



GRÄNGES

First Quarter 2019 Earnings Conference

26 April, 2019

Today's presenters



**JOHAN
MENCKEL**
CEO

Since: 2012
Gränges since: 2004



**OSKAR
HELLSTRÖM**
CFO

Since: 2011



First quarter 2019

Stable operating profit in softening market conditions

- Softer market conditions continuing
 - Lower demand from automotive customers
 - Sales volume declined by 4%

- Stable operating profit
 - Adjusted operating profit SEK 275 million
 - Supported by price increases and FX















- Expansion projects on track
 - Expansion investments SEK 339 million
 - Cash flow before financing SEK -173 million

- Launch of new sustainability targets
 - Ambitious targets for 2025



Light vehicle production declined by 6% in first quarter

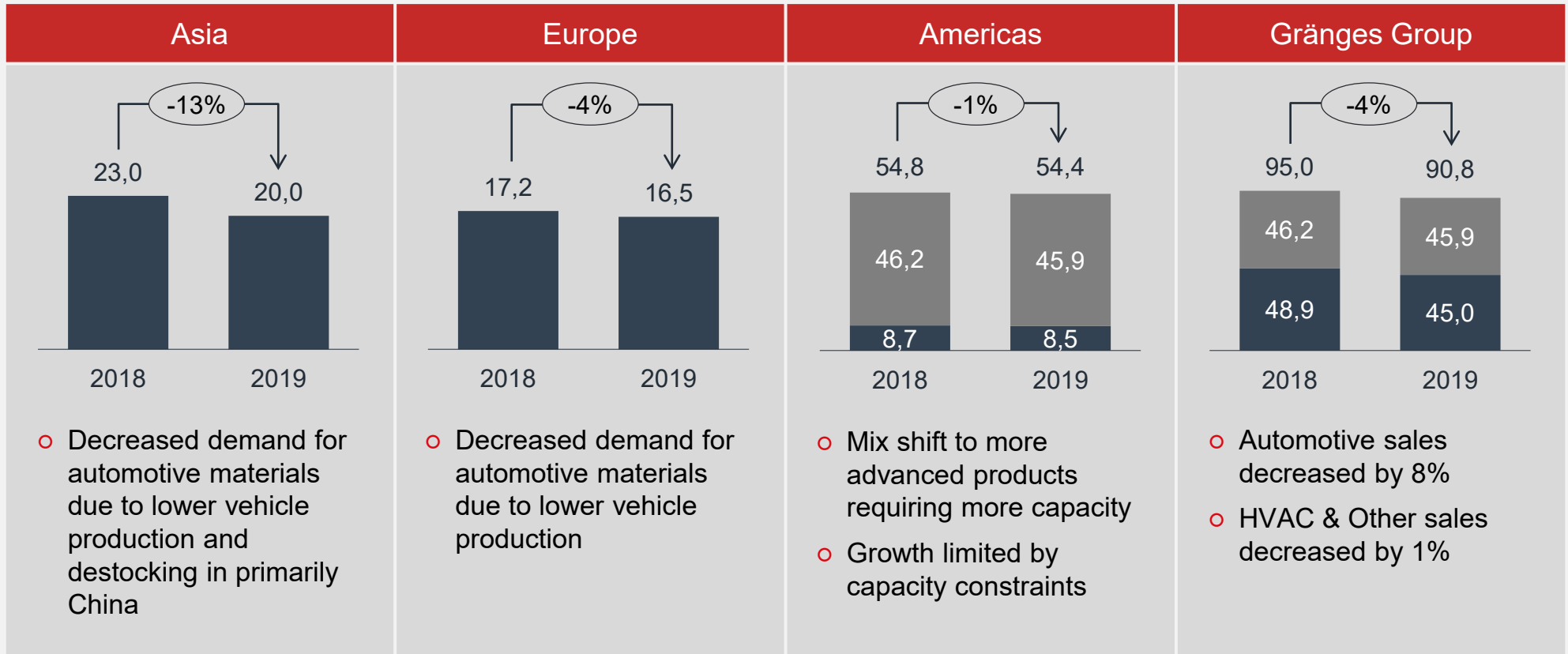
End market production growth (YoY)

