

**Investor Day – Alloys Imphy**

November 16<sup>th</sup>, 2011

The logo for Alloys Imphy is a stylized, multi-line font. The letters 'a', 'p', 'e', 'r', and 'a' are colored in a gradient from purple to blue, while the letters 'i', 'm', 'p', 'h', and 'y' are colored in a gradient from orange to red. The font is bold and modern, with a slight shadow effect.

**alloys imphy**

**Philippe Darmayan – Chief Executive Officer**

## 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, whether as a result of new information, future events, or otherwise



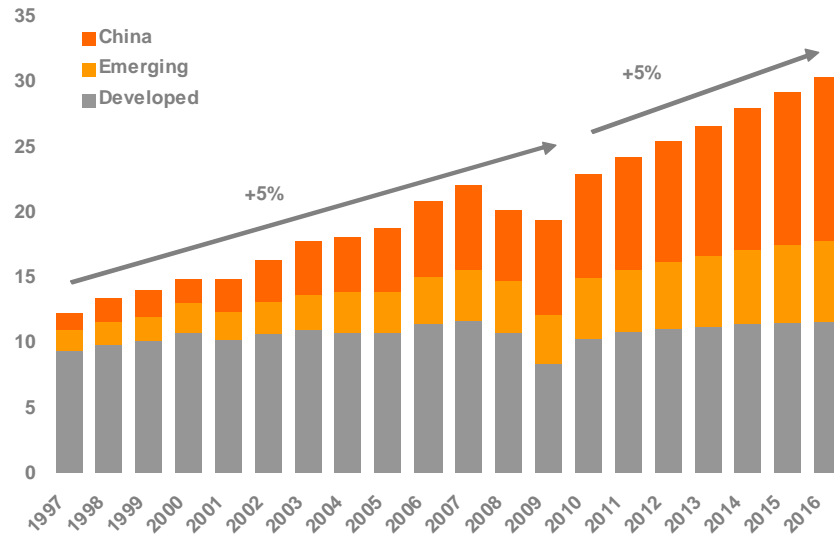
# Market growth, globalization and Chinese factor

# Market growth, globalization and Chinese factor

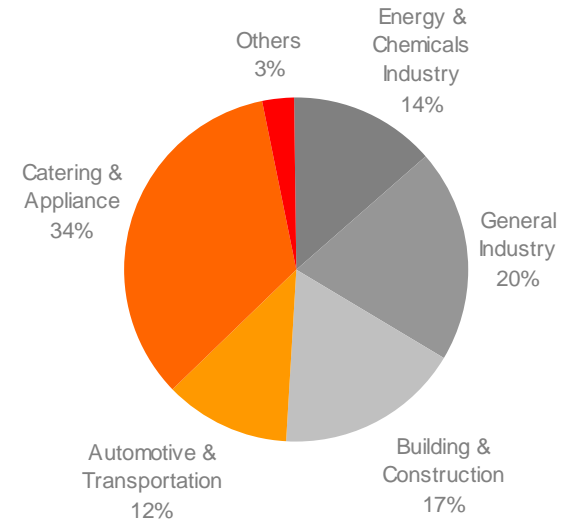
The stainless steel market is growing again following crisis



World stainless steel flat product demand (in million tonnes)



Stainless steel consumption by end user (%)



**Demand expected to grow by less 2% per year in Europe and by 7% in South America**

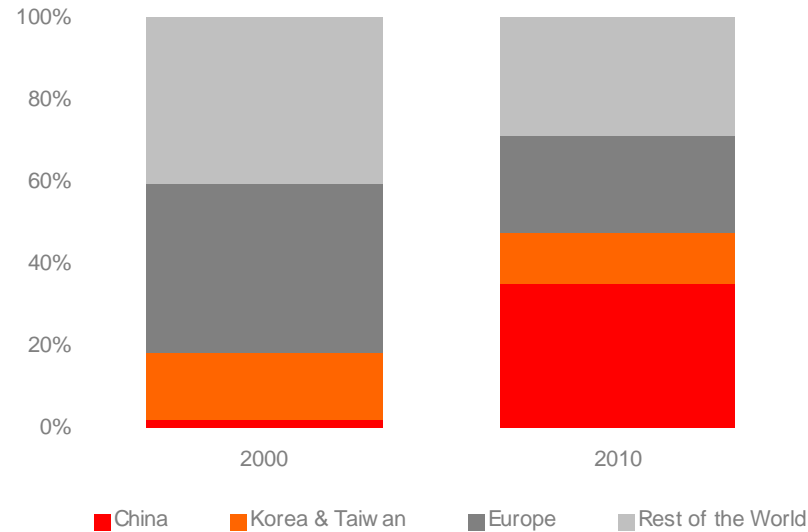
Source: CRU and Aperam estimates

# Market growth, globalization and Chinese factor

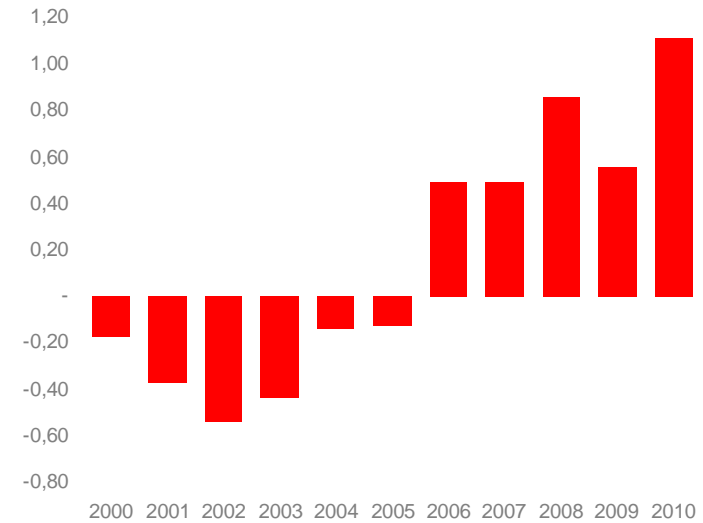
China has taken over the global leadership



World stainless steel slab production breakdown (%)



Stainless steel flat product export/import from China, Taiwan and Korean (in million tonne)



