Annual Report 2019

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: Hôtel Le Fouquet's, VOUS ÊTES ICI ARCHITECTES © 11h45 / Florent Michel
Executed using grade Aperam 316L with Uginox MECA 8 ND® surface finish (non-directional Super Mirror finish)

Message from the Chairman of the Board of Directors

Dear Shareholders,

There is no doubt that 2019 was the worst stainless market environment since the inception of Aperam, characterised by: weak economic growth in both Europe and Brazil, aggressive imports due to inefficient safeguard measures and severe pricing pressure. Despite these challenging market conditions, I am very pleased to report that Aperam delivered resilient results and continued to strengthen its cost competitiveness.

Before discussing the highlights of Aperam's 2019 performance, let me start by commenting on Aperam's number one priority, health and safety. Our lost-time injury frequency rate ('LTIF') for the year was 1.7x compared to 1.4x in 2018. This deterioration in our LTIF is concerning, particularly when placed in the context of our historical performance. I am therefore convinced that we can improve, and management is placing a considerable amount of effort and planning into ensuring we reach our ultimate objective of zero harm and zero fatalities for everyone working with and for Aperam.

In the challenging market conditions I just described we continued to focus on cost competitiveness and delivering high quality products and services to our customers. In particular, phase 3 of our Leadership Journey® - our internal operational excellence plan launched in 2017 - continued to progress well with €123 million accumulated gains. Under this plan we are targeting further transformation of our business to achieve our goal of €200 million by the end of 2020.

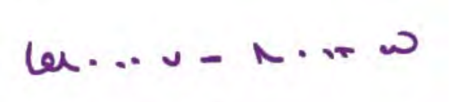
In terms of financial performance, EBITDA reached €357 million in 2019 (2018: €504 million), including an exceptional gain of €17 million and net income was €148 million in 2019 (2018: €286 million). Free cash flow reached €281 million in 2019 (2018: €108 million), the highest level achieved since our creation as we further strengthened our cost position. Our net debt position at the end of December 2019 remained at a low level at €75 million, less than a tenth of the level when the Company was created.

In this difficult environment our strong cash generation enabled us to continue investing in our asset base, particularly our Cold Rolling and Pickling line in Genk. In 2019, capex expenditures were €151 million, and we returned €235 million to our shareholders in the form of a €93 million share buy-back and €142 million dividends. In line with our financial policy we are proposing to keep the dividend stable at €1.75 per share. Additionally, we have announced a plan for a further share buyback of up to €100 million for up to 3.8 million shares. This is a sign of our confidence in Aperam's ability to generate an attractive level of free cash flow even in the most difficult market conditions.

As a contribution to a low carbon world, we announced last December ambitious environmental targets for 2030, with in particular a CO_2 emissions reduction target of 15% compared to 2015. We also plan to become carbon neutral in our European operations by 2050. To achieve carbon neutrality, Aperam is building a strategic roadmap linked to the developments in low-emissions steelmaking technologies.

We are convinced that our environmental excellence, together with best practices in terms of ethics, governance, community engagement, and corporate citizenship are becoming of increasing importance to our stakeholders, and, collectively, represent a critical differentiating factor for our Company. For this reason Aperam joined ResponsibleSteel™ in May 2019. ResponsibleSteel™ is the steel industry's first multi-stakeholder global certification initiative, and will allow us to assure all our stakeholders that sustainability is truly embedded in our products and part of our Company's vision.

In conclusion, I am very happy with the progress Aperam has made during a period of exceptionally challenging market conditions. The competitiveness of our industrial footprint has further improved, and we are continuing to serve our customers with innovative and quality products. In a period of economic challenges and unprecedented import pressure we must remain highly focused on delivering our targets under the Leadership Journey® and also ensure a level playing field is restored in our key markets through the implementation of effective safeguard measures. I remain fully confident in the ability of our Leadership Team to maximize the sustainable long-term growth of the Company and create value for our stakeholders by focusing on ambitious safety, environmental, cost, profitability, and quality targets.



Lakshmi N. Mittal, Chairman of the Board of Directors

Message from the Chief Executive Officer

Dear Shareholders,

It is a great honor and pleasure for me to present to you Aperam's 2019 Annual Report. Our Chairman of the Board of Directors has explained to you our resilient results despite the worst stainless market environment since our creation and our confidence in our future. I would like to take this opportunity to explain in more detail the actions we have taken in the current environment and how we will further strengthen Aperam.

I will start with our top priority: the health and safety of our employees. While our frequency rate deteriorated during the year, I can assure our stakeholders that health and safety is a non negotiable priority at Aperam, and that a comprehensive set of actions has been initiated to reverse this trend. Our key actions result from an extensive group wide health and safety audit launched in 2019 with the objective of eradicating all behaviours that do not comply with our rigorous safety procedures. We have been rolling out specific cultural frameworks, and have been reshaping our Health and Safety organisation with new tools and procedures. I am convinced that all these efforts will yield the right results towards our journey of zero accidents and fatalities.

I am proud of the way Aperam navigated through a perfect storm scenario in 2019. To illustrate these challenging market conditions, our shipments decreased by 9.4% year on year, imports reached historical spikes such as close to 60% of market share in stainless hot rolled coil in December 2019, and average base prices decreased by 35% in 2019 versus 2017.

In such an environment, we continued our actions to make Aperam an even stronger company, capable of operating in all market conditions:

- In-line with our efforts to improve our operational excellence, at the end of December 2019 we achieved cumulated annualized gains of €123 million at EBITDA level as part of Phase 3 of our Leadership Journey®. This phase has a targeted annualized EBITDA contribution of €200 million by end of 2020, which we aim to achieve by accelerating our adoption of the new technologies, automation and digitisation needed to create a fully-connected organisation ready to address the next generation needs of our customers.
- Our previously announced investment of €130 million in a new Cold Rolling and Annealing and Pickling Line in Genk is well on track. This investment will enlarge our product range to include the most demanding applications, improve lead-times, give us the flexibility to respond to market demands, increase the efficiency and cost competitiveness of our assets, and also enhance our health, safety and environmental impact.
- We continued also to focus on our product and service differentiation.

Turning to the environment, we believe Aperam is well-positioned to thrive in a world where decarbonisation and sustainability are given increasing importance. Today we have an industry leading CO_2 footprint which we want to defend by reducing CO_2 emission by another 15% till 2030. We also target a 40% reduction in water consumption, and plan to cut dust emissions by 70% versus the 2015 baseline. We are today an integral part of the European recycling landscape by using more than 85% scrap input in our European austenitic production. We seek to improve our position further by increasing the recycling rate of our own waste to over 97% by 2030. In Brazil, we also have a strong link to agriculture: our production process is based on charcoal from our own sustainably cultivated eucalyptus forests, which is unique in the world and gives us one of the best carbon footprints globally. Our forest management is based upon the best practices, and we use the most ecological and advanced technologies to preserve our forests from diseases and fire.

While we strive to be the sector leader in environmental excellence, Europe continues to face high import pressure and in particular from countries with less advanced sustainability standards. Hence, to ensure a sustainable future for stainless steel produced according to the best environmental standards, it is important that the European Commission creates a fair and level playing field that includes CO_2-indexed green taxes for imports.

We are encouraged by the European Commission's decision to start the litigation at the WTO against Indonesia, the registration of hot rolled imports from China, Indonesia and Taiwan from January 2020, and the countervailing duties case on China and Indonesia. However, despite two revisions, the safegard still leaves large loopholes for imports to disrupt the European market. We urge the European Commission to align the safeguard quotas in line with the reduced demand in Europe and smooth flows by making country quotas quarterly.

Looking ahead, I expect today's challenging market conditions to persist. However, I remain fully confident in our ability to maximise the long-term prospects of the Company thanks to our leadership in Sustainability excellence, our Leadership Journey® based on operational excellence, high added value products, unique services, solid cash generation and a strong balance sheet.

Timoteo Di Maulo, Chief Executive Officer

Glossary

This Annual Report includes Alternative Performance Measures (APM), which are non-GAAP financial measures. Aperam believes 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:

> **"adjusted EBITDA"** is defined as operating income[1] before depreciation, amortization and impairment expenses and exceptional items

> "**EBITDA**" is defined as operating income[1] before depreciation[1], amortisation[1] and impairment expenses[1]

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

> "**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" i**s defined as net financial debt divided by equity[1]

> "**net financial debt**" or "**NFD**" 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 less than 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 steel grades with low/no nickel content> "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$4.5305 as of December 31, 2019

> "**sales**" include shipping and handling fees and costs billed to a customer in a sales transaction

> "**scope 1 and 2**" refers to various types of emissions. Actually, for carbon footprint calculations, three types of emissions are differentiated:

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

- Scope 1 emissions are direct emissions produced by the burning of fuels of the emitter;
- Scope 2 emissions are indirect emissions generated by the electricity consumed and purchased by the emitter;
- Scope 3 covers indirect emissions generated by the emitter activity but owned, controlled and reported by a different emitter from the one who reports on the emissions.

> "**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 strip 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.$1.1234 as of December 31, 2019

> "**upstream**" refers to operations that precede downstream steel-making, such as coke, sinter, blast furnaces, electric arc furnaces, casters and hot rolling/steckel mills

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, 2019 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.

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Executed using Aperam grade 304L with Uginox Bright 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, and the world's lowest CO_2 footprint stainless steel producer thanks to its European production route based on fully recyclable stainless steel scrap, and the use of charcoal from its own sustainable cultivated forests in Brazil.[2]

Aperam has an annual production capacity of 2.5 million tonnes and is 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 2019, we have a workforce of about 9,600 employees. Our distribution network is comprised of 14 Steel Service Centres (SSCs), 5 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 €4.2 billion and €4.7 billion and EBITDA of €357 million and €504 million for the years ending December 31, 2019 and 2018 respectively. Shipments amounted to 1.79 million tonnes and 1.97 million tonnes for the years ending December 31, 2019 and 2018 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.

This segment accounted for 45.8% of external sales and 77.0% of EBITDA for the year ending December 31, 2019, and 45.7% of external sales and 83.7% of EBITDA for the year ending December 31, 2018.

> 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.

This segment accounted for 40.2% of external sales and 12.9% of EBITDA for the year ending December 31, 2019, and 42.5% of external sales and 8.5% of EBITDA for the year ending December 31, 2018.

> 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.

This segment accounted for 14.0% of external sales and 14.0% of EBITDA for the year ending December 31, 2019, and 11.8% of external sales and 9.1% of EBITDA for the year ending December 31, 2018.

Additionally, we have EBITDA that is reported within our "Others and Eliminations" segment. This segment,

[2] Scope 1 and 2

including corporate costs and elimination between our primary operating segments, accounted for (3.9)% of EBITDA for the year ending December 31, 2019, and (1.4)% of EBITDA for the year ending December 31, 2018.

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 40.98% 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)

Timóteo (Brazil)

Stainless & Electrical Steel

Europe

Our European facilities produce the full range of our stainless steel products. In 2019, steel shipments from Stainless & Electrical Steel Europe facilities represented 1,113 thousand tonnes (compared to 1,267 thousand tonnes in 2018).

We have two melt shops in Belgium, located in Genk and Châtelet. The Genk facility includes two electric arc furnaces, argon-oxygen decarburization 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 decarburization 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 Rolling, Annealing and Pickling ("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 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 35% of the Stainless & Electrical Steel operating segment's total shipments. Steel shipments from Stainless & Electrical Steel Brazil facilities represented 609 thousand tonnes in 2019 and 647 thousand tonnes in 2018.

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). Aperam South America also has a unique capability to produce stainless and specialty steel from low cost biomass (charcoal) produced by Aperam Bioenergìa with the wood from its eucalyptus forests.

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, 5 transformation facilities and 17 sales offices. Steel shipments from the Services and Solutions division represented 706 thousand tonnes in 2019 and 819 thousand tonnes in 2018.

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 2019 and 35 thousand tonnes in 2018.

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 the 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. To monitor our health and safety performance, the Company uses the "Lost Time Injury Frequency rate" (LTIF) indicator, a key metric that measures the time lost due to injuries per 1,000,000 worked hours. In 2019, our LTIF rate increased to 1.72, compared to 1.43 in 2018. The Severity rate of these accidents ended at 0.09 in 2019, compared to 0.08 in 2018. The Total Injury Rate (“TIR”), which measures the number of incidents in which people got injured (restricted work, medical aid, first aid, lost time incidents and fatalities) improved considerably from 24 in 2018 to 20.5 in 2019.

Furthermore, with respect to the other social objectives of our sustainability roadmap, we continue to work on programmes to support the health and wellbeing of our employees and their development. For example, we offer training and career development programmes and promote a team spirit to foster motivated and agile teams ready to develop and innovate for Aperam.

From an environmental perspective, Aperam is the world’s lowest CO_2 footprint stainless steel producer (scope 1 and 2) thanks to its European production route based on fully recyclable stainless steel scrap, and the use of charcoal from its own sustainable cultivated forests in Brazil.
In December 2019, Aperam announced targets to significantly reduce its environmental footprint by 2030, and its ambition to become carbon neutral in its European operations by 2050. Targeting carbon neutrality by 2050 for the European operations is a strong signal that we aim to go much beyond our new set of goals for 2030 and work towards the objective of the Paris Agreement (COP 21) to keep global warming below 2°C. To achieve carbon neutrality, Aperam is building a strategic roadmap linked to the developments in low-emissions steelmaking technologies. The 2030 targets will also be integrated into site-level management objectives and Aperam has also implemented an internal price for CO_2 which has been applied to all investment appraisals since 2016. For more on our targets and achievements, see section “Environment responsibility” of this Annual Report or in our Sustainability reports.

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

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 competitive 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 2018, we announced a new investment project of €130 million at our Genk (Belgium) plant. This consists 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.

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 an optimal loading of its most efficient assets and 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 "A strong focus on self-help measures").

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

According to the International Stainless Steel Forum (ISSF), the Company is the second largest producer in Europe, and a leading stainless and specialty steel producer in South America. Aperam is well-positioned in both developed and emerging markets. At the Group level, approximately 73% of Aperam's sales are derived from developed markets and 27% from emerging markets.

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.

Key strengths of Aperam's European operations

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

In South America, Aperam is the only integrated producer of flat stainless and electrical steel. Our integrated production facility is based in Timóteo (Brazil), and produces a wide range of stainless, electrical steel and special carbon products. This production setup is unique, as it allows to switch flexibly between products and markets to maximise profitability.

In Brazil, we also have a strong link to agriculture: our production process is 100% based on charcoal from our own sustainably cultivated eucalyptus forests, which is unique in the world and gives us one of the best carbon footprint globally. In Brazil, about 1,000 of our employees are employed in seedling nursing and planting eucalyptus trees. Our forest management is based upon the best practices, recognized by the Forest Stewardship Council's (FSC®) certification, which standards and principles conciliate ecological protection (flora and fauna, but also water reserves) with social benefits and economic feasibility. As an example of our responsible forest management, we use the most ecological and advanced technologies to preserve our forests from diseases and fire. Beyond our environmental responsibility in Brazil we are very proud to be recognised since our creation as one the best companies to work for in Brazil in the steel industry. Thanks to our own Foundation in Brazil we are also very much engaged in educational, cultural, environmental and social aspects of the communities where we operate.

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.

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>

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, 5 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'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, consisting of a number of blue chip clients.

A diversified product offering, including 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. Our electrical steel products are primarily sold to customers in the electric motors, generators and transformers industries. We are the fourth 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 142 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. Under Phase 3 of the Leadership Journey® - the Transformation Programme - the Company targets annualized gains of €200 million by the end of 2020. Related planned capex spend for this Phase 3 amounts to €100 million.

Phase 3 of the Leadership Journey® had an annualized contribution of €123 million to EBITDA at the end of 2019.

The Group has also generated positive free cash flows over the past eight years. As of December 31, 2019, the Group had a net financial debt of €75 million, representing a gearing of 3% compared to a net financial debt of €799 million at the end of December 2010, representing a gearing of 29%.

As of December 31, 2019, 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 which are available in section below “A strong focus on self-help measures”.

A talented, dynamic Leadership Team and motivated workforce

Aperam benefits from the experience and industry know how 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 30 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[3], who has over 29 years of experience in finance in the Metals & Mining Industry. 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 Mrs. Vanisha Mittal Bhatia, Chief Strategy Officer; Mr. Nicolas Changeur, Chief Marketing Officer; Mr. Bernard Hallemans, Chief Operating Officer Stainless & Electrical Steel Europe; Mrs. 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.

[3] On February 5, 2020, Aperam announced the resignation of Sandeep Jalan, CFO who will be leaving Aperam to pursue other career opportunities outside the steel and mining industry. Mr Jalan is expected to leave the company around the beginning of May to assure a smooth transition. The succession will be announced in due course.

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 gains reached under Phase 1 and Phase 2: U.S.$573 million		Total target gains Phase 3: € 200 million

* As of December 31, 2019, cumulated gains reached €123 million

Under Phase 3 of the Leadership Journey® - the Transformation Programme - the Company aims to achieve an annualized additional EBITDA contribution of €200 million between 2018 to 2020[4]. During this phase, the

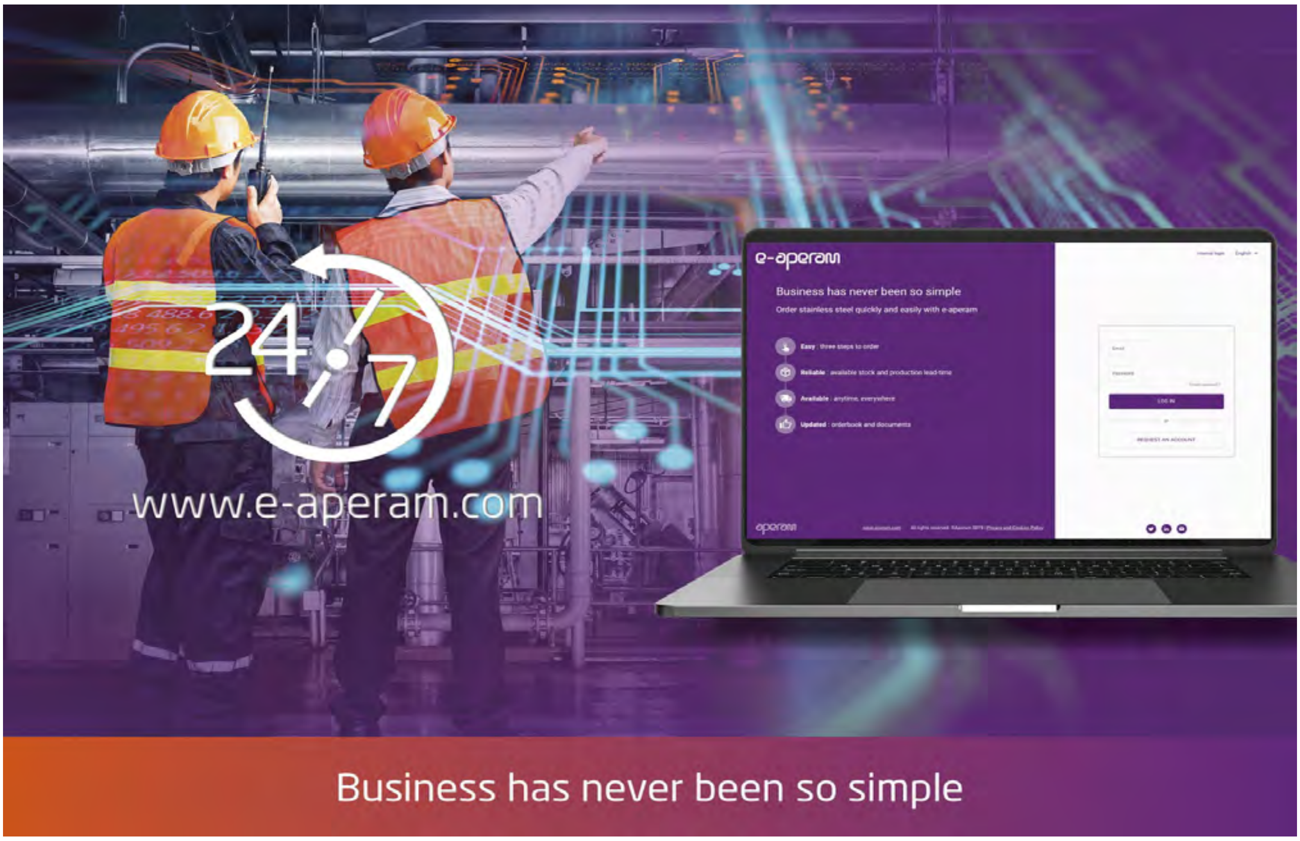
[4] On February 6, 2019, gains to be reached under Phase 3 were extended from €150 million to €200 million to include such additional cost reductions as general procurement and raw material savings. The objective of the accelerated Leadership Journey® is to address the challenging market environment by further transforming the Company and improving its competitiveness. Related planned capex spent were simultaneously reduced by €50 million to €100 million.

Company wants to further transform the business to improve our production costs, as well as accelerating our 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 the transfer of the Company's German service centre from Duisburg to Haan, enabling Aperam to further improve its supply chain, reduce working capital and decrease costs while continuously improving the health and safety of those who work for us.

As of December 31, 2019, Phase 3 of the Leadership Journey® reached €123 million of cumulated annualized gains with good progress on all pillars, which are described in greater detail below.

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.

<u>Leveraging our unique stainless steel product portfolio</u>

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. 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. This includes accelerating the stainless steel consumption in the Brazilian market.

<u>Driving additional value through the Services & Solutions segment</u>

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. We believe that the Alloys & Specialties segment has significant growth potential, especially in light of our R&D support and creative solutions we offer our customers. As an example, Aperam has recently launched in cooperation with Tekna, a leading actor in metallic powder manufacturing, a new company named ImphyTek Powders. It will market Nickel and Specialty Alloy spherical powders for advanced additive manufacturing technologies.

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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 to these external factors, 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 :

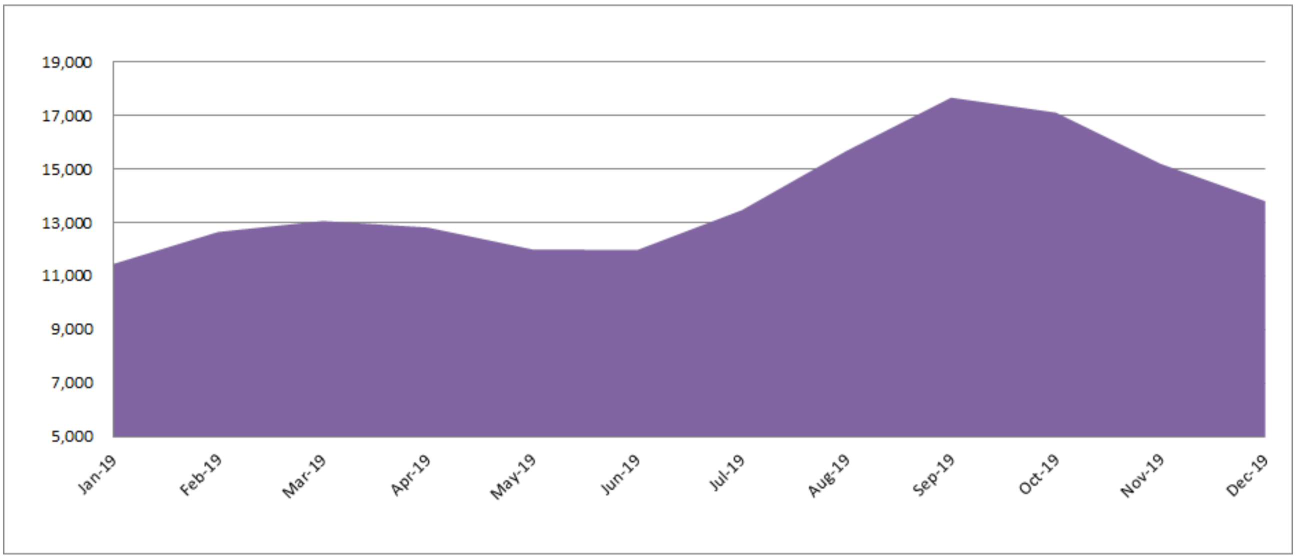
> the "base price", which is negotiated with customers and depends on market supply and demand; and
> the "alloy surcharge", which is a supplementary charge to the selling price of steel that offsets the purchase price increases in raw materials, such as nickel, chromium or molybdenum, by directly passing 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.

