



# GRÄNGES

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Fourth Quarter 2018 Earnings Conference

31 January, 2019

# Today's presenters



**JOHAN  
MENCKEL**  
*CEO*

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Since: 2012  
Gränges since: 2004



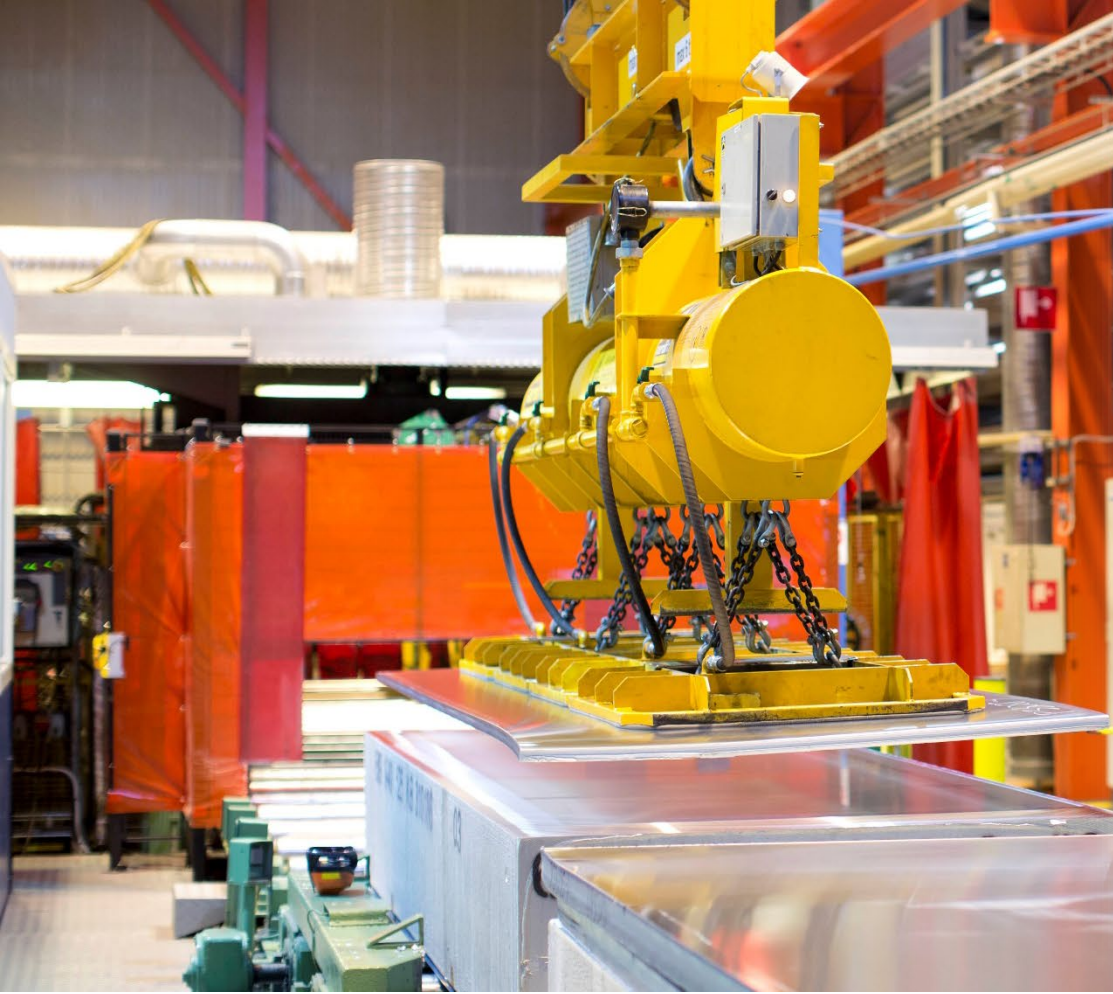
**OSKAR  
HELLSTRÖM**  
*CFO*

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Since: 2011




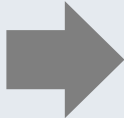










# Stable fourth quarter concluded a new record year



- Sales volume increased by 1.1% to 87.4 ktonnes
- Adjusted operating profit increased by 6.8% to SEK 191 million
- Profit for the period was SEK 149 million
- Cash flow before financing was SEK 133 million
- Net debt of 1.8x adjusted EBITDA
- Dividend of 3.20 SEK per share
- Gränges now a member of Aluminium Stewardship Initiative (ASI)

