

# Exane BNP Paribas Basic Materials Seminar

March 19th, 2013

apream

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# Aperam's fundamentals

## Aperam's fundamentals

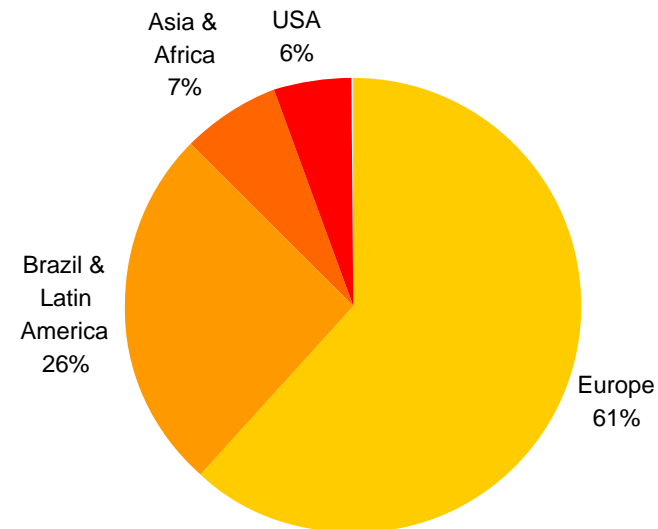
A key leader in the stainless steel industry



### Aperam rankings

- ✓ Number 1 in South America
- ✓ Number 2 in Europe
- ✓ Number 6 in the World

Aperam sales breakdown in 2012 (by destination)



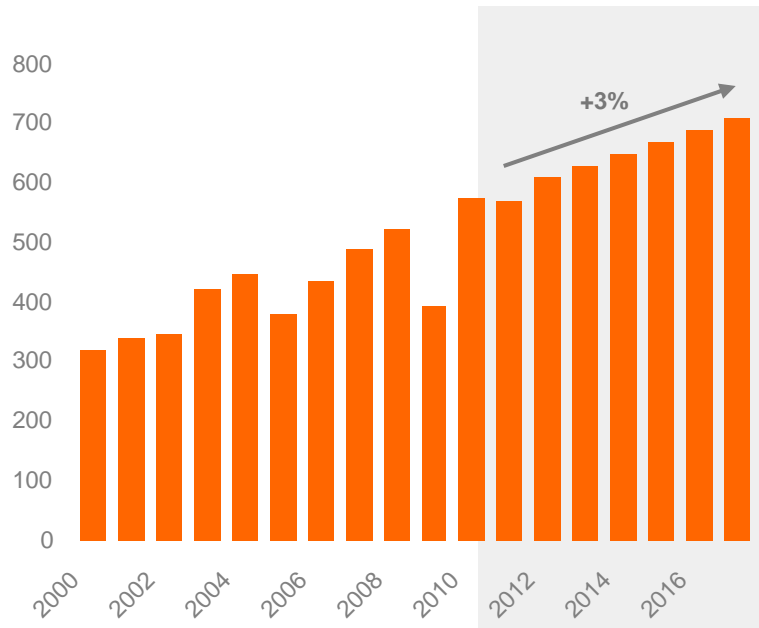
Well positioned in both developed and emerging markets

# Aperam's fundamentals

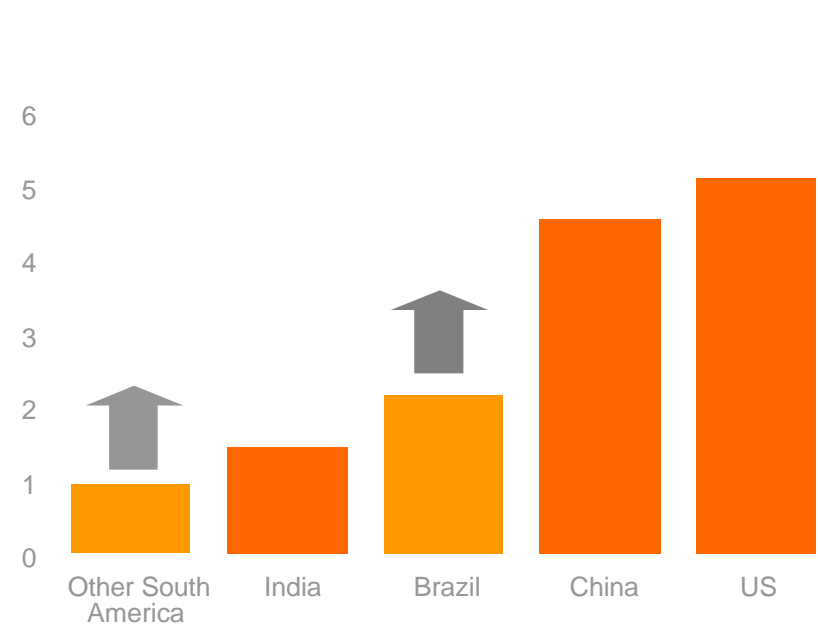
## A unique position in Brazil



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



Stainless steel consumption per capita pre crisis (kg/year)



