

**First quarter 2018**

May 9<sup>th</sup>, 2018

aperam

# 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.

# Introduction & overview



## Highlights:

- Health and Safety: LTI frequency rate of 1.0x in Q1 2018 compared to 1.3x in Q4 2017
- Steel Shipments of 517 thousand tonnes in Q1 2018, a 4% increase compared to steel shipments of 495 thousand tonnes in Q4 2017.
- EBITDA of EUR 141 million in Q1 2018, compared to EUR 130 million in Q4 2017.
- Net income of EUR 85 million in Q1 2018, compared to EUR 103 million in Q4 2017.
- Basic earnings per share of EUR 0.99 in Q1 2018, compared to EUR 1.22 in Q4 2017.
- Cash flow from operations amounted to EUR 42 million in Q1 2018, compared to EUR 194 million in Q4 2017.
- Free cash flow before dividend and share buy-back of EUR (4) million in Q1 2018, compared to EUR 132 million in Q4 2017.
- Net cash position of EUR 32 million as of March 31, 2018, compared to EUR 63 million as of December 31, 2017.

## Strategic Initiatives

- **Disciplined and value accretive M&A:** Signature of a share purchase agreement for VDM Metals, creating a global specialty alloys producer.
- **Transforming our footprint with state of the art equipments:** recently announced investment project in Genk (Belgium) is progressing well.
- **Leadership Journey® (Phase 3 - Transformation Program):** Additional annualized gains target by 2020 increased from EUR 125 million to EUR 150 million. Gains starting to ramp-up with EUR 13 million at end Q1 2018.

## Prospects:

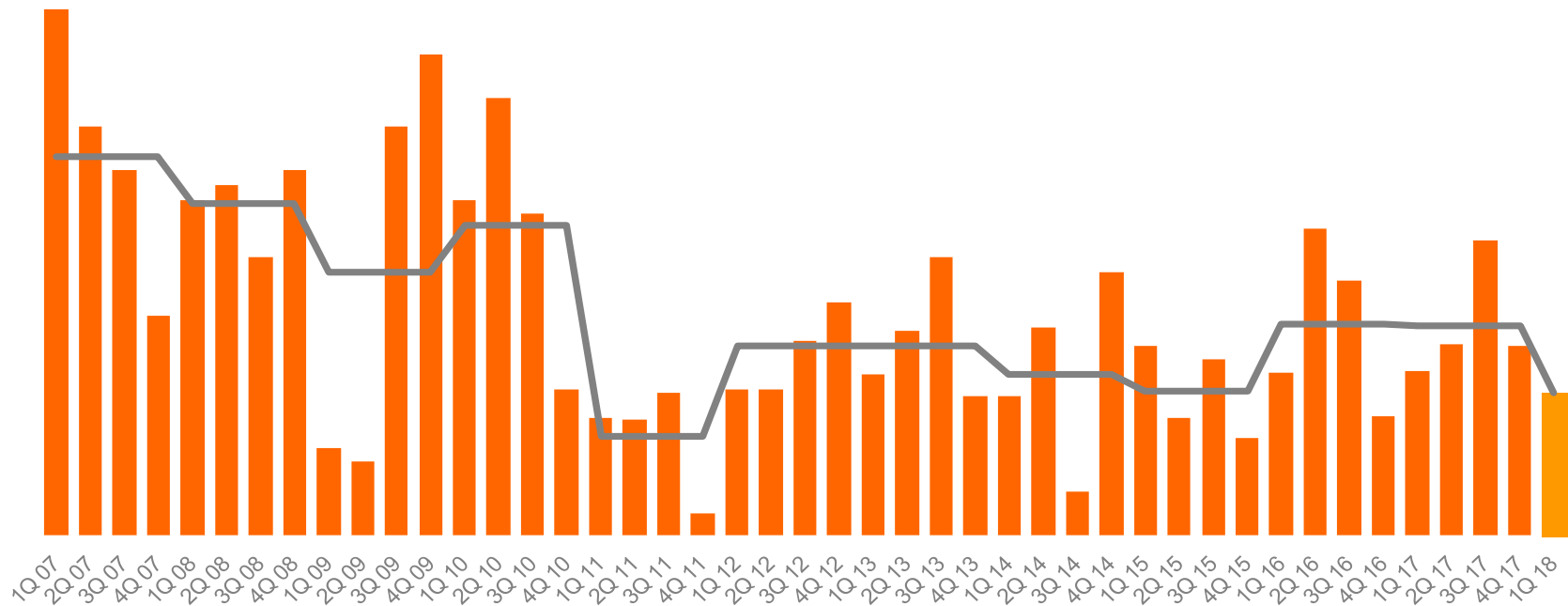
- EBITDA in Q2 2018 is expected to slightly increase compared to EBITDA in Q1 2018.
- Net financial debt to remain at low levels in Q2 2018, post dividend and share buy-back effect.

**“Despite the traditional seasonal effect in Brazil, Aperam releases another strong set of results in line with healthy real demand in Europe as well as thanks to the solid execution of our Leadership Journey®”**

# Health & Safety Performance



Lost Time Injury Frequency rate\*



Health & Safety frequency rate of 1.0x in Q1 2018.

