



GRÄNGES

Second Quarter 2018 Earnings Conference

19 July, 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















Second quarter 2018 – increased profits, focus on growth and capacity expansion

- Sales volume increased by 0.5% to 99.1 ktonnes
- Adjusted operating profit increased by 3.9% to SEK 301 million – including costs for US anti-dumping duties (AD/CVD) of SEK 27 million
- Profit for the period rose to SEK 214 million
- Cash flow before financing was SEK 125 million
- Net debt of 2.0 x adjusted EBITDA



Market growth of 2% expected for full year 2018

Light vehicle production growth (YoY)

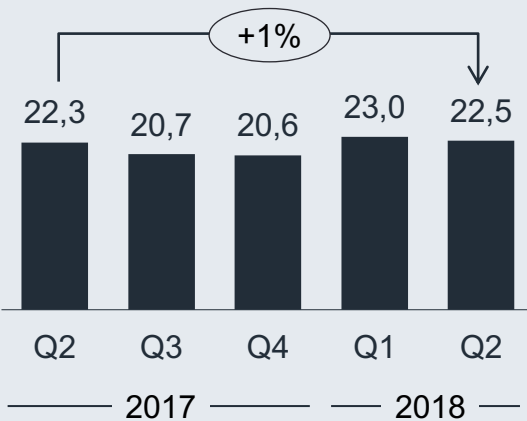
Region	Q2 2018	Q3 2018 outlook	FY 2018 outlook
Asia	 +6%	 +2%	 +2%
Europe	 +5%	 +2%	 +2%
Americas	 ±0%	 +9%	 +3%
Global	 +4%	 +4%	 +2%

Source: IHS Automotive, 15 June 2018

Stable volume development in the second quarter

Gränges sales volume (ktonnes)

Asia



- Growth driven by sales to Automotive customers in China

Europe



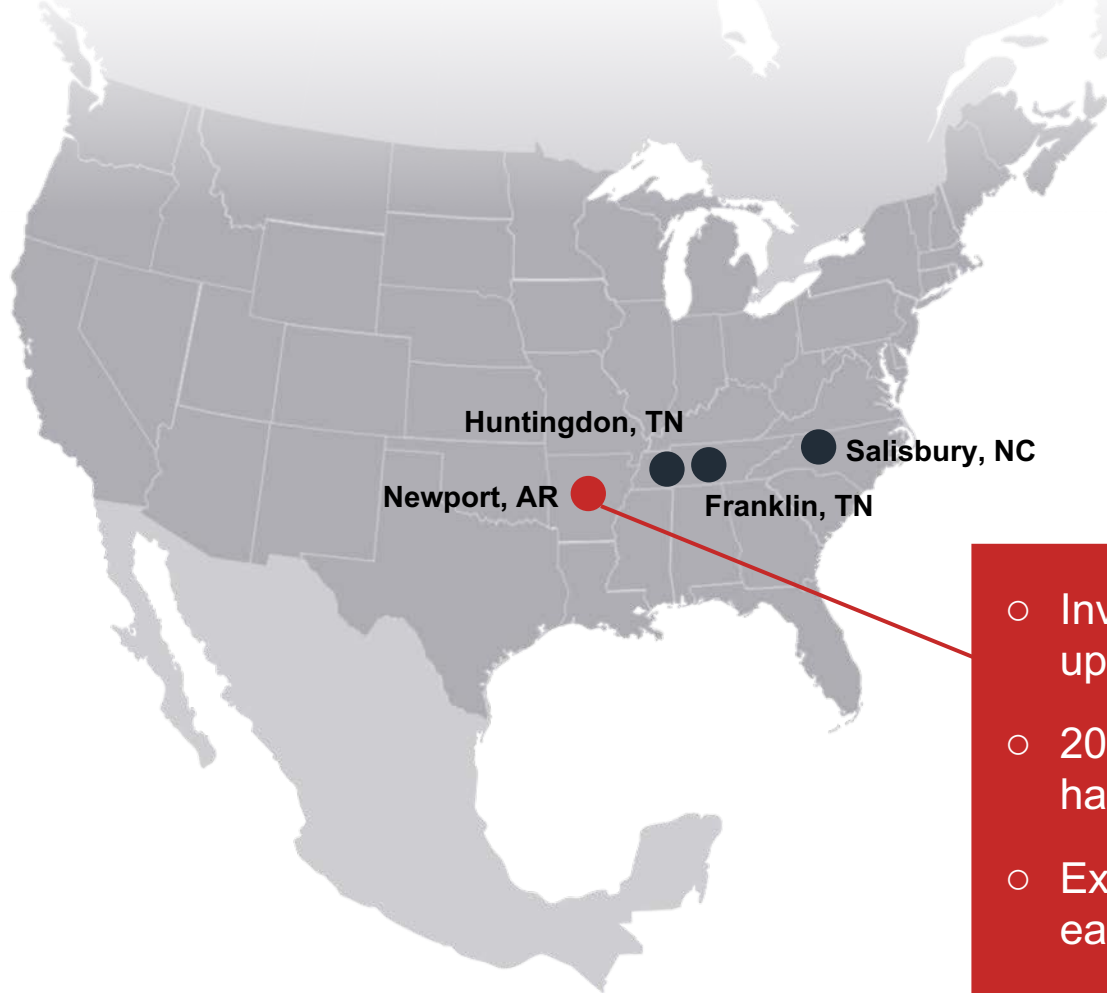
- Growth in automotive heat exchanger materials
- Decreased sales of material for non-heat exchanger applications

