

**BofAML Global Metals, Mining & Steel Conference**

May 16 & 17, 2017

aparam

**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.

# Aperam's unique investment case

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 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

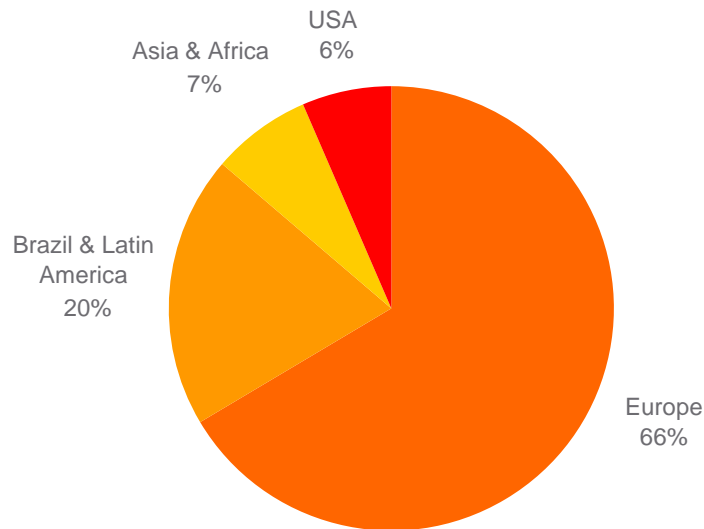
# Aperam's fundamentals

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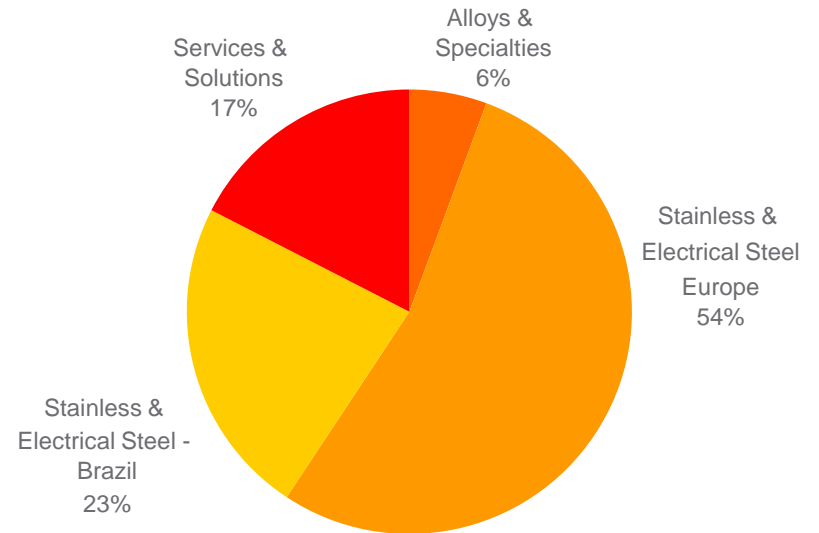
Solid and diversified sources of profitability



Aperam sales breakdown by destination (FY 2016)



Aperam Adjusted EBITDA\* breakdown by division (FY 2016)



**Aperam is number 1 in South America, number 2 in Europe in stainless steel and world number 3 in Nickel Alloys**

Source: Aperam

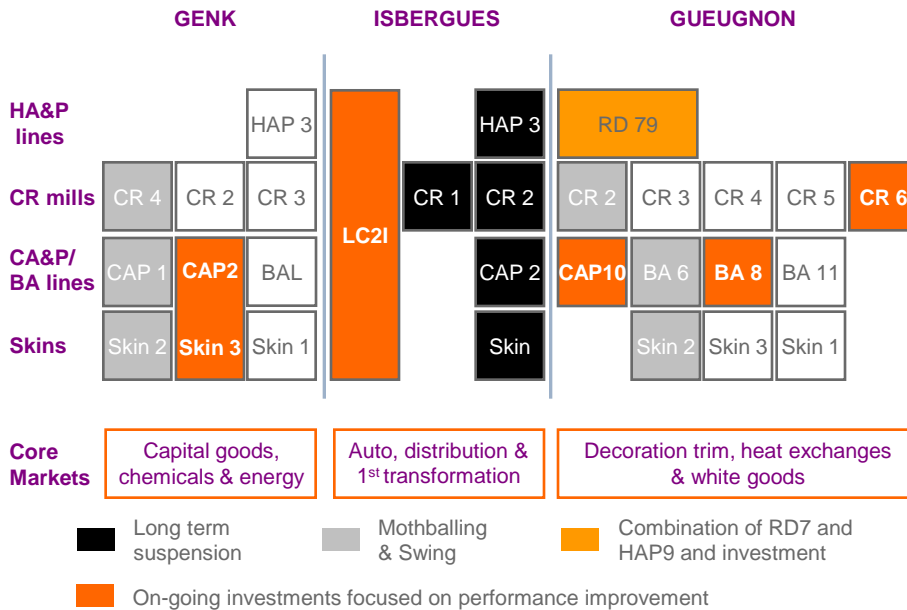
\* Adjusted EBITDA excluding USD (30) m of Other and Elimination

# Aperam's fundamentals

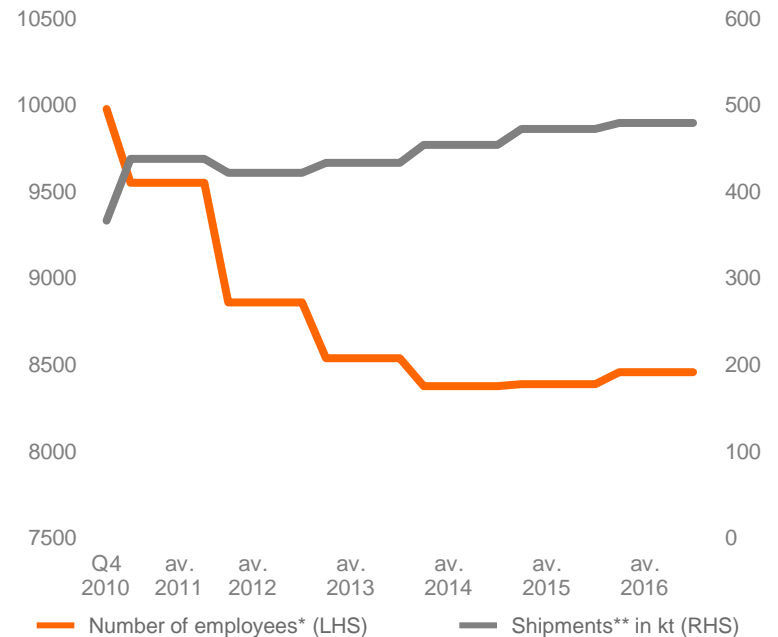
A restructured and efficient European footprint able to seize market opportunities



## Aperam downstream rationalization in EU from 29 tools to 17 tools



## Aperam productivity evolution, average (in t)



Aperam is well positioned in the core markets in Europe, with optimal loading of its most efficient assets

\* Full time equivalent excluding Bioenergia

\*\* Quarterly average

# Aperam's fundamentals

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 own forests



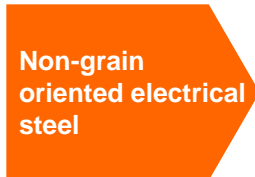
## Range of products



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



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.



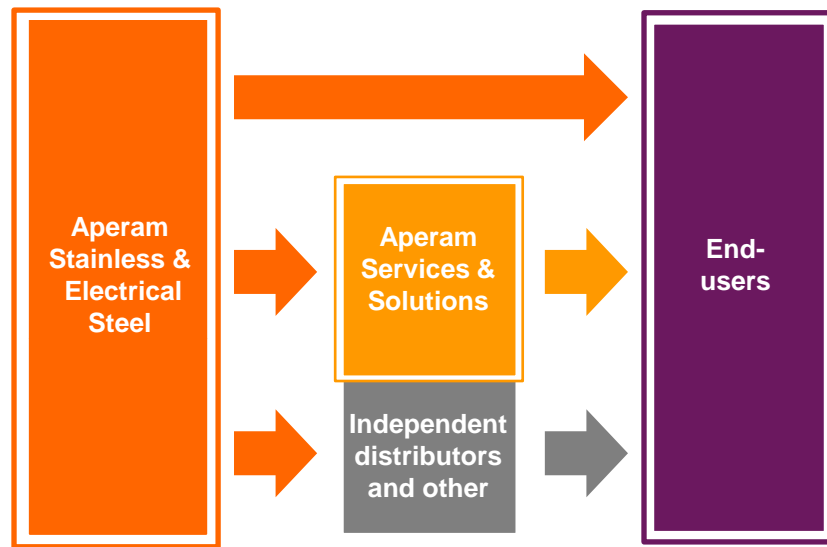
The sole stainless steel producer in South America with a complete range of products incl Electrical and Special Carbon Steel and flexibility between production routes and product to adapt to market needs

