

**Site visit 2017 – Genk plant**

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

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**Timoteo Di Maulo – Chief Executive 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.

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# Aperam's vision & value strategy

# Aperam's vision & value strategy

Being a sustainably safe and profitable company



## Aperam's investment case

### Solid execution of self help strategy

Leadership Journey®

Phase 1: Restructuring

Phase 2: Asset upgrade

Top Line strategy

End-user focus

### Cost Leading footprint

Optimized and sustainable European asset base

Sole flat stainless steel producer in South America

Lean organization

Leading industry margins and returns

### Cash generation and financial discipline

Strong cash generation through the cycle

Strongest balance sheet in industry

Progressive dividend

Shareholder payout of 50-100%

Solid cash generator thanks to solid and consistent execution of self-help strategy and financial discipline

# Aperam's vision & value strategy

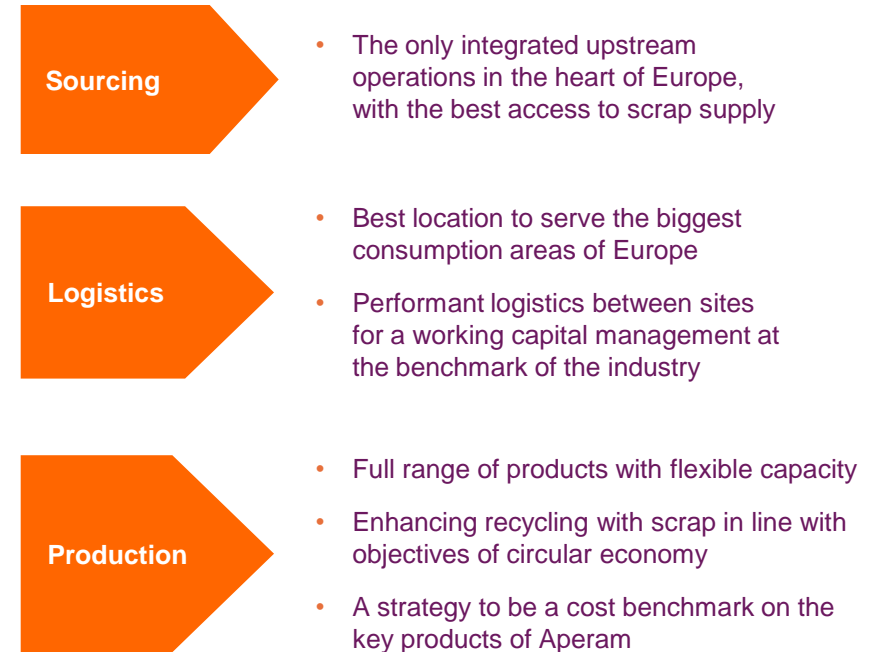
Leverage Aperam's unique position in Europe



## European stainless steel industry footprint after restructuring



## Key strengths of the European operations of Aperam



Closest location to major scrap generating regions as well as major stainless consumers in Europe

# Aperam's vision & value strategy



Unique asset base in South America well adapted to the market

## South American Footprint



## Upstream integration



Blast furnace fuel needs fully covered through cost competitive and environment friendly captive charcoal from our cultivated forests



## Range of products



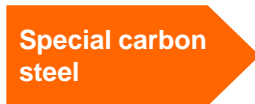
A complete range of stainless steel grades (austenitics, ferritics, duplex, martensitics)



Grain oriented electric steel (GO & HGO) has the magnetic properties optimized in the rolling direction, aiming its use in stationary machines such as transformers.



Non-grain oriented electric steel (NGO) has similar magnetic properties in all directions, aiming its use in electric motors and generators with moving parts.



Completing product portfolio with alloyed, high, medium other special carbon steel.



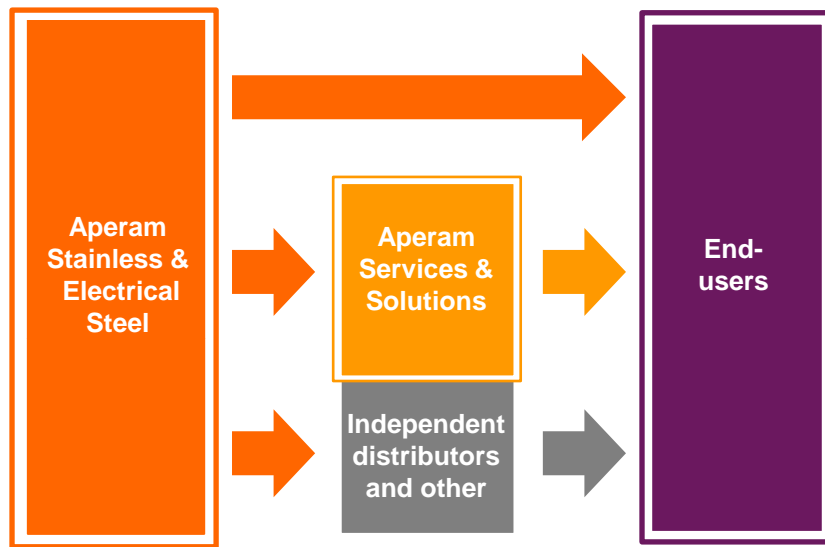
The sole flat stainless steel producer in South America with a complete range of products, including Electrical and Special Carbon Steel, and flexibility between production routes to adapt to market needs

