

**Q2 2020 results**

**29 July 2020**

**aperam**

**The sustainable top yielding company in Euro Materials**

## 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, in particular, the length and severity of the recent COVID-19 (coronavirus) outbreak, including its impacts in the sector, macroeconomic conditions and in Aperam’s principal local markets, 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.

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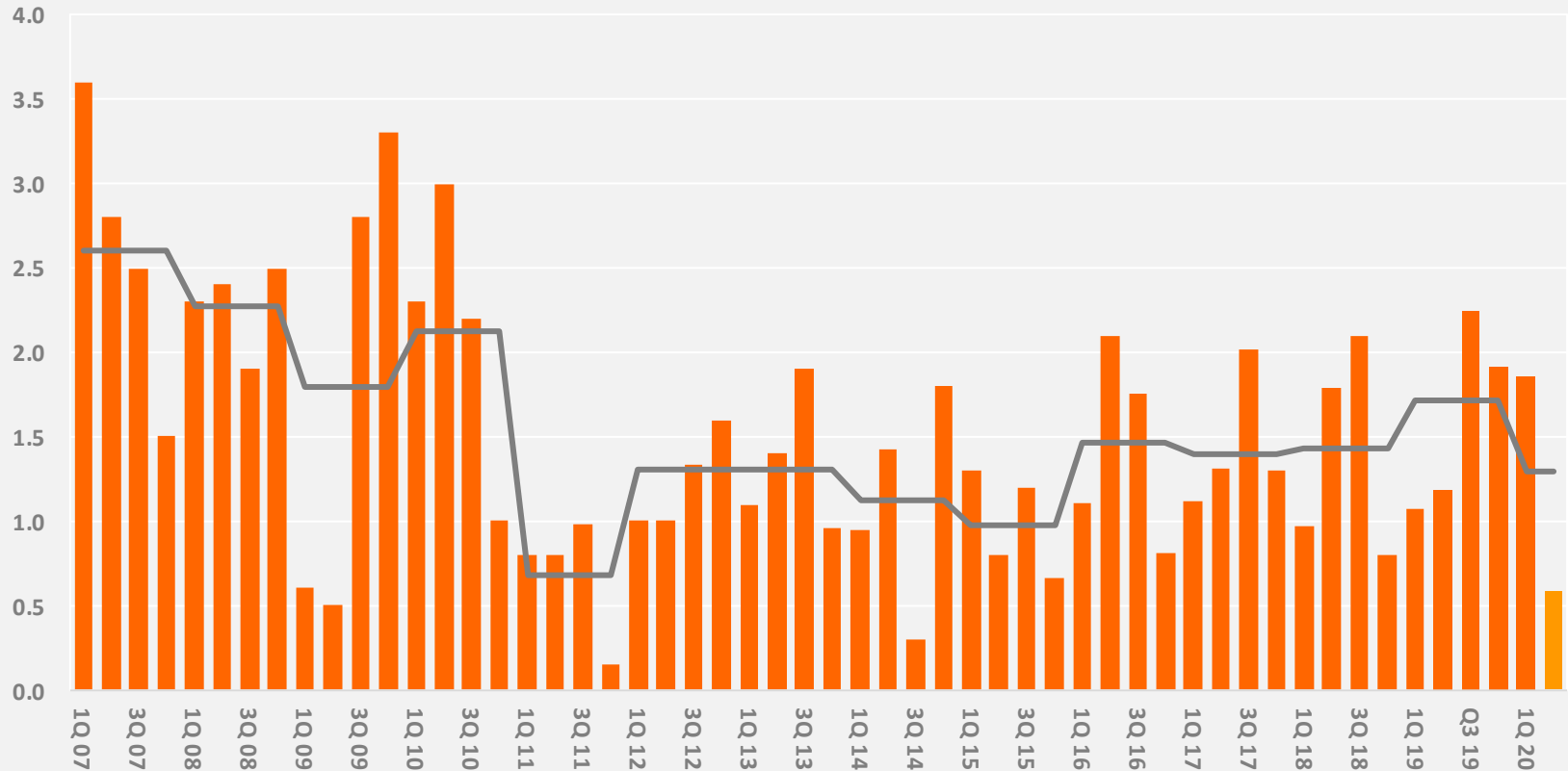




# Health & Safety Performance



Health & Safety frequency rate of 0.6 in Q2 2020



Health & Safety of our people is our prime objective

## Q2 2020 Operational highlights

Strict cost management enabled a positive bottom line and a solid FCF despite the COVID induced drop in demand



### Q2 2020 key developments



Volumes at the high end of guidance supported by a good performance in Brazil and in A&S



Solid EBITDA and FCF through successful fixed cost varibilization



Leadership Journey® gains are on track with EUR21m additional annualized gains in Q2 (cum. total EUR171m)



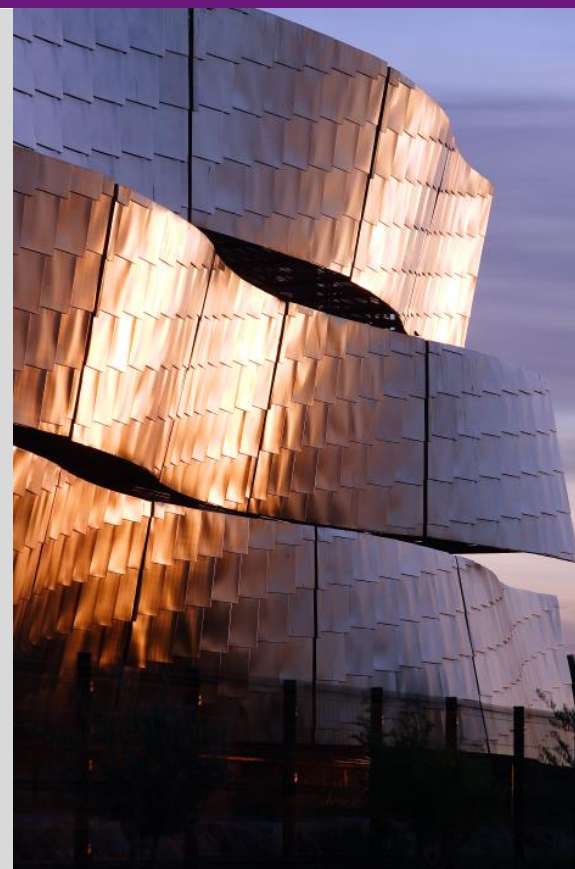
Brazil confirmed AD duties on NGO\* steel. New coating line to improve mix and market position by Q4 20



Order book continues to recover into Q3



New unrevised safeguard quotas opened in July leading to potentially higher import pressure in H2 2020



**Aperam has successfully managed the initial stage of the COVID induced demand crisis**

\*non grain oriented electrical steel from China, Taiwan, S. Korea & Germany

## Q2 2020 Financial highlights

Fixed cost variabilization protected the bottom line.  
Successful focus on cash generation



### Solid EBITDA, positive net income & positive FCF

EURm	Q2 20	Q1 20	qoq	Q2 19	yoy
Sales	818	1,049	-22%	1,090	-25%
adj. EBITDA	49	70	-30%	95	-48%
EBITDA	49	70	-30%	95	-48%
Basic EPS (EUR)	0.27	0.36	-26%	0.69	-61%
Steel shipments (000t)	376	438	-14%	465	-19%
adj EBITDA/tonne (EUR)	130	160	-18%	204	-36%
adj EBITDA margin	6.0%	6.7%	-10%	8.7%	-31%
Operating cash flow	57	63	-10%	97	-41%
CAPEX	-23	-45	-49%	-26	-12%
Free cash flow*	34	18	89%	72	-53%
Dividends paid	-37	-32	16%	-39	-5%
Net financial debt	123	108	14%	176	-30%

### Q2 key comments

- The COVID crisis overpowers the seasonal pick up in shipments. Impact on adj. EBITDA has been mitigated through successful variabilization of fixed costs
- Adj EBITDA decreases qoq due to the lower shipments
- EPS holds up well due to positive fin. result (incl. EUR15m PIS/COFINS interest income)
- Strong operating cash flow with 116% EBITDA to cash conversion. Q2 CAPEX in line with front end loaded guidance. Genk project SOP in Q1'21
- Strong balance sheet with 0.4x NFD/EBITDA despite slight increase in net financial debt
- Comfortable liquidity position ~EUR660m (~40% cash / 60% RCF)

Cash generation and a strong balance sheet secure the dividend payment

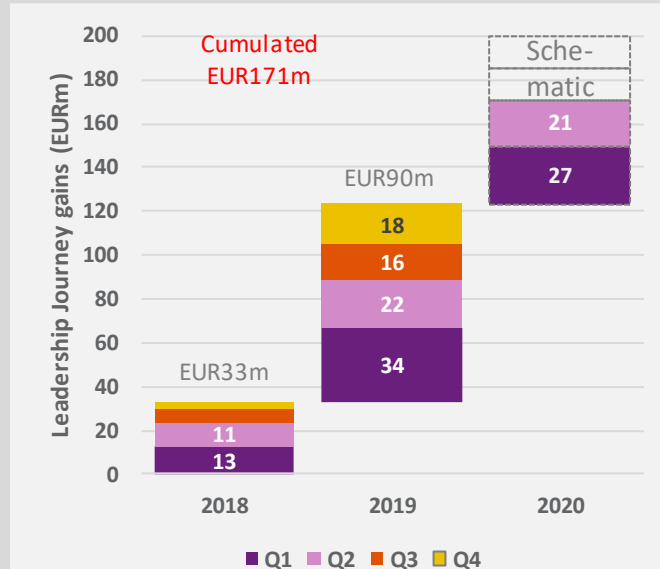
\*before dividend and share buyback

## Leadership Journey<sup>®</sup> update

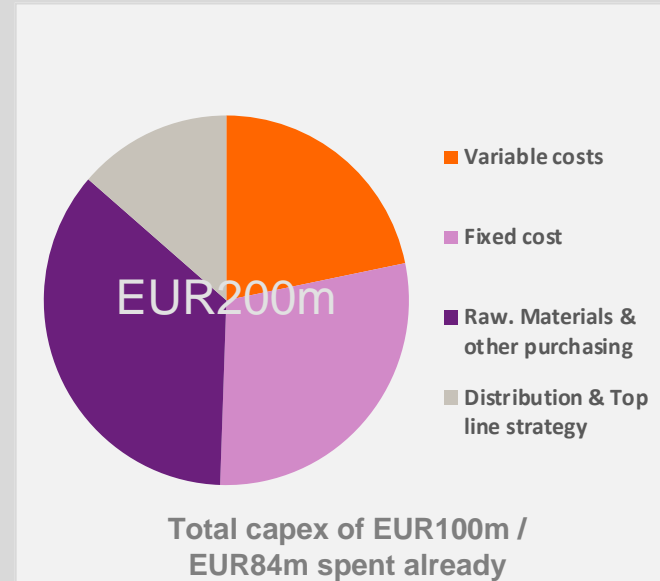
Leadership Journey<sup>®</sup> is on track to defend Aperam's position as lowest cost producer in Europe



### Progress & target phase 3 (recurring annualized gains)



### Target savings composition



#### New technology

Automation / robotics / sensors

#### Innovation

New applications & solutions

#### Leaner

Digitized, connected & collaborative

#### Value added services

One stop shop + supply chain efficiency

#### Procurement

General procurement / Raw material

Q2-20 cumulated annualized gains at EUR171m vs total target of EUR200 million by end of 2020

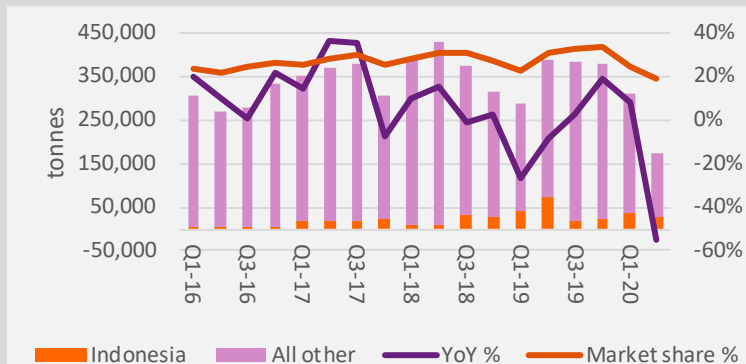
## Environment & markets



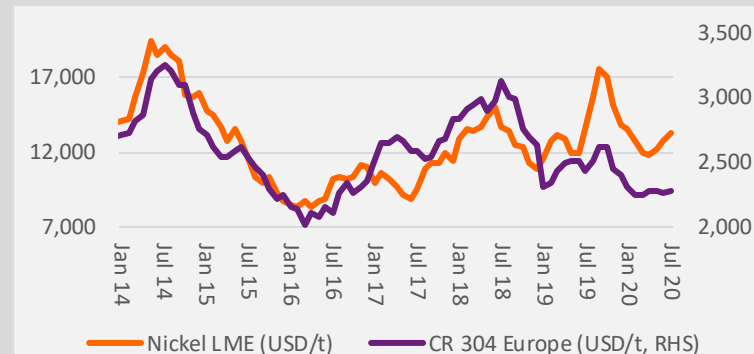
Full quotas caused drop in market share of imports in Q2.

Inventory and price premium versus Asia are both in normal range

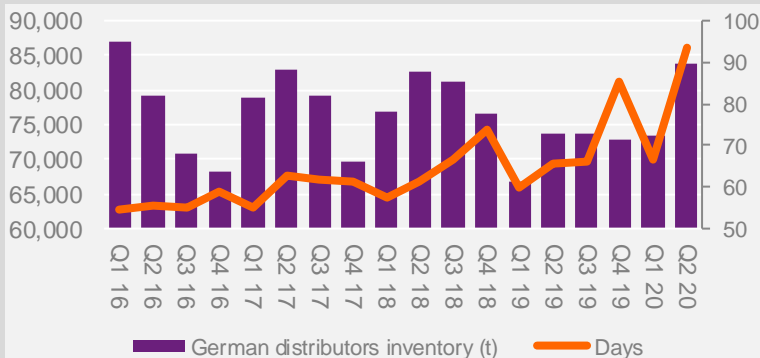
Imports dropped considerably as quotas were maxed out – Q3 will see higher import pressure again



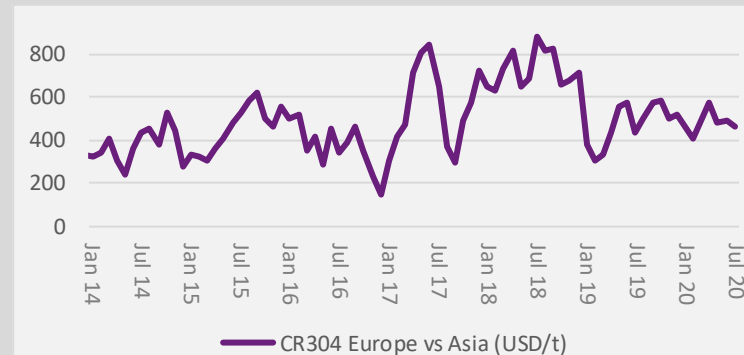
Stainless price has not followed the higher nickel price



Inventory in (t) is seasonally normal but inventory days are elevated due to COVID demand drop



Stainless price premium vs Asia is in the normal range



Source: Bloomberg, Metal Bulletin, Edelstahlhandelsvereinigung, Eurofer

SS Hot Rolled products have one global quota. Countries with a SS CR quota: S. Korea, Taiwan, India, USA, Turkey, Malaysia, Vietnam. All other countries if not exempt fall under the residual quota



## Outlook

### Q3 2020 guidance & other forward looking items



#### Financial outlook Q3 2020:

- **Adj. EBITDA is expected at a comparable level versus Q2 2020 adj. EBITDA**
  - Seasonal trough quarter
  - Economic recovery in Europe
  - Increasing import pressure & domestic competition
- **Net financial debt is expected to reach its seasonal peak in Q3**

#### Other items:

- **Q3 2020 shipments are expected slightly higher qoq**
- **2020 group capex is confirmed at ~EUR100m (incl. Leadership Journey® and Genk downstream)**
- **2020 P&L effective tax rate expected at 10 - 15% (excl. PIS/COFINS)**
- **Remaining one-off PIS/COFINS contribution up to BRL800m (~50% EBITDA / ~50% fin. result). Cash collection (after tax) over 4-5 years**

**Aperam expects the recovery to continue**

### Post Q2 2020 schedule

- |            |                              |                  |
|------------|------------------------------|------------------|
| • 5. Aug   | Industrial Conference        | Jefferies        |
| • 1. Sept  | Benelux conference           | ING              |
| • 3. Sept  | ESG conference               | Jefferies        |
| • 7. Sept  | Autumn Conference            | Kepler Cheuvreux |
| • 10. Sept | Steel & Mining Conference    | Credit Suisse    |
| • 24. Sept | Baader Investment conference | Baader           |

We are looking forward to keep up the dialogue with you

# Financial Results



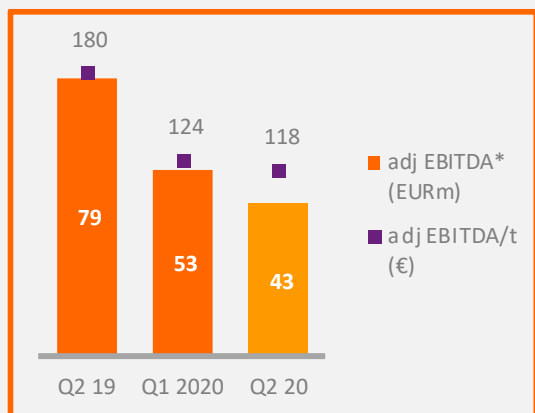
Middle East Training Center, Beirut Rafic Hariri International Airport, Lebanon - Khatib & Alami Executed using grade316L with Uginox Meca 8ND fini

