

Aperam S.A.



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Second quarter 2021 results: 'Another set of record earnings and a positive outlook for the second half'

Aperam S.A. / Key word(s): Quarter Results

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Luxembourg, July 30, 2021 (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 ended June 30, 2021.

Highlights

Health and Safety: LTI frequency rate of 2.3x in Q2 2021 compared to 2.6x in Q1 2021

Steel shipments of 481 thousand tonnes in Q2 2021, 2% decrease compared to steel shipments of 493 thousand tonnes in Q1 2021

Adj EBITDA of EUR 262 million in Q2 2021, compared to EUR 175 million in Q1 2021

Net income of EUR 213 million in Q2 2021, compared to EUR 116 million in Q1 2021

Basic earnings per share of EUR 2.67 in Q2 2021, compared to EUR 1.45 in Q1 2021

Cash flow from operations amounted to EUR 115 million in Q2 2021, compared to EUR 106 million in Q1 2021

Free cash flow before dividend and share buy-back of EUR 87 million in Q2 2021, compared to EUR 58 million in Q1 2021

Net financial debt of EUR 1 million as of June 30, 2021, compared to EUR 56 million as of March 31, 2021

Strategic initiatives

Leadership Journey^(R)2 Phase 4: Gains reached EUR 15 million in Q2 2021. Aperam realized cumulative gains of EUR 22 million in the first 6 months of the program. This compares to cumulative target gains of EUR 150 million over the period 2021 to 2023

Preparing for the next phase of growth and specialization: Investment in Brazil Hot Rolling Mill to drive growth in high value stainless products

Prospects

Adj EBITDA in Q3 2021 is expected at a comparable level versus Q2 2021

We guide for comparable free cash flow in Q3 2021 despite higher working capital

Shareholder returns: share buyback program of up to EUR 100 million

Timoteo Di Maulo, CEO of Aperam, commented:

"I am delighted to report again a record result in the second quarter for which Brazil and S&S were major drivers by achieving the best quarter ever. Europe also improved significantly as the price environment has now fully normalized on the back of the economic recovery and more effective protection against dumping. While restocking driven demand, stretched global supply chains and positive effects from higher raw material prices will eventually fade, we expect the positive environment to persist during the second half of

the year. This coupled with the continued improvement and higher flexibility achieved through our Leadership Journey^(R) puts us in a position to project the best second half in Aperam's history."

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

(in millions of Euros, unless otherwise stated)	Q2 21	Q1 21	Q2 20	H1 21	H1 20
Sales	1,272	1,177	818	2,449	1,867
Operating income	235	140	14	375	48
Net income attributable to equity holders of the parent	213	116	21	329	50
Basic earnings per share (EUR)	2.67	1.45	0.27	4.12	0.63
Diluted earnings per share (EUR)	2.66	1.44	0.27	4.10	0.63
Free cash flow before dividend and share buy-back	87	58	34	145	52
Net Financial Debt (at the end of the period)	1	56	123	1	123
Adj. EBITDA	262	175	49	437	119
Exceptional items	9	-	-	9	-
EBITDA	271	175	49	446	119
Adj. EBITDA/tonne (EUR)	545	355	130	449	146
EBITDA/tonne (EUR)	563	355	130	458	146
Steel shipments (000t)	481	493	376	974	814

Health & Safety results

Health and Safety performance based on Aperam personnel figures and contractors' lost time injury frequency rate was 2.3x in the second quarter of 2021 compared to 2.6x in the first quarter of 2021.

Financial results analysis for the three-month period ending June 30, 2021

Sales for the second quarter of 2021 increased by 8% to EUR 1,272 million compared to EUR 1,177 million for the first quarter of 2021. Steel shipments decreased from 493 thousand tonnes in the first quarter of 2021, to 481 thousand tonnes in the second quarter of 2021.

EBITDA increased during the quarter to EUR 271 million (including exceptional gains of EUR 9 million made of PIS/Cofins tax credits related to prior periods recognised in Brazil) from EUR 175 million for the first quarter of 2021. Brazil delivered its best quarter ever on the back of an excellent demand environment and a positive seasonality and Europe benefited from a normalizing price environment. Positive inventory valuation effects remained at a comparable level.

Depreciation and amortisation was EUR (36) million for the second quarter of 2021.

Aperam had an operating income for the second quarter of 2021 of EUR 235 million compared to an operating income of EUR 140 million for the previous quarter.