# Aperam's fundamentals

Higher end-user exposure and value added thanks to Aperam Services & Solutions division

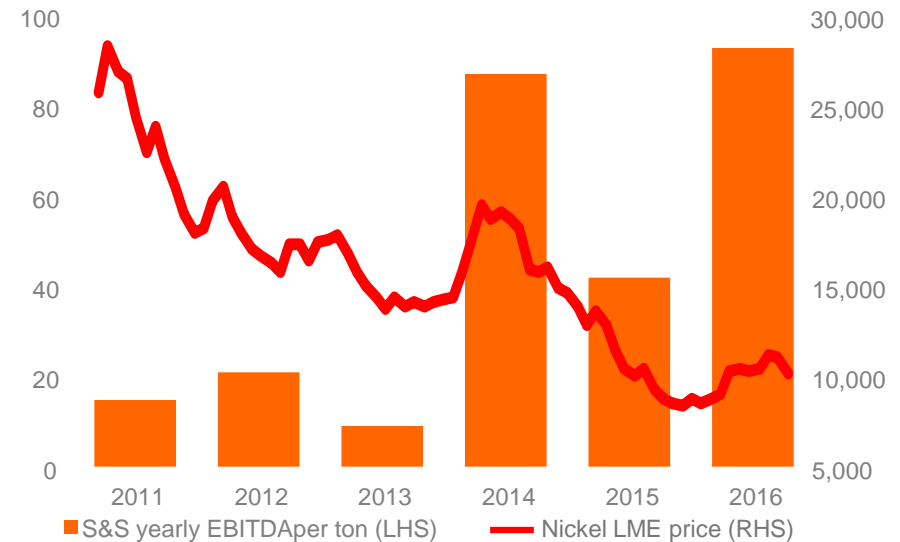


## Services & Solutions division



Better access to end users...

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



... with value accretion through the cycle

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

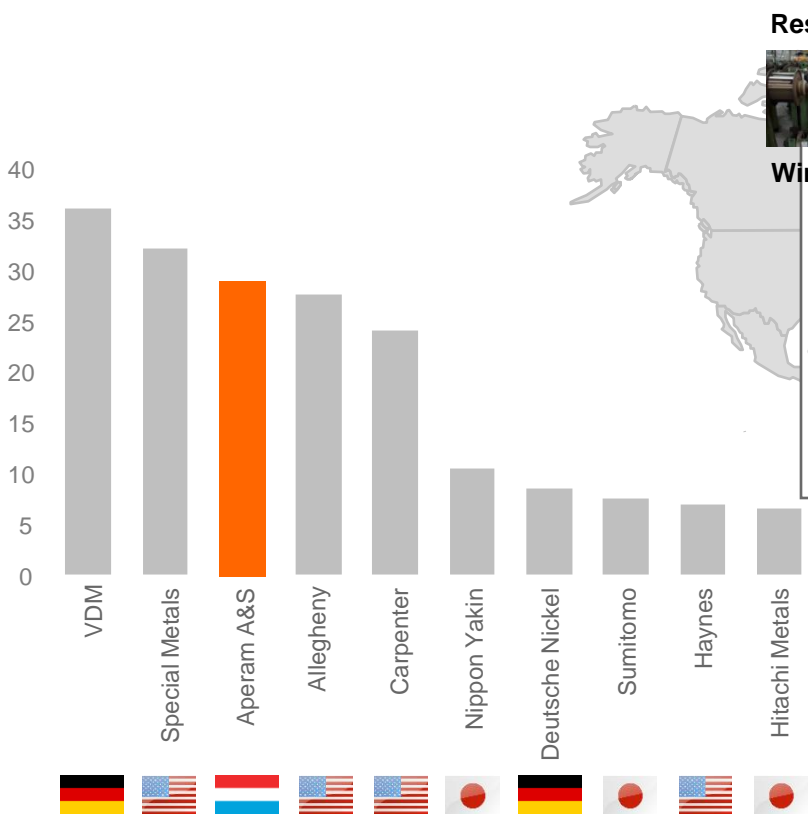


# Aperam's fundamentals

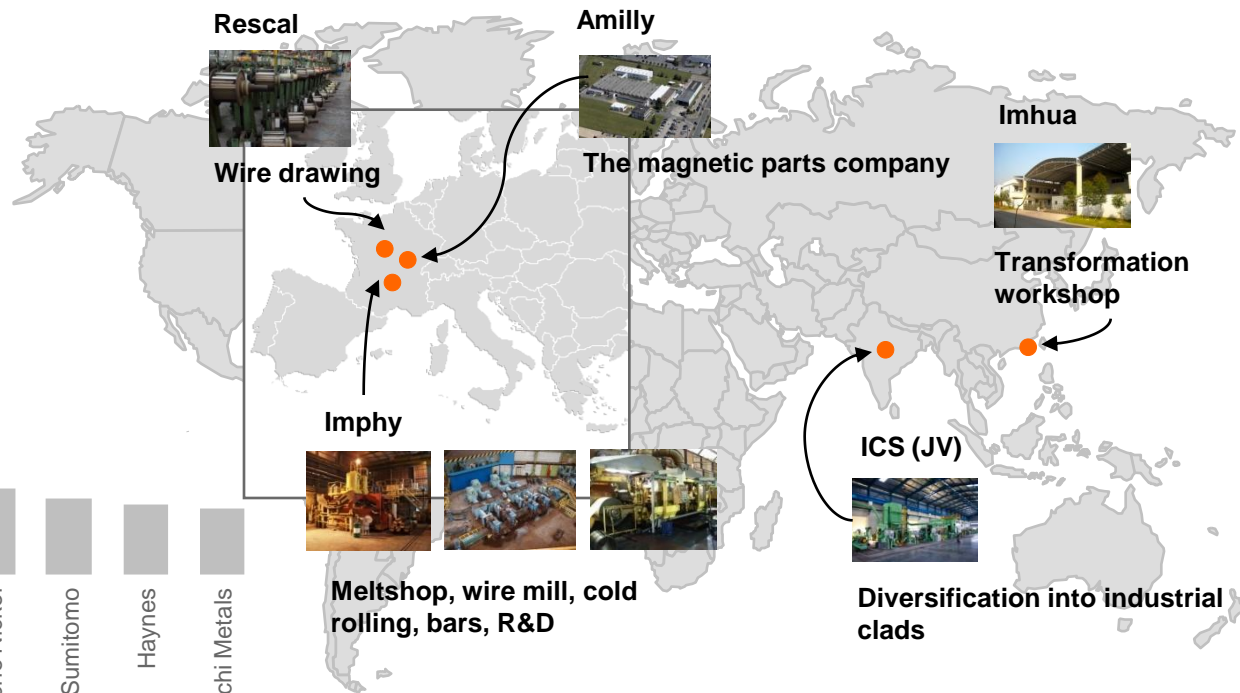
A leading position in nickel alloys



Global nickel alloys producers (kt in 2015)



Aperam Alloys & Specialties geographical footprint



World #3 in nickel alloys, the largest on Wire Rods

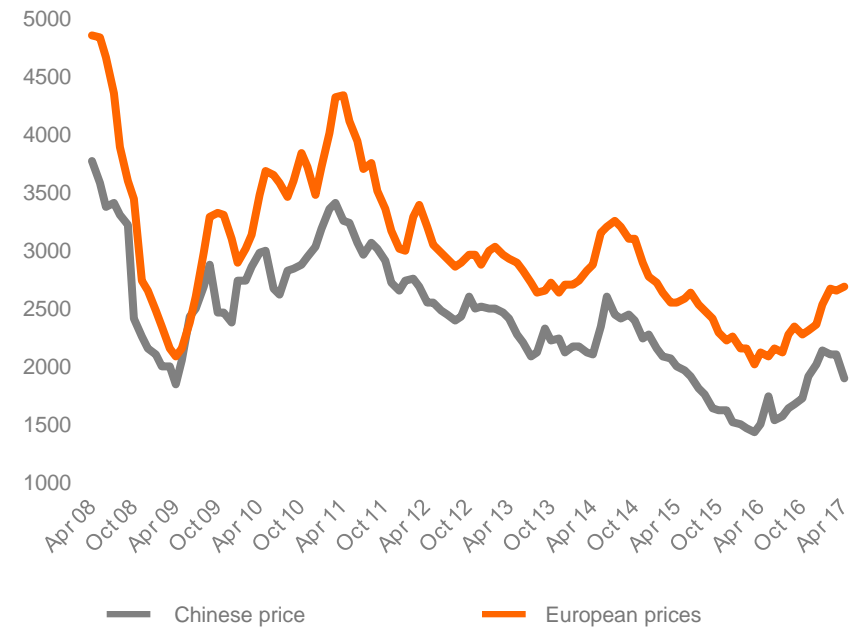
# Environment and markets



Nickel - LME Cash (USD/t)