# Market contraction in fourth quarter expected to continue in first quarter 2019

Light vehicle production growth (YoY)

Region	Q4 2018	Q1 2019 outlook	FY 2019 outlook
Asia	 -4%	 ±0%	 +2%
Europe	 -4%	 -3%	 +1%
Americas	 +2%	 +2%	 +1%
Global	 -3%	 -1%	 +1%

Source: IHS Automotive, December 2018

# Stable sales volume for Gränges in the fourth quarter

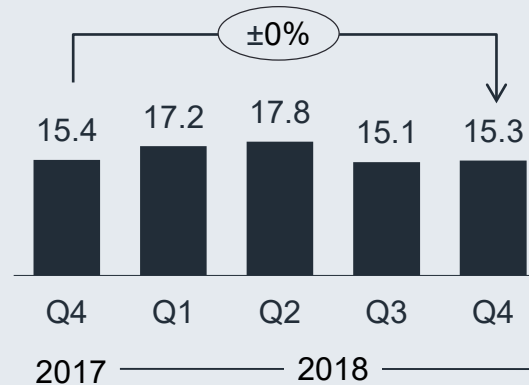
Gränges sales volume (ktonnes)

## Asia



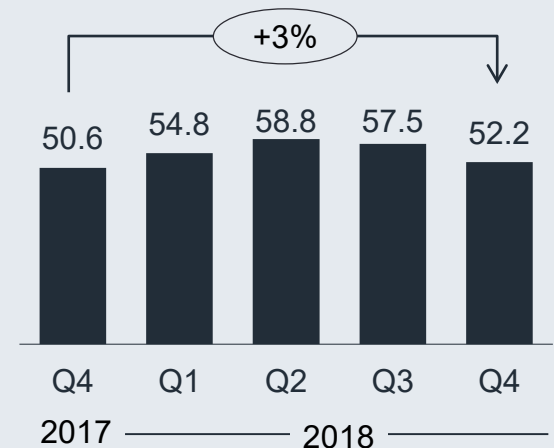
- Decreased sales to Chinese automotive customers
- Positive development for sales to other industrial applications

## Europe



- Slightly decreased sales of automotive products
- Positive development for sales to other industrial applications

## Americas



- Strong sales in HVAC and automotive in fourth quarter
- Capacity constraints limiting growth

