

Aperam S.A.



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First quarter 2020 results

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First quarter 2020 results

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"A seasonally normal quarter until the COVID impact in March"

Luxembourg, May 6, 2020 (07:00 CET) - Aperam (referred to as "Aperam" or the "Company") (Amsterdam, Luxembourg, Paris, Brussels: APAM, NYRS: APEMY), announced today results for the three months ending March 31, 2020.

Highlights

Health and Safety: LTI frequency rate of 1.9x in Q1 2020 compared to 1.9x in Q4 2019

Steel shipments of 438 thousand tonnes in Q1 2020, 9.0% increase compared to steel shipments of 402 thousand tonnes in Q4 2019

Adj EBITDA of EUR 70 million in Q1 2020, compared to EUR 85 million in Q4 2019

Net income of EUR 29 million in Q1 2020, compared to EUR 29 million in Q4 2019

Basic earnings per share of EUR 0.36 in Q1 2020, compared to EUR 0.36 in Q4 2019

Cash flow from operations amounted to EUR 63 million in Q1 2020, compared to EUR 162 million in Q4 2019

Free cash flow before dividend of EUR 18 million in Q1 2020, compared to EUR 140 million in Q4 2019, including EUR 30 million from the divestment of the entire Gerdau stake

Net financial debt of EUR 108 million as of March 31, 2020, compared to EUR 75 million as of December 31, 2019

Strategic initiatives

Leadership Journey(R)² Phase 3: The annualized gains reached EUR 23 million in Q1 2020. Aperam realized cumulative annualized gains of EUR 146 million at the end of Q1 2020, compared to the target of EUR 200 million by the end of 2020

Prospects

Adj EBITDA in Q2 2020 is expected to decrease versus Q1 2020 due to up to 25% expected lower volumes

Q2 2020 free cash flow is expected to be positive. Net financial debt is expected to increase slightly

Timoteo Di Maulo, CEO of Aperam, commented:

"We started well into the year with a seasonal volume recovery and the exhaustion of some import quotas increasing demand for domestically produced material although prices remained low. Towards the end of the quarter we faced significant COVID-19 related effects from temporary plant shutdowns as we continue to do everything we can to support and look after our employees and the people we serve. Looking ahead our order book indicates a clear drop in volumes for the second quarter that will impact earnings. We have taken all necessary operational and financial mitigation measures. We continue to focus on Aperam's solid

cash generation, ample liquidity and strong balance sheet which will allow us to emerge stronger from this crisis."

Financial Highlights (on the basis of financial information prepared under IFRS)

(in millions of Euros, unless otherwise stated)	Q1 20	Q4 19	Q1 19
Sales	1,049	1,000	1,178
Operating income	34	59	46
Net income attributable to equity holders of the parent	29	29	25
Basic earnings per share (EUR)	0.36	0.36	0.30
Diluted earnings per share (EUR)	0.36	0.36	0.30
Free cash flow before dividend and share buy-back	18	140	24
Net Financial Debt (at the end of the period)	108	75	106
Adj. EBITDA	70	85	81
Exceptional items	-	17	-
EBITDA	70	102	81
Adj. EBITDA/tonne (EUR)	160	211	162
EBITDA/tonne (EUR)	160	254	162
Steel shipments (000t)	438	402	501

Health & Safety results

Health and Safety performance based on Aperam personnel figures and contractors' lost time injury frequency rate was 1.9x in the first quarter of 2020 compared to 1.9x in the fourth quarter of 2019.

Financial results analysis for the three-month period ending March 31, 2020

Sales for the first quarter of 2020 increased by 5% to EUR 1,049 million compared to EUR 1,000 million for the fourth quarter of 2019. Steel shipments increased from 402 thousand tonnes in the fourth quarter of 2019, to 438 thousand tonnes in the first quarter of 2020.

EBITDA decreased during the quarter to EUR 70 million from EUR 102 million for the fourth quarter of 2019 (including exceptional gains of EUR 17 million for PIS/Cofins tax credits related to prior periods recognized in Brazil). Europe benefited from seasonally higher volumes while Brazil declined due to seasonal factors. Prices remained under pressure. Lower raw material prices caused significant negative inventory valuation effects. Also COVID-19 related costs burdened EBITDA due to temporary plant closures and transportation disruptions starting mid March.

