

**Investor Day – Genk**

November 27, 2013

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

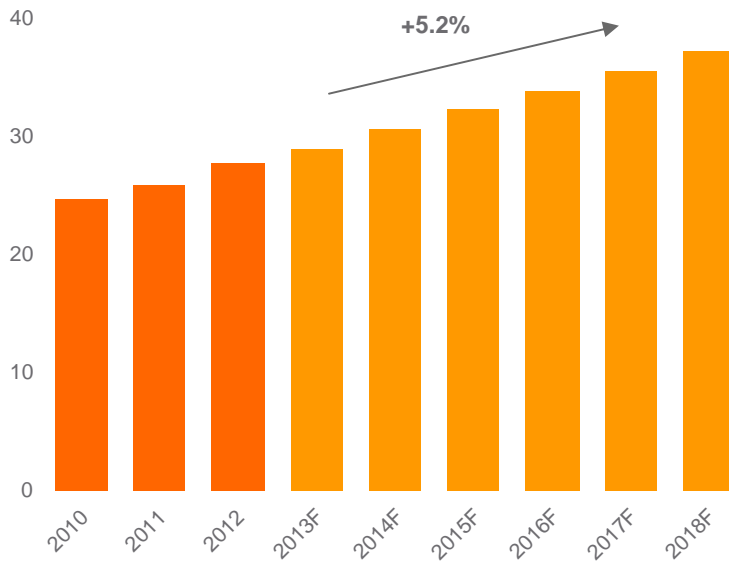
# Stainless steel market: improving outlook

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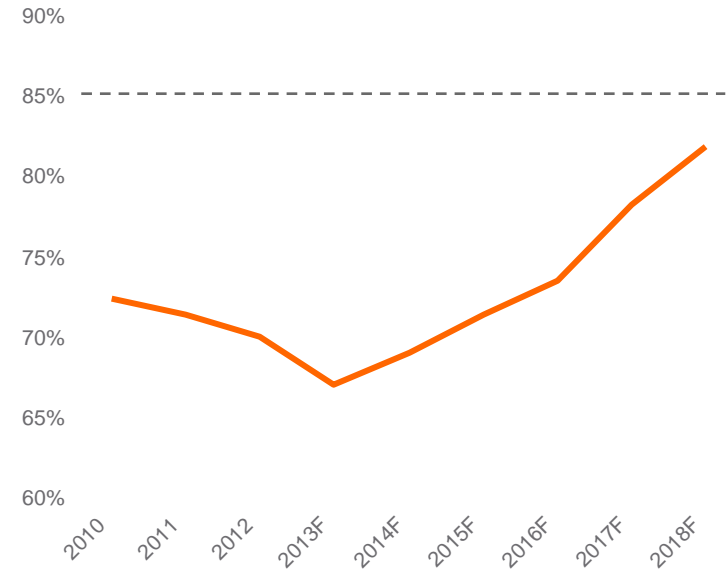
## Stainless steel sustained growth worldwide



Stainless steel slab equivalent global demand (in million tonnes)



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



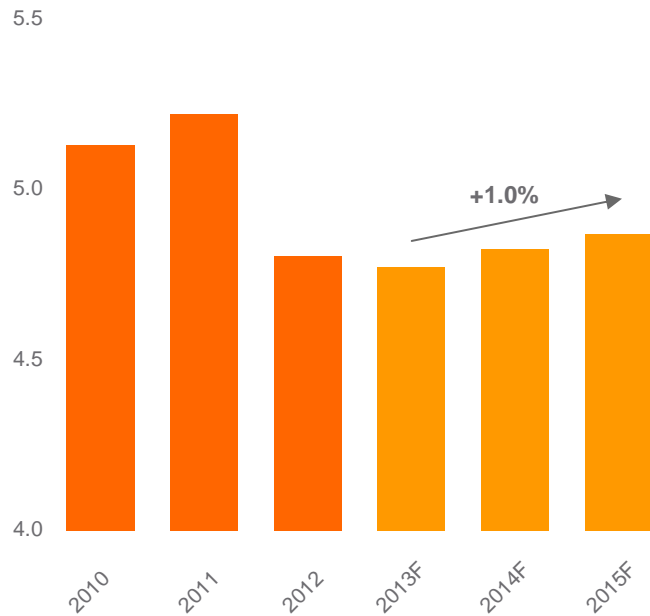
**Demand growth expected to lead to capacity utilization improvement**

# Stainless steel market: improving outlook

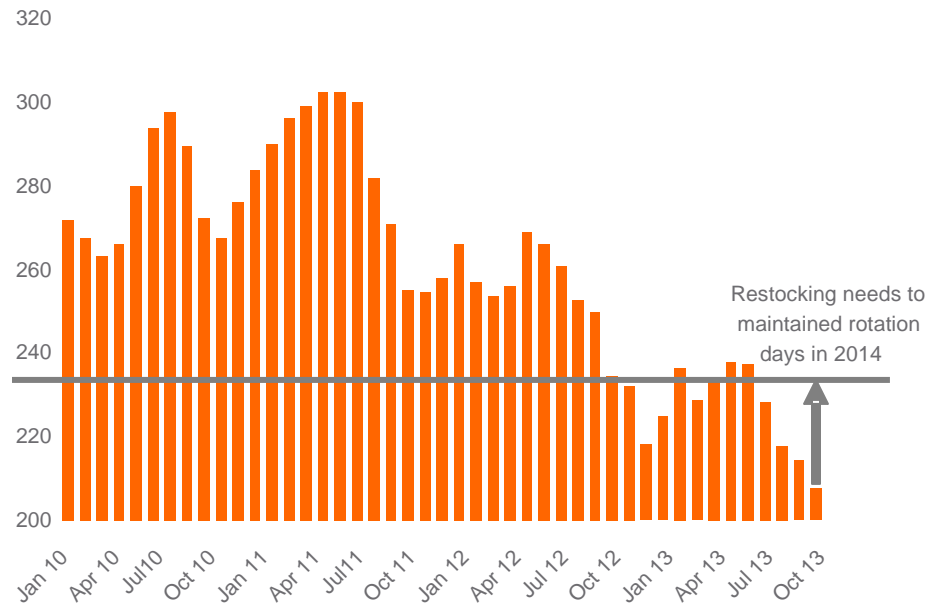
## European demand expected to recover slowly



Stainless steel slab equivalent European demand (in million tonnes)



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



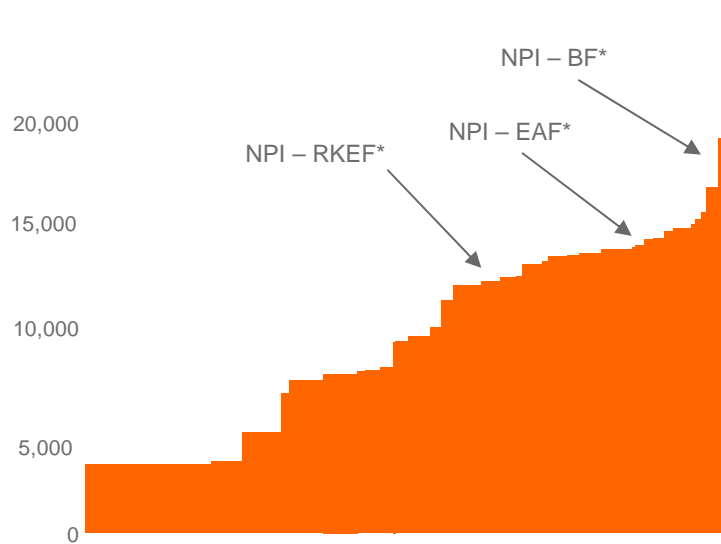
European slow economic recovery and restocking needs should lead to some demand improvement