**Based upon historically apparent consumption per capita, there is important growth potential in Brazil and South America**

Source: CRU and Aperam South America

# Aperam's fundamentals

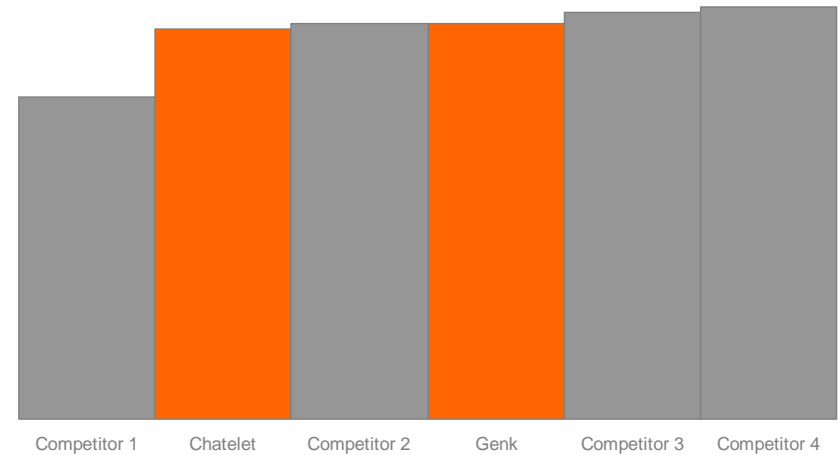
High quality and cost effective European operations



European steelmaking restructuring realised in the mid 2000's



Black coil (HRC) European cost curve (base 100)



