

**Investor Day – Isbergues**

November 26, 2014

apream

**Sandeep Jalan – Chief Financial Officer**

## Disclaimer



### Forward-Looking Statements

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# Market recent evolution and prospect

## Market recent evolution and prospect



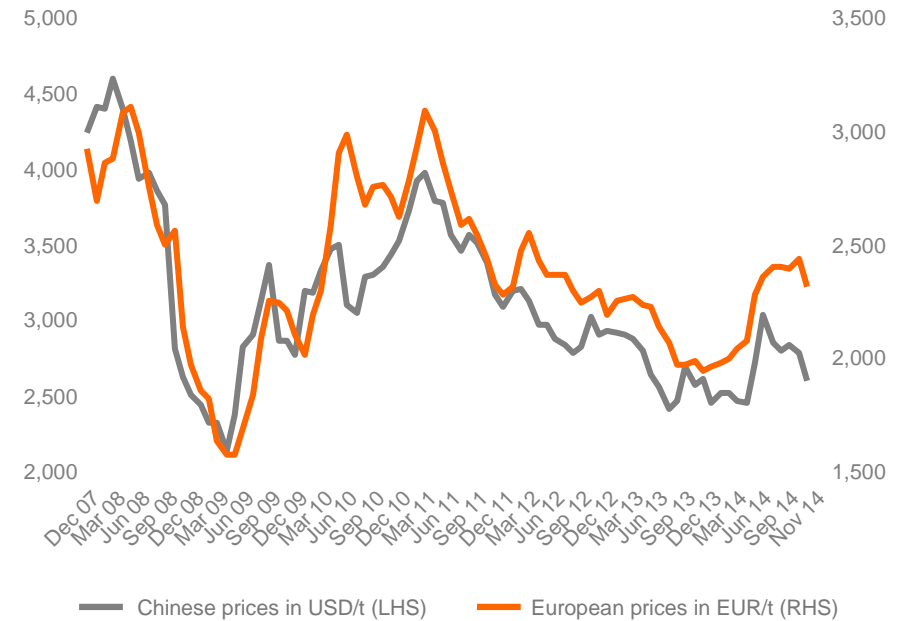
Despite positive evolution in the first semester, the nickel price instability keeps the stainless steel market under pressure

Nickel - LME Cash (USD/t)



NPI new cost floor still under evolution but higher than last year USD12-14k

Chinese versus European CR 304 2B 2mm coil transaction price



**Price increase was initiated in 2014  
but movement was halted under the pressure of imports and recent sharp nickel price decrease**

# Market recent evolution and prospect

European demand improving but still under pressure

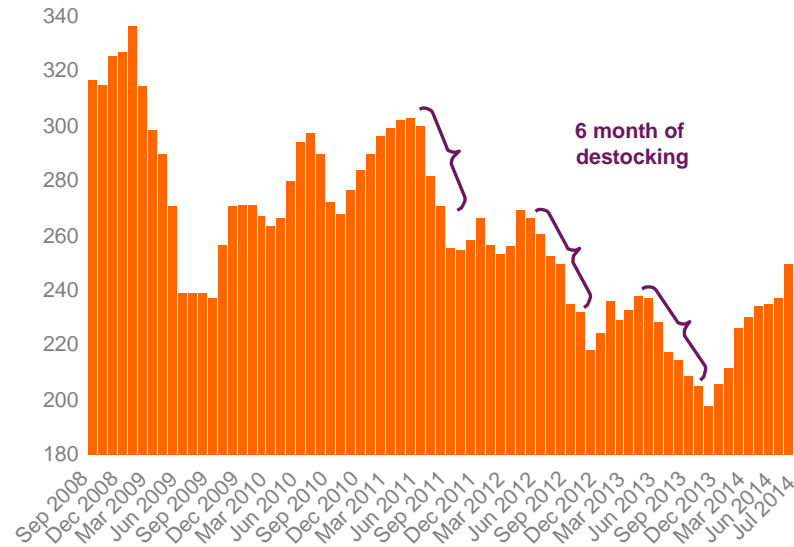


**Stainless steel base price in South Europe for CR 304 2B 2mm coil (USD/t)**



Base price decreases in second semester of 2014 are also partly resulting from a weaker Euro

**Stocks of flat stainless steel in EU-27 for distribution**



**Customers have replenished their inventories during the first semester supporting the apparent demand. The second semester 2014 is impacted by customers' destocking**

