



GRÄNGES

Third Quarter 2016 Earnings Conference

27 October, 2016

Today's presenters



**JOHAN
MENCKEL**
CEO

Since: 2012
Gränges since: 2004



**OSKAR
HELLSTRÖM**
CFO

Since: 2011



Gränges Group



- A global leader in the market for rolled products for brazed aluminium heat exchangers
- Production in Sweden, China and in the US
- R&D Centre in Sweden and China
- Headquarter in Stockholm
- Gränges is represented all over the world

- ~1,500 employees
- Listed on Nasdaq Stockholm
- Net sales exceeding SEK 10 billion including the recent US acquisition

20%

We have a global market share of approximately 20% in rolled products for brazed aluminium heat exchangers.

Third quarter 2016 – Successful acquisition in US and strong performance in existing business

- Completion of acquisition in the US
- Sales volume increased by 62% to 62.8 ktonnes – organic growth of 6%
- Adjusted operating profit increased to SEK 181 million – SEK 132 million if excluding acquisition
- Positive tax effect of SEK139 million related to Chinese operations
- Cash flow before financing excluding cash consideration for US acquisition was SEK 313 million
- Net debt of 2.2x EBITDA



Acquisition in US successfully completed



- Gränges has acquired Noranda's downstream aluminium rolling business
- Attractive valuation with an EBITDA multiple of 6.2x (FY 2015)
- The business has net sales of 550 MUSD and some 550 employees
- Gränges takes an important step towards realising its goal for 2020
- Integration is proceeding very well

The acquisition in US is 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

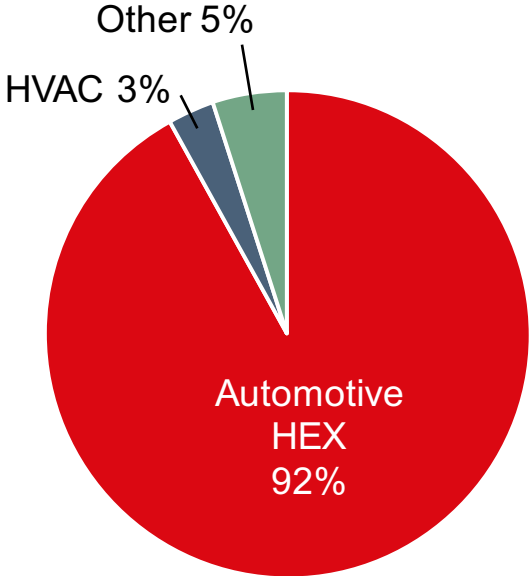
- Improve process stability
- Increase productivity
- Increase energy efficiency
- Improve metal management

Grow presence through structural expansion

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

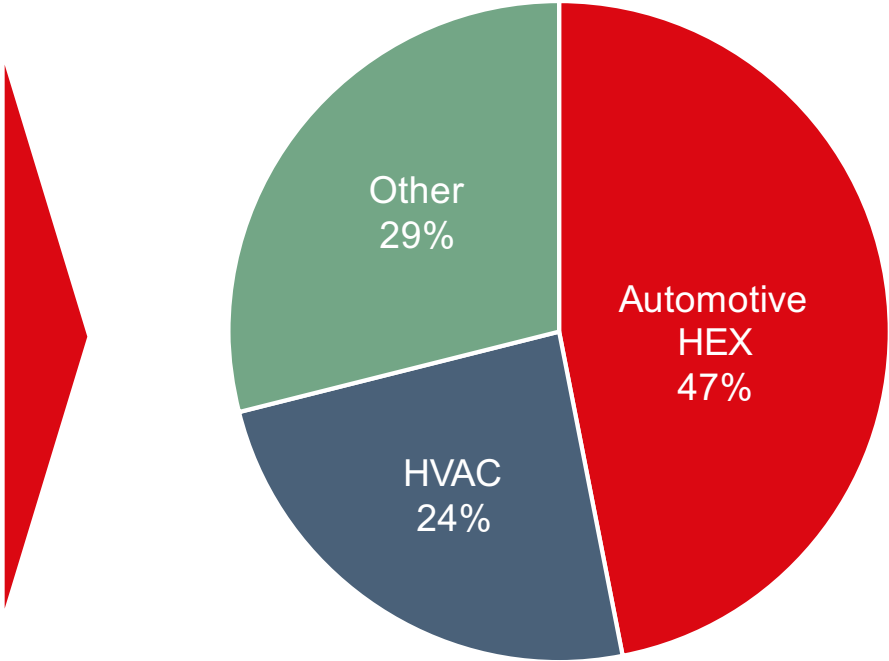
Diversification of business portfolio strengthens Gränges' position in the market for rolled aluminium