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



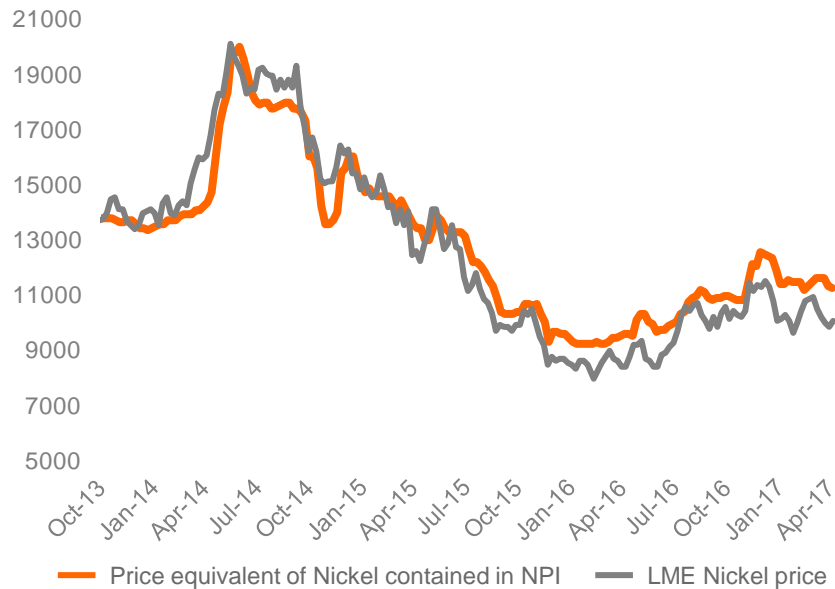
**Stainless steel selling prices show sign of stabilisation following 3 consecutive quarters of recovery**

# Environment and markets

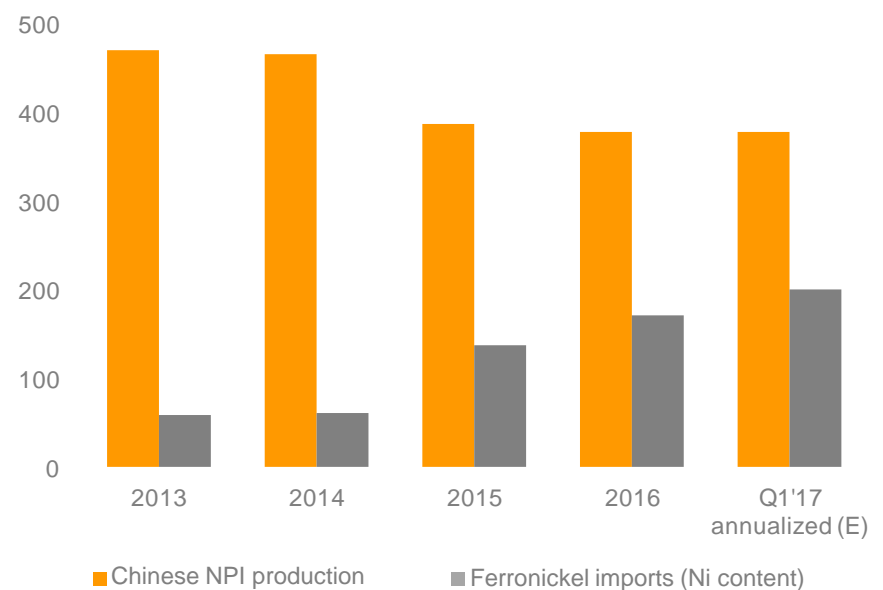


## Diminishing raw material advantage of Chinese players

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



Breakdown of Chinese nickel imports (in kt)



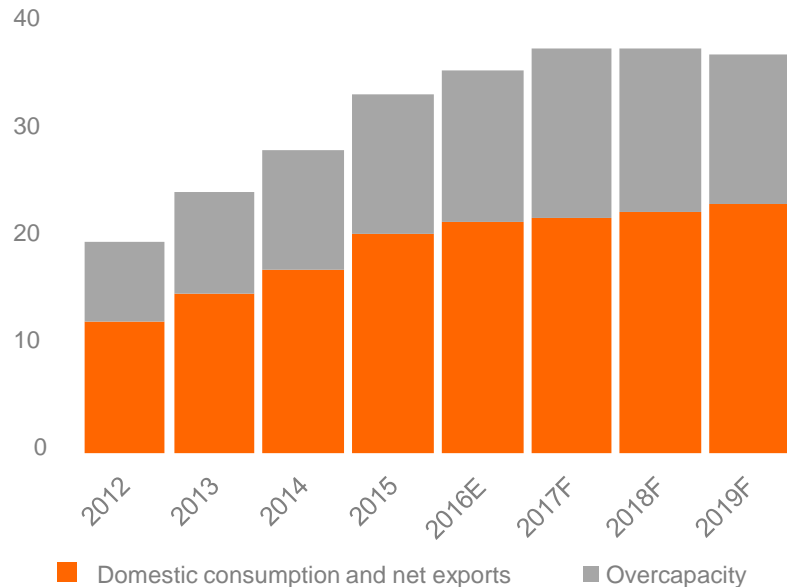
**Chinese NPI production has tightened in 2016, affecting China cost competitiveness of non integrated players**

## Environment and markets



### China stainless steel overcapacity remains but shows early signs of restructuring

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



#### First signs of restructuring in China \*

- “In December [2016], two Chinese stainless steel mills were [...] ordered by the Chinese government to cease production” Metalbulletin, January 5, 2017
- “ New domestic Chinese stainless steel capacities have been unable to gain approval from the government in 2017 ” Metalbulletin, January 5, 2017

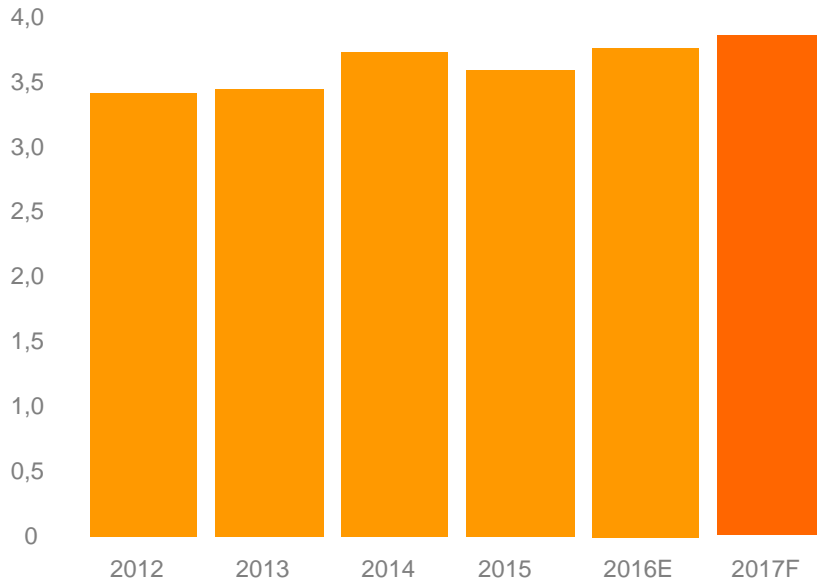
**Pace of new production capacities coming onstream is slowing down while demand is expected to continue growing and some capacity cuts are announced**

# Environment and markets

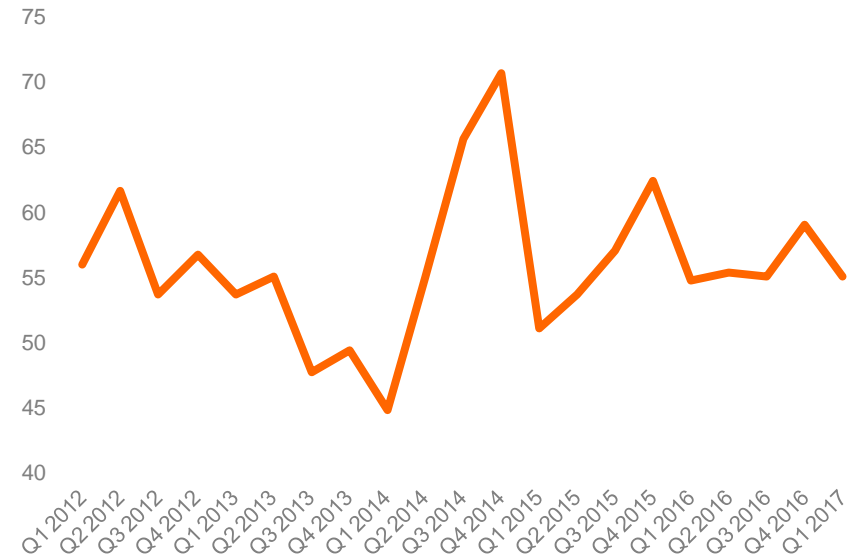


## European stainless steel apparent demand is improving

CR stainless steel European apparent consumption (in million tonnes)