\* WorldSteel-standard: Fr = lost time Injuries per 1.000.000 worked hours; based on own personnel and contractors

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# Environment and markets

# Environment and markets

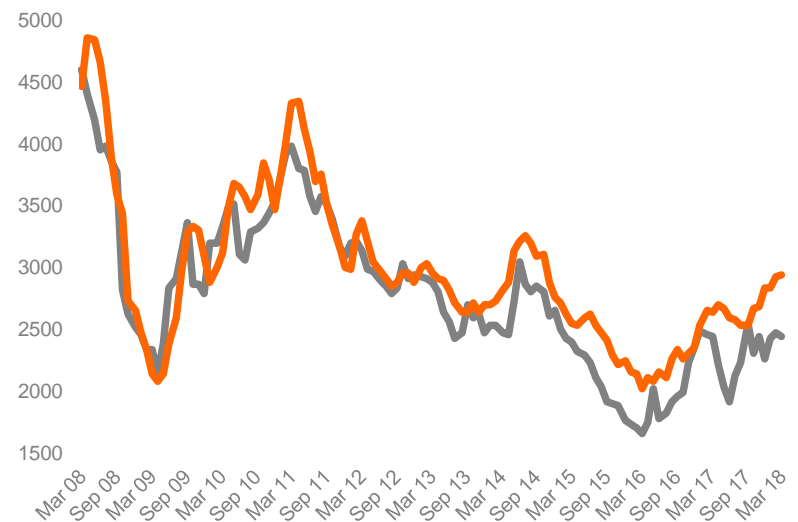
## Stainless steel prices



Nickel - LME Cash  
(USD/t)



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



European Stainless steel prices continued to rise in the first quarter driven by raw materials, however increasing gap with China

First quarter 2018



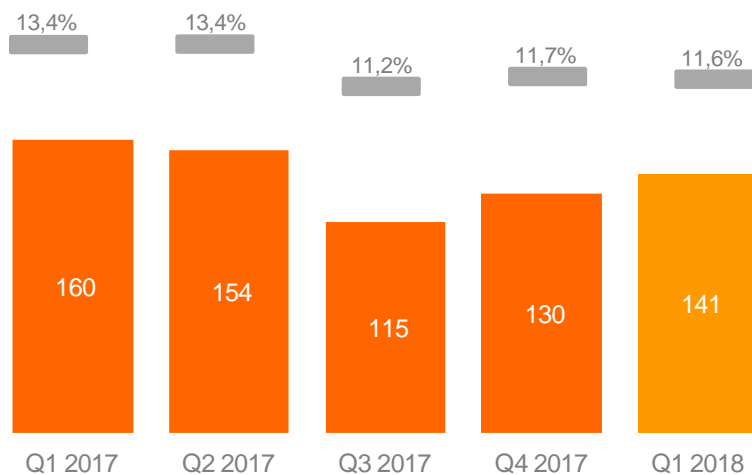
# Performance and prospects

# Performance and prospects

## Quarter on Quarter evolution of profitability

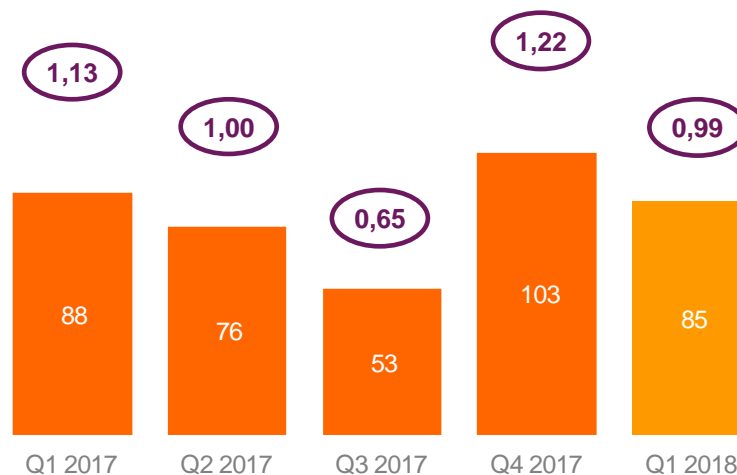


Adj. EBITDA evolution<sup>[1]</sup> (EUR million)



■ Adj. EBITDA from operations    ■ Adj. EBITDA as % of Sales

Net Income evolution (EUR million)



(X) Basic EPS ( USD)

**Solid operating performance and net result**

<sup>[1]</sup> Adjusted EBITDA excludes EUR 8 million one-off charge mainly related to indirect taxes amnesty settlements in Brazil in Q3 2017