Depreciation and amortization was EUR (36) million for the first quarter of 2020.

Aperam had an operating income for the first quarter of 2020 of EUR 34 million compared to an operating income of EUR 59 million for the previous quarter.

Financing costs including the FX and derivatives result for the first quarter of 2020 were EUR (7) million, including cash cost of financing of EUR (3) million.

Income tax benefit for the first quarter of 2020 was EUR 2 million.

The Company recorded a net income of EUR 29 million for the first quarter of 2020.

Cash flows from operations for the first quarter of 2020 were positive at EUR 63 million, with a working capital increase of EUR 21 million. CAPEX for the first quarter was EUR (45) million.

Free cash flow before dividend for the first quarter of 2020 amounted to EUR 18 million.

During the first quarter of 2020, the cash returns to shareholders amounted to EUR 32 million, consisting fully of dividend.

Operating segment results analysis

Stainless & Electrical Steel⁽¹⁾

(in millions of Euros, unless otherwise stated)	Q1 20	Q4 19	Q1 19
Sales	827	808	931
Adjusted EBITDA	53	71	52
Exceptional items	-	16	-
EBITDA	53	87	52
Depreciation, amortisation & impairment	(30)	(34)	(30)
Operating income	23	53	22
Steel shipments (000t)	426	402	479
Average steel selling price (EUR/t)	1,876	1,843	1,871

(1) Amounts are shown prior to intra-group eliminations

The Stainless & Electrical Steel segment had sales of EUR 827 million for the first quarter of 2020. This represents a 2.4% increase compared to sales of EUR 808 million for the fourth quarter of 2019. Steel shipments during the first quarter were 426 thousand tonnes, an increase of 6.0% compared to shipments of 402 thousand tonnes during the previous quarter. Volumes in Europe increased seasonally and also benefited from the anti dumping investigation on hot rolled coil against China, Indonesia and Taiwan, while volumes declined seasonally in Brazil. Average steel selling prices for the Stainless & Electrical Steel segment increased by 1.8% compared to the previous quarter.

The segment generated EBITDA of EUR 53 million for the first quarter of 2020 compared to EUR 87 million for the fourth quarter of 2019 including exceptional gains of EUR 16 million in Brazil for PIS/Cofins tax credits related to prior periods. The positive impact from higher volumes in Europe was fully compensated by negative inventory valuation effects from raw material pricing and COVID-19 related costs.

Depreciation and amortisation expense was EUR (30) million for the first quarter of 2020.

The Stainless & Electrical Steel segment had an operating income of EUR 23 million for the first quarter of 2020 compared to an operating income of EUR 53 million for the fourth quarter of 2019.

Services & Solutions⁽¹⁾

(in millions of Euros, unless otherwise stated)	Q1 20	Q4 19	Q1 19
Sales	450	382	520
Adjusted EBITDA	9	4	16
Exceptional items	-	1	-
EBITDA	9	5	16
Depreciation & amortisation	(3)	(5)	(2)

Operating income	6	-	14
Steel shipments (000t)	186	144	214
Average steel selling price (EUR/t)	2,331	2,470	2,313

(1) Amounts are shown prior to intra-group eliminations

The Services & Solutions segment had sales of EUR 450 million for the first quarter of 2020, representing an increase of 17.8% compared to sales of EUR 382 million for the fourth quarter of 2019. For the first quarter of 2020, steel shipments were 186 thousand tonnes compared to 144 thousand tonnes during the previous quarter. The Services & Solutions segment had lower average steel selling prices during the period compared to the previous period.

The segment generated EBITDA of EUR 9 million for the first quarter of 2020 compared to EBITDA of EUR 5 million, including EUR 1 million of PIS/Cofins credits for the fourth quarter of 2019. EBITDA increased mainly due to a pronounced 29% increase in volumes quarter on quarter that was more than compensated for negative inventory valuation effects and COVID-19 related costs from the temporary closure of our service center in Italy.

Depreciation and amortisation was EUR (3) million for the first quarter of 2020.

The Services & Solutions segment had an operating income of EUR 6 million for the first quarter of 2020 compared to an operating income of less than EUR 1 million for the fourth quarter of 2019.