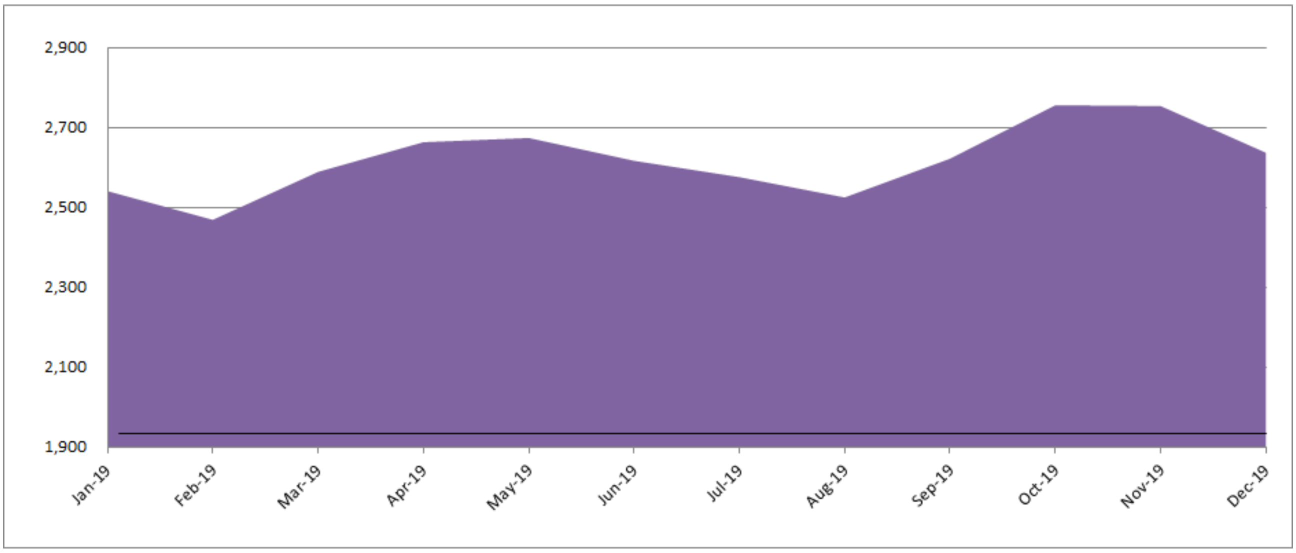
During 2019, stainless steel prices have been negatively affected by a consumption slowdown of the automotive industry (primarily China and Germany), as well as by an economic slow-down in China and in Europe, with repercussions on stainless-intensive markets such as capital goods, electronic/household appliances and architecture, building and construction. At the same time, pricing on the export market was under strong pressure, primarily due to stainless hot rolled coils originated from Indonesia and by cold rolled coils from Taiwan, South Korea, Malaysia, Thailand and Vietnam, who then exported it to Europe and South America, regions that are only partially protected by trade defenses. This situation has created a strong downward pressure on stainless price in international markets and led to one of the worst price points ever experienced by the stainless industry since Aperam inception.

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, 2019 to December 31, 2019:

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").

Raw material prices are described in more detail in the “Raw Materials and Energy” section below.

Electrical steel pricing

The price of electrical steels for Grain Oriented (GO) and Non Grain Oriented steels (NGO) in 2019 was negatively affected in the second half of 2019 compared to a relative stability in the first half of 2019 and in 2018. Electrical steels primarily suffered from weak demand of main customer segments in China. In addition, highly competitive export markets put further pressure on pricing throughout the third and fourth quarter of 2019.

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 2019, global demand for stainless steel flat products followed various trends by geographical regions. Stainless steel apparent consumption continued its robust momentum in China, where demand grew 10%; but dropped in Brazil, which saw -6.2% in growth and in Europe at -6.7%. (N.B. apparent consumption data of stainless steel, source: CRU).

In 2019, the specialty alloys market continued its rebound started in 2017. This growth was supported mainly by the oil & gas applications and additive manufacturing. Aerospace, liquid natural gas transportation, and electronic markets remained at a healthy level. In addition to these more traditional segments, new niches related to electric vehicles and new technologies 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 2019, the global flat stainless steel production increased by 1.4 % (in slab equivalent, source: CRU). The global structural overcapacity driven by China increased by 13% (or 1.1 mt, source: CRU) on cold rolled coils, thus continuing to affect the global stainless steel industry. The growth in flat stainless steel capacity in China has been 5% (+1.4 mt), while consumption remained strong, albeit growing at a slower pace than in the past. China's overcapacity is expected to increase until 2022, especially in cold rolled stainless steel.

China is currently facing a significant industry restructuring challenge, and at the same time with over 50% of the global installed capacity its industry is also exerting disproportionate direct and indirect export pressures globally. In addition, the Indonesian stainless steel industry created massive disruption in the stainless steel environment, and impacted the export flows. Also, an unexpected timing in the enforcement of an import ban on Nickel ore created confusion and sudden spikes of Nickel price on the global markets during the summer 2019. The main Chinese stainless players have invested massively in integrated mining, smelting and stainless steel mills in Indonesia as the country is holding important Nickel reserves. As a result of new capacity additions in Indonesia in 2019, the Indonesian stainless steel production capacity grew by 40% in stainless slab and by 25% in stainless cold rolled, reaching over 3.5 mt capacity and 500 kt respectively.

Considering the Indonesian capacities coming online, it is unlikely that noticeable overcapacity reductions take place in the near future, unless China radically transforms its own manufacturing model and reduces significantly its domestic capacity.

Due to ineffective provisional safeguard measures in Europe, imports from Asia and especially Indonesia remained significantly high in Europe during the entire year 2019.

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. Globally, the 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.

Although antidumping duties on Chinese cold rolled coils significantly reduced cold rolled imports from China, the absence of such duties on hot rolled coils saw imports from China grow substantially. Additionally, Indonesia was added to safeguard quotas only in late 2019, and continued to represent a significant level of imports into Europe. Other countries, such as Taiwan, South Korea, Thailand have all kept under significant pressure the European stainless market and its prices during the year. Due to the effectiveness of the USA's trade barriers (section 232), Southeast Asian rerollers redirected all their efforts onto Europe, creating additional pricing pressure in Europe, based on the use of stainless semis like slabs or black coils supplied by Indonesia.

In Brazil, the early signs of market recovery seen in 2018 could not materialise in 2019 and the country experienced a new phase of low growth in a context of low international prices, import pressure from Indonesia, and higher raw material costs. Growth projections for Brazil in 2020 have been kept relatively low and end-users segments are still not recovering as previously expected. On the other side, Management confirms further additional strong growth potential of per capita consumption of stainless steel in Brazil.

Developments regarding trade measures

2019 was marked by extensive developments in respect to trade measures, as described in greater detail below.

European Union

Summary table of actions against unfair trade

NEW

	Safeguard	Anti-dumping (AD)	Countervailing duties (CVD)
Aim	• Maintain traditional trade flows • Volume focused	• Duty on imports that are priced below fair market value** • Price focused	• Neutralize effect of subsidies that benefit certain imports • Price focused
Countries affected	• All countries globally (if not explicitly exempt) • Effective since February 2019 (Indonesia included from 1 Oct. 2019)	• Hot rolled: Case opened by EU commission in August against China, Indonesia, Taiwan • Decision expected during Q2 2020[2]	• Hot rolled: Case opened by EU commission in October against China, Indonesia • Decision expected by mid 2020[2]
Measure	• HR quota 354kt pa* CR quota 836kt pa* • Largest importers have a country quota. A residual quota for all others • 25% duty for shipments > quota	• Hot rolled: duty to be determined according to materiality of injury • Registration of HR imports from China, Indonesia, Taiwan since 25 Jan	• Hot rolled: duty to be determined according to unfair advantage granted • Registration of HR imports from China & Indonesia since 25 Jan
Impact	• HR imports: FY 2018: 470 kt; FY 2019: 499 kt • CR imports: FY 2018: 1,044 kt; FY 2019: 931 kt	• HR: impact to be determined • LTM HR share of imports: China 59%, Indonesia 16%, Taiwan 8%	• HR: impact to be determined • LTM HR share of imports: China 59%, Indonesia 16%

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

We expect new measures against unfair trade to become effective during Q2

*Effective quota from 1 July 2019 to 30 June 2020. Quota relaxes by 3% on 1 July 2020 / annual for country quotas, quarterly for residual / SS Hot Rolled country quotas: China, S. Korea, Taiwan, USA SS CR: country quotas S. Korea, Taiwan, India, USA, Turkey, Malaysia, Vietnam **could be difference between domestic market price and export price or cost based [2]preliminary duties

1. Safeguard measures on import of steel products

On February 1, 2019, the European Commission published a regulation imposing definitive safeguard measures on the import of steel products, following the 200 day period of the application of the provisional measures. These measures took effect on February 2, 2019, for a period of three years, expiring on July 16, 2021.

Definitive safeguard measures 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 is set at the average level of imports over the 2015-2017 period plus 5%. Quotas are to be further adjusted, 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 are 25%.

A mixed approach has been put in place. A country-specific tariff-rate quota is allocated to countries having a significant supplying interest, based on their imports over the last three years. A global tariff-rate quota (the residual quota) based on the average of the remaining imports over the last three years is 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 quarter, during the same period.

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

Products originating in Norway, Iceland and Liechtenstein are not subject to the measures and, according to WTO rules, products originating from developing countries below 3% of total imports in the period July 2017 – June 2018 are not subject to the measures.

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

On May 17, 2019, the European Commission announced the initiation concerning the review of safeguard measures applicable to imports of steel products.

On September 27, 2019, the European Commission published its decision to adopt the adjustments to the steel safeguard measures, taking effect as from October 1, 2019.

For further details please refer to the following link:

Link to Commission Implementing Regulation (EU) 2019/1590 of 26 September 2019 amending Implementing Regulation (EU) 2019/159 imposing definitive safeguard measures against imports of certain steel products

The decision to proceed with the adjustments to the existing steel safeguard measures, in place since July 2018, followed the wide support received by the EU Member States, representing more than 90% of the population.

The main adopted adjustments to the existing steel safeguard measures are the following, trying to better reflect the current situation in the steel sector:

1) the functioning of the quota for some products, including hot-rolled flat steel and steel intended for the automotive sector;

2) the list of exclusions for developing countries on the basis of more recent imports statistics (2018 full year);

3) the liberalization of imports by reducing the pace of progressive increase of the import quotas from 5% to 3%.

Some relevant changes for stainless steel products need to be underlined:

1) the list of developing countries excluded from the scope have been revised on the basis of 2018 import figures: imports from Indonesia (both stainless steel cold rolled and stainless steel hot rolled products) are now included in the scope, falling into the residual quota;

2) the reduction of the liberalization of quotas from 5% to 3%: as such the quota increases will be lower in July 2019 and July 2020 compared to the initial calculation (around 16,000 tons/year lower for stainless steel cold rolled and 7,000 tons/year lower for stainless steel hot rolled).

Type of Products	Allocation by Country	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	220	227
	South Korea	18	46	47
	Taiwan	13	32	33
	USA	12	30	31
	Other Countries	10	26	26
Cold Rolled Stainless Steel Flat Products	South Korea	71	179	184
	Taiwan	66	165	170
	India	43	108	111
	USA	36	90	93
	Turkey	29	74	76
	Malaysia	20	50	51
	Vietnam	17	42	44
	Other Countries	51	128	132

Anti-dumping measures on cold rolled stainless steel 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 the following anti-dumping duties are 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.

2. Anti-dumping proceeding concerning imports of certain hot rolled stainless steel sheets and coils

On August 12, 2019, the Commission published in the Official Journal the "Notice of initiation of an anti-dumping proceeding concerning imports of certain hot rolled stainless steel sheets and coils originating in the People's Republic of China, Taiwan and Indonesia".

The Investigation Period will be 1 July 2018 to 30 June 2019. The examination of trends for the assessment of injury will cover the period from 1 January 2016 to the end of the Investigation Period.

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:2019:269I:FULL&from=EN.

3. Anti-subsidy proceeding concerning imports of certain hot rolled stainless steel sheets and coils

On October 10, 2019, the European Commission published in the Official Journal the "Notice of initiation of an anti-subsidy proceeding concerning imports of certain hot rolled stainless steel sheets and coils originating in the People's Republic of China and Indonesia".

The Investigation Period will be 1 July 2018 to 30 June 2019. The examination of trends for the assessment of injury will cover the period from 1 January 2016 to the end of the Investigation Period.

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOC_2019_342_R_0009&from=EN

4. Timeframe of the anti-dumping and anti-subsidy proceedings

	Date of initiation	Pre-disclosure	Provisional Measures	Return comments on disclosure / provisional measures	Return comments on final disclosure	Definitive Measures
AD investigation	12 August 2019	19 February 2020	12 March 2020	26 March 2020	01 June 2020	11 September 2020
AS investigation	10 October 2019	18 June 2020	10 July 2020	24 July 2020	31 August 2020	07 November 2020

Max + 1month

Source: Eurofer

On January 23, 2020, the European Commission published in the Official Journal the Implementing Regulation 2020/104 making imports of certain hot rolled stainless steel sheets and coils originating in the People's Republic of China, Taiwan and Indonesia subject to registration

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2020.019.01.0005.01.ENG&toc=OJ:L:2020:019:TOC

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0105

5. WTO challenge against Indonesian restrictions on raw materials

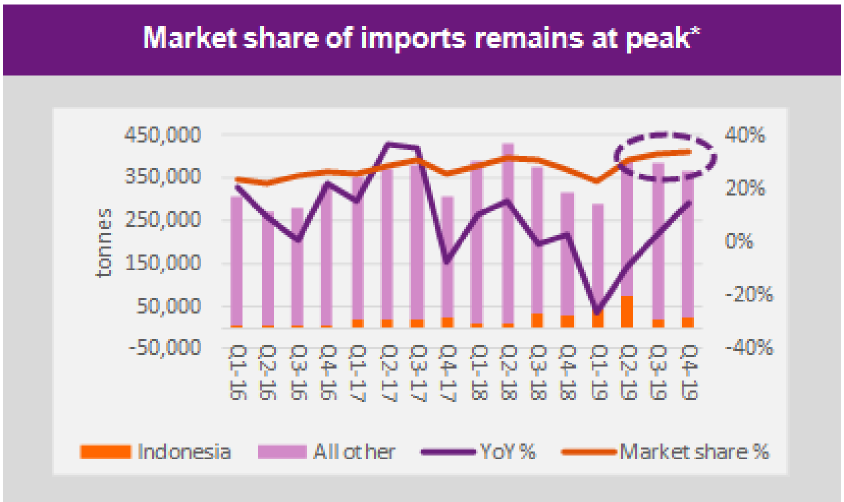
On November 22, 2019, the EU has brought a dispute in the World Trade Organization (WTO) against Indonesian export restrictions for raw materials used in production of stainless steel.

These restrictions unfairly limit access of international producers to raw materials for steel production, notably nickel.

The EU is also challenging subsidies that encourage use of local content by Indonesian producers and give preference to domestic over imported goods, which goes against WTO rules.

For further details please refer to the following link:

https://trade.ec.europa.eu/doclib/docs/2019/november/tradoc_158450.pdf



*Countries with a SS Hot Rolled quota: China, S. Korea, Taiwan, USA ; Countries with a SS CR quota: S. Korea, Taiwan, India, USA, Turkey, Malaysia, Vietnam ; all other countries if not exempt fall under the residual quota

The above graph shows the evolution of stainless steel imports into Europe. The level of imports remained unchanged in Q4 2019 despite the revised safeguard measures having included Indonesia. Annual country quotas allowed imports to capture a disproportionate share of 33% in Q4 2019 and 30% for 2019. While quotas run until June 2020, China had already exhausted its hot rolled quota at the end of January 2020 and Taiwan had used 72%. Imports accounted for 46% of the European hot rolled market in Q4 2019 and in December 2019 they reached a historical maximum of 59%. This indicates that trade actions are a pressing issue and Aperam is encouraged by the European Commission's decision to start the registration of hot rolled imports from China, Indonesia and Taiwan as from January 24, 2020. The three countries under investigation accounted for 84% of all hot rolled imports into the European Union in 2019 and an anti-dumping decision is expected to contribute to restoring a level playing field. Also the countervailing duties ("CVD") case on China and Indonesia is expected to be concluded by the end of 2020. The cold rolled market share of imports at 26% in 2019 and 28% in Q4 2019 remains high versus the baseline of 22% that the safeguard aimed at. Turkey, India, Taiwan, Malaysia and Vietnam also run visibly above their pro rata share of the quota. The Company believes the European Commission needs to align quotas with the market development in Europe and smooth flows by making country quotas quarterly.

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 the 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 Renewed AD duties against China and Taiwan starting October 04, 2019 valid for 5 years from U.S.$175/tonne to U.S.$629/tonne for China and U.S.$93/tonne to U.S.$705/tonne for Taiwan.
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. Renewed AD duties against China starting July 24, 2019 valid for 5 years from U.S.$344/tonne to U.S.$405/tonne.
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. AD duties starting July 15, 2019, for 5 years from U.S.$90/tonne to U.S.$166.3/tonne. Countries involved are China, South Korea, Taiwan and Germany. Re-evaluation procedure to take place after 12 months.
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-term 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 LME nickel price started the year at U.S.$10,790 per tonne, showing an upward trend in the first quarter of 2019 and rising to a high of U.S.$13,610 per tonne in March 2019. Due to trade tensions between the US and China, the overall downturn in macro-economic sentiment as well as historically high Chinese stainless steel stocks Nickel prices were under pressure from mid April to June 2019. However, in July 2019 the LME nickel price surprisingly boomed on massive speculation on the Indonesian ore export ban, planned for 2022, being brought forward to January 2020. When this was officially confirmed at the end of August, the LME Nickel price peaked to U.S.$18,000 in September 2019 as Chinese consumers actively started stockpiling Nickel in anticipation of a potential shortfall resulting from the Indonesian ore ban. In the fourth quarter, supply concerns eased amid weaker nickel demand and fresh inflows entering back to the LME stocks. Finally LME Nickel ended the year at U.S.$14,000. The LME Nickel stocks dropped by close to 70% from 206,000 tonnes in January to 64,000 tonnes in November to recover suddenly to 143,000 tonnes in December 2019.

The price evolution of ferrochrome was mainly bearish in 2019 amid good availability of chrome ore and ferrochrome on the Chinese market combined with a stainless steel market persistently in oversupply. In the first quarter, the European benchmark price dropped to U.S.$1.12 per pound of chrome to recover to U.S.$1.20 per pound of chrome in the second quarter. It dropped again in the third quarter to U.S.$1.04 per pound of chrome. As demand deteriorated and production had increased in South Africa, the price fell again to U.S.$1.02 per pound of chrome in the fourth quarter.

Molybdenum prices started 2019 on an unusually weak trend trading at U.S.$24.69 per kilogram in January amid high stocks and slow demand. Production cuts in the second quarter supported the molybdenum price which averaged U.S.$26 in July. But the market softened again to the point that molybdenum price reached its lowest level since 2017 and traded as low as U.S.$18.24 per kilogram in November. As overall slow demand coincided with tight prompt availability the molybdenum prices recovered to U.S.$20.3 per kilogram at the end of December 2019.

Iron ore prices rallied as from the start of the year, triggered by the dramatic dam collapse at a Vale mine in Brazil, causing 270 casualties. The 62% Fe Reference price CFR China increased from U.S.$72 per tonne in January 2019 to U.S.$125 per tonne in July 2019. In the third quarter, environmental restrictions on steelmaking in China and weaker demand combined with recovering exports from Brazil and Australia have pushed the iron ore prices back down to U.S.$82.5 in August. The price then recovered to U.S.$97.2 per tonne in September, ending the year at U.S.$ 91 per tonne.

Ferrous scrap prices started the year quite strong trading in a range between U.S.$280-320 per tonne. As of August, the scrap price weakened and reached a low of U.S.$220 per tonne in September to fully recover again to almost U.S.$300 per tonne by the end of December 2019.

Energy

With regard to natural gas, the Timóteo production facility in Brazil has 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 2018, the Euro amounted to 1.1450 U.S. dollar/Euro and 4.4390 Brazilian real/Euro. In 2019, the Euro depreciated by 1.9% against the U.S. dollar to reach 1.1234 U.S. dollar/Euro. In 2019, the Euro appreciated by 2.0% against the Brazilian real to reach 4.5305 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.

Extension of the CTLES, Bussy-Saint-Georges - France
Antonini + Darmon © Pierre L'Excellent
Executed using Aperam grade 304L with Uginox Bright 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 7, 2019, the Annual General Meeting of Shareholders approved the re-election of Mr. Lakshmi N. Mittal, Mr. Romain Bausch, Mrs. Kathryn A. Matthews, and Mr. Aditya Mittal, as well as the election of Mrs. Bernadette Baudier as Members of the Board of Directors of Aperam for a three year term.

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 a simple majority of the represented shareholders at an ordinary general meeting of shareholders. The directors of Aperam are elected for three year terms.

On July 31, 2019, Aperam announced the resignation of Mrs. Laurence Mulliez for personal considerations effective August 1, 2019. Mrs. Laurence Mulliez joined the Board in May 2011 and chaired its Audit and Risk Management Committee since May 2013. The members of the Board of Directors extended their warmest gratitude and appreciation for Mrs. Mulliez's valuable contribution to the Board. Mrs. Bernadette Baudier replaces Mrs. Laurence Mulliez as Chairperson of the Audit and Risk Management Committee.

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. 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 below.

Name	Age[1]	Position within the Company [2]	Date joined Board	Term expires
Mr. Lakshmi N. Mittal	69	Chairman, non-independent member of the Board of Directors	December 2010	May 2022
Mr. Romain Bausch[3] [4]	66	Lead Independent Director, independent member of the Board of Directors	January 2011	May 2022
Mrs. Bernadette Baudier[3]	59	Independent member of the Board of Directors	May 2019	May 2022
Mr. Philippe Darmayan	67	Non-independent member of the Board of Directors	May 2015	May 2021
Mr. Joseph Greenwell[3] [4]	68	Independent member of the Board of Directors	May 2013	May 2020
Mrs. Kathryn A. Matthews[4]	60	Independent member of the Board of Directors	December 2010	May 2022
Mr. Aditya Mittal	43	Non-independent member of the Board of Directors	December 2010	May 2022

Company Secretary: Mr. Laurent Beauloye

Notes:
(1) Age on December 31, 2019.
(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 Officer of ArcelorMittal, a renowned global businessman who serves on the boards of various companies and advisory councils. He is 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.

He has received numerous awards for his contribution to the steel industry over the years and recently, 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. He is widely recognized for successfully integrating many company acquisitions in North America, South America, Europe, South Africa and the CIS. Mr. Mittal is Chairman of the board of Aperam and 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 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.

Mrs. Bernadette Baudier

Mrs. Bernadette Baudier is Senior Vice President Finance of the Gas, Renewables & Power Division of Total since 2020. Previously she was Senior Vice President Corporate Affairs of the Exploration & Production Division of Total (2016-2019) with responsibilities covering Finance, Compliance, Legal, Human Resources, Communication and IT.

From 2013 to 2016 she was Senior Vice President for Internal Control and Audit of Total Group (2013-2016). Prior to that she held various positions in Finance within Total Group.

She started her career at Total in 1988 and worked for Société Générale from 1984 to 1988. Mrs. Baudier is a graduate of École des Hautes Études Commerciales (HEC). Mrs. Baudier is a citizen of France.

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 a non-executive director 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.

Mrs. Kathryn A. Matthews

Mrs. 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.

Mrs. 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. Mrs. Matthews is a member of the Council for the Duchy of Lancaster. Mrs. 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 Mittal 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 Mittal 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, 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.

He 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, is Chairman of India's second largest refinery, HPCL-Mittal Energy Limited (HMEL), and is Chairman of the Board of Directors of ArcelorMittal Nippon Steel India Limited. He is also a trustee at Brookings Institute and an alumni of the World Economic Forum Young Global Leader's Programme. 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. Aditya Mittal is the son of Mr. Lakshmi N. Mittal and brother of Mrs. Vanisha Mittal Bhatia. Mr. Aditya Mittal is a citizen of India.

Cap City, Rives de Seine, France
ppa architectures Xavier Leplaë architecte © Philippe Ruault
Executed using Aperam 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.

According to Aperam's articles of association, stating that the Board of Directors may delegate the day-to-day management of the Company's business and the power to represent the Company with respect thereto to one or more executive officers ("directeurs généraux") (who shall not qualify as "directeur general" under Article 60-1 of the Luxembourg law of 10 August 1915 on commercial companies, as amended from time to time and in particular by the law of 10 August 2016 (hereinafter referred to as the "Law"), executives ("directeurs") or other agents who may together constitute a management board ("direction générale") (which shall not constitute a comité de direction pursuant to Article 60-1 of the Law) deliberating in conformity with rules determined by the board of directors.