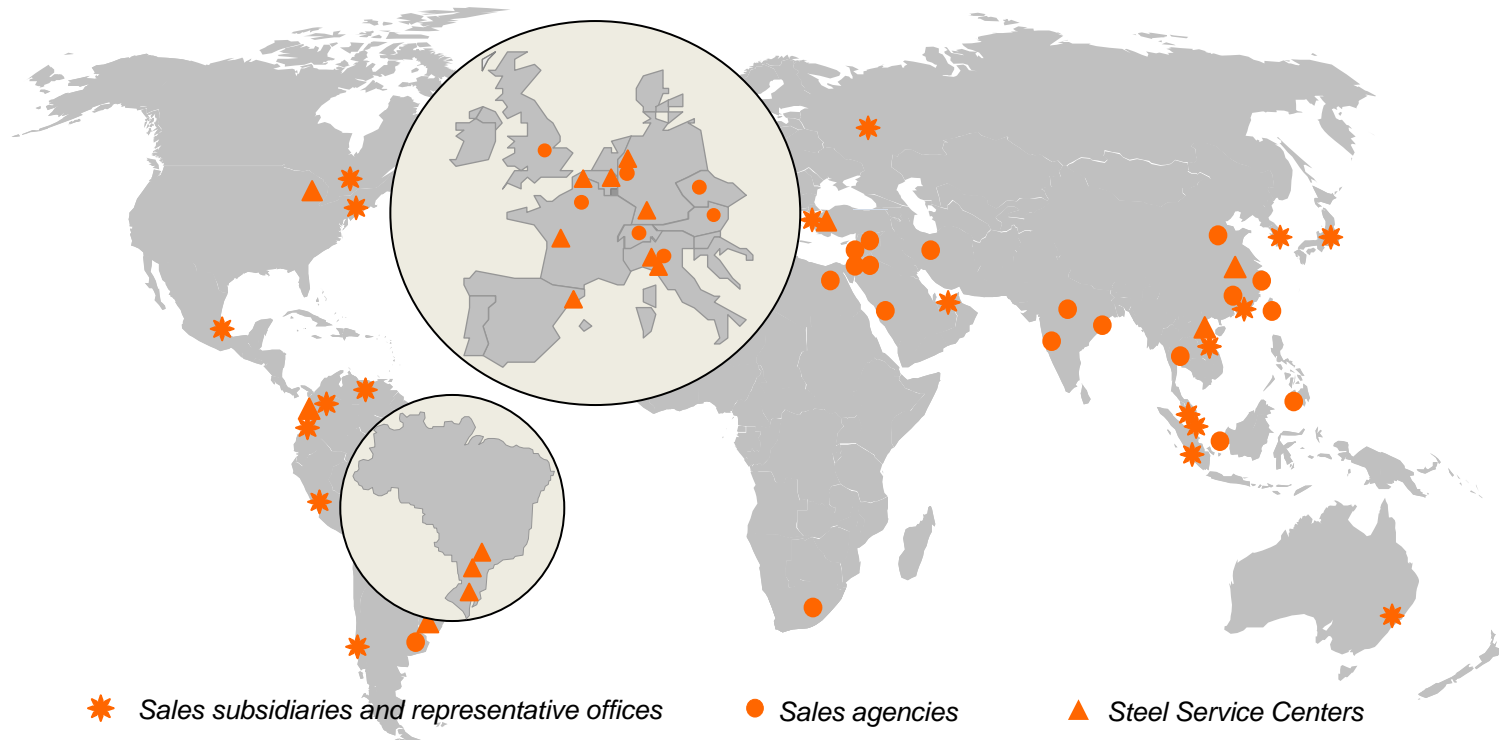
The last Greenfield built in Europe

# Aperam's fundamentals

## A global distribution network



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



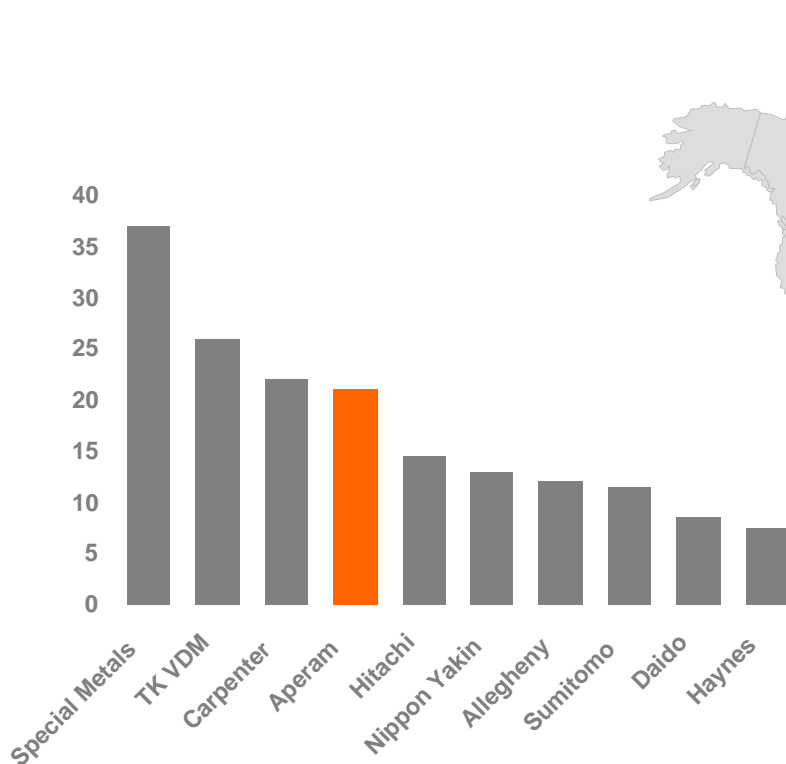
A key competitive advantage to maintaining market share and capturing growth opportunities