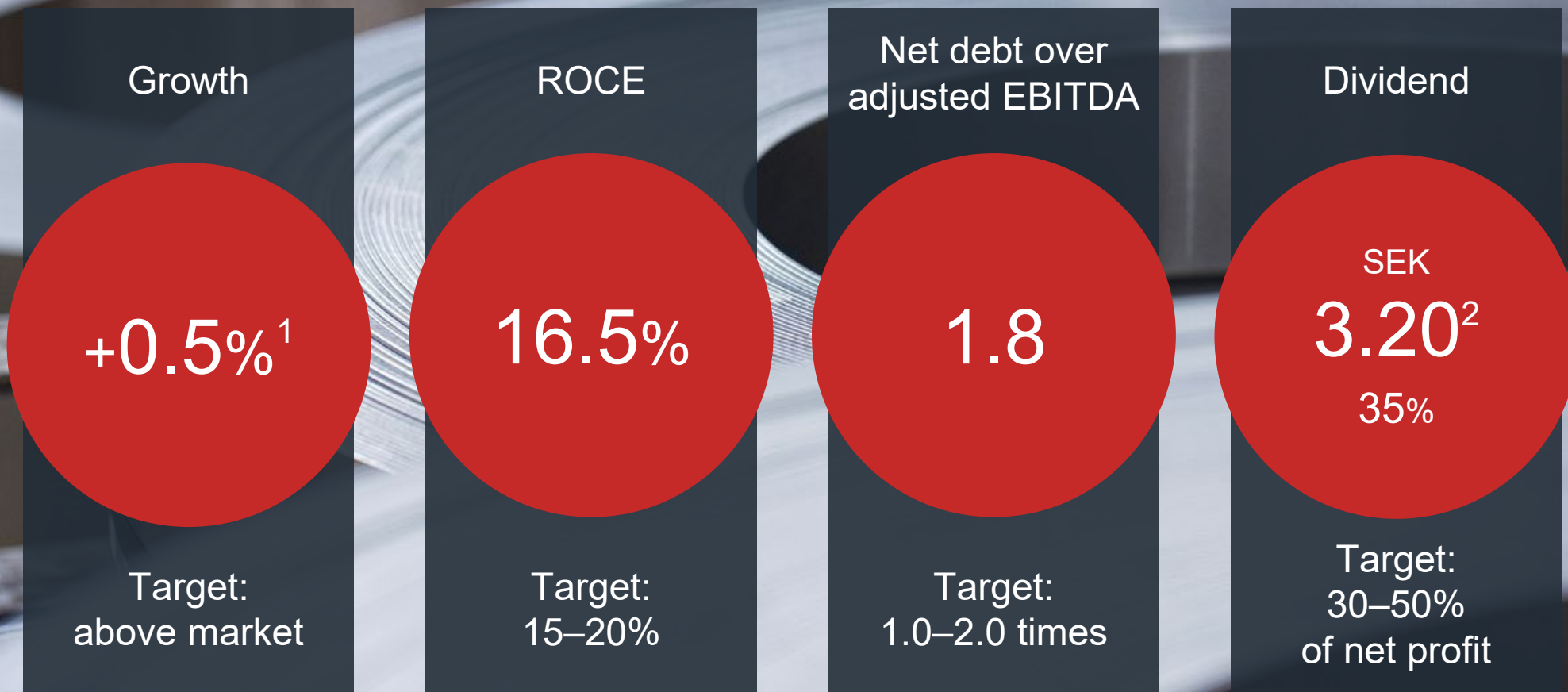


# US expansion projects proceeding according to plan

- Expansion of Huntingdon facility and re-start of Newport facility are progressing according to plan
- First shipment of commercial orders planned for Q3 2019 from both locations
- Start-up costs of approximately SEK 15 million per quarter expected in Q1 and Q2 2019
- Positive operating profit expected for full year 2019

