

**Fourth quarter 2016**

February 9, 2016

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# Disclaimer



## Forward-Looking Statements

This document may contain forward-looking information and statements about Aperam and its subsidiaries. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements may be identified by the words “believe,” “expect,” “anticipate,” “target” or similar expressions. Although Aperam’s management believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Aperam’s securities are cautioned that forward-looking information and statements are subject to numerous risks and uncertainties, many of which are difficult to predict and generally beyond the control of Aperam, that could cause actual results and developments to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in Aperam’s filings with the Luxembourg Stock Market Authority for the Financial Markets (Commission de Surveillance du Secteur Financier). Aperam undertakes no obligation to publicly update its forward-looking statements or information, whether as a result of new information, future events, or otherwise.

# Introduction & overview



## Highlights:

- Health and Safety: LTI frequency rate of 1.4x in 2016 compared to 1.0x in 2015.
- Shipments of 1,917 thousand tonnes in 2016, a 2% increase compared to shipments of 1,886 thousand tonnes in 2015
- EBITDA of USD 492 million, including a non-recurring charge of USD 11 million, in 2016, compared to EBITDA of USD 501 million in 2015
- EBITDA of USD 133 million, including a non-recurring charge of USD 11 million, in Q4 2016, compared to EBITDA of USD 124 million in Q3 2016
- Net income of USD 214 million in 2016, compared to net income of USD 172 million in 2015
- Basic earnings per share of USD 2.75 in 2016, compared to Basic earnings per share of USD 2.21 in 2015
- Cash flow from operations amounted to USD 417 million in 2016, compared to USD 392 million in 2015
- Free cash flow before dividend of USD 288 million in Q4 2016, compared to free cash flow before dividend of USD 266 million in 2015
- Net debt of USD 154 million as December 31, 2016, representing a gearing of 6% compared to a net debt of USD 316 million as of December 31, 2015

## Prospects:

- EBITDA in Q1 2017 is expected to increase compared to EBITDA in Q4 2016.
- Net debt to increase in Q1 2017.

## Financial Policy - Cash Deployment

- Aperam increases its base dividend from USD 1.25 per share to USD 1.50 per share (subject to AGM approval).
- Aperam announces a share buyback program of up to USD 100 million.

**“In 2016, Aperam achieved record financial results since the spin-off, with net income of USD 214 million and free cash flow of USD 288 million.”**

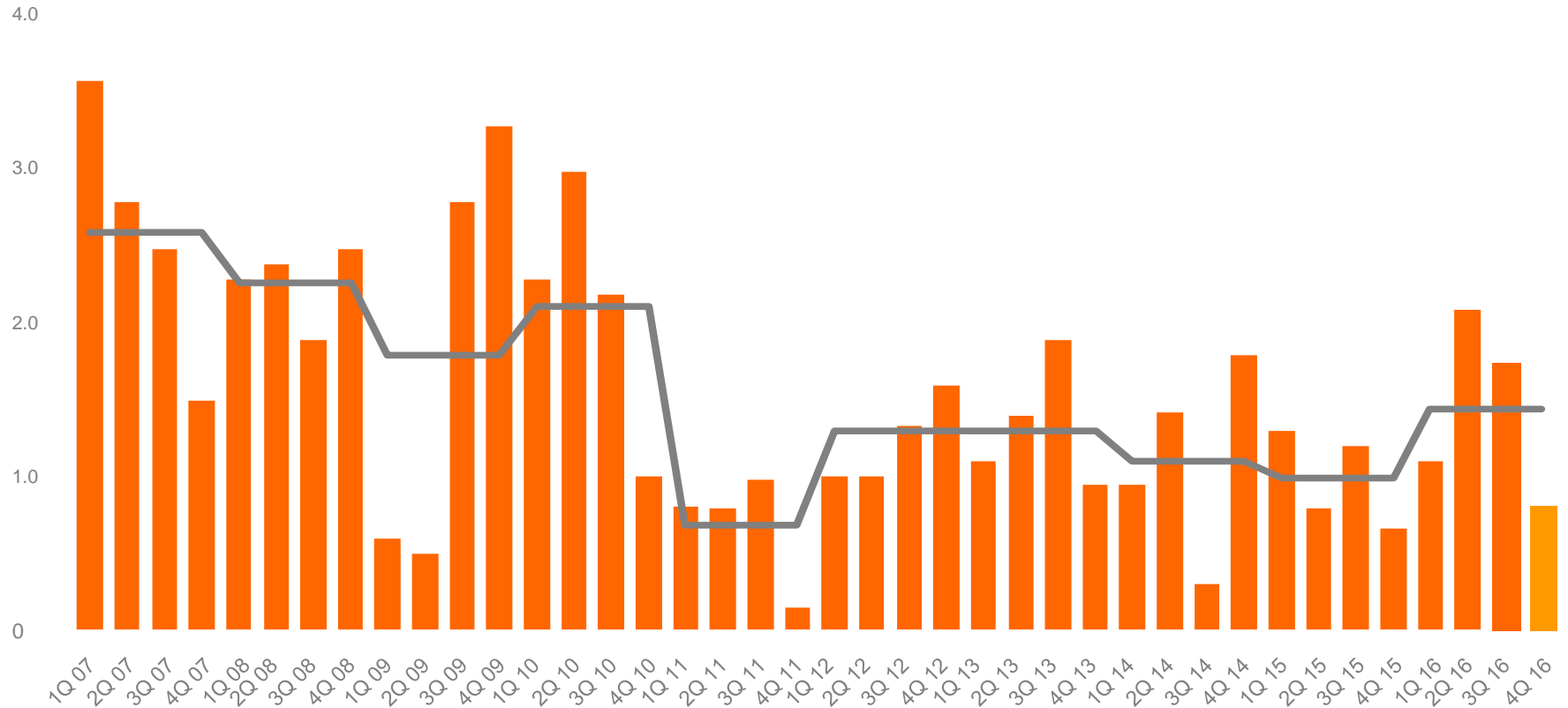
**Aperam announces an increase in base dividend per share to USD 1.5 and the launch of share buy-back program of up to USD 100 million.**