**China is leading the global stainless steel market through its market, its industry and exports**

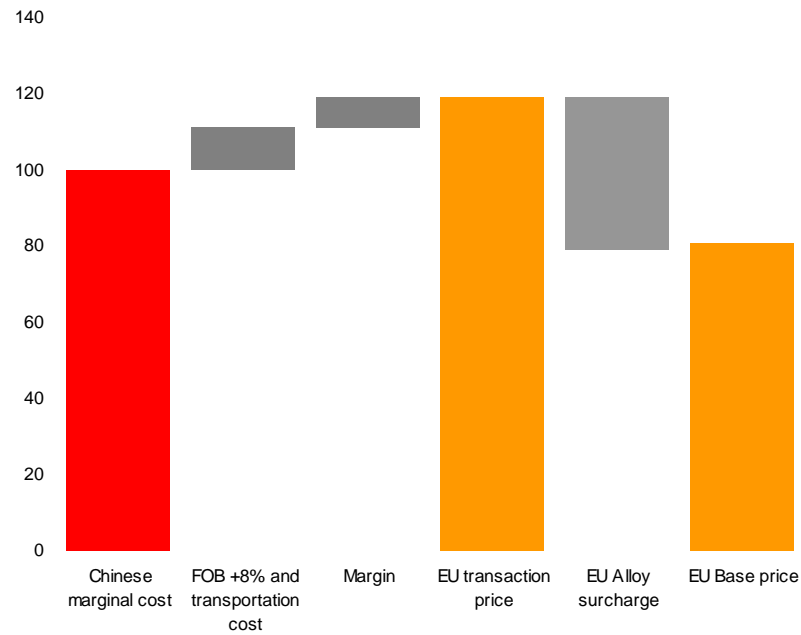
Source: CRU and Aperam estimates

# Market growth, globalization and Chinese factor

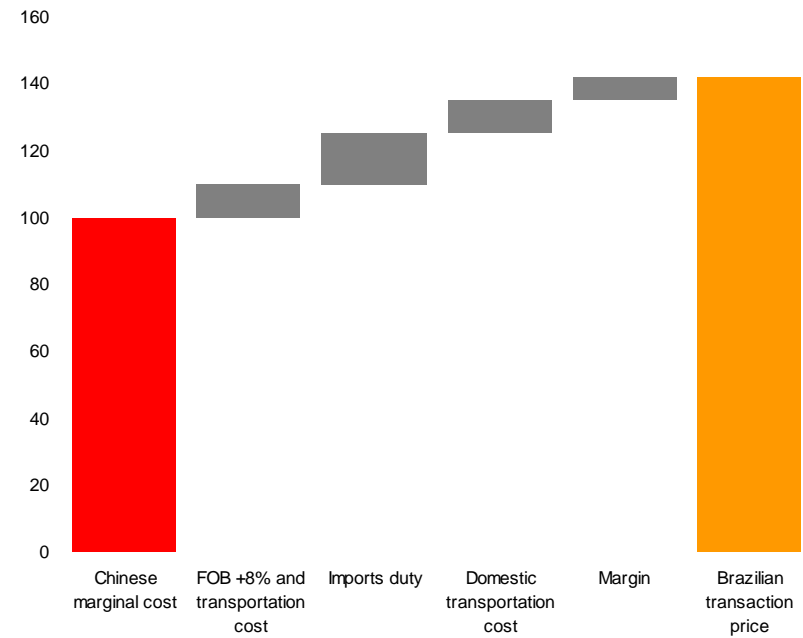
Pricing is set by China



Chinese marginal cost player landed price in EU27, illustrative (base 100)



Chinese marginal cost player landed price in Brazil, illustrative (base 100)