# Aperam's vision & value strategy

## Products and services differentiation

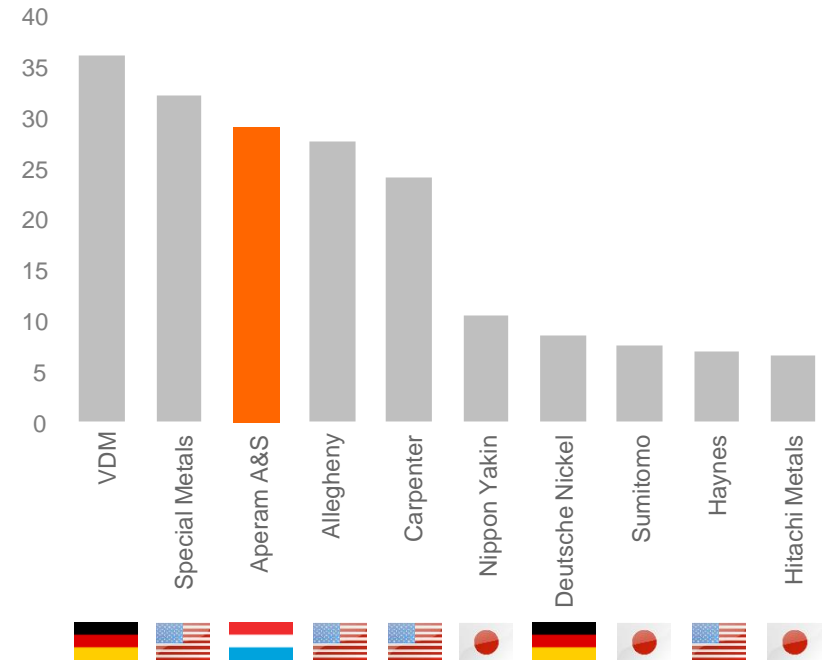


### Services & Solutions division



Transformation of Stainless Steel and additional services to better fit needs of end-users

### Alloys & Specialties division – ranked number 3 amongst global nickel alloys producers (kt in 2015)



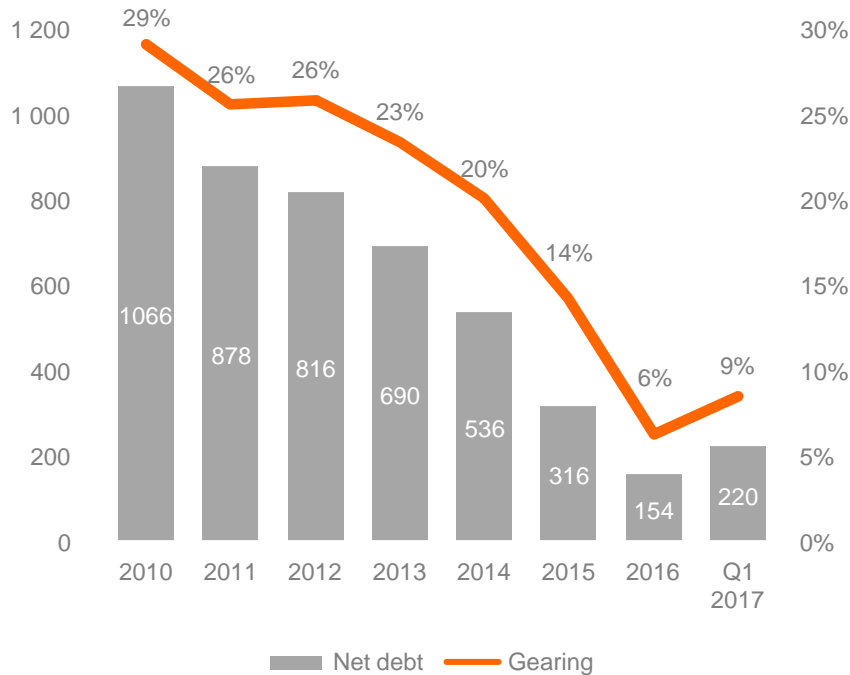
Enhanced our partnership with customers through focus on downstream added value services and solutions. Alloys & Specialties division caters to highly profitable niche product ranges.

# Aperam's vision & value strategy

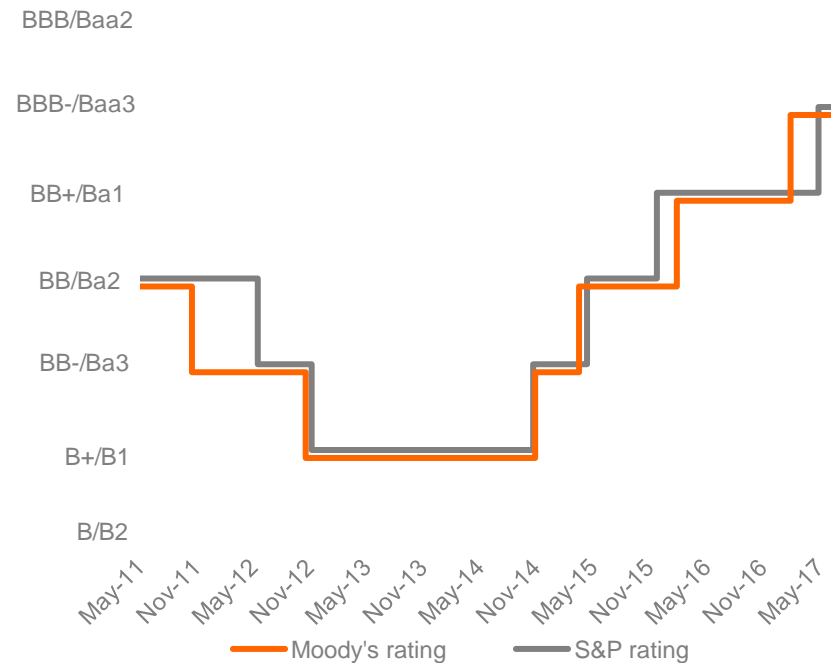
## Strong cash generation and financial metrics