# Stainless steel market: improving outlook

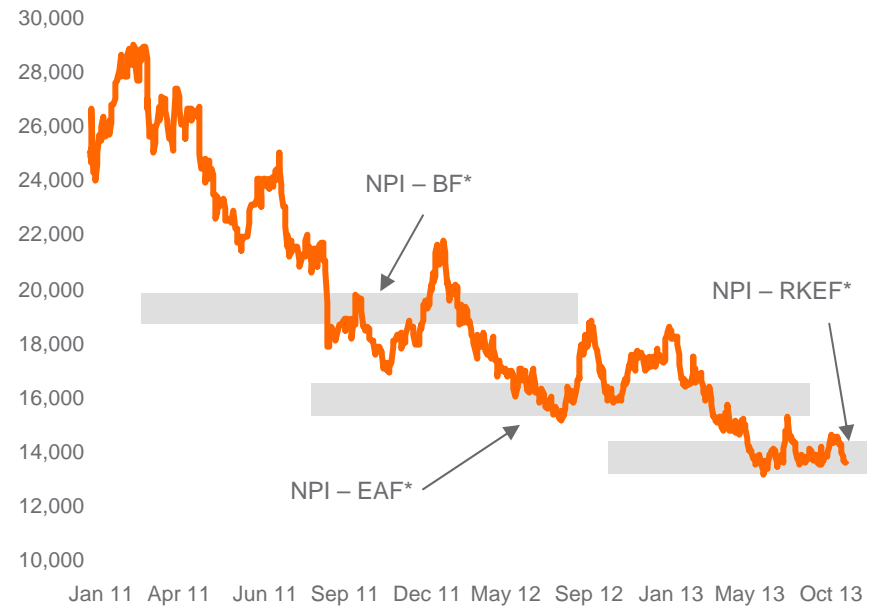
NPI\* growth expected to stabilize nickel price at low level



Nickel production cost curve (USD/t)



Nickel - LME Cash (USD/t)



**Stable and low nickel price expected to support stainless steel demand**

\* Nickel Pig Iron – Blast Furnace – Electric Arc Furnace - Rotary Kiln Electric Furnace  
Source: SBB & Aperam estimates

# Stainless steel market: improving outlook

Recent pricing outlook stable to favorable



Stainless steel transaction price in China for CR 304 2B 2mm coil (USD/t)



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



Improved demand, restocking and increase in capacity utilization is expected to support pricing but Chinese production should cap recovery

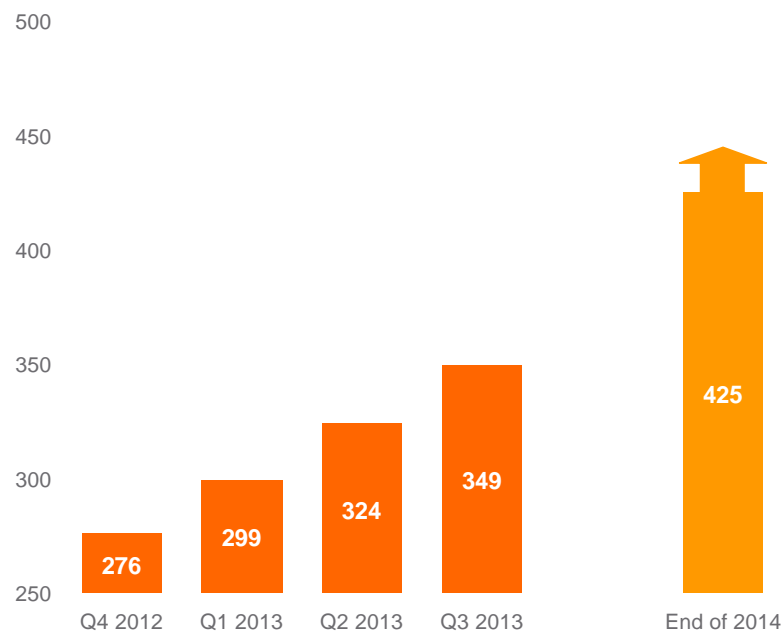
# Leadership Journey<sup>®</sup> and top line strategy enhanced



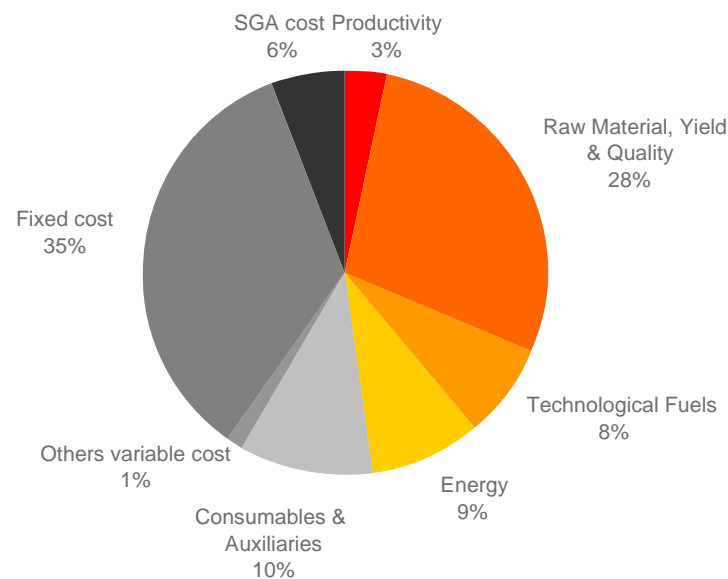
# Leadership Journey<sup>®</sup> and top line strategy enhanced Leadership Journey<sup>®</sup> target



Cumulated gains (USD million)



Leadership Journey<sup>®</sup> breakdown for 2014



**New projects under analysis to go beyond the current USD425m target**

# Leadership Journey® and top line strategy enhanced

## Full impact of the cost cutting CAPEX



### The new Hot Annealing and Picking line (RD79)



- Investment: USD 65 m
- Combining downstream tools in Europe
- The brand new line was damaged by a fire that occurred in December 2012 and rebuilt in 2013