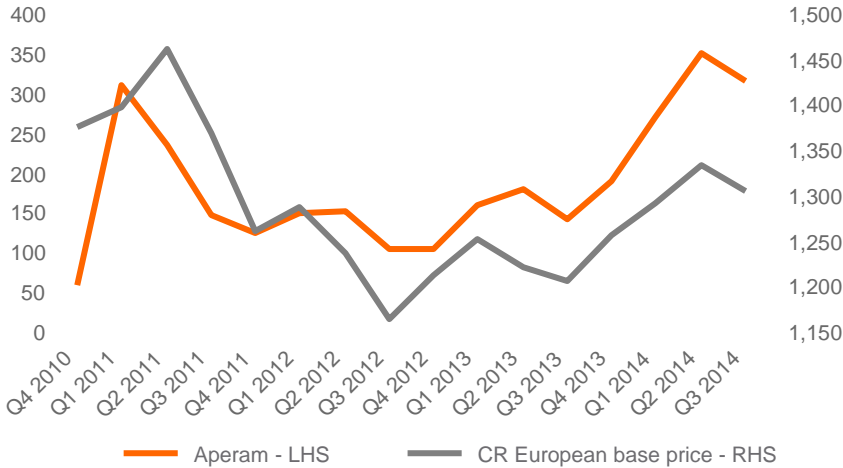
Source: SBB, Eurofer

# Market recent evolution and prospect

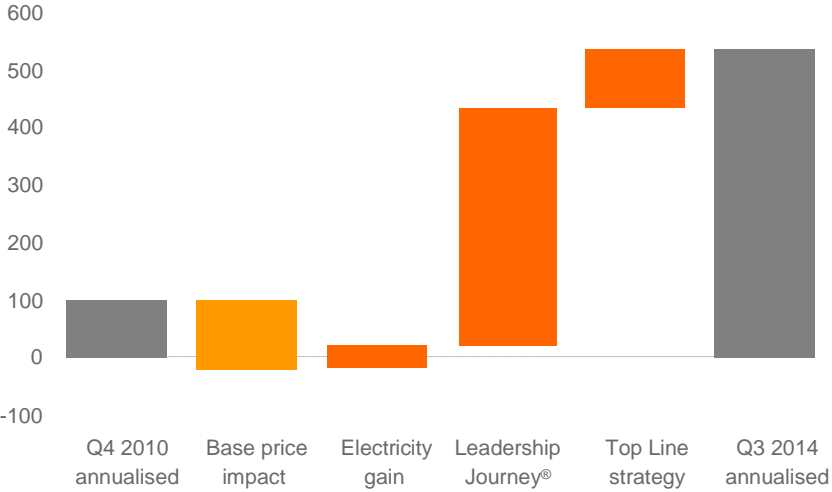
Aperam has been continuously delivering



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



Identified EBITDA drivers – Q4 2010 vs Q3 2014 proforma (USDm)



**The Leadership Journey® and the Top line strategy have continuously demonstrated their positive contribution**

Source: SBB, Aperam



# Aperam performance

# Aperam performance

## Key pillars of the Leadership Journey®



### Leadership Journey® initiatives – Core Pillars

#### Restructuring

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

#### Investments 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 Enhancement projects

Reinforcing the existing continuous improvement program, several performance projects have been launched in order to accelerate cost reduction. In particular, specific action plans focussing on sourcing, IT and SG&A

### Key projects completed since beginning of 2011

- In Brazil, VSS\*, switch from LPG to natural gas and conversion of blast furnace number 2 from coke to biomass.
- In Europe,
  - Suspension of traditional cold roll mill in Isbergues
  - Completion of the new hot annealing and pickling line in Gueugnon
  - Industrial optimization and rationalization (from 29 to 17 tools)
- In Services & Solutions, Service Center expansion in Campinas
- Alloys & Speciality, completion of the Imphy meltshop enhancement
- Closure of Firminy (Precision)