## Financial results

Q2 2020: Cost varibilization partly counters COVID induced volume drop. Brazil and A&S demonstrate stability

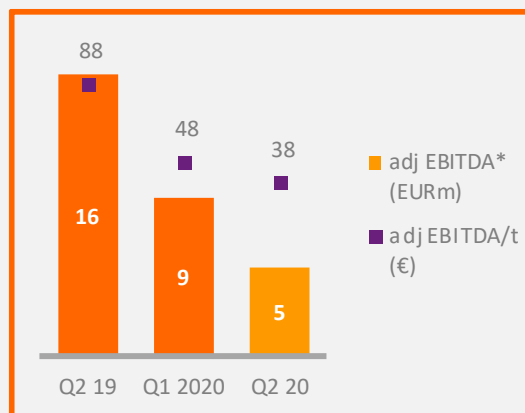


### Stainless & Electrical Steel



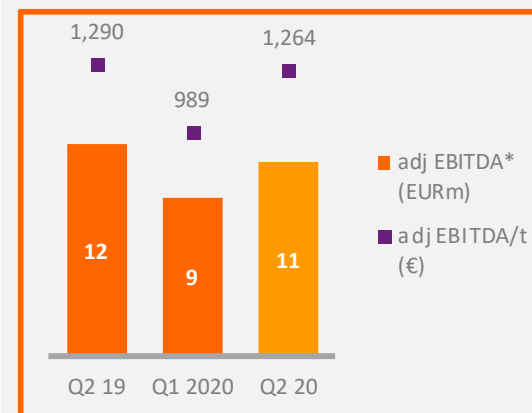
- Shipments decreased 15% qoq % 17% yoy due to the COVID recession
- QoQ: Europe adj EBITDA reflects lower volumes not offset by less inventory valuation losses and COVID costs. Brazil was seasonally stable and benefitted from FX changes
- YoY: considerably lower adj EBITDA due to lower volumes, a deteriorating mix and price/cost squeeze and negative inventory valuation

### Services & Solutions



- Shipments declined by 29% qoq and 27% yoy due to the COVID recession
- QoQ lower adj EBITDA qoq reflects lower volumes that outweigh a less neg inventory valuation effect and absence of COVID costs
- YoY: lower adj EBITDA due to lower volumes and negative inventory valuation effects

### Alloys & Specialties



- Shipments decline by 4% qoq and 6% yoy
- QoQ: higher adj. EBITDA was driven by the absence of COVID costs and a less negative inventory valuation loss despite lower volumes
- YoY: slightly lower adj EBITDA was driven by lower volumes and an unfavorable mix despite a slightly less negative inventory valuation loss

**Adj. EBITDA of 130 EUR/t in Q2 2020 –EUR30/t qoq due to COVID crisis**

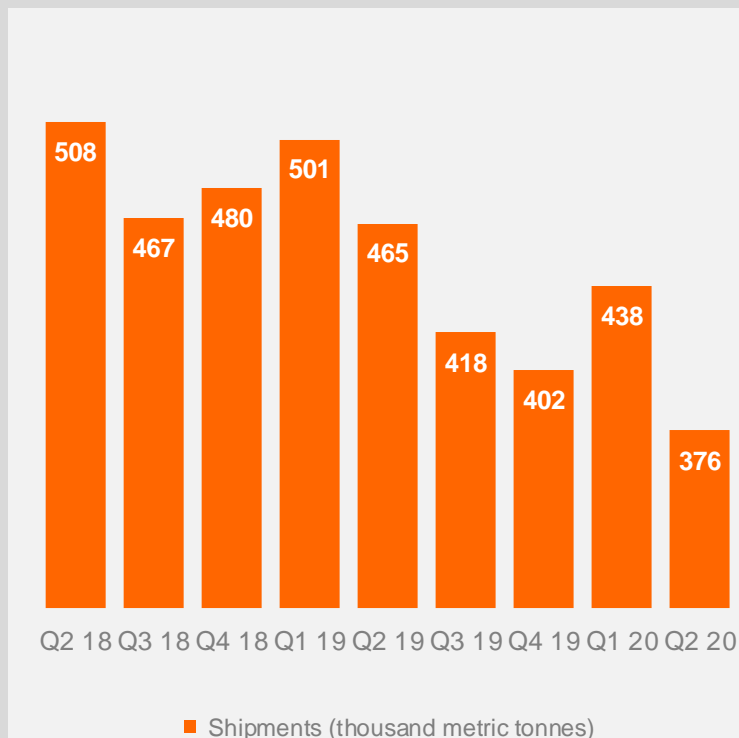
\* Difference with total Aperam's quarterly adj EBITDA due to Others & Eliminations line

## Financial results

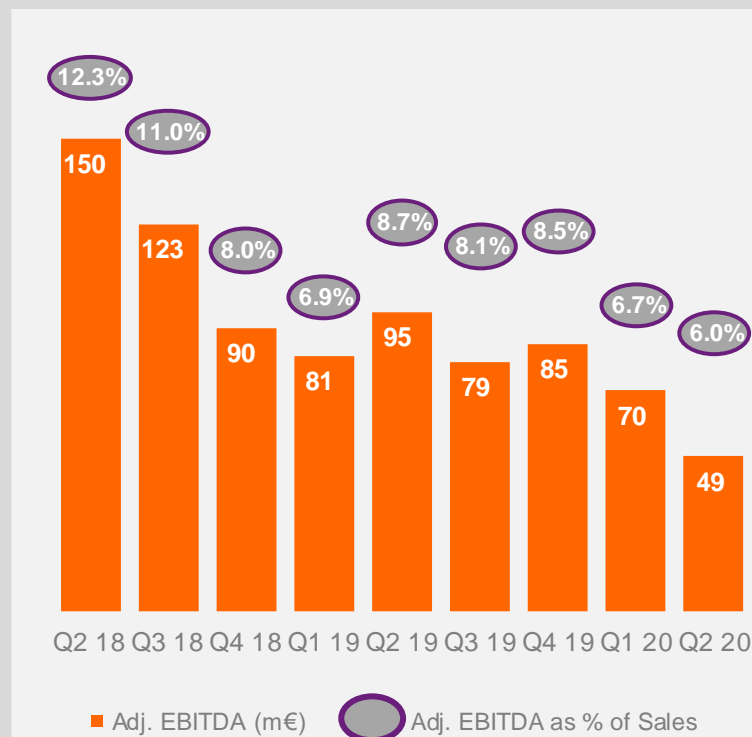
Q2 2020: Volumes drop due to the COVID recession. Price pressure remained high despite lower imports



EU COVID shutdown triggers qoq shipments drop in a seasonally strong quarter



Q2 adj. EBITDA mainly reflects lower volumes



Volumes at the high end of guidance and strict cost discipline enable solid EBITDA

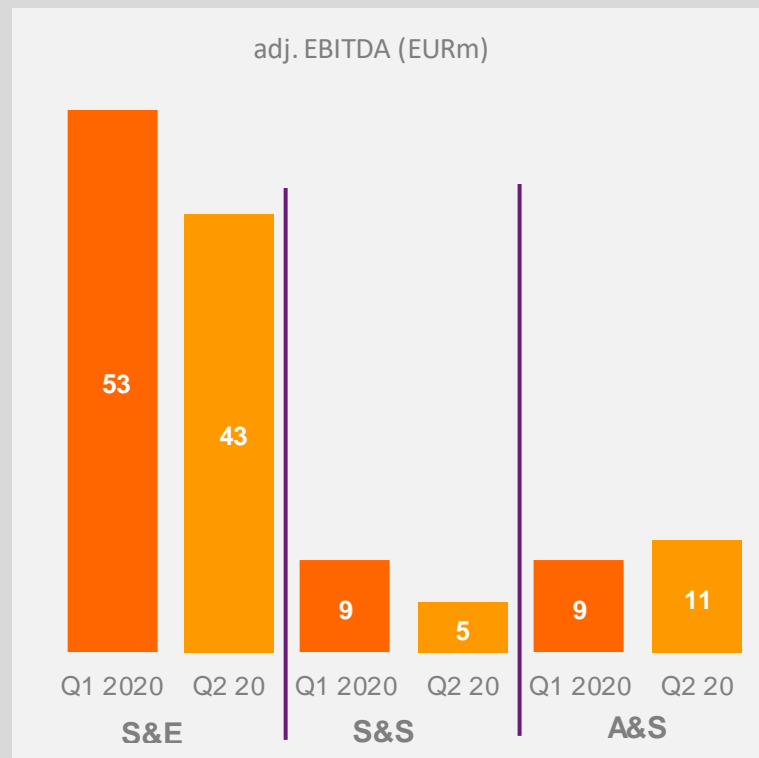


## Financial results

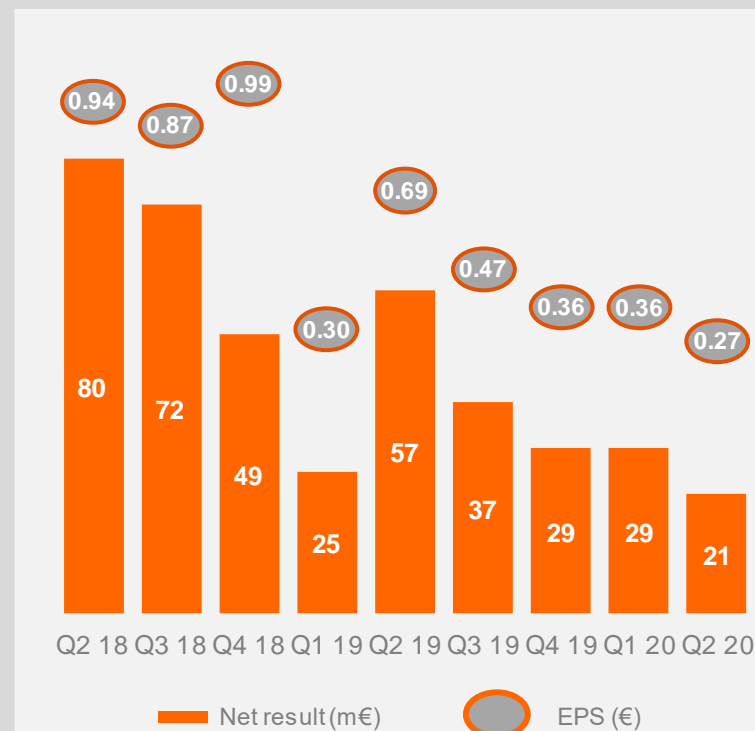
Q2 2020: Stable A&S and Brazil while Europe and S&S  
EBITDA mainly reflects the COVID related drop in demand



### EBITDA change was mainly volume driven



### EPS benefits from PIS/COFINS and low tax rate



### Positive net income in an extremely challenging quarter

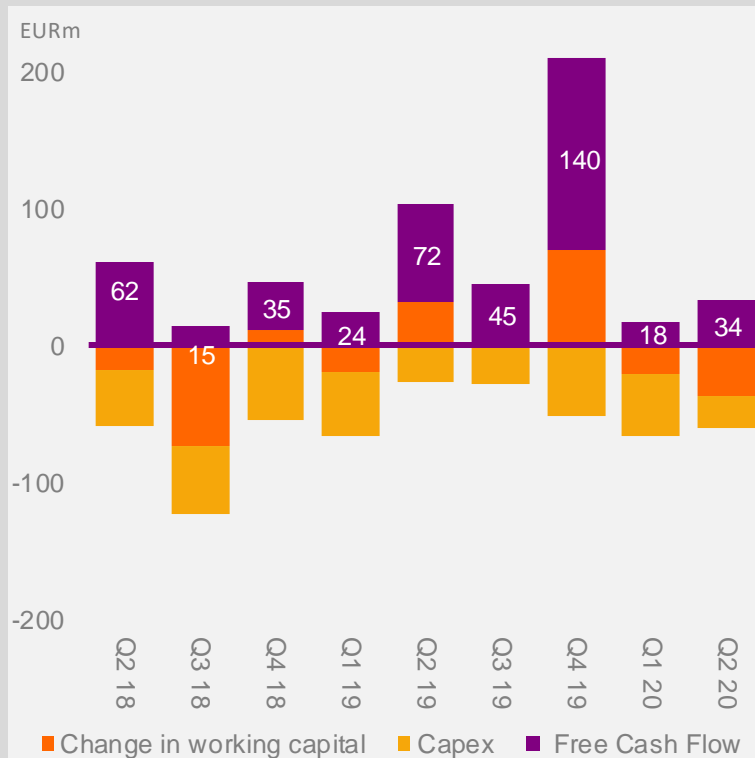
\*Q4 2018: Financial results includes a EUR18m gain related to the convertible bond due to the expiry of put option by bondholders \*Q1 2019: Financial results includes a EUR11m charge related to the convertible bond due to accelerated amortization of the premium (reversal of the Q4-18 gain) \*Q4 2019: Income tax expense contains a EUR26m impairment of the deferred tax asset \*Q2 2020 Financial result contains a EUR15m interest payment on Brazil PIS/COFINS position

## Financial results

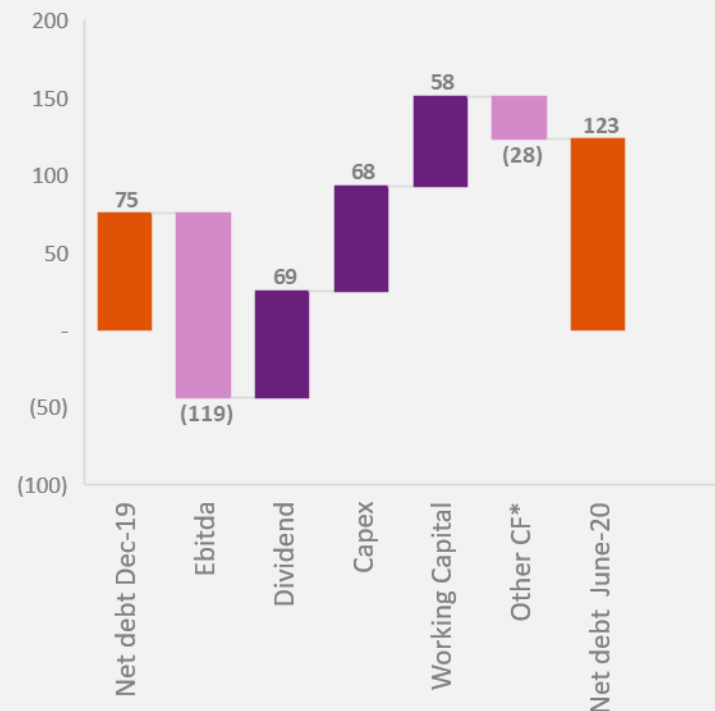
Q2 2020: Solid cash generation with 116% cash conversion



### Solid FCF despite lower earnings and high growth capex



### Minor net debt increase but very solid balance sheet



**Aperam's dividend rests on a solid balance sheet and a structurally high FCF generation**

\* Includes interest, taxes and other items

# Value Strategy



Adobe stock

## Investment case & value strategy

**Guiding principle:** Being a sustainable safe and profitable company



Aperam foundation

Industry leading  
cash flow &  
financial discipline

Lowest cost footprint  
in Europe  
& sole producer  
in S. America

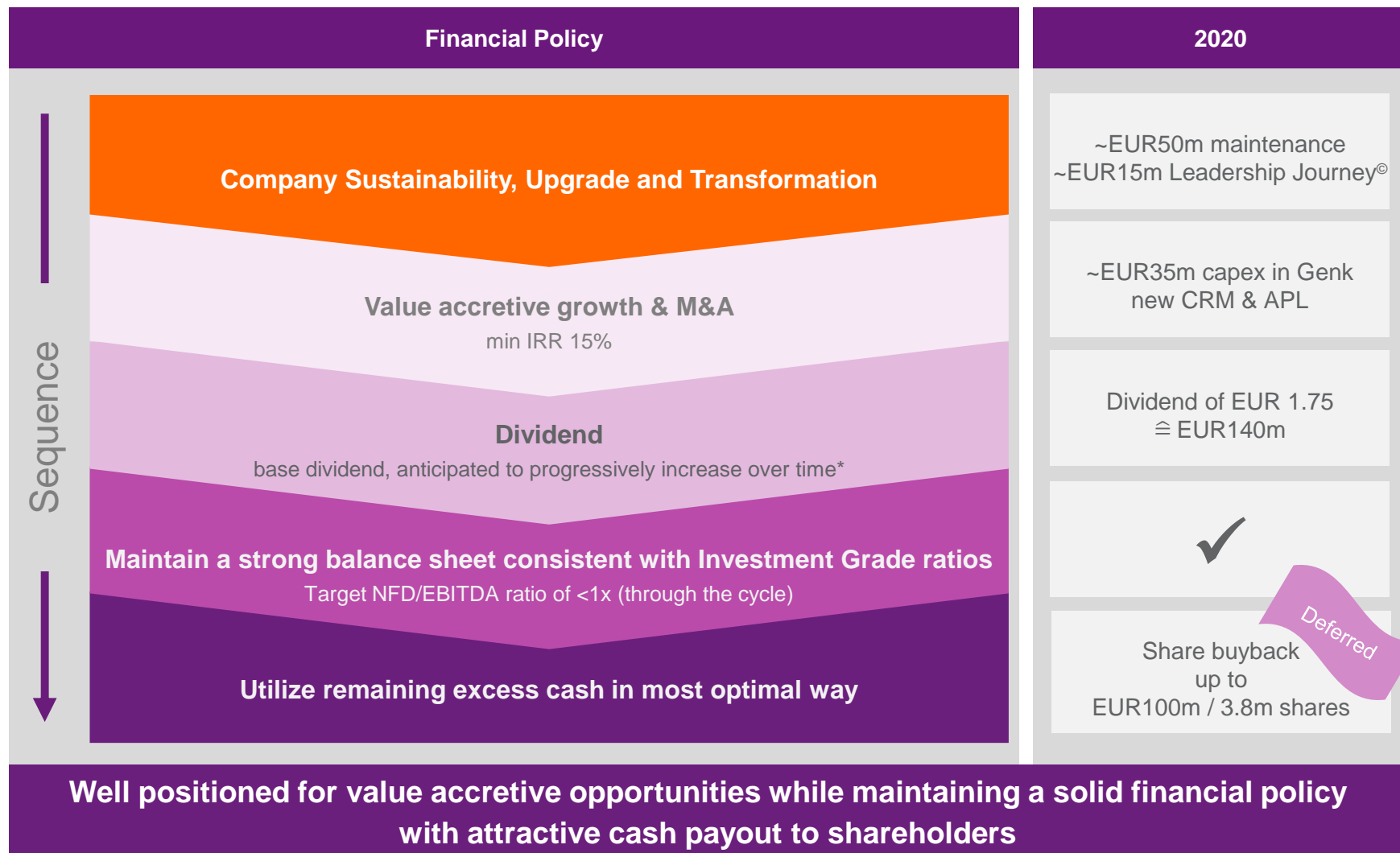
Strong balance sheet  
& highest dividend  
yield

Self help strategy  
(Leadership Journey®)

Solid cash generation with strong shareholders' return.  
New projects and Leadership Journey® will further improve Aperam's profitability

## Investment case & value strategy

**Financial policy:** Strong balance sheet, investment in long term growth & sustainability and solid cash returns to shareholders



\*Base dividend review in the (unlikely) event that NFD/EBITDA exceeds 1x.