Financing costs, net, including the FX and derivatives result for the second quarter of 2021 were EUR (6) million, including cash cost of financing of EUR (3) million and exceptional interest income of EUR 6 million in Brazil for PIS/Cofins tax credits related to prior periods.

Income tax expense for the second quarter of 2021 was EUR (16) million, including the recognition of additional deferred tax assets on tax losses carried forward of EUR 32 million.

The Company recorded a net income of EUR 213 million for the second quarter of 2021.

Cash flows from operations for the second quarter of 2021 were positive at EUR 115 million, despite a working capital increase of EUR 118 million. CAPEX for the second quarter was EUR (27) million.

Free cash flow before dividend and share buyback for the second quarter of 2021 amounted to EUR 87 million.

During the second quarter of 2021, the cash returns to shareholders amounted to EUR 36 million, consisting fully of dividend (of which EUR 1 million paid to non-controlling interests).

Operating segment results analysis

Stainless & Electrical Steel ⁽¹⁾

(in millions of Euros, unless otherwise stated)	Q2 21	Q1 21	Q2 20	H1 21	H1 20
Sales	1,078	977	632	2,055	1,459
EBITDA	212	140	43	352	96
Depreciation & amortisation	(30)	(30)	(28)	(60)	(58)
Operating income	182	110	15	292	38
Steel shipments (000t)	472	483	364	955	790
Average steel selling price (EUR/t)	2,209	1,969	1,678	2,087	1,785

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

The Stainless & Electrical Steel segment had sales of EUR 1,078 million for the second quarter of 2021. This represents a 10% increase compared to sales of EUR 977 million for the first quarter of 2021. Steel shipments during the second quarter were 472 thousand tonnes, a decrease of 2% compared to shipments of 483 thousand tonnes during the previous quarter. Volumes in Europe remained at a comparable level in a seasonally stronger quarter versus a restocking induced high base in Q1. Brazil demand continued to be at a stable high level and shipments increased seasonally. Average steel selling prices for the Stainless & Electrical Steel segment increased by 12% compared to the previous quarter.

The segment generated EBITDA of EUR 212 million for the second quarter of 2021 compared to EUR 140 million for the first quarter of 2021. Profitability increased due to higher prices, a better mix and tight cost control.

Depreciation and amortisation expense was EUR (30) million for the second quarter of 2021.

The Stainless & Electrical Steel segment had an operating income of EUR 182 million for the second quarter of 2021 compared to an operating income of EUR 110 million for the first quarter of 2021.

Services & Solutions ⁽¹⁾

(in millions of Euros, unless otherwise stated)	Q2 21	Q1 21	Q2 20	H1 21	H1 20
Sales	542	531	310	1,073	760
Adjusted EBITDA	50	45	5	95	14
Exceptional items	9	-	-	9	-
EBITDA	59	45	5	104	14
Depreciation & amortisation	(3)	(3)	(4)	(6)	(7)
Operating income	56	42	1	98	7
Steel shipments (000t)	189	208	132	397	318
Average steel selling price (EUR/t)	2,761	2,448	2,212	2,597	2,281

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

The Services & Solutions segment had sales of EUR 542 million for the second quarter of 2021, representing an increase of 2% compared to sales of EUR 531 million for the first quarter of 2021. For the second quarter of 2021, steel shipments were 189 thousand tonnes compared to 208 thousand tonnes during the previous quarter. The Services & Solutions segment had higher average steel selling prices during the period compared to the previous period.

The segment generated EBITDA of EUR 59 million, including EUR 9 million in Brazil due to PIS/Cofins tax credits related to prior periods, for the second quarter of 2021 compared to EBITDA of EUR 45 million for the first quarter of 2021. Higher prices and the exceptional PIS/Cofins gain were the main drivers for the higher EBITDA.

Depreciation and amortisation was EUR (3) million for the second quarter of 2021.

The Services & Solutions segment had an operating income of EUR 56 million for the second quarter of 2021 compared to an operating income of EUR 42 million for the first quarter of 2021.

