Annual Report 2018

Contents

Disclaimer - Forward Looking Statements In this Annual Report Aperam has made certain forward-looking statements with respect to, among other topics, its financial position, business strategy, projected costs, projected savings, and the plans and objectives of its management. Such statements are identified by the use of forward-looking verbs such as 'anticipate', 'intend', 'expect', 'plan', 'believe', or 'estimate', or words or phrases with similar meanings. Aperam's actual results may differ materially from those implied by such forward-looking statements due to the known and unknown principal risks and uncertainties to which it is exposed, including, without limitation, the risks described in this Annual Report. Aperam does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved. Please refer to the 'Principal risks and uncertainties related to Aperam and the stainless and specialty steel industry" section of this report. Such forward-looking statements represent, in each case, only one of many possible scenarios and should not necessarily be viewed as the most likely to occur or standard scenario. Aperam undertakes no obligation to publicly update its forward-looking statements, whether as a result of new information, future events or otherwise. Unless indicated otherwise or the context otherwise requires, references in this Annual Report to 'Aperam', the 'Group' and the 'Company' or similar terms refer to Aperam, 'société anonyme', having its registered office at 12C, Rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, and to its consolidated subsidiaries.

Cover: Middle East Training Center, Beirut Rafic Hariri International Airport, Lebanon - Khatib & Alami - Naggiar
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Message from the Chairman of the Board of Directors

Dear shareholders,

There is no doubt that 2018 was a challenging year for Aperam and the stainless steel industry generally, characterized by unprecedented import pressure in Europe, rising trade tensions and falling stainless steel and raw material prices. During the second half of the year, Europe's stainless steel market was put under significant pressure as provisional safeguard measures proved inefficient and Indonesian and East Asian producers significantly increased their exports.

Financial performance

I am very pleased to report that, even amidst these challenging market conditions, Aperam achieved a solid set of result with EBITDA of €504 million, the second highest amount since the creation of the company. This is in large part due to the steps we have taken and are continuing to take to make Aperam a resilient company, prepared for the future and able to operate successfully in all market conditions. We continued to improve our operational performance in 2018, measured through our Leadership Journey, with an annualized contribution to EBITDA of €33 million. These gains come on top of our already achieved gains of $573 million at the end of 2017. In 2018, we also continued to improve our asset base, through targeted capital expenditure of €192 million.

Eight years after our creation, we are now not only more cost competitive than ever, we also enjoy a stronger financial performance which enabled us to return €200 million to our shareholders: €130 million in dividends and €70 million through a share buy-back. Furthermore, we are proposing to increase our base dividend from €1.53 to €1.75 at the upcoming shareholder meeting. In addition, the Company also announced the launch of a further share buyback program for an aggregate maximum amount of €100 million.

While there will continue to be challenges to navigate, not least the import pressure in Europe, the overall performance of the business gives me confidence in our potential for continued prosperity in the years to come – especially considering the many actions being taken to further strengthen our performance.

To continue to further strengthen Aperam and improve our cost competitiveness, in February 2019 we decided to raise the annualized target of gains of our Leadership Journey® (Phase 3 - Transformation Program) from €150 million to €200 million by the end of 2020. Although this is an ambitious target, its realization is key to unlocking the long-term improved operational performance of our Company.

We are also well-placed to leverage growth opportunities. While much of our focus has been on these European challenges, it is important to highlight that in Brazil we continued to see improving demand for stainless steel, and Aperam is well-positioned to benefit from the structural growth set to come.

As part of our strategy to increase our most innovative services and products, in April 2018 we announced the acquisition of VDM Metals and, subject to antitrust clearance, the creation of a global leader in premium specialty alloys. We were clearly very disappointed by the fact is was impossible to agree a value accretive outcome with the European Commission at the end of the investigation phase. However we remain fully convinced of the value potential of our alloys and specialties division, which targets the most high added-value products in our portfolio.

Safety and Sustainability

During the course of the year, we also worked hard to enhance our Corporate Responsibility program. Unfortunately, despite our considerable efforts to continuously improve our performance in health and safety, our Company faced a fatality in 2018 at our Belgium plant in Genk. This fatality demonstrates how essential absolute diligence to health and safety is. Clearly, we have more work to do before reaching our ultimate goal of zero harm and zero fatalities. This is not an empty promise, and management is concentrating a significant amount of effort and planning towards improving our performance in this area.

At Aperam, Corporate Responsibility is also about environmental responsibility. We believe that our manufacturing process, based on recyclable stainless steel scrap and charcoal produced from our own forests, and our products, which are endlessly recyclable, underline our determination to be a sector leader in environmental stewardship.

In conclusion, I am very happy with the progress Aperam is making. The actions we have taken over the past eight years are yielding the right results. We have a solid and cost competitive industrial footprint, and we are continuing to serve our customers with innovative and quality products.

As always there are challenges on the horizon and we must remain vigilant in addressing the issue of unfair trade. But I remain fully confident in the Aperam Leadership Team's ability to maximize the long-term growth of the Company and the value accretion for its shareholders. This confidence is reflected in the Board of Directors' decision to increase the base dividend and launch a share buyback program.

Lakshmi N. Mittal, Chairman of the Board of Directors

Message from the Chief Executive Officer

Dear Shareholders,

As the Chairman of the Board of Directors has presented the solid results we achieved in 2018 amidst challenging market conditions, let me take this opportunity to give more detail on our performance and new initiatives we are taking to strengthen Aperam further.

Before doing so, let me first discuss our top priority: the health and safety of our employees. Health and safety guides all our actions. The fatality that occurred at our Genk plant in 2018 is a tragic event that affects the entire Aperam community. To better understand the root causes of this accident, an unprecedented audit of our practices has been launched, and dedicated health and safety workshops are taking place all across the Group. The objective of these initiatives is to eradicate all behaviours and circumstances that make such a fatality possible. Going forward, we will continue to redouble our efforts towards our goal of zero harm and zero fatalities of everyone working with and for Aperam.

Let me now turn to the environment and our actions. Facing unprecedented import pressure and severe market headwinds, in 2018 we continued to rely on our own initiatives to make Aperam a stronger Company, one capable of operating successfully regardless of market conditions. These initiatives have been further complemented with new announcements made in early 2019.

Our progress in terms of operational excellence, measured through Phase 3 of our Leadership Journey®, continued to progress. In 2018, we achieved an annualized contribution of €33 million to EBITDA. During the year, we also continued to invest in sustaining and upgrading our assets, with €192 million of capital expenditures. In particular, our investment of approximately €130 million in our Cold Rolling and Annealing and Pickling Line in Genk is well on track to a planned completion in 2020. This investment is specifically aimed at upgrading our product range to the most demanding applications, while also improving our flexibility, cost competitiveness and enhancing our health, safety and environmental impact.

Despite challenging market conditions, we continued to generate consistent operating cash flow over the year of €295 million, enabling solid re-investments as described above and attractive cash returns of €200 million to our shareholders.

For Aperam to continuously progress and remain the industry's benchmark for operational excellence, in February 2019, we have announced a rescoping of Phase 3 of our Leadership Journey®. Under this new scope, we are targeting €200 million of annualized gains by 2020, €50 million more than our initial target, with an additional focus on cost reductions, including general procurement and raw material savings. Our track record of achieving U.S.S$573 million gains under Phase 1 and 2 of the Leadership Journey® makes me confident in our capability to succeed in this phase.

Looking forward, I expect the definitive European safeguard measures announced in February 2019 to play an important role in restoring a normally functioning market. I trust that these measures will continue to evolve and adjust to any significant variations in import flow, such as imports from newly created capacities in Indonesia.

I also strongly believe that Aperam is very well-placed to further expand, largely due to its unique footprint, ambitious objectives in operational excellence, continuous and sustaining investments, consistent cash flows from operations, and strong balance sheet. I also trust that the European Commission will continue to support our industry against any unfair competition and react to substantial changes in import flows especially from Indonesia. The ongoing Brazilian recovery and its long-term prospects, as well as our unique services and solutions network and our alloys & specialties division, are other strong competitive advantages that we will continue to leverage for further progress.

I am convinced that with the strong support of our Board of Directors, our skilled and highly engaged employees, and the trust of our customers and suppliers, we will continue to build a great company capable of delivering sustainable prospects for all our stakeholders.

Timoteo Di Maulo, Chief Executive Officer

Glossary

This Annual Report includes Alternative Performance Measures (APM), which are non-GAAP financial measures. Aperam believes that these APMs are needed to enhance the understanding of its financial position and to provide additional information to investors and management with respect to the Company's financial performance, capital structure and credit assessment. The definition of these APMs are the same since the creation of the Company. 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. These APMs are detailed in the section "Operational Review", found later in the Report.

Financial Measures:

> "EBITDA" is defined as operating income[1] before depreciation[1] , amortisation[1] and impairment expenses[1]
> "free cash flow before dividend and share buy-back" is defined as net cash provided by operating activities[1] less net cash used in investing activities[1]
> "gearing" is defined as net financial debt divided by equity[1]
> "net financial debt" or "net cash" refers to long-term debt[1] plus short-term debt[1], less cash and cash equivalents[1] (including short-term investments)[1]

Other terms used in this Annual Report:

> "absenteeism rate" refers to the number of hours of absence for illness inferior to six months divided by the number of theoretical to-be-worked hours
> "annealing" refers to the process of heating cold steel to make it more suitable for bending and shaping and to prevent breaking and cracking
>'austenitic stainless steel is a steel alloy containing at least 16% chromium, where other alloying elements -usually nickel, alternatively manganese or nitrogen- are added to obtain an austenitic crystalline structure
> "bright annealing" refers to the final annealing lines (with an oven) with a reducing atmosphere that produces a bright annealed finish
> "brownfield project" refers to the expansion of an existing operation
> "carbon steel scrap" refers to recycled carbon steel that is re-melted and recast into new steel
> "cold rolling" refers to the forming method employed after hot rolling
> "downstream" refers to finishing operations. For example, in the case of flat products, the downstream would be the operations after the production of hot-rolled coil
> "ferritic steel" refers to stainless steels that have a low carbon content and contain between 10.5% and 27% chromium, the main alloying element
> "greenfield project" refers to the development of a new project
> "IFRS" means International Financial Reporting Standards as adopted in the European Union
> "Lost Time Injury Frequency rate" (LTIF) is a key metric that measures the time lost due to injuries per 1,000,000 worked hours
> "pickling" refers to the process where steel coils are cleaned using chemical baths to remove impurities, such as rust, dirt and oil
> "production capacity" refers to the annual production capacity of a plant and equipment based on existing technical parameters as estimated by management
> "R$" or BRL are Brazilian Real and are converted into € using the closing exchange rate of €1= R$4.439 as of December 31, 2018
> "sales" include shipping and handling fees and costs billed to a customer in a sales transaction
> "significant shareholder" means trusts (HSBC Trust (C.I.) Limited, as trustee) of which Mr. Lakshmi N. Mittal, Ms. Usha Mittal and their children are the beneficiaries, holding Aperam shares through Value Holdings II Sàrl, a limited liability company organised under the laws of Luxembourg ("Value Holdings II")
> "slabs" refers to compact blocks of crude steel (usually a product of the casting process in steel mills), which are used as a pre-product in hot rolling mills to produce rolled hot rolled coils or strips
> "spin-off" refers to the transfer of the assets comprising ArcelorMittal's stainless and specialty steels businesses from its carbon steel and mining businesses to the Company, and the pro rata allocation of the ordinary shares of the Company to ArcelorMittal shareholders
> "stainless steel scrap" refers to recycled stainless steel materials that are re-melted and casted into new steel
> "steckel mill" refers to reversing steel sheet reduction mills with heated coil boxes at each end where steel sheet or plate is sent through the rolls of the reversing mill and then coiled at the end of the mill, reheated in the coil box and sent back through the steckel stands and recoiled
> "tonnes" refers to metric tonnes and are used in measurements involving stainless and specialty steel products (a metric tonne is equal to 1,000 kilograms or 2,204.62 pounds)
>"U.S.$" or "USD" are U.S. dollars and are converted into € using the closing exchange rate of €1= U.S.$1.145 as of December 31, 2018
> "upstream" refers to operations that precede downstream steel-making, such as coke, sinter, blast furnaces, electric arc furnaces, casters and hot rolling/steckel mills

[1] Those measures are derived directly from the financial statements (see Notes to the Consolidated Financial Statements).

Management Report

The Board of Directors is pleased to present its report, which constitutes the management report (Management Report) as defined by Luxembourg Law, together with the audited consolidated financial statements and annual accounts as of December 31, 2018 and for the year then ended. As permitted by Luxembourg Law, the Board of Directors has elected to prepare a single Management Report covering both the Company and the Group.

L'AGORA
Media libray, Social centre and digital work space
Ropa & Associés Architectes

Executed using grade Aperam 304 with Uginox Bright surface finish

Group Overview

Introduction

Aperam, including its subsidiaries (hereinafter referred to as “Aperam”, “the Company”, “We” or “the Group”) is a leading global stainless and specialty steel producer with an annual production capacity of 2.5 million tonnes. We are a leading stainless and specialty steel producer in South America and the second largest producer in Europe. We are also a leading producer of high value added specialty products, including grain oriented (GO) and non-grain oriented (NGO) electrical steels and specialty alloys. Our production capacity is spread across six production facilities located in Brazil, Belgium and France. As of the end of December 2018, we have a workforce of about 9,800 employees. Our distribution network is comprised of 14 Steel Service Centres (SSCs), 6 transformation facilities and 17 sales offices. Our products are sold to customers in over 40 countries, including those operating in the aerospace, automotive, catering, construction, household appliances, electrical engineering, industrial processes, medical, and oil & gas industries.

Aperam posted sales of €4.7 billion and €4.5 billion and EBITDA of €504 million and €551 million for the years ending December 31, 2018 and 2017 respectively. Shipments amounted to 1.97 million tonnes and 1.94 million tonnes for the years ending December 31, 2018 and 2017 respectively.

We manage our business according to three primary operating segments:

> Stainless & Electrical Steel. We are a leading global producer of stainless steel by production capacity. We produce a wide range of stainless and electrical steels (both Grain Oriented and Non-Grain Oriented) and continuously expand our product offerings by developing new and higher grades of stainless steel and electrical steel. The Stainless & Electrical Steel segment includes Aperam’s Stainless Precision business and Aperam BioEnergìa, which produces wood and charcoal (biomass) from cultivated eucalyptus forests. We use the charcoal (biomass) produced by Aperam BioEnergìa as a substitute for coke at our Timóteo production facility.

The segment accounted for 45.7% of external sales and 83.7% of EBITDA for the year ending December 31, 2018, and 45.9% of external sales and 83.7% of EBITDA for the year ending December 31, 2017.

> Services & Solutions. Our Services & Solutions segment, which includes our tubes business, performs three core activities: (i) the management of exclusive, direct sales of stainless steel products from our production facilities, primarily those located in Europe; (ii) distribution of our products and, to a much lesser extent, external suppliers' products; and (iii) transformation services, which include the provision of value added and customised steel solutions through further processing to meet specific customer requirements.

The segment accounted for 42.5% of external sales and 8.5% of EBITDA for the year ending December 31, 2018, and 43.7% of external sales and 12.6% of EBITDA for the year ending December 31, 2017.

> Alloys & Specialties. Our Alloys & Specialties segment is the fourth largest producer of specialty alloys in the world. We specialise in the design, production and transformation of various specialty alloys and certain specific stainless steels. 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.

The segment accounted for 11.8% of external sales and 9.1% of EBITDA for the year ending December 31, 2018, and 10.2% of external sales and 8.4% of EBITDA for the year ending December 31, 2017.

Additionally, we have external sales and EBITDA that are reported within our "Others and Eliminations" segment. This segment, including eliminations between our primary operating segments, accounted for (1.4)% of EBITDA for the year ending December 31, 2018, and (4.7)% of EBITDA for the year ending December 31, 2017.

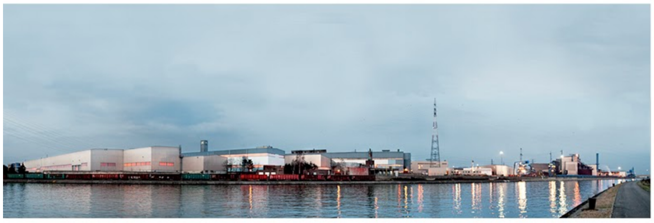
The creation of Aperam

On December 7, 2010, the Board of Directors of Aperam and the Board of Directors of ArcelorMittal approved a proposal to its shareholders to spin-off ArcelorMittal's stainless and specialty steels businesses. The objective of establishing an independent company was to enable the stainless and specialty steels businesses to benefit from better market visibility by pursuing a growth strategy focused on emerging markets and specialty products, including electrical steel. On January 25, 2011, at an extraordinary general meeting, the shareholders of ArcelorMittal voted to approve the spin-off proposal.

The main shareholder ("Significant Shareholder") holds 40.96% of the voting rights. Please refer to the share capital section of this Management Report for the definition of the term "Significant shareholder".

Our facilities

Our key production sites



Genk (Belgium)

Châtelet (Belgium)

Gueugnon (France)

Isbergues (France)

Imphy (France)

Timoteo (Brazil)

Stainless & Electrical Steel

Europe

Our European facilities produce the full range of our stainless steel products. In 2018, steel shipments from Stainless & Electrical Steel Europe facilities represented 1,267 thousand tonnes (compared to 1,253 thousand tonnes in 2017).

We have two melt shops in Belgium, located in Genk and Châtelet. The Genk facility includes two electric arc furnaces, argon-oxygen decarburizing equipment, ladle refining metallurgy, a slab continuous caster and slab grinders. It also includes a cold rolling mill facility. The Châtelet location is an integrated facility with a meltshop and a hot rolling mill. The Châtelet melt shop includes an electric arc furnace, argon-oxygen decarburizing equipment, ladle furnaces refining metallurgy, a slab continuous caster and slab grinders.

Our cold rolling facilities in Europe consist of four cold rolling mill plants, located in Belgium (Genk) and France (Gueugnon, Isbergues and Pont-de-Roide). Our plants include annealing and pickling lines (with shot blasting and pickling equipment), cold rolling mills, bright annealing lines (in Gueugnon and Genk), skin-pass and finishing operations equipment. The Isbergues plant also includes a Direct Roll Anneal and Pickle (DRAP) line. The Genk plant is focused on austenitic steel products, the Gueugnon plant on ferritic products, and the Isbergues plant on products dedicated to the automotive (mainly ferritic steels) and industrial markets (mainly austenitic steels). The Pont-de-Roide plant is focused on narrow precision strips. Recyco, our electric arc furnace recycling facility located in France (Isbergues), retrieves dust and sludges with the aim of recycling stainless steel raw materials and reducing waste.

South America

We are the only integrated producer of flat stainless and electrical steel in South America. Our integrated production facility in Timóteo, Brazil produces a wide range of stainless, electrical steel and special carbon products, which account for approximately 34% of the Stainless & Electrical Steel operating segment's total shipments. Steel shipments from Stainless & Electrical Steel Brazil facilities represented 647 thousand tonnes in 2018 and 629 thousand tonnes in 2017.

The Timóteo integrated production facility includes two blast furnaces, one melting shop area (including two electrical furnaces, two converters and two continuous casting machines), one hot rolling mill (including one walking beam and one pusher furnace with one rougher mill and one steckel mill), a stainless cold rolling shop (including one hot annealing and pickling line, two cold annealing and pickling lines, one cold preparation line, three cold rolling mills and four batch annealing furnaces) and an electrical steel cold rolling shop (including one hot annealing and pickling line, two tandem annealing lines, one decarburising line, one thermo-flattening and carlite coating line, one cold rolling mill and 20 batch annealing furnaces).

Services & Solutions

We sell and distribute our products through our Services & Solutions segment, which includes our tubes business. The segment also provides value added and customised steel solutions through further processing to meet specific customer requirements. Our distribution network is comprised of 14 steel service centres, 6 transformation facilities and 17 sales offices. Steel shipments from the Services and Solutions division represented 819 thousand tonnes in 2018 and 818 thousand tonnes in 2017.

Alloys & Specialties

The Alloys & Specialties integrated production facility is located in Imphy, France and includes a meltshop, a wire rod facility and a cold rolling facility. The meltshop is designed to produce specialty grades and includes one electric arc furnace, two induction furnaces with two vacuum oxygen decarburisation ladles and a ladle furnace, one vacuum induction melting furnace, two vacuum arc remelting furnaces, and one electroslag remelting furnace. The meltshop is also equipped with ingot casting facilities and a continuous billet caster.

Our wire rod mill specialises in the production of specialty alloys and has the ability to process a wide range of grades, including stainless steel. It is comprised of a blooming mill, billet grinding, a hot rolling mill, which has a capacity of 35 thousand tonnes, and finishing lines. Steel shipments from Alloys & Specialties facilities represented 36 thousand tonnes in 2018 and 33 thousand tonnes in 2017.

We also own downstream nickel alloy and specialty assets, including Aperam Alloys Rescal S.A.S., a wire drawing facility located in Epône, France; Aperam Alloys Amilly, an electrical components manufacturer located in Amilly, France; and Imhua Special Metals, a transformation subsidiary in Foshan, China. We also hold a majority stake in Innovative Clad Solutions, a production facility for industrial clads in Indore, (Madhya Pradesh) India.

Our key competitive strengths

We believe that our key strengths include:

Our commitment to a safe and healthy workplace and our embedding of sustainability in our business model

The health and safety of all the people who work for and with Aperam is our top priority. It was with deep regret that we had to face a fatality in 2018 at our Belgium plant in Genk. To better understand the root causes of this accident, an unprecedented audit of our practices has been launched, and dedicated health and safety workshops are taking place all across the Group. The objective of these initiatives is to eradicate all behaviours and circumstances that make such a fatality possible.

Separately, we continue to work on programs to support the health and wellbeing of our employees. We offer training and career development programmes and promote team spirit to foster motivated and agile teams ready to develop and innovate for Aperam.

From an environmental perspective, an energy-intensive company like Aperam faces many challenges - challenges that Aperam often exceeds. For example, we are proud of our unique capability to produce charcoal-based biomass to use in our production instead of extractive coke. Also, while we look to reduce the energy consumption of our own manufacturing process, we also procure intelligent steel solutions that help our customers develop energy-efficient end-products.

As a producer of 100% recyclable products, it is only logical that we promote a circular economy. We do this primarily through our extensive use of scrap materials, which means that our steels have some of the lowest carbon footprints in the industry. In addition to our zero-waste objective (for landfill), we also have our fully-owned Recyco subsidiary that recovers metallic contents from melting shop dusts. Last but not least, we are working with a contractor on an innovative circular economy initiative that will fully value our slags (a by-product from the production process) by injecting it with CO_2 to produce construction bricks.

In terms of governance, Aperam aims to implement industry best practices. We strive to maintain constant engagement, benevolence and transparency with all our stakeholders. With our customers, we target the best satisfaction rates and propose innovative solutions. With other stakeholder groups, such as neighbours and government authorities, we engage openly to earn their trust and maintain sound and sustainable local relationships.

For further information regarding sustainability and our local country supplements, please refer to the Corporate Responsibility section of this report as well as to our “Made for Life” reports available at www.aperam.com under the “Sustainability” section.

A restructured and efficient European footprint able to seize market opportunities

Aperam's modern production facilities allow it to support its customers' stainless and specialty steel requirements with a high-level of operational efficiency.

In Europe, the Group benefits from high-quality and cost-efficient plants, including the largest and most recent electric arc furnace meltshop (Châtelet, Belgium), the largest hot rolling mill (Châtelet, Belgium), one of the largest cold rolling mills (Genk, Belgium) and LC2I, the best-in-class integrated rolling-mill (Isbergues, France). In January, we announced a new investment project at our Genk (Belgium) plant. This consisted of adding a new cold rolling and annealing and pickling lines that further facilitate the transformation of our business. With these state-of-the-art modern lines, which use the latest technology, we can enlarge our product range to include the most demanding applications, improve lead-times and our flexibility to meet market demands, increase the efficiency and cost competitiveness of our assets, and continuously enhance our health, safety and environmental impact.

In Brazil, the Group operates a fully integrated ironmaking facility that uses charcoal produced by Aperam BioEnergìa and its planted eucalyptus forests.

To adapt to market conditions, shortly after its creation, Aperam restructured its downstream operations from 29 to 17 tools in Europe. As a result, Aperam has reached record volumes in Europe since 2008 - even with less tools. With an optimal loading of its most efficient assets, Aperam is well positioned in Europe's core markets. To benefit from the long-term growth potential of the stainless and specialty steel industry, Aperam aims to continue investing in its industrial asset base with Leadership Journey® initiatives (described in detail below under the section "Our key strategic priorities").

A leading and geographically well-positioned stainless and specialty steel producer

Aperam has a strong presence in the European stainless steel market. Not only are the Group's modern production facilities in Belgium and France strategically located close to scrap generating regions, they are also close to the Group's major customers. Aperam's European industrial operations have consistently maintained high performance standards through the optimisation of production volumes, inventory and costs. The Group also has a highly integrated and technically advanced service centre and distribution network that is effective at maintaining direct contact with end-users through its strong sales and marketing capabilities.

The Company is a leading stainless and specialty steel producer in South America and, according to the International Stainless Steel Forum (ISSF), is the second largest producer in Europe. Aperam is well-positioned in both developed and emerging markets. In 2018, approximately 73% of its sales were derived from developed markets, while 27% came from emerging markets.

Key strengths of Aperam's European operations

<table>
<tr><th>Sourcing</th><th>Logistics</th><th>Production</th></tr>
<tr><td rowspan="3">The only integrated upstream operations in the heart of Europe, with the best access to scrap supply</td><td>Best location to serve Europe's biggest consumption areas</td><td>Full range of innovative stainless steel products</td></tr>
<tr><td rowspan="2">Efficient logistics and working capital management</td><td>Flexibility and efficient capacity</td></tr>
<tr><td>A strategy to be a cost benchmark on key Aperam products</td></tr>
</table>

Key strengths of Aperam's Brazilian operations

<table>
<tr><th>Sourcing</th><th>Logistics</th><th>Production</th></tr>
<tr><td rowspan="3">The only fully integrated stainless steel facility in South America, with access to iron ore and environmentally friendly charcoal produced from our own eucalyptus forests</td><td>Efficient logistics with integrated service centres</td><td>Full range of products, including flat stainless steel, electrical steel and special carbon</td></tr>
<tr><td>Only stainless steel producer in South America with best-in-class deliveries to customers</td><td>A flexible production route that allows Aperam to maximise its product mix</td></tr>
<tr><td>Flexible geographic sales capabilities within South America, allowing Aperam to optimise its geographic exposure</td><td>An improving cost position compared to the industry benchmark and one that benefits from best practice benchmarking with European operations</td></tr>
</table>

In South America, the Group has a leading presence in the production of flat stainless steel and electrical steel with modern, flexible and fully integrated production and service centres.

This unique asset base is perfectly adapted to the South American market. Based on low levels of historical and apparent consumption per capita and a developing market for stainless steel, management foresees a substantial potential for growth in South America. In Brazil, Aperam continues to benefit from the actions of the Leadership Journey® and Top Line strategy, while the long-term growth prospects in terms of stainless steel consumption have remained intact.

Value accretion beyond stainless production

Aperam has one of the largest integrated stainless and specialty steel sales, distribution and service networks in the world, with a total of 14 Steel Service Centres, 6 transformation facilities and 17 sales offices. This network, along with its best-in-class service, allows the Group to develop customer loyalty and a consistent and stable customer base, while also capturing additional value in downstream operations. The Group's distribution channels are strategically located in areas of high demand and close to many end-users. The Group works continuously to further develop its distribution network through internal development, partnerships and targeted acquisitions. Aperam normally expands its global distribution network either in response to an identified market opportunity or to meet the express business needs of major customers. The Group's global distribution network enables it to tailor its products to address specific customer needs, thereby facilitating the maintenance of our market share and the capturing of growth opportunities. The Group's customer base is well diversified, comprising of a number of blue chip clients.

A diversified product offering with a leading position in specialty alloys, backed by world-class research and development capabilities

Aperam offers a wide range of products, including high margin value-added niche products, to a diversified customer base in both emerging and developed markets. It is this diverse product offering, sold to a wide range of customers across numerous industries, that allows the Group to enjoy greater stability and to mitigate some of the risks and cyclicality inherent in certain markets.

The Group's products are mainly sold to end-users in the automotive, building and construction, catering and appliance, energy and chemicals, and transportation industries, while our electrical steel products are primarily sold to customers in the electric motors, generators and transformers industries. We are the third largest global producer of specialty alloys and the largest producer of alloys wire rods and strips, which are sold to customers in the aerospace, automotive, electronics, petrochemical, and oil & gas industries.

In addition, Aperam's leading position in specialty alloys, which is a particularly high margin value added niche, helps the Group maintain and improve its margins and profitability.

Aperam's research and development activities are closely aligned with our strategy and focus on product and process development. The Group's Research and Development team is comprised of 135 employees spread across two centres in Europe (Isbergues and Imphy, France) and one centre in Timóteo, Brazil. These centres interact closely with the Group's operating segments and partner with industrial end-users and leading research organisations to remain at the forefront of product development. Our research and development capabilities have contributed to both the Group's position as an industry leader and its development of long standing and recognisable brands. Aperam concentrates a significant portion of its research and development budget on high margin, value-added niche products, such as specialty alloys, and on developing products with enhanced capabilities for new applications and end markets.

Robust profitability, efficient cash flow management and a solid financial and funding structure

The Group's profitability is supported by its implementation of the Leadership Journey®. The Leadership Journey® is an initiative aimed at achieving management gains, fixed and variable cost reductions, and increased productivity over the near and medium-term by enhancing the potential of our best performing assets. The Leadership Journey® is composed of a number of phases that can be broadly characterised as restructuring and cost cutting projects, upgrading best performing assets and transformation initiatives. On February 6, 2019, the Company announced that the annualized gains target of Phase 3 of the Leadership Journey® - the Transformation Programme - has been increased by €50 million to €200 million by the end of

2020. Related planned capex spend has been reduced by €50 million to €100 million. Phase 3 of the Leadership Journey® had an annualized contribution of €33 million to EBITDA at the end of 2018.

In addition, the Group has been able to generate positive free cash flows over the past seven years. As of December 31, 2018, the Group had a net financial debt of €48 million, representing a gearing of 2% compared to a net financial debt of €799 million at the end of December 2010, representing a gearing of 29%.

As of December 31, 2018, the Group had a solid funding structure and debt maturity profile as described in greater detail in the “Liquidity” section.

These achievements are the result of Aperam’s strategic priorities as described in greater detail in “Our key strategic priorities” section below.

A talented, dynamic Leadership Team and motivated workforce

Aperam benefits from the experience and industry knowhow of its Leadership Team. The team is comprised of nine members, including the Chief Executive Officer (CEO), Mr. Timoteo Di Maulo. Mr. Di Maulo has over 26 years of experience in the stainless steel industry, having held a number of positions in the controlling, purchasing, logistics and commercial areas, along with having been CEO of different units within the Group.

Mr. Di Maulo is supported by the other members of the Group's senior management team. This includes Chief Financial Officer ("CFO") Mr. Sandeep Jalan, who has over 26 years of experience in finance. Mr. Jalan joined the ArcelorMittal group in 1999 and served as CFO of ArcelorMittal Long Carbon Europe, where he was responsible for finance and strategy prior to joining Aperam in 2014.

The other members of the Leadership Team are Ms. Vanisha Mittal Bhatia, Chief Strategy Officer; Mr. Nicolas Changeur, Chief Marketing Officer; Mr. Bernard Hallemans, Chief Operating Officer Stainless & Electrical Steel Europe; Ms. Ines Kolmsee, Chief Executive Officer Services & Solutions; Mr. Frederico Ayres Lima, Chief Operating Officer Stainless & Electrical Steel South America; Mr. Bert Lyssens, Head of Sustainability, Human Resources and Communications; and Mr. Frédéric Mattei, Chief Executive Officer Alloys & Specialties.

The collective industry knowledge and leadership of Aperam's senior management team, along with their record of accomplishment in responding to challenging economic conditions, are key assets to Aperam's business.

The Group has also introduced various initiatives to improve the dedication and motivation of its workforce, including development programmes, employee annual appraisals, career committee meetings to evaluate opportunities for managers, and performance-based bonuses. Greater accountability improves motivation, and the Group's approach to human resources has contributed to the dedication and engagement of its workforce.

A strong focus on self-help measures

From the very start, Aperam has always pursued a strategy designed to reinforce our market robustness. We accomplish this by leveraging our in-house internal improvement measures and by relying on our own resources. This has proven to be a successful strategy, one that supports our performance by reducing our reliance on external factors/resources.

As our key strategic priorities have proven their efficiency in terms of operating and financial performance over the past years, we remain focused on:

1. Achieving the next structural profitability improvement based on Phase 3 of the Leadership Journey® - the Transformation Programme

2. Driving value through our Top Line strategy by strengthening our product and service differentiation

1. Achieving the next structural profitability improvement based on Phase 3 of the Leadership Journey® - the Transformation Programme

The Leadership Journey® is an initiative aimed at achieving management gains, fixed and variable cost reductions, and increased productivity over the near and medium-term by enhancing the potential of our best performing assets. The Leadership Journey® is composed of a number of phases that can be broadly characterised as restructuring and cost cutting projects, upgrading best performing assets, and transformation initiatives. Each phase is described below:

The Leadership Journey® initiatives by phase and total target gains:

Phase 1: 2011-2013 Restructuring & cost cutting *Completed**	Phase 2: 2014-2017 Upgrading best performing assets *Completed**	Phase 3: 2018-2020 Transforming the Company *Ongoing***
Launched at the early stage of the programme in 2011, the restructuring initiatives focused on the closure of non-competitive capacities and the reduction of fixed costs through, in particular, process simplification and major cost cutting investments.	Since the beginning of 2014, major projects were launched to help Aperam overcome bottlenecks in its downstream operations, improve its cost competitiveness, and enhance its product portfolio.	Launched in 2017, this new phase of the journey aims to transform the business and address the next generation needs of our customers by creating a modern, fully-connected and technology-enabled organisation. This was extended in early 2019 to consider cost reductions, including general procurement and raw material savings.
Total target gains Phase 1: U.S.$350 million	Total target gains Phase 2: U.S.$225 million	Total target gains Phase 3: €200 million

* As of December 31, 2017, the Leadership Journey® Phase 1 and Phase 2 had contributed a total amount of U.S.$573 million to EBITDA since the beginning of 2011, in line with our goal of reaching U.S.$575 million in gains and profit enhancements by the end of 2017.

** As of December 31, 2018, gains reached was €33 million annualized

On June 7, 2017, Aperam announced Phase 3 of the Leadership Journey® - the Transformation Programme. This phase of the Leadership Journey® aims to achieve an annualized EBITDA contribution of €200 million between 2018 to 2020 (increased from €125 million to €150 million in May 2018, and from €150 million to €200 million in February 2019). During this phase, the Company wants to further transform the business to improve our production costs, as well as accelerate the adoption of the latest technological breakthroughs, automation and digitisation needed to create a fully-connected organisation ready to address the next generation needs of our customers. This includes announced the transfer of the Company's German service centre from Duisburg to Haan. This investment will enable Aperam to further improve its supply chain, reduce working capital and decrease costs while continuously improving its health and safety environment.As of December 31, 2018, Phase 3 of the Leadership Journey® contributed a total amount of €33 million to EBITDA (annualized contribution) with good progress on all pillars, which are described in greater detail below.

This Phase was extended on February 6, 2019 to consider additional cost reductions, including general procurement and raw material savings. The objective of the accelerated Leadership Journey® is to address the challenging market environment by further transforming the Company and improving its competitiveness. The annualized gains target increased by €50 million, to €200 million by the end of 2020. Related planned capex spend has been reduced by €50 million to €100 million.

The key pillars of Phase 3 of the Leadership Journey® are:

New technologies	Accelerate productivity gains by implementing the latest technology and breakthroughs in automation, including the use of robotics, sensors and integrated production lines
Innovation	Development of new applications and solutions
Leaner	Realise the full potential of being a digitised, connected and collaborative organisation Promote data acquisition technology along the production route
Value added services	A one-stop-shop for stainless steel services and supply chain transformation
Procurement	General procurement and raw material savings

2. Driving value through our Top Line strategy by strengthening our product and service differentiation

Our Top Line strategy is based on commercial projects. Its objective is to develop Aperam's most profitable products, segments, clients and geographical areas and continue to build a quality service offering for our customers.

Within the Top Line strategy, a specific focus is allocated to developing innovative products that will allow us to have a strong presence in important niche markets, as well as achieve attractive margins.

More specifically, our Top Line strategy includes:
> Leveraging our unique stainless steel product portfolio,
> Driving additional value through the Services & Solutions segment, and
> Strengthening our leadership position in the Alloys & Specialties segment.

Leveraging our unique stainless steel product portfolio

We intend to continue to support the development of our wide-range of products, with a focus on high margin value-added niche products. Because of the specialised and innovative nature of these products, we are able to earn higher margins as they typically attract higher prices than our commodity-type products. In order to grow our sales of high margin value added niche products and replace low contribution margin products, we continue to focus on developing innovative products through our research and development initiatives, while also leveraging our marketing and advertising efforts for wider promotion.

Driving additional value through the Services & Solutions segment

Our industrial footprint in Europe and South America is perfectly complemented by our global service centres and sales networks, which are part of our Services & Solutions segment. In a volatile market environment, we believe that the development of the Services & Solutions segment and the provision of better customer services are key to achieving financial and operational excellence. Our value-added services include cutting, polishing, brushing, forming, welding, pickling, annealing and packaging. We believe that further developing the Services & Solutions segment will not only drive additional value creation, it will also allow us to serve our customers more effectively. As part of this strategy, we continue to invest in and strengthen our service centres in Europe, Brazil and other parts of the world.

Strengthening our leadership position in the Alloys & Specialties segment

The Alloys & Specialties segment focuses on the design, production and transformation of various specialty alloys and certain specific stainless steels. These products are intended for high-end applications or to address very specific customer requirements across a broad range of industries, including oil and gas, aerospace, automotive, electronics, and petrochemical - to name only a few.

On December 21, 2018, Aperam confirmed the termination of the Share Purchase Agreement with Falcon Metals and Lindsay Goldberg Vogel to acquire VDM Metals Holding GmbH (VDM Metals) as previously announced on April 11 2018. Despite spending considerable time and effort on explaining the specific nature of the speciality alloys market, as well as the benefits of creating a strong European player capable of competing in a truly global market, the European Commission upheld its concerns about the impact of the proposed merger and its creation of a European Alloys Champion.

As it was not possible to agree on a value accretive outcome of the transaction, in the interest of their stakeholders, Aperam, Falcon Metals and Lindsay Goldberg decided to withdraw from the in depth Phase II investigation launched by the European Commission on November 29, 2018.

Despite this setback, we continue to believe that the Alloys & Specialties segment has significant growth potential that could be leveraged with new investments.

Palais de Justice (Courthouse), Strasbourg - France - Garcés.De Seta.Bonet Arquitectes & Serra-Vives-Cartagena © Adrià Goula - Executed using grade Aperam 304 with Uginox Top finish

Market analysis

Market environment

Our operational results are primarily affected by external factors that impact the stainless and specialty steel industry in general and, in particular, stainless and electrical steel pricing, demand for stainless and specialty steels, production capacity, trends in raw material, energy prices, and fluctuations in exchange rates. In addition, our operational results are affected by certain factors specific to Aperam, including several initiatives we introduced in response to the challenging economic environment. These factors are described in greater detail below.

Stainless steel pricing

The stainless steel market is a global market. Stainless steel is suitable for transport over long distances, as logistics costs represent a small proportion of overall costs. As a result, prices for commoditised stainless steel products evolve similarly across regions. However, in general, stainless steel products are not completely fungible due to wide variations in shape, chemical composition, quality, specifications and application, availability of local raw material and purchase conditions - all of which impact sales prices. Accordingly, there remains a limited market for uniform pricing or exchange trading of certain stainless steel products.

Stainless steel is a steel alloy with a minimum of 10.5% chromium content by mass and a combination of alloys that are added to confer certain specific properties depending on the application. The cost of alloys used in stainless steel products varies across products and can fluctuate significantly. Prices of stainless steel in Europe and the United States are concluded as either fixed prices or generally include two components :

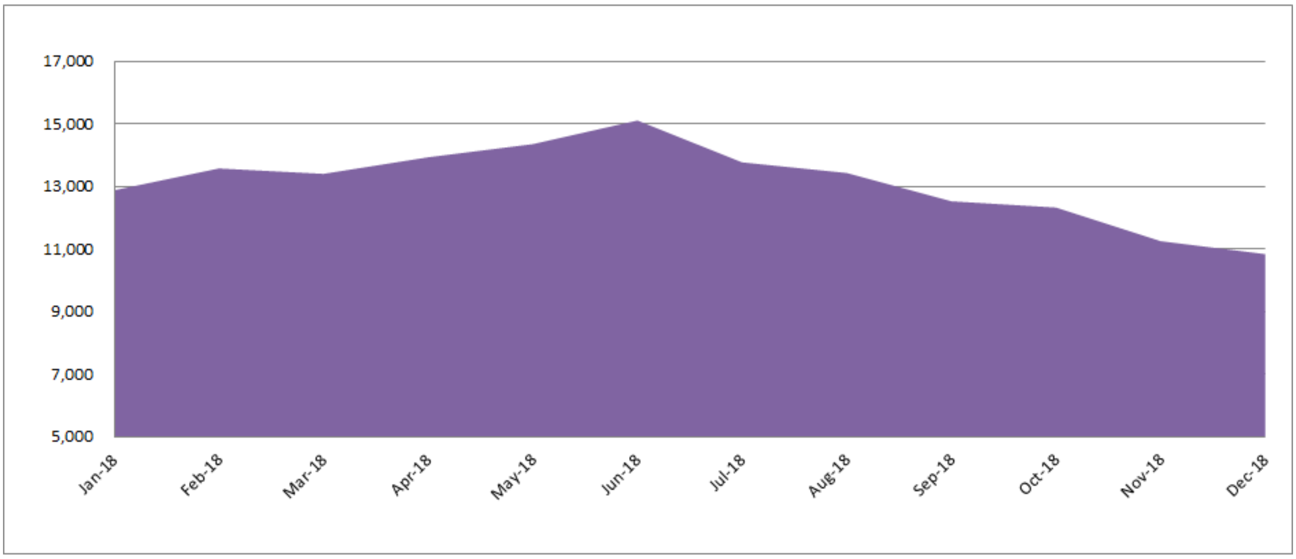
- the "base price", which is negotiated with customers and depends on market supply and demand; and
- the "alloy surcharge", which is a supplementary charge to the selling price of steel that offsets the purchase price increases in raw materials, such as nickel, chromium or molybdenum, by directly passing these increases onto customers. The concept of the "alloy surcharge", which is calculated using raw material purchase prices, among which some are quoted on certain accepted exchanges like the London Metals Exchange (LME), was introduced in Europe and the United States in response to significant volatility in the price of these materials.

Notwithstanding the application of the "alloy surcharge", the Group is still affected by changes in raw material prices. This is particularly true for nickel, which in the last decade experienced some sudden spikes, before coming back to a lower level. In general, when the price of nickel is falling, purchasers delay ordering stainless steel products in order to benefit from expected price decreases. This in turn has the effect of reducing demand in the short term. By contrast, when nickel prices are rising, purchasers tend to acquire larger quantities of stainless steel in order to avoid having to buy at higher prices.

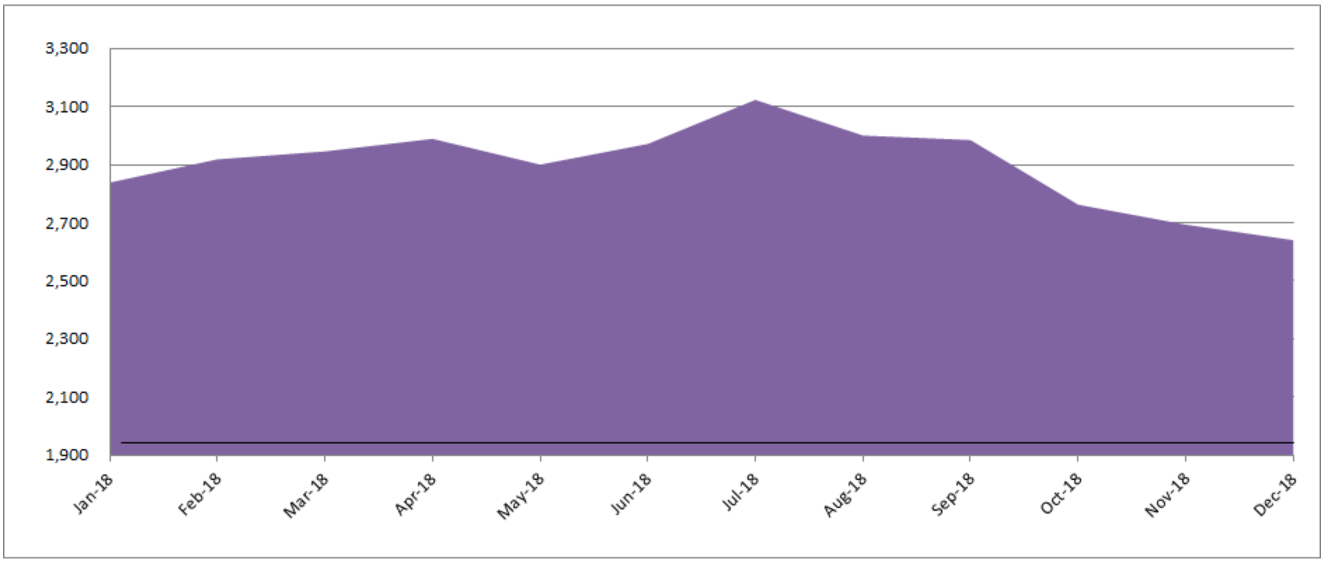
The first half of 2018 saw volatile but rising nickel prices, continuing the trend started mid 2017. This trend was supported by decreasing stocks, solid demand from the stainless and oil & gas industry and strong expectations on nickel demand for the electric vehicle (EV) battery sector. By mid June 2018, the trend completely reversed and the price gain from the first half of the year was totally neutralized by the losses sustained during the second half of the year. Despite further decreasing stocks of nickel, market sentiment turned negative on fears of trade wars, political uncertainties (Italy, Brexit, Brazil, etc.) and declining economic growth indicators. In addition, EV growth remained below expectations. The LME nickel price started the year at U.S.$12,400 per tonne, peaked at U.S.$15,700 in early June 2018, before ending the year on December 31, 2018 at U.S.$10,600. The LME stocks lost 160,000 tonnes, dropping from 366,000 tonnes at the start of 2018 to 206,000 tonnes by year end.

The graphs below show the price of nickel on the LME and the European transaction price for CR304 stainless steel for the period running from January 1, 2018 to December 31, 2018:

Graph: Nickel price on the LME (in U.S.$/tonne)



Graph: Stainless Steel / CR 304 2B 2mm Coil Transaction Price/Southern Europe Domestic Delivered (in U.S.$/tonne)



Source:
Nickel prices have been derived from the LME. Stainless steel/CR304 2B 2mm coil transaction price/Southern European domestic delivered prices have been derived from Steel Business Briefing ("SBB").

As mentioned above, several factors (in particular global demand and especially market anticipation on the use of nickel in electric vehicle batteries) supported the increase in nickel price during the first half of 2018. However, once additional mining and smelting capacity in Indonesia came online, more trade wars and geo-political uncertainties materialized, and a more realistic demand outlook on the mass production ramp up of

EVs appeared, the prices rapidly lost ground in the second half of the year, bottoming out at U.S.$10,600 per tonne at the end of December 2018.

As a consequence of this deflation in nickel prices and massive rise in imports from Indonesia and East Asian players due to ineffective provisional safeguard measures, the transaction price of stainless steel coils fell, close to U.S.$2,640 per tonne in December 2018, after peaking in July 2018 at U.S.$3,124 per tonne.

In light of the increased share of cheaply priced imports into Europe from South East Asia, the dropping capacity utilisation of domestic mills, and the uncertainty regarding continued economic growth on the Continent, Aperam remains both cautious in its 2019 market environment outlook and focused on its Leadership Journey® and cost improvement plan to remain the best cost producer in the area.

This cautious view is due to: i) continued import pressure into Europe due to Indonesia and South East Asian countries with significant and unfair cost advantage, ii) uncertainty over Europe's continued economic growth, iii) volatility in raw material prices, and iv) trade skirmishes between the U.S., China and other countries.

In 2018, the price averaged U.S.$2,897 per tonne, compared to U.S.$2,640 per tonne in 2017 (CR304 2B 2mm coil transaction price S.Europe domestic delivered price).

Electrical steel pricing

The price evolution of electrical steels in 2018 confirmed that Grain Oriented (GO) and Non Grain Oriented steels (NGO) steels are affected by different market drives.

NGO prices were mostly stable, as a result of the demand for more efficient electric motors, including mobility applications. GO prices, on the other hand, increased due to recovery margins in China linked to investments in power grid expansion and electricity generation projects.

Demand for stainless and electrical steel and specialty alloys products

Demand for stainless and electrical steel, which represents approximately 2.5% of the global steel market by volume, is affected to a significant degree by trends in the global economy and industrial production. Short-term demand is also affected by fluctuations in nickel prices, as discussed in greater detail in the "Stainless Steel Pricing" section above.

In 2018, global demand for stainless steel flat products grew once again, supported by the increase in demand in China, along with stronger demand in developed markets. Specifically, stainless steel consumption continued its robust momentum in China, where demand grew in excess of 5%; in Brazil, which saw +9% in growth thanks to its economic recovery gaining speed; and in Europe at 2.4%.

In 2018, the specialty alloys market confirmed the rebound started in 2017. This growth was supported by a recovery in oil & gas applications, with the aerospace, electrical safety and liquid natural gas transportation markets also remaining healthy. In addition to these traditional segments, new niches related to electric vehicles and new technologies have brought additional opportunities for specialty alloys applications. Management expects that the global demand for specialty alloys will continue to increase in the years to come, and that this accelerated life-cycle of products and technologies will require a growing effort in R&D and a strong customer focus.

Production and capacity

In 2018, global flat stainless steel production increased by slightly less than 5%. Global structural overcapacity driven by China increased by 16% on cold rolled coils, thus continuing to affect the global stainless steel industry. The growth in flat stainless steel capacity in China has been just short of 10%, while consumption remained strong, albeit growing at a slower pace than in the past. In 2018, although China's surplus capacity continued to impact its stainless industry, it also continued to show a slightly improving trend.

China is not only facing a significant industry restructuring challenge, but with over 50% of the global installed capacity, its industry is exerting disproportionate direct and indirect export pressures globally.
In addition to China, another country has emerged on the global stainless markets and is putting increasing pressure on export markets through aggressive pricing: Indonesia.

In Indonesia, which is rich in nickel reserves, the main Chinese stainless players have invested massively in integrated mining, smelting and stainless steel mills. As a result, in 2018 alone, Indonesia boosted its stainless steel production capacity by +150% in Stainless Slab and +200% in Stainless Cold Rolled, reaching over 2.5 Mt capacity and 300 Kt respectively.

With such huge capacity coming online in Indonesia, it will be unlikely to see noticeable overcapacity reductions in the near future, unless China radically transforms its own manufacturing model and starts to heavily cut its domestic capacity.

Due to ineffective provisional safeguard measures in Europe, imports from Asia and especially Indonesia increased significantly in Europe during 2018.

Competition

Aperam is a leading flat stainless steel producer in South America, the second largest producer in Europe and one of the top ten flat stainless steel producers in the world.

