

**Second quarter 2018**

July 31<sup>st</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

### Strong operational results despite challenging conditions



#### Highlights:

- Health and Safety: LTI frequency rate of 1.9x in Q2 2018 compared to 1.0x in Q1 2018.
- Steel shipments of 508 thousand tonnes in Q2 2018, a 2% decrease compared to steel shipments of 517 thousand tonnes in Q1 2018.
- EBITDA of EUR 150 million in Q2 2018, compared to EUR 141 million in Q1 2018.
- Net income of EUR 80 million in Q2 2018, compared to EUR 85 million in Q1 2018.
- Basic earnings per share of EUR 0.94 in Q2 2018, compared to EUR 0.99 in Q1 2018.
- Cash flow from operations amounted to EUR 101 million in Q2 2018, compared to EUR 42 million in Q1 2018.
- Free cash flow before dividend and share buy-back of EUR 62 million in Q2 2018, compared to EUR (4) million in Q1 2018.
- Cash returns to shareholders amounted to EUR 90 million in Q2 2018, consisting of EUR 55 million of share buy-back and EUR 35 million of dividend.
- Net financial debt of EUR 20 million as of June 30, 2018, compared to a net cash position of EUR 32 million as of March 31, 2018.

#### Strategic Initiatives

- **Disciplined and value accretive M&A:** ongoing merger control proceedings for announced transaction - VDM Metals.
- **Transforming our footprint with state of the art equipments:** Genk cold rolling and annealing & pickling line and AOD converter with a total investment of about EUR 200 million over 2018 to 2020.
- **Leadership Journey@2 (Phase 3 - Transformation Program Target EUR 150 million annualized gains by 2020):** Gains reached EUR 24 million cumulated at end Q2 2018 with good progress on all pillars.

#### Prospects:

- EBITDA in Q3 2018 is expected to decrease compared to Q2 2018, due to the traditional seasonal slowdown in Europe.
- Net financial debt to remain at low levels in Q3 2018.

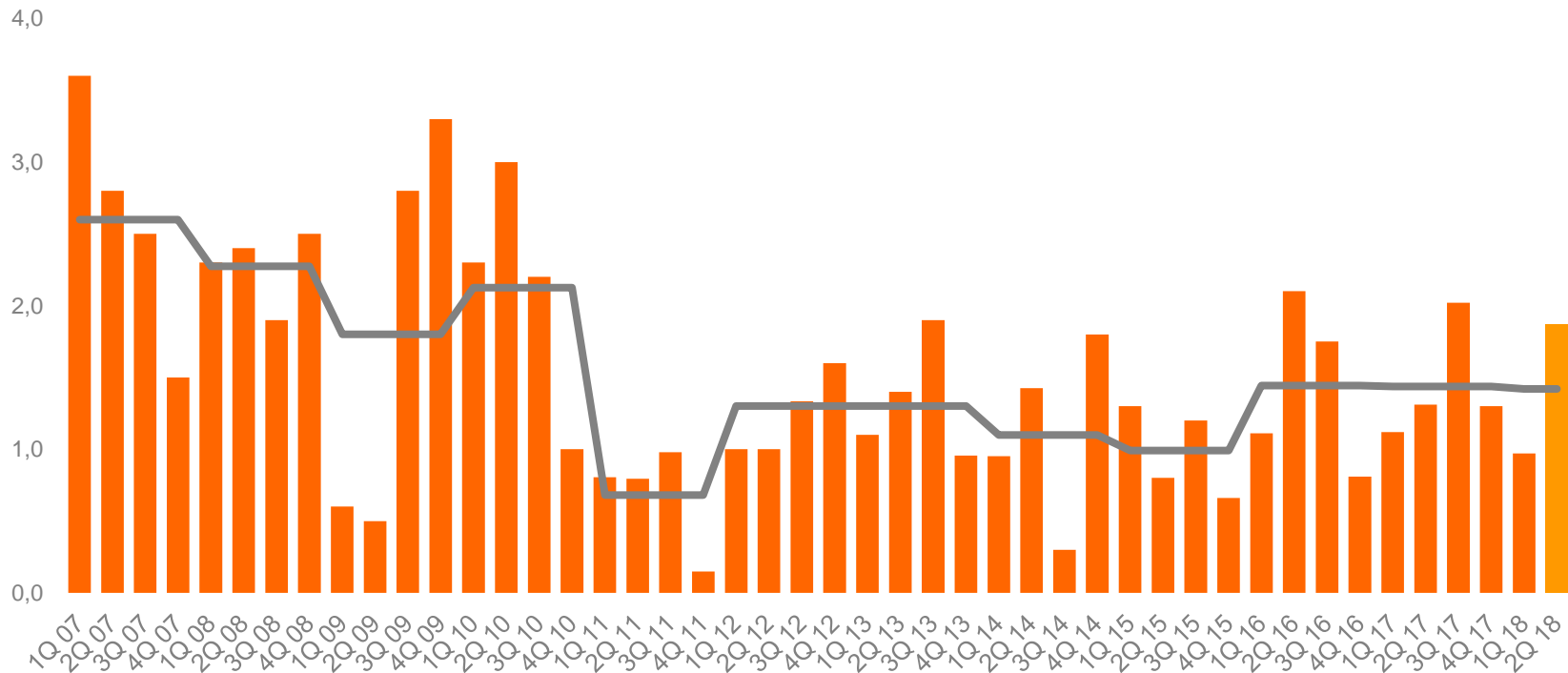
**“Again Aperam delivers an improving quarterly operational performance thanks to healthy demand in Brazil and Europe as well as our robust business model.**