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



**Aperam is rated Investment grade by both rating agencies**



**Aperam offers strong cash generation, healthy balance sheet and disciplined financial policy. The company is rated Investment Grade by both Moody's and S&P.**

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

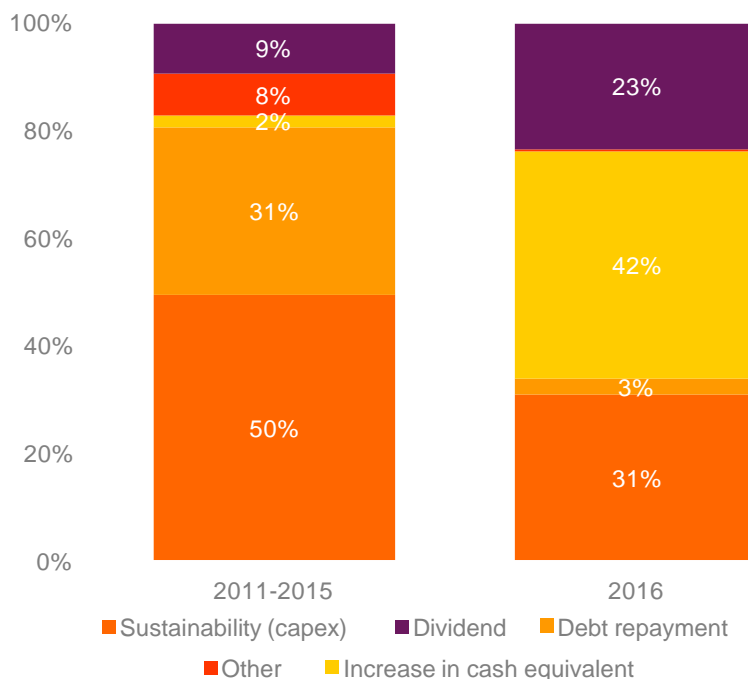


# Aperam's vision & value strategy

## Disciplined cash allocation



### Aperam uses of cash flow from operations since spin-off



### Capex selective focus

- Agility**
  - Focus on incremental projects to maximize pay back and flexibility
- Productivity & Reliability**
  - Focus on debottlenecking and efficiency to capture highest returns
- Innovation**
  - Promote specialties and value added products
- Sustainability**
  - Ensure a sustainably safe and reliable environment for all stakeholders

### M&A – sound financial criteria

- Synergies**
  - Acquisition with synergies are prioritized
- Value accretion**
  - Deal expected to enhance profitability of Aperam
- Financial scope**
  - Balance sheet in line with Investment Grade ratios

**Aperam maintains a selective approach regarding its Capex and M&A policy. While the company generates more cash, it has also increased the returns to shareholders.**

# Aperam's vision & value strategy

Sustainability is fully embedded in Aperam Strategy



## Social

Our People are our greatest asset.

Their Safety is our priority, their development is a key to our success

- **LTIFR : 1.46** (vs. 0.98 in 2015) due to isolated under-performance at two sites – [target at 1, all employees]
- **Absenteeism: 2.19** (vs. 2.26 in 2015) – [target at 2]
- 2016 **Performance review: 95%** of Exempts, **90%** of White collars, 71% of Blue collars – [target at 100%]
- 2016 Training hours **+10%** (vs. 2015)
- Among **Brazilian top companies to work for** <sup>[1]</sup>



## Environnement

We provide one of the “greenest steels” and constantly reduce our production costs and impacts

- **CO<sub>2</sub> intensity<sup>[2]</sup> reduction vs 2007 >20%** - [target at -35% by 2020] due to maximum usage of charcoal
- **Energy intensity<sup>[2]</sup> reduction vs 2012: -6%** [target at -10% by 2020]
- **93% re-use/recycle** performance - [target at 100%]
- 96% of water in closed circuits (+1 pt vs. 2015)
- Increased focus on Dust



## Governance

We lead by example with strong sense of ethics & integrity and maintain constant engagement with all our Stakeholders

- Best practice in Board composition with a **majority of independent directors** (4 out of 7 members)
- CSR indicators (H&S) in full staff personal objectives
- **Full Compliance plan deployment** with 1<sup>st</sup> external Compliance risk assessment and focus in Brazil
- Strong Customer & Innovation focus
- Aperam's **risk management approach** recognized as 'best in class'<sup>[3]</sup>

A clear program strengthening Aperam strategic objectives and sustainability

<sup>[1]</sup> For the sixth consecutive year, Aperam South America was selected as one of the best companies to work for by Guia Você S/A, in recognition of our work on employee health and wellbeing.

<sup>[2]</sup> Per ton of crude steel

<sup>[3]</sup> by the Institute of Internal Auditors certification.

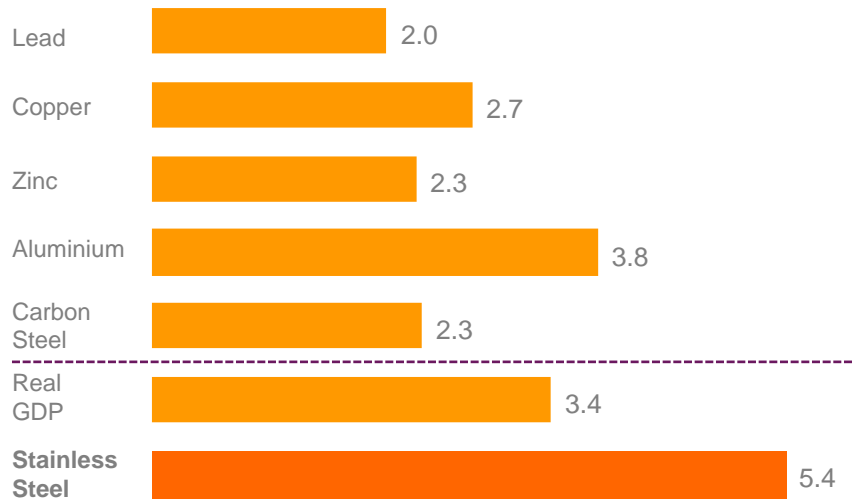
# Environment challenges & opportunities looking ahead