# Performance and prospects

## Health & Safety



Lost Time Injury Frequency rate\*



**Health & Safety Loss Time Injury frequency rate of 0.8x in Q4 2016 and 1.4x in 2016**

\* WorldSteel-standard: Fr = lost time Injuries per 1.000.000 worked hours; based on own personnel and contractors

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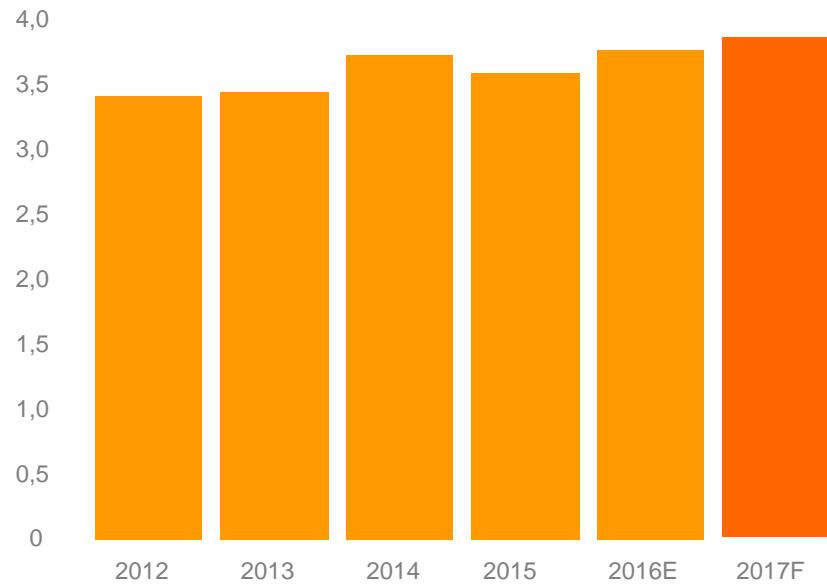
# Environment and markets

# Environment and markets

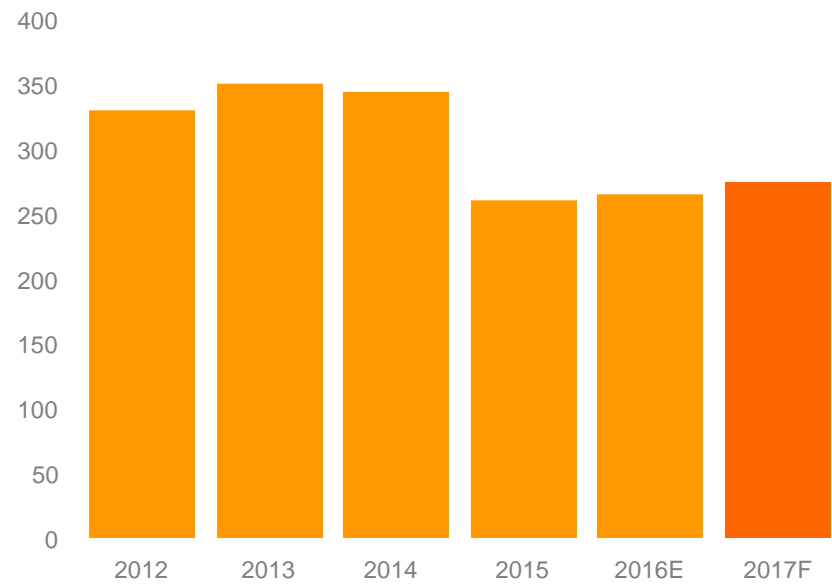
## Stainless steel demand



CR stainless steel European apparent demand (in million tonnes)



Stainless steel Brazilian apparent demand (in thousand tonnes)



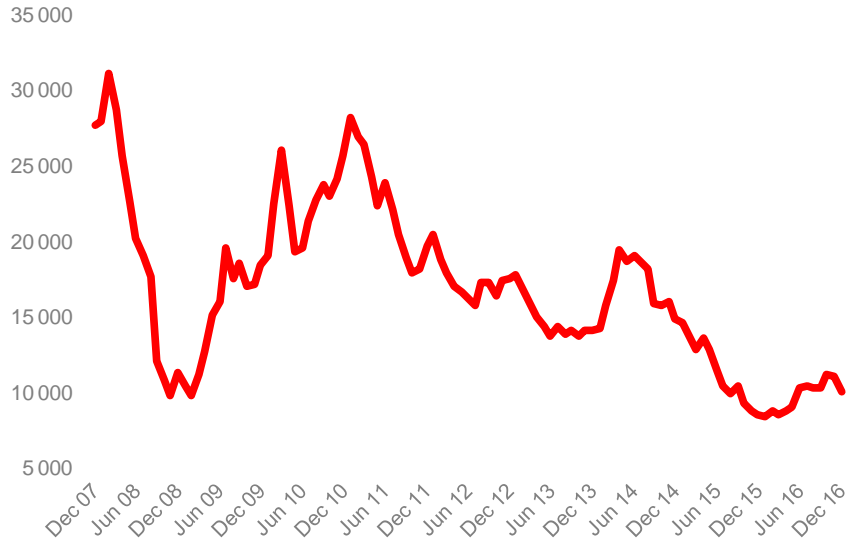
European demand continues to be healthy while demand in Brazil remains at low level but stable

