

**UBS European Conference 2017**

November 14<sup>th</sup>, 2017

अपेक्षाम

**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 investment case

Being a sustainably safe and profitable company



## Aperam's investment case

### Solid execution of self help strategy

Leadership Journey®

Phase 1: Restructuring

Phase 2: Asset upgrade

**Phase 3: Transformation**

Top Line strategy

End-user focus

### Cost Leading footprint

Optimized and sustainable European asset base

Sole flat stainless steel producer in South America

Lean organization

Leading industry margins and returns

### Cash generation and financial discipline

Strong cash generation through the cycle

Strongest balance sheet in industry

Progressive dividend

Strong shareholder returns (payout 50-100%)

Solid cash generation with strong shareholders' return, thanks to consistent execution of self help strategy and financial discipline. Transformation Program to further improve Aperam's productivity and profitability.

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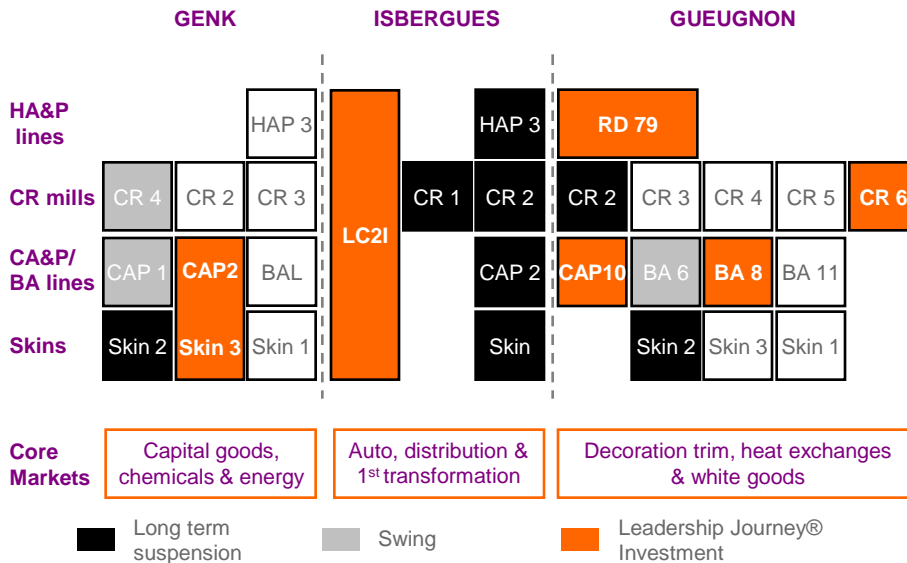
# Aperam's fundamentals

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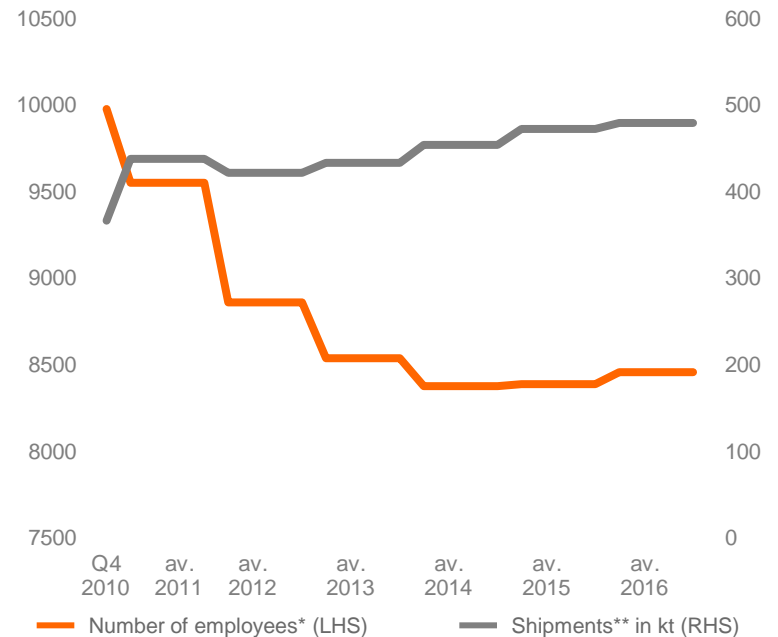
## Footprint and productivity breakthrough



Aperam downstream rationalization in EU from 29 tools to 17 tools



Aperam productivity evolution, average



**Aperam capacity utilization and productivity has significantly improved with Leadership Journey®**

\* 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 our cultivated forests



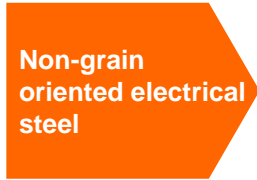
## Range of products



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



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.



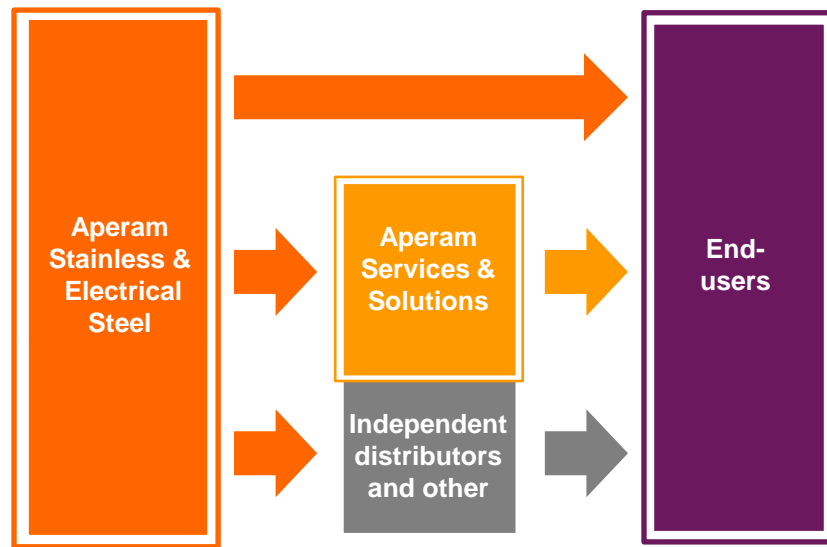
The sole flat stainless steel producer in South America with a complete range of products, including Electrical and Special Carbon Steel, and flexibility between production routes to adapt to market needs

# Aperam's fundamentals

## Products and services differentiation

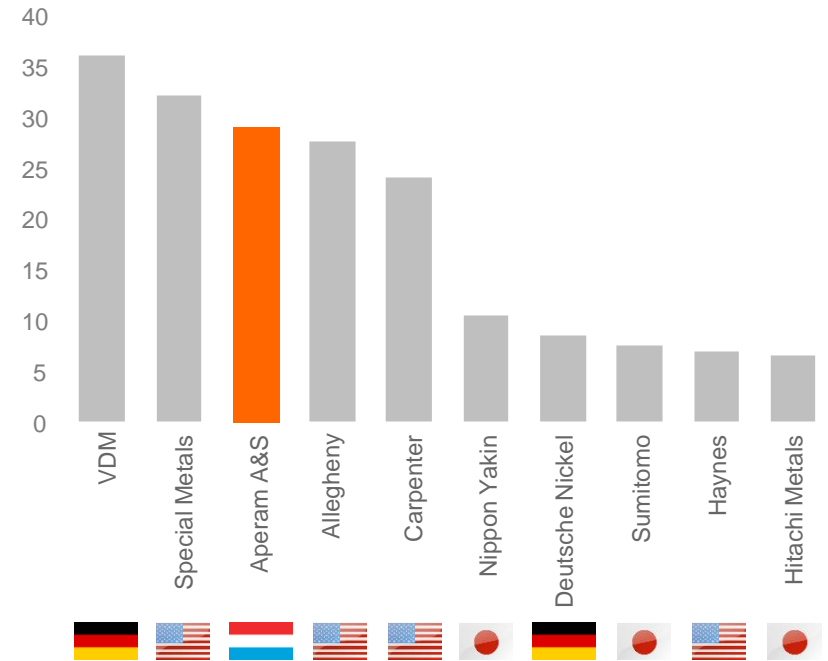


### Services & Solutions division



Transformation of Stainless Steel and additional services to better fit needs of end-users

