



GRÄNGES

Acquisition of Noranda downstream

18 August, 2016

Today's presenters



**JOHAN
MENCKEL**
CEO

Since: 2012
Gränges since: 2004



**OSKAR
HELLSTRÖM**
CFO

Since: 2011



Agenda

1. Transaction highlights
2. Overview of Noranda downstream
3. Strategic rationale
4. Financials and funding
5. Gränges Americas organisation
6. Summary

Transaction highlights



- Gränges to acquire Noranda's downstream aluminium rolling business
- The deal will make Gränges a truly global player in its industry
- Attractive valuation with an estimated EBITDA multiple of 6.2x (FY 2015)
- Gränges takes an important step towards realising its goal for 2020

Transaction overview

Overview

- Gränges to acquire Noranda's downstream aluminium rolling business in an asset transaction for USD 324 million cash and debt free
- The transaction is expected to be EPS accretive in year one

Rationale

- Production capacity in North America
- Attractive position in strategic HVAC segment
- Attractive adjacent market segments

Financing

- Bank financing for full transaction from Svenska Handelsbanken and Danske Bank
- No rights issue currently planned

Timing

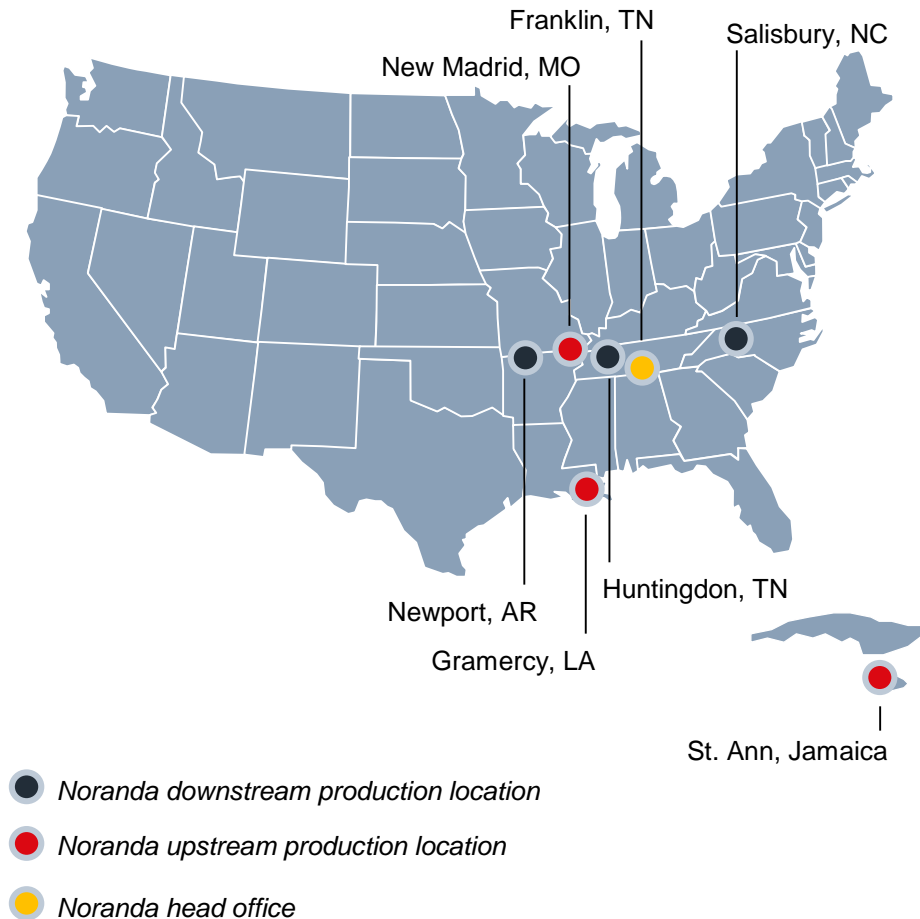
- Closing of transaction expected to take place on August 22, 2016