Alloys & Specialties⁽¹⁾

(in millions of Euros, unless otherwise stated)	Q1 20	Q4 19	Q1 19
Sales	155	160	153
EBITDA	9	14	12
Depreciation & amortisation	(3)	(1)	(2)
Operating income	6	13	10
Steel shipments (000t)	9	9	10
Average steel selling price (EUR/t)	16,572	16,384	15,303

(1) Amounts are shown prior to intra-group eliminations

The Alloys & Specialties segment had sales of EUR 155 million for the first quarter of 2020, representing a decrease of 3.1% compared to EUR 160 million for the fourth quarter of 2019. Steel shipments were stable during the first quarter of 2020 at 9 thousand tonnes. Average steel selling prices were slightly higher during the quarter.

The Alloys & Specialties segment achieved EBITDA of EUR 9 million for the first quarter of 2020 compared to EUR 14 million for the fourth quarter of 2019. The decrease in EBITDA was due to COVID-19 related disruptions that also impacted shipments due to temporary plant closures. The segment also recorded negative raw material induced inventory valuation effects.

Depreciation and amortisation expense for the first quarter of 2020 was EUR (3) million.

The Alloys & Specialties segment had an operating income of EUR 6 million for the first quarter of 2020 compared to an operating income of EUR 13 million for the fourth quarter of 2019.

Recent developments

On February 26, 2020, Aperam announced the publication of its Annual Report 2019 ([Link](#)).

On March 19, 2020, in the context of the coronavirus (COVID-19) outbreak, Aperam announced additional actions to protect its employees and contractors.

On April 1, 2020, Aperam announced a prudent deferral of the start of its share buy back program in the context of COVID-19.

On April 3, 2020, Aperam announced the publication of the convening notice ([Link](#)) for its Annual General Meeting and Extraordinary General Meeting of shareholders, to be held on Tuesday May 5, 2020 without physical presence as permitted by Luxembourg law in context of the Covid-19 outbreak. Arrangements were made to provide for the opportunity for shareholders to vote electronically and by proxy voting.

On April 7, 2020, Aperam announced the appointment of Sudhakar Sivaji as the Company's new Chief Financial Officer, following the resignation of Sandeep Jalan. Sudhakar Sivaji, 40, will become a member of Aperam's Leadership Team and CFO of Aperam effective May 6, 2020.

On April 15 and 20, 2020, Aperam announced shareholding notifications by Société Générale SA for respectively crossing upwards and downwards the 5% voting rights threshold with reference to Transparency Law.

On April 30, 2020, Aperam announced the publication of its "made for life" report for 2019, which constitutes Aperam's sustainability report.

On May 5, 2020, Aperam announced that the Annual and Extraordinary General Meetings of Shareholders of Aperam held in Luxembourg on May 5, 2020 approved all resolutions on the agenda by a large majority.

New developments

On May 6, 2020, Aperam announced the nomination of Geert Verbeek, as CTO and member of the Leadership Team with responsibilities for Health, Safety & Environment, Industrial Risk & Innovation and Purchasing.

Investor conference call / webcast

Aperam management will host a conference call / webcast for members of the investment community to discuss the first quarter 2020 financial performance at the following time:

Date	New York	London	Luxembourg
Wednesday, May 6, 2020	09:30 am	02:30 pm	03:30 pm

Link to the webcast: https://channel.royalcast.com/webcast/aperam/20200506_1/

The dial-in numbers for the call are: international +44 (0) 20 3003 2666 ; USA +1 212 999 6659 . The conference password is Aperam.

A replay of the conference call will be available for one year at https://channel.royalcast.com/webcast/aperam/20200506_1/

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About Aperam

Aperam is a global player in stainless, electrical and specialty steel, with customers in over 40 countries. The business is organised in three primary operating segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties.

Aperam has a flat Stainless and Electrical steel capacity of 2.5 million tonnes in Brazil and Europe and is a leader in high value specialty products. In addition to its industrial network, spread over six production facilities in Brazil, Belgium and France, Aperam has a highly integrated distribution, processing and services network and a unique capability to produce stainless and special steels from low cost biomass (charcoal made from its own FSC-certified forestry).

In 2019, Aperam had sales of EUR 4,240 million and steel shipments of 1.79 million tonnes.

