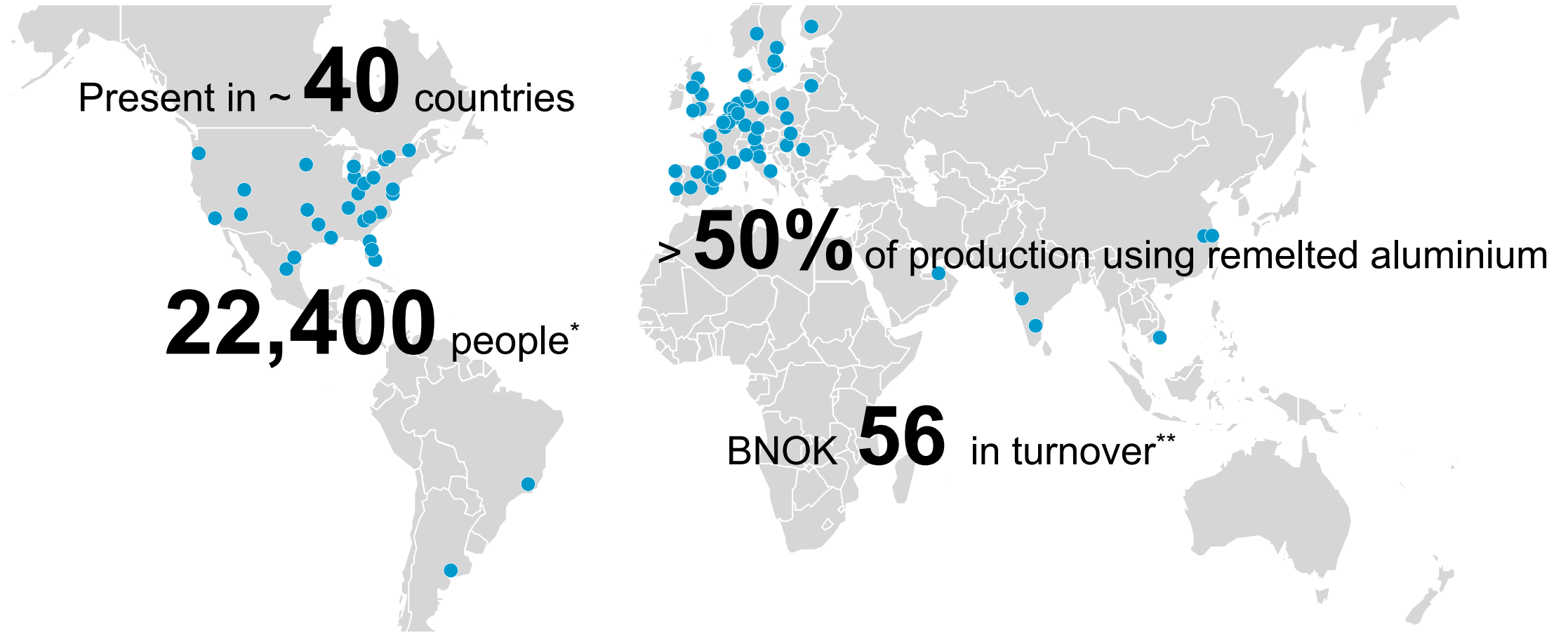




# From extrusions to solutions

Egil Hogna, EVP Extruded Solutions

# Extruded Solutions – #1 in the global aluminium extrusion industry



\* As of end-2016

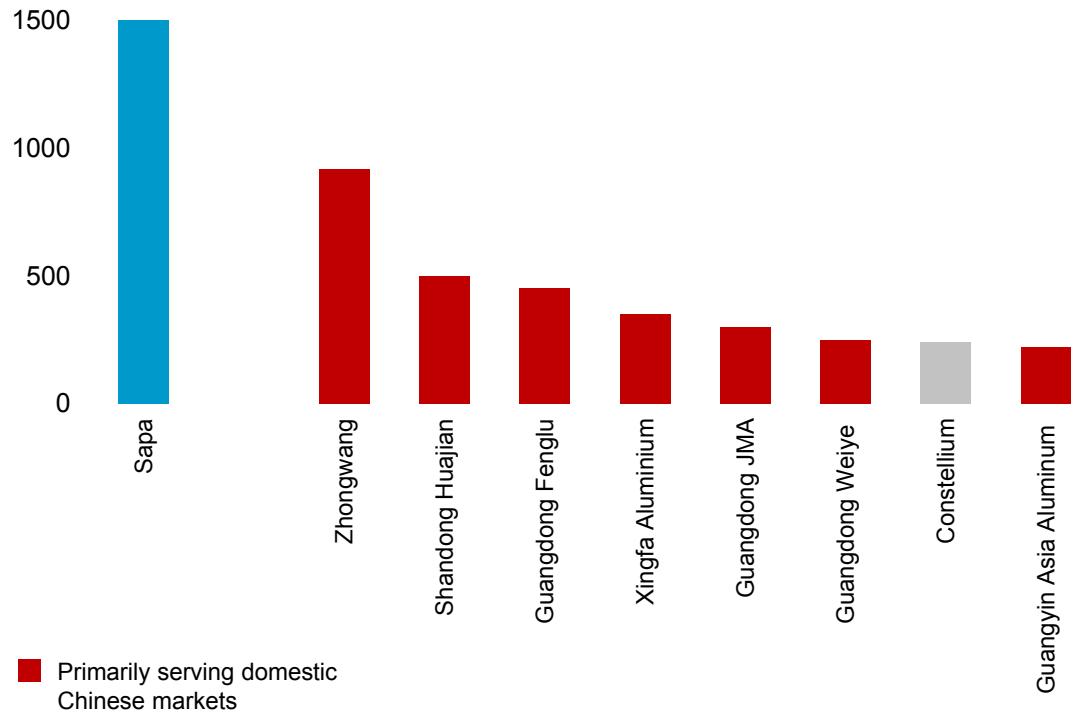
\*\* Rolling 12 months Q3 2017

# The global extrusion champion – worldwide reach, local presence

Clear leader in a fragmented industry where closeness to customers and markets are key success factors

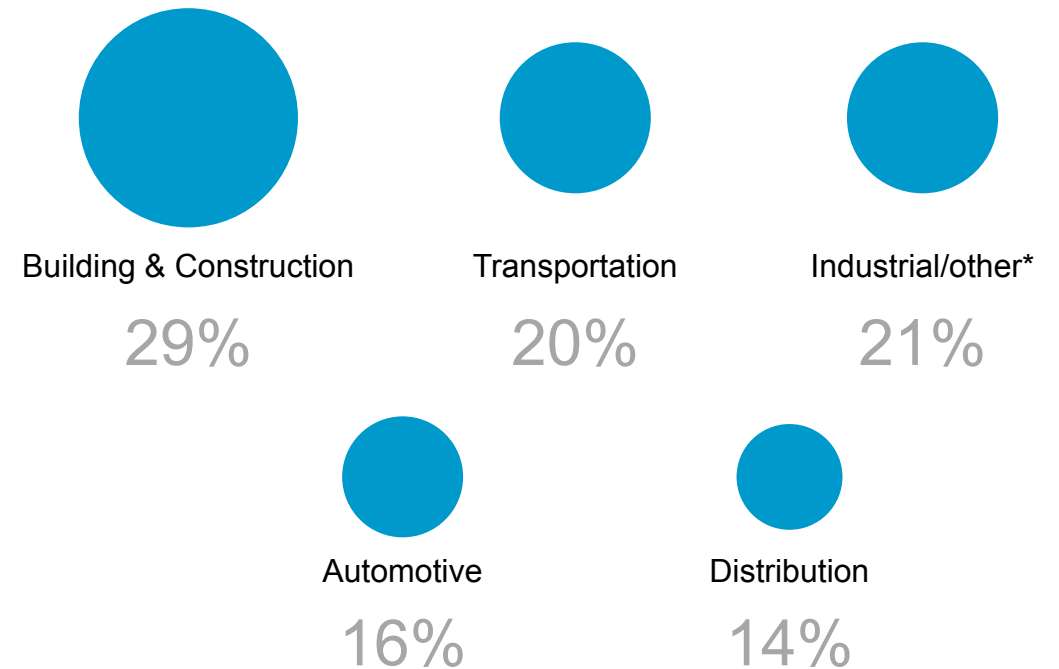
## Unrivalled position as #1 extrusions provider globally

Extrusion sales volumes (2016), in thousand mt



## Customers in diversified end-markets

(Share of Extruded Solutions sales volumes)



Source: CRU, Sapa Annual Report and Investor Briefing 2016

\* Including HVAC&R, Heating, ventilation, air conditioning and refrigeration

# Unique market positions, built on European and US strongholds

22,400 highly competent people across the world

## Extrusion Europe



- Market leader focusing on value-added products
- 22% market share
- 40 locations, 9,400 people