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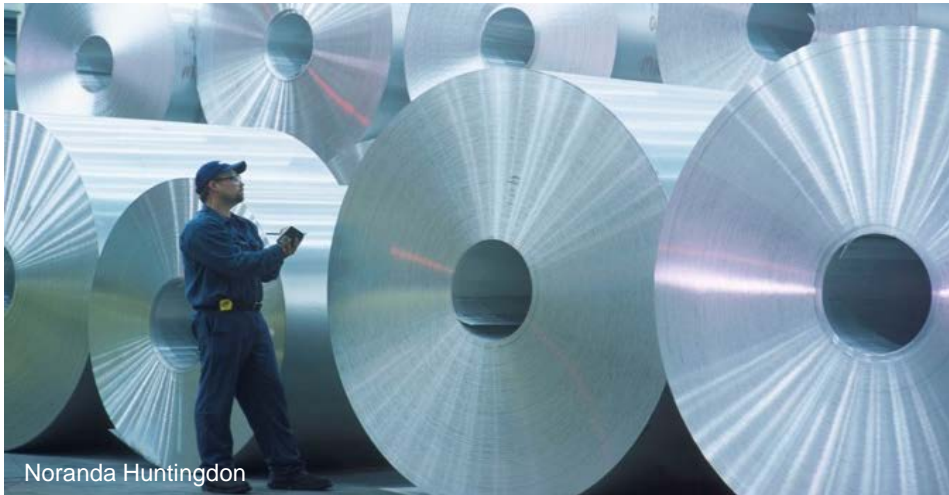
Gränges is acquiring Noranda downstream, one of two divisions within the Noranda group

Noranda production locations



- Noranda consists of two divisions
 - Upstream with bauxite mining, alumina and primary aluminium production
 - Downstream with aluminium rolling production
- Noranda filed for Chapter 11 on February 8, 2016 due to financial problems in its upstream business
- Noranda downstream is sold in a 363 sale process in accordance with the US bankruptcy code

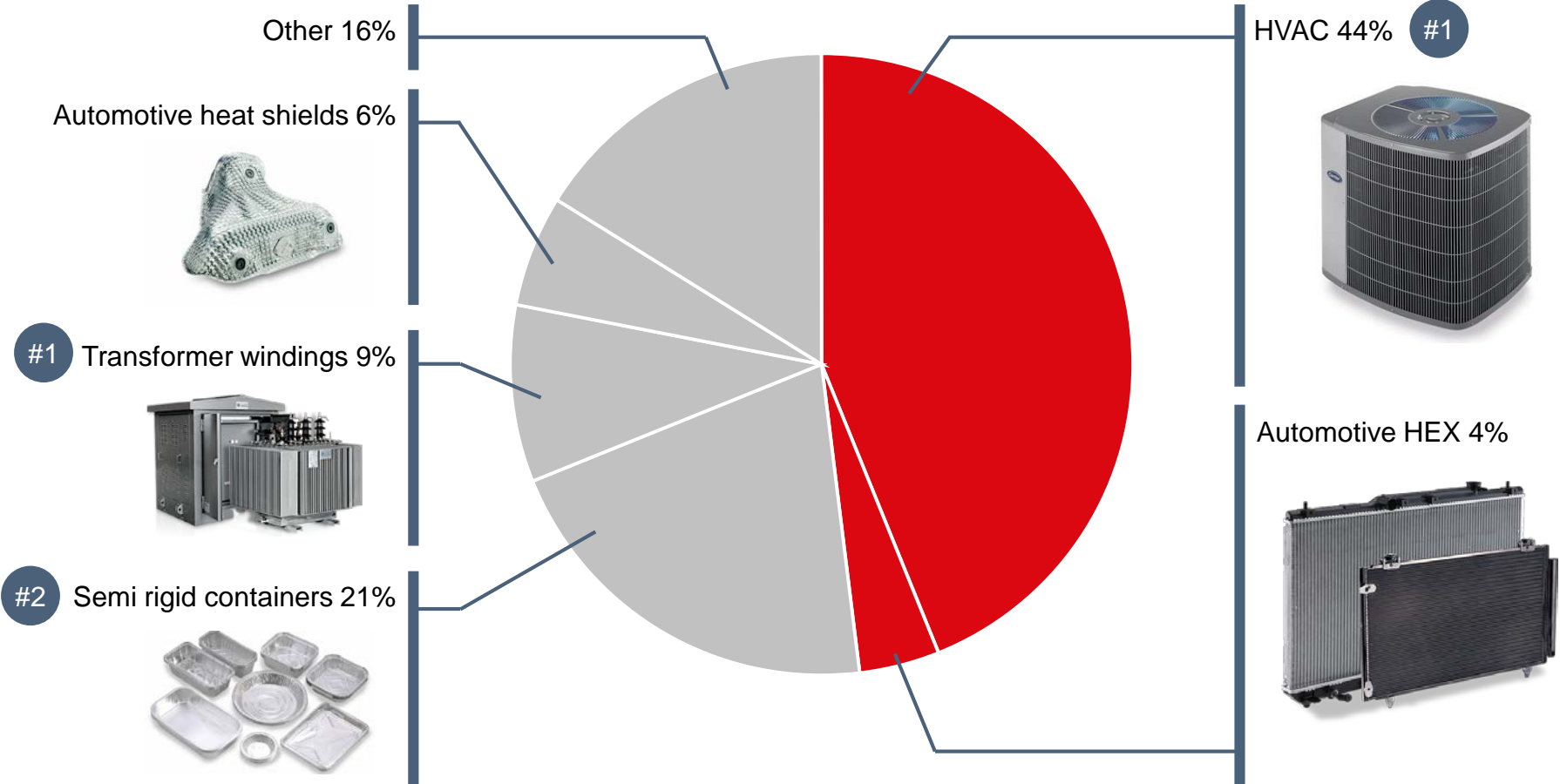
Noranda downstream is well managed and has solid financial performance



