



GRÄNGES

First Quarter 2020 Earnings Conference

30 April, 2020

Today's presenters



**JOHAN
MENCKEL**
CEO

Since: 2012
Gränges since: 2004



**OSKAR
HELLSTRÖM**
CFO

Since: 2011



First quarter 2020

Successful US expansion balanced slowing demand

- Very challenging market conditions
 - Automotive market demand negatively impacted by COVID-19 pandemic

- Successful ramp-up of new US capacity














- Stable sales volume and reduced operating profit
 - Sales volume declined by 1%
 - Adjusted operating profit SEK 210 million

- Continued strong cash generation
 - Adjusted cash flow before financing SEK 329 million



Light vehicle production decreased by 23% while HVAC production increased by 5% in the first quarter

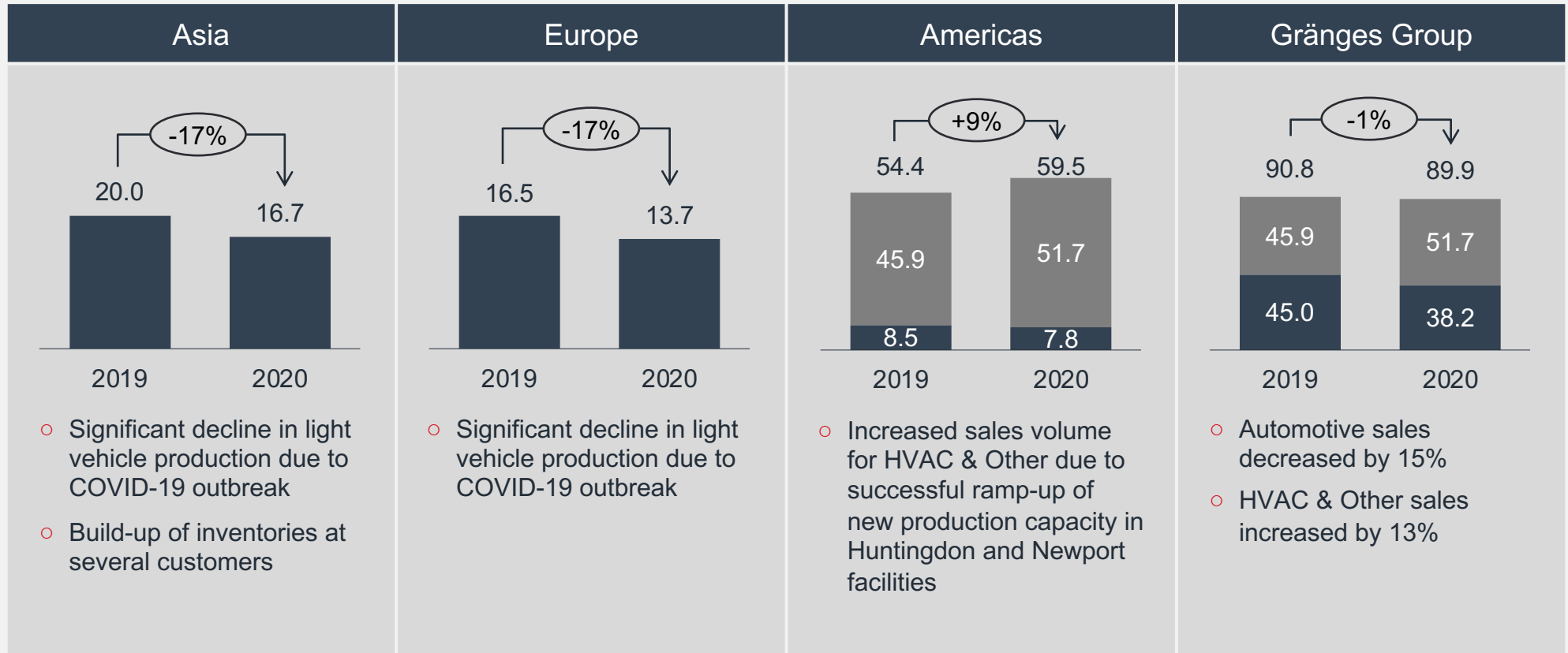
End market production growth (YoY)

| End market | Automotive | | | | HVAC |
|----------------|--|--|--|--|---|
| Region | Global | Asia | Europe | Americas | Americas |
| Q1 2020 |  -23% |  -30% |  -19% |  -11% |  +5% |
| Q2 2020 |  -47% |  -30% |  -60% |  -72% | - |
| Full year 2020 |  -22% |  -19% |  -25% |  -26% | - |