On February 5, 2020, Aperam announced the resignation of Mr. Sandeep Jalan, CFO and Member of the Leadership Team who will be leaving Aperam to pursue other career opportunities outside the steel and mining industry. Mr. Sandeep Jalan is expected to leave the Company around the beginning of May to assure a smooth transition. A succession will be announced in due course

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	60	Chief Executive Officer; Member of the Leadership Team
Mr. Sandeep Jalan	52	Chief Financial Officer; Member of the Leadership Team
Mrs. Vanisha Mittal Bhatia(2)	39	Chief Strategy Officer; Member of the Leadership Team
Mr. Nicolas Changeur	48	Chief Marketing Officer, Member of the Leadership Team
Mr. Bernard Hallemans	52	Chief Operating Officer Stainless & Electrical Steel Europe; Member of the Leadership Team
Mrs. Ines Kolmsee	49	Chief Executive Officer Services & Solutions; Member of the Leadership Team
Mr. Bert Lyssens	50	Head of Sustainability, Human Resources and Communications; Member of the Leadership Team
Mr. Frederico Ayres Lima	47	Chief Operating Officer Stainless & Electrical Steel South America; Member of the Leadership Team
Mr. Frédéric Mattei	46	Chief Executive Officer Alloys & Specialties, Head of Health & Safety, Environment, Industrial Risk; Member of the Leadership Team

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

Notes:
(1) Age on December 31, 2019.
(2) Mrs. Vanisha Mittal Bhatia is the daughter of Mr. Lakshmi N. Mittal and sister of Mr. Aditya Mittal.

Mr. Timoteo Di Maulo

Mr. Timoteo Di Maulo has been the Chief Executive Officer since January 2015. Mr. Di Maulo has 30 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 29 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 Business School and an Executive Education programme on Strategic Finance at IMD, Lausanne. He is a citizen of India.

Mrs. Vanisha Mittal Bhatia

Mrs. 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. Mrs. 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 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.

Mrs. Ines Kolmsee

Mrs. Ines Kolmsee has been the Chief Executive Officer, Services & Solutions since October 2017. Mrs. 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, Mrs. 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.

Mrs. 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 Civil 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. 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. He is also in charge of the eucalyptus forest business - Aperam BioEnergia. 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 exports from 2003 to 2006. 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 is also Global head of Health & Safety, Environment and Industrial Risk since October 2016. 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 19, 2019, Aperam published its eighth "Made for life" report, which details the progress we made in 2018 on the path of sustainability.
On December 16, 2019, Aperam, also announced its targets to significantly reduce its environmental footprint by 2030, and its ambition to become carbon neutral in its European operations by 2050. Aperam is convinced that it can materially improve its environmental performance by following its strategic roadmap considering new technical solutions and the development of public policies.

Based on best practices for sustainability reporting, Aperam's Made for live report follows the Global Reporting Initiative's framework and has been verified by an external audit firm. This report is complemented with three online supplements for each of the 3 countries we operate in (Belgium, Brazil, France), representing over 80% of our total global workforce. These supplements ensure that key national metrics and yearly developments are available in local languages to our employees and other local stakeholders.

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 key pillars, 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.

Our health and safety performance is described in more detail in the above section > Our competitive strengths > Our commitment to a safe and healthy workplace and the embedding of sustainability in our business model.

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 also help with onboarding newcomers and reducing the learning curve via a structured mentoring process or simply through team-spirit and 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. To do that with perfect efficiency, we have launched in 2019 the Learning Management module of our People Management Information System to expand and monitor the learning opportunities provided to our teams and spur a new culture of continuous capacity building.

But to define the right career paths for our people, we also need to be active listeners. In 2019, we harnessed the results of the latest all-employee Climate survey launched in December 2018 and which recorded a 81% response rate. We organised numerous debrief sessions to exchange on the site-specific outcomes with our staff and we adapted our action plans accordingly with the aim to improve even further the good satisfaction rate of employees, 86% of which were already ready to recommend Aperam as a good place to work. In addition, in Brazil we are very proud to be recognised since our creation as one the best companies to work for in Brazil in the steel industry. More details 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 2019, 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 2019, we had four ordinary meetings of our European Work Council and several extraordinary meetings with the restricted committee to focus on specific topics (e.g. climate survey's results). The members of the health and safety commission had four meetings and built a communication strategy in order to explain their role and work.

Diversity

Aperam's focus on diversity is detailed in the Group's Gender diversity policy and added as an appendix to its 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.

In 2019, a compulsory e-Learning training to combat different kinds of stereotypes was assigned to all Aperam exempts. More details regarding diversity are published in our yearly sustainability reports and are available on our website (www.aperam.com) under the sustainability section.

Our environmental responsibility

Aperam is the world's lowest CO_2 footprint stainless steel producer[5] thanks to its European production route based on fully recyclable stainless steel scrap, and the use of charcoal from its sustainable cultivated forests in Brazil.

The full recyclability of our products, combined with our reliable and safe production process makes Aperam's products a key building block for a sustainable future and a perfect example of circular economy.

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. As we aim for environmental excellence, 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.

[5] Scope 1 and 2

This explains why we have set up ambitious 2030 improvement targets that complement the previous set of objectives, many of which are almost reached or exceeded.

Our 2030 environmental objectives, are as follows :

- 15% CO_2 intensity reduction vs. 2015;
  - This is a new effort on top of the previous target of 35% reduction expected in 2020 vs. 2007;
  - Thanks to maximal usage of our own charcoal, a 34% reduction vs. 2007 was recorded in 2018.
- 11% Energy intensity reduction vs. 2015;
  - This is a new effort on top of those deployed to reach a 10% reduction by 2020 vs. 2012;
  - Reduction of 8.4% recorded in 2018 vs. 2012: we are well on track to our 2020 target and warming up for 2030.
- 70% Dust emissions intensity reduction vs. 2015;
  - This is a bolder target compared to the 12% reduction expected in 2020 and already exceeded
  - Reduction of 61% vs. 2015 achieved in 2018, to be perennialized and improved
- 40% Water intake reduction vs. 2015
- >97% reuse/recycle performance aiming at a long-term target of 100%

(2019 achievements will be disclosed in the upcoming Sustainability Report)

Today already, our state-of-the-art carbon footprint (scope 1 and 2), twice better than ISSF average at 0.49 t CO_2/tcs, is based on our leveraging of the best available techniques. 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 electric arc furnaces leverage locally available scrap material instead of extractive raw materials, generating a much lower level of CO_2 emissions than traditional blast furnaces.
But we aim to go further, and our set of 2030 targets released in 2019 is only a first step towards our long-term objective of carbon neutrality by 2050 for European operations. Across the entire company, we have dedicated projects and teams trying to reach our ambitious Company targets and preparing the action plan in line with our vision.
As proof of our commitment, in 2019, we received a “B” rating from the Carbon Disclosure Project (CDP).

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 specific industrial risk projects, risk audits, 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 or water-saving steel solutions

Within our responsibility to the environment, we are also committed to propose energy-efficient and water-saving steel products capable of helping society to 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, thereby contributing to the United Nations’ Sustainable Development Goals 3, 5, 6, 7, 9, 12, 13 and 16

(Health & Safety; Gender Equality; Clean Water and Sanitation; Affordable and Clean Energy; Industry; Innovation and infrastructure; Sustainable cities and communities; Responsible Consumption and Production; Climate Action; Peace, justice and strong institutions), and comprise:

> 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
> various grades used for renewable energies, such as solar power,
> stainless steel for the development of water ducting and wastewater treatment equipment.

Our responsibility as a neighbour and market player

Community engagement

As a key employer in the regions where Aperam operates, its local impact can be significant. 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. Also at our smaller sites, we are fully aware of our extended responsibility on various issues such 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 and stand as supporters of the United Nations' Sustainable Development Goals 11 (Sustainable Cities and Communities)

Aperam Acesita Foundation

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. We support United Nations' Sustainable Development Goals 16 (Peace, Justice and Strong Institutions).

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 if we primarily rely on our professional associations (e.g. Eurofer, Brazil Steel Institute, ISSF) to transparently represent our interests in public debates, we also disclose the specifics of our approach within the European Commission Transparency Register.

Beyond regulations, Aperam's Ethics & Compliance programme also ensures that our guidelines are well understood and based on the strictest ethics. In 2019, we released an updated version of our Code of Conduct, addressing some recurring questions from our various stakeholders and reviewing the structure and wording so that this Code is as clear as possible for everyone, both for employees to consult on a daily basis and for our business partners to recognize that we are guided by the strongest ethics.

To truly develop an internal culture of awareness and shared vigilance, we must do more than accumulate state-of-the-art policies, we also need to engage actively on these topics.
This is why we had our first company-wide internal International Fraud Awareness Week with the help of our risk management organisation, using home-made videos to explain the various types of fraud and recalling our No-Gift and Prevention of Conflicts of Interest policies. On top of that, over 1,200 employees from all levels and units also gathered in physical interactive sessions to raise their awareness, discuss taboos such as whistle-blowing and spur a new vigilance in the organisation.
Likewise, our CEO engaged again in writing with our business partners to encourage them to read our Sustainability Report, support with us high social, environmental and ethical standards and inform them of our new Code of Conduct. Towards the end of year, we also reiterated our written request to our over 8,000 suppliers for them to refrain from offering season's gifts to Aperam 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 2020 Annual General Meeting of shareholders, which will take place on May 5, 2020.

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, 2019, and is compared to the year ending December 31, 2018.

Key indicators

The key performance indicators that we use to analyse operations are sales, steel shipments, average steel selling prices and operating results. 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, 2019 as compared to the year ending December 31, 2018:

	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	2019	2018	2019	2018	2019	2018	Sales	Steel Shipments	Average Steel Selling Price
	(in millions of Euros)		(in thousands of tonnes)		(in Euros/tonne)		(%)		
Stainless & Electrical Steel(3)	3,352	3,840	1,722	1,914	1,879	1,942	(12.7)	(10.0)	(3.2)
Services & Solutions	1,773	2,066	706	819	2,381	2,428	(14.2)	(13.8)	(1.9)
Alloys & Specialties	597	554	36	36	15,949	14,635	7.8	0.0	9.0
Total (before intra-group eliminations)	5,722	6,460	2,464	2,769			(11.4)	(11.0)	
Others and elimination	(1,482)	(1,783)	(678)	(797)			(16.9)	(14.9)	
Total (after intra-group eliminations)	4,240	4,677	1,786	1,972			(9.3)	(9.4)	

Notes:

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

(2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 678 thousand tonnes and 796 thousand tonnes in the year ending December 31, 2019 and 2018, respectively.

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

In 2019, sales decreased by 9.3% compared to 2018 primarily due to lower steel shipments and slightly lower average steel selling prices.

Stainless & Electrical Steel

In 2019, sales in the Stainless & Electrical Steel segment (including intersegment sales) decreased by 12.7% compared to 2018 primarily due to lower shipment volumes and decreased average steel selling prices.

Steel shipments for this segment (including inter-segment shipments) decreased by 10% to 1,722 thousand tonnes for the year ending December 31, 2019, of which 609 thousand tonnes were attributable to our operations in South America and 1,113 thousand tonnes were attributable to our operations in Europe, including inter-segment shipments. This was down from 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. The average steel selling price for the Stainless & Electrical Steel segment decreased by 3.2% in 2019 compared to 2018.

Sales to external customers in the Stainless & Electrical Steel segment were €1,943 million for the year ending December 31, 2019, representing 46% of total sales, a decrease of 9% as compared to sales to external customers of €2,137 million for the year ending December 31, 2018, or 46% of total sales.

Services & Solutions

In 2019, sales in the Services & Solutions segment (including intersegment sales) decreased by 14.2% compared to 2018 primarily due to 13.8% lower steel shipments and a slightly lower average steel selling price of 1.9% for the segment.

Sales to external customers in the Services & Solutions segment were €1,703 million for the year ending December 31, 2019, representing 40% of total sales, a decrease of 14% as compared to sales of €1,988 million for the year ended December 31, 2018, or 43% of total sales.

Alloys & Specialties

In 2019, sales in the Alloys & Specialties segment (including intersegment sales) increased by 7.8% primarily due to 9.0% higher average steel selling prices for the segment when shipments remained stable year on year.

Sales to external customers in the Alloys & Specialties segment were €594 million for the year ending December 31, 2019, representing 14% of total sales, an increase of 8% as compared to sales to external customers of €550 million for the year ending December 31, 2018, or 21% of total sales.

Operating income

The following table provides our operating income and operating margin for the year ending December 31, 2019, as compared to the year ending December 31, 2018:

	Operating Income Year Ending December 31,		Operating Margin Year Ending December 31,	
	2019	**2018**	**2019**	**2018**
Operating Segment	**(in millions of Euros)**		**(%)**	
Stainless & Electrical Steel	152	296	4.5	7.7
Services & Solutions	33	34	1.9	1.6
Alloys & Specialties	42	40	7.0	7.2
Total(1)	**207**	**361**	**4.9**	**7.7**

Note:
(1) Amounts shown include eliminations of €(20) million and €(9) million for the years ending December 31, 2019 and 2018 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.

The Group's operating income for the year ending December 31, 2019, was €207 million, compared to an operating income of €361 million for the year ending December 31, 2018. This decrease was mainly driven by lower shipments and higher input costs, which were partly offset by the contribution from our Leadership Journey® and Top Line strategy.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was €152 million for the year ending December 31, 2019, of which an operating income of €83 million was attributable to our operations in Europe and €69 million was attributable to our operations in South America. This is compared to operating income of €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. The operating result in the Stainless & Electrical Steel segment for the year ending December 31, 2019 decreased compared to the year ending December 31, 2018, due to lower shipments and lower stainless steel prices. The decrease was partly compensated by the contribution of our Leadership Journey® and Top Line strategy.

Services & Solutions

The operating income for the Services & Solutions segment was €33 million for the year ending December 31, 2019, compared to operating income of €34 million for the year ending December 31, 2018. The decline is due to lower shipments and lower stainless steel prices, partly offset by contributions from our Top Line strategy.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was €42 million for the year ending December 31, 2019, compared to operating income of €40 million for the year ending December 31, 2018. This increase in operational result was primarily due to improvement in mix, along with efficiency improvement initiatives.

Financing costs

Financing costs include interest income, interest expense, net foreign exchange and derivative results and other net financing costs. Financing costs increased to €(23) million for the year ending December 31, 2019, compared to €(5) million for the year ending December 31, 2018.

Excluding the foreign exchange and derivative results described below, net interest expense and other financing costs for the year ending December 31, 2019 were €(30) million, primarily related to a cash cost of financing of €(10) million, compared to net interest expense and other financing costs of €(6) million for the year ending December 31, 2018, primarily related to a cash cost of financing of €(9) million.

Cash costs of financing relate to interests and other expenses related to the service of debt and other financing facilities. The cash cost of financing was stable over the year 2019 compared to the year 2018. The increase in non-cash cost of financing between 2018 and 2019 is mainly due to an exceptional financial loss of €(16) million related to the early buy-back of convertible bonds due 2021 versus an exceptional financial gain of €18 million related to the remaining part of the convertible bonds due 2021 in 2018.

Realised and unrealised foreign exchange and derivative gains/losses were a gain of €7 million for the year ending December 31, 2019, compared to realised and unrealised foreign exchange and derivative gains of €1 million for the year ending December 31, 2018. 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 €(37) million for the year ending December 31, 2019, compared to an income tax expense of €(71) million for the year ending December 31, 2018. Our 2019 income tax expense was primarily due to positive operational results in several countries. The profit before tax of €185 million for the year ending December 31, 2019 represented approximately half of the profit before tax of €357 million for the year ending December 31, 2018 and the income tax expense followed the same trend. The effective tax rate for the year ending December 31, 2019 was therefore similar to the effective tax rate for the year ending December 31, 2018 at 20%.

Net Income Attributable to Equity Holders of the Parent

Our net result was a profit of €148 million for the year ending December 31, 2019, compared to a profit of €286 million for the year ending December 31, 2018.

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, 2019	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations(1)	Total
Operating income (loss)	152	33	42	(20)	**207**
Depreciation, amortisation and Impairment	(123)	(13)	(8)	(6)	**(150)**
EBITDA	**275**	**46**	**50**	**(14)**	**357**

(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**

Note:
(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.

Net Financial Debt and Gearing

Net Financial Debt 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 and Gearing with amounts disclosed in the consolidated statement of financial position:

	December 31,	
(in millions of Euros)	**2019**	**2018**
Long-term debt	365	181
Short-term debt	85	66
Cash and cash equivalents	(375)	(199)
Net Financial Debt	**75**	**48**
Equity	2,418	2,519
Gearing	**3%**	**2%**

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)	**2019**	**2018**
Net cash provided by operating activities	400	295
Net cash used in investing activities	(119)	(187)
Free cash flow before dividend and share buy-back	**281**	**108**

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 5, 2020, the Company released its fourth quarter and full year 2019 results, which are available on the Company's website (www.aperam.com) under the "Investors" > "Investors Essentials" > "Earnings" section. As part of its prospects, the Company announced that adjusted EBITDA in Q1 2020 is expected at a comparable level to Q4 2019 adjusted EBITDA. Net financial debt is expected to increase due to seasonal effects in Q1 2020, however, will continue to remain at low levels.

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 53 subsidiaries. The parent company generated a net profit[6] of €333 million in 2019.

[6] 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 principal 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 €375 million and €199 million as of December 31, 2019 and December 31, 2018, respectively.

Our total gross debt, which includes long and short-term debt, was €450 million and €247 million as of December 31, 2019 and December 31, 2018, respectively. Net financial debt, defined as long-term debt plus short-term debt less cash and cash equivalents (including short-term investments), was €75 million as of December 31, 2019, compared to €48 million at December 31, 2018. Gearing, defined as net financial debt divided by total equity, was 3% as of December 31, 2019, compared to 2% as of December 31, 2018.

As of December 31, 2019, 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, 2019, Aperam had €41 million in debt outstanding at the subsidiary level (including €40 million of finance leases). As of December 31, 2019, the Company had a total liquidity of €675 million, consisting of cash and cash equivalents (including short term investments) of €375 million and committed credit lines of €300 million (revolving credit facility of €300 million described below). As of December 31, 2018[(1)], the Company had a total liquidity of €499 million, 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).

These facilities, which include debt held at the subsidiary level, together with other forms of financing represented an aggregate amount of approximately €0.7 billion, including a borrowing capacity of €300 million. In Management's opinion, such a financing arrangement is sufficient for our future requirements.

Financing

Unsecured revolving credit facility

On June 6, 2017, Aperam entered into a €300 million unsecured revolving credit facility (The 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. It is used for the company's general corporate purposes. On May 22, 2018 and May 23, 2019, the original maturity date of the Facility was extended by one year each time, with the current final maturity date standing at June 6, 2024.

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 evolution of a net leverage ratio) 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. On June 4, 2019, the Company received the consent from all lenders to amend the calculation of the margin to be determined on levels of a Net Leverage Ratio as opposed to the Company's previous pricing model depending on the Group's most recent corporate rating by Standard & Poor's, Moody's, or both.

The Facility contains financial covenants, including:

> 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, 2019, these financial covenants were fully met.

Bridge loan facility agreement

On March 29, 2019, the bridge loan facility agreement of €400 million signed in November 2018, and subsequently reduced to €300 million in December 2018, was voluntarily cancelled by the Company.

EIB financings

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.

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 lines 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. The financing contract, which is senior unsecured, was entirely drawn down on March 15, 2019, at a rate of 1.307%, with a final maturity date of March 15, 2029.

Convertible bonds

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 were targeting general corporate purposes and the refinancing of existing indebtedness.

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 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).

On March 25, 2019, Aperam invited holders of its outstanding bonds to offer to sell their Bonds pursuant to a one day fixed price tender offer process. On April 2, 2019, Aperam repurchased U.S.$137 million of bonds at a price of 107.02% (U.S.$147 million, €131 million).

The remaining portion of the U.S.$27.6 million debt, was repurchased in cash thanks to a clean-up call (compelling the bondholders to redeem the bond at par) on November 4, 2019. An accelerated amortization of U.S.$18 million (€16 million) has been recorded as a financial loss in the statement of operations in 2019.

Schuldscheindarlehen

On September 24, 2019, Aperam successfully priced an inaugural €190 million multi-tranches Schuldscheindarlehen (debt instrument governed by the laws of the Federal Republic of Germany) with maturities at 4, 5, 6 and 7 years. On the back of a very positive investor perception and significantly oversubscribed orderbook, Aperam was able to upsize the deal volume from the initially announced volume of €100 million to ultimately €190 million. Interest rates vary from 1.10% to 1.50%. The company was able to price all tranches at the tight end of the announced spread ranges. Aperam took advantage of the very constructive market to secure attractive conditions and successfully diversify its creditors base.

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, 2019, an amount of €68 million was drawn under the Aperam NEU CP programme.

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 2019 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, 2019 and 2018 was €1.6 billion and €1.6 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 €(4) million for the years ending December 31, 2019 and 2018, respectively.

Credit ratings

On June 13, 2019, Aperam announced that it has requested to be withdrawn from the credit rating services of S&P Global Ratings and Moody’s Investor Service, while reaffirming to maintain investment grade financial ratios. Given the Company’s low level of debt and the nature of funding needs, credit rating services were no longer considered necessary.

On June 27, 2019, Moody's Investors Service withdrew the 'Baa3' long-term issuer rating with stable outlook of Aperam S.A.

On July 15, 2019, S&P Global Ratings withdrew its 'BBB-' long-term issuer credit rating with stable outlook of Aperam S.A.

Financial policy

Aperam`s financial policy aims to maximize the long-term growth of the Company and the value accretion for its shareholders while maintaining a strong balance sheet.

Sequence

Financial Policy	2020
Company Sustainability, Upgrade and Transformation	~€70 million maintenance ~€15 million Leadership Journey®
Value accretive growth & M&A min IRR 15%	~€35 million capex in Genk new CRM & APL
Dividend base dividend, anticipated to progressively increase over time(1)	Dividend of €1.75 per share ≙ EUR140m (2)
Maintain a strong balance sheet consistent with Investment Grade ratios Target NFD/EBITDA ratio of <1x (through the cycle)	✓
Utilize remaining excess cash in most optimal way	Share buyback up to €100 million / 3.8m shares (3)

Notes:

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

(2) The Board of Directors has decided to propose for approval at the next Annual General Meeting of Shareholders of May 5, 2020, a base dividend of 1.75€/per share. Please refer to section “Earnings distribution” below for greater details.

(3) On February 5, 2020, the Company announced a share buyback programme for an aggregate maximum amount of €100 million and a maximum of 3.8 million shares under the authorisation given by the Annual General Meeting of shareholders held in 2019. Please refer to section “Earnings distribution” below for more details.

Earnings distribution

Dividend

Technicalities

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.

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

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 proposed increasing its base dividend from €1.53 per share to €1.75, subject to shareholder approval at the 2019 Annual General Meeting. On May 7, 2019, at the 2019 Annual General Meeting, the shareholders approved a base dividend of €1.75 per share. The dividend was paid in four equal quarterly instalments of €0.4375 (gross) per share.

In 2020

On February 5, 2020, Aperam announced its detailed dividend payment schedule for 2020. The Company proposed maintaining its base dividend at €1.75 per share, subject to shareholder approval at the 2020 Annual General Meeting.

The detailed dividend schedule for 2020, as announced on February 5, 2020, is as follows:

	1st Quarterly Payment (interim)	2nd Quarterly Payment	3rd Quarterly Payment	4th Quarterly Payment
Announcement date	26 February 2020	12 May 2020	11 August 2020	9 November 2020
Ex-Dividend	02 March 2020	15 May 2020	14 August 2020	12 November 2020
Record Date	03 March 2020	18 May 2020	17 August 2020	13 November 2020
Payment Date	26 March 2020	12 June 2020	11 September 2020	9 December 2020
FX Exchange rate	27 February 2020	13 May 2020	12 August 2020	10 November 2020

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. On May 7, 2019, the Annual General Meeting of Shareholders renewed such authorisation under the same conditions.

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 the renewal of such authorization, at the May 7, 2019 Annual General Meeting of shareholders (hereinafter “Programme”).

The key features of the Programme are as follows:

- Purpose of the Programme: cancellation of shares to reduce the share capital
- Maximum number of shares to be acquired under the Programme: 3.7 million
- Maximum pecuniary amount allocated to the Programme: €100 million
- Period of authorisation of the Programme: 9 February 2019 to 31 December 2019

Aperam appointed an investment services provider to execute the repurchasing of shares in the open market during open and closed periods. The price per share of the shares to be bought under the Programme was not to 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, and such renewal at the May 7, 2019 Annual General Meeting of Shareholders.