# Investment case & value strategy

**Leadership Journey®** Self help has turned Aperam into a resilient, profitable and cash generative company

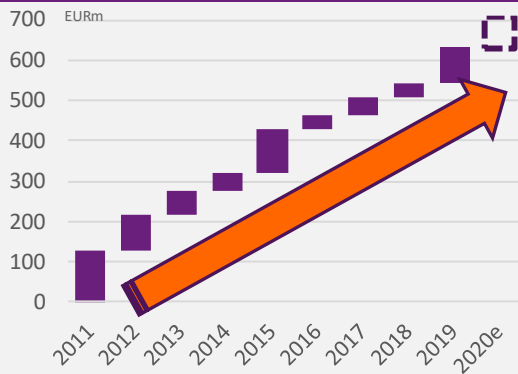


Phase 1 (USD350m):  
2011-13 Restructuring

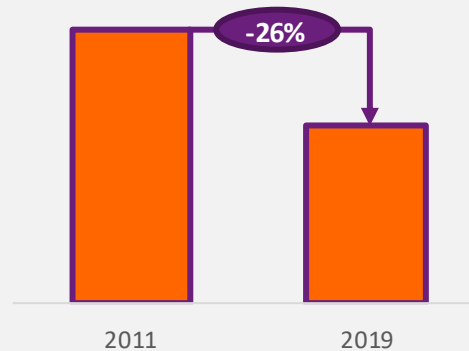
Phase 2 (USD225m):  
2014-17 Asset upgrade

Phase 3 (EUR200m):  
2018-20 Transformation

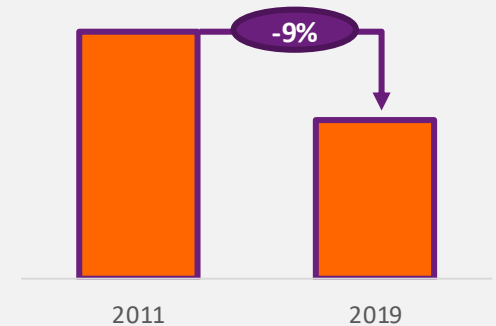
## Realized cost savings



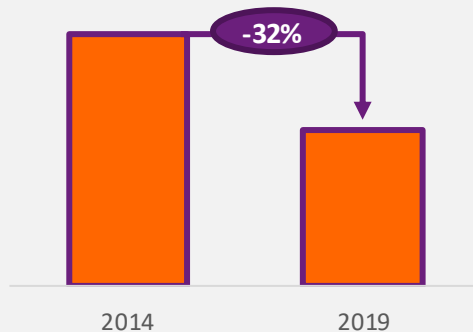
## Number of production lines



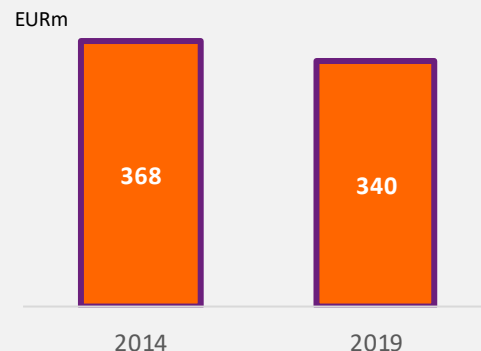
## Headcount



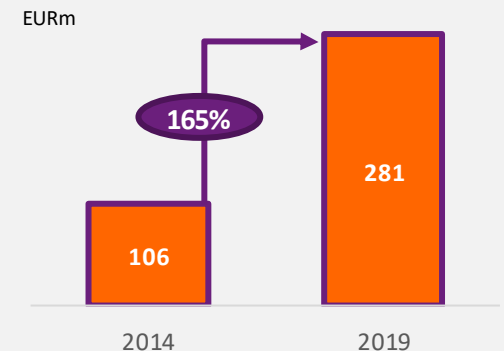
## Base price



## Adj EBITDA



## Free cash flow



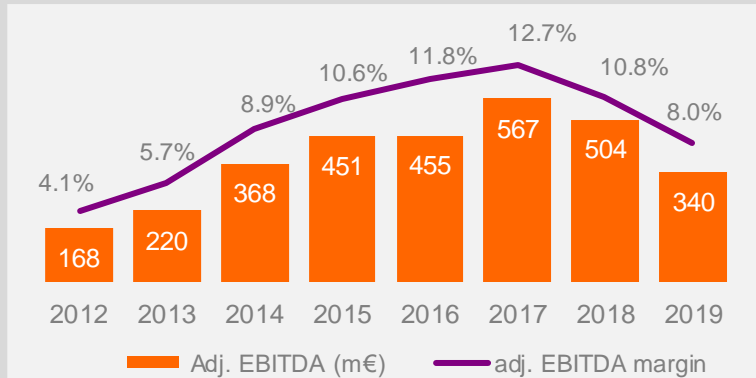
Source: CRU (base price), Aperam accounting data

# Investment case & value strategy

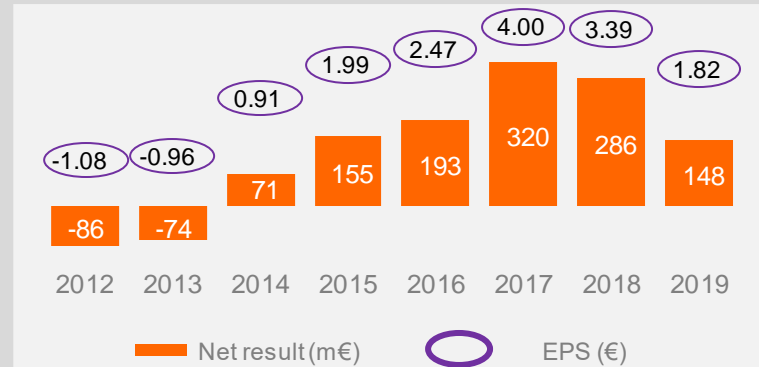
**Track record:** Aperam a solid performer even in challenging times



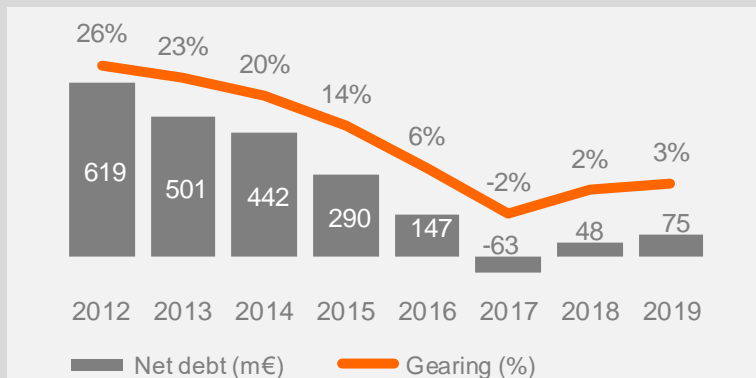
## Solid operating performance despite market headwind



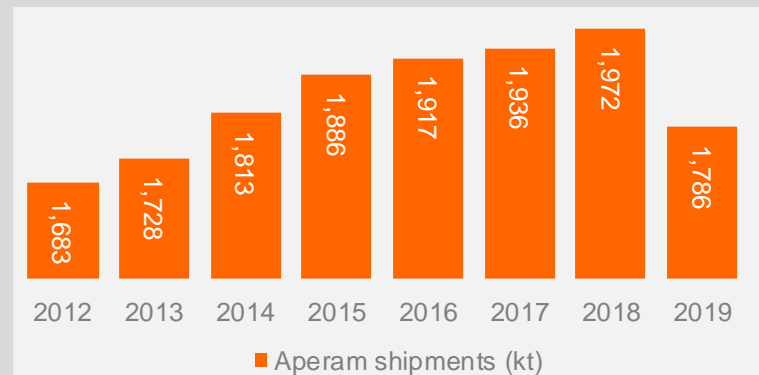
## Transformation yields a positive net income even in a recessionary market environment



## A strong balance sheet is corporate policy



## 2019 volumes reflect soft real demand in both EU and Brazil and trade war induced imports

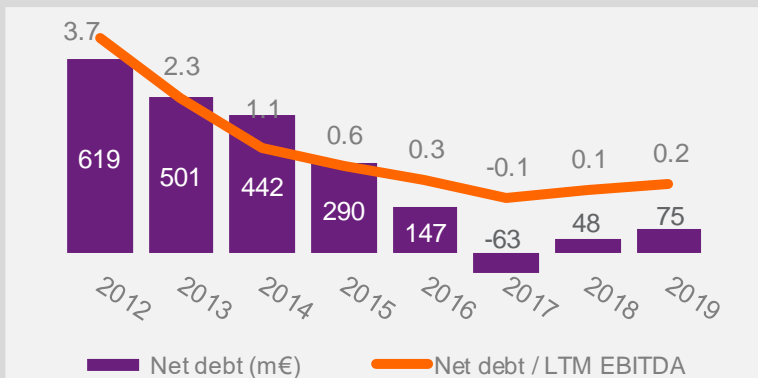


# Investment case & value strategy

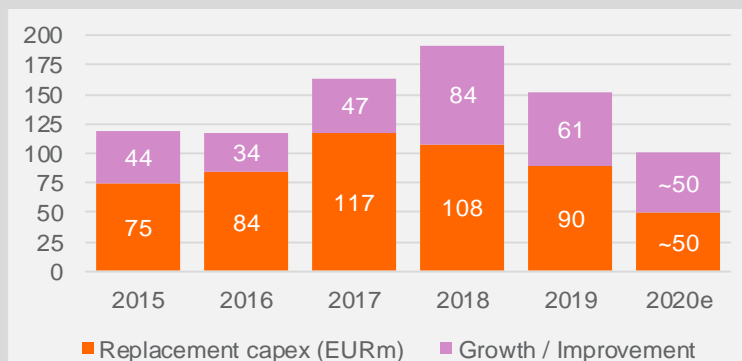
**Resilience:** Strong balance sheet, high liquidity and low maintenance capex



## A strong balance sheet forms a solid base in a volatile industry\*



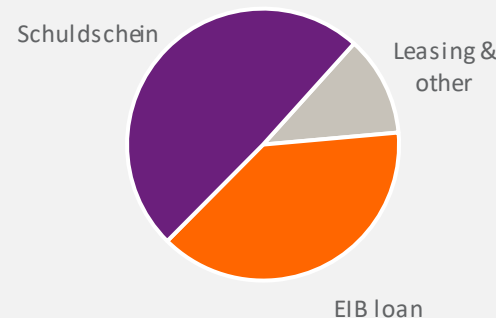
## Low maintenance capex + solid investment in growth improvement



## Balanced maturity profile & ample liquidity



## Flexible mix and broad range of financing instruments<sup>2</sup>



\*Aperam intends to maintain a strong balance sheet that is consistent with investment grade ratios and contains no pledges of assets or earnings covenants

<sup>2</sup>Financing documentation is in line with investment grade standards and

# Investment case & value strategy

**Shareholder focus:** We care about investors and can support it due to a high & stable FCF

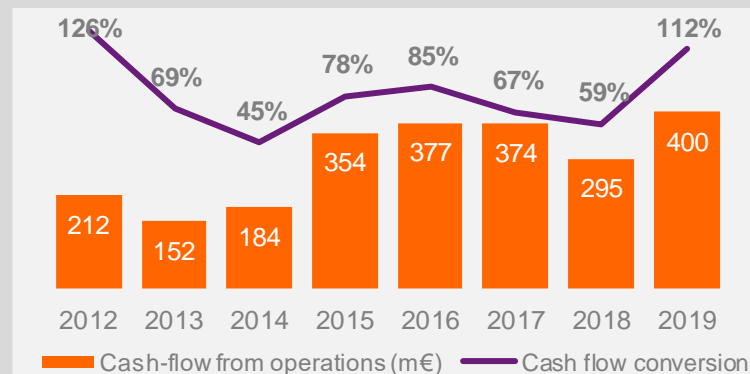


## Solid cash generation through the cycle

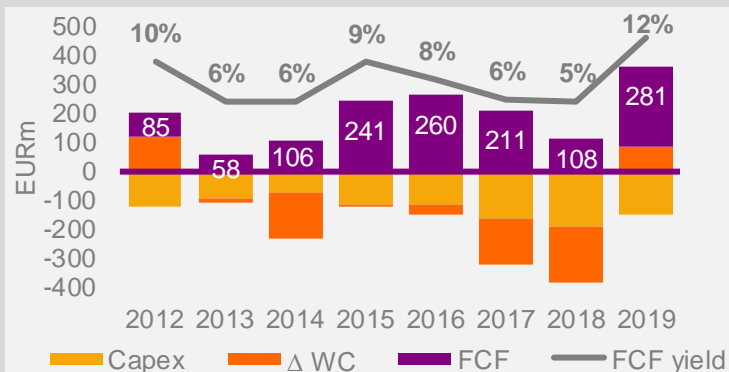
**High profitability**

**Low cash taxes\***

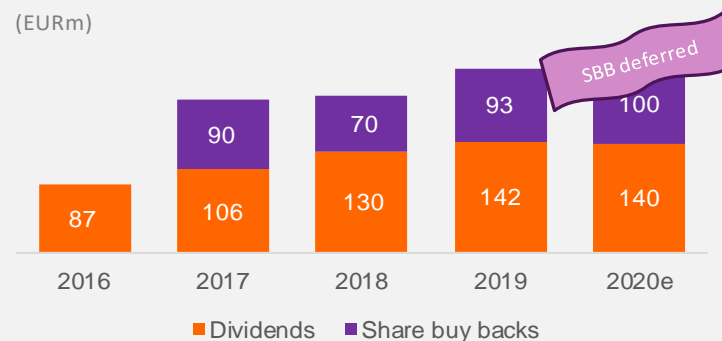
**Low cash interest**



## Solid average 8% free cash flow yield\*

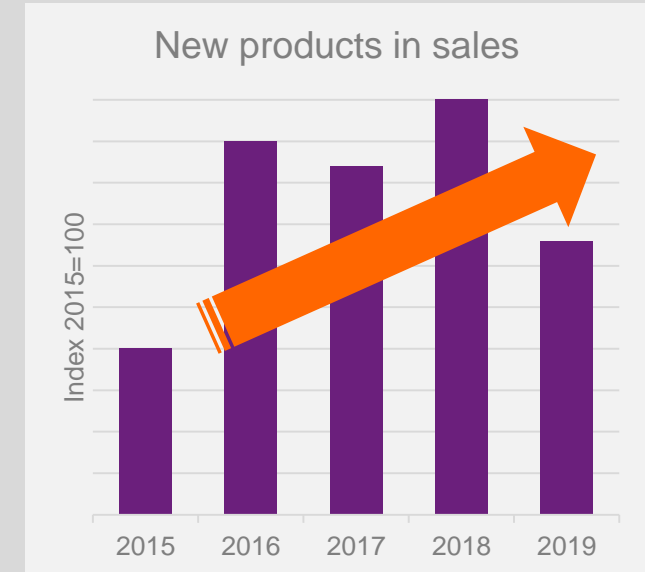
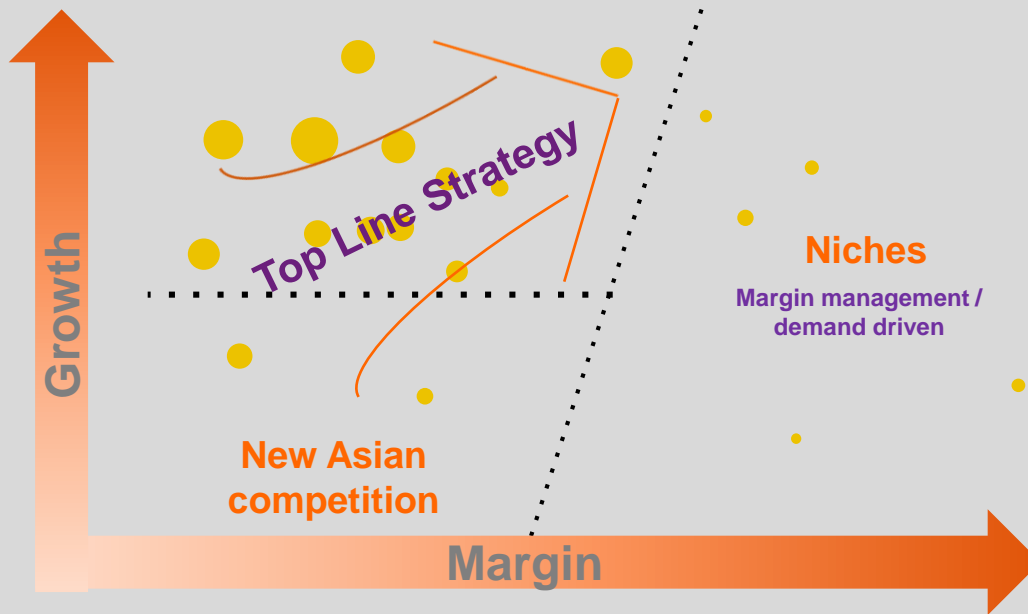