### Alloys & Specialties division – ranked number 3 amongst global nickel alloys producers (kt in 2015)



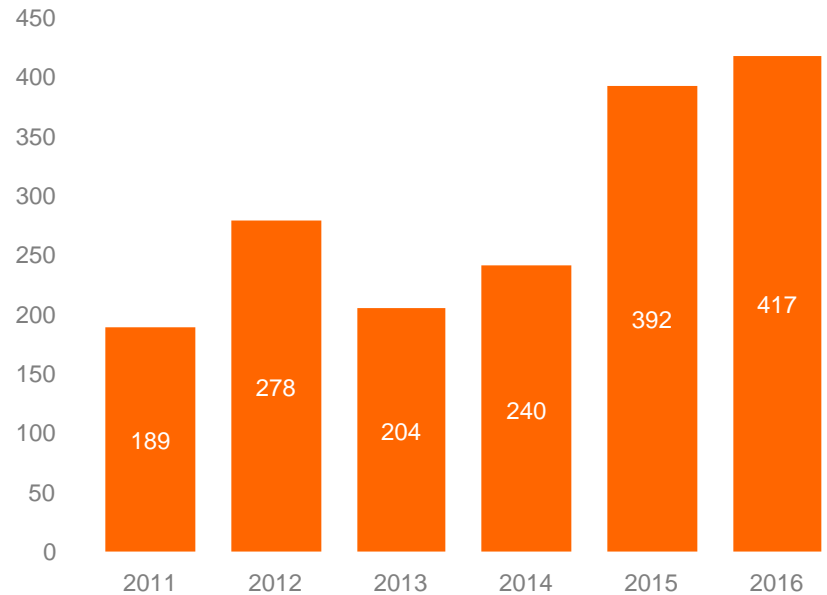
Enhanced our partnership with customers through focus on downstream added value services and solutions. Alloys & Specialties division caters to highly profitable niche product ranges.

# Aperam's fundamentals

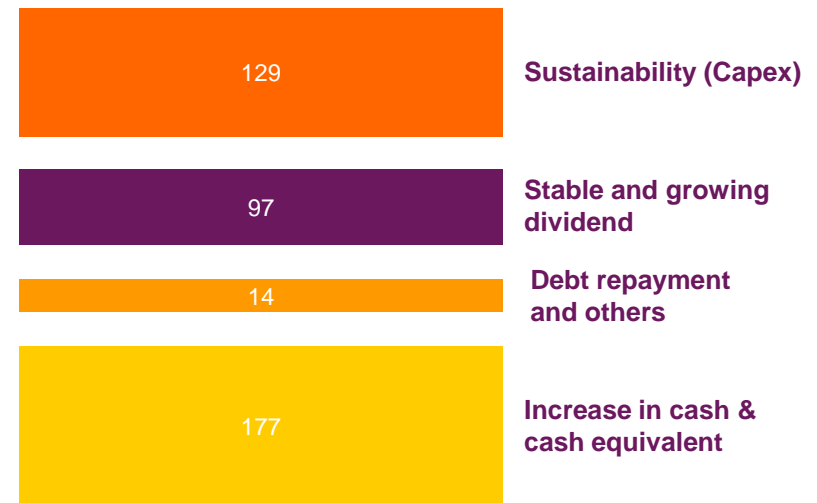
## Strong cash generator through the cycle



Cash-flow from operations evolution (USD million)



Cash utilization in 2016 (USD million)



Consistent cash generation through the cycle. USD 187million returned to shareholder in 9M 2017.



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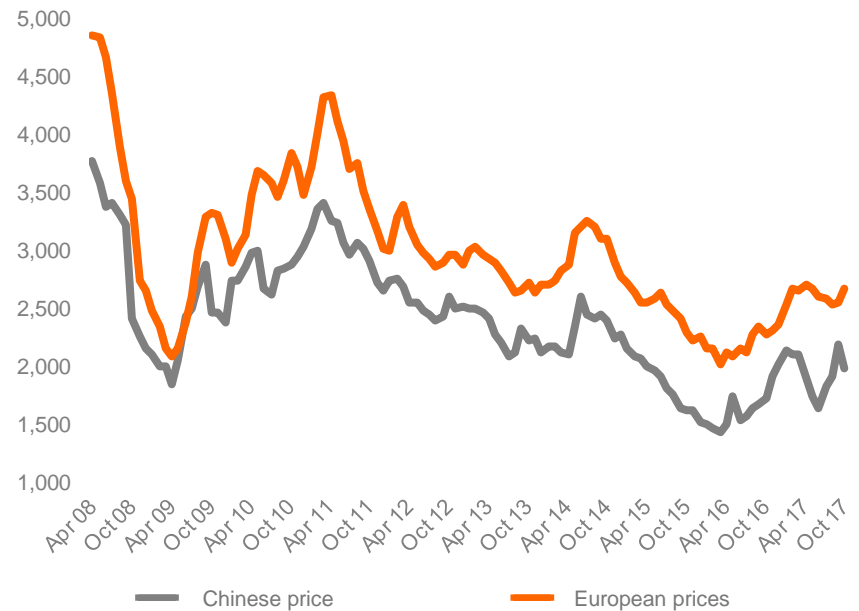
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# Environment and markets

### Nickel - LME Cash (USD/t)



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



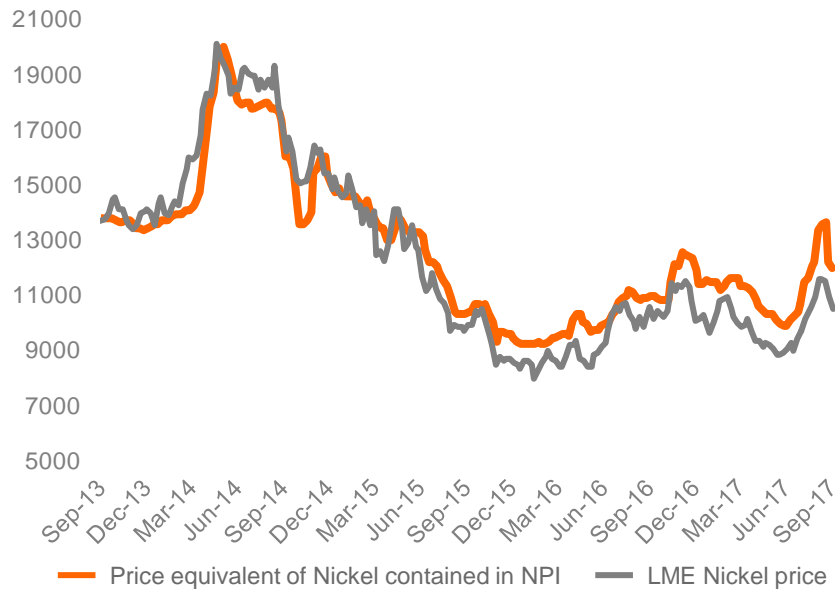
**Positive momentum of the stainless steel prices, mainly driven by the increase in raw material price**