**Contribution of a total amount of USD 415 million to EBITDA since the beginning of 2011**

\*VSS – Voluntary Separation Scheme

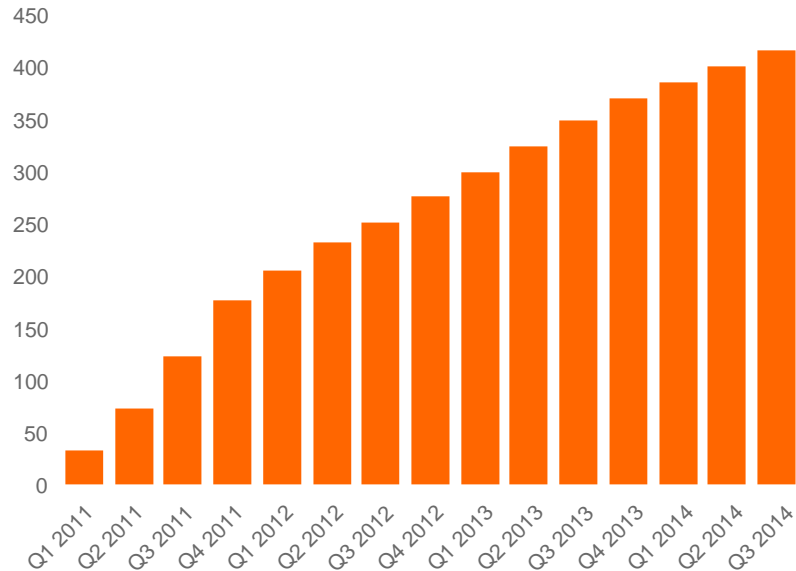


# Aperam performance

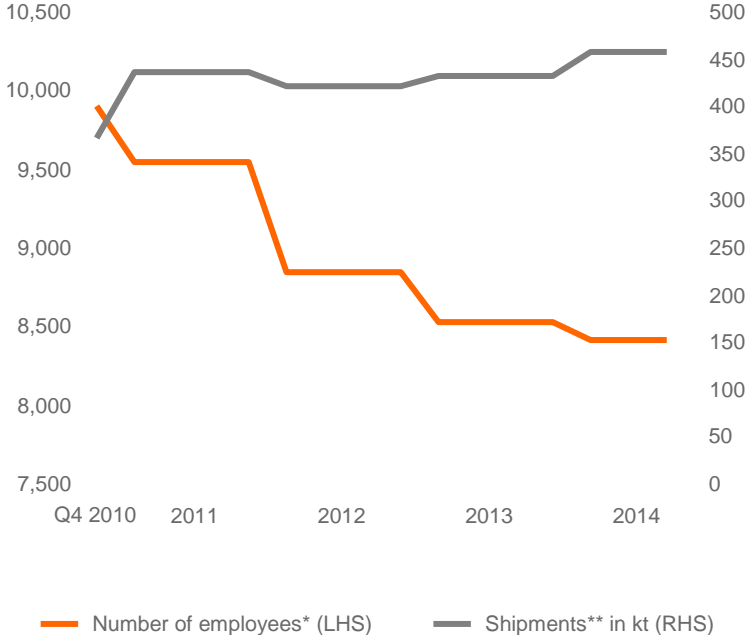
USD415m of solid Leadership Journey<sup>®</sup> gains captured



Cumulated gains (USD million)



Productivity evolution, average



**USD475m of recurring savings targeted by end 2015, including additional USD60m of gains**

\* Full time equivalent excluding Bioenergia  
 \*\* Quarterly average

## Aperam performance

Aperam's know-how to combine Top Line strategy with Leadership Journey® to further enhance its profitability level



### Aperam's strategic plan process



- 1** A commercial plan to optimize & monitor the product mix
  - 2** A cost reduction program to increase the competitiveness of the mill
  - 3** Optimization of mill's volume to better absorb fixed costs
  - 4** A communication program to facilitate the adhesion and buy-in of the personnel and a competency plan to prepare the future
- ➔** The plan is viewed as a whole with the 4 projects being interdependent to achieve better financial results.

From assets' competitiveness to product and service differentiation

# Aperam performance

New projects underway as part of Leadership Journey®



Genk – CAP2\* upgrade



- Upgrade of Motors, drives and accumulators of CAP2\*, which is the most competitive and critical facility oriented towards capital goods market
- Enhancement of reliability, productivity and cost competitiveness

Gueugnon – CAP10\* upgrade



- Debottlenecking by increasing the power of the furnace and boosting the efficiency of the pickling.
- Enhancement of reliability, productivity and cost competitiveness

Timoteo - Sendzimir Mill #1 upgrade



- Upgrade of electrical equipments and controls for Sendzimir Mill #1, focusing on high quality and thinner materials and increasing rolling speed
- Enhancement of reliability, productivity and cost competitiveness

**As part of the Leadership Journey®, debottlenecking of the downstream facilities in Genk, Gueugnon and Timoteo for a capex of USD25m, aiming at enhancing reliability, productivity and cost competitiveness**

\* Cold Annealing and Pickling line

## Aperam performance

New projects underway as part of Top Line strategy and Leadership Journey®



A&S Division (Imphy - Wire Rod mill)



Capex: USD10m

- Imphy is presently a cost leader on Nickel Alloys Wire Rods, due to a unique integration of melt shop, continuous caster and hot rolling mill.
- Project aims at debottlenecking of the finishing line of Imphy Wire Rod Hot rolling mill and aims at further improving competitiveness and product portfolio for Alloys & Specialties Division.

HGO project



Capex: USD17m

- Produce High Permeability Grain Oriented (HGO) Electrical Steel to meet the growing Brazilian demand.
- Simplify Grain Oriented (GO) Electrical Steel production process and improve cost competitiveness for all production of GO / HGO production.

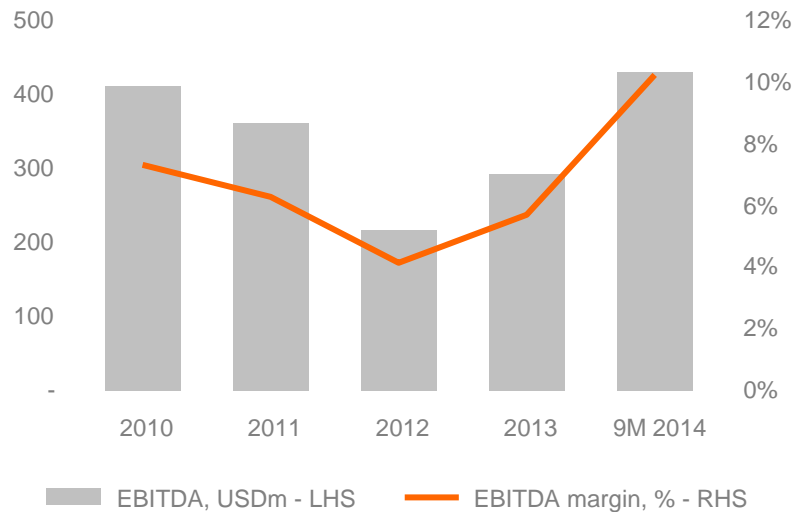
**As part of Top Line strategy and Leadership Journey®, simplification of production process in Imphy Wire Rod Mill and GO Electrical Steel Rolling Mill in Timoteo, aiming at enhancing top line and cost competitiveness**

