

**Exane BNP Paribas Basic Materials Seminar**

March 21<sup>st</sup>, 2012



**Julien Onillon – Chief Financial Officer**

## Disclaimer



### Forward-Looking Statements

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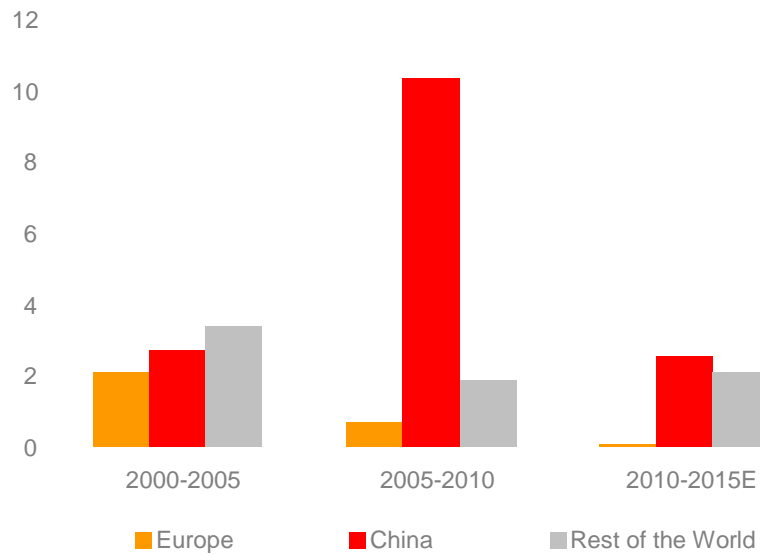
# Environment & markets

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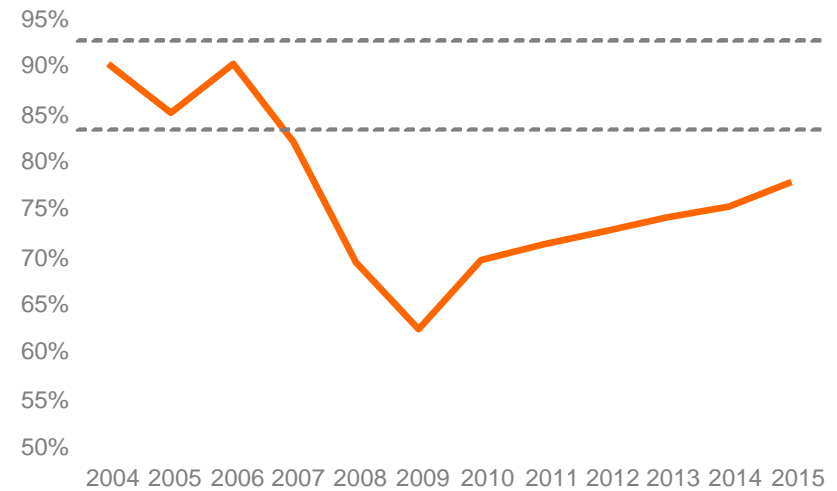
## Overinvestment and overcapacity



Stainless steel slab capacity expansion (in million tonnes)