Revenue  
**BNOK 21.6**

EBITDA  
**BNOK 1.3**

## Extrusion North America



- Uniquely positioned as the only coast-to-coast supplier
- 24% market share
- 23 locations, 6,300 people

Revenue  
**BNOK 21.3**

EBITDA  
**BNOK 1.5**

## Precision Tubing



- Technology leader in selected market niches
- 35% market share globally
- 17 locations, 3,100 people

Revenue  
**BNOK 6.5**

EBITDA  
**BNOK 0.7**

## Building Systems



- Leading European player with multi-brand portfolio
- 18% market share in Europe
- Presence in 29 countries, 2,800 people

Revenue  
**BNOK 7.4**

EBITDA  
**BNOK 0.6**

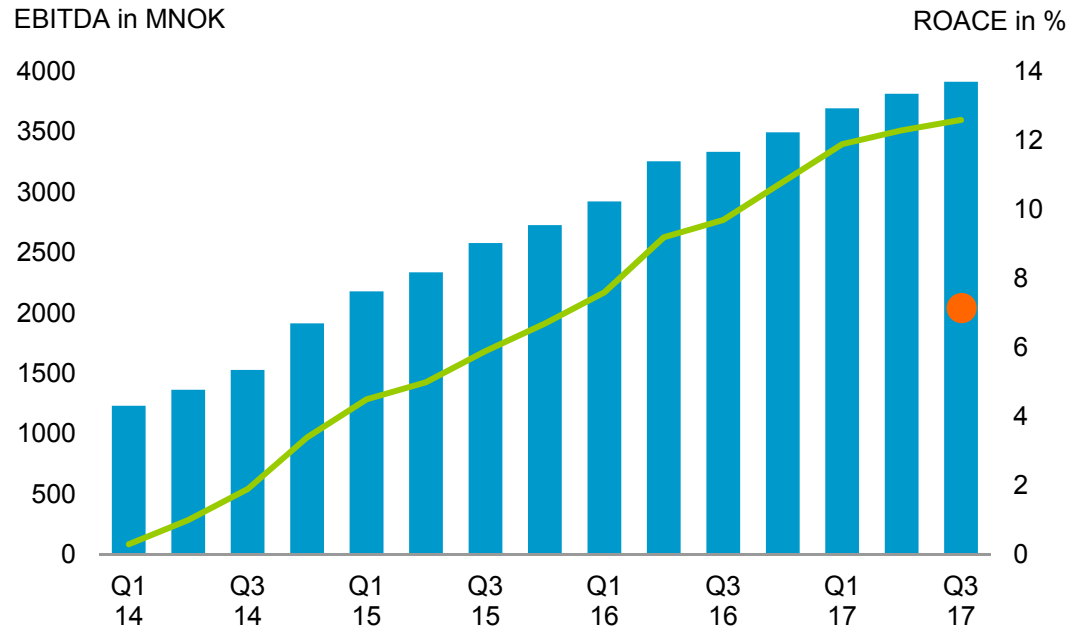
All revenue and EBITDA figures are last twelve months as per Q3 2017

# Proven track-record of value creation with further potential

## Successful value-over-volume strategy

### Last 12 months underlying EBITDA

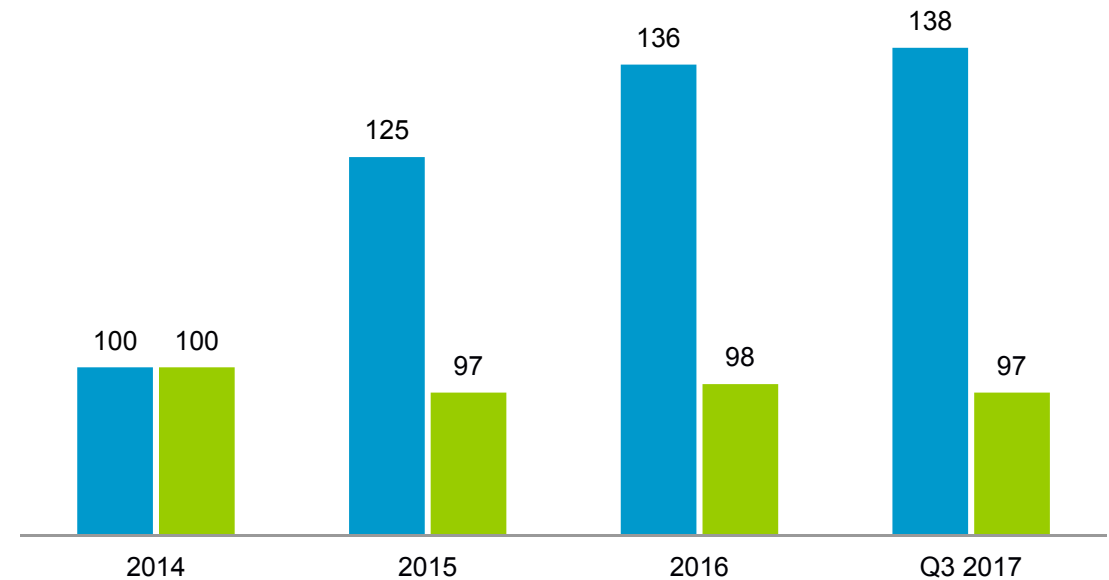
After-tax ROACE (100%)