Aperam's main competitors in Europe are Outokumpu, Acerinox and Thyssenkrupp Acciai Speciali Terni S.P.A. Although antidumping duties on Chinese cold rolled coils significantly reduced cold rolled imports from China, hot rolled coils imports from China grew a lot due to no duties. 2018 also saw the emergence of Indonesia as a major offshore, integrated, nickel smelting and stainless steel production hub, which did not have any anti-dumping duties and was not covered by the provisional safeguard measures and hence substantially increased its imports in Europe. There was also a new wave of imports from Taiwan and South Korea (with limited duties) , all of which have put increasing pressure on the European stainless market, and its prices during the second half of 2018.Due to the effectiveness of the USA's trade barriers (section 232), Southeast Asian rerollers have redirected all their efforts onto Europe, making it their main export destination. In Q3 and Q4 2018, they have steadily gained market share thanks to a very aggressive pricing policy, made possible by the use of stainless semis like slabs or black coils supplied by Indonesia, where raw materials, labour and processing costs are even lower than in China.

Aperam is a leading flat stainless steel producer in South America, with its operations based in Timóteo, Brazil. After several years of challenging market conditions, in 2018, Brazilian profitability initiated a recovery phase, thanks to the improvements implemented over the past years and economic growth gaining strength. Management confirms a strong potential in growth of per capita consumption of stainless steel in Brazil.

The global competitive landscape has transformed over the past years, with Chinese producers Tsingshan, TISCO, BaoWu (formerly known as Baosteel) and Beihai Chengde now ranking among the 10 largest global flat stainless steel producers in the world.

Developments regarding trade measures

The year 2018 was marked by extensive developments in respect to trade measures, as described in greater detail below.

European Union

On March 8, 2018, the United States of America (U.S) adopted trade protection measures in the form of a tariff increase on the import of certain steel (including stainless steel) and aluminium products (at rates of 25% and 10% respectively). Effective as of March 23, 2018, the tariff increase has an unlimited duration, based on the results of the U.S. Department of Commerce's investigation within the Section 232 procedure.

The effective date of the tariff increase with respect to the European Union was deferred to May 1, 2018 and, subsequently, to June 1, 2018.

As a consequence, the European Commission (Commission) outlined a three-pronged response:

1. On June 1, 2018, the Commission launched legal proceedings against the U.S. in the World Trade Organisation (WTO).
2. Safeguard actions to protect the European market from disruption caused by the diversion of steel from the U.S. market into the European market. A safeguard investigation was launched on March 26, 2018. The Commission had nine months to decide whether safeguard measures would be necessary. If the investigation confirmed the necessity for swift actions, such a decision could be made during the summer of 2018 (as "provisional measures").
3. The adoption of a regulation putting in place the EU's rebalancing measures in response to the U.S. tariffs on steel and aluminium. The measures have targeted a list of products worth €2.8 billion and came into effect on June 22, 2018. The list of U.S. imports that will now face an extra duty at the EU border includes steel, stainless steel and aluminium products, agricultural goods, and a combination of various other products. By putting these duties in place, the European Union is exercising its rights under WTO rules.

On July 18, 2018, the European Commission announced provisional safeguard measures concerning imports of a number of steel products which went into effect on July 19, 2018. These provisional measures, in the form of a Tariff Rate Quota (TRQ), concerned 23 steel product categories. For each of the 23 categories, a 25% tariff was imposed once imports exceed the average amount of imports over the last three years. As the quota is allocated on a “first-come first-serve” basis, it was not allocated by individual exporting country. These measures were imposed against all countries, with the exception of some developing countries with limited exports to the EU (including Indonesia).

Type of products	Countries(1)	Volume of tariff quota (200 days)	Additional duty rate	Effective from (2)
Hot Rolled Stainless Steel Flat Products	All countries (with some exclusions)	178.865 tons	25%	July 19, 2018
Cold Rolled Stainless Steel Flat Products	All countries (with some exclusions)	423.442 tons	25%	July 19, 2018

Notes:

(1) Products originating in Norway, Iceland, Liechtenstein and South Africa not subject to the measures and products originating from developing countries (including Indonesia) below 3% of total imports in the year 2017 were not subject to the measures, according to WTO rules.

(2) Entry into force from the day following that of the publication of the provisional measures in the Official Journal of the European Union. The measures will be effective up to 200 days from the initial day and will expire on 1st February 2019

On January 16, 2019, the European Commission announced that it is set to to adopt definitive safeguard measures on steel imports to be completed on February 2, 2019, following a 200 day period of the application of the provisional measures.

The Commission considers that definitive safeguard measures will be in place for a period of three years (including the period of imposition of the provisional measures), expiring on July 16, 2021.

Definitive safeguard measure will take the form of a tariff-rate quota in order to prevent serious injury, but at the same time preserve traditional trade flows as much as possible. This level of tariff-rate quota shall be set at the average level of imports over the 2015-2017 period plus 5%. Quotas will be further liberalised increasing the level of the free of duty quota by 5% after each year, specifically on July 1, 2019 and July 1, 2020. The additional duties to be paid above the quota shall be 25%.

A mixed approach will be put in place. A country-specific tariff-rate quota shall be allocated to countries having a significant supplying interest, based on their imports over the last 3 years. A global tariff-rate quota (the residual quota) based on the average of the remaining imports over the last three years shall be allocated to all other supplying countries. This residual tariff-rate quota will be divided quarterly.
Unused quarterly tariff-rate quota allocations will be automatically transferred to the next period.

When a supplying country has exhausted its specific tariff-rate quota, it should be given access to the residual tariff-rate quota. However, this possibility should only be applied during the last quarter of the period.

Type of products	Allocation by Countries	Volume of tariff-rate quota (Kton) From 2.2.2019 To 30.6.2019	Volume of tariff-rate quota (Kton) From 1.7.2019 To 30.6.2020	Volume of tariff-rate quota (Kton) From 1.7.2020 To 30.6.2021
Hot Rolled Stainless Steel Flat Products	China	87	225	236
	South Korea	18	47	49
	Taiwan	13	33	35
	USA	12	30	32
	Other Countries	10	26	28
Cold Rolled Stainless Steel Flat Products	South Korea	71	182	191
	Taiwan	66	169	177
	India	43	110	115
	USA	36	92	96
	Turkey	29	75	79
	Malaysia	20	51	53
	Vietnam	17	43	45
	Other Countries	51	131	137

Link to Regulation (EU) 2019/159 of 31 January 2019 imposing definitive safeguard measures against imports of certain steel products

Products originating in Norway, Iceland and Liechtenstein shall not be subject to the measures and products originating from developing countries below 3% of total imports in the period July 2017 – June 2018 are, for the time being, not subject to the measures, according to WTO rules. In particular Indonesia is not included in definitive safeguard measures, both in Stainless Steel Hot Rolled and Stainless Steel Cold Rolled

Furthermore, in order to comply with bilateral obligations, certain countries with which the Union has signed an Economic Partnership Agreement will also be excluded from the application of this Regulation (this included for instance South Africa).

Anti-dumping measures on SSCR originating in China and Taiwan continued after the imposition of provisional safeguard and definitive measures.

Once the quota is filled, to avoid the imposition of double remedies, the highest level of safeguard or following anti-dumping duties is to be applied.

Type of products	**Countries**	**Definitive Anti-dumping duty (%)**	**Effective from**
Cold Rolled Stainless Steel Flat Products	People’s Republic of China	From 24.4% up to 25.3%	March 26, 2015(1)
Cold Rolled Stainless Steel Flat Products	Taiwan	6.8% except Chia Far 0%	March 26, 2015(1)

Note:
(1) Entry into force from the day following that of the publication of the provisional measures in the Official Journal of the European Union. The measures have been implemented for a 5-year-period.

Brazil

Since 2013, Brazil's Trade Defence Department ('Decom'), an investigative body under the Brazilian Ministry of Development, Industry and Foreign Trade, opened anti-dumping investigations against imports from several countries (not including Indonesia at date of this report) for welded austenitic stainless pipes, flat stainless steel products and flat non-grain oriented products, imposing anti-dumping duties for a period of five years as described below :

Type of products	Import duties status	Anti-dumping ("AD") status
Stainless Steel Flat Products CR 304 and 430, in thicknesses between 0.35mm and 4.75mm	Normal import duties are 14%	AD duties starting October 4, 2013 for 5 years from U.S.$236/tonne to U.S.$1,077/tonne for imports. Renewal investigation launched on October 3, 2018, during which time AD duties will remain in place. Countries involved are China, Taiwan, South Korea, Vietnam, Finland and Germany
Stainless Steel Welded Tubes in thickness between 0.4mm to 12.70mm	Normal import duties are 14%	AD duties starting July 29, 2013, for 5 years from U.S.$360/tonne up to U.S.$911/tonne. Countries involved are China and Taiwan. Renewal investigation launched on July 16, 2018, during which time AD duties will remain in place AD duties starting June 13, 2018, for 5 years from U.S.$367/tonne up to U.S.$888/tonne. Countries involved are Malaysia, Thailand and Vietnam.
Electrical steel – Non Grain Oriented (NGO)	Normal import duties are 14%	AD duties starting July 17, 2013, for 5 years from U.S.$133/tonne to U.S.$567/tonne. Countries involved are China, South Korea and Taiwan. On August 15, 2014, Camex released partially NGO AD, giving 45kt of imports in the next 12 months without AD penalties. On November 4, 2015, Brazilian authorities decided to end the existing quota of imports without AD and fixed the AD duties from U.S.$90/tonne to U.S.$132.5/tonne. Renewal investigation launched on July 16, 2018, during which time AD duties will remain in place. An investigation involving Germany was launched on May 9, 2018.
Electrical steel – Grain Oriented	Normal import duties are 14%	

Raw materials and Energy

Raw materials

Stainless and specialty steel production requires substantial amounts of raw materials (primarily nickel, chromium, molybdenum, stainless and carbon steel scrap, charcoal (biomass) and iron ore). With the exception of charcoal, which is produced internally, we are exposed to price uncertainty with respect to each of these raw materials, which we typically purchase under short- and long-term supply contracts, as well as on the spot market.

Prices for these raw materials are strongly correlated with demand for stainless steel and carbon steel and thus tend to fluctuate in response to changes in supply and demand. In addition, since most of the raw materials we use are finite resources, their prices may also fluctuate in response to any perceived scarcity of reserves, along with the development of projects working to replace depleted reserves.

The price of nickel continued its upward trend that started in mid-2017 on solid demand from the stainless and oil & gas industries and strong expectations for nickel demand from the EV battery sector. However, by mid-June 2018, the trend completely reversed. Even with continuously decreasing stocks, market sentiment turned negative on fears of trade wars, political uncertainties (Italy, Brexit, Brazil, etc.) and declining economic growth indicators. In addition, EV growth remained below expectations. The LME nickel price started the year at U.S.$12,400 per tonne, peaking at U.S.$15,700 in early June 2018, and ending the year at U.S.$10,600 on December 31, 2018. The LME stocks lost 160,000 tonnes, dropping from 366,000 tonnes at the start of 2018 to 206,000 tonnes by the end of the year.

The price of ferrochrome remained volatile in 2018. In the first quarter, the European benchmark price dropped to U.S.$1.18 per pound of chrome, only to rise again to U.S.$1.42 per pound of chrome in the second quarter. It remained relatively stable in the third quarter, at U.S.$1.38 per pound of chrome. As demand slowed and production increased in South Africa, the price for the fourth quarter was set at U.S.$1.24 per pound of chrome.

At the start of 2018, molybdenum prices initially rose to U.S.$28.9 per kilogram, but corrected to U.S.$23.5 per kilogram by the end of June. In the second half year, as supply decreased and China closed capacity for environmental reasons, the molybdenum price recovered and traded in a narrow band of between U.S.$26-27.5 per kilogram.

Iron ore prices started the year relatively high at U.S.$75 per tonne, but saw a sharp drop to U.S.$65 per tonne as Chinese demand weakened. The price then traded in a range between U.S.$65-70 per tonne until September. October saw a recovery to U.S.$75 per tonne, followed by a sharp correction back to U.S.$65 per tonne, ending the year at U.S.$73 per tonne.

In the first half of 2018, ferrous scrap prices mainly oscillated around a relatively high level of U.S.$350 per tonne. After a strong dip in the summer to U.S.$290 per tonne, scrap prices again traded around U.S.$320 per ton, only to weaken again to U.S.$270 per ton in December.

Energy and industrial gases

With regard to natural gas, as part of the Leadership Journey®, in 2011, the Timóteo production facility in Brazil switched from liquefied petroleum gas (LPG) to natural gas and entered into a natural gas supply contract with a Brazilian supplier. In Europe, the Group has purchased most of its natural gas through a supply contract put in place with ArcelorMittal Energy S.c.a. in 2015.

The Group benefits from access to baseload nuclear power in France, with remaining needs sourced from the market. In France, a supply contract was put in place with ArcelorMittal Energy S.c.a. at the beginning of 2016, whereas in Belgium, such a contract has been in place since the beginning of 2015. In Brazil , electricity needs are mainly secured through long term contracts with several suppliers, the balancing requirements managed through short term arrangements.
With regard to industrial gases, the Group procures its industrial gas requirements using short- or long-term contracts with various suppliers in different geographical regions.

Impact of exchange rate movements

At the end of 2017, the Euro amounted to 1.1993 U.S. dollar/Euro and 3.9693 Brazilian real/Euro. In 2018, the Euro appreciated by 4.5% against the U.S. dollar to reach 1.1450 U.S. dollar/Euro. In 2018, the Euro depreciated by 11.8% against the Brazilian real to reach 4.4390 Brazilian real/Euro.

Because a substantial portion of Aperam's assets, liabilities, sales and earnings are denominated in currencies other than the Euro (its presentation currency), Aperam is exposed to fluctuations in the values of these currencies relative to the Euro. These currency fluctuations, especially the fluctuation of the Euro relative to the U.S. dollar and Brazilian real, as well as fluctuations in the currencies of the other countries in which Aperam has significant operations and sales, can have a material impact on the results of operations. To minimise its currency exposure, the Group enters into hedging transactions to lock in a set exchange rate for specific transactions in non-local currencies, in accordance with its management policies.

La Jolla, San Diego - USA
Architect: Daniel Schmidt © Enduringmetal
Executed using grade K44 with Uginox Patina finish

Board of Directors

The Board of Directors is in charge of the overall management of the Company. It is responsible for the performance of all acts of administration necessary or useful to implementing the Company's corporate purpose as described in the Articles of Association, except for matters expressly reserved by Luxembourg laws or the Articles of Association to the general meeting of shareholders.

Aperam places a strong emphasis on corporate governance. Out of the seven members of the Board of Directors, four are independent. Furthermore, the Board's Audit and Risk Management Committee and Remuneration, Nomination and Corporate Governance Committee are each comprised exclusively of independent directors. Mr. Lakshmi N. Mittal is the Chairman of the Board of Directors and Mr. Romain Bausch is the Lead Independent Director. Mr. Bausch's principal duties and responsibilities as Lead Independent Director include: coordinating the activities of the other Independent Directors; liaising between the Chairman and the other Independent Directors; calling the meetings of the Independent Directors when necessary and appropriate; leading the Board of Directors' self-evaluation process, and such other duties as are assigned from time to time by the Board of Directors.

On May 9, 2018, the Annual General Meeting of Shareholders approved the re-election of Mr. Philippe Darmayan as Member of the Aperam Board of Directors for a term of three years.

The election of members of the Board of Directors is an agenda item published in the Company's convening notice to its shareholders' meetings. Members of the Board of Directors are elected by simple majority of the represented shareholders at an ordinary general meeting of shareholders. The directors of Aperam are elected for three year terms.

No member of the Board of Directors has entered into a service contract with Aperam or any of its subsidiaries providing for benefits upon the end of his or her service on the Board. In December 2013, all non-executive Directors of the Company signed the Company's Appointment Letter, which confirms the conditions of their appointment, including compliance with a non-compete provision, the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange, and the Company's Code of Business Conduct.

The members of the Board of Directors as of the date of this Annual Report are set forth below. The terms of the members of the Board of Directors expire at the annual general meeting of shareholders as described in the table on the next page.

Name	Age(1)	Position within the Company (2)	Date joined Board	Term expires
Mr. Lakshmi N. Mittal	68	Chairman, non-independent member of the Board of Directors	December 2010	May 2019
Mr. Romain Bausch (3) (4)	65	Lead Independent Director, independent member of the Board of Directors	January 2011	May 2019
Mr. Philippe Darmayan	66	Non-independent member of the Board of Directors	May 2015	May 2021
Mr. Joseph Greenwell (3) (4)	67	Independent member of the Board of Directors	May 2013	May 2020
Ms. Kathryn A. Matthews(4)	59	Independent member of the Board of Directors	December 2010	May 2019
Mr. Aditya Mittal	42	Non-independent member of the Board of Directors	December 2010	May 2019
Ms. Laurence Mulliez(3)	52	Independent member of the Board of Directors	May 2011	May 2020

Company Secretary: Mr. Laurent Beauloye

Notes:
(1) Age on December 31, 2018.
(2) See section Corporate Governance/Board of Directors for the status of independent director.
(3) Member of the Audit and Risk Management Committee.
(4) Member of the Remuneration, Nomination and Corporate Governance Committee

Mr. Lakshmi N. Mittal

Mr. Lakshmi N. Mittal is the Chairman and Chief Executive of ArcelorMittal, a renowned global businessman who serves on the boards of various advisory councils, and an active philanthropist engaged in the fields of education and child health. Mr. Mittal was born in Sadulpur in Rajasthan in 1950. He graduated from St Xavier's College in Kolkata, where he received a Bachelor of Commerce degree..

Having completed his education in India, Mr. Mittal began his career working in his family's steelmaking business in India before moving to Indonesia in 1976 to set up a small steel company that over time grew to become ArcelorMittal, the world's leading steel company and one of the foremost industrial companies in the world. He is widely recognized for the role he played in restructuring the steel industry towards a more consolidated and globalized model, pursuing and successfully integrating many acquisitions in North America, South America, Europe, South Africa and the CIS. Today ArcelorMittal continues to be the largest and most global steel manufacturer. "Mittal Steel" became the world's leading steel producer in 2004 following the merger of Ispat International and LNM Holdings, and the simultaneous acquisition of International Steel Group. Shortly after, in 2006, Mittal Steel launched an ambitious bid to merge with Arcelor which created ArcelorMittal.

Mr. Mittal's contribution to business and global industry has been widely recognized.

In 1996 he was awarded "Steelmaker of the Year" by New Steel in the United States and in 1998 the "Willy Korf Steel Vision Award" by World Steel Dynamics for outstanding vision, entrepreneurship, leadership and success in global steel development. He was named Fortune magazine's "European Businessman of the Year" in 2004 and "Business Person of the year" by the Sunday Times, "International Newsmaker of the Year" by Time Magazine and "Person of the Year" by the Financial Times in 2006 for his outstanding business achievements. In January 2007, Mr. Mittal was presented with a Fellowship from King's College London, the college's highest award. In 2007 he also received the Dwight D. Eisenhower Global Leadership Award, the Grand Cross of Civil Merit from Spain and was named AIST Steelmaker of the year. In January 2008, Mr. Mittal was awarded the Padma Vibhushan, India's second highest civilian honor, by the President of India. In September 2008, Mr. Mittal was chosen for the third "Forbes Lifetime Achievement Award." In October 2010, he was awarded World Steel Association's medal in recognition of his services to the Association as its Chairman and also for his contribution to the sustainable development of the global steel industry. In January 2013, Mr. Mittal was awarded a Doctor Honoris Causa by the AGH University of Science and Technology in Krakow, Poland. In April 2018, Mr. Mittal was awarded by the American Iron and Steel Institute with the Gary medal award recognizing his great contribution to the steel industry.

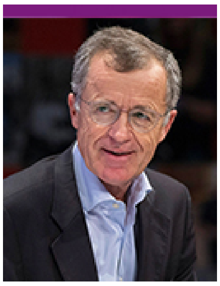
In addition to his role at ArcelorMittal, Mr. Mittal is an active participant of various boards and advisory councils. He is a member of the board of Goldman Sachs. He previously sat on the board of Airbus N.V. He is a member of the Foreign Investment Council in Kazakhstan, the National Investment Council of Ukraine, the Global CEO Council of the Chinese People's Association for Friendship with Foreign Countries, the World Economic Forum's International Business Council, the World Steel Association's Executive Committee, the European Round Table of Industrialists, the Indian School of Business and a member of the board of Trustees of Cleveland Clinic. Mr. Mittal, with his wife Usha Mittal, is also an active philanthropist. The Mittal family recently made a significant gift to Harvard to support the Lakshmi Mittal South Asia Institute and Mr. Mittal is a member of the Global Advisory Council of Harvard University. The Mittal family has also made important gifts to Great Ormond Street Hospital, supporting the Mittal Children's Medical Centre which formally opened in January 2018, and UNICEF, specifically on the topic of child malnutrition in India. Mr. Mittal and his wife Usha Mittal have a son, Aditya Mittal (who is President and Chief Financial Officer of ArcelorMittal), and a daughter, Vanisha Mittal Bhatia (who is a Director of ArcelorMittal). Mr. Mittal is a citizen of India.

Mr. Romain Bausch

Mr. Romain Bausch has served as the Chairman of the Board of Directors of SES since January 2015 and has been a member of the Board of Directors of SES since April 2013. Following a career in the Luxembourg civil service (Ministry of Finance), where he occupied key positions in the banking, media and telecommunications sectors, he became President and Chief Executive Officer of SES from 1995 to April 2014.

SES is a world-leading telecommunications satellite operator, with a global fleet of more than 50 geostationary and non-geostationary satellites. SES holds participations in a number of satellite operators and satellite service provision companies. Mr. Bausch is a member of the Board of Directors of the non-publicly listed Banque Raiffeisen Société Coopérative, Compagnie Financière La Luxembourgeoise, SES Astra, and the Luxembourg Future Fund. He is also a Member of the CNFP, the Luxembourg Independent Advisory Board for Public Finances.

Mr. Bausch graduated with a degree in economics (specialisation in business administration) from the University of Nancy and holds an honorary doctorate from Sacred Heart University in Luxembourg. Mr. Bausch is a citizen of Luxembourg.



Mr. Philippe Darmayan

Since January 1, 2015, Mr. Philippe Darmayan has been President of ArcelorMittal France. He is also president of UIMM, the business association representing the metallurgical and mechanical industries in France.

Mr. Darmayan has spent his entire career in metallurgy (nuclear fuel, aluminum, carbon and stainless steel).

From 2011 to 2014, Mr. Darmayan was Chief Executive Officer of Aperam. Prior to that, he served as Executive Vice President, member of ArcelorMittal's Management Committee and Chief Executive Officer of ArcelorMittal Distribution and Solutions (AMDS) from 2005 to 2011. Mr. Darmayan is a graduate of HEC Paris. Mr. Philippe Darmayan is a citizen of France.

Mr. Joseph Greenwell

Mr. Joseph Greenwell has a career of 40 years in the motor industry, during which time he has held senior roles at Jaguar Land Rover, Ford of Europe and Ford North America. Mr. Greenwell was appointed Chairman of Ford of Britain in 2009, a role he retired from at the end of April 2013.

Prior to this role, Mr. Greenwell was Vice President, Government Affairs, Ford of Europe and Premier Automotive Group from 2005 to 2008, and Chairman and Chief Executive Officer of Jaguar and Land Rover from 2003 to 2005.

From 2001 to 2003, he served as Vice President, Marketing, Ford North America, Vice President, Global Marketing and Operations, and Vice President Global Product Promotions. Prior to that, he was Vice President Communications and Public Affairs for Ford of Europe from 1999 to 2001 and held similar responsibilities for Jaguar Cars from 1996 to 1999. Mr. Greenwell began his career as a graduate trainee with the British Leyland Motor Corporation in 1973. In recognition of his services to the automotive industry, he was awarded a CBE (Commander of the Most Excellent Order of the British Empire) in the Queen's birthday honours list in 2011. Mr. Greenwell is the non-executive Chairman of privately owned Xtrac. Xtrac is worldwide leader in the design and manufacturing of transmission systems for top level motorsport and high performance automotive clients. He is also Chairman of the RAC Foundation, a UK transport research charity.

Mr. Greenwell holds a Bachelor of Art degree from the University of East Anglia. Mr. Greenwell is a citizen of the United Kingdom.

Ms. Kathryn A. Matthews

Ms. Kathryn A. Matthews has over 30 years of experience in the financial sector, with a focus on asset management. During this time she has held senior management roles with Fidelity International Ltd, AXA Investment Managers, Santander Global Advisors Inc. and Baring Asset Management. Currently, Ms Matthews is a non-executive director of the publicly listed Pendal Group.

Ms. Matthews is a non-executive director of non publicly listed Barclays Bank UK PLC, of non publicly listed Barclays Investment Solutions, and of non publicly listed J O Hambro Capital Management Holdings Limited. Ms. Matthews is a member of the charitable non listed Board of Trustees for The Nuffield Trust and a member of the Council for the Duchy of Lancaster. Ms. Matthews holds a Bachelor of Science degree in Economics from Bristol University in Bristol, England and is a citizen of the United Kingdom.

Mr. Aditya Mittal

Mr. Aditya Mittal is the President and Chief Financial Officer of ArcelorMittal. He is also the Chief Executive Officer of ArcelorMittal Europe. Following the formation of ArcelorMittal in 2006, Aditya held various senior leadership roles, including managerial oversight of the Group's flat carbon steel businesses in the Americas and Europe, in addition to his role as CFO and membership in the Group Management Board. Aditya joined Mittal Steel in January 1997, serving in various finance and management roles. In 1999, he was appointed Head of Mergers and Acquisitions.

In his position, he led the Company's acquisition strategy, resulting in Mittal Steel's expansion into Central Europe, Africa and the United States. Subsequently, he was also involved in post-merger integration, turnaround and improvement strategies of the acquired companies. Between 2004 and 2006, Mr. Aditya Mittal was the President and CFO of Mittal Steel. In 2006, he initiated and led Mittal Steel's offer for Arcelor, creating the world's first 100 million tonnes plus steel company.

In 2008, Mr. Aditya Mittal was named 'European Business Leader of the Future' by CNBC Europe and was ranked fourth in Fortune magazine's '40 under 40' list in 2011.

Mr. Aditya Mittal is an active philanthropist with a particular interest in child health. Together with his wife Megha, he is a significant supporter of the Great Ormond Street Children's Hospital in London, having funded the Mittal Children's Medical Centre, and in India, the couple work closely with UNICEF, having funded the first ever country-wide survey into child nutrition, the result of which will be used by the Government of India to inform relevant policy.

Mr. Aditya Mittal serves on the board of Aperam, Iconiq Capital and Wharton School and is Chairman of India's second largest refinery, HPCL-Mittal Energy Limited (HMEL). He is also a trustee at Brookings Institute and an alumni of the World Economic Forum Young Global Leader's Programme. Mr. Aditya Mittal holds a Bachelor's degree in Economics with concentrations in Strategic Management and Corporate Finance from the Wharton School in Pennsylvania, United States. Mr. Aditya Mittal is the son of Mr. Lakshmi N. Mittal and brother of Ms. Vanisha Mittal Bhatia. Mr. Mittal is a citizen of India.

Ms. Laurence Mulliez

Ms. Laurence Mulliez has 30 years of experience, primarily holding Managing Director roles in the oil, gas and chemical industries, as well as renewables (solar and wind power). She served as CEO of Eoxis from 2010 to 2013, a privately held company producing energy from renewable resources in Spain, Italy and India and backed by the private equity firm Platina Partners. From 2007 to 2009, Ms. Mulliez served as CEO of Castrol Industrial Lubricants and Services at BP. From 2004 to 2007, she held various Managing Director level positions at BP, including Vice President PTA (a Chemical business), across Europe, the Middle East and Africa. She also served as Head of Strategy and Financial Planning globally for all of BP's Gas, Power and Renewable Energy businesses, along with holding a number of financial and operational roles.

Ms. Mulliez is currently the Chairperson at Voltalia, a renewable-based electricity producer in 18 countries that is publicly listed on Euronext in Paris; a member of the Supervisory Board of SBM Offshore, a provider of floating production solutions to the offshore energy industry that is publicly listed on Euronext in Amsterdam; and a Non-Executive director of Morgan Advanced Materials plc, a global engineering company listed on the London Stock Exchange. Ms. Mulliez is also the Chairperson at Globeleq, a non-listed power industry leader with a focus on the African continent. She previously spent 10 years as a Non-Executive Director at Leroy Merlin, where she sat on the Audit Committee.
Ms. Mulliez holds a degree in business from the Ecole Supérieure de Commerce de Rouen and an MBA from the University of Chicago Booth, with a concentration in Finance and Strategy. Ms. Mulliez is a citizen of France and a citizen of the UK and has been living in London for the last 19 years.

EASE Training Center, Illkirch Graffenstaden - France
(European Aseptic & Sterile Environment Training Center)
VIB - architecture ballus.viallet © Cyrille Lallement
Executed using grade 304 with Uginox Bright surface finish

Senior management

Each member of the Aperam's senior management is a member of the Leadership Team, which is entrusted with the day-to-day management of the Company. The members of the Leadership Team are appointed and dismissed by the Board of Directors. The Leadership Team may exercise only the authority granted to it by the Board of Directors.

The members of the Leadership Team, as of the date of this Annual Report, are set forth below.

Name	Age[(1)]	Function
Mr. Timóteo Di Maulo	59	Chief Executive Officer; Member of the Leadership Team
Mr. Sandeep Jalan	51	Chief Financial Officer; Member of the Leadership Team
Ms. Vanisha Mittal Bhatia	38	Chief Strategy Officer; Member of the Leadership Team
Mr. Nicolas Changeur	47	Chief Marketing Officer, Member of the Leadership Team
Mr. Bernard Hallemans	51	Chief Operating Officer Stainless & Electrical Steel Europe; Member of the Leadership Team
Ms. Ines Kolmsee	48	Chief Executive Officer Services & Solutions; Member of the Leadership Team
Mr. Bert Lyssens	49	Head of Sustainability, Human Resources and Communications Member of the Leadership Team
Mr. Frederico Ayres Lima	46	Chief Operating Officer Stainless & Electrical Steel South America; Member of the Leadership Team
Mr. Frédéric Mattei	45	Chief Executive Officer Alloys & Specialties, Member of the Leadership Team

Secretary to the Leadership Team: Mr. Guillaume Bazetoux, Head of Finance

Note:
(1) Age on December 31, 2018

Mr. Timoteo Di Maulo

Mr. Timoteo Di Maulo has been the Chief Executive Officer since January 2015. Mr. Di Maulo has over 25 years of experience in the stainless steel industry, having held a number of positions in the controlling, purchasing, logistics and commercial areas, along with having served as CEO of different units of the Group. Prior to becoming CEO, Mr. Di Maulo served as Chief Commercial and Sourcing Officer from May 2012 to December 2014.

Prior to this function Mr. Di Maulo has served as Chief Executive Officer - Services & Solutions since 2005. In 1990, Mr. Di Maulo joined Ugine Italia, where he held various positions in the controlling, purchasing and sales departments. While at Ugine Italia, he successfully implemented and launched the ERP System, "Sidonie", across all of Ugine's subsidiaries worldwide. In 1996, Mr. Di Maulo joined Ugine's Commercial Direction in Paris, where he was in charge of its Industry and Distribution division. Mr. Di Maulo was subsequently named Service Division Industrial Director in 1998 and took on additional responsibilities as Chief Executive Officer of the German SSC, RCC.

In 2000, Mr. Di Maulo was named Chief Executive Officer of U&A Italy, a role that gave him full responsibility for its mill sales network and its two Italian SSCs. Mr. Di Maulo was then appointed Chief Executive Officer of ArcelorMittal's Stainless Europe Service Division in 2005 and, in 2008, of ArcelorMittal Stainless International (which included the division's worldwide mill sales network, all distribution and processing centres and ArcelorMittal Stainless Europe's tube mills and precision strips). Mr. Di Maulo is a graduate of Politecnico di Milano in Milan and holds an M.B.A. from Bocconi University in Milan. He is a citizen of Italy.

Mr. Sandeep Jalan

Mr. Sandeep Jalan has been the Chief Financial Officer of Aperam since January 2014. He has over 25 years of experience in finance and joined ArcelorMittal in 1999. During his time with ArcelorMittal he has held a number of positions, including being an active member of the Mergers & Acquisition due diligence team for numerous acquisitions in both steel and mining. He also helped establish the company's Group-wide business performance management system.

Most recently, Mr. Jalan served as Chief Financial Officer of ArcelorMittal Long Carbon Europe, responsible for finance and strategy. Mr. Jalan is a Commerce Graduate from Banaras Hindu University (BHU), Chartered Accountant (equivalent to CPA) and Company Secretary from the respective Institutes in India.

He has also completed an Executive Education Programme on Leadership at the London School of Business and an Executive Education programme on Strategic Finance at IMD, Lausanne. He is a citizen of India.

Ms. Vanisha Mittal Bhatia

Ms. Vanisha Mittal Bhatia joined Aperam in April 2011 and since has held the position of Chief Strategy Officer. She is a non-independent Director of ArcelorMittal. She was appointed as a member of the LNM Holdings Board of Directors in June 2004. Ms. Vanisha Mittal Bhatia was appointed to Mittal Steel's Board of Directors in December 2004, where she worked in the Procurement department leading various initiatives including “total cost of ownership programme”. She has a Bachelor of Sciences from the European Business School. She is also the daughter of Mr. Lakshmi N. Mittal and sister of Mr. Aditya Mittal. She is a citizen of India.

Mr. Nicolas Changeur

Mr. Nicolas Changeur has been the Chief Marketing Officer for Stainless & Electrical Steel since November 2014. He joined the Group in 2003 as Head of strategy of J&L, USA. He then held various positions within the stainless segment in both strategy and operations in Europe and South America. Prior to joining the Group, Mr. Changeur spent 2 years as a Senior Associate at AT Kearney, a strategy consulting firm.

Mr. Changeur was in charge of Services & Solutions, Tubes & Bars until July 2012, when he was appointed Responsible for Operating Marketing. Mr. Changeur holds a Master in Science in general engineering from Ecole Nationale Supérieure des Arts et Métiers and a Master in Business Administration from INSEAD. He is a citizen of France.

Mr. Bernard Hallemans

Mr. Bernard Hallemans has been the Chief Operating Officer Stainless & Electrical Steel since October 2016. He previously served as Chief Technical Officer and Member of the Leadership Team from November 2014 to September 2016. Mr. Bernard Hallemans joined the Group in 1995 as a research and metallurgical engineer. He conducted different research and development, quality and process improvement projects in the stainless steel making, hot rolling and cold rolling areas until 2001.

From the Ugine & ALZ merger in 2002 to 2007, he was responsible for the setup and management of the customer service department of the Genk plant and, later, of the Division Industry within Stainless Europe. In 2008, he moved to Châtelet to head the Châtelet plant, before returning to Genk in January 2012 to serve as Plant Manager there.

Mr. Hallemans graduated as a Metallurgical Engineer from KU Leuven, where he spent 4 years working as a research assistant while finishing his PhD in Materials Science. He holds a European Executive MBA from ESCP-EAP Paris. He is a citizen of Belgium.

Ms. Ines Kolmsee

Ms. Ines Kolmsee has been the Chief Executive Officer, Services & Solutions since October 2017. Ms. Kolmsee has acquired extensive industry experience (Steel and Energy) while holding various international leadership roles. Throughout her career, she has occupied various roles at the top management level in the areas of Finance and Technology, along with serving as CEO. Between 2004 and 2014, Ms. Kolmsee was the CEO of SKW Stahl Metallurgie, a global supplier of chemical products for the steel industry. She was then the CTO and a Member of the Board of EWE AG, one of the largest utility companies in Germany with more than 9,000 employees and 2016 sales of €7.6 billion.

Ms. Kolmsee holds an MBA (INSEAD), a Master Degree in Process and Energy Engineering (Technical University of Berlin, Germany) and a degree in Industrial Engineering (Ingenieur Civile des Mines, Ecole des Mines, St Etienne, France). She is also co-founder of the technology startup Smart Hydropower and has successfully built up the company as a Board member. She has also been a member of the Board of Directors of Umicore since 2011 and of Suez from 2014 to 2018. She is a citizen of Germany.

Mr. Bert Lyssens

Mr. Bert Lyssens has been the Responsible for Sustainability, Human Resources and Communications since April 2015. Mr. Lyssens started his professional career in Belgium in 1994 as an Executive Search Consultant at Schelstraete & Desmedt before joining Cimad Consultants in 1997 as Project Staffing Manager and, in 1998, IBM as HR Manager. From 1999 to 2005, Mr. Lyssens held senior HR positions at AT&T, an American multinational telecommunications corporation, with assignments in the Netherlands and the UK and with responsibilities for the EMEA region.

He joined Agfa Gevaert in 2005 as HR Director responsible for the EMEA region and, in 2006, he was appointed HR Director International at Agfa Graphic. In 2008, he was appointed VP Human Resources at Agfa HealthCare and, in 2010, he was appointed Group Vice President. Mr. Lyssens holds a degree in Psychology from the University of Ghent. He is a citizen of Belgium.

Mr. Frederico Ayres Lima

Mr. Frederico Ayres Lima has been the Chief Operating Officer Stainless & Electrical Steel South America since December 2014. Prior to this role, he held the position of Commercial Director of Aperam Stainless & Electrical Steel South America since 2009. Mr. Lima started his career at the Group in 1996 in Brazil as Metallurgist performing various roles in cost efficiency, technical assistance and production.

Moving to Europe, Mr. Lima worked in with exports from 2000 to 2003. In 2003, he was appointed Manager and responsible for synergies between mills, logistics and coordination of the stainless sales network.

Mr. Lima returned to Brazil in 2006, where he has held the positions of Export Manager and General Manager.

Mr. Lima holds Engineering and Master in Science degrees in Metallurgy from the Universidade Federal de Minas Gerais and an Executive MBA in International Business Management from the Fundação Getulio Vargas. He is a citizen of Brazil.

Mr. Frédéric Mattei

Mr. Frédéric Mattei has been the Chief Executive Officer of Alloys & Specialties since June 2014. He began his career in 1998 at Creusot Loire Industrie, where he was successively project leader, manager of the hot rolling mill and clad plates workshop and Logistics and Quality Manager. From 2005 to 2007, he was the head of Strategy and Innovation of ArcelorMittal's Global Plates business unit. In 2007, he became the manager of the Le Creusot plant, part of ArcelorMittal's Industeel unit.

In 2013, Mr. Mattei joined the Salzgitter Group as CEO of Salzgitter Mannesmann Stainless Tubes - France. Mr. Mattei is a graduate of France's Ecole Polytechnique and Ecole Nationale des Ponts et Chaussées and holds an Executive MBA from ESCP- EAP. He is a citizen of France.

Corporate responsibility

On April 18, 2018, Aperam published its seventh “Made for life” report, which details the progress we made in 2017 on the path of sustainability.

Based on best practices for sustainability reporting, Aperam's report follows the Global Reporting Initiative's G4 framework and has been verified by an external audit firm.

The report is complemented with three short online supplements for each of the 3 countries we operate in (Belgium, Brazil, France), representing over 80% of our total global workforce. The objective of these supplements is to make key metrics and yearly developments available in local languages and to ensure that our employees and other local stakeholders can easily access data aggregated at the national level and that is most relevant to them.

The report and the country supplements demonstrate - in detail - how Aperam’s Sustainability Roadmap is being integrated into our Group strategy, spurring cohesion and innovation and improving our ability to address the challenges and opportunities raised in our quest for sustainable development.

Just like our company, our report starts with “Our People”. As reflected by our values of leadership, ingenuity and agility, Aperam’s employees are our key to success. This is why Health and Safety cannot be anything less than our top priority and why personal development is a true strategic topic.

On the environmental side, Aperam’s efforts to reduce the impact of its plants are described with detailed metrics. On the governance side, our high ethical standards translate into our strict governance, which is strengthened by a structured compliance programme. Our strong customer focus, with innovation and Research and Development as a key pillar, proves that we are good at listening and finding the right solutions - a practice we keep in our social dialogues and stakeholder engagements.

Our responsibility as an employer

Health & Safety

Zero fatalities, zero injuries: this is our top priority. Our first duty as an employer is to ensure that no one working for Aperam suffers any harm from her or his work. For this reason, all Aperam Group teams work in unison to make sure all that appropriate mindsets and procedures (including certifications such as OHSAS 18,001) are always in place everywhere in the organisation and that this commitment is also reflected in the personal objectives allocated to each Aperam employee.

As a consequence, our primary indicator remains the LTIF (Lost Time Injury Frequency rate equals lost time injuries per 1,000,000 worked hours), complemented by the severity rate, and we monitor these data not only for our own people, but also for all our subcontractors.

In 2018, our LTIF rate was 1.4x (compared to 1.4x in 2017). Sadly, in 2018 we reported one fatality, which occurred at our Genk site. Following this tragic accident, an unprecedented audit of our practices was launched to better understand the root causes, including the cultural aspects, of such accidents. Furthermore, dedicated health and safety workshops are taking place all across the Group, with the objective of eradicating all behaviours and circumstances make such a tragic accident possible. Going forward, we will continue to redouble our efforts, with the aim of sustainably improving the health and safety of everyone working with or for Aperam.

People development and motivation

Contrary to most physical assets, which depreciate over time, we believe that our employees are an asset that appreciates in value over time. With an expertise that is constantly being enhanced with on-the-job experience and training, our teams gain autonomy - an autonomy that is essential to bringing fresh ideas and synergies into play. Experienced employees can also help with onboarding newcomers and reducing the learning curve via a structured mentoring process or simply through team-spirit and sharing pragmatic tips and tricks.

This is why monitoring the performance of our workforce over time, with yearly routines to touch base and well defined training needs, is so essential. But to define the right career paths, assess existing programmes and ensure further improvement, we also need to be active listeners. This is why we stay in close proximity to our employees, pay attention to daily needs, conduct Climate surveys and incorporate everything into our global vision. In 2018, we launched our second all-employee Climate survey, which saw an impressive 81% response rate. More details regarding the takeaways of this survey and the resulting action plans will be available in our next Sustainability report.

Social dialogue and employee relations

Social dialogue is obviously a key component to our ability to engage with our people. Employee representatives and unions are not only a natural intermediary for our staff, they are also a familiar business partner in discussions regarding the organisation of our operations. This is why we always promote a positive dialogue, ensuring the right to collective bargaining at our sites and having collective labour agreements in place throughout Aperam. We believe that in 2018, our operations ran in a sound social climate without major social conflict or disruptions and with an absenteeism rate of 2.3%, which is in line with the year before. In 2018, we had four ordinary meetings of our European Work Council and several extraordinary meetings with the restricted committee to focus on specific topics. The members of the health and safety commission were appointed and had several meetings in order to start their work.

Our environmental responsibility

Sustainable production processes

Metallurgy is a heavy industry requiring huge power and hazardous substances to transform raw materials into the precise blend of alloys requested by our clients. Together with cost awareness, this has resulted in a specific mindset, where resource efficiency and compliance are seen as “second nature”. Environmental consciousness is therefore both a duty to the public-at-large and a trigger to our sustainable profitability.

Consequently, and independent of evolving regulatory standards, resource efficiency topics (energy, raw materials) rank high on our priority list, which also encompass such key areas as water consumption, waste management and recyclability.

In terms of energy and CO_2, we have a two-fold strategy. On the Brazilian side, our blast furnace plant is fuelled with charcoal (biomass) from Aperam BioEnergia, our eucalyptus forestry, which is a natural and renewable substitute for fossil fuels (coke). On the European side, our lower-consumption electric arc furnaces leverage locally available scrap material in order to use less energy and generate a lower level of CO_2 emissions than traditional blast furnaces.

Across the entire company, including in our network of service centres, we have dedicated teams trying to reach our ambitious Company targets. As a result, in 2018, we received a B rating from the Carbon Disclosure Project (CDP).

Our 2017 environmental achievements versus our targets are as follows :

- CO_2 intensity reduction >34.5% ; almost at target of -35% reduction by 2020 vs. 2007, thanks to maximal usage of own charcoal.
- Energy intensity reduction >8.4% (from 6% in 2016) ; on track towards our target of 10% reduction by 2020 vs. 2012
- 93% reuse/recycle performance; on track towards target at 100%.

(2018 achievements will be disclosed in the upcoming Sustainability Report)

Pollution prevention and biodiversity protection

In addition to our responsibility towards future generations, we also ensure that we are always ready to address immediate emergencies, such as fire and pollution We do this through regular training and on-site simulations. At our main sites, these exercises are periodically set up with local authorities to assess the efficiency of our procedures for informing and protecting local communities. We also closely manage our effluents, especially our dust emissions, which are inconvenient to surrounding communities, as well as our water quality. Furthermore, we conduct periodic and complementary soil and noise analyses .

More original to our industry is our focus on biodiversity. We are proud of our Brazilian FSC-certified forestries and their ability to combine efficient plantation management (using biological pest control) with a well-applauded programme for protecting local flora and fauna, including large mammals.

Provision of recyclable energy efficient steel solutions

Within our responsibility to the environment, we are also committed to proposing energy-efficient steel products capable of helping society solve global environmental challenges. Stainless steel's endless recyclability, durability and mechanical resistance make it the perfect fabric of a sustainable society, opening up new opportunities for Aperam. Our products are used in a number of energy efficient applications by our industrial customers, including:

> stainless steel for automotive (e.g., exhaust systems) and energy infrastructure building applications;
> electrical steel products in energy efficient transformers and rotating machines;
> specialty alloys for energy efficient electrical equipment and energy production equipment; and
> waste treatment equipment, as well as for the development of renewable energies, such as solar power.

Our responsibility as a neighbour and market player

Community engagement

As a key employer, Aperam's local impact can be significant. But this impact goes well beyond creating direct jobs and paying wages and taxes. For example, an organisation like ours can indirectly attract additional revenue to the local economy by supporting local partners in the supply chain, especially in remote settings or areas with high unemployment rates. Even at our smaller sites, Aperam is keenly aware of its extended responsibility on such issues as traffic and noise. Thus, we always try to mitigate any possible nuisance through constant engagement with local authorities and stakeholders.

Aperam also develops Corporate Responsibility programmes to support neighbouring communities on topics relating to employment, education, culture and the environment. In Brazil we do this primarily through our Aperam Acesita Foundation, which supports many projects and partnerships across Minas Gerais, and through numerous local programmes in the country.

Our success depends on the well-being of the communities we operate in - the home of our current and future employees, suppliers and end-users. This is why we organise our development in a way that benefits the local community, earning their trust and protecting our licence to operate.

Cooperation with authorities and compliance with business ethics

Aperam aims to diligently cooperate with authorities and to continuously improve its Corporate Governance and Compliance framework in line with best standards.

In a global organisation like Aperam, it is of the utmost importance to ensure that all employees are at all times fully aware and aligned with the Corporate Governance and Compliance framework and that a zero tolerance for non-compliant behaviours is achieved.

Aperam invests a lot of efforts making sure all its numerous policies are well understood, in topics as varied as antitrust, economic sanctions, conflicts of interest, and data privacy, using a network of champions who spread the word across Aperam and from the C-suite down to the shop-floor. Likewise, we try to be exemplary in our direct relationships with authorities, whether at the local, national or supranational level, responding to questions conscientiously. Also, we do not financially contribute to the political sphere, and we mostly rely on our professional associations (e.g. EUROFER, Brazil Steel Institute, ISSF) to transparently represent our interests in public debates.

Beyond regulations, Aperam’s Ethics & Compliance programme also ensures that our values and guidelines are well understood and based on our Code of Conduct. For instance, in 2018 we realised two company-wide campaigns. The first one regarded anti-corruption and saw over 1000 employees trained with an extensive certificating e-Learning module. The second campaign focused on human rights, which were celebrated for the 70th anniversary of the United Nations’ Humans Rights charter with an updated company policy on the same topic.

To truly develop an internal culture of awareness and shared vigilance, we must do more than accumulate policies. With the help of our risk management organisation, we also engage our partners on these topics. Likewise, our CEO wrote to our business partners to encourage them to read our Sustainability Report and support our commitment to promoting high social, environmental and ethical standards, with a strong focus on Health & Safety and Human Rights. Later in 2018, in the context of our anti-corruption policy, we dispatched a letter to our over 8,000 suppliers asking them to refrain from offering gifts to our employees.

Sustainability reports

Aperam's sustainability reports are issued on a yearly basis and are available on Aperam's website, (www.aperam.com) in the Sustainability section. The next release will be organised ahead of the 2019 Annual General Meeting of shareholders to take place on May 7, 2019.

Operational review

Aperam reports its operations in three segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties.

The information in this section relates to the year ending December 31, 2018, and is compared to the year ending December 31, 2017.

Key indicators

The key performance indicators that we use to analyse operations are sales, steel shipments, average steel selling prices and operating result. Our analysis of liquidity and capital resources is based on operating cash flows.

Sales, steel shipments and average steel selling prices

The following table provides our sales, steel shipments and average selling prices by operating segment for the year ending December 31, 2018 as compared to the year ending December 31, 2017:

	Sales for the Year Ending December 31, (1)		Steel Shipments for the Year Ending December 31, (1) (2)		Average Steel Selling Price for the Year Ending December 31, (1)		Changes in		
Operating segment	**2018**	**2017(3)**	**2018**	**2017**	**2018**	**2017(3)**	**Sales**	**Steel Shipments**	**Average Steel Selling Price**
	(in millions of Euros)		(in thousands of tonnes)		(in Euros/tonne)		(%)		
Stainless & Electrical Steel(4)	3,840	3,723	1,914	1,882	1,942	1,918	3.1	1.7	1.3
Services & Solutions	2,066	2,041	819	818	2,428	2,397	1.2	0.1	1.3
Alloys & Specialties	554	458	36	33	14,635	13,279	21.0	10.1	10.2
Total (before intra-group eliminations)	6,460	6,222	2,769	2,733			3.8	1.3	
Others and elimination	(1,783)	(1,741)	(797)	(797)			2.4	0.0	
Total (after intra-group eliminations)	4,677	4,481	1,972	1,936			4.4	1.9	

Notes:

(1) Amounts are shown prior to intra-group eliminations. For additional information, see Note 3 to the consolidated financial statements

(2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 796 thousand tonnes and 796 thousand tonnes in the year ending December 31, 2018 and 2017, respectively.

(3) Amounts for the year ending December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

(4) Includes shipments of special carbon steel from the Company's Timóteo production facility.

Sales increased by 4.4%, to €4,677 million for the year ending December 31, 2018, from €4,481 million for the year ending December 31, 2017. The increase in sales was primarily due to higher average steel selling prices, which increased by 12.9% from €2,240 per tonne in 2017 to €2,305 per tonne in 2018; alongside higher steel shipments, which increased by 1.9%, to 1,972 thousand tonnes for the year ending December 31, 2018, up from 1,936 thousand tonnes for the year ending December 31, 2017.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) increased by 3.1%, to €3,840 million for the year ending December 31, 2018, up from €3,723 million for the year ending December 31, 2017. This was mainly the result of increased average steel selling prices, and higher shipment volumes.

The average steel selling price for the Stainless & Electrical Steel segment increased by 1.3%, to €1,942 per tonne for the year ending December 31, 2018, up from €1,918 per tonne for the year ended December 31, 2017. Steel shipments for this segment (including inter-segment shipments) increased to 1,914 thousand tonnes for the year ending December 31, 2018, of which 647 thousand tonnes were attributable to our operations in South America and 1,267 thousand tonnes were attributable to our operations in Europe, including inter-segment shipments. This was up from 1,882 thousand tonnes for the year ending December 31, 2017, of which 629 thousand tonnes were attributable to our operations in South America and 1,253 thousand tonnes were attributable to our operations in Europe, including inter-segment shipments. This represents an increase of 1.7%.

Sales to external customers in the Stainless & Electrical Steel segment were €2,137 million for the year ending December 31, 2018, representing 46% of total sales, an increase of 4% as compared to sales to external customers of €2,056 million for the year ending December 31, 2017, or 46% of total sales.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) increased from €2,041 million for the year ending December 31, 2017, to €2,066 million for the year ending December 31, 2018, which represents a 1.2% increase year-over-year. The increase in sales was primarily the result of a higher average steel selling price for the segment and slightly higher steel shipments. The average steel selling price for the Services & Solutions segment increased by 1.3%, to €2,428 per tonne in 2018, up from €2,397 per tonne in 2017. Steel shipments for this segment increased slightly to 819 thousand tonnes for 2018, up from 818 thousand tonnes for 2017, which represents an increase of 0.1%.