Simultaneously, the Mittal family 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 the Mittal family's voting rights in Aperam's issued share capital (net of Treasury Shares) at the current level, pursuant to the Programme.

Disclosure of trading in own shares under the 2019 share buyback programme

In aggregate, 3,700,000 shares were bought under this Programme from April 3, 2019 to June 25, 2019, representing an aggregate amount of €92,598,848 (based on settlement date).

- Period of repurchases: April 3, 2019 to June 25, 2019 (based on settlement date)
- Number of shares acquired: 3,700,000
    - Out of which on Euronext Amsterdam and other regulated dealing platforms[7]: 2,184,494
    - Out of which on Euronext off market platform from the Mittal family: 1,515,506
- Pecuniary amount of shares acquired: €92,598,848
    - Out of which on Euronext Amsterdam and other regulated dealing platforms[7]: €54,670,712
    - Out of which on Euronext off market platform from the Mittal family: €37,928,136

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

Disclosure of trading in own shares under Luxembourg Company law

- Number of own shares held on December 31, 2018: 1,939,598 shares or 2.27% of the subscribed capital, representing a nominal value of €76,398,937 and an accounting par value of €10,163,494.
- Number of own shares acquired under share buyback programme during 2019: 3,700,000 or 4.42% of the subscribed capital, representing a nominal value of €92,598,848 and an accounting par value of €19,388,000.
- Number of shares received as a consequence of the call spread overlay unwinding in relation to the convertible bonds 2021: 66,882 or 0.08% of the subscribed capital, representing a nominal value of €1,668,853 and an accounting par value of €350,462.
- Number of shares granted during the 2019 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: 26,039 shares (30,250 shares, net of 4,211 shares retained for tax purposes), or 0.03% of the subscribed capital, representing a nominal value of €782,491 and an accounting par value of €136,444.
- Number of shares acquired under the 2018 share buyback programme cancelled on July 18, 2019: 1,800,000 shares or 2,15% of the subscribed capital, representing a nominal value of €53,311,272 and an accounting par value of €9,432,000.
- Number of own shares held on December 31, 2019: 3,880,441 or 4.64% of the subscribed capital, representing a nominal value of €116,572,875 and an accounting par value of €20,333,511.

As of the date of this report, the number of treasury shares is 3,880,441, out of which 3,700,000 shares are intended to be cancelled to reduce the share capital of the Company, in coherence with the objective of the 2019 programme. Total numbers of outstanding shares (net of treasury shares) as of 31 December 2019 stood at 79,815,839 million shares.

7 Chi-X, Turquoise & BATS

Key features of the 2020 share buyback programme

On February 5, 2020, 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 the renewal of such authorization, at the May 7, 2019 Annual General Meeting of shareholders (hereinafter “Programme”).

The key features of the Programme are as follows:

- Purpose of the Programme: cancellation of shares to reduce the share capital
- Maximum number of shares to be acquired under the Programme: 3.8 million
- Maximum pecuniary amount allocated to the Programme: €100 million
- Period of authorisation of the Programme: 8 February 2020 to 30 December 2020

Aperam appointed an investment services provider to execute the repurchasing of shares in the open market during open and closed periods. 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 7, 2019.

Simultaneously, the Mittal family 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 40.98% 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 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 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 flows for the year ending December 31, 2019, as compared to the year ending December 31, 2018:

	Summary of Cash Flows	
	Year ending December 31,	
	2019	2018
	(in millions of Euros)	
Net cash provided by operating activities	400	295
Net cash used in investing activities	(119)	(187)
Net cash used in financing activities	(104)	(214)

Net cash provided by operating activities

Net cash provided by operating activities amounted to €400 million for the year ending December 31, 2019, compared to €295 million for the year ending December 31, 2018. The €105 million increase of net cash provided by operating activities between 2018 and 2019 was mainly due to less cash being deployed to working capital.

Net cash used in investing activities

Net cash used in investing activities amounted to €(119) million for the year ending December 31, 2019, compared to €(187) million for the year ending December 31, 2018. The net cash used in investing activities for the year ending December 31, 2019 was mainly related to €151 million in capital expenditures, compared to €192 million for the year ending December 31, 2018, and partly offset by €32 million of proceeds from other investing activities in 2019 including €30 million on Gerdau shares disposal.

Net cash used in financing activities

Net cash used in financing activities was €(104) million for the year ending December 31, 2019, compared to net cash used in financing activities of €(214) million for the year ending December 31, 2018. Net cash used in financing activities for the year ending December 31, 2019 was primarily due to €142 million of dividend payments and €93 million of purchase of treasury stock, partly offset by €139 million of net proceeds from banks. 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.

Equity

Equity attributable to the equity holders of the parent decreased to €2,414 million as of December 31, 2019, compared to €2,515 million on December 31, 2018. This is primarily due to a dividend declaration of €(142) million, the purchase of €(93) million of treasury shares partly offset by a net profit for the year of €148 million and foreign currency translation differences of €15 million.

Capital Expenditure[8]

Capital expenditures for the years ending December 31, 2019 and 2018 were €151 million and €192 million respectively. Capital expenditures for 2019 were primarily related to €90 million of replacement capital expenditures and €61 million of growth & improvement capital expenditures.

[8] 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 and Indonesia, 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. Stainless steel exports from these countries, or conditions favourable to them (such as excess capacity in China / Indonesia and/or higher market prices for stainless steel in markets outside of China/Indonesia) 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

We don't expect any adverse effect from Brexit on our operations and financial results as our sales in the UK represented less than 2% of total sales in 2018 and in 2019.

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 fluctuation 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 aspects, 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 24 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 or stoppage

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, severe climate events, 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.

Risk of rising costs and operational difficulty to comply with laws and stakeholders' expectations in terms of environmental protection

Aperam is subject to a broad range of environmental laws and regulations in each of the jurisdiction in which it operates. Due to rising Climate Change awareness and health concerns among the general public, these laws and regulations impose increasingly stringent environmental protection standards regarding, among others, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic substances, slag treatment, soil pollution, waste disposal practices and the remediation of environmental contamination. The costs of complying with, and the imposition of liabilities pursuant to, environmental laws and regulations can be significant, and compliance with new and more stringent obligations may require additional capital expenditures, modifications in operating practices and higher monitoring costs. Failure to comply can result in civil and or criminal penalties being imposed, the suspension of permits, requirements to curtail or suspend operations and lawsuits by third parties (see chapter litigations above). Despite Aperam's efforts to comply with and exceed laws and regulations, environmental incidents or accidents may occur that negatively affect the operations of key facilities, the Company's reputation or the social acceptance of its license to operate. In addition, environmental remediation obligations can give rise to substantial liabilities in respect of existing facilities as well as divested assets and past activities.

Further, Aperam's heavy industry operations could be regarded as having a detrimental effect on the natural environment, and the time needed by our teams to address technically valid concerns or official and voluntary targets could be seen mistakenly as a low willingness to attend to claims that can be very legitimate, either from local stakeholders near our plants or responsible investors. In this case, these stakeholders could take actions or decisions detrimental to Aperam's interests.

Silène luminaris sive Muflier de Borges, Miguel Chevalier, 2015
Painted stainless steel sculpture in red and orange
Clement Foundation, Le François, Martinique
Executed using grade Aperam 316 Hot Rolled

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 exception 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, and May 2019 all non-executive Directors of the Group had 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. Share transactions by Management are reported on the Company’s website under section “Investors” > “Corporate Governance” > “Share transactions by Management”.

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 five meetings in 2019. The average attendance rate of directors at the Board of Directors' meetings held in 2019 was 94.9%.

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 2020 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 2019. The Chairman of the Board of Directors and the Lead Independent Director held five meetings in 2019. 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 2019 Board of Directors' self-evaluation was completed by the Board of Directors on February 4, 2020 and placed for further discussion at the following meeting of the Board of Directors. The Board of Directors was of the opinion that it and the management had continued to cooperate successfully during 2019 on important matters including operational and financial performance, the Leadership Journey®, the competitive landscape, the global trade flows and raw materials, innovation and refinancing. For 2020, the Board of Directors set new priorities for discussion and review and identified a number of priority topics, including plant visits to be conducted during the year.

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, age and nationality of its members.

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 areas.

Structured opportunities are provided to build knowledge through such initiatives as plant 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 2019, the directors participated in the following activities:

> Comprehensive business briefings intended to provide the directors 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 2019 included operational and financial performance, the Leadership Journey® execution, the competitive landscape, the global trade flows and raw materials, innovation and refinancing; 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, 2019, 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, 2019, 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)
Bernadette Baudier	Member of Board of Directors	Independent	X (Chair)	
Joseph Greenwell	Member of Board of Directors	Independent	X	X
Kathryn Matthews	Member of Board of Directors	Independent		X

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 work carried out by Aperam's independent external auditors and combined assurance 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 Mrs. Bernadette Baudier, Mr. Romain Bausch and Mr. Joseph Greenwell. Mrs. Bernadette Baudier has been the Chairperson of the Audit and Risk Management Committee since August 2019. Previously, Mrs. Laurence Mulliez had chaired the Audit and Risk Management Committee since May 2013. Mrs. Laurence Mulliez resigned from the Board of Directors for personal considerations effective August 1, 2019. Each of these members is an independent director in accordance with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

Mrs. Bernadette Baudier has over 35 years of experience, with senior roles held in Finance, Internal Control, and Audit. Mrs. Baudier is Senior Vice President Finance of the Gas, Renewables & Power Division of Total since 2020. Previously she was Senior Vice President Corporate Affairs of the Exploration & Production Division of Total (2016-2019) with responsibilities covering Finance, Compliance, Legal, Human Resources, Communication and IT. From 2013 to 2016 she was Senior Vice President for Internal Control and Audit of Total Group (2013-2016). Prior to that she held various positions in Finance within Total Group. She started her career at Total in 1988 and worked for Société Générale from 1984 to 1988. Mrs. Baudier is a graduate of École des Hautes Études Commerciales (HEC).

According to its charter, the Audit and Risk Management Committee is required to meet at least four times a year. During 2019, the Audit Committee met four times. The attendance rate of the directors at the Audit and Risk Management Committee meetings held in 2019 was 100%. Invitees at the Committee in 2019 included: Mrs. 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 External Audit as appropriate. The Company Secretary acts as secretary of the Committee.

During 2019, 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 2020 with respect to performance in 2019.

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 Mrs. 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 2019, this committee met five times. The attendance rate at the Remuneration, Nomination and Corporate Governance Committee meetings held in 2019 was 100%. Invitees at the Committee in 2019 included Mrs. Bernadette Baudier, Mrs. 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 2019, 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 of the Long-Term Incentive Plan’s performance indicators, the Leadership Team’s remunerations, and gender diversity.

As part of the annual self-evaluation interviews, the Remuneration, Nomination and Corporate Governance Committee performed an evaluation, which was completed in February 2020 with respect to performance in 2019.

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 while monitoring Aperam diversity representativity.

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. In 2019, an online module was designed to train employees in three languages about the updated version of our Code, released the same year. 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 > Corporate-governance > Compliance 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-Corruption and Bribery, Anti-Trust, Prevention of Misconduct & Whistleblowing, 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 section "Investors > Corporate Governance > Corporate Policies" of Aperam's website (www.aperam.com).

A compliance-focused workforce

With the objective of zero tolerance for non-compliant behaviours, in 2019 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 embedded some of our processes, like the annual process of declarations of potential conflicts of interest into MyHR, our People Management System, with a view to improve its efficiency and the confidentiality of the data, by leveraging all the features of a ERP (master people database, automatic notifications, reminders).

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 the Prevention of Misconduct & Whistleblowing Policy (available on Aperam's website, www.aperam.com, under section Corporate Governance) encourages all employees to bring any breach to the Aperam Code of Conduct and all 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'sPrevention of Misconduct & Whistleblowing Policy, the scope of the Aperam Whistleblowing line has been extended so that not only 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 but also all breaches to the Code of Conduct or irregularities related to HS&E, Human rights, Data Privacy and Cybersecurity, using the Aperam whistleblowing line. The Aperam whistleblowing line is also available in the "Investors < Corporate Governance" section of Aperam's website (www.aperam.com).

During 2019, there were 12 allegations relating to fraud, which were referred to the Group's Combined Assurance Department for investigation. At the end of 2019, 9 forensic cases had been finalized, with 1 case founded without a material impact on Aperam accounts and 8 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 2019 were €1.5 million for the auditing of financial statements. Please refer to Note 27 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.

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, 2019, the Company's issued share capital was represented by 83,696,280 fully paid up shares without nominal value. The Company intends to submit a renewed authorised share capital at the upcoming annual general meeting of shareholders to be held on May 5, 2020.

On May 7, 2019, the Annual General Meeting of Shareholders decided (a) to cancel with effect as of the date of this General Meeting the authorisation granted to the Board of Directors by the general meeting of shareholders held on 5 May 2015 with respect to the share buy-back programme, and (b) to authorise, effective immediately after this Annual General Meeting, 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 10 August 1915 on commercial companies, as amended (the "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 will allow the Company to hold or repurchase shares not exceeding 10% of the Company's issued share capital. The present 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 a number of shares such that aggregate accounting par value of the Company's shares held by the Company following repurchases does 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 461-2 of the Law.

The purchase price per share to be paid 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, and shall not be less than one euro cent. The final listing prices are those on the Euronext markets where the Company is listed or the Luxembourg Stock Exchange, depending on the market on which the purchases are made.

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 premiums 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 February 6, 2019 and February 5, 2020, are described in greater detail 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 September 27, 2019, and is available on the Company's website (www.aperam.com) under the "Investors" > "Corporate Governance" section. The updated Articles of Association follow the cancellation of 1,800,0000 shares acquired under the 2018 share buyback program in line with the announced purpose of the program. The total number of issued shares have been reduced from 85,496,280, to 83,696,280.

Compensation

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 and sustainability 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 maintaining a formal and transparent procedure for setting policy on senior management’s remuneration and to determine an appropriate remuneration package for senior management. The RNCG Committee should ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while complying with applicable rules and regulations. 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.

In line with Aperam’s Code of Business Conduct, Members of the Board of Directors and employees must always act in the best interests of the Company and must avoid any situation where personal interests conflict or could conflict with obligations toward the Company. An annual process is in force for the Members of the Board of Directors and the employees to report any potential conflict of interest they may have. However, notifications should be made as soon as a potential conflict of interest is identified.

Contracts and arrangements

The Articles of Association provide that directors are elected and removed by the general meeting of shareholders by a simple majority of votes cast. The directors of Aperam are elected for three year terms. 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. 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. 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.

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 have permanent employment contracts, and notice periods follow applicable legislation. Members of the Leadership Team benefit from supplementary pension schemes according to local practice. The Company does not provide for specific early retirement schemes and payments linked to termination for its members of the Leadership Team beyond what is required by local labour legislation requirements.

Remuneration strategy for Members of the Board of Directors

The remuneration structure of the members of the Board of Directors is submitted each year to shareholder approval and is based on annual fees comprising a basic remuneration, to which additional fees are added for Committee members. The remuneration structure is reviewed periodically by the Remuneration, Nomination and Corporate Governance Committee, and which makes recommendations to the Board of Directors considering relevant benchmarks (e.g. similar size, industry) to attract and retain high-quality and experienced directors. The remuneration structure of the Board of Directors has remained unchanged since the Company's inception in 2011, and is highlighted in greater details below:

(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

Remuneration strategy for Members of the Leadership Team

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 and sustainable 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 sustained high performance and/or certain critical and scarce competencies; and
> promote internal pay equity; and
> Base Salaries, Total Target Cash (Base Salary + On Target Bonus) and Total Direct Compensation (TTC + LTIP) are compared to the appropriate market reference (P50 or market median);

> Performance is evaluated based on pre-agreed quantified personal objectives. Personal objectives are aligned with Aperam's organisational goals that cover 4 areas:

A. Sustainability (Environmental-Social-Governance), with particular attention to Health and Safety,
B. Sustainable Profitability,
C. Business Transformation and
D. People (motivation and engagement, competencies).

> In case of promotions stepped increases over time are applied, this in order to be able to evaluate the manager in the new role before reaching the market median.

> At an individual level the bonus is determined by the company's financial performance and the individual performance. However at Aperam level, as the average of all individual multipliers is "1", the total bonus envelop always reflects the actual company's performance

Remuneration framework

The Remuneration Nomination and Corporate Governance 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).

The total remuneration target of the CEO and the other members of the Leadership Team is structured to attract and retain executives; the amount of the remuneration received is dependent on the achievement of the business and individual performance and on generating sustained shareholder value from relative performance.

The following remuneration charts illustrate the various elements of compensation for the CEO and the other members of the Leadership Team applicable for 2019.

The above mentioned graphs show the minimum and maximum payout of each plan based on the achievement of the plan objectives. This is what defines the total bonus envelope that is made available at Aperam level.

At individual level the payout of short term incentives is also subject to an individual bonus coefficient, that is based on the achievement of personal objectives. This multiplier can vary between 0 and 1.5 which means that theoretically the payout of the annual bonus (STIP) can vary between 0 and 225% of the target amount (in case of a maximum financial and maximum personal performance).

Health & Safety is the first individual performance target and plays an important role in the final evaluations.

Fixed annual salary

Link to strategy: attract and retain high-quality and experienced senior executives

Base salary levels are reviewed annually with effect from March 1st and compared to the market to ensure that Aperam remains competitive.

Short-term incentives

Annual performance bonus plan

Link to strategy: motivate senior executives to achieve stretch performance on strategic priorities

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 and the individual employee's overall performance.

The calculation of Aperam's 2019 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.

For the Chief Executive Officer and the Members of the Leadership Team, the 2019 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

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.

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

The 2018 Performance Bonus Plan with respect to senior management and paid out in 2019 was structured as follows:

2018 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

A core element of Aperam's strategy is Phase 3 of the Leadership Journey® - aiming to defend Aperam's position as lowest cost producer in Europe. In order to have Aperam Senior Management fully engaged towards the Leadership Journey® goals, a special performance incentive plan was put in place in 2019 that covers the period 2019 to 2020.

The payout of this exceptional one-off plan will depend on the achievement versus the Aperam 2020 Leadership Journey target of € 200 million. The plan has a total on-target value of 80% of the annual base salary of the CEO and the LT members (non-recurrent), split for retention purposes in two payments of 40% each, one in March 2021 and one in March 2022. No payment takes place in case the manager leaves before the payment is made.

The plan has a threshold for any payment to occur at 80% of the target and is capped at 120% achievement with payout ratios as applicable for the Long-term incentive plans.

Other Benefits

In addition to the primary elements of compensation described above, other benefits may be provided to senior management, such as company cars, 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 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.

RSU Plan (no grants anymore under this scheme for Leadership Team members since 2012)

The aim of the RSU Plan was to provide a retention incentive to eligible employees. It was 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 (no performance related criteria). The RSUs were an integral part of the Company's remuneration framework.

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

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. 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 (see below PSU plan).

Details of shareholder approvals and allocated RSUs, granted shares at vesting:

- 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 employees below the Leadership Team level. In August 2019, a total of 30,250 shares were vested and allocated to qualifying employees.

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.

The allocation of PSUs is reviewed by the Remuneration Nomination Corporate Governance ('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.

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 as from 2018 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.

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.

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.

As from the 2018 PSU plans, 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.

Details of shareholder approvals and allocated PSUS, granted shares at vesting:

- 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). In 2019, no shares were vested.

- 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 May 7, 2019, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2019 and the 2020 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 2019, a total of 102,662 PSUs were granted to a total of 48 employees at a fair value of €26.23 per share (out of which 62,762 PSUs were for the 9 Members of the Leadership Team).

The tables in the “Remuneration Report” section summarise provide additional details on the progress of meeting the vesting criteria on each grant anniversary date, as well as the applicable peer group.

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. The amount of exercisable options was 19,967 and 35,468 for the years ending December 31, 2019 and 2018 respectively. Exercise prices of ArcelorMittal stock options is U.S.$91.98. Weighted average contractual life of the options is equal to 0.6 years.

Remuneration Report

Remuneration of Board of Directors

As of December 31, 2019 and 2018, Aperam did not have any outstanding loans or advances to members of its Board of Directors and, as of December 31, 2019, Aperam had not given any guarantees for the benefit of any member of its Board of Directors. The table below shows the Directors' compensation for the financial periods ending December 31, 2018 and 2019. In particular, at the May 7, 2019, annual general meeting of shareholders, the shareholders approved the annual remuneration for non-executive Directors for the 2018 financial year at € 550,000. The directors' compensation for the financial period ending December 31, 2019 will be submitted for shareholder approval at the annual general meeting of May 5, 2020.

Name	Financial period ending December 31, 2018 (1)	Comparison vs. average remuneration on a FTE basis of an Aperam SA employee(4)	Financial period ending December 31, 2019 (1)	Comparison vs. average remuneration on a FTE basis of an Aperam SA employee(4)
Mr. Lakshmi N. Mittal	€ 70,000	0.88x	€ 70,000	0.79x
Mr. Romain Bausch	€ 97,500	1.22x	€ 97,500	1.10x
Mrs. Bernadette Baudier (2)	N/A	N/A	€ 53,890	0.61x
Mr. Philippe Darmayan	€ 70,000	0.88x	€ 70,000	0.79x
Mr. Joseph Greenwell	€ 82,500	1.03x	€ 82,500	0.93x
Mrs. Kathryn A. Matthews	€ 75,000	0.94x	€ 75,000	0.84x
Mr. Aditya Mittal	€ 70,000	0.88x	€ 70,000	0.79x
Mrs. Laurence Mulliez(3)	€ 85,000	1.06x	€ 49,370	0.55x
Total	**€ 550,000**		**€ 568,260**	
Shareholders' approval date	May 7, 2019		N/A	
Shareholders' expected approval date	N/A		May 5, 2020	

Notes:
(1) The directors compensation structure remained unchanged between 2018 and 2019. Reported changes in amounts are due to changes in the Board of Directors composition. See below.
(2) Mrs. Bernadette Baudier was elected as member of the Board of Directors at the annual general meeting of shareholders of May 7, 2019. She was a member of the Committee starting May 7, 2019 and chaired the Committee starting August 1, 2019 following the resignation of Laurence Mulliuez.
(3) Mrs. Laurence Mulliez resigned for personal considerations effective August 1, 2019. Mrs. Mulliez joined the Board in May 2011 and chaired its Audit and Risk Management Committee since May 2013.
(4) Ratio between total remuneration of the members of the Board of Directors; and the average remuneration on a full time equivalent basis of Aperam S.A. (€80k in 2018, and €89k in 2019).

Remuneration of Senior Management

Aperam's remuneration for Senior Management is tied to the long term performance of the Company as follows:

- Aperam Senior Management have a significant part of their total remuneration as variable that is 100% linked to Aperam's performance as defined in measurable KPIs:
  - Short term (Annual Bonus or Short-term incentive plans)
  - Long term (3 years Long-term incentive plans)
- Both variable plans have performance thresholds, below which no payment is made, and cappings (max ceiling for payment). Please refer to the plan descriptions for further details.

- Individual Differentiation is possible based on annually agreed personal objectives that are linked to one the four Aperam Organisation Goals (Sustainability, with particular attention to Health & Safety ; Sustainable Profitability ; Business Transformation, and People).

The total compensation paid to the members of the Leadership Team in 2019 is aligned with the Remuneration Policy, and application of performance criteria. The total remuneration comprised of the base salary, fringe benefits, the short-term performance-related variable pay (consisting of a bonus linked to 2018 results), and pension expenses, is available in the table below. In particular, in 2019, no shares vested under the PSU Plan 2016 as the vesting criteria were not met over the three year period 2016 to 2019. The Company does not consider options for the short term bonus to be reclaimed, nor to be deferred.

2019 Total Actual Remuneration of the CEO, and the Leadership Team excluding the CEO

Name	Year	1 Fixed Remuneration		2 Variable remuneration		3 Exceptional one off items	4 Pension expense	5 Total Remuneration	6 Comparison versus average remuneration on a full time equivalent basis of an Aperam SA employee [3]
		Base Salary	Fringe Benefits and local allowances [1]	One year-variable (STIP) and % vs. Total Rem.	Multi-year variable (LTIP)[2] and % vs. Total Rem.				
CEO	2019	699k€	16k€	409k€ (32%)	0 (0%)		138k€	1,261k€	14.1x
	2018	635k€	16k€	596k€ (34%)	375k€ (22%)		112k€	1,729k€	21.6x
LT excluding CEO (8 members)	2019	2,150k€	100k€	573k€ (19%)	0 (0%)		165k€	2,989k€	4.2x
	2018	2,167k€	185k€	1,092k€ (23%)	1,238k€ (26%)		152k€	4,834k€	7.5x

[1] Company car, residence benefit, and local allowances (for French employees: local profit sharing according to CLA is included)
[2] Number of shares received multiplied by the share price at vesting date
[3] Ratio between total remuneration of the CEO, or LT excluding CEO; and the average remuneration on a full time equivalent basis of Aperam S.A. (€80k in 2018, and €89k in 2019).

