



GRÄNGES

Third Quarter 2018 Earnings Conference

25 October, 2018

Today's presenters



**JOHAN
MENCKEL**
CEO

Since: 2012
Gränges since: 2004



**OSKAR
HELLSTRÖM**
CFO

Since: 2011



Gränges today

- **1,600** employees
- Listed on Nasdaq Stockholm
- Net sales of SEK **11** billion
- Production capacity of **420,000** metric tonnes
- Adjusted operating profit of SEK **933** million

20%

Global market share in rolled products for brazed aluminium heat exchangers



Third quarter 2018 – stable sales volume and operating profit













- Sales volume increased by 0.4% to 93.4 ktonnes
- Adjusted operating profit increased by 1.6% to SEK 230 million
- Production disturbances had a negative impact of SEK 22 million
- Profit for the period rose to SEK 158 million
- Cash flow before financing was SEK 81 million
- Net debt of 1.9x adjusted EBITDA



创新铝程 第十屆Granges技術研討會
Innovation of Aluminum The 10th Granges Technology Symposium
未来已来

Negative market growth in third quarter, full-year estimates revised down to 1%

Light vehicle production growth (YoY)

| Region | Q3 2018 | Q4 2018 outlook | FY 2018 outlook |
|----------|---|---|---|
| Asia |  -2% |  +2% |  +2% |
| Europe |  -3% |  ±0% |  +1% |
| Americas |  +4% |  +3% |  +1% |
| Global |  -1% |  +2% |  +1% |

Source: IHS Automotive, 14 September 2018

Stable sales volume for Gränges in the third quarter

Gränges sales volume (ktonnes)

Asia



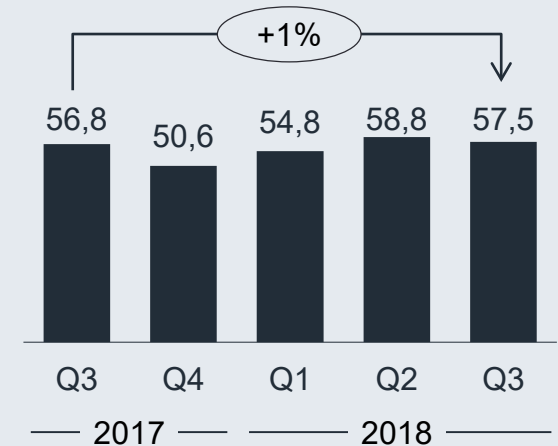
- Growth driven by sales to customers in China
- Positive development for sales to wind power industry

Europe



- Decreased sales of automotive heat exchanger materials
- Increased sales of non-heat exchanger materials

Americas



- Strong underlying growth in the HVAC market
- Capacity constraints limiting growth

Investment of SEK 400 million to expand and improve efficiency in the Finspång facility

- Significant improvement of on site logistics and environmental footprint
- Capacity increase with 20 ktonnes to 120 ktonnes
- Investment includes acquisition of land and buildings, upgrade of rolling mills and relocation of existing machinery and equipment
- Clear improvement of operating profit in European operations expected from 2022



Increasing demand for electric and hybrid vehicles to drive growth for liquid cooling solutions



- Liquid cooling now expected to be the dominant technology for battery cooling in EV and HEV
- Demand for advanced heat exchanger materials to EV is expected to grow significantly
- TRILLIUM® provides a superior solution for battery cooling plates
- Gränges is well positioned for a growing EV market

Offshore wind power a growing market where Gränges has set the standard for oil cooler material

- Highly corrosive environment requires premium materials
- Material standard for the industry established together with leading wind turbine OEMs
- Gränges awarded sole supplier for several offshore projects
- High growth expected going forward – China in focus

