

**Site visit 2017 – Genk plant**

June 7<sup>th</sup>, 2017

अपेराम

**Sandeep Jalan – Chief Financial Officer**

## 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.

# Challenging stainless steel environment since Aperam's creation

# Challenging environment since Aperam's creation



Major changes in macro environment over the last 6 years

	Headwinds	Tailwinds
CAPACITY	<ul style="list-style-type: none"><li>- Production capacity boom in China, leading to global overcapacities</li></ul>	<ul style="list-style-type: none"><li>+ European market restructured</li></ul>
DEMAND	<ul style="list-style-type: none"><li>- Volatility of economy in China having some negative impacts on stainless steel demand</li><li>- Decline in Oil &amp; Gas</li></ul>	<ul style="list-style-type: none"><li>+ Healthy European real demand since 2013</li></ul>
RAW MATERIAL & SOURCING	<ul style="list-style-type: none"><li>- Steep decline of nickel price</li><li>- Increased volatility and disruption in commodity market</li><li>- Shortage in raw material availability</li></ul>	
PRICES	<ul style="list-style-type: none"><li>- Imports pressure over the past years</li><li>- Lowest price environment in 2016</li></ul>	
REGULATION AND POLITICAL ENVIRONMENT	<ul style="list-style-type: none"><li>- Brazilian contraction</li><li>- Increased volatility (FX, Mining law, political environment)</li></ul>	<ul style="list-style-type: none"><li>+ Tariffs measures</li></ul>

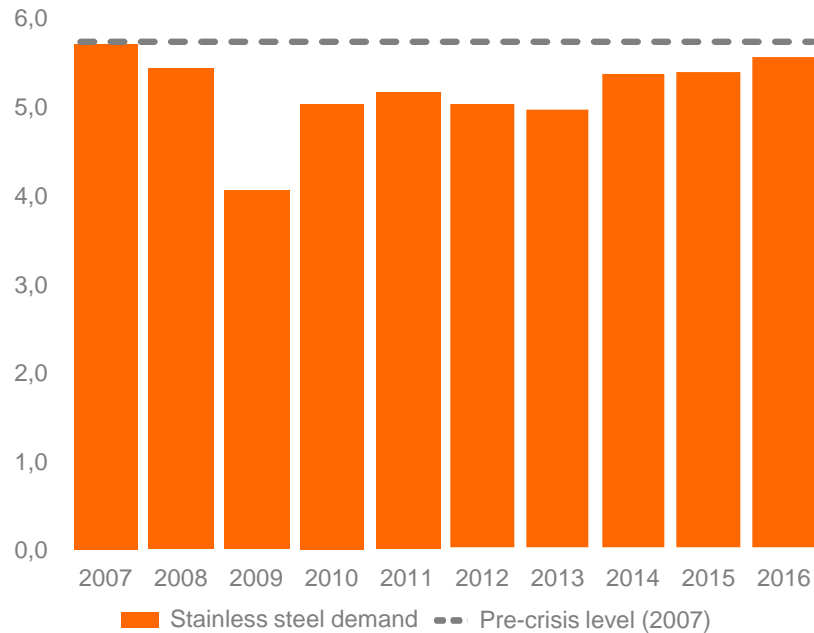
Very challenging market conditions over the last 6 years with increasing volatility

# Challenging environment since Aperam's creation

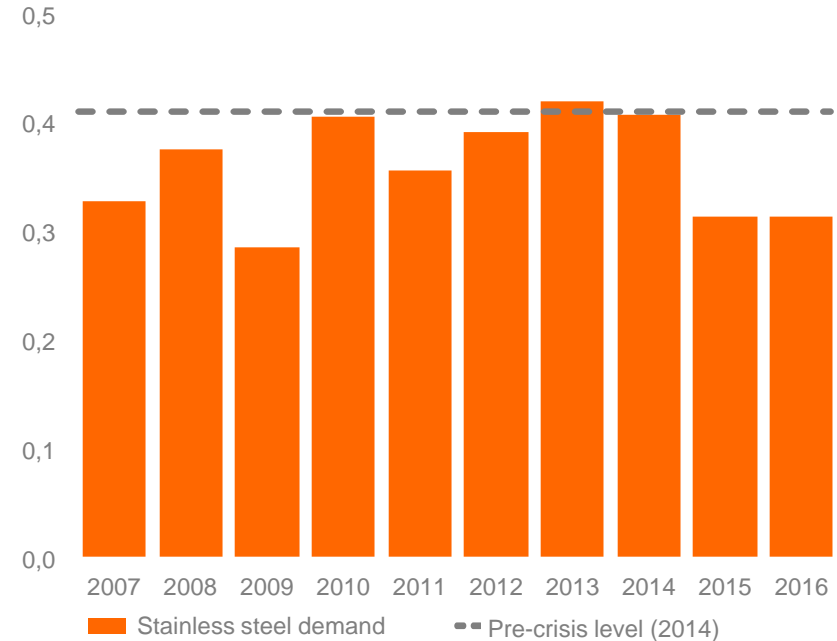


## Stainless steel demand

European stainless steel demand (mt – slab equivalent)



Brazilian stainless steel demand (mt – slab equivalent)



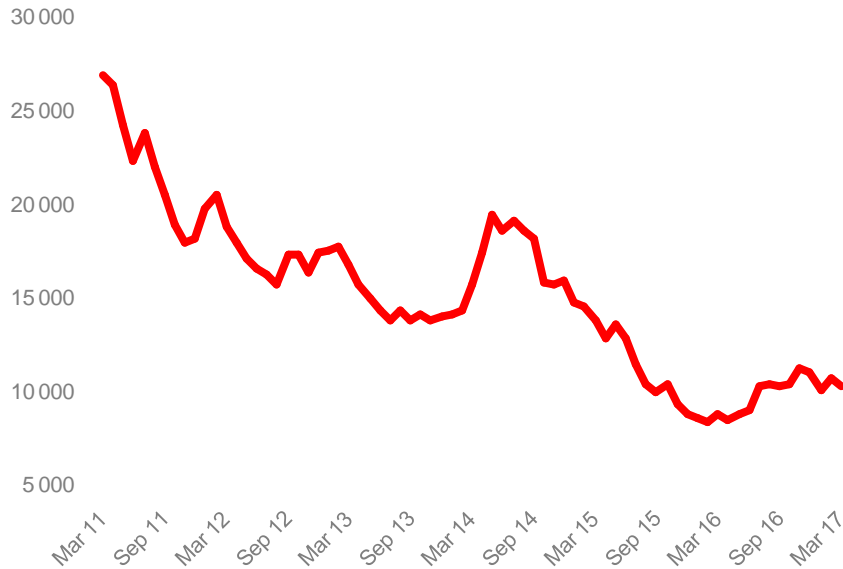
**Stainless steel demand remains below pre-crisis levels for both Aperam's key regions**