# Environment challenges & opportunities looking ahead



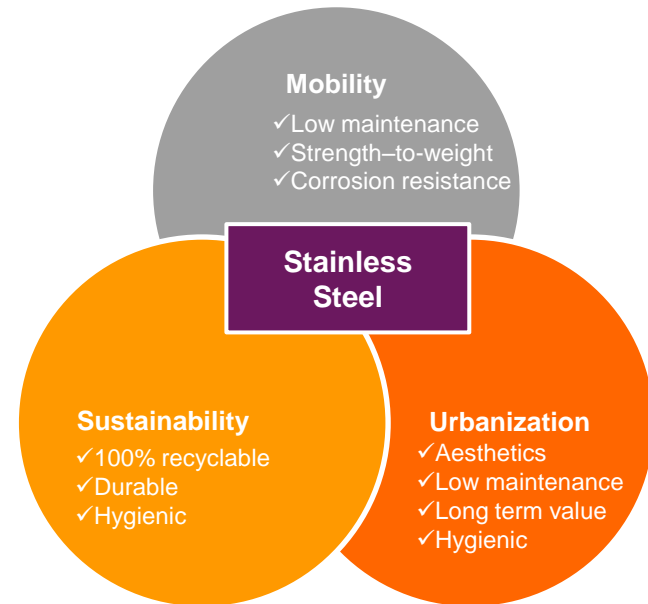
## Stainless steel long term demand

Global Growth: GDP and major metal consumption 1980-2016  
CAGR (%)



Global Stainless steel consumption CAGR of 6.1% over the last 5 years

Stainless steel at the heart of global economy megatrends



Stainless steel comes later in economic development of countries as economies become more mature.

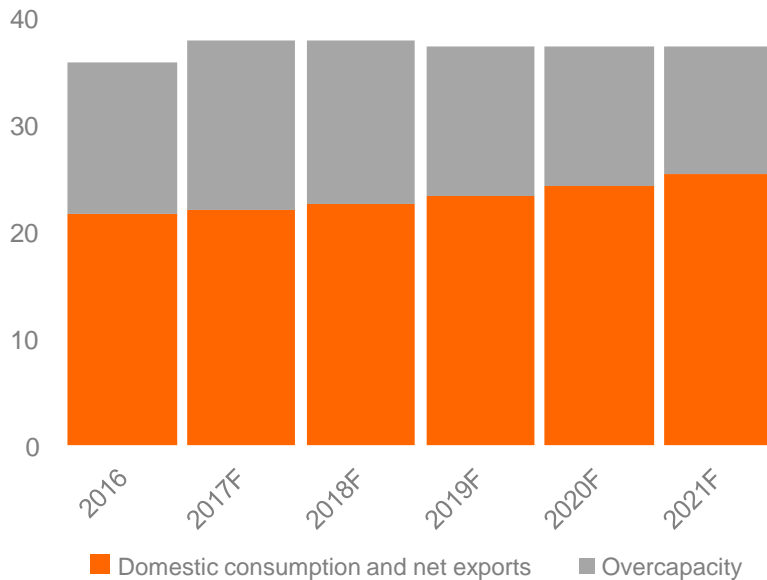
While stainless steel consumption growth has outpaced those of the other metals, global economy megatrend continue to support future stainless steel demand

