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10 YEARS

Annual Report 2020

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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: Aperam BioEnergia FSC®-certified forestry in Brazil © Daniel Mansur

10 YEARS
Sustainable by Design
Made for Life

10 Years Aperam Journey

2011

APERAM CREATION
25 January: ArcelorMittal shareholders approve spin-off proposal at a General Meeting. Aperam listed on Amsterdam, Paris, Luxembourg stock exchange and created with a strong governance framework.

LEADERSHIP JOURNEY®
Announcement of Phase 1 of the Leadership Journey®.

2012

CHARCOAL POWER
Brazilian furnaces start running completely on charcoal produced from our own forest operations.

SUSTAINABILITY REPORT
Aperam publishes its first annual Sustainability Report.

2013

DIVIDENDS
Payment stopped in 2013 to accelerate net debt reduction.

2014

ETHICS & COMPLIANCE
Launch of our program and local network.

20 YEARS OF ACESITA FOUNDATION

DUPLEX
First big desalination project.

NET RESULT
Aperam turns from negative to positive net result.

2015

SAFE TRAINING
With safety being our #1 priority, Aperam starts providing new award-winning SAFE training to all employees.

PRIME RATING
Company gets first enquiries from ESG Analysts and earns Prime rating from Oekom.

2016

EUROPEAN INVESTMENT BANK
A contract with the EIB dedicates €50 million to R&D and facility upgrades.

DIVIDENDS
Aperam resumes its payment of dividends.

GOCORE
Aperam South America introduces a new portfolio of grain and super-oriented steels.

BUSINESS HAS NEVER BEEN SO SIMPLE!
e-aperam, our intuitive, 24/7 online shopping platform, goes live.

'WE ARE PROUD & WE ARE ALL APERAM'
Aperam Services & Solutions launches first internal communication campaign.

2017

BIOENERGIA REBORN
Planting new trees, Aperam renews its eucalyptus forest.

BEL20
Aperam listed on Euronext Brussels, and enters Bel20 Index.

INVESTMENT GRADE
Company earns first Investment Grade (Baa3) rating from Moody's.

€90 MILLION
First share buyback completed in June.

2018

RENEWABLE ENERGY
Genk facility installs windmills and Châtelet facility turns to solar energy.

EMPLOYER OF CHOICE
Long recognized in Brazil, Aperam is named a 'Best Employer' in France too.

UPPING OUR ETHICS
New Code of Conduct, whistleblower policy, and Ethics & Compliance Academy launched.

€70 MILLION
Second share buyback completed in July.

2019

EMPLOYEE SATISFACTION
Second all-employee survey shows 86% satisfaction - up from 71% in 2011.

RESPONSIBLE STEEL™
Aperam joins the industry's first global, multi-stakeholder standard and certification program.

CARBON NEUTRALITY
2030 environmental objectives, and objective of carbon neutrality by 2050.

RECYCO TURNS 10Y
Our efficient waste-to-value service provider Recyco expands scope.

SCRAP METAL
Genk facility produces austenitic stainless steels containing over 89% scrap.

€93 MILLION
Third share buyback completed in June.

2020

IMPHYTEK POWDERS
Our joint venture with Tekna gets clearance from European Commission.

ECOVADIS
The Aperam Group receives Gold rating from the EcoVadis business sustainability assessment.

CDP
The CDP gave Aperam a "B" (or management) level rating for climate change

10 Years KPI

- t18 MILLION — Shipments of Stainless Steel Products.
- %72 — Total Shareholder Return.
- €1.6 BILLION — Total Free Cash Flow after €1.3 billion of CAPEX.
- €679 VS 67 MILLION — Net Financial Debt 2011 vs 2020.
- €732 MILLION — Leadership Journey® gains.
- €-0.56 VS €2.19 — Change in EPS 2011 vs 2020.
- 2019: 0.48 TONS PER TON OF SLABS — Aperam achieves the world's lowest carbon footprint in the sector.