## Aperam performance

Solid recovery on EBITDA with focus on sustainable margins



### EBITDA evolution



### EPS improvements

- EPS Ytd September 2014 at USD 0.97/share.
- Depreciation base reduced to USD 240m – USD 250m / year range (a reduction of about USD 50m / year) pursuant to review of remaining useful life of Assets.
- Interest costs should improve arising out of recent debt restructuring and rating improvement
- Recent weakening of Euro and BRL helps to further reinforce Aperam cost competitiveness

**2014 EBITDA margin at record level since 2008**

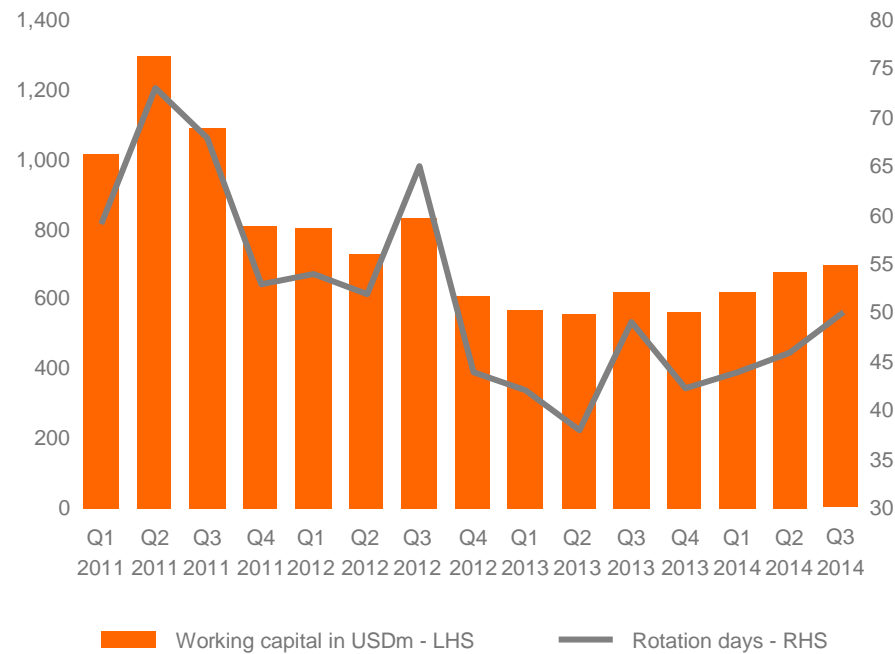
# Balance sheet and financing

## Balance sheet and financing

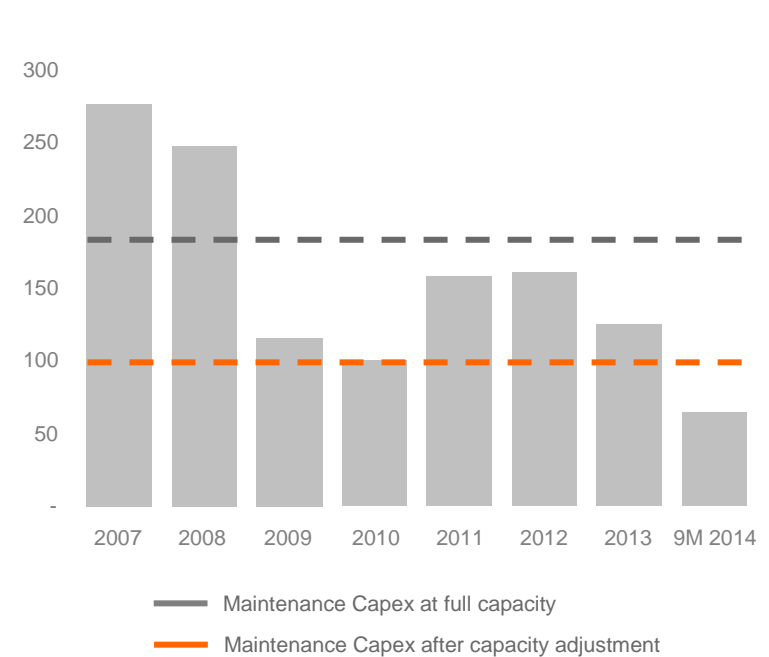
Working capital and investments under control...