European and Brazilian pricing directly driven by Chinese pricing

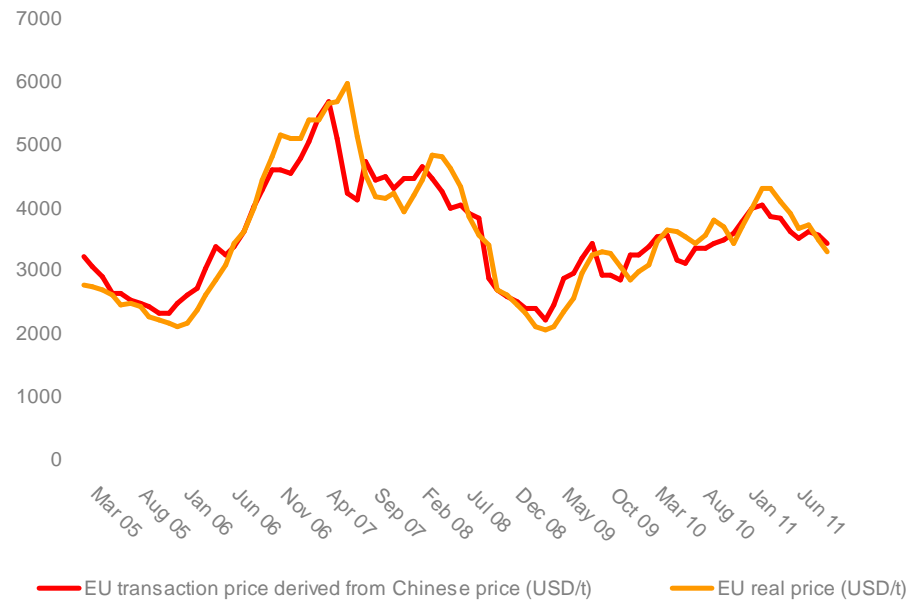
Source: Aperam estimates

# Market growth, globalization and Chinese factor

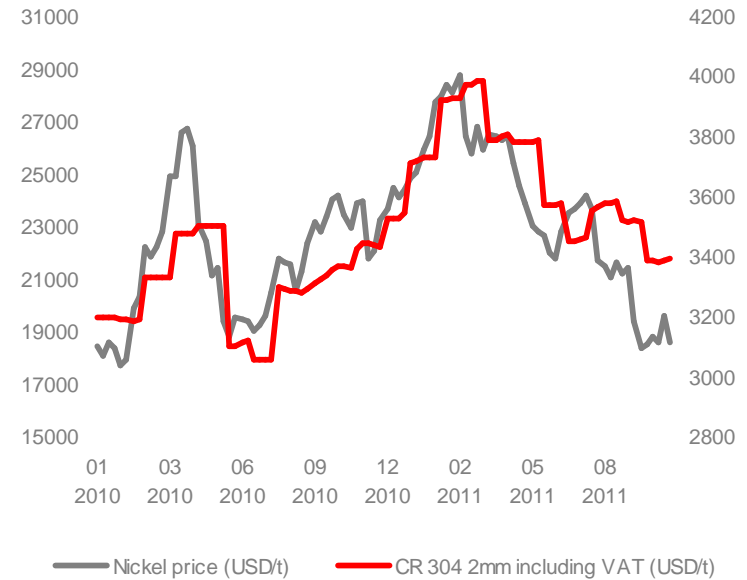
## Strong pricing correlation



Price for flat stainless steel cold rolled – Grade 304 – 2mm



Nickel price and Chinese stainless steel price



**Chinese are adjusting the stainless steel price to nickel rapidly but not perfectly**

Source: SBB and Aperam estimates



Overcapacity  
challenge and cost  
opportunity

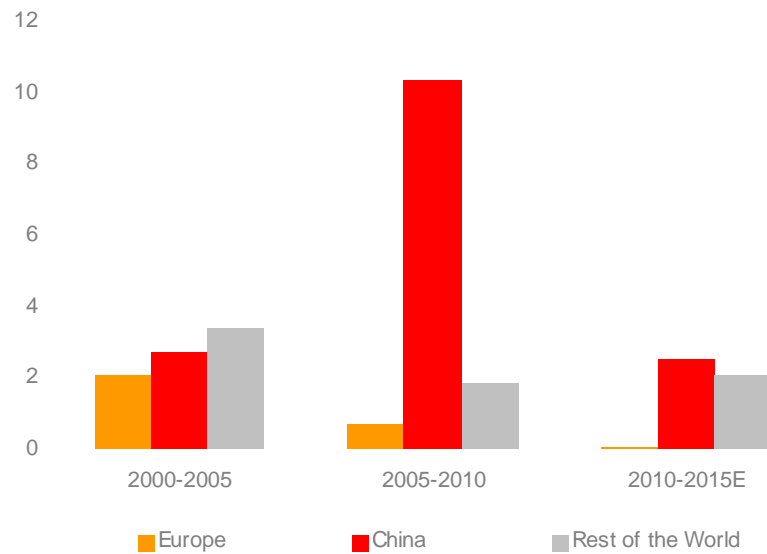


# Overcapacity challenge and cost opportunity

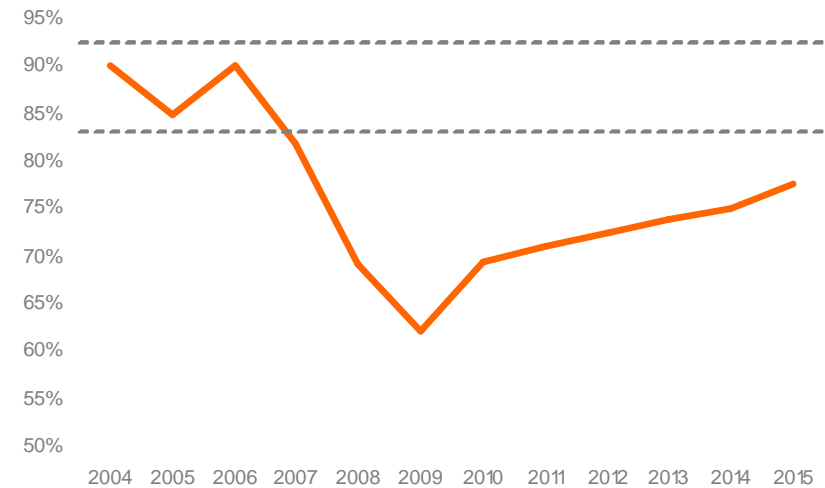
Overinvestment has led to overcapacity



Stainless steel slab capacity expansion (in million tonnes)



Stainless steel slab equivalent global utilization rates (% of capacity)



**Expansion of capacity is expected to slow**

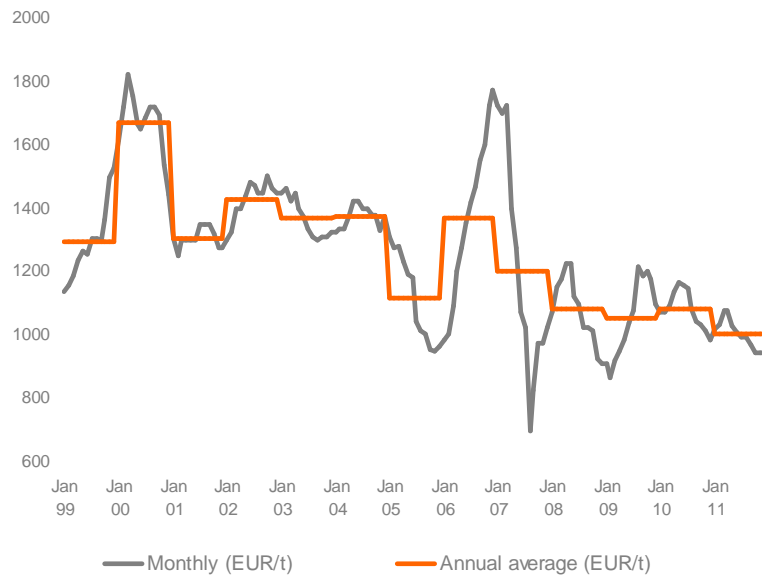
Source: CRU and Aperam estimates

# Overcapacity challenge and cost opportunity

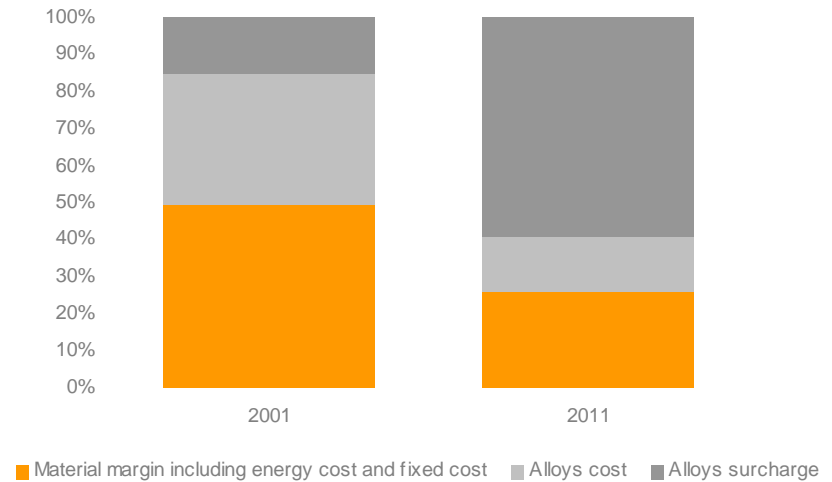
Prices and margins have been under strong pressure



