

aperam VDM Metals



Creating a global leader in Alloys & Specialties alloys

April 11, 2018

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.

Acquisition of VDM Metals



Key transaction highlights

Structure

- 100% of VDM Metals Holding GmbH and related entities

Value consideration

- Total Enterprise Value of €596m incl. €123m of pension liabilities, €35m net financial debt, purchase price €438m
- Equivalent to 7.8x EV/EBITDA before synergies, based on audited year-ended 30 September 2017 EBITDA €76m (LTM 28 February 2018 EBITDA is €81m)
- Book value of €225m for Operating Working Capital as of 30 September 2017
- Locked Box as of 30 September 2017: VDM's subsequent economic results and cash flows to buyer's account

Financing

- All cash and debt financed
- Aperam will continue to maintain a strong balance sheet consistent with investment grade ratios with a pro forma NFD/EBITDA of 0.7x as of 31 December 2017

Conditions precedent

- Standard regulatory approvals including merger control approvals
- Transaction approved by the Board of Directors

Timetable

- Expected closing during second half of 2018

Value accretive deal

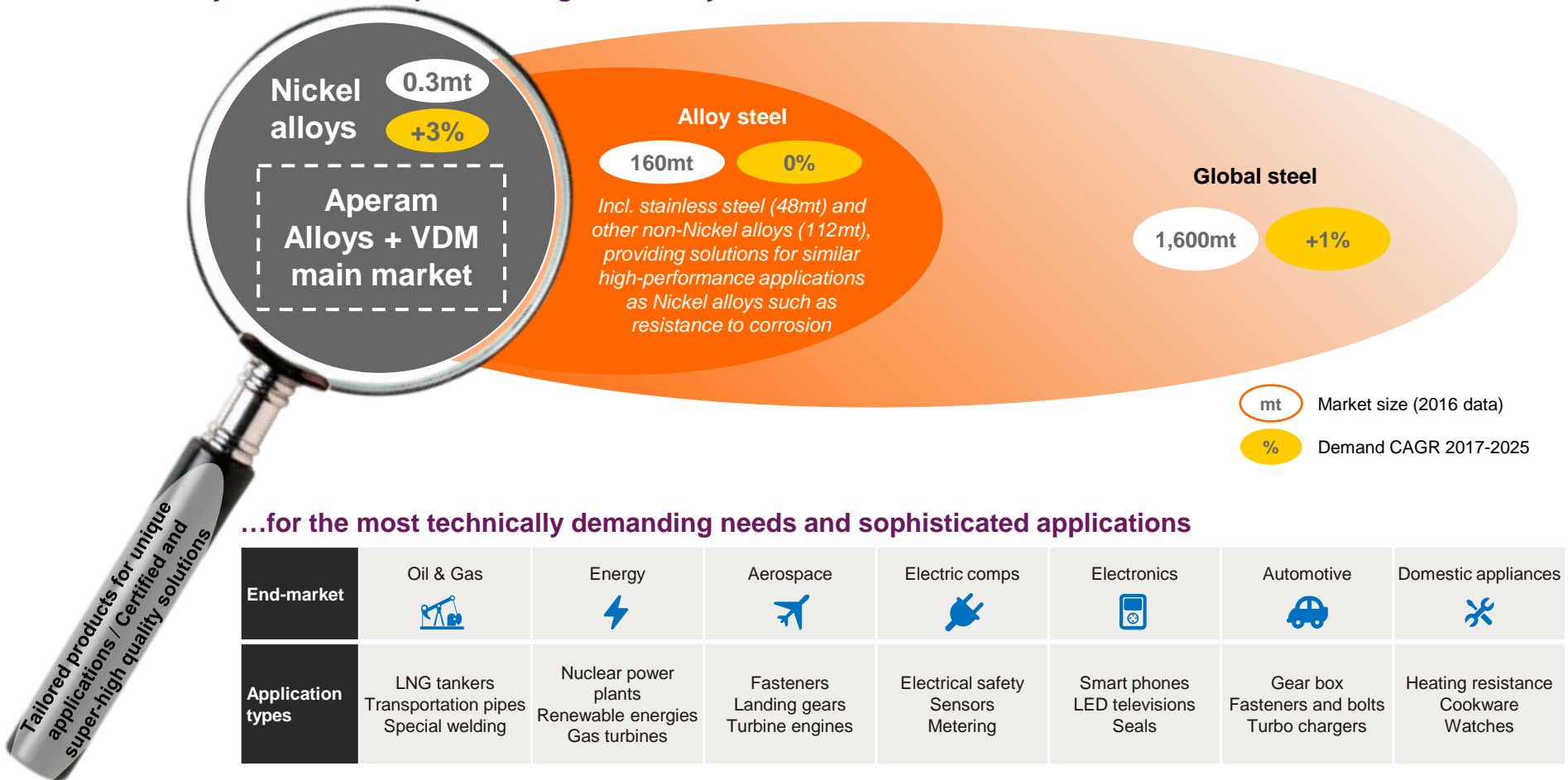
- The right price & right timing
- Targeting about €20m per annum of synergies by 2020
- Acquisition to be EPS and FCF enhancing from year 1 (with synergies to come on top)
- Maintain existing shareholder payout policy (between 50% to 100% of EPS) with progressive dividends
- Aperam believes its enlarged Alloys & Specialities division should be valued at a premium multiple to stainless steel

**A transforming and value-unlocking transaction for Aperam
while maintaining a strong balance sheet consistent with investment grade ratios**

Aperam A&S is strong in premium specialities

Nickel alloys is a growing and premium niche segment

Nickel alloys: the ultimate premium high-tech alloys...