Sales to external customers in the Services & Solutions segment were €1,988 million for the year ending December 31, 2018, representing 43% of total sales, an increase of 1% as compared to sales of €1,962 million for the year ended December 31, 2017, or 44% of total sales.

Alloys & Specialties

Sales in the Alloys & Specialties segment (including intersegment sales) increased by 21.0% to €554 million for the year ending December 31, 2018, up from €458 million for the year ending December 31, 2017. The increase in sales was primarily the result of higher average steel selling prices for the segment and higher steel shipments. The average steel selling price for the Alloys & Specialties segment increased by 10.2%, to €14,635 per tonne in 2018, compared to €13,279 per tonne in 2017. Steel shipments for this segment were 36 thousand tonnes for the year ending December 31, 2018, which is a 10.1% increase compared to the 33 thousand tonnes for the year ending December 31, 2017.

Sales to external customers in the Alloys & Specialties segment were €550 million for the year ending December 31, 2018, representing 12% of total sales, an increase of 21% as compared to sales to external customers of €455 million for the year ending December 31, 2017, or 10% of total sales.

Operating income

The Group's operating income for the year ending December 31, 2018, was €361 million, compared to an operating income of €399 million for the year ending December 31, 2017. This decrease was mainly driven by the impact of higher input costs, which were partly offset by higher shipments and the contribution from our Leadership Journey® and Top Line strategy.

The following table provides our operating income and operating margin for the year ending December 31, 2018, as compared to the year ending December 31, 2017:

	Operating Income Year Ended December 31,		Operating Margin Year Ended December 31,	
	2018	**2017**[1]	**2018**	**2017**
Operating Segment	**(in millions of Euros)**		**(%)**	
Stainless & Electrical Steel	296	329	7.7	8.8
Services & Solutions	34	60	1.6	2.9
Alloys & Specialties	40	40	7.2	8.7
Total[2]	361	399	7.7	8.9

Notes:
(1) Amounts for the year ending December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.
(2) Amounts shown include eliminations of €(9) million and €(30) million for the years ending December 31, 2018 and 2017 respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with intersegment eliminations and/or non-operational items that are not segmented.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was €296 million for the year ending December 31, 2018, of which an operating income of €194 million was attributable to our operations in Europe and €102 million was attributable to our operations in South America. This is compared to operating income of €329 million for the year ending December 31, 2017, of which an operating income of €285 million was attributable to our operations in Europe and €44 million was attributable to our operations in South America. The operating result in the Stainless & Electrical Steel segment for the year ending December 31, 2018 decreased compared to the year ending December 31, 2017, due to higher input costs (electrodes, refractories, energy) and pressure on margins resulting from higher imports. This was partly compensated by higher shipments, the contribution of the Leadership Journey® and Top Line strategy.

Services & Solutions

The operating income for the Services & Solutions segment was €34 million for the year ending December 31, 2018, compared to operating income of €60 million for the year ending December 31, 2017. The negative impact that higher pressure from imports had on the selling price, mainly in Europe, was partially compensated for by the contribution of the Top Line strategy.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was €40 million for the year ending December 31, 2018, compared to operating income of €40 million for the year ending December 31, 2017. This stable operational result was primarily due to a recovering market environment, which translated into an increase in shipments and improvement in mix, along with some positive effects on raw material stock.

Financing costs

Financing costs include interest income, interest expense, net foreign exchange and derivative results and other net financing costs. Financing costs decreased to €(5) million for the year ending December 31, 2018, compared to €(41) million for the year ending December 31, 2017.

Excluding foreign exchange and derivative results described below, net interest expense and other financing costs for the year ending December 31, 2018 were €(6) million, primarily related to a cash cost of financing of €(9) million. This is compared to net interest expense and other financing costs of €(40) million for the year ending December 31, 2017, primarily related to a cash cost of financing of €(11) million. Cash costs of financing relate to interests and other expenses related to the service of debt and other financing facilities. The decrease in cash cost of financing is primarily related to improved financing conditions and a reduction of net financial indebtedness during the year 2018 compared to the year 2017. The decrease in non-cash cost of financing between 2017 and 2018 is mainly due to an exceptional financial gain of €18 million related to the remaining part of the convertible bonds due 2021 and lower amortization charge by €8 million of option premium of convertible bonds.

Realised and unrealised foreign exchange and derivative gains/losses were a gain of €1 million for the year ending December 31, 2018, compared to realised and unrealised foreign exchange and derivative losses of €(1) million for the year ending December 31, 2017. Foreign exchange results primarily relate to the accounting revaluation of non-Euro assets, liabilities, sales and earnings. Results on derivatives primarily relate to the financial instruments we entered into in order to hedge our exposure to nickel prices but which do not qualify for hedge accounting treatment under IFRS 9.

Income Tax

We recorded an income tax expense of €(71) million for the year ending December 31, 2018, compared to an income tax expense of €(35) million for the year ending December 31, 2017. Our 2018 income tax expense was primarily due to positive operational results in several countries. Despite a stable profit before tax of €357 million for the year ending December 31, 2018, compared to €355 million for the year ending December 31, 2017, the income tax expense represented an effective tax rate of 20% for the year ending December 31, 2018, whereas the income tax expense represented an effective tax rate of 10% for the year ending December 31, 2017. This was due to the accounting consequence of the announced change in tax rates at the end of 2017 in some jurisdictions (mainly Belgium, but also Argentina, France, Turkey, UK and USA). The Group had to recognize €39 million of net deferred tax benefit in the fourth quarter of 2017, mainly due to the positive effect on its deferred tax liability position in Belgium as a consequence of the decrease in the corporate income tax rate from 33.99% to 25%. The accounting impact of the change in tax rates in countries other than Belgium had no material effect on the income tax expense.

Net income attributable to equity holders of the parent

Our net result was a profit of €286 million for the year ending December 31, 2018, compared to a profit of €320 million for the year ending December 31, 2017.

Alternative Performance Measures

This Annual Report includes Alternative Performance Measures (APM), which are non-GAAP financial measures. Aperam 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. The definitions of these APMs are the same since the creation of the Company. 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.

EBITDA

EBITDA is defined as operating income before depreciation, amortisation and impairment expenses. The following table presents a reconciliation of EBITDA to operating income:

(in millions of Euros)

Year ending December 31, 2018	**Stainless & Electrical Steel**	**Services & Solutions**	**Alloys & Specialties**	**Others / Eliminations[1]**	**Total**
Operating income (loss)	296	34	40	(9)	**361**
Depreciation, amortisation and Impairment	(126)	(9)	(6)	(2)	**(143)**
EBITDA	**422**	**43**	**46**	**(7)**	**504**

(in millions of Euros)

Year ending December 31, 2017[2]	**Stainless & Electrical Steel**	**Services & Solutions**	**Alloys & Specialties**	**Others / Eliminations[1]**	**Total**
Operating income (loss)	329	60	40	(30)	**399**
Depreciation, amortisation and Impairment	(133)	(10)	(6)	(3)	**(152)**
EBITDA	**462**	**70**	**46**	**(27)**	**551**

Notes:
(1) Others/Eliminations includes all operations other than those mentioned above, together with inter-segment elimination, and/or non-operational items that are not segmented.
(2) Amounts for the year ending December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

Net Financial Debt/(Net cash) and Gearing

Net Financial Debt/(Net cash) refers to long-term debt, plus short-term debt, less cash and cash equivalents (including short-term investments).

Gearing is defined as Net Financial Debt divided by equity.

The following table presents a reconciliation of Net Financial Debt/(Net cash) and Gearing with amounts disclosed in the consolidated statement of financial position:

	December 31,	
(in millions of Euros)	**2018**	**2017[1]**
Long-term debt	181	238
Short-term debt	66	5
Cash and cash equivalents	(199)	(306)
Net Financial Debt/(Net cash)	**48**	**(63)**
Equity	2,519	2,544
Gearing	**2%**	**n/a**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

Free cash flow before dividend and share buy-back

Free cash flow before dividend and share buy-back is defined as net cash provided by operating activities less net cash used in investing activities. The following table presents a reconciliation of Free cash flow before dividend and share buy-back with amounts disclosed in the consolidated statement of cash flows:

	Year ending December 31,	
(in millions of Euros)	**2018**	**2017[1]**
Net cash provided by operating activities	295	374
Net cash used in investing activities	(187)	(163)
Free cash flow before dividend and share buy-back	**108**	**211**

Note:
(1) Amounts for the year ending December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

Trend information

All of the statements in this "Trend information" section are subject to and qualified by the information set forth under the "Disclaimer - Forward-Looking Statements". See also "Principal risks and uncertainties related to Aperam and the stainless and specialty steel industry".

Outlook

On February 6, 2019, the Company released its fourth quarter and full year 2018 results, which are available on the Company's website (www.aperam.com) under the "Investors" > "Earnings" section. As part of its prospects, the Company announced that EBITDA in Q1 2019 is expected to be comparable to Q4 2018 EBITDA and net financial debt is expected to remain at low levels in Q1 2019.

Aperam S.A. as parent company

Aperam S.A., incorporated under the laws and domiciled in Luxembourg, is the parent company of the Aperam Group, a role it is expected to continue to play in the coming years.

The parent company was incorporated on September 9, 2010, to hold the assets that comprise ArcelorMittal's stainless and specialty steels businesses. As described in the parent company's articles of association, the corporate purpose of the company shall be the manufacturing, processing and marketing of stainless steel, stainless steel products and all other metallurgical products, as well as all products and materials used in their manufacture, processing and marketing, and all industrial and commercial activities connected directly or indirectly with those objects, including mining and research activities and the creation, acquisition, holding, exploitation and sale of patents, licenses, know-how and, more generally, intellectual and industrial property rights.

The parent company has its registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under the number B155.908. The parent company owns a branch office located in Zug (Switzerland) and controls directly and indirectly 51 subsidiaries. The parent company generated a net profit[2] of €65 million in 2018.

[2] The net profit has been established according to generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

Liquidity

Liquidity and capital resources

The Group's primary sources of liquidity are cash generated from its operations and its credit facilities at the corporate level.

Because Aperam S.A. is a holding company, it is dependent upon the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses and meet its debt service obligations.

In management's opinion, the Group's operations and credit facilities are sufficient to meet the Group's present requirements.

Our cash and cash equivalents amounted to €199 million and €306 million as of December 31, 2018 and December 31, 2017, respectively.

Our total gross debt, which includes long and short-term debt, was €247 million and €243 million as of December 31, 2018 and December 31, 2017, respectively. Net financial debt, defined as long-term debt plus short-term debt less cash and cash equivalents (including short-term investments), was €48 million as of December 31, 2018, compared to a net cash position of €63 million at December 31, 2017. Gearing, defined as net financial debt divided by total equity, was 2% as of December 31, 2018.

As of December 31, 2018, no amount of the revolving credit facility was drawn, leaving a committed credit line of €300 million under the facility (see more details in "Financing" section below).

In addition, as of December 31, 2018, Aperam had €8 million in debt outstanding at the subsidiary level. As of December 31, 2018, the Company had a total liquidity of €499 million(1), consisting of cash and cash equivalents (including short term investments) of €199 million and committed credit lines of €300 million (revolving credit facility of €300 million described below). As of December 31, 2017, the Company had a total liquidity of €656 million, consisting of cash and cash equivalents (including short term investments) of €306 million and committed credit lines of €350 million (revolving credit facility of €300 million and EIB financing of €50 million as described below).

These facilities, which include debt held at the subsidiary level, together with other forms of financing, including the convertible bonds, represented an aggregate amount of approximately €0.5 billion (1), including a borrowing capacity of €300 million. In Management's opinion, such a financing arrangement is sufficient for our future requirements.

Note:
(1) Total amount of liquidity doesn't include the bridge loan facility agreement of €300 million described below since it's a short-term facility.

Financing

Borrowing base facility

On March 6, 2015 Aperam signed a U.S.$500 million secured borrowing base revolving credit facility (Facility) with a group of nine banks. The Facility was structured as a three-year revolving credit facility and included a one year extension option. It was used for liquidity and working capital purposes. On December 1, 2015, Aperam cancelled U.S.$100 million of commitments, leading to a remaining U.S.$400 million secured borrowing base revolving credit facility. On May 26, 2016, Aperam extended the credit facility until March 5, 2019.

On June 6, 2017, this Facility was cancelled and replaced by an unsecured revolving credit facility (see below).

Unsecured revolving credit facility

On June 6, 2017, Aperam entered into a €300 million unsecured revolving credit facility (Facility) with a group of 10 banks. The Facility is structured as a five-year revolving credit facility with two options of extension by one year each, replacing its U.S.$400 million three-year secured borrowing base facility. It will be used for the company's general corporate purposes. On May 22, 2018, the original final maturity date of the Facility was extended to June 6, 2023.

The Facility charges interest at a rate of EURIBOR (or LIBOR, in the case of an advance denominated in U.S. dollars) plus a margin (depending on the Group's most recent corporate rating by Standard & Poor's, Moody's or both) for the relevant interest period, which may be below one, two, three or six months or any other period agreed to between the parties. The Facility also charges a utilisation fee on the drawn portion of the total facility amount and a commitment fee on the undrawn and uncancelled portion of the total facility amount, payable quarterly in arrears.

The Facility contains financial covenants, including:

> a minimum ratio of consolidated current assets to consolidated current liabilities of 1.1:1;
> a minimum consolidated tangible net worth of €1.25 billion; and
> a maximum consolidated total debt of 70% of consolidated tangible net worth.

On December 31, 2018, these financial covenants were fully met.

EIB financing

On June 27, 2016, Aperam and the European Investment Bank (EIB) announced the signing of a financing contract in the amount of €50 million, which will be dedicated to financing a research and development programme over the 2016-2019 period, as well as an upgrade of two plants located in cohesion regions in France & Belgium (Isbergues, Hauts-de-France and Châtelet, Hainaut respectively). This project was funded under the Investment Plan for Europe, also known as the "Juncker Plan”. The financing contract, which is senior unsecured, was entirely drawn down on October 16, 2018, at a rate of 1.669%, with a final maturity date of October 16, 2028.

Convertible bonds

Convertible and/or exchangeable bonds due 2020

On September 19, 2013, Aperam announced the successful placing and pricing of its offering of convertible and/or exchangeable bonds for U.S.$200 million (hereafter “Bonds”). The Bonds were convertible into new or existing ordinary shares of the Company. The Significant Shareholder subscribed for U.S.$81.8 million of Bonds, equal to its 40.8% stake in the Company’s share capital. The Bonds were senior and unsecured and ranked equally in right of payment with all other existing and future senior unsecured indebtedness and senior in right of payment to all existing and future subordinated indebtedness. They had an annual coupon of 2.625% payable semi-annually in arrear, and an initial conversion price of U.S.$21.96. The Bonds were issued and would be redeemed at 100% of their principal amount and would, unless previously redeemed, converted, purchased and cancelled under certain conditions, mature on September 30, 2020.

Unless previously redeemed, purchased or cancelled, each bond would be convertible and/or exchangeable into shares at the option of the bondholder during the conversion period. The delivery of new and/or existing shares was at Aperam’s absolute discretion, subject to the limits and conditions set out below. Should the number of new shares issued be in excess of the number of new shares that Aperam is authorised to issue, Aperam would deliver existing shares. On the basis of the initial conversion ratio, the issuance of up to 9,107,468 new shares would be required to deliver the necessary shares upon conversion of the Bonds.

From June 1, 2017 to October 10, 2017, U.S.$198 million of Bonds were converted early following notice of conversion received from bondholders and 9,446,550 shares were created and delivered to bondholders against their conversion notices. The remaining U.S.$2 million were repaid in cash on October 10, 2017.

Net share settled convertible and/or exchangeable bonds due 2021

On June 27, 2014, Aperam announced the successful placing and pricing of its offering of net share settled convertible and/or exchangeable bonds due in 2021 (hereafter “Bonds”). Following the success of the offering, the Company decided to exercise the extension clause in full to increase the initial offering size to U.S.$300 million. The net proceeds of the offering are being used for general corporate purposes and the refinancing of existing indebtedness. The issue of the bonds reflects the Company’s proactive approach to optimising its debt profile and interest costs.

The Bonds are senior and unsecured and rank equally in right of payment with all other existing and future senior unsecured indebtedness and senior in right of payment to all existing and future subordinated indebtedness.

The Bonds have an annual coupon of 0.625% payable semi-annually in arrear and an initial conversion price of U.S.$43.92 representing a conversion premium of 32.5% above the reference price of U.S.$33.15 (based on the volume-weighted average price of the Company’s shares on Euronext Amsterdam between launch and pricing of €24.3453, and an exchange rate of €1=U.S.$1.3616). The Bonds were issued and will be redeemed at 100% of their principal amount and will mature on July 8, 2021 (7 years), unless previously redeemed, converted, exchanged, purchased or cancelled.

The Company has the option to redeem the Bonds at their principal amount plus accrued interest on or after July 23, 2018 (4 years plus 15 days), if the parity value (translated into U.S.$ at the prevailing exchange rate) shall have exceeded 130% of the Bonds’ principal amount.

Bondholders have been entitled to have their Bonds redeemed at their principal amount plus accrued interest on January 8, 2019 (4.5 years).

In case of exercise of their conversion right, bondholders shall receive, unless the Company elects otherwise, an amount in cash corresponding to the outstanding principal amount and, as the case may be, a number of new and/or existing Aperam shares corresponding to the value in excess thereof. The Company also has the option to elect to deliver new and/or existing shares only. In this case, on the basis of the initial conversion ratio, the issuance of up to 6,830,601 new shares would be required to deliver the necessary shares.

In December 2017, U.S.$0.8 million (€0.7 million) of Bonds were repurchased by the Company for a total consideration of U.S.$1.0 million (€0.9 million).

In 2018, U.S.$55.1 million (€47.7 million) of Bonds were repurchased by the Company for a total consideration of U.S.$69.9 million (€60.3 million).

At the end of 2018, U.S.$72.4 million (€63.2 million) of bondholders decided to exercise their put option as of January 8, 2019. The remaining amount of debt of U.S.$164.8 million (€143.9 million) was therefore reclassified as non-current financial liability as of December 31, 2018, and the accounting value of the debt was updated based on initial effective interest rate leading to an accounting value of U.S.$144.1 million (€125.9 million).

In November 2018, following the successive quarterly dividend payments during 2016, 2017 and 2018, the conversion price of such bond was adjusted to U.S.$39.61 as per respective terms and conditions. On such basis, the issuance of up to 4,160,566 new shares would be required to deliver the necessary shares upon conversion of the Bonds (after bondholder put exercise).

If the Company is unable to satisfy the conversion right in whole or in part through the issue or delivery of shares, the Company will pay an equivalent cash amount.

Pursuant to the terms and conditions of the Bonds, the conversion price adjustments to the bonds in connection with the dividend payments are available on the Company’s website (www.aperam.com) under the “Investors & shareholders” > “Fixed Income Investors - Bonds” section.

Commercial paper programme

On July 10, 2018, Aperam received confirmation from Banque de France, as foreseen by art. D.213-2 of “*Code monétaire et financier*” of the French law, that the conditions as described in the financial documentation of its programme of NEU commercial paper for a maximum outstanding amount of €200 million, fulfill the requirements of law. On December 31, 2018, the Aperam NEU CP programme was fully undrawn.

Bridge facility agreement

As of December 31, 2018, the Company has a €300 million bridge facility agreement with initial maturity date falling six months after the signature of the agreement and extendable for a new term of six months. The purposes of the bridge facility agreement are the refinancing of the U.S.$300 million net share settled convertible and/or exchangeable bond offering issued by the Company in 2014 with a maturity July 2021 and its general corporate purposes.

This facility was originally signed on November 9, 2018 for an amount of €400 million for the purposes including also the financing of VDM Metals acquisition.

True sales of receivables programme

Following the spin-off, the Group obtained liquidity from the sale of receivables through a true sale of receivables (TSR) programme. As of the end of June 2012, the programme was subsequently split into two programmes under similar terms and conditions to the existing programme. The maximum combined amount of the programmes that could be utilised as of the end of December 2018 was €320 million. Through the TSR programme, the Group and certain operating subsidiaries surrender the control, risks and benefits associated with the accounts receivable sold, allowing it to record the amount of receivables sold as a sale of financial assets and remove the accounts receivable from its statement of financial position at the time of the sale.

The total amount of receivables sold under the TSR programme and derecognised in accordance with IFRS 9 for the years ending December 31, 2018 and 2017 was €1.6 billion and €1.4 billion respectively. Expenses incurred under the TSR programme (reflecting the discount granted to the acquirers of the accounts receivable) are recognised in the statement of operations as financing costs and amounted to €(4) million and €(5) million for the years ending December 31, 2018 and 2017, respectively.

Credit ratings

The following tables provide an overview of the evolution of the Group's credit ratings since its creation:

Rating issuer	Long-term rating	Outlook
Moody's	Baa3	Stable
Standard & Poor's	BBB-	Stable

Moody's

Date	Revision	Rating	Outlook
January 2011	Initiate	Ba2	stable
November 2011	Downgrade	Ba3	negative
November 2012	Downgrade	B1	negative
May 2014	Outlook revision	B1	positive
November 2014	Upgrade	Ba3	positive
April 2015	Upgrade	Ba2	positive
February 2016	Upgrade	Ba1	stable
February 2017	Upgrade	Baa3	stable

Standard & Poor's

Date	Revision	Rating	Outlook
April 2011	Initiate	BB	stable
October 2011	Outlook revision	BB	negative
June 2012	Downgrade	BB-	negative
November 2012	Downgrade	B+	negative
July 2014	Outlook revision	B+	positive
November 2014	Upgrade	BB-	stable
April 2015	Upgrade	BB	stable
December 2015	Upgrade	BB+	stable
January 2017	Outlook revision	BB+	positive
May 2017	Upgrade	BBB-	stable

Financial policy

Aperam`s financial policy aims to maximize the Company's long-term growth and the value accretion for its shareholders while maintaining a strong balance sheet consistent with Investment Grade Financial ratios.

	Financial Policy
Company Sustainability	Invest in sustaining and upgrading the company's assets base to continuously reinforce Leadership Journey® and Top Line Strategy
Value Accretive Growth & M&A	Compelling Growth and M&A opportunities with high hurdle rate
Dividend Policy (1)	A base dividend, anticipated to progressively increase over time (as the Company continues to benefit from its strategic actions and capture growth opportunities). The Company targets a Net Financial Debt/EBITDA ratio of <1x (through the cycle). In the (unlikely) event that Net Financial Debt/EBITDA exceeds 1x, then the Company will review the dividend policy.
Extra Cash Utilization (2)	Remaining excess cash will be utilized in the most optimal way

Notes:
(1) The Board of Directors has decided to propose for approval at the next shareholder meeting of May 7, 2019, a base dividend increase to €1.75/share. Please refer to section "Earnings Distribution" below for greater details.
(2) On February 6, 2019, the Company announced a share buyback programme for an aggregate maximum amount of €100 million and a maximum of 3.7 million shares under the authorisation given by the annual general meeting of shareholders held in 2015. Please refer to section "Earnings distribution" below for more details.

The company intends to maintain an overall payout to shareholders of between 50% to 100% of basic earnings per share.

Earnings distribution

Dividend

In 2018

As the Company continues to benefit from its strategic actions and improve its sustainable profitability, on January 30, 2018, the Company proposed to increase its base dividend from U.S.$1.50/share to U.S.$1.80/share, subject to shareholder approval. On May 9, 2018, at the 2018 Annual General Meeting, the shareholders approved a base dividend of U.S.$1.80 per share. The dividend was paid in four equal quarterly instalments of U.S.$0.45 (gross) per share.

As in previous years, in 2018, dividends were announced in U.S. dollars. They were paid in U.S. dollars for shares traded in the United States on the over-the-counter market in the form of New York registry shares and paid in Euro for shares listed on the European Stock Exchanges (Euronext Amsterdam, Euronext Brussels, Euronext Paris and Luxembourg stock exchange). Dividends to be paid in Euro were converted from U.S. dollars to Euro based on the European Central Bank exchange rate.

In 2019

On February 6, 2019, Aperam announced its detailed dividend payment schedule for 2019. Continuing to benefit from its strategic actions and improving its sustainable profitability, the Company also proposed increasing its base dividend from €1.53 per share to €1.75, subject to shareholder approval at the 2019 Annual General Meeting.

As from 2019, dividends are announced in Euro and paid in Euro for shares listed on the European Stock Exchanges (Euronext Amsterdam, Euronext Brussels, Euronext Paris and Luxembourg stock exchange). Dividends are paid in U.S. dollars for shares traded in the United States on the over-the-counter market in the form of New York registry shares and converted from Euro to U.S. dollars based on the European Central Bank exchange rate as indicated below.

A Luxembourg withholding tax of 15% is applied to the gross dividend amounts.

The detailed dividend schedule for 2019, as announced on February 6, 2019, is as follows:

	1st Quarterly Payment (interim)	2nd Quarterly Payment	3rd Quarterly Payment	4th Quarterly Payment
Announcement date	26 February 2019	13 May 2019	13 August 2019	12 November 2019
Ex-Dividend	01 March 2019	16 May 2019	16 August 2019	15 November 2019
Record Date	04 March 2019	17 May 2019	19 August 2019	18 November 2019
Payment Date	26 March 2019	13 June 2019	13 September 2019	11 December 2019
FX Exchange rate	27 February 2019	14 May 2019	14 August 2019	13 November 2019

Share buyback

Corporate authorisations

On May 5, 2015, the Annual General Meeting of Shareholders authorised the company to repurchase its own shares in accordance with applicable laws and regulations for a period of five years or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration of the five year period.

Key features of the 2018 share buyback programme

On January 30, 2018, Aperam announced a share buyback programme under the authorisation given by the Annual General Meeting of Shareholders held on May 5, 2015 (hereinafter “Programme”). It also announced that it will appoint an investment services provider to execute the repurchasing of the shares in the open market during open and closed periods.

Under this Programme, Aperam intends to repurchase per day a variable number of shares at market price, for an aggregate maximum amount of U.S.$100 million and a maximum of 1.8 (one point eight) million shares, over a period starting February 2, 2018 and running up until December 31, 2018. The price per share of the shares to be bought under the Programme, shall not exceed 110% of the average of the final listing prices of the 30 trading days preceding the three trading days prior to each date of repurchase, in accordance to the resolution of the Annual General Meeting of Shareholders held on May 5, 2015.

Simultaneously, the Mittal family has declared its intention to enter into a share repurchase agreement with Aperam to sell on each trading day on which Aperam has purchased shares under the Programme, an equivalent number of shares, at the proportion of the Mittal family's stake in Aperam, at the same price as the shares are repurchased on the market. The effect of the share repurchase agreement is to maintain the Mittal family's voting rights in Aperam's issued share capital (net of treasury shares) at the current level, pursuant to the Programme.

The shares so acquired under this buyback programme are intended to be cancelled to reduce the share capital of Aperam and have been submitted and approved for cancellation at the shareholder meeting of May 9, 2018.

Disclosure of trading in own shares under the 2018 share buyback programme

In aggregate, 1,386,999 shares were bought under this Programme from May 2018 to June 30, 2018, representing an aggregate amount of €55,185,815.

- Period of repurchases: May 22, 2018 to June 29, 2018 (based on settlement date)
- Number of shares acquired: 1,386,999
    - Out of which on Euronext Amsterdam: 866,782
    - Out of which on Euronext off market platform from the Mittal family: 520,217
- Pecuniary amount of shares acquired: €55,185,815
    - Out of which on Euronext Amsterdam: €34,334,936
    - Out of which on Euronext off market platform from the Mittal family: €20,850,879

On July 20, 2018, Aperam announced the completion of the share buyback programme. In aggregate, 1,800,000 shares were bought under this Programme, representing an equivalent amount of U.S.$82.2 million (€70,296,707).

- Period of repurchases: May 18, 2018, to July 6, 2018 (based on trade date)
- Number of shares acquired: 1,800,000
    - Out of which on Euronext Amsterdam: 1,062,363
    - Out of which on Euronext off market platform from the Mittal family: 737,637
- Pecuniary amount of shares acquired: U.S.$82.2 million (€70,296,707)
    - Out of which on Euronext Amsterdam: U.S.$48.5 million (€41,489,244)
    - Out of which on Euronext off market platform from the Mittal family: U.S.$33.7 million (€28,807,463)

The weekly reporting of transactions in trading in own shares, in accordance with the Market Abuse Regulation, are available on the Company's website (www.aperam.com), under the "Investors" > "Equity Investors" > "Share Buy Back" section.

Disclosure of trading in own shares under Luxembourg Company law

- Number of own shares held on December 31, 2017: 182,502 shares, or 0.21% of the subscribed capital, representing a nominal value of U.S.$8,602,631 (€7,856,381) and an accounting par value of €956,310.
- Number of own shares acquired under share buyback programme during 2018: 1,800,000, or 2.11% of the subscribed capital, representing a nominal value of €70,296,707 and an accounting par value of €9,428,851.
- Number of shares received as a consequence of the call spread overlay unwinding in relation to the convertible bonds 2021: 24,142, or 0.03% of the subscribed capital, representing a nominal value of €889,125 and an accounting par value of €126,462.
- Number of shares granted during the 2018 financial year to deliver shares to qualifying employees under the Group's Long Term Incentive Plans after fulfillment of performance criteria as described in greater detail in the Compensation section of this report: 67,046 shares (75,760 shares, net of 8,714

shares retained for tax purpose), or 0.08% of the subscribed capital, representing a nominal value of €2,643,275 and an accounting par value of €351,204.
- Number of own shares held on December 31, 2018: 1,757,096, or 2.06% of the subscribed capital, representing a nominal value of €76,398,937 and an accounting par value of €9,204,109.

Key features of the 2019 share buyback programme

On February 6, 2019, Aperam announced a share buyback programme under the authorization given by the annual general meeting of shareholders held on May 5, 2015 and, or under any renewal of such authorization at the May 7, 2019 annual general meeting of shareholders (hereinafter “Programme”).

Aperam will appoint an investment services provider to execute the repurchases of shares in the open market during open and closed periods.

Aperam intends to repurchase per day a variable number of shares at market price, for an aggregate maximum amount of one hundred (100) million euros and a maximum of 3.7 (three point seven) million shares, over a period starting February 9, 2019 and running up until December 31, 2019. The price per share of the shares to be bought under the Programme shall not exceed 110% of the average of the final listing prices of the 30 trading days preceding the three trading days prior to each date of repurchase, in accordance to the resolution of the annual general meeting of shareholders held on May 5, 2015. Such shareholder resolution is to be renewed at the May 7, 2019 annual general meeting of shareholders.

Simultaneously, the Mittal family has declared its intention to enter into a shares repurchase agreement with Aperam, to sell each trading day on which Aperam has purchased shares under the Programme, an equivalent number of shares, at the proportion of the Mittal family’s stake of 40.96% of issued and outstanding shares of Aperam, at the same price as the shares repurchased on the market. The effect of the share repurchase agreement is to maintain Mittal family’s voting rights in Aperam’s issued share capital (net of Treasury Shares) at the current level, pursuant to the Programme.

The shares so acquired under this buyback programme are intended to be cancelled to reduce the share capital of Aperam.

Sources and uses of cash

The following table presents a summary of our cash flow for the year ending December 31, 2018, as compared to the year ending December 31, 2017:

	Summary of Cash Flows	
	Year ending December 31,	
	2018	2017[(1)]
	(in millions of Euros)	
Net cash provided by operating activities	295	374
Net cash used in investing activities	(187)	(163)
Net cash used in financing activities	(214)	(207)

Note:
(1) Amounts for the year ending December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

Net cash provided by operating activities

Net cash provided by operating activities amounted to €295 million for the year ending December 31, 2018, compared to €374 million for the year ending December 31, 2017. The €79 million decrease of net cash provided by operating activities between 2017 and 2018 was mainly due to higher working capital and lower earnings.

Net cash used in investing activities

Net cash used in investing activities amounted to €(187) million for the year ending December 31, 2018, compared to €(163) million for the year ending December 31, 2017. The net cash used in investing activities for the year ending December 31, 2018 was mainly related to €192 million in capital expenditures, compared to €164 million for the year ending December 31, 2017.

Net cash used in financing activities

Net cash used in financing activities was €(214) million for the year ending December 31, 2018, compared to net cash used in financing activities of €(207) million for the year ending December 31, 2017. Net cash used in financing activities for the year ending December 31, 2018 was primarily due to €130 million of dividend payments and €70 million of purchase of treasury stock. Net cash used in financing activities for the year ending December 31, 2017, was primarily due to €106 million of dividend payments and €90 million of purchase of treasury stock.

Equity

Equity attributable to the equity holders of the parent decreased to €2,519 million as of December 31, 2018, compared to €2,544 million on December 31, 2017. This is primarily due to a dividend declaration of €(127) million, foreign currency translation differences of €(107) million and the purchase of €(70) million of treasury shares, partly offset by a net income of €286 million for the year.

Capital Expenditure[3]

Capital expenditures for the years ending December 31, 2018 and 2017 were €192 million and €164 million respectively. Capital expenditures for 2018 were primarily related to €100 million of replacement capital expenditures and €92 million of growth & improvement capital expenditures.

[3] Capital expenditure is defined as purchase of tangible assets, intangible assets and biological assets, net of change in amount payables on these acquisitions

Principal risks and uncertainties related to the Company and the stainless and specialty steel industry

The following major factors could cause actual results to materially differ from those discussed in the forward-looking statements included throughout this Annual Report:

Macro-economic & geopolitical risks indirectly impacting Aperam

Global economic cycle downturn

Aperam's business and results of operations are substantially affected by international, national and regional economic conditions, including geopolitical risks that could disrupt the economic activity in affected countries. The re-emergence of recessionary conditions or a period of weak growth in Europe, or slow growth in emerging economies that are, or are expected to become, substantial consumers of stainless and specialty steels (such as China, Brazil, Russia and India, as well as other emerging Asian markets and the Middle East) would have a material adverse effect on the stainless and specialty steel industry.

Overcapacity

In addition to economic conditions, the stainless steel industry is affected by global production capacity and fluctuations in stainless steel imports and exports. Production capacity in the developing world, particularly China, has increased substantially, with China now being the largest global stainless steel producer. Accordingly, the balance between China's domestic production and consumption is an important factor impacting global stainless steel prices. Chinese stainless steel exports, or conditions favourable to them (such as excess capacity in China and/or higher market prices for stainless steel in markets outside of China) can have a significant impact on stainless steel prices in other markets, including Europe and South America. Over the short- to medium-term, Aperam is exposed to the risk of stainless steel production increases in China and other markets (including Indonesia) outstripping increases in real demand, which may weigh on price recovery in the industry as a whole.

China slowdown

A reduction in China's economic growth rate, with a resulting reduction in stainless and specialty steel consumption, coupled with China's expansion of steel-making capacity, could continue to substantially weaken both domestic and global stainless and specialty steel demand and pricing.

Brexit

The lack of progress in Brexit negotiations raising the risk of a disruptive exit with potential far-reaching consequences including the imposition of potential trade barriers, custom duties, logistic issues and restrictions to the free movement of goods and people are creating a period of uncertainty for the EU economy. However, we don't expect any adverse effect on our operations and financial results as our sales in the UK represented less than 2% of total sales in 2017 and in 2018.

The risks of nickel price decrease, raw material price uncertainty, material margin squeeze, over dependency of main suppliers and electricity

Aperam's profitability correlates, amongst other factors, with nickel prices. A significant decrease in the price of nickel would have a negative impact on apparent demand and base prices due to "wait and see" behaviour by customers. Furthermore, nickel is listed on the LME and thus subject to the speculation of the financial markets. Stainless and specialty steel production requires substantial amounts of raw materials (primarily nickel, chromium, molybdenum, stainless and carbon steel scrap, charcoal (biomass) and iron ore), which can lead to an over-dependence on its main suppliers. Aperam is also exposed to price uncertainty and material margin squeeze with respect to each of these raw materials, which it mainly purchases under short- and long-term contracts, but also on the spot market.

Fluctuations in currency exchange rates

Aperam operates and sells its products globally, and a substantial portion of its assets, liabilities, costs, sales and income are denominated in currencies other than the Euro (Aperam's reporting currency). Accordingly, currency fluctuations triggered by inflationary movements or other factors, especially the fluctuation of the value of the Euro relative to the U.S. dollar and the Brazilian real, as well as fluctuations in the currencies of the other countries in which Aperam has significant operations and/or sales, could have a material impact on its results of operations.

Litigation risks (product liability, patent infringement, commercial practices, employment, employment benefits, taxes, environmental issues, health & safety and occupational disease (including asbestos exposure/classification)

A number of lawsuits, claims and proceedings have been and may be asserted against Aperam in relation to the conduct of its currently and formerly owned businesses, including those pertaining to product liability, patent infringement, commercial practices, employment, employee benefits, taxes, environmental issues, health and safety, and occupational disease. Due to the uncertainties of litigation, no assurance can be given that the Company will prevail on all claims made against it in the lawsuits that it currently faces or that additional claims will not be made against it in the future. While the outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may have an outcome that is adverse to Aperam, Management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on Aperam's financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on the Company's results of operations for that period.

Likewise, management cannot assure that any future litigation will not have a material effect on its financial condition or results of operations. For a discussion of certain ongoing investigations and litigation matters involving Aperam, see Note 22 to the Consolidated Financial Statements.

Risks of lack of competitiveness of the workforce costs, of retention and social conflicts

Aperam's total cost per employee is the main factor of our cost disadvantage against competitors in certain countries. A lack of competitiveness in workforce costs might have a material adverse effect on Aperam's cost position. Aperam's key personnel have extensive knowledge on its business and, more generally, on the stainless and specialty steel sector as a whole. Its inability to retain key personnel and or the experience of social conflicts could have a material adverse effect on its business, financial condition, results of operations or cash flows.

Customer risks in respect to default and credit insurance companies refusing to ensure the risks

Due to the challenging economic climate, Aperam might experience increased exposure to customer defaults or situations where credit insurance companies refuse to insure the recoverability risks of its receivables. Such a scenario could have a material effect on the Company's business, financial condition, results of operations or cash flows.

Cybersecurity risks

Aperam's operations depend on the secure and reliable performance of its information technology systems. An increasing number of companies, including Aperam, are experiencing intrusion and phishing attempts for money transfers, as well as attempts at disabling information technology systems. If such attempts would succeed, they could cause application unavailability, data confidentiality failures, adverse publicity and, in the case of an intrusion to our process systems, interruptions to the Group's operations. The Group could be subject to litigation, civil or criminal penalties, and adverse publicity - all of which could adversely affect its reputation, financial condition and results of operations.

Risk of production equipment breakdown

Stainless steel manufacturing processes are dependent on critical steelmaking equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers). This equipment may incur downtime as a result of unanticipated failures or other events, such as fires, explosions or furnace breakdowns. Aperam's manufacturing plants have experienced, and may in the future experience, plant shutdowns or periods of reduced production as a result of such equipment failures or other events. To the extent that lost production resulting from such a disruption cannot be compensated for by unaffected facilities, the disruption could have an adverse effect on Aperam's operations, customer service levels and results of operations.

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Corporate governance

This section provides a summary of the corporate governance practices of Aperam. The 10 Principles of Corporate Governance of the Luxembourg Stock Exchange constitute Aperam's domestic corporate governance code. We comply with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

Board of Directors, Leadership Team

Aperam is administered by a Board of Directors and a Leadership Team.

Board of Directors

Composition

The Board of Directors is in charge of the overall governance and direction of the Company. It is responsible for the performance of all acts of administration necessary or useful to implementing the corporate purpose of the Company as described in the Articles of Association, except for matters expressly reserved by Luxembourg law or the Articles of Association to the general meeting of shareholders. The Articles of Association provide that the Board of Directors must be composed of a minimum of three members. None of the members of the Board of Directors may hold an executive position or executive mandate within the Company or any entity controlled by the Company. The Articles of Association provide that directors are elected and removed by the general meeting of shareholders by a simple majority of votes cast.

Any director may be removed with or without cause by a simple majority vote at any general meeting of shareholders. In the event that a vacancy arises on the Board of Directors for any reason, the remaining members of the Board of Directors may, by a simple majority, elect a new director to temporarily fulfil the duties of the vacant post until the next general meeting of shareholders.

As of the date of this Annual Report, the Board of Directors is composed of seven members. Mr. Lakshmi N. Mittal was elected Chairman of the Board of Directors in December 2010. Mr. Romain Bausch was elected Lead Independent Director in February 2011. The Board is assisted by a Company Secretary, who also acts as Secretary of all Board committees. The Company Secretary fulfils those tasks and functions that are assigned to him by the Board of Directors. In particular, the Company Secretary ensures that all Directors are timely and properly informed and receive appropriate documentation for the performance of their tasks. The 10 Principles of Governance of the Luxembourg Stock Exchange, which constitute Aperam's domestic corporate governance code, require Aperam to define the independence criteria that apply to its directors, which are described in Article 8.1 of its Articles of Association.

The Board of Directors has a majority of independent directors, with four members of the Board of Directors being independent and the remaining three members being non-independent. A member of the Board of Directors is considered "independent" if (i) he or she is independent within the meaning of the NASDAQ Listing Rules, as amended from time to time, or any successor manual or provisions, subject to the exemptions available for foreign private issuers, (ii) he or she is unaffiliated with any shareholder owning or controlling more than two percent (2%) of the total issued share capital of the Company, and (iii) the Board of Directors makes an affirmative determination to this effect. A person is deemed affiliated to a shareholder if he or she is an executive officer or a director who is also employed by the shareholder, a general partner, a managing member, or a controlling shareholder of such shareholder.

Specific characteristics of the director role

There is no requirement in the Articles of Association that directors be shareholders of the Company. The Board of Directors improved its corporate governance framework on February 4, 2013, to align the Company's corporate governance practices with developing best practices in the area of term limits and over-boarding.

The purpose of these improvements is to limit a director's time of service on the Board of Directors and to set limits with respect to the number of directorships they can hold. An independent director may not serve on the Board of Directors for more than 12 consecutive years, although the Board of Directors may, by way of exception to this rule, make an affirmative determination, on a case-by-case basis, that he or she can continue to serve beyond 12 years. Such an exemption to the rule is warranted when a Director's continued service is considered to be in the best interest of the Company based on the contribution of the director involved and the balance between knowledge, skills experience and renewal in the Board.

As membership of the Board of Directors represents a significant time commitment, Directors are required to devote sufficient time to the discharge of their duties as a Director of Aperam. Directors are therefore required to consult with the Chairman and the Lead Independent Director before accepting any additional commitment that could conflict with or impact the time they can devote to their role as a Director of Aperam. Furthermore, a director may not serve on more than four public company boards in addition to the Aperam Board of Directors. However, service on the board of directors of any subsidiary or affiliate of Aperam or of any non-publicly listed company is not taken into account for purposes of complying with the foregoing limitation. The Board of Directors may, by way of exception, allow for a temporary lifting of this rule.

Although Directors of Aperam who change their principal occupation or business association are not necessarily required to leave the Board of Directors, the policy requires each Director, in such circumstances, to promptly inform the Board of Directors of the action he or she is contemplating. Should the Board of Directors determine that the contemplated action would generate a conflict of interest, such Director would be asked to tender his or her resignation to the Chairman of the Board of Directors, who can then decide to accept or reject the resignation.

None of the members of the Board of Directors have entered into service contracts with Aperam or any of its subsidiaries that provide for any form of remuneration or for benefits upon the termination of their term. In December 2013, all non-executive Directors of the Group signed the Group's Appointment Letter, which confirms the conditions of their appointment including compliance with a non-compete provision, the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange and the Group's Code of Business Conduct.

The remuneration of the members of the Board of Directors is determined on a yearly basis by the annual general meeting of shareholders.

Share transactions by Management

In compliance with laws prohibiting insider dealing, the Board of Directors of Aperam has adopted insider dealing regulations, which apply throughout the Aperam Group. These regulations are designed to ensure that insider information is treated appropriately within the Company and to avoid insider dealing and market manipulation. Any breach of the rules set out in this procedure may lead to criminal or civil charges brought against the individuals involved, as well as disciplinary action by the Company.

Operation of the Board of Directors

General

The Board of Directors and the Board committees may engage the services of external experts or advisers, as well as take all actions necessary or useful to implement the Company's corporate purpose. The Board of Directors (including its two committees) has its own budget, which covers such functioning costs as external consultants and travel expenses.

Meetings

The Board of Directors shall choose amongst its members a chairman of the Board of Directors (“Président du conseil d’administration”) (Chairman). The Board may also choose one or several vice-chairmen. The meetings of the Board of Directors shall be chaired by the Chairman or, in his or her absence, by a vice-chairman. The Board of Directors meets when convened by the Chairman of the Board, a Vice-Chairman, or two members of the Board of Directors.

The Board of Directors holds meetings in person on at least a quarterly basis, as five regular meetings are scheduled per year. The Board of Directors holds additional meetings if and when circumstances require, in person or by teleconference and can make decisions by written circulation, provided that all members of the Board of Directors agree.

The Board of Directors held six meetings in 2018. The average attendance rate of directors at the Board of Directors' meetings held in 2018 was 100%.

In order for a meeting of the Board of Directors to be validly held, a majority of the directors must be present or represented, including at least a majority of the independent directors. In the absence of the Chairman, the Board of Directors will appoint, by majority vote, a chairman for the meeting in question. The Chairman may decide not to participate in a Board of Directors’ meeting, provided he has given a proxy to one of the directors who will be present at the meeting. For any meeting of the Board of Directors, a director may designate another director to represent him or her and vote in his or her name, provided that the director so designated does not represent more than one of his or her colleagues at any given time.

Votes

Each director has one vote and none of the directors, including the Chairman, has a casting vote. Decisions of the Board of Directors are made by a majority of the directors present and represented at a validly constituted meeting, except for the decisions of the Board of Directors relating to the issue of any financial instruments carrying or potentially carrying a right to equity pursuant to the authorization conferred by Article 5.5 of the Articles of Association, which shall be taken by a majority of two-thirds of the directors present or represented at a validly constituted meeting.

Lead Independent Director

The independent members of the Board of Directors are entitled to nominate a Lead Independent Director on an annual basis, whose functions include the following:

> coordination of the activities of the independent directors;

> liaising between the non-independent directors and the independent directors;

> calling meetings of the independent directors when necessary and appropriate; and

> performing such other duties as may be assigned to him or her by the Board of Directors from time to time.

Mr. Romain Bausch was elected by the Board of Directors as Aperam's Lead Independent Director in February 2011, with his role being re-confirmed at the February 2019 Board meeting.

Separate meetings of independent members of the Board of Directors

The independent members of the Board of Directors may schedule meetings outside the presence of the management and the non-independent Directors. Four meetings of the independent Directors outside the presence of management and non-independent Directors were held in 2018. The Chairman of the Board of Directors and the Lead Independent Director held four meetings in 2018. The purpose of these meetings was to provide feedback on the separate meetings of the independent directors outside the presence of the management and the non-independent directors.

Annual self-evaluation

In 2011, at the time of Aperam's creation, the Board of Directors decided to start conducting an annual self-evaluation of its functioning in order to identify potential areas for improvement. The self-evaluation process includes structured interviews between the Lead Independent Director and the members of the Board of Directors and covers the overall performance of the Board of Directors, its relations with senior management, the performance of individual directors, and the performance of the committees. The process is supported by the Company Secretary, under the supervision of the Chairman and the Lead Independent Director.

The findings of the self-evaluation process are examined by the Nomination and Corporate Governance Committee and presented, along with recommendations from the Committee, to the Board of Directors for adoption and implementation. Suggestions for improvement of the Board of Directors' process based on the prior year's performance and functioning are implemented during the following year.

The 2018 Board of Directors' self-evaluation was completed by the Board of Directors on February 5, 2019. Directors believe that the quality of the discussions on the global industry and the strategic reviews continued to improve in 2018. The previous year´s recommendations to put specific attention reviews on the agenda were successfully implemented. In particular, in 2018, the Board participated in specific attention reviews in regards to such strategic subjects as capex execution, the global stainless steel environment and its markets, and the global competitive landscape.

For 2019, the Board identified a number of new priorities for discussion considering economic and market developments.

The Board of Directors believes that its members have the appropriate range of skills, knowledge, experience, and diversity needed to effectively govern the business. Board composition is reviewed on a regular basis and additional skills and experience are actively searched for in line with the expected development of Aperam's business as and when appropriate.

Required skills, experience and other personal characteristics

Diverse skills, backgrounds, knowledge, experience, geographic locations, nationalities and gender are required to effectively govern a global business the size of the Group's operations.

The Board and its committees are therefore required to ensure that the Board has the right balance of skills, experience, independence and knowledge needed to perform its role in accordance with the highest standards of governance.

The Company's directors must demonstrate unquestioned honesty and integrity; preparedness to question, challenge and constructively critique; and a willingness to understand and commit to the highest standards of governance. They must be committed to the collective decision-making process of the Board and must be able to debate issues openly and constructively and question or challenge the opinions of others. Directors must also commit themselves to remaining actively involved in Board decisions and to applying strategic thinking to the matters at issue. They must be clear communicators and good listeners who actively contribute to the Board in a collegial manner. Each director must also ensure that no decision or action is taken that places his or her interests in front of the interests of the business. Each director has an obligation to protect and advance the interests of the Group and must refrain from any conduct that would harm it.

In order to govern effectively, non-executive directors must have a clear understanding of the Group's strategy and a thorough knowledge of the Aperam Group and the industries in which it operates. Non-executive directors must also be sufficiently familiar with the Group's core business to be able to effectively contribute to strategic development and monitoring performance.
Furthermore, the composition of the group of non-executive directors should be such that the combination of experience, knowledge and independence of its members allows the Board to fulfil its obligations to the Company and other stakeholders in the best possible manner.

The Remuneration, Nomination and Corporate Governance Committee ensures that the Board is comprised of high-calibre individuals whose background, skills, experience and personal characteristics enhance the overall profile of the Board. The Committee also helps the Board meet its needs and diversity aspirations by nominating high quality candidates for election to the Board by the general meeting of shareholders.

Board profile

The key skills and experience of the directors, and the extent to which they are represented on the Board and its committees, are set out below. In summary, the non-executive directors contribute:

> international and operational experience;

> understanding of the industry sectors in which we operate;

> knowledge of world capital markets and being a company listed in several jurisdictions; and

> an understanding of the health, safety, environmental, political and community challenges that we face.

Each director is required to adhere to the values set out in, and sign, the Aperam Code of Business Conduct. In addition each director is expected to bring an area of specific expertise to the Board.

Renewal

The Board plans for its own succession, with the assistance of the Remuneration, Nomination and Corporate Governance Committee. In doing so, the Board:

> considers the skills, backgrounds, knowledge, experience and diversity of geographic location, nationality and gender necessary to allow it to meet the corporate purpose;

> assesses the skills, backgrounds, knowledge, experience and diversity currently represented;

> identifies any inadequate representation of those attributes and agrees on the process needed to ensure the selection of a candidate who brings these attributes to the Board; and

> reviews how Board performance might be enhanced, both at an individual director level and for the Board as a whole.

The Board believes that orderly succession and renewal is achieved through careful planning and by continuously reviewing its composition.

When considering new appointments to the Board, the Remuneration, Nomination and Corporate Governance Committee oversees the preparation of a position specification that is provided to an independent recruitment firm retained to conduct a global search, taking into account, among other factors, geographic location, nationality and gender. In addition to the specific skills, knowledge and experience required of the candidate, the specification contains the criteria set out in the Aperam Board profile.