South Europe stainless steel base price (CR 304 2B 2mm coil)



Margin to stainless steel maker in % of total price



**Margin to the stainless steel maker has become very limited relative to total stainless price**

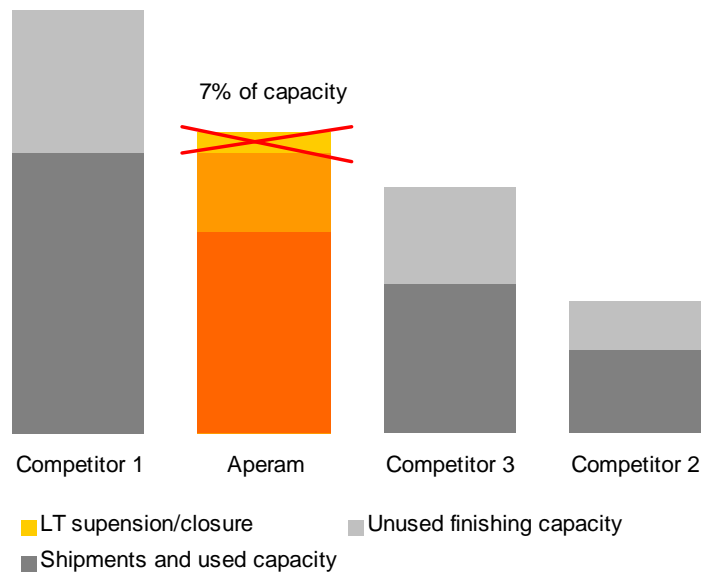
Source: SBB

# Overcapacity challenge and cost opportunity

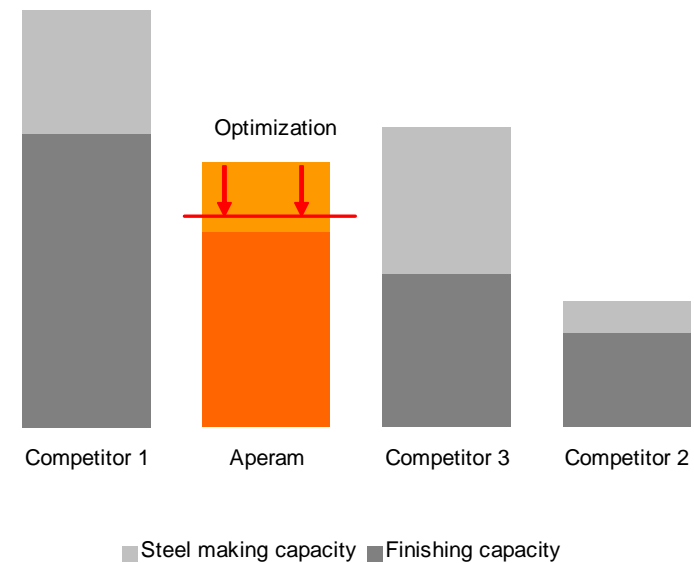
## Closure and optimization potential on stand-alone



Shipments and finishing capacity for European producers in 2010  
(in million tonnes)



Steel making and finishing capacity for European producers  
(in million tonnes)



**Overcapacity offers significant cost reduction potential through closure, suspension and optimization**

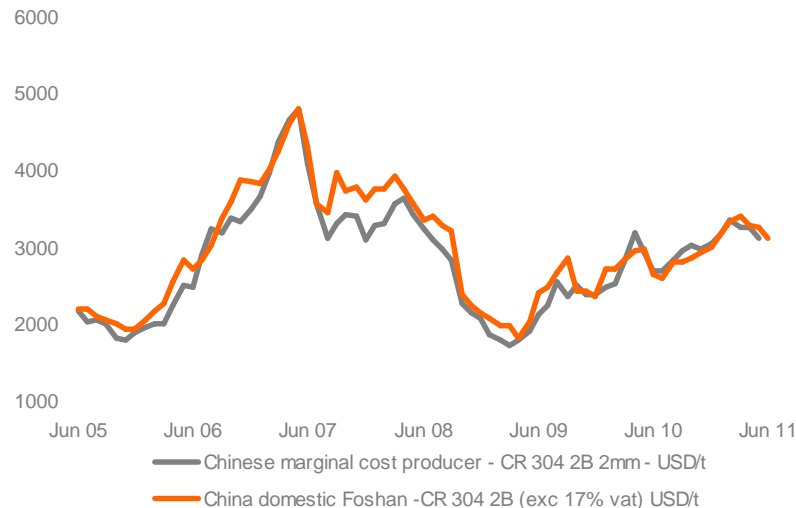
Source: Aperam estimates

# Overcapacity challenge and cost opportunity

## Chinese costs set to rise



China domestic stainless steel price and cash cost evolution (USD/t)



### Key factor to impact Chinese cost competitiveness

- 1 Inflation expected to remain high and weight of fixed cost
- 2 Slow but progressive revaluation of the RMB
- 3 Productivity to reduce as capacity expansion stabilize
- 4 Low nickel price to reduce/remove nickel pig iron advantage

Domestic prices, which are already close to the marginal cost level, should follow cost inflation