# Aperam's fundamentals

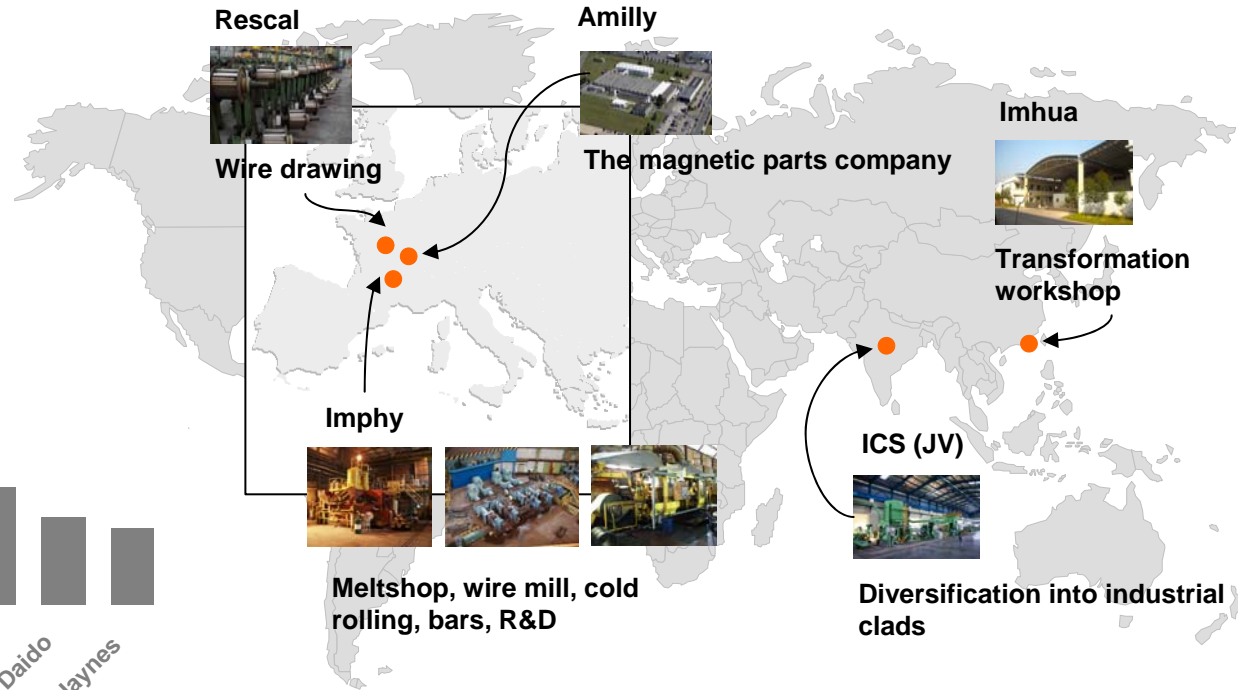
A leading position in nickel alloys



Global nickel alloys producers (kt)\*



Aperam Alloys & Specialties geographical footprint



A highly value creative business

Source: SRM



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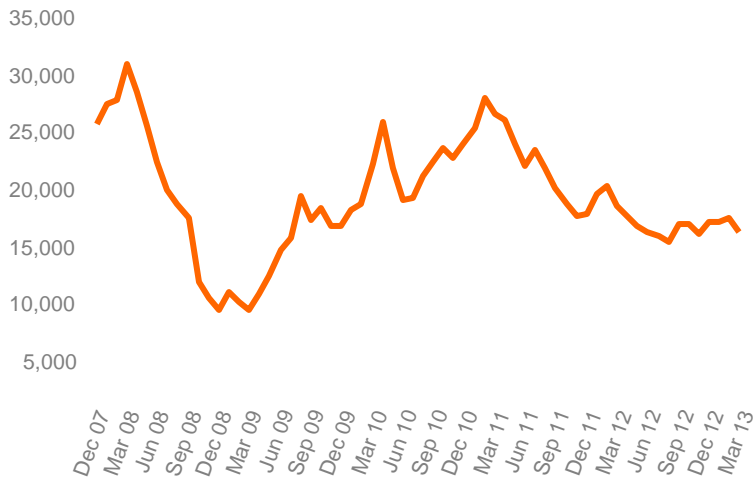
# Environment and performance

## Environment and performance

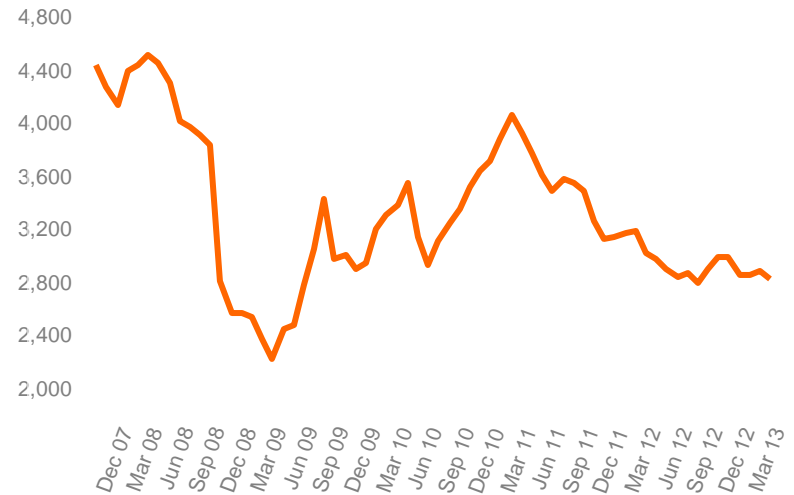
In a context of structural overcapacity, the global economic crisis has strongly hit the stainless steel industry in 2012



Nickel LME Cash (USD/t)



China domestic grade 304 stainless steel CR (2mm) USD/t in warehouse



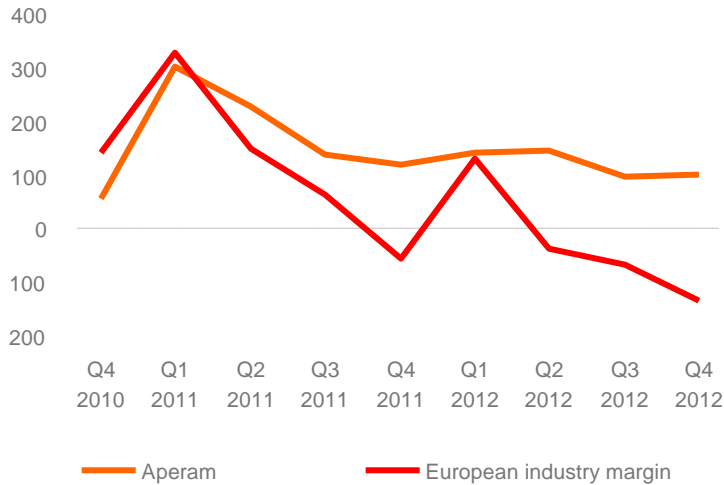
China slowdown, European crisis and Nickel price fall have put strong pressure on stainless steel price