### The new steel service center in Campinas

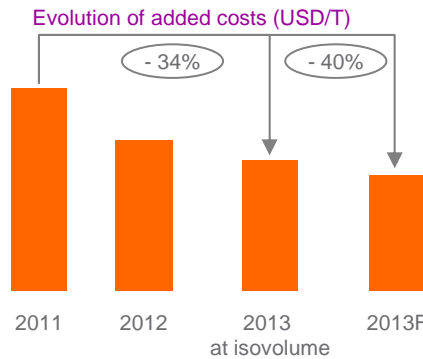
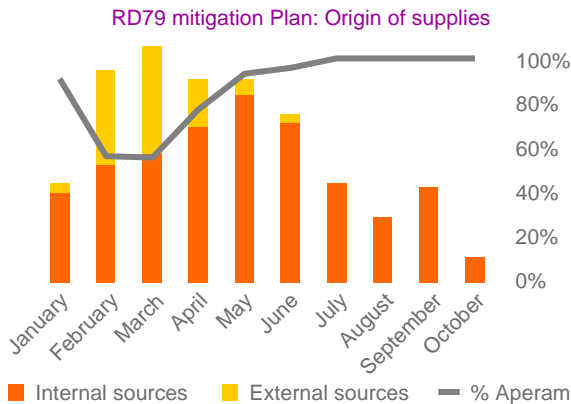


- Investment: USD 35 m
- Merging 2 service centers in Brazil:
  - A new industrial building for CR Products
  - Upgrade of an existing building for HR, tubes and bars activity
  - Shutdown of a service center

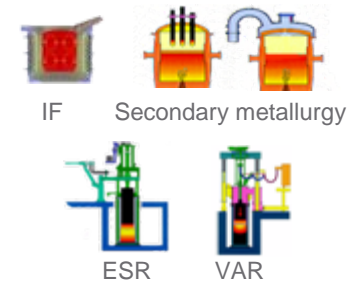
### Imphy meltshop enhancement project



- Investment: USD 29 m
- Increase revenue and improve competitiveness of A&S division
  - Reduce subcontracting constraint
  - Reduce raw material costs
  - Increase capacity in growing niches



### Imphy meltshop enhancement project



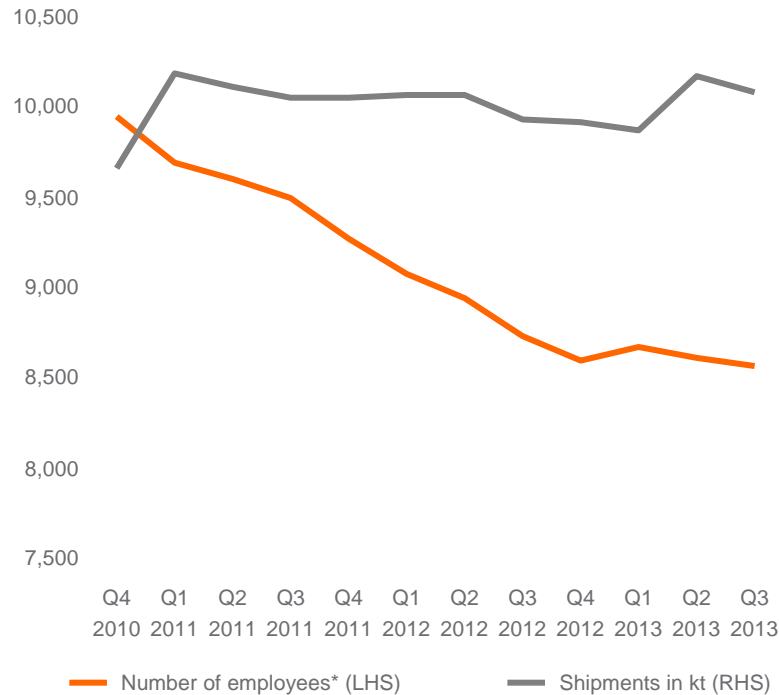
**Main CAPEX projects are completed and will fully contribute to 2014 gains**

# Leadership Journey<sup>®</sup> and top line strategy enhanced

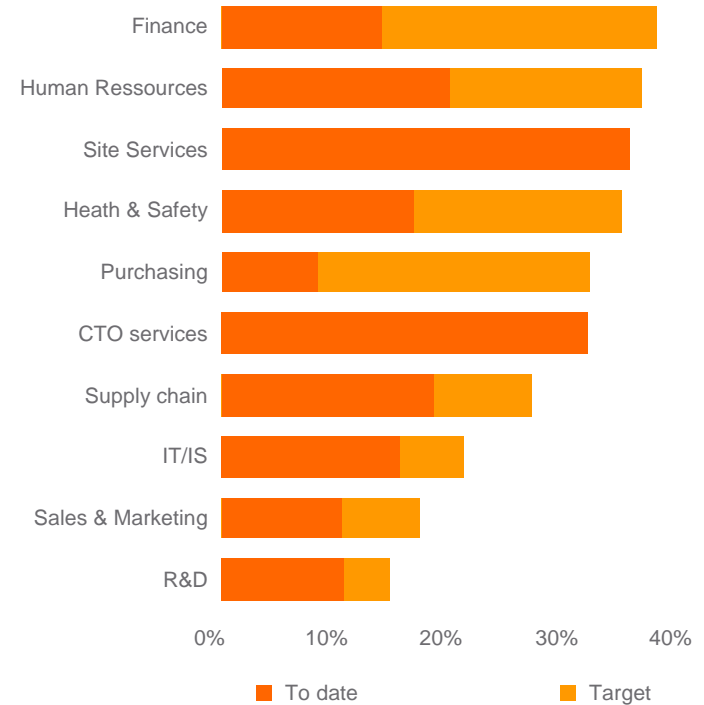
## Productivity gains to continue



### Productivity evolution



### SSG&A cost reduction specific program (% of reduction since 2011)



**After 35% improvement over the last 3 years, productivity expected to increase by more than 5% in 2014**

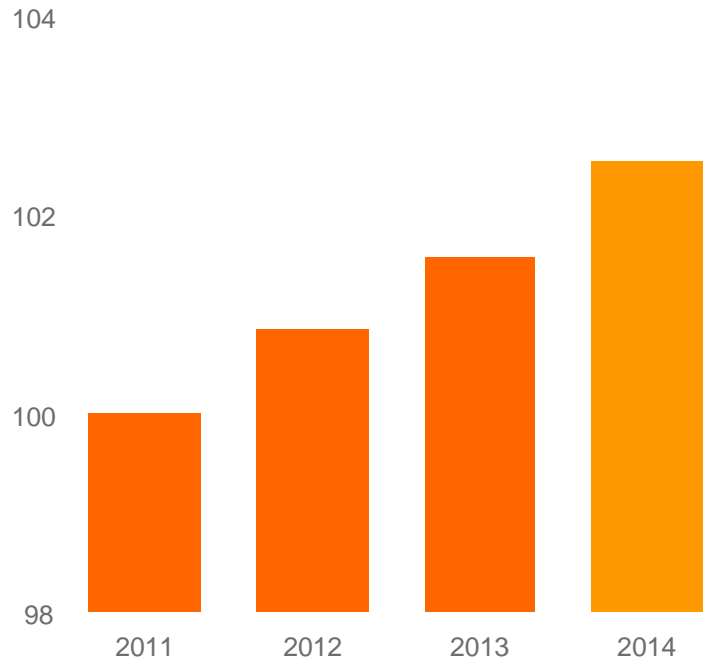
\* Full time equivalent excluding Bioenergia