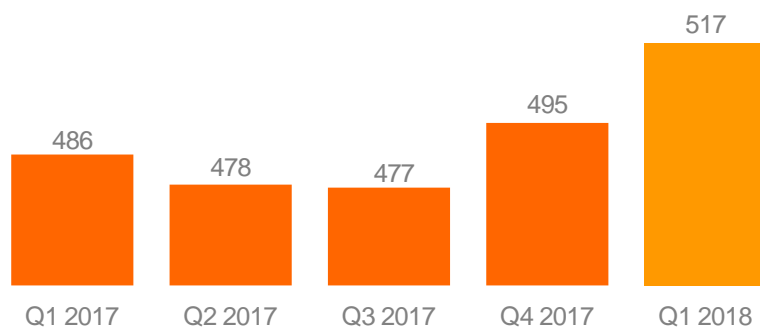


# Performance and prospects

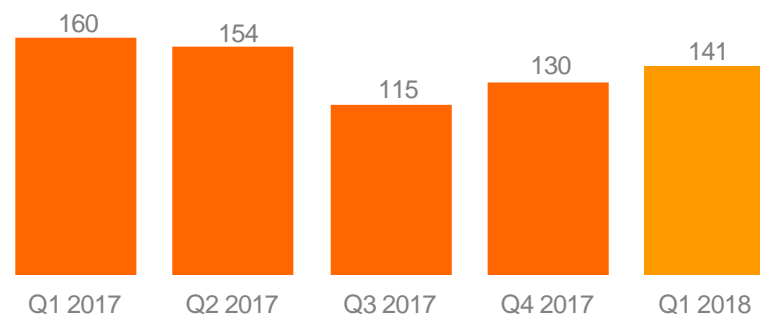
## First quarter operating performance



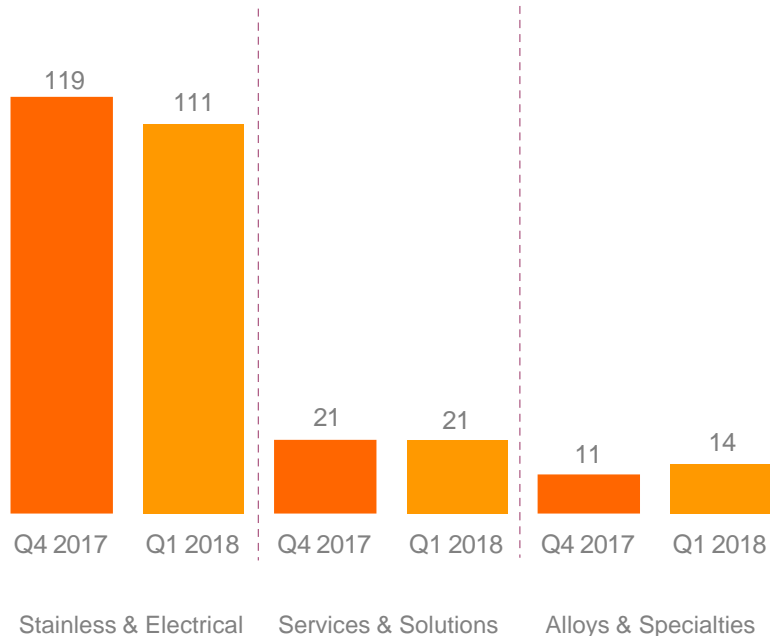
Shipments ('000t)



Adjusted EBITDA<sup>[2]</sup> (EUR million)



Q1 2018 EBITDA per division (EUR million) <sup>[1]</sup>



**EBITDA of 273 EUR/t in Q1 2018, higher than 263 EUR/t in Q4 2017**

<sup>[1]</sup> Difference with total Aperam's quarterly EBITDA comes from the Others & Eliminations

<sup>[2]</sup> Adjusted EBITDA excludes EUR 8 million one-off charge mainly related to indirect taxes amnesty settlements in Brazil in Q3 2017

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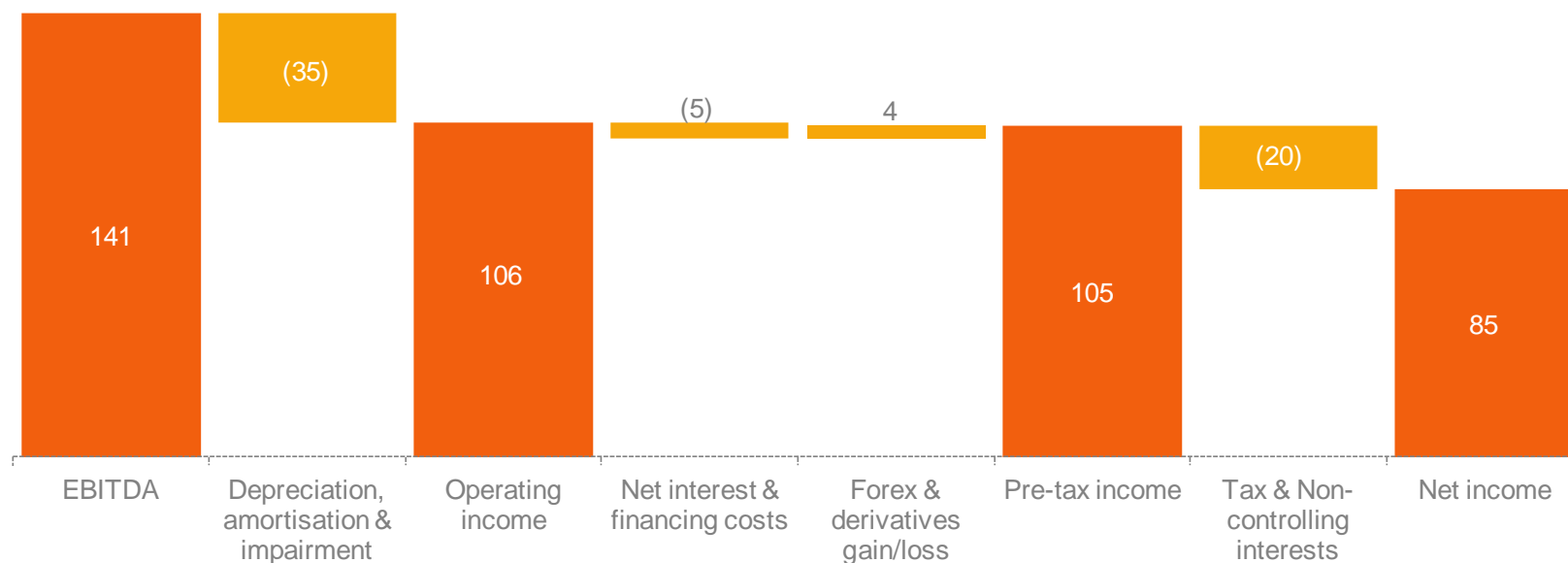
# Financial results

