



**sapa:**

**Sapa Investor Briefing**  
Oslo, 3 November 2016

**Innovative aluminium solutions**

## Today's presenters



**Egil Hogna**  
President & CEO



**Karl Eichinger**  
CFO



**John Thuestad**  
Business Area President  
Extrusion Europe



**Erika Ahlqvist**  
EVP CSR &  
Communication

# Today's agenda

**Building the Sapa of today and the future**

*CEO presentation*

**Leveraging the Sapa platform in practice**

*Business area Extrusion Europe presentation*

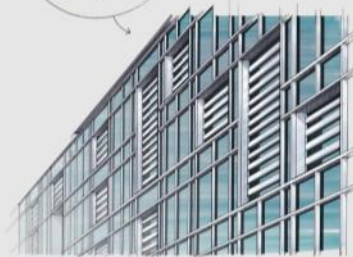
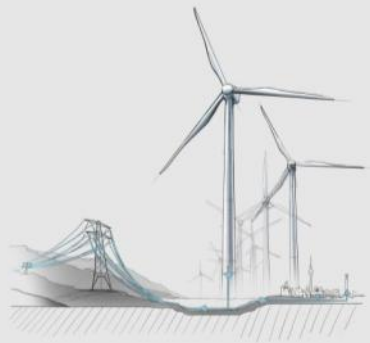
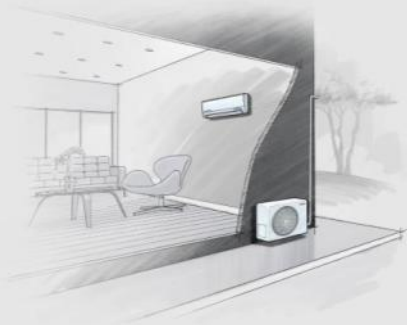
**Shifting focus from turnaround to profitable growth**

*CFO presentation*

**The journey ahead**

*CEO concluding remarks*

**Q&A**



# Building the Sapa of today and the future

Shaping a sustainable future through innovative aluminium solutions

**sapa:**

**Egil Hogna**  
President & CEO

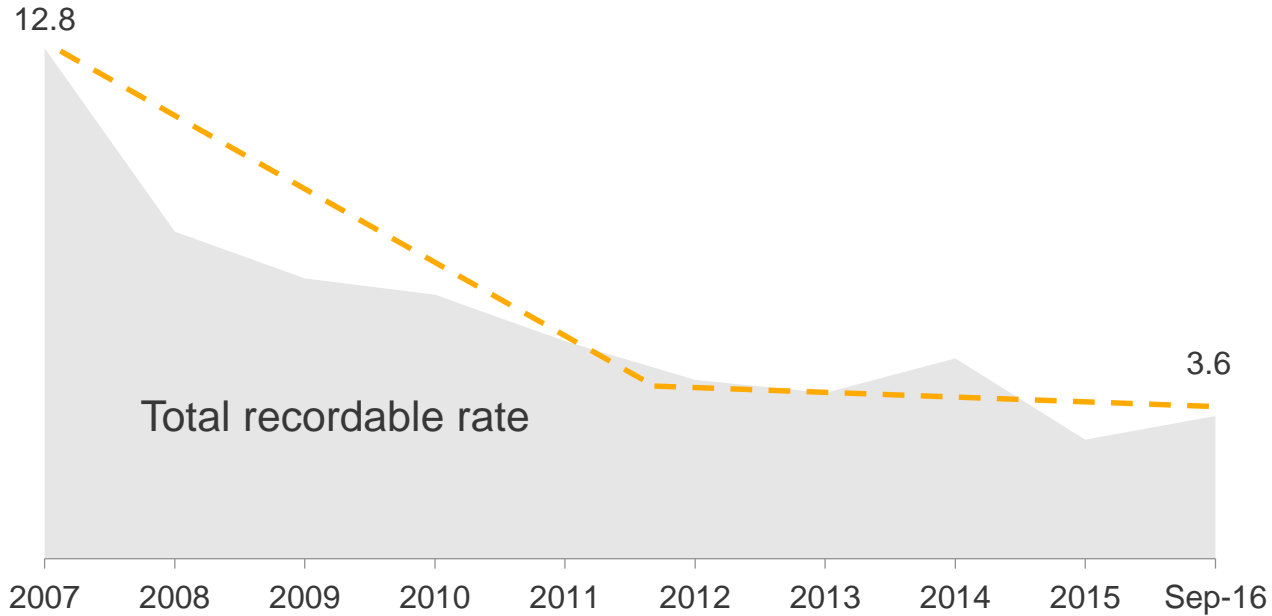
## Unique position as world leading extrusion company

- Aluminium and Extrusion is an **attractive market**
- JV formation **rationale proven** with clear **competitive advantages**
- Business model with **high value added, flexibility** and **low commodity price risk**
- **Clear strategy** for growth and value creation
- Our journey is paying off – **consistent improvements** since inception

## **Our purpose**

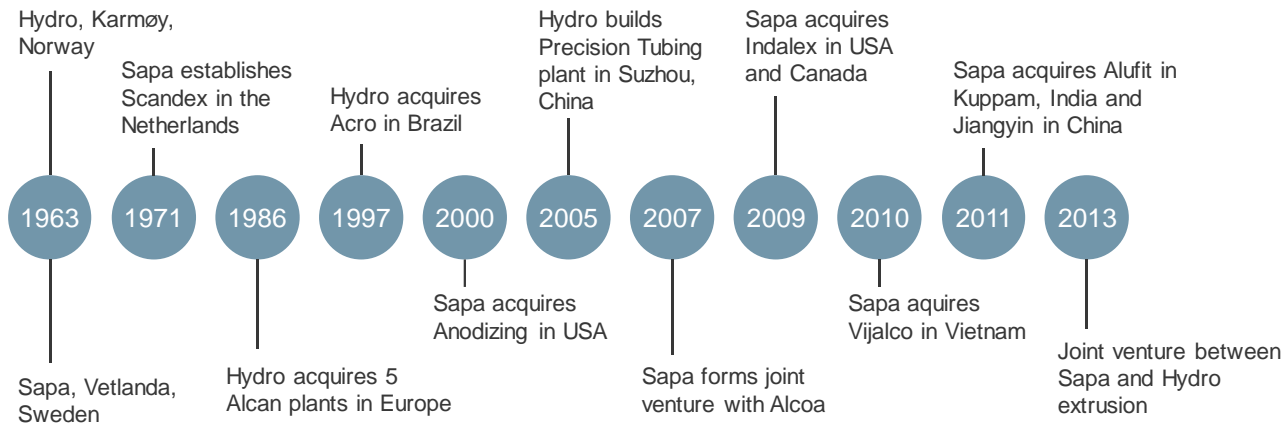
Shaping a sustainable future through  
innovative aluminium solutions

# Safety is our top priority



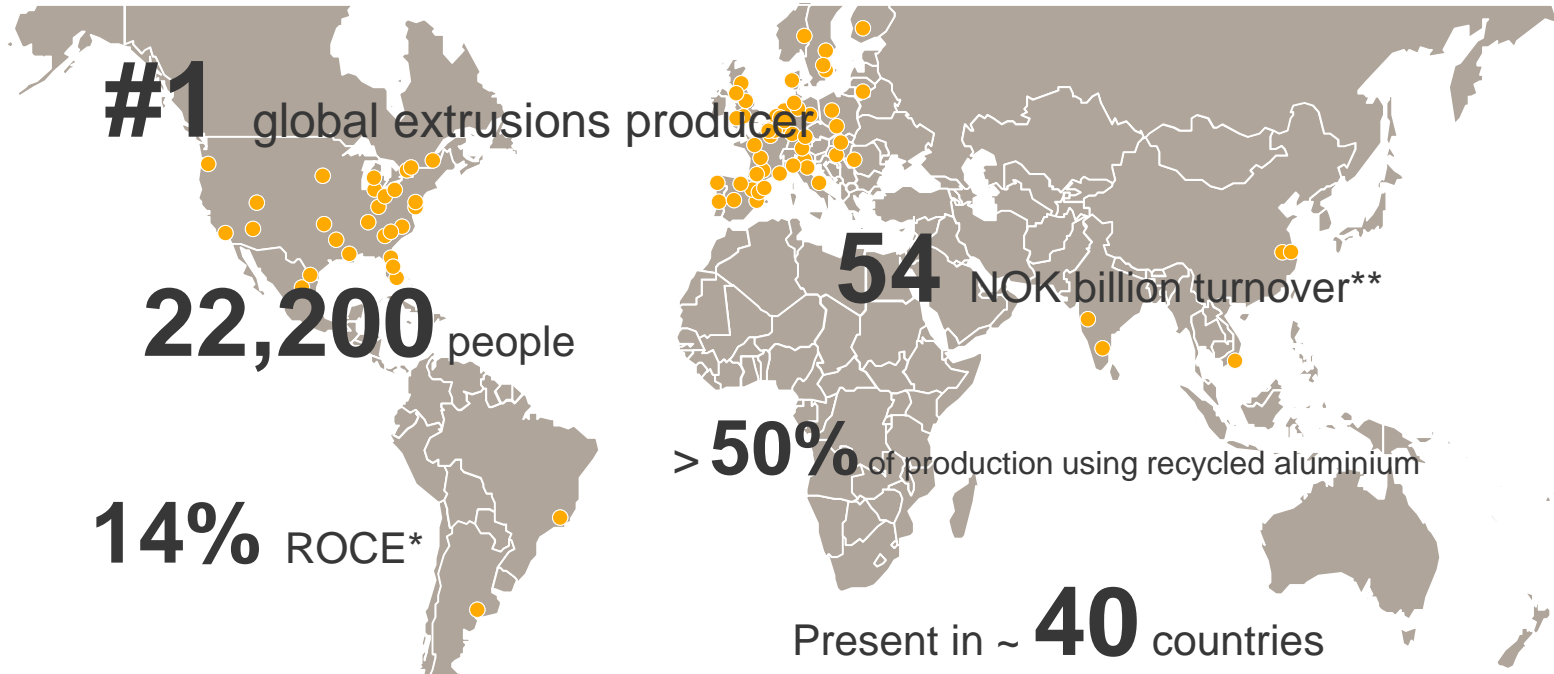
## Sapa has driven consolidation in the extrusion industry