Source: Automotive light vehicle production - IHS Automotive, April 2020
 HVAC unit shipments - AHRI, April 2020

Successful ramp-up of new US capacity partly offset demand reduction in Asia and Europe

Gränges sales volume (ktonnes)



■ Automotive

■ HVAC & Other

Contingency plans have been activated to mitigate the impact on Gränges of the COVID-19 pandemic

Continuity

- Ensure health and safety of employees
- Secure ability to operate production facilities
- Secure supply of critical material

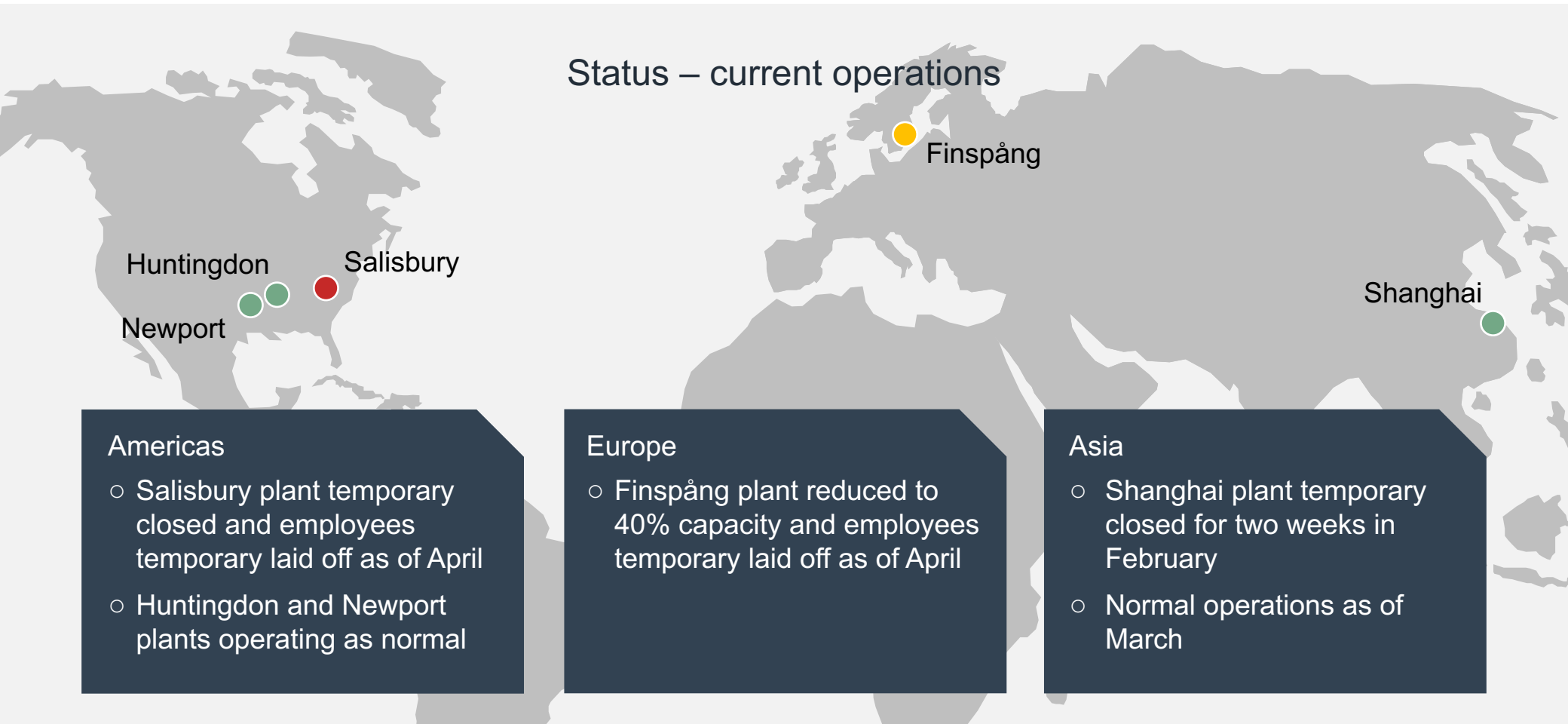
Cash

- Control working capital