End market	Automotive				HVAC
Region	Global	Asia	Europe	Americas	Americas
Q1 2019	 -6%	 -7%	 -5%	 -1%	 +5%
Q2 2019	 -3%	 -2%	 -6%	 +1%	
Full year 2019	 ±0%	 +1%	 -2%	 ±0%	 +5%

Source: Automotive light vehicle production - IHS Automotive, March 2019
 HVAC unit production – AHRI, April 2019, Forecast JP Morgan

Sales volume decreased by 4% in first quarter – Asian automotive market especially challenging

Gränges sales volume (ktonnes)








■ Automotive

■ HVAC & Other

Clear sustainability targets for 2025 show our ambitions



				
ETHICAL BUSINESS PRACTICES	RESPONSIBLE AND SUSTAINABLE SOURCING	SUSTAINABLE OPERATIONS	DIVERSE AND HIGH-PERFORMING TEAMS	SUSTAINABLE PRODUCT OFFERING
<ul style="list-style-type: none"> ○ 100% of employees annually trained in Gränges' Code of Conduct. ○ 100% of applicable employees¹⁾ annually trained in anti-corruption. 	<ul style="list-style-type: none"> ○ 100% of the purchase value from significant suppliers¹⁾ committed to Supplier Code of Conduct or equivalent standard ○ 20% sourced recycled aluminium of total sourced metal inputs. ○ Increase share of sourced renewable energy. ○ Reduce indirect carbon intensity from purchased materials and services.²⁾ 	<ul style="list-style-type: none"> ○ 3.0 recordable accidents per million hours worked (Total Recordable Rate). ○ 50 lost workdays per million hours worked (Severity Rate). ○ 17% reduction in energy intensity.³⁾ ○ 25% reduction in direct and energy indirect carbon intensity.³⁾ ○ All Gränges sites to have implemented a local water management plan. 	<ul style="list-style-type: none"> ○ 100% of employees receiving annual performance and development discussion. ○ At least 30% women among senior management⁴⁾. ○ Employee engagement index: 85. 	<ul style="list-style-type: none"> ○ 80% of Gränges' products having verified sustainability information available.

(1) Employees working in purchasing, sales and senior executives with external contacts.

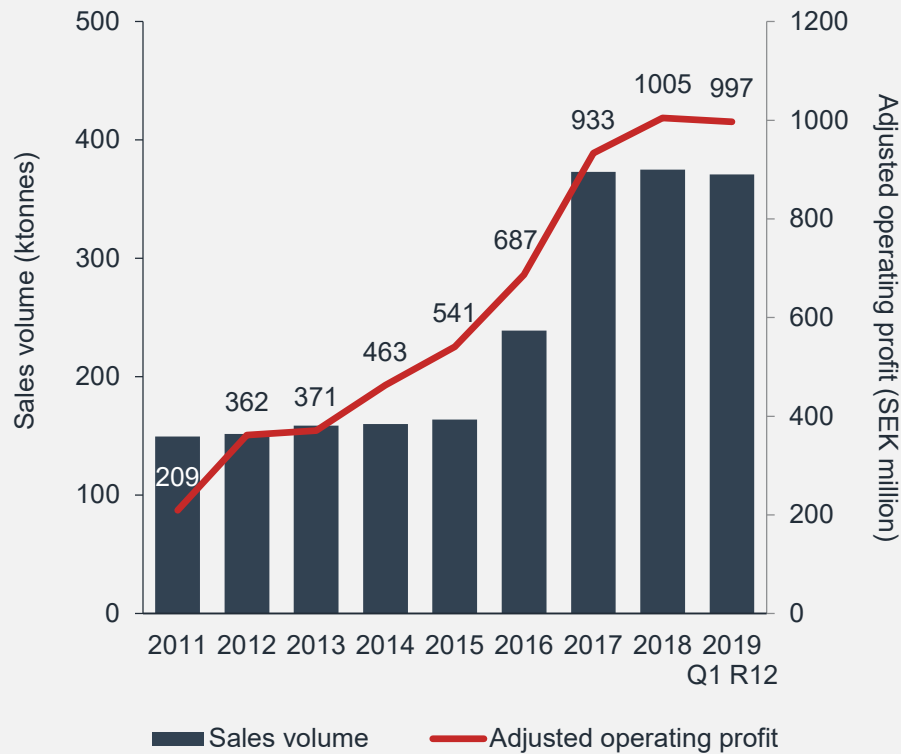
(2) Suppliers with purchase value above 5 MSEK, 5 MCNY, 0.5 MUSD.