- Building on knowledge base and rightsizing portfolio in Europe
- Integrating and capitalizing on strong positions in North America
- Developing attractive positions in high-growth markets
- Flexibility and capability to meet challenging market conditions





## Sapa – more than 50 years of consolidation



## Significant steps taken since last year

### Integration and restructuring

- Significant bottom line improvements, supported by Sapa delivering on synergy targets ahead of time

### Increased quality and value-added

- Quality systems lifted to industry benchmark
- Improved product mix and increased Net Added Value per kg by 12%\*

### Simplification and collaboration

- Corporate HQ streamlined, business area synergy setup strengthened

### Asian footprint consolidated

- Strengthened platform for growth in Asia in attractive niches, expansions commencing in Precision Tubing

# Sapa operates in four business areas

Extrusion Europe



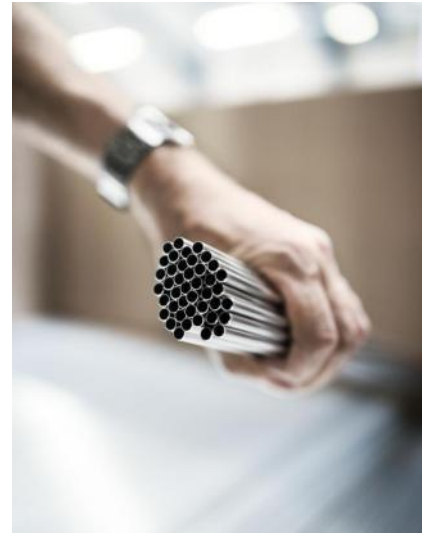
Extrusion North America



Building Systems

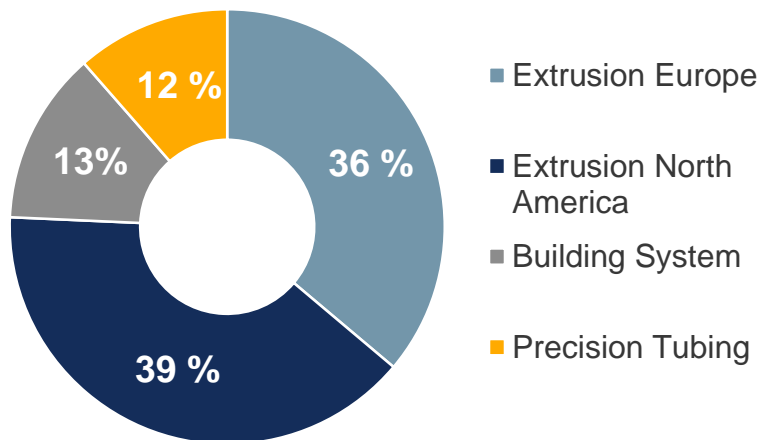


Precision Tubing

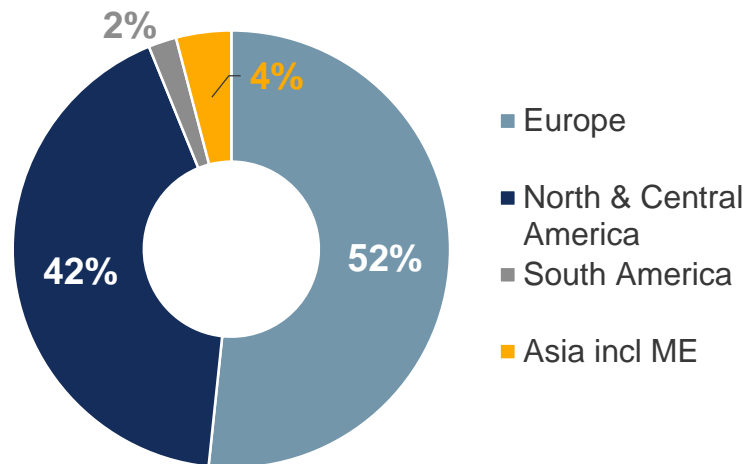


# Business concentrated in Extrusion North America and Europe

Sales breakdown by business area (2015)



Sales breakdown by geography (2015)



# Global trends drive the demand for aluminium

## Environment & climate change



Reduced CO<sub>2</sub> emissions targets  
Higher fuel efficiency



**Lighter cars**

## Population growth



New industrialized areas  
Higher mobility



**Transportation demand**

## Urbanization



New concept of cities  
Durable material



**Energy efficient building solutions**

# Aluminium is durable, infinitely recyclable and provides more efficient solutions



Low weight  
high strength



Superior  
malleability



Corrosion  
resistance



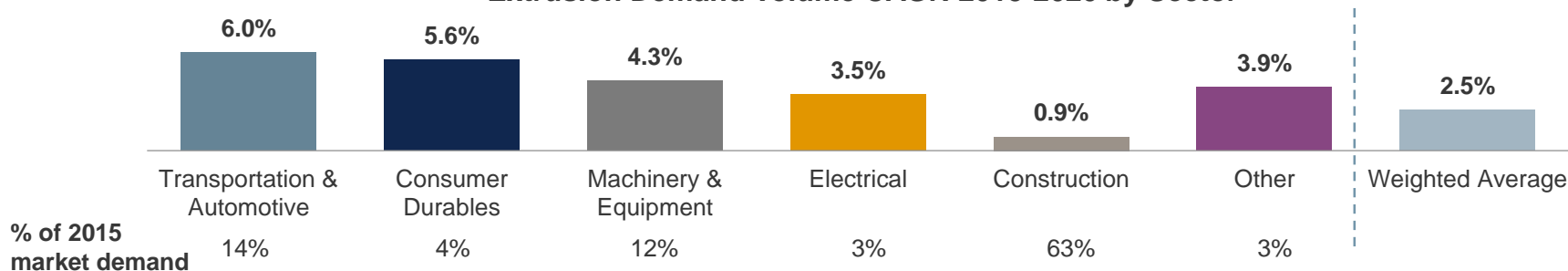
Recyclable with  
low energy input

# Well-positioned in downstream aluminium

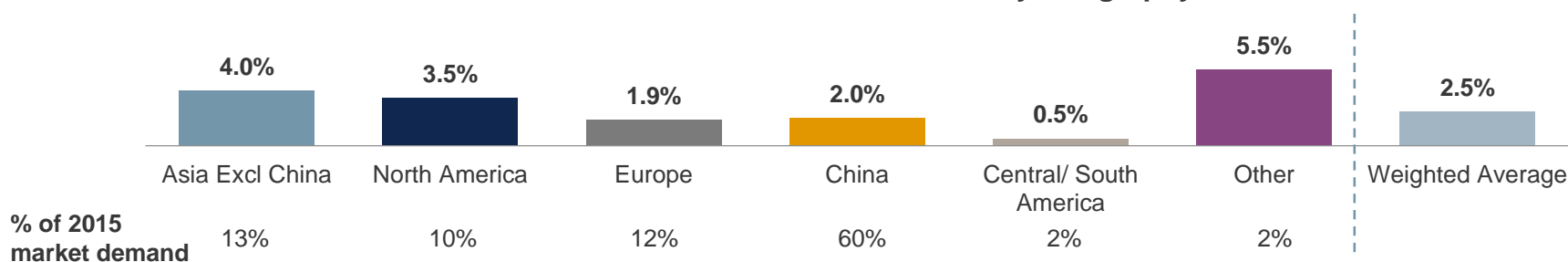


# Robust outlook for aluminium extrusion end markets

Extrusion Demand Volume CAGR 2015-2020 by Sector



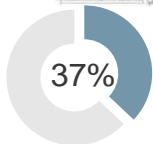
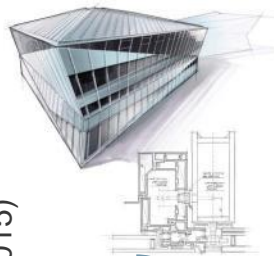
Extrusion Demand Volume CAGR 2015-2020 by Geography





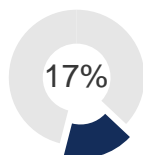
# We serve a broad range of end markets

Building & construction

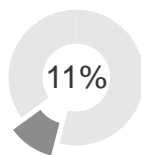


Share of Sapa revenues (2015)

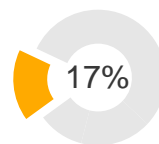
Transportation



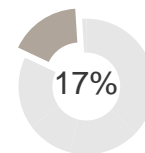
Distribution



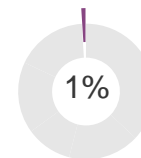
Industrial



Automotive



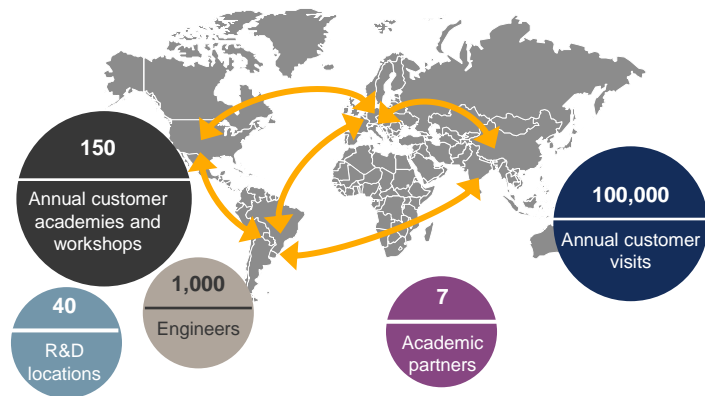
HVAC&R\*



## **Sapa's vision guides our strategy and how we do business**

We are aluminium.  
Excelling in technology and innovation.  
Today and tomorrow.  
Sapa – Innovative aluminium solutions