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

7 Note: Gränges incl. Noranda pro forma figures shows approximate effects of the transaction

Significant events during third quarter













9th Technical Seminar
in Nanjing, China

Gränges adopts to
UN Global Compact



Market growth of 3% expected for full year 2016

Light vehicle production growth (YoY)

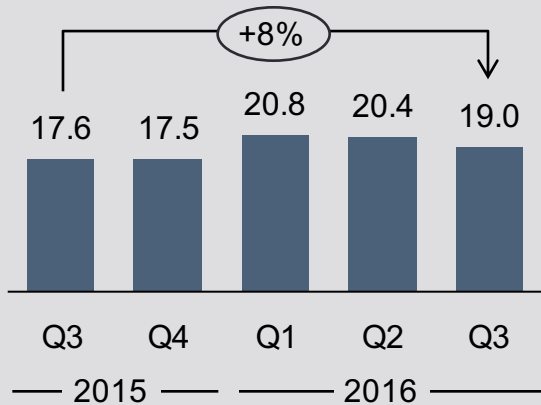
Region	Q3 2016	Q4 2016 outlook	FY 2016 outlook
Asia	 +10%	 0%	 +4%
Europe	 -2%	 +3%	 +3%
Americas	 0%	 +1%	 0%
Global	 +5%	 +2%	 +3%

Source: IHS Automotive, September 16, 2016

Strong development in Asia and continued strong growth in Americas – both organic and through acquisition

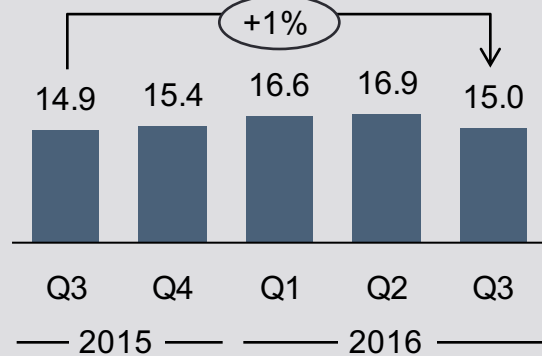
Gränges sales volume (ktonnes)

Asia



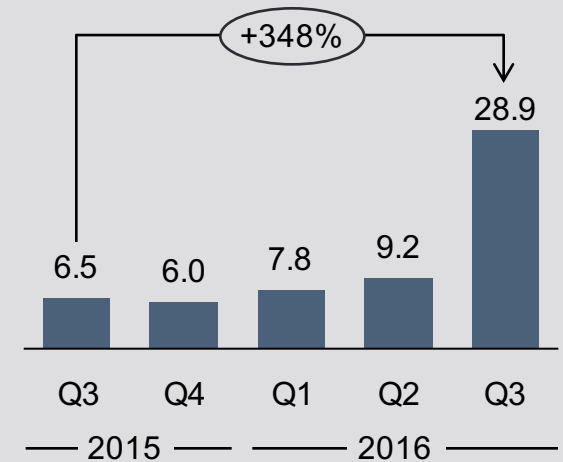
- Strong sales to Chinese automotive customers
- Weak automotive market in China in third quarter 2015

Europe



- Continued growth for heat exchanger materials
- Decreased sales of scrap based products