## Financial results

### First quarter P&L highlights



Adjusted EBITDA to net income (EUR million)



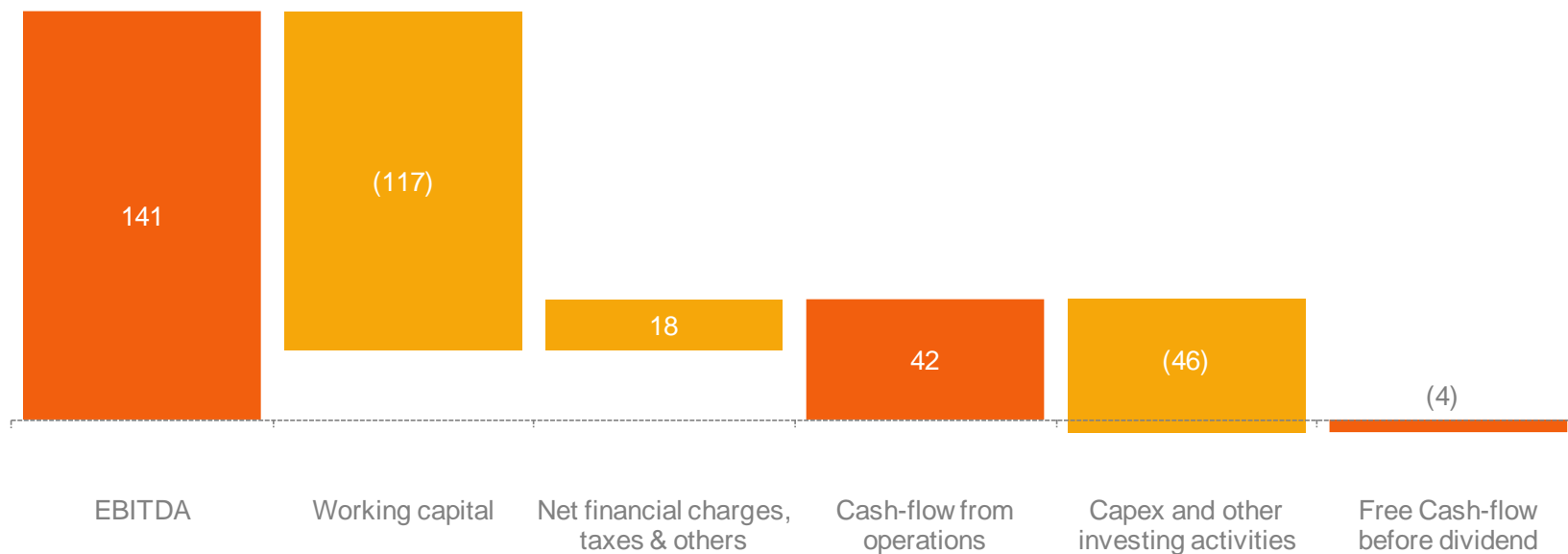
**Net income of EUR 85 million with basic EPS of EUR 0.99**

## Financial results

### First quarter cash flow highlights



#### Free cash flow (EUR million)



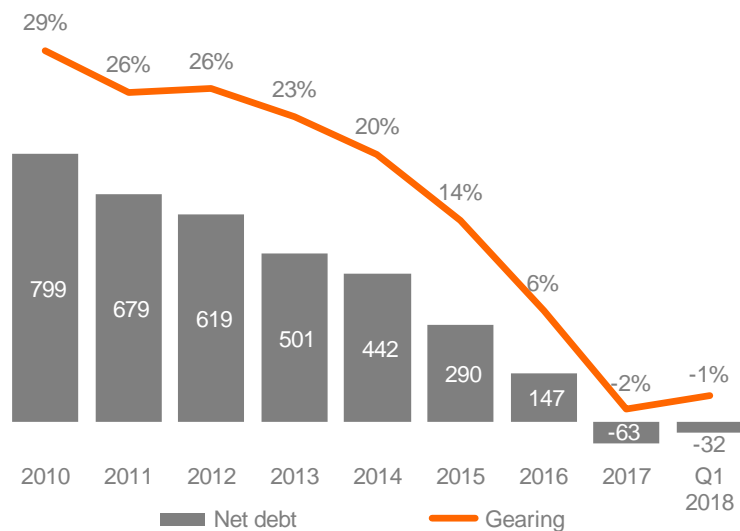
**Cash flow from operations amounted to EUR 42 million despite a working capital increase of EUR 117 million mainly due to higher prices and activity**

## Financial results

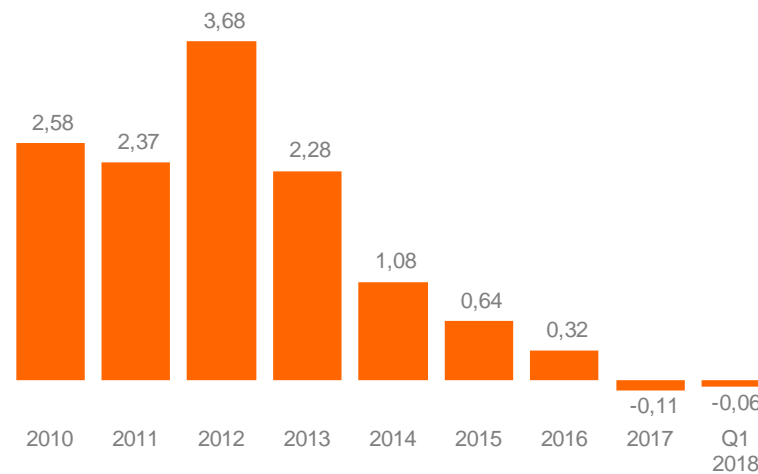
### Net debt and financial ratios



Net debt and gearing evolution  
(EUR million)