# Environment and markets

## Stainless steel prices



### Nickel - LME Cash (USD/t)



### Chinese versus European CR 304 2B 2mm coil transaction price\* (USD/t)



Chinese and European prices started to recover in H2 2016

Source: SBB/Platts  
\* Prices exclude VAT

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# Performance and prospects

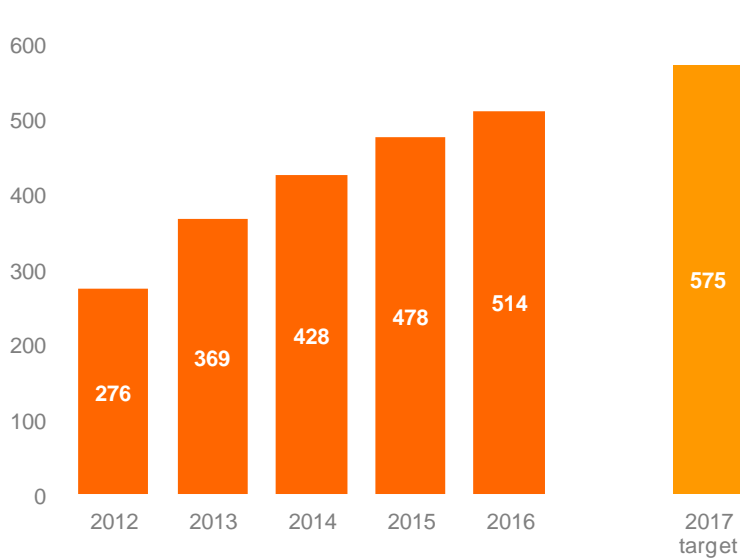


# Performance and prospects

## Leadership Journey®



Cumulated gains (USD million)



Asset upgrade program launched on best performing assets

Tranche	Capex	Period	Status
Tranche 1	USD52m of Capex	2014 – 2015	Completed
Tranche 2	USD30m of Capex	2015 – 2016	Completed
Tranche 3	USD30m of Capex	2015 – 2017	On track

Tranche	Details	Status
Tranche 1	<ul style="list-style-type: none"> <li>Productivity improvement of the downstream facilities in Genk (CAP2), Gueugnon (CAP10) and Timoteo (Sendzimir Mill #1).</li> <li>Upgrade of the Wire Rod mill in Imphy</li> <li>Upgrade of GO operations in Timoteo with development of HGO</li> </ul>	Completed
Tranche 2	<ul style="list-style-type: none"> <li>Breakthrough on productivity increase:                             <ul style="list-style-type: none"> <li>✓ Upgrading further CAP 2 in Genk</li> <li>✓ Upgrading LC2i in Isbergues</li> </ul> </li> </ul>	Completed
Tranche 3	<ul style="list-style-type: none"> <li>Efficiency and competitiveness improvement of the lines CR6 and BA8 in Gueugnon</li> <li>Upgrade of compact box annealing furnaces of the Wire Rod mill in Imphy</li> </ul>	On track

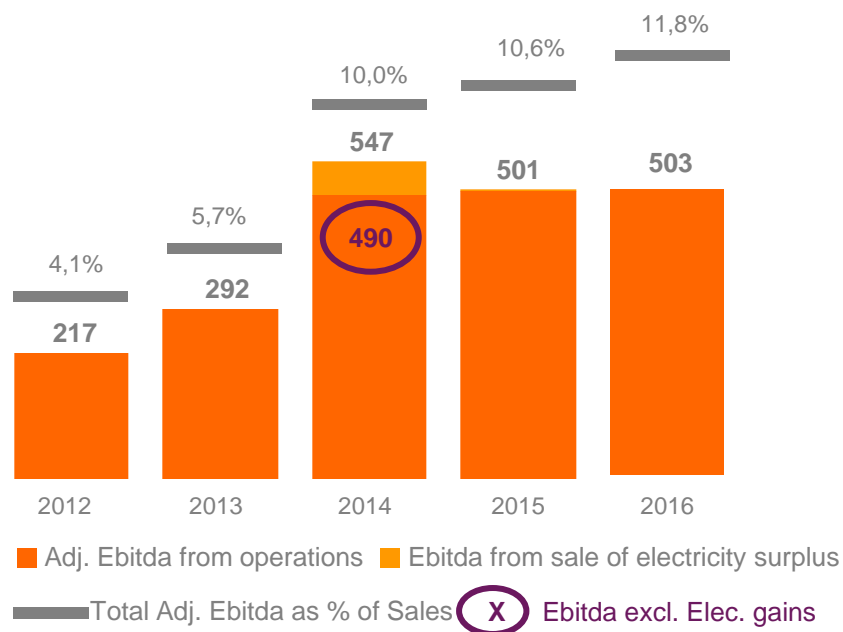
**Leadership Journey gains reached USD 514 million at the end of 2016 with further USD 60 million gains targeted in 2017**

# Performance and prospects

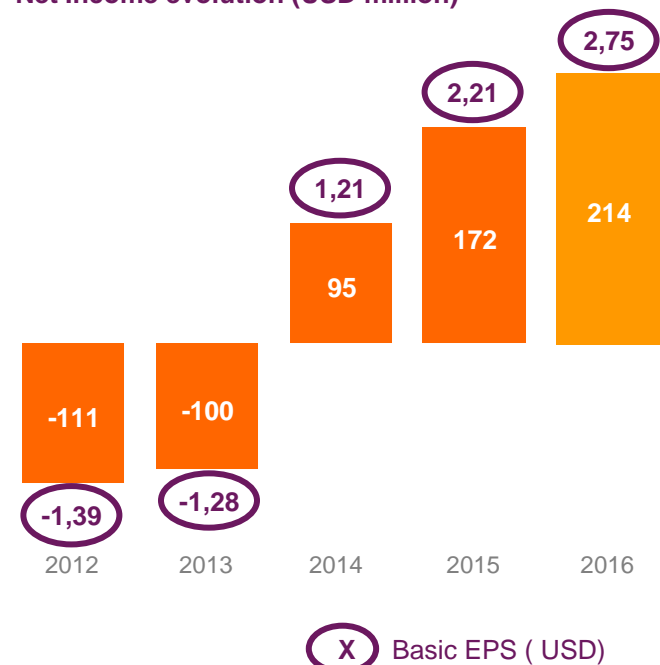
## Year on Year evolution of profitability