Diversity

Overall, diversity at Aperam is aligned with the worldwide effort to increase gender diversity on the boards of directors of listed and unlisted companies. Two of the Board's seven directors are women. The Aperam Board's diversity not only relates to gender, but also to the background, professional industry experience and nationality of its members.

Aperam's focus on diversity goes beyond its Board of Directors and is detailed in a Group diversity policy updated in 2018 and added as an appendix to its recently revised Human Rights policy. Built around 10 principles inspired by the the United Nations' Women Empowerment Principles, the policy aims to create a work environment where everyone has the opportunity to fully participate in creating business success and where all employees are valued for their distinctive merits, skills, experiences and perspectives. To implement the policy, each manager is responsible for ensuring that the behaviour and actions within their teams are in accordance with the policy. In addition, the use of collaborative tools and innovative technologies contributes to a flexible, positive working environment that accommodates family life. More details regarding diversity are published in our yearly sustainability reports and are available on our website (www.aperam.com) under the sustainability section.

Director induction, training and development

The Board considers that the development of the directors' knowledge of the Group, the stainless steel-making and raw material industries, and the markets in which the Group operates in is an ongoing process. Upon his or her election, each new non-executive director undertakes an induction program specifically tailored to his or her needs.The Board's development activities include the provision of regular updates to directors on each of the Group's products and markets. Non-executive directors may also participate in training programs designed to maximise the effectiveness of the directors throughout their tenure and link to their individual performance evaluations. The training and development program may cover not only matters of a business nature, but also matters falling into the environmental, social and governance arenas.

Structured opportunities are provided to build knowledge through such initiatives as plants visits and business briefings during Board meetings. Non-executive directors also build their Group and industry knowledge through the involvement of the Leadership Team members and other senior employees at Board meetings. Business briefings, site visits and development sessions underpin and support the Board's work on monitoring and overseeing progress towards the corporate purpose of creating long-term shareholder value through the development of our stainless steel business. We therefore continuously build-up our directors' knowledge to ensure that the Board remains up-to-date with developments within our segments, as well as developments in the markets in which we operate. During 2018, the directors participated in the following activities:

> Comprehensive business briefings intended to provide each director with a deeper understanding of the Group's activities, environment, key issues and strategy of our segments;

These briefings are provided to the Board by the Leadership Team members. The key briefings provided during the course of 2018 included capex executions, the global stainless steel environment and its markets, and the global competitive landscape; and

> Development sessions on specific topics of relevance, such as regulatory developments by external audit.

The Remuneration, Nomination and Corporate Governance Committee oversees director training and development. This approach allows induction and learning opportunities to be tailored to the directors' committee memberships, as well as the Board's specific areas of focus. In addition, this approach ensures a coordinated process in relation to succession planning, Board renewal, training, development and committee composition, all of which are relevant to the Remuneration, Nomination and Corporate Governance Committee role in securing a consistent supply of talent to the Board.

Committees of the Board of Directors

As of December 31, 2018, the Board of Directors had 2 committees: the Audit and Risk Management Committee and the Remuneration, Nomination and Corporate Governance Committee, both of which are described in greater detail below.

Committee composition

The composition of the Committees of the Board of Directors, as of December 31, 2018, is set forth below.

Name	Position within Aperam	Independent/ Non Independent Status	Audit and Risk Management Committee	Remuneration, Nomination and Corporate Governance Committee
Romain Bausch	Member of Board of Directors	Lead Independent Director	X	X (Chair)
Joseph Greenwell	Member of Board of Directors	Independent	X	X
Kathryn Matthews	Member of Board of Directors	Independent		X
Laurence Mulliez	Member of Board of Directors	Independent	X (Chair)	

Audit and Risk Management Committee

The Audit and Risk Management Committee is composed of three directors. The members are appointed by the Board of Directors each year following the annual general meeting of shareholders. The Audit and Risk Management Committee makes decisions by a simple majority.

With respect to audit related matters, the primary function of the Audit and Risk Management Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the Company's:

> financial reports and other financial information provided to any governmental body or the public;

> system of internal control regarding finance, accounting, tax, legal, compliance and ethics established by the Board of Directors and senior management; and

> auditing, accounting and financial reporting processes generally.

With respect to audit related matters, the Audit and Risk Management Committee's primary duties and responsibilities relating to this function are to:

> serve as an independent and objective party to monitor the Company's financial reporting process and internal controls system;

> review and appraise the audit efforts of Aperam's independent external auditors and internal auditing department;

> review major legal, tax, and compliance matters and their follow up;

> provide an open avenue of communication among the Company's independent auditors, senior management, the internal audit department, and the Board of Directors;

> approve the appointment and fees of the Company's independent auditors; and

> monitor the independence of the independent auditors.

With respect to risk management related matters, the primary function of the Audit and Risk Management Committee is to support the Board of Directors in fulfilling its corporate governance and oversight responsibilities by assisting with the monitoring and review of our risk management process. In that regard, its main responsibilities and duties are to assist the Board of Directors by developing recommendations regarding the following matters:

> oversight, development and implementation of a risk identification and management process and the review of this process in a consistent manner throughout the Group;

> review of the effectiveness of the Company's risk management framework, policies and process at the

corporate and operating segment levels and the proposal of improvements, with the aim of ensuring that the Company's management is supported by an effective risk management system;

> promotion of constructive and open exchanges on risk identification and management among senior management, the Board of Directors, the legal department and other relevant departments of the Group;

> review of proposals to assess, define and review the level of risk tolerance to ensure that appropriate risk limits are in place;

> review of internal and external audit plans to ensure that they include a review of the major risks the Company faces; and

> making recommendations within the scope of its charter to Aperam's senior management and to the Board of Directors about senior management's proposals concerning risk management.

In fulfilling its duties, the Audit and Risk Management Committee may seek the advice of outside experts.

The three members of the Audit and Risk Management Committee are Ms. Laurence Mulliez, Mr. Romain Bausch and Mr. Joseph Greenwell. Ms. Laurence Mulliez is the Chairperson of the Audit and Risk Management Committee. Each of these members is an independent director in accordance with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

Ms. Laurence Mulliez has 30 years of experience, mostly in Managing Director roles in the oil, gas and chemical industries, as well as renewables. Ms. Mulliez has also worked as Head of Strategy and Financial Planning, a role where she accumulated accounting and audit expertise She served as a non-executive director for 10 years at Leroy Merlin, a leading international do-it-yourself retailer, where she was also a member of the Audit Committee. Ms. Mulliez holds a degree in business from the Ecole Supérieure de Commerce de Rouen and an MBA from the University of Chicago Booth, with a concentration in Finance and Strategy.

According to its charter, the Audit and Risk Management Committee is required to meet at least four times a year. During 2018, the Audit Committee met four times. The attendance rate of the directors at the Audit and Risk Management Committee meetings held in 2018 was 100%. Committee members participate to a session ahead of the Committee meeting to deepen their review of particular items and prepare for an efficient Committee meeting. Invitees at the Committee in 2018 included: Ms. Kathryn Matthews and Mr. Philippe Darmayan from the Board of Directors, from the Leadership Team, the CEO and the CFO. Other invitees included members of the Finance Team, Sustainability & Compliance Team and Combined Assurance Team, as well as representatives from IT and External Audit as appropriate. The Company Secretary acts as secretary of the Committee.

During 2018, the Audit and Risk Management Committee reviewed on a quarterly basis the Financial Reporting, Governance and Compliance reports, External Auditor's report, Combined Assurance reports and Risk Management reports (including risks described in detail at the end of this Annual Report).

As part of the annual self-evaluation interviews, the Audit and Risk Management Committee performed an evaluation, which was completed in February 2019 with respect to performance in 2018.

Remuneration, Nomination and Corporate Governance Committee

The Remuneration, Nomination and Corporate Governance Committee may be composed of two or three directors and is currently composed of three directors. The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The Remuneration, Nomination and Corporate Governance Committee makes decisions by a simple majority.

The Board of Directors has established the Remuneration, Nomination and Corporate Governance Committee to:

> determine Aperam's compensation framework, including short- and long-term incentives for the Chief Executive Officer, the Chief Financial Officer and the members of the Leadership Team and to make its recommendations to the Board;

> review and approve succession and contingency plans for key managerial positions at the level of the Leadership Team;

> review and evaluate on a yearly basis the performance of the Leadership Team as a whole and of its individual members;

> consider any candidate for appointment or reappointment to the Board of Directors at the request of the Board of Directors and provide the Board with advice and recommendations regarding the same;

> evaluate the functioning of the Board of Directors and monitor the Board of Directors' self-assessment process; and

> develop, monitor and review corporate governance principles and corporate responsibility policies applicable to Aperam, as well as their application in practice.

The Remuneration, Nomination and Corporate Governance Committee's main goal for determining the compensation of executives is to encourage and reward performance that will lead to long-term enhancement of shareholder value. In fulfilling its duties, the Remuneration, Nomination and Corporate Governance Committee may seek the advice of outside experts.

The three members of the Remuneration, Nomination and Corporate Governance Committee are Messrs. Romain Bausch and Joseph Greenwell and Ms. Kathryn Matthews. Mr. Romain Bausch is the Chairman of the Remuneration, Nomination and Corporate Governance Committee. Each of these members is an independent director in accordance with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

The Remuneration, Nomination and Corporate Governance Committee is required to meet at least twice a year. During 2018, this committee met five times. The attendance rate at the Remuneration, Nomination and Corporate Governance Committee meetings held in 2018 was 100%. Invitees at the Committee in 2018 included Ms. Laurence Mulliez and Mr. Philippe Darmayan from the Board of Directors, and from the Leadership Team, the CEO, the CFO, and the Head of Human Resources, Sustainability and Communications. The Company Secretary acts as secretary of the Committee.

In 2018, the Remuneration, Nomination and Corporate Governance reviewed in particular: the succession planning for the Board and the Leadership Team, the performance of the Leadership Team members and the self-assessment of the Board members, the evolution and structure of the Long-Term Incentive Plan's performance indicators, the Leadership Team's remunerations, gender diversity, and proxy advisors' view on the proposed resolutions at the annual general shareholders' meeting.

As part of the annual self-evaluation interviews, the Remuneration, Nomination and Corporate Governance Committee performed an evaluation, which was completed in February 2019 with respect to performance in 2018.

Leadership Team

The Leadership Team is entrusted with the day-to-day management of Aperam. Mr. Timoteo Di Maulo is the Chief Executive Officer and a member of the Leadership Team. The members of the Leadership Team are appointed and dismissed by the Board of Directors. As the Leadership Team is not a corporate body created by Luxembourg law or Aperam's Articles of Association, it may only exercise the authority granted to it by the Board of Directors.

Succession planning

Succession planning at the Group is a systematic and deliberate process for identifying and preparing potential employees to fill key organisational positions should the current incumbent's term expire. This process applies to all executives up to and including the Leadership Team. Succession planning aims to ensure the continued effective performance of the organisation by providing experienced and capable employees who are prepared to assume these roles as they become available. For each position, candidates are identified based on performance, potential and "years to readiness". Their development needs are also discussed and confirmed. Regular reviews of succession plans are conducted to ensure that they are accurate and up-to-date. Succession planning is a necessary process to reduce risk, create a pipeline of future leaders, ensure smooth business continuity and improve employee motivation.

Other Corporate Governance practices

We are committed to adopting best practices in corporate governance standards. We will continuously monitor legal requirements and best practices in order to make adjustments to our corporate governance controls and procedures where necessary.

We comply with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

Ethics and compliance

Business ethics and fair dealings

Ethics are governed by Aperam's Code of Business Conduct. This code establishes the standards for ethical behaviour to be followed by all employees and directors of Aperam in the exercise of their duties, on top of the strict observance of required laws. Code of Business Conduct training is offered throughout Aperam and is regularly repeated to ensure it remains top-of-mind. Any behaviour that deviates from the Code of Business Conduct is to be reported to the employee's hierarchy, the head of Compliance, the General Counsel and the head of the Combined Assurance department.

Our Code of Business Conduct specifies do’s and don'ts. It addresses topics ranging from the fight against discrimination up to the expectations of our business partners, be they customers or suppliers. It also covers the numerous facets of conflict of interest. As per our Code, an Aperam employee must not acquire any interest in any business or participate in any activity that could deprive Aperam of the time or attention needed for conducting his/her duties. In short, Aperam employees should always act in the best interests of the Company and must avoid any situation in which their personal interests conflict, or could conflict, with the obligations to Aperam. The Code of Business Conduct was revised in February 2019 and approved by the Board of Directors.

The Code of Business Conduct is available in the "Sustainability > Sustainability Essentials" section of Aperam's website (www.aperam.com).

A set of additional policies published externally detail Aperam’s stance on such key topics as Anti-Trust, Anti-Fraud, Data Privacy and Human Rights. These policies come with operational guidelines that are regularly updated in line with current best practices. They are all available in the "Investors > Corporate Governance > Corporate Policies" section of Aperam's website (www.aperam.com).

A compliance-focused workforce

With the objective of zero tolerance for non-compliant behaviours, in 2018 the Group continued its initiatives to improve its corporate governance and compliance framework as well as its employees' overall awareness of the subject. In particular, we extended the annual process of declarations of potential conflicts of interest to all exempts. The aim of this decision is to further raise awareness on this subject across the company. As part of this initiative, we rolled out two actions company-wide: a training on anti-corruption and a communication on Human Rights.

Process for handling complaints on accounting and financial matters

As part of the Board of Directors' procedures for conducting the business in a fair and transparent manner, Aperam's Code of Business Conduct and Anti-Fraud Policy (available on Aperam's website, www.aperam.com, under section Corporate Governance) encourages all employees to bring any issues related to accounting, internal controls, auditing or banking matters to the Audit and Risk Management Committee's attention on a confidential basis. In accordance with Aperam's Anti-Fraud Policy and Aperam's Whistleblower Charter, concerns regarding possible fraud or irregularities in accounting, auditing or banking matters or financial corruption within Aperam or any of its subsidiaries or other controlled entities may be communicated using the Aperam whistleblowing line, which is at the disposal of all employees. The Aperam whistleblowing line is also available in the "Investors < Corporate Governance" section of Aperam's website (www.aperam.com).

During 2018, there were 12 allegations relating to fraud, which were referred to the Group's Combined Assurance Department for investigation. At the end of 2018, 9 forensic cases had been finalized, with 2 cases founded without a material impact on Aperam accounts and 7 cases unfounded. 3 remain in progress. These cases are reviewed by the Audit and Risk Management Committee which makes a report to the Board of Directors.

Combined Assurance

Aperam has a Combined Assurance function that, through its Head of Combined Assurance, reports directly to the Audit and Risk Management Committee. The function, using best-in class methodology in line with the Institute of Internal Auditors (IIA) standards, is staffed by full-time professional staff located at the Head Office and the main production sites in Europe and Brazil. The function supports the Audit and Risk Management Committee and the Leadership Team in fulfilling their oversight responsibilities in Governance, Risk Management and Forensic Services. Recommendations relating to the internal control environment are made by the Combined Assurance function and their implementation is regularly reviewed by the Audit and Risk Management Committee. In order to comply with IIA Standards, the Combined Assurance function has been assessed by an external consultant. The diagnostic indicates that the Internal Audit function is compliant with IIA Standards and the Combined Assurance function is in the top performing scores of the maturity Index. A roadmap for digital transformation has been developed reflecting the updated vision: "to be an agile trusted advisor by providing value-adding assurance services and facilitating change through a talent pool of future business leaders".

Independent auditors

The selection and determination of fees of the independent auditors is the direct responsibility of the Audit and Risk Management Committee. The Audit and Risk Management Committee is further responsible for obtaining, at least once each year, a written statement from the independent auditors that their independence has not been impaired. The Audit and Risk Management Committee has obtained such a statement of independence from Aperam's key independent auditors, as well as a confirmation that none of its former employees are in a position within Aperam that may impair the auditor's' independence. The appointment of the independent auditors is submitted to shareholder approval.

Audit fees in 2018 were €1.4 million for the auditing of financial statements. Please refer to Note 26 to the Consolidated Financial Statements for further details.

Measures to prevent insider dealing and market manipulation

The Board of Directors of Aperam has adopted Insider Dealing Regulations (IDR), which are updated when necessary and in relation to which training is conducted throughout the Group. In 2016, the IDR were updated following the automatic implementation on July 3, 2016, in all EU member states, including Luxembourg, of Regulation No 596/2014 of the European Parliament and the Council of April 16, 2014, on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC. During the course of 2018, a comprehensive e-Learning course from the United Nations' Office on Drugs and Crime was rolled out across the organisation, with concentration on Anti-Corruption and including one specific module on Insider Dealing. As a result, over 1,070 Aperam employees interactively completed the full course with certification.

The IDR are available on Aperam's website (www.aperam.com) under the section "Investors < Corporate Governance < Corporate Policies".

The Board of Directors has appointed the Company Secretary to act as the IDR Compliance Officer, responsible for responding to questions about the IDR's interpretation. Aperam maintains a list of insiders as required by law. The IDR Compliance Officer may assist senior executives and directors with the filing of notices required by Luxembourg law to be filed with the Luxembourg financial regulator, the CSSF ("Commission de Surveillance du Secteur Financier"). Furthermore, the IDR Compliance Officer has the power to conduct investigations in connection to the application and enforcement of the IDR, in which any employee, or member of senior management or of the Board of Directors is required to cooperate.

Luxembourg takeover law disclosure

The following disclosures are made in compliance with Article 11 of the Luxembourg Law of May 19, 2006, transposing Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004, on takeover bids. The Company's Articles of Association are available at www.aperam.com under the "Investors < Corporate Governance - Articles of Association" section.

> With reference to article 11 (1) (a) of the above mentioned law - The Company has issued a single category of shares (ordinary shares). As per article 13.6 of the Company's Articles of Association, each share is entitled to one vote. The shareholder structure, including voting rights, is set out in the share capital section of this Management Report and available at www.aperam.com under Corporate Governance, where the shareholding structure table is updated monthly.

> With reference to article 11 (1) (b) of the above mentioned law - The ordinary shares of the Company are freely transferable.

> With reference to article 11 (1) (c) of the above mentioned law - The beneficial ownership and voting rights in the Company by each person who is known to be the beneficial owner of 2.5% or more of the Company's issued share capital is set out in the share capital section of this Management Report and available at www.aperam.com under Corporate Governance, where the shareholding structure table is updated monthly.

> With reference to article 11 (1) (d) of the above mentioned law - All of the issued and outstanding ordinary shares in the Company have equal voting rights and there are no special control rights attaching to the ordinary shares. As per article 13.6 of the Company's Articles of Association, each share is entitled to one vote. As per article 8.4 of the Company's Articles of Association, the Mittal Shareholder (as defined in the Articles of Association) may, at its discretion, decide to exercise the right of proportional representation and nominate candidates for appointment as members of the Board of Directors. The Mittal Shareholder has not, to date, exercised that right.

> With reference to article 11 (1) (e) and (f) of the above mentioned law - Not applicable. However, the sanction of suspension of voting rights automatically applies, subject to limited exceptions set out in the Transparency Law (as defined below), to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in article 7 of the Articles of Association and articles 8 to 15 of the Luxembourg law of January 11, 2008, on the transparency requirements regarding issuers of securities (Transparency Law) but have not notified the Company accordingly. The sanction of suspension of voting rights will apply until such time as the notification has been properly made by the relevant shareholder(s).

> With reference to article 11 (1) (g) of the above mentioned law - Not applicable.

> With reference to article 11 (1) (h) of the above mentioned law - As per article 8.3 of the Company's Articles of Association, the members of the Board of Directors shall be elected by the shareholders at the annual general meeting or at any other general meeting of shareholders for a term not exceeding three years and shall be eligible for re-election. In the event that a vacancy arises on the Board of Directors for any reason, the remaining members of the Board of Directors may, by a simple majority, elect a new director to temporarily fulfil the duties attached to the vacant post until the next general meeting of shareholders. The Board of Directors' election is also set out in the section Corporate Governance - Board of Directors of this Management Report. Rules governing amendments of the Company's Articles of Association are set out in article 14 of said Articles.

> With reference to article 11 (1) (i) of the above mentioned law - As of December 31, 2018, the Company's authorised share capital, including the issued share capital, consisted of 96,216,785 shares without nominal value, and the Company's issued share capital was represented by 85,496,280 fully paid up shares without nominal value.

On May 5, 2015, the Annual General Meeting of Shareholders decided (a) to cancel the authorisation granted to the Board of Directors by the general meeting of shareholders held on January 21, 2011, with respect to the share buyback program, and (b) to authorise the Board of Directors of the Company, with option to delegate, and the corporate bodies of the other companies in the Aperam Group in accordance with the Luxembourg law of August 10, 1915 on commercial companies, as amended (Law), to acquire and sell shares in the Company in accordance with the Law and any other applicable laws and regulations, including, but not limited to, entering into off-market and over the-counter transactions and to acquire shares in the Company through derivative financial instruments.

The authorisation is valid for a period of five (5) years or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration of the five-year period. The maximum number of shares that may be acquired is the maximum allowed by the Law as amended in such manner that the accounting par value of the Company’s shares held by the Company do not in any event exceed 10% of the Company’s issued share capital.

The maximum number of own shares that Aperam may hold at any time directly or indirectly may not have the effect of reducing its net assets ("actif net") below the amount mentioned in paragraphs 1 and 2 of Article 72-1 of the Law. The purchase price per share to be paid shall not represent more than 110% of the trading price of the shares on the Euronext markets where the Company is listed or the Luxembourg Stock Exchange, depending on the market on which the purchases are made, and no less than one euro cent. For off-market transactions, the maximum purchase price shall be 110% of the reference price on the Euronext markets where the Company is listed. The reference price will be deemed to be the average of the final listing prices per share on these markets during thirty (30) consecutive days on which these markets are open for trading preceding the three trading days prior to the date of purchase. In the event of a share capital increase by incorporation of reserves, or issue of shares at premium and the free allotment of shares, as well as in the event of the division or regrouping of the shares, the purchase price indicated above shall be adjusted by a multiplying coefficient equal to the ratio between the number of shares comprising the issued share capital prior to the transaction and such number following the transaction.

The share buyback programmes announced on 30 January 2018 and February 6, 2019, are described in greater details in the section Liquidity of this Annual Report.

> With reference to article 11 (1) (j) of the above mentioned law - Not applicable.

> With reference to article 11 (1) (k) of the above mentioned law - Not applicable.

Articles of Association

The last version of the Company’s Articles of Association is dated October 13, 2017, and is available on the Company’s website (www.aperam.com) under the “Investors” > “Corporate Governance” section.

Compensation

Remuneration of Board of Directors

As of December 31, 2018 and 2017, Aperam did not have any outstanding loans or advances to members of its Board of Directors and, as of December 31, 2018, Aperam had not given any guarantees for the benefit of any member of its Board of Directors. At the May 9, 2018, annual general meeting of shareholders, the shareholders approved the annual remuneration for non-executive Directors for the 2017 financial year at U.S.$659,615 based on the following annual fees set in Euros:

(Amounts in Euros):

Position	Compensation (annual basis)
Basic Director's remuneration	€ 70,000
Lead Independent Director's remuneration	€ 80,000
Additional remuneration for the Chair of the Audit and Risk Management Committee	€ 15,000
Additional remuneration for the other Audit and Risk Management Committee members	€ 7,500
Additional remuneration for the Chair of the Remuneration, Nomination and Corporate Governance Committee	€ 10,000
Additional remuneration for the member of the Remuneration, Nomination and Corporate Governance Committee	€ 5,000

The table below shows the Directors' compensation for the financial periods ending December 31, 2017 and 2018.

The directors' compensation for the financial period ending December 31, 2018 will be submitted for shareholder approval at the annual general meeting of May 7, 2019.

Name	Financial period ending December 31, 2017 (1)	Financial period ending December 31, 2018 (1)
Mr. Lakshmi N. Mittal	U.S.$ 83,951	€ 70,000
Mr. Romain Bausch	U.S.$ 116,932	€ 97,500
Mr. Philippe Darmayan	U.S.$ 83,951	€ 70,000
Mr. Joseph Greenwell	U.S.$ 98,942	€ 82,500
Ms. Kathryn A. Matthews	U.S.$ 89,948	€ 75,000
Mr. Aditya Mittal	U.S.$ 83,951	€ 70,000
Ms. Laurence Mulliez	U.S.$ 101,941	€ 85,000
Total	**U.S.$ 659,615**	**€ 550,000**
Shareholders' approval date	May 9, 2018	N/A
Shareholders' expected approval date	N/A	May 7, 2019

Note:
(1) The directors compensation remained unchanged between 2017 and 2018. The Company has reported its financial results in € since 2018.

Mr. Philippe Darmayan, who was been elected as member of the Board of Directors on May 5, 2015, annual general meeting of shareholders, was Aperam's former Chief Executive Officer from 2011 to 2014. As announced on October 14, 2015, Mr. Darmayan is retaining links with the Group as advisor due to his extensive industry knowledge. In 2018, the Group paid to PHD Partners, a company owned by Mr.Darmayan, an amount of € 18,834 for advisory services.

Remuneration of Senior Management

The total compensation paid in 2018 to the persons comprising the Company's Leadership Team was €2.98 million in base salary (including certain allowances paid in cash) and €1.69 million in short-term performance-related variable pay (consisting of a bonus linked to 2017 results). As of December 31, 2018, approximately €0.26 million was accrued to provide pension benefits to such persons. In August 2018, the persons comprising the Company’s Leadership Team received 37,461 PSUs, corresponding to a value at grant equal to 80% of the year base salary for the Chief Executive Officer and 50% of the year base salary for the other Leadership Team members. The fair value per share for this grant was €40.32. Each PSU may give right to up to one and half shares of the Company.

The members of the Leadership Team also participate in share-based compensation plans sponsored by Aperam. The Remuneration, Nomination and Corporate Governance Committee of the Board of Directors decided to further improve the remuneration disclosure published by the Group by focusing the information on those executive officers whose remuneration is tied to the performance of the entire Aperam Group. The Leadership Team is also referred to as Aperam's senior management.

The following table summarises the detailed allocation of equity-based incentives to the Leadership Team ('LT' thereafter in the table) Members under the shareholder approvals. Additional information about the equity-based incentives is available in greater detail in the "Long-term Incentives: Equity Based Incentives" section.

	Allocation under the shareholder approval of			
	May 8, 2015	May 4, 2016	May 10, 2017	May 9, 2018
Authorisation to issue up to	220,000 shares for grants under the LT PSU Plan and other retention based grants below level of LT	220,000 shares for grants under the LT PSU Plan and other retention based grants below level of LT	220,000 shares for grants under the LT PSU Plan and other retention based grants below level of LT	150,000 shares for grants under the LT PSU Plan and other retention based grants below level of LT
Represented in percentage of the Company's issued share capital (net of treasury shares) on an outstanding basis at the date of the shareholder approval	Less than 0.29%	Less than 0.29%	Less than 0.29%	Less than 0.18%
Targeted population under the RSU Plan	Employees below the level of LT members	Employees below the level of LT members	Not applicable: Since 2017, only performance grants, also below the level of LT members	Not applicable: Since 2017, only performance grants, also below the level of LT members
Targeted population under the PSU Plan	LT members	LT members	LT members	LT members
Allocation under the shareholder approval limit to members of the Leadership Team	39,232 PSU (vesting August 26, 2018) (LT members do not receive RSUs under the LT PSU Plan)	34,561 PSU (vesting August 31, 2019) (LT members do not receive RSUs under the LT PSU Plan)	24,259 PSU (vesting August 31, 2020) (LT members do not receive RSUs under the LT PSU Plan)	37,461 PSU (vesting June 1, 2021) (LT members do not receive RSUs under the LT PSU Plan)
Allocations to Members of Leadership Team in percentage of the Group's issued share capital (net of treasury shares) on an outstanding basis at the date of the shareholder approval and assuming maximum conversion of PSUs into shares	Less than 0.08%	Less than 0.08%	Less than 0.08%	Less than 0.08%
Performance criteria for PSU Plans	50% weighting: Total Shareholder Return ('TSR') compared to a peer group of companies, and 50% weighting: Earnings Per Share ('EPS') compared to a peer group of companies	50% weighting: Total Shareholder Return ('TSR') compared to a peer group of companies, and 50% weighting: Earnings Per Share ('EPS') compared to a peer group of companies	50% weighting: Total Shareholder Return ('TSR') compared to a peer group of companies, and 50% weighting: Earnings Per Share ('EPS') compared to a peer group of companies	50% weighting: Total Shareholder Return ('TSR') compared to 2 representative indexes (25%: SBF 120 index ; 25%: DAX index) and 50% weighting: Earnings Per Share ("EPS") for 25% compared to a peer group of companies and TSR for 25% compared to a peer group

Note:
LT = Leadership Team (formerly named Management Committee = MC)

Aperam does not have any outstanding loans or advances to members of the Company's senior management or any guarantees for the benefit of any member of the Company's senior management.

None of the members of the senior management has entered into service contracts with the Company or any of our affiliates that provide for benefits upon the termination of their service.

The general meeting of the Company held on January 21, 2011, resolved to delegate to the Board of Directors to determine how to compensate employees who have outstanding ArcelorMittal stock options and who are transferring from ArcelorMittal to the Company. Upon the recommendation of the Board of Directors' Remuneration, Nomination & Corporate Governance Committee, the Board has approved that Aperam employees remain beneficiaries of the ArcelorMittal Stock option, under the same conditions as if they were still ArcelorMittal employees. The ArcelorMittal stock option plan administration committee has agreed to this treatment for the ArcelorMittal management transferred to Aperam.

PSU Plans - cumulative performance criteria:

The performance criteria of the Performance Share Unit Plans under the shareholders approvals until 2017 defined in the section Long-term Incentives: Equity Based Incentives are as follows:

> 50% of the criteria is based on the development of Total Shareholder Return (TSR) defined as the share price at the end of the period, minus the share price at the start of the period, plus any dividend paid, divided by the share price at the start of the period compared to a peer group of companies, over a three year period.
> The other 50% of the criteria to be met to trigger vesting of the PSUs is based on the development of Earnings Per Share (EPS), defined as the amount of earnings per share outstanding compared to a peer group of companies, over a three year period.
> The applicable peer group of companies is described in greater detail below.

As from the 2018 shareholder approval, the performance criteria of the Performance Share Unit Plans defined in the section Long-term Incentives: Equity Based Incentives are as follows:

> 50% of the criteria is based on the development of Total Shareholder Return (TSR), defined as the share price at the end of the period, minus the share price at the start of the period, plus any dividend paid, divided by the share price at the start of the period compared to two representative indexes (25% weight: SBF 120 index; 25% weight DAX index), over a three year period.
> 50% of the criteria is based on the development of Earnings Per Share (EPS) for 25%, defined as the amount of earnings per share outstanding, compared to a peer group of companies, over a three year period, and on the development of TSR for 25% compared to a peer group of companies, over a three year period.
> The applicable peer group of companies is described in greater detail below.

The tables below summarise the progress of meeting the vesting criteria on each grant anniversary date for the Performance Share Unit (PSU) Plans.

PSU Plan under the May 5, 2015, shareholder authorisation

Awards under the LT PSU Plan are subject to the fulfilment of the cumulative performance criteria defined above over a three year period from the date of the PSU grant.

The value of the grant at grant date will equal 45% of the year base salary for the Chief Executive Officer and for the other LT members. Each PSU may give right to up to one and a half shares of the Company.

Vesting:

No vesting will take place for performance below 80% of the median compared to the peer group over three years. The percentage of PSUs vesting will be 50% for achieving 80% of the median TSR, 100% for achieving the median TSR, and up to a maximum of 150% for achieving 120% of the median TSR. The percentage of PSUs vesting will be 50% for achieving 80% of the median EPS, 100% for achieving the median EPS, and up to a maximum of 150% for achieving 120% of the median EPS.

Grant date: August 26, 2015

Vesting date: August 26, 2018
Progress at yearly anniversary grant dates:

Performance criteria	% Weighting of criteria	Percentage of achievement at review at first grant anniversary date (August 26, 2016)	Percentage of achievement at review at second grant anniversary date (August 26, 2017)	Percentage of achievement at review at third grant anniversary date (August 26, 2018)
TSR	50%	Above 120% of median: 150%	Above 120% of median: 150%	102.9%
EPS	50%	Above 120% of median:150%	54.2%	Above 120% of median: 150%

Note:
The progress at anniversary grant date 1 and 2 is indicative, considering that the LT PSU Plan provides for cliff vesting on the third year anniversary of the grant date subject to the fulfilment of cumulative performance criteria over a three-year period, under the condition that the relevant LT member continues to be actively employed by the Aperam group on that date

PSU Plan under the May 4, 2016, shareholder authorisation

Awards under the LT PSU Plan are subject to the fulfilment of the cumulative performance criteria defined above over a three year period from the date of the PSU grant.

The value of the grant at grant date will equal 45% of the year base salary for the Chief Executive Officer and for the other LT members. Each PSU may give right to up to one and a half shares of the Company.

Vesting:

No vesting will take place for performance below 80% of the median compared to the peer group over three years.The percentage of PSUs vesting will be 50% for achieving 80% of the median TSR, 100% for achieving the median TSR, and up to a maximum of 150% for achieving 120% of the median TSR. The percentage of PSUs vesting will be 50% for achieving 80% of the median EPS, 100% for achieving the median EPS, and up to a maximum of 150% for achieving 120% of the median EPS.

Grant date: August 31, 2016
Vesting date: August 31, 2019
Progress at yearly anniversary grant dates:

Performance criteria	% Weighting of criteria	Percentage of achievement at review at first grant anniversary date (August 31, 2017)	Percentage of achievement at review at second grant anniversary date (August 31, 2018)
TSR	50%	Below 80% of median: 0%	Below 80% of median: 0%
EPS	50%	Below 80% of median: 0%	69%

Note:
The progress at anniversary grant date 1 and 2 is indicative, considering that the LT PSU Plan provides for cliff vesting on the third year anniversary of the grant date subject to the fulfilment of cumulative performance criteria over a three-year period, under the condition that the relevant LT member continues to be actively employed by the Aperam group on that date

PSU Plan under the May 10, 2017, shareholder authorisation

Awards under the LT PSU Plan are subject to the fulfilment of the cumulative performance criteria defined above over a three year period from the date of the PSU grant.

The value of the grant at grant date will equal 45% of the year base salary for the Chief Executive Officer and for the other LT members. Each PSU may give right to up to one and a half shares of the Company.

Vesting:

No vesting will take place for performance below 80% of the median compared to the peer group over three years.The percentage of PSUs vesting will be 50% for achieving 80% of the median TSR, 100% for achieving the median TSR, and up to a maximum of 150% for achieving 120% of the median TSR. The percentage of

PSUs vesting will be 50% for achieving 80% of the median EPS, 100% for achieving the median EPS, and up to a maximum of 150% for achieving 120% of the median EPS.

Grant date: August 31, 2017
Vesting date: August 31, 2020
Progress at yearly anniversary grant dates:

Performance criteria	% Weighting of criteria	Percentage of achievement at review at first grant anniversary date (August 31, 2018)
TSR	50%	69%
EPS	50%	Below 80% of median: 0%

Note:
The progress at anniversary grant date 1 is indicative, considering that the LT PSU Plan provides for cliff vesting on the third year anniversary of the grant date subject to the fulfilment of cumulative performance criteria over a three-year period, under the condition that the relevant LT member continues to be actively employed by the Aperam group on that date

PSU Plan under the May 9, 2018, shareholder authorisation

With the objective to continue to retain the highest focus by Senior Management on the long term sustainability and value creation, the Remuneration, Nomination and Corporate Governance Committee reviewed the Long Term Incentive Plan Structure for the Members of the Leadership Team and proposed amendments to the plan which are highlighted below. The Board of Directors believes that these changes greater incentivize Management to continue to deliver the outperformance of the Company for the benefit of the shareholders :

- Include a relative Index performance to capture Aperam's performance in the most relevant geographical regions from a commercial perspective : France (SBF120 index) and Germany (DAX index)
- Revise the peer group constituents and split the peer group by direct stainless steel competitors (2 peers) and by most relevant steel players (4 peers) from a statistical point of view
- Recognise future outperformance by increasing 150% capping to 200% capping
- Enhance incentive with grant based on value increasing from 45% of the base salary for the CEO to 80% and for other Members of the Leadership Team from 45% to 50% of the base salary
- The maximum number of shares allocated to the plan is reduced from 220,000 shares to 150,000 shares considering strict performance criteria

The Long term orientation of the plan is maintained at 3 years in line with best practices.

An explanatory presentation is available on www.aperam.com, under Investors > Equity Investors > Shareholders Meetings > 9 May 2018.

Awards under the LT PSU Plan are subject to the fulfilment of the cumulative performance criteria defined above over a three year period from the date of the PSU grant.

The value of the grant at grant date will equal 80% of the year base salary for the Chief Executive Officer and 50% for the other LT members. Each PSU may give right to up to two shares of the Company.

Vesting:

50% vesting is linked to TSR evolution compared to SBF120 index and DAX index over a three year period:
- 25% of vesting is linked to TSR evolution compared to SBF120 index over a three year period: The percentage of PSUs vesting will be 50% for achievement of 80% of Index Performance, 100% for achieving Index Performance, 150% for achieving 120% of Index Performance, and 200% for achieving 140% of Index Performance
- 25% of vesting is linked to TSR evolution compared to DAX index over a three year period: The percentage of PSUs vesting will be 50% for achievement 80% of Index Performance, 100% for achieving Index Performance, 150% for achieving 120% of Index Performance, and 200% for achieving 140% of Index Performance

50% vesting is linked to EPS and TSR evolution compared to a peer group over a three year period
- 25% of vesting is linked to EPS evolution compared to a peer group over a three year period:
    - 12.5% of vesting is linked to EPS evolution compared to the stainless steel peer group. The

percentage of PSUs vesting will be 50% for achievement of 80% of median EPS, 100% for achieving median EPS, 150% for achieving 120% of median EPS, and 200% for achieving 140% of median EPS.
    - 12.5% of vesting is linked to EPS evolution compared to the carbon steel peer group. The percentage of PSUs vesting will be 50% for achievement of 80% of median EPS, 100% for achieving median EPS, 150% for achieving 120% of median EPS, and 200% for achieving 140% of median EPS.
- 25% of vesting is linked to TSR evolution compared to a peer group over a three year period:
    - 12.5% of vesting is linked to TSR evolution compared to the stainless steel peer group. The percentage of PSUs vesting will be 50% for achievement of 80% of median TSR, 100% for achieving median TSR, 150% for achieving 120% of median TSR, and 200% for achieving 140% of median TSR.
    - 12.5% of vesting is linked to TSR evolution compared to the carbon steel peer group. The percentage of PSUs vesting will be 50% for achievement of 80% of median TSR, 100% for achieving median TSR, 150% for achieving 120% of median TSR, and 200% for achieving 140% of median TSR.

Weight	KPI	Below Threshold (0% vesting - for the relevant component)	Threshold (50% vesting)	Target (100% vesting)	Overperformance - vesting at 150%	Overperformance - vesting at 200% (capped)
25%	**TSR evolution based on SBF 120**	Below 80% of Index Performance	80% of Index Performance	100% of Index Performance	120% of Index Performance	140% of Index Performance
25%	**TSR evolution based on DAX**	Below 80% of Index Performance	80% of Index Performance	100% of Index Performance	120% of Index Performance	140% of Index Performance
25%	**EPS evolution based on peer group (6)**	Below 80% of median	80% of median	median	120% of median	140% of median
25%	**TSR evolution based on peer group (6)**	Below 80% of median	80% of median	median	120% of median	140% of median

Grant date: June 1, 2018
Vesting date: June 1, 2021
Progress at yearly anniversary grant dates: No anniversary grant date yet reached.

PSU Plan - Peer Group of companies:

The table below lists the applicable group of companies used for the comparative performance as part of the Leadership Team PSU Plan submitted to shareholder approval on May 9, 2018. The peer group companies for previous plans are described in the previous annual reports.

The group of companies consists of two stainless steel companies and four carbon steel companies. These companies have been retained by the Board of Directors based on industry classification, size and on correlation to whether this group is sound from a statistical viewpoint.

Steel Peer Group	Company	Market Capitalisation(1)	Correlation(2)
Stainless Steel peer group (weight inside peer group 50%)	Acerinox Outokumpu	3,954.5 3,839.9	0.68 0.61
Carbon Steel peer group (weight inside peer group 50%) cerinox	Thyssen-Krupp Salzgitter ArcelorMittal Voestalpine	16,574.1 3,094.8 33,311.6 9,433.3	0.57 0.57 0.55 0.53

Notes:
(1) At January 1, 2018, in million U.S. dollars.
(2) Correlation calculated from 01/01/2013 to 01/01/2018

Remuneration policy

Board oversight

The Board is responsible for ensuring that the Group's remuneration arrangements are equitable and aligned with the long-term interests of the Company and its shareholders. It is therefore critical that the Board remains independent of management when making decisions affecting remuneration of the Chief Executive Officer and its direct reports.

To this end, the Board has established the Remuneration, Nomination and Corporate Governance Committee (RNCG) to assist it in making decisions affecting employee remuneration. All members of the RNCG committee are required to be independent under the Group's corporate governance guidelines, the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange and the NASDAQ Listing Rules.

The definition of the independence criteria that applies to the Directors is described in greater detail under the section Corporate Governance - Board of Directors of this Management Report.

The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The members have relevant expertise or experience relating to the purposes of the committee.

The RNCG Committee makes decisions by a simple majority with no member having a casting vote. The RNCG Committee is chaired by Mr. Romain Bausch, Lead Independent Director. The primary function of the RNCG Committee, as well as how it functions, is described in greater detail in the “Corporate Governance” section of this report.

Remuneration strategy

Scope

Aperam's remuneration philosophy and framework apply to the following group of senior managers:
> the Chief Executive Officer; and
> the 8 other members of the Leadership Team.
The remuneration philosophy and governing principles also apply, with certain limitations, to a wider group of employees, including General Managers and Managers.

Remuneration philosophy

Aperam's remuneration philosophy for its senior managers is based on the following principles:
> provide total remuneration competitive with executive remuneration levels of a peer group composed of a selection of industrial companies of a similar size and scope;
> encourage and reward performance that will lead to long-term enhancement of shareholder value;
> promote internal pay equity and provide "market" median (determined by reference to its identified peer group) base pay levels for Aperam's senior managers, with the possibility to move up to the third quartile of the markets base pay levels, depending on performance over time; and
> promote internal pay equity and target total direct remuneration (base pay,bonus, and long-term incentives) levels for senior managers at up to 75 percent of the market median, depending on performance over time.

Remuneration framework

The RNCG Committee develops proposals on senior management remuneration annually for consideration by the Board of Directors. Such proposals include the following components:
> fixed annual salary;
> short-term incentives (i.e., performance-based bonuses); and
> long-term incentives (i.e., RSUs and PSUs; stock options for ArcelorMittal plans prior to the creation of Aperam in January 2011 only). Since May 2013, Leadership Team members only receive PSUs as equity based incentives (RSUs were granted to employees below the Leadership Team level until 2016. Since 2017, only performance related grants are allocated to employees below the Leadership Team level).

Fixed annual salary

Base salary levels are reviewed annually and compared to the market to ensure that Aperam remains competitive with market median base pay levels.

Short-term incentives

Annual performance bonus plan

Aperam has a short-term incentive plan consisting of a performance-based bonus plan. Bonus calculations for each employee reflect the performance of the Aperam Group as a whole, the performance of the relevant business units, the achievement of objectives specific to the department, and the individual employee's overall performance.

The calculation of Aperam's 2018 performance bonus is aligned with its strategic objectives of improving financial performance and overall competitiveness and the following principles:

> no performance bonus will be triggered if the achievement level of the performance measures is less than the threshold of 80%;

> achievement of 100% of the performance measure yields 100% of the performance bonus pay-out; and

> achievement of more than 100% and up to 120% of the performance measure generates a higher performance bonus pay-out, except as explained below. The performance bonus for each individual is expressed as a percentage of his or her annual base salary.

For an initial performance bonus target of 30%, the performance target may range from 15% of the base pay for achievement of performance measures at the threshold (80%) to up to 45% for an achievement at or in excess of the ceiling of 120%. Between the 80% threshold and the 120% ceiling, the performance bonus is calculated on a proportional, straight-line basis.

For the Chief Executive Officer and the Members of the Leadership Team, the 2018 bonus formula is based on:

> EBITDA at Group level: 40%;

> Free Cash Flow before dividend and share buyback at Group level: 20%; and

> Quantified contribution of strategic objectives: 40%.

The achievement level of performance for performance bonus is summarised as follow:

	Business Plan Achievement Threshold at 80%	**Business Plan Achievement Target at 100%**	**Business Plan Achievement Ceiling at 120%**
CEO	40% of base pay	80% of base pay	120% of base pay
Leadership Team Member (VP)	20% of base pay	40% of base pay	60% of base pay

Note:
VP = Vice-President

Individual performance and potential assessment ratings define the individual bonus multiplier that will be applied to the performance bonus calculated based on actual performance against the performance measures. Those individuals who consistently perform at expected levels will have an individual multiplier of 1. For outstanding performers, an individual multiplier of up to 2 may cause the performance bonus payout to be higher than 120% of the target bonus, up to 180% of target bonus being the absolute maximum. Similarly, a reduction factor will be applied for those at the lower end. It is reminded that Health & Safety being the Group´s top priority, necessary actions are being taken to ensure that a “Safety First” attitude is a “conditio sine qua non” for employment at Aperam. In practice, Health & Safety is therefore a primary target in the described individual performance and assessment ratings of the employees and plays an important role in the final evaluations.

The principles of the performance bonus plan, with different weights for performance measures and different levels of target bonuses, are applicable to approximately 1,000 employees worldwide.

In exceptional cases, there are some entitlements to a retention bonus or a business specific bonus.

At the end of the financial year, achievement against the measures is assessed by the RNCG Committee and the Board and the short-term incentive award is determined.

The 2017 Performance Bonus Plan with respect to senior management and paid out in 2018 was structured as follows:

2017 Measures	% Weighting for the Chief Executive Officer and LT members	Assessment
EBITDA	40%	Incentive attributed to this metric
Free Cash Flow	20%	Incentive attributed to this metric
Quantified specific measures	40%	Incentive attributed to this metric

Other Benefits

In addition to the primary elements of compensation described above, other benefits may be provided to senior management, such as company cars and contributions to pension plans and insurance policies, which will be in line with relevant local market and peer group practices.

Long-term incentives: equity-based incentives

Share Unit Plans

The first shareholders' meeting after the creation of Aperam, held on July 12, 2011, approved a equity-based incentive. The plan comprises of a Restricted Share Unit Plan (RSU Plan) and a Performance Share Unit Plan (PSU Plan) designed to incentivise employees, improve the Group's long-term performance and retain key employees. Both the RSU Plan and the PSU Plan are intended to align the interests of the Company's shareholders and eligible employees by allowing them to participate in the success of the Company.

The maximum number of Restricted Share Units (each being an RSU) and Performance Share Units (each being a PSU) available for grant during any given year is subject to the prior approval of the Company's shareholders at the annual general meeting.

The table in the above “Compensation” section summarises the key characteristics of the shareholder-approved equity-based incentives.

RSU Plan

The aim of the RSU Plan is to provide a retention incentive to eligible employees. It is subject to "cliff vesting" after three years, with 100% of the grant vesting on the third anniversary of the grant, contingent upon the continued active employment of the eligible employee within the Aperam Group. The RSUs are an integral part of the Company's remuneration framework.

The decision was taken by the Board of Directors not to grant any RSUs to the members of the Leadership Team under the May 2012 shareholder authorisation and not to submit for shareholders’ approval RSU grants under the next equity incentives.

Since 2017, employees below the Leadership Team level ceased receiving RSUs and only receive performance-related grants.

The May 8, 2014, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2014 and the 2015 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Management Committee PSU Plan and other retention based grants below the level of the Leadership Team. In September 2014, a total of 48,000 RSUs were granted to a total of 32 employees at a fair value of €25.17 per share, all grants were for employees below the level of the Leadership Team. In September 2017 a total of 39,000 shares were vested and allocated to qualifying employees.

The May 5, 2015, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2015 and the 2016 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other retention-based grants below the Leadership Team level. In August 2015, a total of 27,500 RSUs were granted to a total of 32 employees at a fair value of €28.45 per share, all grants were for employees below the level of the Leadership Team. In August 2018, a total of 24,200 shares were vested and allocated to qualifying employees.

The May 4, 2016, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2016 and the 2017 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other retention-based grants below the Leadership Team level. In August 2016, a total of 33,550 RSUs were granted to a total of 44 qualifying employees at a fair value of €35.08 per share, all grants were for employee below the Leadership Team level.

In February 2017, the Remuneration, Nomination and Corporate Governance Committee recommended that RSUs no longer be granted as of the annual general meeting of shareholders of May 2017 onward, and that employees below the Leadership Team level only receive performance-related grants.

The allocation of RSUs to employees below the Leadership Team level is reviewed by the RNCG Committee, comprised of three independent directors, which makes a recommendation to the full Board of Directors. The Committee also decides the criteria for granting RSUs and makes its recommendation to the Board of Directors.

PSU Plan

The PSU Plan's main objective is to be an effective performance-enhancing scheme based on the employee's contribution to the eligible achievement of the Group's strategy. Awards under the PSU Plan are subject to the fulfilment of cumulative performance criteria over a three-year period from the date of the PSU grant. The target group for PSU grants is primarily the Chief Executive Officer and the other members of the Leadership Team.

Under the 2018 plna, each PSU may give right to up to 2 shares. The LT PSU Plan provides for cliff vesting on the third year anniversary of the grant date, under the condition that the relevant LT member continues to be actively employed by the Aperam Group on that date. If the LT member is retired on that date or in case of an early retirement by mutual consent, the relevant LT member will not automatically forfeit PSUs and pro rata vesting will be considered at the end of the vesting period at the sole discretion of the Company. Under the 2018 plan, the value of the grant at grant date is to equal 80% of the year base salary for the Chief Executive Officer and 50% for the other Leadership Team members. The sets of performance criteria to be met for the vesting of the PSUs under the LT PSU Plans are described in greater detail in the above “Compensation” section of this report.

The May 8, 2014, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2014 and the 2015 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Management Committee PSU Plan and other retention-based grants below the Leadership Team level. In June 2014 and September 2014, a total of 63,839 PSUs were granted to a total of 40 employees at a fair value of respectively €25.17 per share and €24.65 per share (out of which 41,439 PSUs were for the 8 Members of the Leadership Team). In 2017, a total of 66,550 shares were vested and allocated to qualifying employees (out of which 43,750 were for Members of the Leadership Team).

The May 5, 2015, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2015 and the 2016 annual general meeting, to key employees of Aperam a maximum of

220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other retention-based grants below the Leadership Team level. In August 2015, a total of 49,232 PSUs were granted to a total of 42 employees at a fair value of €28.45 per share (out of which 39,232 PSUs were for the 10 Members of the Leadership Team). In 2018, a total of 51,553 shares were vested and allocated to qualifying employees (out of which 37,492 were for Members of the Leadership Team).

The May 4, 2016, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2016 and the 2017 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other retention-based grants below the Leadership Team level. In August 2016, a total of 46,761 PSUs were granted to a total of 54 employees at a fair value of €35.08 per share (out of which 34,561 PSUs were for the 10 Members of the Leadership Team).

The May 10, 2017, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2017 and the 2018 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other performance-based grants below the Leadership Team level. In August 2017, a total of 71,884 PSUs were granted to a total of 54 employees at a fair value of €44.34 per share (out of which 24,259 PSUs were for the 9 Members of the Leadership Team).

The May 9, 2018, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2018 and the 2019 annual general meeting, to key employees of Aperam a maximum of 150,000 of the Company's shares for grants under the Leadership Team PSU Plan and other performance-based grants below the Leadership Team level. In June 2018, a total of 85,461 PSUs were granted to a total of 54 employees at a fair value of €40.32 per share (out of which 37,461 PSUs were for the 9 Members of the Leadership Team).