Stocks of CR stainless steel in Germany – quarterly average (in number of days)



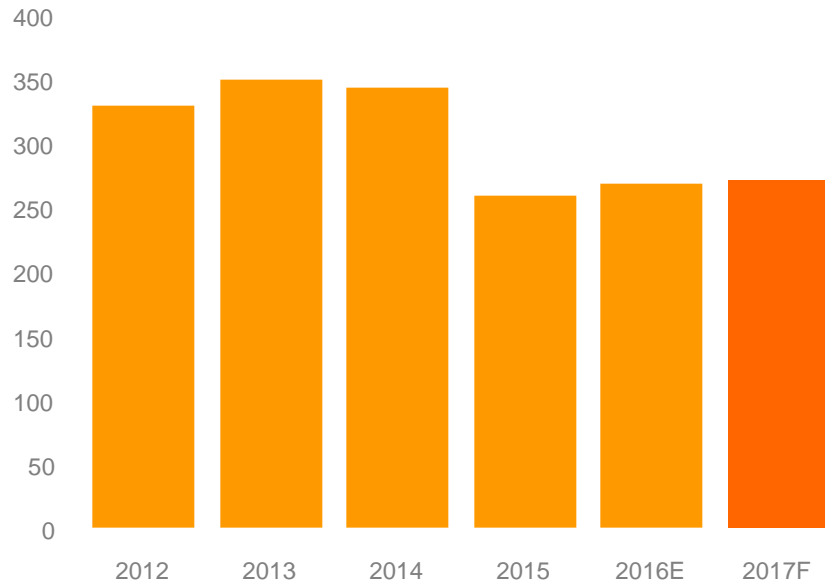
European real demand is reasonably healthy and level of stocks are fairly balanced to

## Environment and markets

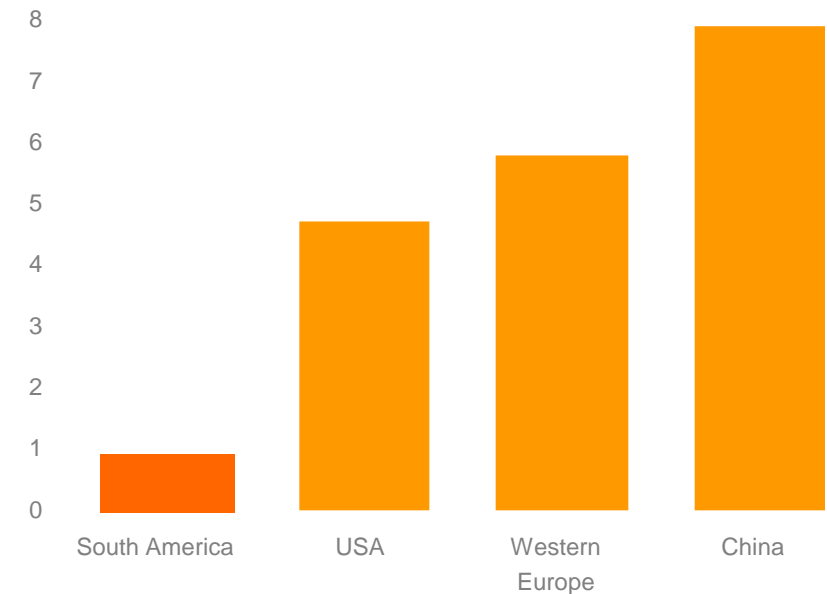
Brazil stainless steel apparent demand is expected to recover



**Stainless steel Brazilian apparent consumption (in thousand tonnes)**



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



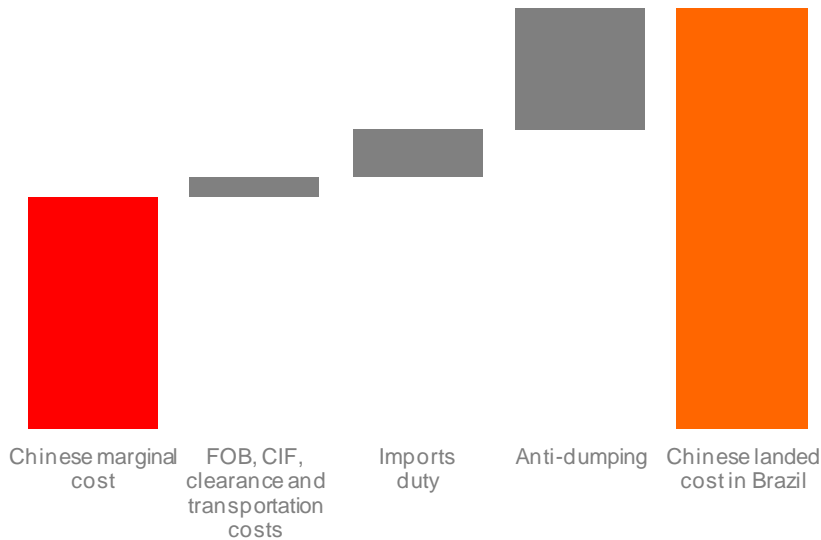
**Demand in Brazil remains at low level but stable while long term potential remains intact in South America**

# Environment and markets



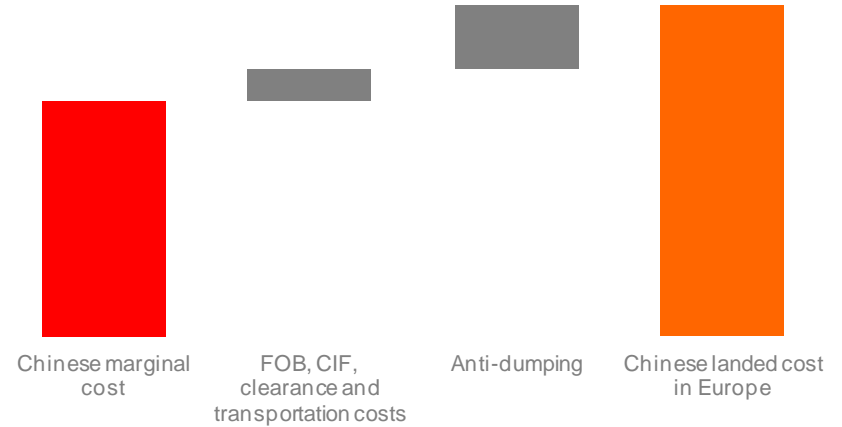
Both domestic markets of Aperam have tariff measures

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

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



- Anti-dumping duty rates of up to 25.3% on SSCR imports from China, and up to 6.8% on imports from Taiwan.