Alloys & Specialties⁽¹⁾

(in millions of Euros, unless otherwise stated)	Q2 21	Q1 21	Q2 20	H1 21	H1 20
Sales	132	125	142	257	297
EBITDA	16	12	11	28	20
Depreciation & amortisation	(2)	(2)	(1)	(4)	(4)
Operating income	14	10	10	24	16
Steel shipments (000t)	8	7	9	15	18
Average steel selling price (EUR/t)	15,039	17,330	16,038	16,077	16,311

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

The Alloys & Specialties segment had sales of EUR 132 million for the second quarter of 2021, representing an increase of 6% compared to EUR 125 million for the first quarter of 2021. Steel shipments increased by 20% during the second quarter of 2021 at 8 thousand tonnes. Average steel selling prices were lower during the quarter.

The Alloys & Specialties segment achieved EBITDA of EUR 16 million for the second quarter of 2021 compared to EUR 12 million for the first quarter of 2021. The increase in EBITDA was driven by higher volumes and tight cost control.

Depreciation and amortisation expense for the second quarter of 2021 was EUR (2) million.

The Alloys & Specialties segment had an operating income of EUR 14 million for the second quarter of 2021 compared to an operating income of EUR 10 million for the first quarter of 2021.

Recent developments during the quarter

On May 10 and May 25, 2021, Aperam announced shareholding notifications by M&G plc for respectively crossing downwards and upwards the 5% voting rights threshold with reference to Transparency Law.

On June 8, 2021, Aperam announced that the Annual General Meeting of shareholders held on June 8, 2021 approved all resolutions on the agenda by a large majority. 83% of the voting rights were represented at the General Meeting.

New developments

On July 30, 2021, Aperam announced a share buyback program of up to EUR 100 million, and a maximum of 2.45 million shares under the authorization given by the annual general meeting of shareholders held on 7 May 2019. The details of the program are available in a separate Press Release.

On July 30, 2021, Aperam published its Half-Year Report for the six month period ended June 30, 2021. The report is available in the Luxembourg Stock Exchange's electronic database OAM on www.bourse.lu and on www.aperam.com

[under Investors >Reports & Presentations > Annual reports.](#)

Investor conference call / webcast

Pre-recorded management comments are available as from publication of this earnings release on our website at www.aperam.com, section Investors > Reports & Presentations > Quarterly results > Q2-2021 ([Link](#)).

Aperam management will host a conference call / webcast for members of the investment community to discuss the second quarter 2021 financial performance at the following time:

Date	New York	London	Luxembourg
Friday, July 30, 2021	08:00 am	01:00 pm	02:00 pm

Link to the webcast: https://channel.royalcast.com/landingpage/aperam/20210730_1/

The dial-in numbers for the call are: France : +33 (0) 1 7037 7166; USA: +1 212 999 6659; UK: +44 (0) 33 0551 0200

The conference password is Aperam.

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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 2020, Aperam had sales of EUR 3,624 million and steel shipments of 1.68 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 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

	June 30, 2021	March 31, 2021	June 30, 2020
(in million of EURO)			
ASSETS			
Cash & cash equivalents (C)	417	367	263
Inventories, trade receivables and trade payables	876	737	662
Prepaid expenses and other current assets	125	109	81
Total Current Assets & Working Capital	1,418	1,213	1,006
Goodwill and intangible assets	435	422	435
Property, plant and equipment (incl. Biological assets)	1,532	1,503	1,524
Investments in associates, joint ventures and other	4	2	4
Deferred tax assets	103	87	121
Other non-current assets	66	78	58
Total Assets (net of Trade Payables)	3,558	3,305	3,148
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt and current portion of long-term debt (B)	39	47	18
Accrued expenses and other current liabilities	384	331	347
Total Current Liabilities (excluding Trade Payables)	423	378	365
Long-term debt, net of current portion (A)	379	376	368
Deferred employee benefits	148	148	145
Deferred tax liabilities	116	112	122
Other long-term liabilities	49	45	43
Total Liabilities (excluding Trade Payables)	1,115	1,059	1,043
Equity attributable to the equity holders of the parent	2,439	2,242	2,101
Non-controlling interest	4	4	4
Total Equity	2,443	2,246	2,105
Total Liabilities and Shareholders' Equity (excluding Trade Payables)	3,558	3,305	3,148
Net Financial Debt (D = A+B-C)	1	56	123