The tables in the “Compensation” section above summarise the detailed target definitions for the PSU plans, as well as the progress of meeting the vesting criteria on each grant anniversary date. The peer group is described in the above “Compensation” section of this report. The allocation of PSUs is reviewed by the RNCG Committee, comprised of three independent directors, which makes a recommendation to the full Board of Directors. The RNCG Committee also reviews the proposed granting of PSUs to eligible employees other than the members of the Leadership Team and the principles governing their proposed allocation. The Committee also decides the criteria for granting PSUs and makes its recommendation to the Board of Directors.

Stock option plan

For historical reasons, certain Group employees participate in stock-based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. For the years ending December 31, 2018 and 2017, the amount of outstanding options was 35,468 and 46,636 respectively. The amount of exercisable options was 35,468 and 46,636 for the years ending December 31, 2018 and 2017 respectively. Exercise prices of ArcelorMittal stock options vary from U.S.$91.98 to U.S.$109,14. Weighted average contractual life of the options varies from 0.6 to 1.6 years.

Share ownership

As of December 31, 2018, the aggregate beneficial share ownership of Aperam directors and senior management totalled 107,372 Aperam shares (excluding shares owned by Aperam's Significant shareholder). Other than the Significant shareholder, no director and member of senior management beneficially owns more than 1% of Aperam's shares. See definition of Significant shareholder in the below “Share Capital” section of this Management Report.

The allocation of Aperam equity incentives to senior management is described in the below “Share Capital” section of this Management Report.

In accordance with the Luxembourg Stock Exchange's 10 Principles of Corporate Governance, non-executive members of Aperam's Board of Directors do not receive share options, RSUs or PSUs.

Share capital

As of December 31, 2018, the Company's authorised share capital, including the issued share capital, consisted of 96,216,785 shares without nominal value. The Company's issued share capital was represented by 85,496,280 fully paid-up shares without nominal value.

The following table sets forth information as of December 31, 2018 with respect to the beneficial ownership and voting rights in the Company by each person who is known to be the beneficial owner of 2.5% or more of the Company's issued share capital.

	Shares	% of Issued Rights	% of Voting Rights
Significant shareholder(1)	34,225,488	40.03%	40.96%
Treasury shares	1,939,598	2.27%	0.00%
Other public shareholders	49,331,194	57.70%	59.04%
Total issued shares	**85,496,280**	**100.00%**	**100.00%**
of which: Prudencial plc (2)	3,795,191	4.44%	4.54%
of which: Directors and Senior Management(3) (4)	107,372	0.13%	0.13%

Notes:
(1) The term "Significant shareholder" means trusts (HSBC Trust (C.I.) Limited, as trustee) of which Mr. Lakshmi N. Mittal, Ms. Usha Mittal and their children are the beneficiaries, holding Aperam shares through Value Holdings II Sàrl, a limited liability company organised under the laws of Luxembourg ("Value Holdings II"). For purposes of this table, ordinary shares owned directly by Mr. Lakshmi N. Mittal and his wife, Ms. Usha Mittal are aggregated with those ordinary shares indirectly owned by the Significant shareholder, in each case as at December 31, 2018. Value Holdings II, which is indirectly 100% owned by the trust, was the direct owner of 34,212,148 Aperam ordinary shares. Mr. Lakshmi N. Mittal was the direct owner of 11,090 Aperam ordinary shares. Ms. Usha Mittal was the direct owner of 2,250 Aperam ordinary shares.
(2) According to the Company's Articles of Association, a shareholder owning 2.5% or more of the share capital must notify the Company. The only shareholders owning 2.5% or more but less than 5% of the share capital of Aperam at 31 December 2018 was Prudencial plc with 3,795,191 shares representing 3.30% of the total issued share capital.
(3) Includes shares beneficially owned by directors and members of senior management listed in the sections "Board of Directors" and "Senior Management"; Excludes shares beneficially owned by Mr. Mittal.
(4) These 107,372 Aperam common shares are included in the shares owned by other public shareholders in the table above.

The Company's ordinary shares are in registered form only and are freely transferable. Ownership of the Company's shares is recorded in a shareholders' register kept by the Company at its corporate headquarters at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg (Shareholders' Register). The Company's ordinary shares may also be registered on one of two local registers, the European register (European Register) and the New York register (New York Register).

The European Register is kept by the Company. BNP Paribas Securities Services provides certain administrative services in relation to the European Register. The New York Register is kept by Citibank, N.A. (New York Branch) (Citibank) on the Company's behalf. Ordinary shares registered on the European Register are referred to as "European Shares" and ordinary shares registered on the New York Register are referred to as "New York Registry Shares".

As of December 31, 2018, there were 2,144 shareholders - other than the Significant shareholder and Aperam as holder of treasury shares - with an aggregate of 184,469 Aperam common shares registered in Aperam's shareholder register, representing approximately 0.21% of the common shares issued. As of December 31, 2018, there were 57 U.S. shareholders holding an aggregate of 256,753 New York Registry Shares, representing approximately 0.30% of the common shares issued. Aperam's knowledge of the number of New York Registry Shares held by U.S. holders is based solely on the records of Citibank. As of December 31, 2018, there were 36,321,532 Aperam common shares being held through the Euroclear clearing system in The Netherlands, France and Luxembourg. Euroclear is a Belgium-based financial services company that specialises in the settlement of securities transactions, as well as the safekeeping and asset servicing of these securities.

Shareholding notification with reference to Transparency Law requirements

With reference to the law and Grand-Ducal regulation of January 11, 2008, on transparency requirements for issuers of securities (Transparency Law) and to shareholding notifications for crossing the threshold of 5% voting rights, such notifications are available in the Luxembourg Stock Exchange's electronic database OAM on www.bourse.lu and on the Company's website (www.aperam.com) under Investors, Corporate Governance, Shareholding structure.
There were no such notifications in 2018.

Related Party Transactions

We are engaged in certain commercial and financial transactions with related parties. Please refer to Note 21 to the Consolidated Financial Statements for further details.

Agreements with ArcelorMittal post Spin-Off

In connection with the spin-off of its stainless steel division into a separately focused company, Aperam SA ("Aperam"), which was completed on January 25, 2011, ArcelorMittal entered into several agreements with Aperam and/ or certain Aperam subsidiaries which are still in force in 2018: a purchasing services agreement for negotiation services from ArcelorMittal Purchasing (the "Purchasing Services Agreement"), as well as certain commitments regarding cost-sharing in Brazil and certain other ancillary arrangements governing the relationship between Aperam and ArcelorMittal following the spin-off, as well as certain agreements relating to financing.

The parties agreed to renew a limited number of services where expertise and bargaining power created value for each party. ArcelorMittal will continue to provide certain services in 2019 relating to areas including environmental and technical support.

In the area of research and development at the time of the spin-off, Aperam entered into a frame arrangement with ArcelorMittal to establish a structure for future cooperation in relation to certain ongoing or new research and development programmes. Currently, only limited research and development support are implemented through this agreement, but new collaborative endeavors are foreseen in 2019.

Under the terms of the 2011 Purchasing Services Agreement, Aperam still relies on ArcelorMittal for services in relation to the negotiation of certain contracts with global or large regional suppliers, including those relating to the following key categories: operating materials (rolls, electrodes and refractory materials), spare parts, transport, industrial products and services. The Purchasing Services Agreement also permits Aperam to avail itself of the services and expertise of ArcelorMittal for certain capital expenditure items. The Purchasing Services Agreement was entered into for an initial term of two years, which was to expire on January 24, 2013. However, since that date, the Purchasing Services Agreement has been extended successively and it will remain in force until 2021. New specific IT service agreements are being put in place with Aperam, one for Asset Reliability Maintenance Programme (ARMP) in its Brazilian entities, and two others for the use in Europe of ARMP and for the use of the global wide area network (WAN). In Europe, Aperam purchased most of its electricity and natural gas though energy supply contracts put in place for the period 2014-2019 with ArcelorMittal Energy SCA and ArcelorMittal Purchasing SAS.

Purchasing activities will continue to be provided to Aperam pursuant to existing contracts with ArcelorMittal entities that it has specifically elected to assume. In addition, since 2011 a services agreement has been concluded between ArcelorMittal Shared Service Center Europe Sp z.o.o. Sp.k. and Aperam for accounting services In connection with the spin-off, management also renegotiated an existing Brazilian cost-sharing agreement between ArcelorMittal Brasil and Aperam Inox América do Sul S.A. (formerly known as ArcelorMittal Inox Brasil), pursuant to which, starting as of April 1, 2011, ArcelorMittal Brasil continued to perform purchasing, for the benefit of certain of Aperam's Brazilian subsidiaries, with costs being shared on the basis of cost allocation parameters agreed between the parties.

Shareholder information

The company

The Company is a Luxembourg public limited liability company ("société anonyme") incorporated on September 9, 2010 to hold the assets which comprise the stainless and specialty steels businesses historically held by ArcelorMittal. The Company has its registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under the number B155.908.

Listing and Indexes

The Company's ordinary shares are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange (symbol "APAM") and are traded on the Euronext Single Order Book with Amsterdam as the Market of Reference (symbol "APAM" and Euronext code NSCNL00APAM5).

The ordinary shares were admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange, Euronext Amsterdam and Euronext Paris on January 31, 2011, and Euronext Brussels on February 16, 2017.

The ordinary shares of the Company are accepted for clearance through Euroclear and Clearstream Luxembourg under common code number 056997440.

The Aperam shares are also traded as New York registry shares on the OTC under the symbol APEMY.

The Company is a member of the different indexes, including BEL20, SBF 120, NEXT 150, CAC MID 60, AMX.

Investor relations

At Aperam, we attach a high importance to providing clear, high-quality, regular and transparent communication with institutional investors and other financiers and providers of capital, and rating agencies. We aim to be the first choice for investors in the stainless steel sector. To achieve this objective and provide the most relevant information fitting the needs of the financial community, Aperam implements an active and broad investor communications policy: conference calls, roadshows, regular participation at investor conferences and plant visits.

To contact the Investor Relations department: Investor.Relations@aperam.com

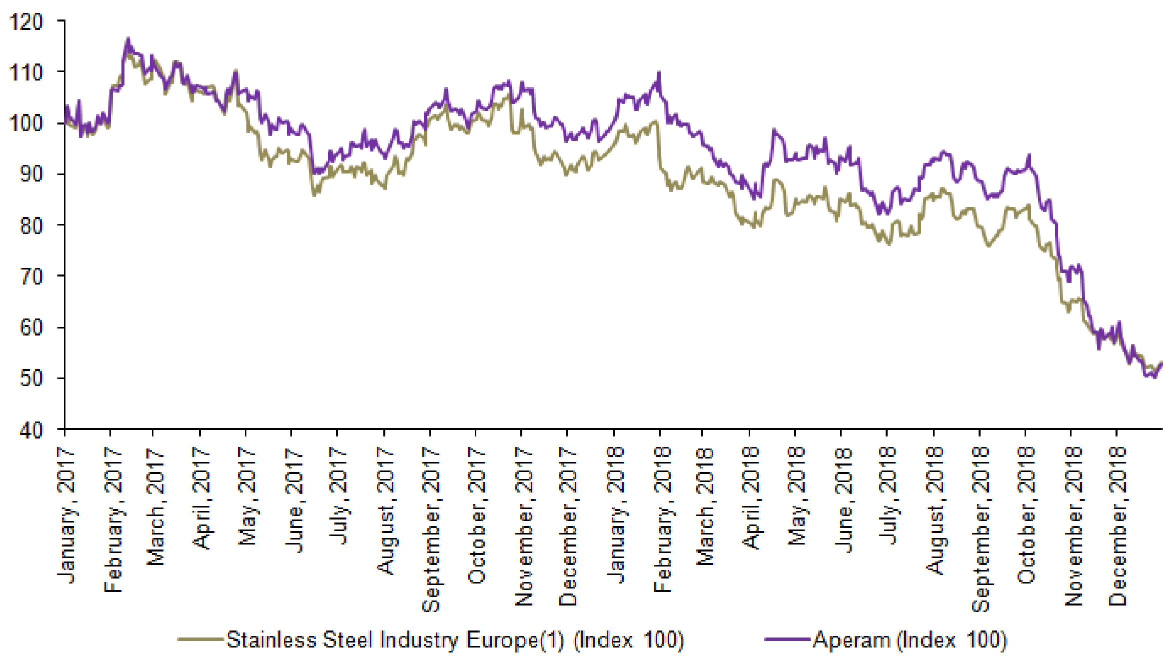
Socially responsible investors

Aperam attaches a great importance to Sustainability and has been issuing yearly Sustainability Reports since its creation in 2011. The Sustainability team is in charge of the questions from socially responsible investors and ESG rating agencies[4].
We are happy to see our efforts recognised by ESG analysts, especially with the Prime label re-conducted in 2018 by rating agency Oekom and MSCI's 2016 "AA" rating reconfirmed in 2018.

To contact the Sustainability Team: sustainability@aperam.com

Share performance

The Graph below shows the share price performance of Aperam and the European Stainless Steel Industry[1] over the years 2017 to 2018 in index base 100:



Note:
(1) European Stainless Steel Industry : Average Acerinox, Aperam, Outokumpu share price in index 100

[4] Rating agencies assessing Aperam according to social, environmental, economic and governance criteria.

Financial Calendar

Earnings calendar[1]
> May 08, 2019: earnings for 1st quarter 2019
> July 31, 2019: earnings for 2nd quarter 2019 and 6 months 2019
> November 6, 2019: earnings for 3rd quarter 2019 and 9 months 2019

Note:
(1) Earnings are issued before the closing of the European stock exchanges on which the Aperam share is listed

General meeting of shareholders

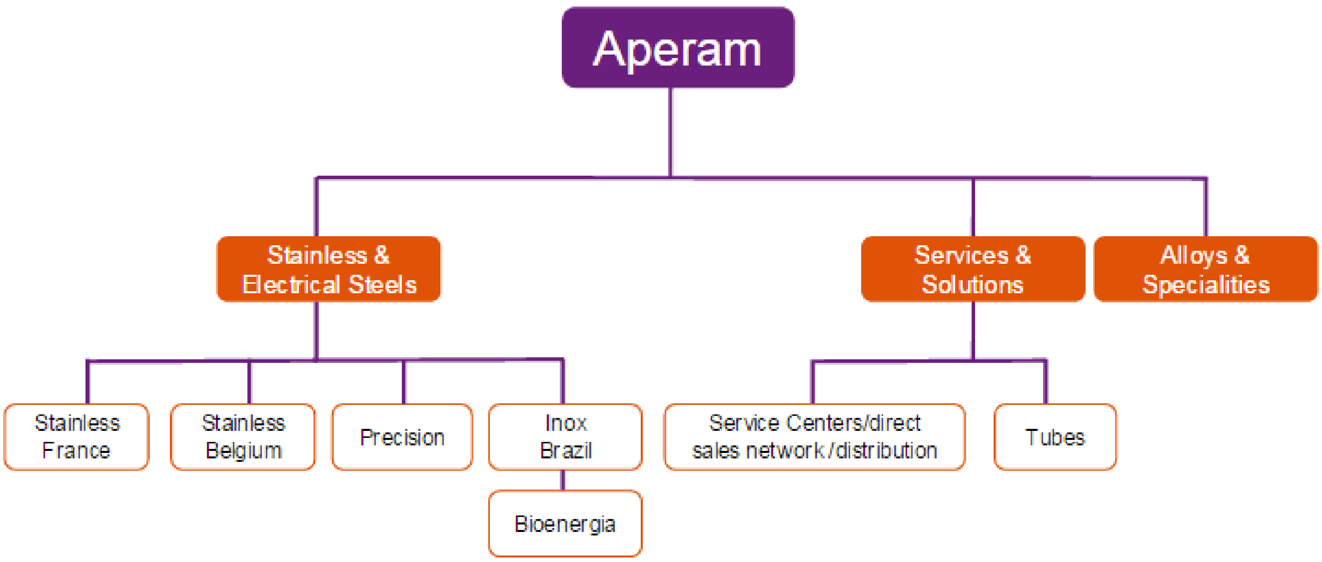
> May 07, 2019: Annual general meeting of shareholders, Luxembourg

Dividend Schedule

Please refer to the section "Liquidity" of this Management Report for further details with respect to the Company's detailed dividend schedule for the year 2019.

Organisational Structure

Aperam is a holding company with no business operations of its own. All of its significant operating subsidiaries are owned directly or indirectly through intermediate holding companies. The following chart represents its current operational structure. See Note 25 to the Consolidated Financial Statements for a list of the Group's significant subsidiaries.



Contacts

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Tel: +352 27 36 27 00

To contact Aperam by email, please write to contact@aperam.com. Please include your full name, postal address and telephone number.

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Laurent Beauloye: +352 27 36 27 103

Financial Statements 2018

Aperam, Société Anonyme

Consolidated financial statements

As of and for the year ended December 31, 2018

Aperam S.A
Société Anonyme

12C, rue Guillaume Kroll
L-1882 Luxembourg
R.C.S Luxembourg B 155.908

Middle East Training Center, Beirut Rafic Hariri International Airport, Lebanon
- Khatib & Alami - Naggiar
Executed using grade 316L with Uginox Méca 8ND finish

Responsibility statement

We confirm to the best of our knowledge that:

1. the consolidated financial statements of Aperam presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the assets, liabilities, financial position and results of Aperam and the undertakings included within the consolidation taken as a whole; and

2. the annual accounts of Aperam presented in this Annual Report and established in conformity with the Luxembourg legal and regulatory requirements relating to the preparation of annual accounts give a true and fair view of the assets, liabilities, financial position and results of the Company; and

3. the management report presented in this Annual Report includes a fair review of the development and performance of the business and position of Aperam and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

On behalf of the Board of Directors
February 26, 2019

Philippe Darmayan

Chief Executive Officer
Timoteo Di Maulo

Chief Financial Officer
Sandeep Jalan

Aperam

Consolidated Statement of Operations

(in millions of Euros except share and per share data)

	Year ending December 31,	
	2018	2017(1)
Sales (Note 3) (including 72 and 83 of sales to related parties in 2018 and 2017, respectively (Note 21))	4,677	4,481
Cost of sales (including depreciation and impairment of 143 and 152 (Note 3), and purchases from related parties of 235 and 231 for 2018 and 2017, respectively (Note 21))	(4,106)	(3,888)
Gross margin	**571**	**593**
Selling, general and administrative expenses	(210)	(194)
Operating income (Note 3)	**361**	**399**
Income /(loss) from other investments	1	(3)
Financing costs- net (Note 4)	(5)	(41)
Income before taxes	**357**	**355**
Income tax expense (Note 5)	(71)	(35)
Net income	**286**	**320**
Net income attributable to Equity holders of the parent	286	320
Net income	**286**	**320**
Earnings per common share (in Euros):		
Basic	3.39	4.00
Diluted	3.03	3.80
Weighted average common shares outstanding (in thousands) (Note 19):		
Basic	84,345	80,012
Diluted	89,052	88,535

Note:

(1) Amounts for the year ending December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Aperam

Consolidated Statement of Comprehensive Income / (Loss)

(in millions of Euros)

	Year ending December 31,	
	2018	2017[1]
Net income	**286**	**320**
Items that cannot be recycled to the consolidated statement of operations:		
Remeasurement of defined benefit obligation during the period, net of tax expense of nil and (2) for 2018 and 2017, respectively	1	—
Items that can be recycled to the consolidated statement of operations:		
Available-for-sale investments:		
Gain arising during the period, net of tax expense of nil and nil for 2018 and 2017, respectively	1	—
Cash flow hedges:		
(Loss) Gain arising during the period, net of tax income (expense) of 3 and (4) for 2018 and 2017, respectively	(12)	12
Reclassification adjustments for gain included in the statement of operations, net of tax expense of 3 and 2 for 2018 and 2017, respectively	(6)	(2)
Total cash flow hedges	(18)	10
Exchange differences arising on translation of foreign operations, net of tax income (expense) of 5 and (23) for 2018 and 2017, respectively	(107)	(118)
Total other comprehensive income	**(123)**	**(108)**
Total other comprehensive income attributable to:		
Equity holders of the parent	(123)	(108)
Non-controlling interests	—	—
Total other comprehensive income	**(123)**	**(108)**
Net comprehensive income	**163**	**212**
Net comprehensive income attributable to:		
Equity holders of the parent	163	212
Non-controlling interests	—	—
Net comprehensive income	**163**	**212**

Note:

(1) Amounts for the year ending December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Aperam

Consolidated Statement of Financial Position

(in millions of Euros)

ASSETS	December 31, 2018	December 31, 2017(1)	January 1, 2017(1)
Current assets:			
Cash and cash equivalents (Note 6)	199	306	308
Trade accounts receivable (Note 7)	274	270	226
Inventories (Note 8)	1,410	1,230	1,163
Prepaid expenses and other current assets (Note 9)	71	74	79
Income tax receivable	6	8	5
Assets held for sale	—	—	23
Total current assets	**1,960**	**1,888**	**1,804**
Non-current assets:			
Goodwill and intangible assets (Note 10)	490	509	536
Biological assets (Note 11)	34	39	46
Property, plant and equipment (Note 12)	1,555	1,534	1,558
Other investments (Note 13)	32	32	35
Deferred tax assets (Note 5)	160	197	270
Other assets (Note 14)	92	167	185
Total non-current assets	**2,363**	**2,478**	**2,630**
Total assets	**4,323**	**4,366**	**4,434**

Note:

(1) Amounts for December 31, 2017 and January 1, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Aperam

Consolidated Statement of Financial Position

(in millions of Euros)

	December 31, 2018	December 31, 2017 [1]	January 1, 2017 [1]
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term debt including current portion of long-term debt (Note 15)	66	5	194
Trade accounts payable	940	897	899
Short-term provisions (Note 16)	15	17	18
Accrued expenses and other liabilities (Note 17)	249	226	205
Income tax liabilities	6	3	8
Liabilities held for sale	—	—	23
Total current liabilities	**1,276**	**1,148**	**1,347**
Non-current liabilities:			
Long-term debt, net of current portion (Note 15)	181	238	261
Deferred tax liabilities (Note 5)	131	139	162
Deferred employee benefits (Note 18)	148	159	164
Long-term provisions (Note 16)	42	43	46
Other long-term obligations	26	95	96
Total non-current liabilities	**528**	**674**	**729**
Total liabilities	**1,804**	**1,822**	**2,076**
Equity (Note 19):			
Common shares (no par value, 96,216,785, 96,216,785 and 96,216,785 shares authorised, 85,496,280, 85,496,280 and 78,049,730 shares issued and 83,556,682, 85,313,778 and 77,771,349 shares outstanding as of December 31, 2018, December 31, 2017 and December 31, 2016, respectively)	448	448	409
Treasury shares (1,939,598, 182,502 and 278,381 common shares as of December 31, 2018, December 31, 2017 and December 31, 2016, respectively)	(76)	(8)	(8)
Additional paid-in capital	1,231	1,232	1,191
Retained earnings	1,402	1,235	1,001
Other comprehensive loss	(490)	(367)	(259)
Option premium on convertible bonds	—	—	20
Equity attributable to the equity holders of the parent	**2,515**	**2,540**	**2,354**
Non-controlling interests	4	4	4
Total equity	**2,519**	**2,544**	**2,358**
Total liabilities and equity	**4,323**	**4,366**	**4,434**

Note:

(1) Amounts for December 31, 2017 and January 1, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Aperam
Consolidated Statement of Changes in Equity
(in millions of Euros, except share data)

						Other Comprehensive Income (Loss)							
	Shares[1]	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealised gains (losses) on derivatives financial instruments	Unrealised gains (losses) on equity instruments at Fair Value through OCI	Recognised actuarial gains (losses)	Option premium on convertible bonds	Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2016 [2]	**77,771**	**409**	**(8)**	**1,191**	**1,001**	**(253)**	**(1)**	**16**	**(21)**	**20**	**2,354**	**4**	**2,358**
Net income	—	—	—	—	320	—	—	—	—	—	320	—	320
Other comprehensive income (loss)	—	—	—	—	—	(118)	10	—	—	—	(108)	—	(108)
Total comprehensive income (loss)	—	—	—	—	320	(118)	10	—	—	—	212	—	212
Recognition of share based payments	96	—	4	(2)	—	—	—	—	—	—	2	—	2
Purchase of treasury shares	(2,000)	—	(90)	—	—	—	—	—	—	—	(90)	—	(90)
Cancellation of treasury shares	—	(10)	86	(76)	—	—	—	—	—	—	—	—	—
Conversion of convertible bonds	9,447	49	—	119	20	—	—	—	—	(20)	168	—	168
Dividends	—	—	—	—	(106)	—	—	—	—	—	(106)	—	(106)
Balance at December 31, 2017[2]	**85,314**	**448**	**(8)**	**1,232**	**1,235**	**(371)**	9	**16**	**(21)**	—	**2,540**	**4**	**2,544**
Balance at December 31, 2017[2]	**85,314**	**448**	**(8)**	**1,232**	**1,235**	**(371)**	**9**	**16**	**(21)**	—	**2,540**	**4**	**2,544**
Net income	—	—	—	—	286	—	—	—	—	—	286	—	286
Other comprehensive loss	—	—	—	—	—	(107)	(18)	1	1	—	(123)	—	(123)
Total comprehensive income (loss)	—	—	—	—	286	(107)	(18)	1	1	—	163	—	163
Recognition of share based payments	67	—	3	(1)	1	—	—	—	—	—	3	—	3
Purchase of treasury shares	(1,800)	—	(70)	—	—	—	—	—	—	—	(70)	—	(70)
Call Spread Overlay unwinding	(24)	—	(1)	—	—	—	—	—	—	—	(1)	—	(1)
Dividends	—	—	—	—	(127)	—	—	—	—	—	(127)	—	(127)
Other movements	—	—	—	—	8	—	—	—	—	—	8	—	8
Balance at December 31, 2018	**83,557**	**448**	**(76)**	**1,231**	**1,402**	**(478)**	**(9)**	**17**	**(20)**	—	**2,515**	**4**	**2,519**

[1] Number of shares denominated in thousands, excludes treasury shares.
[2] Amounts for December 31, 2016 and December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Aperam
Consolidated Statement of Cash Flows
(in millions of Euros)

	Year ending December 31,	
	2018	2017 (1)
Operating activities:		
Net income	286	320
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation, amortisation and impairment (Note 3)	143	152
Net interest (income)/expense (Note 4)	(5)	28
Income tax expense (Note 5)	71	35
Net write-downs of inventories to net realisable value	29	16
Labor agreements and separation plans	2	5
Impairment of financial assets	—	3
Unrealised (gains)/ losses on derivative instruments (Note 4)	(1)	9
Unrealised foreign exchange effects, other provisions and non-cash operating (income)/expenses, (net)	16	(1)
Changes in operating working capital:		
Trade accounts receivable	(22)	(44)
Trade accounts payable	55	7
Inventories	(230)	(125)
Changes in other operating assets, liabilities and provisions:		
Interest paid, (net)	(5)	(8)
Income taxes paid	(36)	(30)
Other working capital movements and provisions movements	(8)	7
Net cash provided by operating activities	**295**	**374**
Investing activities:		
Acquisition of property, plant and equipment, intangible and biological assets (CAPEX)	(192)	(164)
Other investing activities, (net)	5	1
Net cash used in investing activities	**(187)**	**(163)**
Financing activities:		
Net proceeds (payments) from short-term debt (Note 15)	(63)	(11)
Proceeds from long-term debt, net of debt issuance costs	50	1
Payments of long-term debt	—	(1)
Purchase of treasury shares	(70)	(90)
Dividends paid (Note19)	(130)	(106)
Other financing activities (net) (Note 15)	(1)	—
Net cash used in financing activities	**(214)**	**(207)**
Effect of exchange rate changes on cash	(1)	(6)
Net increase in cash and cash equivalents	(107)	(2)
Cash and cash equivalents (Note 6):		
At the beginning of the year	306	308
At the end of the year	199	306

Note:
(1) Amounts for the year ending December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

SUMMARY OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION

Nature of business

Aperam Société Anonyme ("Aperam") was incorporated in Luxembourg on September 9, 2010 to own certain operating subsidiaries of ArcelorMittal Société Anonyme ("ArcelorMittal") which primarily comprised ArcelorMittal's stainless steel and specialty alloys business. This business was transferred to Aperam prior to the distribution of all its outstanding common shares to shareholders of ArcelorMittal on January 26, 2011. Collectively, Aperam together with its subsidiaries are referred to in these consolidated financial statements as the "Company". The Company's shares have been trading on the European stock exchanges of Amsterdam, Paris (Euronext) and Luxembourg since January 31, 2011, and Brussels (Euronext) since February 16, 2017.

These consolidated financial statements were authorised for issuance on February 26, 2019 by Aperam's Board of Directors.

Aperam is a global stainless steel producer with an annual capacity of 2.5 million tonnes in 2018. The Company's production activities are concentrated in six main plants in Brazil, Belgium and France. Its worldwide-integrated distribution network is comprised of 14 service centres, 6 transformation facilities, and 17 sales offices including customer support.

The Company produces a broad range of stainless steel products and high value added products including electrical steel (grain oriented, non-grain oriented and non-grain oriented semi-processed steel) and specialty alloys. The Company sells its products in local markets to a diverse range of customers, including automotive, construction, catering, medicine, oil and gas, aerospace, industrial processes, electronics and electrical engineering.

Note 25 provides an overview of the Company's principal operating subsidiaries.

Basis of presentation - Change in Presentation Currency

The consolidated financial statements of Aperam (or the "Company") have been prepared on a historical cost basis, except for equity instruments at fair value through other comprehensive income, derivative financial instruments and biological assets which are measured at fair value, inventories, which are measured at the lower of net realisable value or cost and the financial statements of the Company's subsidiary in Argentina ("Aperam Stainless Services & Solutions Argentina"), for which hyperinflationary accounting is applied (see Note 2 below).

The consolidated financial statements as of and for the year ended December 31, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union ("EU"). They are presented in Euros with all amounts rounded to the nearest million, except for share and per share data. Indeed, on January 30, 2018, Aperam announced that the Company will report its financial results in Euros starting from its first quarter 2018 earnings release as the Board of Directors decided to change the Group's presentation currency from U.S. dollars to Euro as from January 1, 2018. The Board of Directors believes that using Euro as reporting currency will provide more relevant presentation of the Group's financial position, financial performance and cash flows. This decision has been based on several criteria, the most important ones being that:

(i) The exposure of the Group to U.S. dollars financing have considerably decreased. Indeed, at spin-off date, Aperam had a net financial debt position of about U.S. dollar 1 billion which were mainly funded by U.S. dollar borrowings that have been restructured and reimbursed progressively.
(ii) The weight of European operations in sales, operating result and cash flows rose since the spin-off, yet increasing the proportion of cash-flows denominated in Euro.

In order to satisfy the requirements of IAS 8 and IAS 21 with respect to change in presentation currency, the financial information as previously reported in the Group's annual report of December 31, 2017 has been translated from U.S. dollars to Euro using the procedures outlined below:

- Non-Euro income and expenditures were translated into Euro at the average rates of exchange prevailing for the relevant period;

- Assets and liabilities denominated in non-Euro currencies were translated into Euro at the relevant closing rates of exchange on the relevant balance sheet date;
- Share capital, treasury shares, additional paid-in capital, retained earnings and option premium on convertible bonds were translated at the relevant historical rate with movements of the period translated at the relevant rate of exchange prevailing at the date of transaction or at the average rate of exchange prevailing for the relevant period;
- Other comprehensive income (loss) (excluding foreign currency translation adjustments) were translated at the relevant closing rates of exchange prevailing on the relevant balance sheet date;
- The foreign currency translation adjustments at the date of the opening balance were calculated as the difference between total equity converted at the relevant closing rates of exchange prevailing on the relevant balance sheet date and other equity captions converted at rates of exchange described above. All subsequent movements comprising differences on the retranslation of the opening net assets of non-euros subsidiaries have been taken to the foreign currency translation reserve;
- All exchange rates were extracted from the Group's underlying financial records.

The exchange rates used were as follows :

Euros/U.S.dollar exchange rate	December 31, 2016	December 31, 2017
Closing rate	1.0541	1.1993
Average rate	1.1065	1.1297

Adoption of new IFRS Standards, amendments and Interpretations applicable in 2018

The Group applies, for the first time, IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" that require restatement of previous financial statements. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. These amendments and interpretations are: Classification and Measurement of Share-Based Payment Transactions (Amendments to IFRS 2); Transfers of Investment Property (Amendments to IAS 40); Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 first time adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures) and IFRIC 22 Foreign currency transactions and advance consideration.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted IFRS 15 using the full retrospective method of adoption. The Group's revenue is predominantly derived from the single performance obligation to transfer stainless steel products under arrangements in which the transfer of risks and rewards of ownership and the fulfilment of the Company's performance obligation occur at the same time. The Company has laid out a detailed assessment and implementation plan for the roll out of IFRS 15. As part of this process the Company assessed its performance obligations underlying the revenue recognition, estimation of variable considerations including rebates, methods for estimating warranties, and customized products. There was no material impact in the statement of profit or loss and the cash flow statement for the year ending December 31, 2017 and no material impact in the statement of financial position as at December 31, 2017.

IFRS 9 "Financial instruments"

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017.

(a) Classification and measurement

There were no material impact on the Group's balance sheet or equity on applying the classification and measurement requirements of IFRS 9. We continue to measure at fair value all financial assets currently held at fair value. Quoted equity shares previously held as available-for-sale ("AFS") with gains and losses recorded in Other Comprehensive Income ("OCI") are not held for trading and therefore the Group apply the option to record them at Fair Value through OCI with no recycling. The equity shares in non-listed companies previously accounted for at amortised cost are intended to be held for the foreseeable future. Therefore we apply the option to present fair value changes in OCI with no subsequent recycling.

The statement of financial position as at December 31, 2017, was restated resulting in a decrease in investments accounted for at cost and increase in equity instruments at fair value through OCI amounting to €2 million, both included in the asset caption "Other Investments".

(b) Impairment

IFRS 9 requires the Group to record Expected Credit Losses ("ECL") on all of its trade receivables, either on a 12-month or lifetime basis. The Group applies the simplified approach and record lifetime expected losses on all trade receivables. Since most of Aperam's trade receivables are insured with counterparties having low credit risk, the loss allowance didn't increase significantly.

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at Fair Value through P&L and off-balance sheet items.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Group has applied the Standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to opening retained earnings.

The statement of financial position as at December 31, 2017 was restated, resulting in decreases in trade and other receivables, non-current financial assets and retained earnings amounting to €0.4 million, €0.4 million, and €0.8 million, respectively.

(c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships because the critical terms of the hedging instruments matched those of the hedged items. The Group has now the possibility to hedge the nickel risk component improving the efficiency on our nickel hedges.

The Group also records now cost of hedging of cash flow hedge relationships such as time value of options and forward points in P&L only when the transaction occurs.

Those changes only apply prospectively from the date of initial application of IFRS 9 in accordance with the transitional provisions of the Standard and has no impact on the presentation of comparative figures.

New IFRS standards and interpretations applicable from 2019 onwards

Unless otherwise indicated below, the Company does not expect the adoption of the following new standards, amended standards, or interpretations to have a significant impact on the consolidated financial statements of Aperam in future periods.

> Amendments to IFRS 2 “Share-based payment” (issued June 2016) that is mandatory for annual periods beginning on or after January 1, 2018. This amendment has no impact on Aperam’s financial statements.

> Amendments to IFRS 4 “Insurance contracts” (issued September 2016) that is mandatory for annual periods beginning on or after January 1, 2018. This amendment has no impact on Aperam’s financial statements.

> Amendments to IAS 40 “Investment Property” (issued December 2016) that is mandatory for annual periods beginning on or after January 1, 2018. This amendment has no impact on Aperam’s financial statements.

> Amendments to IFRS 1 “First-time Adoption of IFRS’s “ and IAS 28 “Investment in Associates and Joint Ventures” (issued November 2016) that is mandatory for annual periods beginning on or after January 1, 2018. This amendment has no impact on Aperam’s financial statements.

> IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (issued December 2016) that is mandatory for annual periods beginning on or after January 1, 2018. This IFRIC has no impact on Aperam’s financial statements.

· > IFRS 16 “Leases” (issued January 16) that is mandatory for annual periods beginning on or after January 1, 2019. This new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A preliminary review and assessment of the Company's lease arrangements indicates that most of these arrangements will meet the definition of a lease under IFRS 16. The Company intends to apply the modified retrospective transition approach with the cumulative effect of initial application of IFRS 16 recognized at January 1, 2019. In addition, it intends to apply the practical expedient to grandfather the definition of a lease on transition and accordingly apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. Hence, the Company will recognize a right-of-use asset and corresponding liability in respect of the net present value of these leases unless they qualify for short-term leases upon the application of IFRS 16. The liability to be recognized on January 1, 2019 related to those leases will be around €26 million and the related EBITDA gains around €7 million.

· > IFRIC 23 “Uncertainty over Income Tax Treatments” (issued June 17) that is mandatory for annual periods beginning on or after January 1, 2019. This IFRIC should have no impact on Aperam’s financial statements.

· > Amendments to IFRS 9 “Prepayment Features with Negative Compensation” (issued October 17) that is mandatory for annual periods beginning on or after January 1, 2019. This amendment has no impact on Aperam’s financial statements.

· > Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued October 17) that is mandatory for annual periods beginning on or after January 1, 2019. This amendment has no impact on Aperam’s financial statements.

· > IFRS 17 “Insurance Contracts” (issued May 17) that is mandatory for annual periods beginning on or after January 1, 2021, but has not yet been endorsed by the EU. This standard has no impact on Aperam’s financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries, and its respective interest in associated companies. Subsidiaries are consolidated from the date the Company obtains control until the date control ceases. Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Associated companies are those companies over which the Company has the ability to exercise significant on the financial and operating policy decisions, which are not operating subsidiaries. Generally, significant influence is presumed to exist when the Company holds more than 20% of the voting rights. In addition, joint ventures are arrangements where the Company has joint control under a contractual agreement and has the right to the nets assets of the arrangement. The financial statements include the Company's share of the total recognised gains and losses of associates and joint ventures on an equity accounted basis from the date that significant influence commences until the date significant influence ceases, adjusted for any impairment loss. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the investee arising from changes in the investee's equity that have not been recognised in the investee's profit or loss. The Company's share of those changes is recognised directly in equity.

Other investments are classified as available for sale and are stated at fair value when their fair value can be reliably measured. When fair value cannot be measured reliably, the investments are carried at cost less impairment.

While there are certain limitations on the Company's operating and financial flexibility arising from the restrictive and financial covenants of the Company's principal credit facilities described in Note 15, there are no significant restrictions resulting from borrowing agreements or regulatory requirements on the ability of consolidated subsidiaries, associates and jointly controlled entities to transfer funds to the parent in the form of cash dividends to pay commitments as they come due.

Intra-company balances and transactions, including income, expenses and dividends, are eliminated in the preparation of the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the statement of operations and within equity in the consolidated statement of financial position.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND CHANGE IN ACCOUNTING ESTIMATES

Significant accounting policies

Translation of financial statements denominated in foreign currency
The functional currency of each of the major operating subsidiaries is the local currency. Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction.

Monetary assets and liabilities in currencies other than the functional currency are remeasured at the rates of exchange prevailing at the statement of financial position date and the related transaction gains and losses are reported in the consolidated statement of operations. Non-monetary items that are carried at cost are translated using the rate of exchange prevailing at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate prevailing when the fair value was determined and the related transaction gains and losses are reported in the consolidated statement of comprehensive income.

Upon consolidation, the results of operations of the Company's subsidiaries and associates whose functional currency is other than the Euro are translated into the Euro the Company's presentation currency, at the monthly average exchange rates and assets and liabilities are translated at the year-end exchange rates. Translation adjustments are recognised directly in other comprehensive income and are reclassified in income or loss in the statement of operations only upon sale or liquidation of the underlying foreign subsidiary or associate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries at the year-end exchange rate are recorded as part of the shareholders' equity under "Foreign currency translation adjustments". When a foreign entity is sold, such exchange differences are recognised in the consolidated statement of operations as part of the gain or loss on sale.

As of July 1, 2018, Argentina has been considered a hyperinflationary economy and therefore the financial statements of Aperam Stainless Services & Solutions Argentina are adjusted to reflect the changes in the general purchasing power of the local currency before being translated into Euros. The Company used estimated general price indices (Consumer Price Index "CPI") of 184.3% for the year ended December 31, 2018 for this purpose. As a result of the inflation-related adjustments on monetary items, a gain of €2.5 million was recognized in net financing costs for the year ended December 31, 2018.

Cash and cash equivalents
Cash and cash equivalents consist of cash and short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less at the time of purchase and are carried at cost plus accrued interest, which approximates fair value.

Trade accounts receivable
Trade accounts receivable are initially recorded at their nominal amount which approximately equals fair value and do not bear interest. The Company maintains an allowance for doubtful accounts at an amount that it considers to be a sufficient estimate of losses resulting from the inability of its customers to make required payments.
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the average cost method. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labour and an allocation of fixed and variable production overheads. Raw materials and spare parts are valued at cost inclusive of freight and shipping and handling costs. Net realisable value represents the estimated selling price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution. Costs incurred when production levels are abnormally low are partially capitalised as inventories and partially recorded as a component of cost of sales in the statement of operations.

Goodwill

The goodwill recorded by the Company includes an allocation of the goodwill arising from the acquisition of Arcelor by Mittal Steel on August 1, 2006. Goodwill arising on acquisitions subsequent to January 1, 2007, is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. After initial recognition, Goodwill shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Goodwill is allocated to those groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose and in all cases is at the operating segment level which represents the lowest level at which goodwill is monitored for internal management purposes.

Goodwill is tested annually for impairment as of October 31 or whenever changes to the circumstances indicate that the carrying amount may not be recoverable.

Whenever the cash generating units comprising the operating segments are tested for impairment at the same time as goodwill, the cash generating units are tested first and any impairment of the assets is recorded prior to the testing of goodwill. The recoverable amounts of the cash generating units are determined from the higher of fair value less cost to sell or value in use calculations, as described below in the "Impairment of Tangible and Intangible Assets" section. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on the Company's growth forecasts which are in line with industry trends. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

Cash flow forecasts are derived from the most recent financial forecasts for the next five years. Beyond the specifically forecasted period, the Company extrapolates cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognised, impairment losses recognised for goodwill are not reversed. On disposal of a subsidiary, any residual amount of goodwill is included in the determination of the profit or loss on disposal.

In a business combination in which the fair value of the identifiable net assets acquired exceeds the cost of the acquired business, the Company reassesses the fair value of the assets acquired. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess (bargain purchase) is recognised immediately in the statement of operations.

Intangible assets

Intangible assets recorded by the Company include customer relationships, trademarks and technology acquired in connection with the acquisition of Arcelor by Mittal Steel on August 1, 2006. Those intangible assets acquired in a business combination are recorded at fair value, and are amortised on a straight-line basis. They have residual useful lives between one and three years.

Concessions, patents and licenses are recognised only when it is probable that the expected future economic benefits attributable to the assets will flow to the Company and the cost can be reliably measured. They are recorded at cost and are amortised on a straight-line basis over their estimated economic useful lives which typically are not to exceed five years.

Amortisation is included in the statement of operations as part of depreciation.

Biological assets
The Company classifies eucalyptus plantations (except for the roots of the plantation which are qualified as bearer plants, see below) as biological assets. The purpose of such plantations is to produce charcoal to be used in the production process.

Biological assets are measured at fair value, net of estimated costs to sell at the time of harvest, with any change therein recognised in statement of operations.

The fair value is determined based on the discounted cash flow method, taking into consideration the cubic volume of wood, segregated by plantation year, and the equivalent sales value of standing trees. The average market price was estimated based on domestic market prices.

Property, plant and equipment
Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Cost includes professional fees and, for assets constructed by the Company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. Property, plant and equipment except land are depreciated using the straight-line method over the useful lives of the related assets which are presented in the table below. The Company reviews the residual value, the useful lives and the depreciation method of its property, plant and equipment at least annually.

Asset Category	Useful Life Range
Land	Not depreciated
Buildings	10 to 50 years
Steel plant equipment	15 to 30 years
Auxiliary facilities	15 to 30 years
Other facilities 5 to 20 years	5 to 20 years
Bearer plants	14 years

Major improvements, which add to productive capacity or extend the life of an asset, are capitalised, while repairs and maintenance are charged to expense as incurred. Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment under construction are recorded as construction in progress until they are ready for their intended use; thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. Interest incurred during construction is capitalised. Gains and losses on retirement or disposal of assets are reflected in the statement of operations.

Property, plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the inception of the lease. Each lease payment is allocated between the finance charges and a reduction of the lease liability. The interest element of the finance cost is charged to the statement of operations over the lease period so as to achieve a constant rate of interest on the remaining balance of the liability.

The residual values and useful lives of property, plant and equipment are reviewed at each reporting date and adjusted if expectations differ from previous estimates. Depreciation methods applied to property, plant and equipment are reviewed at each reporting date and changed if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset.

Investment in associates and other entities
Investments in associates, in which the Company has the ability to exercise significant influence, are accounted for under the equity method.

The investment is carried at the cost at the date of acquisition, adjusted for the Company’s share in undistributed earnings or losses since acquisition, less dividends received and impairment.

Any excess of the cost of the acquisition over the Company’s share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included in the carrying amount of the investment and is evaluated for impairment as part of the investment.

The Company reviews all of its investments in associates at each reporting date to determine whether there is an indicator that the investment may be impaired.

If objective evidence indicates that the investment is impaired, the Company calculates the amount of the impairment of the investments as being the difference between the higher of the fair value less costs to sell or its value in use and its carrying value. The amount of any impairment is included in the overall income from investments in associated companies in the statement of operations.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.
Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.
The Group elected to classify irrevocably its non-listed equity investments under this category.

Deferred employee benefits

Defined contribution plans are those plans where the Company pays fixed contributions to an external life insurance or pension fund for certain categories of employees. Contributions are paid in return for services rendered by the employees during the period. They are expensed as they are incurred in line with the treatment of wages and salaries. No provisions are established in respect of defined contribution plans, as they do not generate future commitments for the Company.

Defined benefit plans are those plans that provide guaranteed benefits to certain categories of employees, either by way of contractual obligations or through a collective agreement. For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Current service cost, which is the increase of the present value of the defined benefit obligation resulting from the employee service in the current period, is recorded as an expense as part of cost of sales and selling, general and administrative expenses in the consolidated statements of operations.

The net interest cost, which is the change during the period in the net defined benefit liability or asset that arises from the passage of time, is recognised as part of net financing costs in the consolidated statements of operations. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The Company recognises gains and losses on the curtailment of a defined benefit plan when the curtailment occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or a curtailment. Past service cost is recognised immediately in the consolidated statements of operations in the period in which it arises.

Voluntary retirement plans primarily correspond to the practical implementation of social plans or are linked to collective agreements signed with certain categories of employees. Early retirement plans are those plans that primarily correspond to terminating an employee's contract before the normal retirement date. Early retirement plans are considered effective when the affected employees have formally been informed and when liabilities have been determined using an appropriate actuarial calculation.

Liabilities relating to the early retirement plans are calculated annually on the basis of the effective number of employees likely to take early retirement and are discounted using an interest rate which corresponds to that of highly rated bonds that have maturity dates similar to the terms of the Company's early retirement obligations. Termination benefits are provided in connection with voluntary separation plans. The Company recognises a liability and expense when it has a detailed formal plan which is without realistic possibility of withdrawal and the plan has been communicated to employees or their representatives.

Other long-term employee benefits include various plans that depend on the length of service, such as long service and sabbatical awards, disability benefits and long term compensated absences such as sick leave.

The amount recognised as a liability is the present value of benefit obligations at the statement of financial position date, and all changes in the provision (including actuarial gains and losses or past service costs) are recognised in the statement of operations.

Provisions and accruals
Aperam recognises provisions for liabilities and probable losses that have been incurred when it has a present legal or constructive obligation as a result of past events and it is probable that the Company will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost. Provisions for onerous contracts are recorded in the statement of operations when it becomes known that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Provisions for restructuring relate to the estimated costs of initiated reorganisations that have been approved by the Aperam Management Committee, and which involve the realignment of certain parts of the industrial and commercial organisation. When such reorganisations require discontinuance and/or closure of lines or activities, the anticipated costs of closure or discontinuance are included in restructuring provisions. A liability is recognised for those costs only when the Company has a detailed formal plan for the restructuring and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Environmental costs
Environmental costs that relate to current operations are expensed or capitalised as appropriate. Environmental costs that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation or cost reduction, are expensed. Liabilities are recorded when environmental assessments and or remedial efforts are probable and the cost can be reasonably estimated based on ongoing engineering studies, discussions with the environmental authorities and other assumptions relevant to the nature and extent of the remediation that may be required. The ultimate cost to the Company is dependent upon factors beyond its control such as the scope and methodology of the remedial action requirements to be established by environmental and public health authorities, new laws or government regulations, rapidly changing technology and the outcome of any potential related litigation.

Environmental liabilities are discounted if the aggregate amount of the obligation and the amount and timing of the cash payments are fixed or reliably determinable.

Income taxes
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company's expense for current tax is calculated using tax rates that have been enacted or substantively enacted as of the statement of financial position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the taxable temporary difference arises from the initial recognition of goodwill or if the differences arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Fair value measurement

The Company classifies the bases used to measure certain assets and liabilities at their fair value. Assets and liabilities carried or measured at fair value have been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The levels are as follows:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2:** Significant inputs other than within Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices);
- **Level 3:** Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets.

Financial instruments

Derivative financial instruments

See critical accounting judgments.

Non-derivative financial instruments

Non-derivative financial instruments include cash and cash equivalents, trade and other receivables, investments in equity securities, trade and other payables and debt and other liabilities. These instruments are recognised initially at fair value when the Company becomes a party to the contractual provisions of the instrument. They are derecognised if the Company's contractual rights to the cash flows from the financial instruments expire or if the Company transfers the financial instruments to another party without retaining control or substantially all risks and rewards of the instruments.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.
Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as

other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Debt and liabilities, other than provisions, are measured at amortised cost using the Effective Interest Rate method. However, loans that are hedged under a fair value hedge are remeasured for the changes in the fair value that are attributable to the risk that is being hedged.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. For trade receivables, the Group has assumed a backstop of 180 days past due. This is more closely aligned to the risk management practices used by the Group, local conditions and current practices in the industry in which the Group operates. The impact on the Group's ECL allowance of this assumption is not material. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Emission rights

The Company's industrial sites which are regulated by the European Directive 2003/87/EC of October 13, 2003 on carbon dioxide emission rights, effective as of January 1, 2005, are located in Belgium and France. The emission rights allocated to the Company on a no-charge basis pursuant to the annual national allocation plan are recorded in the statement of financial position at nil and purchased emission rights are recorded at cost.

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Generally revenue is thus recognised on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Shipping and handling costs
The Company records amounts billed to a customer in a sale transaction for shipping and handling costs as sales and the related shipping and handling costs incurred as cost of sales.

Financing costs
Financing costs include interest income and expense, amortisation of discounts or premiums on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings, and unrealised gains and losses on foreign exchange and raw material derivative contracts.

Earnings per common share
Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed by dividing income available to equity holders and assumed conversion by the weighted average number of common shares and potential common shares from restricted share units and performance share units as well as potential common shares from the conversion of convertible bonds whenever the conversion results in a dilutive effect.

Assets held for sale and distribution
Non-current assets and disposal groups that are classified as held for sale and distribution are measured at the lower of carrying amount and fair value less costs to sell or to distribute. Assets and disposal groups are classified as held for sale and for distribution if their carrying amount will be recovered through a sale or a distribution transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset, or disposal group, is available for immediate sale or distribution in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. Assets held for sale and distribution are presented separately on the consolidated statements of financial position and are not depreciated.