# Challenging environment since Aperam's creation



Nickel price has fallen due to, in particular, low cost nickel pig iron expansion

Nickel - LME Cash (USD/t)



Southern Europe – Stainless steel 2B 2mm coil base price USD/t (Base 100)



CR 304 CR 430

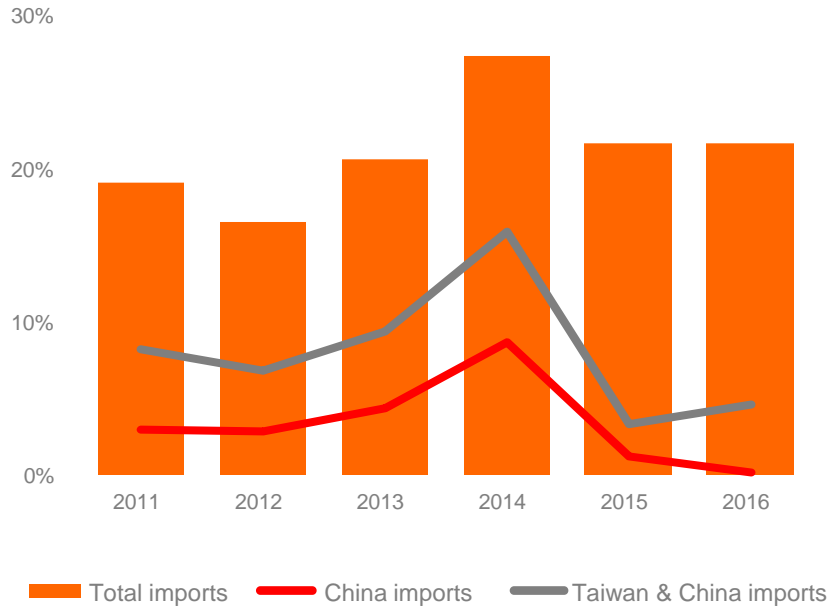
**Stainless steel industry has faced strong price pressure, with close to 25% of base prices decrease**