- Postpone capex
- Ensure good liquidity and committed credit facilities

Cost

- Adjust production capacity and manning
- Reinforce general savings program
- Conduct scenario planning

Temporary plant closures have been implemented to adjust production capacity and take out cost



Americas

- Salisbury plant temporary closed and employees temporary laid off as of April
- Huntingdon and Newport plants operating as normal

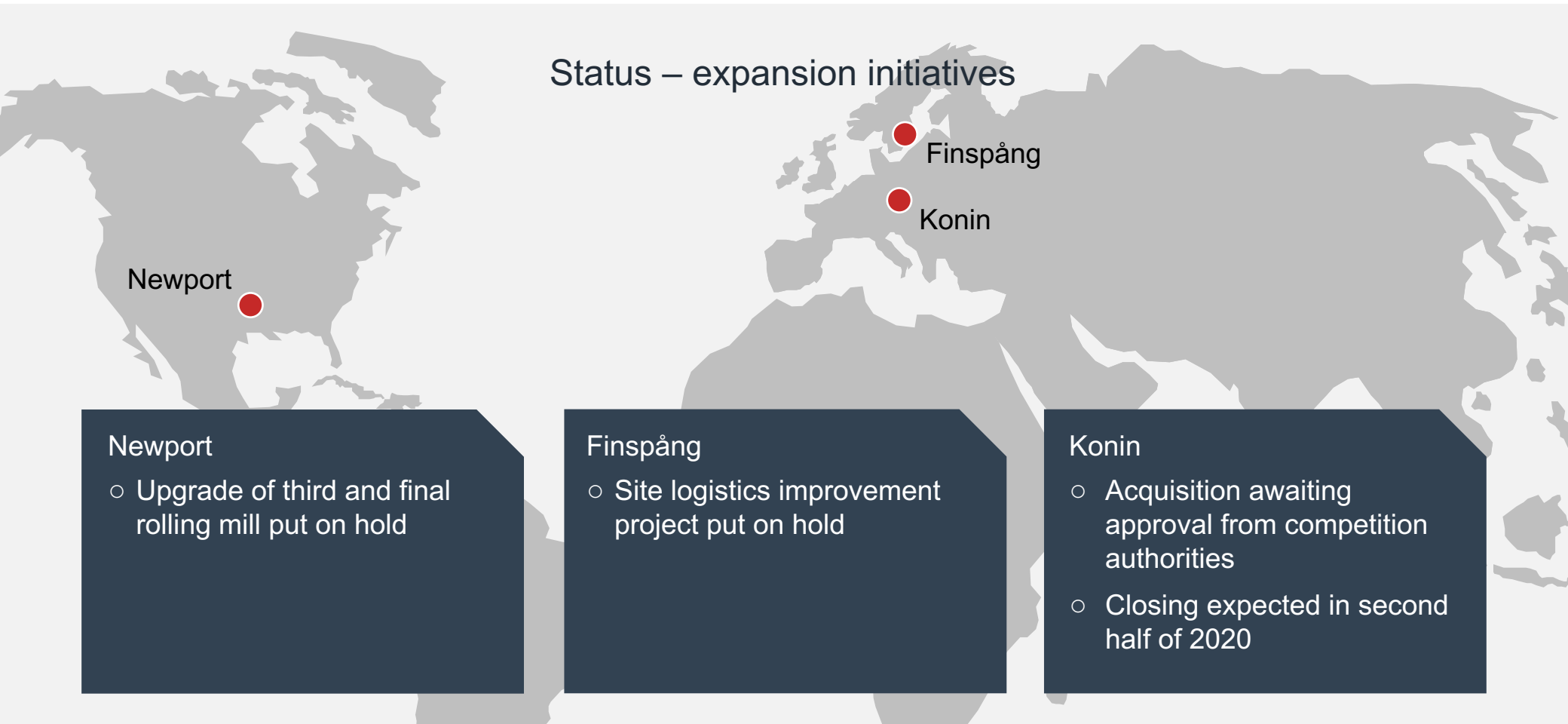
Europe

- Finspång plant reduced to 40% capacity and employees temporary laid off as of April