# Environment and performance

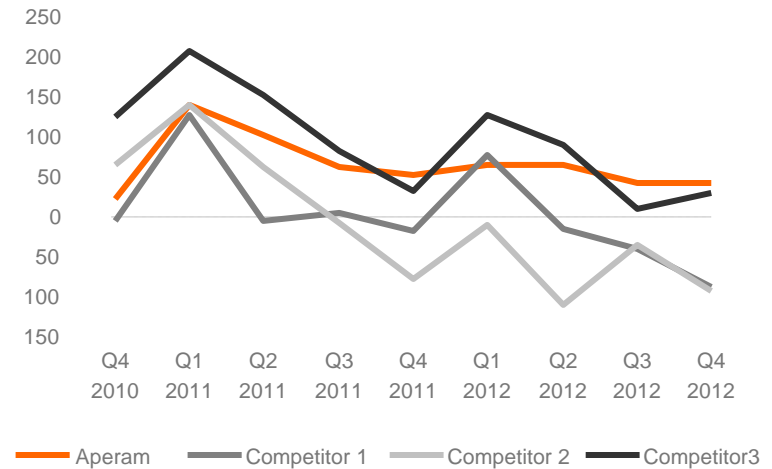


Aperam profitability has deteriorated but has been more resilient than the industry

EBITDA margin of Aperam and of the European industry (USD/t)



Quarterly EBITDA of the European producers (USDm)



Since spin off, Aperam has outperformed competition notably due to the Leadership Journey®

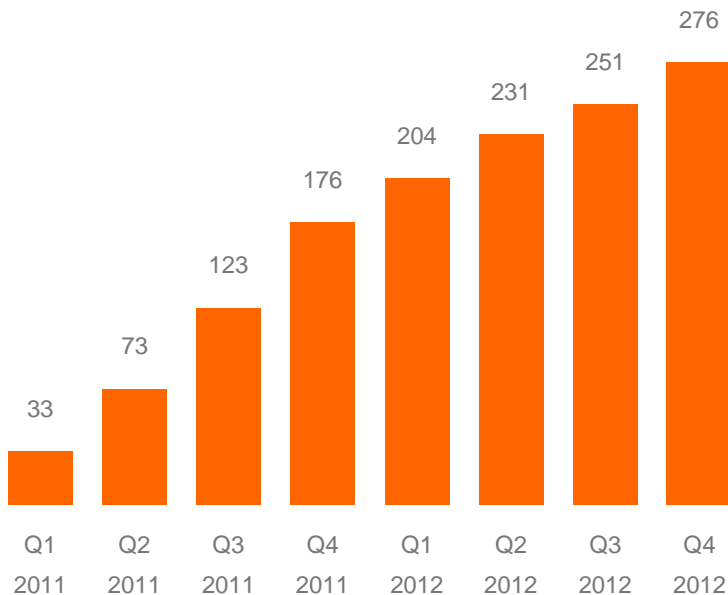
Sources: Corporate financial reports (Acerinox, Outokumpu, Inoxum w/o non recurring impact of the merger in Q4 2012, Aperam)

# Environment and performance

## Expansion of Leadership Journey®



Cumulated gains and 2013 target (USD million)



### 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, Service center expansion in Campinas
- In Europe, suspension of traditional cold roll mill in Isbergues and investment,

### Key projects progressing

- New induction furnace, Electro Slag Remelting furnace and new VAR furnace at Imphy (France – Alloys & Speciality)
- New hot annealing and pickling line in Gueugnon to be restart before second half 2013 (France),
- Industrial optimization and rationalization in Europe (from 20 tools to 17 tools)
- Yield and Quality improvement, Sourcing initiative, SG&A reduction through organisation simplification...