# Challenging environment since Aperam's creation

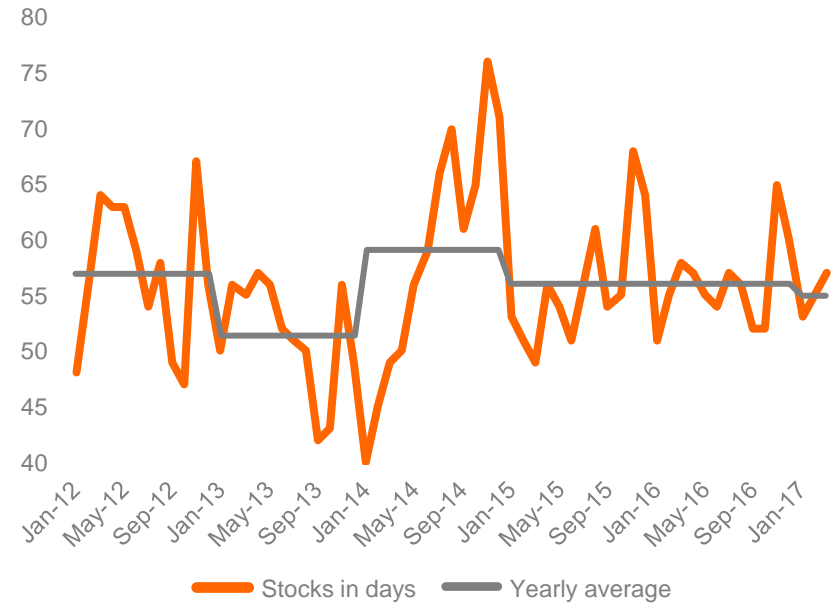


## European market environment

### Market share of Stainless Steel Cold Rolled imports into Europe



### Stainless steel 304 CR inventories in Germany (in days of rotation)



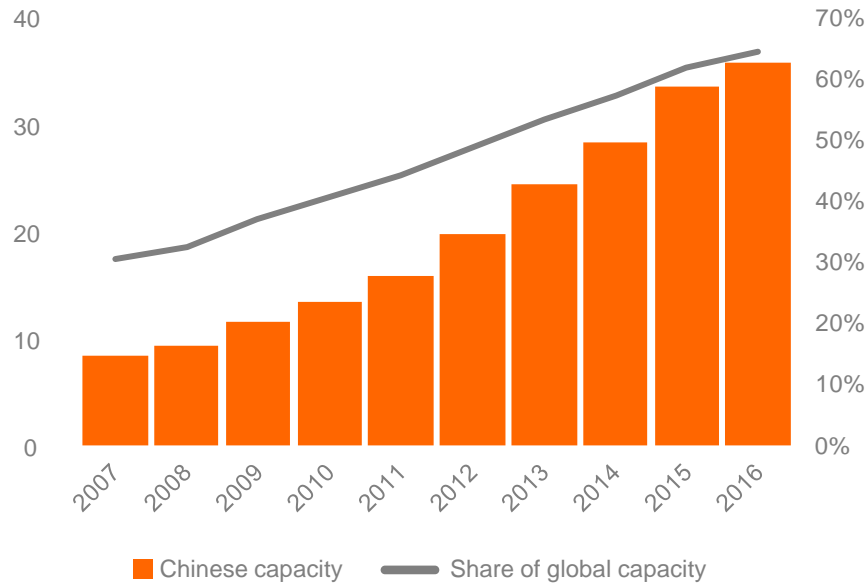
## Rise of imports into Europe

# Challenging environment since Aperam's creation

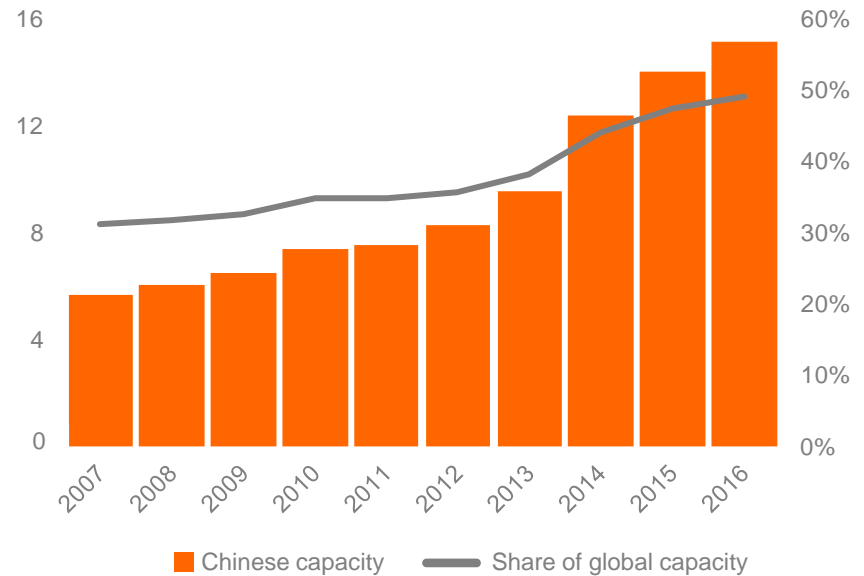
## Steep surge of Chinese capacities



Upstream operational capacity of the Chinese industry (in million tonnes)



Downstream operational capacity of the Chinese industry (in million tonnes)



Over the last decade, Chinese capacity has experienced massive growth and has strongly impacted the worldwide stainless steel market



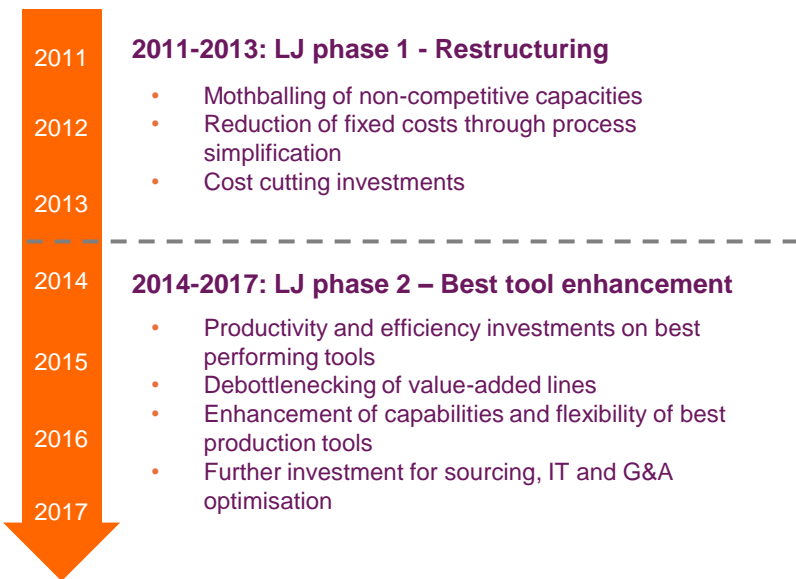
# Solid execution of Aperam's self-help strategy

# Solid execution of Aperam's self-help strategy



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

## Leadership Journey® initiatives: from Restructuring to Upgrading



## Leadership Journey® Phase 2: asset upgrade program launched on best performing assets

		Status
<b>Tranche 1</b> <b>USD52m of Capex</b> <b>2014 – 2015</b>	• Productivity improvement of the downstream facilities in Genk (CAP2), Gueugnon (CAP10) and Timoteo (Sendzimir Mill #1).	✓
	• Upgrade of the Wire Rod mill in Imphy	Completed
	• Upgrade of GO operations in Timoteo with development of High Grain Oriented (Electrical)	
<b>Tranche 2</b> <b>USD30m of Capex</b> <b>2015 – 2016</b>	• 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>	Completed
<b>Tranche 3</b> <b>USD30m of Capex</b> <b>2015 – 2017</b>	• Efficiency and competitiveness improvement of the lines CR6 and BA8 in Gueugnon	✓
	• Upgrade of compact box annealing furnaces of the Wire Rod mill in Imphy	On track

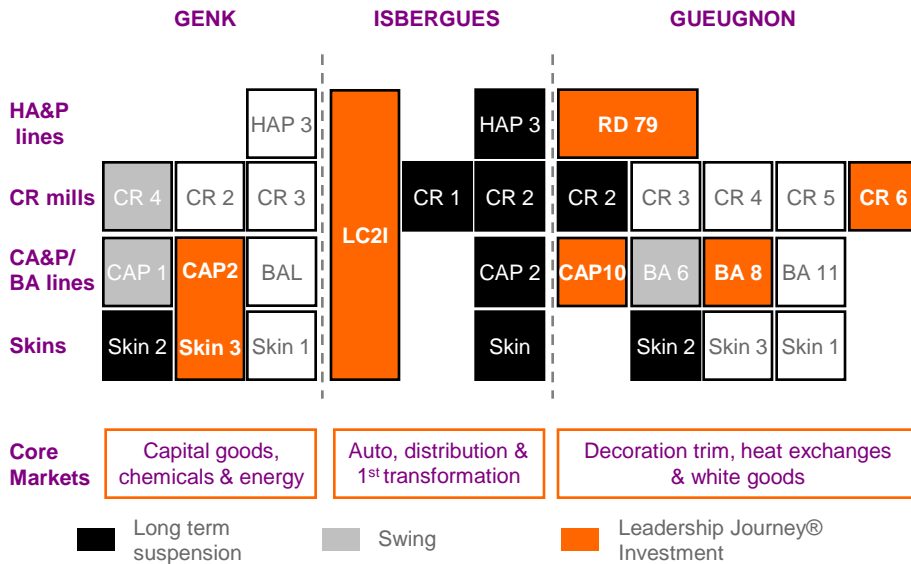
**Leadership Journey® has evolved from a cost cutting strategy over 2011-2013 to an asset upgrade strategy. Current ongoing investment initiatives are close to finish during 2017.**