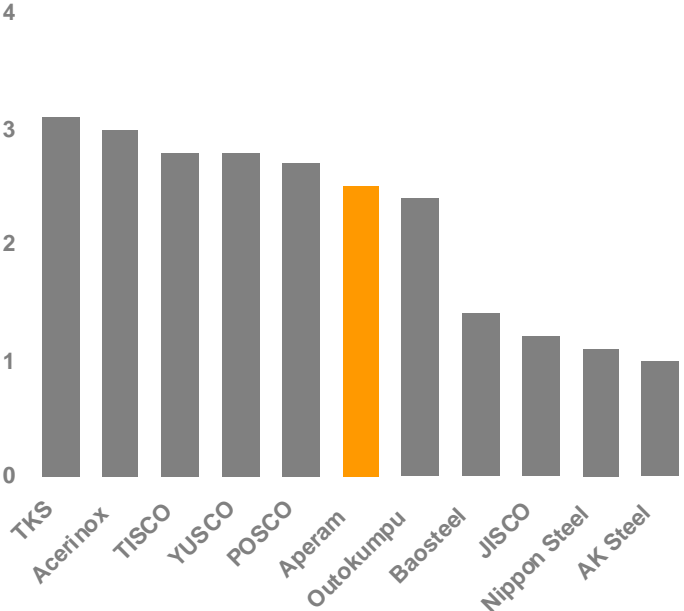
# Aperam strengths and strategy

# Aperam strengths and strategy

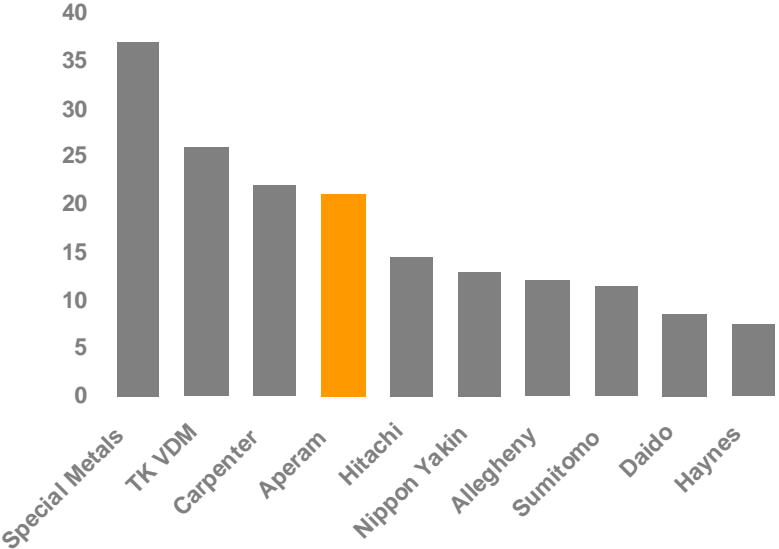
A leading position in stainless steel and alloys



Flat product stainless steel producers ranking by slab capacity (mt)



Nickel Alloys producers ranking (kt)