**Aperam is ahead of schedule in its savings program and further expands it with USD 150 million targeted over next 2 years**

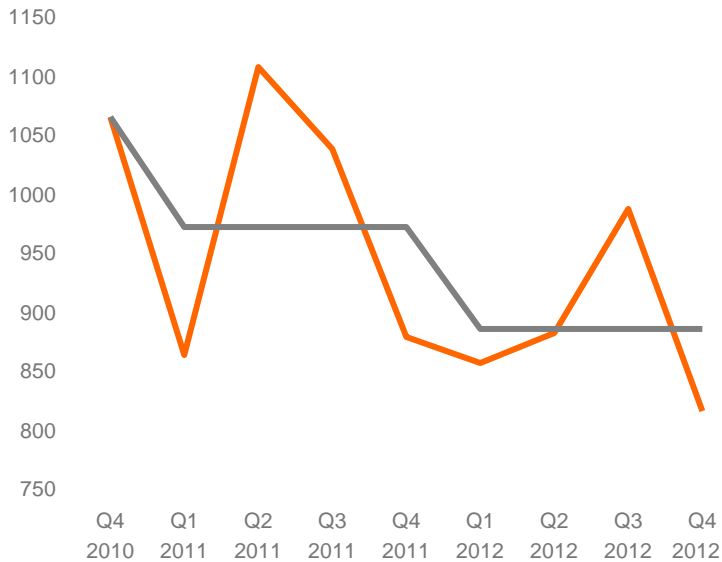
\*VSS – Voluntary Separation Scheme

# Environment and performance

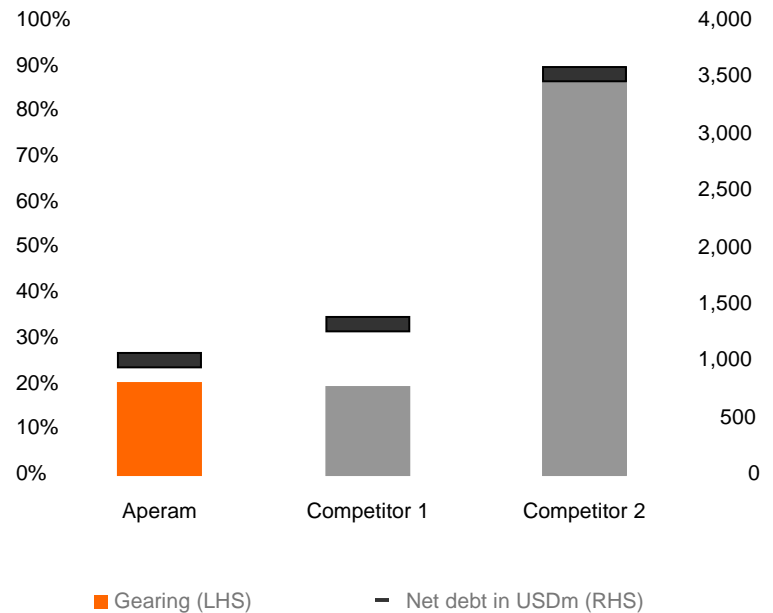
## Acceleration of net debt reduction



Quarterly net debt and average evolution (USDm)



Debt level of the European stainless steel producers, end of 2012



**Target of net debt of USD 650 million by the end of 2014.  
Dividend stopped to accelerate this net debt reduction**

\*Excluding right issue

Sources: Corporate financial reports (Acerinox, Outokumpu, Inoxum, Aperam)

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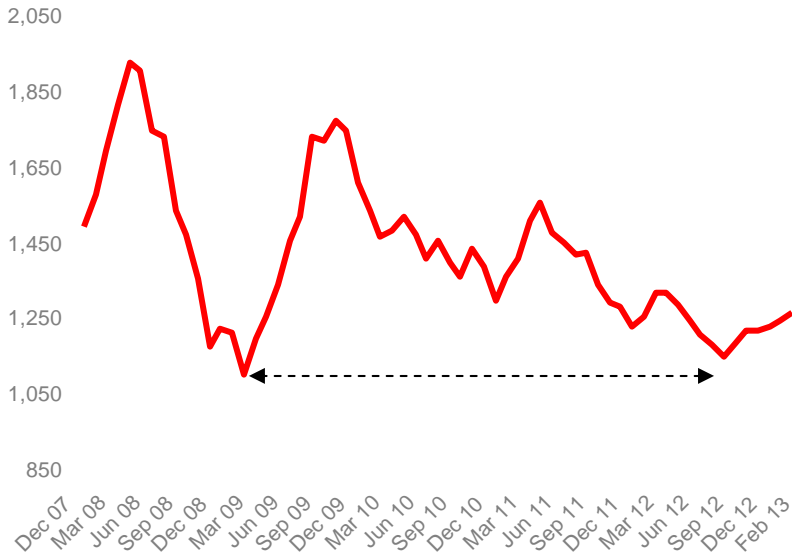
# Key drivers and prospect