# Solid execution of Aperam's self-help strategy

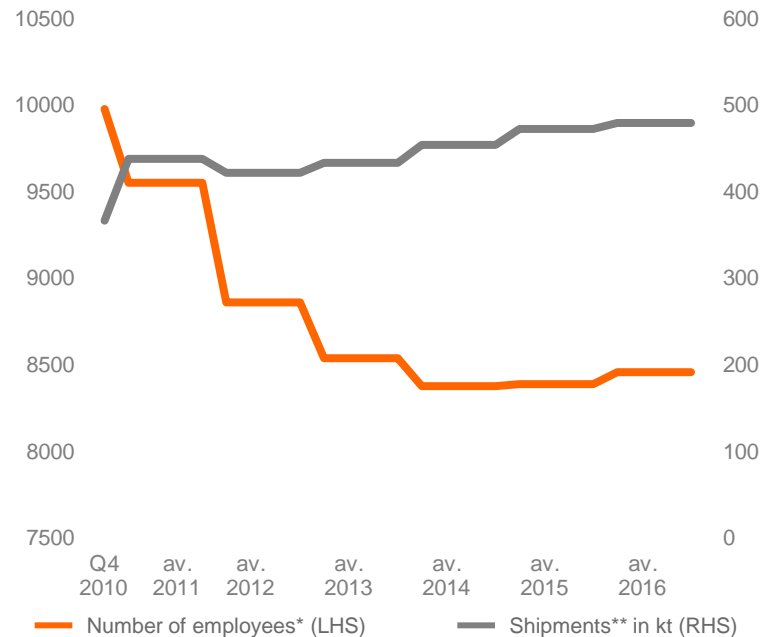
## Footprint and productivity breakthrough



Aperam downstream rationalization in EU from 29 tools to 17 tools



Aperam productivity evolution, average



**Aperam capacity utilization and productivity has significantly improved with Leadership Journey®**

\* Full time equivalent excluding Bioenergia

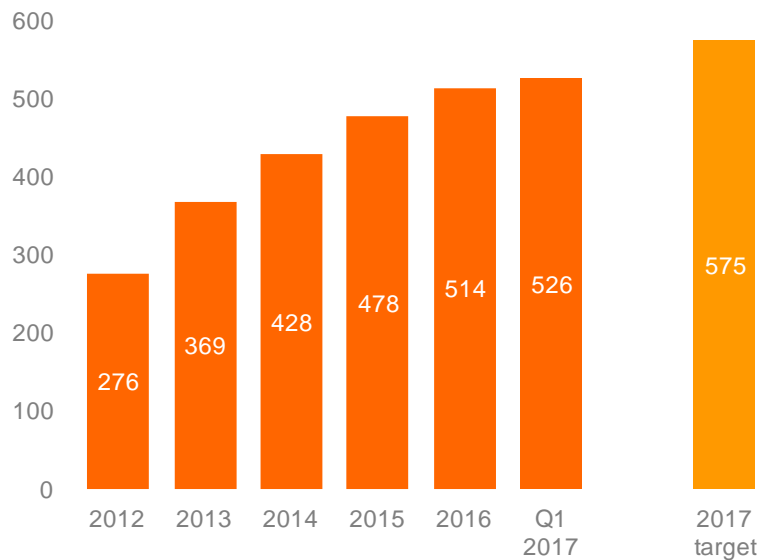
\*\* Quarterly average

# Solid execution of Aperam's self-help strategy

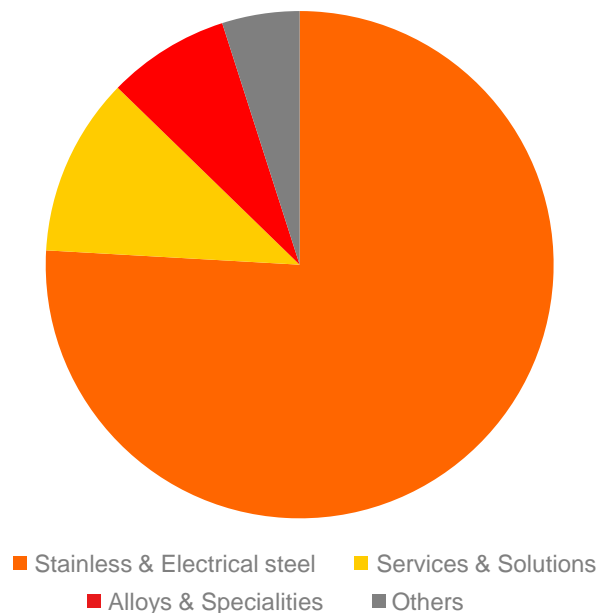
## The contribution of the Leadership Journey®



Annualized recurring gains  
(USD million)



Leadership Journey® gains breakdown by business unit  
(as of Q1 2017)



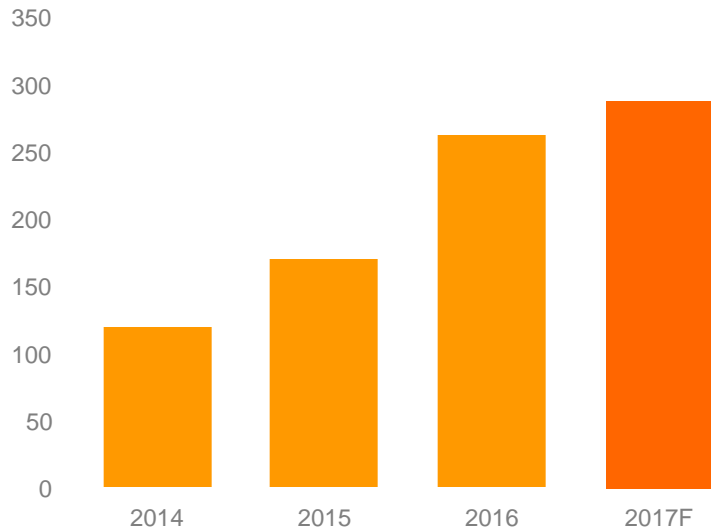
Leadership Journey® gains on track to deliver USD 575 m annualized savings by the end of 2017

# Solid execution of Aperam's self-help strategy



Strengthening product and service differentiation through the Top Line strategy

Shipments of Top Line products developments in kT



Top Line mindset

- Toplines are commercial projects focusing on development of Aperam's most profitable product, segment, client or geographical areas.