## Best in class cash distribution to shareholders



\*at year end 2019 the recognized deferred tax asset on tax losses amounted to EUR144m and the unrecognized deferred tax asset amounted to EUR438m

Constant innovation to shift portfolio into attractive growth / margin segments



### Guiding principle: strengthen product & service differentiation

- Increase competitiveness against other materials by improving existing solutions
- Innovate and apply existing solutions to new target markets
- Develop innovative new products
- Optimize product & customer mix
- Redefine distribution channels



# Investment case & value strategy

## ESG excellence: Take a look at Aperam from an ESG perspective



Our mission is to produce reliable, 100% recyclable, green stainless steel

### Products

Non toxic, long lifespan and 100% infinitely recyclable without loss of quality

### Climate change

We have the lowest CO<sub>2</sub> footprint in the stainless industry globally

### Environment

We are recycling champion and 33% of our energy intake is renewable

### Process

We have ambitious ESG targets and a convincing track record

### Social

We value our diverse workforce, invest in training & 86% rate us a good employer

### Governance

The majority of our board is independent

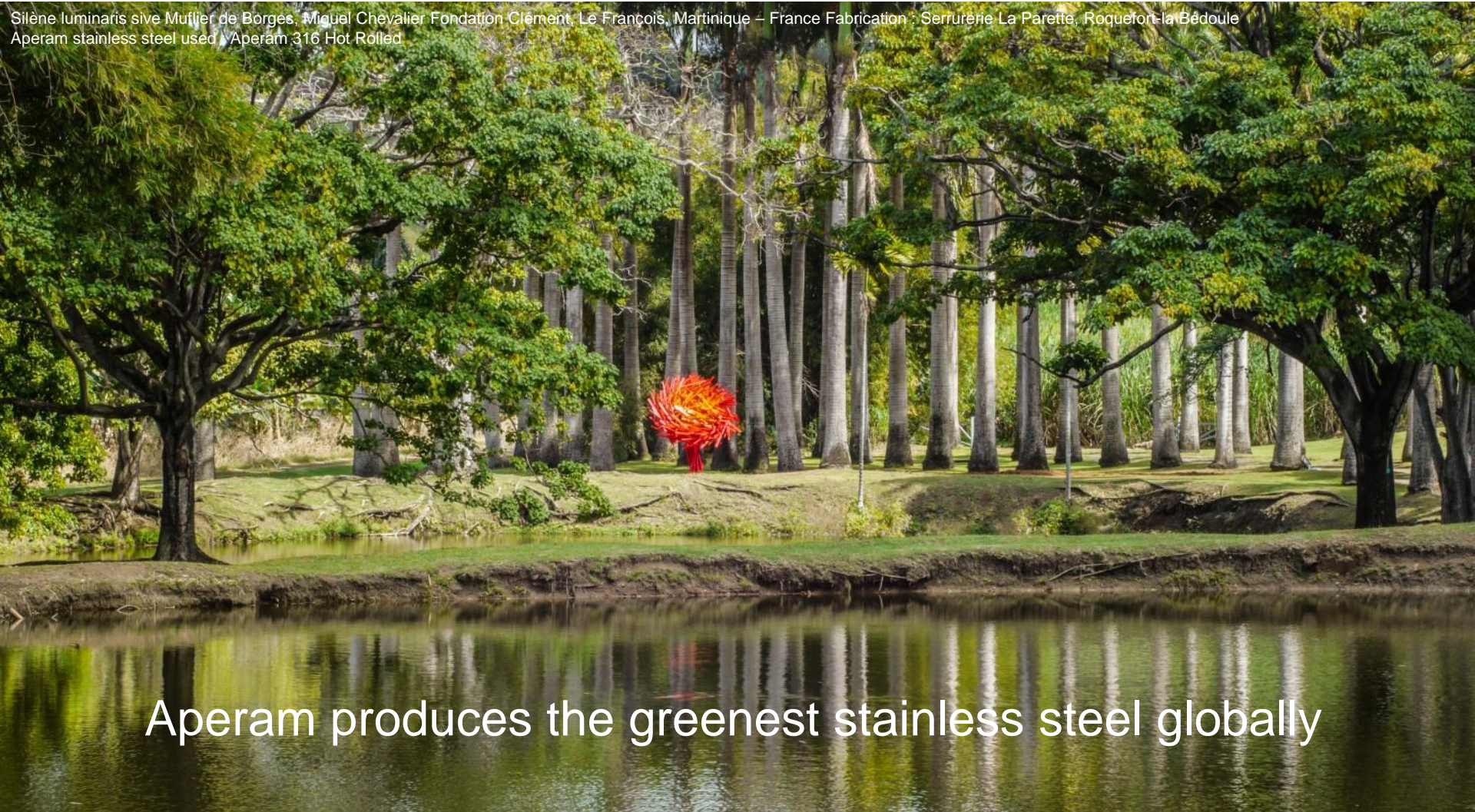
### Compliance

We have a robust compliance framework and a zero tolerance policy

Please find our complete ESG presentation & report at: [www.aperam.com/sustainability](http://www.aperam.com/sustainability)



Silène luminaris sive Muflier de Borges, Miguel Chevalier Fondation Clément, Le François, Martinique – France Fabrication : Serrurerie La Parette, Roquefort-la-Bédoule  
Aperam stainless steel used / Aperam 316 Hot Rolled



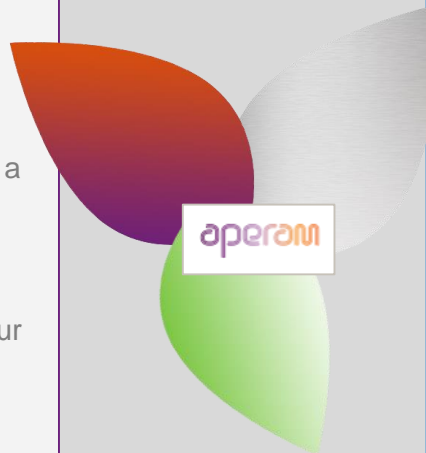
Aperam produces the greenest stainless steel globally



#### We take E, S and G seriously

##### Governance & Stakeholders

- Our **high ethical standards** are reflected in our robust corporate governance and structured compliance program with a zero tolerance policy for non compliant behavior
- our **Board of directors** is composed of a majority of independent directors
- Board Committees are independent members only
- We aim to be a **partner of choice** for our customers and suppliers
- Our **Corporate Responsibility** is reflected by local programs and stakeholder engagement



##### Social

- Our people are colleagues with whom we share values and a common future
  - Their **safety** is our non-negotiable priority
  - Their **motivation** and creativity is our greatest asset
  - Their **development** is a key to our success.
- We actively promote **diversity**
- We believe in a positive dialogue and have collective labour agreements in place throughout Aperam

##### Environment

- As an energy-intensive company, we consider environmental consciousness as a necessary prerequisite to our sustainable profitability
- Recycle: Our products are infinitely recyclable and our main input in Europe is recycled scrap
- We have an industry leading CO<sub>2</sub> footprint with the greenest” stainless steel globally due to our FSC-certified forest in Brazil
- We have clear targets in place to improve our environmental performance and are a member of Responsible Steel®

#### Our mission is to produce reliable, 100% recyclable, green stainless steel

- Our stainless & alloy products are 100% recyclable - without any loss of quality
- Our products have a very long useful life – they support and enable a sustainable global development
- Our products are non toxic in production and usage
- We are the only stainless steel mill using 100% charcoal instead of coal based coke in our BF's
- Our European production is predominantly based on scrap recycling: >80% of raw material
- Our product is 'Green Steel' because it is produced from a clean and renewable energy source  
By doing so, we maintain a relationship of respect with the surrounding environment



Recycling



Mechanical  
properties



Resistance  
to fire



Corrosion  
resistance



Cleanability



Aesthetics

Steel is an alloy of iron and carbon. Stainless steel additionally contains at least **10.5% chromium**. Stainless steels' corrosion resistance and mechanical properties can be further enhanced by adding other elements, (eg **nickel, molybdenum, titanium, niobium, manganese**, etc) and through mechanical & thermal treatment



Our mission is to produce reliable, 100% recyclable, green stainless steel



Renewable energy



Recycling

In our **BioEnergia unit**, based in Brazil, we produce **charcoal** from our FSC-certified **sustainably cultivated eucalyptus forests in Minas Gerais**

Charcoal is used in our steel-making process as a natural and renewable substitute for fossil fuels (coke). We managed to eradicate entirely the use of coal based coke in our blast furnaces which gives us a sector leading CO<sub>2</sub> footprint

In Europe, our main input is recycled scrap (>80%). We truly believe in and work to promote the circular economy

We are true promoters of the circular economy, with a 100%-owned Recyco unit dedicated to the recycling of melting shop dust and sludges in Europe



## ESG summary

# Aperam supports the United Nations' Sustainable Development Goals



### We take broad responsibility: our Products and Environmental and Social action

3 GOOD HEALTH AND WELL-BEING



Health & Safety is Aperam's primary concern and the priority in all our proceedings

5 GENDER EQUALITY



Gender balance is ranked highly on our priority list as from 2017 and has received a special commitment from management, who decided to set up specific objectives for creating more gender balance in our workforce

6 CLEAN WATER AND SANITATION



In our forestry, located on hydric-stressed areas like our other plants, lowering water consumption and improving the quality of discharge are key elements of our environmental strategy

7 AFFORDABLE AND CLEAN ENERGY



More than 30% of Aperam's energy comes from renewables as biomass (charcoal) and, via pilot projects, wind and solar

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Research & Development and innovation are top priorities for Aperam. We also help our customers adapt their own processes (welding, stamping, etc.) to make the most of their tools

11 SUSTAINABLE CITIES AND COMMUNITIES



Aperam is committed to a sustainable cohabitation with our neighboring communities, allowing host cities to thrive and addressing inhabitants' legitimate requests

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Aperam is a recycling champion: We use the maximum amount of recycled material (not only scrap) in our production and also take good care to leverage wastes and by-products in line with our zero-waste target

13 CLIMATE ACTION



Our BioEnergia cultivated forest produces charcoal which prevents use of met coal & coke and acts as a FSC certified carbon sink. Our plants are constantly reducing their energy consumption and participate in our climate action plan

16 PEACE, JUSTICE AND STRONG INSTITUTIONS





Ethics are a key component to Aperam's values. We comply with all applicable regulations, interact transparently with authorities and support the fight against corruption, money laundering and anti-competitive practices - among others

## ESG summary

### Social: Our people are our asset



Criteria	2020 Target	Aperam 2019 status	Steel industry 2017*
Lost-time injury frequency rate	<1	1.7 	2.93
Employee satisfaction <sup>1</sup>	N/A	86% 	78%
Diversity	Increase	Women 12% of staff 20% of exempts	
Training hours/FTE	Increase	35.5	
Absenteeism	2.0	3.1	

**Safety always comes first at Aperam. We rely on our people to transform our company from a traditional industry into a connected, agile and innovative organization**






\* Heavy manufacturing, Worldsteel      1 For the seventh consecutive year, Aperam S 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

## ESG summary

**Environment:** A best in class footprint<sup>2</sup>

*We aim to become carbon neutral by 2050 in Europe*



Criteria	Target 2030	Aperam 2019 status	Steel industry 2017
Energy intensity*	12.1 GJ/t    -5% vs 2015	13.3 GJ/t    +4% 	
CO <sub>2</sub> intensity**	0.45 t/t    -15% vs 2015	0.48 t/t    -11% 	0.95 t/t <sup>2</sup>
Water consumption	5.9 m <sup>3</sup> /t    -40% vs 2015	11.8 m <sup>3</sup> /t    +16% 	
Dust intensity	70 g/t    -70% vs 2015	84 g/t    -65% 	
Zero Waste target	>97% reused / recycled	94.3%    +0.8pp 	

**Lower production volumes hurt some KPI's in 2019**

**We aim to exceed environmental legislation and are committed to continuous improvement**

\*amounts to -11% on electricity & natural gas the incentive for CO<sub>2</sub> savings    <sup>2</sup>per ton of slab

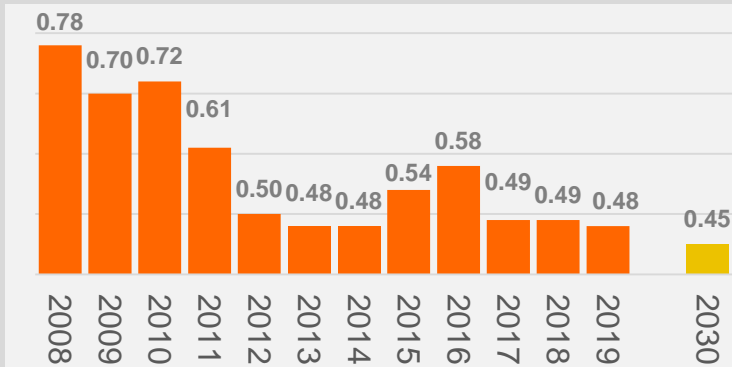
\*\*Scope 1+2. An internal CO<sub>2</sub> price of €30/t is applied to all investments. We review and adjust this if necessary to maintain

## ESG summary

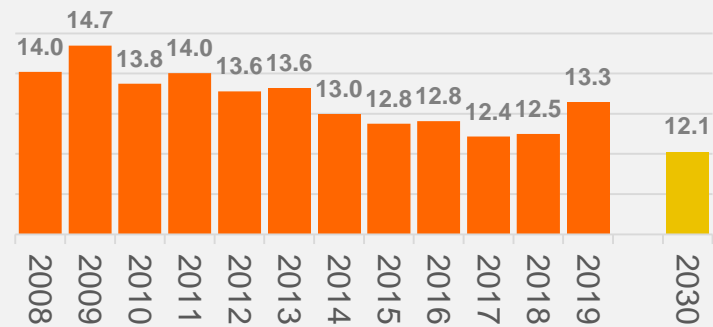
**Environment:** Aperam has a convincing environmental track record and clear improvement targets. Low volumes impacted 2019



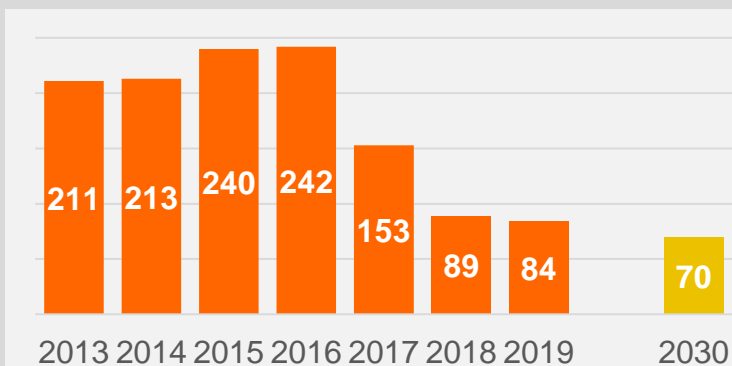
CO<sub>2</sub> emissions (t/t crude steel)\*



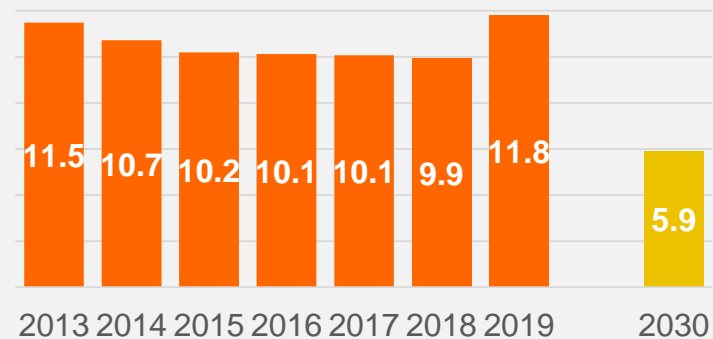
Energy consumption (GJ/t crude steel)