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



**Expansion of capacity is expected to slow but overcapacity would remain if there are no closures**

Source: CRU and Aperam estimates

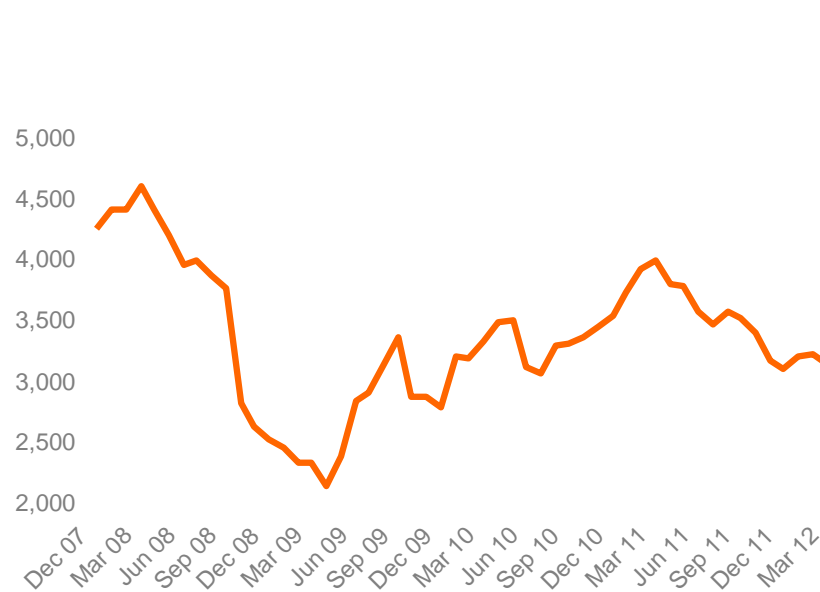
\* Excluding capacity closures

# Environment & markets

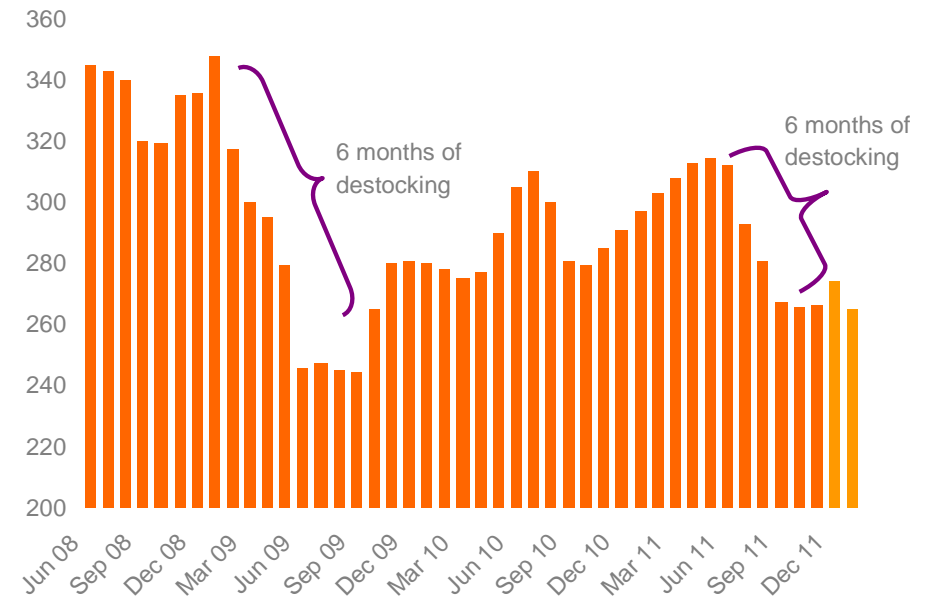
## Markets remain fragile



China - CR 304 2B 2mm coil transaction price (USD/t)\*



European stainless steel flat products inventory in distribution ('000t)\*\*



Despite recent improvement due to restocking, the market and economy remain fragile and uncertain

\*Source: SBB

\*\* Source: Eurofer and Aperam estimates

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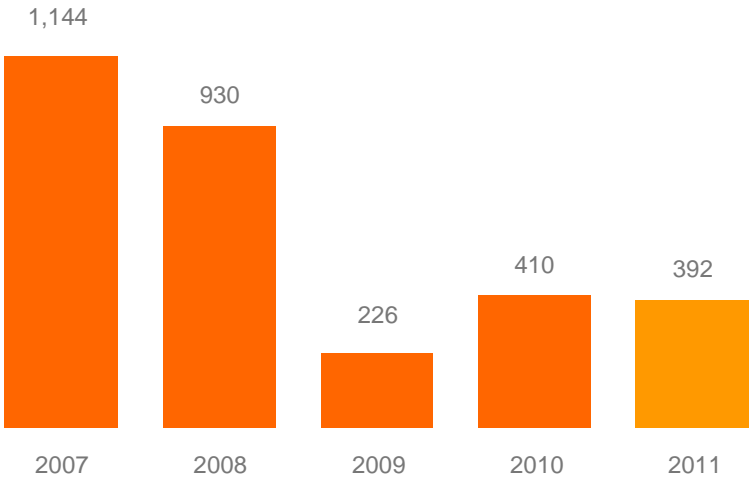
# Strategic priorities

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## Conservative strategy for 2012



Adjusted EBITDA\* (USD)