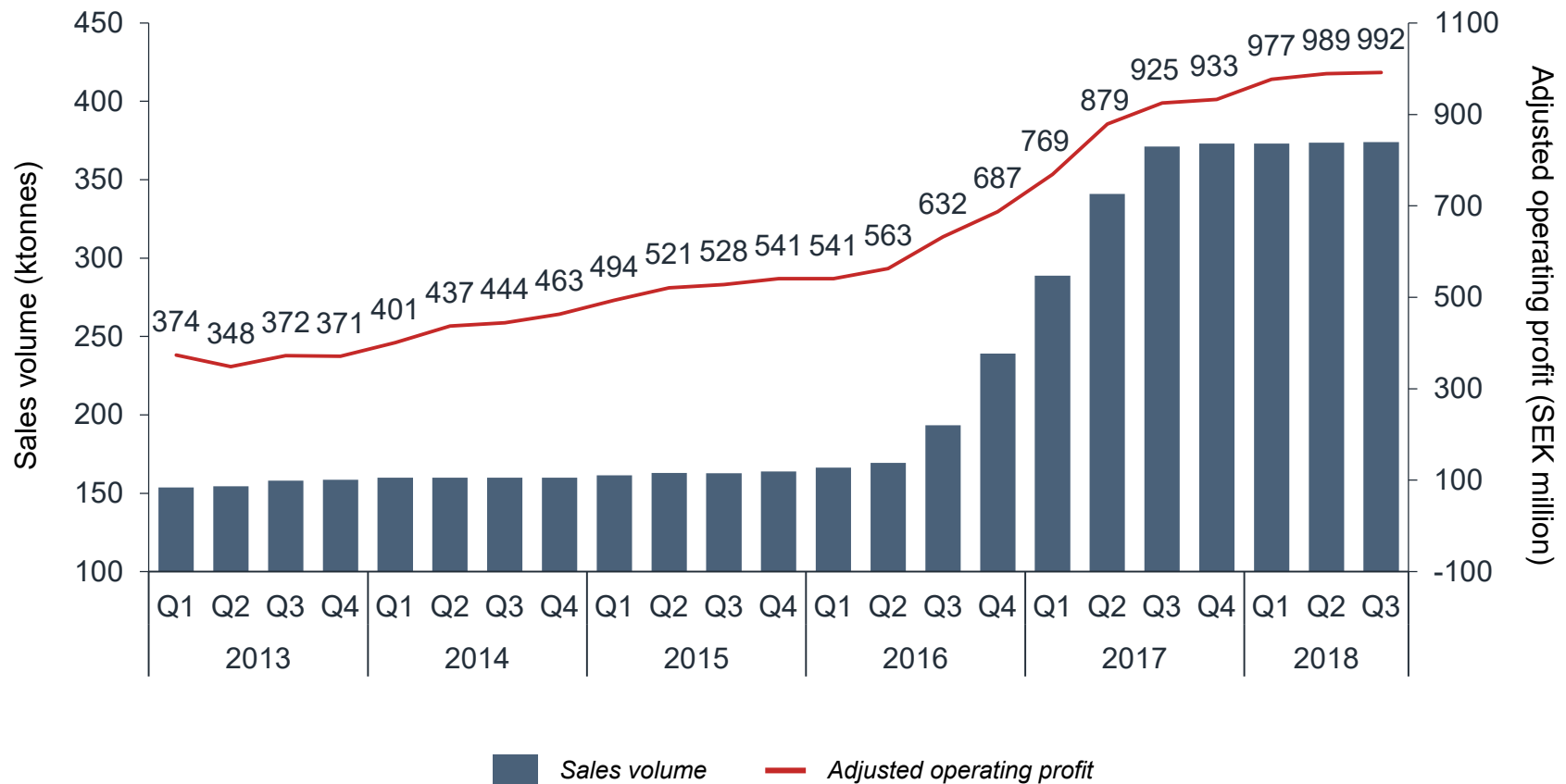
US expansion projects proceeding according to plan



Granges Huntingdon, Tennessee

Earnings trend remains positive after third quarter

Rolling 12 months sales volume and adjusted operating profit



Stable sales volume and operating profit in the third quarter

Financial overview

SEK million

Q3

January – September

| |
|--|
| Sales volume (ktonnes) |
| Net sales |
| Adjusted operating profit ¹ |
| Adjusted operating margin (%) |
| Adjusted operating profit per tonne (kSEK) |
| Operating profit |
| Profit for the period |
| Earnings per share ² (SEK) |
| Cash flow before financing activities |
| Return on capital employed, R12 (%) |
| Net debt / adjusted EBITDA, R12 |

| 2018 | 2017 | Change |
|-------|-------|----------|
| 93.4 | 93.0 | 0.4% |
| 3,322 | 2,728 | 21.8% |
| 230 | 227 | 1.6% |
| 6.9 | 8.3 | -1.4 ppt |
| 2.5 | 2.4 | 0.0 |
| 230 | 227 | 1.6% |
| 158 | 151 | 4.5% |
| 2.09 | 2.00 | 0.09 |
| 81 | 148 | -45.5% |
| 16.8 | 16.6 | |
| 1.9 | 1.7 | |