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Message from the Chairman of the Board of Directors

Dear Shareholders,

When Aperam was created ten years ago, the logic was to establish an independent company which would benefit from higher market visibility, pursue its growth strategy and enhance its competitiveness through a programme of self-help initiatives.

The stainless steel industry has undergone dramatic change over the past decade, with the global competitive landscape being fundamentally reshaped by the emergence of major players in Asia who have disrupted global trade flows.

Despite these challenges, Aperam has established itself as a leading player in its industry. We have improved our asset base and our cost competitiveness, strengthened our balance sheet, innovated to serve sustainable markets of the future, invested in our workforce, and set ambitious goals to further reduce our environmental impact. Aperam has become a much stronger company, capable of delivering value in the most challenging of market conditions.

And last year was, of course, the most challenging we have faced since our formation. The global health crisis resulting from the COVID-19 pandemic had a profound impact on the global economy, our daily lives, and had tragic consequences for millions of people across the world. In this environment, we focused all our efforts to provide a safe and healthy working environment for our employees. I am pleased to report that thanks to a deeply embedded health and safety culture we were able to swiftly implement strict sanitary protocols, protect our people and continue to serve our clients with only temporarily halts to our operations in the first quarter of 2020.

While our plants were back to being fully operational within the second quarter 2020, the prolonged shutdown in several European countries and the temporary closure of key customer industries caused a considerable drop in the demand for our products. In response, we aligned our production quickly to this lower level of demand, adapted our cost base, and reduced all non-essential capital expenditure. This work built on our ongoing efforts to improve our structural cost competitiveness. Our internal operational excellence plan, the “Leadership Journey®”, launched in 2017, continued to progress well and reached €223 million in accumulated gains at the end of 2020, exceeding our initial goal of €200 million.

These actions helped to mitigate the impact of the pandemic on our profitability levels. As a result EBITDA reached €343 million in 2020, only marginally below the level we achieved in 2019 (2019: €357 million). Our free cash flow generation of €195 million (2019: €281 million) was robust, materially exceeding the cost of dividend payments even in a year affected by COVID-19. And the company continues to benefit from a strong balance sheet, with net debt at the end of December 2020 remaining at a low level of €67 million, less than a tenth of the level at the time the Company was created.

Due to the COVID-19 related uncertainties the Board of Directors decided in 2020 to postpone the €100 million share buyback program. Dividend payments did however continue, with the AGM approving a payment of €1.75 per share – a total payment of €139 million. In line with our financial policy, the Board has proposed maintaining the dividend at €1.75 per share in 2021, with the payment subject to shareholder approval.

Although Aperam already has the lowest CO2 footprint in the global stainless steel industry, in February 2021 we announced our intention to deliver further improvement and accelerate our contribution to a low carbon world. In particular, we doubled our CO2 emissions reduction target by 2030 to -30% compared to 2015, demonstrating our commitment to reinforce our environmental leadership.

Looking forward, I am confident that our ongoing focus on structural improvement will ensure we are well placed to deliver stakeholder value for many years to come. In addition to our ongoing self-help initiatives, we continue to expand our product range, offering customers increased choice in innovative stainless steels in line with their evolving sustainability requirements, while also leading our industry's efforts to support the transition to a low-carbon, circular economy.

Lakshmi N. Mittal, Chairman of the Board of Directors

Message from the Chief Executive Officer

Dear Shareholders,

Our Chairman of the Board of Directors has explained to you the strengthening of our company and our confidence in the future.

Let me highlight our initiatives which have been at the heart of our success over the last decade.

First of all, Aperam's success is the result of a community of 9,400 employees who have worked hard to make Aperam an indisputable leader in its industry. I thank each one of our employees for their dedication in strengthening the sustainability of our Company. Health and Safety of our people is our top priority, and we will continue to work on the safety, health, development, and diversity of our workforce.

Since day one, we have focused on increasing our competitiveness so as to perform successfully in any environment. Over the past 10 years we realised more than €730 million cost reductions through our internal program the Leadership Journey® and we have invested €1.3 billion in our plants. We also strengthened our balance sheet, and our net financial debt is today less than 1 tenth of the level when Aperam was created. We are proud to serve today the most innovative and demanding solutions to our customers thanks to our integrated distribution and R&D.