# Environment challenges & opportunities looking ahead

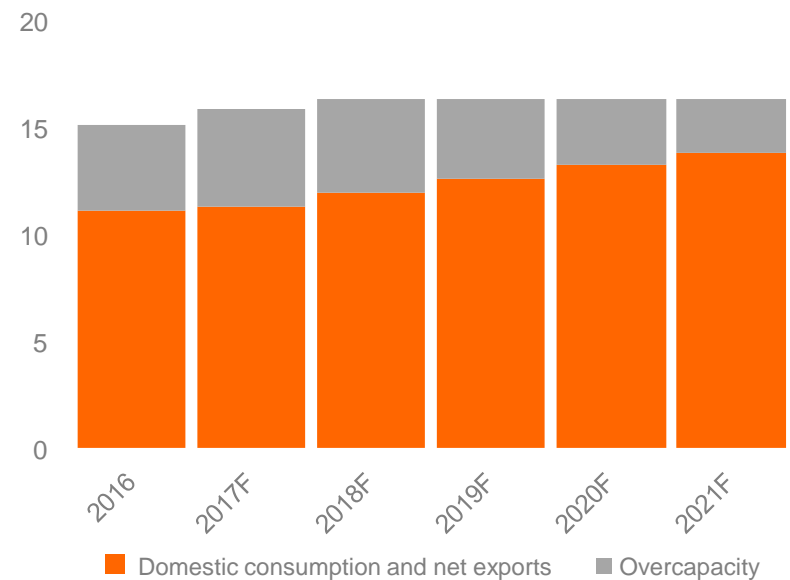


Chinese stainless steel overcapacity is expected to decrease post 2017

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



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



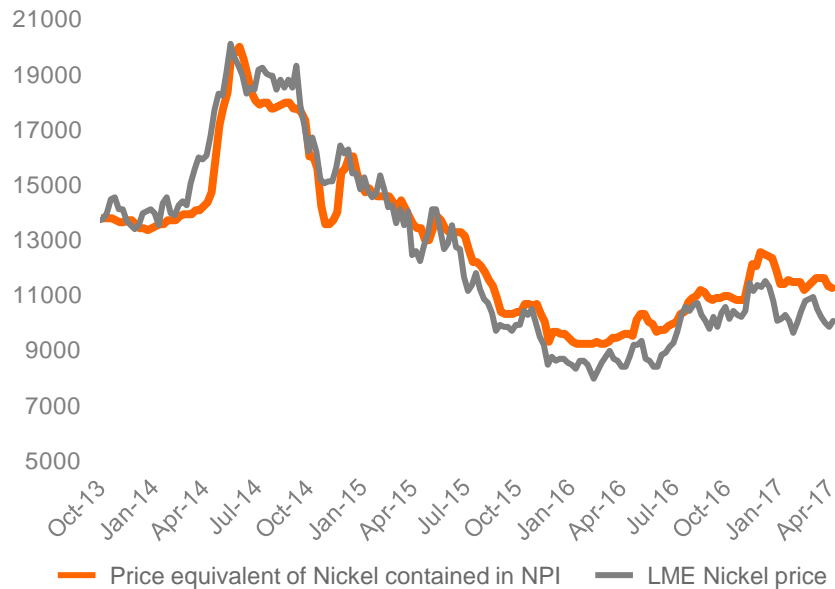
Pace of new production capacities coming onstream is slowing down while demand is expected to continue growing and some capacity cuts are announced

# Environment challenges & opportunities looking ahead

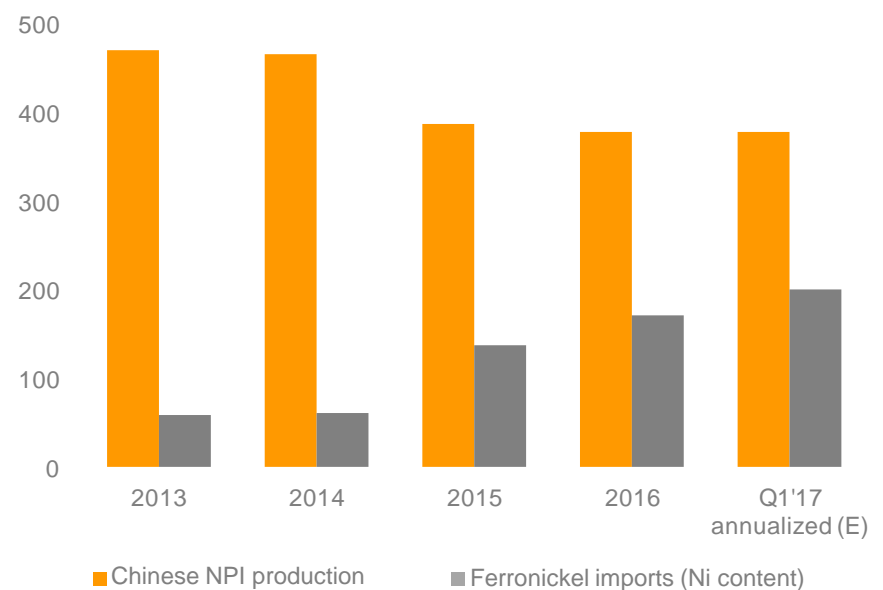


## Diminishing raw material advantage of Chinese players

Price equivalent of Nickel contained in NPI vs. LME Nickel price (USD/t)



Chinese reduced NPI production leading to increased Ferro-Nickel Imports (in kt)



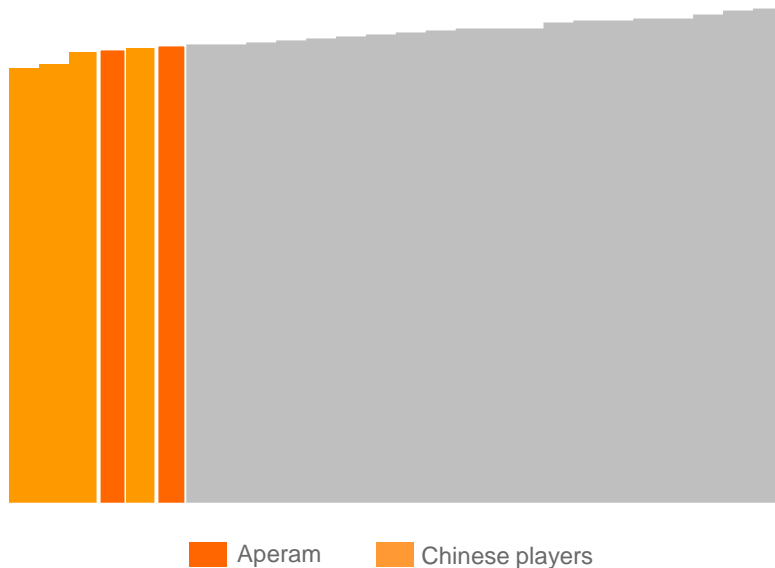
**Chinese NPI production has tightened, affecting Chinese cost competitiveness**

# Environment challenges & opportunities looking ahead



## Cost competitiveness

Stainless steel 304 CR delivered in Europe cost curve (USD/t)



China 4 “P”: long term threats to Chinese players competitiveness

- Pollution** → High pollution concerns will require actions against most polluting capacities
- People** → Unfavorable demographics and wage inflation
- Production cost** → Loss of competitiveness with raw material price increasing for Chinese players
- Play fair** → Unfair behavior led to Anti Dumping measures worldwide