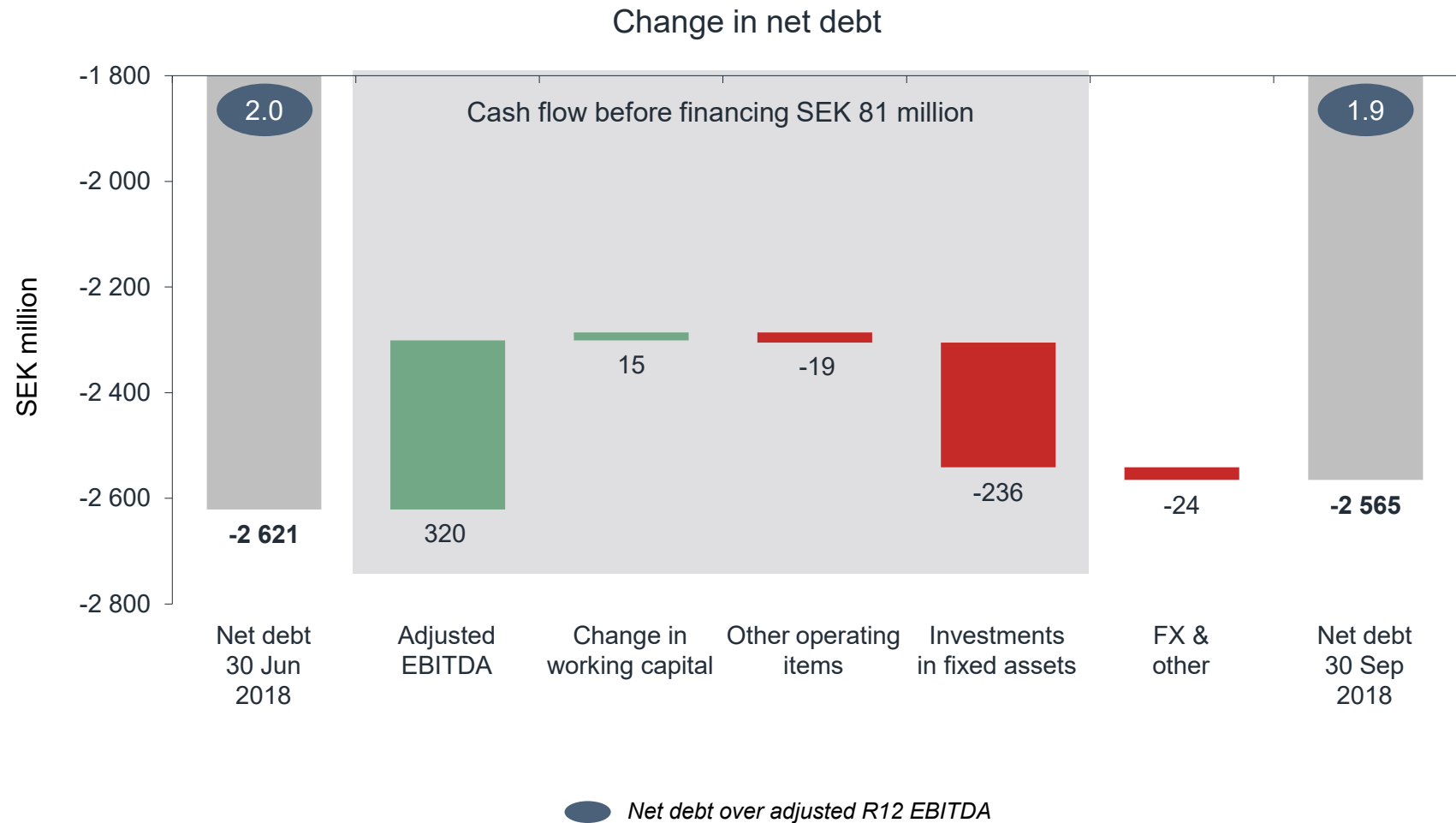
| 2018 | 2017 | Change |
|-------|-------|----------|
| 287.5 | 286.5 | 0.4% |
| 9,836 | 8,701 | 13.0% |
| 813 | 754 | 7.9% |
| 8.3 | 8.7 | -0.4 ppt |
| 2.8 | 2.6 | 0.2 |
| 749 | 754 | -0.7% |
| 539 | 500 | 7.8% |
| 7.14 | 6.62 | 0.52 |
| 398 | 530 | -24.9% |
| | | |
| | | |

1. Adjusted for items affecting comparability

2. Diluted



Net debt was SEK 2.6 billion at the end of third quarter



US trade tariffs and sanctions

Antidumping duties

- Antidumping and countervailing duties (AD/CVD) on foil and sheet from China
- Preliminary AD on sheet now reduced from 167% to 91% retroactive from March 24, 2018

Section 232 tariffs

- Additional tariffs of 10% on all aluminium imports into the US in effect as of March 23, 2018
- Exclusions from tariffs may be granted if there is no domestic availability of the product in question

Sanctions against Rusal

- Sanctions prohibiting US persons and limiting non-US persons to transact with Rusal
- Wind down period for transactions with Rusal now extended to December 12, 2018

Outlook

- IHS estimate Global Light Vehicle Production to increase 2% during fourth quarter
- Gränges sales volume to increase with low single digits in the fourth quarter, comprising a stable volume for Automotive and a low single digit growth for HVAC & Other
- Growth initiatives to support higher sales volume in 2019
- Still high uncertainty in the aluminium market in general due to US trade tariffs and sanctions

Summary of third quarter 2018

- Sales volume increased by 0.4% to 93.4 ktonnes
- Adjusted operating profit increased to SEK 230 million
- Profit for the period rose to SEK 158 million
- Cash flow before financing was SEK 81 million
- Net debt of 1.9 x adjusted EBITDA



Q&A

Johan Menckel, CEO
Oskar Hellström, CFO



GRÄNGES