-current liabilities	9	2	3
Non–current liabilities	**2,286**	**2,416**	**2,240**
Liabilities to Group companies	81	–	–
Interest-bearing liabilities	442	369	548
Other liabilities	167	135	132
Current liabilities	**689**	**503**	**680**
TOTAL EQUITY AND LIABILITIES	**4,317**	**4,002**	**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 2–13 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	Jan - Mar 2018	Jan - Mar 2017
Sales by region		
Asia	765	767
Europe	609	539
Americas	1,692	1,580
Total revenue from contract with customers	**3,066**	**2,886**
Other revenue	5	6
Net sales	**3,071**	**2,892**

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

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

SEK million	31 Mar 2018	31 Mar 2017	31 Dec 2017
Other non–current receivables	4	2	5
Receivables	100	36	68
Provisions and other non-current liabilities	9	3	3
Provisions and other current liabilities	97	90	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 mainly of USD term loans amounting to USD 220 million and SEK term loans of SEK 670 million. Gränges amortizes approximately SEK 240 million per year on the term loans, either in USD or SEK. Outstanding commercial papers amounted to SEK 200 million as of 31 March 2018 (SEK 300 million as of 31 December 2017). 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 31 March 2018. Other current interest-bearing liabilities amounted to SEK 44 million as of 31 March 2018 (SEK 30 million as of 31 December 2017). The loan facilities are subject to covenants, which are Net Debt/EBITDA and Interest coverage ratio.

		Year			
SEK million	**Frame**	**<1**	**1–2**	**>2**	**Total**
Term loans					
SEK		240	430	-	670
USD		-	-	1,838	1,838
Commercial papers	1,500	200	–	–	200
Revolving Credit Facility	1,200	–	–	–	–
Other		44	–	–	44
Total		**484**	**430**	**1,838**	**2,752**

Borrowings are measured at amortized cost and the carrying amount as of 31 March 2018 was SEK 2,740 million (SEK 2,791 million as of 31 December 2017). The fair value of borrowings amounted to SEK 2,753 million as of 31 March 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 percent 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 the period there have been no significant transactions with related parties.

NOTE 5 ITEMS AFFECTING COMPARABILITY

SEK million	**Financial statement line**	**Jan-Mar 2018**	**Jan-Mar 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 customer in North America is managed by Gränges Americas. The acquisition of the remaining 50 per cent in Norca included finished products from Gränges that Norca had in inventory at the time for the acquisition. As Gränges already has 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. The change in handling import and distribution of products to customers in North America is not expected to affect the result in the second quarter of 2018, or thereafter. This had no impact on the cash flow and is included in other non-cash items in the consolidated statement of cash flows.

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 preliminary 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 73 million as of 31 March 2018 (SEK 53 million as of 31 December 2017), of which SEK 53 million attributable to the financial year 2017 and the remaining SEK 20 million attributable to the financial year 2018.

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. Gränges will from 2018 coordinate the Group's distribution in North America 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 book value of the initial share 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.

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.

For further information about the acquisition, see Note 29 in the Annual Report 2017.

Getek

During the quarter, contingent consideration of SEK –2 million has been transferred. The amount was in accordance with the fair value of the contingent consideration recognized at the acquisition date and thus has not resulted in any adjustments to the preliminary amounts recognized at the acquisition date. The total consideration of SEK –44 million has thus been settled in its entirety and no further obligations to the seller remain. For further information about the acquisition, see Note 29 in the Annual Report 2017.

CONSOLIDATED QUARTERLY DATA

	2018	2017				2016		
SEK million	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Sales volume, ktonnes	95.0	86.5	93.0	98.7	94.8	84.7	62.8	46.5
Income statement								
Net sales	3,071	2,734	2,728	3,081	2,892	2,546	1,859	1,442
Adjusted EBITDA[1]	364	262	309	392	339	267	251	228
Adjusted operating profit[1]	282	179	227	290	237	171	181	179
Operating profit	217	163	227	290	237	162	88	154
Profit for the period	167	152	151	192	157	101	189	114
Adjusted EBITDA margin, %	11.8	9.6	11.3	12.7	11.7	10.5	13.5	15.8
Adjusted operating margin, %	9.2	6.6	8.3	9.4	8.2	6.7	9.7	12.4
Adjusted operating profit per tonne, kSEK	3.0	2.1	2.4	2.9	2.5	2.0	2.9	3.9
Operating margin, %	7.1	6.0	8.3	9.4	8.2	6.4	4.7	10.7
Net margin, %	5.4	5.6	5.5	6.2	5.4	4.0	10.2	7.9
Balance sheet								
Non–current assets	3,934	3,827	3,674	3,769	3,969	4,071	3,951	1,712
Current assets	4,596	4,179	4,040	3,957	3,822	3,878	3,631	2,578
Equity	3,601	3,322	3,106	3,001	3,096	2,942	2,712	2,489
Non–current liabilities	2,608	2,555	2,762	2,802	2,712	3,209	3,370	775
Current liabilities	2,321	2,128	1,847	1,923	1,983	1,799	1,500	1,025
Cash flow								
Operating activities	294	257	222	368	120	171	344	178
Investing activities	−102	−216	−74	−61	−45	−68	−2,629	−21
Cash flow before financing activities	192	41	148	307	75	104	−2,285	157
Financing activities	−272	−9	−133	−45	−464	−21	2,660	8
Cash flow for the period	−80	32	16	263	−389	83	375	165
Capital structure								
Net debt	2,353	2,292	2,280	2,481	2,665	2,722	2,823	335
Equity to assets, %	42.2	41.5	40.3	38.8	39.7	37.0	35.8	58.0
Data per share, SEK								
Earnings per share basic	2.21	2.02	2.00	2.55	2.09	1.35	2.53	1.53
Earnings per share diluted	2.21	2.02	2.00	2.55	2.08	1.35	2.52	1.52
Equity[2]	47.68	44.00	41.13	39.81	41.10	39.17	36.21	33.29
Cash flow from operating activities[2]	3.89	3.40	2.94	4.89	1.60	2.28	4.51	2.38
Share price at the end of the period	97.95	84.25	93.25	77.50	82.00	86.00	87.50	73.00
Weighted outstanding ordinary shares, basic in thousands	75,517	75,514	75,512	75,295	75,155	74,897	74,639	74,639
Weighted outstanding ordinary shares, diluted in thousands	75,517	75,515	75,515	75,398	75,321	75,107	74,899	74,767