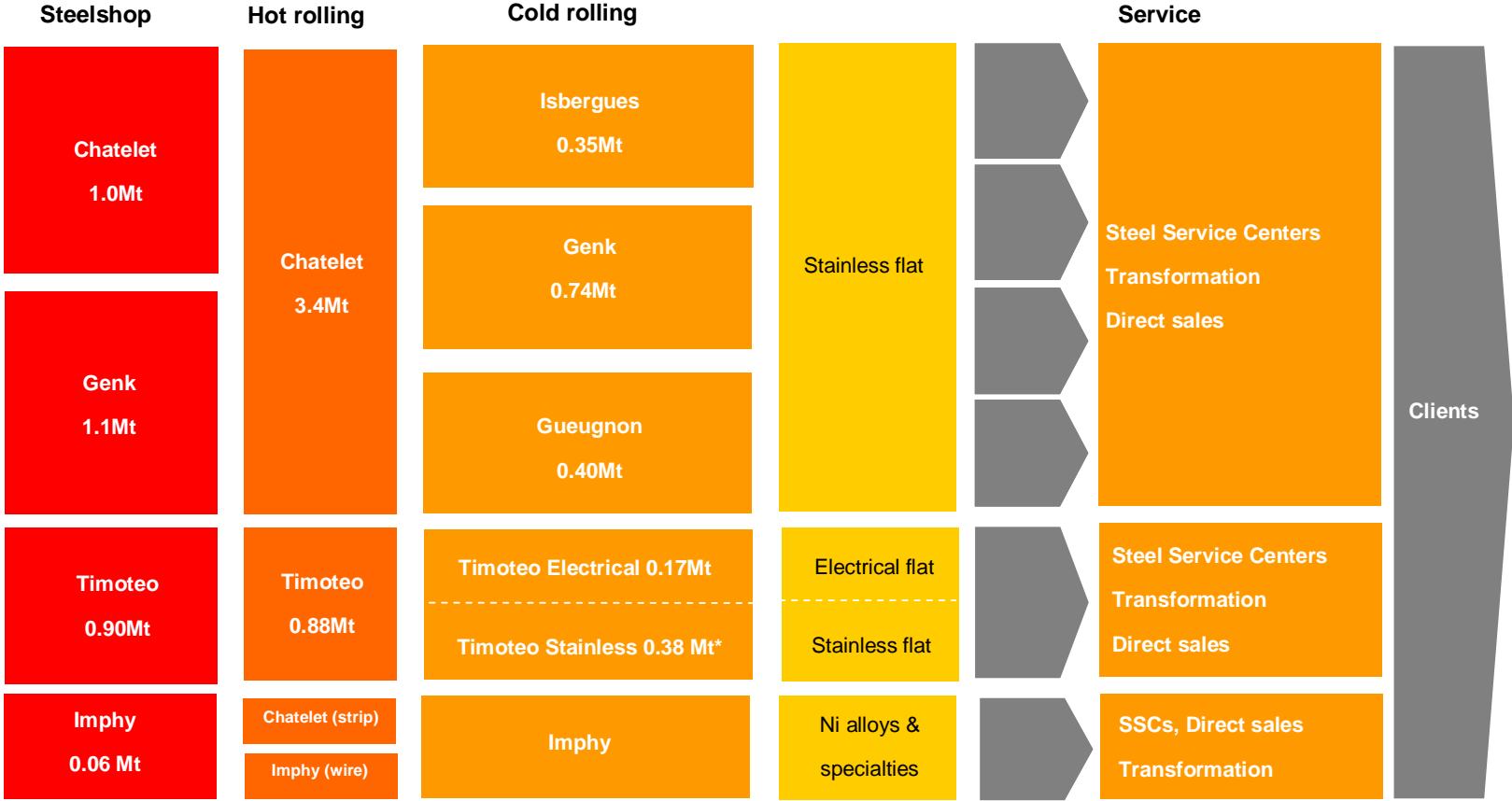


**Leading player in stainless, alloys and specialty steel in Europe and South America**

Sources: CRU, SRM and Aperam estimates

# Aperam strengths and strategy

A solid industrial base



**Built in 2005, Chatelet has been the latest greenfield built in the developed world to date**

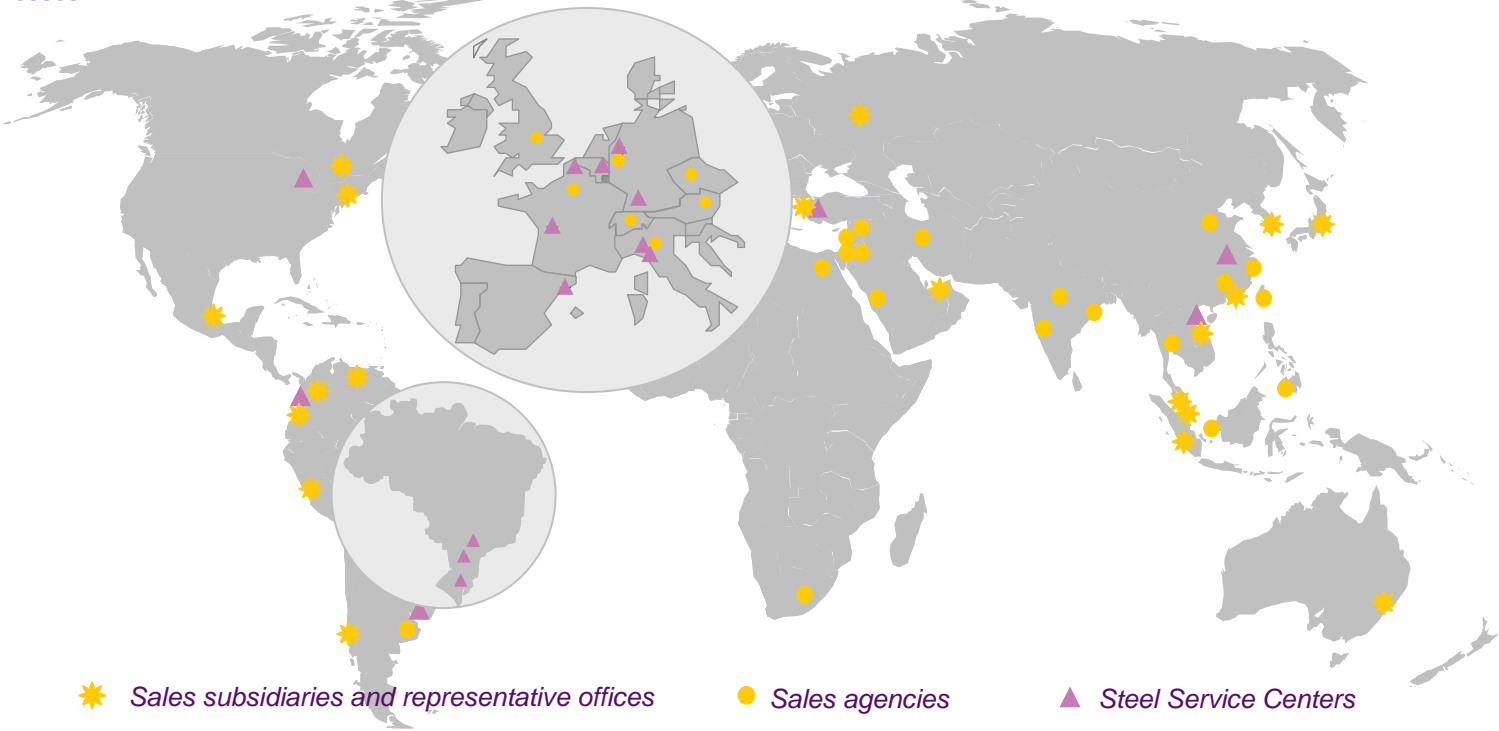
\* Includes 0.06Mt of finished HRAP products

# Aperam strengths and strategy

Close to customers through a highly integrated distribution network



Sales, distribution and steel service centers network, including precision & tubes businesses