I would now also like to explain how we navigated through the exceptional environment of 2020.

Triggered by the fast spread of COVID-19, we took immediate and swift actions in all our plants and offices to guarantee a safe workplace for our employees. The actions were the result of joint risk analyses by management, employees and our medical staffing, embedding the rules as imposed by authorities in the different countries and adding best practices. As a result, and thanks to the contribution of all our employees, we managed to keep our assets running in the first quarter of 2020 with only temporary halts (of about 10 days on average) to implement strict health and safety, and avoided contamination with the virus on our premises.

In this context we improved our health and safety performance measured by the lost-time injury frequency rate ('LTIF') from 1.7x in 2019 to 1.5x in 2020. I can ensure you that we will continue to work hard to sustain this trend towards our ultimate objective of zero harm and zero fatalities for everyone working with and for Aperam.

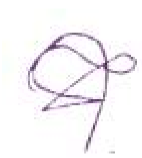
In Q2 2020 our shipments dropped 14% compared to Q1 2020 and 19% versus the prior year. The low volume driven by the shutdown in several European countries and the temporary closure of key customer industries was the major driver for a 30% drop in EBITDA versus Q1 2020 and -48% versus the prior year quarter. Due to tight cost control and the successful variabilization of fixed costs we were however still able to generate positive free cash flow and remained profitable.

I am proud to report that thanks to a strong mix in Brazil, tight cost control and some economic improvement in Europe we were able to close the year by reaching our best fourth quarter result since the 2017 peak despite still challenging market conditions. The positive effects of the

Leadership Journey® have made Aperam a more flexible, stronger and resilient company, and we are happy to have concluded by year end 2020 Phase 3 successfully and above target. We commenced Phase 4 in January 2021 which is designed to defend Aperam's cost leadership in Europe but also transform the footprint for specialities, adding a meaningful growth component in high value products.

To conclude, while the coming months will remain challenging, I am confident that our actions will aid in restoring a historical normal level, and I believe that Aperam is well-positioned to continue to perform many years from now: we have quality employees, we have a competitive asset base, we have high R&D capabilities and innovative products that help our customers create value.

Most importantly, we are sustainable by design: our products are endlessly recyclable and we have an industry leading CO_2 footprint based on our own cultivated forests to produce charcoal, and our use of recycled stainless steel.



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**" is 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$6.3779 as of December 31, 2020

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

- “**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:
    - 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 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.$1.2271 as of December 31, 2020
- “**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, 2020 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.

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 2020, we have a workforce of about 9,400 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 €3.6 billion and €4.2 billion and EBITDA of €343 million and €357 million for the years ending December 31, 2020 and 2019 respectively. Shipments amounted to 1.68 million tonnes and 1.79 million tonnes for the years ending December 31, 2020 and 2019 respectively.

[2] Scope 1 and 2

Our Business model: how we create value

INPUTS

HUMAN CAPITAL
Our people are our first priority
- **Zero**-accident and a shared-vigilance culture
- **9,400** employees
- **12.6%** of our workforce are women

INTELLECTUAL CAPITAL
Our best-in-class R&D facilities to design the future
- **€16m** R&D spent
- **128** R&D employees in **7** centres in Brazil and France

MANUFACTURING CAPITAL
We have a competitive footprint
- Modern European industrial setting
- Only integrated producer flat stainless & electrical steel in South America
- **14** Service Centers, **17** sales offices, **5** transformation facilities
- **€109m** capex

FINANCIAL CAPITAL
We have a strong financial position
- **€4bn** total balance sheet
- **€67m** net financial debt, net debt/EBITDA ratio **<1**
- **€3.6bn** sales

SOCIETAL CAPITAL
We have strong relationships with our stakeholders
- Mutually beneficial relations with suppliers, local authorities and communities
- First stainless steel company to join ResponsibleSteel™
- Aiming excellence in Governance, Ethics and Compliance

NATURAL CAPITAL
Our green footprint - being accountable to nature
- **>1/3** energy use from renewables
- BioEnergia **>100,000** ha FSC®-certified forestry in Brazil for charcoal production
- Superior access to scrap in Europe
- Recyco unit: metallic content recovering from melt-shop dust and treatment for reuse

OUR OPERATIONS

OUR MISSION
To provide steel and alloys solutions that are both affordable and made for life, and that offer the strength, versatility and endless recyclability needed to build a sustainable society.