**Anti-dumping in both Europe and Brazil against unfair market behaviour are in force**



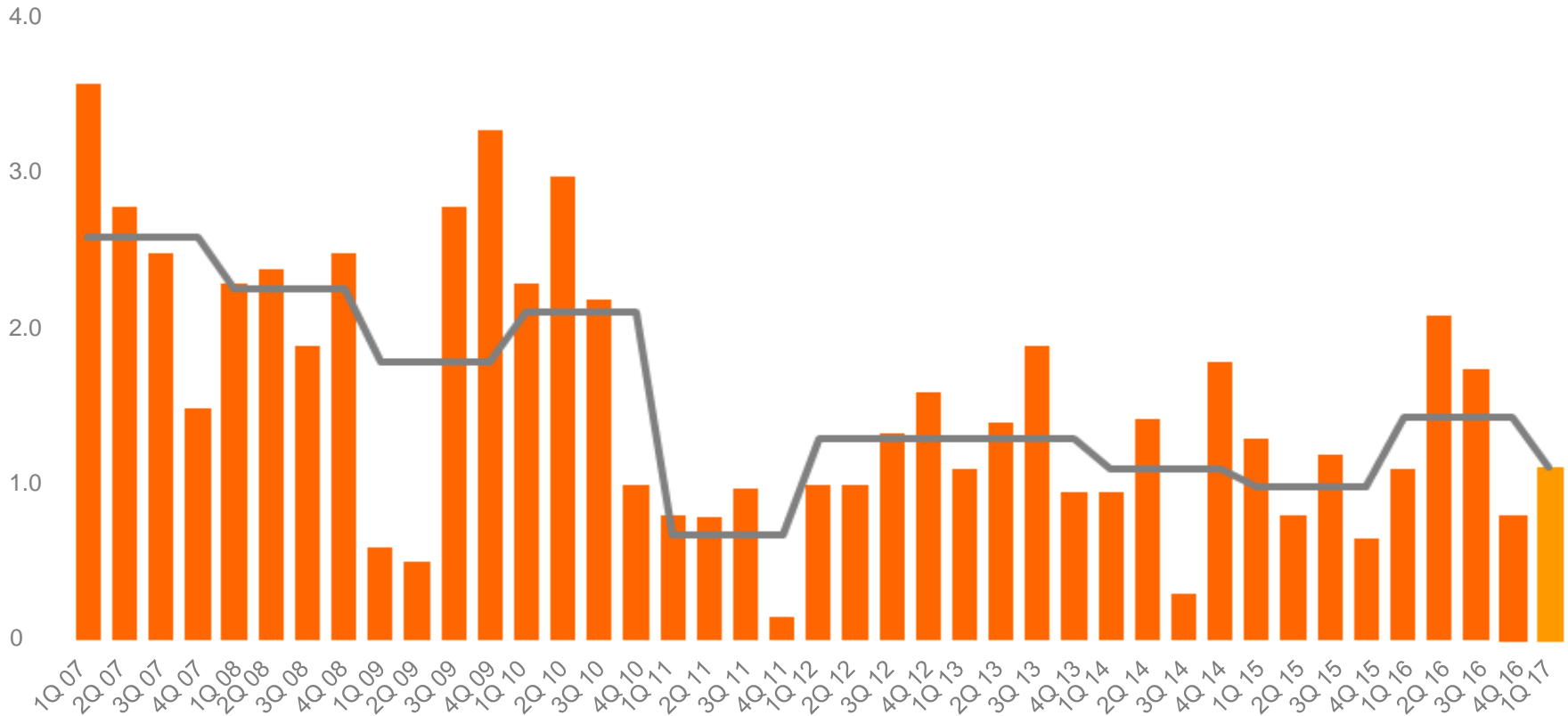
# Aperam's performance

# Aperam's performance

## Health & Safety performance



Lost Time Injury Frequency rate\*



**Health & Safety Loss Time Injury frequency rate of 1.1 in Q1 2017**

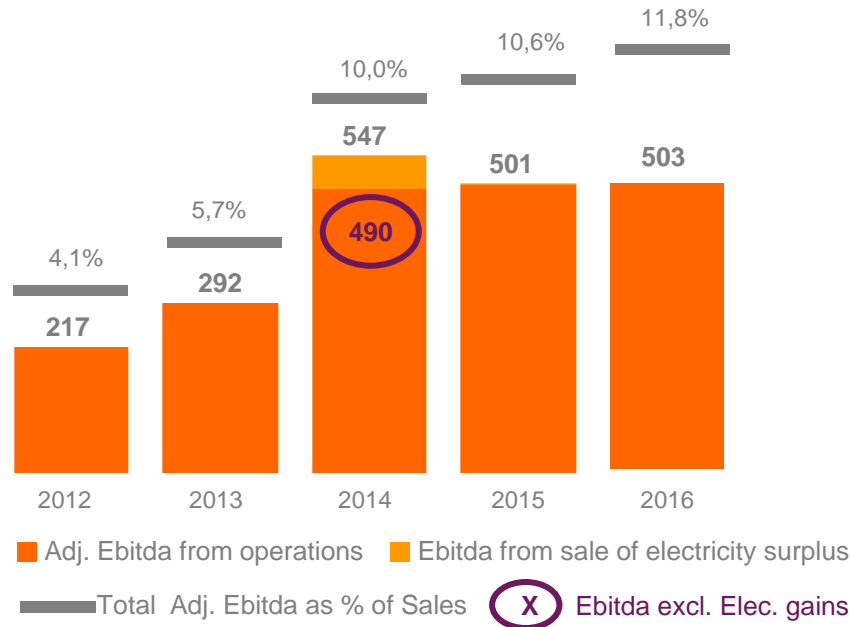
\* WorldSteel-standard: Fr = lost time Injuries per 1.000.000 worked hours; based on own personnel and contractors

# Aperam's performance

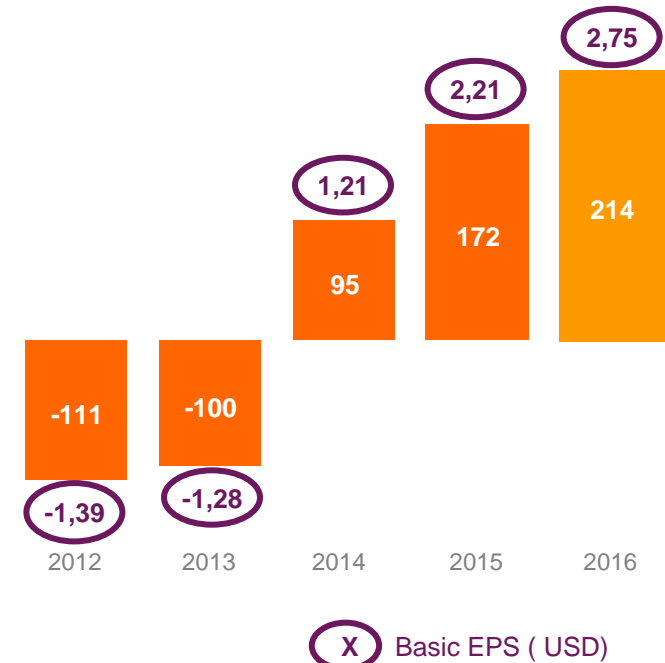
## Solid evolution of profitability



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



Net result evolution (USD million)

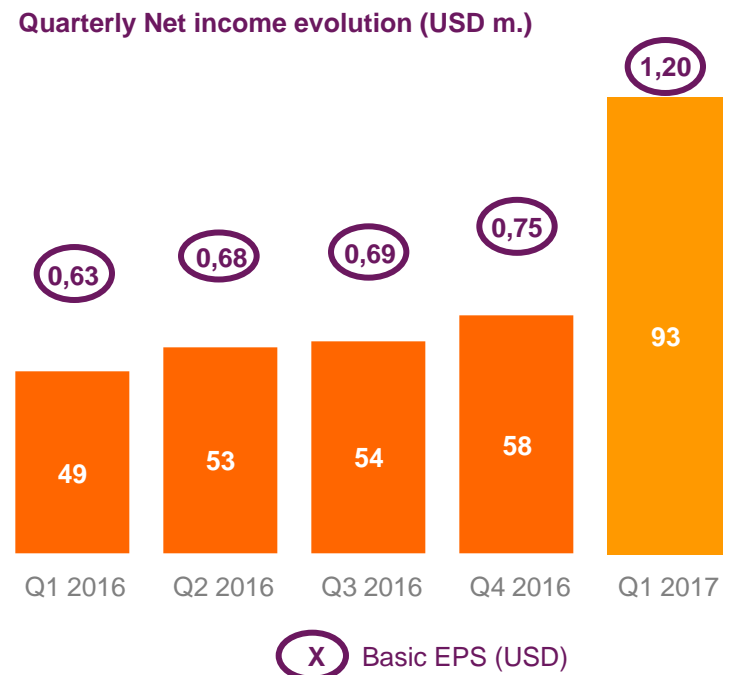
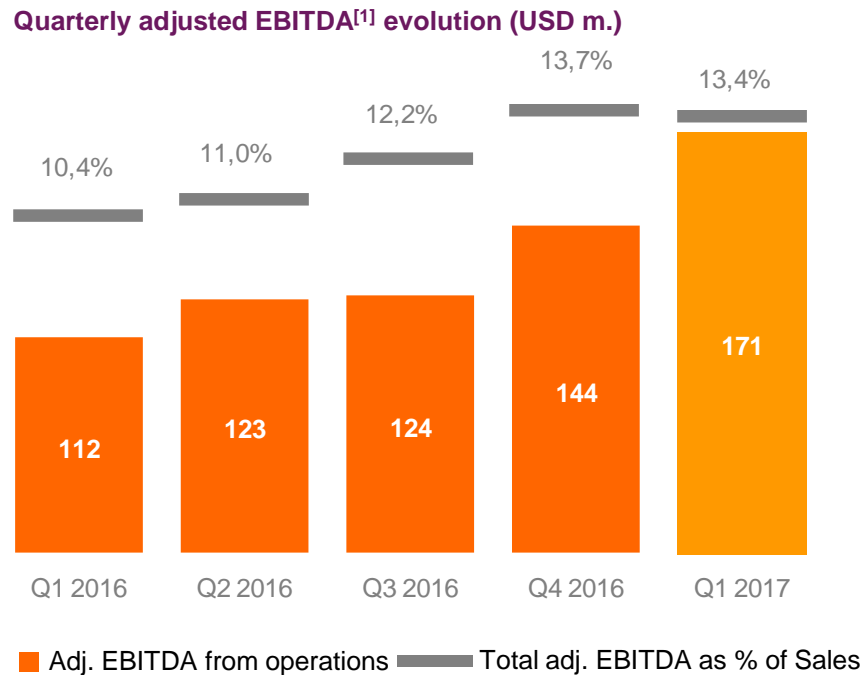