# Leadership Journey<sup>®</sup> and top line strategy enhanced

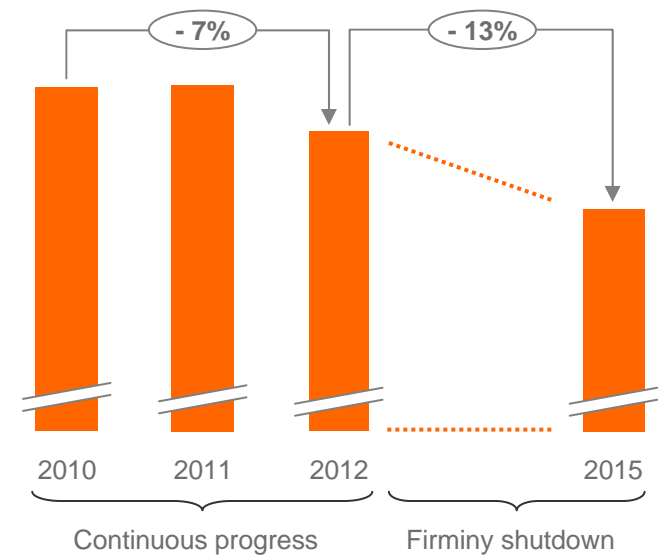
Changing the game for an improved industrial performance



Yield target for First choice products in Europe  
(Base 100, 2011)



The Precision example: Evolution of Precision's added costs w/o raw material (EUR million)



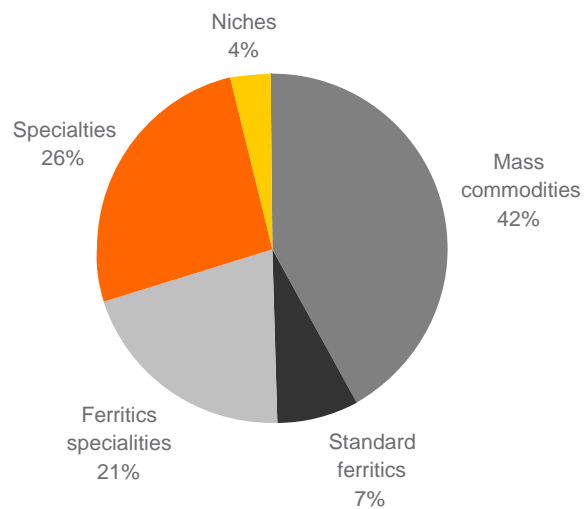
**Significant cost cutting potential remaining**

# Leadership Journey® and top line strategy enhanced

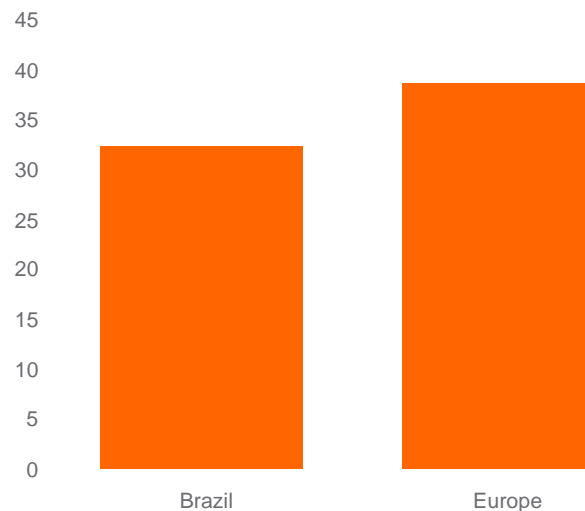
## Further mix improvement expected



Aperam portfolio breakdown in Europe



Top line product growth target for 2014 ('000t)



Expanding further high margin products to replace low contribution margin products

# Opportunities in the Brazilian market

# Opportunities in the Brazilian market

## Brazilian protections against unfair market behaviour



Type of products	Import duties status	Anti-dumping status
<b>Stainless Steel Flat Products</b>	<ul style="list-style-type: none"> <li>✓ Import duties applicable on Cold Rolled product back from 25% to 14% in October 2013</li> </ul>	<ul style="list-style-type: none"> <li>✓ AD rights have just been published valid as of October 4<sup>th</sup> for 5 years from 236 USD/t to 1,077 USD/t. The case involves austenitic grades (types 304, 304L and 304H) and CR ferritic stainless 430 strip, in thicknesses between 0.35mm and 4.75mm. Countries involved are China, Finland, Germany, Korea, Taiwan and Vietnam</li> </ul>
<b>Stainless Steel Welded Tubes</b>	<ul style="list-style-type: none"> <li>• No import duties</li> </ul>	<ul style="list-style-type: none"> <li>✓ AD rights have just been published valid as of July 29<sup>th</sup> for 5 years and up to 911USD/t. Countries involved are China and Taiwan.</li> </ul>
<b>Electrical steel – Non Grain Oriented</b>	<ul style="list-style-type: none"> <li>✓ 14% of Import duties on NGO</li> </ul>	<ul style="list-style-type: none"> <li>✓ AD rights imposed for NGO on July 17<sup>th</sup> 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> </ul>
<b>Electrical steel – Grain Oriented</b>	<ul style="list-style-type: none"> <li>✓ Import duties applicable on Cold Rolled product back from 25% to 14% in October 2013</li> </ul>	<ul style="list-style-type: none"> <li>✗ No anti-dumping investigation</li> </ul>

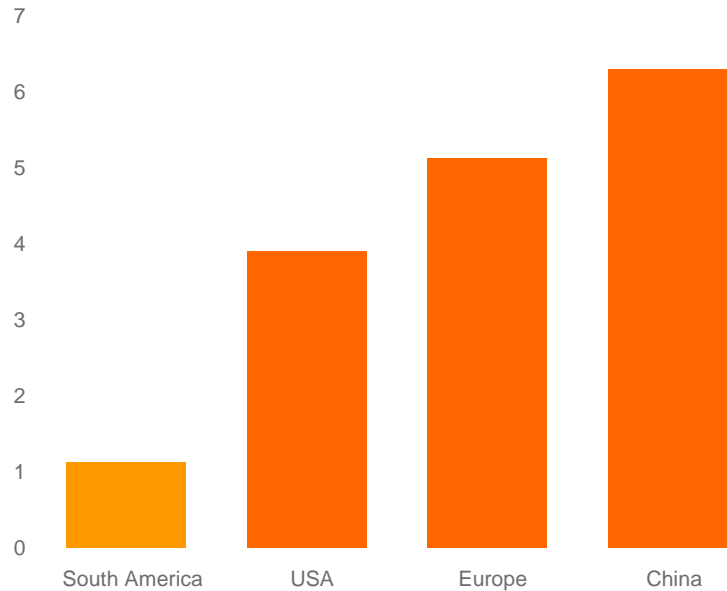
**Recent anti-dumping measures should create a stable and fair market environment for next 5 years**