# Environment and markets

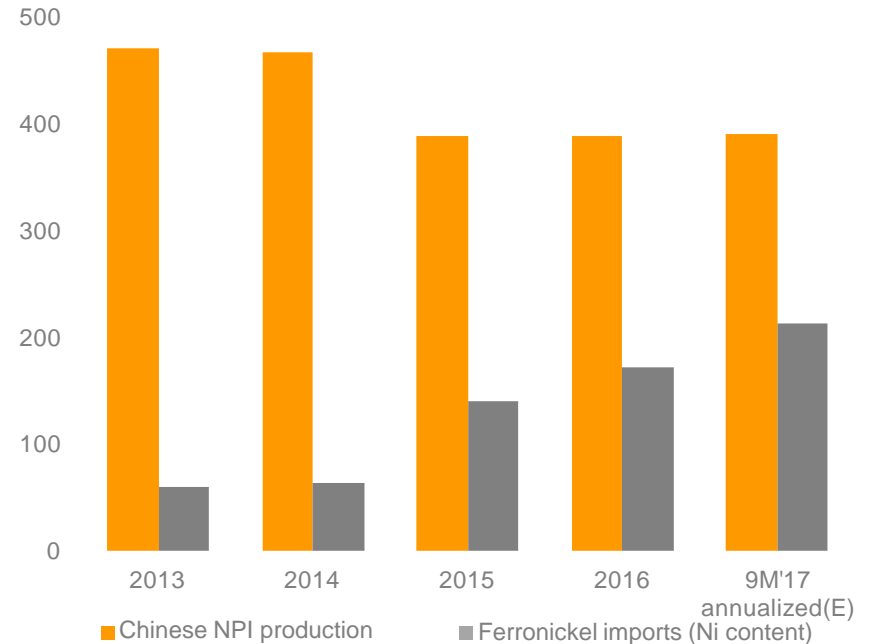
## Diminishing raw material advantage of Chinese players



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



Chinese reduced NPI production leading to increased Ferro-Nickel Imports (in kt)



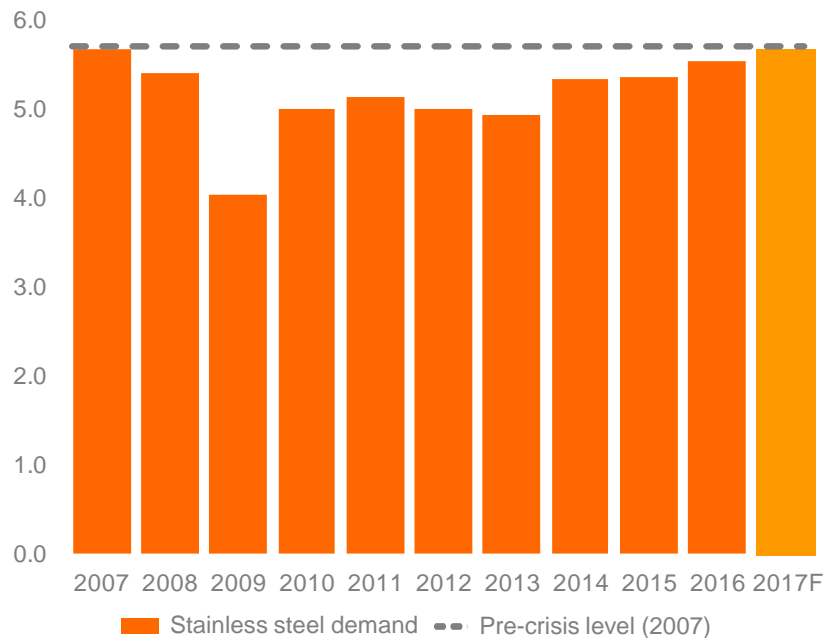
**Chinese NPI production has reduced, affecting Chinese cost competitiveness**

# Environment and markets

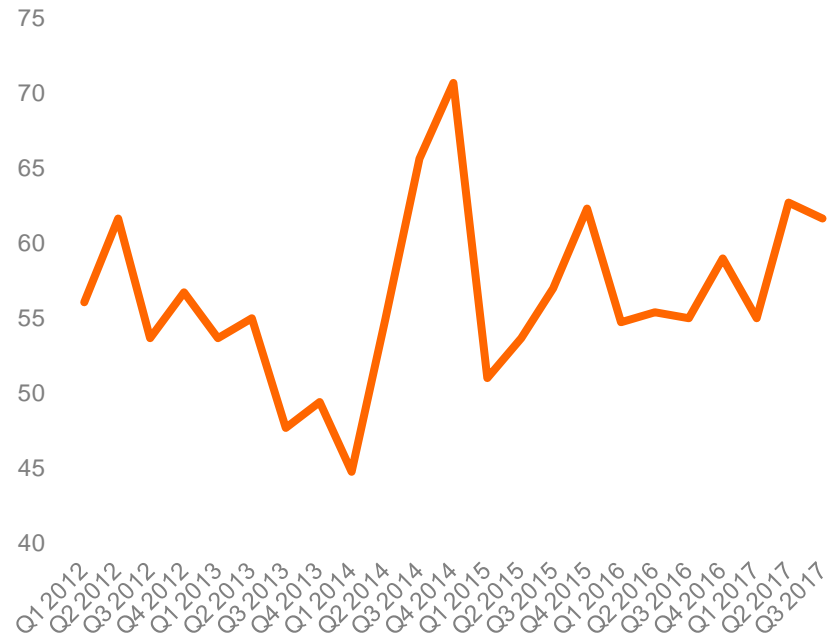
## Stainless steel demand in Europe



European stainless steel demand (mt – slab equivalent)



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



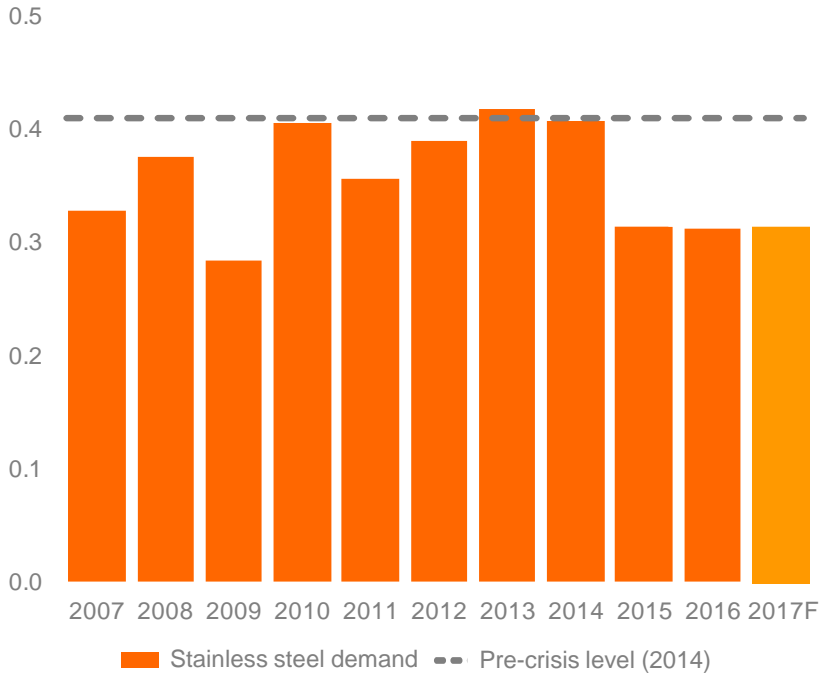
While some destocking happened in Europe over Q3 2017, real demand is healthy