- Noranda downstream produces light gauge aluminium products for HVAC and automotive heat exchangers, packaging and transformers
- Key figures for 2015
 - Sales volume: 172 ktonnes
 - Net sales: USD 551 million
 - EBITDA: USD 52 million¹
 - Employees: 550

Noranda downstream is serving several niche markets – half of the sales volume is heat exchanger materials

Noranda downstream sales volume per end use market 2015






■ Heat exchanger material

■ Non heat exchanger material

● Market position in North America



Noranda downstream is operating three facilities with a total rolling capacity of 180 ktonnes

Plant		Est.	Capacity (ktonnes)	Capability
Huntingdon Tennessee		1967 and 2000	146	<ul style="list-style-type: none">• Casting• Rolling• Finishing
Salisbury North Carolina		1965	34	<ul style="list-style-type: none">• Casting• Rolling• Finishing
Newport Arkansas		1951	n/a	<ul style="list-style-type: none">• Surface treatment

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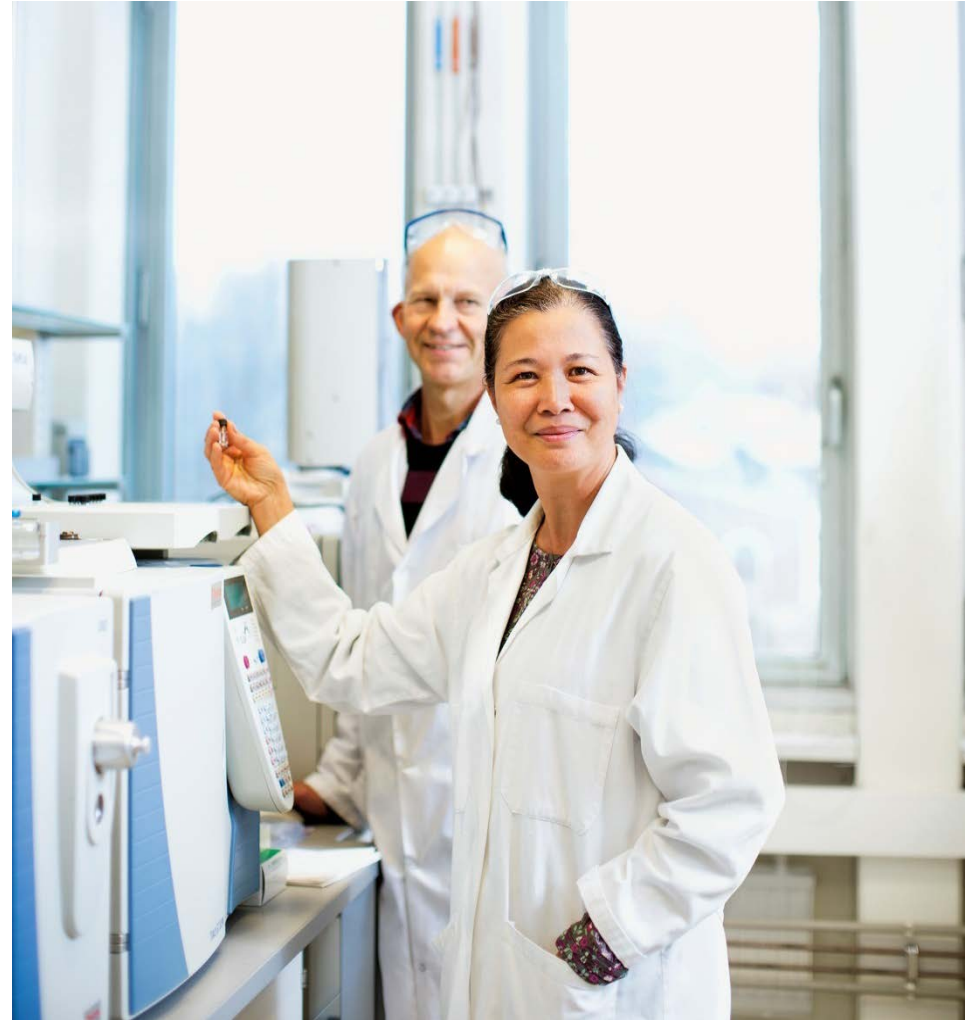
Gränges vision and business concept