### Strategic priorities

- 1 Delivering Leadership Journey to allow profitability uplift
- 2 Targeting significant net debt reduction

Restrictive capital allocation based on cost cutting CAPEX and working capital control

**Stainless steel industry fundamentals and economic uncertainty justify a conservative strategy for 2012**

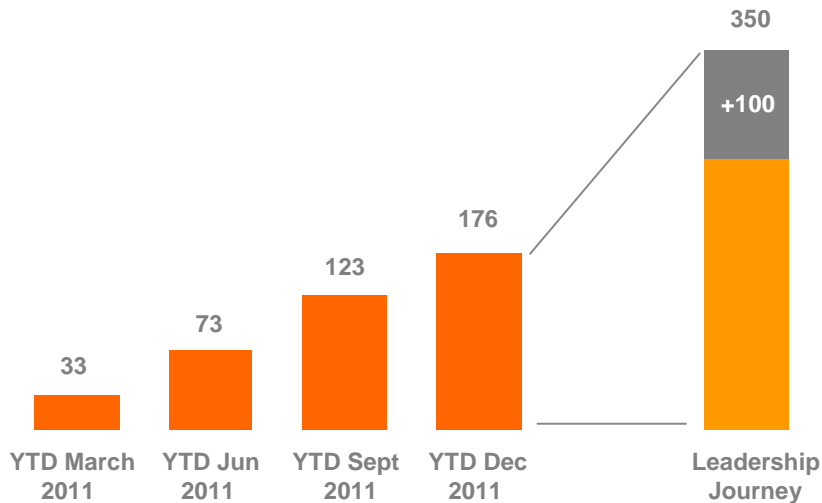
\* Adjusted EBITDA is defined as operating income plus depreciation, impairment expenses and other items as defined in the "Aperam Model"

# Strategic priorities

## 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
- In Europe, suspension of traditional cold roll mill in Isbergues.

### Key projects progressing

- Investment in productivity including a new Hot Annealing and Pickling line in Gueugnon (France - Stainless & Electrical Steel)
- Investment in a new induction furnace and Electro Slag Remelting furnace at Imphy (France – Alloys & Speciality)
- Service center expansion in Campinas (Brazil – Services & Solutions)
- Yield and Quality improvement, SG&A reduction through organisation simplification, Biomass development, new product growth...

### Initiatives launched in Q4 2011

- Industrial optimization and rationalization in Europe (from 20 tools to 17 tools)
- Systematic benchmarking in Brazil
- New sourcing initiatives