(3) Versus baseline 2017.

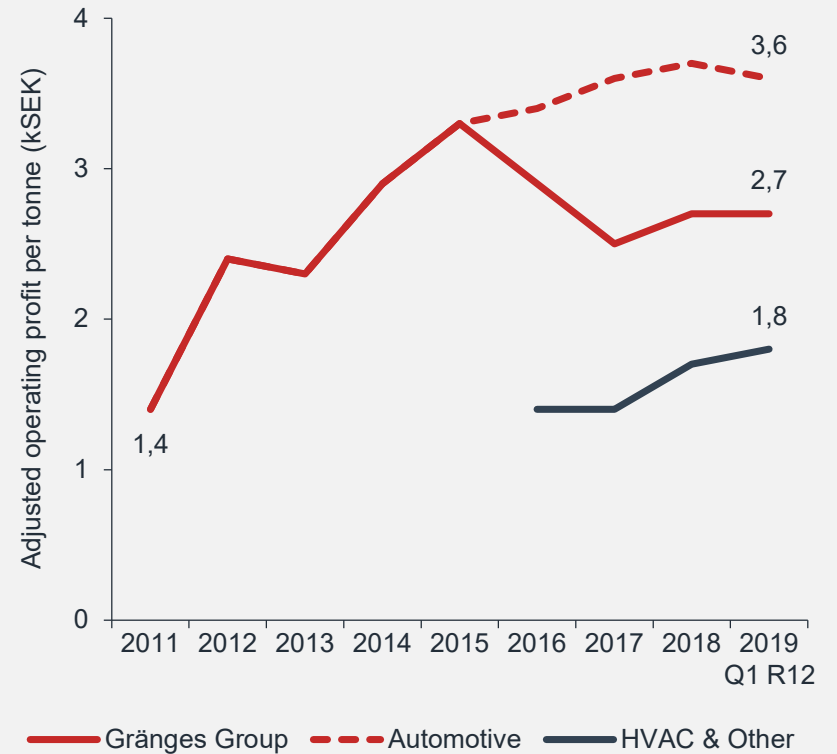
(4) Employees eligible to participate in Gränges' long-term incentive (LTI) programme.