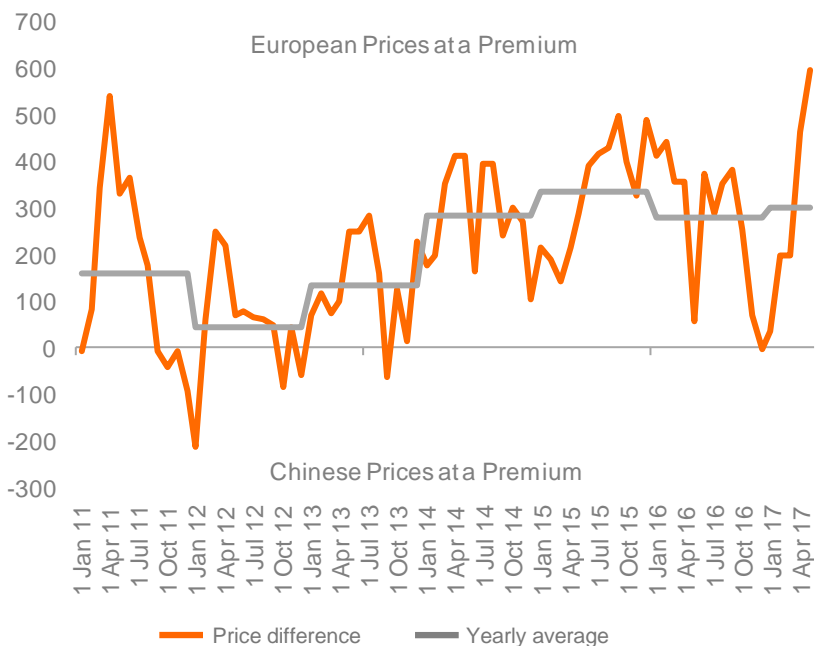
**Strong competitiveness of Aperam in both Euro zone and South America thanks to endless focus on operational excellence since its creation**

# Environment challenges & opportunities looking ahead

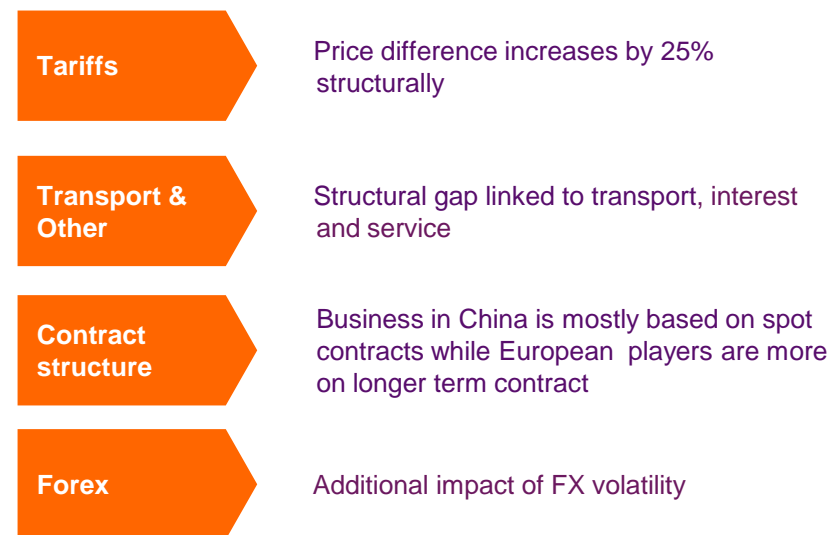


Stainless steel chinese prices remain the international price reference, with changing spread

Prices difference between Chinese and European prices – 304 CR (USD/t)



Stainless steel 304 transaction prices (USD/t)



**Price difference has structurally increased following implementation of tariffs measures. Short term volatility remains mainly due to different pricing reactivity versus raw material and forex.**