Targeting a select suite of customers in advanced industries requesting tailored, certified and highly sophisticated solutions

Creating a European Leader in global Alloys & Speciality

Aperam: a world-class stainless steel producer with strong position in Alloys & Specialities

Aperam Alloys & Specialities is already well-positioned as an attractive, high value-added and fast-growing business

VDM: a unique growth opportunity

VDM is a well-invested, profitable and highly reputable player in High Performance Alloys

Building a leading position in Alloys & Specialities with two complementary high-performing businesses

VDM is complementary to Aperam Alloys & Specialities and offers significant synergy potential

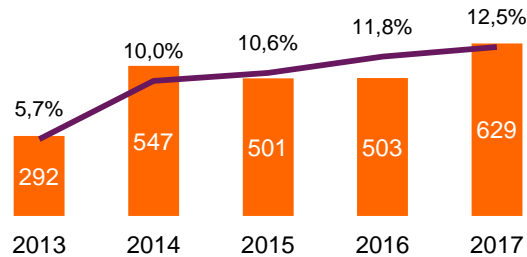
A value accretive acquisition

The combined Alloys & Specialities division enhances Aperam's equity and credit story: stronger business profile and reduced cyclicalities, more underlying growth and synergies

Aperam's Performance Track Record

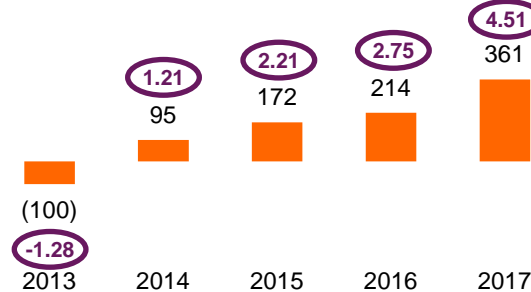


Adj. EBITDA (USDm) and margin (%) evolution



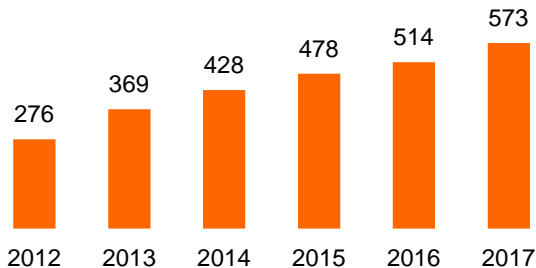
Continuous solid improvement of the operating performance

Net income evolution (USDm) and basic EPS (USD)



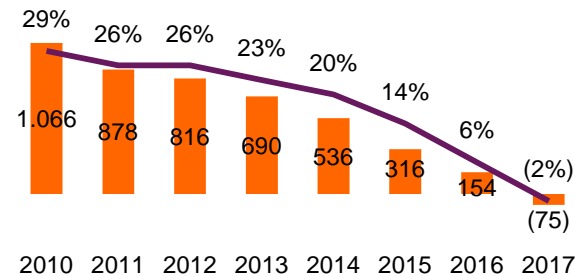
From negative net income to positive net income since 2013

Leadership journey (USDm)



Improvement of the operational performance by USD573m since the creation of Aperam

Net debt (USDm) and Gearing (%) evolution



From a net debt of over USD1bn to a net cash position of USD75m in Dec 2017 with an investment grade rating by both S&P and Moody's

Since the creation of Aperam, several initiatives have been undertaken to transform Aperam into a more resilient Company, that is able to operate successfully in all market conditions, with operational excellence, product & service innovation, financial discipline and a strong balance sheet

With its strong ability to adapt to new conditions and capture opportunities, Aperam remains the most profitable and the most cash generative stainless steel player

Aperam A&S is strong in premium specialities

Our Imphy plant is integrated



Meltshop



World class equipment adapted for Specialities

- 1 EAF, 2 induction furnaces
- 1 VIM, 2 VAR; 1 ESR
- Unique rotary continuous caster for long products

Business orientation and metallurgical expertise

- Flexibility and ability to manage the production constraints
- Raw material efficiency
- Hot rolling of Strips is done at Chatelet Hot Rolling facility (Aperam)

Wire rod mill



Probably the world's best HR mill for Ni alloys

- Blooming mill; billet grinding; HR mill; finishing
- Unique equipment for high performance rolling
- CC + HR mill: very competitive industrial route for Ni alloys wire
- World-class heat treatment facilities

Cold rolling



A wide range of equipments

- 6 cold rolling mills (up to 700 mm)
- 5 annealing furnaces (gas and electrical)
- High technology dedicated line to LNG market
- Various finishing equipment, incl. slitting and cladding
- Access to wide cold rolling facilities of Aperam

Key highlights

<u>Aperam A&S</u>	<u>Dec' 17</u>
Shipments (in kt)	32.7
Revenue (in €m)	459
EBITDA (in €m)	46
EBITDA margin	10%

