

## SIX MONTHS REPORT, JANUARY – JUNE 2014

TELEPHONE CONFERENCE 11 JULY, 2014

TOMMY ANDERSSON, PRESIDENT AND CEO

TO PARTICIPATE, PLEASE CALL 5 MINUTES BEFORE THE OPENING OF THE CONFERENCE CALL  
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## AGENDA

1. FinnvedenBulten – divests Finnveden Metal Structures
2. Bulten in brief
3. Market development
4. Second quarter report 2014
5. Going forward

## FinnvedenBulten focuses entirely on fasteners for the automotive industry - division Finnveden Metal Structures divested

- Division Finnveden Metal Structures sold to Shiloh Industries Inc.
- The final purchase price for all shares in FMS amounts to SEK 374, including interest of SEK 2 m (SEK 487 m on a debt free basis) and was paid in cash on the closing date on 30 June 2014
- The business will be entirely focused on the fast growing and international fastener business of division Bulten
- The financial position for Bulten is strengthened and creates better conditions to seize opportunities the coming years
- The head of Bulten, Tommy Andersson, becomes new President and CEO of the FinnvedenBulten Group



## FinnvedenBulten becomes Bulten – a strong trademark in the fasteners and automotive business

FINNVEDENBULTEN



- FinnvedenBulten has called for an extraordinary general meeting held August 19, 2014 to decide on the amendment of the Articles of Association concerning change of company name.





# BULTEN CORPORATE PRESENTATION

SIX MONTHS REPORT

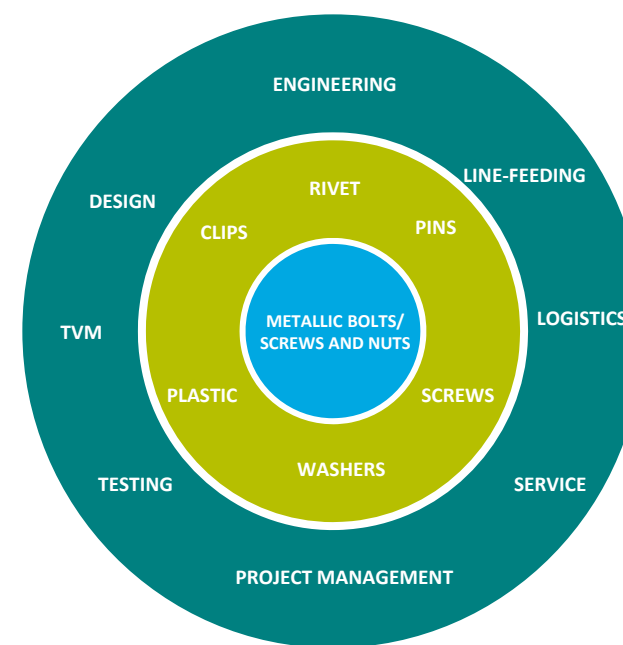
## 2. BULTEN IN BRIEF





## BULTEN IS ONE OF THE LARGEST SUPPLIERS OF FASTENERS TO THE EUROPEAN AUTOMOTIVE MARKET

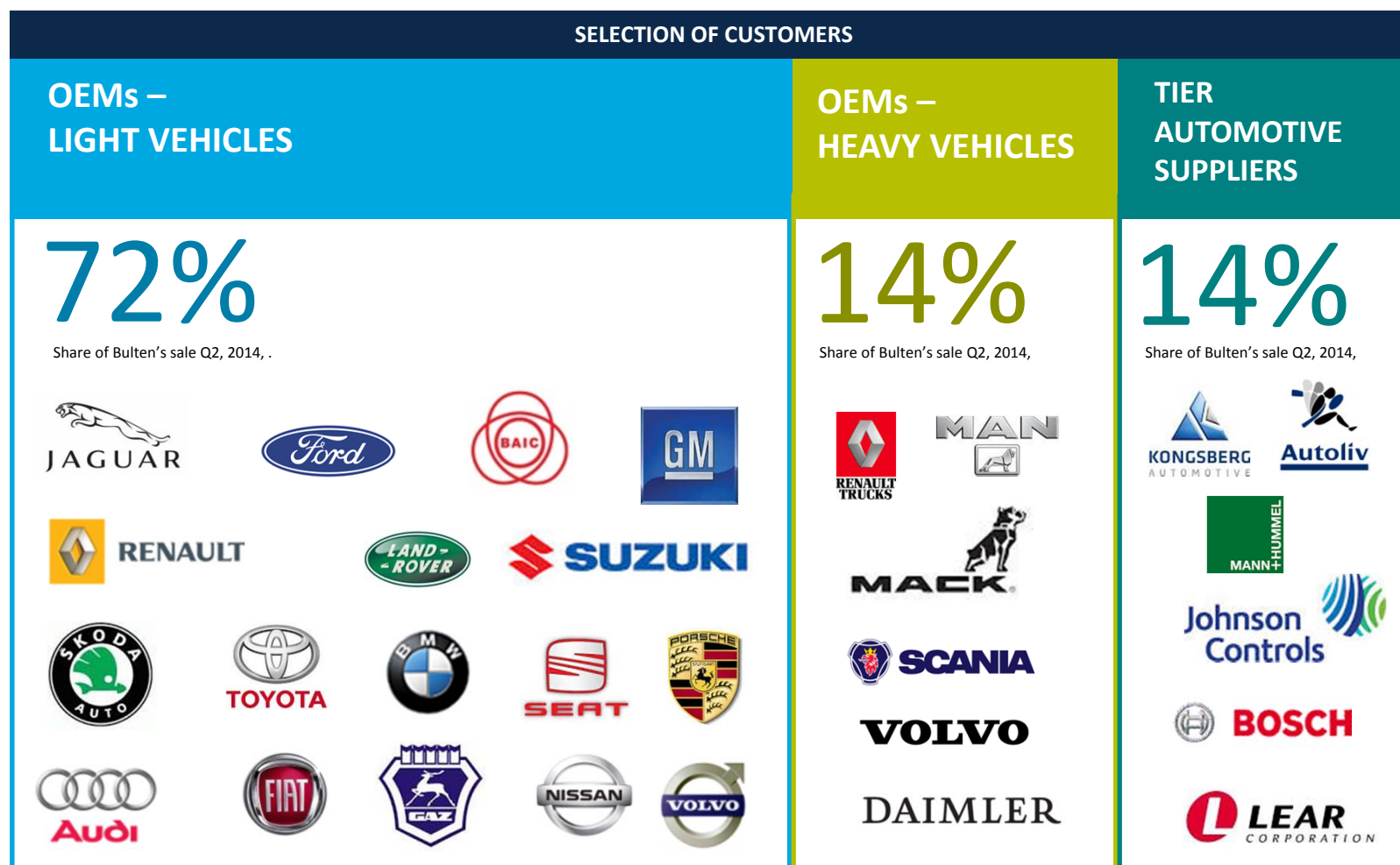
- Development and production of a wide range of metallic fasteners and related services
  - Major player in critical fasteners for engines
  - Customer-specific, special fasteners is a large part of the product range
- Technical development, materials, production know-how and logistics as well as full Full Service Provider (FSP) concepts
  - Leading FSP supplier in Europe
- Number of employees approx. 1,000
- Sales in 2013 approx. SEK 1,806 million