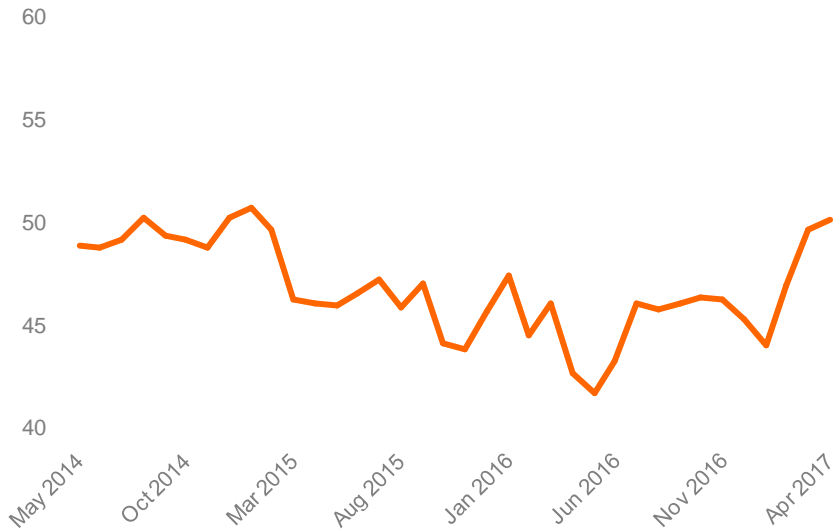


# Environment challenges & opportunities looking ahead

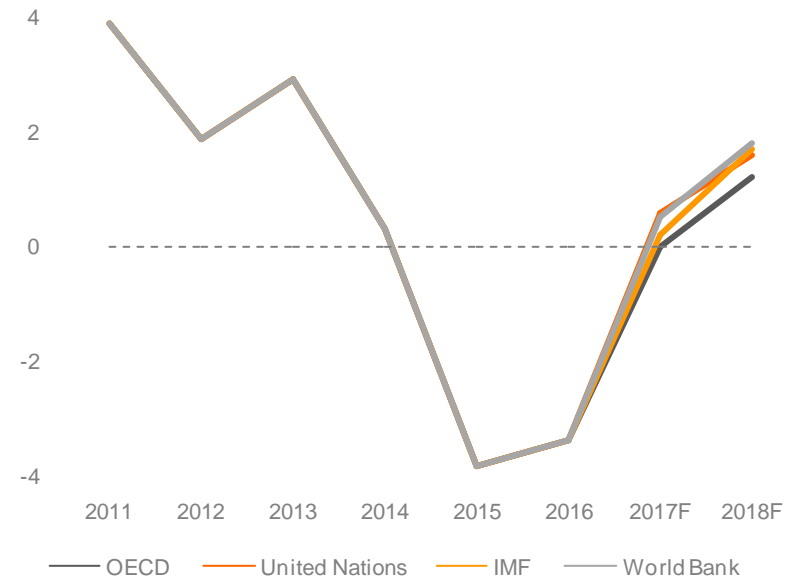


## Brazilian opportunities

**Manufacturing PMI in Brazil  
in %**



**GDP evolution and forecasts**



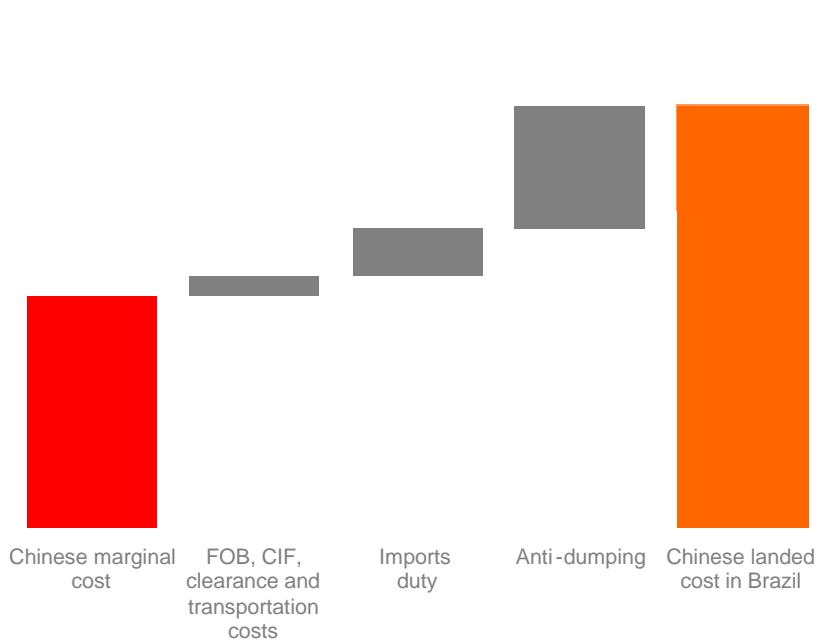
**Brazilian environment reached a trough in 2016, with signs of recovery in its macro environment since end of 2016, however political uncertainties remain**

# Environment challenges & opportunities looking ahead



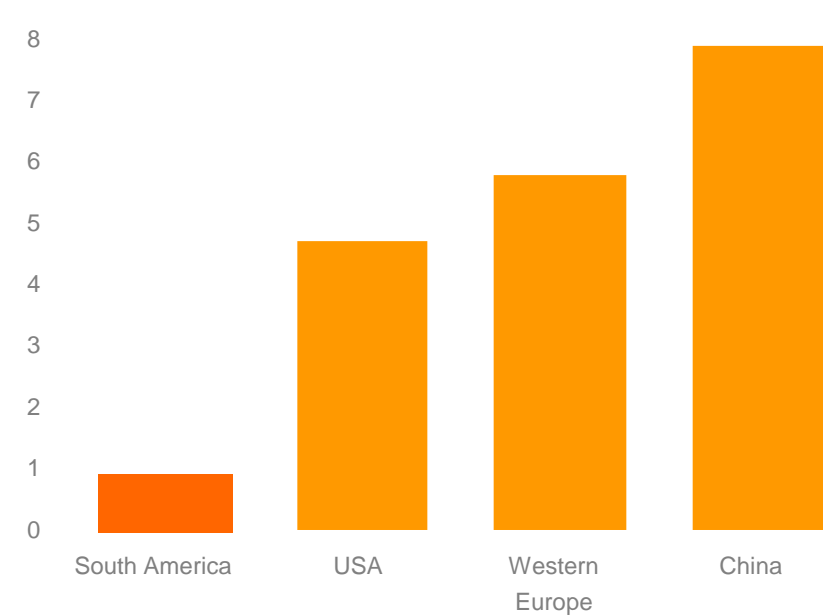
## Brazilian opportunities

Chinese marginal cost player to landed costs in Brazil (USD/t)



- 14% of imports duties on all products categories of Aperam.
- Anti-dumping ranging from 133 up to 1077USD/t on Stainless and non-grain oriented electrical steel products

Stainless steel flat stainless steel consumption per capita (kg/year)



**Brazilian tariff expected to lead to mix improvement once stainless steel demand will recover while long term potential remains intact**

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# Leadership Journey® : the Transformation Program

# Leadership Journey®: the Transformation Program

Aperam mission & strategy update



## Aperam Missions

- 1 Be a sustainably safe company
- 2 Deliver best in class profitability and returns
- 3 Be the preferred Supplier

## Aperam continuously reinforced Leadership Journey®

	Total target gains
1 2011-2013: LJ phase 1 - Restructuring	USD 350m
2 2014-2017: LJ phase 2 – Asset upgrade	USD 225m
3 2018-2020: Leadership Journey® phase 3 - TRANSFORMATION	USD 150m

Transform the company to achieve the next structural profitability improvement through its new strategic phase, the Transformation Program

# Leadership Journey®: the Transformation Program

## Transformation Program rationale



### The Leadership Journey® initiatives by phase

#### **Phase 1: Restructuring & cost cutting**

Launched at the early stage of the program in 2011, the restructuring initiatives were focused on the closure of non-competitive capacities and the reduction of fixed costs through, in particular, process simplification and major cost cutting investments.