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. In June 2019, the persons comprising the Company's Leadership Team received 62,762 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 €26.23. Each PSU may give right to up to two shares of the Company.

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

Name	Main conditions of the PSU plans					Information regarding the reported financial year : 2019					
						Opening balance	During the year				Closing balance
	Specification of plan	Performance Period	Fair Value per share (in €)	Award date	Vesting date	PSUs at the beginning of the year [1]	PSUs awarded [1]	PSUs vested [1]	Number of own shares given from PSUs vested	PSUs forfeited [1]	PSUs remaining subject to a performance condition [1]
CEO											
Tim Di Maulo, CEO	LTIP 2016	3 years	35.08	31 August 2016	31 August 2019	7,235	NA	0	0	(7,235)	0
Tim Di Maulo, CEO	LTIP 2017	3 years	44.34	31 August 2017	31 August 2020	6,344	NA	NA	NA	NA	6,344
Tim Di Maulo, CEO	LTIP 2018	3 years	40.32	01 June 2018	01 June 2021	11,699	NA	NA	NA	NA	11,699
Tim Di Maulo, CEO	LTIP 2019	3 years	26.23	01 June 2019	01 June 2022	0	21,809	NA	NA	NA	21,809
LT excluding CEO											
LT excluding CEO	LTIP 2016	3 years	35.08	31 August 2016	31 August 2019	27,326	NA	0	0	(27,326)	0
LT excluding CEO	LTIP 2017	3 years	44.34	31 August 2017	31 August 2020	17,915	NA	NA	NA	NA	17,915
LT excluding CEO	LTIP 2018	3 years	40.32	1 June 2018	1 June 2021	25,762	NA	NA	NA	NA	25,762
LT excluding CEO	LTIP 2019	3 years	26.23	1 June 2019	1 June 2022	0	40,953	NA	NA	NA	40,953

[1]: Expressed in numbers of PSUs

	Allocation under the shareholder approval of			
	May 4, 2016	**May 10, 2017**	**May 9, 2018**	**May 7, 2019**
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	150,000 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 0.18%	Less than 0.18%
Targeted population under the RSU Plan	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	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 and below level	46,761 PSU (vesting August 31, 2019)	71,884 PSU (vesting August 31, 2020)	85,461 PSU (vesting June 1, 2021)	102,662 PSU (vesting June 1, 2022)
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 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	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)

*also below LT level allocations possible under AGM approval

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 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:

Perfor mance criteria	% Weight ing 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)	Percentage of achievement at review at third grant anniversary date (August 31, 2019)
TSR	50%	Below 80% of median: 0%	Below 80% of median: 0%	Below 80% of median: 0%
EPS	50%	Below 80% of median: 0%	69%	Below 80% of median: 0%

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:

Performan ce criteria	% Weighting of criteria	Percentage of achievement at review at first grant anniversary date (August 31, 2018)	Percentage of achievement at review at second grant anniversary date (August 31, 2019)
TSR	50%	69%	116%
EPS	50%	Below 80% of median: 0%	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 9, 2018, 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 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.

Grant date: June 1, 2018
Vesting date: June 1, 2021
Progress at yearly anniversary grant dates:

Performance criteria	% Weighting of criteria	Percentage of achievement at review at first grant anniversary date (June 1, 2019)
TSR vs SBF120	25%	Below 80% of median: 0%
TSR vs DAX	25%	Below 80% of median: 0%
TSR vs stainless peer	12.5%	101.2%
TSR vs carbon peer	12.5%	165.8%
EPS vs stainless peer	12.5%	187.5%
EPS vs carbon peer	12.5%	Above 140% of median: 200%

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 7, 2019 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 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, 2019
Vesting date: June 1, 2022
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 7, 2019. 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	2,391 1,330	0.5 0.7
Carbon Steel peer group (weight inside peer group 50%) cerinox	Thyssen-Krupp Salzgitter ArcelorMittal Voestalpine	9,326 1,537 18,537 4,603	0.7 0.7 0.6 0.7

Notes:
(1) On January 1, 2019, in million €
(2) Correlation calculated from 01/01/2014 to 01/01/2019

Share ownership

As of December 31, 2019, the aggregate beneficial share ownership of Aperam directors and senior management totalled 99,688 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, 2019, the Company's issued share capital was represented by 83,696,280 fully paid-up shares without nominal value. The Company intends to submit its authorised share capital renewal at the May 2020 annual general meeting of shareholders.

The following table sets forth information as of December 31, 2019 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]	32,709,982	39.08%	40.98%
Treasury shares	3,880,441	4.64%	0.00%
Other public shareholders	47,105,857	56.28%	59.02%
Total issued shares	**83,696,280**	**100.00%**	**100.00%**
of which: M&G plc [2]	5,670,189	6.77%	7.10%
of which: Directors and Senior Management[3] [4]	99,688	0.12%	0.12%

Notes:
(1) The term "Significant shareholder" means the trust (HSBC Trust (C.I.) Limited, as trustee) of which Mr. Lakshmi N. Mittal, Mrs. 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, Mrs. Usha Mittal are aggregated with those ordinary shares beneficially owned by the Significant shareholder. As of December 31, 2019, Mr. Lakshmi N. Mittal and Mrs. Usha Mittal, had direct ownership of Aperam ordinary shares and indirect ownership, through the Significant shareholder, of one holding company that owns Aperam ordinary shares: Value Holdings II. Value Holdings II was the owner of 32,696,642 Aperam ordinary shares. Mr. Lakshmi N. Mittal was the direct owner of 11,090 Aperam ordinary shares. Mrs. Usha Mittal was the direct owner of 2,250 Aperam ordinary shares. Mr. Lakshmi N. Mittal, Mrs. Usha Mittal and the Significant shareholder shared indirect beneficial ownership of 100% of Value Holdings II. Accordingly, Mr. Lakshmi N. Mittal was the beneficial owner of 32,707,732 Aperam ordinary shares, Mrs. Usha Mittal was the beneficial owner of 32,698,892 Aperam ordinary shares and the Significant shareholder was the beneficial owner of 32,709,982 ordinary shares.
(2) The voting rights in the notification provided by M&G plc are of 6.77 %.
(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 99,688 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, 2019, there were 2,112 shareholders - other than the Significant shareholder and Aperam as holder of treasury shares - with an aggregate of 184,171 Aperam common shares registered in Aperam's shareholder register, representing approximately 0.22% of the common shares issued. As of December 31, 2019, there were 50 U.S. shareholders holding an aggregate of 262,491 New York Registry Shares, representing approximately 0.31% 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, 2019, there were 36,672,610 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.

- On April 1, 2019, Aperam announced shareholding notifications from Prudential plc for reaching and crossing the 5% voting rights threshold.
- On October 25, 2019, Aperam announced shareholding notifications by Prudential plc and M&G plc following the demerger of Prudential plc and M&G plc.

Related Party Transactions

We are engaged in certain commercial and financial transactions with related parties. Please refer to Note 22 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: 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 2020-2021 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 framework arrangement with ArcelorMittal to establish a structure for future cooperation in relation to certain ongoing or new research and development programs. Currently, only limited research and development support is implemented through this agreement, but new collaborative endeavors are foreseen in 2020.

Under the terms of the Purchasing Services Agreement and the ArcelorMittal Sourcing 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 for hot rolling mill - electrodes and refractory materials), spare parts, sea freight, industrial products and support 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 will remain in force until 2021. The ArcelorMittal Sourcing Agreement is effective starting from January 2020 for the sale of Electrodes to Aperam

Specific IT service agreements have been put in place with Aperam, one for Asset Reliability Maintenance Program (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, and such contracts are to be automatically renewed in 2020

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.

ArcelorMittal Kirchberg Real Estate s.à r.l., Kennedy 2020 SAS, and Aperam Real Estate s.à r.l signed a land use right in connection for a combined head office project in Kirchberg (Luxembourg) with Fonds Kirchberg on March 7, 2019.

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. 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

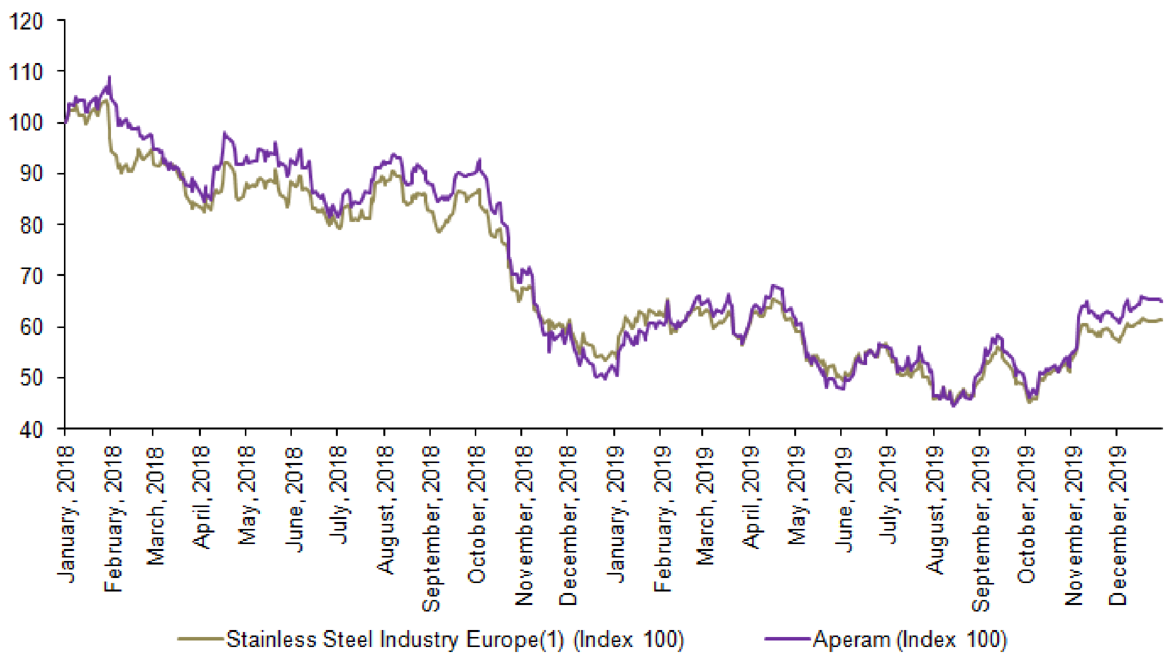
Socially responsible investors

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[9].
We are happy to see our efforts recognised by ESG analysts, especially with the good 78/100 rating from EthiFinance, and both a seat in the Excellence registers from Forum ETHIBEL (Europe and World) and MSCI's "AA" rating reconfirmed in 2019.

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 2018 to 2019 in index base 100:



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

[9] Rating agencies assess Aperam according to social, environmental, economic and governance criteria.

Financial Calendar

Earnings calendar[1]
> May 06, 2020: earnings for 1st quarter 2020
> July 29, 2020: earnings for 2nd quarter 2020 and 6 months 2020
> November 4, 2020: earnings for 3rd quarter 2020 and 9 months 2020

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

General meeting of shareholders

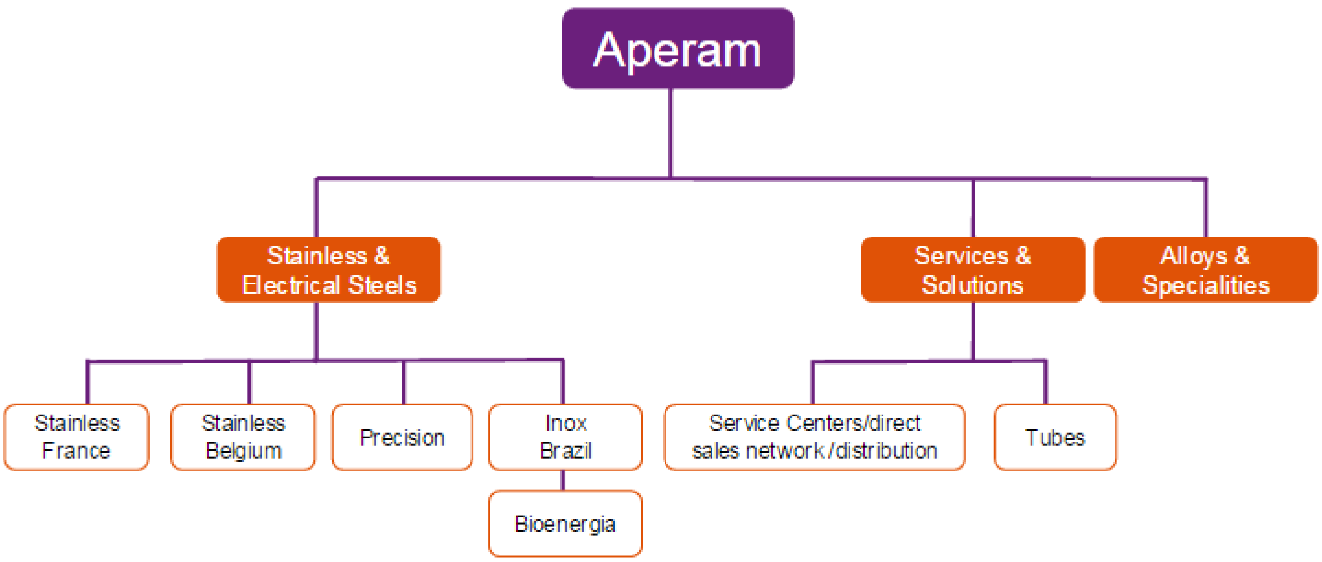
> May 5, 2020: Annual general meeting of shareholders, Luxembourg

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 2020.

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 26 to the Consolidated Financial Statements for a list of the Group's significant subsidiaries.



Contacts

Aperam
12C, rue Guillaume Kroll
L-1882 Luxembourg
Grand-Duchy of Luxembourg
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.

Aperam Investor Relations contact is:
Thorsten Zimmermann: +352 27 36 27 304

Aperam Media contact is:
Laurent Beauloye: +352 27 36 27 103

Financial Statements 2019

Aperam, Société Anonyme

Consolidated financial statements

As of and for the year ending December 31, 2019

Aperam S.A
Société Anonyme

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

Housing Cap City, Rives de Seine - France
ppa architectures, Xavier Leplaë architect © Philippe Ruault
Executed using grade Aperam 304L with Uginox Bright 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 25, 2020

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,	
	2019	2018
Sales (Note 3) (including 59 and 72 of sales to related parties in 2019 and 2018, respectively (Note 22))	4,240	4,677
Cost of sales (including depreciation and impairment of 150 and 143 (Note 3), and purchases from related parties of 154 and 235 for 2019 and 2018, respectively (Note 22))	(3,843)	(4,106)
Gross margin	**397**	**571**
Selling, general and administrative expenses	(190)	(210)
Operating income (Note 3)	**207**	**361**
Income from other investments	1	1
Financing costs net (Note 4)	(23)	(5)
Income before taxes	**185**	**357**
Income tax expense (Note 5)	(37)	(71)
Net income	**148**	**286**
Net income attributable to Equity holders of the parent	148	286
Net income	**148**	**286**
Earnings per common share (in Euros):		
Basic	1.82	3.39
Diluted	1.82	3.03
Weighted average common shares outstanding (in thousands) (Note 19):		
Basic	81,172	84,345
Diluted	81,432	89,052

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,	
	2019	**2018**
Net income	**148**	**286**
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 for 2019 and 2018, respectively	—	1
Investments in equity instruments at FVOCI:		
Gain arising during the year, net of tax expense of nil for 2019 and 2018, respectively	2	1
Items that can be recycled to the consolidated statement of operations:		
Cash flow hedges:		
Gain (Loss) arising during the year, net of tax (expense) income of (7) and 3 for 2019 and 2018, respectively	19	(12)
Reclassification adjustments for gain included in the consolidated statement of operations, net of tax (expense) of (5) and (3) for 2019 and 2018, respectively	(12)	(6)
Total cash flow hedges	7	(18)
Exchange differences arising on translation of foreign operations, net of tax income (expense) of nil and (5) for 2019 and 2018, respectively	(18)	(107)
Total other comprehensive loss	**(9)**	**(123)**
Total other comprehensive loss attributable to:		
Equity holders of the parent	(9)	(123)
Non-controlling interests	—	—
Total other comprehensive loss	**(9)**	**(123)**
Net comprehensive income	**139**	**163**
Net comprehensive income attributable to:		
Equity holders of the parent	139	163
Non-controlling interests	—	—
Net comprehensive income	**139**	**163**

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, 2019	December 31, 2018
Current assets:		
Cash and cash equivalents (Note 6)	375	199
Trade accounts receivable (Note 7)	228	274
Inventories (Note 8)	1,227	1,410
Prepaid expenses and other current assets (Note 9)	79	71
Income tax receivable	5	6
Total current assets	**1,914**	**1,960**
Non-current assets:		
Goodwill and intangible assets (Note 10)	479	490
Biological assets (Note 11)	51	34
Property, plant and equipment (Note 12)	1,602	1,555
Other investments (Note 13)	4	32
Deferred tax assets (Note 5)	128	160
Other assets (Note 14)	81	92
Total non-current assets	**2,345**	**2,363**
Total assets	**4,259**	**4,323**

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

Aperam

Consolidated Statement of Financial Position

(in millions of Euros)

	December 31, 2019	December 31, 2018
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt (Note 15)	85	66
Trade accounts payable	800	940
Short-term provisions (Note 16)	23	15
Accrued expenses and other liabilities (Note 17)	233	249
Income tax liabilities	7	6
Total current liabilities	**1,148**	**1,276**
Non-current liabilities:		
Long-term debt, net of current portion (Note 15)	365	181
Deferred tax liabilities (Note 5)	130	131
Deferred employee benefits (Note 18)	146	148
Long-term provisions (Note 16)	43	42
Other long-term obligations	9	26
Total non-current liabilities	**693**	**528**
Total liabilities	**1,841**	**1,804**
Equity (Note 19):		
Common shares (no par value, 96,216,785 and 96,216,785 shares authorised, 83,696,280 and 85,496,280 shares issued and 79,815,839 and 83,556,682 shares outstanding as of December 31, 2019 and December 31, 2018, respectively)	438	448
Treasury shares (3,880,441 and 1,939,598 common shares as of December 31, 2019 and December 31, 2018, respectively	(117)	(76)
Additional paid-in capital	1,189	1,231
Retained earnings	1,389	1,402
Other comprehensive loss	(485)	(490)
Option premium on convertible bonds	—	—
Equity attributable to the equity holders of the parent	**2,414**	**2,515**
Non-controlling interests	4	4
Total equity	**2,418**	**2,519**
Total liabilities and equity	**4,259**	**4,323**

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)	Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
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**
Balance at December 31, 2018	**83,557**	**448**	**(76)**	**1,231**	**1,402**	**(478)**	**(9)**	**17**	**(20)**	**2,515**	**4**	**2,519**
Net income	—	—	—	—	148	—	—	—	—	148	—	148
Other comprehensive loss	—	—	—	—	—	(18)	7	2	—	(9)	—	(9)
Total comprehensive income (loss)	—	—	—	—	148	(18)	7	2	—	139	—	139
Recognition of share based payments	26	—	1	1	1	—	—	—	—	3	—	3
Purchase of treasury shares	(3,700)	—	(93)	—	—	—	—	—	—	(93)	—	(93)
Call Spread Overlay unwinding	(67)	—	(2)	—	(1)	—	—	—	—	(3)	—	(3)
Dividends	—	—	—	—	(142)	—	—	—	—	(142)	—	(142)
Sale of investments at FVOCI	—	—	—	—	(18)	33	—	(19)	—	(4)	—	(4)
Cancellation of shares	—	(10)	53	(43)	—	—	—	—	—	—	—	—
Balance at December 31, 2019	**79,816**	**438**	**(117)**	**1,189**	**1,389**	**(463)**	**(2)**	**—**	**(20)**	**2,414**	**4**	**2,418**

[1] Number of shares denominated in thousands, excludes treasury shares.
[2] Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency

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,	
	2019	**2018**
Operating activities:		
Net income	148	286
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation, amortisation and impairment (Note 3)	150	143
Net interest (income)/expense (Note 4)	25	(5)
Income tax expense (Note 5)	37	71
Net write-downs of inventories to net realisable value	20	29
Labor agreements and separation plans	—	2
Unrealised (gains)/ losses on derivative instruments (Note 4)	(3)	(1)
Unrealised foreign exchange effects, other provisions and non-cash operating (income)/expenses, (net)	(29)	16
Changes in operating working capital:		
Trade accounts receivable	39	(22)
Trade accounts payable	(132)	55
Inventories	174	(230)
Changes in other operating assets, liabilities and provisions:		
Interest paid, (net)	(5)	(5)
Income taxes paid	(5)	(36)
Other working capital movements and provisions movements	(19)	(8)
Net cash provided by operating activities	**400**	**295**
Investing activities:		
Acquisition of property, plant and equipment, intangible and biological assets (CAPEX)	(151)	(192)
Other investing activities, (net)	32	5
Net cash used in investing activities	**(119)**	**(187)**
Financing activities:		
Net proceeds (payments) from short-term debt (Note 15)	(150)	(63)
Proceeds from long-term debt, net of debt issuance costs	289	50
Purchase of treasury shares	(93)	(70)
Dividends paid (Note19)	(142)	(130)
Other financing activities (net) (Note 15)	(8)	(1)
Net cash used in financing activities	**(104)**	**(214)**
Effect of exchange rate changes on cash	(1)	(1)
Net increase in cash and cash equivalents	176	(107)
Cash and cash equivalents (Note 6):		
At the beginning of the year	199	306
At the end of the year	375	199

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 25, 2020 by Aperam's Board of Directors.

Aperam is a global stainless steel producer with an annual capacity of 2.5 million tonnes in 2019. 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, 5 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 26 provides an overview of the Company's principal operating subsidiaries.

Basis of presentation

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 ending December 31, 2019 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.

Adoption of new IFRS Standards, amendments and Interpretations applicable in 2019

The Group applies, for the first time, IFRS 16 "Leases"

IFRS 16 "Leases"

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases have been capitalised at the commencement of the lease at the inception date at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments have been apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from January 1, 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application,
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Based on the foregoing, as of January 1, 2019:

- Right-of -use assets of €29 million were recognised in the Property, plant and equipment section.
- Additional lease liabilities of €29 million (included in Interest bearing loans and borrowings) were recognised

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	(in millions of Euros)
Discounted operating lease commitments as at December 31, 2018 at weighted average incremental borrowing rate (1)	29
Weighted average incremental borrowing rate as January 1, 2019 (2)	4.19%
Add	
Commitments relating to leases previously classified as finance leases	5
Total leases on January 1, 2019	**34**

Notes:

(1) Out of which €26 million of discounted operating lease commitments disclosed in Note 23 to the consolidated financial statements as of and for the year ending December 31, 2018.

(2) Incremental borrowing rate was computed in various currencies and maturities and considered the cost of debt at Aperam level in EUR, including base rate and credit spread for BBB- / Baa3 credits in close sector plus a country adjusted spread considering country risk and interest rate in various currencies reflect in sovereign bonds issued in local currency

Following the IFRS 16 implementation the Group recorded an EBITDA gain of €9 million in 2019.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately

• The assumptions an entity makes about the examination of tax treatments by taxation authorities

• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

• How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdiction include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

• IFRS 3 *Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

• IFRS 11 *Joint Arrangements*

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

• IAS 12 *Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

• IAS 23 *Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

New IFRS standards and interpretations applicable from 2020 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.

> 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 consolidated 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 net 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 consolidated 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% and 283.4% respectively for the years ending December 31, 2018 and December 31, 2019 for this purpose. As a result of the inflation-related adjustments on monetary items, a gain of respectively €2.5 million and €3.1 million was recognized in net financing costs for the year ending December 31, 2018 and December 31, 2019.