# Opportunities in the Brazilian market

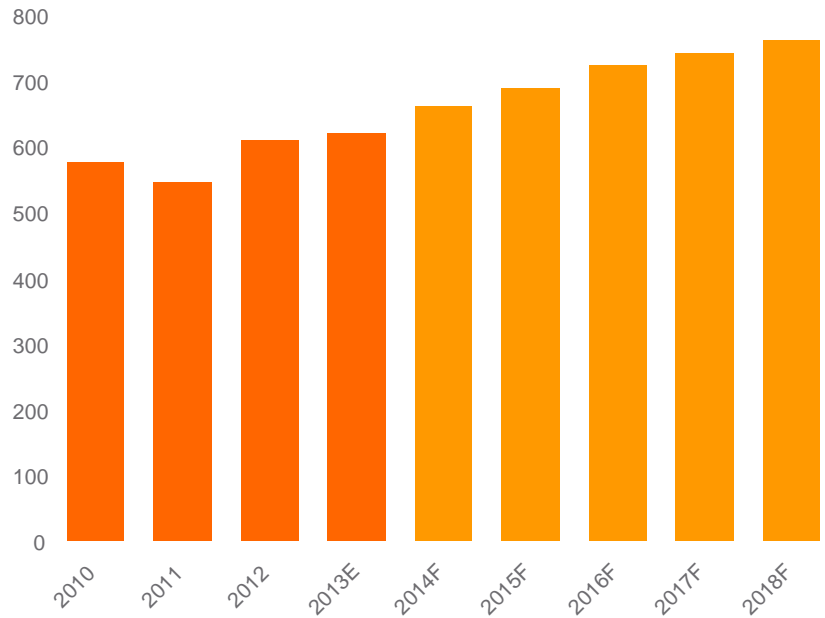
## A growing market



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



South American Stainless steel demand (in kt)



**Aperam targeting to capture market growth**

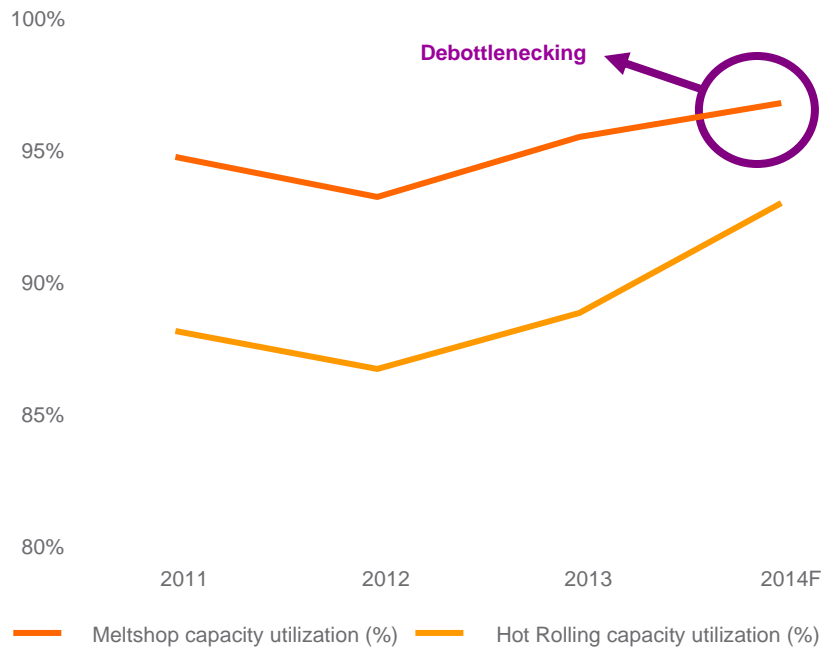


# Opportunities in the Brazilian market

Beyond biomass integration and high capacity utilization, Aperam integrated plant can still improve



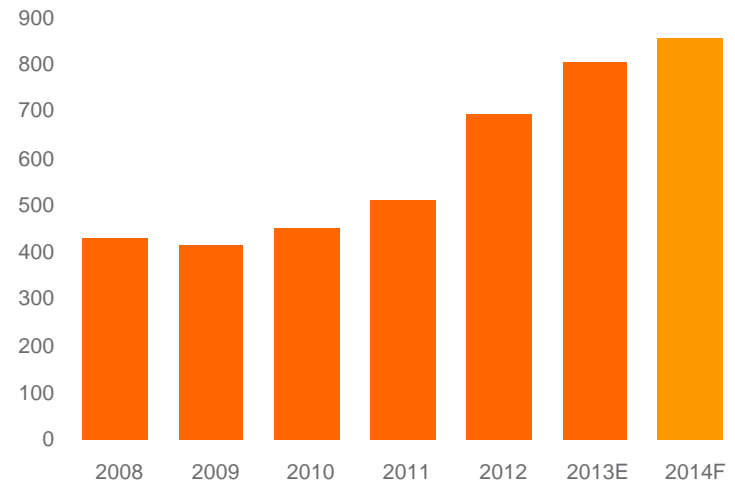
Timoteo plant capacity utilization



Bioenergia productivity (ton of Charcoal / Employee)



Forest Development      Harvest      Carbonization      Charcoal stock & transport



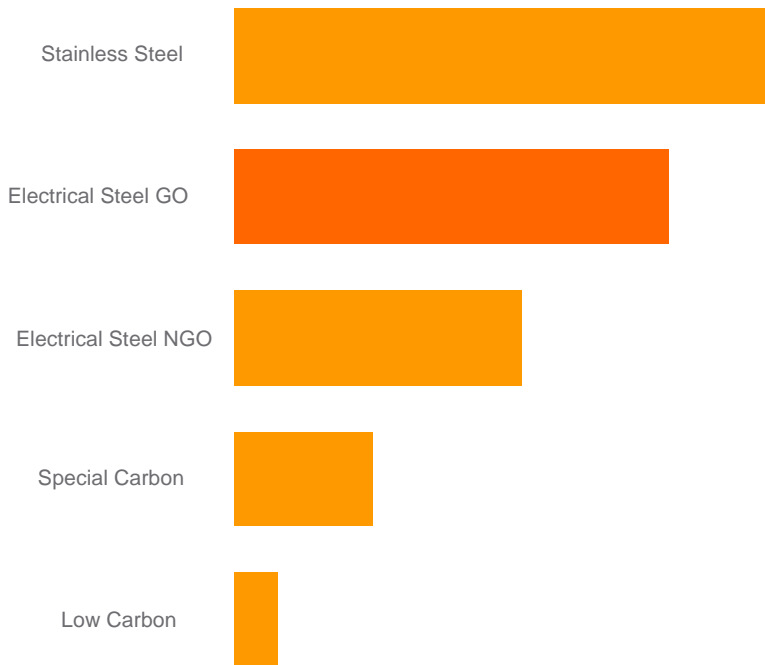
Significant improvement potential for industrial performance

# Opportunities in the Brazilian market

## Products mix optimization and opportunities



Contribution margin by products (USD/t)