Adj. EBITDA evolution<sup>[1]</sup> (USD million)



Net Income evolution (USD million)



**Continuous solid improvement of the operating performance as well as the net result**

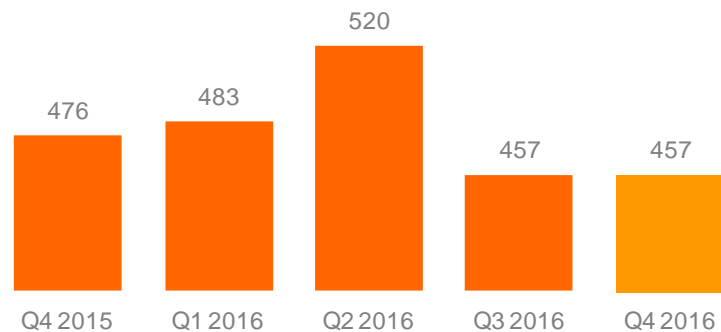
<sup>[1]</sup> 2016 adj. EBITDA excludes a USD 11 million non-recurring and non-cash charge related to the intended divestment of Aperam's French tubes subsidiary

# Performance and prospects

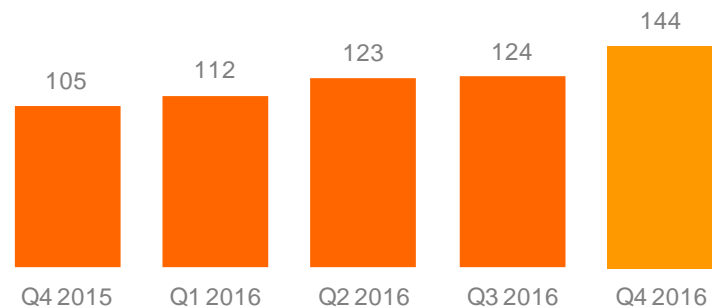
## Fourth quarter operating performance



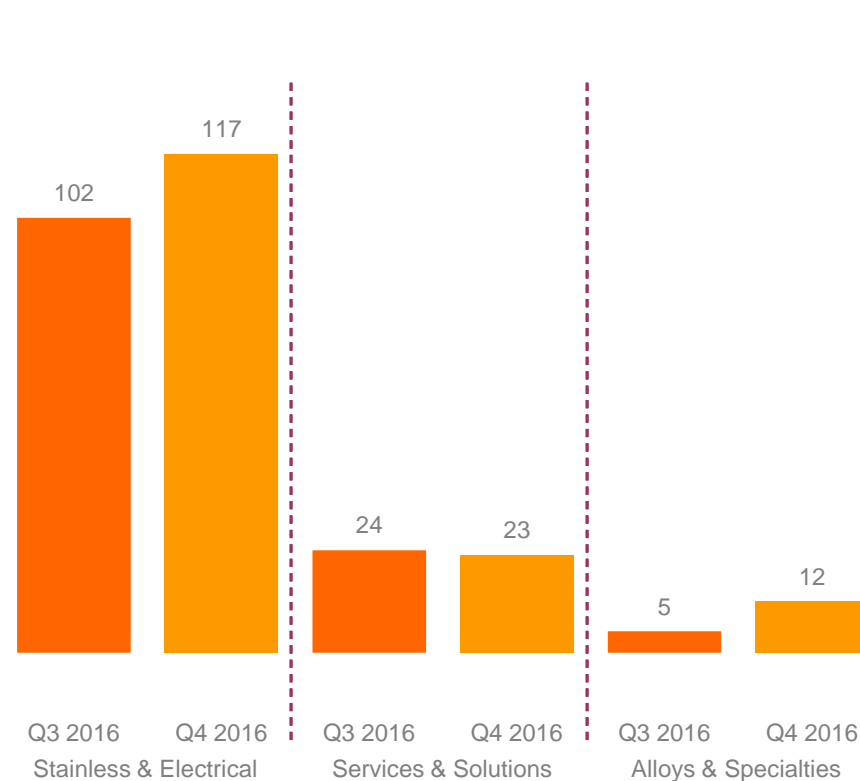
Shipments ('000t)



Adj. EBITDA (USD million)



Q4 2016 adj. EBITDA per division (USD million) <sup>[1]</sup>



**EBITDA of USD 291/t (adj. EBITDA of USD 315/t ) in Q4 2016 compared to USD 271/t in Q3 2016**

<sup>[1]</sup> Difference with total Aperam's quarterly Ebitda comes from the Others & Eliminations and a USD 11 million non-recurring and non-cash charge related to the intended divestment of Aperam's French tube activities.