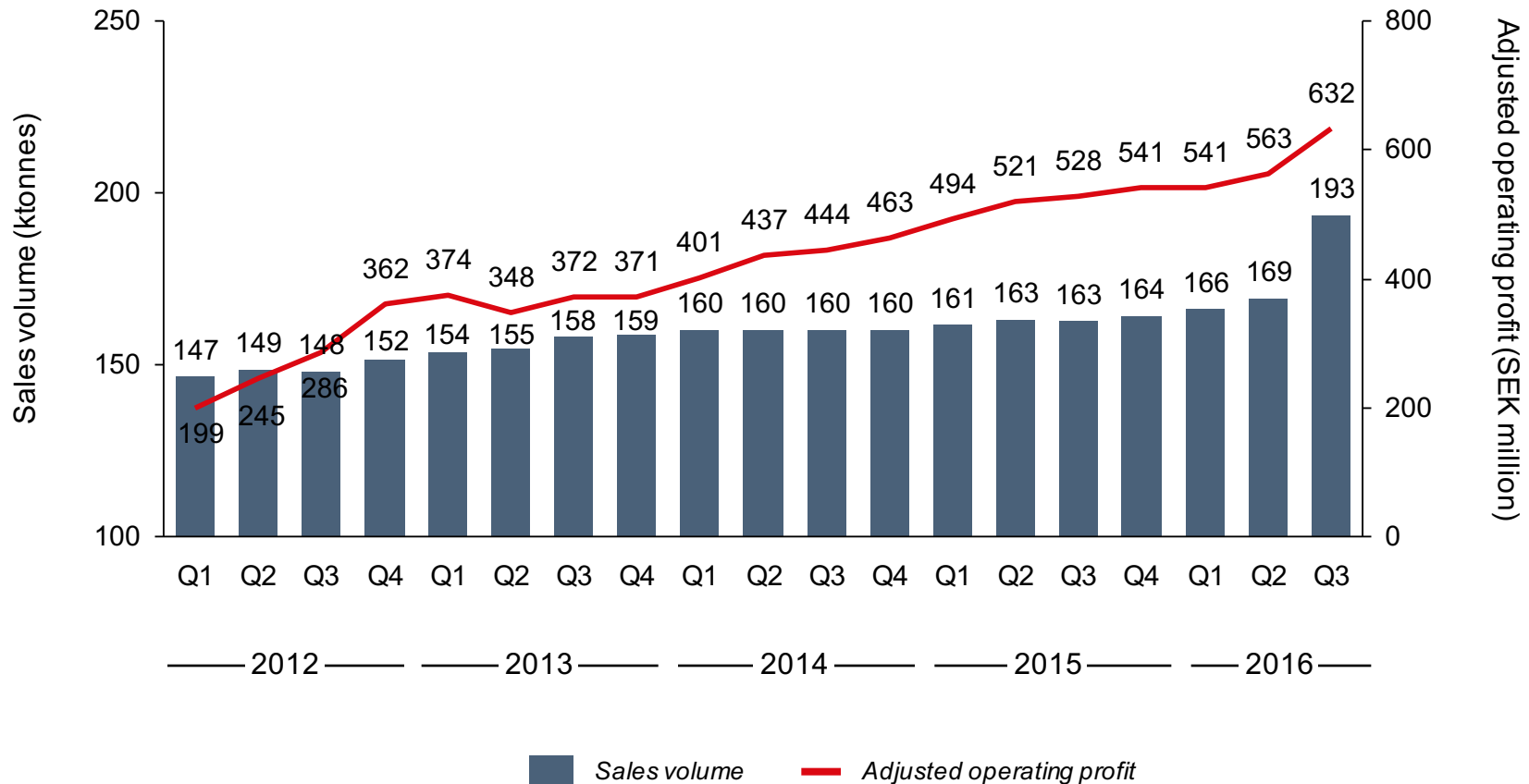
Americas



- Sales volume from acquired business 21.8 ktonnes
- Excluding acquired business, sales volume increased by 10% to 7.1 ktonnes