Example: Aperam's strategy for Oriented-Grain Electrical Steels



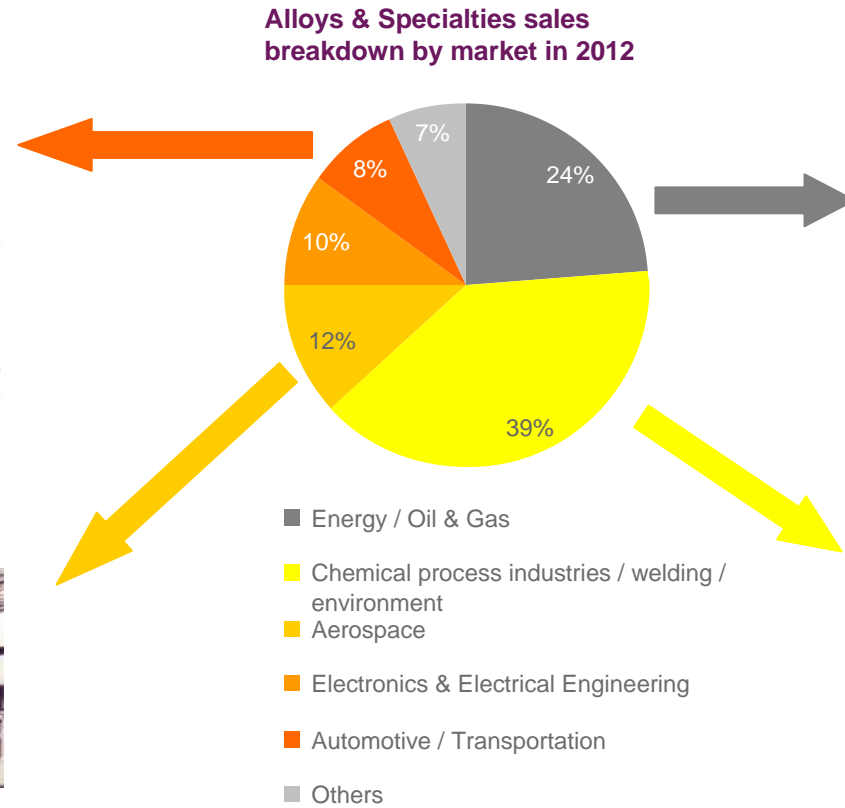
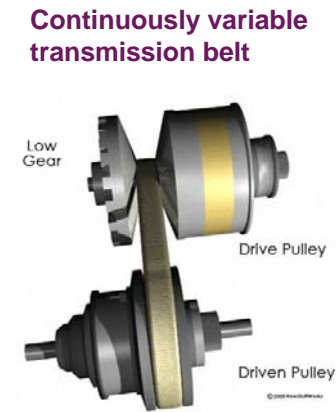
Grain oriented electric steel (GO) has the magnetic properties optimized in the rolling direction (opposite to grain-non oriented that has similar properties in all directions), aiming its use in stationary machines such as transformers.

**Aperam to improve its efficiency in Grain Oriented production and to enter in the High Grain Oriented market**

# Growing in Alloys & Specialties

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Specific markets' prospects to be key



**Specific high margin products on “star segments” to drive Alloys & Specialties growth**

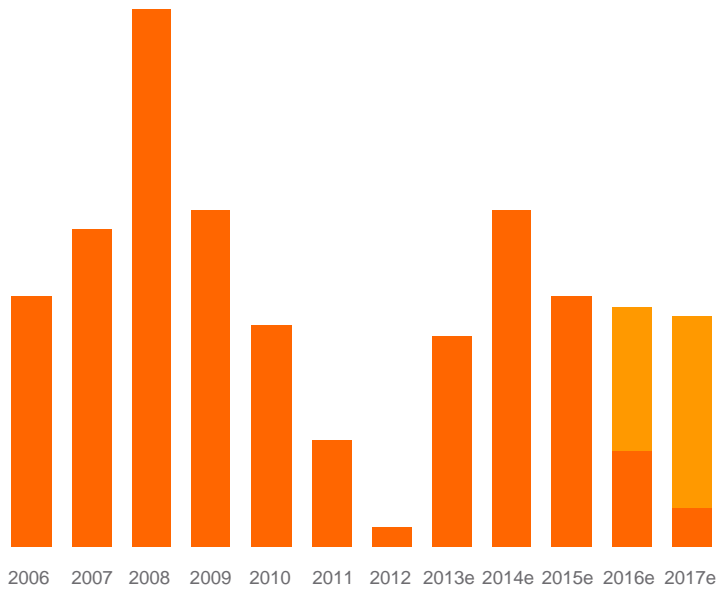
\* Liquefied Natural Gas  
Source: Aperam

# Growing in Alloys & Specialties

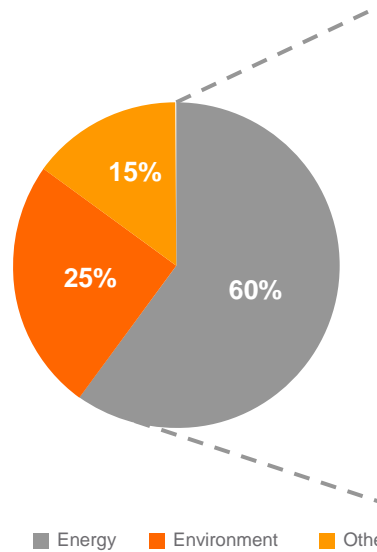
LNG\* tankers and special welding solid prospects



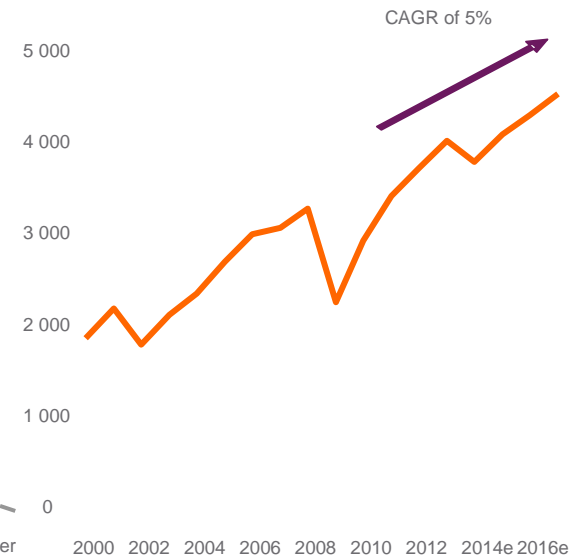
LNG tankers market estimates (in number)



Special welding market



Global rig count (Oil & Gas)



**Aperam to benefit from energy market growth**

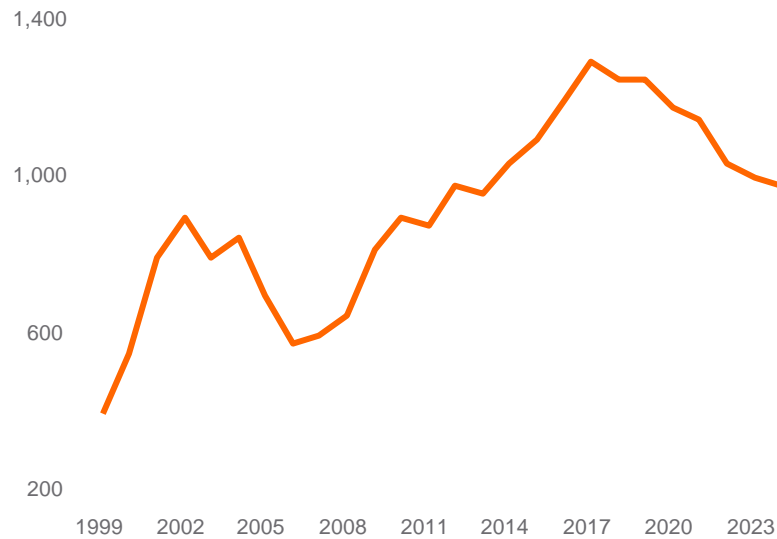
\* Liquefied Natural Gas  
 Source: Aperam 2013, SMR, Advancy analysis, Baker Hughes rig count, Haynes & Aviation week