Innovation focus

- Among the Top Line products, specific focus is allocated to develop the innovative products (new products or application development). This allows niche presence as well as much higher margins.

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

# Solid execution of Aperam's self-help strategy

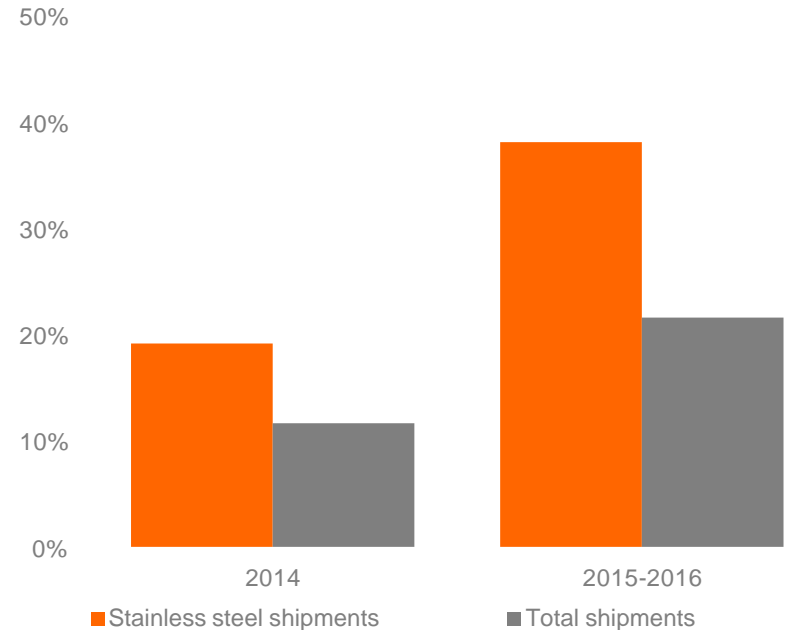
## Active mitigation of the Brazilian economic situation



### Key pillars of the mitigation plan in Brazil

- Portfolio management**
  - Ensure full utilisation rate with the best margin thanks to a wide range of products and geographical sales optimisation
  - Develop new grades with higher added value (stainless substitution, HGO)
- Domestic penetration**
  - Preferred supplier plan with best in class deliveries,
  - Performant logistics with integrated service centers
  - Support stainless steel substitution in South America
- Cost competitiveness**
  - Sustain the cost benchmark in its main markets
  - Leadership Journey® on-going to improve productivity
  - Continuous improvement to at least compensate the inflation

### Good mill load thanks to agility on exports



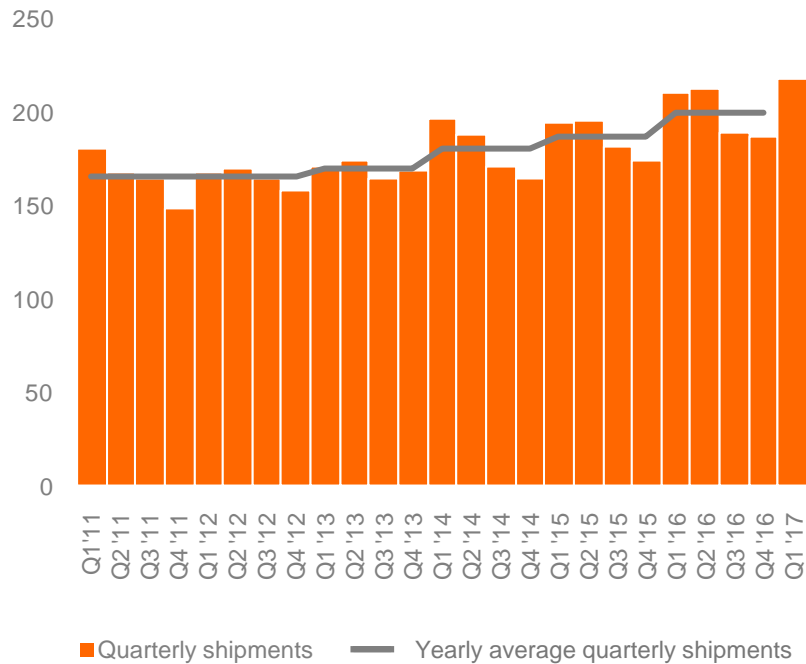
The mitigation plan put in place by Aperam South America has enabled to largely offset the negative impacts since 2015 and further develop loyalty of domestic customers

# Solid execution of Aperam's self-help strategy

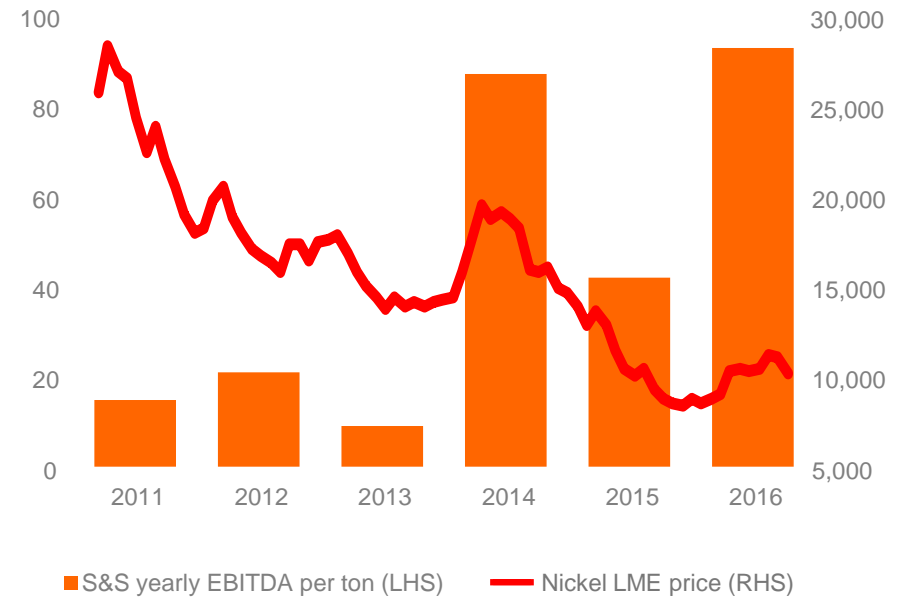
## Services & Solutions growth thanks to Top Line strategy