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 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 consolidated 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 consolidated 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 the consolidated 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
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 consolidated 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.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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 consolidated 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 statement 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 statement 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 consolidated 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.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments related to company cars have been scoped out of IFRS 16 since they are not material to the Group and are recognised as an expense on a straight-line basis over the lease term. Before each year's end closing the Group will do an exhaustive review of current portfolio to verify that amounts remain non material.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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: Input 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 consolidated 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 issued equity-settled share-based payments consisting in restricted share units to key employees of the Company. Prior to 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 consolidated 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, 2019, the amount of future income required to recover the Company's deferred tax assets was approximately €447 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 jurisdiction (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 consolidated 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 consolidated 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 consolidated 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, 2019, 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 consolidated 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 21 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 consolidated statement of operations in the periods when the hedged item is recognised in the consolidated 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 consolidated 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 consolidated 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 consolidated statement of operations.

Use of estimates

The preparation of the consolidated 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 ending December 31, 2019					
Sales to external customers	1,943	1,703	594	—	**4,240**
Intersegment sales[(2)]	1,409	71	3	(1,483)	—
Operating income (loss)	152	33	42	(20)	**207**
Depreciation and Impairment	(123)	(13)	(8)	(6)	**(150)**
Capital expenditures	(119)	(21)	(10)	(1)	**(151)**

(in millions of Euros)	**Stainless & Electrical Steel**	**Services & Solutions**	**Alloys & Specialties**	**Others / Eliminations[(1)]**	**Total**
Year ending 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)**

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.

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,**	
	2019	**2018**
Assets allocated to segments	3,671	3,840
Cash and cash equivalents	375	199
Investments	4	32
Deferred tax assets	127	159
Other unallocated assets	82	93
Total assets	**4,259**	**4,323**

The reconciliation from operating income to net income is as follows:

(in millions of Euros)	**Year Ended December 31,**	
	2019	**2018**
Operating income	**207**	**361**
Loss from other investments	1	1
Financing costs - net	(23)	(5)
Income before taxes	**185**	**357**
Income tax expense	(37)	(71)
Net income	**148**	**286**

Geographical information

Sales (by destination)

(in millions of Euros)	**Year ending December 31,**	
	2019	**2018**
Americas		
Brazil	798	872
United States	229	253
Argentina	40	54
Others	57	57
Total Americas	**1,124**	**1,236**
Europe		
Germany	915	1,103
Italy	509	528
France	292	293
Belgium	140	161
Poland	130	155
Spain	98	107
United Kingdom	69	82
Netherlands	83	80
Turkey	79	78
Others	498	521
Total Europe	**2,813**	**3,108**
Asia & Africa		
South Korea	114	128
China	80	92
Vietnam	33	33
India	22	21
United Arab Emirates	9	10
Others	45	49
Total Asia & Africa	**303**	**333**
Total	**4,240**	**4,677**

Non-current assets[(1)] per significant country

(in millions of Euros)	December 31, 2019	2018
Americas		
Brazil	409	404
Others	14	13
Total Americas	**423**	**417**
Europe		
Belgium	700	662
France	442	438
Germany	64	56
Poland	12	11
Czech Republic	10	10
Italy	11	10
Others	15	19
Total Europe	**1,254**	**1,206**
Asia & Africa		
India	2	2
China	4	1
Total Asia & Africa	**6**	**3**
Unallocated assets[(1)]	662	737
Total	**2,345**	**2,363**

Note:
(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".

NOTE 4: FINANCING COSTS - NET

(in millions of Euros)	Year ended December 31, 2019	2018
Recognised in the consolidated statement of operations		
Interest income	2	1
Interest expense[(1)]	(27)	4
Other financing costs[(2)]	(5)	(11)
Net interest expense and other financing costs - net	**(30)**	**(6)**
Unrealised gains/(losses) on derivative instruments	3	1
Net foreign exchange result	2	(25)
Realised gains on derivative instruments	2	25
Foreign exchange and derivatives gains	**7**	**1**
Financing costs - net	**(23)**	**(5)**
Recognised in the consolidated statement of comprehensive income (Company share)		
Net change in fair value of available-for-sale financial assets	2	1
Effective portion of changes in fair value of cash flow hedge	7	(18)
Foreign currency translation differences for foreign operations	(18)	(107)
Total	**(9)**	**(124)**

Notes:
(1) Interest expense included in 2019 an exceptional non cash financial loss of €(16) million related to the early buy-back of convertible bonds due 2021 versus in 2018 an exceptional non cash financial gain of €18 million related to the long-term restatement of the convertible bonds due 2021 (see Note 15).
(2) 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 ending December 31, 2019 and 2018, respectively, is summarised as follows:

(in millions of Euros)	Year Ending December 31, 2019	2018
Current tax expense	(5)	(39)
Deferred tax expense	(32)	(32)
Total income tax expense	**(37)**	**(71)**

The following table reconciles the income tax expense to the statutory tax expense as calculated:

(in millions of Euros)	Year Ending December 31, 2019	2018
Net income	**148**	**286**
Income tax expense	(37)	(71)
Income before tax:	**185**	**357**
Tax expense at domestic rates applicable to countries where income was generated	(36)	(89)
Tax exempt revenues	5	6
Net change in measurement of deferred tax assets	(55)	(34)
Tax deductible write-down on shares	40	21
Tax credits	2	2
Rate changes	(1)	—
Other permanent difference	8	23
Income tax expense	**(37)**	**(71)**

The weighted average statutory tax expense was €(36) million and €(89) million in 2019 and 2018, respectively.

Tax exempt revenues of €5 million in 2019 and €6 million in 2018 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 €(55) million in 2019 mainly relates to tax expense of €(40) million due to unrecognised deferred tax assets on net write-downs charges taken on investments in shares of consolidated subsidiaries recorded by certain of Aperam's holding companies in Luxembourg, derecognition of deferred tax assets on previous tax losses for €(30) million in various jurisdictions, the limitation of interest deduction for €(15) million in various jurisdictions and the taxation of the capital gain on the sale of intercompany investment in France of €(7) million, partly offset by the effect of tax incentives €16 million in various jurisdictions, the recognition of deferred tax assets on non-deductible interest expense of €13 million in various jurisdictions and the recognition of additional deferred tax assets on tax losses carried forward of €4 million in France.

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.

Tax credits of €2 million and €2 million in 2019 and 2018, respectively, mainly relate to research tax credits and competitiveness and employment tax credits in France.

Rate changes

The 2019 tax expense from rate changes of €(1) million is due to the impact of the decrease in the future income tax rate on deferred tax assets in Luxembourg.

Other permanent differences in 2019 and 2018 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 ending December 31, 2019 and 2018 is as follows:

	Year Ending December 31,	
(in millions of Euros)	**2019**	**2018**
Deferred tax (expense) benefit		
Recognised in Other Comprehensive Income (Loss):		
Recognised actuarial loss	—	—
Unrealised gain / (loss) on derivative financial instruments	(2)	6
Foreign currency translation adjustments	—	5
Recognised in Retained Earnings:	4	—
Total	**2**	**11**

The net deferred tax income recorded directly to equity was €2 million as of December 31, 2019 and €11 million as of December 31, 2018. There was no current tax booked directly in equity in 2019 and 2018.

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)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Intangible assets	3	3	(1)	(1)	2	2
Property, plant and equipment	2	2	(154)	(152)	(152)	(150)
Biological assets	—	—	(23)	(18)	(23)	(18)
Inventories	21	21	(2)	(5)	19	16
Financial instruments	6	7	(3)	(9)	3	(2)
Other assets	12	8	(8)	(9)	4	(1)
Provisions	38	39	(65)	(59)	(27)	(20)
Other liabilities	24	21	(8)	(6)	16	15
Tax losses carried forward	144	186	—	—	144	186
Tax credits	12	1	—	—	12	1
Deferred tax assets/(liabilities)	**262**	**288**	**(264)**	**(259)**	**(2)**	**29**
Deferred tax assets					128	160
Deferred tax liabilities					(130)	(131)

Deferred tax assets not recognised by the Company as of December 31, 2019, 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	2,172	582	144	438
Tax credits and other tax benefits	51	13	12	1
Other temporary differences	382	106	106	—
Total		**701**	**262**	**439**

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**

The Company has unrecognised deferred tax assets relating to tax losses carry forward, tax credits and other tax benefits amounting to €439 million and €366 million as of December 31, 2019 and 2018, respectively. As of December 31, 2019, the deferred tax assets not recognised relate to tax losses carry forward attributable to subsidiaries located in Luxembourg (€361 million), Brazil (€72 million), France (€4 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.

The utilisation of tax losses carry forward is restricted to the taxable income of the subsidiary.

As of December 31, 2019, 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 €128 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 €447 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 as of December 31, 2019.

Tax losses carry forward

As of December 31, 2019, the Company had total estimated net tax losses carry forward of €2,172 million.

Such amount includes net operating losses of €590 million related to Aperam SA in Luxembourg and Aperam Alloys USA in the United States which expire as follows:

Year expiring	Amount *(in millions of Euros)*
2020	—
2021	—
2022	—
2023	—
2024	—
2025 - 2036(1)(2)	590
Total	**590**

Notes:
(1) Starting in 2017, any tax losses generated in 2017 and onwards will have an expiry date of 17 years in Luxembourg when tax losses generated before 2017 have no expiry date.
(2) Starting in 2018, any tax losses generated in 2018 and onwards will no longer have an expiry date in the United States when tax losses generated before 2018 have an expiry date of 20 years.

The remaining tax losses carry forward of €1,582 million are indefinite and attributable to the Company's operations in Belgium, Brazil, France, Germany, Italy, Luxembourg, Spain and the United States. 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:

	December 31,	
(in millions of Euros)	**2019**	**2018**
Bank current accounts	286	160
Term accounts (initial maturity < 3 months)	89	39
Total	**375**	**199**

NOTE 7: TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable and allowance for doubtful accounts are as follows:

	December 31,	
(in millions of Euros)	**2019**	**2018**
Gross amount	234	282
Allowance for doubtful accounts	(6)	(8)
Total	**228**	**274**

See Note 22 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)	**2019**	**2018**
Services & Solutions	108	125
Stainless & Electrical Steel	89	118
Alloys & Specialties	31	31
Total	**228**	**274**

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)	**2019**	**2018**
Europe	129	168
South America	67	79
North America	30	24
Asia	2	3
Total	**228**	**274**

Aging of trade accounts receivable

The aging of trade accounts receivable is as follows:

	December 31,			
	2019		2018	
(in millions of Euros)	**Gross**	**Allowance**	**Gross**	**Allowance**
Not past due	209	(1)	245	(1)
Past due 0-30 days	13	—	17	—
Past due 31-180 days	7	—	13	—
More than 180 days	5	(5)	7	(7)
Total	**234**	**(6)**	**282**	**(8)**

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, 2017[(1)]	Additions	Deductions/ Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2018
8	2	(2)	—	8

(in millions of Euros)

Balance as of December 31, 2018)	Additions	Deductions/ Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2019
8	2	(4)	—	6

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

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 €320 million as of December 31, 2019 and 2018, 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 ending December 31, 2019 and 2018 were €1.6 billion and €1.6 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 €(4) million in 2019 and 2018, respectively.

NOTE 8: INVENTORIES

Inventories, net of provision for obsolescence, slow-moving inventories and excess of cost over net realisable value of €116 million and €110 million as of December 31, 2019 and December 31, 2018, respectively, are comprised of the following:

(in millions of Euros)	December 31, 2019	December 31, 2018
Finished products	441	545
Production in process	447	529
Raw materials	203	186
Manufacturing supplies, spare parts and other	136	150
Total	**1,227**	**1,410**

There are no inventories which are carried at fair value less cost to sell.

The amount of inventory pledged as collateral was below €1 million and €12 million as of December 31, 2019 and 2018, respectively.

The movement in the allowance for obsolescence is as follows:

(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

(in millions of Euros)

Balance as of December 31, 2018	Additions	Deductions/ Releases	Other Movements	Balance as of December 31, 2019
110	27	(22)	1	116

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

The amount of write-down of inventories to net realisable value recognised as an expense was €(27) million and €(31) million in 2019 and 2018, respectively, and the expense was reduced by €22 million and €9 million in 2019 and 2018, respectively, due to normal inventory consumption.

The amount of inventories recognised as an expense (due to normal inventory consumption) was €(2,675) million and €(2,838) million during the year ending December 31, 2019, and 2018, 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, 2019	December 31, 2018
Value added tax (VAT) and other amount receivable from tax authorities	44	40
Derivative financial assets (Note 21)	13	8
Prepaid expenses and accrued receivables	9	10
Other	13	13
Total	**79**	**71**

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, 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**
Cost				
At December 31, 2018	460	159	108	727
Acquisitions	—	2	1	3
Foreign exchange differences	(3)	(9)	(8)	(20)
At December 31, 2019	**457**	**152**	**101**	**710**
Accumulated amortisation and impairment losses				
At December 31, 2018	—	(156)	(81)	(237)
Amortisation charge	—	—	(10)	(10)
Foreign exchange differences	—	9	7	16
At December 31, 2019	**—**	**(147)**	**(84)**	**(231)**
Carrying amount				
At December 31, 2019	**457**	**5**	**17**	**479**

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

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, 2018**	**Foreign exchange differences**	**Net value December 31, 2019**
Stainless & Electrical Steel	381	(3)	378
Alloys & Specialties	20	—	20
Services & Solutions	59	—	59
Total	**460**	**(3)**	**457**

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 2019, goodwill was tested at the GCGU level for impairment as of October 31. The Group reviewed as of December 31, 2019 any indication that long-lived assets (including goodwill) may be impaired. There were no triggers for impairment at the end of 2019. 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 2019 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 2018	10.3%	10.2%	9.4%
GCGU weighted average pre-tax discount rate used in 2019	8.6%	8.6%	8.3%

Aperam's WACC is decreasing in 2019 versus 2018 mainly due to a lower risk-free rate in 2019 (0.00%) than in 2018 (1.14%).

When estimating GCGU's average selling price for the purpose of 2019 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 2018 and 2019 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 €(20) million in the years ended December 31, 2019, and 2018, 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 December 31, 2017(1)	39
Additions	9
Change in fair value(2)	8
Harvested tree	(18)
Foreign exchange differences	(4)
At December 31, 2018	**34**
Balance at December 31, 2018	34
Additions	9
Change in fair value(2)	23
Harvested trees	(14)
Foreign exchange differences	(1)
At December 31, 2019	**51**

Notes:
(1) Amounts of December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency
(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 the 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 2019 was equivalent to 27m^3/ha/year.

The projected cash flows are consistent with the 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 56 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 2019, 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 10.14%. 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, 2019:

(in millions of Euros)	**Impacts on the fair value resulting from**	
Significant unobservable impacts	**10% increase**	**10% decrease**
Average annual growth	11	(11)
Average selling price	11	(11)
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[1]	Land, buildings and improvements[1]	Construction in progress	Total
Cost				
At December 31, 2017[2]	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[2]	(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**
Cost				
At December 31, 2018	2,242	656	136	3,034
Additions	44	12	103	159
Foreign exchange differences	(11)	(4)	—	(15)
Disposals	(23)	(3)	—	(26)
Other movements	86	43	(109)	20
At December 31, 2019	**2,338**	**704**	**130**	**3,172**
Accumulated amortisation and impairment losses				
At December 31, 2018	(1,236)	(243)	—	(1,479)
Depreciation charge of the year	(105)	(19)	—	(124)
Impairment	(1)	—	—	(1)
Disposals	23	3	—	26
Foreign exchange differences	6	2	—	8
Other movements	(6)	6	—	—
At December 31, 2019	**(1,319)**	**(251)**	**—**	**(1,570)**
Carrying amount				
At December 31, 2019	**1,019**	**453**	**130**	**1,602**

Notes:
(1) Right-of-use assets included in those sections are detailed in Note 20 “Leases”.
(2) Amounts from December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency

Other movements represent mostly transfers from construction in progress to other categories.

As of December 31, 2019, and 2018, temporarily idle assets included in the Stainless & Electrical Steel segment were €1 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 ending December 31, 2019, 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, 2019, 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. Some property lands in Brazil were impaired during 2019 for a total amount of €1 million and no impairment of property, plant and equipment was recorded for the year ended December 31, 2018.

The amount of property, plant and equipment pledged as collateral was €3 million and €2 million as of December 31, 2019, and 2018, respectively.

NOTE 13: OTHER INVESTMENTS

The Company holds the following other investments:

(in millions of Euros)	Location	Ownership % at December 31, 2019	Fair value December 31, 2019	2018
Equity instruments at fair value through OCI				
Gerdau S.A.	Brazil	—	—	28
General Moly Inc	U.S.A.	5.50%	2	2
Other			2	2
Total other investments			**4**	**32**

Aperam sold its entire portfolio of Gerdau shares in 2019 for a total consideration of €30 million.

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 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,	
	2019	**2018**
Cash guarantees and deposits	26	26
Long-term VAT receivables	24	14
Receivable from public authorities	17	23
Call options on Aperam shares (1)	—	15
Pension fund assets (2)	12	12
Reimbursement rights (2)	2	2
Total	**81**	**92**

Notes:
(1) Call options were redeemed at reimbursement of convertible bonds 2021. See Note 15 : Short-term and long-term debt and Note 21: Financial instruments
(2) 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,	
	2019	**2018**
Short-term bank loans and other credit facilities(1)	70	2
Current portion of long-term debt	6	63
Lease obligations	9	1
Total	**85**	**66**

Note:
(1) Including Commercial paper programme described below

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, 2019, an amount of €68million was drawn under the Aperam NEU CP programme.

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. It is to 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 evolution of a net leverage ratio) 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 consolidated tangible net worth of €1.25 billion; and
> a maximum consolidated total debt of 70% of consolidated tangible net worth.

On December 31, 2019, these financial covenants were fully met.

As of December 31, 2019, no amount was drawn under this facility. The current final maturity date for this facility stands at June 6, 2024.

Long-term debt is comprised of the following:

(in millions of Euros)	**Year of maturity**	**Type of Interest**	**Interest rate[1]**	**December 31, 2019**	**December 31, 2018**
300M USD Convertible Bonds[2]	2019 [2]	Fixed	0.625%	—	189
EIB loan 1	2028	Fixed	1.669%	50	50
EIB loan 2	2029	Fixed	1.307%	100	—
Schuldscheindarlehen	2023-2026	Fixed/Floating	1.10%- 1.50%	190	—
Other loans				—	—
Total				**340**	**239**
Lease obligations [3]				40	6
Less current portion of long-term debt				(6)	(63)
Less current portion of lease obligations				(9)	(1)
Total long-term debt, net of current portion				**365**	**181**

Notes:
(1) Rates applicable to balances outstanding as of December 31, 2019.
(2) Convertible bonds maturity was on July 8, 2021, but bonds were repaid before the end of 2019 in several transactions with bondholders
(3) Details on Lease obligations in Note 20 Leases

EIB loans

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.

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. The financing contract, which is senior unsecured, was entirely drawn down on March 15, 2019, at a rate of 1.307%, with a final maturity date of March 15, 2029.

Schuldscheindarlehen

On September 24, 2019, Aperam successfully priced an inaugural €190 million multi-tranches Schuldscheindarlehen (debt instrument governed by the laws of the Federal Republic of Germany) with maturities at 4, 5, 6 and 7 years. On the back of a very positive investor perception and significantly oversubscribed orderbook, Aperam was able to upsize the deal volume from the initially announced volume of

€100 million to ultimately €190 million. The company was able to price all tranches at the tight end of the announced spread ranges. Aperam took advantage of the very constructive market to secure attractive conditions and successfully diversify its creditors base.

U.S.$300 million Convertible Bonds

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 beared 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 were 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 was recognised as a derivative financial liability.

In 2017 and 2018, U.S.$55.9 million (€48.4 million) of Bonds were repurchased by the Company for a total consideration of U.S.$70.9 million (€61.2 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).

On March 25, 2019, Aperam invited holders of its outstanding bonds to offer to sell their Bonds pursuant to a one day fixed price tender offer process. On April 2, 2019, Aperam repurchased U.S.$137 million of bonds at a price of 107.02% (U.S.$147 million, €131 million).

The remaining portion of the U.S.$27.6 million debt, was repurchased in cash thanks to a clean-up call (compelling the bondholders to redeem the bond at par) on November 4, 2019. The expected future cash flows had been modified to take into account this repayment in 2019 and an accelerated amortization of U.S.$ 18 million (€16 million) has been recorded as a financial loss in the statement of operations in the first half of 2019.

Scheduled maturities of short-term and long-term debt are as follows:

(in millions of Euros)	**December 31, 2019**
2020	85
2021	13
2022	23
2023	105
2024	78
Subsequent years	146
Total	**450**

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, 2019**				
	Total EUR	**EUR**	**USD**	**BRL**	**Others**
Short-term debt and current portion of long-term debt	85	81	1	1	2
Long-term debt	365	359	1	3	2
Cash	375	271	9	90	5

(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

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, 2019				
(in millions of Euros)	Carrying Amount				Fair Value
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	314	—	312	—	312
Instruments payable bearing interest at variable rates	136	—	131	—	131
Total	**450**	—	**443**	—	**443**

	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**

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, 2018	66	181
Changes from financing cash flows		
Proceeds and (repayments) from debt	(150)	289
Proceeds and (repayments) from finance lease	(8)	—
Total changes from financing cash flows	**(158)**	**289**
Effect of changes in foreign exchange rates	14	(11)
Difference between cash value and nominal value on CB 2021 early buy-back	9	—
IFRS 16 Lease Implementation	6	22
New leases during the year	2	12
Amortisation of borrowing costs and equity component on convertible notes	—	18
Reclassification between non-current and current debt	146	(146)
Balance at December 31, 2019	**85**	**365**

NOTE 16: PROVISIONS

The movements by provision were as follows:

(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 24)	35	4	(1)	(1)	(3)	34
Environmental (Note 24)	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**

(in millions of Euros)	Balance at December 31, 2018	Additions	Provisions used during the year	Provisions reversed during the year	Effects of Foreign Exchange and other movements	Balance at December 31, 2019
Litigation (Note 24)	34	4	—	(1)	(1)	36
Environmental (Note 24)	14	2	—	(2)	—	14
Voluntary separation plans	1	1	—	(1)	—	1
Other	8	10	(4)	—	1	15
Total	**57**	**17**	**(4)**	**(4)**	—	**66**
Short-term provisions	15					23
Long-term provisions	42					43
Total	**57**					**66**

Note:
(1) Amounts of December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency

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 24.

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 CURRENT LIABILITIES

Accrued expenses were comprised of the following as of:

(in millions of Euros)	December 31,	
	2019	**2018**
Accrued payroll and employee related expenses	120	123
Payable from acquisition of intangible & tangible assets	54	56
VAT and other amounts due to public authorities	25	24
Revaluation of derivative instruments (Note 21)	15	20
Unearned revenue and accrued payables	3	4
Accrued interests	1	1
Other creditors	15	21
Total	**233**	**249**

NOTE 18: DEFERRED EMPLOYEE BENEFITS

The total net employee benefits as of December 31, 2019 and 2018 are presented as follows in the below table:

(in millions of Euros)	December 31,	
	2019	**2018**
Pension fund assets (Note 14)	12	12
Deferred Employee Benefits liabilities	(146)	(148)
Total Net Employee Benefits	**(134)**	**(136)**

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,	
	2019	**2018**
Pension plan benefits liabilities	*(77)*	*(81)*
Pension fund assets (Note 14)	*12*	*12*
Net Pension Plan	(65)	(69)
Other post-employment benefits	(54)	(52)
Early retirement benefits	(14)	(14)
Other long-term employee benefits	(1)	(1)
Total Net Employee Benefits	**(134)**	**(136)**
Reimbursement rights (Note 14)	2	2
Total Net Employee Benefits and reimbursement rights	**(132)**	**(134)**

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.