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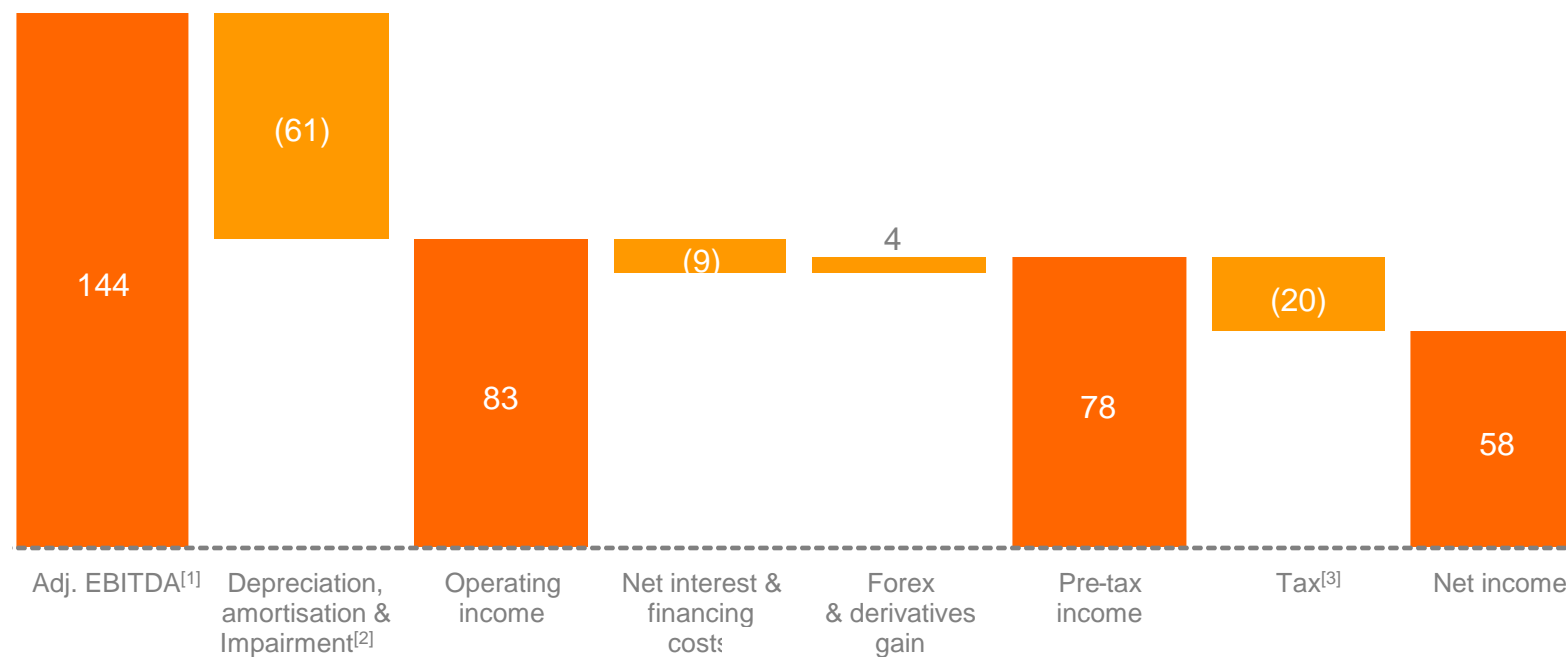
# Financial results

# Financial results

## Fourth quarter P&L highlights



Adj. EBITDA to net income (USD million)



**Strong financial performance with high record Q4 Adj. EBITDA and net income**

<sup>[1]</sup> Adjusted EBITDA excludes a USD 11 million non-recurring and non-cash charge related to the intended divestment of Aperam's French tubes subsidiary,

<sup>[2]</sup> Depreciation, amortisation & impairment includes USD19 million non-recurring and non-cash charge related to the intended divestment of Aperam's French tubes subsidiary,

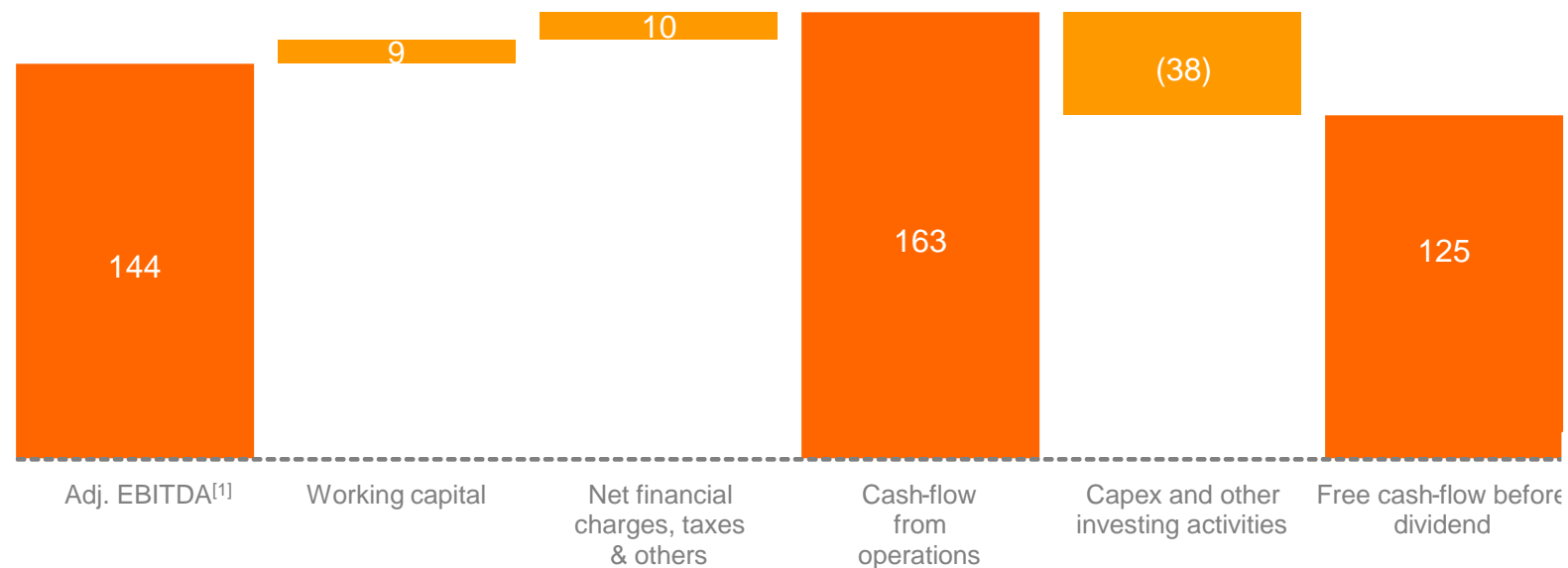
<sup>[3]</sup> Tax includes USD 3 million non-recurring and non-cash charge related to the intended divestment of Aperam's French tubes subsidiary,