- Core products are metallic screws, bolts and nuts
- There are also other types of fasteners including rivets, washers and clips
- Services linked to fasteners



## STRONG CUSTOMER BASE AND RELATIONSHIPS WITH MAJOR LIGHT VEHICLE AND HEAVY COMMERCIAL VEHICLE OEMS AS WELL AS TIER 1 SUPPLIERS







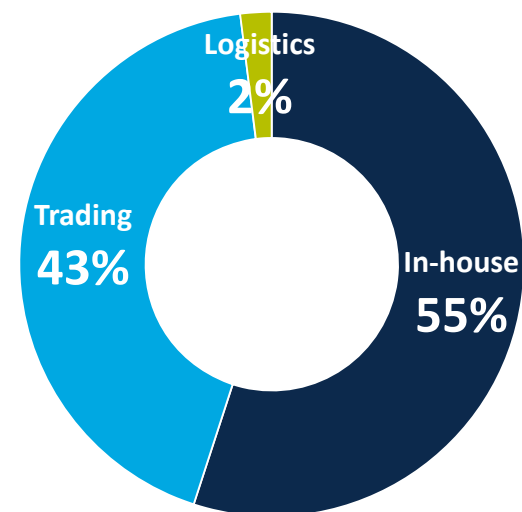
# BULTEN IS EXPANDING ITS MANUFACTURING AND LOGISTIC FOOTPRINT

## LEAN AND WELL POSITIONED MANUFACTURING FACILITIES IN EUROPE AND ASIA



- Production mainly in Western and Eastern Europe with low-cost production
- New establishment in Russia and growth in Chinese plant will strengthen future production footprint and support local content