## Competitive advantage: Unmatched technology competence



- Unique R&D network close to customers
- Leading competence in value-add activities
- Expanding world wide Sapa Academy concept
- More engineers than most of our competitors have employees
- Collaboration bringing knowledge to customers wherever they are

“No other supplier comes close to Sapa in terms of application development“

- HVAC&R customer

## Competitive advantage: Value chain width and depth

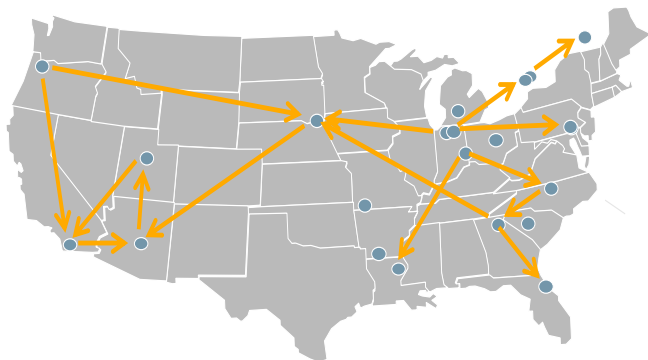


- Unmatched wide range of solutions
- Creating value with design, materials, and services
- Complete customer solutions

“Value added processing by the supplier reduces complexity for us and avoids the need to coordinate supply chain flows between different suppliers, which ultimately results in a loss of responsibility for defects or failures”

- Transportation customer

## Competitive advantage: Global reach and local presence – plant-network



“Sapa has the widest network of manufacturing sites, and therefore the best capabilities in terms of supply security”

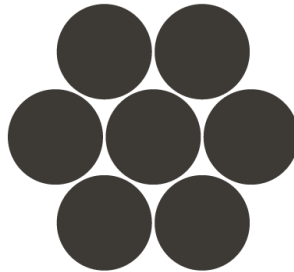
- Building and construction customer

- Number one globally
- Close to local customers
- Network of plants allows for flexibility and reliability
- Dies can be switched and moved swiftly and at low cost to adapt to specific customer needs
- Building Systems has a global offering with three main brands

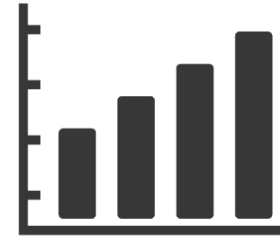
**Our strategy is to lead the aluminium extrusion industry by offering the best value in innovative aluminium solutions**



1. Increase value-added to our customers



2. Simplify and collaborate




3. Selective growth


## Extrusion Europe – market leader with strong focus on value added products

- Be the European industry shaper
- Benefit from speed and proximity in building and construction
- Outperform competition in vertical integration and material substitution
- Grow exposure to high value add automotive, transport, and engineering end markets

### Fast facts

 9,400 people

 40 locations


 Revenues:  
NOK 19.8 bn


 24% Market share


## Extrusion North America – uniquely positioned as the only coast-to-coast supplier

- Further develop strong position in transportation and distribution
- Increase position through superior “ease of doing business” model and unique new services and product offerings
- Lead in alloy development, application engineering support, and customer education academies
- Grow exposure to high value add automotive and building and construction end markets

### Fast facts

 6,300 people

 23 locations

 Revenues:  
NOK 20.6 bn


 27% Market share





## Building Systems – leading European player with well recognized multi-brand portfolio

- Become the market leader in Europe
- Grow business in Asia and enter North America
- Lead in product design and energy efficient solutions through strong R&D capabilities
- Reinforce three main brands to improve market positions and lower product development costs

### Fast facts

 2,800 people

 Employees in 29 countries

 Revenues: NOK 7.2 bn

 Market share


## Precision Tubing – technology leaders in selected niches

- Be in the forefront in precision aluminium solutions for heat transfer and industrial applications
- Lead the material substitution in the HVAC&R industry
- Focus extrusion business in South America and Asia on selected high added value market niches
- Create new aluminium solutions for fluid lines, cables and cooling lines for batteries

### Fast facts

 3,100 people

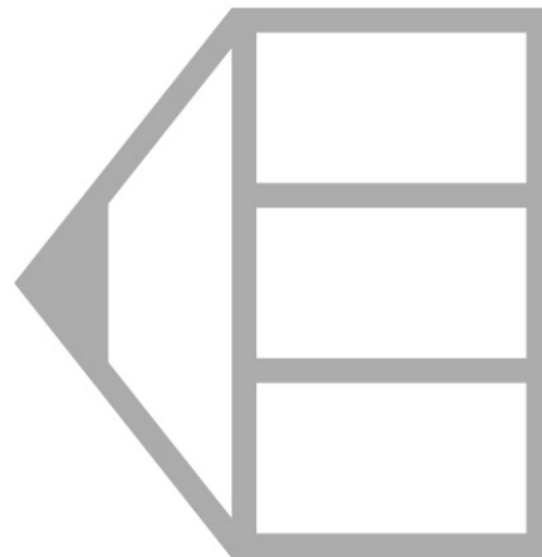
 17 locations

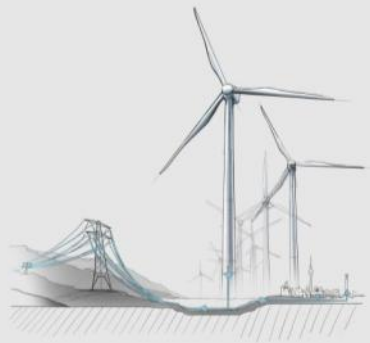
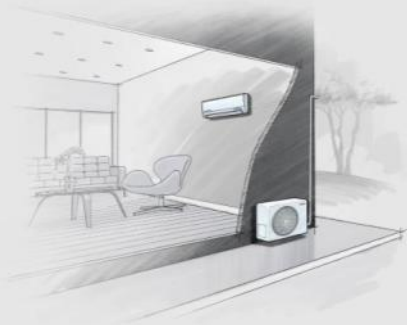
 Revenues:  
NOK 6.3 bn

 64% Market share\*

## Key priorities for 2017

- Continuing improvements in safety and quality
- Value over volume - increased share of value-added products in all business areas
- Simplification and collaboration to further reduce costs and operate smarter
- Continued focus on capital efficiency and strong cash generation
- Continue to lay the foundation for strategic growth





# Leveraging the Sapa platform in practice

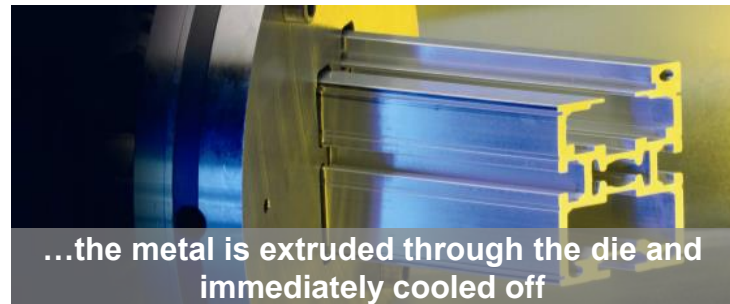
Shaping a sustainable future through innovative aluminium solutions

**sapa:**

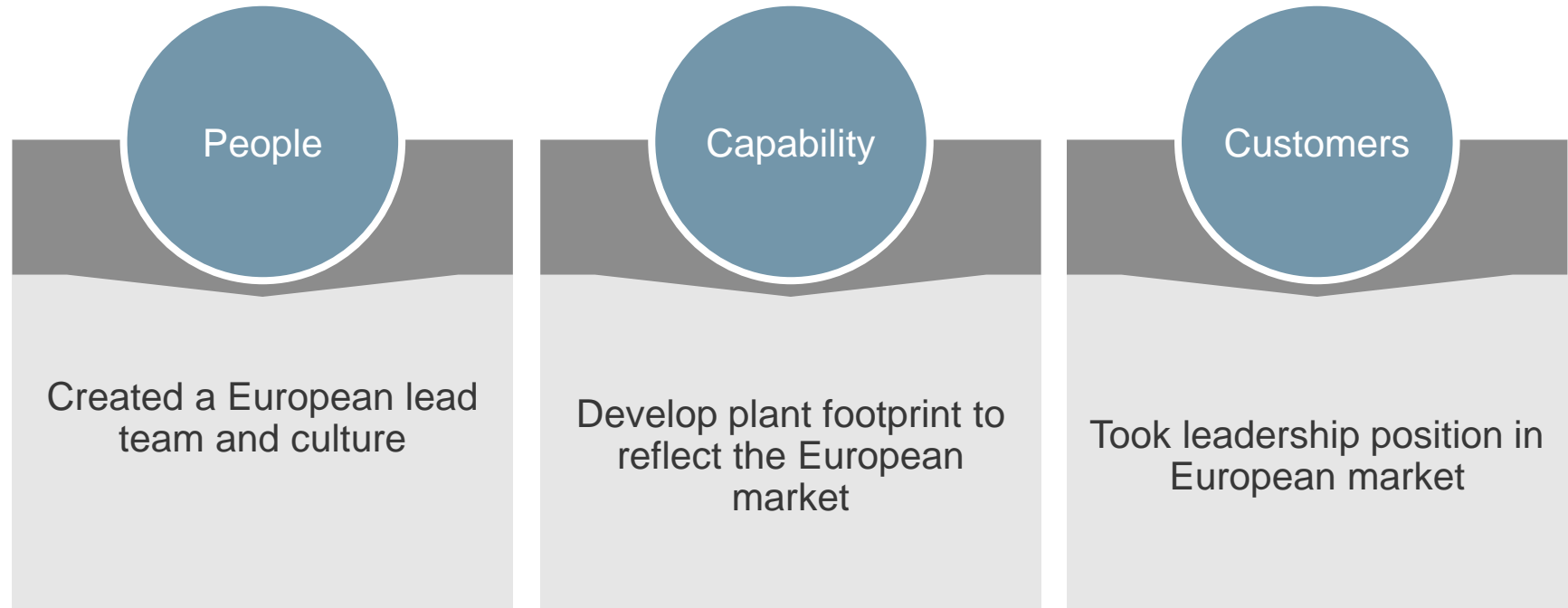
**John Thuestad**  
BA President  
Extrusion Europe

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# What is extrusion?