Positive trend continues in third quarter and is further strengthened by the US acquisition

Rolling 12 months sales volume and adjusted operating profit



Successful acquisition in US and strong performance in existing business in third quarter

Financial overview

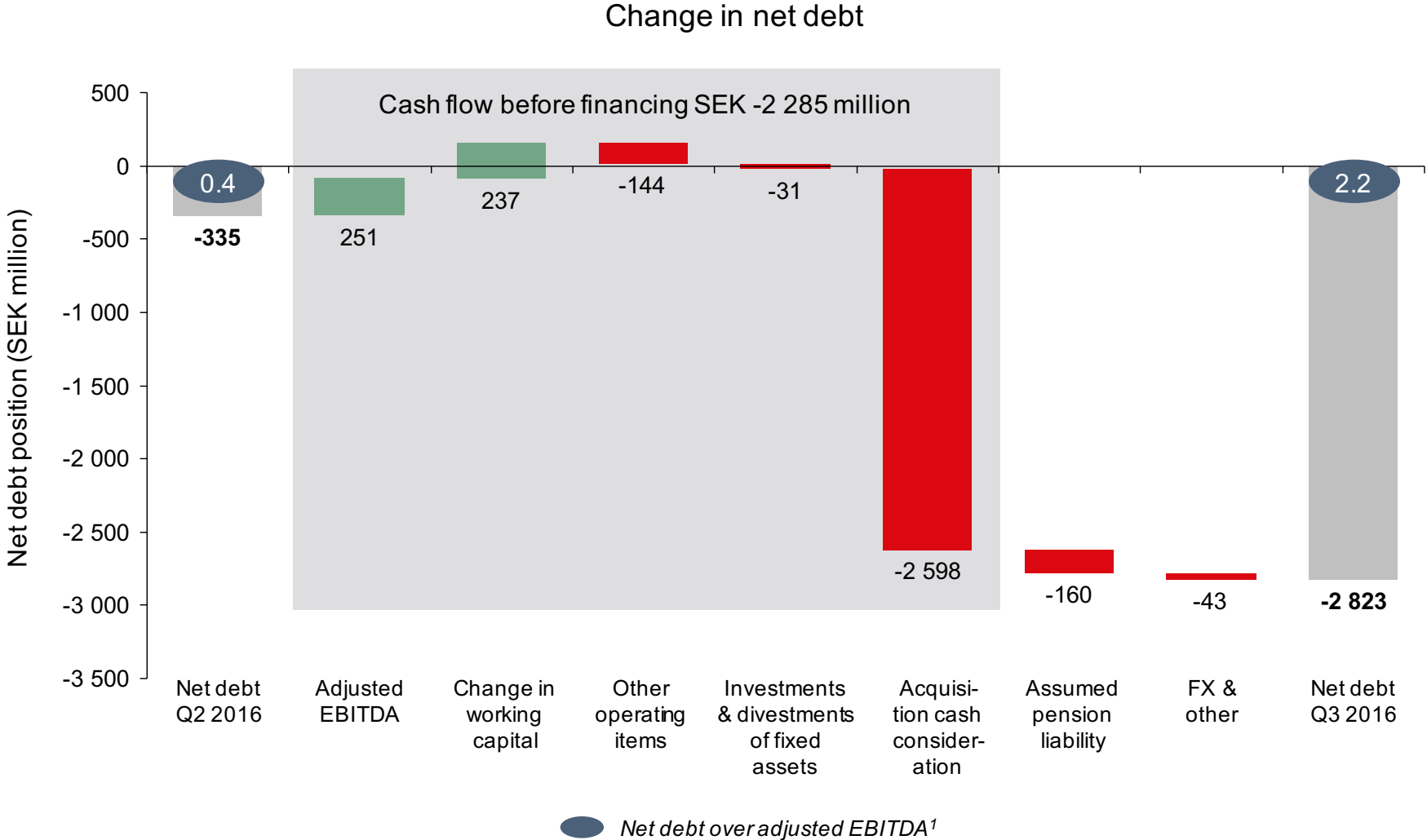
SEK million	Q3			January - September		
	2016	2015	Change	2016	2015	Change
Sales volume (ktonnes)	62.8	38.9	61.5%	154.4	125.0	23.5%
Net sales	1,859	1,281	45.2%	4,662	4,243	9.9%
Adjusted operating profit ¹	181	112	61.2%	516	425	21.4%
Adjusted operating margin (%)	9.7	8.8	1.0 ppt	11.1	10.0	1.0 ppt
Adjusted operating profit per tonne (kSEK)	2.9	2.9	0.0	3.3	3.4	-0.1
Operating profit	88	97	-10.0%	397	410	-3.2%
Profit for the period	189	69	173.6%	397	295	34.2%
Earnings per share ² (SEK)	2.52	0.93	1.60	5.30	3.95	1.34
Cash flow before financing activities	-2,285	267	n/a	-2,150	440	n/a
Return on capital employed, R12 (%)	18.7	17.5	1.2			
Net debt / adjusted EBITDA, R12 ³	2.2	0.6	+1.6			