Gränges Huntingdon, Tennessee

# Strong performance against targets in 2018

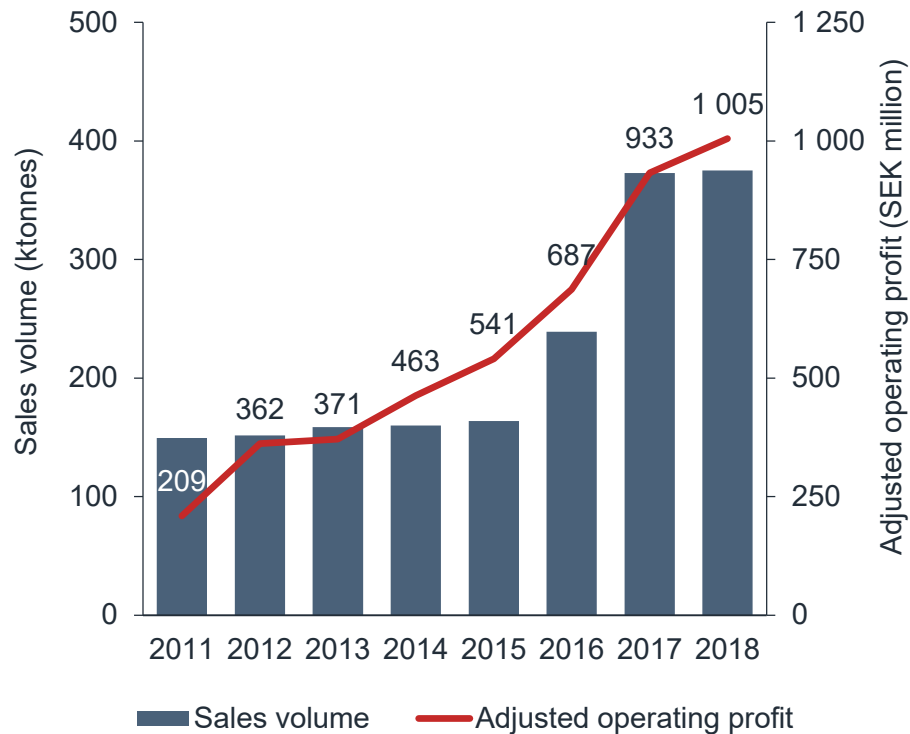


(1) Sales volume growth in 2018

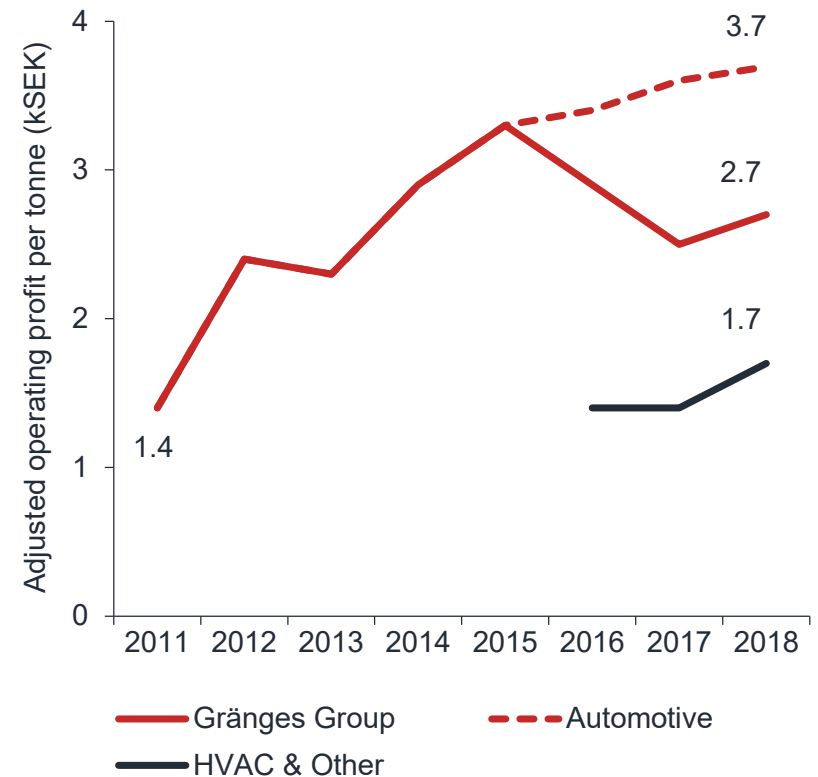
(2) The Board of Director's proposal for the 2019 Annual General Meeting