Services & Solutions quarterly shipments



Services and Solutions adjusted EBITDA per shipments (USD/t)



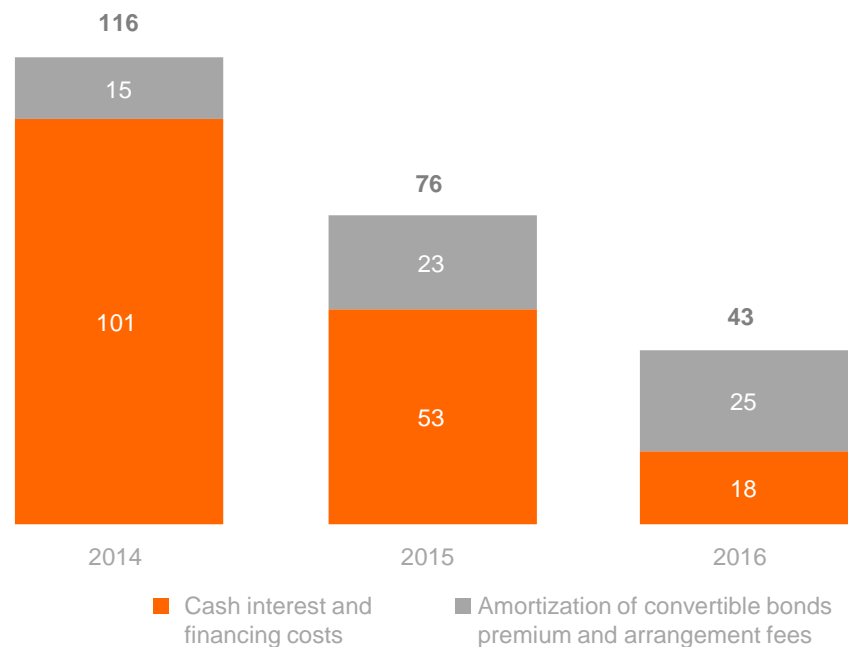
A resilient and profitable Services & Solutions thanks to its focus on services and end-users

## Solid execution of Aperam's self-help strategy

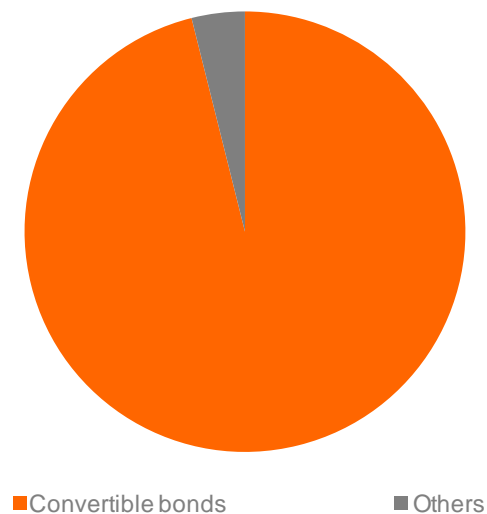
Strong balance sheet with continuously improving financing costs



Net interest & financing costs (USD million)



Gross Financial Debt breakdown as of March 31, 2017



**Step decline in financing costs thanks to a fully restructured balance sheet with main debt consisting mainly in convertible bonds**



# Solid execution of Aperam's self-help strategy

## Ongoing measures on balance sheet and financing

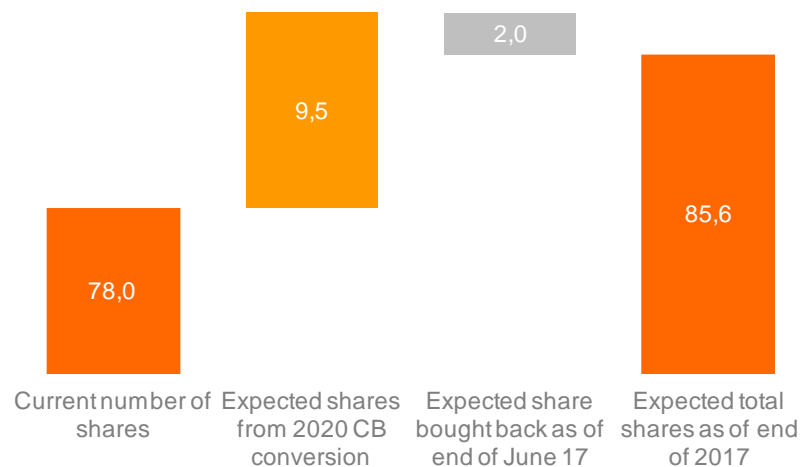


### Additional restructuring actions

Strong Balance Sheet, Liquidity and financing profile further being strengthened with:

- Switch from Secured Borrowing Base Facility (3 year) of USD 400m to Unsecured Revolving Credit Facility (5 year) of EUR 300m
- Initiation of conversion from Convertible Bond 2020 bondholders totalling 1.288m shares equivalent (until 2<sup>nd</sup> June)
- More than 1.643 million shares already bought under share buyback program (until 2<sup>nd</sup> June 2017) and the program is expected to be completed by end of June 2017

### Forecast capital structure evolution (in million shares)



- Share buy-back expected to be completed by the end of June, with up to 2m shares to be cancelled
- Company's intention to exercise issuer call for CB 2020 during October 17, expected to result in 9.54m new shares