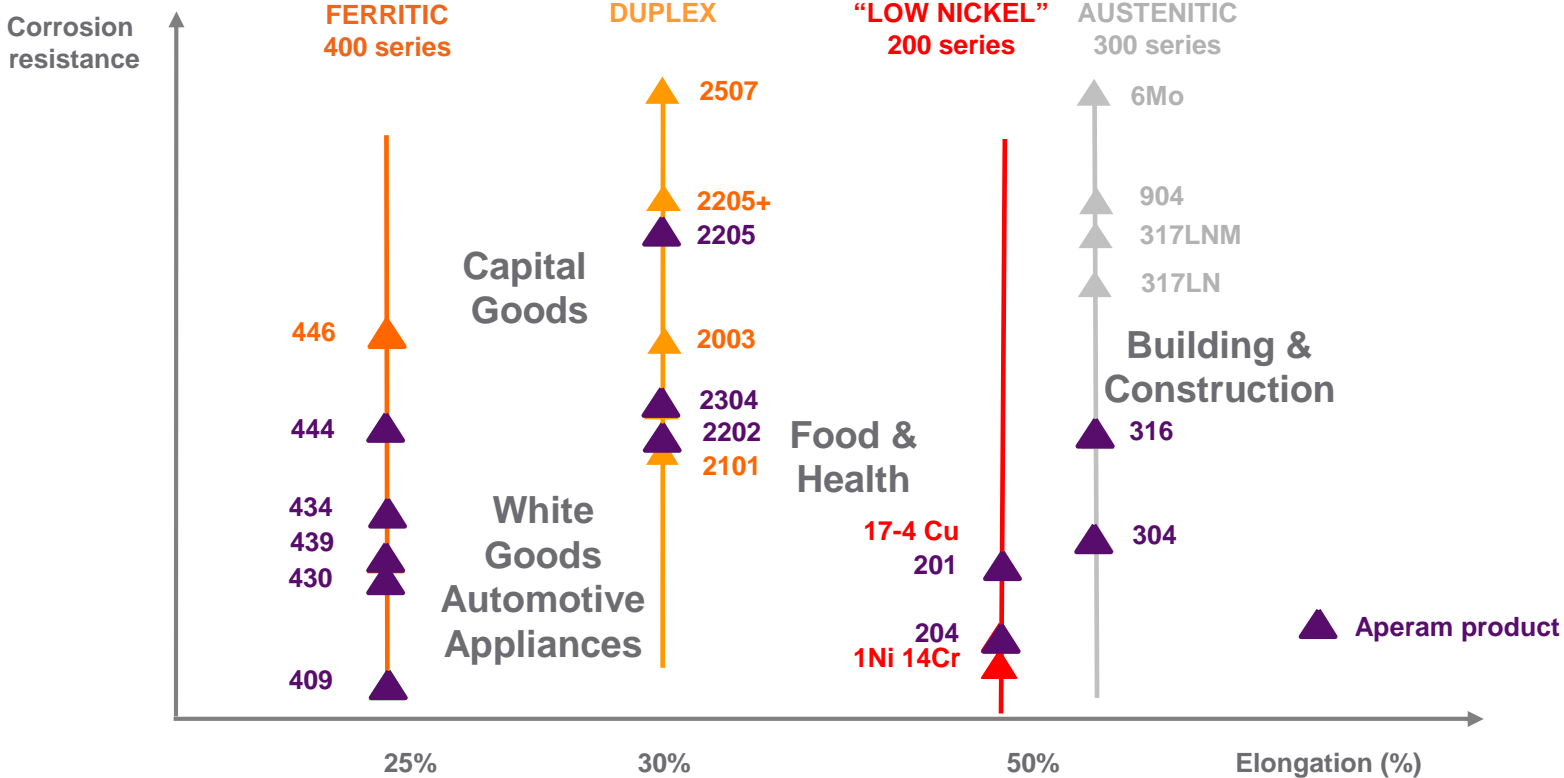


A key competitive advantage to maintaining market share and capturing growth opportunities



# Aperam strengths and strategy

A large product range of specialties supported by strong R&D



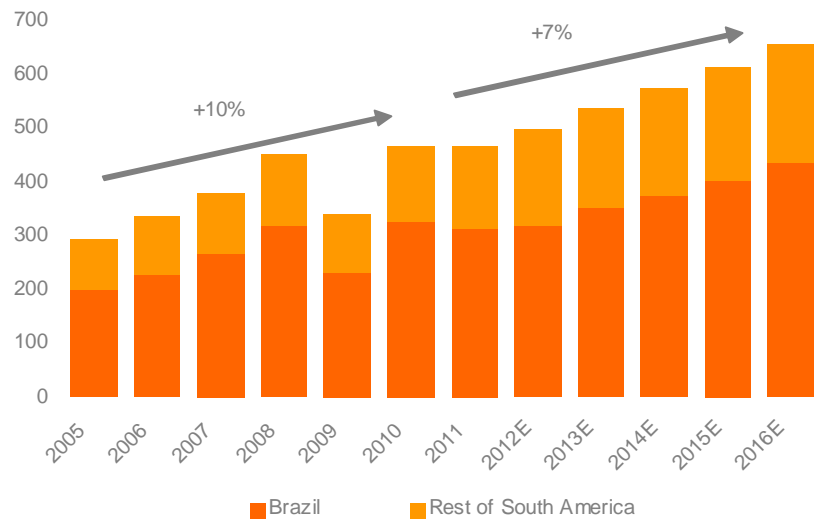
High-end application and specialty products benefiting from higher margins and growth

# Aperam strengths and strategy

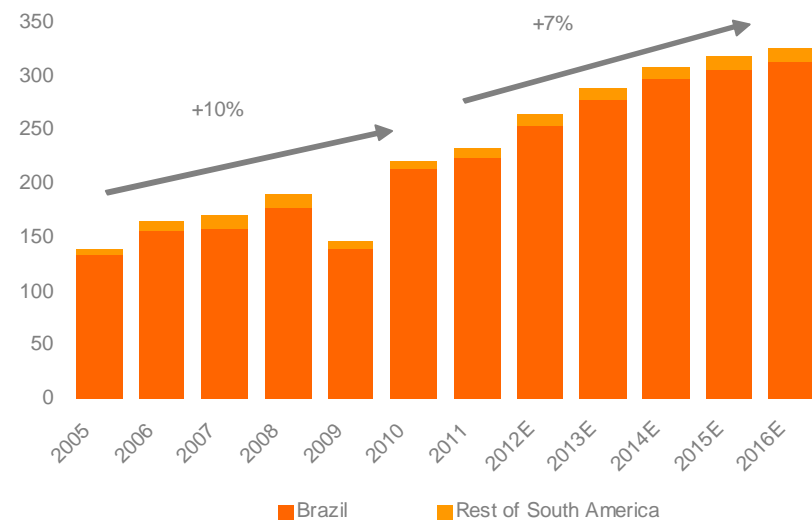
A unique exposure to Brazil



Apparent consumption in South America of stainless steel flat product ('000t)



Apparent consumption in South America of non grain oriented (NGO) electrical steel ('000t)



**Brazilian operations, producing stainless & electrical steel represent approximately 30% of the group\* and are running at full capacity. As market grows, shipments expected to be redirected to profitable domestic market**

\*% shipments

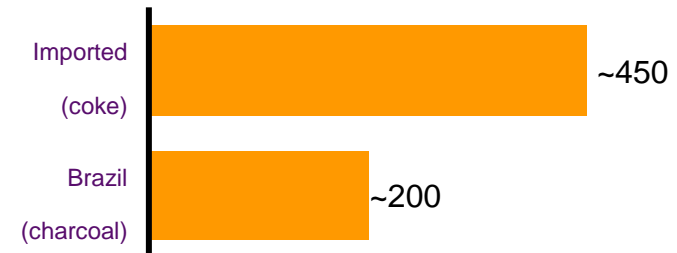
## Aperam strengths and strategy

A unique capability to produce stainless and specialties from biomass (charcoal)