**We achieved this despite challenging stainless market conditions and truckers’ strike in Brazil”**

# Health & Safety Performance



## Lost Time Injury Frequency Rate\*



**Health & Safety frequency rate of 1.9x in Q2 2018**

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

Second quarter 2018



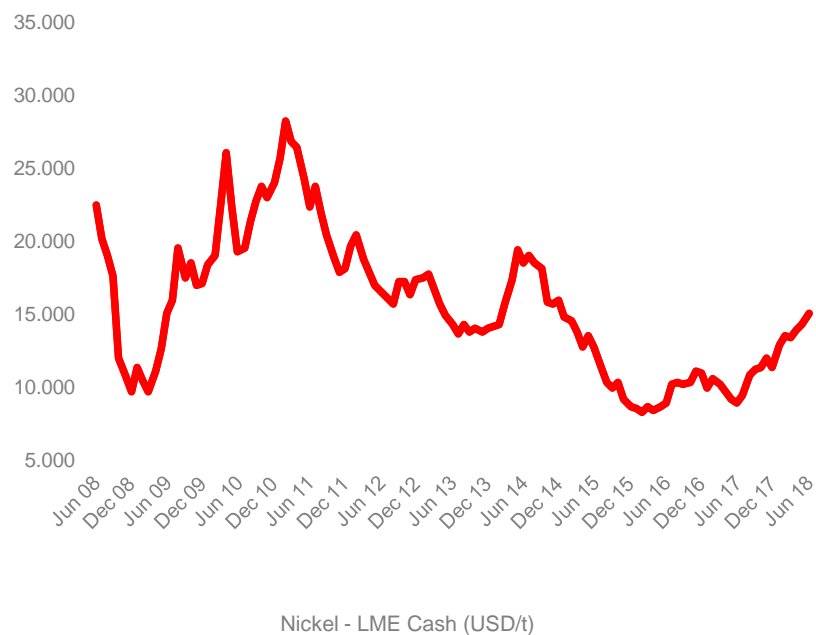
# Environment and markets

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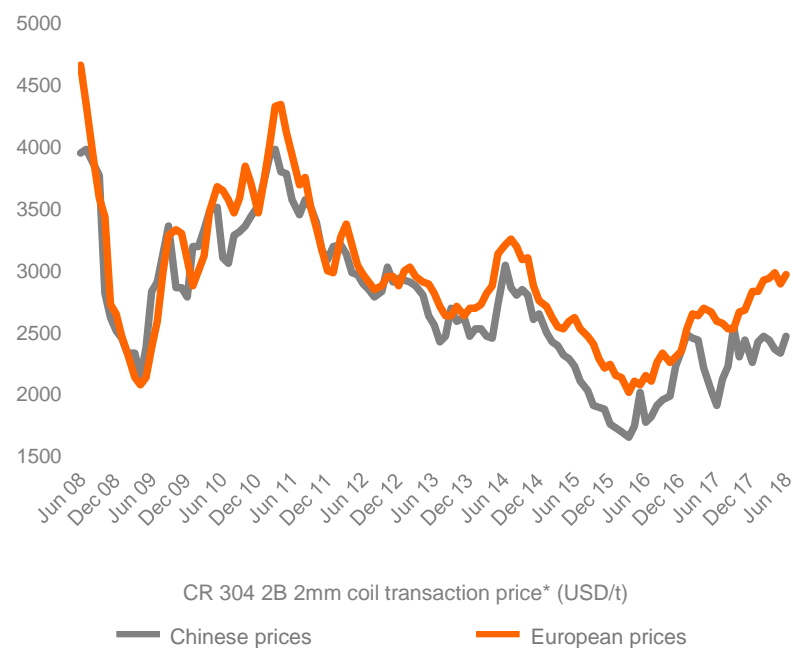
## Stainless steel prices



Nickel prices at higher levels compared to 2017



Widening price gap between Europe and China



**European Stainless steel prices continued to rise in the second quarter driven by raw materials, however increasing gap with China and pressure on base prices due to high imports**

Second quarter 2018



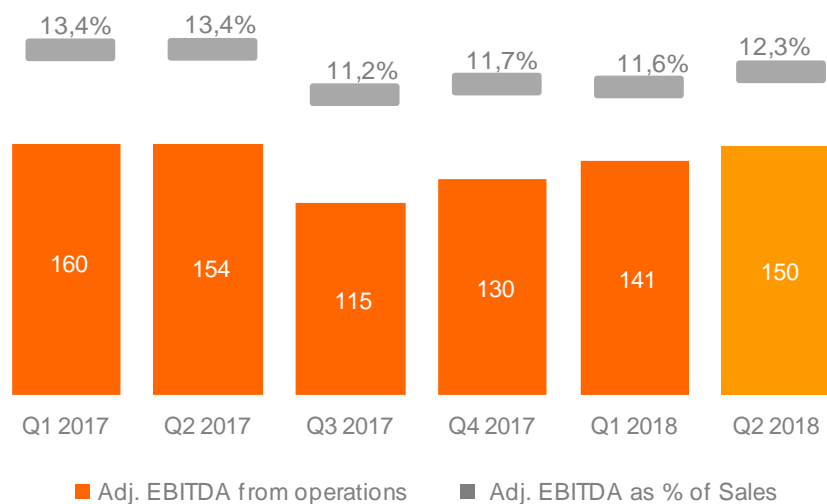
# Performance and prospects

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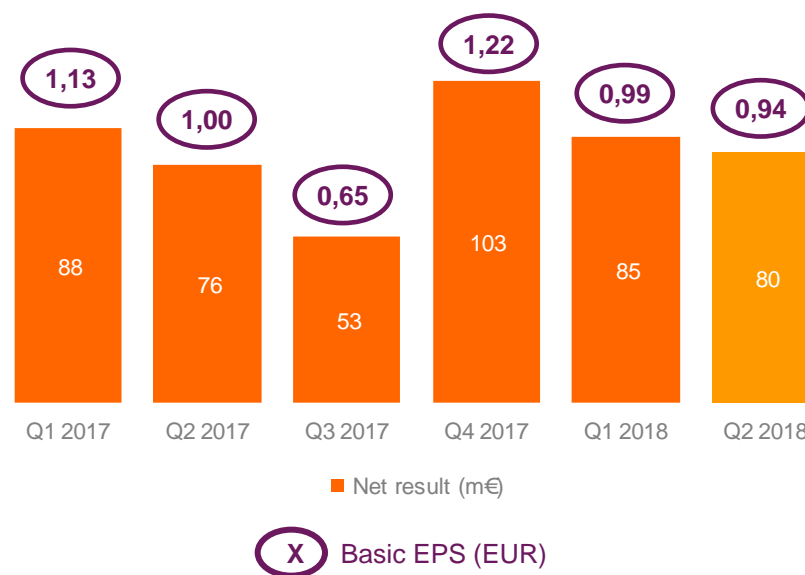
## Quarter on Quarter evolution of profitability



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



Net Income evolution (EUR million)