**Continuous solid improvement of the operating performance as well as the net result thanks to the strong execution of Aperam strategy**

<sup>[1]</sup> Adjusted EBITDA excludes a USD 11 million non-recurring charge related to the divestment of Aperam's French tubes subsidiary recorded in 2016

# Aperam's performance

## Solid evolution of profitability



**Highest quarterly EBITDA and net income since the spin-off with profitability again above 13%**

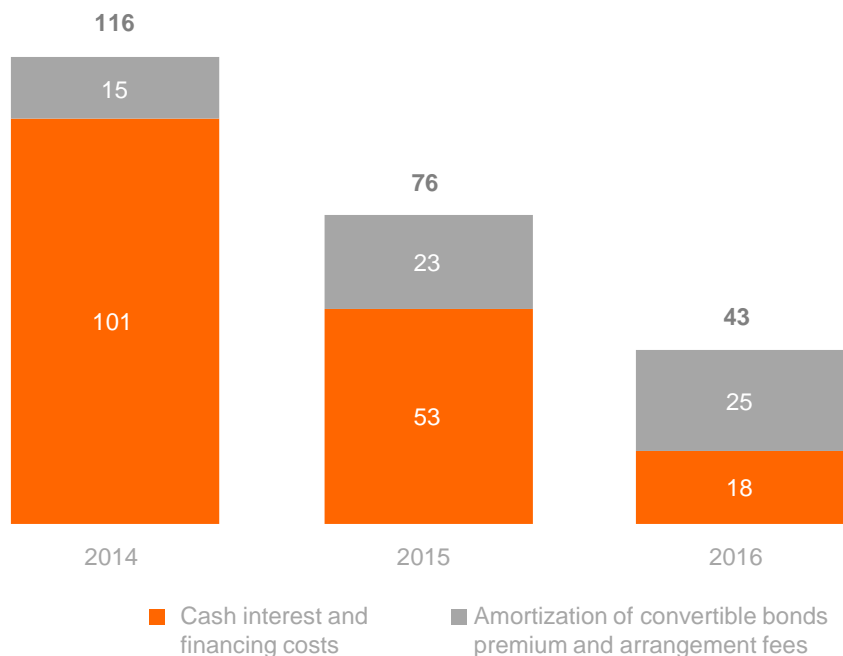
<sup>[1]</sup> Adjusted EBITDA excludes a USD 11 million non-recurring charge related to the divestment of Aperam's French tubes subsidiary recorded in Q4 2016

# Aperam's performance

## Steep reduction in net interest and financing costs



Net interest & financing costs (USD million)



### Aperam debt reduction / restructuring actions

Strong decrease of net interest and financing costs, especially cash interest costs, thanks to strong cash flows and debt reduction / restructuring actions taken since 2014, adding to further strong momentum on EPS and free cash flow generating capability of Aperam:

- Convertible Bond Orname of USD300m issued in June 2014 at coupon of 0.625% and premium of 32.5%
- High Yield Bonds of USD250m with coupon of 7.375%, maturing in 2016 reimbursed as of 1st Oct 2014,
- High Yield Bonds of USD250m with coupon of 7.75%, maturing in 2018 reimbursed as of 1st Apr 2015,
- Gross Debt stable around \$500m (mainly 2 convertible bonds).

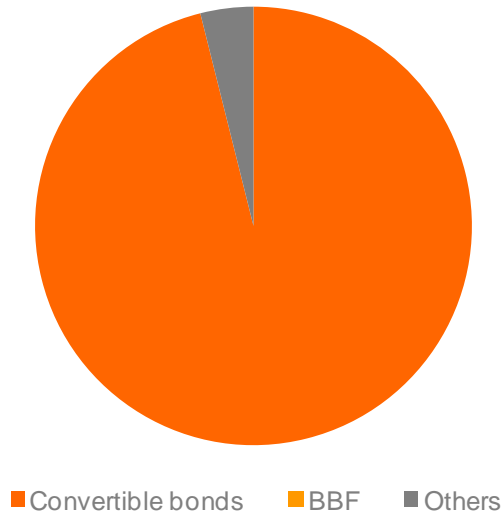
**Cash interest and financing costs cut by more than 80% thanks to the restructuring and a strong reduction of debt**

# Aperam's performance

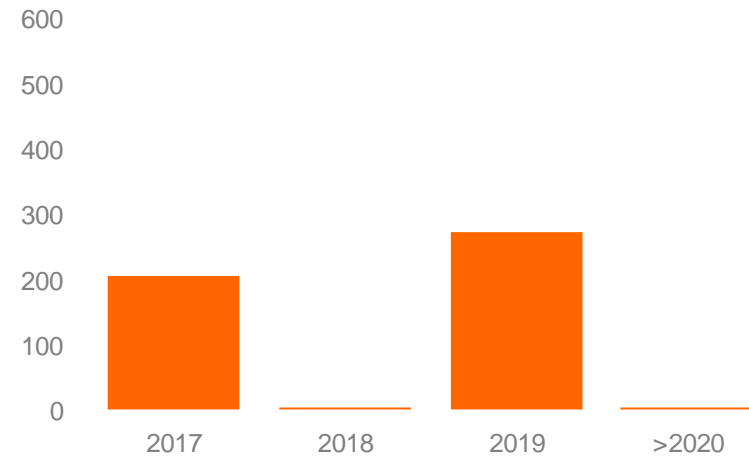
## A solid Balance Sheet



**Total Financial Debt breakdown as of March 31, 2017**



**Financial Debt maturity profile (USD million) as of March 31, 2017 <sup>[1]</sup>**



**Company liquidity as of March 31, 2017 (USD million)**

- Strong Liquidity of USD 716m
- Borrowing Base Facility (fully unutilized ) USD 400m
  - Loan facility from European Investment Bank EUR 50m
  - Cash and cash equivalent USD 263m

**A robust balance sheet with debt mainly represented with Convertible Bonds.  
Strong liquidity as of March 31, 2017 at USD 716 million.**

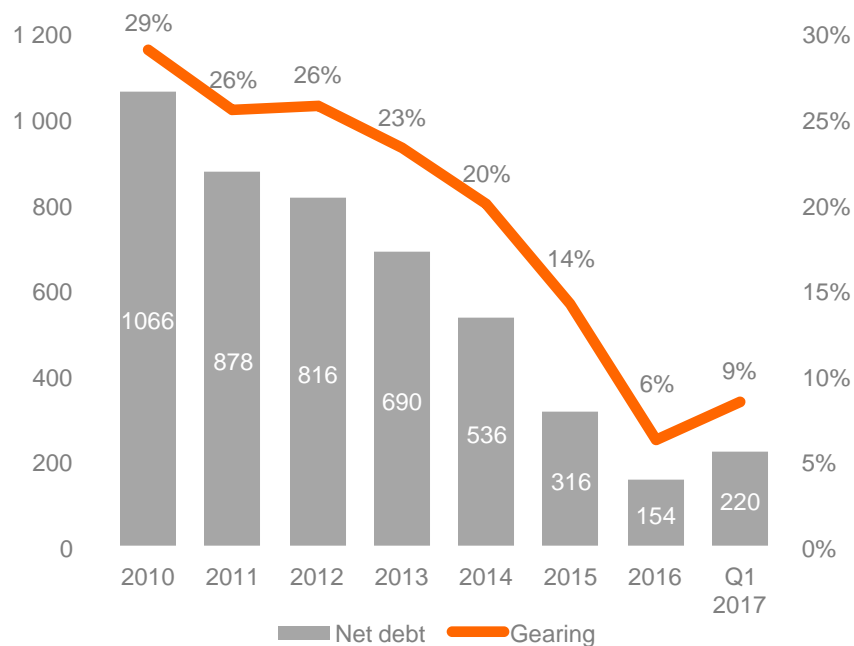
<sup>[1]</sup> Assuming convertible bonds 2017 & 2019 reimbursement.