Asia

- Shanghai plant temporary closed for two weeks in February
- Normal operations as of March

Ongoing expansion activities have been delayed or actively postponed



Newport

- Upgrade of third and final rolling mill put on hold

Finspång

- Site logistics improvement project put on hold

Konin

- Acquisition awaiting approval from competition authorities
- Closing expected in second half of 2020

Successful ramp-up of new capacity in Huntingdon contributing to the best quarter so far in Americas

- Huntingdon expansion project finalized in fourth quarter 2019
- Market share increase contracted as of January 2020
- Ramp-up of new capacity better than plan – currently at 90%
- Increased flexibility for optimizing capacity utilization

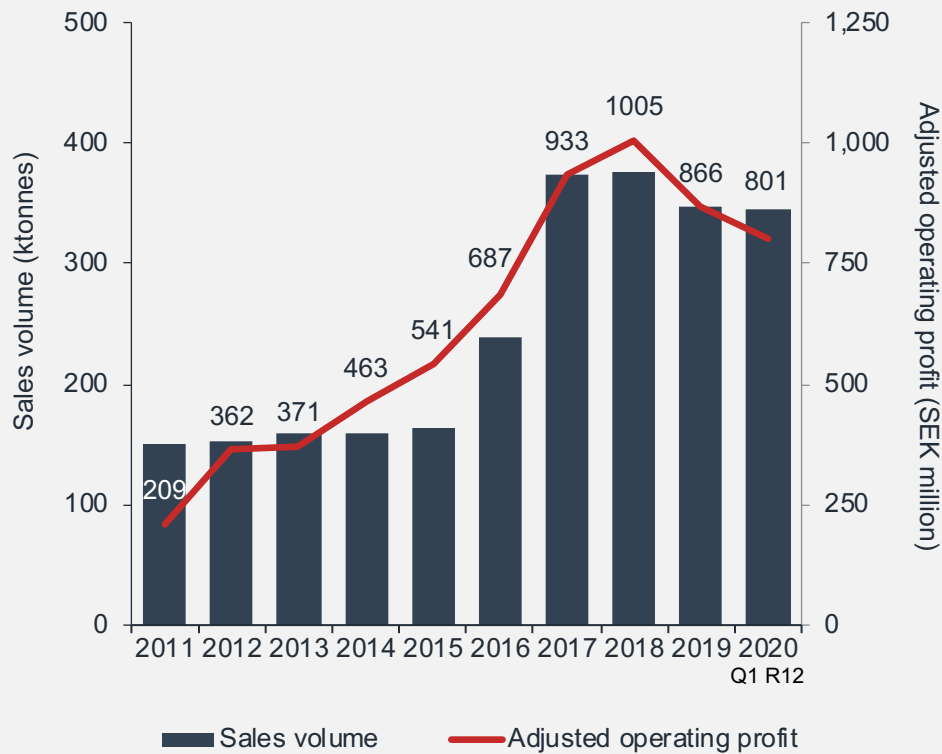


Huntingdon

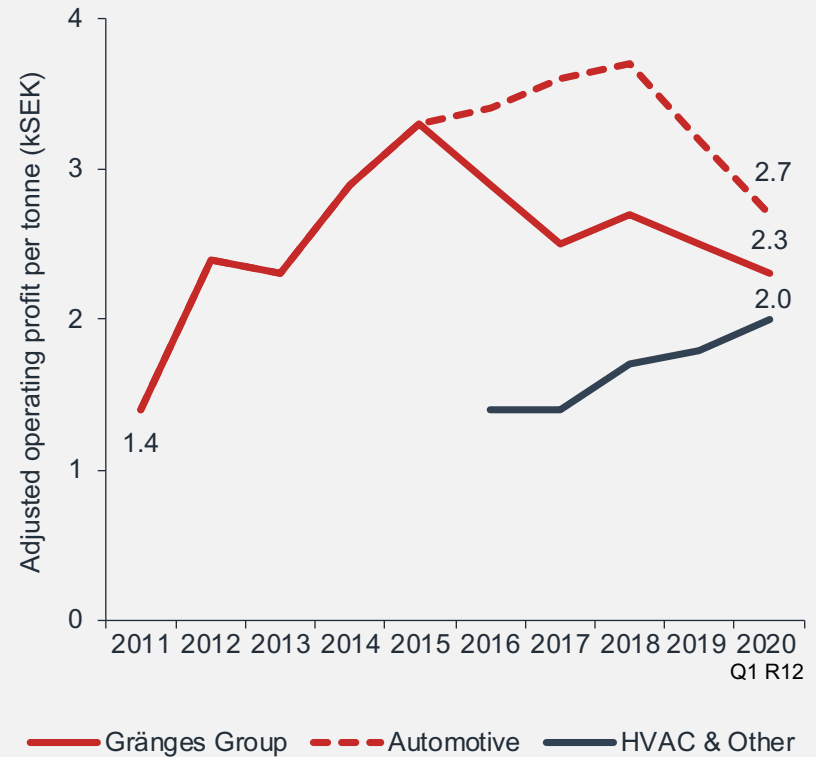


Stable sales volume and lower adjusted operating profit driven by product mix in the first quarter