## Our journey since 2013



## Setting the industry standard

The diagram features a light gray horizontal bar at the top. Below it, three blue circles are arranged horizontally, each containing a white text label: 'Safety', 'Quality', and 'Service'. A large, light gray downward-pointing arrow is positioned below these circles, pointing towards the text 'Foundation for success' at the bottom of the slide.

Safety

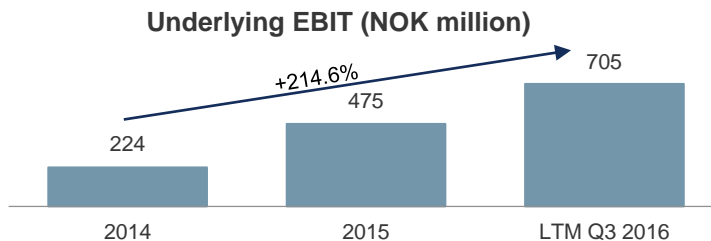
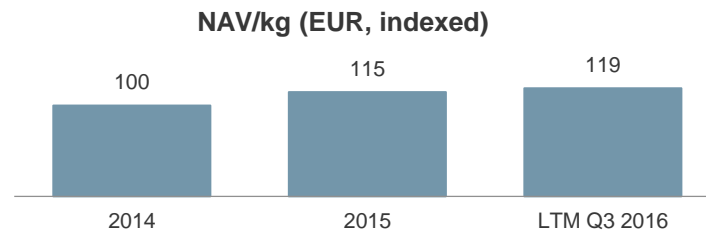
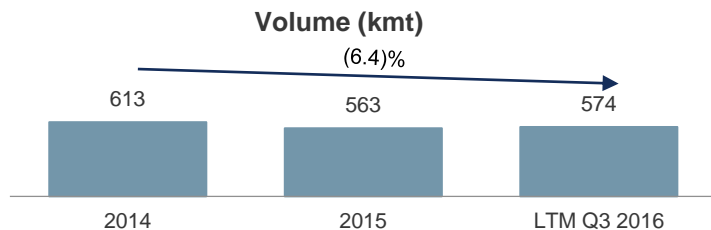
Quality

Service

Foundation for success

# Extrusion Europe's journey is paying off

## Focus shift: Value over volume



### Highlights

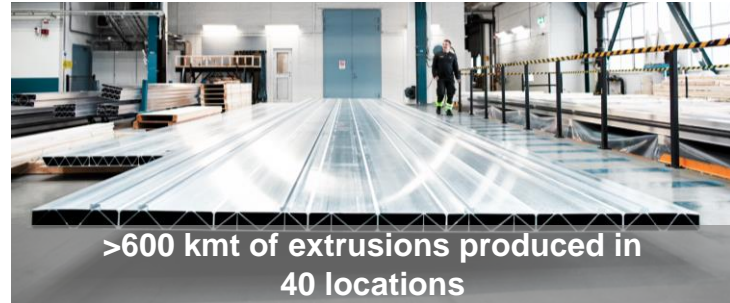
- Value over volume – selective on segments to develop
- Improved product mix
- Improving cost position through significant restructuring



# From extrusions to solutions



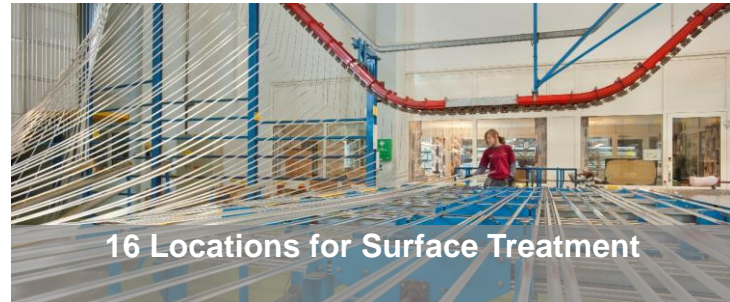
350 kmt of billet remelted in 8 Cast Houses



>600 kmt of extrusions produced in 40 locations



EUR 350 million of Fabrication



16 Locations for Surface Treatment

## How do we leverage the strengths of Sapa?

1

Scale



2

Capability



3

R&D/Applications



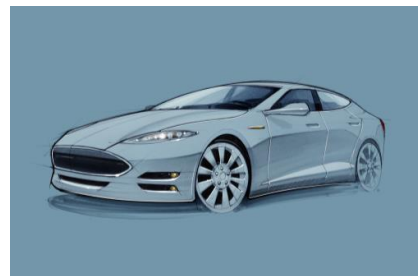
## 1 Scale

- 40 production locations in 20 countries with 24% market share
- 10,000 employees with knowledge & experience unparalleled in the market
- 20,000 customers (300-600 customers per plant)
- Low dependence on individual customers, markets or segments



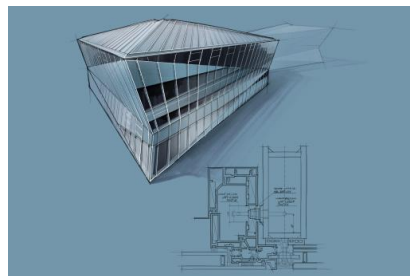
## 2 Capability

### Customized design and tailored solutions



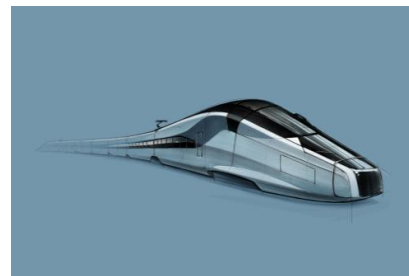
#### Automotive

- Light & strong structural parts
- Next generation crash management systems and alloys
- Smart and modular battery solutions for e-mobility
- Aesthetical and functional roof rails and trims



#### B&C

- Exceptional quality and lead times for large scale high end projects
- Direct connection with local metal builders driving high value in regional markets
- Internal synergies & service driving the value proposition of Sapa Building Systems



#### Rail

- Structural friction stir welded components and sub-assemblies
- Large structural extrusions to support light weight designs
- Alloy development to drive material efficiency



#### Marine & Offshore

- Welded panels for structures below and above the waterline
- Fully fabricated components
- New alloy development, focusing on corrosion resistance

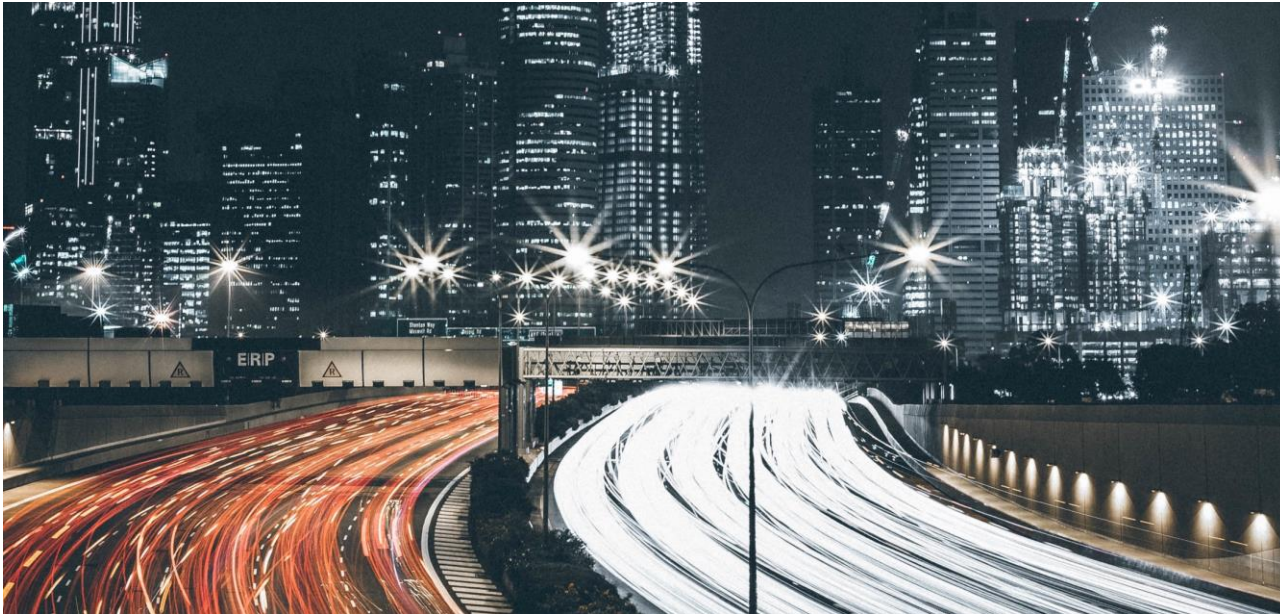
### 3 R&D and application development



- We have the Sapa Technology facility in Sweden focusing on process and product development
- We have over 200 application engineers throughout Europe
- We have an unparalleled ability to partner with our customers for advanced solutions



**When we combine these, there is nothing we can't do when it comes to aluminium**



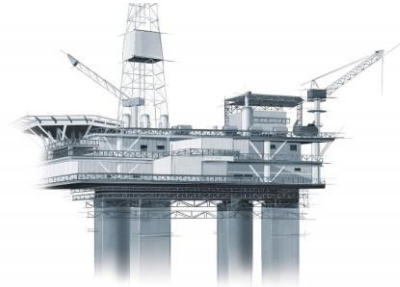
# Taking a leadership position going forward



Engineering



Rail



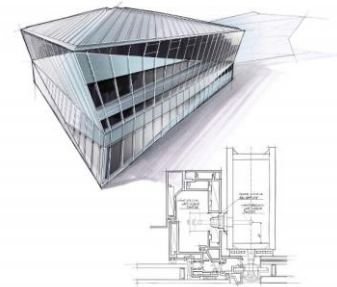
Marine & Offshore



Automotive



Truck



Building & Construction

## Crash management systems for safer trucks



- Joint development with major truck manufacturers
- Sapa in Tier 1 position, delivering 100% of the volume
- 45% weight reduction
- Value add based product including alloy development, bending, machining, welding, and assembly