Certifications: Quality (e.g. ISO TS, aeronautics), Environment (ISO14001), H&S (OHSAS 18001)

A highly competitive, versatile and well invested plant with solid profitability

Aperam A&S is strong in premium specialities

Our downstream activities enrich our product offer with value-added solutions



Components

Rescal (France)



Wire drawing facility

- Epone (Paris area)
- Specialised on heat resisting and thermocouple alloys
- Planned entry into new markets
- Drawn wire, Ribbon and Strip

Amilly (France)



Magnetic stamped parts

- Amilly (France)
- High precision stamping & heat treatment (Ni alloys and others)
- Historical market presence with most electrical OEMs
- Strong growth in automotive parts (electrification of vehicle) and aerospace

Imhua (China)



Magnetic Cores manufacturing

- Foshan (China). Moving soon to a brand new building in mid 2018
- Winding, heat treatment and finishing (boxing, coating) of magnetic strip
- Ni Alloys and nanocrystalline cores manufacturing
- Subcontractor to Amilly

ICS (India)



Multi-layer metallic strip (Cladding)

- Owner of >80% of a Joint Venture in ramp up phase
- Indore area (central India)
- Wide range of bonded products (bimetals, industrial clad) in many different materials
- Complete industrial equipment (cladding & Cold rolling facility)

Our downstream growth strategy captures further value at a lower capital intensity

Creating a European Leader in global Alloys & Speciality

Aperam: a world-class stainless steel producer with strong position in Alloys & Specialities

Aperam Alloys & Specialities is already well-positioned as an attractive, high value-added and fast-growing business

 VDM: a unique growth opportunity

VDM is a well-invested, profitable and highly reputable player in High Performance Alloys

Building a leading position in Alloys & Specialities with two complementary high-performing businesses

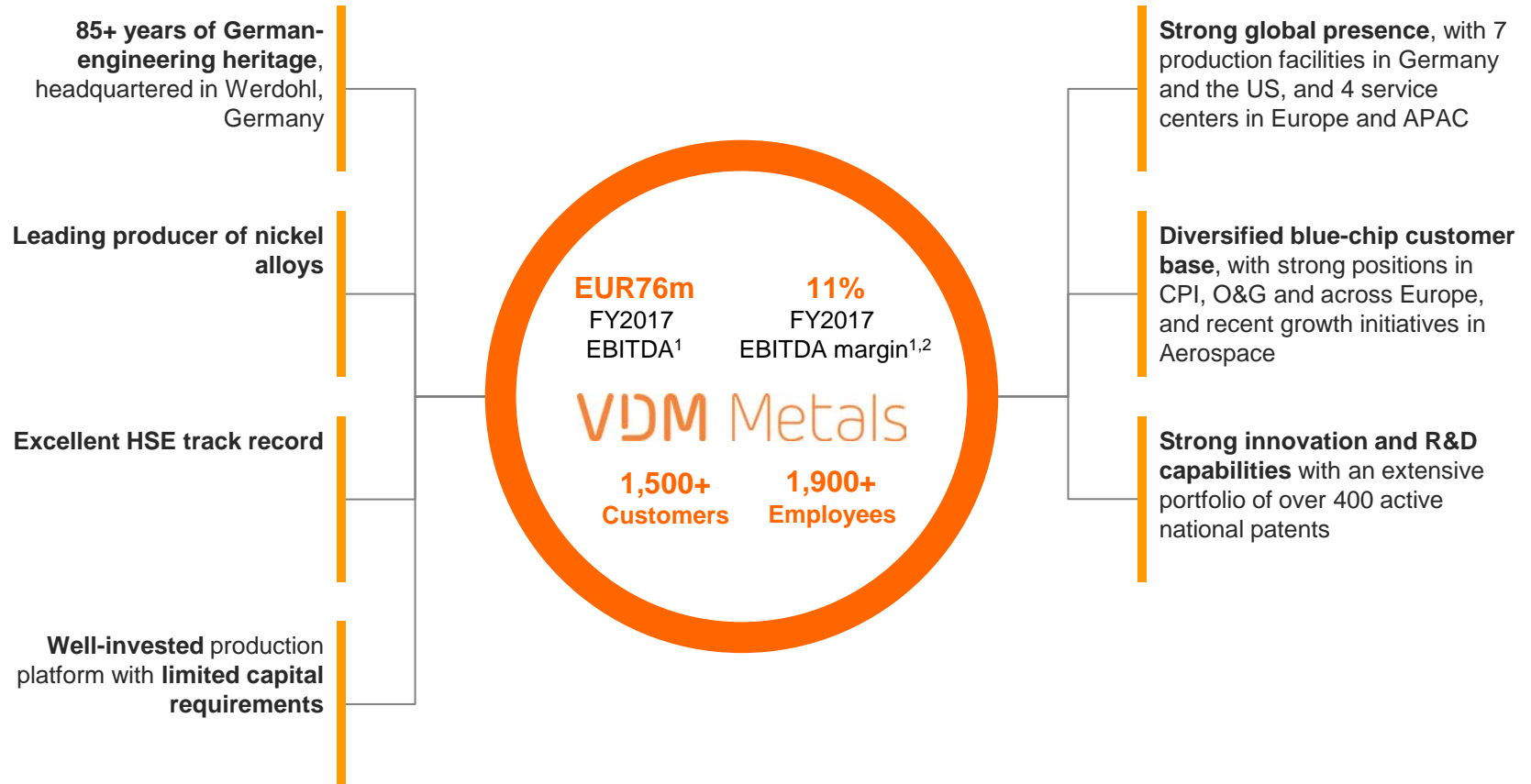
VDM is complementary to Aperam Alloys & Specialities and offers significant synergy potential