**“Leadership Journey” accelerated and increased in 2011 by an additional USD 100 million by 2013**

\*VSS – Voluntary Separation Scheme

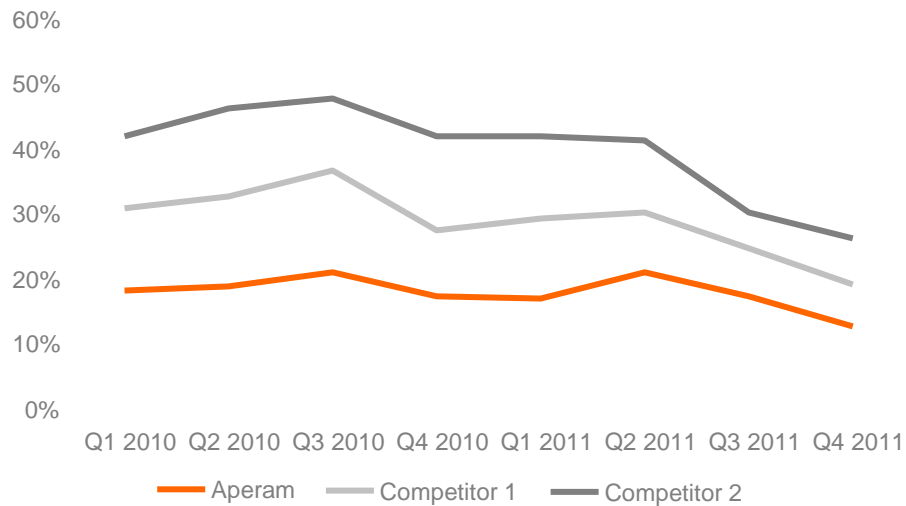


# Strategic priorities

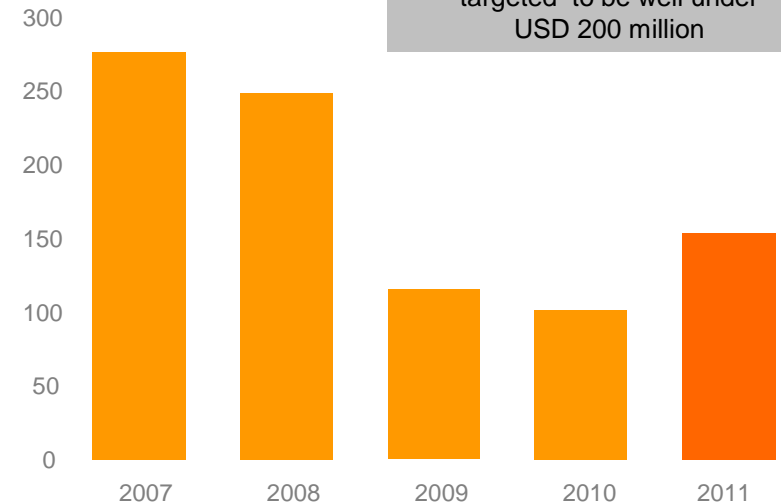
A focus on working capital and CAPEX



OWCR as a percentage of sales for European competitors



CAPEX (USDm)



Given the uncertain economic environment, 2012 CAPEX levels targeted to be well under USD 200 million

**Restrictive capital allocation based upon cost cutting CAPEX and working capital control**

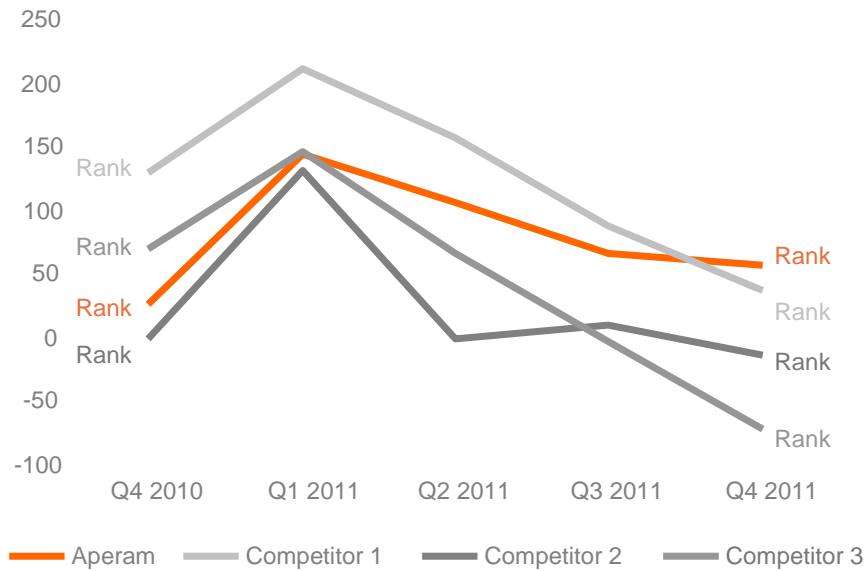
Source: based on earnings releases and annual reports

# Strategic priorities

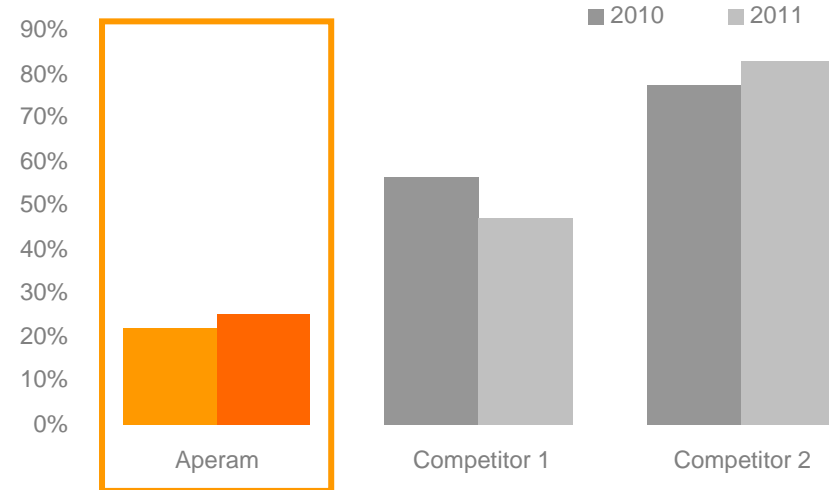
Solid financials relative to the sector



Quarterly EBITDA of the European stainless steel producers (USDm)