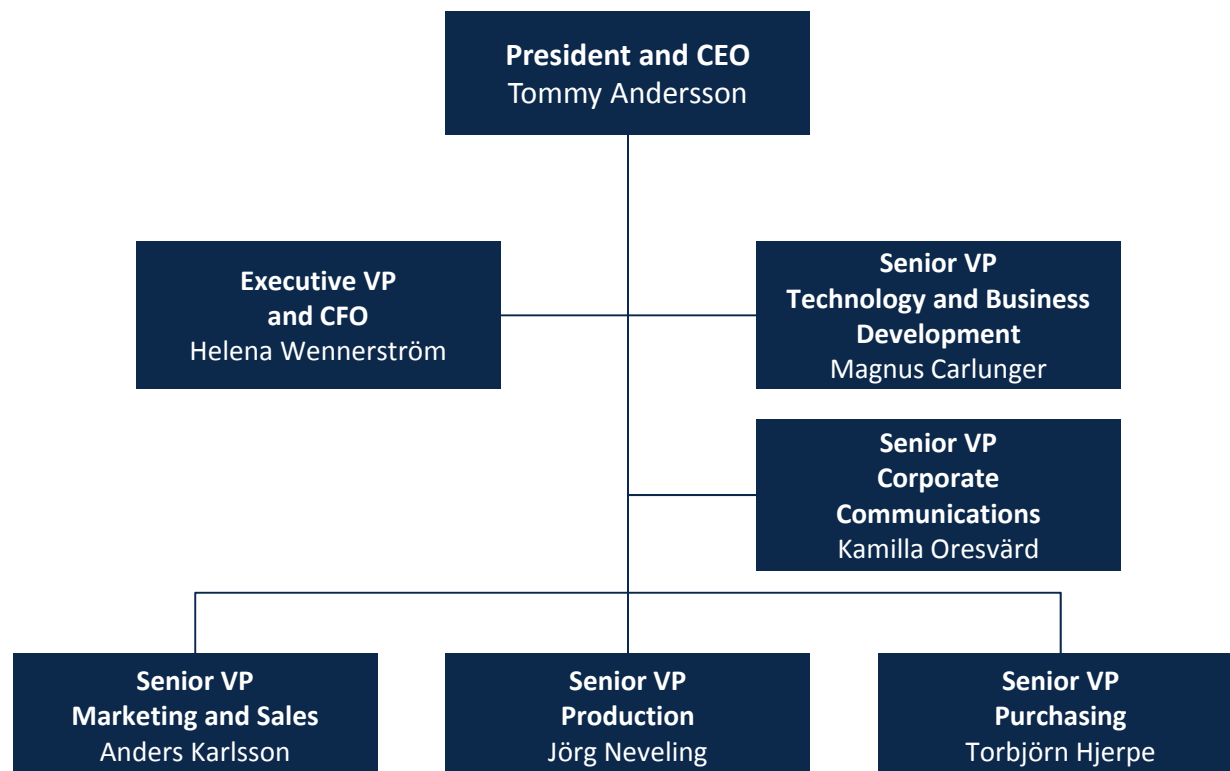
## IN-HOUSE VS. TRADING (SALES VALUE)



- Bulten produces most products in-house and has a significant trading operation to optimize efficiency
- Strengthened logistic capacity in the US, the UK and planned in Poland



## NEW GROUP EXECUTIVE MANAGEMENT TEAM AS OF JULY 1, 2014



- A highly experienced management team with deep knowledge of the fasteners and automotive industry

# MARKET DEVELOPMENT





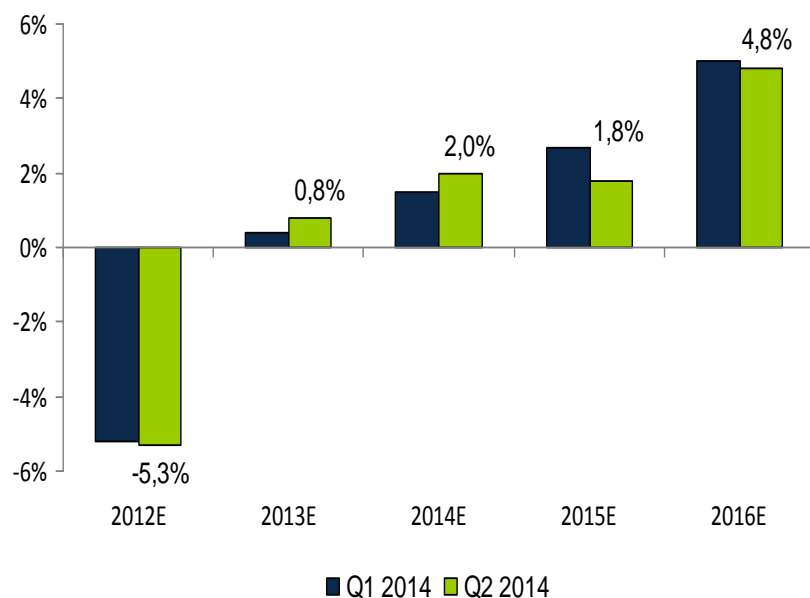
## MARKET DEVELOPMENT

- In their June forecast, LMC Automotive reports for automotive production in Europe, 2014:
  - Production of LV in 2014 up by 2.0% compared to 2013
  - Production of HCV (>15 t) in 2014 down by -5.1 % compared to 2013
  - For FinnvedenBulten's mix (excl. Finnveden Metal Structures), up 0.9%
  - For FinnvedenBulten's mix (incl. Finnveden Metal Structures), up 0.2%
- European Automobile Manufacturer's Association (ACEA) reports passenger car registrations up 6.9% over five months and up 4.5% in May compared to 2013
- FinnvedenBulten Q2, 2014:
  - Strong market share and volume growth in division Bulten
  - *FinnvedenBulten's deliveries incl. FMS at present:*
    - *LV stands for ~75%*
    - *HCV stands for ~25%*
  - *Bulten's deliveries at present:*
    - *LV stands for ~86% of sales*
    - *HCV stands ~14% of sales*