A value accretive acquisition

The combined Alloys & Specialities division enhances Aperam's equity and credit story: stronger business profile and reduced cyclicity, more underlying growth and synergies

VDM: a unique growth opportunity

VDM Metals is a leading European player in High Performance Alloys (“HPA”)



VDM Metals is a well-invested, profitable and highly reputable player in the HPA niche market

1. Adjusted EBITDA based on FY2017 Audited financials ending September 30, 2017

2. Adjusted EBITDA margin calculated on the basis of VDM net sales from alloys production and other activities, but excluding Nickel trading sales

VDM: a unique growth opportunity

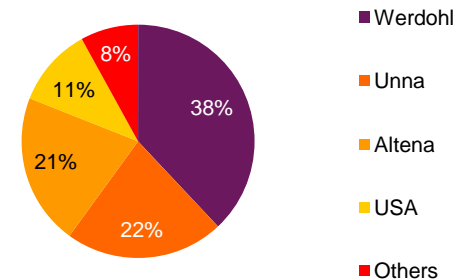
VDM has a strong industrial footprint



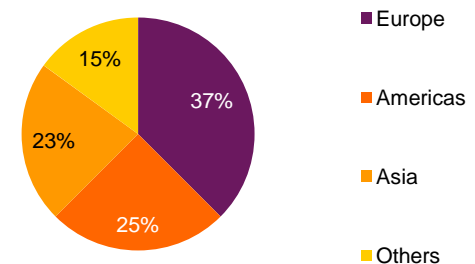
VDM's production base is in Germany and USA and complemented by 4 service centres in Europe and Asia



FY17¹ headcount by production site / location



FY17¹ sales representations² by region



VDM benefits from a state-of-the-art operating platform

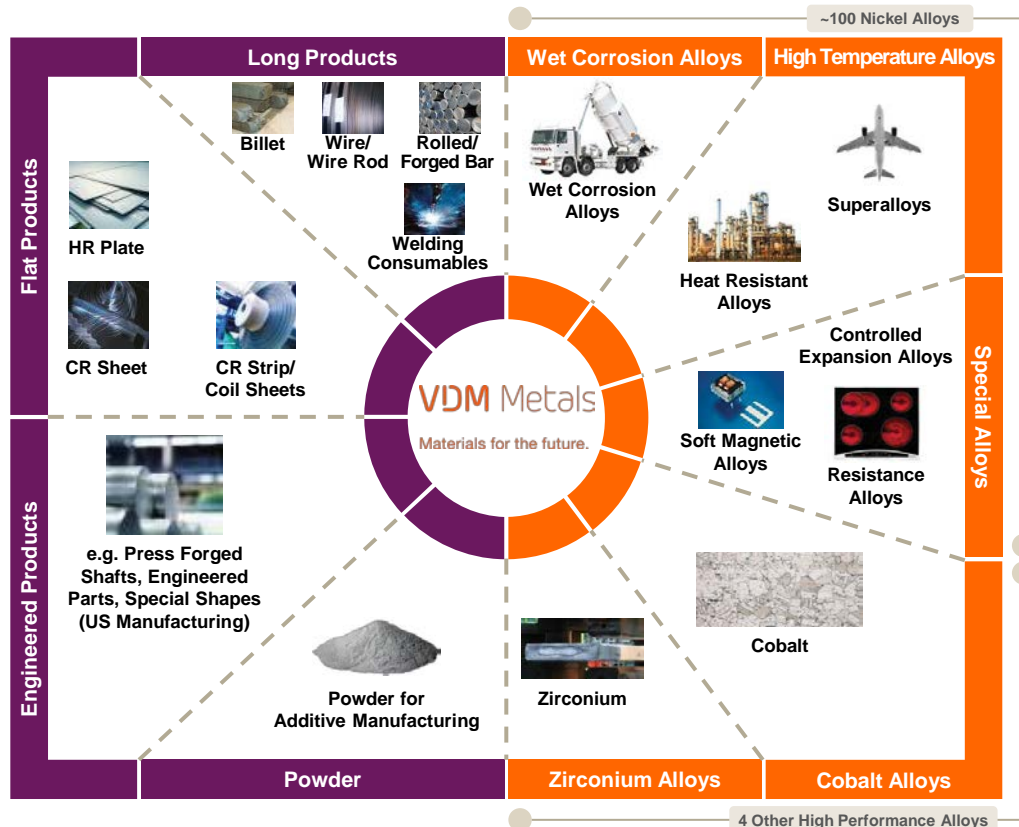
1. VDM figures based on FY2017 financials ending September 30, 2017
2. Including sales offices, service centres, agents and other subsidiaries