## Delivering solutions to marine and offshore market



- Working with Apply Leirvik, delivering parts to the housing quarters constructed with wide panels
- Weight reduction, corrosion resistance, and lowered maintenance costs
- Utilizing Sapa's competence and capabilities in Magnor, Norway and Finspång, Sweden



# Driving high end building and construction solutions



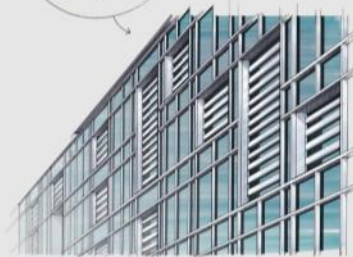
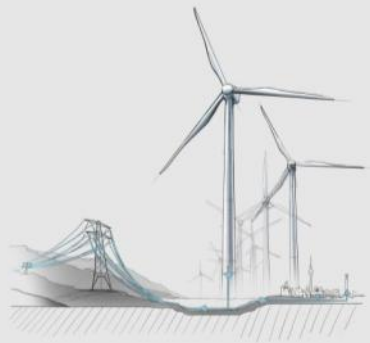
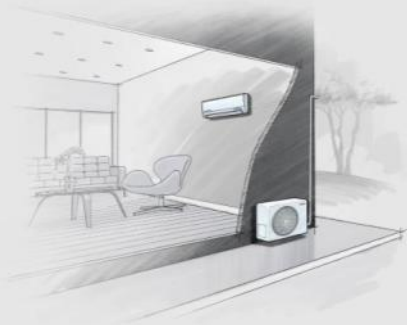
- Supply a façade system designed by Gartner
- Provides a one stop solution – project management, extrusion, thermal break & surface treatment
- Uniquely positioned to provide profiles including big and wide shapes



## Our strategic priorities going forward

- Increase solution development serving the high value markets
- Outperform competition in vertical integration and material substitution
- Shape the European aluminium extrusion Industry





# From turnaround to profitable growth

Shaping a sustainable future through innovative aluminium solutions

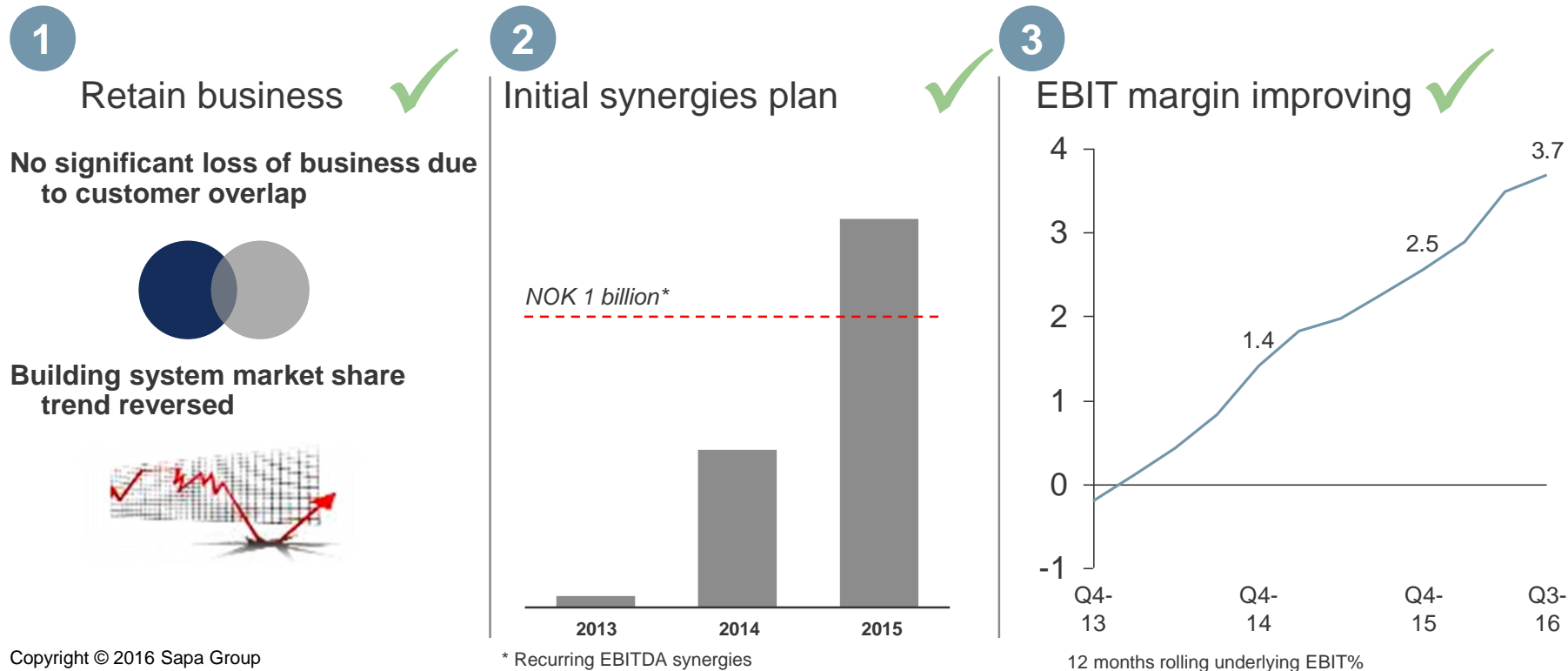
**sapa:**

**Karl Eichinger**  
CFO

## Recap of financial priorities at JV formation

- 1 Retain business
- 2 Extract synergies
- 3 Improve margins

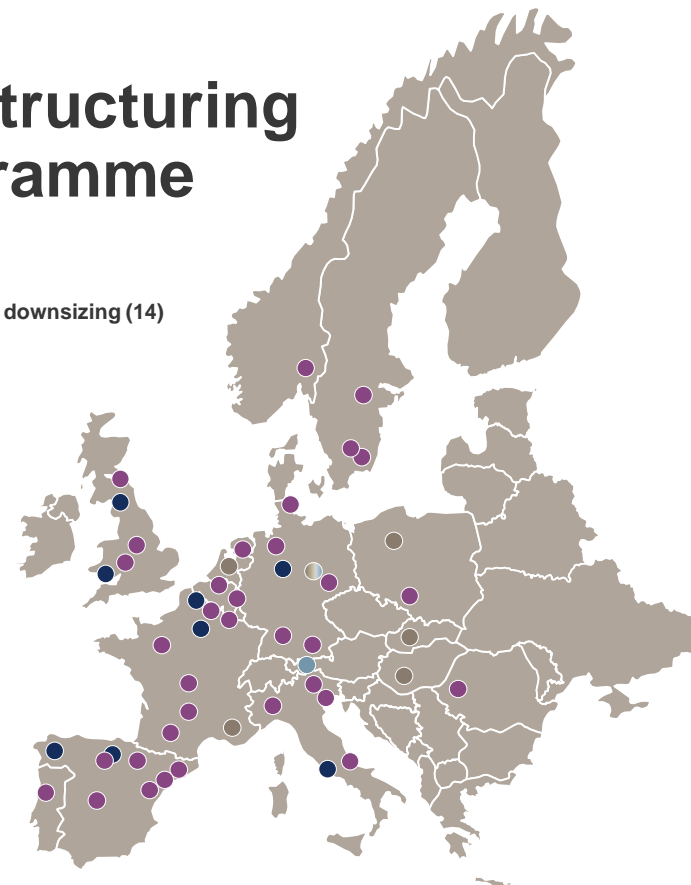
# Integration targets achieved well ahead of plan



# We went through 29 significant restructuring projects in the initial synergy programme

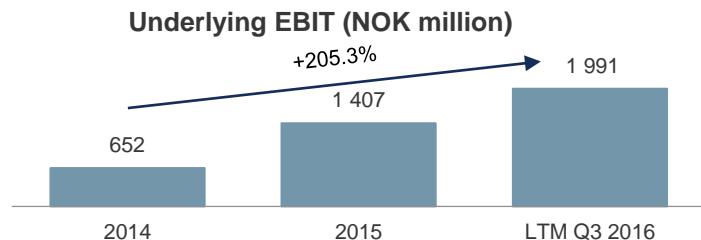
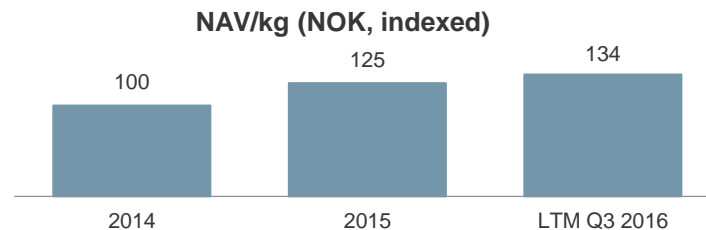
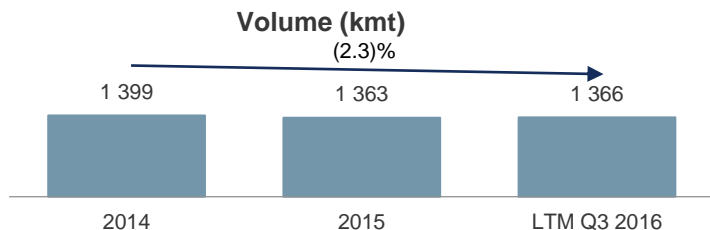
Bolzano	Sweden I
Haticon II	Sweden II
Autocar	Koefem I
Jiangyin	Koefem II
SCAP	Trzcianca
Guelph	Ziar
Hanover	X-Docks France
Miami	X-Docks DACH
Workington	Harderwijk
Pinon	Haticon I
Bedwas	Benelux cost reduction
Seneffe	Iberia cost reduction
Fossanova	Puget
Eural	Extrusion Americas 2 <sup>nd</sup> round restructuring

- Divestments (5)
- Full plant closure (10)
- Part closure / restructuring / downsizing (14)