Equity settled share based payments
Aperam issues equity-settled share-based payments consisting in restricted share units to key employees of the Company. Prior the spinoff, ArcelorMittal issued equity settled share based payments consisting of stock options to certain Aperam employees. Equity settled share based payments issued to Aperam employees are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a graded vesting basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market based vesting conditions. The expected life used in the calculation has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line method over the vesting period and adjusted for the effect of non-market-based vesting conditions.

Segment reporting
Operating segments are components of the Company that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), for which discrete financial information is available and whose operating results are evaluated regularly by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance. Aperam management identified the Chief Executive Officer and Chief Financial Officer of the Company as its CODM, which is the individual or body of individuals responsible for the allocation of resources and assessment of performance of the operating segments.

The CODM manages the business according to three operating segments: Stainless & Electrical Steel, Alloys & Specialties and Services & Solutions.

These segments include attributable goodwill, intangible assets, property, plant and equipment, and equity method investments. They do not include other investments, other non-current receivables, cash and short-term deposits, short term investments, tax assets, and other current financial assets. Segment liabilities are also those resulting from the normal activities of the segment, excluding tax liabilities and indebtedness but including post retirement obligations where directly attributable to the segment. Financing items are managed centrally for the Company as a whole and so are not directly attributable to individual operating segments.

Geographical information is separately disclosed and represents the Company's most significant regional markets. Attributed assets are operational assets employed in each region and include items such as pension balances that are specific to a country. Attributed assets exclude attributed goodwill, deferred tax assets, other investments or other non-current receivables and other non current financial assets. Attributed liabilities are those arising within each region, excluding indebtedness. Financing items are managed centrally for the Company as a whole and so are not directly attributable to individual geographical areas.

Critical accounting judgments

The critical accounting judgments and significant assumptions made by management in the preparation of these financial statements are provided below.

Deferred Tax Assets

The Company records deferred tax assets and liabilities based on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax assets are also recognised for the estimated future effects of tax losses carried forward.

The Company reviews the deferred tax assets in the different jurisdictions in which it operates periodically to assess the possibility of realising such assets based on projected taxable profit, the expected timing of the reversals of existing temporary differences, the carry forward period of temporary differences and tax losses carried forward and the implementation of tax-planning strategies.

Note 5 describes the total deferred tax assets recognised in the consolidated statements of financial position. As of December 31, 2018, the amount of future income required to recover the Company's deferred tax assets was approximately €545 million at certain operating subsidiaries.

Deferred Employee Benefits

The Company's operating subsidiaries have different types of pension plans for their employees. Also, some of the operating subsidiaries offer other post-employment benefits. The expense associated with these pension plans and post-employment benefits, as well as the carrying amount of the related liability/asset on the statement of financial position is based on a number of assumptions and factors such as discount rates, expected rate of compensation increase, mortality rates and retirement rates.

> Discount rates. The discount rate is based on several high quality corporate bond indexes in the appropriate jurisdictions (rated AA or higher by a recognised rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates.

> Rate of compensation increase. The rate of compensation increase reflects actual experience and the Company's long-term outlook, including contractually agreed upon wage rate increases for represented hourly employees.

> Mortality and retirement rates. Mortality and retirement rates are based on actual and projected plan experience. Actuarial gains or losses resulting from experience and changes in assumptions are recognised in the Company's statement of other comprehensive income in the period in which they arise.

Note 18 details the net liabilities of pension plans and other post-employment benefits including a sensitivity analysis illustrating the effects of changes in assumptions.

Legal, Environmental and Other Contingencies

The Company may be involved in litigation, arbitration or other legal proceedings. Most of these claims involve highly complex issues, actual damages and other matters. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management. The Company recognises a liability for contingencies when it is more likely than not that the Company will sustain a loss and the amount can be estimated.

The Company is subject to changing and increasingly stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean-up of soil and groundwater. The Company recognises a liability for environmental remediation when it is more likely than not that such remediation will be required and the amount can be estimated.

The estimates of loss contingencies for environmental matters and other contingencies are based on various judgments and assumptions including the likelihood, nature, magnitude and timing of assessment, remediation and/ or monitoring activities and the probable cost of these activities.

In some cases, judgments and assumptions are made relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of cost of these activities, including third parties who sold assets to the Company or purchased assets from the Company subject to environmental liabilities. The Company also considers, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third party consultants and contractors and its historical experience with other circumstances judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. As estimated costs to remediate change, the Company will reduce or increase the recorded liabilities through credits or expenses in the statement of operations.

The Company does not expect these environmental issues to affect the utilisation of its plants, now or in the future.

Impairment of Tangible and Intangible Assets

Tangible and Intangible Assets

At each reporting date, the Company reviews whether there is any indication that the carrying amounts of its tangible and intangible assets (excluding goodwill) may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of its net selling price (fair value reduced by selling costs) and its value in use.

In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The cash generating unit is the smallest identifiable group of assets corresponding to operating units that generate cash inflows. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised. An impairment loss is recognised as an expense immediately as part of operating income in the statement of operations.

In the case of permanently idled assets, the impairment is measured at the individual asset level on the basis of salvage value. Otherwise, it is not possible to estimate the recoverable amount of the individual asset because the cash flows are not independent from that of the cash generating unit to which it belongs.

Accordingly, the Company's assets are measured for impairment at the cash generating unit level. In certain instances, the cash generating unit is an integrated manufacturing facility which may also be an operating subsidiary. Furthermore, a manufacturing facility may be operated together with another facility with neither facility generating cash flows that are largely independent from the cash flows of the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2018, the Company had determined it has six cash generating units.

An impairment loss recognised in prior years is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. However, the increased carrying amount of an asset due to a reversal of an impairment loss will not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately as part of operating income in the statement of operations.

Goodwill

With respect to goodwill, the recoverable amounts of the groups of cash generating units are determined from the higher of its net selling price (fair value reduced by selling costs) or its value in use calculations, as described above. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

Cash flow forecasts are derived from the most recent financial budgets for the next five years. Beyond the specifically forecasted period, the Company extrapolates cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long term growth rate for the relevant markets. Once recognised, impairment losses recognised for goodwill are not reversed.

Derivative financial instruments
The Company enters into derivative financial instruments principally to manage its exposure to fluctuation in exchange rates and prices of raw materials. Derivative financial instruments are classified as current assets or liabilities based on their maturity dates and are accounted for at trade date. Embedded derivatives are separated from the host contract and accounted for separately if required by IFRS 9, "Financial Instruments". The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate.

See Note 20 for analysis of the Company's sensitivity to changes in certain of these inputs. Gains or losses arising from changes in the fair value of derivatives are recognised in the statement of operations, except for derivatives that are highly effective and qualify for cash flow hedge accounting.

The effective portion of changes in the fair value of a derivative that is designated and that qualifies as a cash flow hedge are recorded in other comprehensive income. Amounts deferred in other comprehensive income are recorded in the statement of operations in the periods when the hedged item is recognised in the statement of operations and within the same line item. Any ineffective portion of changes in the fair value of the derivative is recognised directly in the statement of operations.

The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When a hedging instrument is sold, terminated, expires or is exercised the accumulated unrealised gain or loss on the hedging instrument is maintained in equity until the forecasted transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss, which had been recognised in equity, is reported immediately in the statement of operations.

For instruments not accounted for as cash flow hedges, gains or losses arising from changes in fair value of derivatives and gains or losses realised upon settlement of derivatives are recognised in the statement of operations.

Use of estimates
The preparation of financial statements in conformity with IFRS recognition and measurement principles and, in particular, making the aforementioned critical accounting judgments require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

NOTE 3: SEGMENT AND GEOGRAPHIC INFORMATION

Aperam reports its operations in three segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties.

The following table summarises certain financial data relating to Aperam's operations in its different segments:

(in millions of Euros)	**Stainless & Electrical Steel**	**Services & Solutions**	**Alloys & Specialties**	**Others / Eliminations[1]**	**Total**
Year ended December 31, 2018					
Sales to external customers	2,137	1,988	550	2	**4,677**
Intersegment sales[2]	1,703	78	4	(1,785)	—
Operating income (loss)	296	34	40	(9)	**361**
Depreciation and Impairment	(126)	(9)	(6)	(2)	**(143)**
Capital expenditures	(145)	(31)	(11)	(5)	**(192)**

(in millions of Euros)	**Stainless & Electrical Steel**	**Services & Solutions**	**Alloys & Specialties**	**Others / Eliminations[1]**	**Total**
Year ended December 31, 2017[3]					
Sales to external customers	2,056	1,962	455	8	**4,481**
Intersegment sales[2]	1,667	79	3	(1,749)	—
Operating income (loss)	329	60	40	(30)	**399**
Depreciation and Impairment	(133)	(10)	(6)	(3)	**(152)**
Capital expenditures	(129)	(20)	(10)	(5)	**(164)**

Notes:
(1) Others / Eliminations includes all other operations than mentioned above, together with inter-segment elimination, and/or non-operational items which are not segmented.
(2) Transactions between segments are conducted on the same basis of accounting as transactions with third parties.
(3) Amounts for the year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The Company does not regularly provide assets for each reportable segment to the CODM. The table which follows presents the reconciliation of segment assets to total assets as required by IFRS 8.

(in millions of Euros)	**December 31,**	
	2018	**2017[1]**
Assets allocated to segments	3,840	3,664
Cash and cash equivalents	199	306
Investments	32	32
Deferred tax assets	159	197
Other unallocated assets	93	167
Total assets	**4,323**	**4,366**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The reconciliation from operating income to net income is as follows:

(in millions of Euros)	Year Ended December 31,	
	2018	2017[(1)]
Operating income	**361**	**399**
Loss from other investments	1	(3)
Financing costs - net	(5)	(41)
Income before taxes	**357**	**355**
Income tax expense	(71)	(35)
Net income	**286**	**320**

Note:
(1) Amounts for the year ending December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

Geographical information

Sales (by destination)

(in millions of Euros)	Year ended December 31,	
	2018	2017[(1)]
Americas		
Brazil	872	808
United States	253	273
Argentina	54	68
Others	57	58
Total Americas	**1,236**	**1,207**
Europe		
Germany	1,103	1,057
Italy	528	512
France	293	304
Belgium	161	147
Poland	155	153
Spain	107	101
United Kingdom	82	76
Netherlands	80	92
Turkey	78	81
Others	521	470
Total Europe	**3,108**	**2,993**
Asia & Africa		
South Korea	128	112
China	92	62
Vietnam	33	25
India	21	28
United Arab Emirates	10	7
Others	49	47
Total Asia & Africa	**333**	**281**
Total	**4,677**	**4,481**

Note:
(1) Amounts for the year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

Non-current assets(1) per significant country

(in millions of Euros)	December 31, 2018	2017(2)
Americas		
Brazil	404	451
Others	13	10
Total Americas	**417**	**461**
Europe		
Belgium	662	641
France	438	429
Germany	56	29
Poland	11	13
Czech Republic	10	11
Italy	10	10
Others	19	15
Total Europe	**1,206**	**1,148**
Asia & Africa		
India	2	2
China	1	1
Total Asia & Africa	**3**	**3**
Unallocated assets(1)	737	866
Total	**2,363**	**2,478**

Notes:
(1) Non-current assets do not include goodwill (as it is not allocated to the geographic regions), deferred tax assets, other investments or receivables and other non-current financial assets. Such assets are presented under the caption “Unallocated assets”.
(2) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

NOTE 4: FINANCING COSTS - NET

(in millions of Euros)	Year ended December 31, 2018	2017[1]
Recognised in the statement of operations		
Interest income	1	2
Interest expense[2]	4	(30)
Other financing costs[3]	(11)	(12)
Net interest expense and other financing costs - net	**(6)**	**(40)**
Unrealised gains/(losses) on derivative instruments	1	(9)
Net foreign exchange result	(25)	7
Realised gains on derivative instruments	25	1
Foreign exchange and derivatives gains	**1**	**(1)**
Financing costs - net	**(5)**	**(41)**
Recognised in the statement of comprehensive income (Company share)		
Net change in fair value of available-for-sale financial assets	1	4
Effective portion of changes in fair value of cash flow hedge	(18)	10
Foreign currency translation differences for foreign operations	(107)	(122)
Total	**(124)**	**(108)**

Notes:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.
(2) Interest expense includes amortization of arrangement fees and conversion option of convertible bond 2021 which were an expense of €13 million in 2017 and in 2018, compensated by an income of €24 million in 2018 due to early buybacks (€6 million) and long-term restatement (€18 million) (see Note 15).
(3) Others mainly include expenses related to True Sale of Receivables ("TSR"), discount charges on provisions for other liabilities and charges, bank fees, interest cost on deferred employee benefits plans and other financing costs.

Unrealised gains/(losses) on derivative instruments are mainly related to the fair value adjustments of raw material financial instruments and foreign exchange instruments which do not qualify for hedge accounting.

NOTE 5: INCOME TAX

Income tax expense

The breakdown of the income tax expense for each of the years ended December 31, 2018 and 2017, respectively, is summarised as follows:

(in millions of Euros)	Year Ended December 31, 2018	2017[1]
Current tax expense	(39)	(22)
Deferred tax expense	(32)	(13)
Total income tax expense	**(71)**	**(35)**

Note:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The following table reconciles the income tax expense to the statutory tax expense as calculated:

(in millions of Euros)	Year Ended December 31, 2018	2017[1]
Net income	**286**	**320**
Income tax expense	(71)	(35)
Income before tax:	**357**	**355**
Tax expense at domestic rates applicable to countries where income was generated	(89)	(94)
Tax exempt revenues	6	8
Net change in measurement of deferred tax assets	(34)	(12)
Tax deductible write-down on shares	21	10
Tax credits	2	2
Rate changes	—	39
Other permanent difference	23	12
Income tax expense	**(71)**	**(35)**

Note:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The weighted average statutory tax expense was €(89) million and €(94) million in 2018 and 2017, respectively.

Tax exempt revenues of €6 million in 2018 and €8 million in 2017 mainly relate to 80% exemption of the net income derived from the intra-group licensing of the Aperam trademark.

Net change in measurement of deferred tax assets

Net change in measurement of deferred tax assets of €(34) million in 2018 mainly relates to tax expense of €(21) million due to unrecognised deferred tax assets on net write-downs of the value of shares held by consolidated subsidiaries in Luxembourg, derecognition of deferred tax assets on previous tax losses for €(8) million in France and €(2) million in Brazil and limitation of interest deduction for €(5) million in France.

Net change in measurement of deferred tax assets of €(12) million in 2017 mainly relates to tax expense of €(10) million due to unrecognised deferred tax assets on write-down of the value of shares held by a consolidated subsidiary in Luxembourg and limitation of interest deduction for €(4) million in France.

Tax credits of €2 million and €2 million in 2018 and 2017, respectively, mainly relate to research tax credits and competitiveness and employment tax credits in France.

Rate changes

The 2017 tax benefit from rate changes of €39 million is mainly due to the impact of the decrease in the future income tax rate on deferred tax liabilities in Belgium and France of €40 million and €1 million, respectively, partly offset by a tax expense of €(1) million in the United States.

Other permanent difference in 2018 and 2017 consists of a reduced taxation on the financing activity, transfer pricing adjustment in Brazil, effect of foreign currency translation, taxation on dividends and adjustments for tax deductible and non-deductible items.

Income tax recognised directly in equity

Income tax recognised in equity for the years ended December 31, 2018 and 2017 is as follows:

	Year Ended December 31,	
(in millions of Euros)	**2018**	**2017[(1)]**
Deferred tax (expense) benefit		
Recognised in Other Comprehensive Income (Loss):		
Recognised actuarial loss	—	(2)
Unrealised gain / (loss) on derivative financial instruments	6	(2)
Foreign currency translation adjustments	5	(23)
Total	**11**	**(27)**

Note:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The net deferred tax expense recorded directly to equity was €(33) million as of December 31, 2018 and the net deferred tax expense recorded directly to equity was €(27) million as of December 31, 2017. There was no current tax booked directly in equity in 2018 and 2017.

Deferred tax assets and liabilities

The origin of deferred tax assets and liabilities is as follows:

	Assets		Liabilities		Net	
	December 31,		December 31,		December 31,	
(in millions of Euros)	**2018**	**2017[(1)]**	**2018**	**2017[(1)]**	**2018**	**2017[(1)]**
Intangible assets	3	1	(1)	(2)	2	(1)
Property, plant and equipment	2	2	(152)	(157)	(150)	(155)
Biological assets	—	—	(18)	(24)	(18)	(24)
Inventories	21	22	(5)	(5)	16	17
Financial instruments	7	6	(9)	(15)	(2)	(9)
Other assets	8	7	(9)	(12)	(1)	(5)
Provisions	39	42	(59)	(54)	(20)	(12)
Other liabilities	21	21	(6)	(5)	15	16
Tax losses carried forward	186	229	—	—	186	229
Tax credits	1	2	—	—	1	2
Deferred tax assets/(liabilities)	**288**	**332**	**(259)**	**(274)**	**29**	**58**
Deferred tax assets					160	197
Deferred tax liabilities					(131)	(139)

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

Deferred tax assets not recognised by the Company as of December 31, 2018, were as follows:

(in millions of Euros)	**Gross amount**	**Total deferred tax assets**	**Recognised deferred tax assets**	**Unrecognised deferred tax assets**
Tax losses carried forward	1,994	551	186	365
Tax credits and other tax benefits	7	2	1	1
Other temporary differences	362	101	101	—
Total		**654**	**288**	**366**

Deferred tax assets not recognised by the Company as of December 31, 2017, were as follows [(1)]:

(in millions of Euros)	**Gross amount**	**Total deferred tax assets**	**Recognised deferred tax assets**	**Unrecognised deferred tax assets**
Tax losses carried forward	2,093	585	229	356
Tax credits and other tax benefits	11	3	2	1
Other temporary differences	357	101	101	—
Total		**689**	**332**	**357**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The Company has unrecognised deferred tax assets relating to tax losses carry forward, tax credits and other tax benefits amounting to €366 million and €357 million as of December 31, 2018 and 2017, respectively. As of December 31, 2018, the deferred tax assets not recognised relate to tax losses carry forward attributable to subsidiaries located in Luxembourg (€304 million), Brazil (€52 million), France (€8 million), Italy (€1 million) and the United States (€1 million) with different statutory tax rates. Therefore, the amount of the total deferred tax assets is the aggregate amount of the various deferred tax assets recognised and unrecognised at the various subsidiaries and not the result of a computation with a blended rate. Unrecognised tax losses have no expiration date in Brazil, France, Italy and Luxembourg[(1)].

Note:
(1) Starting in 2017, any tax losses generated in 2017 and onwards will have an expiry date of 17 years in Luxembourg.

The utilisation of tax losses carry forward is restricted to the taxable income of the subsidiary.

At December 31, 2018, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, Management believes it is probable that the Company will realise the benefits of an amount of deferred tax assets recognised for €160 million.

The amount of future taxable income required to be generated by the Company's operating subsidiaries to utilise the total deferred tax assets is approximately €545 million. Historically, the Company has been able to generate taxable income in sufficient amounts to permit it to utilise tax benefits associated with net operating losses carry forward and other deferred tax assets that have been recognised in its consolidated financial statements. However, the amount of the deferred tax assets considered realisable could be adjusted in the future if estimates of taxable income are revised.

The Company has not recorded any deferred income tax liabilities on the undistributed earnings of its foreign subsidiaries for income tax due if these earnings would be distributed. For investments in subsidiaries, branches, associates and investments, that are not expected to reverse in the foreseeable future, no deferred tax liability has been recognised at December 31, 2018.

Tax losses carry forward

At December 31, 2018, the Company had total estimated net tax losses carry forward of €1,994 million.

Such amount includes net operating losses of €4 million related to Aperam Stainless Services & Solutions USA in the United States which expire as follows:

Year expiring	Amount[1] *(in millions of Euros)*
2019	—
2020	—
2021	—
2022	—
2023	—
2024 - 2038	4
Total	**4**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The remaining tax losses carry forward of €1,990 million are indefinite and attributable to the Company's operations in Belgium, Brazil, France, Germany Italy, Luxembourg and Spain. Tax losses carry forward are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the Euro equivalent value of these tax losses carry forward in future years.

NOTE 6: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

(in millions of Euros)	December 31, 2018	December 31, 2017[1]
Bank current accounts	160	242
Term accounts (initial maturity < 3 months)	39	64
Total	**199**	**306**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

NOTE 7: TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable and allowance for doubtful accounts are as follows:

(in millions of Euros)	December 31, 2018	December 31, 2017[1]
Gross amount	282	278
Allowance for doubtful accounts	(8)	(8)
Total	**274**	**270**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

See Note 21 for information regarding trade accounts receivable from related parties.

Before accepting any new customer, the Company requests a credit limit authorisation from credit insurance companies or uses an internally developed credit scoring system to assess the potential customer's credit quality and to define credit limits by customer. For all significant customers, the credit terms must be approved by relevant credit committees. Limits and scoring attributed to customers are reviewed periodically. There are no customers which represent more than 10% of the total balance of trade accounts receivable and revenues.

Exposure to credit risk by operating segment

The maximum exposure to credit risk for trade accounts receivable by operating segment is:

	December 31,	
(in millions of Euros)	**2018**	**2017(1)**
Services & Solutions	125	138
Stainless & Electrical Steel	118	105
Alloys & Specialties	31	27
Total	**274**	**270**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

Exposure to credit risk by geography

The maximum exposure to credit risk for trade accounts receivable by geographical area is:

	December 31,	
(in millions of Euros)	**2018**	**2017(1)**
Europe	168	179
South America	79	66
North America	24	23
Asia	3	2
Total	**274**	**270**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

Aging of trade accounts receivable

The aging of trade accounts receivable is as follows:

				December 31,
	2018			2017(1)
(in millions of Euros)	**Gross**	**Allowance**	**Gross**	**Allowance**
Not past due	245	(1)	247	(1)
Past due 0-30 days	17	—	16	—
Past due 31-180 days	13	—	8	—
More than 180 days	7	(7)	7	(7)
Total	**282**	**(8)**	**278**	**(8)**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

The movement in the allowance for doubtful accounts in respect of trade accounts receivable during the year is as follows:

(in millions of Euros) Balance as of December 31, 2016[(1)]	Additions[(1)]	Deductions/ Releases[(1)]	Other Movements (primarily exchange rate changes)[(1)]	Balance as of December 31, 2017[(1)]
8	2	(1)	(1)	8

(in millions of Euros) Balance as of December 31, 2017[(1)]	Additions	Deductions/ Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2018
8	2	(2)	—	8

Note:
(1) Amounts for December 31, 2016 and December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

The Company has established sales without recourse of trade accounts receivable programme with financial institutions, referred to as True Sales of Receivables ("TSR"). The maximum combined amount of the programmes that could be utilised were €320 million and €309 million as of December 31, 2018 and 2017, respectively. Through the TSR programme, certain operating subsidiaries of Aperam surrender control, risks and the benefits associated with the accounts receivable sold. Therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the statement of financial position at the moment of the sale.

The total amount of receivables sold under the TSR programme and derecognised in accordance with IFRS 9 for the years ended December 31, 2018 and 2017 were €1.6 billion and €1.4 billion, respectively. Expenses incurred under the TSR programme (reflecting the discount granted to the acquirers of the accounts receivable) are recognised in the consolidated statement of operations as financing costs and amounted to €(4) million and €(5) million in 2018 and 2017, respectively.

NOTE 8: INVENTORIES

Inventories, net of provision for obsolescence, slow-moving inventories and excess of cost over net realisable value of €110 million and €89 million as of December 31, 2018 and December 31, 2017, respectively, are comprised of the following:

(in millions of Euros)	December 31, 2018	December 31, 2017[(1)]
Finished products	545	509
Production in process	529	437
Raw materials	186	158
Manufacturing supplies, spare parts and other	150	126
Total	**1,410**	**1,230**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

There are no inventories which are carried at fair value less cost to sell.

The amount of inventory pledged as collateral was €12 million and €14 million as of December 31, 2018 and 2017, respectively.

The movement in the allowance for obsolescence is as follows:

(in millions of Euros)

Balance as of December 31, 2016[(1)]	Additions[(1)]	Deductions/ Releases[(1)]	Other Movements[(1)]	Balance as of December 31, 2017[(1)]
80	18	(8)	(1)	89

(in millions of Euros)

Balance as of December 31, 2017[(1)]	Additions	Deductions/ Releases	Other Movements	Balance as of December 31, 2018
89	31	(9)	(1)	110

Note:
(1) Amounts for December 31, 2016 and December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

The amount of write-down of inventories to net realisable value recognised as an expense was €(31) million and €(18) million in 2018 and 2017, respectively, and the expense was reduced by €9 million and €8 million in 2018 and 2017, respectively, due to normal inventory consumption.

The amount of inventories recognised as an expense (due to normal inventory consumption) was €(1,004) million and €(974) million during the year ended December 31, 2018, and 2017, respectively.

NOTE 9: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

(in millions of Euros)	December 31, 2018	December 31, 2017[(1)]
Value added tax (VAT) and other amount receivable from tax authorities	40	38
Prepaid expenses and accrued receivables	10	8
Derivative financial assets (Note 20)	8	14
Other	13	14
Total	**71**	**74**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

NOTE 10: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(in millions of Euros)	Goodwill on acquisition	Customer relationships, trade marks & technology	Concessions, patents and licenses	Total
Cost				
At December 31, 2016[1]	505	172	101	778
Acquisitions[1]	—	1	9	10
Foreign exchange differences[1]	(27)	(10)	(6)	(43)
At December 31, 2017[1]	**478**	**163**	**104**	**745**
Accumulated amortisation and impairment losses				
At December 31, 2016[1]	—	(160)	(82)	(242)
Amortisation charge[1]	—	(4)	(5)	(9)
Foreign exchange differences[1]	—	8	7	15
At December 31, 2017[1]	**—**	**(156)**	**(80)**	**(236)**
Carrying amount				
At December 31, 2017[1]	**478**	**7**	**24**	**509**

Cost				
At December 31, 2017[1]	478	163	104	745
Acquisitions	—	2	6	8
Foreign exchange differences	(18)	(6)	(2)	(26)
At December 31, 2018	**460**	**159**	**108**	**727**
Accumulated amortisation and impairment losses				
At December 31, 2017[1]	—	(156)	(80)	(236)
Amortisation charge	—	(4)	(6)	(10)
Foreign exchange differences	—	4	5	9
At December 31, 2018	**—**	**(156)**	**(81)**	**(237)**
Carrying amount				
At December 31, 2018	**460**	**3**	**27**	**490**

Note:
(1) Amounts for December 31, 2016 and December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

As a result of the acquisition of Arcelor by Mittal Steel on August 1, 2006, associated goodwill, intangible assets, and certain fair value adjustments were recorded.

The Company identified three operating segments. As a result, goodwill acquired in business combinations was allocated to these operating segments based on the relative fair values of the operating segments. Goodwill is allocated as follows to each of the Company's operating segments:

(in millions of Euros)	**Net value December 31, 2017**[(1)]	**Foreign exchange differences**	**Net value December 31, 2018**
Stainless & Electrical Steel	399	(18)	381
Alloys & Specialties	20	—	20
Services & Solutions	59	—	59
Total	**478**	**(18)**	**460**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

Goodwill is tested at the Group of cash-generating unit ("GCGU") level for impairment annually or whenever changes in circumstances indicate that its carrying amount may not be recoverable. For 2018, goodwill was tested at the GCGU level for impairment as of October 31. The GCGU is at the operating segment level of Aperam, which represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of the GCGUs are determined based on their value in use. The Company determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the GCGUs as the carrying value of the GCGUs was lower than their value in use.

The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the terminal growth rate and the expected changes to raw material margin, shipments and added costs during the period. The impairment tests did not result in impairment for any periods presented in these consolidated financial statements.

The value in use of the GCGUs was determined by estimating cash flows for a period of five years.

Assumptions for raw material margin and shipments were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial budget approved by the Board of Directors. Beyond the specifically forecasted period of five years, the Company extrapolated cash flows for the remaining years based on an estimated constant growth rate of 1.5% in Europe and 2% in South America. These rates did not exceed the average long-term growth rate for the relevant markets.

For purposes of the 2018 impairment test, the Company estimated shipments on the basis of the analysis of the markets where the Company is active in as well as on the basis of projections provided by external sources.

The nickel price estimate for the next 5 years was determined by the management based on internal analysis giving due consideration to forecasts published by external sources.

Management estimated discount rates using pretax rates that reflected current market rates for investments of similar risk. The discount rate for the GCGUs was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of the Company's assets.

	Stainless & Electrical Steel	**Alloys & Specialties**	**Services & Solutions**
GCGU weighted average pre-tax discount rate used in 2017	12.4%	12.2%	11.1%
GCGU weighted average pre-tax discount rate used in 2018	10.3%	10.2%	9.4%

Aperam's WACC is decreasing in 2018 versus 2017 mainly due to the change of functional currency from USD to EUR with a lower risk-free rate in EUR (1.14%) vs USD (2.85%).

When estimating GCGU's average selling price for the purpose of 2018 impairment test, the Company used an average price per tonne (based on Stainless steel/CR304 2B 2mm coil transaction price/Southern European domestic delivered prices derived from Steel Business Briefing ("SBB").

The results of the goodwill impairment test of 2017 and 2018 for each GCGU did not result in an impairment of goodwill as the value in use exceeded the carrying value of the GCGU.

In validating the value in use determined for the GCGU, key assumptions used in the discounted cash-flow model (such as discount rates, raw material margins, shipments and terminal growth rate) were sensitised to test the resilience of value in use.

The analysis did not result in any scenarios whereby a reasonable possible change in the aforementioned key assumptions would result in a recoverable amount for the GCGU which is inferior to the carrying value.

Research and development costs

Research and development costs do not meet the criteria for capitalisation and are expensed and included in selling, general and administrative expenses within the consolidated statement of operations. These costs amounted to €(20) million and €(18) million in the years ended December 31, 2018, and 2017, respectively. There were no research and development costs capitalised during any of the periods presented.

NOTE 11: BIOLOGICAL ASSETS

The reconciliation of changes in the carrying value of biological assets between the beginning and the end of the year is as follows:

(in millions of Euros)

Balance at January 1, 2017(1)	46
Additions(1)	10
Change in fair value(1)(Z)	13
Harvested tree(1)	(24)
Foreign exchange differences(1)	(6)
At December 31, 2017(1)	**39**
Balance at January 1, 2018(1)	39
Additions	9
Change in fair value(1)	8
Harvested trees	(18)
Foreign exchange differences	(4)
At December 31, 2018	**34**

Notes:
(1) Amounts from January 1, 2017 to December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements
(2) Recognised in cost of sales in the consolidated statements of operations.

The Company's biological assets comprise eucalyptus forests cultivated and planted in order to supply raw materials for the production of charcoal. The total area of 126 thousand hectares is composed of eucalyptus forest reserves in Brazil. These areas are managed by Aperam BioEnergìa Ltda that provides planting and coal production services.

In order to determine the fair value of biological assets, a discounted cash flow model was used, with the harvest cycle of six to seven years. Fair value measurement of biological assets is categorised within level 3 of fair value hierarchy. The projected cash flows are consistent with area's growing cycle. The volume of eucalyptus production to be harvested was estimated considering the average productivity in cubic meters of wood per hectare from each plantation at the time of harvest. The average productivity varies according to the genetic material, climate and soil conditions and the forestry management programmes. The projected volume is based on the average annual growth which at the end of 2018 was equivalent to 28m^3/ha/year.

The projected cash flows are consistent with area's growing cycle. The volume of eucalyptus production to be harvested was estimated considering the average productivity in cubic meters of wood per hectare from each plantation at the time of harvest.

The average net sales price of 51 Brazilian real per m^3 was projected based on the estimated price for eucalyptus in the local market, through a market study and research of actual transactions, adjusted to reflect the price of standing trees by region. The average estimated cost considers expenses for felling, chemical control of growing, pest control, composting, road maintenance, inputs and labour services. Tax effects based on current rates of 34% in 2018, as well as the contribution of other assets, such as property, plant and equipment and land were considered in the estimation based on average rates of return for those assets.

The valuation model considers the net cash flows after income tax and the post-tax discount rate used of 13.01%. Discount rate is calculated using a Capital Asset Pricing Model.

The following table illustrates the sensitivity to a 10% variation in each of the significant unobservable inputs used to measure the fair value of the biological assets on December 31, 2018:

(in millions of Euros)	**Impacts on the fair value resulting from**	
Significant unobservable impacts	**10% increase**	**10% decrease**
Average annual growth	9	(9)
Average selling price	9	(9)
Discount rate	(4)	4

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarised as follows:

(in millions of Euros)	**Machinery, equipment and others**	**Land, buildings and improvements**	**Construction in progress**	**Total**
Cost				
At December 31, 2016[1]	2,217	680	93	2,990
Additions[1]	32	—	124	156
Foreign exchange differences[1]	(84)	(28)	(4)	(116)
Disposals[1]	(24)	(1)	—	(25)
Other movements[1]	65	9	(94)	(20)
At December 31, 2017[1]	**2,206**	**660**	**119**	**2,985**
Accumulated amortisation and impairment losses				
At December 31, 2016[1]	(1,202)	(230)	—	(1,432)
Depreciation charge of the year[1]	(105)	(16)	—	(121)
Disposals[1]	24	1	—	25
Foreign exchange differences[1]	43	10	—	53
Other movements[1]	23	1	—	24
At December 31, 2017[1]	**(1,217)**	**(234)**	**—**	**(1,451)**
Carrying amount				
At December 31, 2017[1]	**989**	**426**	**119**	**1,534**
Cost				
At December 31, 2017[1]	2,206	660	119	2,985
Additions	40	2	130	172
Foreign exchange differences	(59)	(19)	(3)	(81)
Disposals	(42)	—	—	(42)
Other movements	97	13	(110)	—
At December 31, 2018	**2,242**	**656**	**136**	**3,034**
Accumulated amortisation and impairment losses				
At December 31, 2017[1]	(1,217)	(235)	—	(1,452)
Depreciation charge of the year	(100)	(15)	—	(115)
Disposals	42	—	—	42
Foreign exchange differences	30	7	—	37
Other movements	9	—	—	9
At December 31, 2018	**(1,236)**	**(243)**	**—**	**(1,479)**
Carrying amount				
At December 31, 2018	**1,006**	**413**	**136**	**1,555**

Note:
(1) Amounts from December 31, 2016 to December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

Other movements represent mostly transfers from construction in progress to other categories.

As of December 31, 2018, and 2017, temporarily idle assets included in the Stainless & Electrical Steel segment were €2 million and €2 million, respectively. There were no temporarily idle assets included in the other segments as of any of the periods presented.

During the year ended December 31, 2018, and in conjunction with its testing of goodwill for impairment, the Company analysed the recoverable amount of its property, plant and equipment. Property, plant and equipment were tested at the Cash Generating Unit ("CGU") level. In certain instances, the CGU is an integrated manufacturing facility which may also be an operating subsidiary. Furthermore, a manufacturing facility may be operated together with another facility, with neither facility generating cash flows that are largely independent from the cash flows in the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2018, the Company had determined it has six CGUs. The recoverable amounts of the CGUs are determined based on value in use calculation and follow similar assumptions as those used for the test on impairment for goodwill.

The Company estimated discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of Aperam's assets. No impairment of property, plant and equipment was recorded for the year ended December 31, 2018, and December 31, 2017.

The carrying amount of property, plant and equipment includes €5 million and €2 million of finance leases as of December 31, 2018, and 2017, respectively. The carrying amount of these finance leases is included in machinery and equipment. These finance lease arrangements are mainly equipment related to the scrap and slab yard in Belgium for a carrying amount of €5 million which can be purchased for their book value at the end of the remaining leasing period.

The amount of property, plant and equipment pledged as collateral was €2 million and €3 million as of December 31, 2018, and 2017, respectively.

NOTE 13: OTHER INVESTMENTS

The Company holds the following other investments:

(in millions of Euros)	Location	Ownership % at December 31, 2018	Fair value December 31, 2018	2017[1]
Equity instruments at fair value through OCI				
Gerdau S.A.	Brazil	0.49%	28	28
General Moly Inc	U.S.A.	6.02%	2	2
Other			2	2
Total other investments			**32**	**32**

Note:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

The fair value (applying a Level 1 fair value measurement) of Aperam's stake in Gerdau amounted to €28 million and €28 million as of December 31, 2018 and December 31, 2017, respectively. The stability over the period is due to FX loss on EUR/BRL offset by increase in the market price of the shares from R$12.38 as of December 31, 2017 to R$14.82 as of December 31, 2018.

Following the implementation of IFRS 9 as of date January 1, 2018, we decided to elect irrevocably to present gains and losses on these equity investments in Other Comprehensive Income. Indeed Aperam's intention in respect of this portfolio of shares is to hold them for a long period as strategic investments.

The fair value of our investments which are not valued daily in financial markets (unlike Gerdau and General Moly) is based on latest available financial statements (value of net equity, Level 3 fair value measurement).

NOTE 14: OTHER NON CURRENT ASSETS

Other non current assets consisted of the following:

(in millions of Euros)	December 31,	
	2018	**2017[(1)]**
Cash guarantees and deposits	26	28
Receivable from public authorities	23	17
Call options on Aperam shares [(2)]	15	84
Long-term VAT receivables	14	19
Pension fund assets [(3)]	12	14
Reimbursement rights [(3)]	2	2
Other long-term assets	—	3
Total	**92**	**167**

Notes:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.
(2) On June 27, 2014, Aperam acquired call options of its own shares. See Note 20: Financial instruments
(3) See Note 18: Deferred Employee Benefits

NOTE 15: SHORT-TERM AND LONG-TERM DEBT

Short-term debt, including the current portion of long-term debt, consisted of the following:

(in millions of Euros)	December 31,	
	2018	**2017[(1)]**
Short-term bank loans and other credit facilities	2	5
Current portion of long-term debt	63	—
Lease obligations	1	—
Total	**66**	**5**

Note:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Borrowing base facility

On March 6, 2015 Aperam signed a U.S.$500 million secured borrowing base revolving credit facility (“The Facility”) with a group of nine banks. The Facility was structured as a 3-year revolving credit facility and included a one year extension option. It was used for liquidity and working capital purposes. On December 1, 2015, Aperam cancelled U.S.$100 million of commitments leading to a remaining U.S.$400 million secured borrowing base revolving credit facility. On May 26, 2016, Aperam extended the credit facility until March 5, 2019.

On June 6, 2017, this Facility was cancelled and replaced by an unsecured revolving credit facility (see below).

Unsecured revolving credit facility

On June 6, 2017, Aperam entered into a €300 million Unsecured Revolving Credit Facility ("The Facility") with a group of ten banks. The Facility is structured as a 5-year revolving credit facility with two options of extension by one year each, replacing its U.S.$400 million existing 3-year secured borrowing base facility (see above). It will be used for the company's general corporate purposes.

The Facility charges interest at a rate of EURIBOR (or LIBOR, in the case of an advance denominated in US dollars) plus a margin (depending on the Group's most recent corporate rating by Standard & Poor's or Moody's or both) for the relevant interest period, which may be below one, two, three or six months or any other period agreed between the parties. The Facility also charges a utilisation fee on the drawn portion of the total facility amount and a commitment fee on the undrawn and uncancelled portion of the total facility amount, payable quarterly in arrears.

The Facility contains financial covenants, including:
> a minimum ratio of consolidated current assets to consolidated current liabilities of 1.1:1;
> a minimum consolidated tangible net worth of €1.25 billion; and
> a maximum consolidated total debt of 70% of consolidated tangible net worth.

On December 31, 2018, these financial covenants were fully met.

Long-term debt is comprised of the following:

(in millions of Euros)	**Year of maturity**	**Type of Interest**	**Interest rate(2)**	**December 31, 2018**	**December 31, 2017(1)**
237.2 MUSD(3) Convertible Bonds	2019/2021 (4)	Fixed	0.625%	189	236
EIB loan	2028	Fixed	1.669%	50	—
Other loans				—	1
Total				**239**	**237**
Less current portion of long-term debt				(63)	—
Total long-term debt (excluding lease obligations)				176	237
Lease obligations (5)				5	1
Total long-term debt, net of current portion				**181**	**238**

Notes:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.
(2) Rates applicable to balances outstanding at December 31, 2018.
(3) Nominal has been adjusted to take into account the early buy-back (see below).
(4) Convertible bonds maturity is on July 8, 2021 but bonds are puttable by the bondholders on January 8, 2019 (see below).
(5) Net of current portion of below €1 million and €1 million as of December 31, 2018 and December 31, 2017 respectively.

EIB loan

On June 27, 2016, Aperam and the European Investment Bank ("EIB") announced the signing of a financing contract in the amount of €50 million which will be dedicated to financing a research and development programme over the 2016-2019 period, as well as an upgrade of two plants located in cohesion regions in France & Belgium (Isbergues - Hauts-de-France and Châtelet - Hainaut). This project was funded under the Investment Plan for Europe, also known as the "Juncker Plan". The financing contract which is senior unsecured was entirely drawn down on October 16, 2018, at a rate of 1.669% with final maturity date on October 16, 2028.

Convertible Bonds

On September 19, 2013, Aperam issued a U.S.$200 million convertible and/or exchangeable debt instrument with a contractual maturity of 7 years. From June 1, 2017, to October 10, 2017, U.S.$198 million of Bonds were early converted following notice of conversion received from bondholders and 9,446,550 shares were created and delivered to bondholders against their conversion notices. The remaining U.S.$2 million were repaid in cash on October 10, 2017.

On July 8, 2014, Aperam issued a U.S.$300 million convertible and/or exchangeable debt instrument with a contractual maturity of 7 years. These bonds bear interest at 0.625% per annum payable semi-annually on

January 8, and July 8, of each year, commencing on January 8, 2015. The bonds are puttable by the bondholders on January 8, 2019, at the principal amount (plus accrued interests).

At inception, the Company determined the bonds met the definition of a compound financial instrument in accordance with IFRS. The Company determined the fair value of the financial liability component of the bonds was U.S.$237 million on the date of issuance. Conversion option is recognised as a derivative financial liability.

In December 2017, U.S.$0.8 million (€0.7 million) of Bonds were repurchased by the Company for a total consideration of U.S.$1.0 million (€0.9 million).

In 2018, U.S.$55.1 million (€47.7 million) of Bonds were repurchased by the Company for a total consideration of U.S.$69.9 million (€60.3 million).

At end 2018, U.S.$72.4 million (€63.2 million of bondholders decided to exercise their put as of January 8, 2019. The remaining amount of debt of U.S.$164.8 million (€143.9 million) was therefore reclassified as non-current as of December 31, 2018 and the accounting value of the debt was updated based on initial effective interest rate leading to an accounting value of U.S.$144.1 million (€125.9 million).

Scheduled maturities of short-term and long-term debt are as follows:

(in millions of Euros)	**December 31, 2018**
2019	67
2020	7
2021	132
2022	5
2023	6
Subsequent years	30
Total	**247**

The following table presents the structure of the Company's debt and cash in original currencies:

(in millions of Euros)	**In EUR equivalent as of December 31, 2018**				
	Total EUR	**EUR**	**USD**	**BRL**	**Others**
Short-term debt and current portion of long-term debt	66	1	63	—	2
Long-term debt	181	55	126	—	—
Cash	199	116	38	39	6

(in millions of Euros)	**In EUR equivalent as of December 31, 2017 (1)**				
	Total EUR	**EUR**	**USD**	**BRL**	**Others**
Short-term debt and current portion of long-term debt	5	1	—	3	2
Long-term debt	238	2	236	1	—
Cash	306	223	35	41	8

Note:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

The following tables summarise the Company's bases used to measure its debt at fair value. Fair value measurement has been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

		As of December 31, 2018			
(in millions of Euros)	**Carrying Amount**				**Fair Value**
		Level 1	**Level 2**	**Level 3**	**Total**
Instruments payable bearing interest at fixed rates	246	192	58	—	250
Instruments payable bearing interest at variable rates	1	—	1	—	1
Total	**247**	**192**	**59**	—	**251**

		As of December 31, 2017[1]			
(in millions of Euros)	**Carrying Amount**				**Fair Value**
		Level 1	**Level 2**	**Level 3**	**Total**
Instruments payable bearing interest at fixed rates	242	221	6	—	227
Instruments payable bearing interest at variable rates	1	—	5	—	5
Total	**243**	**221**	**11**	—	**232**

Note:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Instruments payable classified as Level 1 refer to the Company's listed bonds quoted in active markets. The total fair value is the official closing price as defined by the exchange on which the instrument is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

Instruments payable classified as Level 2 refer to all debt instruments not classified as Level 1. Fixed rate debt is based on estimated future cash flows which are discounted using current zero coupon rates for the relevant maturities and currencies as well as Aperam's credit spread quotations for the relevant maturities.

The following table summarise the movements on financial liabilities between financing cash flows impacts and other non-cash impacts :

(in millions of Euros)	**Short-term debt and current portion of long-term debt**	**Long-term debt, net of current portion**
Balance at December 31, 2017	5	238
Changes from financing cash flows		
Proceeds and (repayments) from debt	(62)	50
Proceeds and (repayments) from finance lease	(1)	—
Total changes from financing cash flows	**(63)**	**50**
Effect of changes in foreign exchange rates	12	—
Difference between cash value and nominal value on CB 2021 early buy-back	12	—
Lease inception	1	3
Amortisation of borrowing costs and equity component on convertible notes	7	(18)
Reclassification between non-current and current debt	92	(92)
Balance at December 31, 2018	**66**	**181**

NOTE 16: PROVISIONS

The movements by provision were as follows:

(in millions of Euros)	Balance at December 31, 2016(1)	Additions(1)	Provisions used during the year(1)	Provisions reversed during the year(1)	Transfer(1)	Effects of Foreign Exchange and other movements(1)	Balance at December 31, 2017(1)
Litigation (Note 23)	42	11	(9)	(2)	(2)	(5)	35
Environmental (Note 23)	14	2	(1)	—	—	(1)	14
Voluntary separation plans	1	—	(1)	—	—	1	1
Other	7	5	(2)	(2)	2	—	10
Total	**64**	**18**	**(13)**	**(4)**	—	**(5)**	**60**
Short-term provisions	18						17
Long-term provisions	46						43
Total	**64**						**60**

(in millions of Euros)	Balance at December 31, 2017(1)	Additions	Provisions used during the year	Provisions reversed during the year	Effects of Foreign Exchange and other movements	Balance at December 31, 2018
Litigation (Note 23)	35	4	(1)	(1)	(3)	34
Environmental (Note 23)	14	2	(1)	—	(1)	14
Voluntary separation plans	1	1	—	—	(1)	1
Other	10	8	(5)	(6)	1	8
Total	**60**	**15**	**(7)**	**(7)**	**(4)**	**57**
Short-term provisions	17					15
Long-term provisions	43					42
Total	**60**					**57**

Note:
(1) Amounts from December 31, 2016 to December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements

There are uncertainties regarding the timing and amount of the provisions above. Changes in underlying facts and circumstances for each provision could result in differences in the amounts above and the actual outflows. Due to the uncertainties regarding the timing of the provisions or the short period of their expected use, they are presented on a non-discounted basis.

Provisions for litigation related to probable losses that have been incurred due to a present legal or constructive obligation are expected to be settled in a period of one to four years. Discussion regarding legal matters is provided in Note 23.

Environmental provisions are related to probable environmental assessments and/or remedial efforts and are expected to be used for up to 20 years.

Other includes provisions for technical warranties, guarantees as well as other disputes.

NOTE 17: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses were comprised of the following as of:

(in millions of Euros)	December 31,	
	2018	**2017 (1)**
Accrued payroll and employee related expenses	123	120
Payable from acquisition of intangible & tangible assets	56	56
VAT and other amounts due to public authorities	24	28
Revaluation of derivative instruments (Note 20)	20	5
Unearned revenue and accrued payables	4	4
Accrued interests	1	1
Other creditors	21	12
Total	**249**	**226**

Note:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

NOTE 18: DEFERRED EMPLOYEE BENEFITS

The total net employee benefits as of December 31, 2018 and 2017 are presented as follows in the below table:

(in millions of Euros)	December 31,	
	2018	**2017(1)**
Pension fund assets (Note 14)	12	14
Deferred Employee Benefits liabilities	(148)	(159)
Total Net Employee Benefits	**(136)**	**(145)**

Note:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

The Company's operating subsidiaries have different types of pension plans for its employees. Also, some of the operating subsidiaries offer other post-employment benefits, principally retirement indemnities. Limited health care benefits are also offered to some employees in Belgium. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability / asset on the statements of financial position are based on a number of assumptions and factors such as the discount rate, expected compensation increases, actual return on plan assets and market value of the underlying assets.

Statement of Financial Position

Together with plans and obligations that do not constitute pension or other post-employment benefits, the total deferred employee benefits are as follows :

(in millions of Euros)	December 31,	
	2018	**2017(1)**
Pension plan benefits liabilities	*(81)*	*(88)*
Pension fund assets (Note 14)	*12*	*14*
Net Pension Plan	(69)	(73)
Other post-employment benefits	(52)	(52)
Early retirement benefits	(14)	(19)
Other long-term employee benefits	(1)	(1)
Total Net Employee Benefits	**(136)**	**(145)**
Reimbursement rights (Note 14)	2	2
Total Net Employee Benefits and reimbursement rights	**(134)**	**(143)**

Note:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Pension Plans

A summary of the significant defined benefit pension plans is as follows:

Brazil

The primary defined benefit plans, financed through trust funds, have been closed to new entrants. Brazilian entities have all established defined contribution plans that are financed by employer and employee contributions.

As from 2016, Aperam decided to reduce the contributions to the funds due to the existence of a reversion fund hold by ACEPREV. Indeed, ACEPREV has a reversion fund (Fundo de Reversão - art 37) generated with the amount of provisions from participants that left the plan before retirement date. These participants were not able to receive part of the contributions done by the sponsor (Aperam) and it was reverted to this fund in accordance with the regulation. This fund can be used by the sponsor to reduce future contributions. Aperam is not allowed to receive this amount in cash. As a consequence, Aperam decided to reduce contributions from 2016 onwards. The percentage of reduction is revised annually. Due to Aperam's decision to reduce future contributions, an asset of R$56 million (€16 million) has been recognised on the balance sheet.

Europe

Certain European operating subsidiaries maintain primarily unfunded defined benefit pension plans for a certain number of employees. Benefits are based on such employees' length of service and applicable pension table under the terms of individual agreements. Some of these unfunded plans have been closed to new entrants and replaced by defined contribution pension plans for active members financed by employer and employee contributions.

The majority of the funded defined benefit payments described earlier provide benefit payments from trustee-administered funds. Aperam also sponsors a number of unfunded plans where the Company meets the benefit payment obligation as it falls due. Plan assets held in trusts are legally separated from the Company and are governed by local regulations and practice in each country, as is the nature of the relationship between the Company and the governing bodies and their composition. In general terms, governing bodies are required by law to act in the best interest of the plan members and are responsible for certain tasks related to the plan (e.g. setting the plan's investment policy).

Starting as from 1 January 2016, the Belgian legislation modified the minimum guaranteed rates of return applicable to Belgian Defined Contribution Plans. For insured branch (made of 21 plans), the old guarantees of 3.25% on employer contributions and 3.75% still remains applicable for past premiums. For contributions paid as from January, 1, 2016, a new variable minimum guaranteed rate of return applies. For 2016 through 2018, this minimum guaranteed rate of return was 1.75%. For 2019, the applicable legal minimum return remains at 1.75%. Those plans, which are funded through group insurances, were basically accounted for as defined contribution plans until 2016 and are recorded as defined benefit plans since January 1, 2017. This resulted in the recognition of €77 million as fair value of plan assets at end 2017 compensated by €(77) million of benefit obligation at end 2017.

The following tables detail the reconciliation of defined benefit obligation, plan assets and statement of financial position.