Dust emissions (g/t crude steel)



Water intake (m<sup>3</sup>/t)



target ●

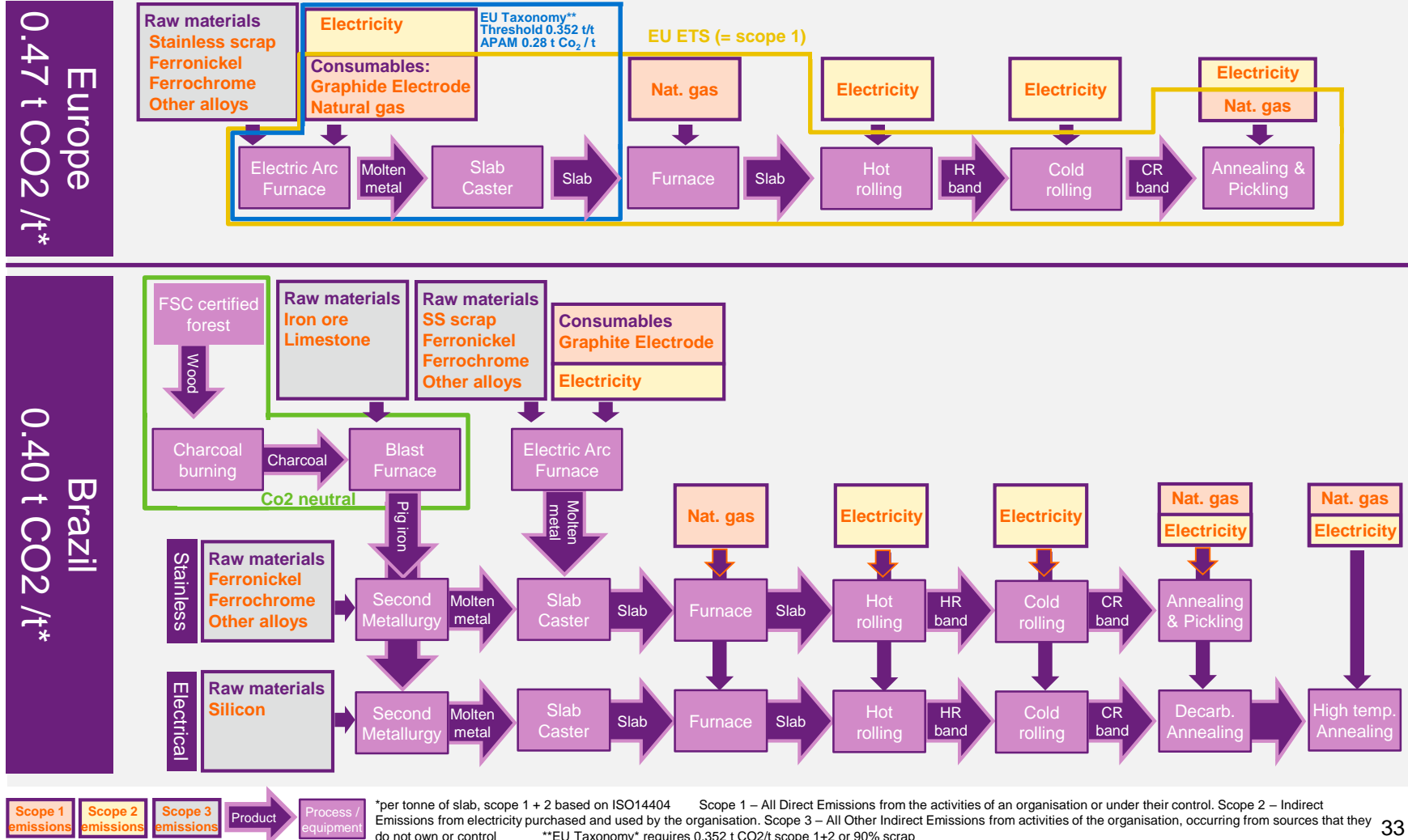
Actual ●

\*scope 1 & 2

**Aperam's CO<sub>2</sub> footprint:** Aperam has a industry leading CO<sub>2</sub> footprint and produces the greenest stainless steel globally



Aperam has a convincing track record and clear improvement targets set for 2030

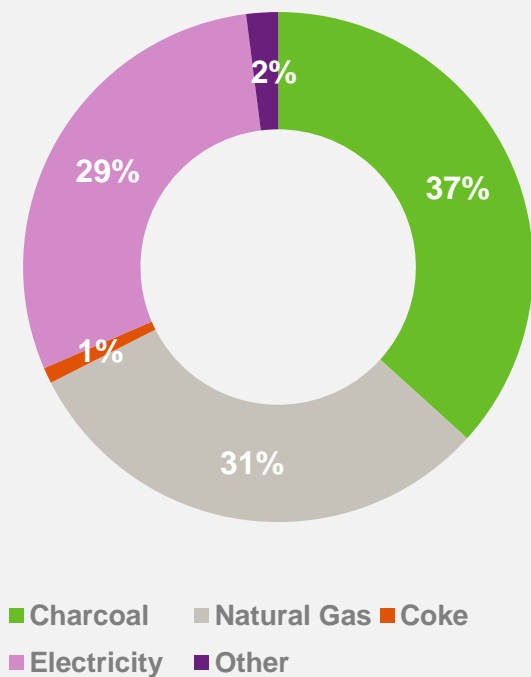


## ESG summary

**Environment:** Bio Energia & recycling give Aperam a best in class climate change footprint

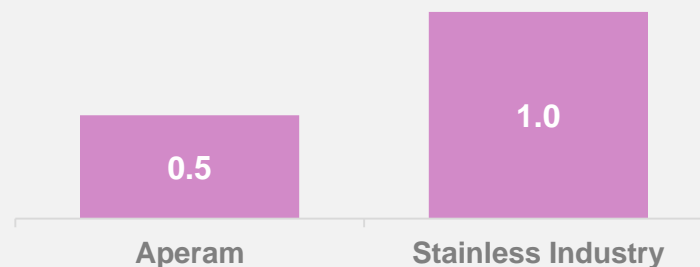


Aperam energy mix 2019

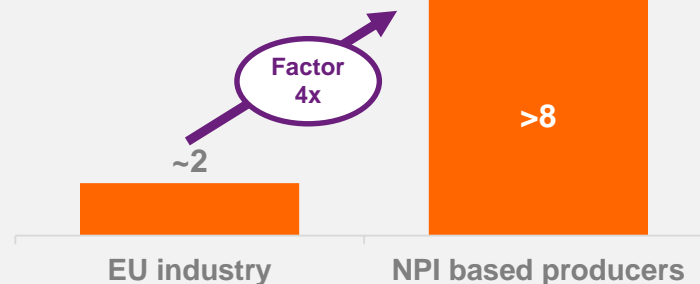


Aperam's has the smallest CO<sub>2</sub> footprint in the industry\*

CO<sub>2</sub> t/t scope 1+2



CO<sub>2</sub> t/t \*\*



**Our sustainably cultivated forest in Brazil is a unique asset**

Source: Aperam estimates & calculation, ISSF data, CRU

\*\*scope 1+ 2 + total raw material emissions and transport

\*Data is for austenitic HR steel, scope 1+2

### Key facts & compensation

- Entrusted with day-to-day management of the Company
- Appointed by the Board of Directors
- Experience and industry know how
- Average age: 49 / 6 Nationalities
- CEO: responsible for Aperam's sustainability performance and compliance
- CTO, is also Head of Health, Safety & Environment
- Compensation aligned with long term interest of the Company and its stakeholders
  - ✓ Multiplier for performance related bonus includes H&S factors (1 year plan)
  - ✓ Long term incentive plans based on EPS and TSR evolution (3 year plan) vs relevant peers and index

### A diverse & experienced team



**Aperam benefits from the experience and industry know-how of its Leadership Team**

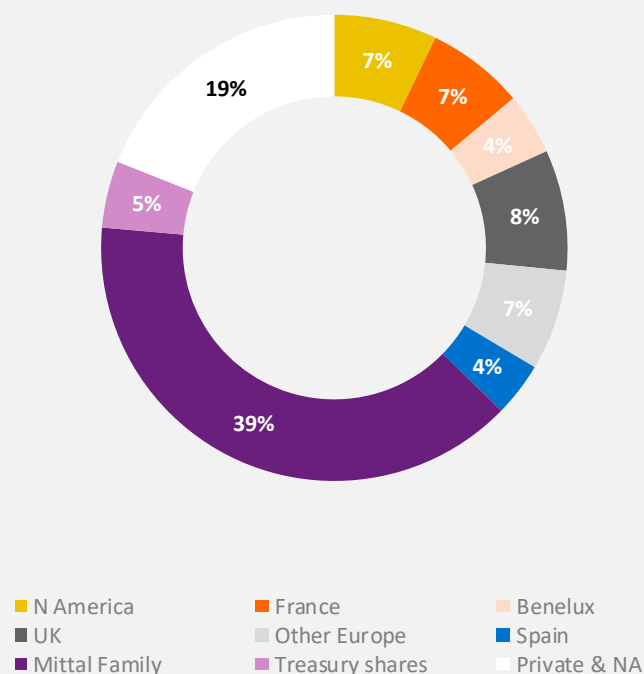
\*also responsible for environmental & industrial risk on a group wide basis



### Principles of our board

- Responsible for strategic direction and oversight of the business, as well as for appointing senior management
- Election subject to shareholder approval. Directors are elected for 3 year terms
- Chairman: Mr. Lakshmi N. Mittal
- 7 members with a majority of independent directors (4 independent directors out of 7)
- 2 Board Committees composed of 100% of independent directors and reporting to the Board of Directors:
  - Audit and Risk Management Committee covering also ESG matters ; Chair: Ms. Bernadette Baudier
  - Remuneration, Nomination and Corporate Governance Committee ; Chair: Mr. Alain Kinsch

### Shareholder structure



**Diverse skills, backgrounds, knowledge, experience, geographic locations, nationalities and gender are reflected on our board and ensure effective governance**

# Business overview





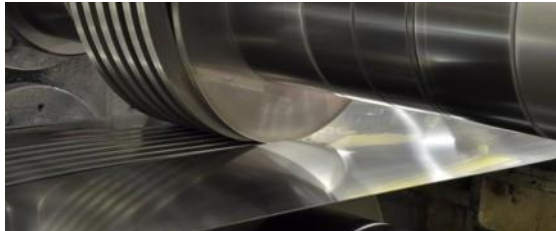
Musée des Confluences in Lyon, France. Architect: Coop Himmelb(l)au © Sergio Pirrone. Stainless steel used: Aperam 316L/1.4404 with Uginox Me

# **Group segments & corporate structure**

# Business overview

## Group: Segments & corporate structure\*









Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties
<p><b>2.5mt</b> production capacity</p> <p><b>1.7mt</b> of gross shipments</p> <p><b>73%</b> of group adj EBITDA</p>	<p><b>706kt</b> of gross shipments</p> <p><b>13%</b> of group adj EBITDA</p>	<p><b>40 kt</b> production capacity</p> <p><b>36kt</b> of gross shipments</p> <p><b>14%</b> of group adj EBITDA</p>
<p>One of the largest global producers of stainless steel**</p> <p><b>Europe:</b></p> <p>2 Electric Arc Furnaces use scrap as major input material</p> <p>Stainless steel flat product output</p> <p><b>South America:</b></p> <p>2 blast furnace use iron ore and charcoal produced from own forests</p> <p>2 EAF use recycled scrap</p> <p>Stainless flat products &amp; electrical steel</p>	<p>Aperam sells and distributes its products through the S&amp;S segment, which provides value added and customized steel solutions through further processing to meet specific customer requirements. S&amp;S core activities:</p> <ul style="list-style-type: none"><li>• <b>direct sale</b> of Aperam products to end users</li><li>• <b>distribution</b> of Aperam and third party material</li><li>• <b>transformation</b> services, according to specific customer requirements</li></ul>	<p><b>Fourth</b> largest producer of nickel alloys globally</p> <p>Aperam specializes in nickel alloys and specific stainless steels</p> <p>Our products take the form of bars, semis, cold-rolled strips, wire and wire rods, and plates, and are offered in a wide range of grades</p> <p>High value items that are often sold on a kg basis</p>
		
<p><b>Aperam covers the complete stainless value chain with industry leading assets in Europe and Brazil</b></p>		

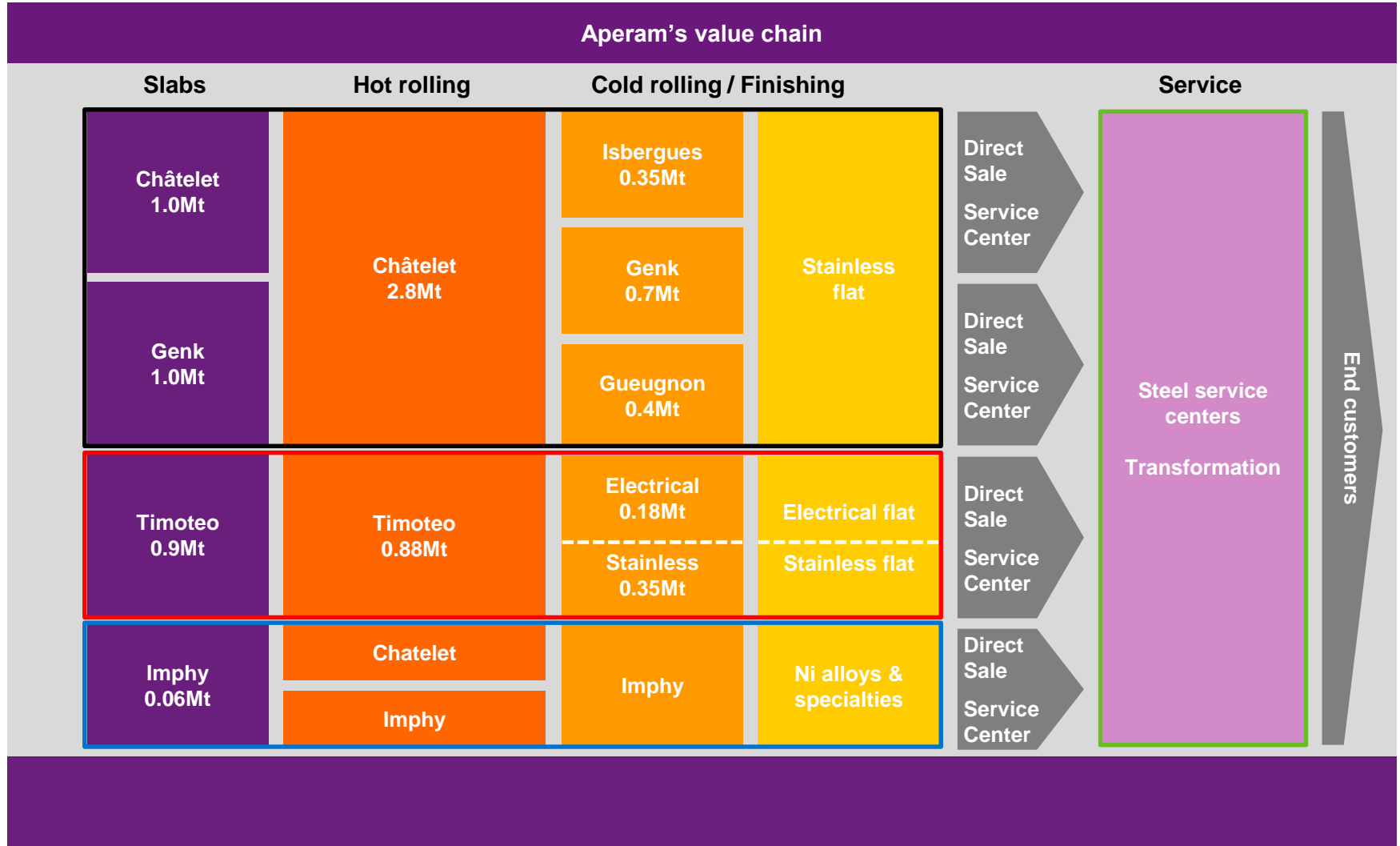
\*gross shipments and adj EBITDA are before eliminations

\*\* By production capacity



### Production assets in Europe and South America

Châtelet, Belgium	Genk, Belgium	Gueugnon, France	Isbergues, France	Timóteo, Brazil	Imphy, France
					
<b>Location &amp; facts</b> Melt shop Hot rolling mill	<b>Location &amp; facts</b> Melt shop Cold-rolling mill Finishing	<b>Location &amp; facts</b> Cold-rolling mill Finishing	<b>Location &amp; facts</b> Cold-rolling mill Finishing	<b>Location &amp; facts</b> Melt shop Cold-rolling mill Finishing	<b>Location &amp; facts</b> Melt shop Cold-rolling mill Finishing
<b>Capacity</b> Slabs 1,000 kt HSM 2,800 kt	<b>Capacity</b> Slabs 1,000 kt 2 m wide capacity 316 and duplex grades Cold-rolling 700 kt	<b>Capacity</b> Finished 400 kt Specialized in Bright Annealing (BA) products and stabilized ferritics.	<b>Capacity</b> Finished 350 kt LC2i: integrated line	<b>Capacity*</b> Slabs 900kt Stainless finished 350kt Electrical CR: Grain oriented 60kt Non GO 170kt SP Carbon 200kt <small>*some lines are flexibly used for different products</small>	<b>Capacity</b> EAF 60kt 1 VIM, 2 VAR, Rotary continuous Caster for long products Wire hot rolling mill: 40kt 6 Cold rolling mills