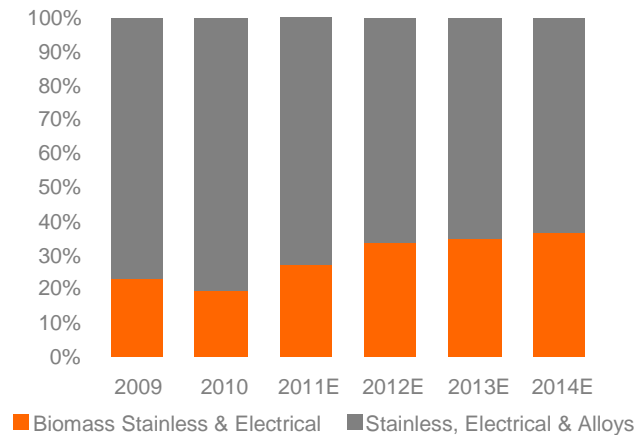


- Bioenergia produces biomass (charcoal) from eucalyptus - planting, maintenance and cutting at 7 years old
- Target to produce of 450,000t of biomass (charcoal) for 2012 following the forest development and the conversion of Blast Furnace #2 from coke to biomass
- Positive impact on environment

Equivalent coke and charcoal cost (USD/t)\*



Biomass integration (% of Aperam production)



Fully integrated in biomass since mid-2011

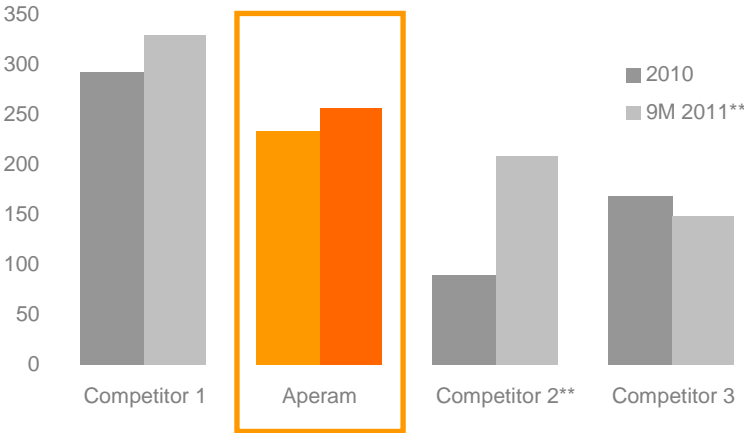
\*One tonne of charcoal is equivalent to approximately 0.90 tonne of coke  
Source: Aperam

# Aperam strengths and strategy

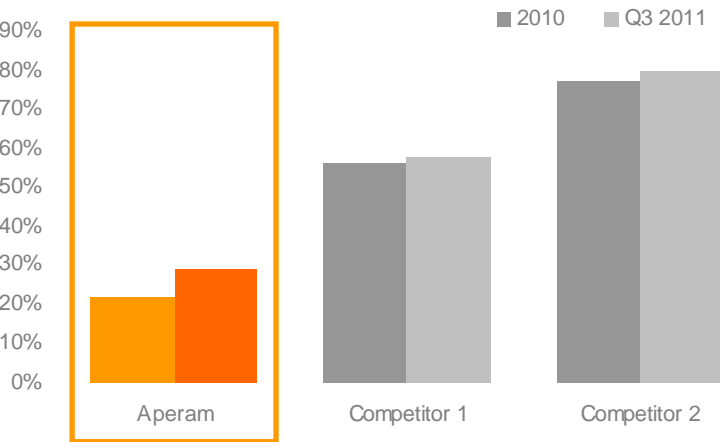
Solid financials relative to the sector



European producers adj. EBITDA per tonne (USD/t)\*



European producers gearing ratio (% on Equity)\*



**An adj. EBITDA of 257 USD/t in the first nine months of 2011**

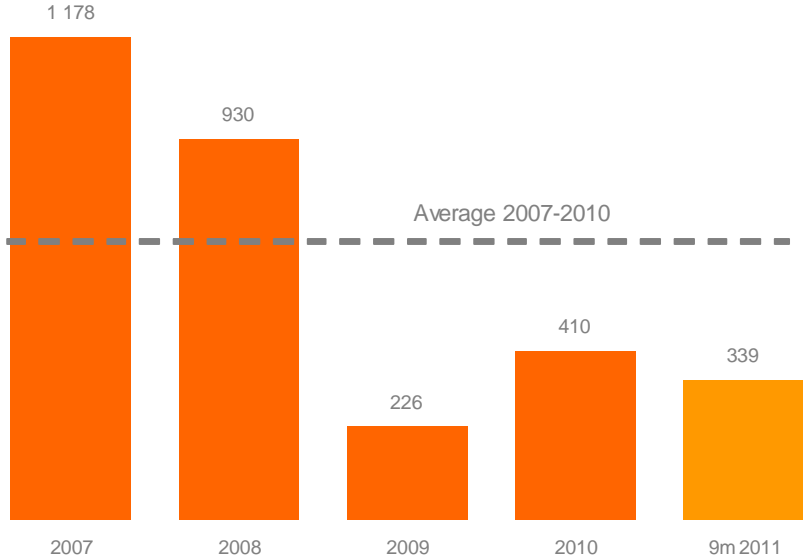
\*Based on earning release and annual reports  
 \*\* 9M 2011 figures are substituted by 1H 2011 figures when unavailable

# Aperam strengths and strategy

Level of profitability to improve



Adjusted EBITDA\* (USD)



Strategic priority

- 1 Delivering Leadership Journey to allow profitability uplift
- 2 Targeting significant net debt reduction
- 3 Improving working capital performance
- 4 Maintaining focus on productivity and cost cutting CAPEX

**Stainless steel industry fundamentals and economic uncertainty justify conservative strategy**

\* Adjusted EBITDA is defined as operating income plus depreciation, impairment expenses and other items as defined in the "Aperam Model"

aperam

Q&A