## 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

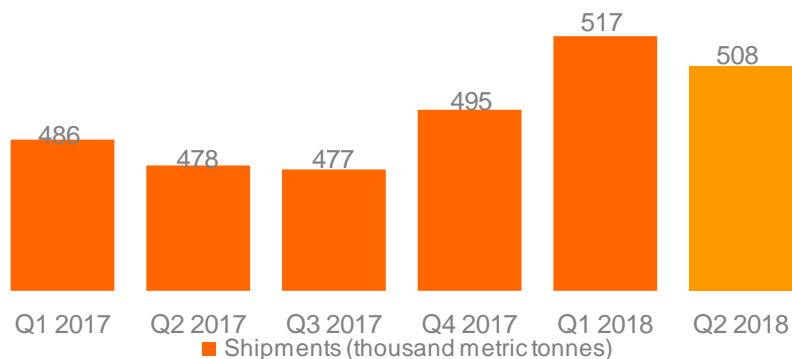


# Performance and prospects

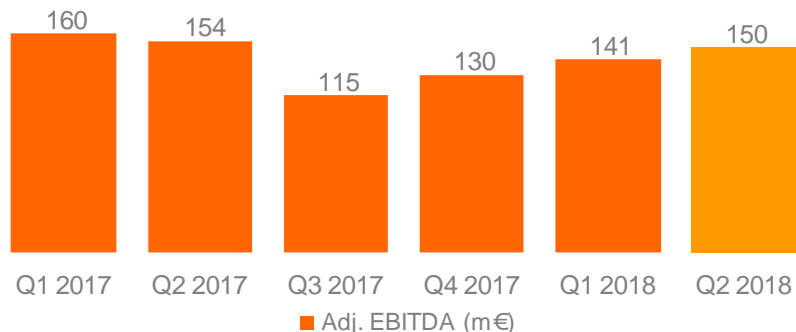
## Second quarter operating performance



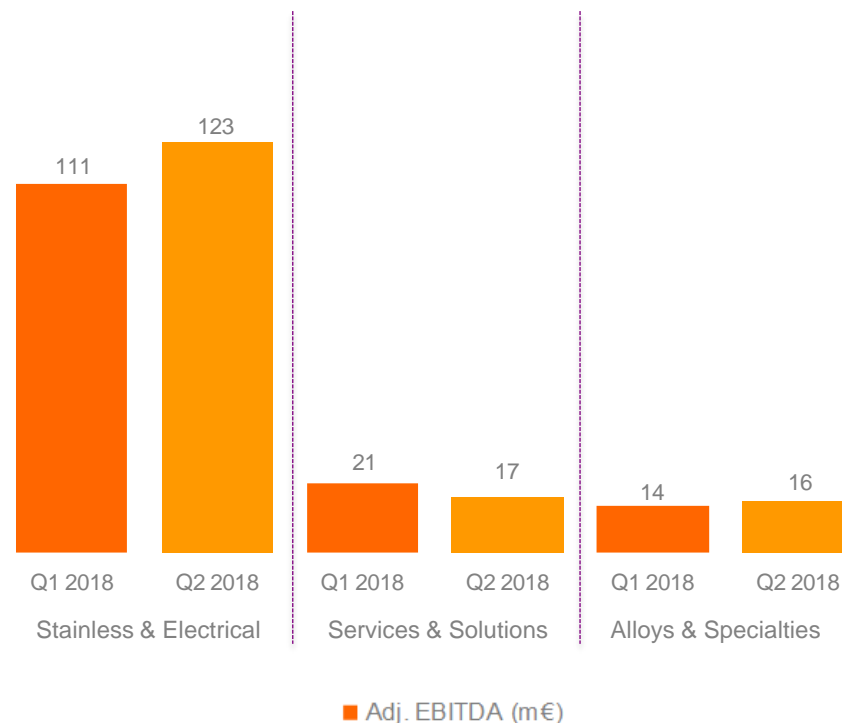
**YoY growth in shipments in context of import pressure in Europe and truckers' strike in Brazil**



**Improved operational results in Q2 2018 benefiting from a robust business model <sup>[2]</sup>**



**Robust divisional performances despite challenging market conditions<sup>[1]</sup>**



**EBITDA of 295 EUR/t in Q2 2018, higher than 273 EUR/t in Q1 2018**

<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

Second quarter 2018



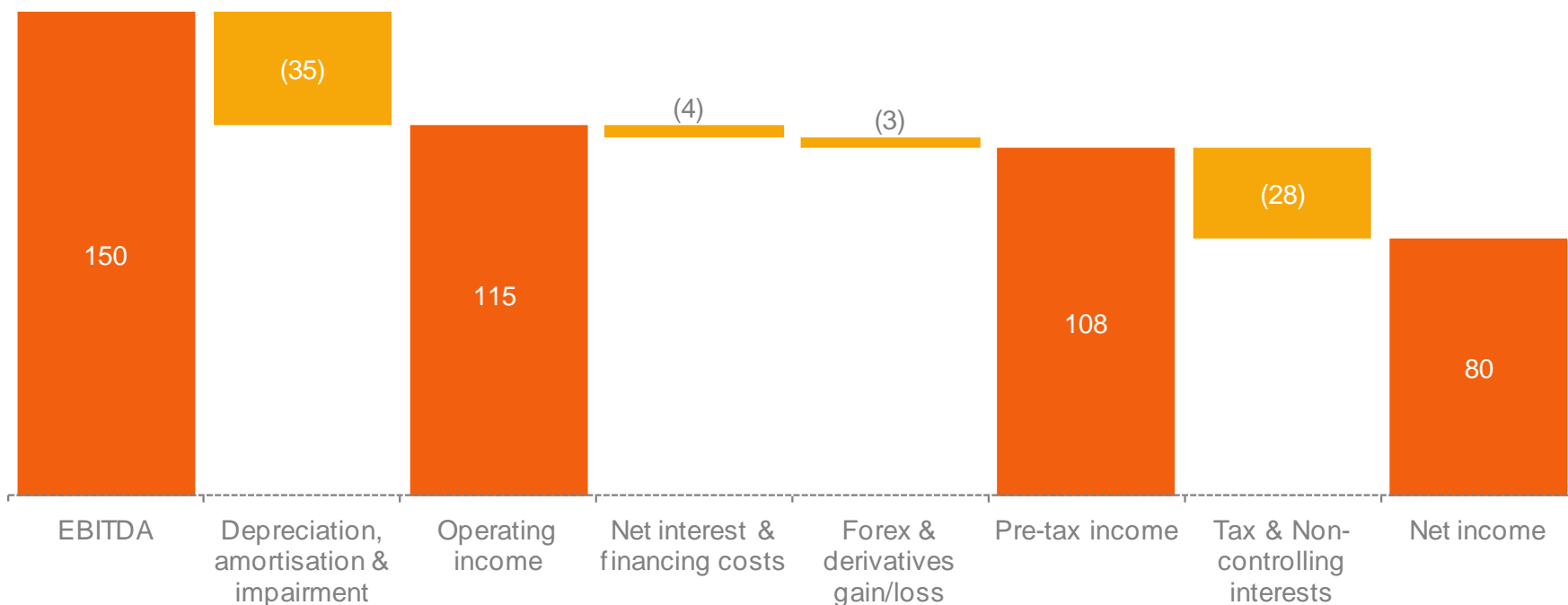
# Financial results

## Financial results

### Second quarter P&L highlights



Adjusted EBITDA to net income (EUR million)