[1] Adjusted for items affecting comparability.
[2] Calculated on weighted outstanding ordinary shares, diluted.

CONSOLIDATED QUARTERLY DATA

	2018	2017				2016		
SEK million	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Sales volume by region, ktonnes								
Asia	23.0	20.6	20.7	22.3	22.7	20.7	19.0	20.4
Europe	17.2	15.4	15.5	17.9	16.9	15.2	15.0	16.9
Americas	54.8	50.6	56.8	58.5	55.3	48.8	28.9	9.2
Total	**95.0**	**86.5**	**93.0**	**98.7**	**94.8**	**84.7**	**62.8**	**46.5**
Net sales by region								
Asia	765	709	676	759	767	719	619	639
Europe	615	557	516	612	545	497	465	498
Americas	1,692	1,468	1,536	1,710	1,580	1,330	775	306
Total	**3,071**	**2,734**	**2,728**	**3,081**	**2,892**	**2,546**	**1,859**	**1,442**
Employees								
Average number of employees	1,655	1,632	1,592	1,548	1,500	1,499	1,123	961

CONSOLIDATED 12-MONTHS ROLLING DATA

SEK million	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	Jul 2015 - Jun 2016
Sales volume, ktonnes	373.2	373.0	371.2	341.0	288.8	239.1	193.4	169.4
Income statement								
Net sales	11,614	11,435	11,247	10,379	8,740	7,207	5,913	5,335
Adjusted EBITDA[1]	1,328	1,303	1,308	1,249	1,085	952	853	768
Adjusted operating profit[1]	977	933	925	879	769	687	632	563
Operating profit	897	917	916	777	641	559	525	535
Adjusted EBITDA margin, %	11.4	11.4	11.6	12.0	12.4	13.2	14.4	14.4
Adjusted operating margin, %	8.4	8.2	8.2	8.5	8.8	9.5	10.7	10.6
Adjusted operating profit per tonne, kSEK	2.6	2.5	2.5	2.6	2.7	2.9	3.3	3.3
Operating margin, %	7.7	8.0	8.1	7.5	7.3	7.8	8.9	10.0
Capital structure and return indicators								
Capital employed	5,639	5,581	5,565	5,053	4,527	3,930	3,372	2,886
Return on capital employed, %	17.3	16.7	16.6	17.4	17.0	17.5	18.7	19.5
Equity	3,225	3,093	2,971	2,848	2,755	2,636	2,534	2,468
Return on equity, %	20.5	21.1	20.2	22.4	20.4	18.9	18.9	14.6
Net debt / Adjusted EBITDA	1.8	1.8	1.7	1.9	2.1	2.1	2.2	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.

	Q1		12 month rolling	Full year
SEK million	**2018**	**2017**	**Apr 2017–Mar 2018**	**2017**
Adjusted operating profit				
Operating profit	217	237	897	917
Items affecting comparability	64	–	80	16
Adjusted operating profit	**282**	**237**	**977**	**933**
Adjusted EBITDA				
Adjusted operating profit	282	237	977	933
Depreciation and amortization	82	102	351	370
Adjusted EBITDA	**364**	**339**	**1,328**	**1,303**
Return on capital employed				
Total assets less cash and cash equivalents and interest–bearing receivables, rolling 12 months avg.	–	–	7,272	7,111
Non–interest–bearing liabilities, rolling 12 months average	–	–	–1,911	–1,810
Pensions, rolling 12 months average	–	–	278	280
Capital employed	–	**–**	**5,639**	**5,581**
Adjusted operating profit	–	–	977	933
Return on capital employed, %	**–**	**–**	**17.3**	**16.7**
Net debt				
Cash and cash equivalents and interest–bearing receivables	–666	–494	–666[1]	–775
Interest bearing liabilities	2,740	2,877	2,740[1]	2,791
Pensions	279	282	279[1]	276
Net debt	**2,353**	**2,665**	**2,353**[1]	**2,292**
Equity to assets				
Equity	3,601	3,096	3,601[1]	3,322
Total assets	8,530	7,790	8,530[1]	8,005
Equity to assets, %	**42.2**	**39.7**	**42.2**[1]	**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.

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

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.

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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.