#### **Phase 2: Upgrading best performing assets**

Since the beginning of 2014, major projects were launched to debottleneck Aperam's downstream operations, improve cost competitiveness and enhance its product portfolio.

#### **Phase 3: Transforming the Company**

This new phase of the journey launched in 2017 aims to transform the business and address next generation needs of Aperam's customers through a modern industry with new technologies and fully connected organisation

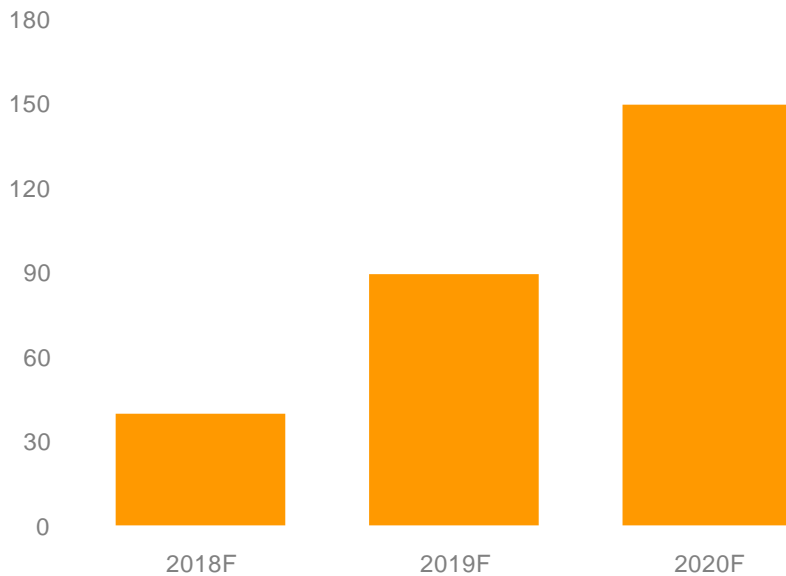
**Upgrading Aperam to the most modern standards through innovation and new technologies is expected to enhance productivity gains and enlarge capabilities for most profitable products**

# Leadership Journey®: the Transformation Program

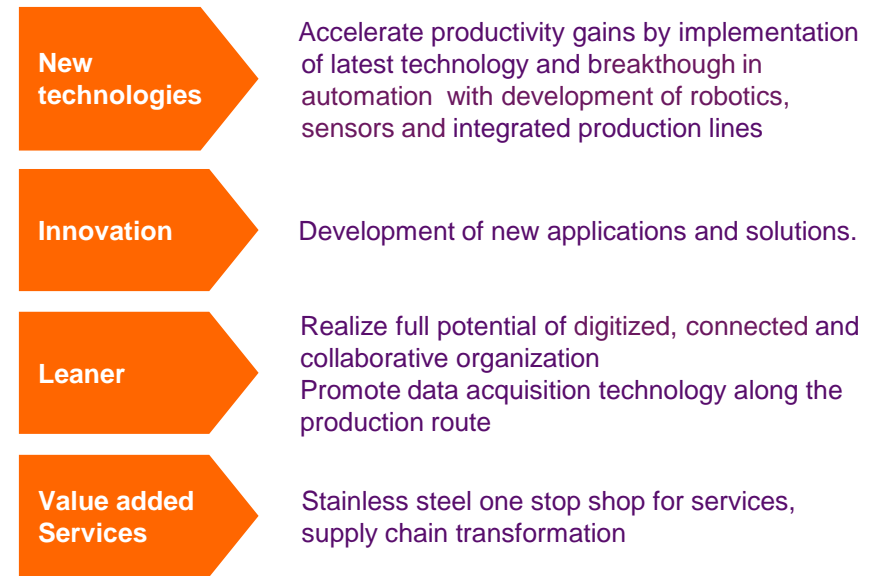
## Transformation Program targets



Annualized EBITDA cumulated gains from (USD million)



Key pillars of the Phase 3 Transformation Program



USD 150 m of annualized gains by the end of 2020

USD 150 m of capex over 2017-2019 on top of maintenance capex and remaining phase 2 capex

**USD 150m additional annualized gains targeted over the next 3 years**

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# Conclusion

## Disciplined cash allocation with a clear financial policy



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
<b>Company sustainability</b>	Invest in sustaining and upgrading the company's assets base to continuously reinforce Leadership Journey® and Top Line Strategy	<b>CAPEX 2017 USD 180 - 190m.</b>
<b>Value Accretive Growth &amp; M&amp;A</b>	Compelling Growth and M&A opportunities with high hurdle rate	-
<b>Dividend Policy</b>	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>Dividend per share of USD 1.50 per share</b>
<b>Extra Cash Utilization</b>	Remaining excess cash will be utilized in the most optimal way	-

**Company's intention to maintain a total payout to shareholders between 50% to 100% of EPS**



# Aperam's vision & value strategy

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## Aperam's investment case

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Phase 2: Asset upgrade

**Phase 3: Transformation**

Top Line strategy

End-user focus

### Cost Leading footprint

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Leading industry margins and returns

### Cash generation and financial discipline

Strong cash generation through the cycle

Strongest balance sheet in industry

Progressive dividend

Shareholder payout of 50-100%

Solid cash generator thanks to consistent execution of self help strategy and financial discipline, with a new strategy initiative to improve structurally Aperam's productivity and profitability

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Q&A