# Growing in Alloys & Specialties

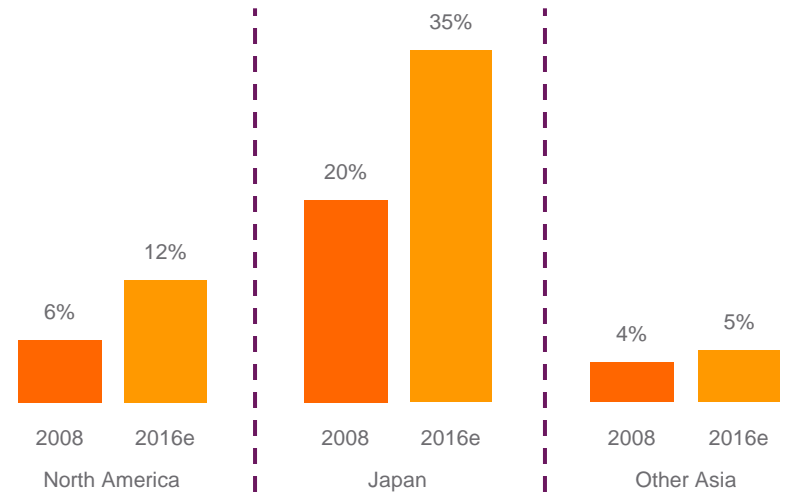
Aerospace and transportation dynamic growth



Commercial aircraft deliveries (in number)



Share of CVT\* in passenger cars



**Aperam well positioned to grow with global transportation needs**

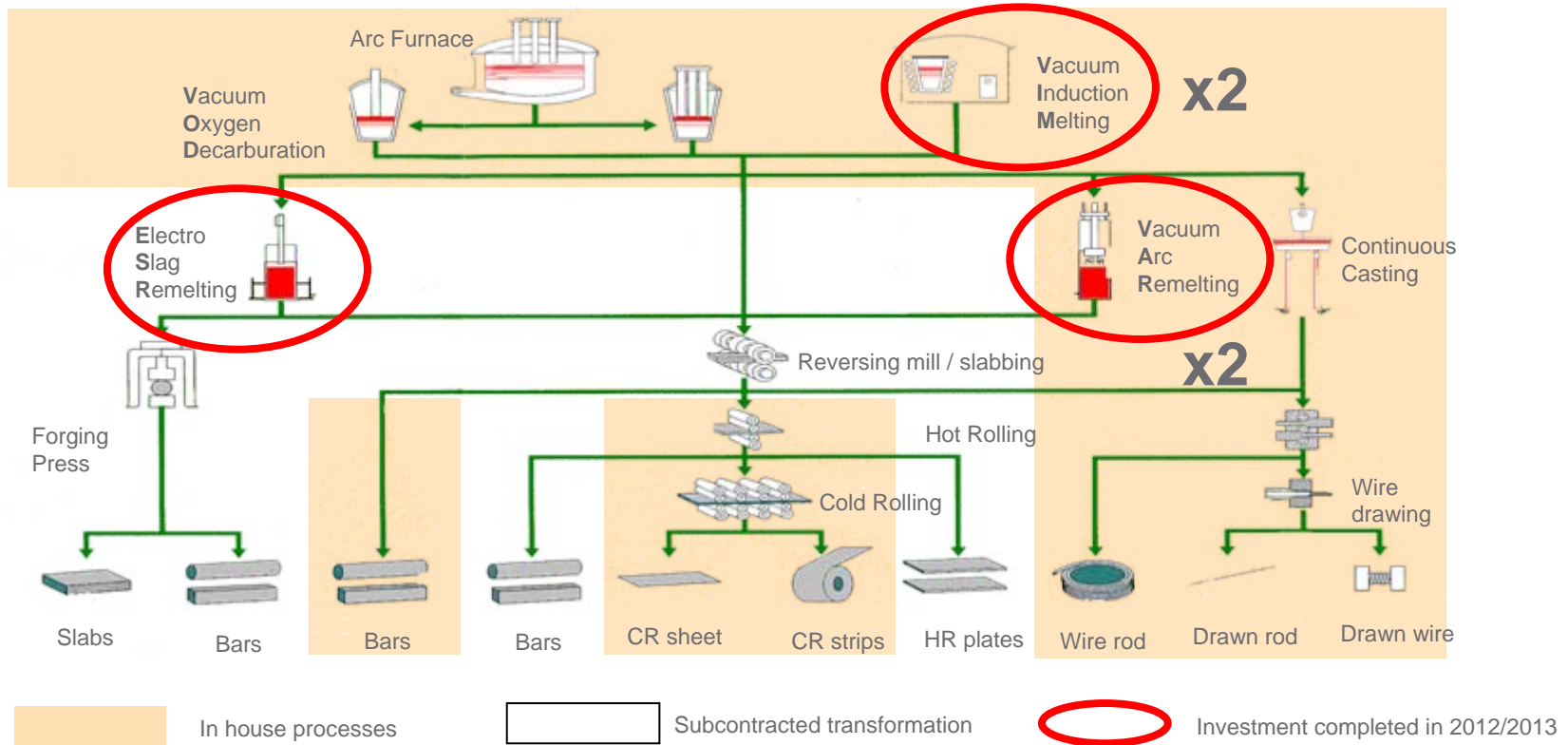
\* Continuously Variable Transmission  
Source: Aperam 2013 & Boeing, SMR, Advancy analysis, Haynes & Aviation week

# Growing in Alloys & Specialties

Major investments realized to follow growth and to improve competitiveness



## Imphy integrated plant



Targeting further profitability enhancement

# Benefiting from the European restructuring



# Benefiting from the European restructuring

## Three years of active restructuring



### Key European restructuring milestone

- **January 2011: Aperam spin-off and Leadership Journey®**  
Long term suspension of 100kt of downstream capacity in Isbergues (France) and mothballing of 80kt of downstream capacity at Gueugnon (France) and Genk (Belgium)
- **April 2011: ThyssenKrupp stainless steel operations strategic review**  
Closure of the 220kt downstream plant of Benrath (Germany) and investment of 220kt of downstream capacity in Krefeld (Germany)
- **October 2011: Aperam Leadership Journey® extension**  
Upstream optimization at Genk (Belgium) resulting a capacity reduction of 400kt
- **February 2012: Acquisition by Outokumpu of ThyssenKrupp's stainless steel operations**  
Closure of 500kt of upstream capacity at Krefeld (Germany)
- **October 2013: Outokumpu accelerating restructuring plan**  
Closure of 800kt of upstream capacity at Bochum (Germany) and reduction of 550kt of downstream capacity in Dillenburg (Germany), Krefeld (Germany) and Tornio (Finland).