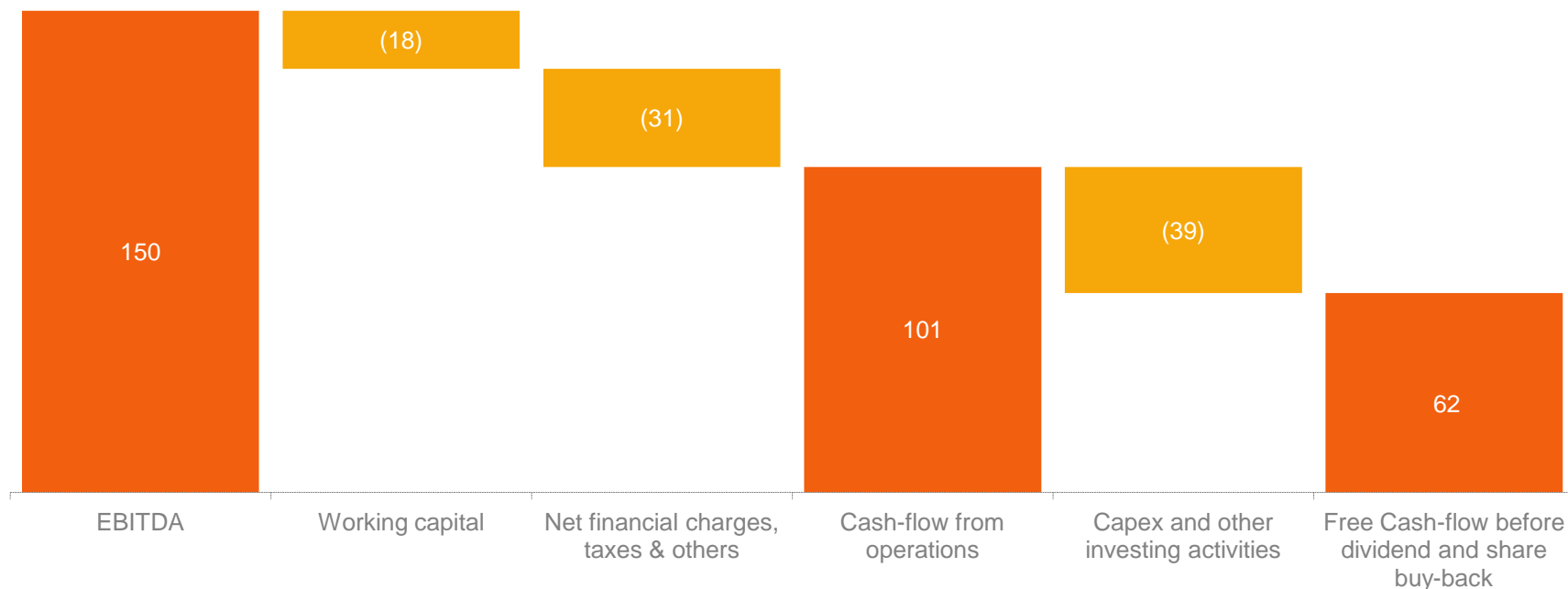
**Net income of EUR 80 million with basic EPS of EUR 0.94**

## Financial results

### Second quarter cash flow highlights



#### Free cash flow (EUR million)



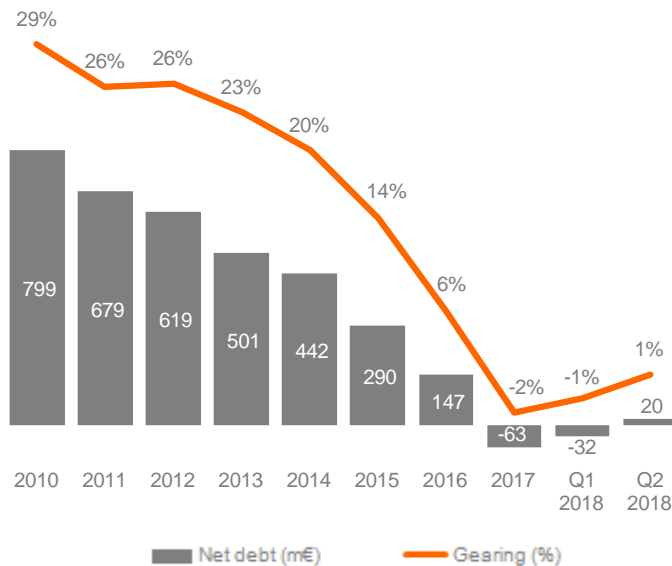
**Cash flow from operations amounted to EUR 101 million despite a working capital increase of EUR 18 million mainly due to higher raw material prices**

# Financial results

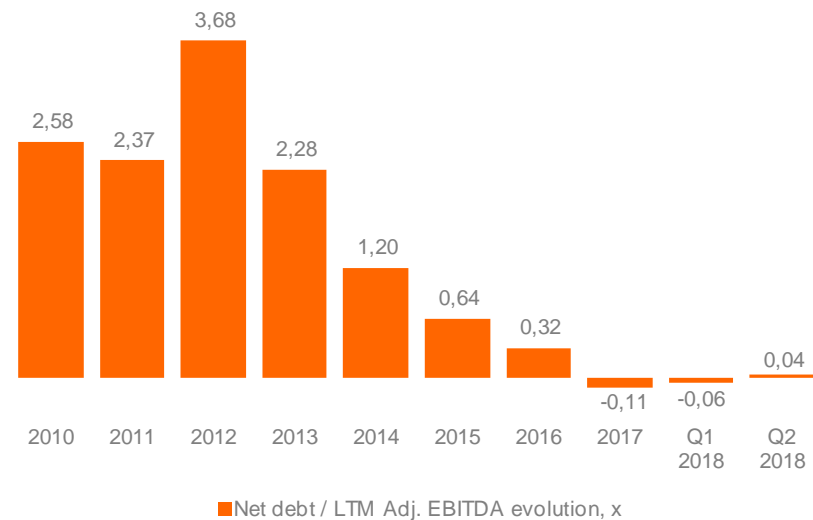
## Net debt and financial ratios



From net debt of EUR0.8bn to net cash position in Dec 2017 with an investment grade rating by both S&P and Moody's



Strong balance sheet ratios



A low net debt company with sustainable and resilient cash flow generation

Second quarter 2018



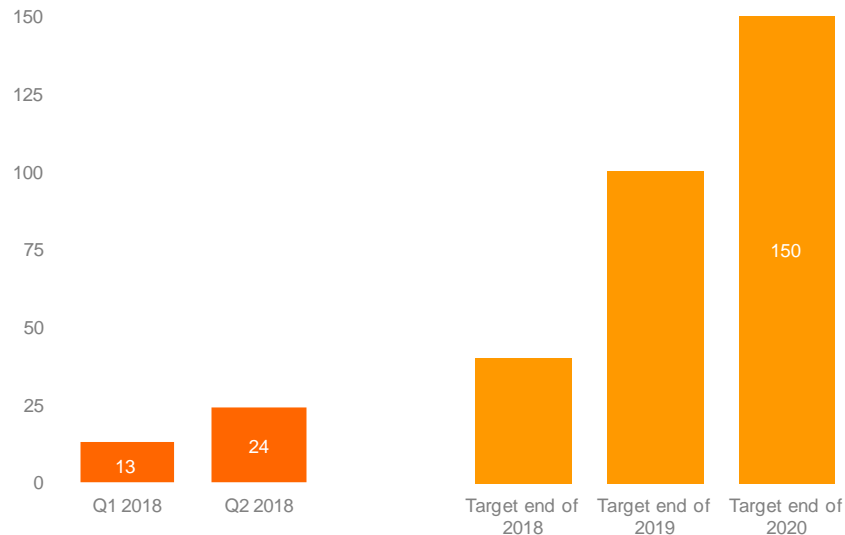
# Aperam's value proposition

# Aperam's value proposition



## Leadership Journey Phase 3 (Transformation Program)

Annualized EBITDA cumulated gains (EUR million)



EUR 150 million of annualized gains by the end of 2020  
**EUR 24 million reached by end of Q2 2018.**

Key pillars of the Phase 3 Transformation Program

### New technologies

Accelerate productivity gains by implementation of latest technology and breakthrough in automation with development of robotics, sensors and integrated production lines

### Innovation

Development of new applications and solutions.