## Financial results

### Fourth quarter cash flow highlights



#### Free cash flow (USD million)



**Solid quarterly cash generation with USD 125 million of Free cash flow before dividend**

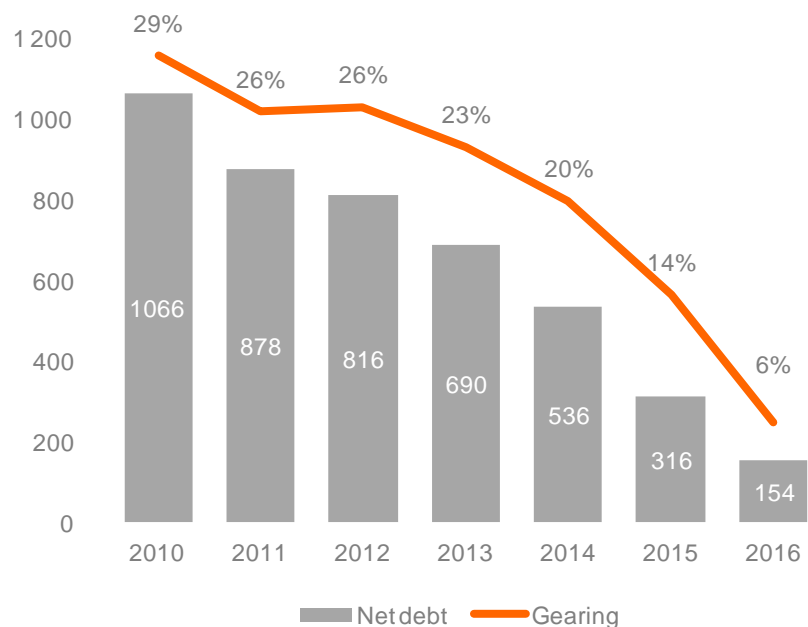
<sup>[1]</sup> Adjusted EBITDA excludes a USD 11 million non-recurring and non-cash charge related to the intended divestment of Aperam's French tubes subsidiary

# Financial results

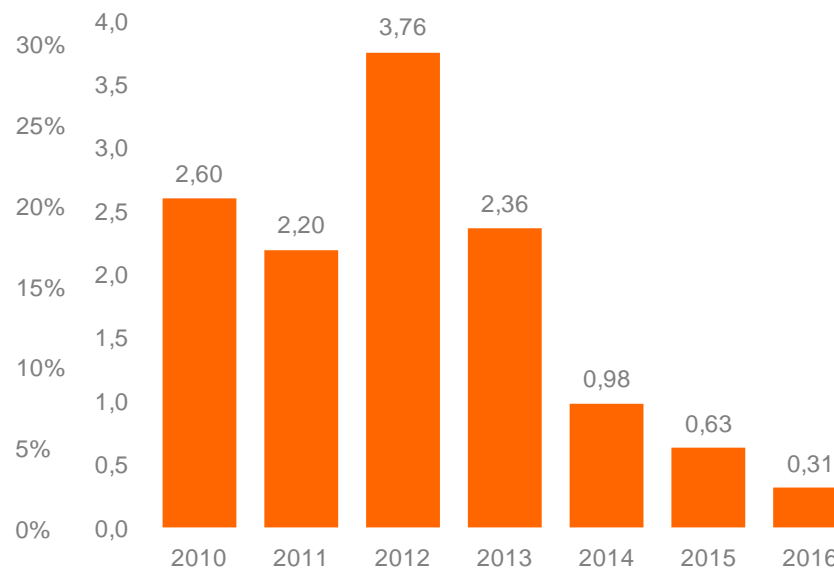


Continued net debt decrease thanks to cash generation

Aperam net debt and gearing <sup>[1]</sup> evolution (USD million)



Aperam Net Debt / Ebitda evolution, x



**Solid level of gearing and net debt**

<sup>[1]</sup> Debt Gearing defined as Net Debt divided by Equity.

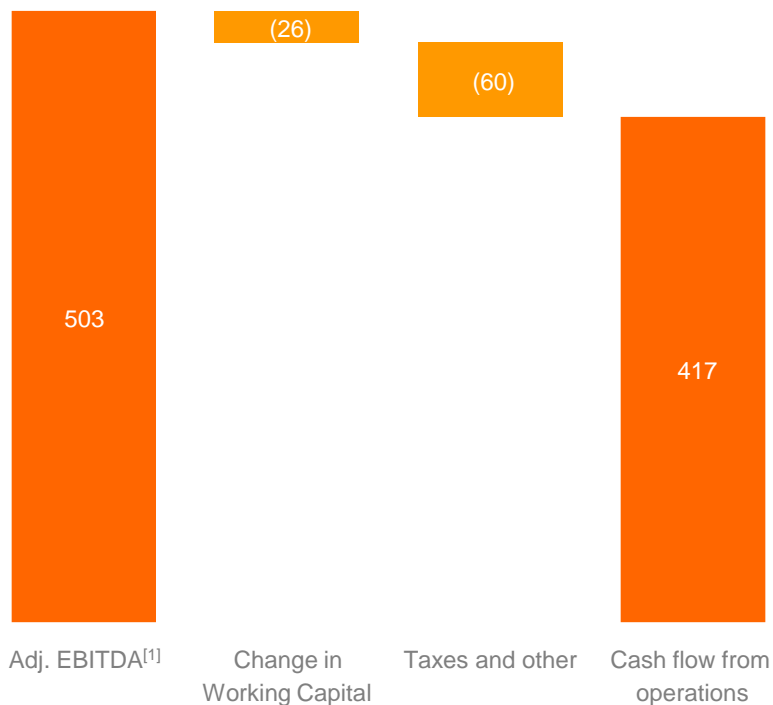
Net Debt / EBITDA is equal to Net Debt at end of the years divided by last 12 month rolling EBITDA