Aperam Net Debt / LTM Ebitda evolution, x



**A net cash company with sustainable and resilient cash flow generation**

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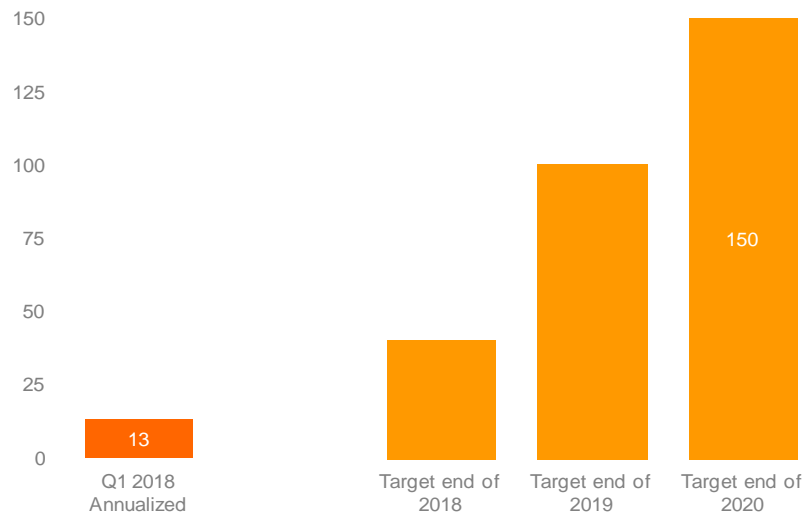
# Aperam's value proposition

# Aperam's value proposition

## The Transformation Program

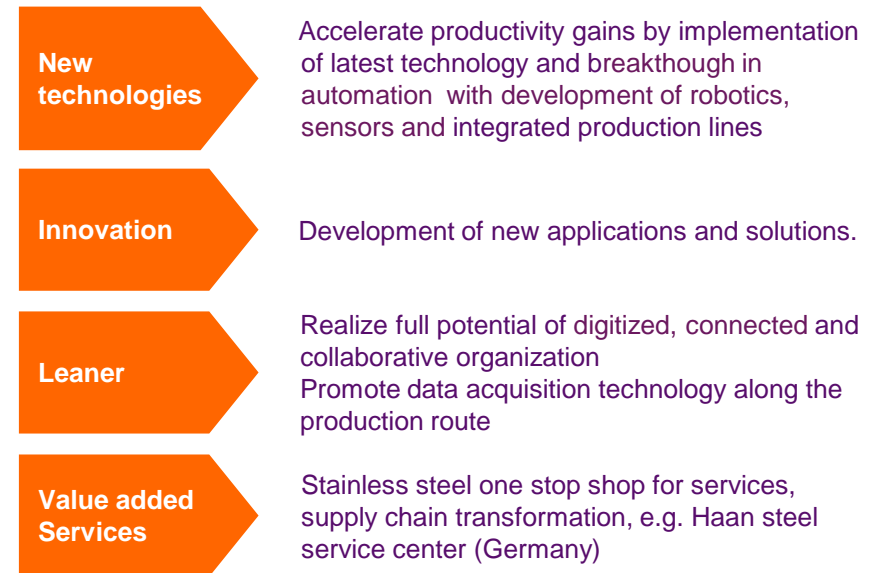


### Annualized EBITDA cumulated gains (EUR million)



EUR 150 million of annualized gains by the end of 2020  
**EUR 13 million reached by end of Q1 2018.**  
Good progress on all axis

### Key pillars of the Phase 3 Transformation Program



EUR 150 million of capex over 2017-2020.  
**Capex spent until Q1'18 EUR 20 million**

**Additional annualized gains target by 2020 increased from EUR 125 million to EUR 150 million**  
**Capex increased from EUR 125 million to EUR 150 million**

# Aperam's value proposition

## Investment project



### Genk cold rolling and annealing line

- On January 30, 2018, Aperam announced a new investment project in its Genk plant (Belgium) consisting in new Cold Rolling and Annealing and Pickling Line.
- The investment project targets to further facilitate transformation of our business with state of the art modern lines using latest technology, to enlarge our product range to the most demanding applications, to improve lead-time and flexibility to the market demand, to increase efficiency and cost competitiveness of our assets, and to continuously enhance our health, safety and environmental impact.
- An investment of about EUR 100 million, completion expected by early 2020

**Investment project to further transform Aperam's footprint**

**2018 CAPEX spend remains within earlier global guidance range between EUR 185 million to EUR 200 million**



# Aperam's value proposition

## VDM Metals: a transformative acquisition



### 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

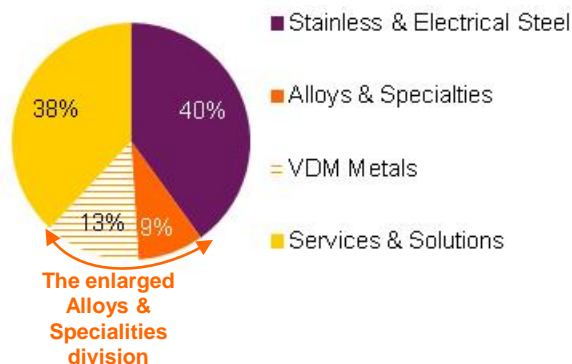
**A transforming and value-unlocking transaction for Aperam  
while maintaining a strong balance sheet consistent with investment grade ratios**