European producers gearing ratio (% on Equity)



**Target to further reduce net debt**

Source: based on earnings releases and annual reports

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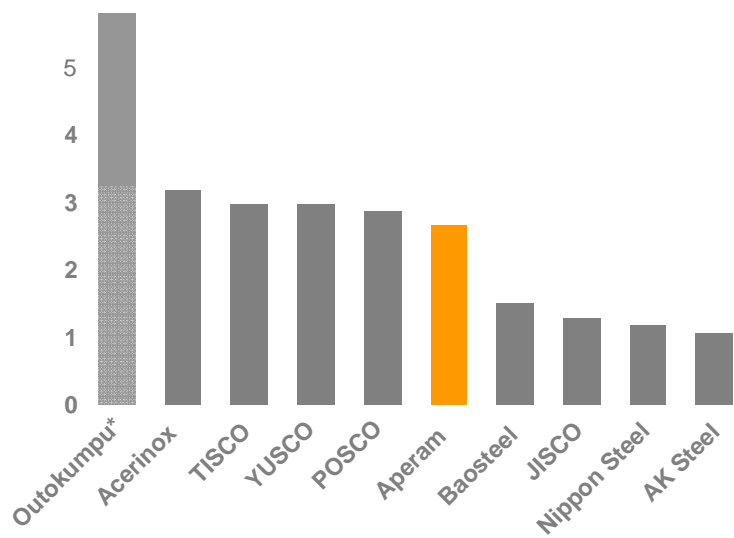
# Transformation of the industry

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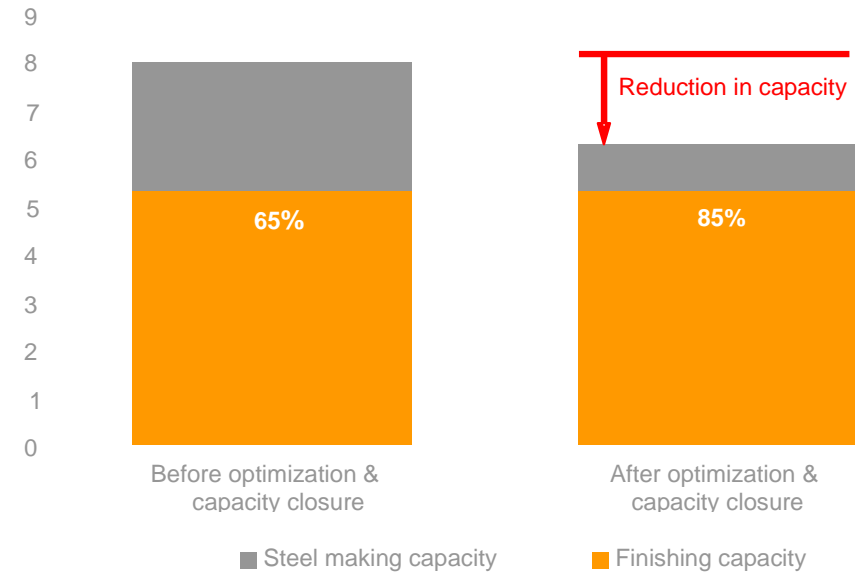
Consolidation has started and will benefit the industry



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



Steel making and finishing capacity for European producers (mt)



**Consolidation should help the global stainless steel industry to become more efficient and Aperam is well-positioned to benefit**