Americas



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

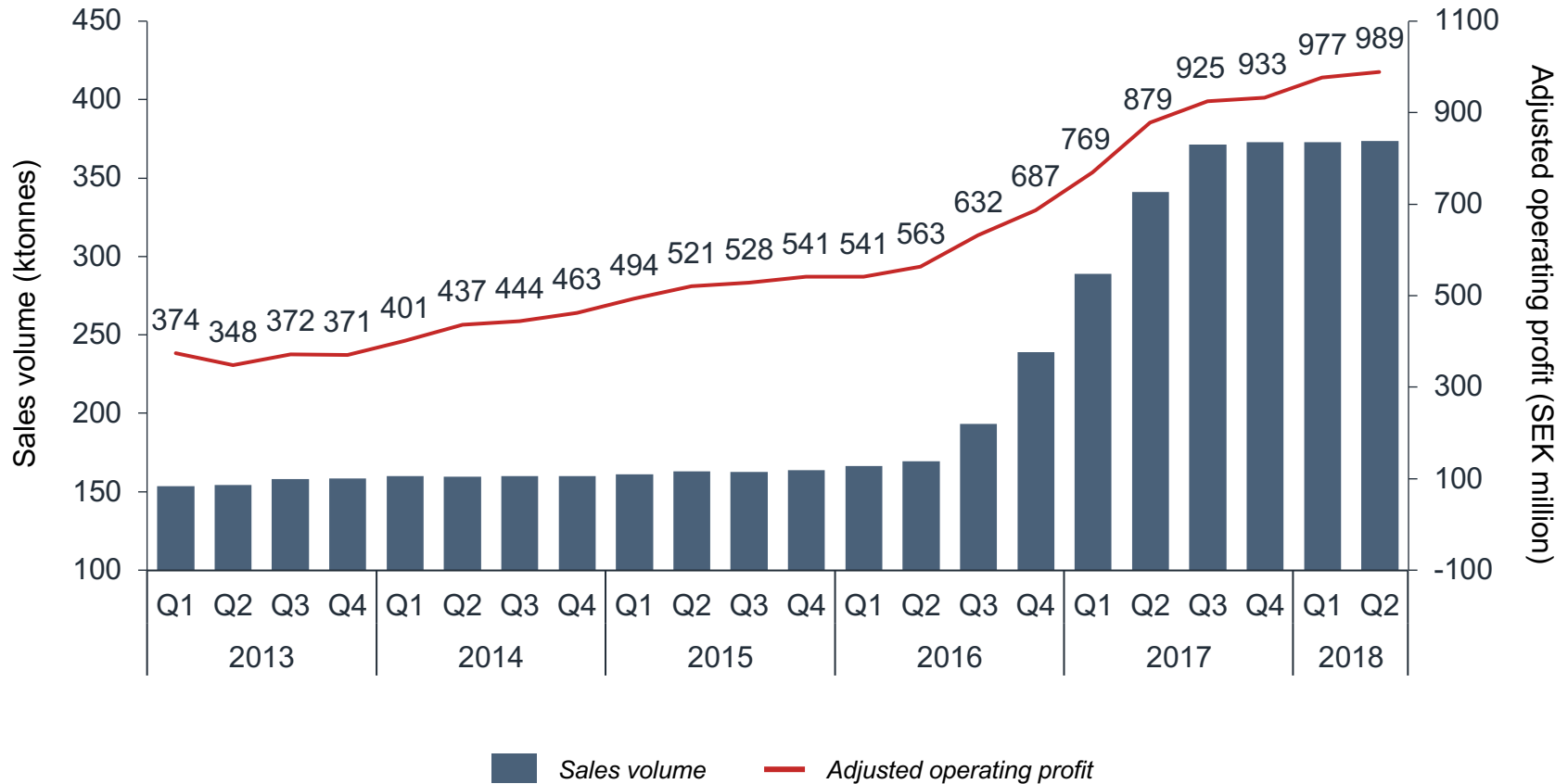
Decision to restart production in Newport, Arkansas focused on light gauge aluminium foil