### Leaner

Realize full potential of digitized, connected and collaborative organization  
Promote data acquisition technology along the production route

### Value added Services

Stainless steel one stop shop for services, supply chain transformation, e.g. Haan steel service center (Germany)

EUR 150 million of capex over 2017-2019.  
Capex spent until Q2'18 €37m

**Transformation Program remains on track with good progress on all pillars**

# Investment project to further transform Aperam's European footprint

### Genk AOD converter , cold rolling and annealing & pickling line

- On January 30, 2018, Aperam announced a new investment project in its Genk plant (Belgium) consisting of a new Cold Rolling and Annealing and Pickling Line.
- This investment project targets to further transform 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.
- 
- On July 31, 2018, Aperam announced a new investment project in its Genk plant (Belgium) consisting of an AOD (Argon Oxygen Decarburization) converter.
- This investment project targets to further enhance cost competitiveness including energy, yield , productivity improvement and higher flexibility.
- The total CAPEX for Genk footprint projects (including this investment in AOD converter, earlier announced investment in Genk cold rolling and annealing & pickling line , and the auxiliaries and utilities) is about EUR 200 million and planned to be completed during first half of 2020.

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



## Aperam's value strategy

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 82 million / 1.8 million shares Repurchase of convertible bonds 2021 EUR 25.8m (until 31 <sup>st</sup> July 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%



Q&A



Silène luminaris sive Muflier de Borges, Fondation Clément, Le François, Martinique © Miguel Chevalier 2015  
Aperam stainless steel used: Aperam 316 Hot Rolled Finish



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# Appendix

# Aperam's value strategy: Customer focus and self-help

# Aperam's investment case

Being a sustainably safe and profitable company



## 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  
footprint)**

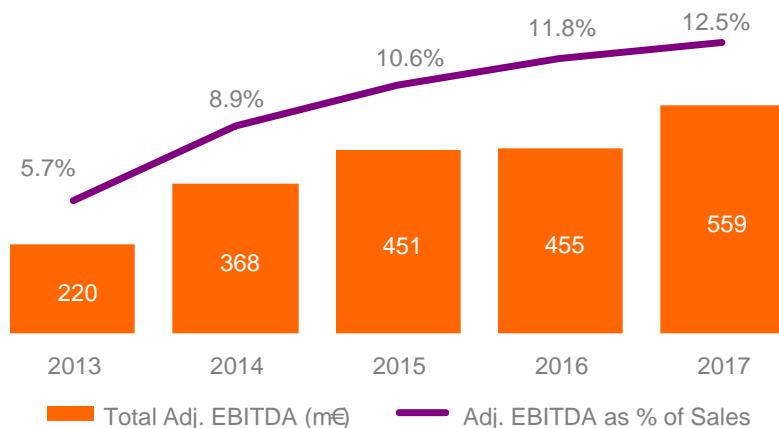
Solid cash generation with strong shareholders' return, thanks to consistent execution of self help strategy and financial discipline. VDM transaction, new projects of Genk footprint and Leadership Journey Phase 3 (Transformation Program) to further improve Aperam's productivity and profitability

# Aperam's robust business model and solid performance

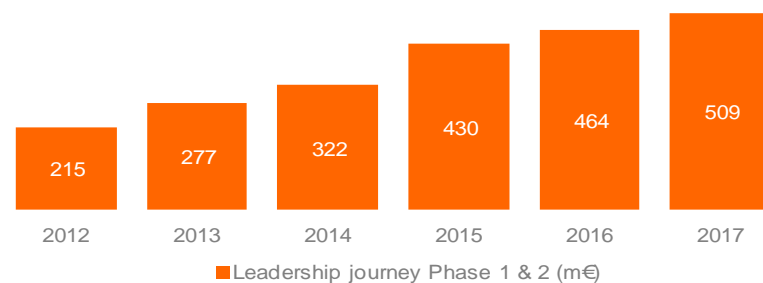


## Aperam's performance track record

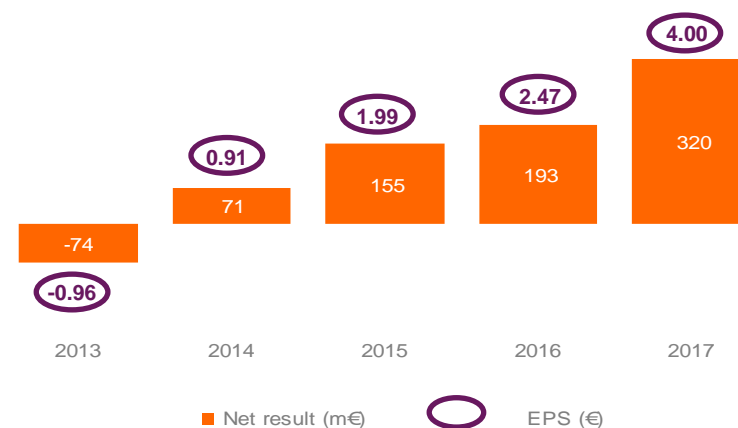
### Continuous solid improvement of the operating performance



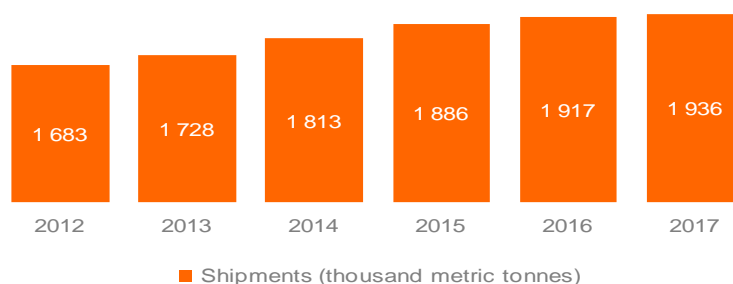
### Improvement of the operational performance over EUR0.5bn since creation of Aperam