	Year Ended December 31, 2018		
(in millions of Euros)	**Total**	**Brazil**	**Europe**
Change in benefit obligation			
Benefit obligation at beginning of the year	(267)	(97)	(170)
Service cost	(5)	—	(5)
Interest cost	(11)	(8)	(3)
Actuarial gain / (loss)	9	6	3
Demographic assumptions	*(1)*	*(1)*	—
Financial assumptions	*(3)*	*(5)*	*2*
Experience adjustments	*13*	*12*	*1*
Benefits paid	12	6	6
Obligations transfer	—	—	—
Foreign currency exchange rate differences and other movements	10	10	—
Benefit obligation at end of the year	**(252)**	**(83)**	**(169)**
Actives	*(81)*	*(6)*	*(75)*
Terminated vested	*(16)*	—	*(16)*
Retirees	*(155)*	*(77)*	*(78)*
Benefit obligation at end of the year	**(252)**	**(83)**	**(169)**
Change in plan assets			
Fair value of plan assets at beginning of the year	219	136	83
Interest income on plan assets	13	12	1
Return on plan assets greater/(less) than discount rate	—	1	(1)
Employer contributions	5	—	5
Obligation transfer	—	—	—
Benefits paid	(6)	(5)	(1)
Foreign currency exchange rate differences and other movements	(15)	(15)	—
Fair value of plan assets at end of the year	**216**	**129**	**87**
Present value of wholly or partly funded obligation	(171)	(84)	(87)
Fair value of plan assets	216	129	87
Net present value of wholly or partly funded obligation	**45**	**45**	—
Present value of unfunded obligation	(81)	—	(81)
Prepaid due to unrecoverable surpluses	(33)	(33)	—
Recognised net liabilities	**(69)**	**12**	**(81)**
Change in unrecoverable surplus			
Unrecoverable surplus at beginning of the year	(25)	(25)	—
Interest cost on unrecoverable surplus	(2)	(2)	—
Change in unrecoverable surplus in excess of interest	(9)	(9)	—
Exchange rates changes	3	3	—
Unrecoverable surplus at end of the year	**(33)**	**(33)**	—

(in millions of Euros)	Year Ended December 31, 2017[1] Total	Brazil	Europe
Change in benefit obligation			
Benefit obligation at beginning of the year	(151)	(68)	(83)
Service cost	—	—	—
Interest cost	(9)	(8)	(1)
Actuarial gain / (loss)	(25)	(28)	3
Demographic assumptions	*—*	*—*	*—*
Financial assumptions	*(21)*	*(21)*	*—*
Experience adjustments	*(4)*	*(7)*	*3*
Benefits paid	10	6	4
Obligations transfer	(77)	—	(77)
Foreign currency exchange rate differences and other movements	(15)	1	(16)
Benefit obligation at end of the year	**(267)**	**(97)**	**(170)**
Actives	*(79)*	*(9)*	*(70)*
Terminated vested	*(16)*	*—*	*(16)*
Retirees	*(172)*	*(88)*	*(84)*
Benefit obligation at end of the year	**(267)**	**(97)**	**(170)**
Change in plan assets			
Fair value of plan assets at beginning of the year	126	125	1
Interest income on plan assets	14	14	—
Return on plan assets greater/(less) than discount rate	6	6	—
Obligation transfer	77	—	77
Benefits paid	(6)	(6)	—
Foreign currency exchange rate differences and other movements	3	(3)	6
Fair value of plan assets at end of the year	**220**	**136**	**84**
Present value of wholly or partly funded obligation	(181)	(98)	(83)
Fair value of plan assets	220	136	84
Net present value of wholly or partly funded obligation	**39**	**38**	**1**
Present value of unfunded obligation	(87)	—	(87)
Prepaid due to unrecoverable surpluses	(25)	(25)	—
Recognised net liabilities	**(73)**	**13**	**(86)**
Change in unrecoverable surplus			
Unrecoverable surplus at beginning of the year	(43)	(43)	—
Interest cost on unrecoverable surplus	(4)	(4)	—
Change in unrecoverable surplus in excess of interest	22	22	—
Exchange rates changes	—	—	—
Unrecoverable surplus at end of the year	**(25)**	**(25)**	—

Note:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Asset ceiling

In accordance with IFRS, assets recognised for a defined benefit plan are limited to the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan. The amount not recognised in the fair value of plan assets due to the asset ceiling was €33 million and €25 million at December 31, 2018, and 2017, respectively.

The following tables detail the components of net periodic pension cost:

	Year Ended December 31, 2018		
(in millions of Euros)	**Total**	**Brazil**	**Europe**
Net periodic pension cost			
Service cost	(5)	—	(5)
Net Interest (cost) / income on net (liability) / asset	—	2	(2)
Administration costs	—	—	—
Total	**(5)**	**2**	**(7)**

	Year Ended December 31, 2017(1)		
(in millions of Euros)	**Total**	**Brazil**	**Europe**
Net periodic pension cost			
Service cost	—	—	—
Net Interest (cost) / income on net (liability) / asset	1	2	(1)
Administration costs	—	—	—
Total	**1**	**2**	**(1)**

Note:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

Other post-employment benefits

The Company's principal operating subsidiaries provide Other Post-Employment Benefits ("OPEB"), including life insurance benefits, to retirees. Summary of changes in the other post-employment benefit obligation and the change in plan assets.

	Year Ended December 31, 2018		
(in millions of Euros)	**Total**	**Brazil**	**Europe**
Change in post-employment benefit obligation			
Benefit obligation at beginning of year	(52)	—	(52)
Service cost	(2)	—	(2)
Interest cost	(1)	—	(1)
Actuarial (gain)/loss	—	—	—
Demographic assumptions	—	—	—
Financial assumptions	—	—	—
Experience adjustments	—	—	—
Benefits paid	3	—	3
Curtailments	—	—	—
Foreign currency exchange rate changes and other movements	—	—	—
Benefits obligation at end of year	**(52)**	**—**	**(52)**
Actives	*(52)*	—	*(52)*
Terminated vested	—	—	—
Retirees	—	—	—
Benefit obligation at end of the year	**(52)**	**—**	**(52)**
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	52	—	52
Recognised liabilities	**(52)**	**—**	**(52)**

(in millions of Euros)	Year Ended December 31, 2017[1] Total	Brazil	Europe
Change in post-employment benefit obligation			
Benefit obligation at beginning of year	(45)	(1)	(44)
Service cost	(3)	—	(3)
Interest cost	(1)	—	(1)
Actuarial (gain)/loss	(1)	—	(1)
Demographic assumptions	—	—	—
Financial assumptions	—	—	—
Experience adjustments	—	—	—
Benefits paid	3	—	3
Curtailments	—	—	—
Foreign currency exchange rate changes and other movements	(5)	*1*	*(6)*
Benefits obligation at end of year	**(52)**	—	**(52)**
Actives	*(52)*	—	*(52)*
Terminated vested	—	—	—
Retirees	—	—	—
Benefit obligation at end of the year	**(52)**	—	**(52)**
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	52	—	52
Recognised liabilities	**(52)**	—	**(52)**

Note:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

The following tables detail the components of net periodic other post-employment cost:

(in millions of Euros)	Year Ended December 31, 2018 Total	Brazil	Europe
Components of net periodic OPEB benefit			
Service cost	(2)	—	(2)
Past service cost – Curtailments	—	—	—
Net Interest (cost)/income on net (liability)/asset	(1)	—	(1)
Actuarial gains/(losses) recognised during the year	—	—	—
Total	**(3)**	—	**(3)**

(in millions of Euros)	Year Ended December 31, 2017(1) Total	Brazil	Europe
Components of net periodic OPEB benefit			
Service cost	(3)	—	(3)
Past service cost – Curtailments	—	—	—
Net Interest (cost)/income on net (liability)/asset	(1)	—	(1)
Actuarial gains/(losses) recognised during the year	(1)	—	(1)
Total	**(5)**	—	**(5)**

Note:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the consolidated financial statements.

Reimbursement rights

Reimbursement rights arising from reinsurance contracts covering retirement pensions, death and disability benefits in Germany amount to €2 million as of December 31, 2018 and €3 million as of December 31, 2017.

Plan Assets

The weighted average asset allocations by asset category in Brazil were as follows:

	At December 31, 2018	2017
Equity Securities	—	—
Asset classes that have a quoted market price in an active market	—	—
Asset classes that do not have a quoted market price in an active market	—	—
Fixed Income (including cash)	97%	97%
Asset classes that have a quoted market price in an active market	*97%*	*97%*
Asset classes that do not have a quoted market price in an active market	—	—
Real Estate	2%	2%
Asset classes that do not have a quoted market price in an active market	*2%*	*2%*
Asset classes that have a quoted market price in an active market	—	—
Other	1%	1%
Total	**100%**	**100%**

The weighted average asset allocations by asset category in Europe were as follows:

	At December 31,	
	2018	2017
Equity Securities	—	—
Asset classes that have a quoted market price in an active market	—	—
Asset classes that do not have a quoted market price in an active market	—	—
Fixed Income (including cash)	—	—
Asset classes that have a quoted market price in an active market	—	—
Asset classes that do not have a quoted market price in an active market	—	—
Real Estate	—	—
Asset classes that do not have a quoted market price in an active market	—	—
Asset classes that have a quoted market price in an active market	—	—
Other	100%	100%
Total	**100%**	**100%**

The assets related to the funded defined benefit pension plans in Europe are all related to insured contracts in Belgium. These assets do not include any direct investment in Aperam or in property or other assets occupied or used by Aperam. This does not exclude Aperam shares included in mutual fund investments. The invested assets produced an actual return of €13 million and €21 million in 2018 and 2017, respectively.

The Remuneration Committee of the Board of Directors for the respective operating subsidiaries has general supervisory authority over the respective trust funds. This committee has established the following asset allocation targets. These targets are considered benchmarks and are not mandatory.

	BRAZIL	EUROPE
Equity Securities	3%	—
Fixed Income (including cash)	93%	—
Real Estate	2%	—
Other	2%	100%
Total	**100%**	**100%**

Weighted average assumptions used to determine benefit obligations:

	Pension Plans		Other Post-Employment Benefits	
	December 31,		December 31,	
	2018	2017	2018	2017
	Discount rate			
Range	1.55%-8.85%	1.45%-9.30%	1.55%-8.85%	1.45%-9.30%
Weighted average	3.91%	4.31%	1.55%	1.47%
	Rate of compensation increase			
Range	2.00%-6.50%	2.00%-7.42%	3.05-6.50%	3.05%-7.42%
Weighted average	3.01%	3.25%	3.05%	3.06%
	Average longevity at retirement age for current pensioners (years)			
Males	21.856	21.507	18.633	18.804
Females	24.872	24.546	22.008	22.046
	Average longevity at retirement age for future pensioners (years)			
Males	22.851	22.451	18.633	18.804
Females	25.944	25.572	22.008	22.046

Cash Contributions and maturity profile of the plans

In 2018, the Company expects its cash contributions to amount to €4 million for pension plans, €3 million for other post-employment benefits plans and €8 million for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were €8 million and €7 million in 2018 and 2017, respectively. At December 31, 2018, the weighted average durations of the pension and other post-employment benefits plans were 11 years and 9 years, respectively.

Risks associated with defined benefit plans

Through its defined benefit pension plans and OPEB plans, Aperam is exposed to a number of risks, the most significant of which are detailed below:

Change in bond yields
A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Investment risk
The present value of the defined plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. For Aperam's funded plans, plan assets hold a significant portion of equities, which are expected to outperform corporate bond in the long-term while providing volatility and risk in the short-term. Due to the long-term nature of the plan liabilities, the Company considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the plans.

Longevity risk
The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk
The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Sensitivity analysis
The following information illustrates the sensitivity to a change in certain assumptions related to the Company's operating subsidiaries' pension plans (as of December 31, 2018, the defined benefit obligation ("DBO") for

pension plans was €252 million):

(in millions of Euros)	Effect on 2019 Pre-Tax Pension Expense (sum of service cost and interest cost)[1]	Effect of December 31, 2018 DBO
Change in assumption		
100 basis point decrease in discount rate	1	(33)
100 basis point increase in discount rate	(1)	27
100 basis point decrease in rate of compensation	—	1
100 basis point increase in rate of compensation	—	(1)
1-year increase of the expected life of the beneficiaries	—	(5)

Note:
(1) Effects of change in assumptions on 2018 Pre-Tax pension expense were below €1 million.

The following table illustrates the sensitivity to a change in the discount rate assumption related to the Company's operating subsidiaries' OPEB plans (as of December 31, 2018 the DBO for post-employment benefit plans was €52 million):

(in millions of Euros)	Effect on 2019 Pre-Tax Pension Expense (sum of service cost and interest cost)(1)	Effect of December 31, 2018 DBO
Change in assumption		
100 basis point decrease in discount rate	—	(6)
100 basis point increase in discount rate	—	5
100 basis point decrease in rate of compensation	—	5
100 basis point increase in rate of compensation	—	(5)
1-year increase of the expected life of the beneficiaries	—	—

Note:
(1) Effects of change in assumptions on 2018 OPEB expense were below €1 million.

The above sensitivities reflect the effect of changing one assumption at a time. Actual economic factors and conditions often affect multiple assumptions simultaneously, and the effects of changes in key assumptions are not necessarily linear.

NOTE 19: EQUITY

Authorised shares

On May 8, 2014, the Extraordinary General Meeting resolved to increase the authorised share capital by €54,279,543, equivalent to 10,362,482 shares, or approximately 13% of Aperam's outstanding shares. Following this approval, which is valid for five years, the total authorised share capital (including its issued share capital) was €503,991,548, represented by 96,216,785 shares without nominal value.

Share capital

On September 9, 2010, the Company's subscribed share capital was fixed in the sum of U.S.$40,000 represented by 4,000 shares without par value.

On December 6, 2010, the Company's subscribed share capital was converted from USD into EUR (€31,000).

On January 25, 2011, the Company allotted the 78,045,730 newly issued shares without par value as fully paid up to the shareholders of ArcelorMittal S.A. in proportion of their holding of ArcelorMittal S.A. shares based on the exchange ratio set out in the spin-off proposal.

On June 2, 2017, and June 22, 2017, the Company increased its share capital by €6,999,985 from €408,831,000 to €415,830,985 through the issuance of 1,288,166 and 47,709 new shares delivered to bondholders of Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices. The aggregate number of shares issued and fully paid up increased to 79,385,605.

On June 22, 2017, following the decision of the Extraordinary General Meeting of May 10, 2017, to cancel issued shares acquired under the share buyback programme announced on February 9, 2017, the Company cancelled 2,000,000 issued shares acquired under the Programme. The share capital decreased from €415,830,985 to €405,350,985. The aggregate number of shares issued and fully paid up decreased to 77,385,605.

On August 4 and August 11, 2017, the Company increased its share capital by €25,749,984 from €405,350,985 to €431,100,969 through the issuance of 4,036,258 and 877,861 new shares, at a conversion price of U.S.$20.96 per share, delivered to bondholders of Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices. The aggregate number of shares issued and fully paid up increased to 82,299,724.

On September 8, 2017, Aperam gave notice to bondholders of its convertible bonds maturing 2020 that it intended to redeem the bonds on the optional redemption date, being October 16, 2017, at their principal amount together with accrued but unpaid interest to such date. Several bondholders holding Convertible Bonds due 2020 decided to exercise their option for conversion into shares. On October 11, 2017, the Company increased its share capital by €16,749,953 from €431,100,969 to €447,850,922 through the issuance of 3,196,556 new shares, at a conversion price of U.S.$20.96 per share, delivered to bondholders of Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices. The aggregate number of shares issued and fully paid up increased to 85,496,280.

The remaining bondholders with face value of U.S.$2 million were redeemed at par.

Considering the share buyback of 2 million shares completed in June 2017 and the cancellation of such shares, net shares issued during the year 2017 was 7,446,550 shares, with a current total number of issued shares amounting 85,496,280 shares.

On December 31, 2018, the Company has 85,496,280 shares issued and 83,556,682 shares outstanding, with no par value, for a total amount of €448 million.

Treasury shares

Between March 7, 2017, and June 16, 2017, the Company acquired 2,000,000 of its own shares under the share buyback programme announced on February 9, 2017, for a total consideration of U.S.$98 million (€87 million).

On June 22, 2017, 2,000,0000 shares acquired under the share buyback programme were cancelled in line with the announced purpose of the programme.

Between May 18, 2018, and July 16, 2018, the Company acquired 1,800,000 of its own shares under the share buyback programme announced on January 30 , 2018, for a total consideration of €70 million.

During 2017, a total of 66,550 shares were allocated to qualifying employees under the PSU plan granted in June 2014. During 2017, a total of 39,000 shares were allocated to qualifying employees under the RSU plan granted in September 2014.

During 2018, a total of 51,553 shares were allocated to qualifying employees under the PSU plan granted in August 2015. During 2018, a total of 24,200 shares were allocated to qualifying employees under the RSU plan granted in August 2015.

During 2018, the Company received 24,142 of its own shares as a consequence of the call spread overlay unwinding in relation to the convertible bonds 2021 early buy-back.

Aperam held 1,939,598 and 182,502 treasury shares as of December 31, 2018, and 2017, respectively. Refer to Note 21 “Balance and Transactions with Related Parties” for additional information.

Dividends

On May 10, 2017, the shareholders approved at the annual general meeting of shareholders a gross dividend per share of U.S.$.1.50 (gross) per share. The dividend is being paid in four equal quarterly instalments of U.S.$0.375 (gross) per share.

On May 9, 2018, the shareholders approved at the annual general meeting of shareholders a gross dividend per share of U.S.$.1.80 (gross) per share. The dividend is being paid in four equal quarterly instalments of U.S.$0.45 (gross) per share.

Stock Option Plans

For historical reasons, certain of the Group's employees participate in stock based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal.

For the years ended December 31, 2018, and 2017, the amount of outstanding options was 35,468 and 46,636 respectively. The amount of exercisable options was 35,468 and 46,636 respectively for the years ended December 31, 2018, and 2017. Exercise prices of ArcelorMittal stock options vary from U.S.$91.98 to U.S.$109.14. Weighted average contractual life of the options varies from 0.6 to 1.6 years.

Share Unit Plan

On July 12, 2011, the ordinary general meeting of shareholders approved an equity-based incentive plan to key employees of Aperam. The plan comprises a Restricted Share Unit Plan (“RSU Plan”) and a Performance Share Unit Plan (“PSU Plan”) designed to incentivise the targeted employees, to improve the long-term performance of the Company and to retain key employees. Both the RSU Plan and the PSU Plan are intended to promote the alignment of interests between the company’s shareholders and eligible employees by allowing them to participate in the success of the Company.

The RSU and PSU plans shall vest in full on the three-year anniversary of the date on which the award was granted contingent upon the continued active employment of the employee within the Group. The aim of the

RSU Plan is to provide a retention incentive to eligible employees. The RSUs are an integral part of the Company's remuneration framework in which it serves the specific objective of medium-term and long-term retention.

The main objective of the PSU Plan is to be an effective performance-enhancing scheme based on the achievement of the Company's strategy.

The maximum number of shares available for grant is subject to the prior approval of the Company's shareholders at the annual general meeting, such approval being valid until the next annual general meeting.

The allocation of equity based incentives to eligible employees under the RSU Plan and the PSU Plan is reviewed by the Remuneration, Nomination and Corporate Governance Committee of the Board of Directors, which makes a proposal and recommendation to the full Board of Directors.

The following table summarizes the Company's share unit plans outstanding December 31, 2018:

At Grant date						Number of shares issued as of December 31, 2018		
Grant date	**Type of plan**	**Number of shares**	**Number of beneficiaries**	**Maturity**	**Fair value per share (in €)**	**Shares outstanding**	**Shares vested**	**Shares forfeited**
Aug. 31, 2016	PSU	46,761	54	Aug 31, 2019	35.08	46,761	—	—
Aug. 31, 2016	RSU	33,550	44	Aug 31, 2019	35.08	33,550	—	—
Aug. 31, 2017	PSU	71,884	54	Aug 31, 2020	44.34	71,884	—	—
Jun. 1, 2018	PSU	85,461	54	Jun 1, 2021	40.32	85,461	—	—
TOTAL		**237,656**				**237,656**	**—**	**—**

The fair value of the shares allocated to the beneficiaries is recorded as an expense in the consolidated statements of operations (selling, general and administrative expenses) over the relevant vesting or service periods. The compensation expense recognised for the restricted stock units was €(2) million and €(2) million for the year ended December 31, 2018, and 2017, respectively.

Share unit plan activity is summarized below as of and for each year ended December 31, 2018 and 2017 :

	RSUs		PSUs	
	Number of shares	**Fair value per share (€)**	**Number of shares**	**Fair value per share (€)**
Outstanding Dec. 31, 2016	**109,050**	**29.05**	**159,832**	**29.08**
Granted	—	—	71,884	44.34
Vested	(39,000)	25.17	(46,291)	25.17
Forfeited	(9,000)	25.17	(17,548)	25.17
Outstanding Dec. 31, 2017	**61,050**	**32.09**	**167,877**	**37.10**
Granted	—	—	85,461	40.32
Vested	(24,200)	28.45	(40,785)	28.45
Forfeited	(3,300)	28.45	(8,447)	28.45
Outstanding Dec. 31, 2018	**33,550**	**35.08**	**204,106**	**40.53**

Option premium on convertible bonds

The option premium on convertible bonds of U.S.$39 million, net of deferred tax liability of U.S.$12 million represented the equity component (conversion rights) of the U.S.$200 million convertible debt instrument issued on September 19, 2013. Following the debt conversion and redemption in 2017 and in 2018 (see Note

15) the equity component was reclassified from "Option premium on convertible bonds" to "Retained Earnings".

Earnings per common share

For the purpose of calculating earnings per common share, diluted weighted average common shares outstanding excluded approximately 2 million potential common shares coming from the assumed conversion of the put option of U.S.$62 million linked to the U.S.$300 million convertible bond described in Note 15 for the year ended December 31, 2018, because the put will be repaid in cash on January 9, 2019.

	Year Ended December 31,	
(in millions of Euros)	**2018**	**2017(1)**
Net income considered for the purposes of basic earnings per share	**286**	**320**
Interest (expense)/income for the U.S.$300 million Convertible Bonds issued in 2014	(16)	16
Net income considered for the purposes of diluted earnings per share	**270**	**336**
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	**84.3**	**80.0**
Incremental shared from assumed conversion of stock options, restricted share units and performance share units	0.5	0.2
Incremental shares from assumed conversion of the U.S.$300 million Convertible Bonds issued in 2014	4.2	8.3
Weighted average common shares assuming conversions (in millions) used in the calculation of diluted earnings per share	**89.0**	**88.5**

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors capital using a ratio of Net Financial Debt divided by Equity which is called gearing ratio. Net Financial Debt or Net cash refers to long-term debt, plus short-term debt, less cash and cash equivalents (including short-term investments) and restricted cash.

The gearing ratio at end of the reporting period was as follows :

	December 31,	
(in millions of Euros)	**2018**	**2017(1)**
Long-term debt	181	238
Short-term debt	66	5
Cash and cash equivalents	(199)	(306)
(Net cash) / Net financial debt	**48**	**(63)**
Equity	2,515	2,540
Gearing	**2%**	**n/a**

Note:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

NOTE 20: FINANCIAL INSTRUMENTS

Fair values versus carrying amounts

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. The following table summarises assets and liabilities based on their categories as of December 31, 2018.

					Instruments at fair value		
(in millions of Euros)	Carrying amount in statements of financial position	Non-financial assets and liabilities	Loan and receivables	Liabilities at amortised cost	Fair value recognised in profit and loss	Equity instruments at Fair Value through OCI	Derivatives
ASSETS							
Current assets:							
Cash and cash equivalents	199	—	199	—	—	—	—
Trade accounts receivable	274	—	274	—	—	—	—
Inventories	1,410	1,410	—	—	—	—	—
Prepaid expenses and other current assets	71	40	23	—	—	—	8
Income tax receivable	6	6	—	—	—	—	—
Total current assets	**1,960**	**1,456**	**496**	—	—	—	**8**
Non-current assets:							
Goodwill and intangible assets	490	490	—	—	—	—	—
Biological assets	34	—	—	—	34	—	—
Property, plant and equipment	1,555	1,555	—	—	—	—	—
Other investments	32	—	—	—	—	32	—
Deferred tax assets	159	159	—	—	—	—	—
Other assets	93	37	41	—	—	—	15
Total non-current assets	**2,363**	**2,241**	**41**	—	**34**	**32**	**15**
Total assets	**4,323**	**3,697**	**537**	—	**34**	**32**	**23**
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt and current portion of long-term debt	66	—	—	66	—	—	—
Trade accounts payable	940	—	—	940	—	—	—
Short-term provisions	15	15	—	—	—	—	—
Accrued expenses and other liabilities	249	24	—	205	—	—	20
Income tax liabilities	6	6	—	—	—	—	—
Total current liabilities	**1,276**	**45**	—	**1,211**	—	—	**20**
Non-current liabilities:							
Long-term debt, net of current portion	181	—	—	181	—	—	—
Deferred tax liabilities	131	131	—	—	—	—	—
Deferred employee benefits	148	148	—	—	—	—	—
Long-term provisions	42	42	—	—	—	—	—
Other long-term obligations	26	2	—	9	—	—	15
Total non-current liabilities	**528**	**323**	—	**190**	—	—	**15**
Equity:							
Equity attributable to the equity holders of the parent	2,515	2,515	—	—	—	—	—
Non-controlling interests	4	4	—	—	—	—	—
Total equity	**2,519**	**2,519**	—	—	—	—	—
Total liabilities and equity	**4,323**	**2,887**	—	**1,401**	—	—	**35**

The following tables summarise the bases used to measure certain assets and liabilities at their fair value:

	As of December 31, 2018			
(in millions of Euros)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at fair value:				
Biological assets	—	—	34	34
Equity instruments at Fair Value through OCI	30	—	2	32
Derivative financial current assets	—	8	—	8
Derivative financial non-current assets	—	—	15	15
Total assets at fair value	**30**	**8**	**51**	**89**
Liabilities at fair value:				
Derivative financial current liabilities	—	20	—	20
Derivative financial non-current liabilities	—	—	15	15
Total liabilities at fair value	**—**	**20**	**15**	**15**

	As of December 31, 2017(1)			
(in millions of Euros)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at fair value:				
Biological assets	—	—	39	39
Equity instruments at Fair Value through OCI	31	—	1	32
Derivative financial current assets	—	14	—	14
Derivative financial non-current assets	—	—	84	84
Total assets at fair value	**31**	**14**	**124**	**169**
Liabilities at fair value:				
Derivative financial current liabilities	—	5	—	5
Derivative financial non-current liabilities	—	—	84	84
Total liabilities at fair value	**—**	**5**	**84**	**89**

Note:

(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Equity instruments classified as Level 1 refer to listed securities quoted in active markets. The total fair value is either the price of the most recent trade at the time of the market close or the official close price as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs. Equity instruments classified as Level 3 refer to securities not quoted in active markets. The fair value is thus based on latest available financial statements (value of net equity).

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in foreign exchange rates and commodity prices (base metals). The total fair value is based on the price a dealer would pay or receive for the security or similar securities, adjusted for any terms specific to that asset or liability.

Market inputs are obtained from well-established and recognised vendors of market data (Bloomberg and Reuters) and the fair value is calculated using standard industry models based on significant observable market inputs such as foreign exchange rates, commodity prices, swap rates, and interest rates. Derivative financial assets classified as Level 3 refer to the call options bought end of June 2014 by the Company on its own shares which may be exercised at the conversion price of the convertible bonds issued on July 8, 2014. Derivative financial liability classified as Level 3 refers to the conversion option in the U.S.$237 million convertible bonds. The fair valuation of Level 3 derivative instruments is established at each reporting date in relation to which an analysis is performed in respect of changes in the fair value measurement since the last period.

Aperam's valuation policies for derivatives are an integral part of its internal control procedures and have been reviewed and approved according to the Company's principles for establishing such procedures. In particular, such procedures address the accuracy and reliability of input data, the accuracy of the valuation model and the knowledge of the staff performing the valuations.

Aperam establishes the fair valuation of the call options on its own shares and the conversion option with respect to the U.S.$237 million convertible bonds through the use of a volatility model based on a partial differential equation.

The model uses an iterative procedure to price options, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the option's expiration date.

In contrast to the Black-Scholes model, which provides a numerical result based on inputs, the model allows for the calculation of the asset and the option for multiple periods along with the range of possible results for each period. Observable input data used in the valuations include zero coupon yield curves, stock market prices and Libor interest rates. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available.

The following tables summarised the reconciliation of the fair value of the assets and liabilities classified as Level 3 for the year ended December 31, 2018:

(in millions of Euros)	**U.S.$237 million convertible bonds' conversion option**	**Call option on own shares**	**Equity instruments not quoted**	**Total**
Balance as of December 31, 2017(1)	(84)	84	2	2
Change in fair value(2)	57	(57)	—	—
Early buyback (see Note 15)	12	(12)	—	—
Balance as of December 31, 2018	**(15)**	**15**	**2**	**2**

Notes:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.
(2) Recognised in net financing costs in the consolidated statements of operations.

For more information on Biological assets, please refer to Note 11.

Portfolio of Derivatives

The Company enters into derivative financial instruments to manage its exposure to fluctuations in exchange rates and the price of raw materials arising from operating, financing and investment activities.

The Company's portfolio of derivatives consists of transactions with Aperam Treasury S.C.A., which in turn enters into offsetting positions with counterparties external to Aperam. Aperam manages the counterparty risk associated with its instruments by centralising its commitments and by applying procedures which specify, for each type of transaction exposure limits based on the risk characteristics of the counterparty.

The portfolio associated with derivative financial instruments classified as Level 2 as of December 31, 2018, is as follows:

	Assets		Liabilities	
(in millions of Euros)	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Foreign exchange rate instruments				
Forward purchase contracts	265	4	279	(1)
Forward sale contracts	136	1	257	(7)
Total foreign exchange rate instruments		**5**		**(8)**
Raw materials (base metal)				
Term contracts sales metals	45	3	9	—
Term contracts purchases metals	3	—	120	(12)
Total raw materials (base metal)		**3**		**(12)**
Total		**8**		**(20)**

The portfolio associated with derivative financial instruments classified as Level 2 as of December 31, 2017 [(1)], is as follows:

	Assets		Liabilities	
(in millions of Euros)	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Foreign exchange rate instruments				
Forward purchase contracts	22	—	24	—
Forward sale contracts	38	1	3	—
Total foreign exchange rate instruments		**1**		**—**
Raw materials (base metal)				
Term contracts sales metals	31	1	29	(3)
Term contracts purchases metals	74	12	18	(1)
Total raw materials (base metal)		**13**		**(4)**
Total		**14**		**(4)**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Exchange rate risk

The Company is exposed to fluctuations in foreign exchange rates due to a substantial portion of the Company's assets, liabilities, sales and earnings being denominated in currencies other than the Euro (its presentation currency). These currency fluctuations, especially the fluctuation of the value of the Euro relative to the U.S. dollar, Brazilian real, as well as fluctuations in the other countries' currencies in which the Company has significant operations and/or sales, could have a material impact on its results of operations.

Following its Treasury and Financial Risk Management Policy, the Company hedges its net exposure to exchange rates through spot and derivative transactions.

Liquidity Risk

The Company's principal sources of liquidity are cash generated from its operations, bank credit lines and various working capital credit lines at its operating subsidiaries. The levels of cash, credit lines and debt are closely monitored and appropriate actions are taken in order to manage the maturity profile and currency mix.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

(in millions of Euros)	December 31, 2018					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over €100 million	(189)	(210)	(64)	(1)	(145)	—
Trade payables	(940)	(940)	(940)	—	—	—
Other non-derivative financial liabilities	(58)	(63)	(4)	(8)	(21)	(30)
Total	**(1,187)**	**(1,213)**	**(1,008)**	**(9)**	**(166)**	**(30)**
Derivative financial liabilities						
Foreign exchange contracts	(8)	(8)	(8)	—	—	—
Other commodities contracts	(12)	(12)	(12)	—	—	—
Total	**(20)**	**(20)**	**(20)**	**—**	**—**	**—**

(in millions of Euros)	December 31, 2017 [1]					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over €100 million	(236)	(238)	(2)	(237)	—	—
Trade payables	(897)	(897)	(897)	—	—	—
Other non-derivative financial liabilities	(8)	(14)	(10)	(1)	(3)	(1)
Total	**(1,141)**	**(1,149)**	**(909)**	**(238)**	**(3)**	**(1)**
Derivative financial liabilities						
Foreign exchange contracts	—	—	—	—	—	—
Other commodities contracts	(4)	(4)	(4)	—	—	—
Total	**(4)**	**(4)**	**(4)**	**—**	**—**	**—**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Cash flow hedges

The following table presents the periods in which cash flows hedges are expected to mature:

	December 31, 2018					
	(outflows)/inflows					
(in millions of Euros)	Carrying Amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	7	5	1	1	—	—
Foreign exchange contracts	2	1	1	—	—	—
Total	**9**	**6**	**2**	**1**	—	—

(in millions of Euros)	December 31, 2017 [1] (outflows)/inflows Carrying Amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	6	4	1	1	—	—
Foreign exchange contracts	2	1	1	—	—	—
Total	**8**	**5**	**2**	**1**	—	—

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

The following table presents the periods in which cash flows hedges are expected to impact the statement of operations:

(in millions of Euros)	December 31, 2018 (expense)/income Carrying Amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	7	5	1	1	—	—
Foreign exchange contracts	2	1	1	—	—	—
Total	**9**	**6**	**2**	**1**	—	—

(in millions of Euros)	December 31, 2017 [1] (expense)/income Carrying Amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	6	4	1	1	—	—
Foreign exchange contracts	2	1	1	—	—	—
Total	**8**	**5**	**2**	**1**	—	—

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Raw materials

The Company utilises derivative instruments such as forwards, swaps and options to manage its exposure to commodity prices both through the purchase of commodities and through sales contracts.

Fair values of raw material instruments are as follows:

(in millions of Euros)	At December 31, 2018	2017 [1]
Base metals	(9)	9
Total	**(9)**	**9**
Assets associated with raw material	3	13
Liabilities associated with raw material	(12)	(4)
Total	**(9)**	**9**

Note:
(1) Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

The Company consumes large amounts of commodities (mainly nickel), the price of which is related to the London Metals Exchange price index. The Company is exposed to price volatility in respect of its purchases in the spot market and under its long-term supply contracts.

Sensitivity analysis

Foreign currency sensitivity

The following table details the Company's sensitivity as it relates to derivative financial instruments to a 10% variation of the Euro against the other currencies to which the Company is exposed. The sensitivity analysis does not include non-derivative foreign currency denominated monetary items. A positive number indicates an increase in statement of operations where a negative number indicates a decrease in statement of operations and other equity.

	December 31, 2018	
(in millions of Euros)	**Income**	**Other Equity Cash Flow Hedging Reserves**
10% appreciation in Euro	31	(7)
10% depreciation in Euro	(31)	7

Cash flow sensitivity analysis for variable rate instruments

The Company's sensitivity to a change of 100 basis points variation in interest rates for variable rate instruments would have an impact lower than €1 million on profit or loss. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Base metals

The following table details the Company's sensitivity to a 10% variation in the prices of base metals. The sensitivity analysis includes un-matured base metal derivative instruments

	December 31, 2018	
(in millions of Euros)	**Income**	**Other Equity Cash Flow Hedging Reserves**
+10% in prices Base Metals	(3)	9
-10% in prices Base Metals	3	(9)

NOTE 21: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties of the Company, were as follows:

(in millions of Euros)	Year Ended December 31,		December 31,	
	2018	2017(1)	2018	2017(1)
Transactions	Sales		Included in Trade accounts receivable	
ArcelorMittal and its subsidiaries	72	83	5	4
Total	**72**	**83**	**5**	**4**

(in millions of Euros)	Year Ended December 31,		December 31,	
	2018	2017(1)	2018	2017(1)
Transactions	Purchase of raw material & others		Included in Trade accounts payable	
ArcelorMittal and its subsidiaries	235	231	25	27
Total	**235**	**231**	**25**	**27**

Note:
(1) Amounts for December 31, 2017 and year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

The table above includes purchases of raw materials and energy from related parties as follows:

(in millions of Euros)	Year Ended December 31,	
	2018	2017(1)
Raw materials	51	49
Energy supply contracts	147	127

Note:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Transactions and balances with related parties also include the following:

(in millions of Euros)	December 31,	
	2018	2017(1)
Tax indemnification from ArcelorMittal Bioflorestas (current and non-current assets)	—	2
Other current liabilities	1	1

Note:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

(in millions of Euros)	Year Ended December 31,	
	2018	2017(1)
Selling, general and administrative expenses	5	4

Note:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note.

Refer to Note 24 for disclosure of transactions with key management personnel. The above mentioned transactions between Aperam and the respective entities were conducted on an arm's length basis.

NOTE 22: COMMITMENTS

The Company's commitments consist of three main categories:

> various purchase and capital expenditure commitments,

> pledges, guarantees and other collateral instruments given to secure financial debt and credit lines,

> non-cancellable operating leases.

Commitments given

(in millions of Euros)	Year Ended December 31,	
	2018	**2017**[1]
Purchase commitments	1,859	1,183
Guarantees, pledges and other collateral	142	125
Operating leases [2]	26	43
Total	**2,027**	**1,351**

Notes:

(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

(2) Amounts computed at present value based on incremental borrowing rate on January 1, 2019.

Purchase commitments

Purchase commitments consist of the major agreements for procuring electricity and nickel. The Company also entered into agreements for industrial gas, molybdenum, chromium, scrap and mill rolls. Those commitments are valued based on the market quotations at relevant markets, depending on the contracts and related conditions either as an average or at year-end for each commodity.

Guarantees, pledges and other collateral

Guarantees consist of guarantees of financial loans and credit lines first demand and documentary guarantees. Other collateral include documentary credits, letters of credit and sureties.

Operating leases

Commitments for operating leases are primarily related to one contract for land in Belgium, as well as wagons and other machinery equipment. Future payments required under operating leases that have initial or remaining non-cancellable terms as of December 31, 2018 according to maturity periods are as follows:

(in millions of Euros)	**December 31, 2018**
Less than 1 year	7
1-5 years	16
More than 5 years	6
Total	**29**

NOTE 23: CONTINGENCIES

The Company is involved in litigation, arbitration and other legal proceedings. Provisions related to legal and arbitral proceedings are recorded in accordance with the principles described in Note 2 to the Consolidated Financial Statements.

Most of these claims involve highly complex issues, actual damages and other matters. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, for certain of these claims, the Company is unable to make a reasonable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, the Company has disclosed information with respect to the nature of the contingency. The Company has not accrued a reserve for the potential outcome of these cases.

In the cases in which quantifiable fines and penalties have been assessed, the Company has indicated the amount of such fine or penalty, or the amount of provision accrued, which is the estimate of the probable loss.

In a limited number of ongoing cases, the Company is able to make a reasonable estimate of the expected loss or range of possible loss and has accrued a provision for such loss, but management believes that publication of this information on a case-by-case basis would seriously prejudice its position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed information with respect to the nature of the contingency, but has not disclosed its estimate of the range of potential loss.

These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management. Management believes that the aggregate provisions recorded for these matters are adequate based upon currently available information. However, given the inherent uncertainties related to these cases and in estimating contingent liabilities, the Company could, in the future, incur judgments that have a material adverse effect on its results of operations in any particular period.

In addition, in the normal course of business, the Company and its operating subsidiaries may be subject to audits by the tax authorities in the countries in which they operate. Those audits could result in additional tax liabilities and payments, including penalties for late payment and interest.

Environmental Liabilities

The Company is subject to a broad range of environmental laws and regulations. As of December 31, 2018, the Company had established reserves of €14 million for environmental and remedial activities and liabilities.

Belgium
In Belgium, there is an environmental provision of €5 million, of which most significant elements are legal obligations linked to soil treatment of the sites of Genk and Chatelet. The new examination in 2015 at the site of Châtelet revealed only limited additional pollution without any consequences from the official instances about possible remediation obligations.

France
In France, there is an environmental provision of €9 million, which relates to (i) the demolition and clean-up of the Company's Ardoise facility after operations ceased at the site, (ii) the demolition costs of few minor production equipments put permanently out of service and (iii) the clean-up and restructuring of its Firminy site.

Brazil
In Brazil, violation of an environmental regulation may result in fines, imprisonment, interruption of the Company's activities, cancellation of tax incentives and credit lines with governmental financial entities and dissolution of the corporate entity, in addition to the obligation to repair or to indemnify for damages caused to the environment and third parties.

Therefore, changes in environmental laws or regulations, or in the interpretation thereof, or in the administrative procedures and policies adopted under current environmental laws and regulations, could require the Company to invest in additional resources in environmental compliance and the renewal of its licenses, and could therefore adversely affect it. Additionally, non-compliance with or violation of any such laws and regulations could result in the revocation of the Company’s licenses and suspension of its activities or in its responsibility for environmental remediation costs, which could be substantial. The Company cannot assure that its expenses relating to compliance with applicable environmental regulations will not be significant or that it will be able to renew its licenses in a timely manner, or at all.

Moreover, under certain circumstances the Company’s corporate shareholder structure could be disregarded in order to enable claimants to recover for environmental claims against it.

Tax Claims

Set out below is a summary description of the tax claims (i) in respect of which Aperam had recorded a provision as of December 31, 2018, (ii) that constitute a contingent liability, or (iii) that were resolved in 2018, in each case involving amounts deemed material by Aperam. The Company is vigorously defending against each of the pending claims discussed below. As of December 31, 2018, the Company has established reserves in the aggregate of approximately €10 million for those of the claims as to which the criteria for provisioning were met.

> On December 3, 2018, Aperam South America received a tax assessment related to PIS & COFINS (federal tax on turnover) for the year 2014. The total amount claimed is R$23 million (€5 million). The Company presented its defense on January 3, 2019. The case is pending at first administrative level.

> On March 31, 2017, Aperam South America received a tax assessment related to the tax benefit taken in 2012 from the goodwill generated by the acquisition of the minority shares for the delisting of the Company that occured in 2008. The total amount claimed is R$59million (€13 million). Since December 11, 2018 , the case is closed at Second administrative level (unfavorable to the Company). The decision needs to be notified for the Company to decide to defend its case at judicial level.

> On November 22, 2016, Aperam South America received a tax assessment related to IPI (tax on manufactured products) for year 2011-2012 for its branch in Sumare, Brazil. Total amount claimed is R$25 million (€6 million). In March 8, 2018, the Company received an unfavorable decision and decided to appeal it on April 6, 2018. The case is pending at the second administrative level.

> On May 19, 2015, Aperam South America received two tax assessments related to social contributions regarding years 2010-2011 in a total amount of R$22 million (€5 million). In March 2017, the Company received a partially favorable decision. In July 2017, the Company filed an action for annulment of the tax debits before Judicial Court. Since May 21, 2018, the Company presented a petition to specify evidences to support its defense. The case is pending at first judicial instance level.

> On July 23, 2014, Aperam South America received a tax assessment related to the tax benefit taken in 2010 and 2011 from the goodwill generated by the acquisition of the minority shares for the delisting of the Company that occured in 2008. The total amount claimed by the Federal Revenue Service is R$238 million (€54 million). The Company presented its defense on August 21, 2014, at the first administrative level. On July 1, 2016, the Company received an unfavorable decision that it appealed on July 29, 2016. On June 8, 2018, the Administrative Tax Court (Appeal) issued a partially favorable decision to the Company. The case is pending at second administrative level.

> On July 11, 2014, Aperam South America received two tax assessments for social contributions paid in relation to 2009 and 2010 “Profit Sharing Programme” for a total amount of R$48million (€11 million). The Company presented its defense successively on August 12, 2014, and December 2, 2014, at the first administrative level. On February 26, 2015, the decision was unfavorable. The Company appealed on May 7, 2015. On July 13, 2016, Administrative Tax Court (Appeal) decision was partially favorable to the Company. The Company appealed in May 2017 to the third administrative instance. The special appeal was partially accepted. The case is pending at third administrative level.

> On June 24, 2014, Aperam Bioenergìa received a tax assessment from the Federal Revenue Service in the total amount of R$75 million (€17 million) related to corporate income tax (“IRPJ” and “CSLL”) due to disallowance of previous tax losses compensation made by the Company in 2011. On December 10, 2015, Aperam Bioenergìa received a partially favorable decision. The Federal Revenue appealed to the Administrative Tax Court. In May 2017, the Court of Appeal denied the appeal of Federal Revenue. The

Company presented a motion for clarification of the court decision that was denied in October 2017. The Company intends to bring the case to judicial level.

> On December 20, 2013, Aperam South America received a tax assessment from Federal Revenue in the total amount of R$391 million (€88 million). This assessment contains two parts for the years 2008 and 2009:

- The tax authorities required that the profits of Acesita Imports & Exports Ltda to be added to Aperam South America's tax basis,
- The tax authorities disregarded the goodwill generated by the acquisition by Arcelor Aços Espeçiais do Brasil ("AAEB") of the minority shareholding of Aperam South America at the time of its delisting in 2008.

Aperam South America presented its defense at the first administrative level on January 20, 2014. On June 24, 2016, the Company received an unfavorable decision at first administrative level. The company presented its appeal on July 22, 2016. On February 20, 2018, the Administrative Tax Court (appeal) decision was partially favorable to the Company . The Company filed a motion for clarification that was rejected in September 2018. On October 8, 2018, the Company launched a special appeal. The case is pending at third administrative level.

> On October 31, 2013, Aperam South America received a tax assessment for PIS and COFINS compensation it made since 2010. On Sept 5th 2014, received a partially favorable decision that reduced the amount of the claim to R$29 million (€7 million). For the remaining amount claimed, the Company presented a voluntary appeal on October 6, 2014 to the Administrative Tax Court. On November 28, 2018, the Company received a favorable decision by the Administrative Court. The Company is waiting for the publication of the final decision to close definitely the case.

> On December 14, 2011, the Federal Revenue issued four tax assessments against Aperam South America for a total amount of R$80 million (€18 million) considering that the Company did not pay several social contributions due on payments made to employees under the Profit Sharing Programme. The Company presented its defense on January 13, 2012. On April 28, 2014, the Company obtained an unfavorable decision from the first instance and presented its voluntary appeal. On July 13, 2016, amongst the four cases, the Company obtained one partially favorable and one unfavorable decision. In August 2017 and September 2017, cases were brought to the Superior Administrative Court for appeal. The company also filed a special appeal in May 2018. The case is currently pending before the second and third administrative level.

> On December 5, 2007, Aperam South America received a tax assessment related to IPI tax credits generated from acquisition of refractory bricks. The total amount claimed is R$17 million (€4 million). The Company presented its defense on January 4, 2008. On January 12, 2011, the Court decision was partially favorable. The Company appealed. On May 21, 2013, the Court of Appeal decision was partially favorable to the Company. The Company presented a motion for clarification of the decision on July 7, 2016, that was rejected. On October 26, 2018, the Company presented a special petition to review this decision ; the case is pending at second administrative level.

> In June 2007, Aperam South America brought the discussion about social contributions and bonus payment at judicial level. The total amount claimed by the Federal Union is R$26 million (€6 million) . On June 20, 2012, the first Judicial Court decision was favorable to the Company but the Federal Union appealed the decision on June 21, 2013. The case is pending at second judicial level.

> On December 21, 2005, Aperam South America has been assessed by the Federal Revenue in relation to its calculation of social contributions on revenue (PIS and COFINS). The Administrative level ended partially favorable to the Company and the amount involved was reduced to R$65 million (€14 million). The Company brought the case at judicial level on September 9, 2014. In June 2016, the Company filed a petition against the defense presented by the Federal Revenue. The case is pending at first judicial level.

> In March 2005, Aperam South America has been assessed by the INSS (the Brazilian Social Security Institute) related to RAT (Social contribution on Employment retirement) for the period 1999-2004. The amount in dispute, comprising six cases, is R$51 million (€11 million). Regarding to the major case (R$46 million - €10 million), an unfavorable decision was granted on March 7, 2006, and the Company appealed on April 6, 2006. The Company received one favorable decision in one of the case on November 9, 2018, which is now closed. The other cases are pending at second and third administrative level.

> In November 1995, the Company filed a lawsuit seeking the right to fully compensate the losses and negative basis of social contribution between 1989 and 1995. The total amount claimed is R$33 million (€7 million). After unfavorable decisions in the first and second judicial instances, the Company is waiting for the final decision from the Superior Courts.

Litigations and Other Claims

The Company is presently involved in a number of legal disputes, the most significant of which are set out below. As of December 31, 2018, the Company has established reserves in the aggregate of approximately €24 million for those of the claims as to which the criteria for provisioning were met.

Brazil

> In July 2014, Union claimed against Aperam South America for non payment of weekly remunerated rest period to employees since 2007. Total amount claimed is R$36 million (€8 million). The decision of the Court of Appeal was favorable to the Unions but granted rights higher that initial calculation claimed. The Company filed an action to get clarification. The Court agreed to suspend the execution of the Court of Appeal decision. On March 1, 2018 the company received a favorable decision from the Special Court. The case is pending at judicial execution level.

> On April 1, 2004, a sanctioning administrative process with the Central Bank was brought against Aperam South America based on alleged irregular exchange operations utilised by it in the purchase and sale of treasury bills. On March 22, 2007, Aperam South America has been assessed with a fine of R$50 million (€11 million). The Company brought the case before the Judicial Court in 2012. On February 16, 2014, the first judicial instance was not favorable to the Company. On September 24, 2014, the appeal launched by the Company was accepted by the Court. The case is still pending before the Court of Appeal.

NOTE 24: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

The total annual compensation of Aperam's employees was as follows:

(in millions of Euros)	Year Ended December 31,	
	2018	**2017(1)**
Employee Information		
Wages and salaries	457	462
Pension cost	7	2
Other staff costs	63	70
Total	**527**	**534**

Note:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

During 2018 and 2017, Aperam employed 9,680 and 9,520 persons on average, respectively.

The total annual compensation of Aperam's key management personnel, including its Board of Directors, was as follows:

(in millions of Euros)	Year Ended December 31,	
	2018	**2017(1)**
Base salary	3	3
Directors' fees	1	1
Short-term performance-related bonus	2	1
Post-employments benefits(2)	—	—
Share based compensation(2)	2	—

Notes:
(1) Amounts for year ended December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

(2) Post-employments benefits for Aperam's key management personnel were below €1 million for the years ended December 31, 2018 and December 31, 2017 and share based compensation or Aperam's key management personnel were below €1 million for the years ended December 31, 2017.

As of December 31, 2018, and 2017, the Company did not have any outstanding loans or advances to members of Aperam's Board of Directors or key management personnel and had not given any guarantees for the benefit of any member of Aperam's Board of Directors or key management personnel.

NOTE 25: LIST OF SIGNIFICANT SUBSIDIARIES AS OF DECEMBER 31, 2018

The following table provides an overview of the Company's principal operating subsidiaries [(1)], all of which are integrated in full consolidation by the Company, according to the principles defined in Note 1, and meet the following criteria:

> Contribution to the Group total property, plant and equipment in excess of €5 million; or
> Contribution to the Group revenue in excess of €40 million.

Name of subsidiary	Country of incorporation	% Interest
Stainless & Electrical Steel		
Aperam Stainless Belgium	Belgium	100%
Aperam BioEnergìa	Brazil	100%
Aperam South America	Brazil	100%
Aperam Stainless Europe	France	100%
Aperam Stainless France	France	100%
Aperam Stainless Precision	France	100%
Recyco	France	100%
Alloys & Specialties		
Aperam Alloys Imphy	France	100%
Services & Solutions		
Aperam Stainless Services & Solutions Brazil	Brazil	100%
Aperam Stainless Services & Solutions Tubes Czech Republic	Czech Republic	100%
Aperam Stainless Services & Solutions France	France	100%
Aperam Stainless Services & Solutions Germany	Germany	100%
Aperam Stainless Services & Solutions Italy	Italy	100%
Aperam Stainless Services & Solutions Luxembourg	Luxembourg	100%
Aperam Stainless Services & Solutions Poland	Poland	100%
Aperam Stainless Services & Solutions Iberica	Spain	100%
Aperam Paslanmaz Celik	Turkey	100%
Aperam Stainless Services & Solutions Tubes Uruguay	Uruguay	100%
Aperam Stainless Services & Solutions USA	USA	100%

(1) We have no legal entity nor sales offices in: Afghanistan, Cuba, Iran, Iraq, North Korea, Somalia, Sudan/South Sudan, Syria, Crimea Region of Ukraine, Yemen nor Zimbabwe.