# Aperam's performance

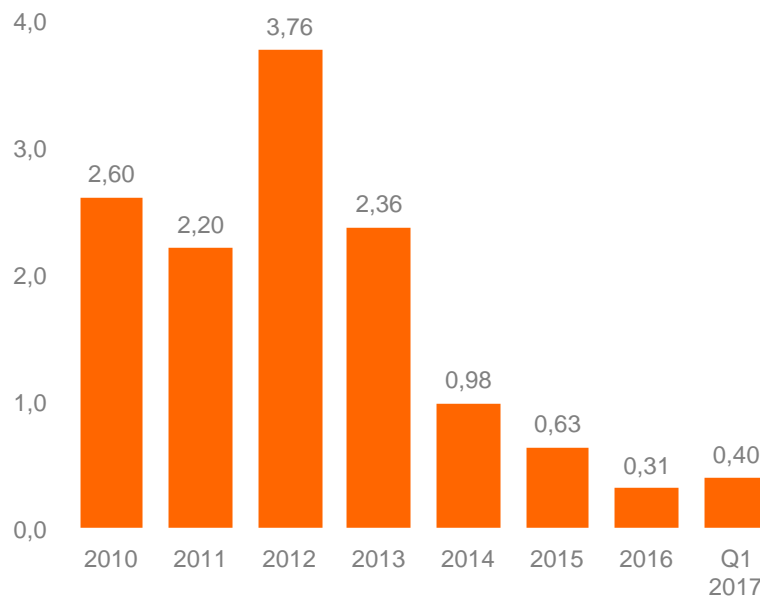
Continued net debt decrease thanks to cash generation



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



Aperam Net Debt / EBITDA<sup>[2]</sup> evolution



## Solid level of gearing and net debt

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

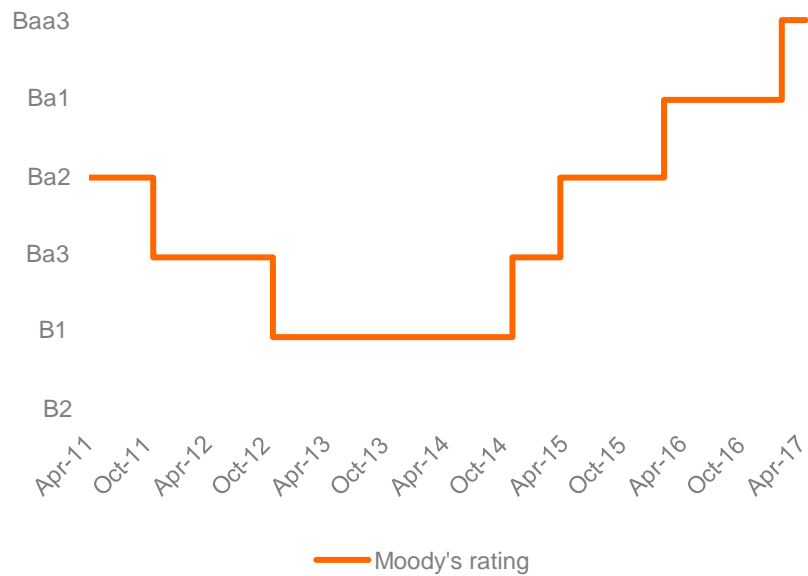
<sup>[2]</sup> Net Debt / EBITDA is equal to Net Debt at end of the years divided by last 12 month rolling EBITDA

# Aperam's performance

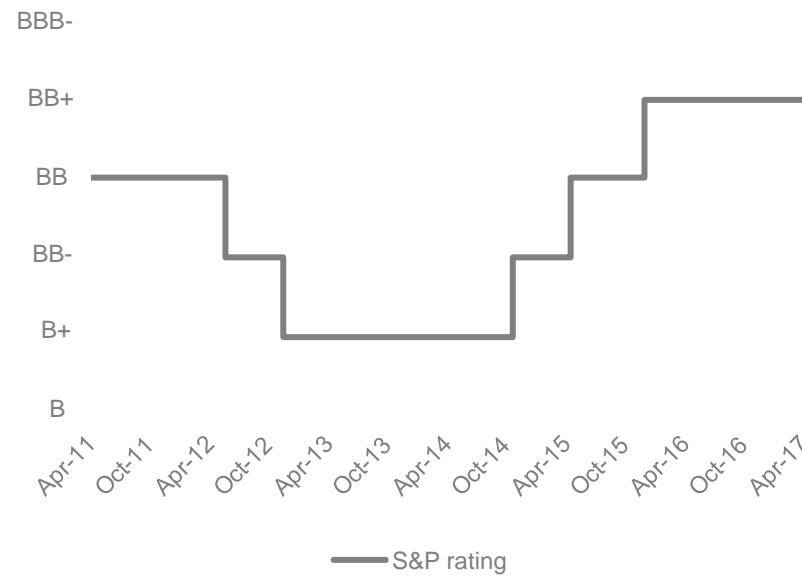
## Credit Rating and Listing



Aperam rating evolution with Moody's



Aperam rating evolution with S&P



- Aperam was upgraded to Investment Grade by Moody's on February 14, 2017

- S&P upgraded outlook from stable to positive on January 20, 2017.

**In February 2017, Aperam was upgraded to Investment Grade by Moody's. In March 2017, Aperam was also included in BEL20 (Euronext Brussels) while continuing to be part of AMX (Euronext Amsterdam) and SBF120 (Euronext Paris) as well as listed in Luxembourg and OTC, New York.**



# Aperam's value strategy:

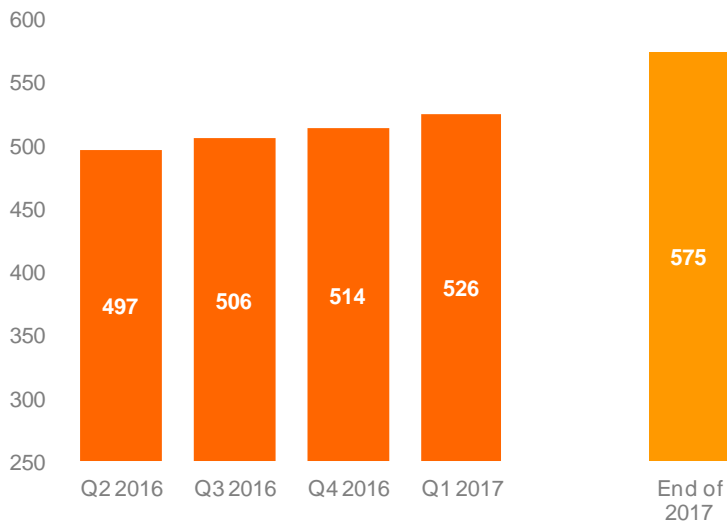
A customer driven  
company focused on its  
self-help story

# Aperam's value strategy

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



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

- Productivity improvement of the downstream facilities in Genk (CAP2), Gueugnon (CAP10) and Timoteo (Sendzimir Mill #1). ✓
- Upgrade of the Wire Rod mill in Imphy
- Upgrade of GO operations in Timoteo with development of High Grain Oriented (Electrical)
- Breakthrough on productivity increase:
  - ✓ Upgrading further CAP 2 in Genk
  - ✓ Upgrading LC2i in isbergues
- 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

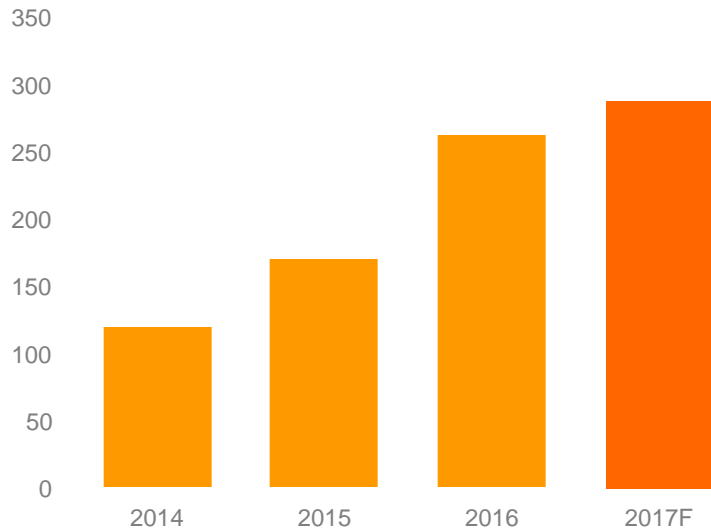
**Leadership Journey gains amounted to USD 526 million in Q1 2017, targeting USD 575 million by the end of 2017**