OUR AMBITION
To be sustainably safe and profitable and to be recognised as a preferred supplier, a catalyst of change and an employer of choice.

OUR STRATEGY
- **Product & service excellence** Strengthen our product and service differentiation
- **Cost excellence** Achieve Phase 4 of our Leadership Journey®
- **ESG excellence** Lead sustainably, based on our Health & Safety and CO_2 stewardship

Sustainability is fully embedded in our values and operations

PRINCIPAL OPERATIONS
including significant production plants

Stainless Europe	Scrap, Mineral — Genk (Be), Châtelet (Be), Gueugnon (Fr), Isbergues (Fr)
South America	Mineral, Scrap — BioEnergia → Timóteo (Br)
Alloys & Specialties	Mineral, Scrap — Imphy (Fr)

Services & Solutions
- 14 Steel Service Centres
- 17 Sales Offices
- 5 Transformation Centres
- Worldwide

R&D, Innovation, Continuous Improvement · People Management · Ethics, Compliance, Corporate Governance · Stakeholders Engagement and Transparency

OUTPUTS

We focus on their safety and development
- LTIFR at **1.5**
- Employer's recognitions in Brazil and France
- **85%** of workers received at least one training

We provide innovative solutions for our customers
- Products development offering sustainable solutions (e.g. e-mobility and renewable energy)
- Continuous improvement of new product rate and service offer (e.g. e-business, EDI)

We continuously strive to improve our operations towards excellence
- **1.7Mt** steel shipments
- **€223m** EBITDA level reached under Phase 3 of Leadership Journey®
- State-of-the-art industrial projects, including the new Annealed & Pickling line in Genk
- Imphytek Powders, JV with Tekna

We deliver value for our stakeholders
- **€3.505m** economic value distributed, incl. taxes and salaries
- **€195m** free cash flow
- **€293m** EBITDA, incl. net exceptional gain €50m
- **€172m** net income
- Solid returns to shareholders

We provide social value
- Acesita Foundation (Brazil): **>40K** beneficiaries ; **>50K** anti-COVID masks distributed
- Positive ESG ratings, including the EcoVadis Gold label
- Forthcoming publication of our 2020 Sustainability Report

Sustainable products - recycling is at the core of our business
- Lowest CO_2 footprint in stainless industry globally ; aim for Carbon neutrality by 2050, 'B' CDP rating for climate change
- Extractive coke fully replaced by renewable charcoal
- **90%** metallic scrap used in European austenitic stainless steels
- **90%** recycling/reuse rate

Our history

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 40.94% of the voting rights. Please refer to the share capital section of this Management Report for the definition of the term "Significant shareholder".

Our operational organisation and facilities

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 80.8% of EBITDA for the year ending December 31, 2020, and 45.8% of external sales and 77.0% of EBITDA for the year ending December 31, 2019.

- 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 11.4% of EBITDA for the year ending December 31, 2020, and 40.2% of external sales and 12.9% of EBITDA for the year ending December 31, 2019.

- 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 13.1% of EBITDA for the year ending December 31, 2020, and 14.0% of external sales and 14.0% of EBITDA for the year ending December 31, 2019.

Additionally, we have EBITDA that is reported within our "Others and Eliminations" segment. This segment, including corporate costs and elimination between our primary operating segments, accounted for (5.2)% of EBITDA for the year ending December 31, 2020, and (3.9)% of EBITDA for the year ending December 31, 2019.

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 2020, steel shipments from Stainless & Electrical Steel Europe facilities represented 1,048 thousand tonnes (compared to 1,113 thousand tonnes in 2019).