- EBITDA (LHS)
- ROACE historically (RHS)
- Estimate ROACE Extruded Solutions after acquisition (RHS)

### Net added value\* per kg

(NOK, indexed to 2014)



- NAV
- Sales volume in mt

\* Net Added Value: calculated as operating revenues less cost of material, including freight costs out


# Strategic principles in Extruded Solutions

- **Make a decent profit decently** – safety, quality and compliance
- **Positive dissatisfaction** – be happy, but not satisfied
- **Fail fast** – and learn from it
- **Value over volume** – and the power of available capacity
- **Develop unique niches** – with Extruded Solutions offering
- **“Self-playing piano”** – benchmarking across all units
- **Earn your right to grow** = safety, quality and compliance + ROACE above cost of capital
- **Profitable growth** – through innovation and consolidation



Units managed primarily by bottom line and ROACE

# Our competitive advantages are strengthened as part of Hydro

- 
- 1 Unmatched technology competence
  - 2 Value chain width and depth
  - 3 Global reach and local presence

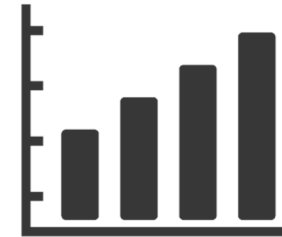
Our strategy is about “value over volume” with simplification and collaboration to avoid waste of resources



**1** Increase value-added to our customers



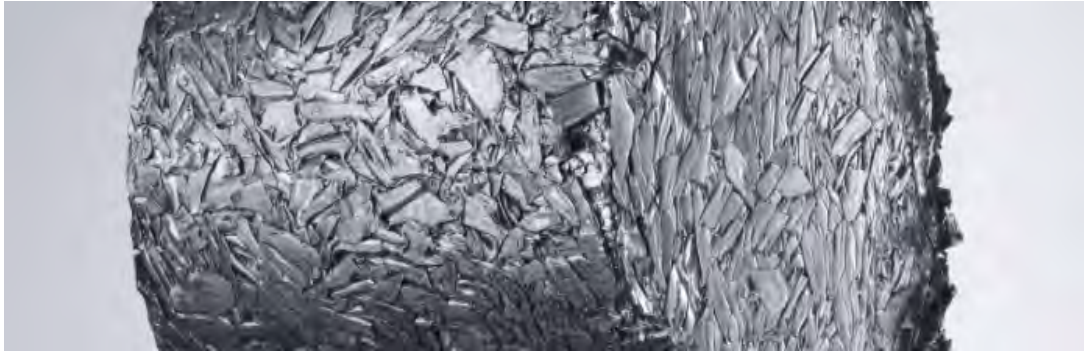
**2** Simplify and collaborate



**3** Grow to lift margins and profitability



# Moving from simple extrusions to more advanced solutions



More than half of our billets are remelted from scrap in our own cast houses



Extrusions are often cut and joined



Fabrication and assembly to customer specific products or modules



Surface treatment for long life and low maintenance costs

# Targeting the high-tech, high-competence segments of extrusion

Increased focus on value-add, specialized and advanced product niches



**Tailored solutions**



**Finished products**



**Service**



# Increasing our capabilities also through sustaining investments



- Sustaining capex BNOK 1.3-1.5
- Includes productivity and reliability improvements, safety investments and replacement projects
- Replacing parts that are worn-out increases reliability and drives stability and quality in the processes
- New presses, paint lines and more are part of the sustaining investments