Working capital evolution



Capex evolution, in USDm



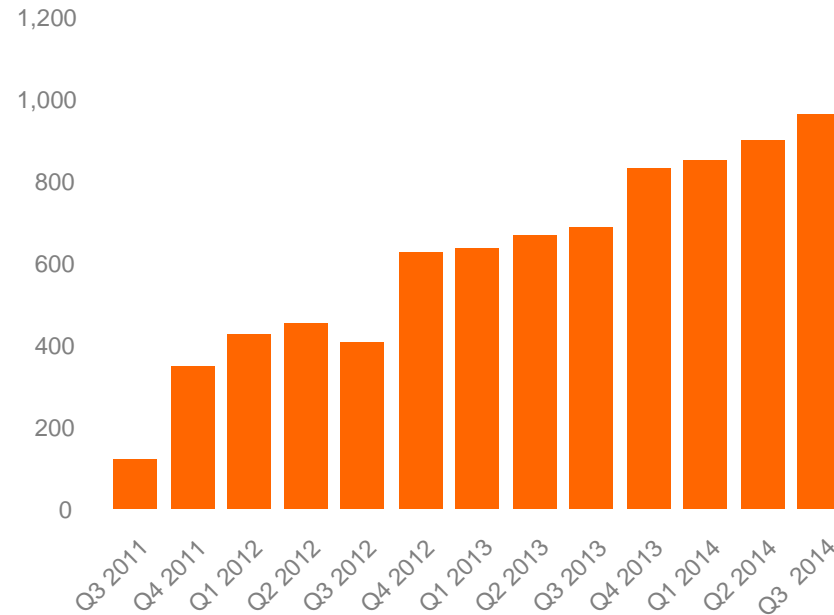
Active best in class working capital management and disciplined CAPEX

## Balance sheet and financing

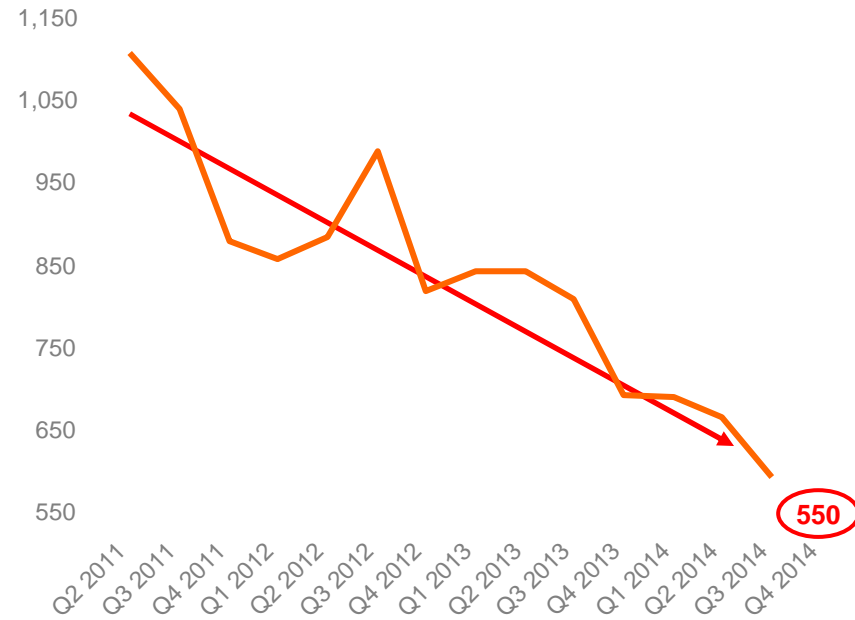
... allowing strong cash generation and net debt reduction



Cumulated net cash provided by operating activities  
(USD million)



Quarterly net debt of Aperam evolution  
(USD million)



Nearly USD 1 billion of operating cash-flows generated since mid 2011 in a challenging environment  
Net debt by year end targetted to reduce by 50% since mid 2011