Starting from 2016, Aperam decided to reduce the contributions to the funds due to the existence of a reversion fund held 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 trust-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 branches (made of 21 plans), the old guarantees of 3.25% on employer contributions and 3.75% still remain 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 Ending December 31, 2019		
(in millions of Euros)	**Total**	**Brazil**	**Europe**
Change in benefit obligation			
Benefit obligation at beginning of the year	(252)	(83)	(169)
Service cost	(3)	—	(3)
Interest cost	(10)	(7)	(3)
Actuarial gain / (loss)	(22)	(15)	(7)
Demographic assumptions	—	—	—
Financial assumptions	*(25)*	*(12)*	*(13)*
Experience adjustments	*3*	*(3)*	*6*
Benefits paid	12	6	6
Obligations transfer	—	—	—
Foreign currency exchange rate differences and other movements	1	1	—
Benefit obligation at end of the year	**(274)**	**(98)**	**(176)**
Actives	*(104)*	*(4)*	*(100)*
Terminated vested	*(2)*	—	*(2)*
Retirees	*(168)*	*(94)*	*(74)*
Benefit obligation at end of the year	**(274)**	**(98)**	**(176)**
Change in plan assets			
Fair value of plan assets at beginning of the year	216	129	87
Interest income on plan assets	13	11	2
Return on plan assets greater/(less) than discount rate	28	19	9
Employer contributions	3	—	3
Obligation transfer	—	—	—
Benefits paid	(8)	(6)	(2)
Foreign currency exchange rate differences and other movements	(3)	(3)	—
Fair value of plan assets at end of the year	**249**	**150**	**99**
Present value of wholly or partly funded obligation	(199)	(98)	(101)
Fair value of plan assets	249	150	99
Net present value of wholly or partly funded obligation	**50**	**52**	**(2)**
Present value of unfunded obligation	(75)	—	(75)
Prepaid due to unrecoverable surpluses	(40)	(40)	—
Recognised net liabilities	**(65)**	**12**	**(76)**
Change in unrecoverable surplus			
Unrecoverable surplus at beginning of the year	(33)	(33)	—
Interest cost on unrecoverable surplus	(3)	(3)	—
Change in unrecoverable surplus in excess of interest	(5)	(5)	—
Exchange rates changes	1	1	—
Unrecoverable surplus at end of the year	**(40)**	**(40)**	—

(in millions of Euros)	Year Ended December 31, 2018 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)**	**—**

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 €40 million and €33 million at December 31, 2019, and 2018, respectively.

The following tables detail the components of net periodic pension cost:

	Year Ending December 31, 2019		
(in millions of Euros)	**Total**	**Brazil**	**Europe**
Net periodic pension cost			
Service cost	(3)	—	(3)
Net Interest (cost) / income on net (liability) / asset	3	4	(1)
Administration costs	—	—	—
Total	**—**	**4**	**(4)**

	Year Ending 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)**

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 Ending December 31, 2019		
(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	(1)	—	(1)
Demographic assumptions	—	—	—
Financial assumptions	*(3)*	—	*(3)*
Experience adjustments	*2*	—	*2*
Benefits paid	2	—	2
Curtailments	—	—	—
Foreign currency exchange rate changes and other movements	—	—	—
Benefits obligation at end of year	**(54)**	**—**	**(54)**
Actives	*(54)*	—	*(54)*
Terminated vested	—	—	—
Retirees	—	—	—
Benefit obligation at end of the year	**(54)**	**—**	**(54)**
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	54	—	54
Recognised liabilities	**(54)**	**—**	**(54)**

(in millions of Euros)	**Year Ending December 31, 2018**		
	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)**

The following tables detail the components of net periodic other post-employment cost:

(in millions of Euros)	**Year Ending December 31, 2019**		
	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	(1)	—	(1)
Total	**(4)**	—	**(4)**

(in millions of Euros)	**Year Ending 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)**

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, 2019 and €2 million as of December 31, 2018.

Plan Assets

The weighted average asset allocations by asset category in Brazil were as follows:

	At December 31,	
	2019	**2018**
Equity Securities	20%	—
Asset classes that have a quoted market price in an active market	*20%*	—
Asset classes that do not have a quoted market price in an active market	—	—
Fixed Income (including cash)	70%	97%
Asset classes that have a quoted market price in an active market	*70%*	*97%*
Asset classes that do not have a quoted market price in an active market	—	—
Real Estate	—	2%
Asset classes that do not have a quoted market price in an active market	—	*2%*
Asset classes that have a quoted market price in an active market	—	—
Other	10%	1%
Total	**100%**	**100%**

The weighted average asset allocations by asset category in Europe were as follows:

	At December 31,	
	2019	**2018**
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 €40 million and €13 million in 2019 and 2018, 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,	
	2019	2018	2019	2018
	Discount rate			
Range	0.95%-7.20%	1.55%-8.85%	0.95%	1.55%-8.85%
Weighted average	3.09%	3.91%	0.95%	1.55%
	Rate of compensation increase			
Range	2.00%-6.25%	2.00%-6.50%	2.80%-3.30%	3.05-6.50%
Weighted average	2.88%	3.01%	3.05%	3.05%
	Average longevity at retirement age for current pensioners (years)			
Males	22.221	21.856	NA	18.633
Females	26.719	24.872	NA	22.008
	Average longevity at retirement age for future pensioners (years)			
Males	22.591	22.851	NA	18.633
Females	27.102	25.944	NA	22.008

Cash Contributions and maturity profile of the plans

In 2019, the Company expects its cash contributions to amount to €6 million for pension plans, €2 million for other post-employment benefits plans and €6 million for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were €6 million and €8 million in 2019 and 2018, respectively. On December 31, 2019, the weighted average durations of the pension and other post-employment benefits plans were 11 years and 13 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 bonds 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, 2019, the defined benefit obligation ("DBO") for pension plans was €274 million):

(in millions of Euros)	**Effect on 2020 Pre-Tax Pension Expense (sum of service cost and interest cost)[1]**	**Effect of December 31, 2019 DBO**
Change in assumption		
100 basis point decrease in discount rate	1	(31)
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	—	(4)

Note:
(1) Effects of change in assumptions on 2019 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, 2019 the DBO for post-employment benefit plans was €54 million):

(in millions of Euros)	**Effect on 2020 Pre-Tax Pension Expense (sum of service cost and interest cost)[(1)]**	**Effect of December 31, 2019 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 2019 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.

On July 18, 2019, following the decision of the Extraordinary General Meeting of May 9, 2018, to cancel issued shares acquired under the share buyback programme announced on January 30, 2018, the Company cancelled 1,800,000 issued shares acquired under the Programme. The share capital decreased from €447,850,922 to €438,418,922. The aggregate number of shares issued and fully paid up decreased to 83,696,280.

On December 31, 2019, the Company has 83,696,280 shares issued and 79,815,839 shares outstanding, with no par value, for a total amount of €438 million.

Treasury shares

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.

Between April 3, 2019 and June 25, 2019 the Company acquired 3,700,000 of its own shares under the share buyback programme announced on February 6, 2019, for a total consideration of €93 million.

On July 18, 2019, 1,800,000 shares acquired under the share buyback programme were cancelled in line with the announced purpose of the programme.

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 2019, a total of 30,250 shares were allocated to qualifying employees under the RSU plan granted in August 2016.

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.

During 2019, the Company received 66,882 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 3,880,441 and 1,939,598 treasury shares as of December 31, 2019, and 2018, respectively. Refer to Note 22 “Balance and Transactions with Related Parties” for additional information.

Dividends

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 was paid in four equal quarterly instalments of U.S.$0.45 (gross) per share.

On May 7, 2019, at the 2019 Annual General Meeting, the shareholders approved a base dividend of €1.75 per share. The dividend was paid in four equal quarterly instalments of €0.4375 (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 ending December 31, 2019, and 2018, the amount of outstanding options was 19,967 and 35,468 respectively. The amount of exercisable options was 19,967 and 35,468 respectively for the years ending December 31, 2019, and 2018. Exercise prices of ArcelorMittal stock options are equal to U.S.$91.98. Weighted average contractual life of the options is equal to 0.6 year.

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 comprised 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 were 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 was to provide a retention incentive to eligible employees. The RSUs were 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, 2019:

At Grant date						Number of shares issued as of December 31, 2019		
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, 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	—	—
Jun. 1, 2019	PSU	102,662	48	Jun 1, 2022	26.23	102,662	—	—
TOTAL		**260,007**				**260,007**	**—**	**—**

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 years ending December 31, 2019, and 2018, respectively.

Share unit plan activity is summarized below as of and for each year ending December 31, 2019 and 2018:

	RSUs		PSUs	
	Number of shares	**Fair value per share (€)**	**Number of shares**	**Fair value per share (€)**
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**
Granted	—	—	102,662	26.23
Vested	(30,250)	35.08	—	—
Forfeited	(3,300)	35.08	(46,761)	35.08
Outstanding Dec. 31, 2019	—	—	**260,007**	**35.87**

Earnings per common share

(in millions of Euros)	Year Ending December 31, 2019	2018
Net income considered for the purposes of basic earnings per share	**148**	**286**
Interest (expense)/income for the U.S.$300 million Convertible Bonds issued in 2014	—	(16)
Net income considered for the purposes of diluted earnings per share	**148**	**270**
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	**81.2**	**84.3**
Incremental shares from assumed conversion of stock options, restricted share units and performance share units	0.2	0.5
Incremental shares from assumed conversion of the U.S.$300 million Convertible Bonds issued in 2014	—	4.2
Weighted average common shares assuming conversions (in millions) used in the calculation of diluted earnings per share	**81.4**	**89.0**

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 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 :

(in millions of Euros)	December 31, 2019	2018
Long-term debt	365	181
Short-term debt	85	66
Cash and cash equivalents	(375)	(199)
Net financial debt	**75**	**48**
Equity	2,414	2,515
Gearing	**3%**	**2%**

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2019 and 2018.

NOTE 20: LEASES

The Group has lease contracts for various items of land and buildings, machinery and equipment used in its operations. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the ‘short-term lease’ and ‘lease of low-value assets’ recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

(in millions of Euros)	**Machinery, equipment and others**	**Land, buildings and improvements**	**Total right-of-use assets**
Cost			
At December 31, 2018	18	7	25
IFRS 16 Lease entry on Jan 1, 2019	19	10	29
Additions	8	6	14
Foreign exchange differences	—	—	—
Disposals	(1)	—	(1)
Other movements	1	—	1
At December 31, 2019	**45**	**23**	**68**
Accumulated amortisation and impairment losses			
At December 31, 2018	(18)	(2)	(20)
Depreciation charge of the year	(6)	(3)	(9)
Disposals	—	—	—
Foreign exchange differences	—	—	—
Other movements	—	—	—
At December 31, 2019	**(24)**	**(5)**	**(29)**
Carrying amount			
At December 31, 2019	**21**	**18**	**39**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

(in millions of Euros)

	Lease debt
Balance at December 31, 2018	5
IFRS 16 Lease Entry on Jan 1, 2019	29
Additions	14
Accretion of interest	—
Payments	(8)
Balance at December 31, 2019	**40**
Current	9
Non-current	31

Scheduled maturities of lease debt are as follows:

(in millions of Euros)	**December 31, 2019**
2020	9
2021	7
2022	5
2023	4
2024	3
Subsequent years	12
Total	**40**

The following are the amount recognised in profit or loss:

(in millions of Euros)	**Year ended December 31, 2019**
Depreciation expense of right-of-use assets	(8)
Interest expense on lease liabilities	(2)
Expense relating to company cars (included in cost of sales)	—
Expense relating to short-term leases (included in cost of sales)	(10)
Expense relating to leases of low-value assets (included in cost of sales)	—
Variable lease payments (included in cost of sales)	—
Total amount recognised in profit or loss	**(20)**

The Group had total cash outflows for leases of €8 million in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of €14 million in 2019. The Group didn't have any future cash outflows relating to leases that have not yet commenced at the end of December 2019.

The Group didn't have any material contract with variable lease payments nor with extension/termination options at end December 31, 2019.

NOTE 21: 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, 2019.

(in millions of Euros)	Carrying amount in statements of financial position	Non-financial assets and liabilities	Loan and receivables	Liabilities at amortised cost	Instruments at fair value: Fair value recognised in profit and loss	Instruments at fair value: Equity instruments at Fair Value through OCI	Instruments at fair value: Derivatives
ASSETS							
Current assets:							
Cash and cash equivalents	375	—	375	—	—	—	—
Trade accounts receivable	228	—	228	—	—	—	—
Inventories	1,227	1,227	—	—	—	—	—
Prepaid expenses and other current assets	79	44	22	—	—	—	13
Income tax receivable	5	5	—	—	—	—	—
Total current assets	**1,914**	**1,276**	**625**	—	—	—	**13**
Non-current assets:							
Goodwill and intangible assets	479	479	—	—	—	—	—
Biological assets	51	—	—	—	51	—	—
Property, plant and equipment	1,602	1,602	—	—	—	—	—
Other investments	4	—	—	—	—	4	—
Deferred tax assets	128	128	—	—	—	—	—
Other assets	81	40	41	—	—	—	—
Total non-current assets	**2,345**	**2,249**	**41**	—	**51**	**4**	—
Total assets	**4,259**	**3,525**	**666**	—	**51**	**4**	**13**
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt and current portion of long-term debt	85	—	—	85	—	—	—
Trade accounts payable	800	—	—	800	—	—	—
Short-term provisions	23	23	—	—	—	—	—
Accrued expenses and other liabilities	233	25	—	193	—	—	15
Income tax liabilities	7	7	—	—	—	—	—
Total current liabilities	**1,148**	**55**	—	**1,078**	—	—	**15**
Non-current liabilities:							
Long-term debt, net of current portion	365	—	—	365	—	—	—
Deferred tax liabilities	130	130	—	—	—	—	—
Deferred employee benefits	146	146	—	—	—	—	—
Long-term provisions	43	43	—	—	—	—	—
Other long-term obligations	9	—	—	9	—	—	—
Total non-current liabilities	**693**	**319**	—	**374**	—	—	—
Equity:							
Equity attributable to the equity holders of the parent	2,414	2,414	—	—	—	—	—
Non-controlling interests	4	4	—	—	—	—	—
Total equity	**2,418**	**2,418**	—	—	—	—	—
Total liabilities and equity	**4,259**	**2,792**	—	**1,452**	—	—	**15**

The following tables summarise the bases used to measure certain assets and liabilities at their fair value:

	As of December 31, 2019			
(in millions of Euros)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at fair value:				
Biological assets	—	—	51	51
Equity instruments at Fair Value through OCI	2	—	2	4
Derivative financial current assets	—	13	—	13
Derivative financial non-current assets	—	—	—	—
Total assets at fair value	**2**	**13**	**53**	**68**
Liabilities at fair value:				
Derivative financial current liabilities	—	15	—	15
Derivative financial non-current liabilities	—	—	—	—
Total liabilities at fair value	**—**	**15**	**—**	**15**

	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**	**35**

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 the 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 as of December 31, 2018, refer to the call options bought at the 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 as of December 31, 2018, refers to the conversion option in the U.S.$300 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 established the fair valuation of the call options on its own shares and the conversion option with respect to the U.S.$300 million convertible bonds through the use of a volatility model based on a partial differential equation.

The model used 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 ending December 31, 2019:

(in millions of Euros)	**U.S.$300 million convertible bonds' conversion option**	**Call option on own shares**	**Equity instruments not quoted**	**Total**
Balance as of December 31, 2018	(15)	15	2	2
Change in fair value[1]	—	—	—	—
Early buyback (see Note 15)	15	(15)	—	—
Balance as of December 31, 2019	**—**	**—**	**2**	**2**

Note:
(1) 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, 2019, is as follows:

(in millions of Euros)	Assets Notional Amount	Assets Fair Value	Liabilities Notional Amount	Liabilities Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	43	1	232	(2)
Forward sale contracts	173	3	42	(1)
Total foreign exchange rate instruments		**4**		**(3)**
Raw materials (base metal)				
Term contracts sales metals	21	5	13	—
Term contracts purchases metals	33	4	67	(12)
Total raw materials (base metal)		**9**		**(12)**
Total		**13**		**(15)**

The portfolio associated with derivative financial instruments classified as Level 2 as of December 31, 2018, is as follows:

(in millions of Euros)	Assets Notional Amount	Assets Fair Value	Liabilities Notional Amount	Liabilities 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)**

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, 2019					
	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	(100)	(105)	(1)	(1)	(40)	(63)
Trade payables	(800)	(800)	(800)	—	—	—
Other non-derivative financial liabilities	(350)	(364)	(88)	(16)	(191)	(69)
Total	**(1,250)**	**(1,269)**	**(889)**	**(17)**	**(231)**	**(132)**
Derivative financial liabilities						
Foreign exchange contracts	(3)	(3)	(3)	—	—	—
Other commodities contracts	(12)	(12)	(12)	—	—	—
Total	**(15)**	**(15)**	**(15)**	**—**	**—**	**—**

(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)**	**—**	**—**	**—**

Cash flow hedges

The following table presents the periods in which cash flows hedges are expected to mature:

	December 31, 2019 (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	3	3	—	—	—	—
Foreign exchange contracts	(1)	(1)	—	—	—	—
Total	**2**	**2**	—	—	—	—

(in millions of Euros)	December 31, 2018 (outflows)/inflows 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**	—	—

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, 2019 (expense)/income Carrying Amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	3	3	—	—	—	—
Foreign exchange contracts	(1)	(1)	—	—	—	—
Total	**2**	**2**	—	—	—	—

(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**	—	—

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, 2019	2018
Base metals	(3)	(9)
Total	**(3)**	**(9)**
Assets associated with raw material	9	3
Liabilities associated with raw material	(12)	(12)
Total	**(3)**	**(9)**

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, 2019	
(in millions of Euros)	**Income**	**Other Equity Cash Flow Hedging Reserves**
10% appreciation in Euro	5	—
10% depreciation in Euro	(5)	—

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, 2019	
(in millions of Euros)	**Income**	**Other Equity Cash Flow Hedging Reserves**
+10% in prices Base Metals	7	6
-10% in prices Base Metals	(7)	(6)

NOTE 22: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties of the Company, were as follows:

(in millions of Euros)	Year Ending December 31,		December 31,	
	2019	2018	2019	2018
Transactions		Sales	Included in Trade accounts receivable	
ArcelorMittal and its subsidiaries	59	72	3	5
Total	**59**	**72**	**3**	**5**

(in millions of Euros)	Year Ending December 31,		December 31,	
	2019	2018	2019	2018
Transactions	Purchase of raw material & others		Included in Trade accounts payable	
ArcelorMittal and its subsidiaries	154	235	15	25
Total	**154**	**235**	**15**	**25**

The table above includes purchases of raw materials and energy from related parties as follows:

(in millions of Euros)	Year Ending December 31,	
	2019	2018
Raw materials	23	51
Energy supply contracts	106	147

Transactions and balances with related parties also include the following:

(in millions of Euros)	December 31,	
	2019	2018
Other current liabilities	1	1

(in millions of Euros)	Year Ending December 31,	
	2019	2018
Selling, general and administrative expenses	4	5

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 25 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 23: COMMITMENTS

The Company’s commitments consist of two main categories:

> various purchase and capital expenditure commitments,

> pledges, guarantees and other collateral instruments given to secure financial debt and credit lines.

Commitments given

(in millions of Euros)	Year Ending December 31,	
	2019	**2018**
Purchase commitments	1,465	1,859
Guarantees, pledges and other collateral	224	142
Operating leases [(1)]	—	26
Total	**1,689**	**2,027**

Note:
(1) 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 includes documentary credits, letters of credit and sureties.

NOTE 24: 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, 2019, 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 ground clean-up after operations ceased at former Firminy facility.

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, 2019, (ii) that constitute a contingent liability, or (iii) that were resolved in 2019, 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, 2019, 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.

> For over 20 years, Aperam South America and its subsidiaries have been challenging the calculation basis of PIS/COFINS (Brazilian Federal taxes for unemployment insurance and social security), specifically, whether

Brazilian state tax (ICMS) may be deducted from the base amount on which the PIS/COFINS are calculated. In March 2017, the Supreme Court decided in a separate case, not involving Aperam South America and its subsidiaries, on the same subject in favor of the relevant taxpayers. Nevertheless, Federal Revenue Service, filed a Motion for Clarification on such separate Supreme Court decision, which is of binding precedential value with respect to all similar cases, including those of Aperam South America and its subsidiaries. The Federal Revenue Services is still expecting to obtain certain clarifications. In 2019, Aperam South America and its subsidiaries obtained a final and unappealable favorable decision in consistency with Supreme Court's precedent. Accordingly, in 2019, Aperam South America recognized R$77 million (€17 million) of PIS/COFINS credits in the consolidated statement of operations. The total outstanding amount claimed by Aperam South America and its subsidiaries is up to R$939 million (€207 million). This amount would be recognized in the consolidated statement of operations after approval of Court / Confirmation of the Tax department for recovery of overpaid amounts.

> On December 3, 2018, Aperam South America received a tax assessment related to PIS and COFINS (federal tax on turnover) for the year 2014. The total amount claimed is R$24 million (€5 million). The Company presented its defense on January 3, 2019. On June 7, 2019, the Company obtained a partially favorable decision by the first administrative instance. In July 2019, the Company filed an appeal. The case is pending at the second 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$61 million (€14 million). Since December 11, 2018, the case is closed at the second administrative level (unfavorable to the Company). On February 18, 2019, the case was notified to the Company that filed a motion for clarification that has been denied. The Company appealed to the Special Court. On October 25, 2019, the Company obtained a partially favorable decision by the Special Court. Since October 31, 2019, the case is still pending before the Special Court for the unfavorable part of the decision.

> On November 22, 2016, Aperam South America received a tax assessment related to IPI (tax on manufactured products) for the years 2011-2012 for its branch in Sumaré, Brazil. The total amount claimed is R$26 million (€6 million). On March 8, 2018, the Company received an unfavorable decision and decided to appeal it on April 6, 2018. On August 8, 2019, the case was brought to the Special Court. 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$23 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 the Judicial Court. Since May 21, 2018, the Company presented a petition to specify evidence to support its defense. The Company has been asked on August 22, 2019 to provide a guarantee to support its petition. The case is pending at the 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$247 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 motion of clarification filed by the Company was accepted by the Court on September 19, 2019, but final clarification did not change the original decision. The Company is waiting for the final publication to decide whether it shall bring the case to the judicial 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$50 million (€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, the Administrative Tax Court (Appeal) decision was partially favorable to the Company. The Company appealed in May 2017 to the third administrative instance. The Special Court decision was unfavorable to the Company on November 20, 2019. The Company waits for the publication of this decision to decide whether it shall bring the case to judicial level.

> On June 24, 2014, Aperam Bioenergìa received a tax assessment from the Federal Revenue Service in the total amount of R$78 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 the judicial level.

> On December 20, 2013, Aperam South America received a tax assessment from Federal Revenue in the total amount of R$405 million (€89 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 the third administrative level.

> On October 31, 2013, Aperam South America received a tax assessment for PIS and COFINS compensation it made since 2010. On September 5, 2014, we received a partially favorable decision that reduced the amount of the claim to R$30 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 the case.

> On December 14, 2011, the Federal Revenue issued four tax assessments against Aperam South America for a total amount of R$104 million (€23 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 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 levels. On May 22, 2019 and June 3, 2019 the Administrative Court judged the appeal unfavorable to the Company. The Company has decided to bring the case before the Judicial Court on December 5, 2019 and still has the option in 2020 to go to judicial jurisdiction for other pending cases.

> 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$27 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 the second judicial level.

> On December 21, 2005, Aperam South America was 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$67 million (€15 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 the first judicial level.

> In March 2005, Aperam South America was 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$52 million (€11 million). Regarding the major case of R$52 million (€11 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 cases on November 9, 2018, which is now closed. The other cases are pending at second and third administrative levels to discuss the tax diligence results. On

November 11, 2019, the Company presented a motion of clarification following a favorable decision notified by the Administrative Court on October 25, 2019.

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, 2019, the Company has established reserves in the aggregate of approximately €26 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$41 million (€9 million). The decision of the Court of Appeals 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 Appeals 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 was assessed with a fine of R$52 million (€11 million). The Company brought the case before the Judicial Court in 2012. On February 6, 2014, the first judicial instance was not favorable to the Company. On February 21, 2014 the Company appealed this first instance decision after several proceedings issues. The case is still pending before the Court of Appeals.

NOTE 25: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

The total annual compensation of Aperam's employees was as follows:

(in millions of Euros)	**Year Ending December 31,**	
	2019	**2018**
Employee Information		
Wages and salaries	452	457
Pension cost	6	7
Other staff costs	59	63
Total	**517**	**527**

During 2019 and 2018, Aperam employed 9,670 and 9,680 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,**	
	2019	**2018**
Base salary	3	3
Directors' fees	1	1
Short-term performance-related bonus	1	2
Post-employments benefits(1)	—	—
Share based compensation(1)	1	2

Note:
(1) Post-employments benefits for Aperam's key management personnel were below €1 million for the years ending December 31, 2019 and December 31, 2018

As of December 31, 2019, and 2018, 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 26: LIST OF SIGNIFICANT SUBSIDIARIES AS OF DECEMBER 31, 2019

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, sales offices nor sales in / purchases from: Afghanistan, Cuba, Iran, Iraq, North Korea, Somalia, Sudan/South Sudan, Syria, Crimea Region of Ukraine, Yemen nor Zimbabwe.