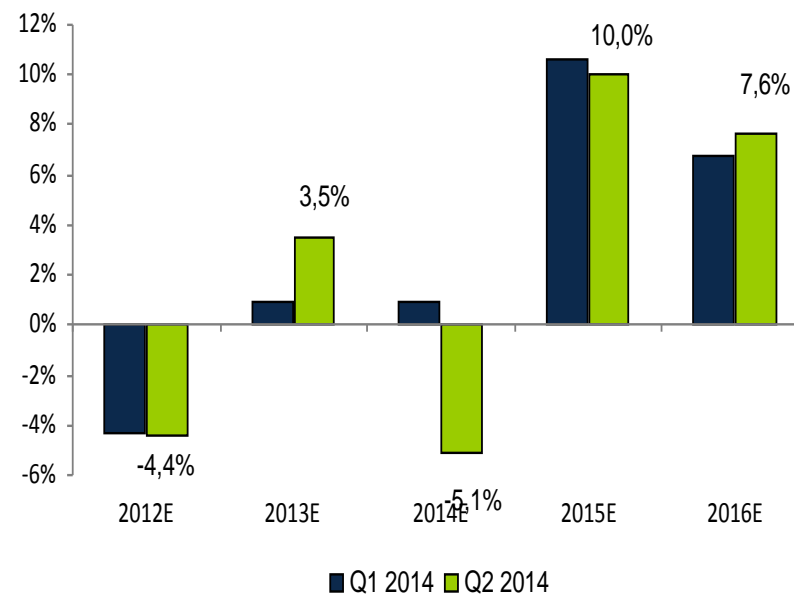
## LMC AUTOMOTIVE FORECAST Q2, 2014

PRODUCTION GROWTH RATE (YEAR ON YEAR)  
LIGHT VEHICLES EUROPE



LMC Automotive analysis show that production of LV in 2013 was 0.8% higher than 2012, growth rates are expected to pick up over the next three years.

PRODUCTION GROWTH RATE (YEAR ON YEAR)  
HEAVY COMMERCIAL VEHICLES (>15t) EUROPE



LMC Automotive analysis show that production of HCV in 2013 was 3.5% higher than 2012. In 2014 LMC Automotive expect a production drop of -5,1%, with a strong recovery in 2015.

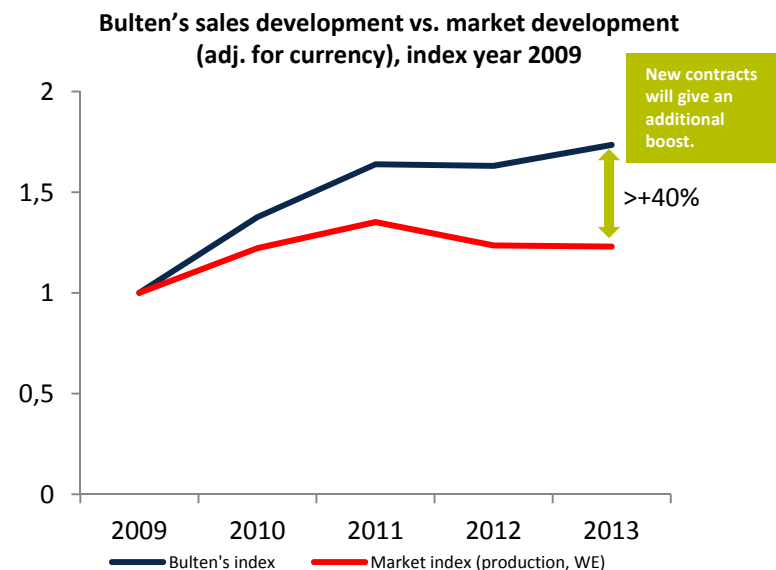
Source: LMC Automotive Q2, 2014





## BULTEN HAS OUTPERFORMED THE GROWTH OF VEHICLE PRODUCTION IN WESTERN EUROPE - NEW CONTRACTS STRENGTHEN THIS TREND

- FSP contract for supply of fasteners to major automotive manufacturers
- During 2013 Bulten was awarded contracts with annual value of approx. SEK 500 million
  - New deliveries have started early 2014, well executed and according to plan
  - Estimated full delivery capacity in 2015
- Main contract winning contributors:
  - Technical competences
  - Proven track record with years of experience of successfully supplying complex and critical fasteners



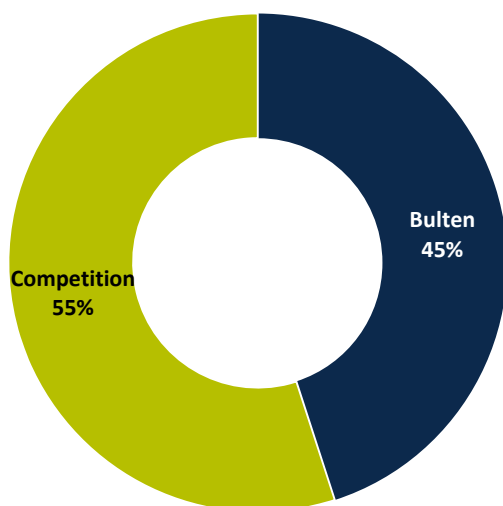
*Solid underlying business and well positioned to gain market share with new and existing FSP contracts*

Source: IHS Automotive

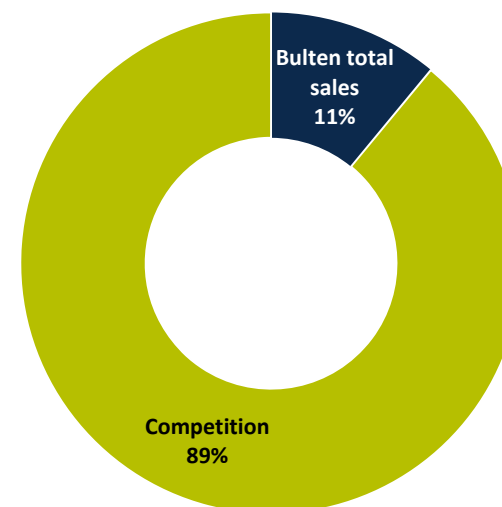


## BULTEN IS EUROPEAN MARKET LEADER IN FSP-RELATED SOLUTIONS FOR THE INTERNATIONAL AUTOMOTIVE INDUSTRY - CONDITIONS FOR INCREASED SHARES ARE GOOD

BULTEN'S SHARE OF TOTAL  
AUTOMOTIVE FSP CONTRACTS IN EU 2013



BULTEN'S SHARE OF TOTAL  
AUTOMOTIVE FASTENER SPEND IN EU 2013



- New FSP contracts will increase Bulten's share in 2014.