NOTE 26: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte Audit S.à r.l. acted as the principal independent registered public accounting firm for Aperam for the fiscal years ended December 31, 2018, and 2017. Set forth below is a breakdown of fees for services rendered in 2018 and 2017.

Audit Fees. Audit fees in 2018 and 2017 were €1.4million and €1.5 million, respectively.

Audit-Related Fees. Audit-related fees in 2018 and 2017 were €0.1 million and €0.1 million, respectively. Audit-related fees consist principally of issuances of certifications related to the covenant compliance required by lenders of the borrowing base revolving credit facility and certifications related to the sustainability report and other external publications.

Tax Fees. Fees relating to tax planning, advice and compliance in 2018 and 2017 were below €<0.1 million.

NOTE 27: SUBSEQUENT EVENTS

On January 8, 2019, Aperam redeemed an amount of U.S.$72.4 million (€63.2 million) towards redemption of Net Share Settled Convertible Bonds due July 2021 at their principal amount plus accrued interest, pursuant to exercise of Convertible Bondholders' early redemption rights

On February 6, 2019, Aperam proposed to increase its base dividend from €1.53 per share to €1.75, subject to shareholder approval at the Annual General Meeting of May 7, 2019, as the Company continues to improve its sustainable profitability benefiting from its strategic actions.

On February 6, 2019, Aperam announced a share buyback programme of up to €100 million, and a maximum of 3.7 million shares under the authorization given by the Annual General Meeting of shareholders held on May 5, 2015.

On February 25, 2019, the Company announced the signature of a financing contract where the EIB will make available to Aperam an amount of €100 million. The purpose of this contract is the financing of ongoing investments in the cold rolling, and annealing & pickling line at Aperam's Genk plant (Belgium) as well as the company's ongoing modernisation programmes in the cohesion regions of Nord-Pas-de-Calais (France) – Isbergues plant, and Hainaut (Belgium) – Châtelet plant.

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Auditor’s Report on the Consolidated Statements

To the Shareholders of
Aperam, Société Anonyme (“Aperam”)
12C, rue Guillaume Kroll
L-1882 Luxembourg

REPORT OF THE RÉVISEUR D’ENTREPRISES AGRÉÉ

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of *Aperam S.A.* and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations, comprehensive income / (loss), changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements *give a true and fair view of* the consolidated financial position of the Group as at December 31, 2018, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) *as adopted by the European Union*.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the “Responsibilities of the “*Réviseur d’Entreprises Agréé*” for the Audit of the Consolidated Financial Statements” section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of deferred tax assets

Key audit matter description

As of December 31, 2018, the Group recognized approximately €160 million of deferred tax assets in its consolidated financial statements. The Group’s deferred tax assets relate mainly to tax losses carried forward.

The valuation and the recoverability of deferred tax assets arising from tax losses carried forward depend on:

- The taxable profits the Group expects to generate in the future
- The local tax laws and regulations applying to the recognition and use of deferred tax assets arising from tax losses carried forward at subsidiary level.

As such, the valuation and future use of deferred tax assets arising from tax losses carried forward imply significant judgments from the management. These judgments mainly relate to forecasted taxable income, the length of tax loss, and available and feasible tax planning strategies. In parallel, the fact that the subsidiaries of the Group, which recognize deferred tax assets arising from tax losses carried forward are located in various tax jurisdictions with, in some cases, changing environments, makes the determination of these management estimates more complex.

Therefore, considering its significance as well as the fact that its recognition depends on management estimates and various legal frameworks, the balance of deferred tax assets arising from tax losses carried forward is defined as a key audit matter.

For further details on the deferred tax assets, please refer to Note 2 (“Summary of significant accounting policies, critical accounting judgments and change in accounting estimates”), and Note 5 (“Income tax”) to the consolidated financial statements.

How the key audit matter was addressed in the audit?

In considering the appropriateness of the valuation and recoverability of deferred tax assets arising from tax losses carried forward, the following audit procedures were performed:

- We assessed the Group’s controls, which support the process followed to book deferred tax assets arising from tax losses carried forward.
- We assessed management’s assumptions used in order to estimate the recoverable value of deferred tax assets arising from tax losses carried forward booked at year-end with the assistance of our own tax specialists. This includes but is not limited to the following:
    - Challenging the management estimates of projected taxable profits by performing a retrospective review of the projections used in the prior year’s assessment and considering the results of this retrospective review in evaluating the current-year taxable profit projections.
    - Comparing assumptions used by management to determine future taxable profits for the purpose of valuing deferred tax assets to assumptions used by management to determine future cash-flows in the goodwill impairment test.
    - Evaluating the compliance of management assumptions with current and future local tax laws and regulations.
- We tested the classification of deferred tax assets considering the potential existence of deferred tax liabilities.

Goodwill Impairment

Key audit matter description

Aperam has goodwill of €460 million as of December 31, 2018, included within the following group of cash generating units (‘GCGU’): Stainless & Electrical Steel (“S&E”), Alloys & Specialties (“A&S”) and Services & Solutions (“S&S”).

At the end of 2018, the goodwill of the CGU S&E, A&S and S&S had a carrying value of €381 million, €20 million and €59 million respectively.

The result of the goodwill impairment test for the 2018 reporting period and for each GCGU did not determine an impairment of the Group’s goodwill.

Impairment of goodwill is tested by the Group’s management at the GCGU level annually and whenever changes in circumstances indicate that its carrying amount may not be recoverable. The recoverable value of each GCGU is determined based on its value-in-use. Management uses a discounted cash-flow model to determine each GCGU’s value-in-use.

This model is based on various management assumptions and estimates such as nickel prices, terminal growth rate, expected changes to raw material margin, level of shipments, and discount rate.

There is a risk that management uses assumptions in preparing its value-in-use estimates that are unreasonable compared to available market and industry data or are inconsistent with objective historical information. Inappropriate assumptions can then result in the misstatement of the Group’s goodwill at year-end.

For further details on the balance of goodwill, please refer to Note 2 (“Summary of significant accounting policies, critical accounting judgments and change in accounting estimates") and Note 10 ("Goodwill and intangible assets") to the consolidated financial statements.

How the key audit matter was addressed in the audit?

As part of our audit procedures, in order to address the aforementioned risk, we performed the following:

- We assessed the key controls performed by management in relation to goodwill impairment.
- We evaluated, with the assistance of our internal valuation specialists, the overall methodology used by management to determine the value-in-use of each GCGU.
- We challenged, with the assistance of our valuation specialists, the significant assumptions used as part of the value-in-use model for each GCGU. These significant assumptions include but are not limited to the discount rate, the terminal growth rate and the nickel prices. As part of the procedures performed, we used back testing and assessed consistency of management assumptions with external and/or historical data.
- In respect of cash-flows forecasted by the Group's management to compute the value-in-use of each GCGU:
    - We evaluated management's future cash-flow forecasts for each GCGU, and the process by which they were drawn up
    - We verified the mathematical accuracy and the appropriateness of the cash-flow models.
    - We performed sensitivity analysis around the key assumptions within the cash flow models
- We also considered the appropriateness of the disclosures.

Tax litigations in Brazil

Key audit matter description

The Group is involved in tax litigations, arbitration and other legal proceedings related to tax matters in Brazil. This involves highly complex issues, actual damages and other matters that can have an impact on the amount of provisions booked by the Group at year-end as well as the contingencies to be disclosed within the notes to the financial statements.
The main risks relating to tax litigation matters in Brazil consist in:

- The valuation of the provisions to be booked as liabilities and the contingent liabilities to be disclosed in the notes at year-end. Considering the complexity and uncertainty of some of Brazilian tax matters, their valuation implies the use of judgment from the management. The existence of such management estimates increase the complexity of evaluating the proper valuation of these items.
- The completeness of the provisions booked and the information disclosed in relation to contingent liabilities at year-end. Risks of errors in the completeness of these items are mainly created by the complexity in determining the probability of the tax liabilities to realize.

As such, tax litigation matters in Brazil can be considered as key audit matters.

For further details on Brazilian tax litigations, please refer to Note 2 ("Summary of significant accounting policies, critical accounting judgments and change in accounting estimates"), Note 16 ("Provisions") and Note 23 ("Contingencies") to the consolidated financial statements.

How the key audit matter was addressed in the audit?

In order to address the risks detailed above, we performed the following procedures:

- We have read and challenged the correspondence between the Group and the Brazilian tax authority, including the results of the tax assessments completed during the year.
- We assessed management's position in relation to the Brazilian tax matters open at year-end.
- We obtained external legal counsel confirmation letters and evaluated the impact of their content on the financial statements.
- With the assistance of our tax specialists knowledgeable in Brazilian tax legislation and regulatory matters, we considered the accounting implications in terms of valuation, completeness and disclosure of the Brazilian tax matters identified as part of the procedures mentioned above.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report, the Corporate Governance Statement and the Messages from the Chairman of the Board of Directors and the Chief Executive Officer but does not include the consolidated financial statements and our report of the "*Réviseur d'Entreprises Agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*Réviseur d'Entreprises Agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*Réviseur d'Entreprises Agréé*" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*Réviseur d'Entreprises Agréé*". However, future

events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "*Réviseur d'Entreprises Agréé*" by the General Meeting of the Shareholders on May 9, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 years.

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, included in the consolidated management report, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit, *Cabinet de Révision Agréé*

Marco Crosetto, *Réviseur d'Entreprises Agréé*
Partner

February 26, 2019

Aperam, Société Anonyme

Annual Accounts

As of and for the year ended December 31, 2018

Aperam S.A.
Société Anonyme

12C, rue Guillaume Kroll
L-1882 Luxembourg
R.C.S. Luxembourg B155.908

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

Balance Sheet

Aperam, Société Anonyme

(in thousands of Euros)		December 31, 2018	December 31, 2017
Assets			
C. Fixed assets		**3,443,706**	**3,867,268**
I. Intangible assets	**Note 3**	**12,063**	**9,039**
2.a) Concessions, patents, licences, trademarks and similar rights and assets, if they were acquired for valuable consideration		12,063	9,039
III. Financial assets	**Note 4**	**3,431,643**	**3,858,229**
1. Shares in affiliated undertakings		1,524,999	1,798,463
2. Loans to affiliated undertakings		1,891,499	2,009,859
5. Investments held as fixed assets		15,113	49,871
6. Other loans		32	36
D. Current assets		**843,868**	**184,423**
II. Debtors		**837,714**	**176,529**
2.a) Amounts owed by affiliated undertakings becoming due and payable within one year	Note 5	836,703	175,790
4.a) Other debtors becoming due and payable within one year		1,011	739
III. Investments		**6,102**	**7,856**
2. Own shares	Note 6	6,102	7,856
IV. Cash at bank and in hand		**52**	**38**
E. Prepayments	**Note 7**	**2,896**	**525**
Total assets		**4,290,470**	**4,052,216**

The accompanying notes are an integral part of these annual accounts.
Please note that the reporting and functional currency is Euro whilst in previous years the reporting currency was U.S. dollars. Further details are provided in note 2.2.

Balance Sheet

Aperam, Société Anonyme

(in thousands of Euros)		December 31, 2018	December 31, 2017
Liabilities			
A. Capital and reserves	**Note 8**	**3,485,491**	**3,547,251**
I. Subscribed capital		**447,851**	**447,851**
II. Share premium account		**1,237,942**	**1,237,942**
IV. Reserves		**62,468**	**64,222**
1. Legal reserve		56,366	56,366
2. Reserve for own shares	Note 6	6,102	7,856
V. Profit brought forward		**1,671,832**	**950,041**
VI. Profit or loss for the financial year		**65,398**	**847,195**
C. Creditors	**Note 9**	**804,979**	**504,965**
1. Debenture loans		207,813	250,230
a) Convertible loans	Note 10	*207,813*	*250,230*
i) becoming due and payable within one year		*63,857*	*751*
ii) becoming due and payable after more than one year		*143,956*	*249,479*
2. Amounts owed to credits institutions	Note 11	50,174	—
a) becoming due and payable within one year		*174*	—
b) becoming due and payable after more than one year		*50,000*	—
6.a) Amounts owed to affiliated undertakings becoming due and payable within one year	Note 12	489,302	166,930
8. Other creditors		57,690	87,805
a) Tax authorities		*1,393*	*1,017*
b) Social security authorities		*183*	*413*
c) Other creditors		*56,114*	*86,375*
i) becoming due and payable within one year		*15,738*	*10,110*
ii) becoming due and payable after more than one year	Note 13	*40,376*	*76,265*
Total liabilities		**4,290,470**	**4,052,216**

The accompanying notes are an integral part of these annual accounts.
Please note that the reporting and functional currency is Euro whilst in previous years the reporting currency was U.S. dollars. Further details are provided in note 2.2.

Profit and Loss account

Aperam, Société Anonyme

(in thousands of Euros)		Year ended December 31, 2018	Year ended December 31, 2017
4. Other operating income	**Note 16**	**109,477**	**92,643**
5. b) Other external expenses		**(91,858)**	**(64,286)**
6. Staff costs		**(12,054)**	**(15,600)**
a) Wages and salaries		*(10,199)*	*(13,471)*
b) Social security costs		*(1,592)*	*(1,736)*
i) relating to pensions		*(957)*	*(929)*
ii) other social security costs		*(635)*	*(807)*
c) Other staff costs		*(263)*	*(393)*
7. Value adjustments		**(2,223)**	**(1,650)**
a) In respect of formation expenses and of tangible and intangible fixed assets		*(2,223)*	*(1,650)*
8. Other operating expenses		**(50)**	**(22)**
9. (Loss) income from participating interests		**256,697**	**655,656**
a) Derived from affiliated undertakings		256,697	655,656
11. Other interest receivable and similar income	**Note 14**	**38,571**	**194,986**
a) Derived from affiliated undertakings		*38,531*	*48,478*
b) Other interest and similar income		*40*	*146,508*
13. Value adjustments in respect of financial assets and of investments held as current assets		**(171,798)**	**(5,048)**
14. Interest payable and similar expenses	**Note 14**	**(59,478)**	**(8,179)**
a) Concerning affiliated undertakings		*(5,854)*	*(3,451)*
b) Other interest and similar expenses		*(53,624)*	*(4,728)*
15. Tax on profit or loss		**(1,886)**	**(1,305)**
16. Profit or loss after taxation		**65,398**	**847,196**
17. Other taxes not shown under items 4 to 16		—	**(1)**
18. Profit or loss for the financial year		**65,398**	**847,195**

The accompanying notes are an integral part of these annual accounts.
Please note that the reporting and functional currency is Euro whilst in previous years the reporting currency was U.S. dollars. Further details are provided in note 2.2.

NOTE 1 – GENERAL INFORMATION

Aperam ("the Company") was incorporated as a "Société Anonyme" under Luxembourg law on September 9, 2010 for an unlimited period.

The Company has its registered office in 12C, rue Guillaume Kroll, L-1882 Luxembourg and is registered at the Register of Trade and Commerce of Luxembourg under the number B155.908.

The financial year of the Company starts on January 1 and ends on December 31 each year.

The corporate purpose of the Company shall be the manufacture, processing and marketing of stainless steel, stainless steel products and all other metallurgical products, as well as all products and materials used in their manufacture, their processing and their marketing, and all industrial and commercial activities connected directly or indirectly with those objects, including mining and research activities and the creation, acquisition, holding, exploitation and sale of patents, licences, know-how and, more generally, intellectual and industrial property rights.

The Company may perform and carry out its corporate purpose either directly or through the creation of companies, the acquisition, holding or acquisition of interests in any companies or partnerships, membership in any associations, consortia and joint ventures. In general, the Company's corporate purpose comprises the participation, in any form, in companies and partnerships, and the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or in any other manner of shares, bonds, debt securities, warrants and other securities and instruments of any kind.

The Company may grant assistance of any kind (including financial assistance) to any affiliated company and take any measure for the control and supervision of such companies. In general it may carry out any commercial, financial or industrial activity, operation or transaction which it considers to be directly or indirectly necessary or useful in order to achieve or further its corporate purpose.

The Company owns a branch office located in Zug (Switzerland) and controls directly and indirectly 51 subsidiaries.

In conformity with the requirements of Luxembourg laws and regulations, the Company publishes consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union. The consolidated financial statements as of and for the year ended December 31, 2018 are available at Aperam Headquarters, 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand-Duchy of Luxembourg.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 – Basis of preparation

These annual accounts, corresponding to the standalone financial statements of the parent company, Aperam SA, have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg. They comply in particular with the law of December 19, 2002, under the historical cost convention.

2.2 – Changes to accounting policies

On January 1, 2018, the Company changed its functional currency and reporting currency from U.S. dollars to Euro. This change of functional currency was triggered by multiple factors, of which the considerable decrease of exposure of the Company to U.S. dollar financing. The Company also put in place a new hedging strategy to neutralize the EUR/USD effect generated by the remaining debt of the Company still denominated in U.S. dollar.

For subscribed capital, share premium account, legal reserve and EUR-denominated non-monetary items, the 2017 comparative figures have been translated from USD to EUR using the historical rate as these balances were initially denominated in EUR. All other balance sheet items have been translated from USD to EUR using the EUR/USD exchange rate as of December 31, 2017 of 1.1993.

The impact of these changes on the comparative amounts is described in Note 18 to the annual accounts. The comparative figures as disclosed in the following profit and loss account and balance sheet reflect these changes applied on a prospective basis.

2.3 – Significant accounting policies

The Company maintains its accounting records in Euros (“EUR” or “EURO”) and the annual accounts are prepared in this currency. Unless otherwise stated, all amounts in the annual accounts are stated in thousands of Euros.

The main valuation rules applied by the Company are the following:

Intangible assets

Intangible assets are carried at acquisition cost, less accumulated depreciation and value adjustments when a permanent diminution in value is identified. A reversal of a value adjustment is recorded if the reasons for which the value adjustment was made have ceased to apply.

Intangible assets are amortised on a linear basis over five years.

Financial assets

Shares in affiliated undertakings and investments held as fixed assets are recorded at acquisition cost including the expenses incidental thereto. At the end of each accounting period, shares in affiliated undertakings are subject to an impairment review. Where a permanent diminution in value is identified, this diminution is recorded in the profit and loss account as a value adjustment. A reversal of the value adjustment is recorded to the extent the factors, which caused its initial recording, have ceased to exist.

Loans to affiliated undertakings and other loans are recorded in the balance sheet at their nominal value. At the end of each accounting period, value adjustments are recorded on loans which appear to be partly or wholly irrecoverable.

Debtors

Debtors are recorded in the balance sheet at their nominal value. At the end of each accounting period, value adjustments are recorded on debtors which appear to be partly or wholly irrecoverable.

Derivative financial instruments

The Company may enter into derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. Unrealised gains and losses are recognised so as to offset unrealised gains and losses with respect to the underlying hedged items in the balance sheet.

Foreign currency translation

The following principles are applied to items denominated in a currency other than the EUR:

> Fixed assets and creditors due after more than one year are translated at historical exchange rates or the current rate if unrealised exchange losses exist. Differences in the exchange rates leading to an unrealised loss are recorded in the profit and loss for the year. A reversal of the unrealised loss is recorded to the extent the factors, which caused its initial recording, have ceased to exist.
> Back-to-back loans are translated at year-end exchange rates with the related differences in the exchange rates leading to unrealised losses and gains recorded in the profit and loss account for the year.
> Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.
> Other balance sheet items are translated at the year-end exchange rate and related exchange differences leading to unrealised losses are recorded in the profit and loss for the year.
> Profit and loss items are translated at the exchange rate prevailing at the transaction date.
> Off balance sheet commitments are disclosed based upon the exchange rate effective at the balance sheet date.

Liabilities (excluding "other creditors becoming due and payable after more than one year")

Liabilities, except other creditors becoming due and payable after more than one year, are recorded in the balance sheet at their nominal value.

Other creditors becoming due and payable after more than one year

This section only includes call options that are recorded in the balance sheet at their selling price value. Where the market value of its investments is greater than its selling price, the difference is recorded in the profit and loss.

NOTE 3 – INTANGIBLE ASSETS

Intangible assets mainly include intellectual property rights and trademarks transferred by ArcelorMittal on January 25, 2011, as a result of its stainless steel business spin-off and some licenses on IT systems. The movements for the years ended December 31, 2018, and 2017 are as follows:

(in thousands of Euros)	**December 31, 2018**	**December 31, 2017**
Gross book value		
Opening balance	21,344	16,592
Additions	5,247	4,752
Closing balance	**26,591**	**21,344**
Accumulated value adjustments		
Opening balance	(12,305)	(10,621)
Charge for the year	(2,223)	(1,684)
Closing balance	**(14,528)**	**(12,305)**
Net book value		
Opening balance	9,039	7,420
Closing balance	**12,063**	**9,039**

NOTE 4 – FINANCIAL ASSETS

The movements for the year are as follows:

(in thousands of Euros)	Shares in affiliated under takings	Loans to affiliated under takings	Investments held as fixed assets	Other loans	Total as of December 31, 2018
Gross book value					
Opening balance	1,798,463	2,009,859	49,871	36	3,858,229
Additions	25	1,314,860	—	—	1,314,885
Disposals	(100,000)	(787,509)	(10,727)	(4)	(898,240)
Transfer to current assets	—	(655,973)	—	—	(655,973)
Foreign exchange differences	—	10,262	2,258	—	12,520
Closing balance	**1,698,488**	**1,891,499**	**41,402**	**32**	**3,631,421**
Accumulated value adjustments					
Opening balance	—	—	—	—	—
Additions	(173,489)	—	(26,289)	—	(199,778)
Closing balance	**(173,489)**	**—**	**(26,289)**	**—**	**(199,778)**
Net book value					
Opening balance	1,798,463	2,009,859	49,871	36	3,858,229
Closing balance	**1,524,999**	**1,891,499**	**15,113**	**32**	**3,431,643**

4.1. – Shares in affiliated undertakings

(in thousands of Euros) **Name of undertaking**	**Registered office**	**Percentage of capital held as of December 31, 2018 (%)**	**Result for 2018[1]**	**Capital and reserves (including result for 2018)[1]**	**Carrying amount as of December 31, 2018**	**Carrying amount as of December 31, 2017**
Aperam HoldCo S.à.r.l.	Luxembourg	100.00	117,055	997,600	1,484,555	1,484,555
Aperam Stainless Services & Solutions Germany GmbH	Germany	100.00	(7,320)	17,410	17,410	190,899
Aperam Stainless Belgium SA/NV	Belgium	—	—	—	—	100,000
Aperam Stainless Services & Solutions Italy S.r.l.	Italy	100.00	651	4,038	15,000	15,000
Corea S.A.	Luxembourg	100.00	472	9,491	7,976	7,976
Aperam Treasury S.C.A	Luxembourg	100.00	23,803	6,241	31	31
Aperam Alloys Germany GmbH	Germany	100.00	(76)	(51)	25	—
Aperam Sourcing S.C.A.	Luxembourg	< 0.00	55,558	13,604	< 1	< 1
Other	Various	—	—	—	2	2
					1,524,999	**1,798,463**

Note:
(1) In accordance with the unaudited IFRS reporting packages. Unaudited IFRS reporting package relates to financial information used for the preparation of the consolidated financial statements of Aperam Group.

Description of the main changes during the year

On January 26, 2018, the Company sold at fair market value a 15.32% interest in Aperam Stainless Belgium NV/SA with a net carrying amount of €100,000 thousands represented by 61,502 shares to Aperam Stainless France S.A.S. The total consideration received amounted to €190,000 thousands and resulted in a gain on disposal of €90,000 thousands.

On April 9, 2018, the Company acquired a 100% stake in a shell company holding named “Rheinsee 636. V V GmbH” (“Rheinsee”) in Germany for a total consideration of €25 thousands. Rheinsee was subsequently renamed “Aperam Alloys Germany GmbH”.

On December 31, 2018, the Board of Directors has reviewed the carrying value of the shares in affiliated undertakings of the Company and considered that there has been a decrease in the value of the shares held in Aperam Stainless Services & Solutions Germany GmbH. Therefore, value adjustment of €173,489 thousands has been recorded to align its carrying value with its net assets value.

4.2 – Loans to affiliated undertakings

(in thousands of Euros, unless otherwise stated)	**Currency**	**Amount in original currency**	**December 31, 2018**	**December 31, 2017**
Aperam Treasury S.C.A.	EUR	886,000	886,000	981,973
Aperam Treasury S.C.A.	BRL	1,547,653	347,251	368,156
Aperam Treasury S.C.A.	PLN	100,000	23,248	23,940
Aperam HoldCo S.à r.l.	EUR	635,000	635,000	635,790
Total			**1,891,499**	**2,009,859**

Description of the main changes during the year

On January 26, 2018, the Company granted a €190,000 thousands credit facility to Aperam Treasury S.C.A. with maturity January 26, 2028.

On June 20, 2018, the Company granted a €370,000 thousands credit facility to Aperam Treasury S.C.A. with maturity June 20, 2025.

On September 1, 2018, the loan of €100,000 thousands with maturity date September 1, 2019 granted to Aperam Treasury S.C.A. has been classified within “Amounts owed by affiliated undertakings becoming due and payable within one year”.

During the year 2018, the Company received eight repayments for a total consideration of R$418,244 thousands (€151,719 thousands) under the R$1,307,677 thousands loan agreement dated December 23, 2010 (as amended and converted from U.S.$ into Brazilian reais on August 12, 2014) from Aperam Treasury S.C.A. During the same period, the Company made eight payments for a total consideration of R$418,244 thousands (€99,779 thousands) under the R$1,307,215 thousands credit facility agreement dated August 3, 2016 and granted to Aperam Treasury S.C.A.

In October and November 2018, accrued interests of R$85,000 thousands (€20,081 thousands) on the R$1,307,677 thousands loan agreement have been converted into new tranches under the R$1,307,215 thousands credit facility agreement dated August 3, 2016 and granted to Aperam Treasury S.C.A.

On December 16, 2018, at maturity date, the loan of €555,973 thousands granted to Aperam Treasury S.C.A. has been extended by 3 months until March 16, 2019. On December 31, 2018, this loan has been classified within “Amounts owed by affiliated undertakings becoming due and payable within one year”.

On December 22, 2018, at maturity date, the loan of €635,790 thousands granted to Aperam HoldCo S.à r.l.

has been reimbursed. On the same day, a new loan of €635,000 thousands has been granted to Aperam HoldCo S.à r.l. with maturity December 22, 2028.

All other movements during the year were due to foreign exchange differences.

4.3 – Investments held as fixed assets

In June 2014, the Company purchased 6,830,601 call options on Aperam shares in two transactions with financial institutions for a total consideration of U.S.$59,970 thousands. These call options had a strike price of U.S.$43.92 and will mature in July 2021. Pursuant to protection clause in relation to dividends payment, the number of call options and the strike price of the call options were further adjusted to 7,573,845 call options and U.S.$39.61, respectively.

During the year 2017, the Company unwinded 19,370 call options for a carrying amount of €133 thousands (U.S.$160 thousands) corresponding to the proportion of the repurchase of U.S.$800 thousands of the net share settled convertible and/or exchangeable bonds due 2021 compared to initial issued amount of U.S.$300,000 thousands.

During the year 2018, the Company unwinded 1,544,779 call options for a carrying amount of €10,727 thousands (U.S.$12,405 thousands) corresponding to the proportion of the repurchase of U.S.$62,000 thousands of the net share settled convertible and/or exchangeable bonds due 2021 compared to initial issued amount of U.S.$300,000 thousands.

On December 31, 2018, the market value of the 5,988,387 outstanding call options was €15,113 thousands (U.S.$ 17,304 thousands).

On December 31, 2018, the Company recorded a value adjustment of €26,289 thousands on its call options purchased as the market value of these instruments was below their carrying value. This value adjustment in respect of investments held as fixed assets has been recorded in the section of the profit and loss account "13. Value adjustments in respect of financial assets and of investments held as current assets".

NOTE 5 – AMOUNTS OWED BY AFFILIATED UNDERTAKINGS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

(in thousands of Euros)	**December 31, 2018**	**December 31, 2017**
Loan to Aperam Treasury S.C.A.	655,973	—
Amounts receivable on corporate services	129,574	117,195
Amounts receivable on tax integration	28,154	43,912
Accrued interests	23,002	14,683
Total	**836,703**	**175,790**

Description of the main changes during the year

Amounts owed by affiliated undertakings becoming due and payable within one year increased by €660,913 thousands during the year to €836,703 thousands as of December 31, 2018. This variance is explained by a transfer from "III.2. Financial assets - Loans to affiliated undertakings" of 2 loans of €555,973 thousands and €100,000 thousands with Aperam Treasury S.C.A. having a maturity date on March 16, 2019 and September 1, 2019, respectively, increases in amounts receivable on corporate services by €12,379 thousands and in accrued interests by €8,319 thousands, partly offset by decrease in amounts receivable on tax integration by €15,758 thousands. Amounts receivable on tax integration correspond to income tax receivables from entities included in the tax integration headed by the Company. Amounts receivable for corporate services are related to various corporate services rendered by the Company to its subsidiaries.

NOTE 6 – OWN SHARES

During the year 2018, 67,046 own shares (75,760 shares, net of 8,714 shares retained for tax purposes) have been given to certain employees of the Company to serve the RSU Plan and PSU Plan 2015.

During the year 2018, the Company received 24,142 shares in relation with the unwinded call options.

On December 31, 2018, the Company had 139,598 own shares for a total net book value of €6,102 thousands.

NOTE 7 – PREPAYMENTS

As of December 31, 2018, prepayment and accrued income amounts to €2,896 thousands and mainly refers to prepaid charges on supplier invoices received.

NOTE 8 – CAPITAL AND RESERVES

(in thousands of Euros)	Number of shares [1]	Subscribed capital	Share premium account	Legal reserve	Reserve for own shares	Profit brought forward	Profit / (Loss) for the financial year	Total
Balance as of December 31, 2017	85,496,280	447,851	1,237,942	56,366	7,856	950,041	847,195	3,547,251
Allocation of net result	—	—	—	—	—	847,195	(847,195)	—
Directors' fees (Note 20)	—	—	—	—	—	(550)	—	(550)
Dividend	—	—	—	—	—	(126,608)	—	(126,608)
Profit for the financial year	—	—	—	—	—	—	65,398	65,398
Reserve for own shares	—	—	—	—	(1,754)	1,754	—	—
Balance as of December 31, 2018	**85,496,280**	**447,851**	**1,237,942**	**56,366**	**6,102**	**1,671,832**	**65,398**	**3,485,491**

Note:
(1) Number of shares denominated in units.

8.1. Subscribed capital and share premium account

The subscribed capital amounts to €447,851 thousands and is divided into 85,496,280 shares without par value and fully paid up.

To the knowledge of the Board of Directors, the shareholding [1] may be specified as follows:

	December 31, 2018
Significant Shareholder [2]	40.03%
Treasury shares	2.27%
Other public shareholders	57.70%
Total	**100.00%**

Notes:
(1) Shareholding disclosed in above table relates to shareholders owning 5% or more of the share capital.
(2) Please refer to the share capital section of the Management Report for the definition of the term "Significant shareholder".

8.2. Legal reserve

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the subscribed capital. The legal reserve is not available for distribution to the shareholders. As of December 31, 2018, the legal reserve is fully constituted.

8.3. Reserve for own shares

The Board of Directors shall request the upcoming General Meeting of Shareholders to approve the release of €1,754 thousands from the reserve for own shares in order to increase the profit brought forward and to align the non distributable reserve to an amount equivalent to the carrying value (note 6) of its own shares in accordance with Luxembourg Company Law.

NOTE 9 – MATURITY OF CREDITORS

(in thousands of Euros)	December 31, 2018				December 31, 2017
	Up to 1 year	**From 1 to 5 years**	**Above 5 years**	**Total**	**Total**
Convertible debenture loans	63,857	143,956	—	207,813	250,230
Amounts owed to credit institutions	174	22,222	27,778	50,174	—
Amounts owed to affiliated undertakings	489,302	—	—	489,302	166,930
Other creditors	17,314	40,376	—	57,690	87,805
Total	**570,647**	**206,554**	**27,778**	**804,979**	**504,965**

NOTE 10 – CONVERTIBLE DEBENTURE LOANS

On June 27, 2014, the Company issued net share settled convertible and/or exchangeable bonds due 2021 for a total amount of U.S.$300,000 thousands. The bonds have an annual coupon of 0.625% payable semi-annually in arrear and an initial conversion price of U.S.$43.92 representing a conversion premium of 32.5% above the reference price of U.S.$33.15. Following the successive quarterly dividend payments during 2016, 2017 and 2018, the conversion price of such bond was adjusted to U.S.$39.61 as per respective terms and conditions in October 2018. The bonds will mature on July 8, 2021, but the bondholders will be entitled to have their bonds redeemed at their principal amount plus accrued interest on January 8, 2019.

In 2017, bonds for a principal amount of U.S.$800 thousands (€678 thousands) were repurchased by the Company for a total consideration of U.S.$1,035 thousands (€878 thousands).

In 2018, bonds for a principal amount of U.S.$62,000 thousands (€53,618 thousands) were repurchased by the Company for a total consideration of U.S.$69,852 thousands (€60,322 thousands).

In December 2018, U.S.$72,400 thousands (€63,240 thousands) of bondholders decided to exercise their put as of January 8, 2019. This amount of debt has been therefore classified as “convertible bonds becoming due and payable within one year” as of December 31, 2018.

NOTE 11 – AMOUNTS OWED TO CREDIT INSTITUTIONS

Unsecured Revolving Credit Facility

On June 6, 2017, Aperam entered into a €300,000 thousands Unsecured Revolving Credit Facility ("The Facility") with a group of 10 banks. The Facility is structured as a 5-year revolving credit facility with two options of extension by one year each, replacing its U.S.$400,000 thousands existing 3-year secured borrowing base facility. It will be used for the company's general corporate purposes. On May 22, 2018, the original final maturity date of the Facility was extended to June 6, 2023.

The Facility charges interest at a rate of EURIBOR (or LIBOR, in the case of an advance denominated in US dollars) plus a margin (depending on the Group's most recent corporate rating by Standard & Poor's or

Moody's or both) for the relevant interest period, which may be below one, one, two, three or six months or any other period agreed between the parties. The Facility also charges a utilisation fee on the drawn portion of the total facility amount and a commitment fee on the undrawn and uncancelled portion of the total facility amount, payable quarterly in arrears.

The Facility is fully undrawn as of December 31, 2018.

EIB financing

On June 27, 2016, Aperam and the European Investment Bank (“EIB”) announced the signing of a financing contract in the amount of €50 million which will be dedicated to financing a research and development programme over the 2016-2019 period, as well as an upgrade of two plants located in cohesion regions in France & Belgium (Isbergues - Hauts-de-France and Châtelet - Hainaut). This project was funded under the Investment Plan for Europe, also known as the "Juncker Plan”. The financing contract which is senior unsecured was entirely drawn down on October 16, 2018, at a rate of 1.669% with final maturity date on October 16, 2028.

NOTE 12 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

The increase in amounts owed to affiliated undertakings by €322,372 thousands mainly results from the increase of the liability under cash pooling arrangement with Aperam Treasury S.C.A. by €414,815 thousands, partly offset by the reimbursement, at maturity, on January 2, 2018, of a loan with a principal amount of €97,000 thousands received from Aperam Treasury S.C.A.

NOTE 13 – OTHER CREDITORS BECOMING DUE AND PAYABLE AFTER MORE THAN ONE YEAR

During 2014, the Company sold 6,581,834 call options on Aperam shares in 2 transactions with financial institutions for a total consideration of U.S.$52,738 thousands. These call options have a strike price of U.S.$45.58 and will mature in July 2021. Pursuant to protection clause in relation to dividends payment, the number of call options and the strike price of the call options was further adjusted to 7,297,228 call options and U.S.$41.11, respectively.

During the year 2017, the Company unwinded 19,370 call options for a carrying amount of €212 thousands (U.S.$254 thousands) corresponding to the proportion of the repurchase of U.S.$800 thousands of the net share settled convertible and/or exchangeable bonds due 2021 compared to initial issued amount U.S.$300,000 thousands.

During the year 2018, the Company unwinded 1,508,183 call options for a carrying amount of U.S.$18,904 thousands (€16,510 thousands) corresponding to the proportion of the repurchase of U.S.$62,000 thousands of the net share settled convertible and/or exchangeable bonds due 2021 compared to initial issued amount of U.S.$300,000 thousands.

On December 31, 2018, the Company reversed a value adjustment booked during previous years on its call options sold as the market value of these instruments was below their carrying value.

NOTE 14 – INTEREST PAYABLE / RECEIVABLE AND SIMILAR EXPENSES / INCOME

(in thousands of Euros)	Year ended December 31, 2018		Year ended December 31, 2017	
	Expenses	**Income**	**Expenses**	**Income**
Interests payable concerning affiliated undertakings	(5,854)	4,966	(3,451)	—
Income from tax integration with affiliated undertakings	—	28,154	—	43,818
Other income with affiliated undertakings	—	5,411	—	4,660
Total interests concerning affiliated undertakings	**(5,854)**	**38,531**	**(3,451)**	**48,478**
Interests in respect of credit institutions	(976)	—	(1,103)	—
Interests in respect of debenture loans	(1,427)	—	(3,403)	—
Effects of foreign exchange	(44,365)	—	—	146,508
Other interest and similar expenses	(6,856)	40	(222)	—
Total other interests	**(53,624)**	**40**	**(4,728)**	**146,508**
Total interests payable / receivable and similar expenses / income	**(59,478)**	**38,571**	**(8,179)**	**194,986**

Interests in respect of credit institutions mainly corresponds to commitment fees related to the U.S.$400 million borrowing base revolving credit facility cancelled and replaced during the year 2017 by the €300 million unsecured revolving credit facility (Note 11).

Interests in respect of debenture notes relate to the convertible and/or exchangeable bonds.

NOTE 15 – INCOME TAX

The Company is the head of a tax consolidation including other subsidiaries located in Luxembourg and is fully liable for the overall tax liability of the tax group. Each of the entities included in the tax consolidation is paying to the Company the amount of tax determined based on its individual taxable profit.

As a consequence of the net tax losses within the tax group, no income tax is payable in respect of 2018 (2017: nil).

The amount charged to affiliated undertakings amounted to €28,154 thousands (2017: €43,818 thousands). Please refer to Note 14.

The amount of income tax corresponds to the tax charge of the Company's Swiss Branch and withholding tax on corporate services with affiliated undertakings.

NOTE 16 – OTHER OPERATING INCOME

Other operating income corresponds mainly to corporate service fees, branding fees and income related to information technology, procurement and Research and Development services provided to group companies.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Commitments given

(in thousands of Euros)	December 31, 2018	December 31, 2017
Guarantees given relating to credit facilities (1)	16,926	25,173
Other commitments (2)	40,977	45,207
Total	**57,903**	**70,380**

Notes:
(1) The Company has given guarantees for certain credit facilities contracted by Aperam subsidiaries.
(2) Other commitments refer to guarantees given by the Company on behalf of Aperam subsidiaries for various obligations (other than debt) and renting obligations related to Aperam headquarters.

The Company is jointly and severally liable for the following entities:

> Aperam Sourcing S.C.A.
> Aperam Treasury S.C.A.

Available lines of credit

The Company has available lines of credit for an aggregate amount of €300,000 thousands as of December 31, 2018 (2017: €300,000 thousands). Please refer to Note 11.

Bridge facility agreement

As of December 31, 2018, the Company has a €300,000 thousands bridge facility agreement with initial maturity date falling six months after the signature of the agreement and extendable for a new term of six months. The purposes of the bridge facility agreement are the refinancing of the U.S.$300,000 thousands net share settled convertible and/or exchangeable bond offering issued by the Company in 2014 with a maturity July 2021 and its general corporate purposes.

This facility was originally signed on November 9, 2018 for an amount of €400,000 thousands for the purposes including also the financing of VDM Metals acquisition.

Commercial paper programme

On July 10, 2018, Aperam received confirmation from Banque de France, as foreseen by art. D.213-2 of "*Code monétaire et financier*" of the French law, that the conditions as described in the financial documentation of its program of NEU commercial paper for a maximum outstanding amount of €200,000 thousands, fulfill the requirements of law. On 31 December 2018, the Aperam NEU CP program was fully undrawn.

Contingencies

The Company has no contingency as of December 31, 2018.

Stock option plans

For historical reasons, certain of the Company's employees participate in stock based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. During the year 2011, certain employees were transferred from ArcelorMittal to the Company. These beneficiaries increased the number of options outstanding. For the years ended December 31, 2018, and 2017, the amount of outstanding options was 35,468 and 46,636 respectively. The amount of exercisable options was 35,468 and 46,636 respectively for the years ended December 31, 2018, and 2017. Exercise prices of ArcelorMittal stock options vary from U.S.$91.98 to U.S.$109.14. Weighted average contractual life of the options varies from 0.6 to 1.6 years.

As of December 31, 2018, no provision was recognised as share price is lower than exercise price.

Share Unit Plans

The February 2017 Remuneration, Nomination and Corporate Governance Committee recommended that no RSUs are granted anymore as from the annual general meeting of shareholders of May 2017 onward and that employees below the level of the Leadership Team only receive performance related grants.

On May 10, 2017 annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2017 and the 2018 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other performance based grants below the level of the Leadership Team. In August 2017, a total of 71,884 PSUs were granted to a total of 54 employees at a fair value of U.S.$52.43 per share (out of which 24,259 PSUs for the 9 Members of the Leadership Team).

On May 9, 2018 annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2018 and the 2019 annual general meeting, to key employees of Aperam a maximum of 150,000 of the Company's shares for grants under the Leadership Team PSU Plan and other performance based grants below the level of the Leadership Team. In June 2018, a total of 85,461 PSUs were granted to a total of 54 employees at a fair value of €40.32 per share (out of which 37,461 PSUs for the 9 Members of the Leadership Team).

NOTE 18 – CHANGE TO ACCOUNTING POLICIES

The impact of the changes to accounting policies - described in Note 2 - on the comparative amounts are presented in the below table:

	December 31, 2017 (thousands of Euros)	December 31, 2017 (thousands of U.S. dollars)
Assets		
C. Fixed assets	**3,867,268**	**4,898,989**
I. Intangible assets	**9,039**	**10,468**
2.a) Concessions, patents, licences, trademarks and similar rights and assets, if they were acquired for valuable consideration	9,039	10,468
III. Financial assets	**3,858,229**	**4,888,521**
1. Shares in affiliated undertakings	1,798,463	2,426,492
2. Loans to affiliated undertakings	2,009,859	2,402,176
5. Investments held as fixed assets	49,871	59,810
6. Other loans	36	43
D. Current assets	**184,423**	**220,359**
II. Debtors	**176,529**	**211,711**
2.a) Amounts owed by affiliated undertakings becoming due and payable within one year	175,790	210,825
4.a) Other debtors becoming due and payable within one year	739	886
III. Investments	**7,856**	**8,603**
2. Own shares	7,856	8,603
IV. Cash at bank and in hand	**38**	**45**
E. Prepayments	**525**	**629**
Total assets	**4,052,216**	**5,119,977**

	December 31, 2017 (thousands of Euros)	December 31, 2017 (thousands of U.S. dollars)
Liabilities		
A. Capital and reserves	**3,547,251**	**4,512,460**
I. Subscribed capital	**447,851**	**590,775**
II. Share premium account	**1,237,942**	**1,659,802**
IV. Reserves	**64,222**	**83,971**
1. Legal reserve	56,366	75,368
2. Reserve for own shares	7,856	8,603
V. Profit brought forward	**950,041**	**1,161,872**
VI. Profit or loss for the financial year	**847,195**	**1,016,040**
C. Creditors	**504,965**	**607,517**
1. Debenture loans	250,230	300,101
a) Convertible loans	*250,230*	*300,101*
i) becoming due and payable within one year	*751*	*901*
ii) becoming due and payable after more than one year	*249,479*	*299,200*
6.a) Amounts owed to affiliated undertakings becoming due and payable within one year	166,930	200,199
8. Other creditors	87,805	107,217
a) Tax authorities	*1,017*	*1,220*
b) Social security authorities	*413*	*495*
c) Other creditors	*86,375*	*105,502*
i) becoming due and payable within one year	*10,110*	*14,037*
ii) becoming due and payable after more than one year	*76,265*	*91,465*
Total liabilities	**4,052,216**	**5,119,977**

	Year ended December 31, 2017 (thousands of Euros)	Year ended December 31, 2017 (thousands of U.S. dollars)
Profit and loss account		
4. Other operating income	**92,643**	**111,107**
5. b) Other external expenses	**(64,286)**	**(77,098)**
6. Staff costs	**(15,600)**	**(18,708)**
a) Wages and salaries	*(13,471)*	*(16,156)*
b) Social security costs	*(1,736)*	*(2,082)*
i) relating to pensions	*(929)*	*(1,114)*
ii) other social security costs	*(807)*	*(968)*
c) Other staff costs	*(393)*	*(471)*
7. Value adjustments	**(1,650)**	**(1,979)**
a) In respect of formation expenses and of tangible and intangible fixed assets	*(1,650)*	*(1,979)*
8. Other operating expenses	**(22)**	**(26)**
9. (Loss) income from participating interests	**655,656**	**786,328**
a) Derived from affiliated undertakings	655,656	786,328
11. Other interest receivable and similar income	**194,986**	**233,847**
a) Derived from affiliated undertakings	*48,478*	*58,140*
b) Other interest and similar income	*146,508*	*175,707*
13. Value adjustments in respect of financial assets and of investments held as current assets	**(5,048)**	**(6,055)**
14. Interest payable and similar expenses	**(8,179)**	**(9,810)**
a) Concerning affiliated undertakings	*(3,451)*	*(4,139)*
b) Other interest and similar expenses	*(4,728)*	*(5,671)*
15. Tax on profit or loss	**(1,305)**	**(1,565)**
16. Profit or loss after taxation	**847,196**	**1,016,041**
17. Other taxes not shown under items 4 to 16	**(1)**	**(1)**
18. Profit or loss for the financial year	**847,195**	**1,016,040**

NOTE 19 – STAFF

The Company employed an average of 59 full time equivalents employees during the financial year (63 full-time equivalents during the previous year).

NOTE 20 – DIRECTORS' REMUNERATION

The Company's Board of Directors members are entitled to a total remuneration of €550 thousands for the year ended December 31, 2018 (€550 thousands for the year ended December 31, 2017). Please refer to Note 8.

As of December 31, 2018, and 2017, the Company did not have any outstanding loans or advances to members of Aperam's Board of Directors or key management personnel and had not given any guarantees for the benefit of any member of Aperam's Board of Directors or key management personnel.

NOTE 21 – SUBSEQUENT EVENTS

On January 8, 2019, Aperam redeemed an amount of U.S.$72,400 thousands (€63,240 thousands) towards redemption of Net Share Settled Convertible Bonds due July 2021 at their principal amount plus accrued interest, pursuant to exercise of Convertible Bondholders' early redemption rights.

On February 6, 2019, the Company announced a share buyback programme for an aggregate maximum amount of €100,000 thousands and a maximum of 3.7 million shares under the authorization given by the annual general meeting of shareholders held in 2015 and, or under any renewal of such authorization at the May 7, 2019 annual general meeting of shareholders.

On February 6, 2019, the Company also proposed to increase its base dividend from €1.53 per share to €1.75 per share, subject to shareholders approval at the next annual general meeting to be held on May 7, 2019, as the Company continues to improve its sustainable profitability benefiting from its strategic actions.

On February 25, 2019, the Company announced the signature of a financing contract where the EIB will make available to Aperam an amount of €100,000 thousands. The purpose of this contract is the financing of ongoing investments in the cold rolling, and annealing & pickling line at Aperam's Genk plant (Belgium) as well as the company's ongoing modernisation programmes in the cohesion regions of Nord-Pas-de-Calais (France) – Isbergues plant, and Hainaut (Belgium) – Châtelet plant.

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Auditor's Report on the Annual Accounts

To the shareholders of
APERAM Société Anonyme, ("APERAM")
12C, rue Guillaume Kroll
L-1882 Luxembourg

REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ*

Report on Audit of the Annual accounts

Opinion

We have audited the annual accounts of Aperam S.A. (the "Company"), which comprise the balance sheet as at December 31, 2018, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the Annual accounts" section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Valuation and impairment of shares in affiliated undertakings</u>

Key audit matter description

Aperam has shares in affiliated undertakings of €1,525 million as at December 31, 2018.

The shares in affiliated undertakings are valued at acquisition cost including related expenses. They are subject to an impairment test at the end of each accounting period. In case a permanent decrease in the value of the shares in affiliated undertakings is identified, a value adjustment has to be recorded. Value adjustments are reversed when the factors that generated their recording cease to exist.

The valuation and the impairment of shares in affiliated undertakings as at December 31, 2018 mainly depends on:

- The presence of possible impairment indicators such as pro-rata of equity lower than carrying value of the affiliated undertakings,
- The recoverable value of the shares in affiliated undertakings as at December 31, 2018 and,
- The existence of durable factors of impairment of shares in affiliated undertakings as at December 31,

2018.

Thus, the valuation of shares in affiliated undertakings can be impacted by management judgments and estimates.

Considering
- The significance of shares in affiliated undertakings as at December 31, 2018, and
- The fact that their impairment is subject to management judgments and estimates,

the impairment of shares in affiliated undertakings was defined as a Key Audit Matter.

For further details on the balance of shares in affiliated undertakings, please refer to Note 2 ("Summary of significant accounting policies"), and Note 4 ("Financial assets") to the annual accounts.

How the key audit matter was addressed in the audit?

As part of our audit procedures, in order to address the aforementioned risks, we performed the following:
- We assessed the controls supporting the Company's process to account for and test the impairment of shares in affiliated undertakings at year end,
- We challenged changes in ownership, as well as increases in capital contribution, tracing these movements to supporting legal documentation,
- We compared the pro-rata of equity with the carrying value of the shares in affiliated undertakings to identify potential indicator of impairment,
- We challenged management's judgments and estimates to conclude on the need for impairment of shares in affiliated undertakings at year end,
- We challenged the conclusion of management as to whether the potential factors of impairment identified are permanent.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report, the Corporate Governance Statement and the Messages from the Chairman of the Board of Directors and the Chief Executive Officer but does not include the annual accounts and our report of the "*Réviseur d'Entreprises Agréé*" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the *“Réviseur d’Entreprises Agréé*” for the Audit of the Annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “*Réviseur d’Entreprises Agréé*” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “*Réviseur d’Entreprises Agréé*” to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “*Réviseur d’Entreprises Agréé*”. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as “*Réviseur d’Entreprises Agréé*” by the General Meeting of the Shareholders on May 9, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 years.

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19

December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit, *Cabinet de Révision Agréé*

Marco Crosetto, *Réviseur d'Entreprises Agréé*
Partner

February 26, 2019

Proposed allocation of the 2018 results

	In Euros
Profit for the financial year	65,398,063
Profit brought forward (*Report à nouveau*) before transfer from the reserve for own shares	1,670,077,633
Results to be allocated and distributed	**1,735,475,696**
Transfer from the reserve for own shares	1,754,150
Dividend [(1)]	(146,224,194)
Directors' compensation	(550,000)
Profit carried forward	**1,590,455,653**

Note:
(1) To be submitted to shareholders' approval at the Annual General Meeting of May 7, 2019, and related to the financial period ending December 31, 2018. On the basis of 83,556,682 shares outstanding as of December 31, 2018 (85,496,280 shares in issue, net of 1,939,598 treasury shares). Dividends are paid quarterly, resulting in a total annualised cash dividend per share of €1.75.

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