# Environment and markets

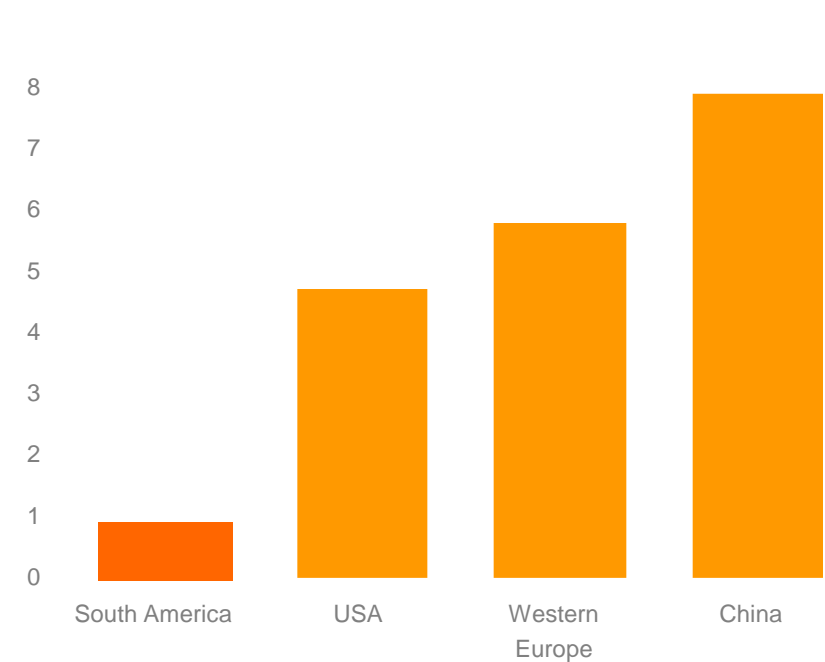
## Brazilian opportunities



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



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



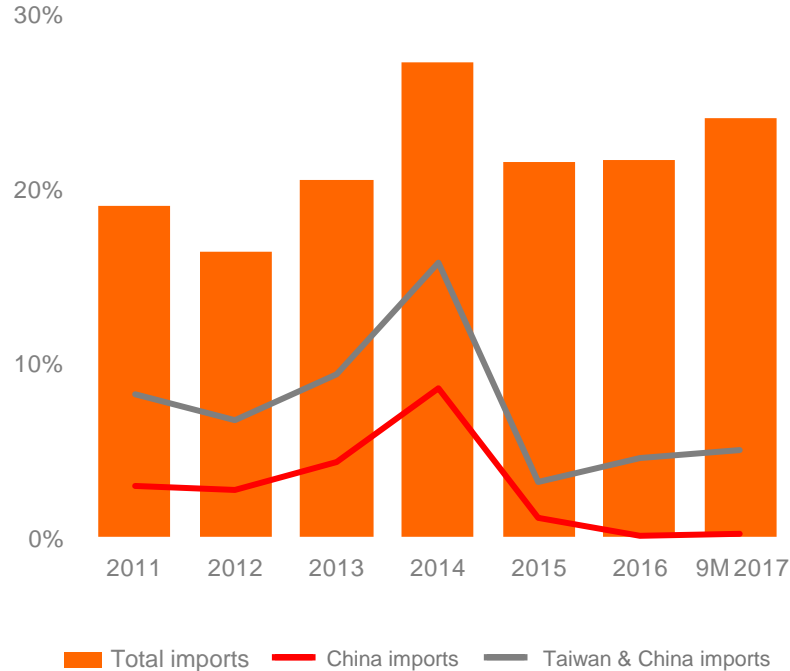
**Demand in Brazil remains at low level but stable while long term potential remains intact in South America**

# Environment and markets

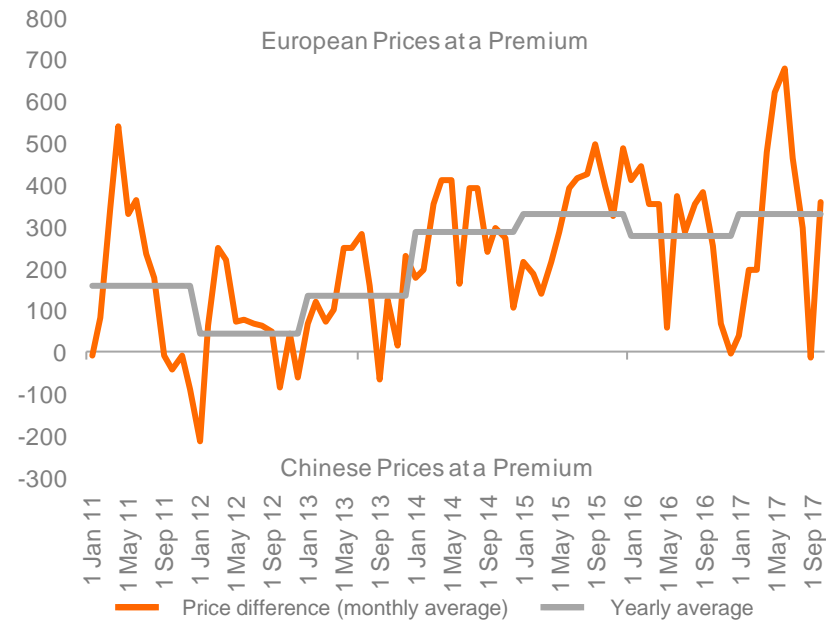
## Lower opportunity for imports into Europe



**Stainless steel cold rolled imports into Europe (percent of total market)**



**Prices difference between Chinese and European prices – 304 CR (USD/t)**



**Imports have remained high during summer but have decreased by the end of the third quarter**

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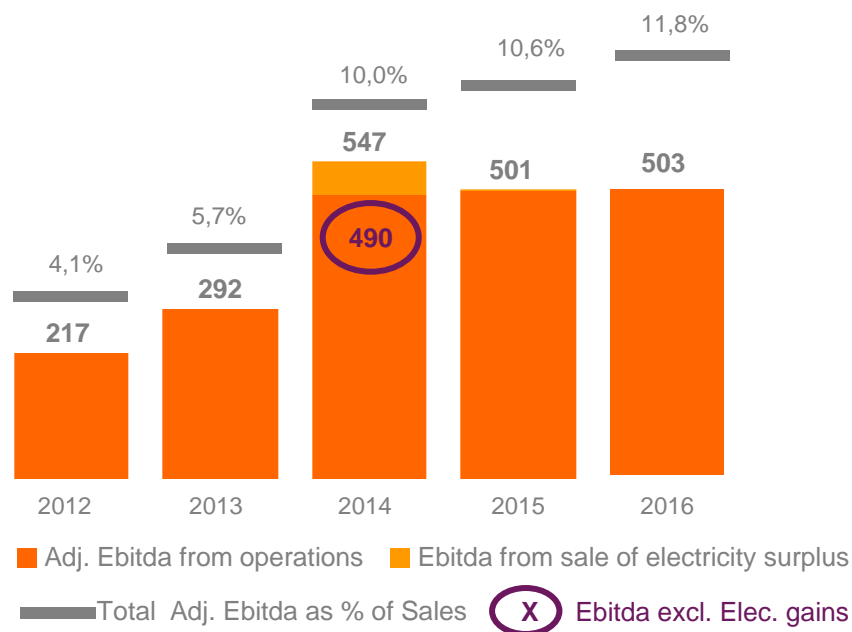
# Aperam's performance