APERAM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended			Six Months Ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
(in million of EURO)					
Sales	1,272	1,177	818	2,449	1,867
Adjusted EBITDA (E = C-D)	262	175	49	437	119
<i>Adjusted EBITDA margin (%)</i>	<i>20.6%</i>	<i>14.9%</i>	<i>6.0%</i>	<i>17.8%</i>	<i>6.4%</i>
Exceptional items (D)	9	-	-	9	-
EBITDA (C = A-B)	271	175	49	446	119
<i>EBITDA margin (%)</i>	<i>21.3%</i>	<i>14.9%</i>	<i>6.0%</i>	<i>18.2%</i>	<i>6.4%</i>
Depreciation & amortisation (B)	(36)	(35)	(35)	(71)	(71)

Operating income (A)	235	140	14	375	48
<i>Operating margin (%)</i>	<i>18.5%</i>	<i>11.9%</i>	<i>1.7%</i>	<i>15.3%</i>	<i>2.6%</i>
Financing costs, (net)	(6)	4	9	(2)	2
Income before taxes	229	144	23	373	50
Income tax expense	(16)	(28)	(2)	(44)	-
<i>Effective tax rate %</i>	<i>6.6%</i>	<i>19.5%</i>	<i>8.3%</i>	<i>11.6%</i>	<i>(0.4) %</i>
Net income attributable to equity holders of the parent	213	116	21	329	50
Basic earnings per share (EUR)	2.67	1.45	0.27	4.12	0.63
Diluted earnings per share (EUR)	2.66	1.44	0.27	4.10	0.63
Weighted average common shares outstanding (in thousands)	79,878	79,895	79,816	79,878	79,816
Diluted weighted average common shares outstanding (in thousands)	80,196	80,203	80,218	80,196	80,218

APERAM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in million of EURO)	Three Months Ended			Six Months Ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Operating income	235	140	14	375	48
Depreciation & amortisation	36	35	35	71	71
Change in working capital	(118)	(121)	(37)	(239)	(58)
Income tax (paid) / refund	(4)	(2)	2	(6)	(1)
Interest paid, (net)	(1)	(2)	(1)	(3)	(2)
Other operating activities (net)	(33)	56	44	23	62
Net cash provided by operating activities (A)	115	106	57	221	120
Purchase of PPE, intangible and biological assets (CAPEX)	(27)	(46)	(23)	(73)	(68)
Other investing activities (net)	(1)	(2)	-	(3)	-
Net cash used in investing activities (B)	(28)	(48)	(23)	(76)	(68)
Proceeds (payments) from payable to banks and long term debt	(7)	(6)	(22)	(13)	(67)
Purchase of treasury stock (share buy back)	(5)	-	-	(5)	-
Dividends paid	(36)	(35)	(37)	(71)	(69)
Other financing activities (net)	(1)	(3)	(3)	(4)	(5)
Net cash used in financing activities	(49)	(44)	(62)	(93)	(141)
Effect of exchange rate changes on cash	12	(5)	(6)	7	(23)
Change in cash and cash equivalent	50	9	(34)	59	(112)
Free cash flow before dividend and share buy-back (C = A+B)	87	58	34	145	52

Appendix 1a - Health & Safety statistics

Health & Safety Statistics	Three Months Ended
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	June 30, 2021	March 31, 2021	December 31, 2020
Frequency Rate	2.3	2.6	1.4

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 June 30, 2021	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others & Eliminations	Total
Operational information					
Steel Shipment (000t)	472	189	8	(188)	481
Average steel selling price (EUR/t)	2,209	2,761	15,039		2,579
Financial information (EURm)					
Sales	1,078	542	132	(480)	1,272
Adjusted EBITDA	212	50	16	(16)	262
Exceptional items	-	9	-	-	9
EBITDA	212	59	16	(16)	271
Depreciation & Amortisation	(30)	(3)	(2)	(1)	(36)
Operating income / (loss)	182	56	14	(17)	235

Quarter Ending March 31, 2021	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others & Eliminations	Total
Operational information					
Steel Shipment (000t)	483	208	7	(205)	493
Average steel selling price (EUR/t)	1,969	2,448	17,330		2,325
Financial information (EURm)					
Sales	977	531	125	(456)	1,177
EBITDA	140	45	12	(22)	175
Depreciation & Amortisation	(30)	(3)	(2)	-	(35)
Operating income / (loss)	110	42	10	(22)	140

Appendix 2 - Terms and definitions³

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, amortisation 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 income (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.

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 fourth phase of the Leadership Journey(R) is targeting EUR 150 million gains for the period 2021 - 2023 via a combination of cost, growth and mix improvement measures.

³ 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".

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