Source: EIFI, FinnvedenBulten

## 4. GOING FORWARD





## STRATEGIC DIRECTION

### VISION

Supporting the global automotive industry with state of the art fastener technology. Empower our people to be the best in the industry.

### BUSINESS IDEA

- Be a leading business partner and supplier of fasteners to the global automotive industry - continuously developing its full service concept.
- Actively launch innovations and services in the product area of fasteners
- Be the preferred supplier when customers requires quality deliveries

### FINANCIAL TARGETS

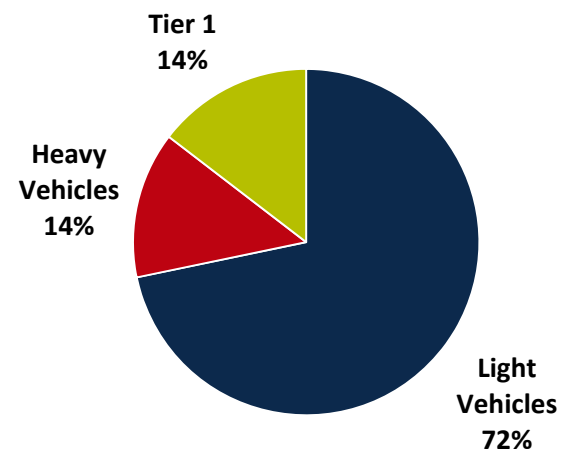
- To grow stronger than the industry in average
- Operating Profit (EBIT) > 7%
- Return on Capital Employed (ROCE) > 15%



## BULTEN HAS A STRONG CUSTOMER BASE WITH GROWTH POTENTIAL - WITH EXISTING CONTRACTS AND CUSTOMERS

- Bulten has a good relationship with major light vehicle and heavy commercial vehicle OEMs as well as Tier suppliers
- Potential to grow
  - with existing contracts as they ramp up
  - with existing customers into new markets

SALES PER CUSTOMER SEGMENT Q2, 2014



**VOLVO**



**DAIMLER**



**BOSCH**



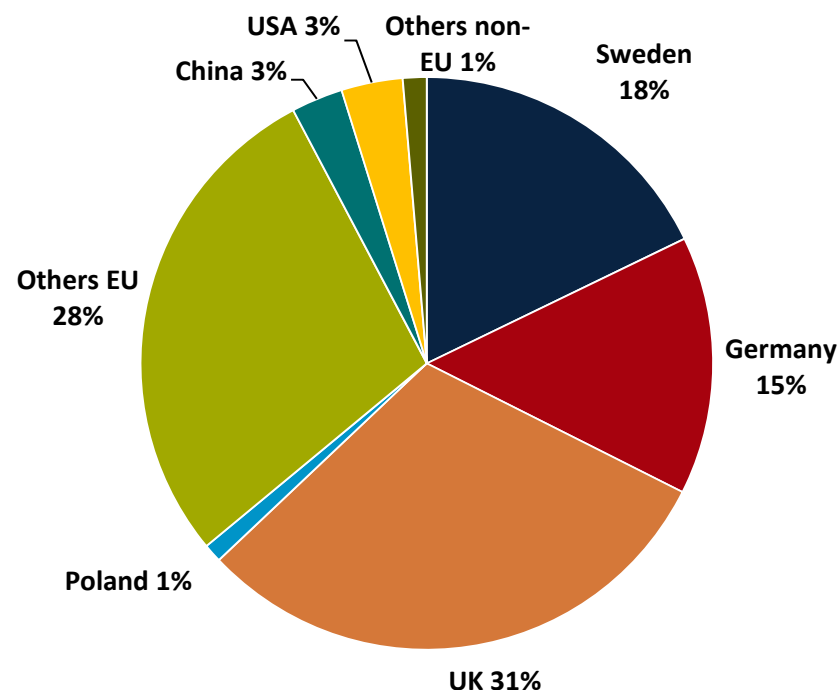




## EUROPE IS BULTEN'S MAIN MARKET WITH SIGNIFICANT OPPORTUNITIES TO GROW, MAINLY IN EMERGING MARKETS

- Bulten will continue to grow in former eastern Europe
  - In Poland, in existing plant
  - In Russia, where Bulten has created a platform to grow from in JV with GAZ
- China is offering potential with an existing customer base establishing in China and with eg. BAIC and Geely
  - In existing modern plant with new management and increased value added with new plating line
- Potential NAFTA, Brazil and India
- In US, opportunities for the future is opening up

GEOGRAPHIC SALES DISTRIBUTION JANUARY-JUNE, 2013





## BULTEN KEY SUCCESS FACTORS

- Full Service Provider concept
  - Bulten can complete any set-up with just the services the customers require or with total solutions that create added value
- Experienced management and dedicated staff
  - Key assets for Bulten's strong growth
- Quality and technology leader
  - Bulten has since many years had a reputation as one of the best regarding quality performance and technical competence
- Low cost production
  - Production takes place mainly in Europe of which a significant part is low-cost production

**1873**

Bulten was founded.