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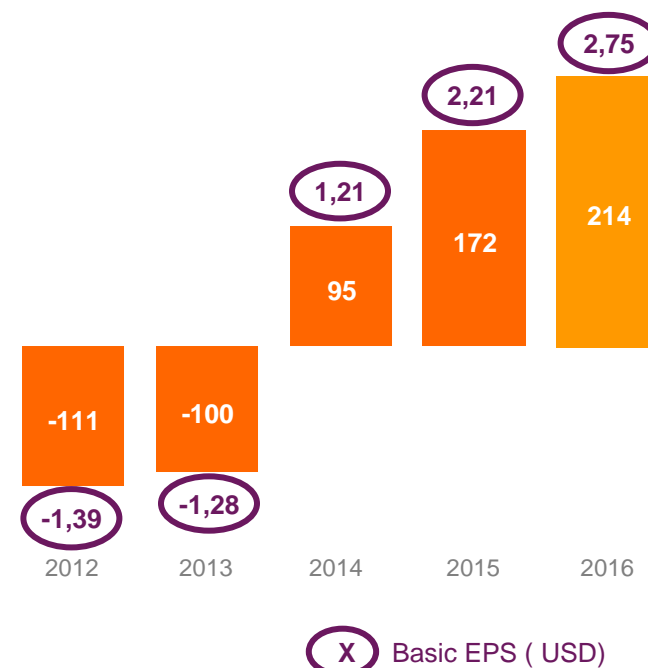
## Solid evolution of profitability



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

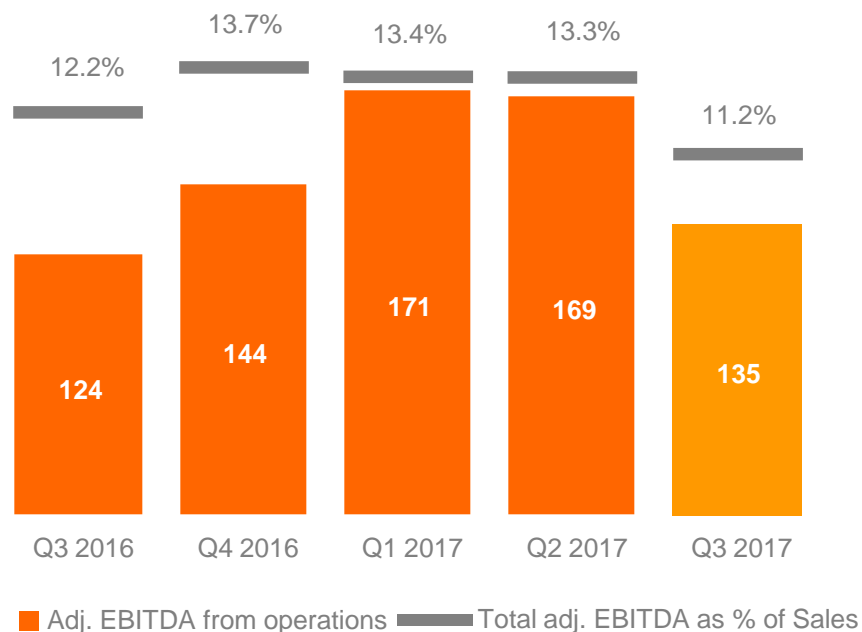


# Aperam's performance

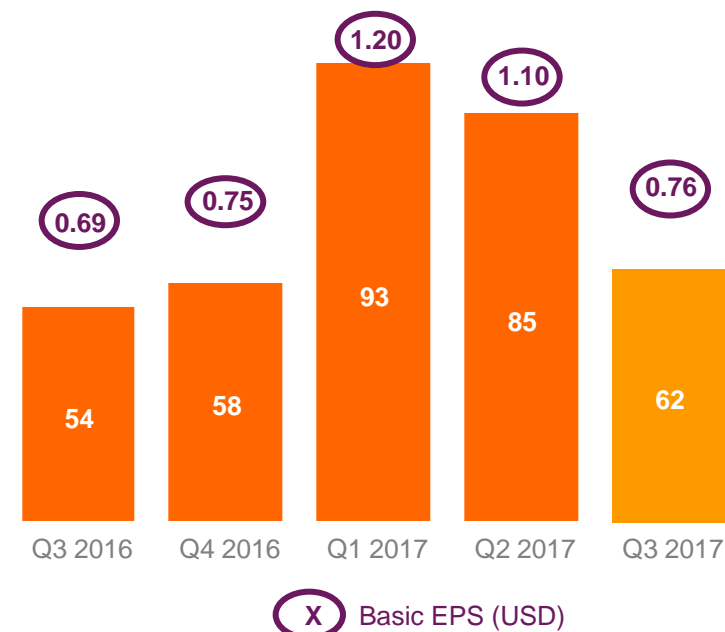
Solid evolution of profitability



Quarterly adjusted EBITDA<sup>[1]</sup> evolution (USD m.)



Quarterly Net income evolution (USD m.)



## Resilient EBITDA and net income in the third quarter of 2017

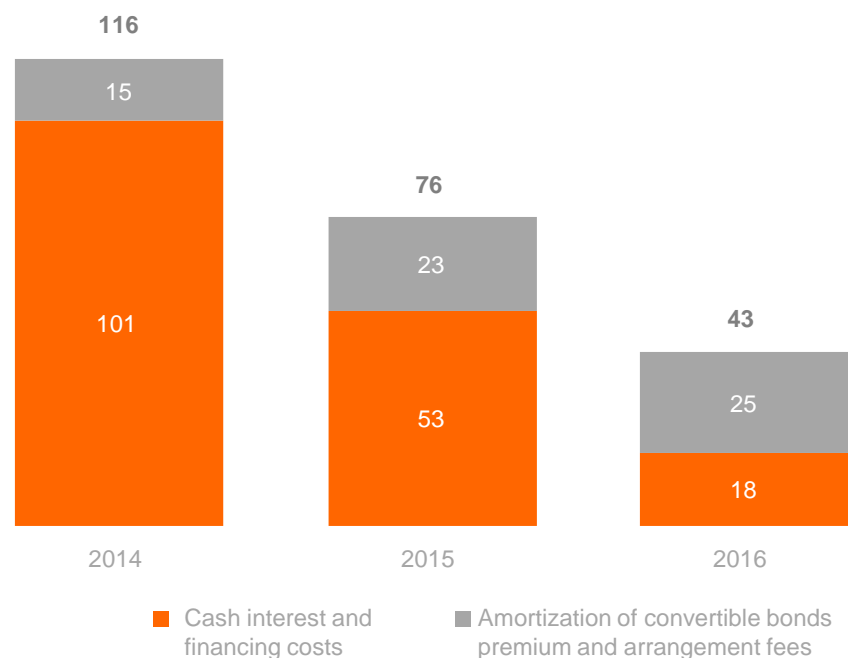
<sup>[1]</sup> Adjusted EBITDA excludes a USD 11 million non-recurring charge related to the divestment of Aperam's French tubes subsidiary recorded in Q4 2016 and a USD 10m one-off charge related to tax settlement in Brazil

## Aperam's performance

Strong balance sheet with continuously improving 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 Ornane 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,
- Switch from Secured Borrowing Base Facility (3 year) of USD 400m to Unsecured Revolving Credit Facility (5 year) of EUR 300m
- Convertible Bonds 2020 (Face value USD 200 million) have been converted by mid October 2017 resulting in issuance of 9.4m new shares. Bonds amounting to USD 2 million were redeemed at par.