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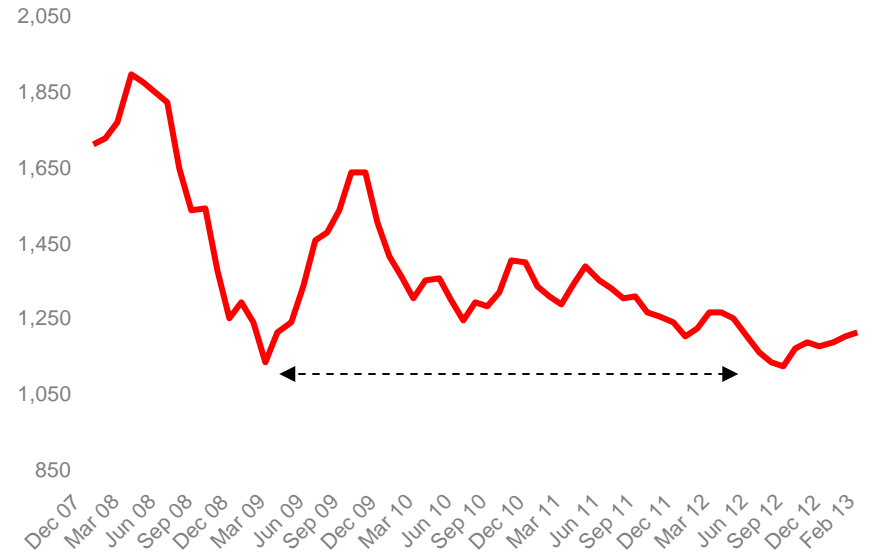
## Stainless steel market has started to improve



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



Stainless steel base price in South Europe for CR 430 BA 2mm coil (USD/t)



Prices start to increase.

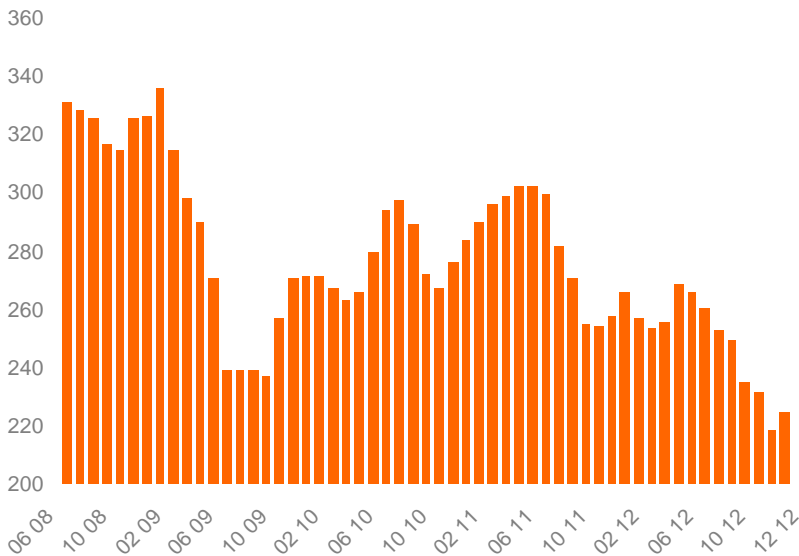
Further improvement will depend on Nickel price evolution

## Key drivers and prospect

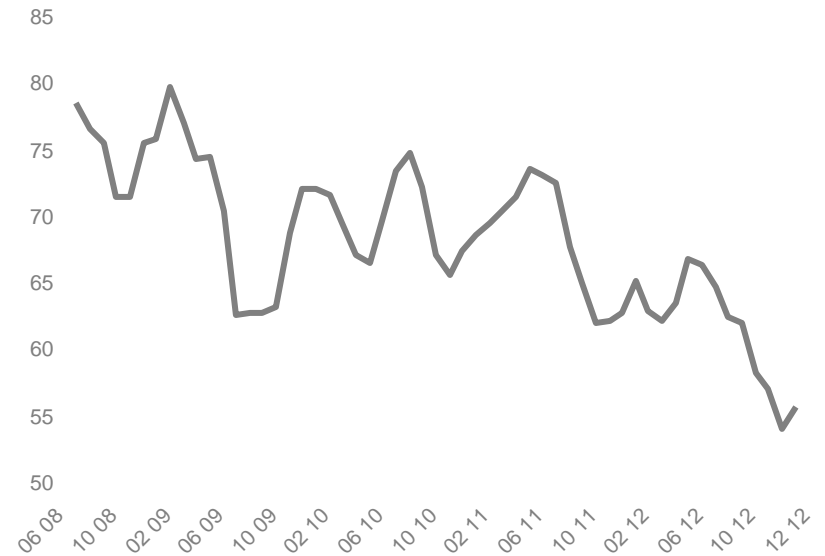
Low level of inventory expected support further market improvement



Stocks of flat stainless steel in EU 27 for distribution  
(in 000't)



Stocks of flat stainless steel in EU 27 for distribution  
(in number of days)