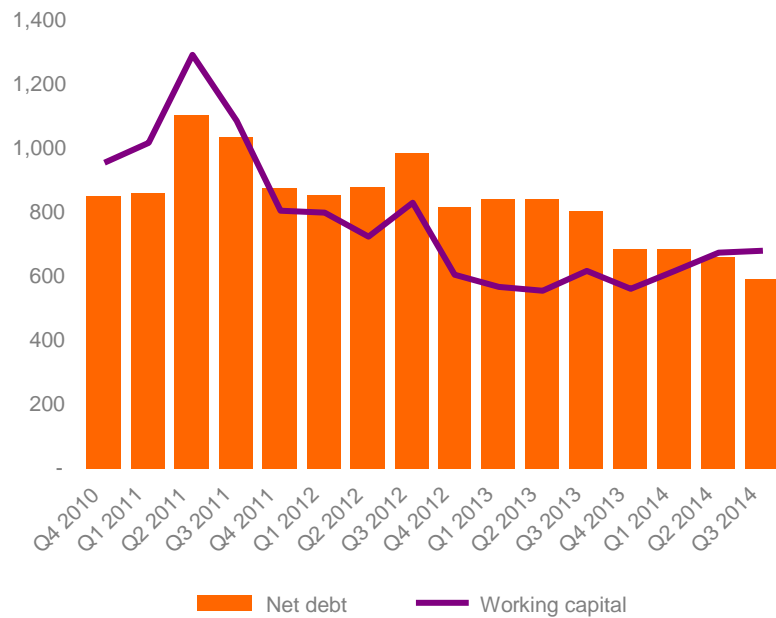


# Balance sheet and financing

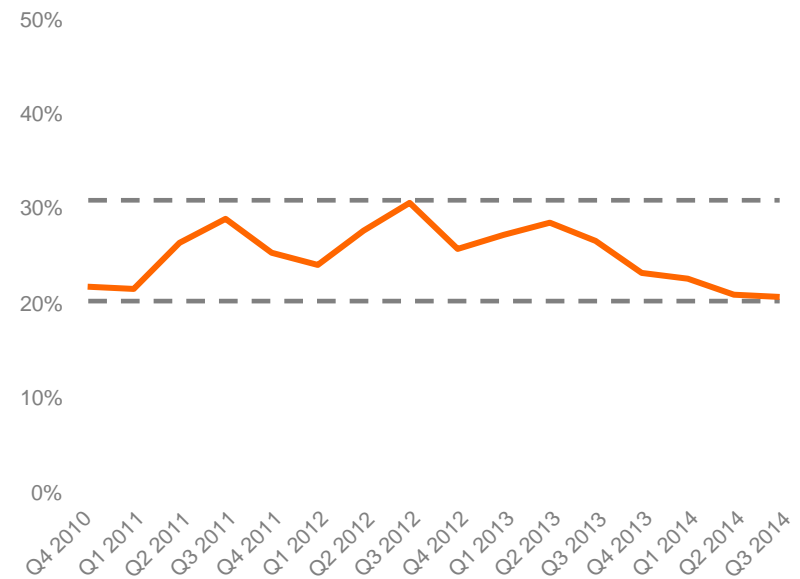
A solid and stable balance sheet



Net debt and working capital levels (USDm)



Net gearing, in %



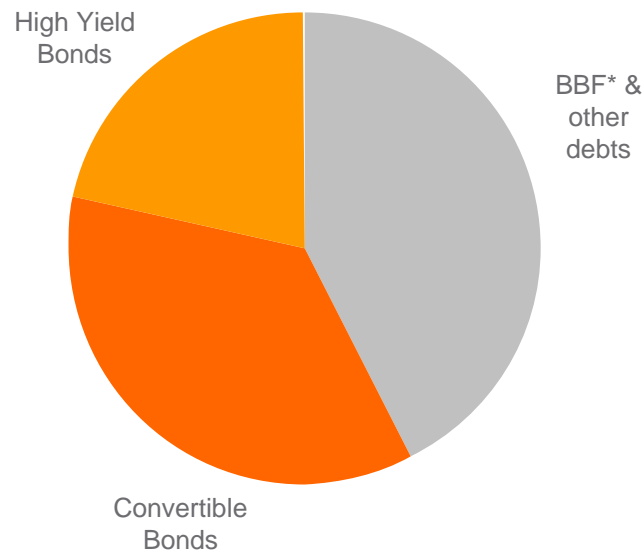
A net debt lower than working capital and very stable gearing

## Balance sheet and financing

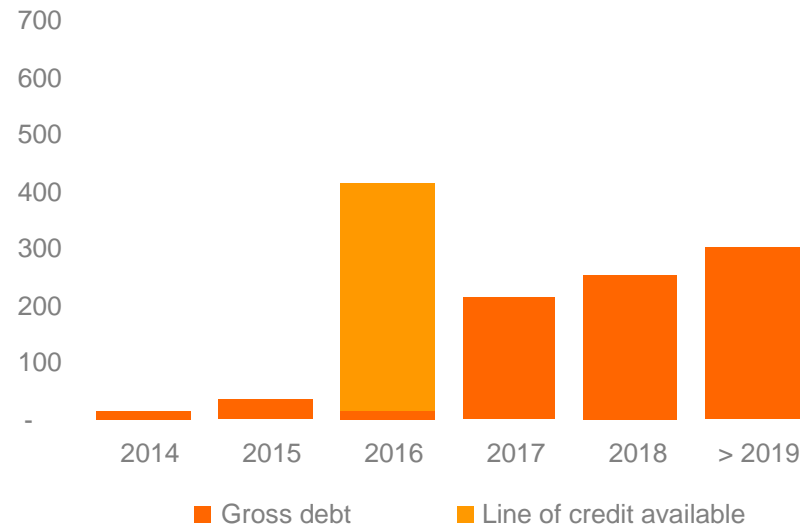
Diversified and improved funding structure



Total debt and available lines breakdown as of September 30, 2014 <sup>[1]</sup>



Debt maturity profile (USD million) as of September 30, 2014 <sup>[1], [2]</sup>



**Diversified debt structure and liquidity of USD550m**

**A well optimized debt maturity profile allowing good liquidity and flexibility**

<sup>[1]</sup> Taking into account the repayment of the High Yield Bond 2016 completed in October 1st, 2014.