# Aperam's value proposition

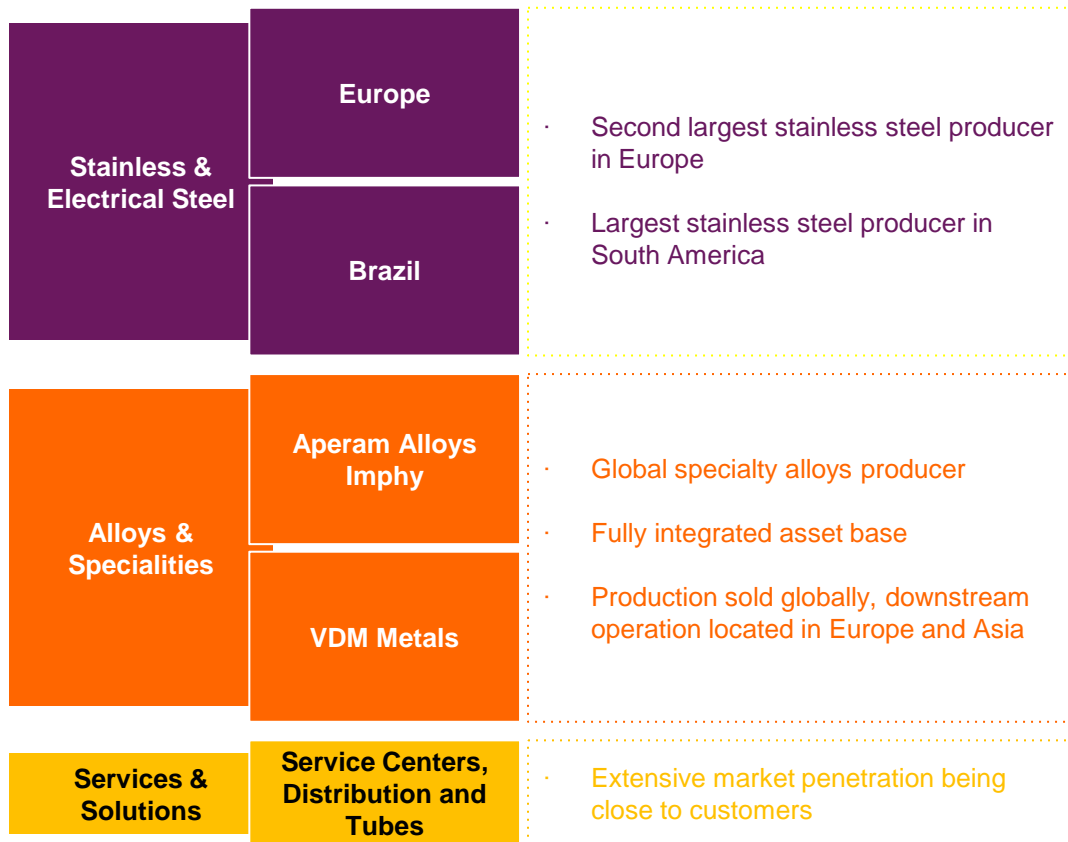
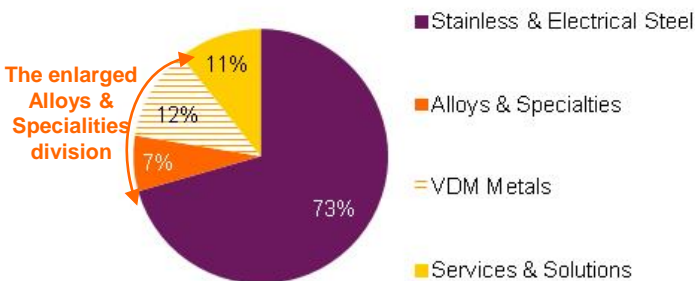
Reinforcing our industry-leading asset portfolio



## Proforma Revenue by division<sup>1, 2</sup> (FY17)



## Proforma EBITDA by Division (FY 17)



A global, diversified and integrated platform

1. Aperam figures based on last audited FY2017 ending December 31, 2017 and VDM figures based on last Audited FY2017 ending September 30, 2017  
 2. Revenues based on VDM net sales from alloys production and other activities, but excluding Nickel trading sales

## Aperam's value proposition

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 reaffirmed at EUR 185 - 200 million
Value accretive growth & M&A	Compelling growth and M&A opportunities with high hurdle rate	VDM Purchase Price EUR 438 million
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



PANEUM - Wunderkammer des Brotes (House of Bread II) Asten, Austria, © Markus Pillhofer,  
COOP HIMMELB(L)AU Wolf D. Prix & Partner ZT GmbH.  
Aperam stainless steel used Uginox Meca 8ND



First quarter 2018



# Appendix

First quarter 2018



# Aperam's value strategy:

A customer driven  
company focused on its  
self-help story

# Aperam's value strategy

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%)

**Value accretive opportunities (VDM, Genk CRAP)**

Solid cash generation with strong shareholders' return, thanks to consistent execution of self help strategy and financial discipline.

VDM transaction, new project of Genk and Transformation Program to further improve Aperam's productivity and profitability.

# 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

### Sourcing

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

### Logistics

- 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

### Production

- 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



Unique asset base in South America well adapted to the market

## South American Footprint



## Upstream integration

### Bio Energia

Blast furnace fuel needs fully covered through cost competitive and environment friendly captive charcoal from our cultivated forests



## Range of products

### Stainless steel

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



### Grain oriented electrical steel

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 electrical steel

Non-grain oriented electric steel (NGO) has similar magnetic properties in all directions, aiming its use in electric motors and generators with moving parts.