# Sapa Group

## Cost position and portfolio mix improved



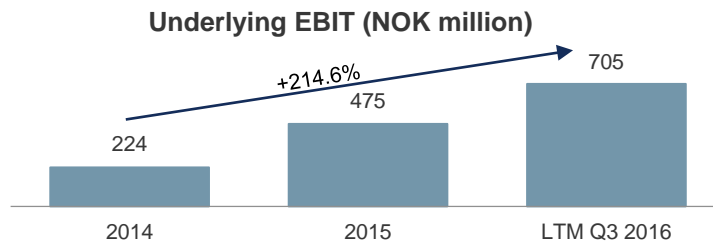
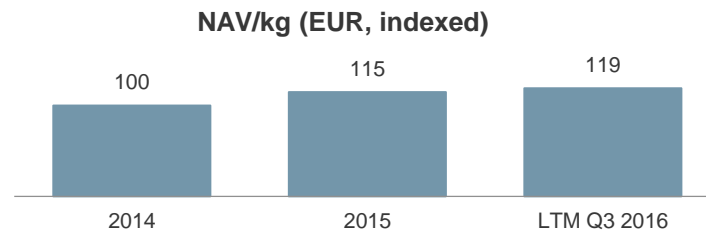
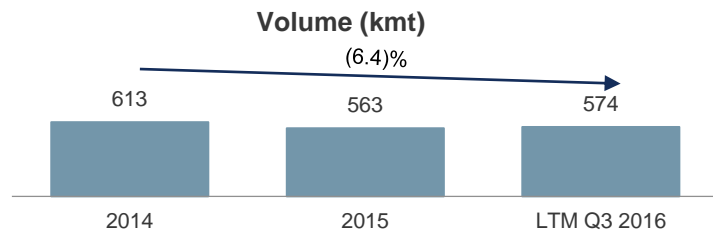
### Highlights

- Value over volume – selective on segments to develop
- Customer value focus reflected in the margins
- Company wide restructuring has strengthened the cost position and enable result improvements



# Extrusion Europe

## Focus shift: Value over volume

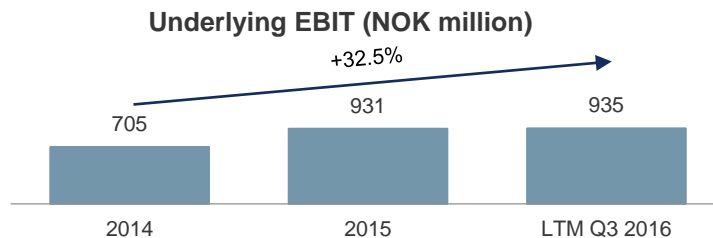
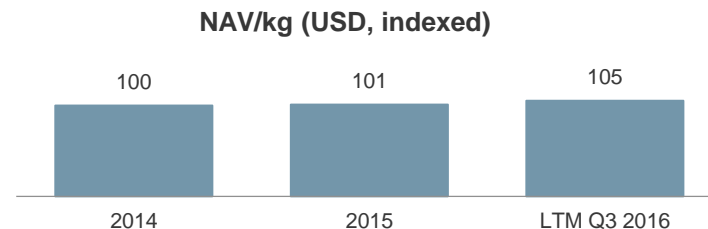
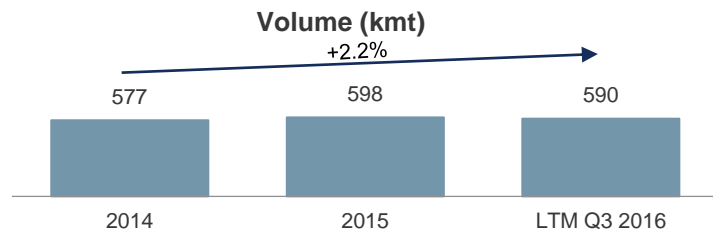


### Highlights

- Value over volume – selective on segments to develop
- Improved product mix
- Improving cost position through significant restructuring

# Extrusion North America

## Robust performance in a strong market

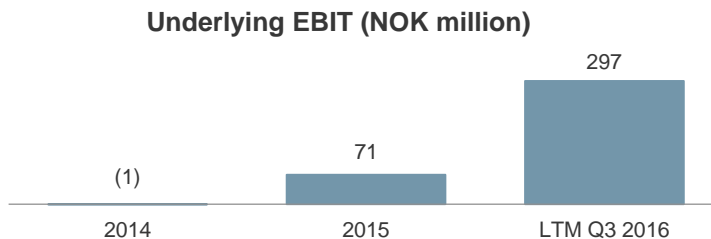
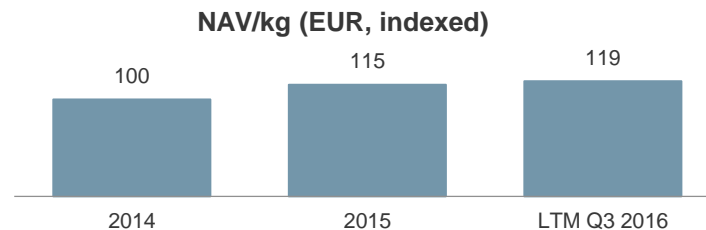
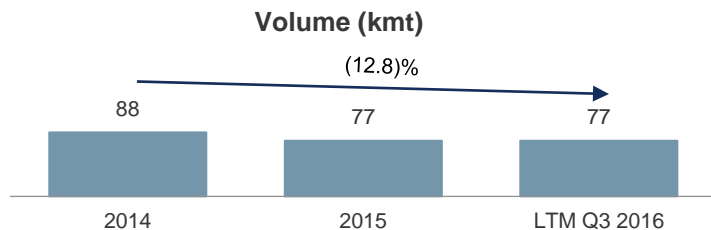


### Highlights

- Strong market growth – Sapa selective on profitable segments
- Increasing value added
- Improving margins from already high capacity utilization and lean organization

# Building Systems

## Restructuring and stronger commercial offering improving results

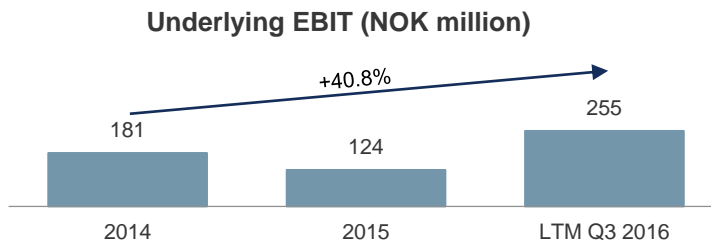
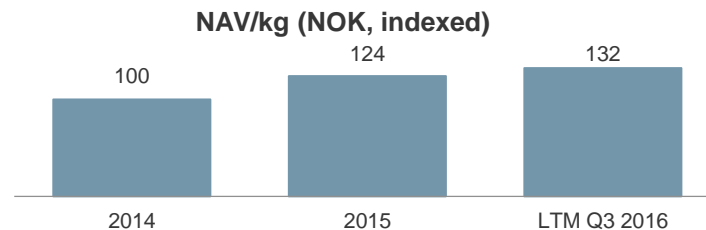
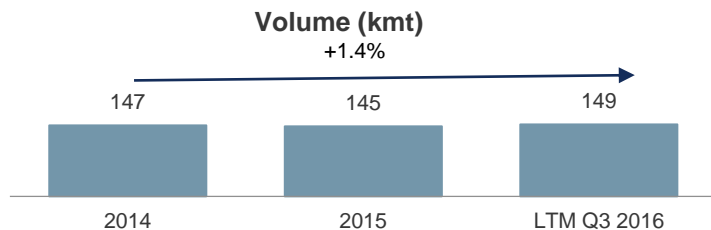


### Highlights

- Improving results in weak market
- Increasing value added
- Significant restructuring has improved cost position

# Precision Tubing

Benefiting from restructuring and growing end-markets

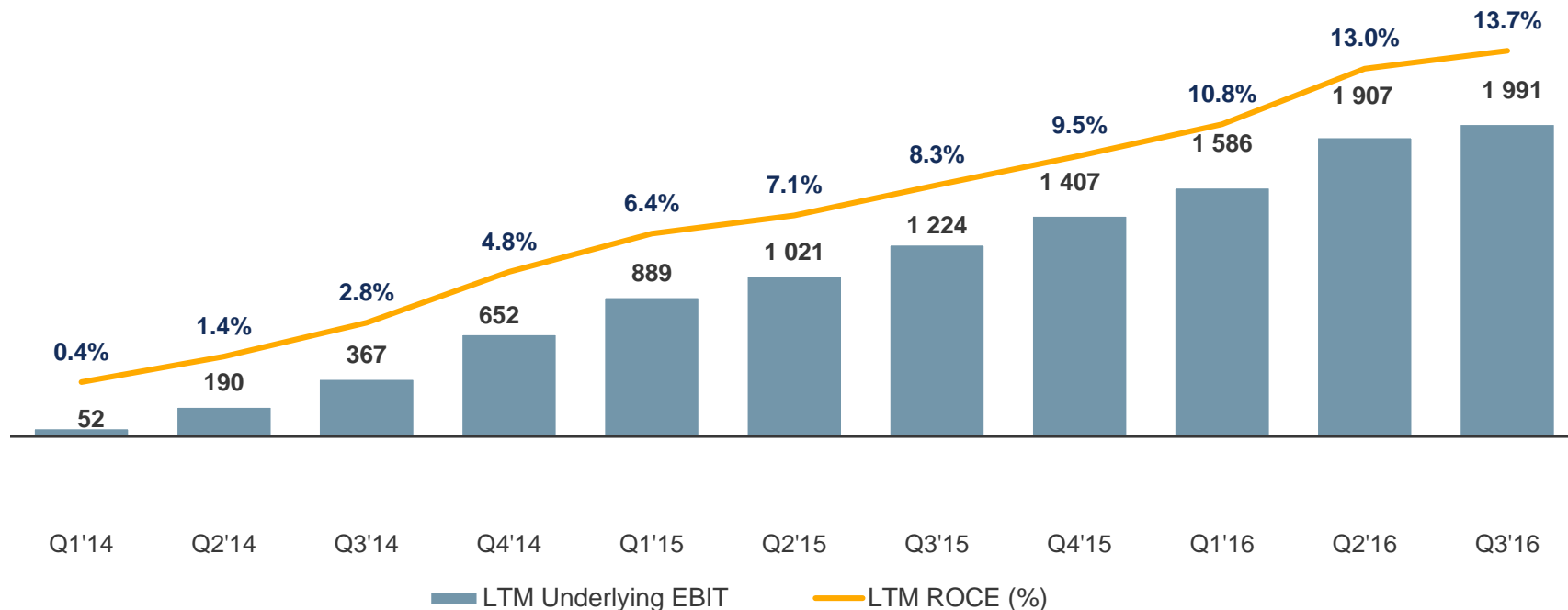


## Highlights

- Underlying market improvement in automotive and HVAC&R
- Restructuring in 2014-16 in general extrusion
- Focus shift, niche strategy in emerging markets paying off