VDM: a unique growth opportunity

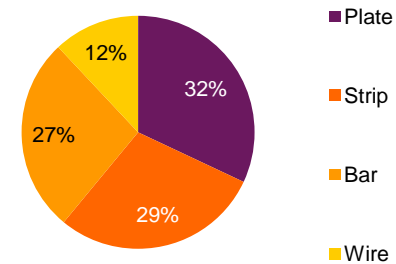
VDM Metals has strong sales fundamentals



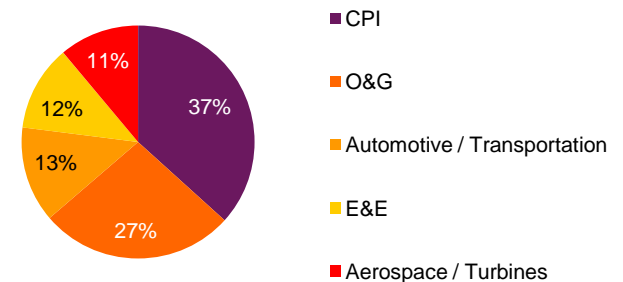
One of the few global players to offer a full range of HPA¹ products



2017 Production sales² by shape



FY17 Production sales² by end-market



VDM can leverage on a diversified customer base and a product expertise backed with strong R&D base

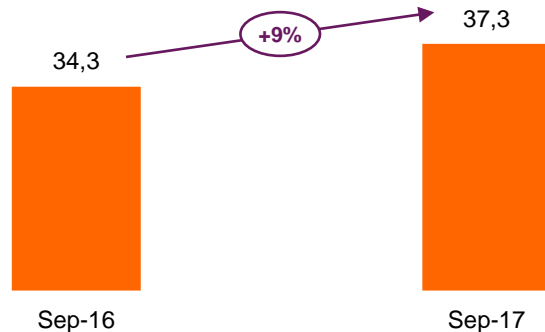
1. HPA stands for High Performance Alloys
2. Net sales from alloys production activities excl. other activities (primarily metals trading) and excl other production related sales (primarily tolling arrangements)

VDM: a unique growth opportunity

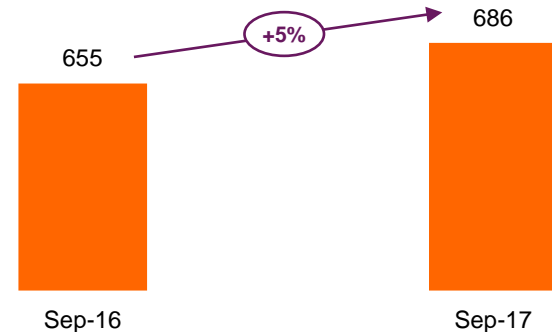
VDM Metals has demonstrated strong financial performance



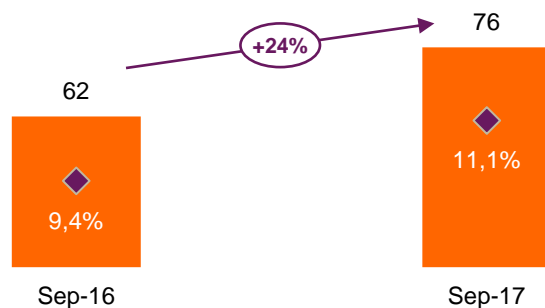
High Performance Alloys volumes¹ (kt)



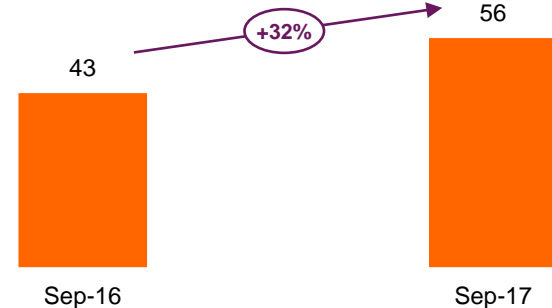
Alloys production sales^{1,2} (EURm)



EBITDA (EURm) and margins¹



EBITDA-Capex (EURm)¹



VDM has delivered growing margins

1. Audited figures as at year-end September 2017 and as at year-end September 2016
2. Net sales from alloys production and other production related sales (primarily tolling arrangements) but excl. other metals trading activities

Creating a European Leader in global Alloys & Speciality

Aperam: a world-class stainless steel producer with strong position in Alloys & Specialities

Aperam Alloys & Specialities is already well-positioned as an attractive, high value-added and fast-growing business

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A value accretive acquisition

The combined Alloys & Specialities division enhances Aperam's equity and credit story: stronger business profile and reduced cyclicalities, more underlying growth and synergies

Building a leading position in Alloys and Specialities

Unique alloy expertise with a complete range of shapes and high added value products to cover all types of applications