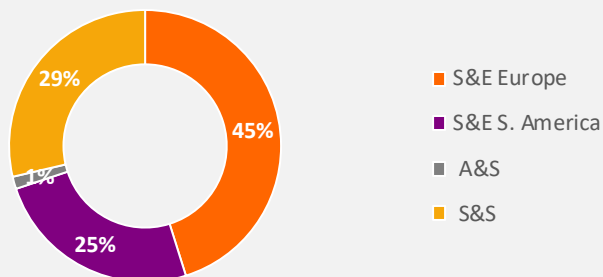


# Business overview

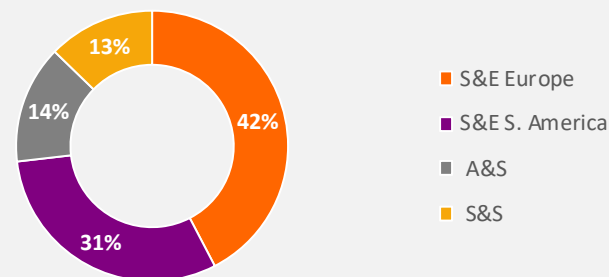
**Group:** A balanced risk profile and customer structure



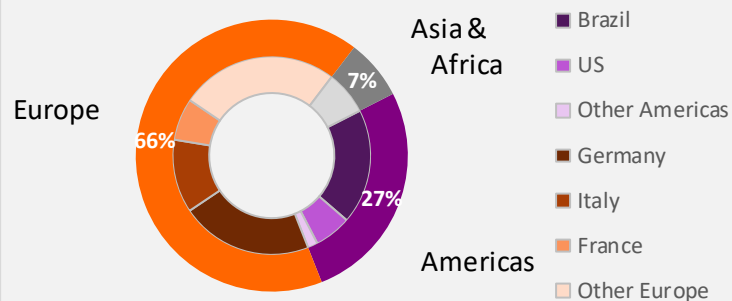
Shipment split by segment 2019\*



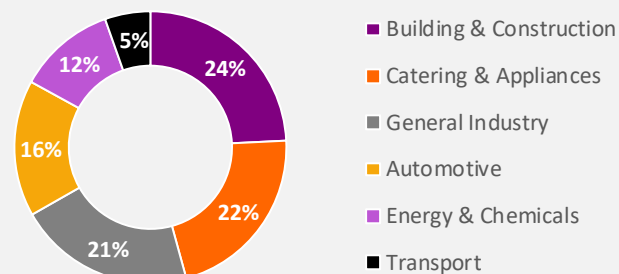
Adj EBITDA contribution by segment 2019\*



Revenue by region 2019



Revenue by customer industry 2019



\* Calculated on segmental data before eliminations

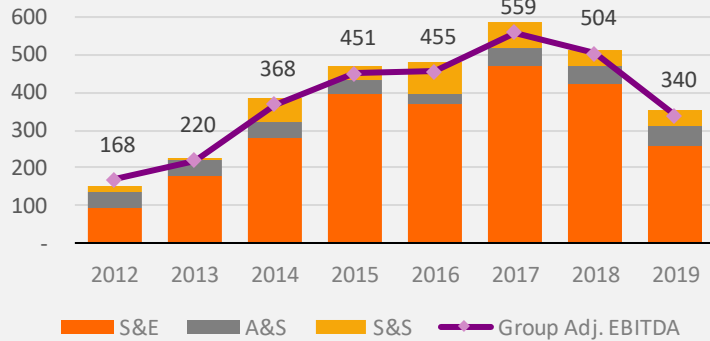


## Business overview

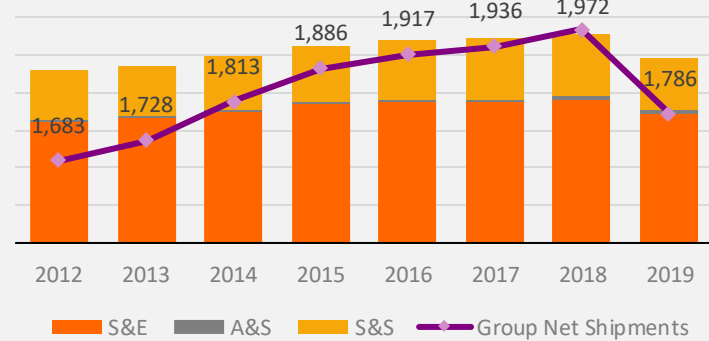
**Group:** Self help has transformed the group. Higher cash generation and profitability even in adverse market conditions



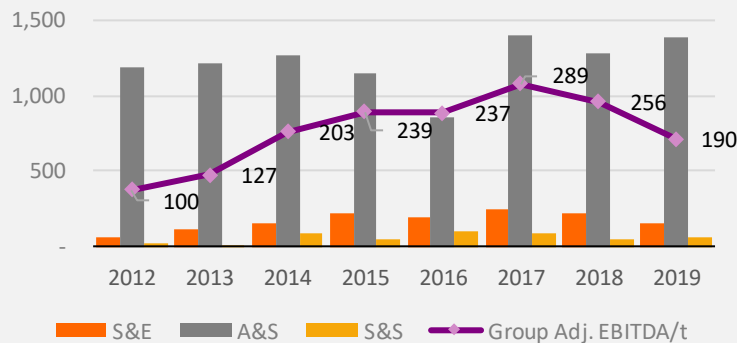
### Adj EBITDA by segment (EURm)



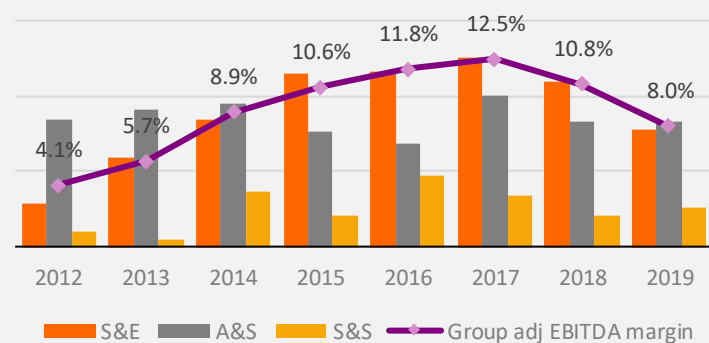
### Shipment by segment (kt)



### Adj EBITDA/t (EUR)



### Adj EBITDA margin



# **Stainless & Electrical Steel**

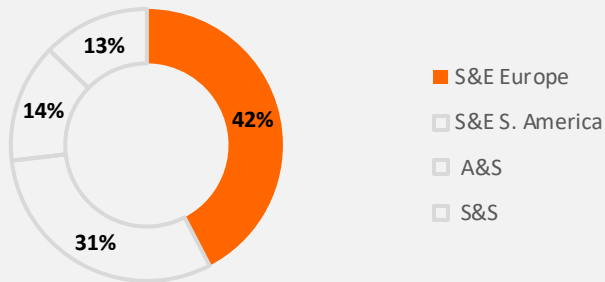
## **Europe**

## Business overview

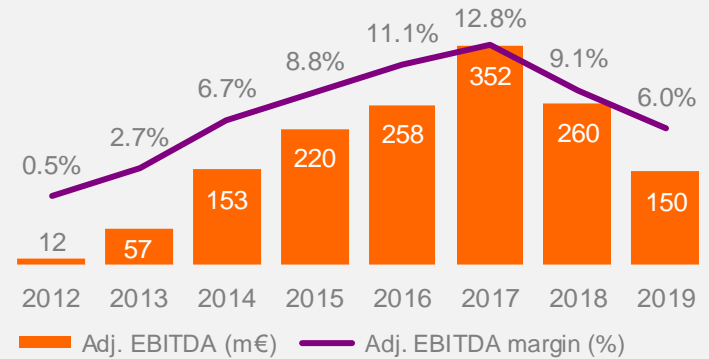
**S&E Steel Europe:** Self-help measures yield a robust operational performance despite a price and volume squeeze



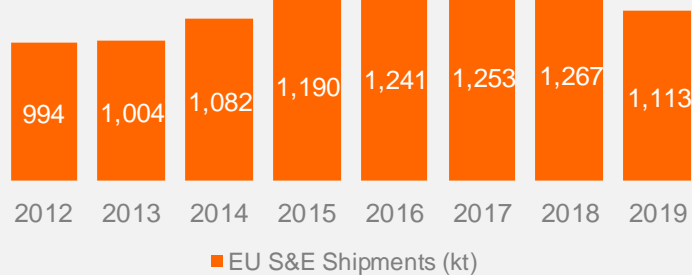
### Major adj EBITDA contributor 2019



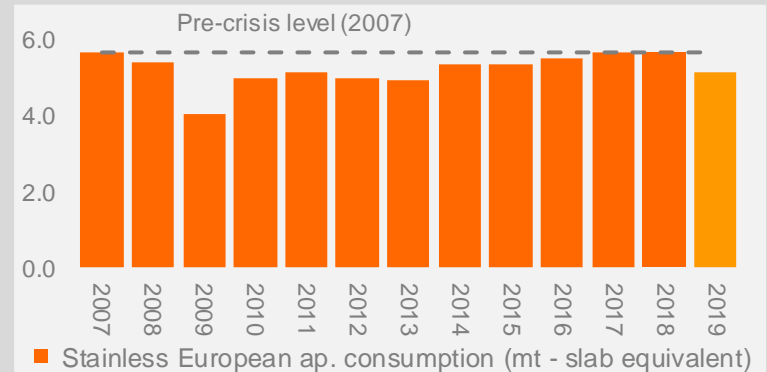
### Robust profitability capitalizing on restructuring



### European shipments reflect import pressure, destocking and weak real demand



### European stainless steel demand came under cyclical pressure in 2019



## Business overview

### S&E Steel Europe: Leverage Aperam's unique position



#### European stainless steel industrial footprint



#### Aperam key competitive advantage

##### Sourcing

- The only integrated upstream operations in the heart of Europe
- Superior access to scrap supply

##### Logistics

- Best location to serve the biggest consumption areas of Europe
- Efficient logistics between sites results in industry leading working capital management

##### Production

- Full range of products with flexible capacity
- Increase scrap recycling to minimize environmental impact
- Aim to become cost leader in the key products

Located in the heart of European scrap generation and stainless consumption

## EU trade action update

Further actions against unfair trade have been initiated in addition to the existing Safeguard



NEW

	Safeguard	Anti-dumping (AD)	Countervailing duties (CVD)
<b>Aim</b>	<ul style="list-style-type: none"> <li>Maintain traditional trade flows</li> <li>Volume focused</li> </ul>	<ul style="list-style-type: none"> <li>Duty on imports that are <u>priced below fair market value</u>**</li> <li>Price focused</li> </ul>	<ul style="list-style-type: none"> <li>Neutralize effect of <u>subsidies</u> that benefit certain imports</li> <li>Price focused</li> </ul>
<b>Countries affected</b>	<ul style="list-style-type: none"> <li>All countries globally (if not explicitly exempt)</li> <li>Effective since February 2019 (Indonesia included from 1 Oct. 2019)</li> </ul>	<ul style="list-style-type: none"> <li>Hot rolled: <u>preliminary duties set</u> against China, Indonesia, Taiwan</li> <li>since 8 April 2020 with definitive measures to be defined Oct 2020</li> </ul>	<ul style="list-style-type: none"> <li>Hot rolled: <u>Case opened</u> by EU commission in October 2019 against China, Indonesia</li> <li>Final decision in Q4 2020</li> </ul>
<b>Measure</b>	<ul style="list-style-type: none"> <li>HR quota 364kt pa*</li> <li>CR quota 861kt pa*</li> <li>Largest importers have a country quota. A residual quota for all others</li> <li>25% duty for shipments &gt; quota</li> </ul>	<ul style="list-style-type: none"> <li>Hot rolled duty on every tonne entering the European market</li> <li>China: 14.5% - 18.9%</li> <li>Indonesia: 17.0%</li> <li>Taiwan: 6.0% - 7.5%</li> </ul>	<ul style="list-style-type: none"> <li>Hot rolled: duty to be determined according to unfair advantage granted</li> <li>Registration of HR imports from China &amp; Indonesia since 25 Jan</li> </ul>
<b>Impact</b>	<ul style="list-style-type: none"> <li>HR imports: FY 2018: 470 kt FY 2019: 500 kt</li> <li>CR imports: FY 2018: 1,044 kt FY 2019: 943 kt</li> </ul>	<ul style="list-style-type: none"> <li>2019 HR share of imports: China 61%, Indonesia 16%, Taiwan 7%</li> <li>H1 2020 HR imports from affected countries – 62% yoy</li> </ul>	<ul style="list-style-type: none"> <li>HR: impact to be determined</li> <li>2019 HR share of imports: China 61%, Indonesia 16%</li> </ul>

Existing AD on cold rolled against China (25.3% duty) and Taiwan (6.8% duty) since 2015:  
China CR import share dropped from 32% in 2014 to negligible post AD was imposed

**Safeguard quotas are excessively generous. AD is effective in levelling the playing field**

\*Effective quota from 1 July 2020 to 30 June 2021. Quotas are quarterly from 07/20. There is one global SS Hot Rolled quotas since July 2020  
SS CR: country quotas S. Korea, Taiwan, India, USA, Turkey, Malaysia, Vietnam \*\*could be difference between domestic market price and export price or cost based

# **Stainless & Electrical Steel**

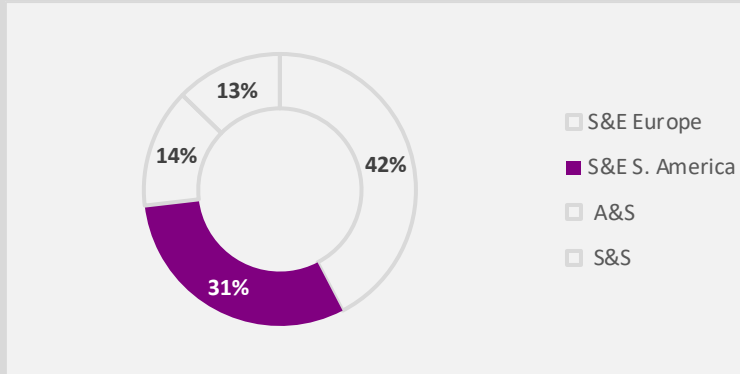
## **South America**

## Business overview

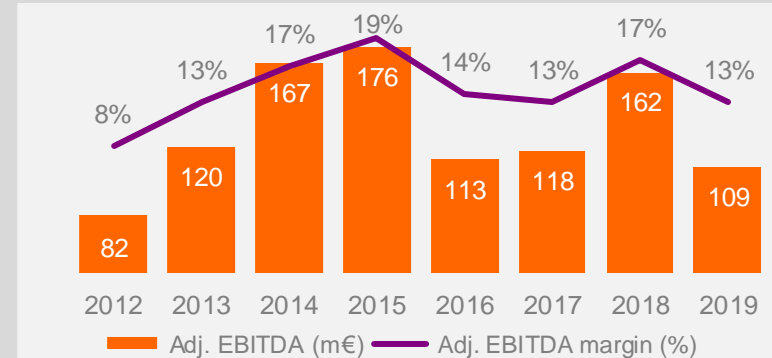
**S&E Steel South America:** A flexible, agile and highly profitable asset



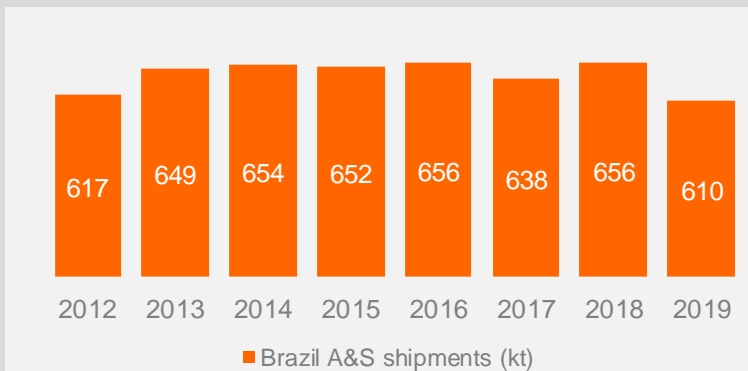
### A significant adj EBITDA contributor 2019 despite demanding conditions



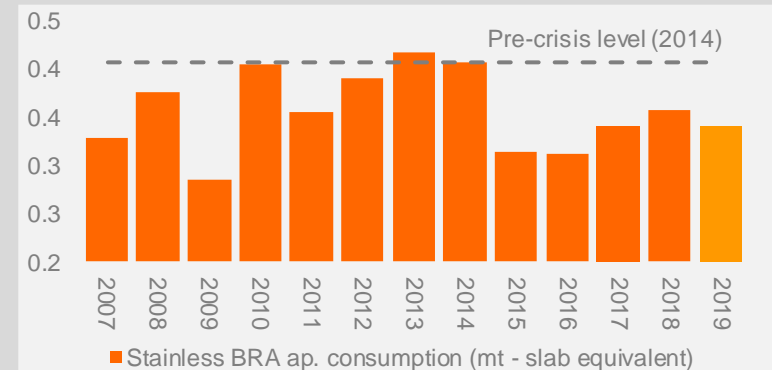
### Earnings reflect weak domestic economic environment