For further information, please refer to our website at www.aperam.com

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. 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 may cause our actual results to be materially different than those expressed in our forward-looking statements.

APERAM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million of EURO)	March 31, 2020	December 31, 2019	March 31, 2019
ASSETS			
Cash & cash equivalents (C)	297	375	342
Inventories, trade receivables and trade payables	641	655	773
Prepaid expenses and other current assets	85	84	86
Total Current Assets & Working Capital	1,023	1,114	1,201
Goodwill and intangible assets	445	479	494
Property, plant and equipment (incl. Biological assets)	1,555	1,653	1,605
Investments in associates, joint ventures and other	4	4	33
Deferred tax assets	126	128	160
Other non-current assets	70	81	97
Total Assets (net of Trade Payables)	3,223	3,459	3,590
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt and current portion of long-term debt (B)	40	85	272
Accrued expenses and other current liabilities	274	263	267
Total Current Liabilities (excluding Trade Payables)	314	348	539
Long-term debt, net of current portion (A)	365	365	176
Deferred employee benefits	146	146	148
Deferred tax liabilities	124	130	130
Other long-term liabilities	45	52	65
Total Liabilities (excluding Trade Payables)	994	1,041	1,058
Equity attributable to the equity holders of the parent	2,225	2,414	2,528
Non-controlling interest	4	4	4
Total Equity	2,229	2,418	2,532

Total Liabilities and Shareholders' Equity (excluding Trade Payables)	3,223	3,459	3,590
Net Financial Debt (D = A+B-C)	108	75	106

APERAM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in million of EURO)	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Sales	1,049	1,000	1,178
Adjusted EBITDA (E = C-D)	70	85	81
<i>Adjusted EBITDA margin (%)</i>	6.7%	8.5%	6.9%
Exceptional items (D)	-	17	-
EBITDA (C = A-B)	70	102	81
<i>EBITDA margin %</i>	6.7%	10.2%	6.9%
Depreciation, amortisation & Impairment (B)	(36)	(43)	(35)
Operating income (A)	34	59	46
<i>Operating margin %</i>	3.2%	5.9%	3.9%
Financing costs, net	(7)	(2)	(14)
Income before taxes	27	57	32
Income tax benefit (expense)	2	(28)	(7)
<i>Effective tax rate %</i>	(8.0)%	50.4%	22.8%
Net income attributable to equity holders of the parent	29	29	25
Basic earnings per share (EUR)	0.36	0.36	0.30
Diluted earnings per share (EUR)	0.36	0.36	0.30
Weighted average common shares outstanding (in thousands)	79,816	79,818	83,536
Diluted weighted average common shares outstanding (in thousands)	80,076	80,078	83,774

APERAM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in million of EURO)	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Operating income	34	59	46
Depreciation, amortisation & Impairment	36	43	35
Change in working capital	(21)	70	(19)
Income tax (paid) / refund	(3)	(6)	2
Interest paid, (net)	(1)	(1)	(1)
Other operating activities (net)	18	(3)	8
Net cash provided by operating activities (A)	63	162	71
Purchase of PPE, intangible and biological assets (CAPEX)	(45)	(52)	(47)

Other investing activities (net)	-	30	-
Net cash used in investing activities (B)	(45)	(22)	(47)
Proceeds (payments) from payable to banks and long term debt	(45)	(84)	154
Dividends paid	(32)	(35)	(33)
Other financing activities (net)	(2)	(3)	(2)
Net cash provided by (used in) financing activities	(79)	(122)	119
Effect of exchange rate changes on cash	(17)	-	-
Change in cash and cash equivalent	(78)	18	143
Free cash flow before dividend and share buy-back (C = A+B)	18	140	24

Appendix 1a - Health & Safety statistics

Health & Safety Statistics	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Frequency Rate	1.9	1.9	1.1

Lost time injury frequency rate equals lost time injuries per 1,000,000 worked hours, based on own personnel and contractors.