1. Adjusted for items affecting comparability

2. Diluted, historical earnings per share has been calculated on the same number of shares as of today

3. Including estimated adjusted EBITDA on a stand-alone basis for the acquired business in the US

Net debt was SEK 2.8 billion at the end of third quarter



1. Adjusted EBITDA rolling 12 months, including estimated stand alone adjusted EBITDA for the acquired business in the US as of Q3, 2016



Total assets were SEK 7.6 billion at the end of third quarter

Preliminary impact on the balance sheet from the US acquisition per September 30, 2016 (SEK million)

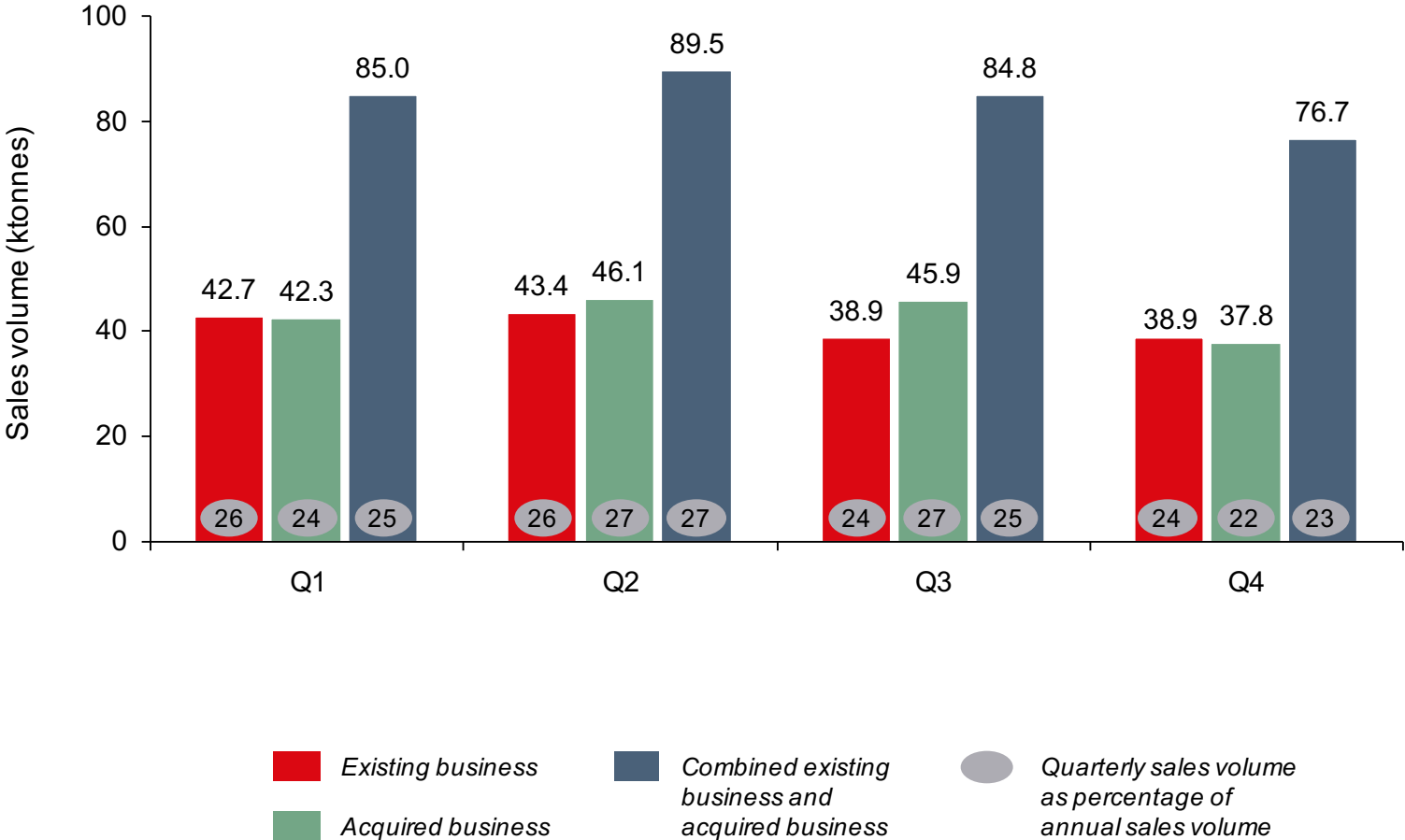
	Assets	Equity & liabilities	
<ul style="list-style-type: none"> • Depreciation and amortisation expected to increase by some SEK 175-200 million per year at current FX rates • Sustaining capex estimated to increase by SEK 100-120 million per year in medium to long term 	Property, plant & equipment	1,712	<ul style="list-style-type: none"> • New bank financing <ul style="list-style-type: none"> – 5 year term loan USD 300 million – 3 year revolving credit facility SEK 1,200 million
	Intangible assets	441	
	Total non-current assets	3,951	<ul style="list-style-type: none"> • Financing costs expected to increase by some SEK 80 million per year at current base rates and FX rates
	Inventories & receivables	774	
	Total current assets	3,631	<ul style="list-style-type: none"> • Assumed pension liability of SEK 160 million
	Total assets	7,582	
		Total equity	2,712
		New bank financing	2,709
		Total non-current liabilities	3,370
		Other liabilities	239
		Total current liabilities	1,500
		Total equity & liabilities	7,582

Items related to US acquisition

Note: Purchase price allocation is preliminary and may be subject to change and this may in turn impact the size of depreciation and amortization going forward.

US acquisition changes seasonality of Gränges' business

Sales volume per quarter 2015



Sales volume is an important earnings driver for the acquired business

Income statement of acquired business

USD million	2015
Sales volume (ktonnes)	172
Net sales	551
Cost of materials	360
Operating expenses	139
Adjusted EBITDA ¹	52

- Cost of materials may be considered as fully variable with sales volume
- Operating expenses may be considered as half fixed and half variable with volume