The new press in Hungary is being installed

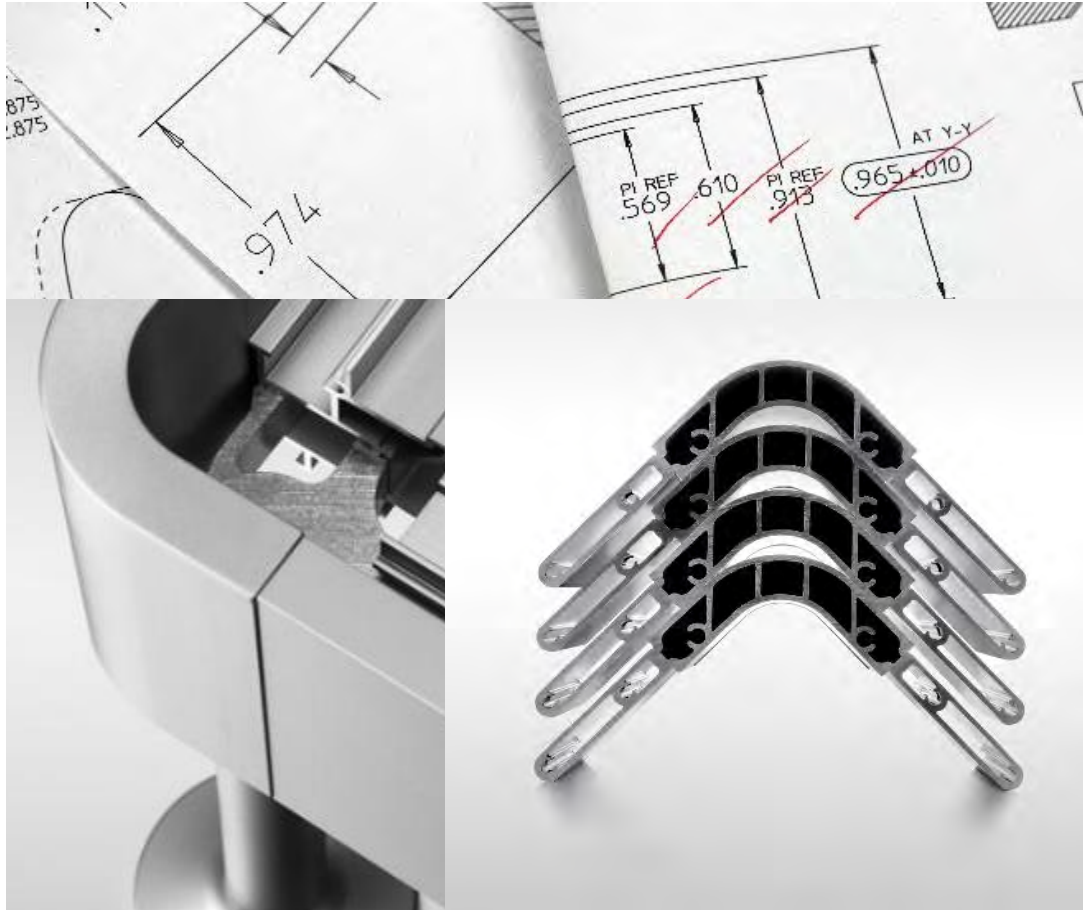
# Profitable growth and sustainability combined

Re-opening the Bedwas factory in Wales

- Bedwas will supply the automotive industry, focusing on electrical vehicles
- A key customer is the London Electrical Vehicle Company, with its new zero-emissions capable black cab
- Investment of £9.6 million in plant refurbishment and new equipment
- Investment backed by £0.55 million from the Welsh government



# Shaping the furniture of future with IKEA



- From extrusions to solutions
- IKEA purchasing:  
*Got a problem? Ask Hydro – they will solve it*
- Innovation support from the beginning
  - Strong product development
  - Fast and flexible in-house prototyping
  - Superior surface finish
  - One-stop shop



# Shaping the furniture of future with IKEA

The soon-to-be launched Delaktig sofa



- Complete base frame in extruded aluminium
- Knocked down in a cardboard box
- Assembled by the customers
- Sales start Feb 2018
- 100% of the aluminium (frame, legs, feet) is recyclable

# Priorities as Extruded Solutions



- Further improve within safety, quality and compliance
- Increase share of value-added solutions to customers through commercial excellence and innovation
- Continue simplification drive to reduce complexity and non-value adding activities
- Lift margins and create more customer value through selective growth