Vision

Transforming the world through innovative aluminium engineering

Business concept

Gränges is a global aluminium company and the market leader in advanced materials for heat exchangers. We provide lighter and more designable solutions that increase economic efficiency and reduce environmental impact



The acquisition of Noranda will be an important step for Gränges to deliver on the 2020 goal and strategy

Gränges 2020 goal and strategy

- Grow significantly above the market rate
- Become the market leader in all geographical regions
- Maintain good and sustainable profitability

Drive growth through innovation

- Lead the development of heat exchanger materials
- Offer the most advanced solutions
- Be the preferred partner for our customers

Create value from sustainability

- Zero accident target
- Reduce waste
- Increase recycling
- Ensure diversity
- Be an attractive employer

Increase efficiency through continuous improvements

- Improve process stability
- Increase productivity
- Increase energy efficiency
- Improve metal management

Grow presence through structural expansion

- Add production capacity in North America
- Increase production capacity in Asia
- Expand into adjacent market segments

There are three key strategic rationales for Gränges to acquire Noranda's downstream business

1

Access to production capacity in North America

- Noranda has one of the most modern and efficient rolling mills in North America and a highly skilled and experienced organisation
- Gränges will get an excellent platform for growth as well as lower risk for the supply to North American customers

2

Access to attractive position in strategic HVAC segment

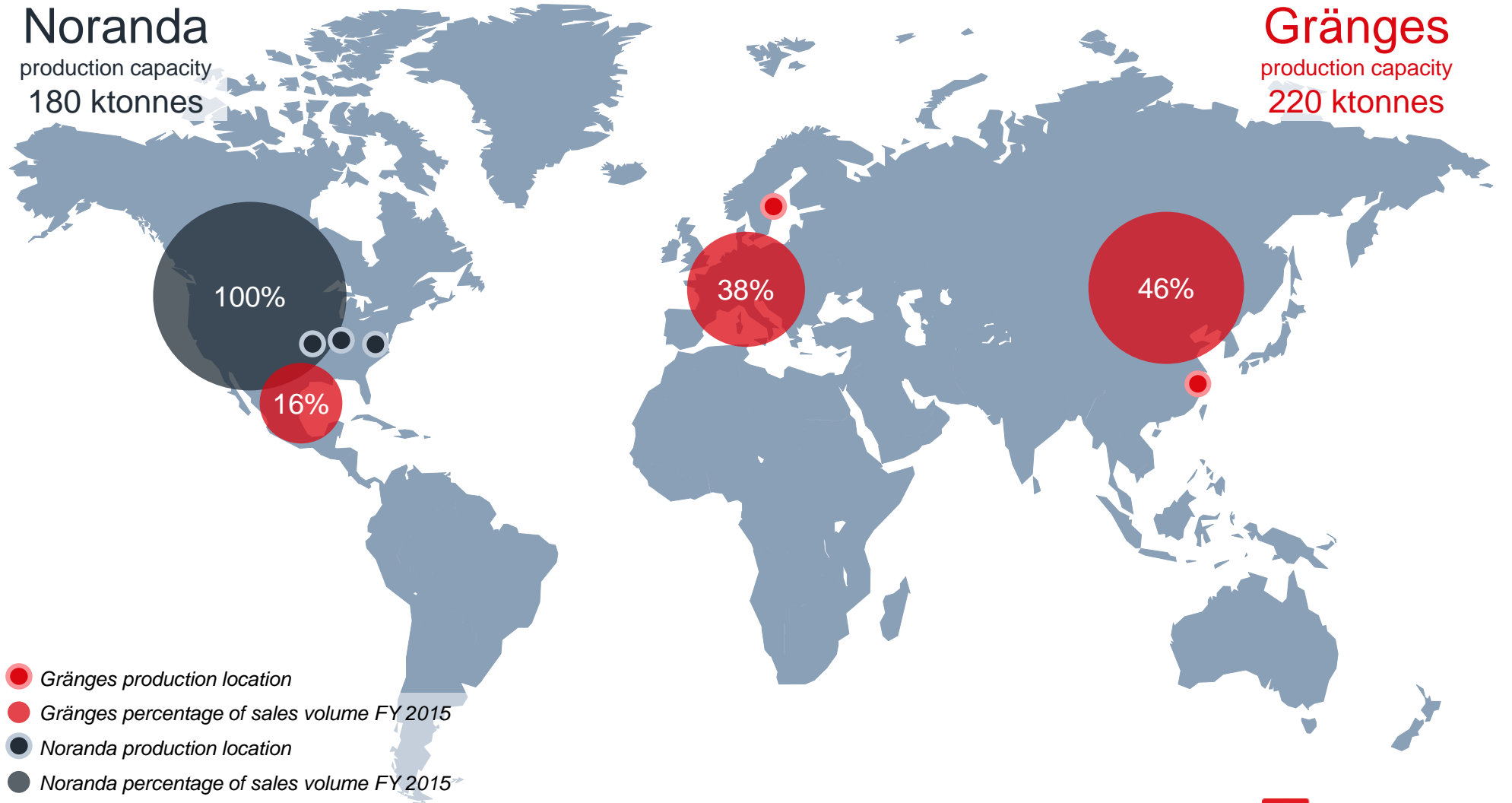
- Noranda has a number one position and a strong customer base in the North American HVAC market
- Gränges will get access to major HVAC accounts and be well positioned to drive the conversion to brazed solutions

3

Access to attractive adjacent market segments

- Noranda holds strong positions in attractive adjacent segments within aluminium rolling
- Gränges will diversify the business portfolio and strengthen the position in the overall market for rolled aluminium