Source: CRU and Aperam estimates

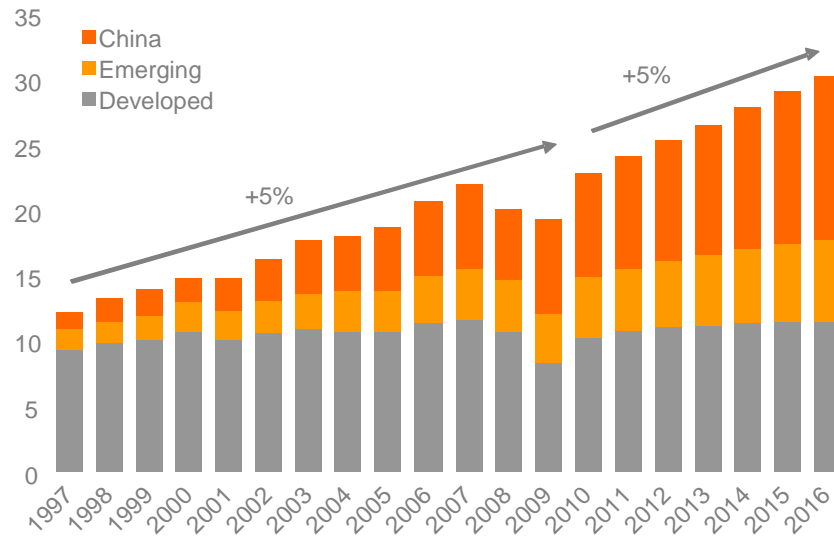
\*Dependent upon regulatory and other approvals

# Transformation of the industry

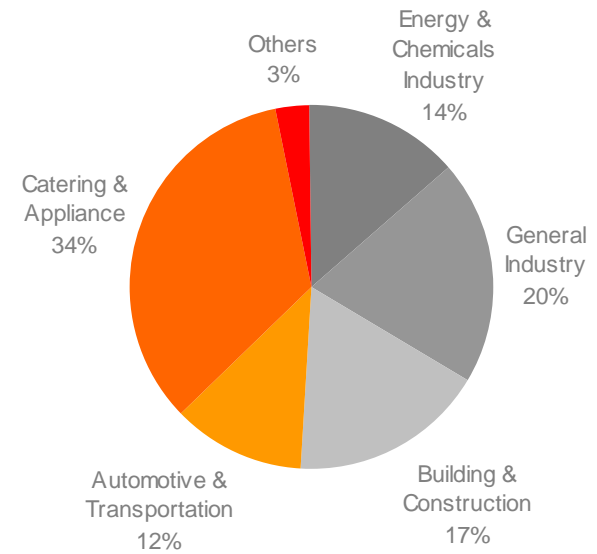
The stainless steel market is growing again following crisis



World stainless steel flat product demand (in million tonnes)



Stainless steel consumption by end user (%)