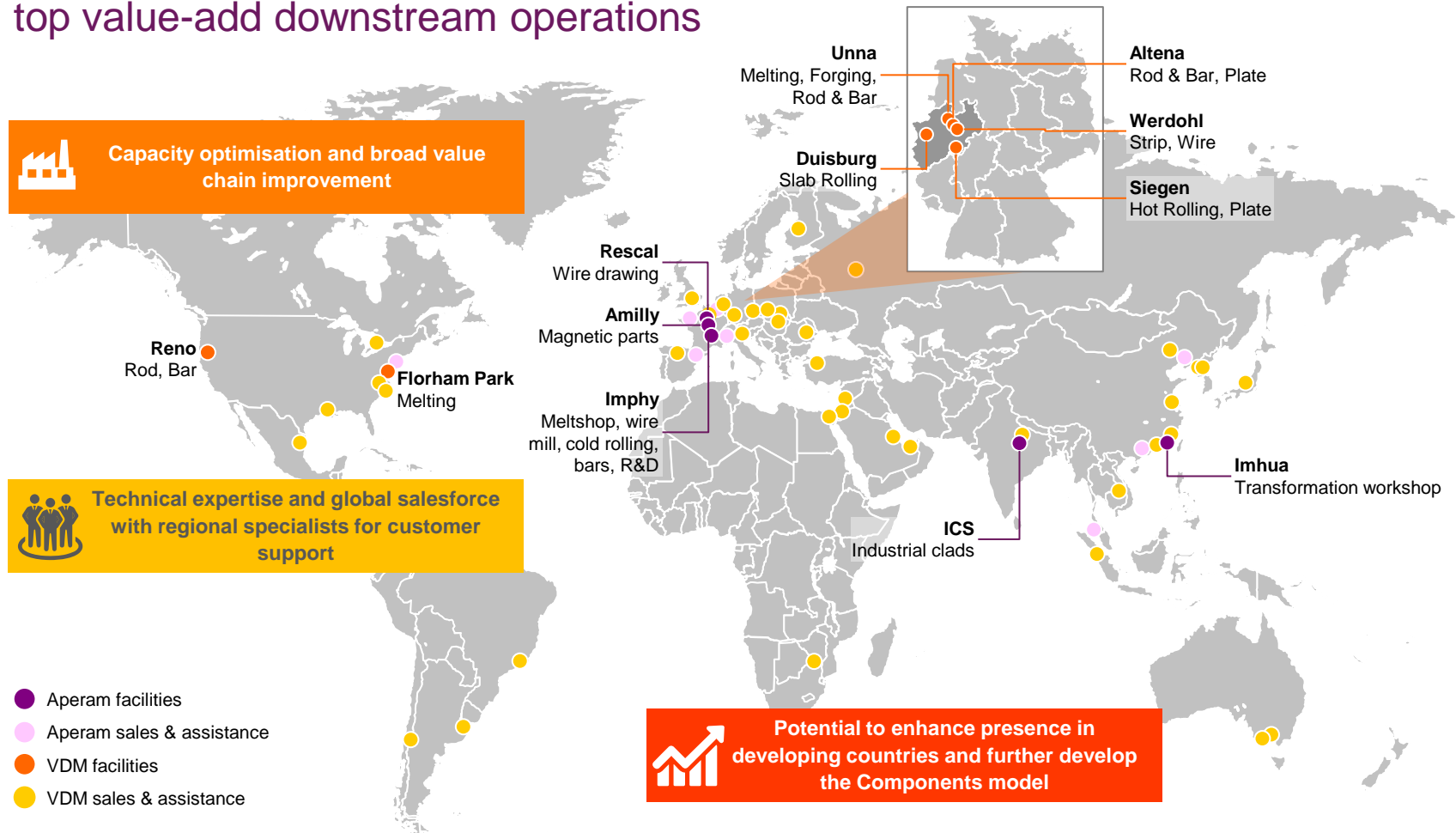
		Aperam A&S	VDM Metals	Combined
	Continuous casting billets	✓	✗	✓
	Ingots	✓	✓	✓
	Pre-forged material	✗	✓	✓
	Bars Forged	✗	✓	✓
	Hot rolled	✗	✓ ¹	✓ ¹
	Wire rod	✓	✗	✓
	Finished wire (Cold drawn)	✓	✓	✓
	LNG	✓	✗	✓
	Corrosion / Petrochemical	✗	✓	✓
	E&E / Others	✓	✓	✓
	Plates	✗	✓	✓

The combined entity will be among the leading players in the industry in terms of products and applications coverage