### Stable shipments due to mix of domestic and exports



### Weak economic growth continues to weigh on stainless steel consumption in Brazil



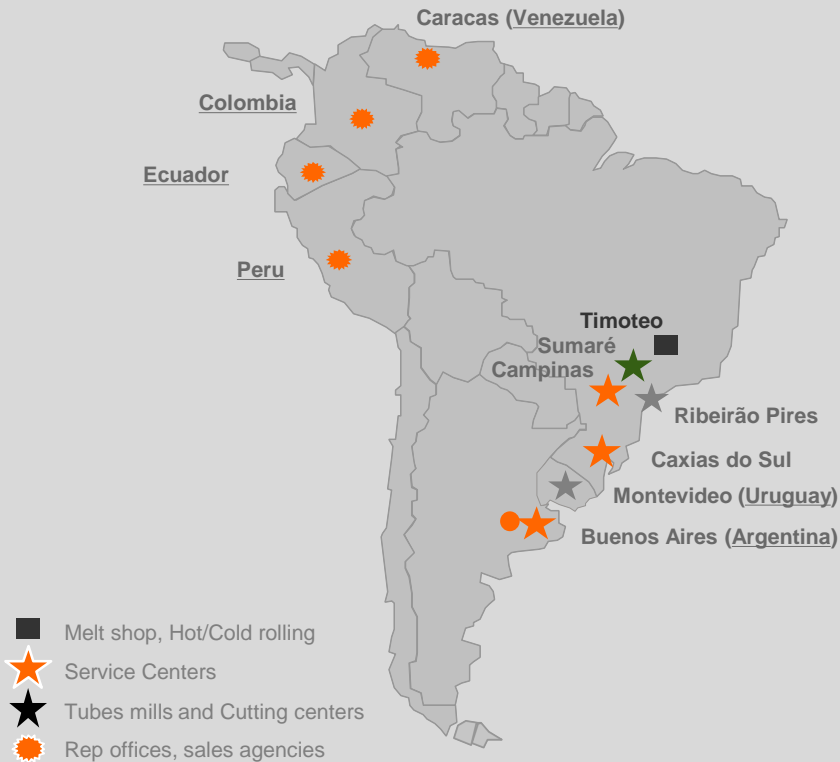


## Business overview

**S&E Steel South America:** Our Brazil asset is unique – the only stainless steel producer in South America



### Aperam South America footprint



### Upstream integration

#### Bio Energia

Cost competitive & environmentally friendly charcoal from own cultivated forests is used to heat the blast furnace



### Range of products

#### Stainless Steel

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



#### Grain oriented electrical steel

Grain oriented electric steel\* for use eg in stationary machines eg transformers



#### Non grain oriented electrical steel

Non-grain oriented electric steel\*\* for use in electric motors and generators



#### Special carbon steel

Alloyed, high, medium & other special carbon steel are completing product portfolio



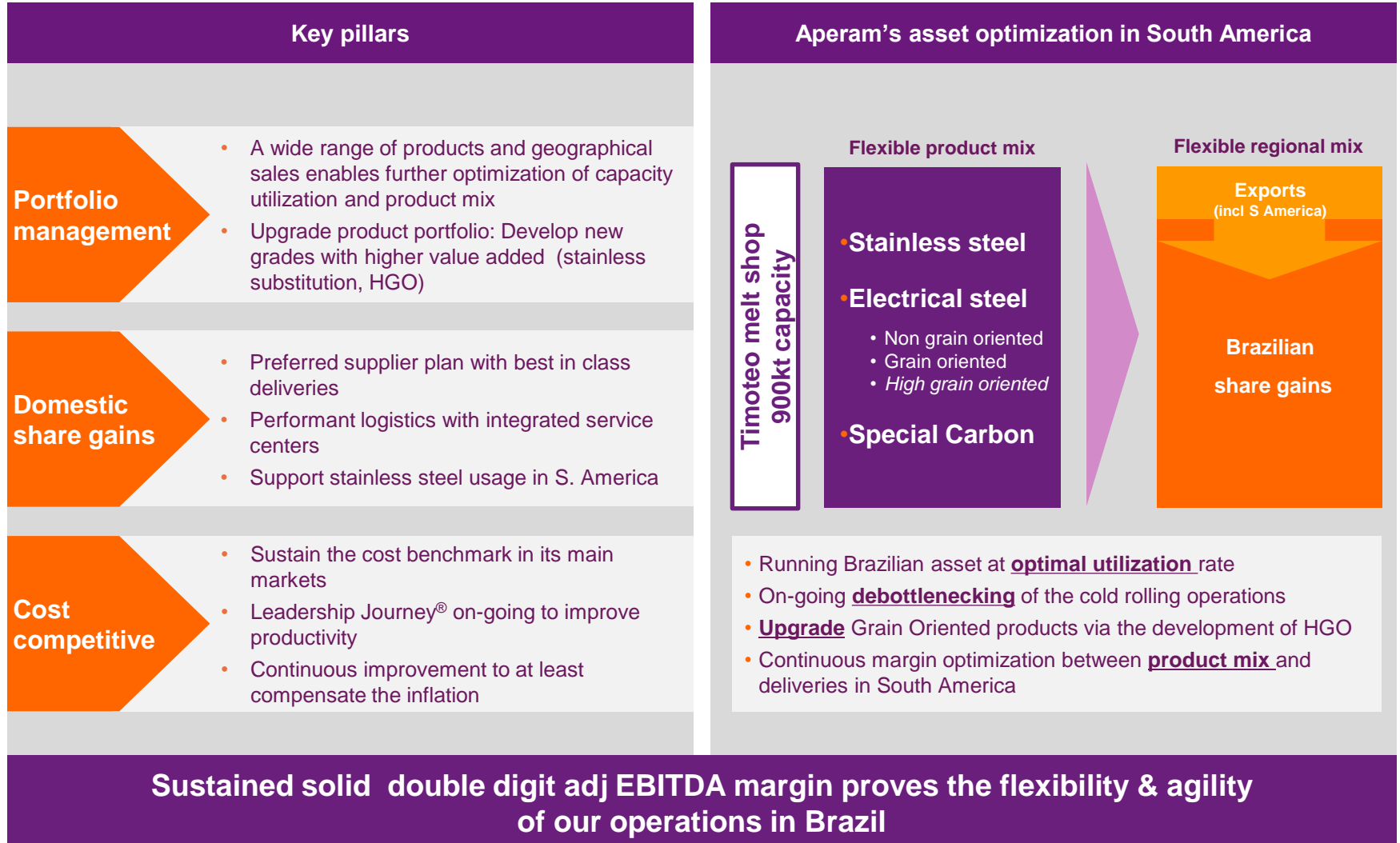
**The sole flat stainless steel producer in South America with a complete range of products, and a flexible production set-up**

\*Grain oriented steel (GO & HGO) has the magnetic properties optimized in one direction during hot rolling.

\*\*Non-grain oriented steel (NGO) has identical magnetic properties in all directions

## Business overview

**S&E Steel South America:** Brazil can switch flexibly between products and markets to maximize profitability

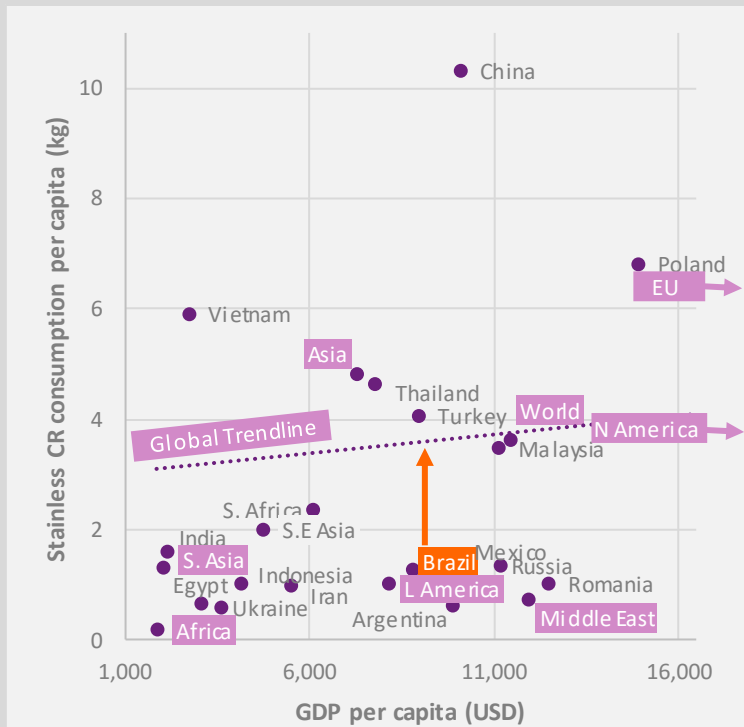


## Business overview

**S&E Steel South America:** Brazil offers ample opportunity for both cyclical and structural growth



### Brazil consumes substantially below the global trend line



### Brazil opportunities

- ✓ **Short term:** reviving the normal investment cycle in the economy. Large scale infrastructure & energy projects have been missing
- ✓ **Medium term:** Tax reform that put our customers in a position to compete on a global level will drive volume and yield a positive mix effect
- ✓ **Long term:** Higher standard of living will drive stainless steel consumption. Currently Brazil at 1.4kg / capita vs China >9kg/capita and a GDP implied consumption of >3.5kg/capita

### Examples of stainless steel solutions in the Agrobusiness:



Equipment for the transport and sterilization of Palm fruits



Equipment for washing gases from biomass burning



Slats of metallic conveyor belt for the transport of sugarcane

#### Largest global producer of:

- Coffee
- Orange
- Sugarcane and sugar

#### Largest global exporter of:

- Meat
- Poultry
- Sugar
- Ethanol

**Brazil has tremendous potential for volume & mix improvement**

### S&E Steel South America: Brazilian protections against unfair market behaviour



Type of products	Import duties status	Anti-dumping status
<b>Stainless Steel Flat Products</b>	✓ Normal import duties are 14%	<ul style="list-style-type: none"> <li>✓ China, Taiwan</li> <li>✓ AD duties starting October 4<sup>th</sup>, 2019 for 5 years</li> <li>✓ China USD175/t – USD629/t, Taiwan USD93/t – USD705/t</li> </ul>
<b>Stainless Steel Welded Tubes</b>	✓ Normal import duties are 14%	<ul style="list-style-type: none"> <li>✓ China and Taiwan: AD duties since July 29<sup>th</sup>, 2013 for 5 years and up to USD911/t. Renewal investigation launched on July 16<sup>th</sup>, 2018</li> <li>✓ Malaysia, Thailand and Vietnam: AD duties starting June 13, 2018, for 5 years from USD367/t up to USD888/t</li> </ul>
<b>Electrical steel – Non Grain Oriented</b>	✓ Normal import duties are 14%	<ul style="list-style-type: none"> <li>✓ China, South Korea, Taiwan, Germany: AD duties from 15 July 2019 for 5 years from USD90/t – USD166.3/t</li> </ul>
<b>Electrical steel – Grain Oriented</b>	✓ Normal import duties are 14%	

### Tariff measures to support fair market environment in Brazil

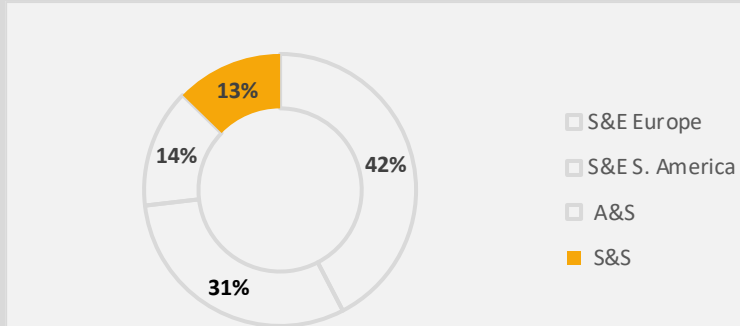
# Services & Solutions

## Business overview

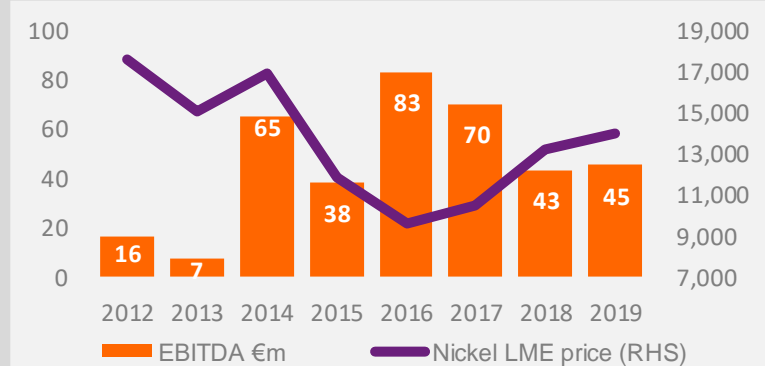
**Services & Solutions:** stronger partnership with customers enhances margins



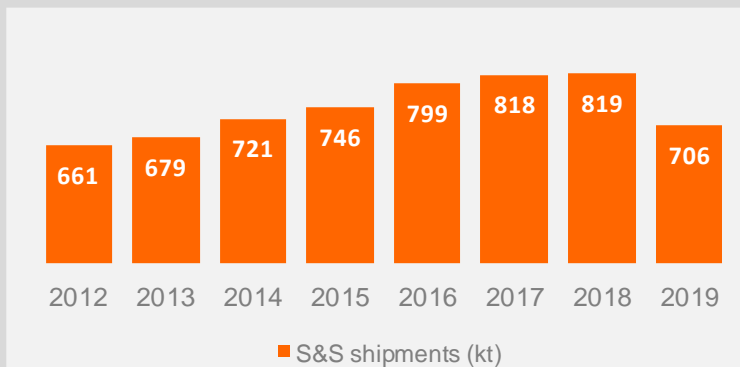
### A significant adj EBITDA contributor 2019 despite tough conditions



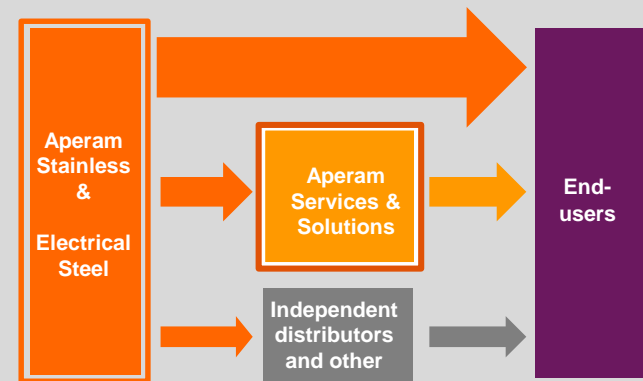
### A profitable Services & Solutions thanks to its focus on service oriented customers



### Increasing focus on downstream value added services and solutions



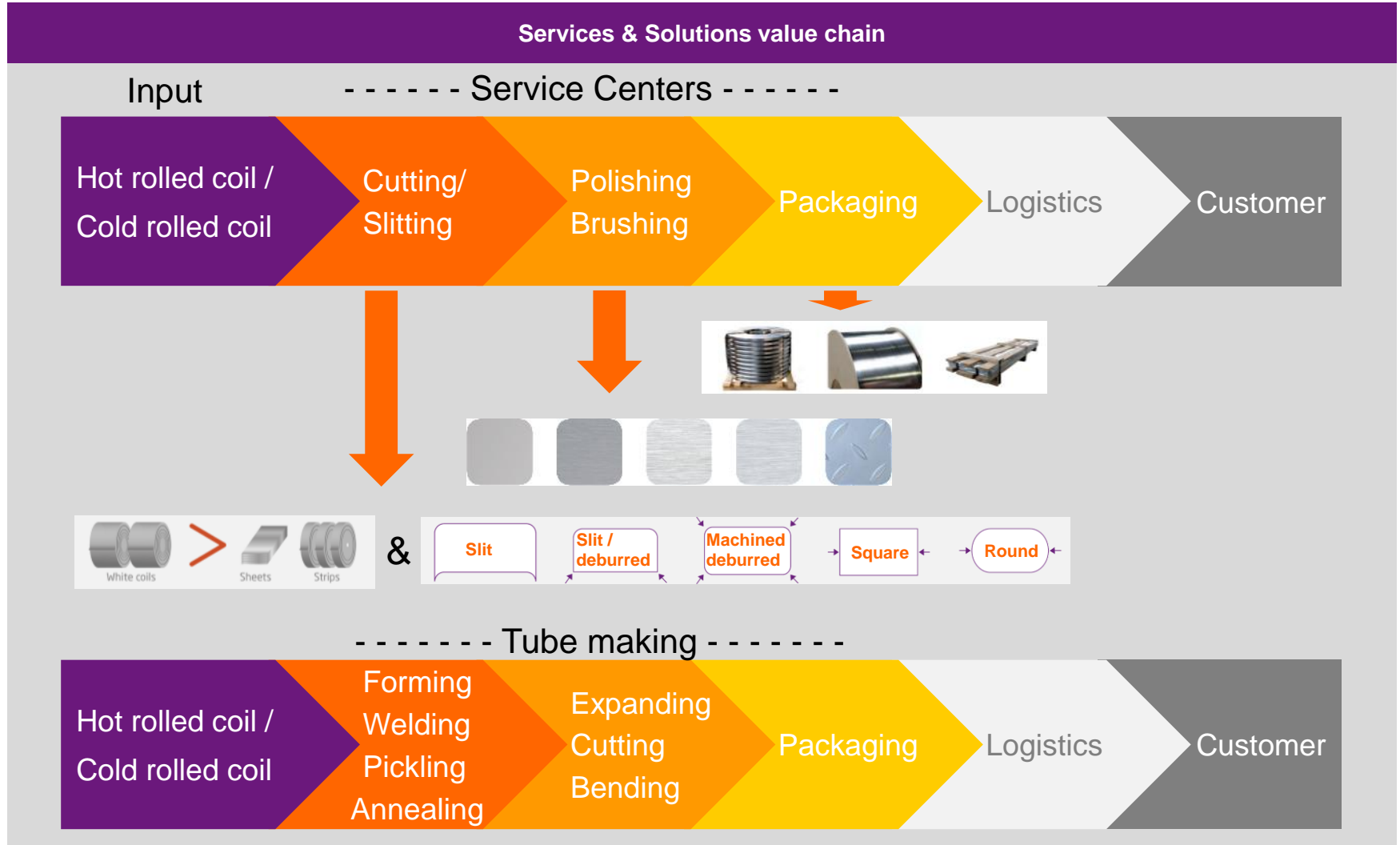
### A majority of “in house” exposure to end users to best serve their needs and provide best services & solutions