### From net loss to fast growing net income since 2013



### Stable volume growth +15% since 2012



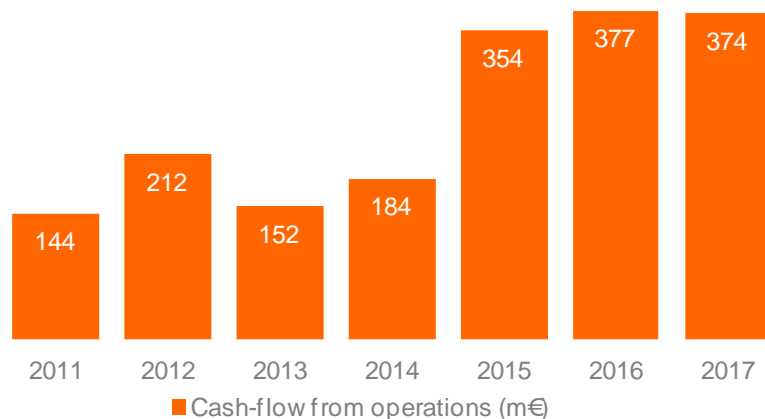
**Agility and Flexibility make Aperam the most profitable and cash generative stainless steel player**

# Aperam's robust business model and solid performance

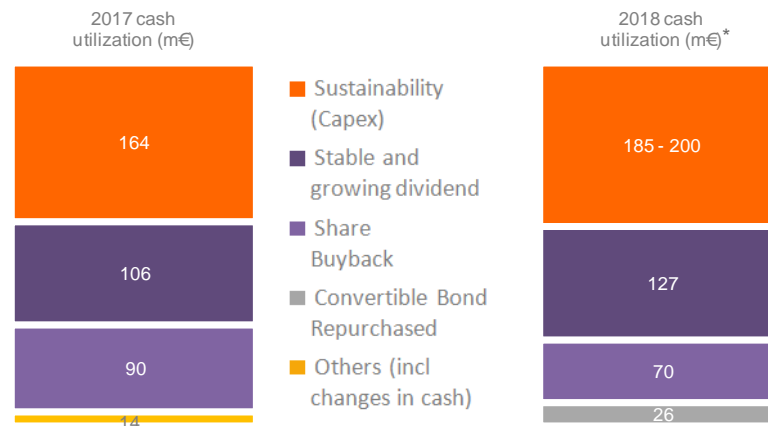


## Strong cash generator through the cycle

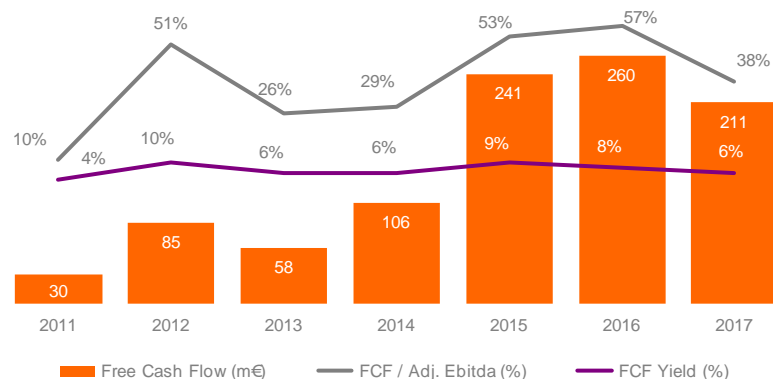
### Consistent cash flow from operations through the cycle



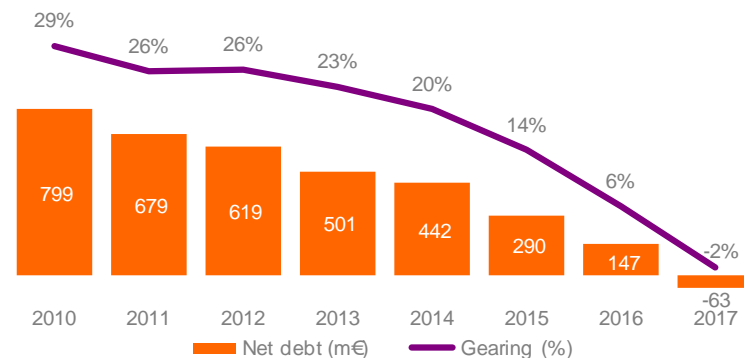
### Strong shareholder returns and Investment in sustainability



### Solid free cash flow generation with an average yield of 7% on market capitalization



### From net debt of EUR0.8bn to net cash position in Dec 2017 with an investment grade rating by both S&P and Moody's



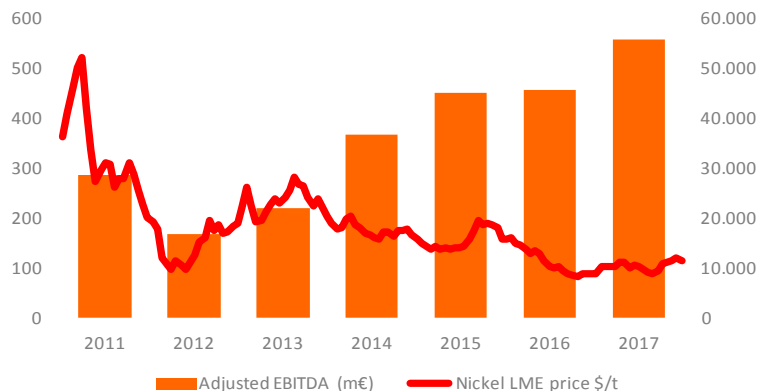
**Consistent cash generation through the cycle. Euro 196 million returned to shareholders in 2017**

# Aperam's robust business model and solid performance

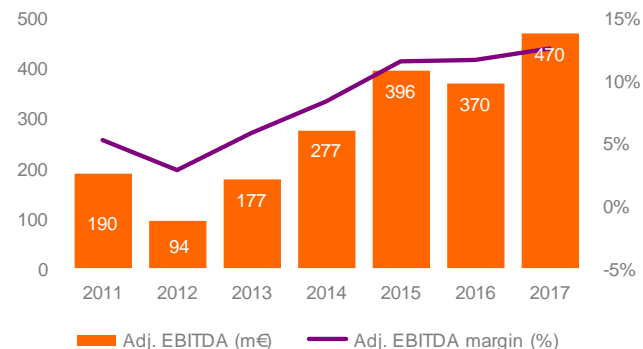


## Operational performance by division

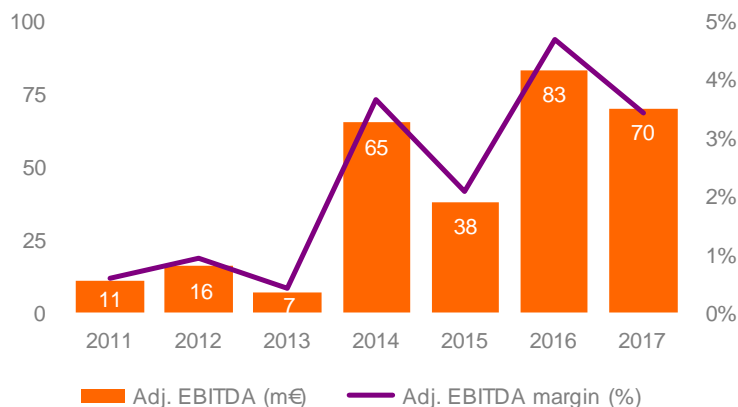
### Aperam's improved profitability despite Nickel