1. Hot rolling process subcontracted to external company

Building a leading position in Alloys and Specialities

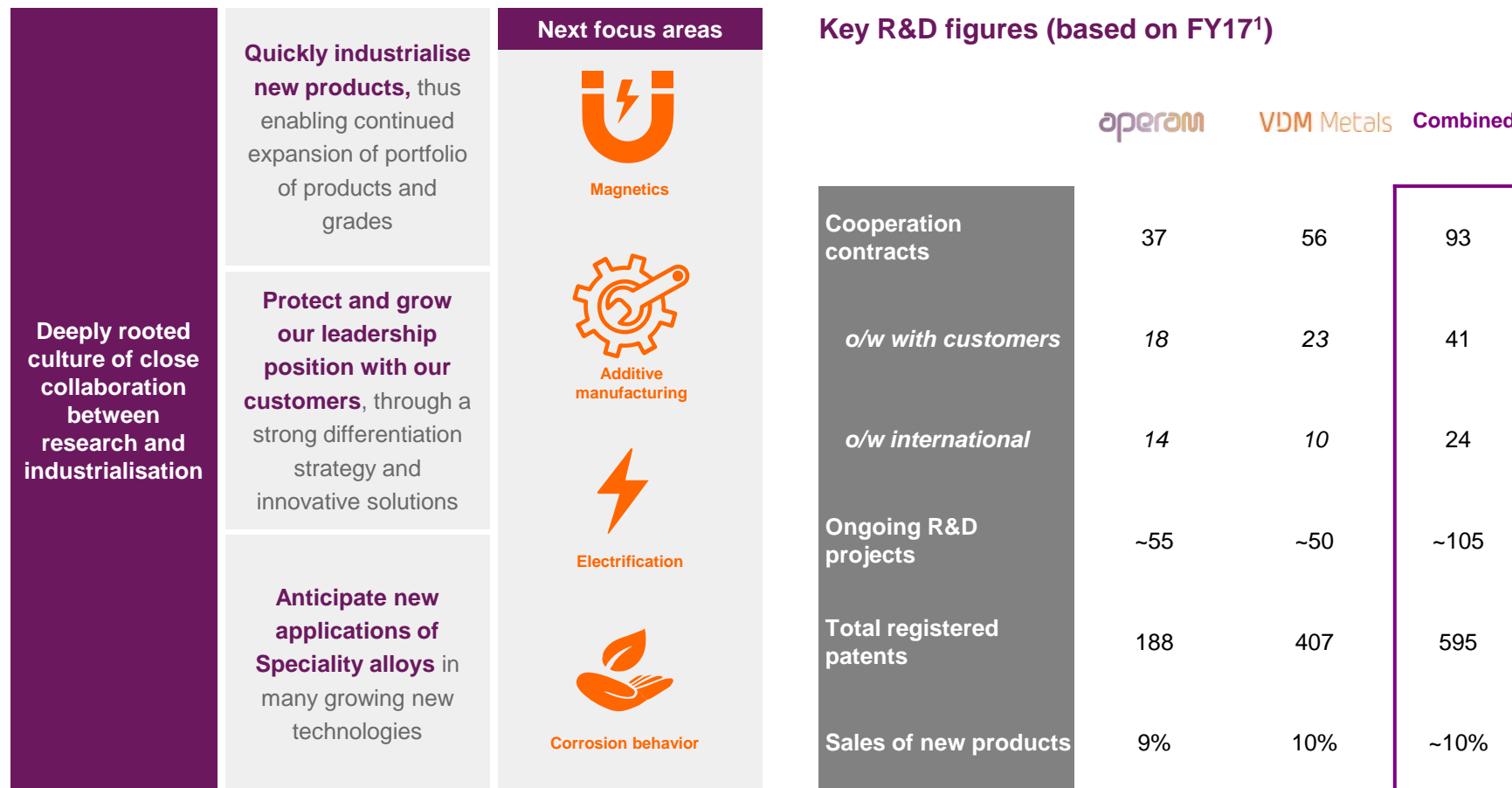
Well-invested complementary industrial footprint enhanced by top value-add downstream operations



Strong industrial rationale with multiple optimisation and expansion opportunities identified in both production and marketing flows with strong synergy potential (about €20m)

Building a leading position in Alloys and Specialities

State-of-the-art R&D capabilities creating a highly competitive platform for innovation



Innovation and technical support is at the heart of the new combined customer-focused organization

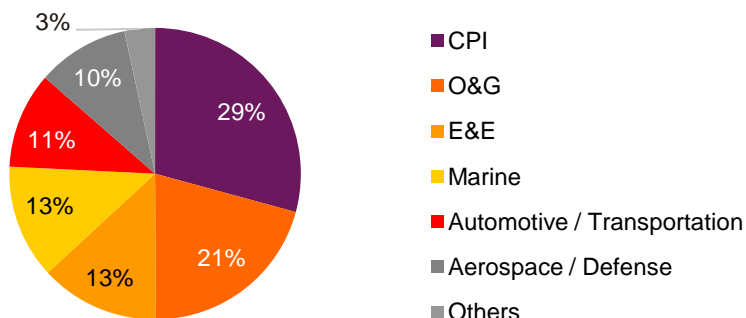
1. Aperam Alloys figures based on FY2017 ending December 31, 2017 and VDM figures based on FY2017 ending September 30, 2017

Building a leading position in Alloys and Specialities

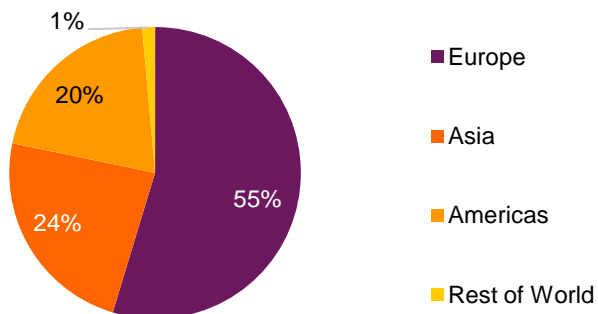
The enlarged A&S division will generate strong cash flows



Pro-forma sales by end market^{1,2} (FY2017)



Pro-forma sales by region^{1,2} (FY2017)



Financial highlights¹ (FY2017, EURm)

		A&S	+ VDM	= Enlarged A&S	Aperam Pro forma
Shipments	Kt	32.7	37.3	70.0	
Revenue ³	EURm	459	686	1,145	5,167
				represents ~22%	
EBITDA	EURm	46	76	122	637
				represents ~19%	
Capex	EURm	(10)	(20)	(30)	(183)
EBITDA minus Capex	EURm	36	56	92	454
				represents ~20%	