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

Source: CRU and Aperam estimates

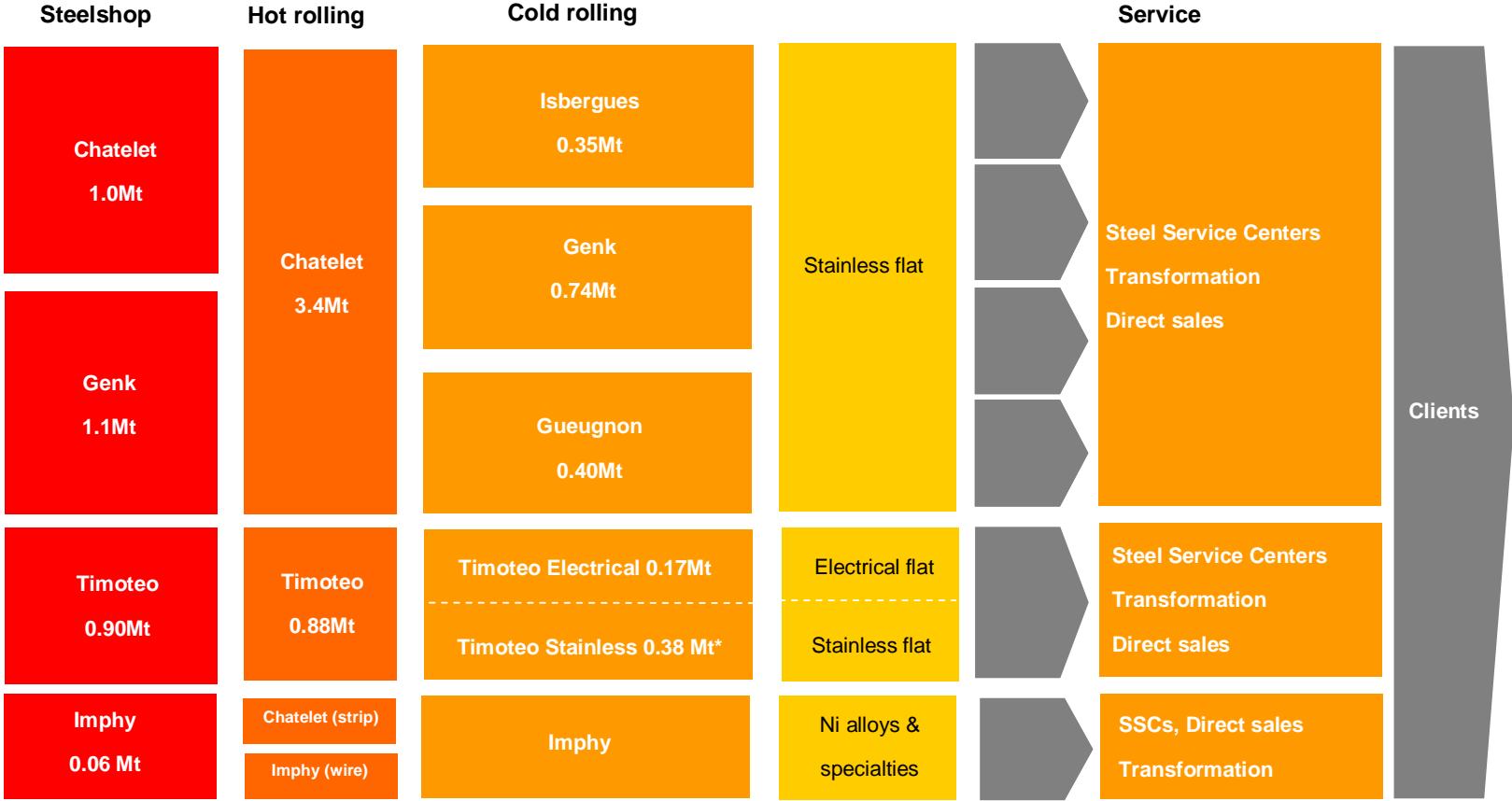
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# Unique strengths

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## A solid industrial base



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

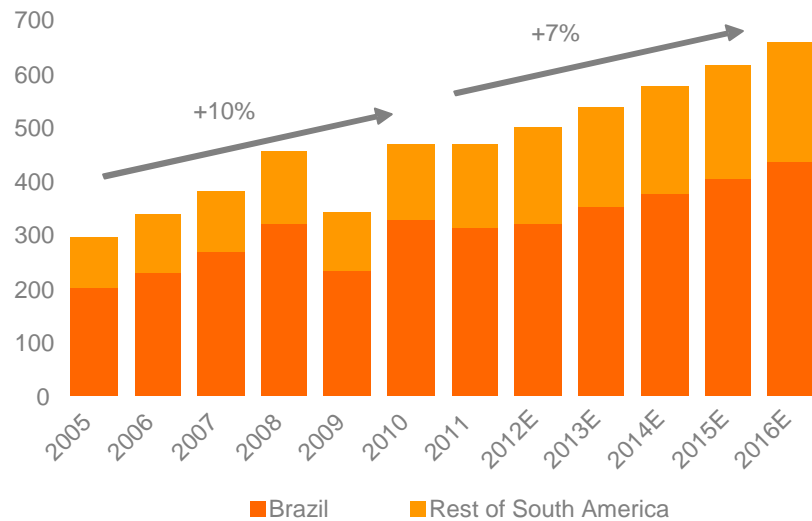
\* Includes 0.06Mt of finished HRAP products