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 591 thousand tonnes in 2020 and 609 thousand tonnes in 2019.

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.

Aperam BioEnergìa

The charcoal produced at BioEnergia is used in our steel-making process as a natural and renewable substitute for fossil fuels (coke). This allows us to entirely eradicate the use of extractive coke and makes our steel a leader in terms of CO_2 footprint. Our forest is continuously cultivated and maintained and is actually carbon positive, which means it is acting as a carbon sink. This is why our BioEnergia unit is a source of pride for our teams, who are keen to promote our products with 'green' labels.

Our forest management is based on best practices and is recognized by the Forest Stewardship Council®'s (FSC®) certification, whose standards and principles conciliate ecological protection (flora and fauna, but also water reserves) with social benefits and economic feasibility.

Our carbonization process is realised without any extractive fuels and with extraordinary energy efficiency, reusing the heat and gases generated by incineration to dry the wood. Thanks to this responsible process and sustainable, all the charcoal is produced efficiently and is sent to the furnaces of the Aperam Brazilian steel plant, located in the same state, in the city of Timóteo, some 350 kilometres away.

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 646 thousand tonnes in 2020 and 706 thousand tonnes in 2019.

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 31 thousand tonnes in 2020 and 36 thousand tonnes in 2019.

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. Aperam has incorporated in 2020 together with Tekna Plasma Europe, a leading actor in metallic powder manufacturing, a new joint-venture company named ImphyTek Powders SAS. It will develop and market Nickel and Specialty Alloy spherical powders for advanced additive manufacturing and metal injection moulding technologies.

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 :

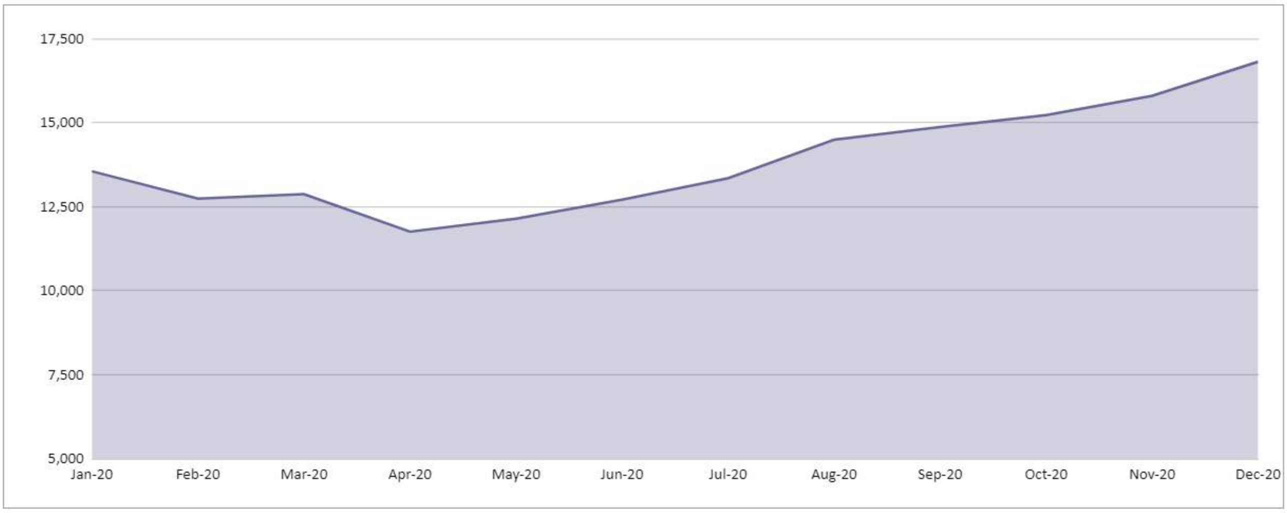
> the "base price", which is negotiated with customers and depends on market supply and demand; and
> the "alloy surcharge", which is a supplementary charge to the selling price of steel that offsets the purchase price increases in raw materials, such as nickel, chromium or molybdenum, by directly passing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