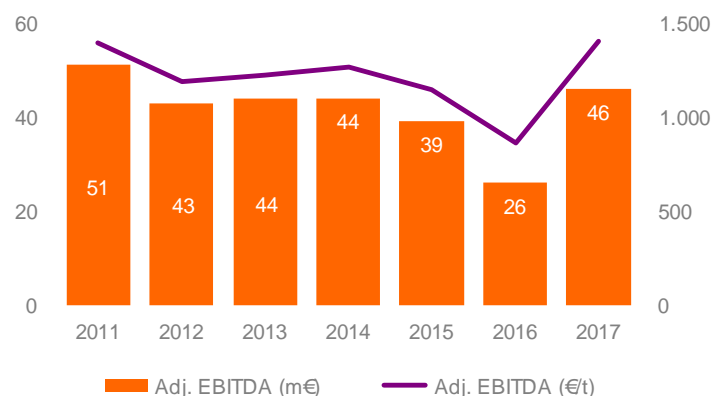
### A robust Stainless and Electrical Steel Division profitability capitalizing on early restructuring



### Services & Solutions profitable performance despite high imports' pressure



### Alloys and Specialties profitable performance from high end products and end user orientation



A robust operational performance despite challenging market conditions based on self help measures

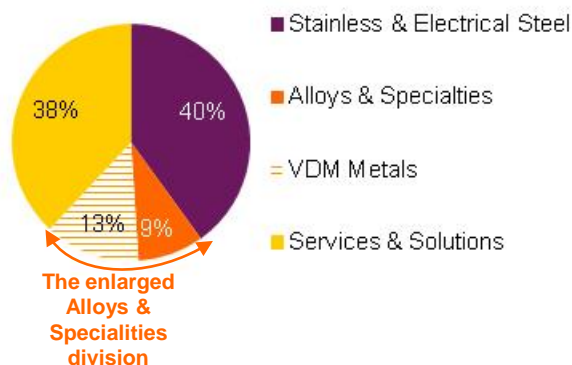


# Aperam's value strategy

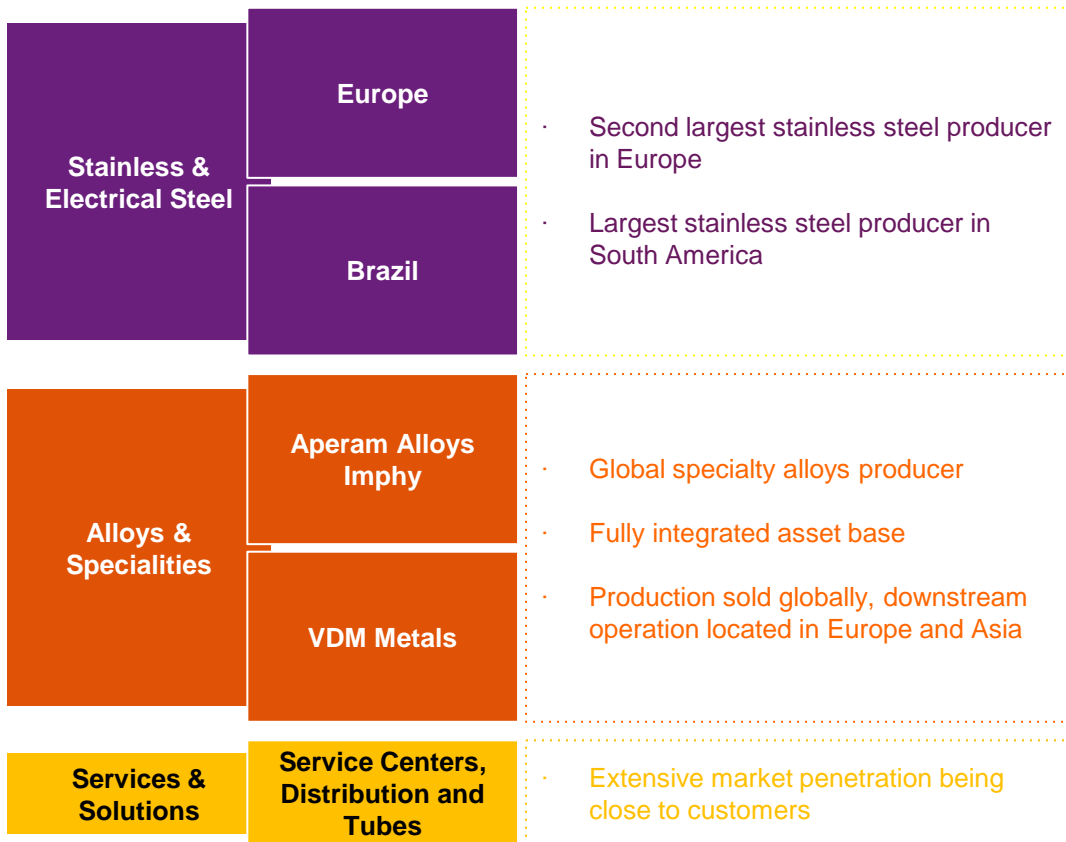
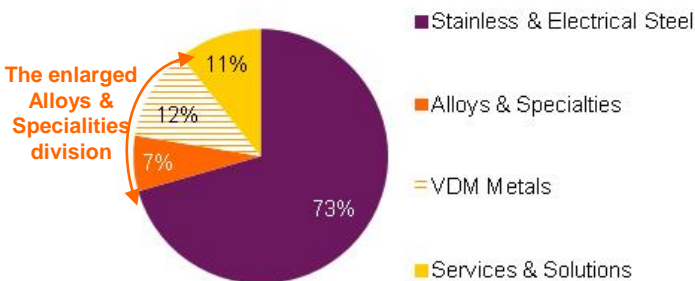
## Reinforcing our industry-leading asset portfolio



### 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

## VDM Metals: a transformative transaction

### 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 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

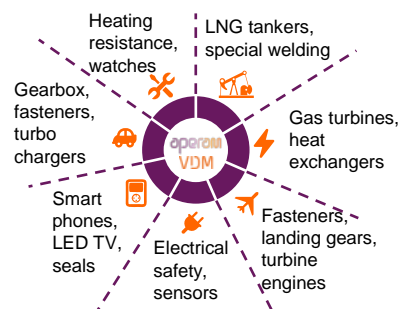
## Key R&D figures (based on FY17)