1 Access to production capacity in North America allows Gränges to be a truly global player in its industry

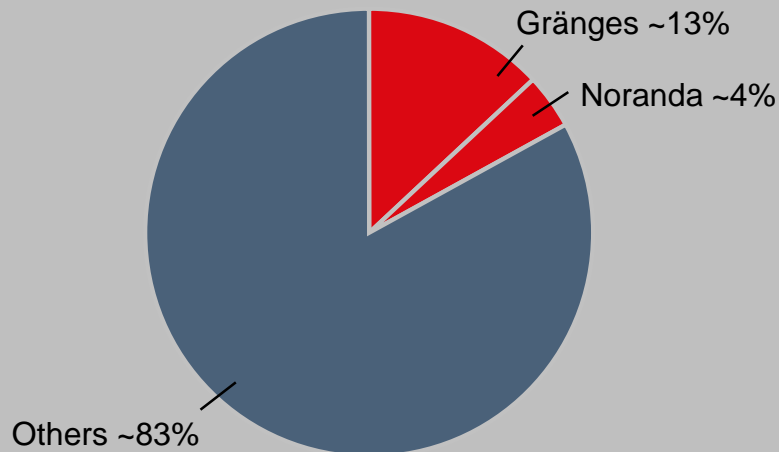


1 Local production capacity is a key enabler for share gain in Automotive HEX in North America

Short term

Consolidation of shares of un-clad fin material to Automotive HEX

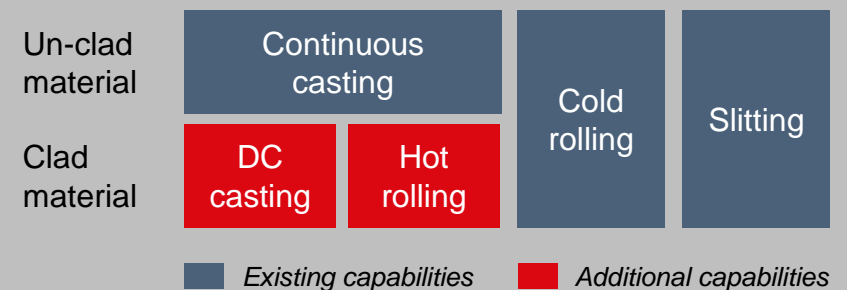
Americas Automotive HEX market 2015



Long term

Expand capabilities to allow for production of clad material