**2000's**

Bulten started to focus on the FSP concept and won several significant contracts.



**2014**

Bulten has grown with the Swedish automotive industry into a large player in the European automotive industry.



## A QUALITY GROWTH COMPANY WITH PROVEN TRACK RECORD

### ORGANIC GROWTH POTENTIAL

- Continued path of gaining market share in Western Europe
- Significant opportunities in emerging markets
- Potential to widen related business long-term – expansion of product lines and processes

### SOLID FINANCES

- Strong financial position
  - Current cash positions opens up for further growth initiatives
  - Prospects of growth with solid operating margins



# **BULTEN – A STRONGER SOLUTION**



### **3. SECOND QUARTER REPORT 2014**



## Continuing operations

- As a result of the divestment of division Finnveden Metal Structures June 30, 2014, Finnveden Metal Structures is reported as "Discontinued operations" separate from continuing operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinuing Operations"
- Unless otherwise stated, information in this presentation relates to continuing operations
- Continuing operations equal Bulten operations and HQ, such as overhead and IT operations

## Group summary

### SECOND QUARTER, CONTINUING OPERATIONS

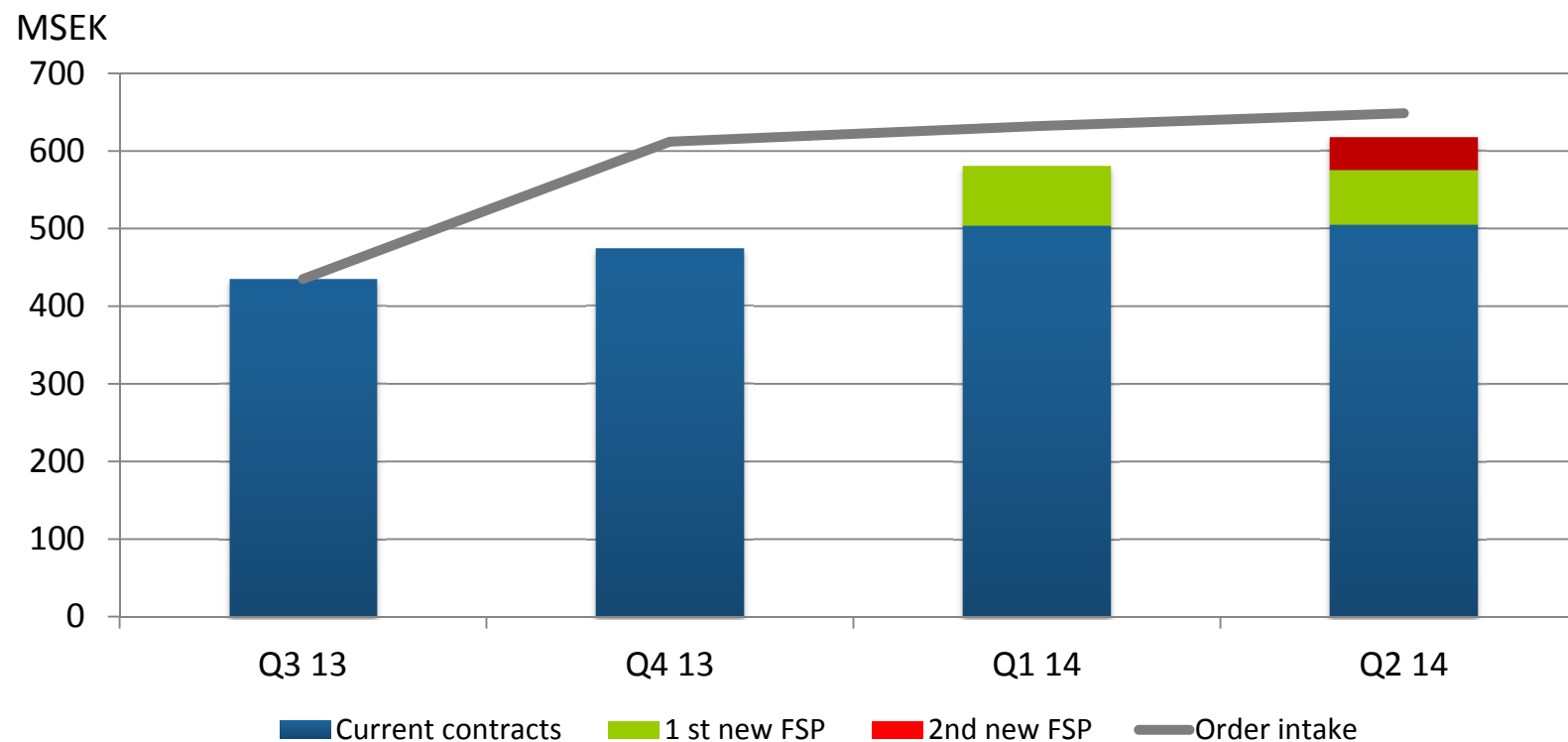
- Net sales up 29.0%
- Operating margin 6,0% (8.2)
- Adj. earnings after tax SEK 26,5 million (26.0)
- Adj. earnings per share 1.30 SEK (1.24)