**Aperam will soon complete the share buyback and will cancel the shares so acquired. Intention for conversion of Convertible Bond 2020 during October 17, adding further strength to the balance sheet.**

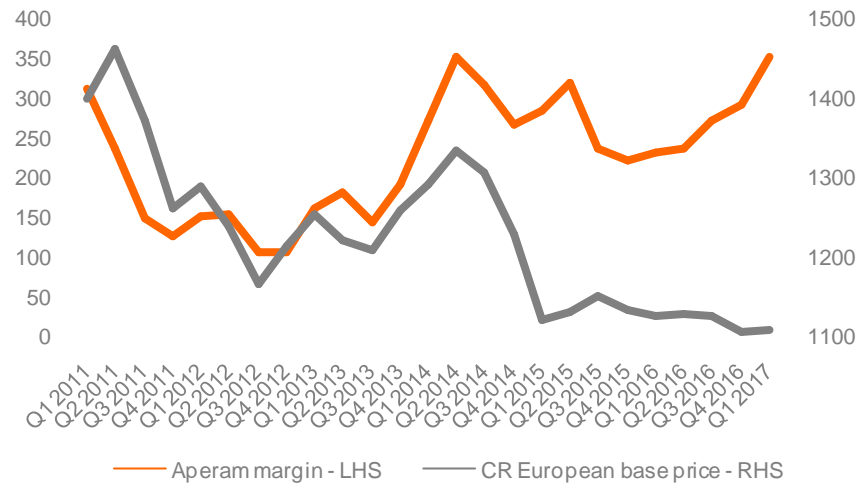
# Aperam: a strong cash generator with disciplined cash allocation

# A strong cash generator with disciplined cash allocation



Continuous focus on delivering

EBITDA margin of Aperam and base price evolution (USD/t)



## Aperam mitigation plan against past market headwinds

### Leadership Journey®

- Restructure to adapt capacity with market demand
- Being costs competitive
- **Current contribution at USD 526 m**

### Top Line strategy

- Develop higher added value products with better margin
- Increase market penetration

### Flexibility

- Specialised European mills to have best productive and quality performer for every market
- Flexibilise Timoteo mill to react quickly to changing market environment

### Resilience against volatility

- Working capital optimisation to reduce and control exposure to raw material price
- Optimise hedging policy and execution

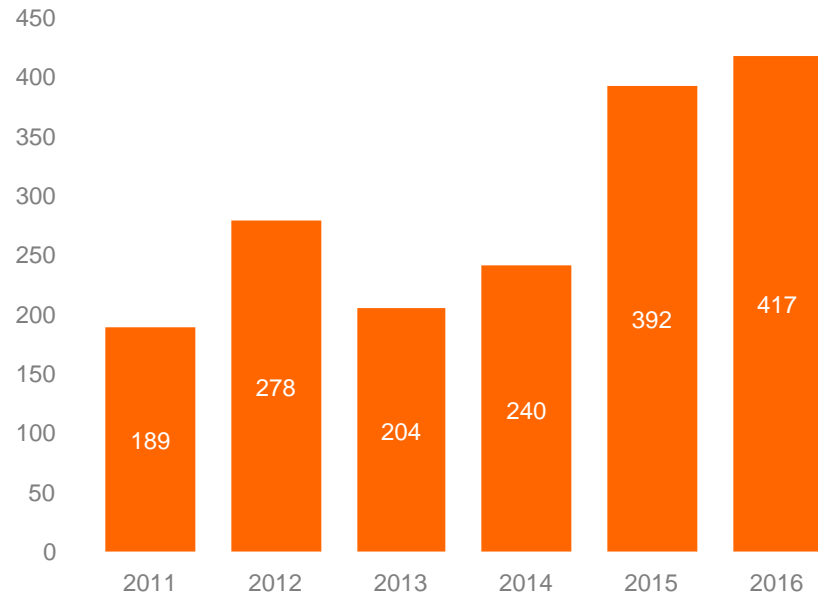
The Leadership Journey® and the Top line strategy continue to demonstrate their positive contribution

# A strong cash generator with disciplined cash allocation

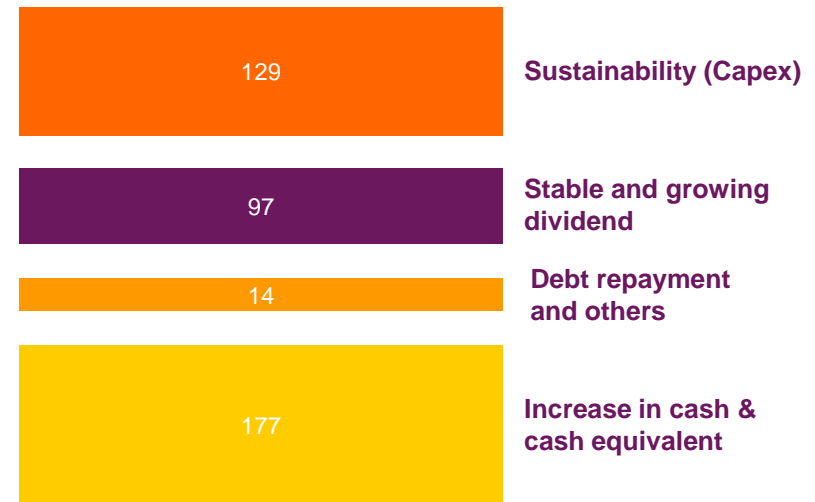


Strong cash generator through the cycle

Cash-flow from operations evolution (USD million)



Cash utilization in 2016 (USD million)