HEX material production capabilities



- Capability expansion pre-study to be initiated after closing
- No major investments planned prior to leverage being back in target range

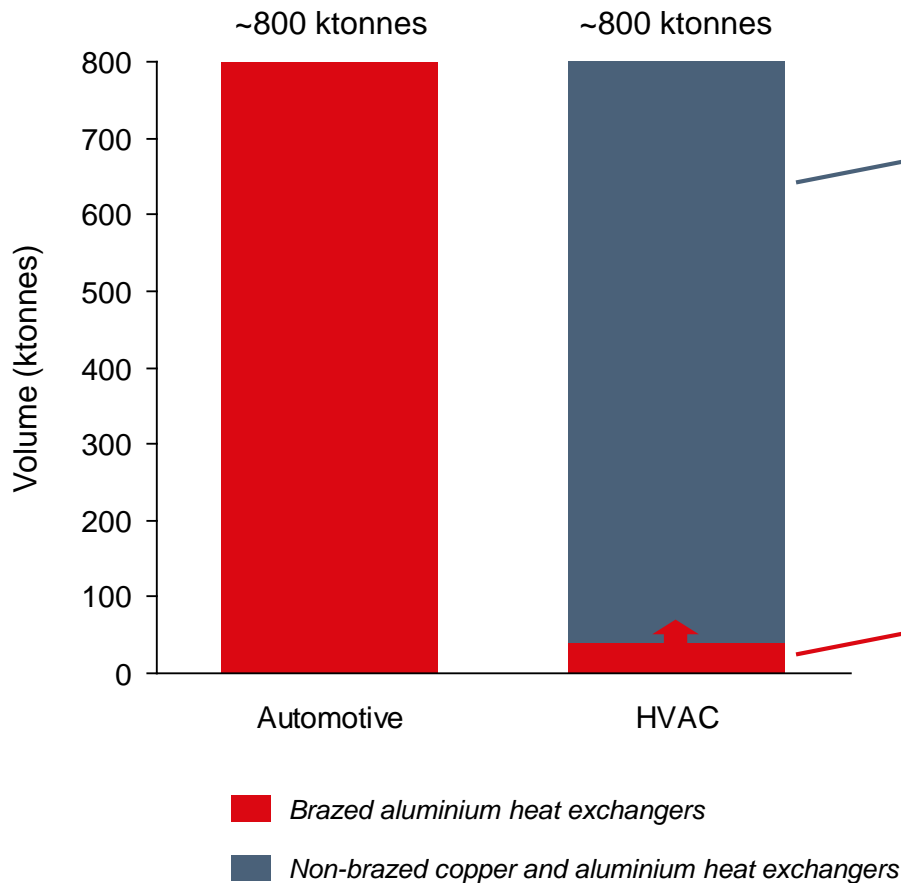
1 The acquisition of Noranda downstream has several additional benefits for Gränges



Reduced risk and time to market

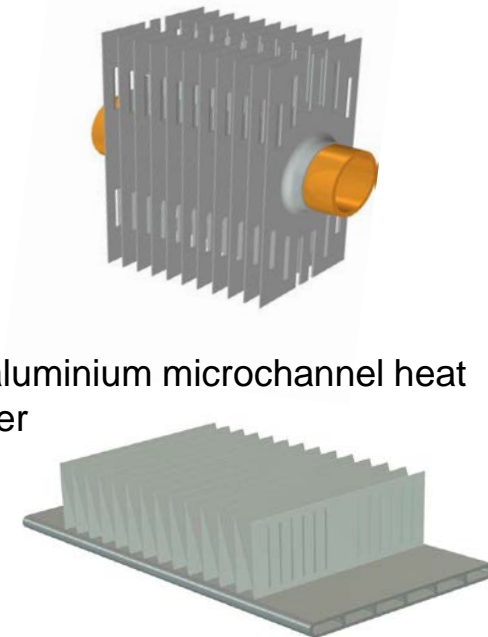
2 HVAC is a strategic segment for Gränges in which Noranda holds a very strong position