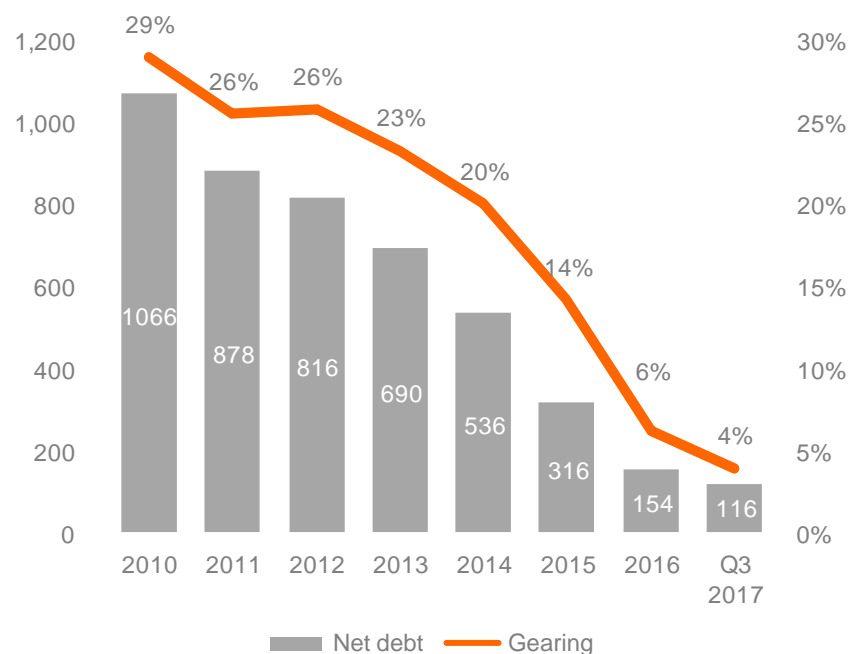
**Step decline in financing costs thanks to a fully restructured balance sheet.  
Convertible bonds 2020 converted into shares by mid October 2017.**

# Aperam's performance

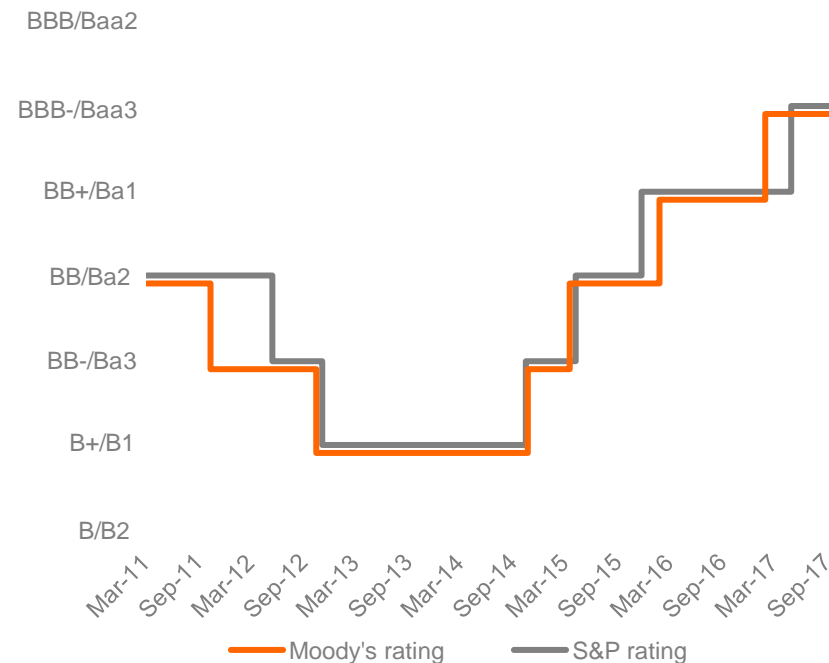
## Strong cash generation and financial metrics



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



**Aperam credit rating evolution**



**Aperam offers strong cash generation, healthy balance sheet and disciplined financial policy. The company is rated Investment Grade by both Moody's and S&P.**

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

# Aperam's value strategy:

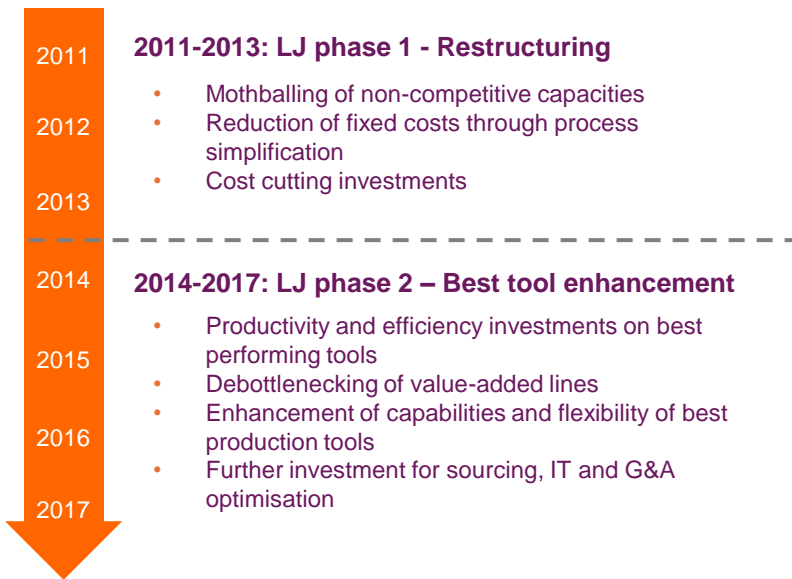
A customer driven  
company focused on its  
self-help story

# Aperam's value strategy

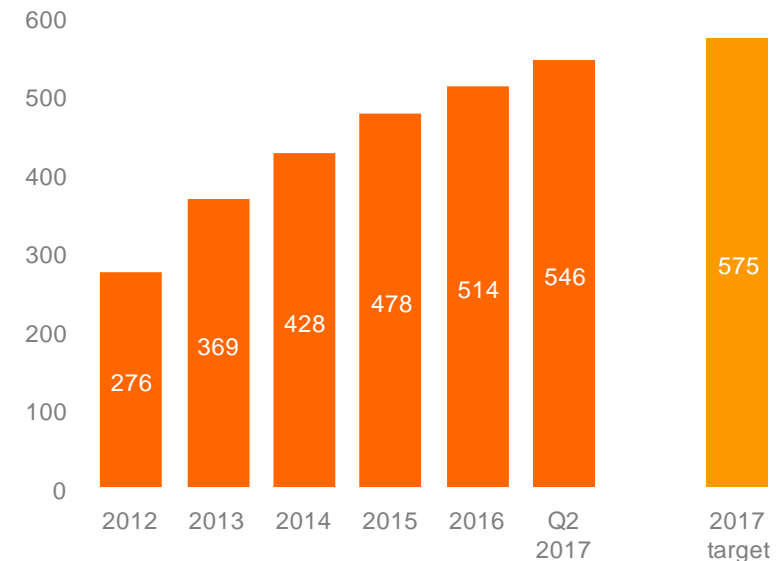


## Unlocking Aperam's potential through the Leadership Journey®

### Leadership Journey® initiatives: from restructuring to Asset upgrade



### Leadership Journey® annualized recurring gains (USD million)



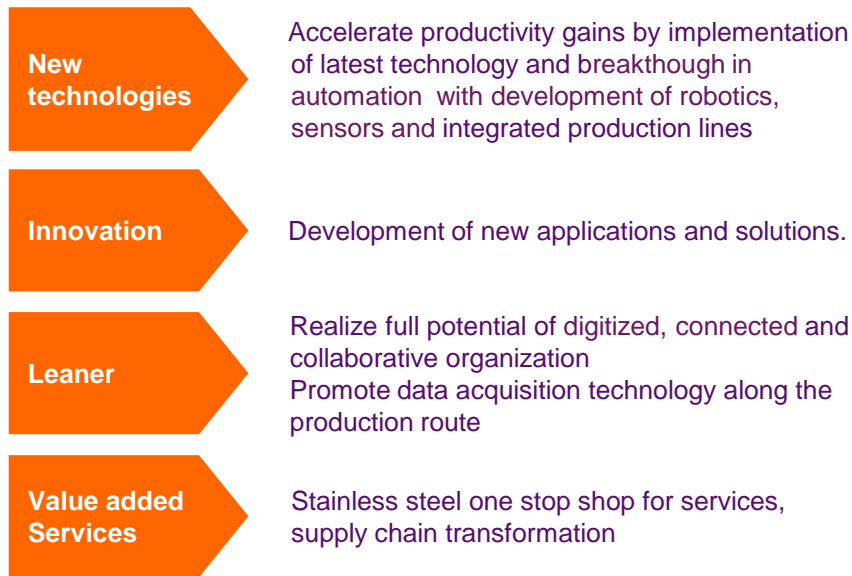
The Leadership Journey® has evolved from a cost cutting to an asset upgrade strategy