# The positive earnings trend continued in 2018

## Sales volume and adjusted operating profit



## Adjusted operating profit per tonne





# Stable sales volume and improved operating profit in fourth quarter

## Financial overview

SEK million

Q4

January - December

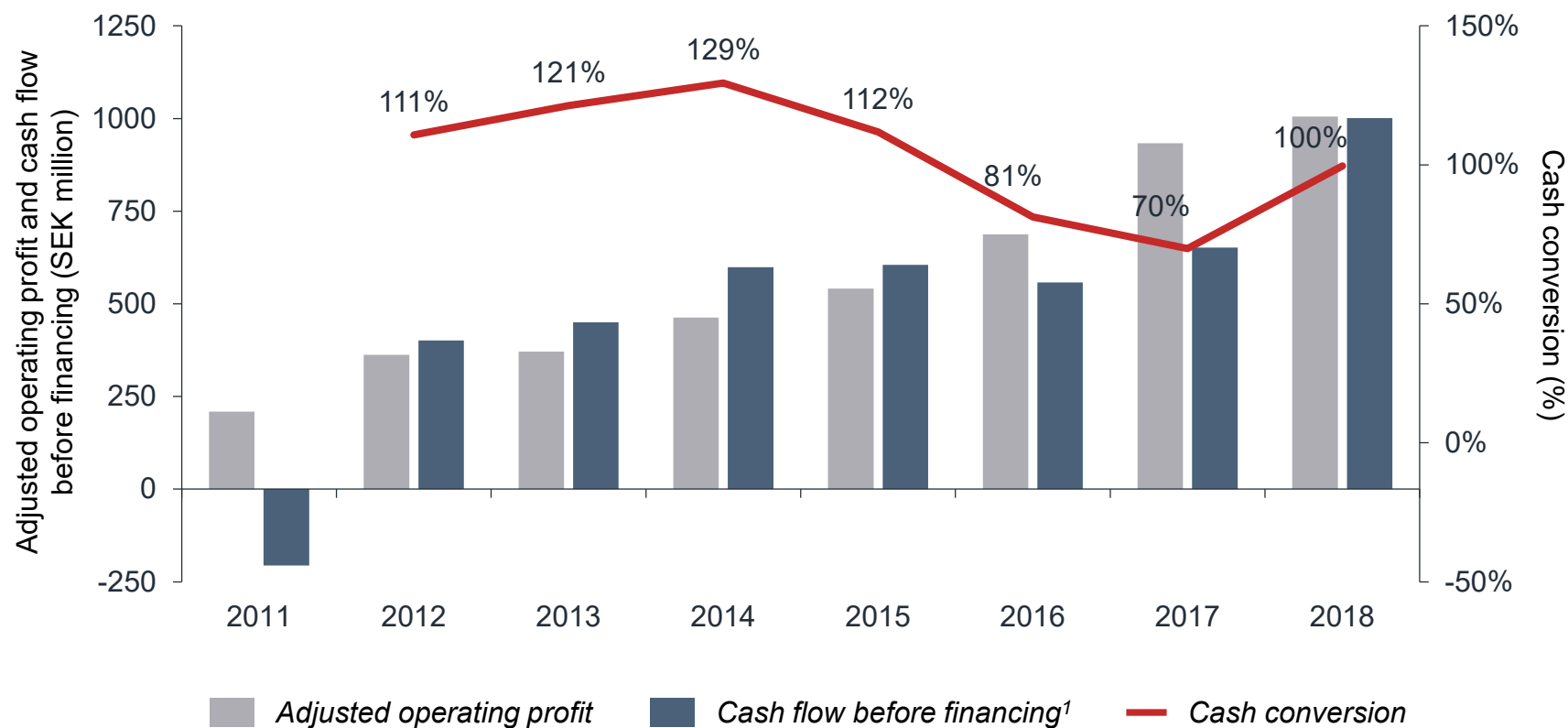
	2018	2017	Change	2018	2017	Change
Sales volume (ktonnes)	87.4	86.5	1.1%	375.0	373.0	0.5%
Net sales	3,074	2,734	12.5%	12,910	11,435	12.9%
Adjusted operating profit <sup>1</sup>	191	179	6.8%	1,005	933	7.7%
Adjusted operating margin (%)	6.2	6.6	-0.3 ppt	7.8	8.2	-0.4 ppt
Adjusted operating profit per tonne (kSEK)	2.2	2.1	0.1	2.7	2.5	0.2
Operating profit	191	163	17.1%	940	917	2.5%
Profit for the period	149	152	-2.2%	688	652	5.5%
Earnings per share <sup>2</sup> (SEK)	1.97	2.02	-0.04	9.11	8.64	0.47
Cash flow before financing activities	133	41	223%	531	572	-7.0%
Return on capital employed, R12 (%)	16.5	16.7	-0.2 ppt			
Net debt / adjusted EBITDA, R12	1.8	1.8	-			