1. EBITDA adjusted for stand alone costs estimated by Gränges.

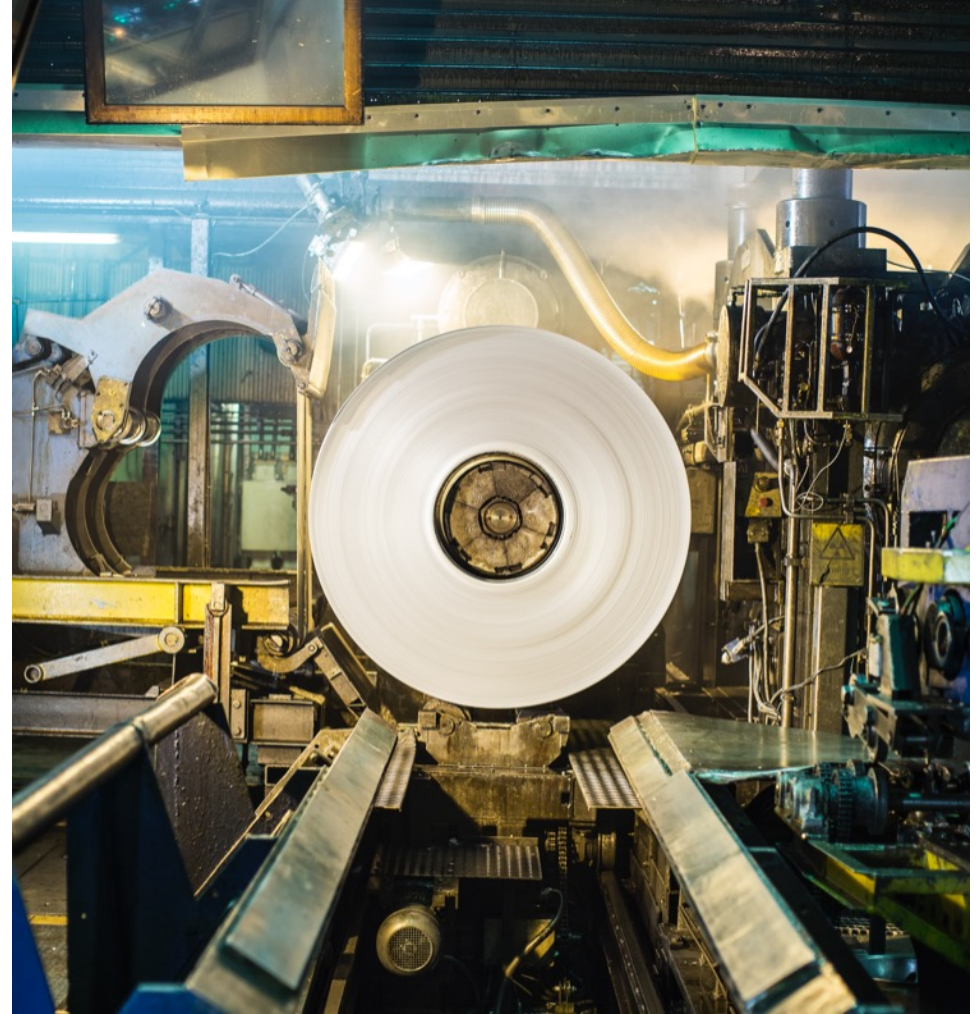
Outlook

- Global Light Vehicle Production is expected to grow by 2%¹ in Q4 2016 – for the full year 2016 a growth of 3% is projected
- Automotive HEX - above market growth is expected in Asia and Americas, while growth in line with the market is projected in Europe in Q4
- The acquired business in US is expected to grow sales volume by some 1-2% year over year in Q4
- Positive outlook for 2017. Ambition to continue to grow and strengthen our presence and position globally



Summary of third quarter

- Best quarter for Gränges so far
- Completion of US acquisition
- Sales volume 62.8 ktonnes
- Adjusted operating profit rose to SEK 181 million
- Earnings per share SEK 2.52
- Net debt of 2.2x EBITDA



Q&A

Johan Menckel, CEO

Oskar Hellström, CFO

Appendix: Sales volume 2015-2016

Sales volume

ktonnes	2015					2016		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
Existing business	42.7	43.4	38.9	38.9	163.9	45.1	46.5	41.1
Acquired business	42.3	46.1	45.9	37.8	172.1	45.3	46.7	46.5 ¹
Combined business	85.0	89.5	84.8	76.7	336.1	90.4	93.2	87.6

1. In total 21.8 ktonnes of the sales volume for the acquired US business are included in Gränges reported sales volume for Q3 2016.



GRÄNGES