Appendix 1b - Key operational and financial information

Quarter Ending March 31, 2020	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others & Eliminations	Total
Operational information					
Steel Shipment (000t)	426	186	9	(183)	438
Average steel selling price (EUR/t)	1,876	2,331	16,572		2,332
Financial information					
Sales (EURm)	827	450	155	(383)	1,049
EBITDA (EURm)	53	9	9	(1)	70
Depreciation & Amortisation (EURm)	(30)	(3)	(3)	-	(36)
Operating income / (loss) (EURm)	23	6	6	(1)	34

Quarter Ending December 31, 2019	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others & Eliminations	Total
Operational information					
Steel Shipment (000t)	402	144	9	(153)	402
Average steel selling price (EUR/t)	1,843	2,470	16,384		2,393
Financial information (EURm)					

Sales (EURm)	808	382	160	(350)	1,000
Adjusted EBITDA (EURm)	71	4	14	(4)	85
Exceptional items (EURm)	16	1	-	-	17
EBITDA (EURm)	87	5	14	(4)	102
Depreciation, amortisation & Impairment (EURm)	(34)	(5)	(1)	(3)	(43)
Operating income / (loss) (EURm)	53	-	13	(7)	59

Appendix 2 - Terms and definitions

Unless indicated otherwise, or the context otherwise requires, references in this earnings release report to the following terms have the meanings set out next to them below:

Adjusted EBITDA: operating income before depreciation, amortization and impairment expenses and exceptional items.

Adjusted EBITDA/tonne: calculated as Adjusted EBITDA divided by total steel shipments.

Average steel selling prices: calculated as steel sales divided by steel shipments.

Cash and cash equivalents: represents cash and cash equivalents, restricted cash and short-term investments.

CAPEX: relates to capital expenditures and is defined as purchase of tangible assets, intangible assets and biological assets.

EBITDA: operating income before depreciation, amortisation and impairment expenses.

EBITDA/tonne: calculated as EBITDA divided by total steel shipments.

Exceptional items: consists of (i) inventory write-downs equal to or exceeding 10% of total related inventories values before write-down at the considered quarter end (ii) restructuring (charges)/gains equal to or exceeding EUR 10 million for the considered quarter, (iii) capital (loss)/gain on asset disposals equal to or exceeding EUR 10 million for the considered quarter or (iv) other non-recurring items equal to or exceeding EUR 10 million for the considered quarter.

Financing costs: Net interest expense, other net financing costs and foreign exchange and derivative results.

Free cash flow before dividend and share buy-back: net cash provided by operating activities less net cash used in investing activities.

Gross financial debt: long-term debt plus short-term debt.

Liquidity: Cash and cash equivalent and undrawn credit lines.

LTI frequency rate: Lost time injury frequency rate equals lost time injuries per 1,000,000 worked hours, based on own personnel and contractors.

Net financial debt: long-term debt, plus short-term debt less cash and cash equivalents.

Net financial debt/EBITDA or Gearing: Refers to Net financial debt divided by last twelve months EBITDA calculation.

Shipments: information at segment and group level eliminates inter-segment shipments (which are primarily between Stainless & Electrical Steel and Services & Solutions) and intra-segment shipments, respectively.

Working capital: trade accounts receivable plus inventories less trade accounts payable.

¹ The financial information in this press release and Appendix 1 has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards ("IFRS") as adopted in the European Union. While the interim financial information included in this announcement has been prepared in accordance with IFRS applicable to interim periods, this announcement does not contain sufficient information to constitute an interim financial report as defined in International Accounting Standard 34, "Interim Financial Reporting". Unless otherwise noted the numbers and information in the press release have not been audited. The financial information and certain other information presented in a number of tables in this press release have been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this press release reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers. This press release also includes Alternative Performance Measures ("APM" hereafter). The Company believes that these APMs are relevant to enhance the understanding of its financial position and provides additional information to investors and management with respect to the Company's financial performance, capital structure and credit assessment. These non-GAAP financial measures should be read in conjunction with and not as an alternative for, Aperam's financial information prepared in accordance with IFRS. Such non-GAAP measures may not be comparable to similarly titled measures applied by other companies. The APM's used are defined under Appendix 2 "Terms & definitions".

² The Leadership Journey(R) is an initiative launched on December 16, 2010, and subsequently accelerated and increased, to target management gains and profit enhancement. The third phase of the Leadership Journey(R) - the Transformation Program - is targeting cumulated annualized EBITDA gains of EUR 200 million by year end of 2020.

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