<sup>[2]</sup> Assuming convertible bonds 2017 & 2019 reimbursement

\* Borrowing Base Facility of USD400m (fully unutilized as of 30 Sep 2014)

## Balance sheet and financing

### Debt restructuring and rating improvement



#### Debt restructuring actions in 2014

- Convertible Bond Orname of USD300m issued in June 2014 at coupon of 0.625% and premium of 32.5%
- BBF reduced by half during 2014 to USD400m
- High Yield Bonds of USD250m with coupon of 7.375%, maturing in 2016 reimbursed as of 1st October 2014
- Net debt reduction target enhanced to USD550m in Q2 2014 Earnings Release

#### Rating & Outlook

- **Standard & Poor's (7 November 2014): Rating upgrade from B+ to BB- with stable outlook**

*"Aperam has delivered consistently as planned under its cost savings program"*

*"Aperam's strong operating performance has nevertheless driven down its leverage, prompting us to revise our assessment of its financial risk profile to "significant" from "aggressive.""*

- **Moody's (14 November 2014): Rating upgrade from B1 to Ba3 with positive outlook**

*'Aperam will be able to continue to improve both its EBIT and EBITDA margins'*

*'Significant operational improvement will be sustained by the gains realized through Leadership Journey®.'*

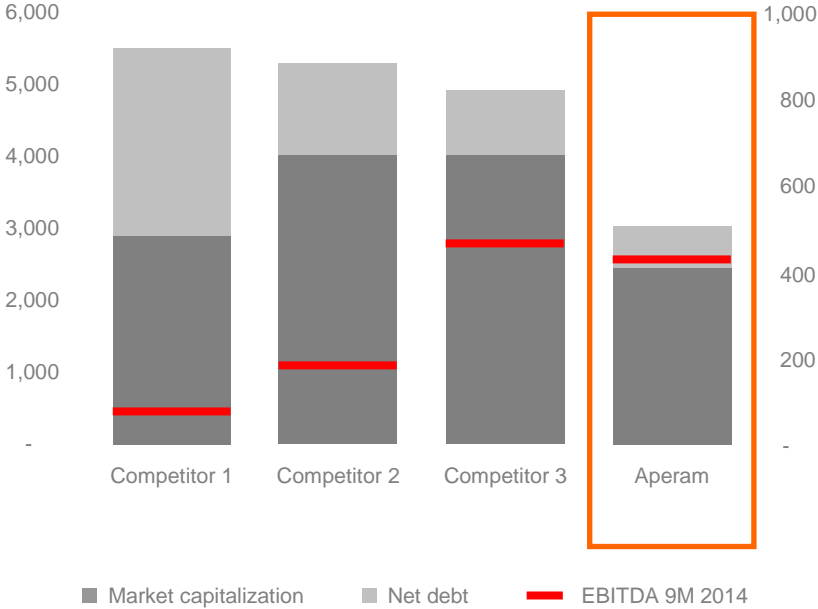
**Aperam expects strong improvement in its cost of debt**