## Aperam's value 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**

# Aperam's 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's value strategy

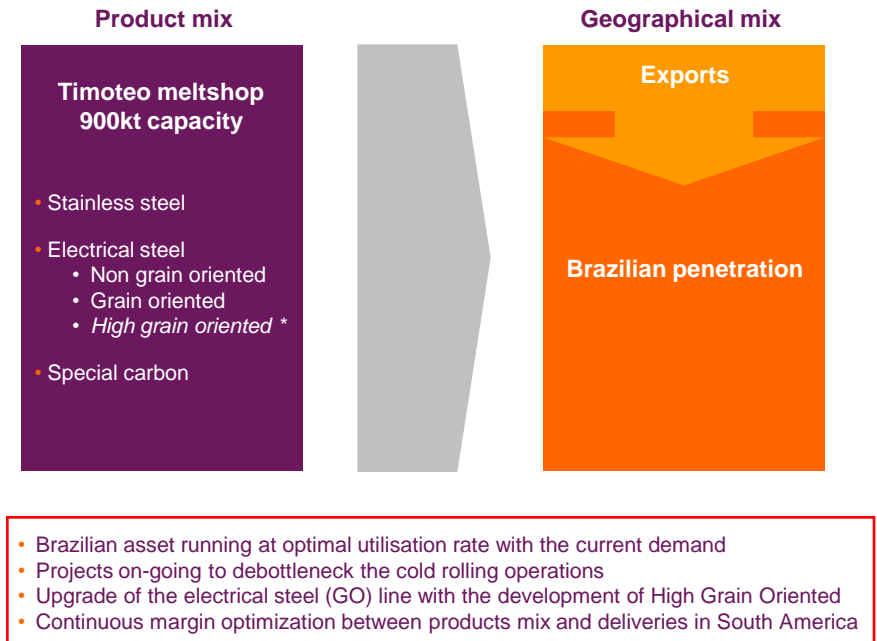


Optimise value creation in South America thanks to a perfectly adapted asset base and flexible sales management

## Key pillars of the mitigation plan in Brazil



## Aperam's assets optimisation in South America



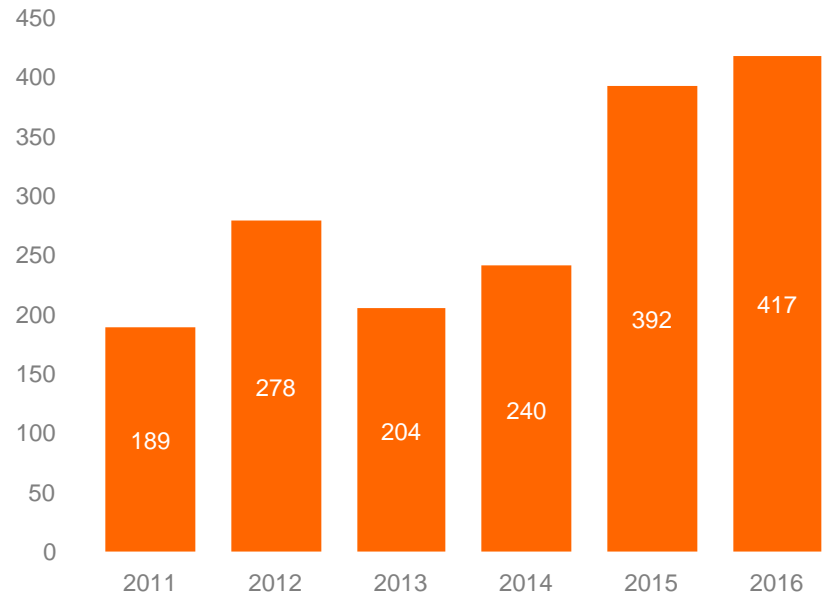
The mitigation plan put in place by Aperam South America has enabled to limit the negative impacts in 2016 and further develop loyalty of domestic customers

# Aperam's value strategy

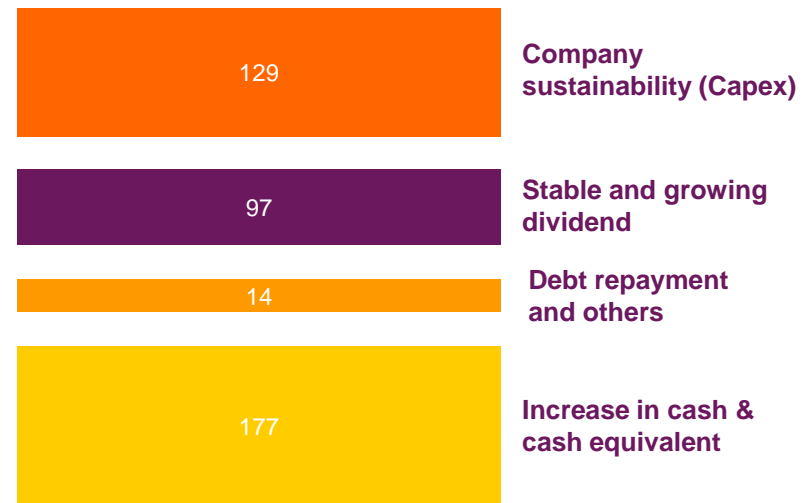
Strong cash generator through the cycle



Cash-flow from operations evolution (USD million)



Cash utilization in 2016 (USD million)



Cash deployment supported with a robust financial policy

## Aperam's value strategy – 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	2017
<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</b> <b>\$140m - \$150 m</b>
<b>Value Accretive Growth &amp; M&amp;A</b>	Compelling Growth and M&A opportunities with high hurdle rate	<b>Best positioned to explore M&amp;A opportunities, incl. synergies focus</b>
<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 increase from USD1.25 to USD 1.50</b>
<b>Extra Cash Utilization</b>	Remaining excess cash will be utilized in the most optimal way	<b>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**

Q&A

aperam





## Environment and markets

### Brazilian protections against unfair market behaviour



Type of products	Import duties status	Anti-dumping status
<b>Stainless Steel Flat Products</b>	✓ Normal import duties are 14%	✓ AD duties starting October 4 <sup>th</sup> , 2013 for 5 years from 236 USD/t to 1,077 USD/t. The case involves CR 304 and 430, in thicknesses between 0.35mm and 4.75mm from China, Finland, Germany, Korea, Taiwan and Vietnam.
<b>Stainless Steel Welded Tubes</b>	✓ 14% of Import duties Stainless Steel welded tubes.	✓ AD duties starting July 29 <sup>th</sup> , 2013 for 5 years and up to 911USD/t. Countries involved are China and Taiwan.
<b>Electrical steel – Non Grain Oriented</b>	✓ 14% of Import duties on NGO.	<ul style="list-style-type: none"> <li>✓ AD duties imposed for NGO on July 17<sup>th</sup> 2013 with fixed USD/t values ranging from 133 USD/t to 567 USD/t for 5 years. The countries involved are China, Korea and Taiwan.</li> <li>✗ On August 15, 2014, Camex released NGO AD partially, giving 45Kt of imports in the next 12 months without AD penalties.</li> <li>✓ On November 4, 2015, Brazilian authorities decided to end up the existing quota of imports without AD and fixed the AD duties from 90 USD/t to 132,5 USD/t</li> </ul>
<b>Electrical steel – Grain Oriented</b>	✓ Normal import duties are also 14%	

### Tariff measures to support fair market environment in Brazil

### Anti-dumping development in Europe

- On May 13, 2014, Eurofer filed an antidumping complaint to European Commission
- On June 26, 2014, European Commission started investigation on CR imports from China and Taiwan
- On March 25, European Commission implemented provisional duties from 24-25% for China and 10-12% for Taiwan. Anti-dumping duties were applicable during this period with regularisation to be done once final decision would be taken.
- On August 27, 2015, the European Commission Implementing Regulation largely confirmed existing provisional measures and imposes definitive anti-dumping duty rates of up to 25.3% on SSCR imports from China, and up to 6.8% on imports from Taiwan.
- On August 11, 2016, the European commission announced that they initiated an absorption reinvestigation concerning imports of stainless steel cold-rolled flat products originating in Taiwan. On April 11, 2017, the European Commission confirmed the duties against Taiwan until at least August 2020.

“China and Taiwan have a structural overcapacity problem, and have been using the openness of the EU market to shed their excess production. This dumping has seriously undermined the profitability of the European stainless steel industry, and has ensured that European producers have not faced a level playing field for their products.”

Said EUROFER Director General Axel Eggert.

**Recent reinvestigation shows the European will to fight against unfair trade behaviour**

# Aperam's value strategy - Financial Policy



## Share buyback program

### Description

- Aperam will appoint an investment services provider to execute the repurchases of shares in the open market during open and closed periods.
- Maximum amount of one hundred (100) million US dollars and a maximum of two (2) million shares,
- Over a period from 14th February 2017 until 30 September 2017.
- The price per share, of the shares to be bought under the Program, shall not exceed 110% of the average of the final listing prices of the 30 trading days preceding the three trading days prior to each date of repurchase, in accordance to the resolution of the annual general meeting of shareholders held on 5 May 2015.
- Simultaneously, the Mittal family has declared its intention to enter into a shares repurchase agreement with Aperam, to sell each trading day on which Aperam has purchased shares under the Program, an equivalent number of shares, at the proportion of the Mittal family's stake of 40.85% of Aperam, at the same price as the shares repurchased on the market.

The effect of the share repurchase agreement is to maintain Mittal family's voting rights in Aperam's issued share capital (net of Treasury Shares) at the current level, pursuant to the Program.

- The shares so acquired under this buyback program are intended to be cancelled to reduce the share capital of Aperam.

**Aperam announced a share buyback program of up to USD 100 million on February 9, 2017.  
The program is progressing well with around 50% realized as of May 2017.**