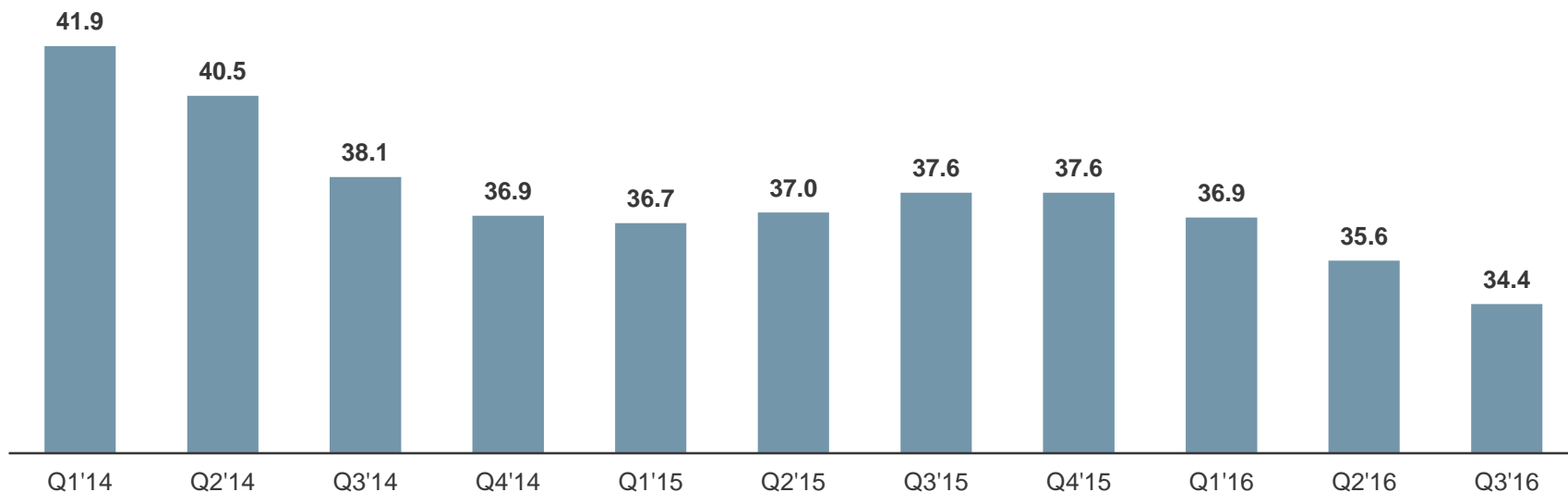
# Steady trajectory of improving results

LTM rolling underlying EBIT in NOK million, ROCE (pre-tax)



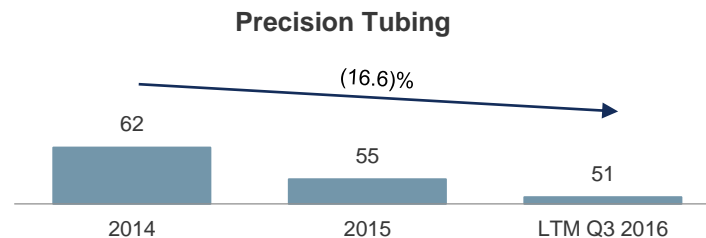
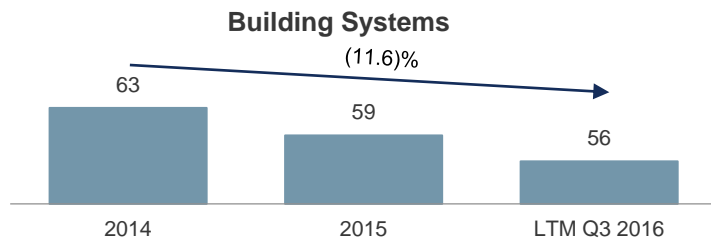
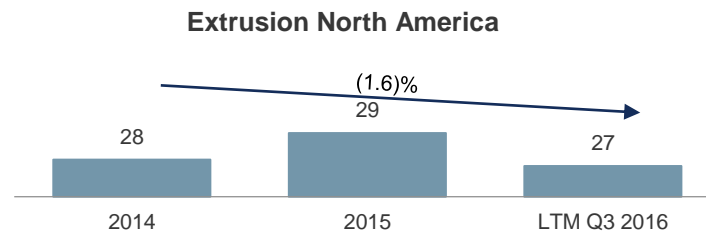
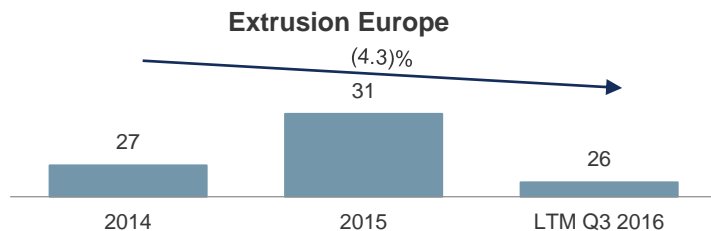
# Increased working capital efficiency

## Last 12 months rolling working capital days



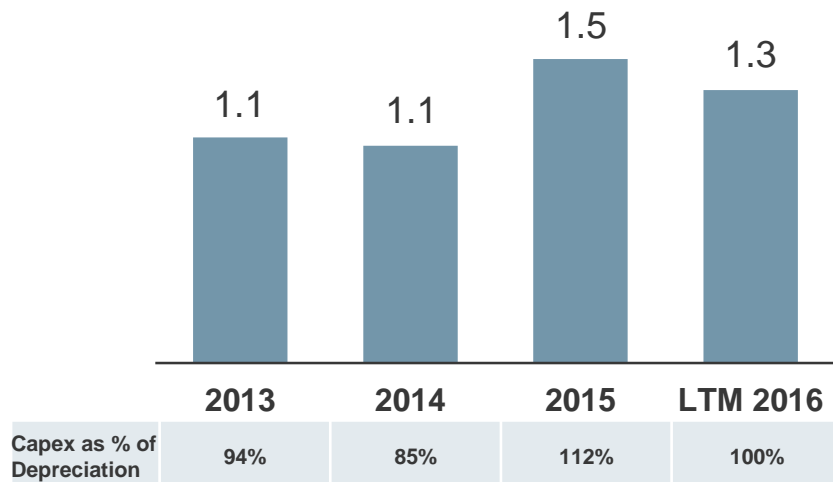
# All business areas contribute to the development

## Working capital days



## Sustaining and safety Capex below depreciation

Capex (NOK billion)