Market potential for aluminium material for brazed heat exchangers 2015



Heat exchanger production technologies

Non-brazed copper and / or aluminium round tube and fin heat exchanger



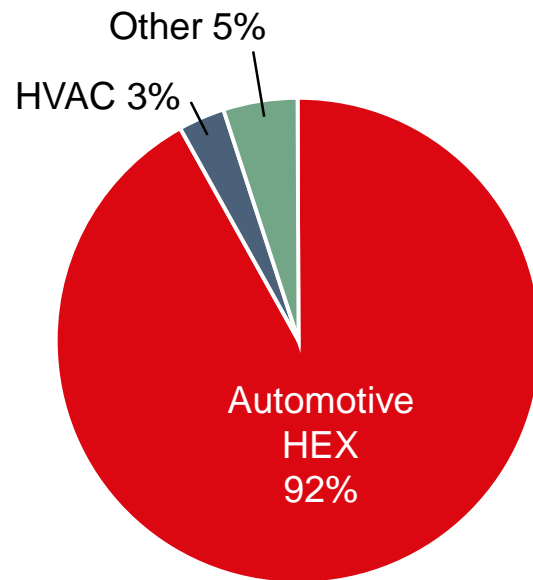
Brazed aluminium microchannel heat exchanger



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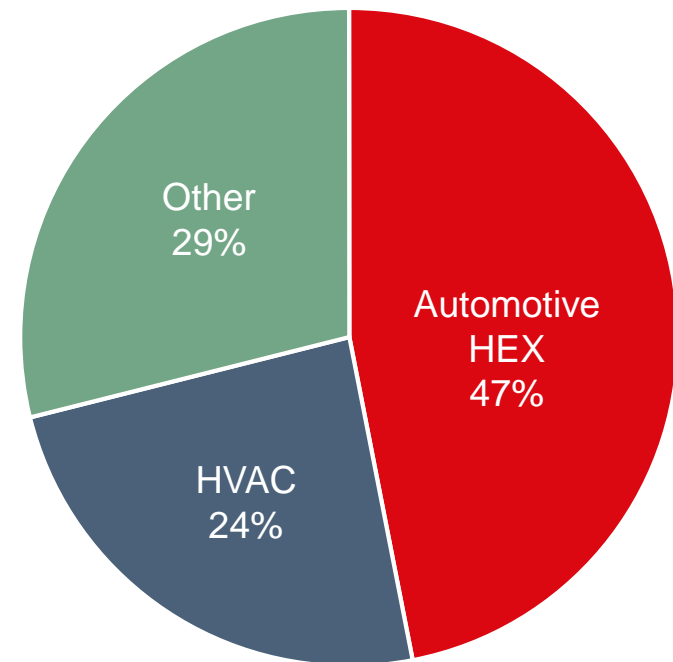
3 Diversifying the business portfolio will strengthen Gränges' position in the market for rolled aluminium

Sales volume per end-use market 2015



Total sales volume 164 ktonnes

Pro forma Gränges incl. Noranda sales volume per end-use market 2015



Total sales volume 336 ktonnes

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The transaction allows Gränges to double in size at an attractive valuation at 6.2x EBITDA

Key financials 2015			
	Gränges	Noranda	Pro forma ¹
ktonnes			
Sales volume	164	172	336
SEK million ²			
Net Sales	5,494	4,650	10,145
Adjusted EBITDA ³	749	438	1,187
USD million ²			
Net Sales	651	551	1,203
Adjusted EBITDA ³	89	52	141

- Combination of two businesses with strong earnings and cash generation capacity
- EBITDA multiple of 6.2 based on enterprise value USD 324 million and 2015 EBITDA
- Transaction is an asset deal
- Transaction expected to be EPS accretive in year one

(1) Pro forma figures for Gränges and Noranda combined are intended to show approximate effects of the transaction.