### Special carbon steel

Completing product portfolio with alloyed, high, medium other special carbon steel.

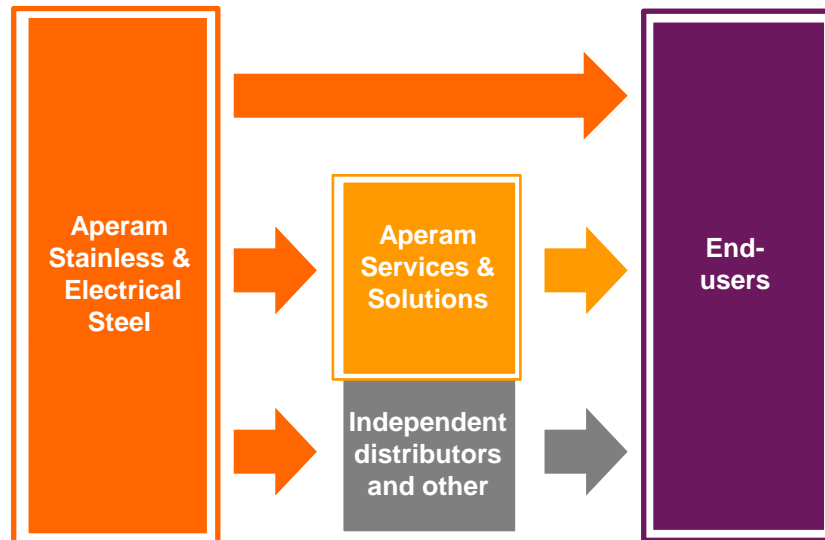


The sole flat stainless steel producer in South America with a complete range of products, including Electrical and Special Carbon Steel, and flexibility between production routes to adapt to market needs

# Aperam's value strategy

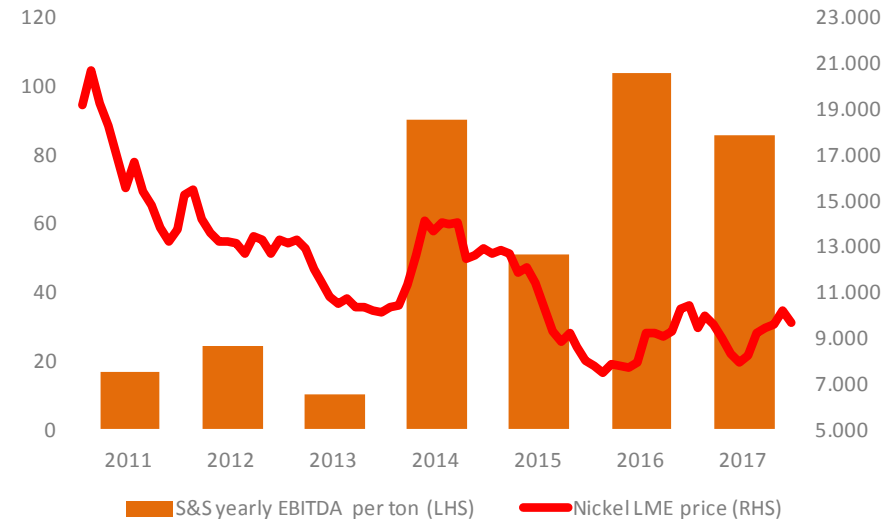
## Products and services differentiation

### Services & Solutions division



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

### Services & Solutions adjusted EBITDA per shipments (EUR/t)



A resilient and profitable Services & Solutions thanks to its focus on services and end-users

Enhanced partnership with customers through focus on downstream added value services and solutions.

## Aperam's value strategy

Specialty alloys is a growing and premium niche segment



- **R&D intensive industry** to offer innovative solutions and anticipate new applications
- Deeply rooted culture of close collaboration between research and industrialisation

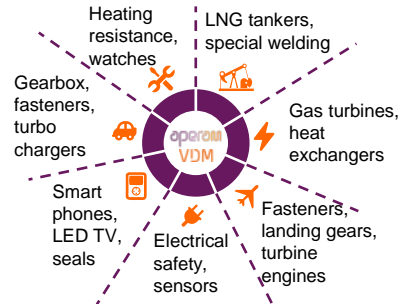
### Key R&D figures (based on FY17)

	aperam	VDM	Combined
Cooperation contracts	37	56	93
Total registered patents	188	407	595
Sales of new products	9%	10%	~10%

**Innovation is core to premium specialties...**

- **Higher growth end applications**
- “Kilogram” market: unique products designed to answer precise and high-tech needs globally
- Strong end-market diversity with increasing and evolving requirements underpinned by **positive mega-trends**

### Key end-markets / application types



**...as sector is driven by highly sophisticated and evolving needs...**

- **Less exposed to commodity cycles** as cost of raw materials passed through to customers
- Long-standing client relationships providing good visibility on volumes, and outlook with high proportion of recurring revenue