# Balance sheet and financing

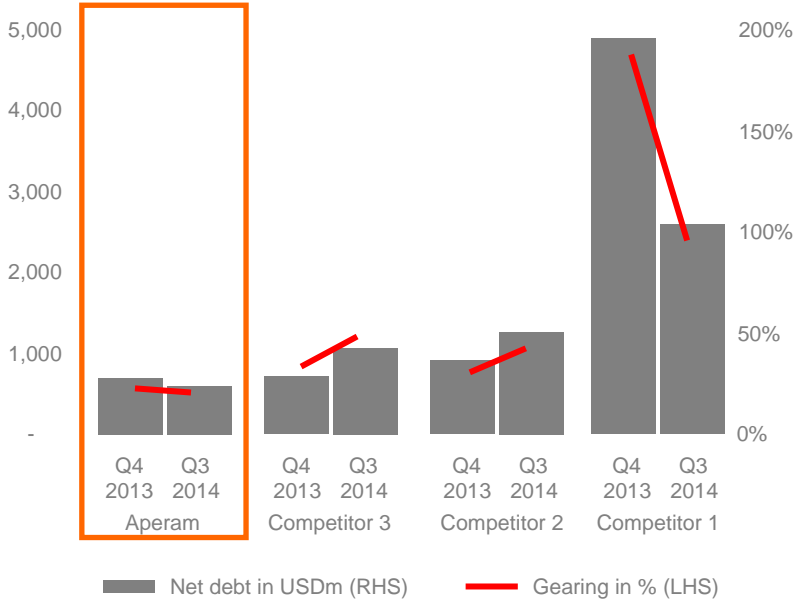
## Ranking



Enterprise Value ranking (USD million)\*



Net debt level ranking\*

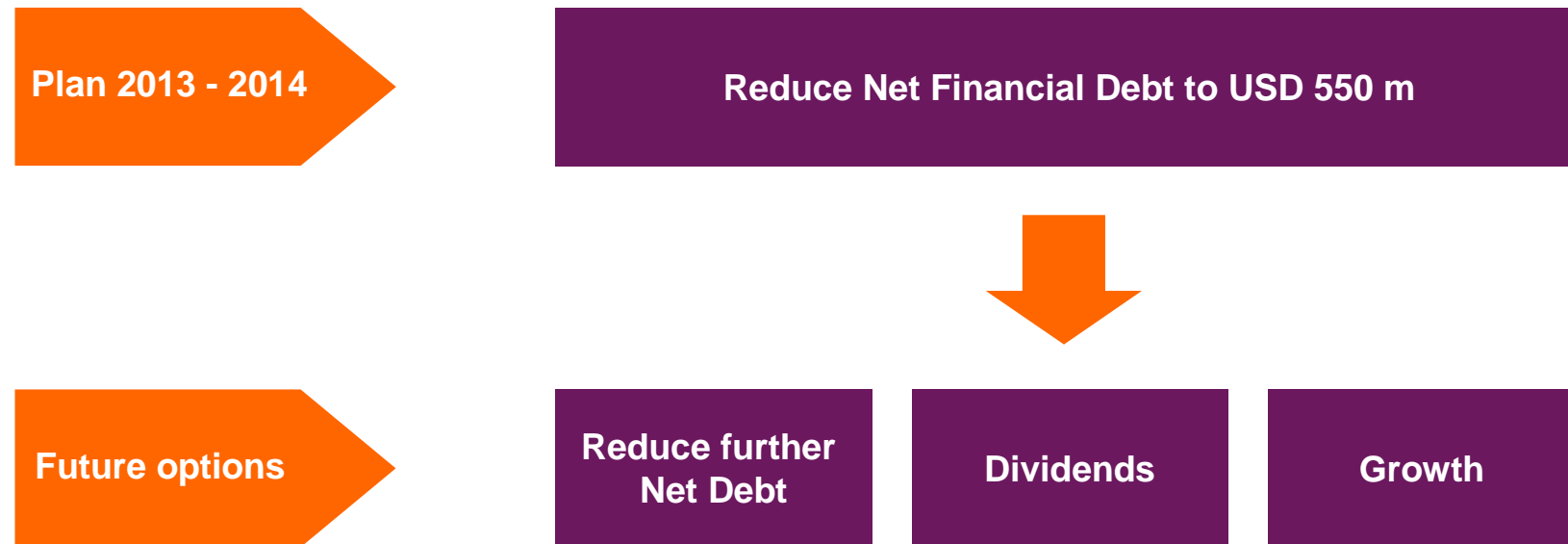


**Aperam relative ranking is distinctive**

\* at the end of September 2014

## Balance sheet and financing

Next step on deployment of cash-flow



We remain focused on year end Net Debt Target of USD550m, towards objective of a stronger Balance Sheet. Board will examine future options to best optimize shareholders' return, once this target is realized.

# Summary scorecard

# Summary scorecard

## Commitment to Aperam's strategy



|                     | Progress until September 2014  | Medium term targets   |
|---------------------|--|---|
| Profitability       | <ul style="list-style-type: none"> <li>• EBITDA USD430m, highest since 2008, more than double of Ytd Sep 2013</li> <li>• EBITDA margin at 10.2%</li> <li>• Positive EPS of USD0.97, first year since spin-off</li> </ul>   | <ul style="list-style-type: none"> <li>• Continued focus on sustainable margins with the Leadership Journey® and the Top Line strategy</li> </ul>   |
| Leadership Journey® | <ul style="list-style-type: none"> <li>• USD415m of recurring savings realized until end Sep 2014</li> </ul>   | <ul style="list-style-type: none"> <li>• USD475m of recurring savings by end 2015, including additional USD60m of gains compared to end of september 2014</li> </ul>                                      |
| Top Line strategy   | <ul style="list-style-type: none"> <li>• Expansion of high value added products with more specialities &amp; niches</li> </ul>   | <ul style="list-style-type: none"> <li>• Further continued enrichment of product portfolio with innovation and R&amp;D</li> </ul>   |
| Debt control        | <ul style="list-style-type: none"> <li>• Net debt reduced by USD100m to USD591m</li> <li>• Debt restructuring with Convertible Bond Orname USD300m and BBF* reduced by half to USD400m</li> <li>• Rating improvement to BB- (stable outlook) and Ba3 (positive outlook)</li> </ul> | <ul style="list-style-type: none"> <li>• Net debt target USD550m by end 2014, at half of USD1,107m in mid 2011.</li> <li>• Further continued focus on cash generation and strong balance sheet</li> </ul> |

**A new Leadership Team committed to Aperam's sustainable results**

\* Borrowing Base Facility

Q&A

aperam