(1) Adjusted for items affecting comparability

(2) Diluted

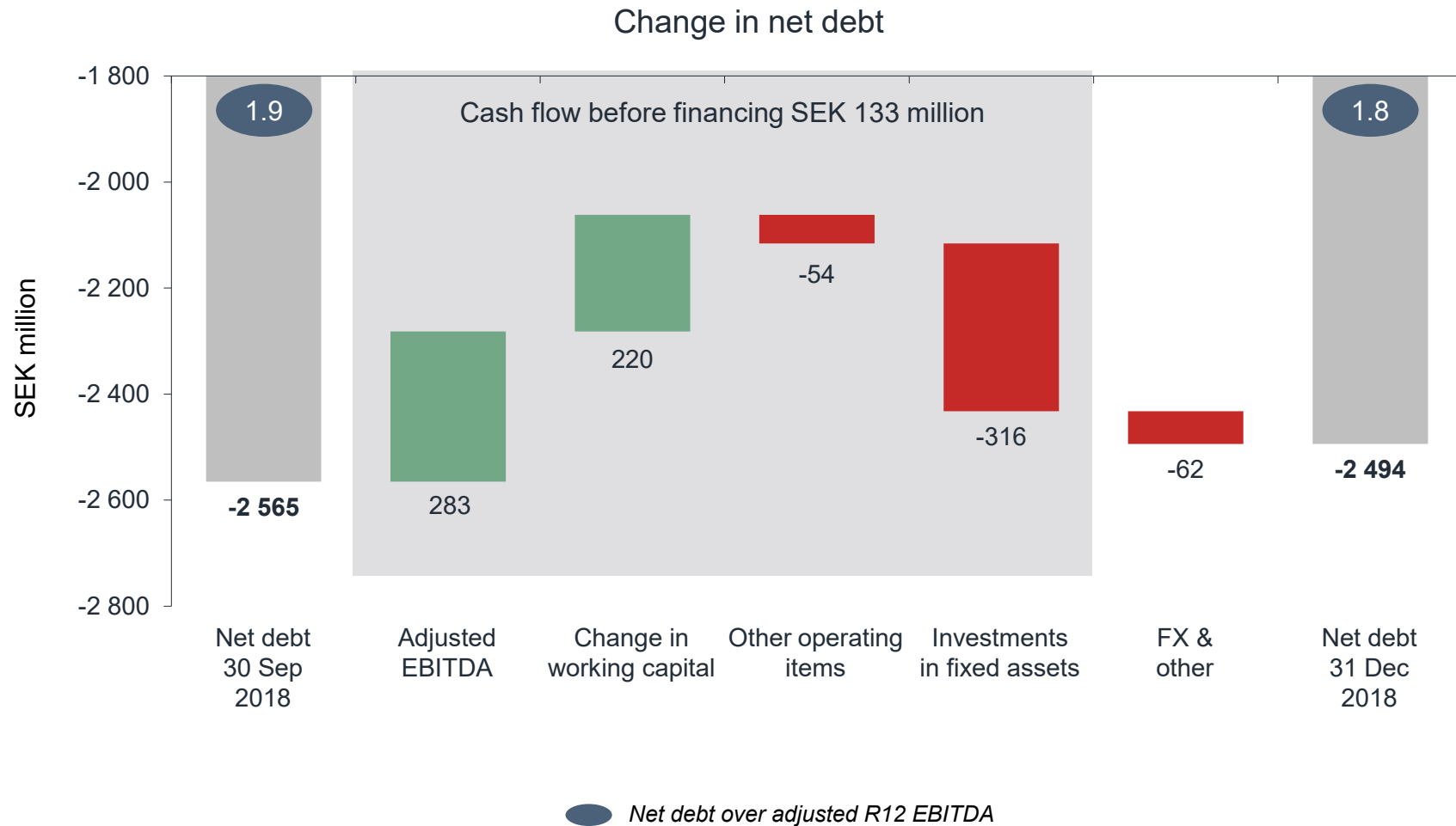
# Continued strong cash generation in 2018

Adjusted operating profit to cash flow before financing conversion<sup>1</sup>



(1) Cash flow before financing adjusted for expansion capital expenditure and cash consideration for Gränges Americas acquisition in 2016 and GETEK acquisition in 2017

# Net debt was SEK 2.5 billion at the end of fourth quarter



# US trade tariffs and sanctions

## Antidumping duties

- Antidumping and countervailing duties (AD/CVD) on foil and sheet from China
- AD on sheet to be implemented from June 18 not retroactively 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