Sales volume and adjusted operating profit



Adjusted operating profit per tonne



Financial overview – first quarter 2020

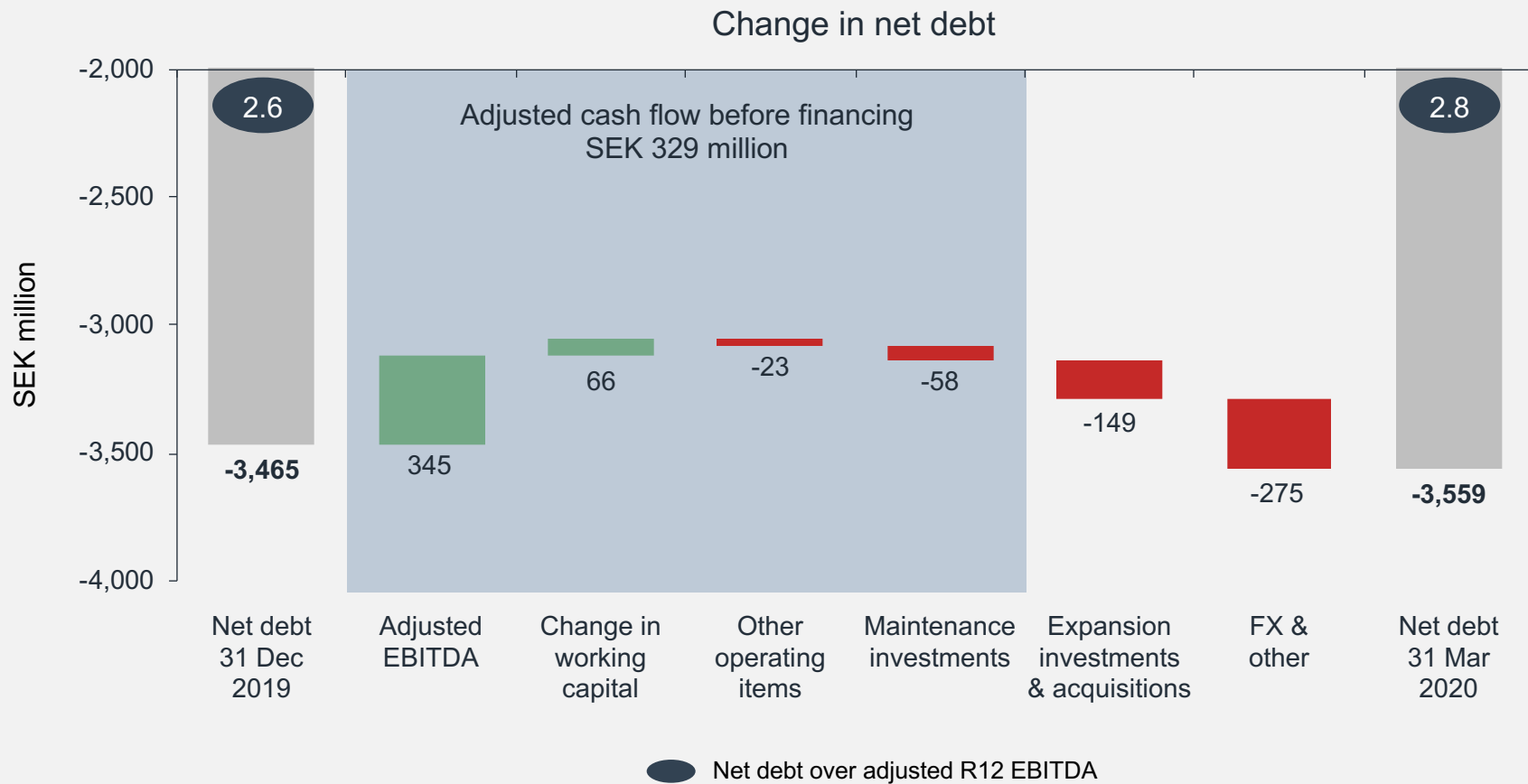
| SEK million | Q1 | | | Rolling 12 months | | |
|---|-------|-------|----------|-------------------|----------|----------|
| | 2020 | 2019 | Change | Mar 2020 | Dec 2019 | Change |
| Sales volume (ktonnes) | 89.9 | 90.8 | -1.1% | 346.4 | 347.3 | -0.3% |
| Net sales | 3,063 | 3,109 | -1.5% | 11,932 | 11,978 | -0.4% |
| Adjusted operating profit ¹ | 210 | 275 | -23.6% | 801 | 866 | -7.5% |
| Adjusted operating margin (%) | 6.9 | 8.8 | -2.0 ppt | 6.7 | 7.2 | -0.5 ppt |
| Adjusted operating profit per tonne (kSEK) | 2.3 | 3.0 | -0.7 | 2.3 | 2.5 | -0.2 |
| Operating profit | 204 | 275 | -25.9% | 765 | 836 | -8.5% |
| Profit for the period | 133 | 184 | -27.8% | 549 | 600 | -8.5% |
| Earnings per share ² (SEK) | 1.76 | 2.44 | -0.68 | 7.27 | 7.95 | -0.68 |
| Adj. cash flow before financing activities ³ | 329 | 166 | 98.2% | 1,118 | 1,048 | 6.7% |
| Return on capital employed, R12 (%) | 10.3 | 15.5 | -5.2 ppt | | | |
| Net debt / adjusted EBITDA, R12 | 2.8 | 2.2 | | | | |

(1) Adjusted for items affecting comparability

(2) Diluted

(3) Adjusted for expansion investments and acquisitions

The net debt amounted to SEK 3.6 billion on 31 March



Note: Net debt including pension and leasing liabilities. As per 31 March 2020, total pension and leasing liabilities amounted to SEK 639 million.

Outlook - second quarter 2020

- The uncertainty around the COVID-19 pandemic makes reliable forecasting very difficult
- IHS estimates that global light vehicle production will decrease by 47% in the second quarter
- End-market mix change is expected to have a negative impact on profitability
- Medium to long term market fundamentals likely to remain in Gränges' favour post COVID-19
 - Sustainability
 - Light weighting
 - Electrification



Source: IHS Automotive, April 2020

Summary - first quarter 2020

- Very challenging market conditions
- Successful ramp-up of new US capacity
- Stable sales volume and reduced operating profit
- Continued strong cash generation



Q&A

Johan Menckel, CEO
Oskar Hellström, CFO



GRÄNGES