**Inventories are at a historical low whereas global stainless steel demand continues to grow**

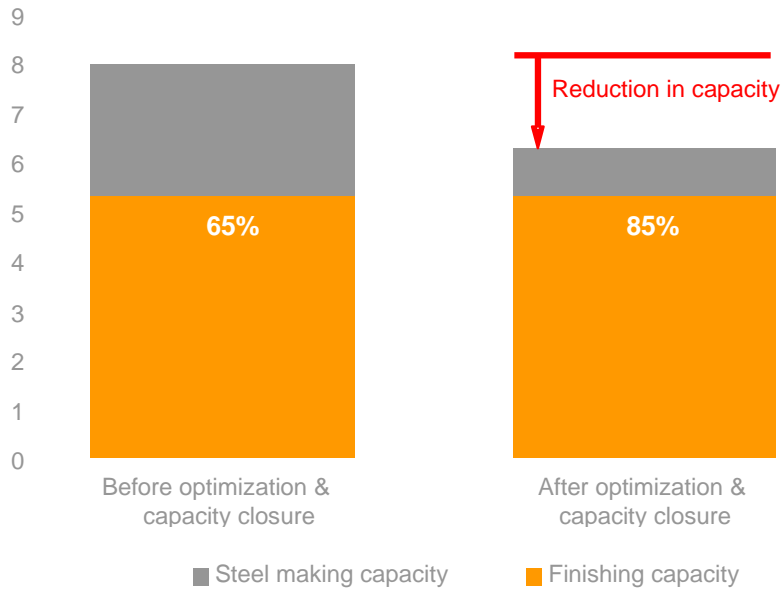


# Key drivers and prospect

European capacity closures expected to have a positive impact



Steel making and finishing capacity for European producers (mt)



European stainless steel industry footprint after restructuring



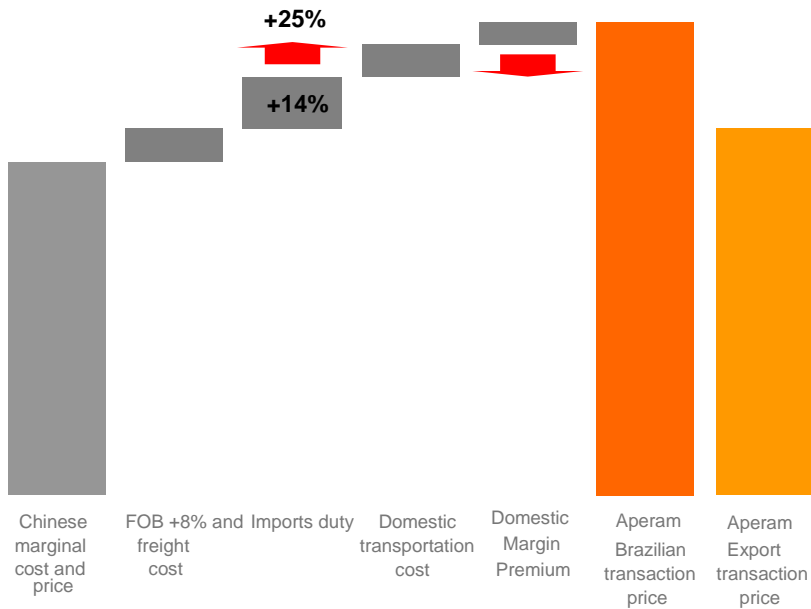
Capacity closures planned in Europe

## Key drivers and prospect

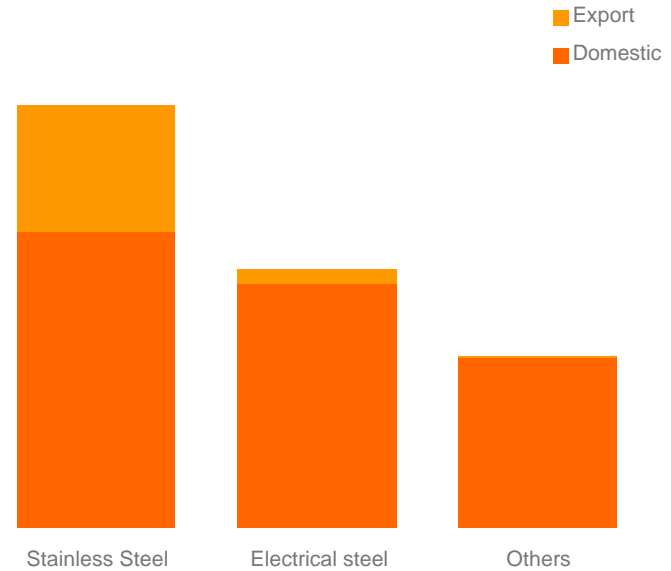
Brazilian import duty expected to lead to market share gains and mix improvement



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



Aperam shipments breakdown from Brazil (in '000t)



Brazilian government is still investigating on anti dumping

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**Q&A**