# Aperam's value strategy



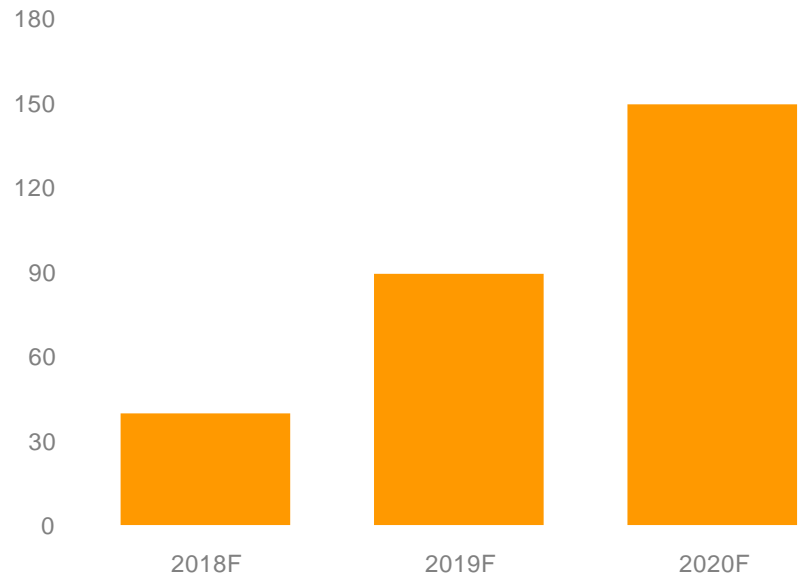
## Phase 3 – the Transformation Program targets

### Key pillars of the Phase 3 Transformation Program



USD 150 m of capex over 2017-2019 on top of maintenance capex and remaining phase 2 capex

### Annualized EBITDA cumulated gains from (USD million)



USD 150 m of annualized gains by the end of 2020

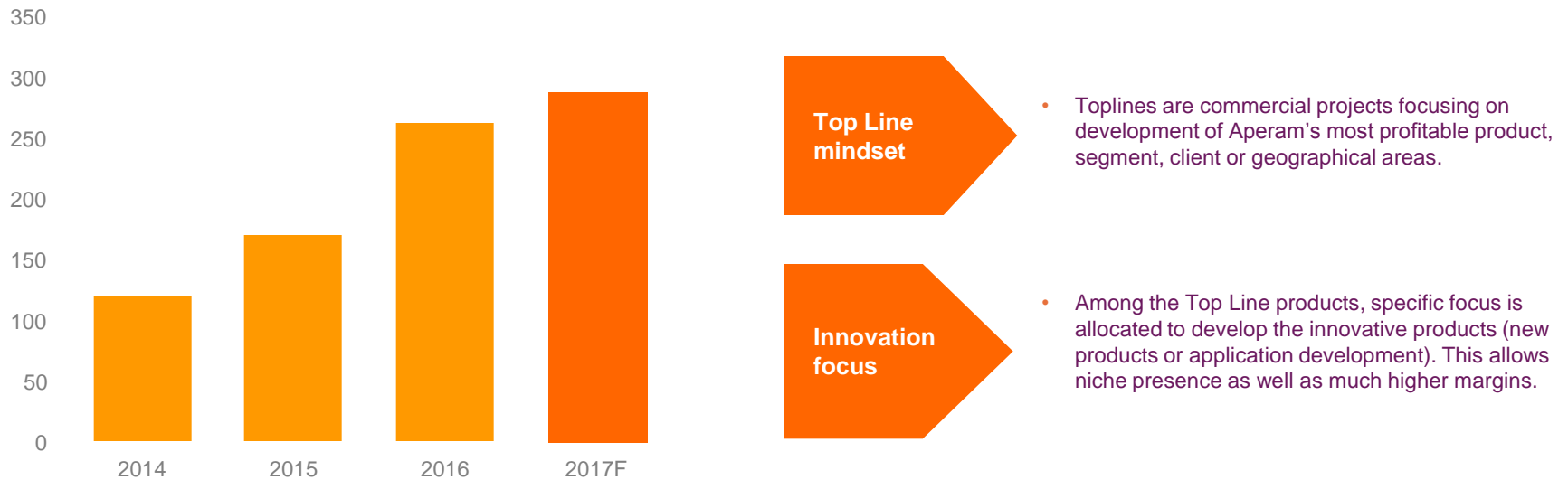
**Aperam has announced a new phase 3 of the Leadership Journey: the Transformation Program. USD 150m additional annualized gains targeted over the next 3 years.**

## Aperam's value strategy



Strengthening product and service differentiation through the Top Line strategy

Shipments of Top Line products developments (in kt)



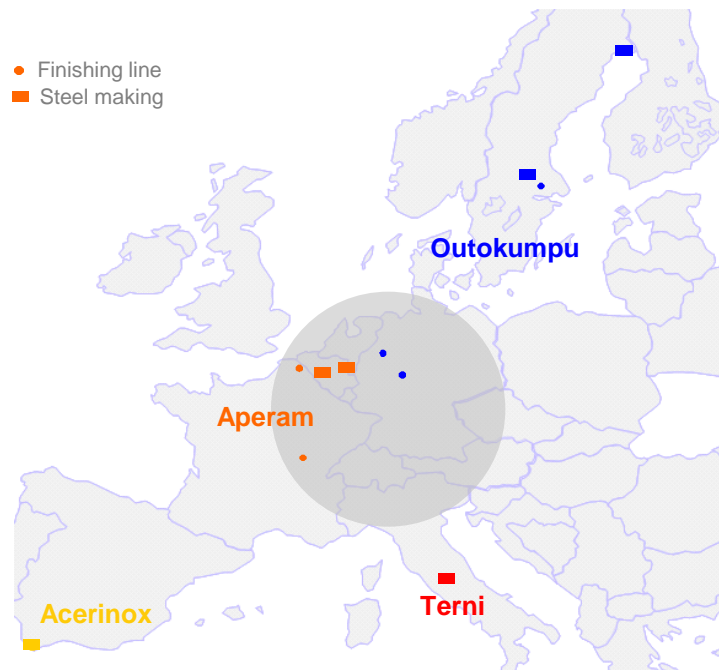
Good progress on Top Line development and innovation plan to support European growth and mitigate the impact of the current Brazilian environment

# Aperam's value strategy

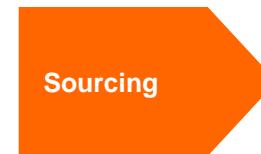
Leverage Aperam's unique position in Europe