# Financial results

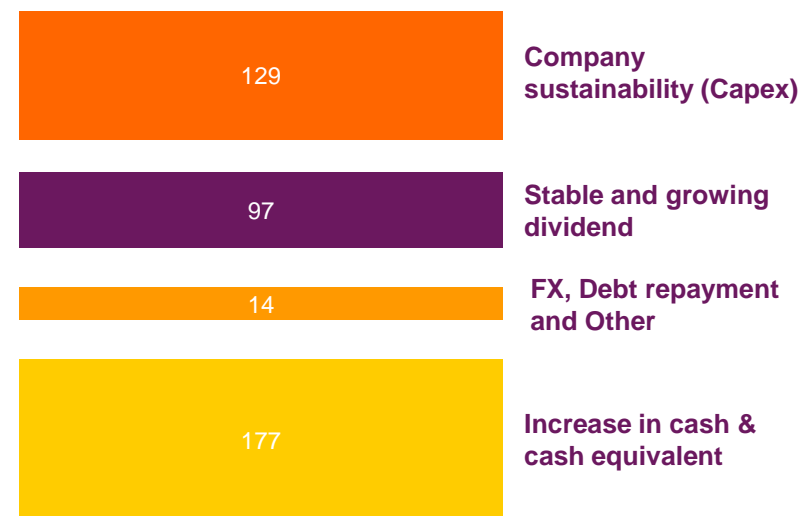
## Sustainable cash generation



Source of operating cash flows in 2016 (USD million)



Cash utilisation in 2016 (USD million)



**Strong cash generation supported with a robust financial policy**

<sup>[1]</sup> 2016 adj. EBITDA excludes a USD 11 million non-recurring and non-cash charge related to the intended divestment of Aperam's French tubes subsidiary



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# Aperam's value proposition

## Aperam value strategy

A solid and growing value, sustainably profitable



### 1. Attractive outlook

- Diminishing raw material advantages in China
- European stainless steel market restructured
- Tariff measures in both Brazil and Europe
- Brazilian growth potential

### 2. Cost leading footprint

- Optimized industrial footprint centrally located in Europe
- Unique and flexible asset base in South America
- Sustainable end-users focus

### 3. Solid execution

- Leadership Journey and Top Line contributions
- Strongest balance sheet and cash generation
- Solid financial policy with progressive dividend
- Intention for payout to shareholders between 50 to 100% of EPS

**Solid cash generator**

## Financial Policy – Cash Allocation



A financial policy to maximize the long term growth of the company and the value accretion for its shareholders while maintaining a strong Balance Sheet consistent with Investment Grade Financial ratios.

	Financial Policy	Update
Company sustainability	Invest in sustaining and upgrading the company's assets base to continuously reinforce Leadership Journey and Top Line Strategy	<b>CAPEX 2017</b> <b>\$140m - \$150 m</b>
Value Accretive Growth & M&A	Compelling Growth and M&A opportunities with high hurdle rate	<b>Best positioned to explore M&amp;A opportunities, incl. synergies focus</b>
Dividend Policy	A base dividend, anticipated to progressively increase over time (as the company continues to benefit from its strategic actions and capture growth opportunities). The company targets a NFD/EBITDA ratio of <1x (through the cycle). In the (unlikely) event that NFD/EBITDA exceeds 1x then the company will review the dividend policy.	<b>Proposed dividend per share increase from USD1.25 to USD 1.50</b>
Extra Cash Utilization	Remaining excess cash will be utilized in the most optimal way	<b>Proposed share buy back program up to USD 100 million.</b>

**Company declares its intention to maintain a total payout to shareholders between 50% to 100% of EPS**



Philharmonie de Paris, France Ateliers Jean Nouvel © William Beucardet  
Aperam Stainless Steel used: 316L, Uginox Bright

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# Appendix

# Aperam's value strategy:

A customer driven  
company focused on its  
self-help story

# Aperam value strategy



## Unlocking value of Aperam’s best performing assets through the Leadership Journey®

### Leadership Journey® initiatives: Enhancing the potential of best performing assets

- Restructuring**

Launched at the early stage of the program, the restructuring initiatives are focused on the closure or mothballing of non-competitive capacities and the reduction of fixed costs through, in particular, process simplification
- Cost cutting projects**

In parallel to the restructuring initiatives, major cost cutting investments have been launched with the goal to improve the industrial footprint and to reduce the number of tools.
- Performance projects & upgrading**

Several performance projects have been launched in order to reinforce the existing continuous improvement program and accelerate cost reduction. In particular, specific action plans have been implemented for sourcing, IT and SG&A.