NOTE 27: 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 ending December 31, 2019, and 2018. Set forth below is a breakdown of fees for services rendered in 2019 and 2018.

Audit Fees. Audit fees in 2019 and 2018 were €1.5 million and €1.4 million, respectively.

Audit-Related Fees. Audit-related fees in 2019 and 2018 were €0.1 million and €0.1 million, respectively. Audit-related fees consist principally of issuance 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 2019 and 2018 were below €<0.1 million.

NOTE 28: SUBSEQUENT EVENTS

On February 5, 2020, Aperam proposed to maintain its base dividend at €1.75 per share, subject to shareholder approval at the 2020 Annual General Meeting, as the Company continues to improve its sustainable profitability benefiting from its strategic actions.

On February 5, 2020, Aperam announced a share buyback programme of up to €100 million, and a maximum of 3.8 million shares under the authorization given by the Annual General Meeting of shareholders held on May 7, 2019.

On February 5, 2020, Aperam announced the resignation of Sandeep Jalan, CFO who will be leaving Aperam to pursue other career opportunities outside the steel and mining industry. Mr Jalan is expected to leave the company around the beginning of May to assure a smooth transition. The succession will be announced in due course.

Auditor’s Report on the Consolidated Statements

To the Shareholders of
Aperam S.A.
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, 2019, and the consolidated statement of operations, consolidated comprehensive income / (loss), consolidated statement of changes in equity and consolidated 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, 2019, and of its consolidated financial performance and of 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 the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF 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.

<u>Valuation of deferred tax assets</u>

Key audit matter description

As of December 31, 2019, the Group recognized approximately €128 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 jurisdiction 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.

<u>Goodwill Impairment</u>

Key audit matter description

The Group has goodwill of €457 million as of December 31, 2019, 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 2019, the goodwill of the CGU S&E, A&S and S&S had a carrying value of €378 million, €20 million and €59 million respectively.

The result of the goodwill impairment test for the 2019 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 internal 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.

<u>**Tax litigations in Brazil**</u>

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 consolidated 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 24 ("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 positions 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 consolidated 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 financial statements including 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 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 7, 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 9 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. 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 were not provided and that we remained independent of the Group in conducting the audit.

For Deloitte Audit, *Cabinet de Révision Agréé*

Marco Crosetto, *Réviseur d'Entreprises Agréé*
Partner

February 25, 2020

Aperam, Société Anonyme

Annual Accounts

As of and for the year ending December 31, 2019

Aperam S.A.
Société Anonyme

12C, rue Guillaume Kroll
L-1882 Luxembourg
R.C.S. Luxembourg B155.908

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Balance Sheet

Aperam, Société Anonyme

(in thousands of Euros)		December 31, 2019	December 31, 2018
Assets			
C. Fixed assets		**4,235,011**	**3,443,706**
I. Intangible assets	**Note 3**	**8,416**	**12,063**
2.a) Concessions, patents, licences, trademarks and similar rights and assets, if they were acquired for valuable consideration		6,115	12,063
4. Payments on account and intangible fixed assets under development		2,301	—
III. Financial assets	**Note 4**	**4,226,595**	**3,431,643**
1. Shares in affiliated undertakings		2,130,301	1,524,999
2. Loans to affiliated undertakings		2,096,262	1,891,499
5. Investments held as fixed assets		—	15,113
6. Other loans		32	32
D. Current assets		**191,149**	**843,868**
II. Debtors		**183,795**	**837,714**
2. Amounts owed by affiliated undertakings		182,708	836,703
i) becoming due and payable within one year	*Note 5*	*179,444*	*836,703*
ii) becoming due and payable after more than one year		*3,264*	*—*
4.a) Other debtors becoming due and payable within one year		1,087	1,011
III. Investments		**6,989**	**6,102**
2. Own shares	Note 6	6,989	6,102
IV. Cash at bank and in hand		**365**	**52**
E. Prepayments	**Note 7**	**2,189**	**2,896**
Total assets		**4,428,349**	**4,290,470**

The accompanying notes are an integral part of these annual accounts.

Balance Sheet

Aperam, Société Anonyme

(in thousands of Euros)		December 31, 2019	December 31, 2018
Capital, reserves and liabilities			
A. Capital and reserves	**Note 8**	**3,633,916**	**3,485,491**
I. Subscribed capital		**438,419**	**447,851**
II. Share premium account		**1,205,864**	**1,237,942**
IV. Reserves		**63,355**	**62,468**
1. Legal reserve		56,366	56,366
2. Reserve for own shares	Note 6	6,989	6,102
V. Profit brought forward		**1,593,570**	**1,671,832**
VI. Profit or loss for the financial year		**332,708**	**65,398**
C. Creditors	**Note 9**	**794,433**	**804,979**
1. Debenture loans		258,602	207,813
a) Convertible loans	*Note 10*	—	*207,813*
i) becoming due and payable within one year		—	*63,857*
ii) becoming due and payable after more than one year		—	*143,956*
b) Non convertible loans	*Note 11*	*258,602*	—
i) becoming due and payable within one year		*68,602*	—
ii) becoming due and payable after more than one year		*190,000*	—
2. Amounts owed to credits institutions	Note 12	150,559	50,174
a) becoming due and payable within one year		*6,114*	*174*
b) becoming due and payable after more than one year		*144,445*	*50,000*
6.a) Amounts owed to affiliated undertakings becoming due and payable within one year	Note 13	368,169	489,302
8. Other creditors		17,103	57,690
a) Tax authorities		*1,705*	*1,393*
b) Social security authorities		*200*	*183*
c) Other creditors		*15,198*	*56,114*
i) becoming due and payable within one year		*15,198*	*15,738*
ii) becoming due and payable after more than one year	Note 14	—	*40,376*
Total capital, reserves and liabilities		**4,428,349**	**4,290,470**

The accompanying notes are an integral part of these annual accounts.

Profit and Loss account

Aperam, Société Anonyme

(in thousands of Euros)		**Year ending December 31, 2019**	**Year ending December 31, 2018**
4. Other operating income	**Note 15**	**105,150**	**109,477**
5. b) Other external expenses		**(74,531)**	**(91,858)**
6. Staff costs		**(12,577)**	**(12,054)**
a) Wages and salaries		*(11,021)*	*(10,199)*
b) Social security costs		*(1,389)*	*(1,592)*
i) relating to pensions		*(743)*	*(957)*
ii) other social security costs		*(645)*	*(635)*
c) Other staff costs		*(167)*	*(263)*
7. Value adjustments		**(4,327)**	**(2,223)**
a) In respect of formation expenses and of tangible and intangible fixed assets		*(4,327)*	*(2,223)*
8. Other operating expenses		**(8)**	**(50)**
9. Income from participating interests	**Note 16**	**291,519**	**256,697**
a) Derived from affiliated undertakings		291,519	256,697
11. Other interest receivable and similar income	**Note 17**	**27,002**	**38,571**
a) Derived from affiliated undertakings		*27,002*	*38,531*
b) Other interest and similar income		*—*	*40*
13. Value adjustments in respect of financial assets and of investments held as current assets		**27,236**	**(171,798)**
14. Interest payable and similar expenses	**Note 17**	**(24,146)**	**(59,478)**
a) Concerning affiliated undertakings		*(4,408)*	*(5,854)*
b) Other interest and similar expenses		*(19,738)*	*(53,624)*
15. Tax on profit or loss	**Note 18**	**(2,541)**	**(1,886)**
16. Profit or loss after taxation		**332,777**	**65,398**
17. Other taxes not shown under items 4 to 16		(69)	—
18. Profit or loss for the financial year		**332,708**	**65,398**

The accompanying notes are an integral part of these annual accounts.

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 is 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 53 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, 2019 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 amended law of December 19, 2002, under the historical cost convention.

2.2 – 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 year are as follows:

(in thousands of Euros)	Concessions, patents, licenses, trademarks and similar rights and assets, if they were acquired for valuable consideration	Payments on account and intangible fixed assets under development	Total as of December 31, 2019
Gross book value			
Opening balance	26,591	—	26,591
Additions	—	680	680
Disposals	(1,480)	—	(1,480)
Transfer	(1,621)	1,621	—
Closing balance	**23,490**	**2,301**	**25,791**
Accumulated value adjustments			
Opening balance	(14,528)	—	(14,528)
Additions	(4,327)	—	(4,327)
Disposals	1,480	—	1,480
Closing balance	**(17,375)**	—	**(17,375)**
Net book value			
Opening balance	12,063	—	12,063
Closing balance	**6,115**	**2,301**	**8,416**

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, 2019
Gross book value					
Opening balance	1,698,488	1,891,499	41,402	32	3,631,421
Additions	1,120,995	292,632	—	—	1,413,627
Disposals	(671,807)	(132,735)	(39,143)	—	(843,685)
Foreign exchange differences	—	44,866	(2,259)	—	42,607
Closing balance	**2,147,676**	**2,096,262**	—	**32**	**4,243,970**
Accumulated value adjustments					
Opening balance	(173,489)	—	(26,289)	—	(199,778)
Additions	(25)	—	—	—	(25)
Disposals	156,139	—	26,289	—	182,428
Closing balance	**(17,375)**	**—**	**—**	**—**	**(17,375)**
Net book value					
Opening balance	1,524,999	1,891,499	15,113	32	3,431,643
Closing balance	**2,130,301**	**2,096,262**	—	**32**	**4,226,595**

4.1. – Shares in affiliated undertakings

(in thousands of Euros) **Name of undertaking**	**Registered office**	**Percentage of capital held as of December 31, 2019 (%)**	**Result for 2019(1)**	**Capital and reserves (including result for 2019)(1)**	**Carrying amount as of December 31, 2019**	**Carrying amount as of December 31, 2018**
Aperam HoldCo S.à.r.l.	Luxembourg	100.00	(217,680)	863,947	1,605,550	1,484,555
Aperam Stainless France S.A.S	France	100.00	157,807	493,231	500,000	—
Aperam Stainless Services & Solutions Italy S.r.l.	Italy	100.00	(827)	3,195	15,000	15,000
Corea S.A.	Luxembourg	100.00	631	10,122	7,976	7,976
Aperam Stainless Services & Solutions Germany GmbH	Germany	10.01	(2,990)	14,080	1,741	17,410
Aperam Treasury S.C.A	Luxembourg	100.00	16,327	3,503	31	31
Aperam Alloys Germany GmbH	Germany	100.00	(15)	(66)	—	25
Aperam Sourcing S.C.A	Luxembourg	< 0.00	48,046	12,526	< 1	< 1
Other	Various	—	—	—	2	2
					2,130,301	**1,524,999**

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 April 29, 2019, the Company sold at fair market value a 90% less 1 share interest in Aperam Stainless Services & Solutions Germany GmbH with a net carrying amount of €15,668 thousands (acquisition cost of €171,807 thousands less accumulated value adjustments of €156,139 thousands) to Aperam HoldCo S.à r.l. The total consideration received amounted to €1 and resulted in a loss on disposal of €15,668 thousands.

On June 28, 2019, the Company made a capital contribution to the share premium of Aperam HoldCo S.à r.l. for a total consideration of €520,995 thousands.

On June 28, 2019, the Company received 100% of the shares of Aperam Stainless France from Aperam HoldCo S.à r.l. through the distribution in kind by Aperam HoldCo S.à r.l. Of a part of its share premium for a total consideration of €500,000 thousands.

On December 2, 2019, the Company made a capital contribution to the share premium of Aperam HoldCo S.à r.l. for a total consideration of €100,000 thousands.

On December 31, 2019, 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 Alloys Germany GmbH. Therefore, value adjustment of €25 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, 2019**	**December 31, 2018**
Aperam Treasury S.C.A.	EUR	1,096,000	1,096,000	886,000
Aperam Treasury S.C.A.	BRL	1,547,653	341,770	347,251
Aperam Treasury S.C.A.	PLN	100,000	23,492	23,248
Aperam HoldCo S.à r.l.	EUR	635,000	635,000	635,000
Total			**2,096,262**	**1,891,499**

Description of the main changes during the year

On June 28, 2019, the Company granted a €210,000 thousands credit facility to Aperam Treasury S.C.A. with maturity June 28, 2029.

During the year 2019, the Company received six repayments for a total consideration of R$365,912 thousands (€132,735 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 three payments to Aperam Treasury S.C.A. for a total consideration of R$125,474 thousands (€28,993 thousands) under the R$1,307,215 thousands credit facility agreement dated August 3, 2016 and three other payments for a total consideration of R$240,438 thousands (€53,639 thousands) under the R$500,000 thousands credit facility agreement dated May 30, 2019 and granted to Aperam Treasury S.C.A.

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.

Since 2017, the Company unwinded all call options in several transactions corresponding to the proportion of the total repurchase of U.S.$300,000 thousands of the net share settled convertible and/or exchangeable bonds due 2021 compared to initial issued amount of U.S.$300,000 thousands

NOTE 5 – AMOUNTS OWED BY AFFILIATED UNDERTAKINGS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

(in thousands of Euros)	**December 31, 2019**	**December 31, 2018**
Loan to Aperam Treasury S.C.A.	—	655,973
Amounts receivable on corporate services	124,526	129,574
Accrued interests	32,434	23,002
Amounts receivable on tax integration	22,484	28,154
Total	**179,444**	**836,703**

Description of the main changes during the year

Amounts owed by affiliated undertakings becoming due and payable within one year decreased by €657,259 thousands during the year to €179,444 thousands as of December 31, 2019. This variance is mainly explained by the reimbursement of 2 loans of €555,973 thousands and €100,000 thousands with Aperam Treasury S.C.A. as they came to maturity date on June 16, 2019 (maturity was postponed from March 16, 2019 to June 16, 2019) and September 1, 2019, respectively, decreases in amounts receivable on corporate services by €5,048 thousands and in amounts receivable on tax integration by €5,670 thousands, partly offset by increase in accrued interests by €9,432 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 2019, 26,039 own shares (30,250 shares, net of 4,211 shares retained for tax purposes) have been given to certain employees of the Company to serve the RSU Plan and PSU Plan 2016.

During the year 2019, the Company received 66,882 shares in relation to the unwinded call options.

On December 31, 2019, the Company had 180,441 own shares for a total net book value of €6,989 thousands.

NOTE 7 – PREPAYMENTS

As of December 31, 2019, prepayment and accrued income amounts to €2,189 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, 2018	85,496,280	447,851	1,237,942	56,366	6,102	1,671,832	65,398	3,485,491
Allocation of net result	—	—	—	—	—	65,398	(65,398)	—
Directors' fees (Note 21)	—	—	—	—	—	(550)	—	(550)
Dividend	—	—	—	—	—	(142,223)	—	(142,223)
Cancellation of shares	(1,800,000)	(9,432)	(32,078)	—	—	—	—	(41,510)
Profit for the financial year	—	—	—	—	—	—	332,708	332,708
Reserve for own shares	—	—	—	—	887	(887)	—	—
Balance as of December 31, 2019	**83,696,280**	**438,419**	**1,205,864**	**56,366**	**6,989**	**1,593,570**	**332,708**	**3,633,916**

Note:
(1) Number of shares denominated in units.

8.1. Subscribed capital and share premium account

On July 18, 2019, 1,800,000 shares acquired under the 2018 share buyback program were cancelled in line with the announced purpose of the program.

As of December 31, 2019, the subscribed capital amounts to €438,419 thousands and is divided into 83,696,280 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, 2019
Significant Shareholder [2]	39.08%
Treasury shares	4.64%
M&G plc	6.77%
Other public shareholders	49.51%
Total	**100.00%**

Notes:
(1) Shareholding disclosed in the 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, 2019, 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 allocation of €887 thousands from the profit brought forward to the reserve for own shares in order 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, 2019				December 31, 2018
	Up to 1 year	From 1 to 5 years	Above 5 years	Total	Total
Convertible debenture loans	—	—	—	—	207,813
Non convertible debenture loans	68,602	140,000	50,000	258,602	—
Amounts owed to credit institutions	6,114	59,722	84,723	150,559	50,174
Amounts owed to affiliated undertakings	368,169	—	—	368,169	489,302
Other creditors	17,103	—	—	17,103	57,690
Total	**459,988**	**215,707**	**118,738**	**794,433**	**804,979**

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. 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.

On March 25, 2019, Aperam invited holders of its outstanding bonds to offer to sell their Bonds pursuant to a one day fixed price tender offer process. On April 2, 2019, Aperam repurchased U.S.$137,000 thousands of bonds at a price of 107.02% (U.S.$147,000 thousands, €131,000 thousands).

The remaining portion of the U.S.$27,600 thousands debt, was repurchased in cash thanks to a clean-up call (compelling the bondholders to redeem the bond at par) on November 4, 2019.

NOTE 11 – NON CONVERTIBLE DEBENTURE LOANS

Schuldscheindarlehen

On September 24, 2019, Aperam successfully priced an inaugural €190,000 thousands multi-tranches Schuldscheindarlehen (debt instrument governed by the laws of the Federal Republic of Germany) with maturities at 4, 5, 6 and 7 years. On the back of a very positive investor perception and significantly oversubscribed orderbook, Aperam was able to upsize the deal volume from the initially announced volume of €100,000 thousands to ultimately €190,000 thousands. The company was able to price all tranches at the tight end of the announced spread ranges. Aperam took advantage of the very constructive market to secure attractive conditions and successfully diversify its creditors base.

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 €200,000 thousands, fulfill the requirements of law. On December 31, 2019, an amount of €68,000 thousands was drawn under the Aperam NEU commercial paper programme.

NOTE 12 – 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 evolution of a net leverage ratio) 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, 2019.

EIB financing

On June 27, 2016, Aperam and the European Investment Bank ("EIB") announced the signing of a financing contract in the amount of €50,000 thousands 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.

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 lines 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. The financing contract, which is senior unsecured, was entirely drawn down on March 15, 2019, at a rate of 1.307%, with a final maturity date of March 15, 2029.

NOTE 13 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

The decrease in amounts owed to affiliated undertakings by €121,133 thousands mainly results from the decrease of the liability under cash pooling arrangement with Aperam Treasury S.C.A. by €116,095 thousands.

NOTE 14 – 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.

Since 2017, the Company unwinded all call options in several transactions corresponding to the proportion of the total repurchase of U.S.$300,000 thousands of the net share settled convertible and/or exchangeable bonds due 2021 compared to initial issued amount of U.S.$300,000 thousands.

As of December 31, 2019, there were no longer any call options outstanding.

NOTE 15 – OTHER OPERATING INCOME

Other operating income corresponds mainly to corporate service fees, E-commerce fees, branding fees and income related to information technology, procurement and Research and Development services provided to group companies.

NOTE 16 – INCOME FROM PARTICIPATING INTERESTS

Income from participating interests of €291,519 thousands mainly relate to €184,249 thousands and €122,938 thousands of dividends and interest income received from affiliated undertakings, respectively, partly offset by a loss on disposal of affiliated undertakings of €15,668 thousands.

NOTE 17 – INTEREST PAYABLE / RECEIVABLE AND SIMILAR EXPENSES / INCOME

(in thousands of Euros)	Year ending December 31, 2019		Year ending December 31, 2018	
	Expenses	**Income**	**Expenses**	**Income**
Interests payable concerning affiliated undertakings	(4,408)	1,189	(5,854)	4,966
Income from tax integration with affiliated undertakings	—	22,484	—	28,154
Other income with affiliated undertakings	—	3,329	—	5,411
Total interests concerning affiliated undertakings	**(4,408)**	**27,002**	**(5,854)**	**38,531**
Interests in respect of credit institutions	(2,765)	—	(976)	—
Interests in respect of debenture loans	(820)	—	(1,427)	—
Effects of foreign exchange	(7,247)	—	(44,365)	—
Other interest and similar expenses	(8,906)	—	(6,856)	40
Total other interests	**(19,738)**	**—**	**(53,624)**	**40**
Total interests payable / receivable and similar expenses / income	**(24,146)**	**27,002**	**(59,478)**	**38,571**

Interests in respect of credit institutions mainly correspond to interest expenses related to EIB Financing and commitment fees related to the €300,000 thousands unsecured revolving credit facility (Note 12).

Interests in respect of debenture loans relate to the convertible and/or exchangeable bonds, the Schuldscheindarlehen and the commercial papers.

NOTE 18 – 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 2019 (2018: nil).

The amount charged to affiliated undertakings amounted to €22,484 thousands (2018: €28,154 thousands). Please refer to Note 17.

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 19 – COMMITMENTS AND CONTINGENCIES

Commitments given

(in thousands of Euros)	**December 31, 2019**	**December 31, 2018**
Guarantees given relating to credit facilities (1)	4,974	16,926
Other commitments (2)	48,039	40,977
Total	**53,013**	**57,903**

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, 2019 (2018: €300,000 thousands). Please refer to Note 12.

Bridge facility agreement

On March 29, 2019, the bridge loan facility agreement of €400,000 thousands signed in November 2018, and subsequently reduced to €300,000 thousands in December 2018, was voluntarily cancelled by the Company.

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 December 31, 2019, an amount of €68,000 thousands was drawn under the Aperam NEU CP programme.

Contingencies

The Company has no contingency as of December 31, 2019.

Stock option plans

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, 2019 and 2018, the amount of outstanding options was 19,967 and 35,468 respectively. The amount of exercisable options was 19,967 and 35,468 for the years ending December 31, 2019 and 2018 respectively. Exercise prices of ArcelorMittal stock options are U.S.$91.98. Weighted average contractual life of the options is equal to 0.6 years.

As of December 31, 2019, no provision was recognised as share price is lower than exercise price.

Share Unit Plans

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 Performance Share Unit (“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).

On May 7, 2019, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2019 and the 2020 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 2019, a total of 102,662 PSUs were granted to a total of 48 employees at a fair value of €26.23 per share (out of which 62,762 PSUs were for the 9 Members of the Leadership Team).

NOTE 20 – STAFF

The Company employed an average of 59 full time equivalents employees during the financial year (59 full-time equivalents during the previous year).

NOTE 21 – DIRECTORS’ REMUNERATION

The Company’s Board of Directors members are entitled to a total remuneration of €568 thousands for the year ending December 31, 2019 (€550 thousands for the year ending December 31, 2018). Please refer to Note 8.

As of December 31, 2019, and 2018, 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 22 – SUBSEQUENT EVENTS

On February 5, 2020, the Company announced a share buyback programme for an aggregate maximum amount of €100,000 thousands and a maximum of 3.8 million shares in accordance to the resolution of the annual general meeting of shareholders held on May 7, 2019.

On February 5, 2020, the Company also proposed to maintain its base dividend at €1.75 per share, subject to shareholders approval at the next annual general meeting to be held on May 5, 2020.

On February 5, 2020, Aperam announced the resignation of Sandeep Jalan, CFO who will be leaving Aperam to pursue other career opportunities outside the steel and mining industry. Mr Jalan is expected to leave the company around the beginning of May to assure a smooth transition. The succession will be announced in due course.

Auditor’s Report on the Annual Accounts

To the Shareholders of
Aperam S.A
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, 2019, 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, 2019, 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 the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF 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.

Valuation and impairment of shares in affiliated undertakings

Key audit matter description

Aperam S.A. has shares in affiliated undertakings of €2,130 million as at December 31, 2019.

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. If 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, 2019 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, 2019 and,
- The existence of durable factors of impairment of shares in affiliated undertakings as at December 31, 2019.

Thus, the valuation of shares in affiliated undertakings can be impacted by management judgments and estimates.

Considering the following:

- The significance of shares in affiliated undertakings as at December 31, 2019, 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 and 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 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 7, 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 9 years.

The management report 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. 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 were not provided and that we remained independent of the Company in conducting the audit.

For Deloitte Audit, *Cabinet de Révision Agréé*

Marco Crosetto, *Réviseur d'Entreprises Agréé*
Partner

February 25, 2020

Proposed allocation of the 2019 results

	In Euros
Profit for the financial year	332,708,468
Profit brought forward (*Report à nouveau*) before transfer to the reserve for own shares	1,594,456,528
Results to be allocated and distributed	**1,927,164,996**
Transfer to the reserve for own shares	(886,362)
Dividend [(1)]	(139,677,718)
Directors' compensation	(568,260)
Profit carried forward	**1,786,032,656**

Note:
(1) To be submitted to shareholders' approval at the Annual General Meeting of May 5, 2020, and related to the financial period ending December 31, 2019. On the basis of 79,815,839 shares outstanding as of December 31, 2019 (83,696,280 shares in issue, net of 3,880,441 treasury shares). Dividends are paid quarterly, resulting in a total annualised cash dividend per share of €1.75.

Aperam
12C, rue Guillaume J. Kroll
L-1882 Luxembourg
Grand Duchy of Luxembourg