### COMMENTS, CONTINUING OPERATIONS

- Positive trend in sales and orders continued into the Q2
  - Successful start-up of the second comprehensive FSP contract
- EBIT just below last year, despite start-up cost for new FSP contracts and operations in Russia
- The operating earnings were negatively affected by exchange rate fluctuation

FINANCIAL SUMMARY (MSEK)	Q2			12 M ROLLING	FULL YEAR	
	2014	2013	Δ	JUNE 2013 - JULY 2014	2013	Δ
Net sales	618.4	479.5	29.0%	2,107.4	1,805.9	16.7%
Gross profit	129.3	93.6	32.7	429.0	357.3	71.7
Earnings before depreciation (EBITDA)	48.8	49.9	-1.1	164.0	152.2	11.8
Operating earnings (EBIT)	37.4	39.1	-1.7	120.6	109.2	11.4
Operating margin, %	6.0	8.2	-2.2	5.7	6.0	-0.3
Earnings after tax	26.5	53.1	-26.6	84.1	100.4	16.2
Adjusted Earnings after tax	26.5	26.0	0.5	84.1	73.3	10.8
Order bookings	648.7	465.7	39.3%	2,340.9	2,011.5	16.4%
Return on capital employed, %	-	-	-	9.0	7.8	1.2
<b>DISCONTINUED OPERATIONS</b>						
Earnings from discontinued operations	63.5	-13,7	77.2	92.7	-12.2	104.9
<b>TOTAL</b>						
Earnings from total operations	90.0	39.4	50.6	176.8	88.2	88.6

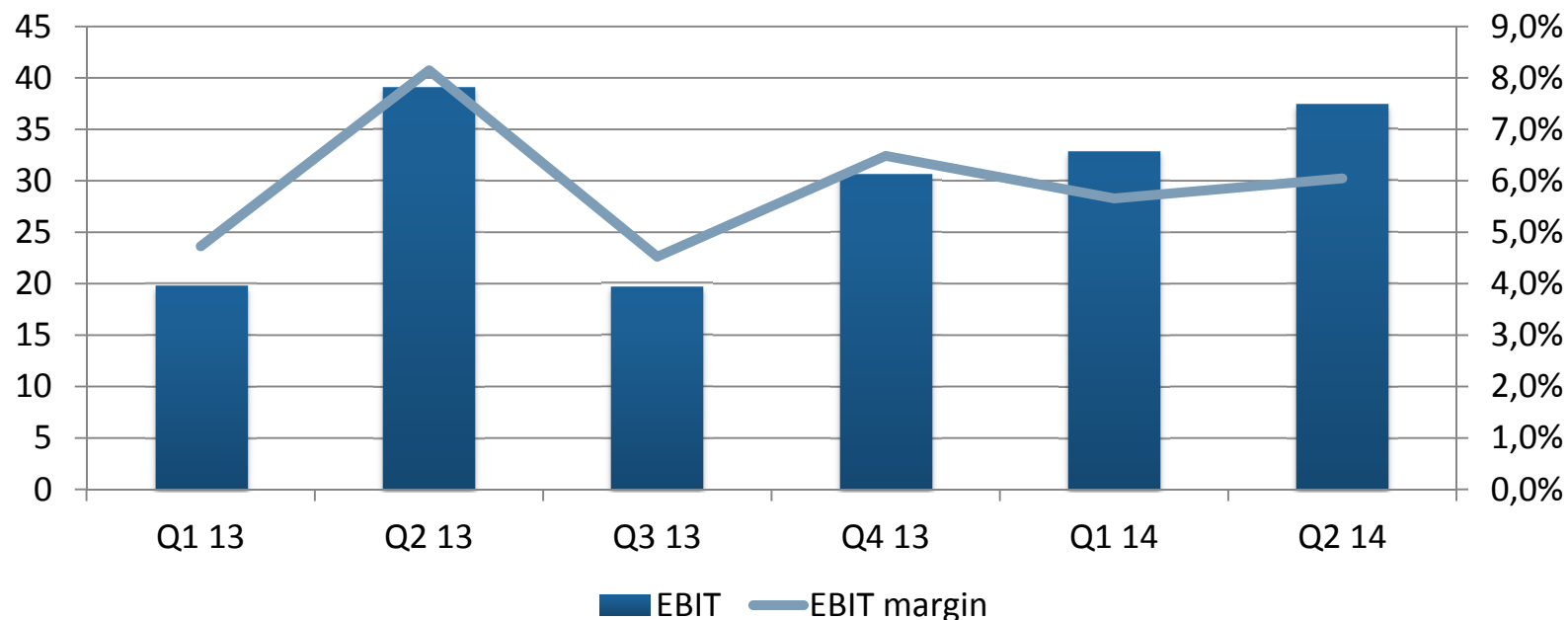
## Significant effects in sales and order intake from new comprehensive FSP contracts