Lower sales volume but stable margins in first quarter

Sales volume and adjusted operating profit



Adjusted operating profit per tonne



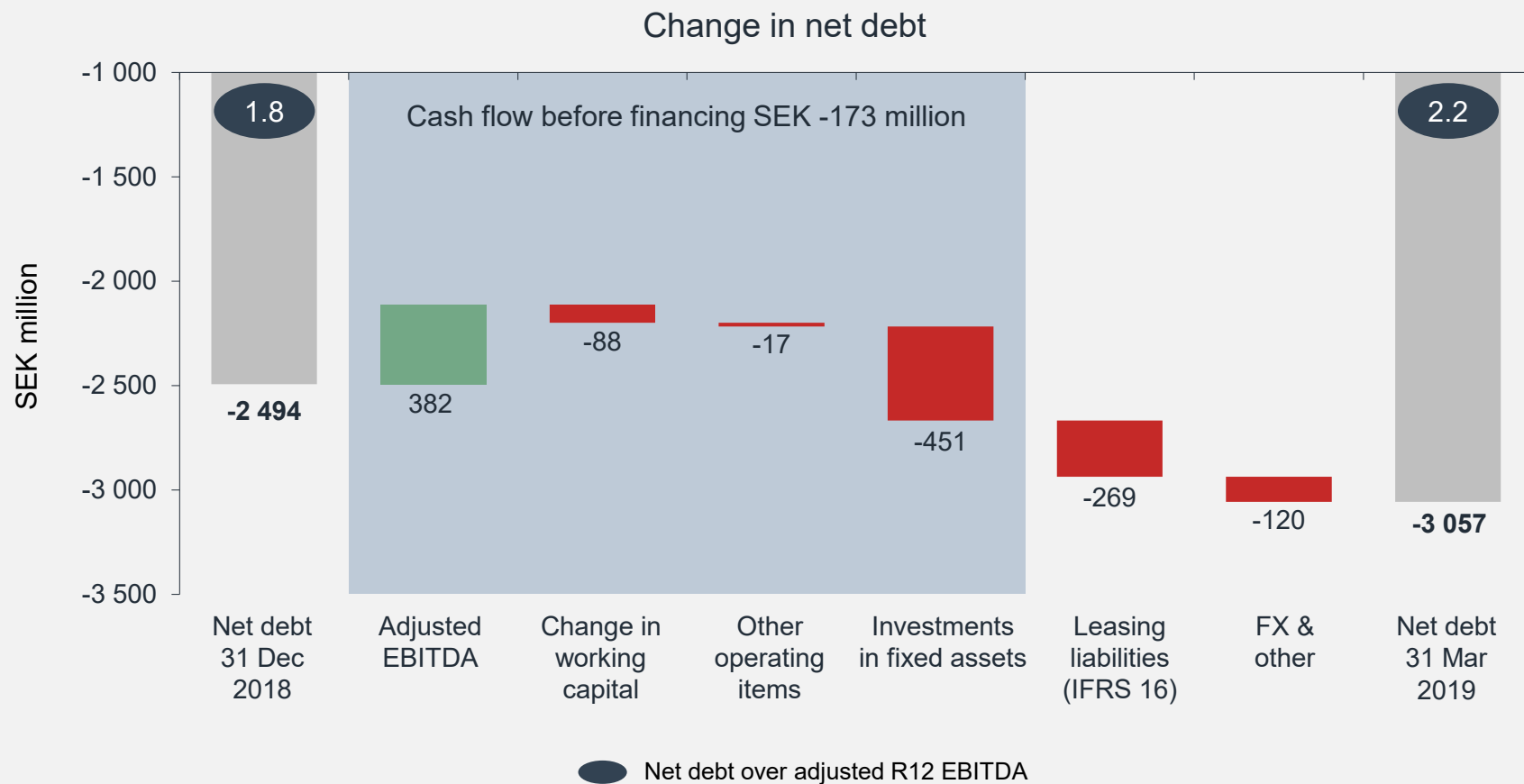
Financial overview – first quarter 2019

SEK million	Q1			Rolling 12 months		
	2019	2018	Change	Mar 2019	Dec 2018	Change
Sales volume (ktonnes)	90.8	95.0	-4.4%	370.8	375.0	-1.1%
Net sales	3,109	3,071	1.2%	12,947	12,910	0.3%
Adjusted operating profit ¹	275	282	-2.5%	997	1,005	-0.7%
Adjusted operating margin (%)	8.8	9.2	-0.3 ppt	7.7	7.8	-0.1 ppt
Adjusted operating profit per tonne (kSEK)	3.0	3.0	0.1	2.7	2.7	0.0
Operating profit	275	217	26.3%	997	940	6.1%
Profit for the period	184	167	10.0%	705	688	2.4%
Earnings per share ² (SEK)	2.44	2.21	0.22	9.33	9.11	0.22
Cash flow before financing activities	-173	192	n/a	166	531	-68.8%
Return on capital employed, R12 (%)	15.5	17.3	-1.8 ppt			
Net debt / adjusted EBITDA, R12	2.2	1.8				

(1) Adjusted for items affecting comparability

(2) Diluted

Net debt was SEK 3.1 billion at the end of first quarter



Note: Net Debt over adjusted R12 EBITDA excluding impact from IFRS 16 Leases = 2.0

Outlook - second quarter 2019

- IHS estimates that Global Light Vehicle Production will decrease by 3% in second quarter
- Gränges expects a sales volume decline by mid-single digits in second quarter
 - Mid to high-single digit decline for Automotive materials on global level
 - Stable development for HVAC & Other materials in Americas
- US expansion projects to support higher sales volume in second half of 2019



Source: IHS Automotive, March 2019

Summary - first quarter 2019

- Softer market conditions continuing
- Stable operating profit
- Expansion projects on track
- Launch of new sustainability targets



Q&A

Johan Menckel, CEO
Oskar Hellström, CFO



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