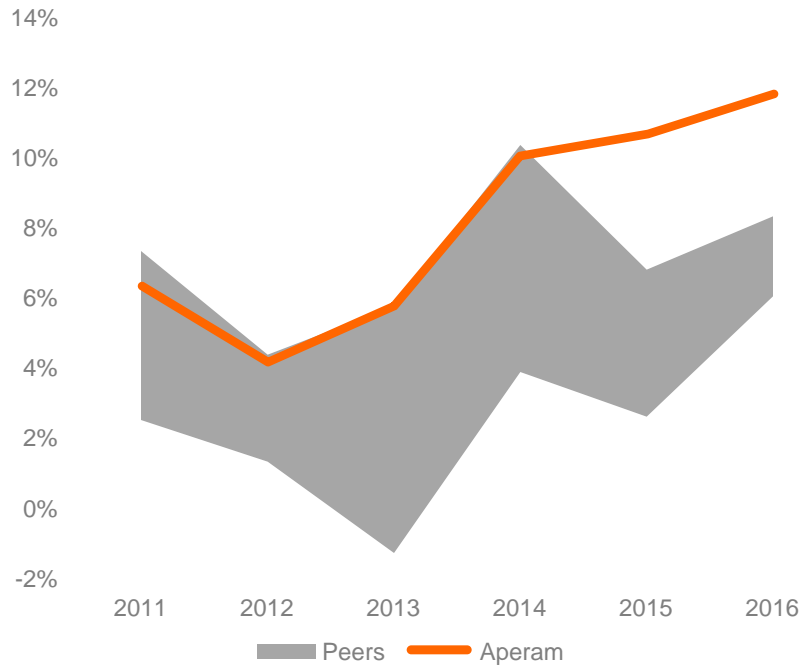
Consistent cash generation through the cycle

# A strong cash generator with disciplined cash allocation

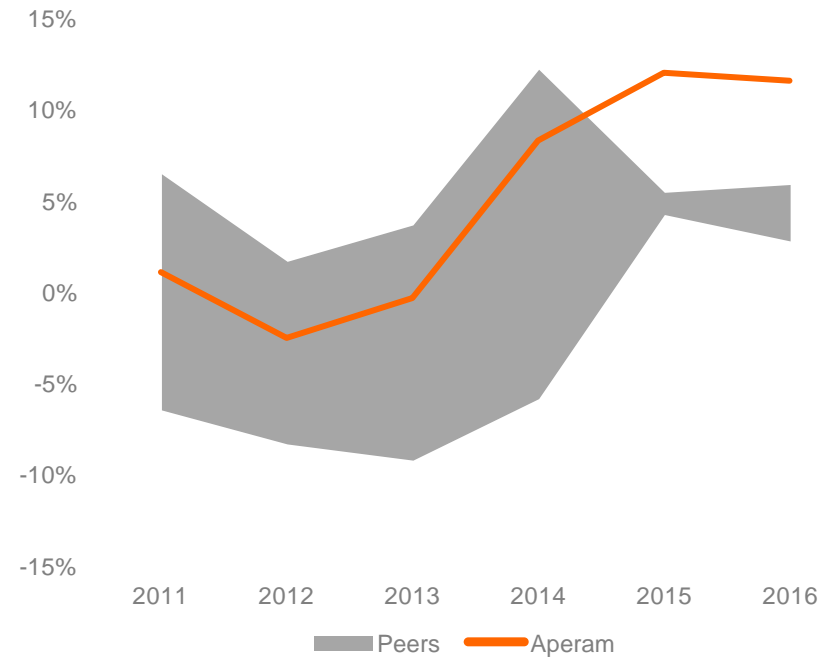


## Strong operating performance

### EBITDA margin evolution



### Return on Capital Employed<sup>[1]</sup>



**Industry leading return on capital employed and operational performance**

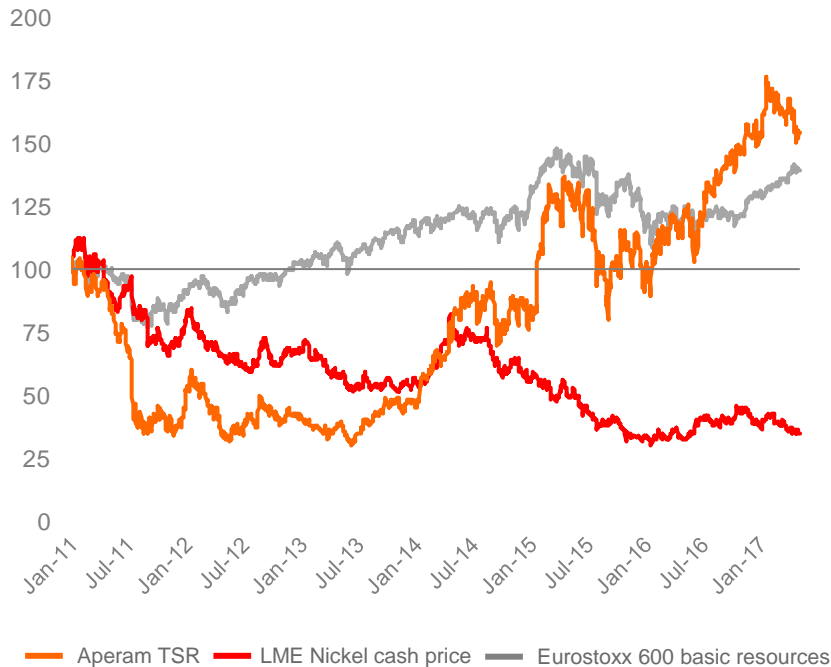
<sup>[1]</sup>ROCE: Yearly EBIT/ (Yearly average Net financial debt + Yearly average Equity)  
Source: company publications

# A strong cash generator with disciplined cash allocation



## Aperam Total Shareholder Return

Aperam Total Shareholder Return\* since spin-off\*



Aperam Total Shareholder Return\*

	1 Year	2 Years	3 Years	Since creation
APAM Total Shareholder Return	26%	19%	87%	54%
Basic resources Eurostoxx 600	12%	-4%	14%	40%
Nickel LME spot price	8%	-29%	-54%	-65%

**Aperam has generated consistent return for its shareholders since its creation**

\* As of May 29, 2017. Aperam TSR includes gross dividend

# A strong cash generator with disciplined cash allocation



Focus on value accretion

## Aperam value creation levers

- 1 Agile Aperam: Strong execution of strategy put Aperam best in class on all KPIs (EBITDA margin, ROCE and cash generation)**
- 2 Sustainably profitable and cash generation**
- 3 Clear and disciplined financial policy with 50% to 100% pay-out**
- 4 Strongest balance sheet creates better ability to capture growth options (Organic and External)**

**Solid execution, profitability and returns to Shareholders with financial strength to capture growth**