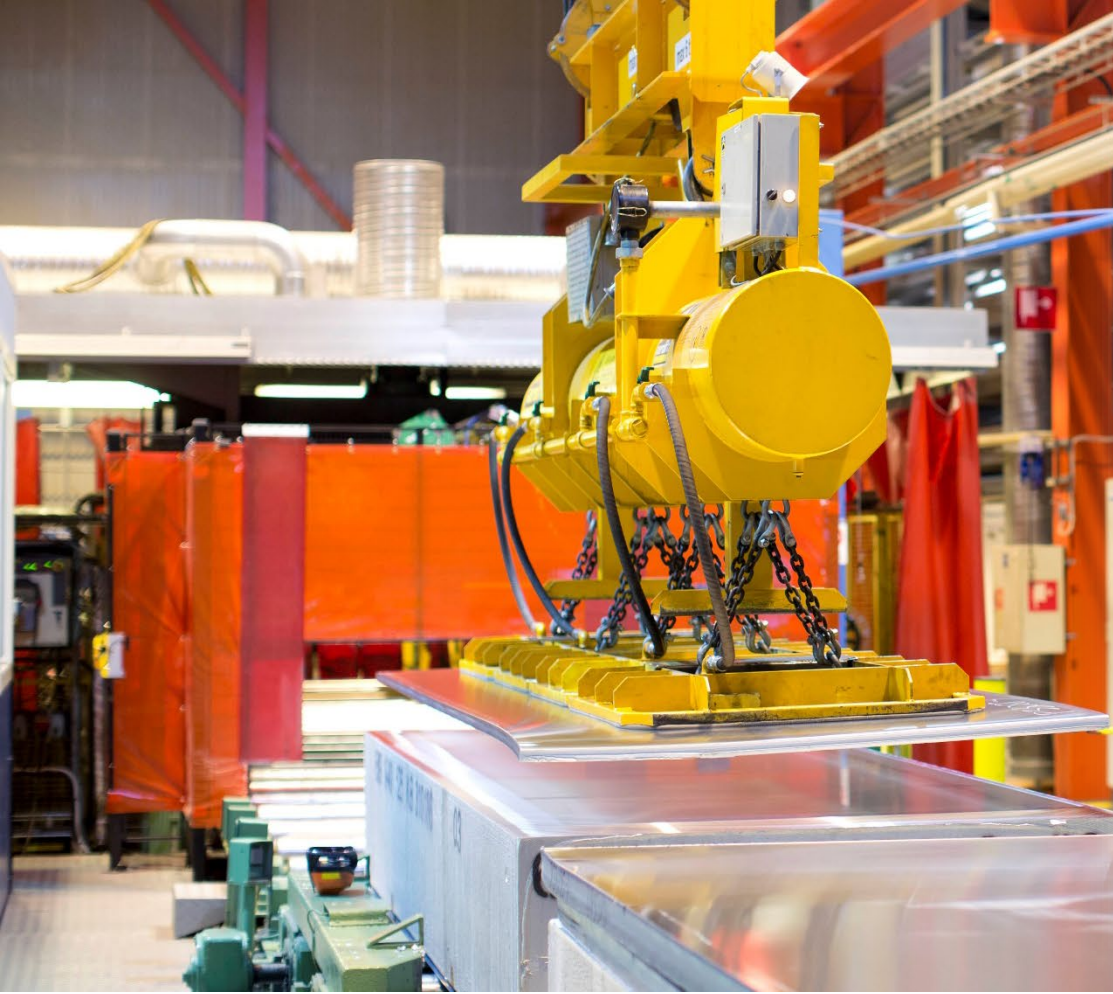
- Sanctions prohibiting US persons and limiting non-US persons to transact with Rusal
- Sanctions lifted on January 27, 2019

# Outlook

- IHS estimate Global Light Vehicle Production to decrease 1% during first quarter
- Gränges sales volume to decrease with low single digits in the first quarter, comprising a mid single digit decline for Automotive and a low single digit growth for HVAC & Other
- US expansion projects to support higher sales volume in second half of 2019



# Summary of fourth quarter 2018



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# Q&A

Johan Menckel, CEO  
Oskar Hellström, CFO



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