### EBITDA margins by Aperam division

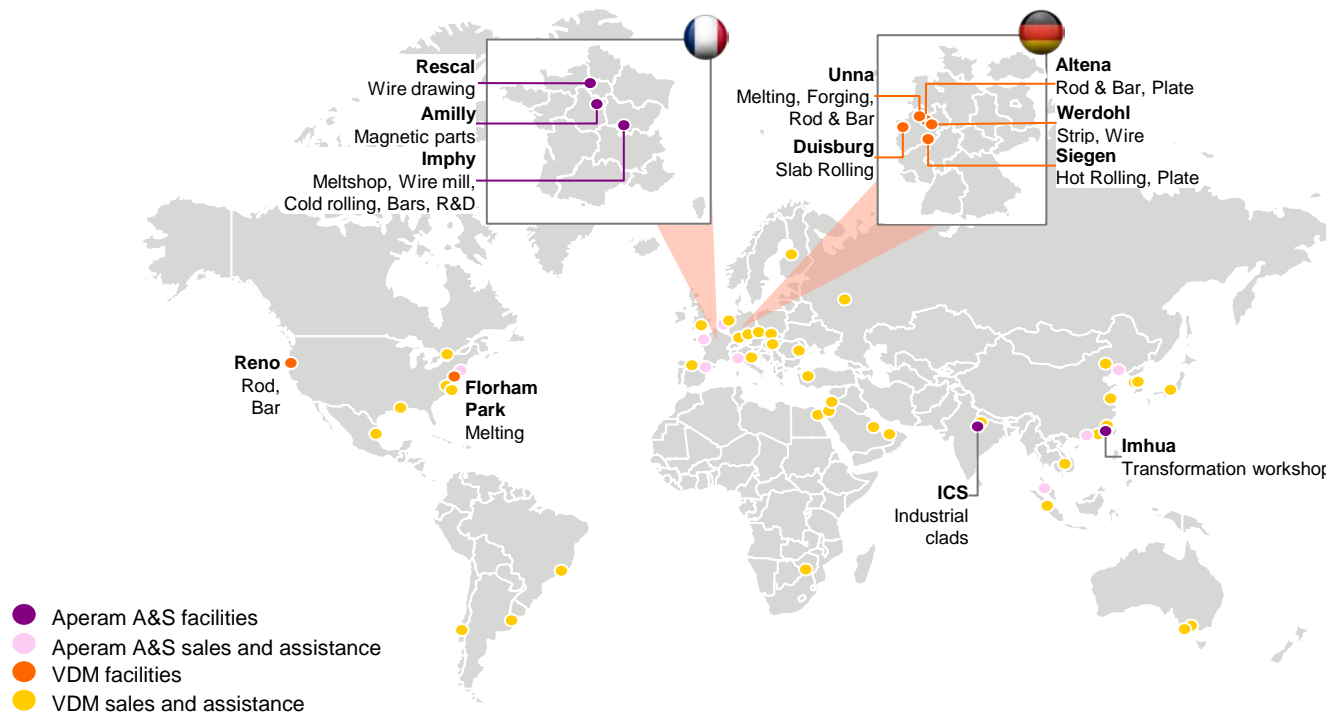


**...providing growth opportunities and margin stability**

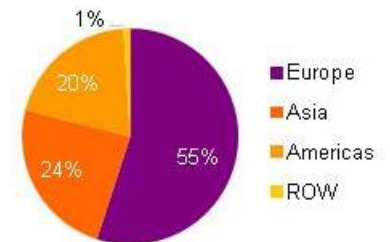
**A select suite of customers in advanced industries requesting tailored, certified and highly sophisticated solutions**

# Aperam's value strategy

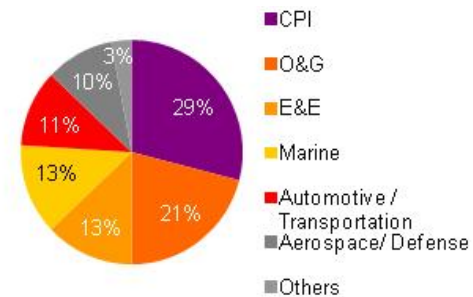
A global specialty alloys producer



Sales by region (FY17 PF<sup>1</sup>)



Sales by end-market (FY17 PF<sup>1</sup>)



Well-invested complementary industrial footprint enhanced by value-added downstream operations

Multiple optimisation opportunities and broad value chain improvement

Technical expertise and global sales force with regional specialists for customer support

Potential to enhance presence in developing countries

A global, high value added business within the Group's portfolio

## Notes:

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

# 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.

- **LITFR : 1.42** (vs. 1.46 in 2016) - target at 1 (all employees).
- **84%** of our employees **recommend Aperam as a good place to work**, which confirms our rating among **Brazilian top employers**.<sup>[1]</sup>
- **Absenteeism: 2.19** (as in 2016) - target at 2.
- 2017 **Performance review: 99%** of Exempts, **84%** of White collars, 68% of Blue collars - target at 100%.
- 2017 Training hours **+4%** (vs. 2016)



## Environment

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

- **CO<sub>2</sub> intensity<sup>[2]</sup> reduction >34%** - almost at target to -35% by 2020 vs. 2007, thanks to maximal usage of own charcoal.
- **Energy intensity<sup>[2]</sup> reduction: >8%** (from 6% in 2016) - on track towards our target at -10% by 2020 vs. 2012
- **93% reuse/recycle** performance - target at 100%.
- **95.3% of water in closed circuits** (stable vs. 2015)
- **Steep decrease in Dust emissions >22%** vs. 2015 due to a strong action plan.



## Governance

We lead by example and maintain constant engagement with all our Stakeholders in quest of mutually beneficial solutions.

- **Best practice in Corporate Governance** reflected in our:
  - > **Board composition**
  - > **Risk management approach**
  - > **Extensive Compliance plan**
- Strong **Customer & Innovation** focus with **+20 pt in % of sales in new products** vs. 2015
- **CSR indicators** cascaded within the entire organisation.
- Leadership/Excellence level 2017 **ESG ratings**



<sup>[1]</sup> For the seventh 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.

<sup>[2]</sup> Per ton of crude steel