## Business overview

### Services & Solutions: Adding value downstream



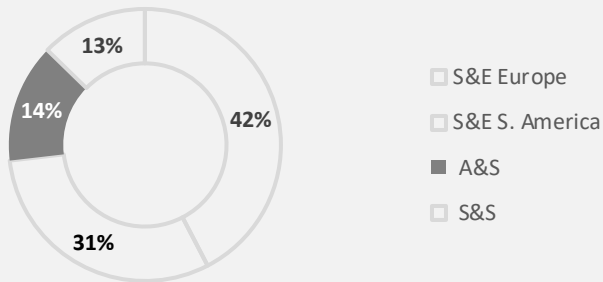
# Alloys & Specialties

## Business overview

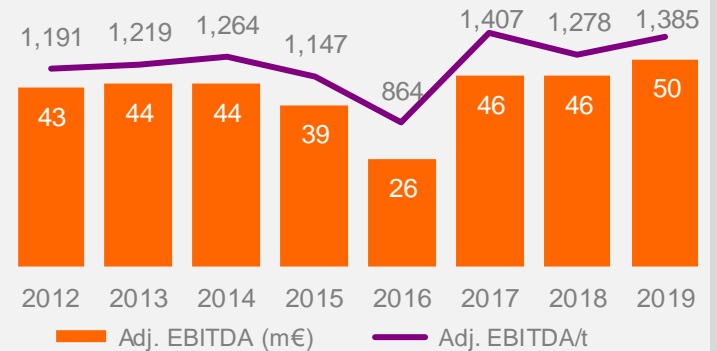
**Alloys & Specialties:** attractive niche market with high margins



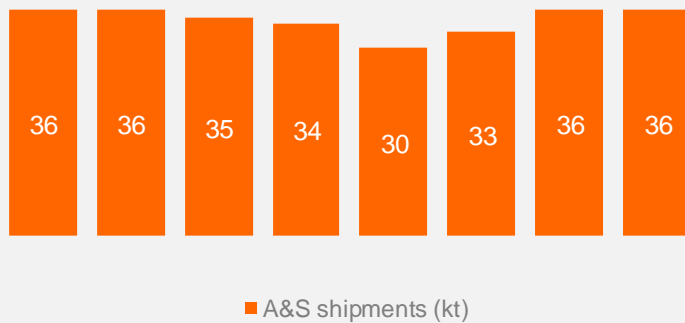
### Aperam's high value-added segment 2019



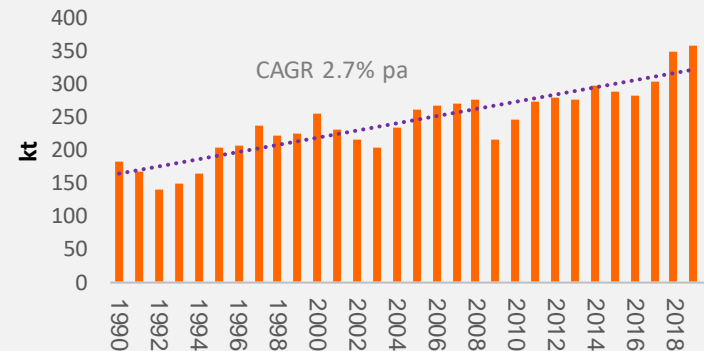
### High profitability due to end products & end user orientation



### Stable shipments but markedly improved mix



### Nickel Alloys a growing and premium niche market

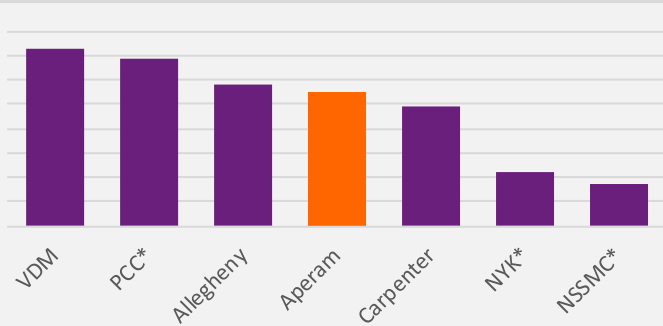


## Business overview

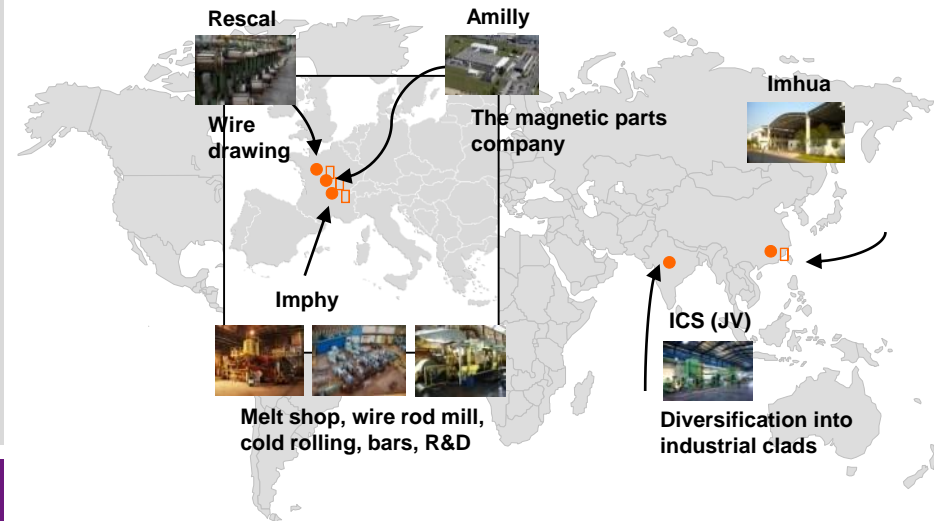
**Alloys & Specialties:** attractive niche market with high margins



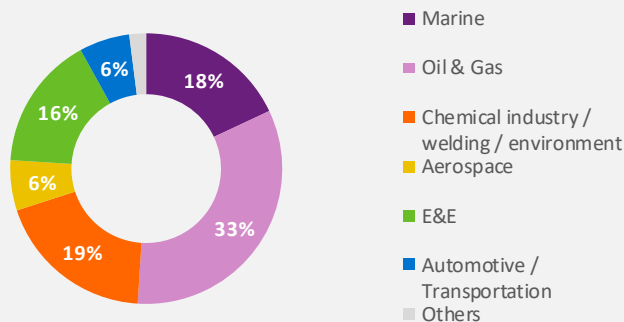
Aperam is global top player in nickel alloys and strong in long products (kt)



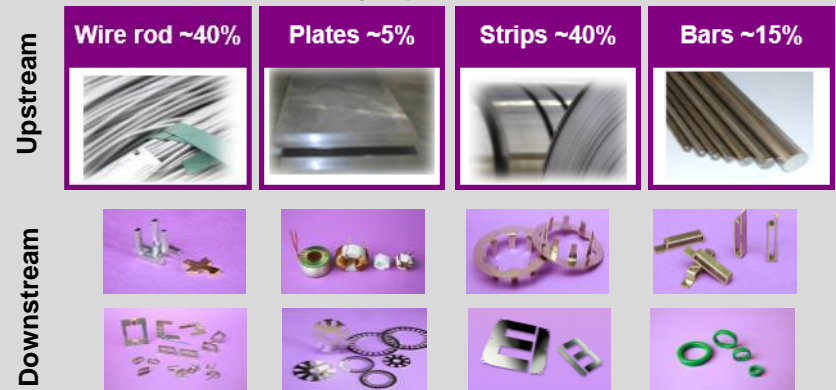
Aperam Alloys & Specialties geographical footprint



Alloys & Specialties sales by industry 2019



Major products



Source: SMR, Aperam

\*PCC (Special Metals) NYK (Nippon Yakin Kogyo)

## Business overview

### Alloys & Specialties: Specialty alloys add stability and profitable growth element



#### Innovation is key for premium specialties...

##### R&D intensive industry

- Substantial market entry barriers
- Benchmark customers in advanced industries require tailored, certified and highly sophisticated solutions

#### Key R&D figures (based on 2019)



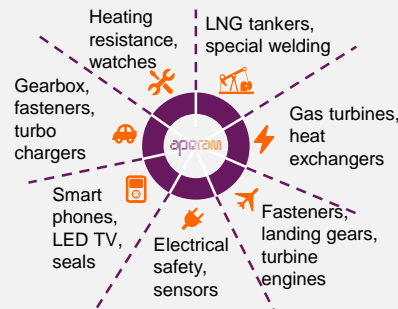
Cooperation contracts	26
Total registered patents	341
Sales of new products	14%

#### ...to cater for highly sophisticated and evolving needs...

##### High growth end market applications

- "Kilogram" market: unique products designed to enable precision and high-tech solutions globally
- Highly diversified end-markets

#### Key end-markets / application types

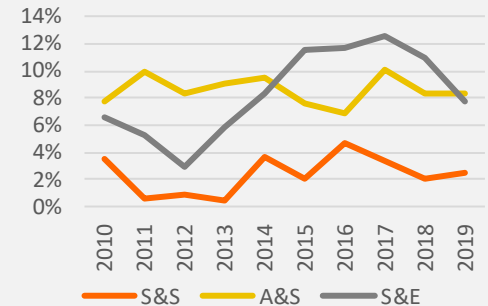


#### ...yielding growth opportunities and margin stability

##### Less exposed to commodity cycles

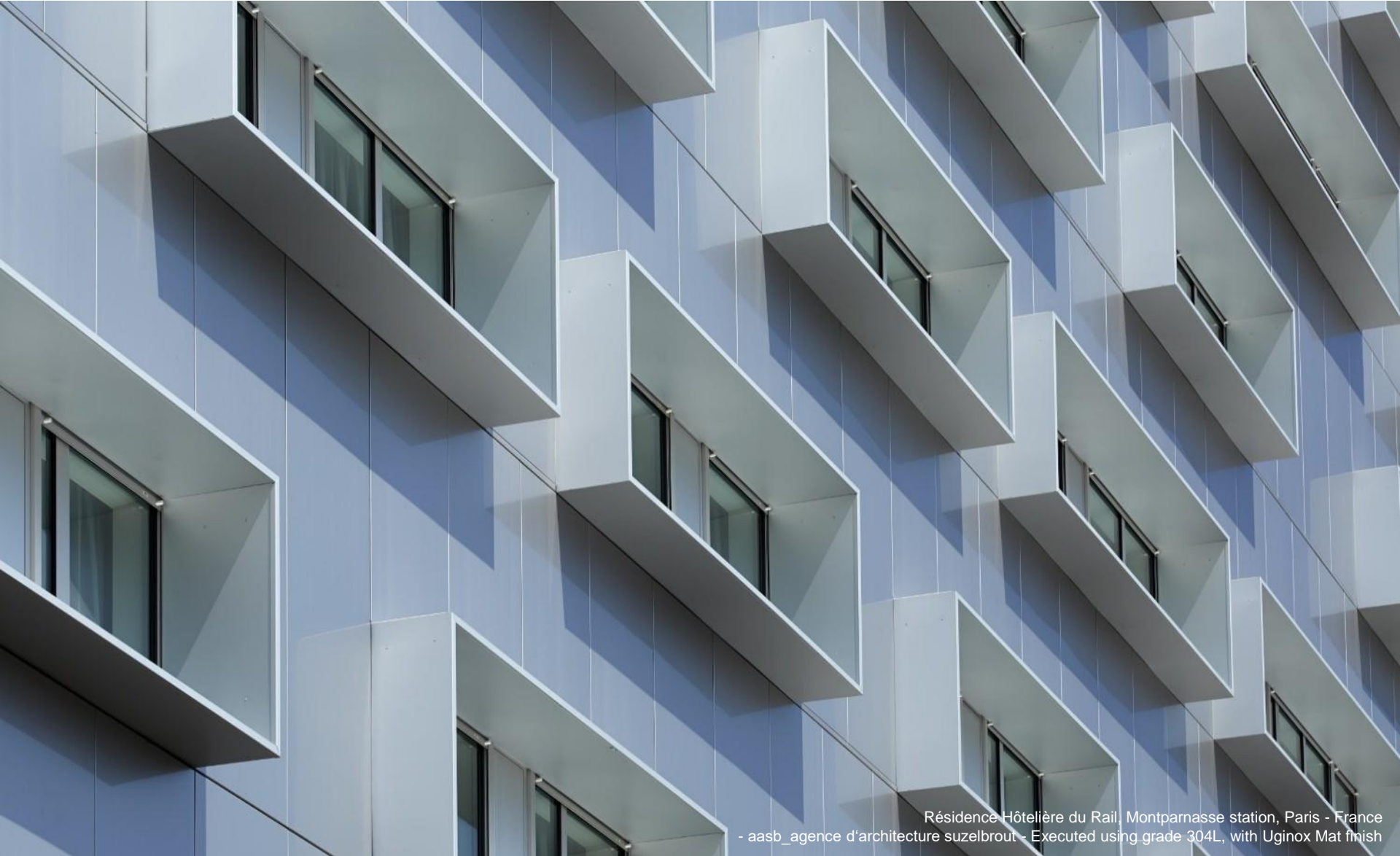
- Cost of raw materials passed through to customers
- Long-standing client relationships
- Good visibility on volumes with high proportion of recurring revenue

#### EBITDA margins by Aperam division



A very profitable, growing and stable niche market

# Appendix



Résidence Hôtelière du Rail, Montparnasse station, Paris - France  
- aasb\_agence d'architecture suzelbrout - Executed using grade 304L, with Uginox Mat finish

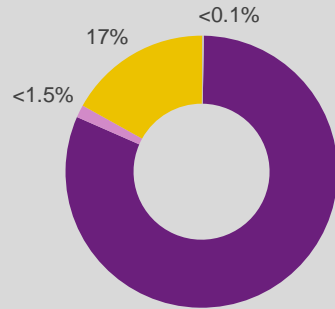


## Appendix

### Key stainless product categories by alloy content

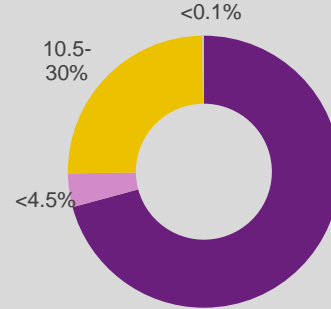


#### Martensitic



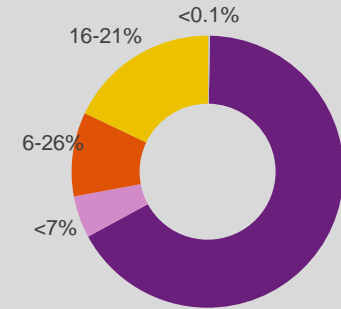
Cutlery, cutting tools, construction tools...

#### Ferritic (400 series)



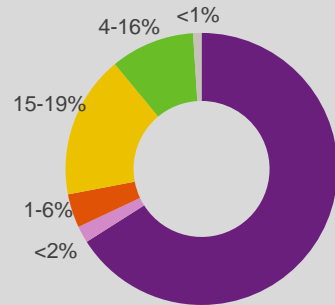
Car exhausts, conveyor chains, cooking utensils, boilers, electrical appliances, trim, dishware, heating, tanks, tubes...

#### Austenitic (300 series)



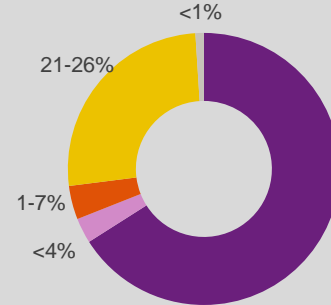
Boiler, aeronautics, electronic components, railway equipment, tubes, chemical tanks, food vats, marine applications, furnace, heating...

#### Austenitic with Manganese (200 series)



Asphalt tankers, tubes, food containers, silos, conveyor chains, safety soles...

#### Austeno-ferritics (Duplex)



Oil & gas equipment, papermaking, pulp, desalination sector, chemical plants...

#### By weight