- Investment of USD 26 million in upgrading mills and equipment
- 20 ktonnes capacity available in second half of 2019
- Expected to contribute positively to earnings in 2019

The positive earnings trend continued in the second quarter

Rolling 12 months sales volume and adjusted operating profit



Continued good development during second quarter

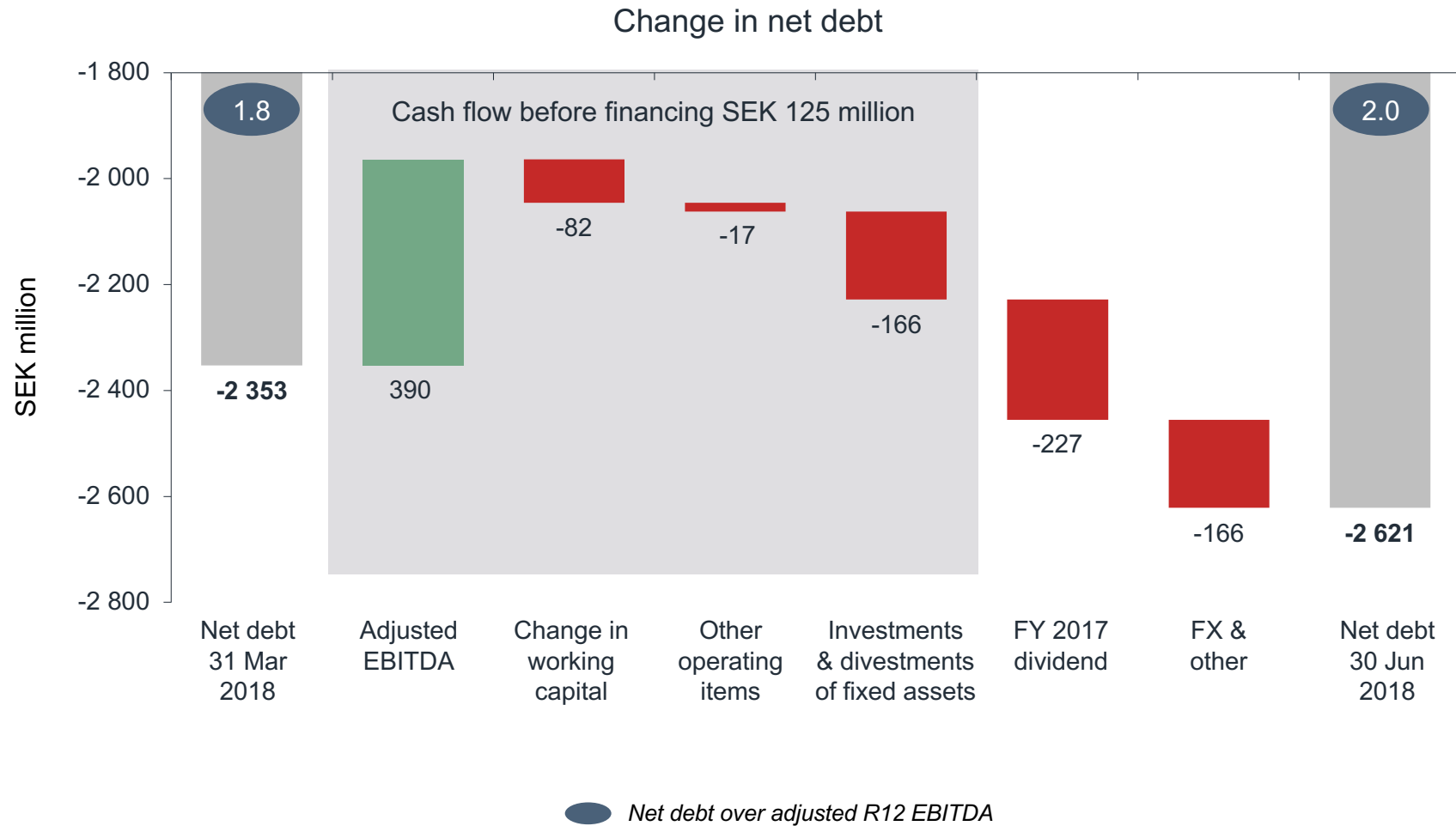
Financial overview

SEK million	Q2			January – June		
	2018	2017	Change	2018	2017	Change
Sales volume (ktonnes)	99.1	98.7	0.5%	194.2	193.5	0.4%
Net sales	3,443	3,081	11.7%	6,514	5,973	9.1%
Adjusted operating profit ¹	301	290	3.9%	583	527	10.6%
Adjusted operating margin (%)	8.7	9.4	-0.7 ppt	8.9	8.8	0.1 ppt
Adjusted operating profit per tonne (kSEK)	3.0	2.9	0.1	3.0	2.7	0.3
Operating profit	301	290	3.9%	519	527	-1.6%
Profit for the period	214	192	11.6%	381	349	9.3%
Earnings per share ² (SEK)	2.84	2.55	0.28	5.05	4.63	0.42
Cash flow before financing activities	125	307	-59.3%	318	382	-16.9%
Return on capital employed, R12 (%)	17.2	17.4				
Net debt / adjusted EBITDA, R12	2.0	1.9				

1. Adjusted for items affecting comparability

2. Diluted

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



US trade tariffs and sanctions

Antidumping duties

- Antidumping and countervailing duties (AD/CVD) on foil and sheet from China
- Final CVD of 17-81% and AD of 49-106% on foil products confirmed on March 15
- Preliminary CVD of 31-113% and AD of 167% retroactive from March 24 announced on June 18

Section 232 tariffs

- Additional tariffs of 10% on all aluminium imports into the US in effect as of March 23
- Exemption for Canada, Mexico, and EU expired on May 31
- 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 extended from June 5 to October 23

Outlook

- Global Light Vehicle Production is expected to increase 4% during third quarter – for the full year 2018 a growth of 2% is projected¹
- Gränges expects a stable sales volume of Automotive heat exchanger materials in all regions in the third quarter
- HVAC & Other in the US is estimated to grow at low single digits in the third quarter
- US trade tariffs and sanctions in focus

Summary of second quarter 2018



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- Cash flow before financing was SEK 125 million
- Net debt of 2.0 x adjusted EBITDA

Q&A

Johan Menckel, CEO
Oskar Hellström, CFO



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