(2) Currency conversion has been done using the average rate of USD/SEK in 2015; 8.435 (Source: www.riksbank.se)

(3) EBITDA adjusted for items affecting comparability. Noranda adjusted EBITDA includes estimated stand alone costs.

The transaction will be fully financed through debt financing – net debt expected to 2.5 times EBITDA post transaction

Sources and uses

Uses	USD million	SEK billion ¹
Enterprise value	324	2.75
Assumed pension liability etc	-14	-0.12
Cash consideration	310	2.63
Sources		
New bank debt	310	2.63

Net debt bridge

	SEK billion	x LTM EBITDA ²
Net debt per June 30, 2016	0.34	0.4
New bank debt	2.63	-
Assumed pension liability	0.14	-
Net debt pro forma	3.10	2.5

- New bank financing secured with Svenska Handelsbanken and Danske Bank for the transaction
 - Term loan USD 300 million
 - Multi currency RCF SEK 1.2 bn.
- Financing is on prevailing market terms – financing costs expected to increase by some SEK 20 million per quarter at current base rates
- No rights issue currently planned for financing the transaction

(1) Currency conversion has been done using the USD/SEK rate 8.50

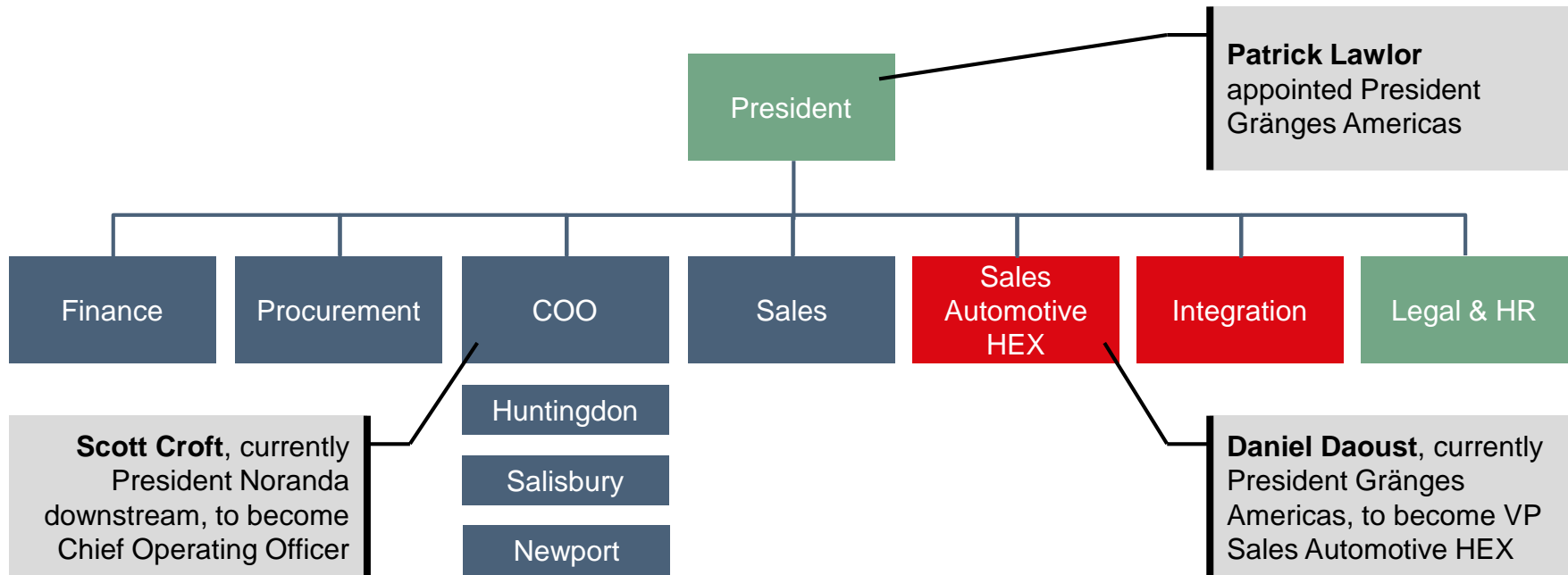
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Noranda downstream management will be retained and form the basis of the new Gränges Americas organisation

New Gränges Americas organisation



- *Noranda resource*
- *Gränges resource*
- *New recruitment*

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Q&A

Johan Menckel, CEO

Oskar Hellström, CFO



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