## European stainless steel industry footprint after restructuring



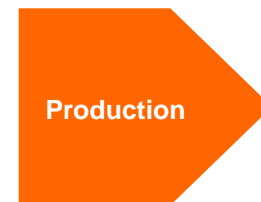
## Key strengths of the European operations of Aperam



- The only integrated upstream operations in the heart of Europe, with the best access to scrap supply



- 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



- Full range of products with flexible capacity
- Enhancing recycling with scrap in line with objectives of circular economy
- A strategy to be a cost benchmark on the key products of Aperam

Closest location to major scrap generating regions as well as major stainless consumers in Europe



# Aperam's value strategy

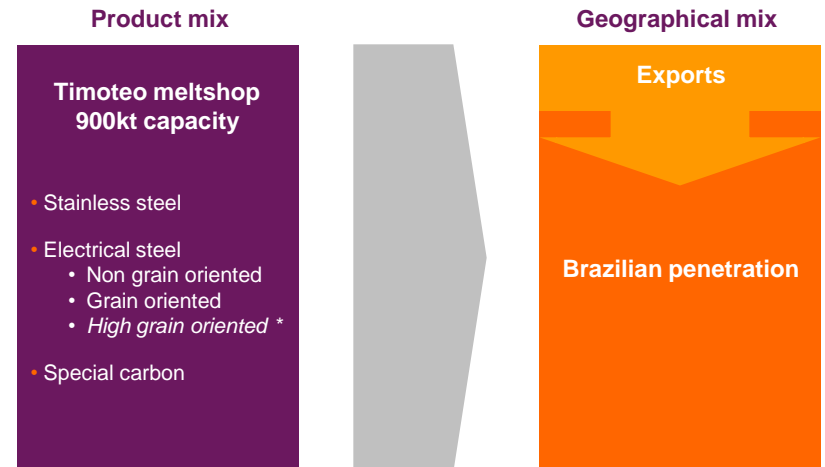
## Active mitigation of the Brazilian economic situation



### Key pillars of the mitigation plan in Brazil



### Aperam's assets optimisation in South America



- Brazilian asset running at optimal utilisation rate with the current demand
- Projects on-going to debottleneck the cold rolling operations
- Upgrade of the Grain Oriented products with the development of HGO
- Continuous margin optimization between products mix and deliveries in South America

The mitigation plan put in place by Aperam South America has enabled to largely offset the negative impacts since 2015 and further develop loyalty of domestic customers

# Aperam's value strategy

Sustainability is fully embedded in Aperam Strategy



## Social

Our People are our greatest asset.

Their Safety is our priority, their development is a key to our success

- **LTIFR : 1.46** (vs. 0.98 in 2015) due to isolated under-performance at two sites – [target at 1, all employees]
- **Absenteeism: 2.19** (vs. 2.26 in 2015) – [target at 2]
- 2016 **Performance review: 95%** of Exempts, **90%** of White collars, 71% of Blue collars – [target at 100%]
- 2016 Training hours **+10%** (vs. 2015)
- Among **Brazilian top companies to work for** [1]



## Environnement

We provide one of the “greenest steels” and constantly reduce our production costs and impacts

- **CO<sub>2</sub> intensity<sup>[2]</sup> reduction vs 2007 >20%** - [target at -35% by 2020] due to maximum usage of charcoal
- **Energy intensity<sup>[2]</sup> reduction vs 2012: -6%** [target at -10% by 2020]
- **93% re-use/recycle** performance - [target at 100%]
- 96% of water in closed circuits (+1 pt vs. 2015)
- Increased focus on Dust



## Governance

We lead by example with strong sense of ethics & integrity and maintain constant engagement with all our Stakeholders

- Best practice in Board composition with a **majority of independent directors** (4 out of 7 members)
- CSR indicators (H&S) in full staff personal objectives
- **Full Compliance plan deployment** with 1<sup>st</sup> external Compliance risk assessment and focus in Brazil
- Strong Customer & Innovation focus
- Aperam's **internal assurance, risk management & forensic services** recognized as 'best in class'<sup>[3]</sup>

A clear program strengthening Aperam strategic objectives and sustainability

[1] For the sixth consecutive year, Aperam South America was selected as one of the best companies to work for by Guia Você S/A, in recognition of our work on employee health and wellbeing.

[2] Per ton of crude steel

[3] by the Institute of Internal Auditors certification.

## Aperam's value strategy

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 USD 180 - 190m.</b>
<b>Value Accretive Growth &amp; M&amp;A</b>	Compelling Growth and M&A opportunities with high hurdle rate	-
<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 of USD 1.50 per share</b>
<b>Extra Cash Utilization</b>	Remaining excess cash will be utilized in the most optimal way	<b>Share buyback of USD 98m / 2 million shares in H1</b>

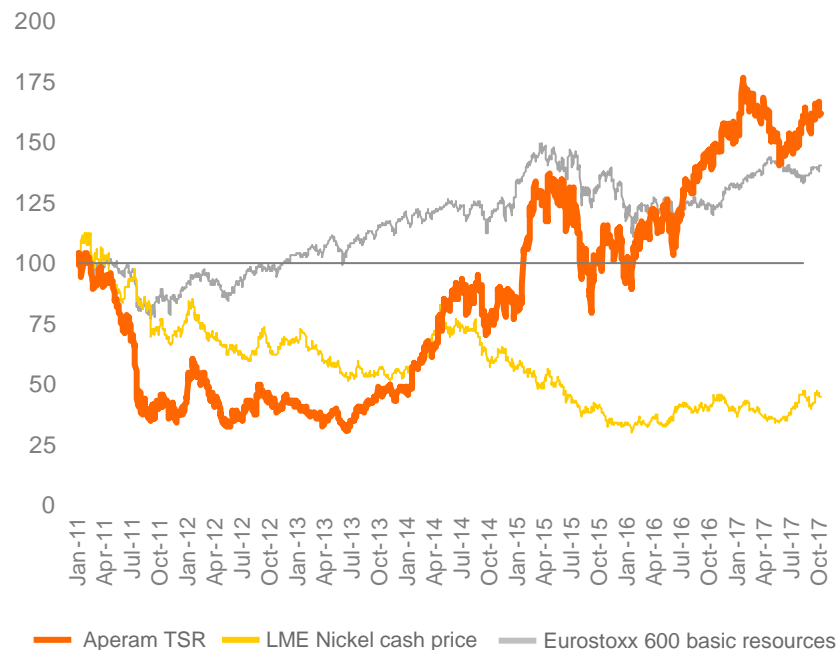
**Company's intention to maintain a total payout to shareholders between 50% to 100% of EPS**

# Aperam's value strategy

## Focus on delivering returns



Aperam Total Shareholder Return\* since spin-off\*



Aperam Total Shareholder Return\*

	1 Year	2 Years	3 Years	Since creation
APAM Total Shareholder Return	12%	67%	103%	62%
Basic resources Eurostoxx 600	13%	3%	18%	41%
Nickel LME spot price	11%	14%	-25%	-55%

**Aperam has generated consistent return for its shareholders since its creation**

\* As of October 30<sup>th</sup>, 2017. Aperam TSR includes gross dividend in EUR

Q&A

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## Environment and markets



### 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>✓ Normal import duties are 14%</li> </ul>	<ul style="list-style-type: none"> <li>✓ 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.</li> </ul>
<b>Stainless Steel Welded Tubes</b>	<ul style="list-style-type: none"> <li>✓ 14% of Import duties Stainless Steel welded tubes.</li> </ul>	<ul style="list-style-type: none"> <li>✓ AD duties starting July 29<sup>th</sup>, 2013 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 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>	<ul style="list-style-type: none"> <li>✓ Normal import duties are also 14%</li> </ul>	

### 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**