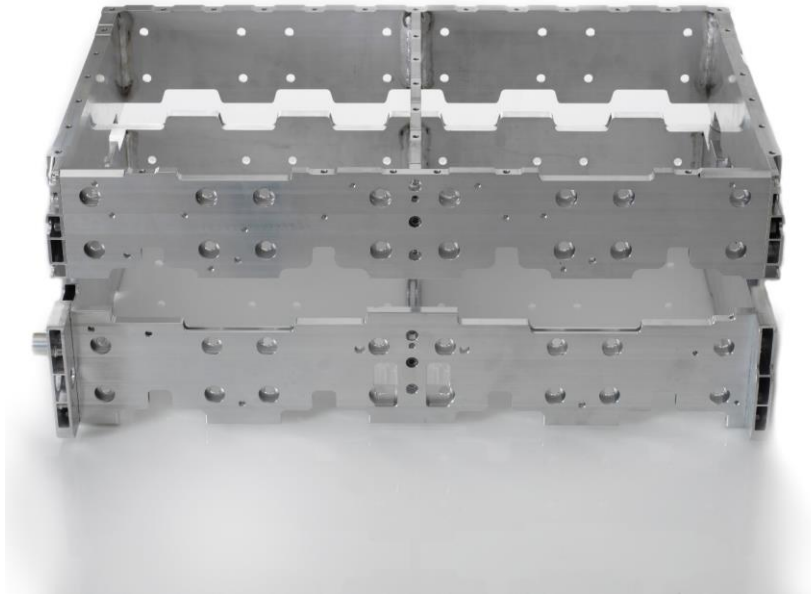




## Meeting strong demand in automotive in China



## Select investments within e-mobility



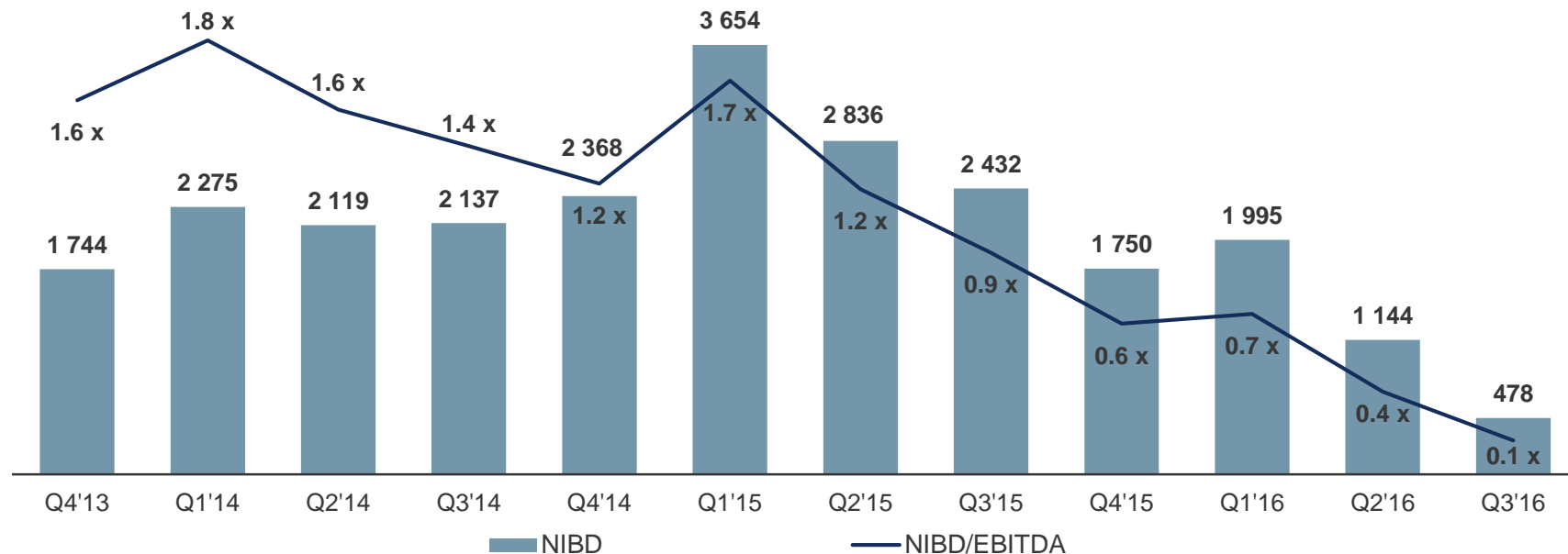
## Continued focus on capital efficiency

- Continued tight working capital management
- Sustained and safety Capex below depreciation
- Selective capability and capacity investments to support move towards more value-added solutions



# Net debt position development

## Quarterly (NOK million)



NIBD / Underlying EBITDA is calculated as net interest bearing debt divided by LTM underlying EBITDA

# Sapa has low exposure to aluminum price volatility

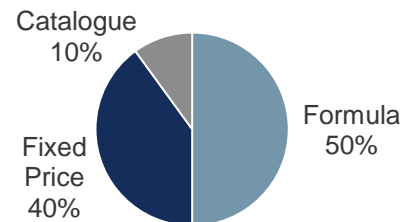
## Pricing components

- **Spread:** production, engineering, design -> value added
- **Premium:** premium above LME reflecting standard ingot and billet premiums
- **London Metal Exchange (LME):** price



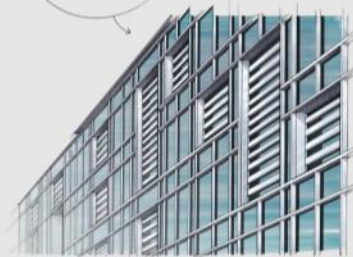
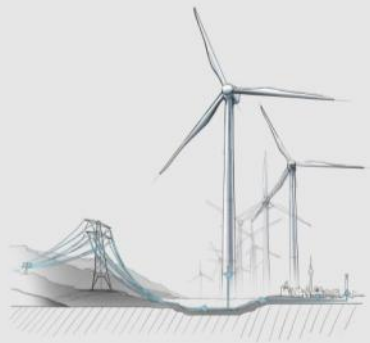
## Pricing methods

- **Formula Pricing:** LME and Premium passed to the customer at market
- **Fixed Price Contract:** LME and Premium hedged for certain period during which customer charged a flat rate
- **Catalogue Pricing:** Set price in effect until a change is communicated



## Key takeaways

- ROCE: 13.7% (up from 0.4% as of Q1-2014)
- EBIT: NOK 2.0 billion LTM\* (up from NOK 52 million as of Q1-2014)
- NIBD/EBITDA: 0.1x (down from 1.8x as of Q1-2014)
- Working capital days: 34.4 (down from 41.9 as of Q1-2014)
- Sustaining capex: below depreciation



# The journey ahead

**sapa:**

**Egil Hogna  
President & CEO**

Shaping a sustainable future through innovative aluminium solutions

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## Unique position as world leading extrusion company

- Aluminium and Extrusion is an **attractive market**
- JV formation **rationale proven** with clear **competitive advantages**
- Business model with **high value added, flexibility** and **low commodity price risk**
- **Clear strategy** for growth and value creation
- Our journey is paying off – **consistent improvements** since inception

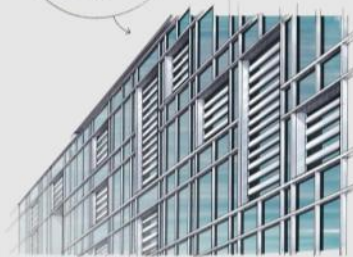
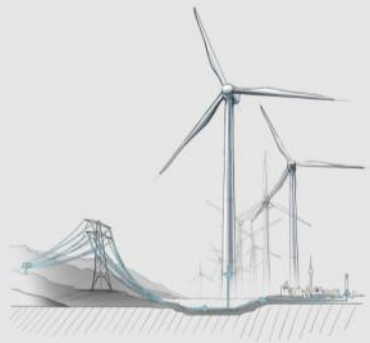


sapa:

# Shapes.

The Aluminium  
Design Knowledge  
Hub.

[www.shapes.al](http://www.shapes.al)



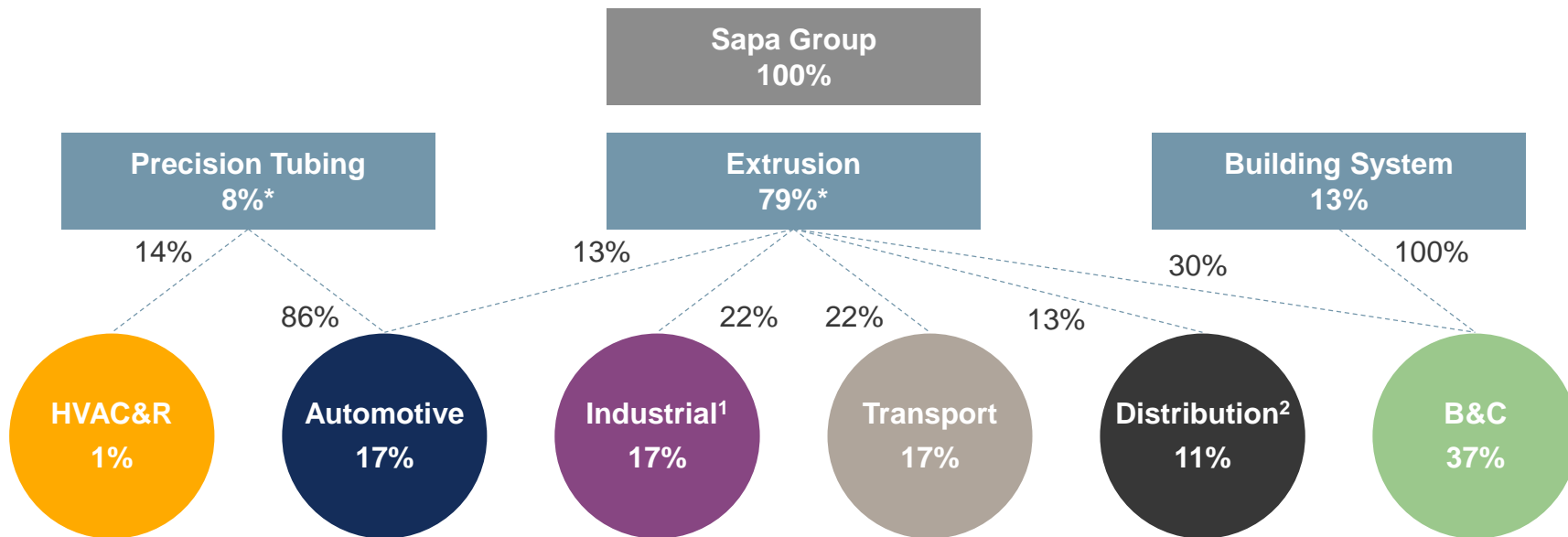
**sapa:**



## Appendix

Shaping a sustainable future through innovative aluminium solutions

# Broad end-market exposure



# The corporate management team



Egil Hogna  
President & CEO



Florian Krumbacher  
EVP General  
Counsel



Katarina Nilsson  
EVP HR



Karl Eichinger  
CFO



Rafael Fiertes  
EVP Strategy &  
Innovation



Erika Ahlqvist  
EVP Communication



Charlie Straface  
EVP Extrusion  
Americas



Salvador Biosca  
EVP Building  
Systems



John Thuestad  
EVP Extrusion  
Europe



Sergio Vendrasco  
EVP Precision  
Tubing

# Key financials by business area

## NOK million

Extrusion Europe	2014	2015	LTM 2016
Volume (kmt)	613	563	574
Sales (NOKm)	17,877	20,031	19,774
Underlying EBITDA (NOKm)	763	1,016	1,223
Underlying EBIT (NOKm)	224	475	705

Building Systems	2014	2015	LTM 2016
Volume (kmt)	88	77	77
Sales (NOKm)	6,677	7,043	7,202
Underlying EBITDA (NOKm)	159	220	451
Underlying EBIT (NOKm)	(1)	71	297

Extrusion North America	2014	2015	LTM 2016
Volume (kmt)	577	598	590
Sales (NOKm)	16,437	21,694	20,641
Underlying EBITDA (NOKm)	1,013	1,295	1,329
Underlying EBIT (NOKm)	705	931	935

Precision Tubing	2014	2015	LTM 2016
Volume (kmt)	147	145	149
Sales (NOKm)	5,039	6,275	6,307
Underlying EBITDA (NOKm)	371	353	495
Underlying EBIT (NOKm)	181	124	255