### Asset upgrade program launched on best performing assets

	Status
<b>Tranche 1</b> <b>USD52m of Capex</b> <b>2014 – 2015</b> <ul style="list-style-type: none"> <li>• Productivity improvement of the downstream facilities in Genk (CAP2), Gueugnon (CAP10) and Timoteo (Sendzimir Mill #1).</li> <li>• Upgrade of the Wire Rod mill in Imphy</li> <li>• Upgrade of GO operations in Timoteo with development of High Grain Oriented (Electrical)</li> </ul>	<p>✓</p> <p>Completed</p>
<b>Tranche 2</b> <b>USD30m of Capex</b> <b>2015 – 2016</b> <ul style="list-style-type: none"> <li>• Breakthrough on productivity increase:                             <ul style="list-style-type: none"> <li>✓ Upgrading further CAP 2 in Genk</li> <li>✓ Upgrading LC2i in isbergues</li> </ul> </li> </ul>	<p>✓</p> <p>Completed</p>
<b>Tranche 3</b> <b>USD30m of Capex</b> <b>2015 – 2017</b> <ul style="list-style-type: none"> <li>• Efficiency and competitiveness improvement of the lines CR6 and BA8 in Gueugnon</li> <li>• Upgrade of compact box annealing furnaces of the Wire Rod mill in Imphy</li> </ul>	<p>On track</p>

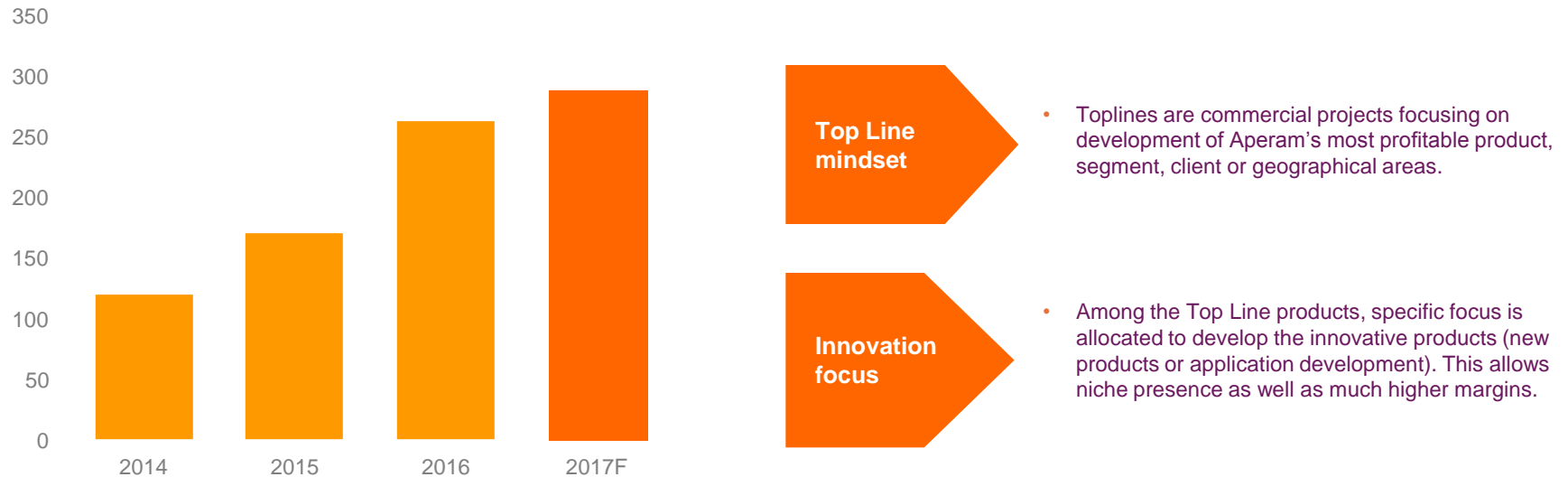
The Leadership Journey targets additional gains of USD 60 million by the end of 2017

## Aperam value strategy



Strengthening product and service differentiation through the Top Line strategy

Shipments of Top Line products developments in kT



Good progress on Top Line development and innovation plan to support European growth and mitigate the impact of the current Brazilian environment



# Aperam value strategy

Leverage Aperam's unique position in Europe



European stainless steel industry footprint after restructuring



Key strengths of the European operations of Aperam

- Sourcing**
  - The only integrated upstream operations in the heart of Europe, with the best access to scrap supply
- Logistics**
  - Best location to serve the biggest consumption areas of Europe
  - Performant logistics between sites for a working capital management at the benchmark of the industry
- Production**
  - Full range of products
  - Flexibility and available capacity
  - A strategy to be a cost benchmark on the key products of Aperam

The closest location to the scrap generating regions in Europe as well as the major stainless consumers

# Aperam value strategy

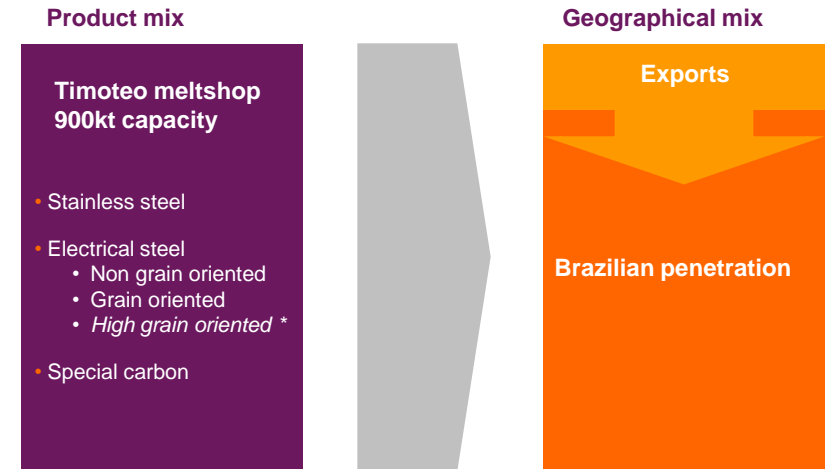


Optimise value creation in South America thanks to a perfectly adapted asset base and flexible sales management

## Key pillars of the mitigation plan in Brazil



## Aperam’s assets optimisation in South America



- Brazilian asset running at optimal utilisation rate with the current demand
- Projects on-going to debottleneck the cold rolling operations
- Upgrade of the Grain Oriented products with the development of HGO
- Continuous margin optimization between products mix and deliveries in South America

The mitigation plan put in place by Aperam South America has enabled to fully offset the negative impacts since 2015 and further develop loyalty of domestic customers