### European stainless steel industry footprint after restructuring



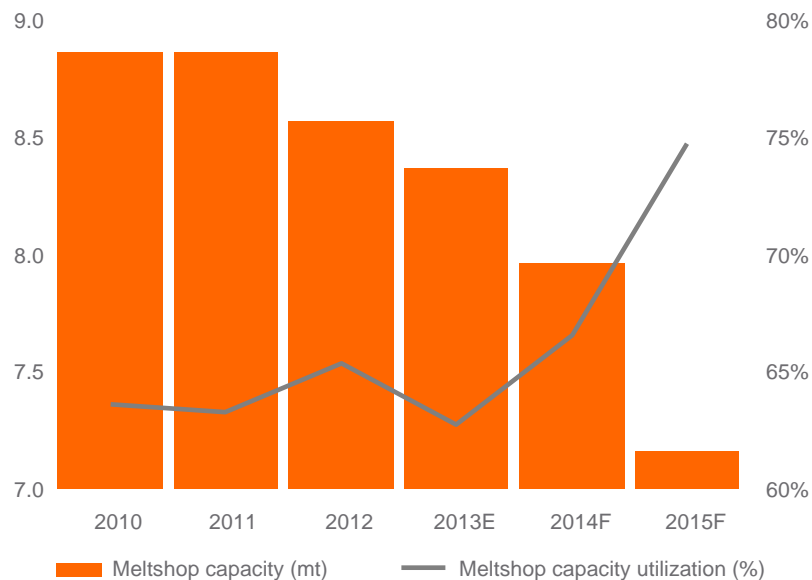
European restructuring to be completed by end of 2014

# Benefiting from the European restructuring

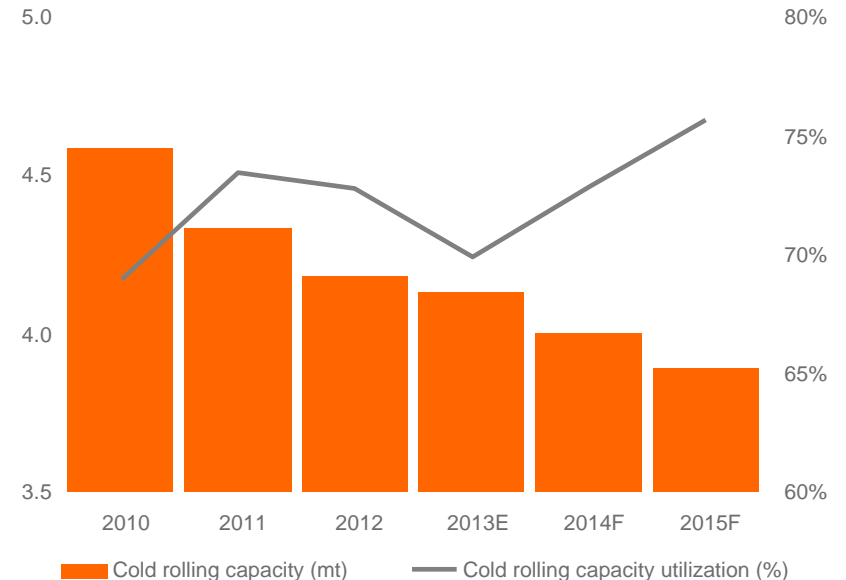
European capacity closures expected to improve capacity utilization



### Upstream operational capacity and utilization rate of the European industry



### Downstream operational capacity and utilization rate of the European industry



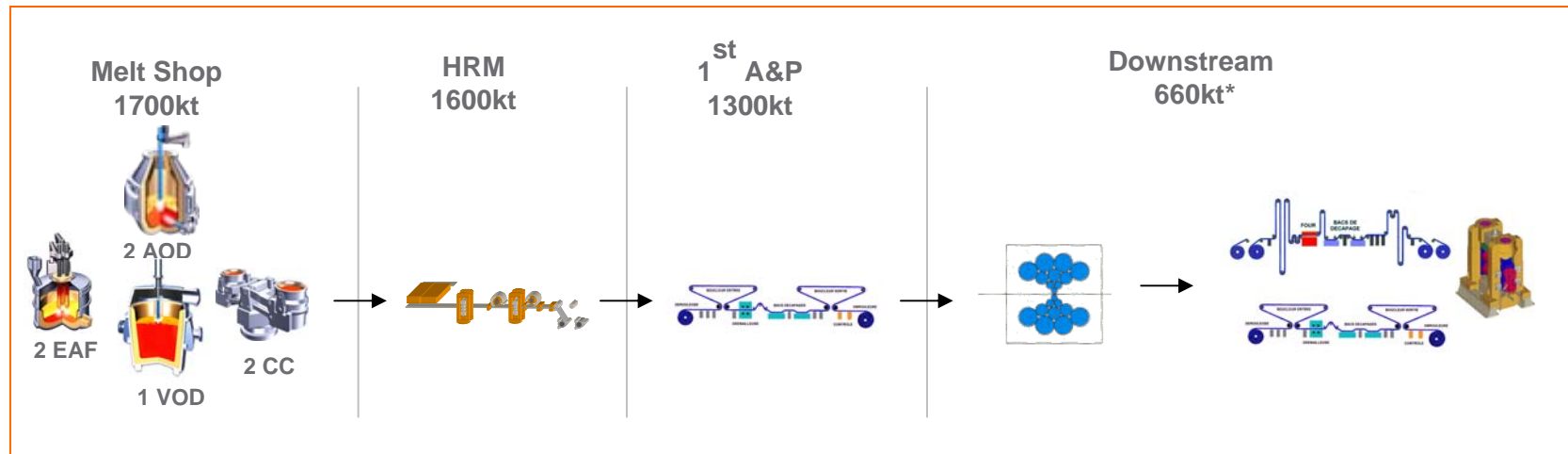
**Restructuring to lead to strong competitiveness improvement**

# Benefiting from the European restructuring

## The Terni remedy



### Terni industrial foot print



A large and competitive integrated plant in which more than 1 billion Euro has been invested over the past years

But...

An unbalanced layout suffering from a disproportionately large upstream compared to downstream and from a lack of critical size

**Terni's competitiveness could be significantly improved within Aperam**

\* Including HRAP  
Source: CRU, Outokumpu and Aperam estimate

# The 5 profit-driving pillars

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Strategic priority maintained allowing to capture new opportunities

### Strategic priority

- 1 Leadership Journey<sup>®</sup>
- 2 Top Line Strategy
- 3 Reduction of net debt and cost of debt



### 5 profit-driving pillars

- 1 Aiming at “best in cost” with the Leadership Journey<sup>®</sup>
- 2 Optimizing portfolio with the Top Line Strategy
- 3 Brazilian development
- 4 Growing in Alloys specialties
- 5 European Restructuring

Significant upsides

# Q&A