	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

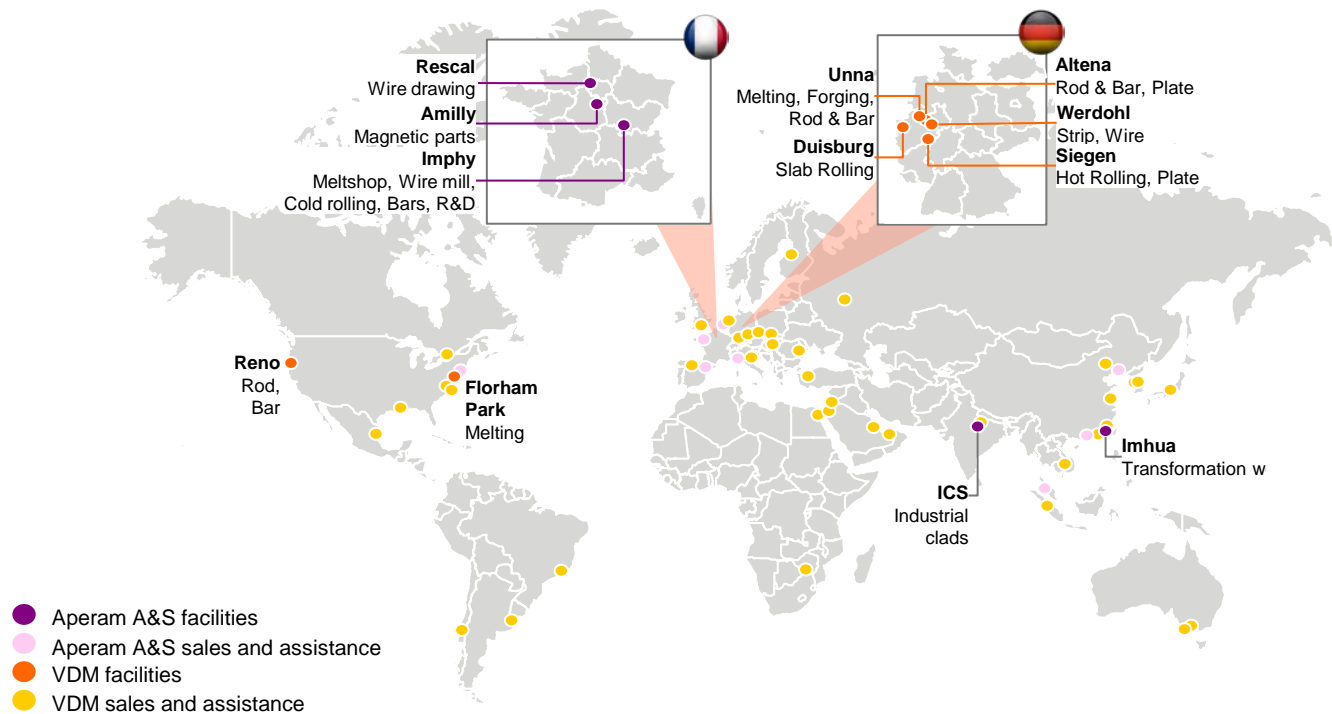


**...providing growth opportunities and margin stability**

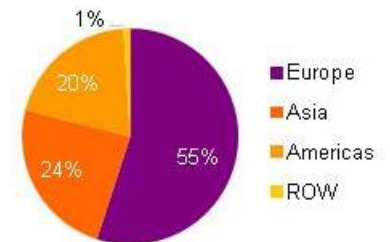
**A select suite of customers in advanced industries requesting tailored, certified and highly sophisticated solutions**

# Aperam's value strategy

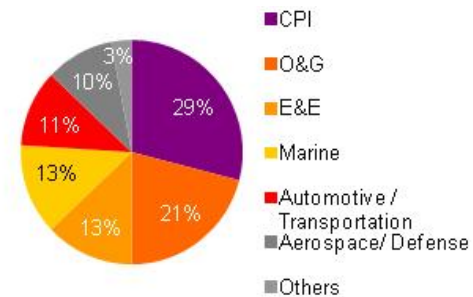
## A global specialty alloys producer



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

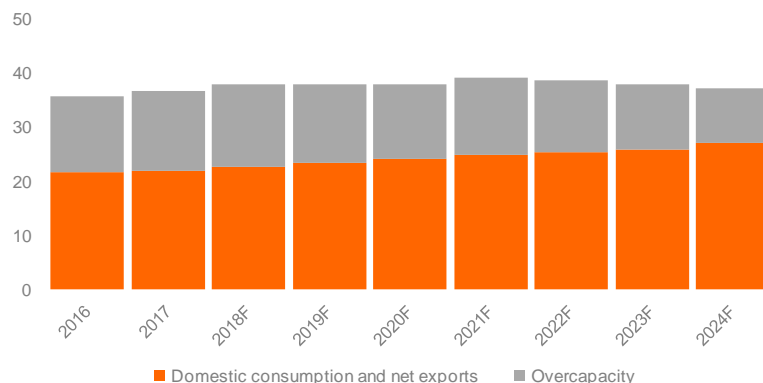
Potential to enhance presence in developing countries

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

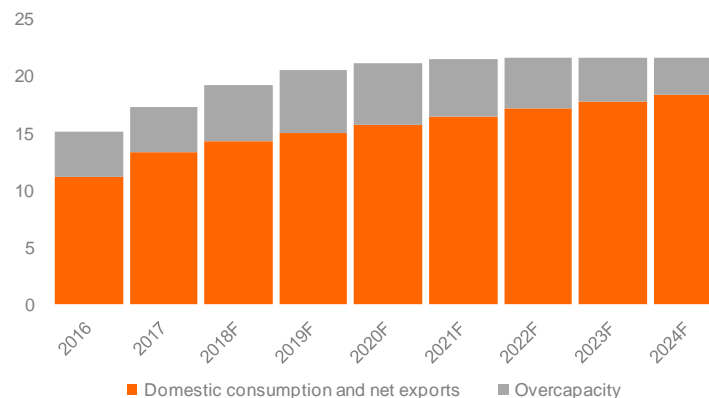
### Notes:

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

**Upstream operational capacity of the Chinese Industry  
(In million tonnes)**



**Downstream operational capacity of the Chinese Industry  
(In million tonnes)**



2013

Europe imposes definitive anti-dumping duty rates of up to 25.3% on stainless steel cold rolled imports from China, and up to 6.8% on imports from Taiwan.

2018

March

June

July

Brazil imposes 5Y anti-dumping duties on selected countries on stainless steel: flat, welded tubes & electrical steel (GO and NGO),

2015

USA announces tariff measures of 25% on imported steel and 10% on aluminium with quota for Brazil

Brazil imposes 5Y anti dumping duties on austenitic stainless steel tubes

Europe announces provisional safeguard measures

**Trade measures in a context of Asian overcapacities**