## Unique strengths

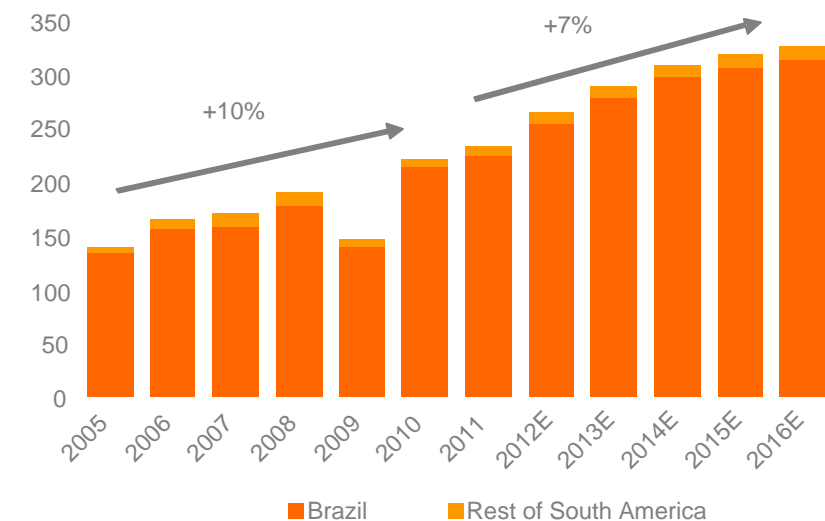
A unique exposure to Brazil



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 nearly full capacity. As market grows, shipments expected to be redirected to profitable domestic market**

\*% shipments

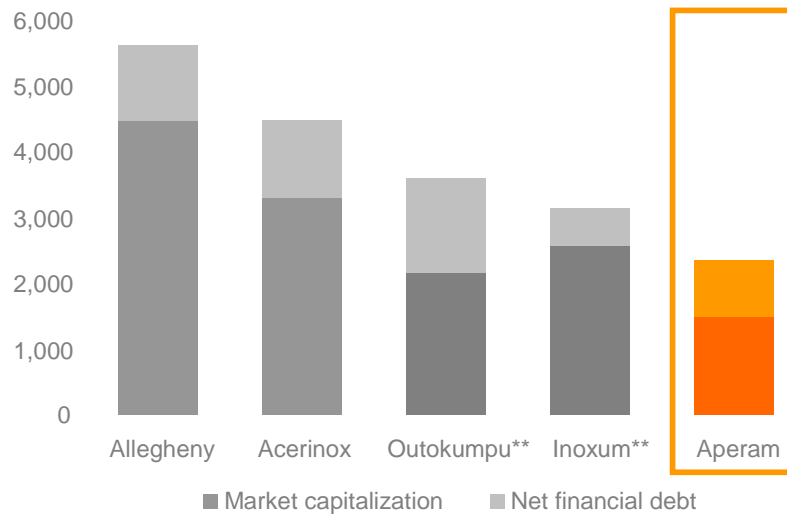


# Unique strengths

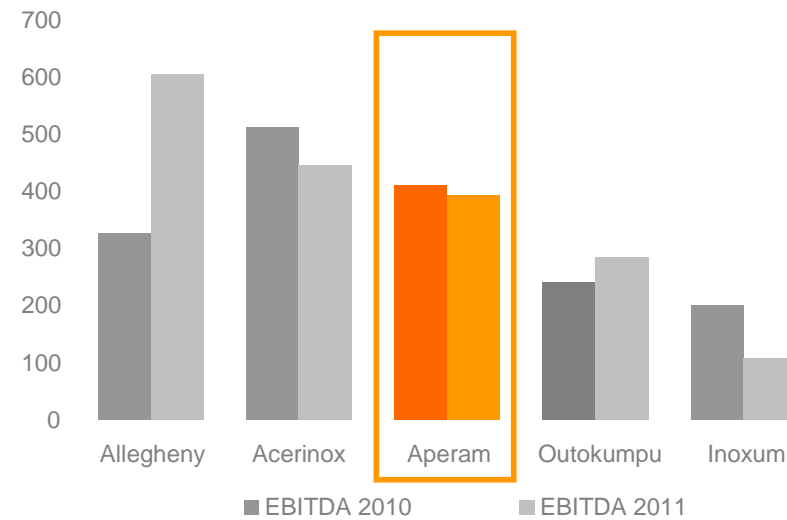
## Conclusion



Enterprise value ranking (USD million)\*



Adj. EBITDA ranking (USD million)



**Aperam's enterprise value represents only half of its competitors**

\* Based on share prices of 03/09/2012 and net financial debt at FYE 2011

\*\* Assumes completion of EUR 1 billion rights issue by Outokumpu and Inoxum figure based upon potential acquisition price

Source: Based on earning release, annual reports and company information

# Q&A