The enlarged Alloys & Specialities division will be a material contributor to Aperam's future earnings and cash flows

1. Aperam and Aperam Alloys figures based on Audited FY2017 ending December 31, 2017 and VDM figures based on Audited FY2017 ending September 30, 2017
2. Revenues based on production sales excluding other activities (primarily tolling activities)
3. Revenues based on VDM net sales from alloys production and other activities, but excluding Nickel trading sales

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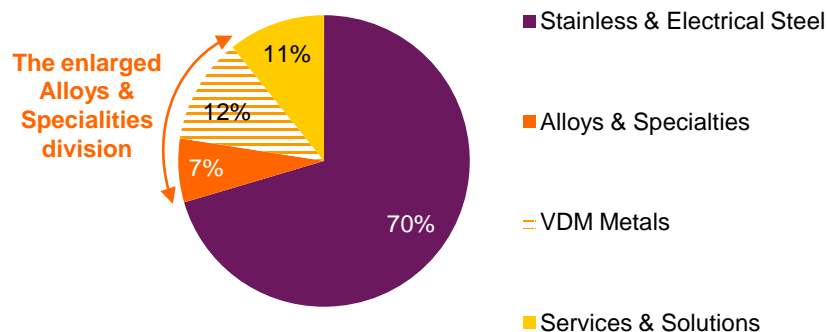
A value accretive acquisition

Scope for a re-rating of Aperam



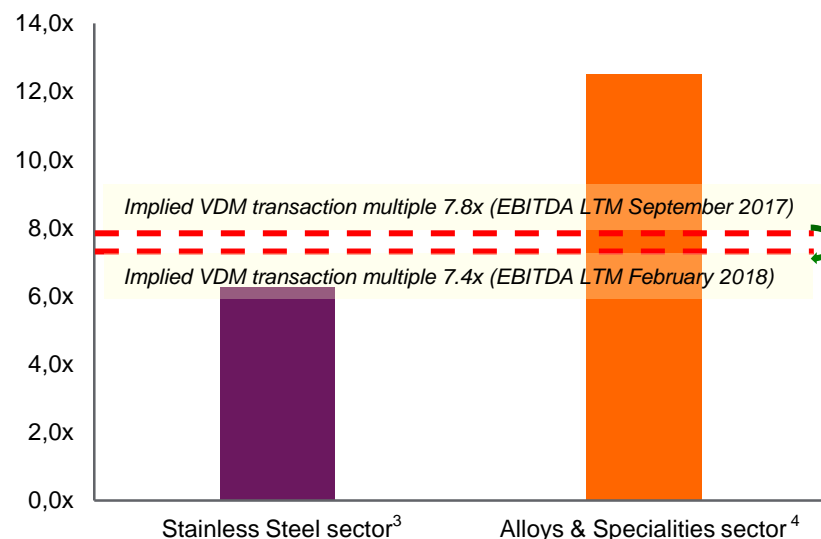
A sizeable and core new valuation anchor within Aperam

Reported EBITDA¹ Aperam Group Pro forma (FY17)



An attractive price for Aperam's shareholders

Valuation gap between Stainless & Specialities (LTM EV / EBITDA²)



- Transaction price (EV/EBITDA 7.8x Sep'17 LTM or 7.4x Feb'18 LTM, before synergies €20m) is below precedent transactions and trading multiples
- Acquisition to be EPS and FCF enhancing from year 1
- Aperam believes its enlarged Alloys & Specialities Division should be valued at a premium multiple to stainless steel
- Maintain a strong balance sheet consistent with investment grade financial ratios (proforma Dec'17 NFD/EBITDA at 0.7x)
- Maintain existing shareholder payout policy (between 50% to 100% of EPS) with progressive dividends

A value accretive transaction for Aperam stakeholders

1. Aperam figures based on Adjusted EBITDA for FY2017 ending December 31, 2017 and VDM figures based on adjusted EBITDA from FY2017 ending September 30, 2017
2. Market data as of close of 6 April 2018 (source: FactSet)
3. Stainless Steel sector including Aperam, Acerinox and Outokumpu
4. Alloys & Specialities sector including Haynes International, Carpenter Technology and Allegheny Technologies in the US and AMG in Europe

A value accretive acquisition

Aperam preserves its financial policy and strong credit profile while maximising the long-term growth and value accretion for shareholders



	Financial Policy	2018
Company sustainability	Invest in sustaining and upgrading the company's assets base to continuously reinforce Transformation Program and Top Line Strategy	CAPEX 2018 USD 220 - 240 million
Value accretive growth & M&A	Compelling growth and M&A opportunities with high hurdle rate	VDM Purchase Price Euro 438m
Dividend policy	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	Dividend per share of USD 1.80 per share
Extra cash utilization	Remaining excess cash will be utilized in the most optimal way	Share buyback of USD 100 million / 1.8 million shares in 2018

Aperam captures value accretive opportunities while continuing a solid financial policy with a strong balance sheet and while maintaining a total payout to shareholders between 50% to 100% of EPS

Q&A

aperam