- The ramp-up of the first contract well implemented in Q1. The second one was successfully implemented in Q2
- Top line boost with approximately SEK 500 million per annum when in full pace, 2015

## Strong organic growth affects EBIT – optimization on-going

MSEK



- Significant organic growth with many parallel activities. Start up costs for:
  - New FSP contracts; SEK 14 million in H1 2014, of which SEK 7,5 m affected Q2
  - Establishment in Russia; SEK 6 m in H1 2014, of which SEK 4 m affected Q2. Additional costs of SEK 5-8 m expected in H2
- The operating earnings were negatively affected by exchange rate fluctuation on a translation of working capital at the closing rate
  - Q2 of a net SEK -5.8 million (5.3)
  - H1 of a net SEK -7.7 million (4.8)
- Increased logistics capacity also partially affected profitability
- Optimization of new contracts is on-going, gradually strengthen profitability

## FinnvedenBulten's cash flow effects from new significant contracts

CASH FLOW STATEMENT, MSEK	JAN - JUNE		FULL YEAR
	2014	2013	2013
Cash flow from operating activities before changes in working capital	78.8	60.8	102.9
Cash flow from operating activities	-85.0	68.1	196.8
Cash flow from investing activities	-79.2	-22.3	-66.2
Cash flow from financing activities	-33.9	-39.8	-81.0
Cash flow for the period from continued operations	-198.1	6.0	49.6
Cash flow for the period from discontinued operations	411.1	7.8	-0.5
Cash flow for the period	213.0	13.8	49.1
Cash and cash equivalents at end of period	315.8	63.8	100.6

- Strong growth and new volumes has tied up working capital in H1
- Guidance:
  - approximately 20 percent of the increased estimated sales still valid
  - additional investment in machinery and equipment of approximately SEK 25 million

## Balance sheet

BALANCE SHEET, MSEK	2014-06-30	2013-06-30	2013-12-31
<b>ASSETS</b>			
Total fixed assets	608.8	730.7	807.8
Total current assets	1,296.1	1,242.8	1,285.8
Total assets	<b>1,904.9</b>	1,973.5	2,093.6
<b>EQUITY AND LIABILITIES</b>			
Equity	1,231.6	1,026.9	1,103.5
Total non-current liabilities	130.8	252.2	249.6
Total current liabilities	542.5	694.4	740.5
Total equity and liabilities	<b>1,904.9</b>	1,973.5	2,093.6
<b>MSEK</b>	<b>2014-06-30</b>	<b>2013-06-30</b>	<b>2013-12-31</b>
Net cash/Net debt, MSEK	137.3	-225.7	-188.7

- The divestment of the Finnveden Metal Structures division has strengthened the Group's financial position considerably
- Net cash at SEK 137.3 million by the end of the quarter

## Key indicators – Capital structure and return indicators

THE GROUP, 12 MONTHS	12 M ROLLING		FULL YEAR
	JUL 2013- JUN 2014	JUL 2012- JUN 2013	2013
<b>RETURN INDICATORS</b>			
Return on capital employed, %	9.0	4.9	7.8
Return on equity%	14.9	3.2	8.3
Return on equity, adjusted %	12.5	4.8	8.6
<b>CAPITAL STRUCTURE</b>			
Capital turnover, times	1.5	2.2	2.2

THE GROUP	2014-06-30	2013-06-30	2013-12-31
<b>CAPITAL STRUCTURE</b>			
Net debt/equity ratio, times	0.1	-0.2	-0.2
Equity/assets ratio, %	64.7	52.0	52.7
Net debt/EBITDA	0.8	-1.5	-1.0

Balance sheet not recalculated according to IFRS.

## Financial objectives

TARGETS		Q2 2014 Actual	Q2 2013 Actual	12 m rolling Jul 2013- Jun 2014	FULL YEAR 2013 Actual
Sales growth	Target to achieve a profitable organic growth in excess of the market growth on the Company's respective markets.	29.0%	4.7%		5.5%
Sales growth Currency adjusted	Target to achieve a profitable organic growth in excess of the market growth on the Company's respective markets.	23.0%	8.7%		6.4%
EBIT margin	Target to achieve an EBIT margin of at least 7%.	6.0%	8.2%	5.7%	6.0%
Return on capital employed (ROCE)	Target to achieve a ROCE exceeding 15%.			9.0%	7.8%
Dividend policy	FinnvedenBulten has a target to pay dividends corresponding to approximately 1/3 of net income after tax. FinnvedenBulten's financial position, cash flow and future prospects should however be considered.				48% SEK 2.00 per share

Balance sheet not recalculated according to IFRS.



## First half of 2014 is characterized by many activities and high pace in operations

- Successful launches of both FSP contracts
  - Ramp-up and optimization ongoing
  - Full volumes expected in 2015
- The new growth initiative in Russia intensified with preparations for production start in September 2014
  - All strategic equipment in place
  - Recruitment and training activities ongoing
  - Limited initial volumes - to increase gradually during the rest of the year
  - Continued strong interest from potential new customers
- Increased logistic capacity in UK and US to meet higher demands
- Divestment of division Finnveden Metal Structures
- Bulten has taken significant steps forward in the market and has created a high credibility in the automotive industry through the successful launches of the new FSP contracts



*From Bulten's factory in Russia.*