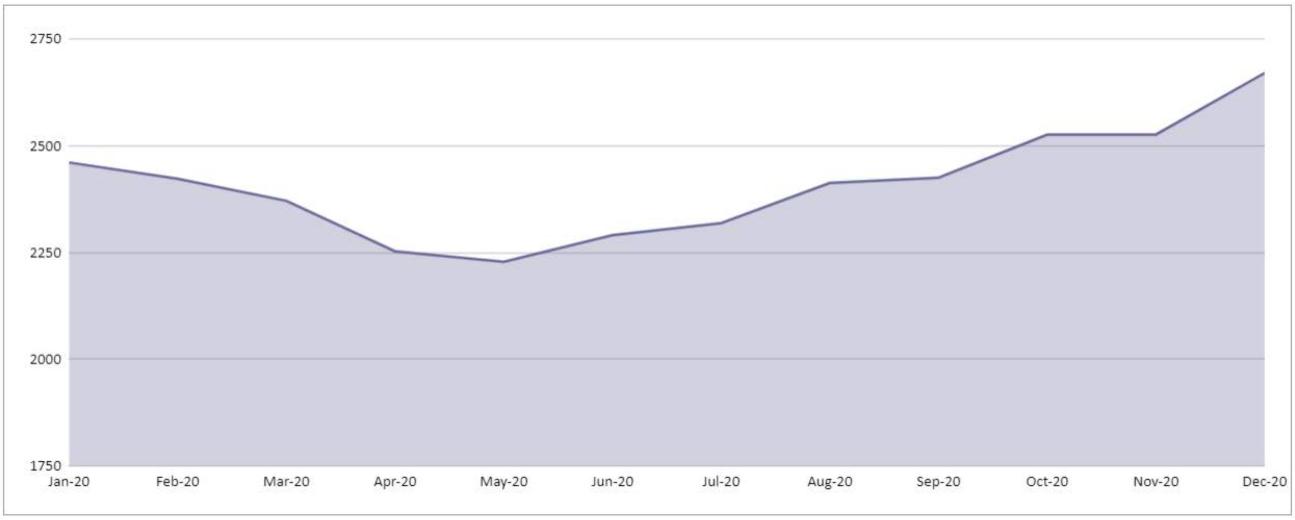
During the 1st half of year 2020, stainless steel prices have been negatively affected by several factors. The COVID-19 induced crisis has led to a collapse of demand in China in Q1 2020, and consecutively in Europe and in the Unites States of America in Q2 2020 with consumption and production basically on halt. While it was also hit by the COVID-19 induced crisis, Brazil reacted relatively better from a macroeconomic perspective compared to Europe and the USA. The COVID-19 pandemic has occurred at a moment where consumption was weak due to the automotive industry slowdown, and the economic growth stagnation in Europe and had negative repercussions on stainless-intensive markets such as capital goods, electronic/household appliances and architecture, building and construction. At the same time, Indonesia’s upstream stainless steel production capacity expansion kept pricing on the export market under strong pressure, despite the quota system put in place by the EU to tackle imports of hot rolled coils from Indonesia and cold rolled coils from Taiwan, South Korea, Malaysia, Thailand and Vietnam. The coupling of these negative factors has put strong pressure on the international stainless steel pricing, and European prices reached historical lows in May-June 2020.

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, 2020 to December 31, 2020:

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 prices of electrical steels for Grain Oriented (GO) and Non Grain Oriented steels (NGO) were negatively affected by lower demand due to COVID-19 induced crisis in the first half of 2020. In the second half of 2020, prices were positively supported by the rebuilding of inventories, increased demand and improved electrical steel utilization rates.

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 2020, global demand for stainless steel flat products was negatively impacted by the COVID-19 induced crisis. Consumption was down 12% in Europe and in Brazil, and decreased by 11% in the USA. China is the only main country where demand continued to grow, albeit by a mere 1%. (Data source: CRU, cold-rolled stainless steel apparent consumption).

In 2020, due to the COVID-19 induced crisis, the specialty alloys market suffered from an estimated 20% decline primarily due to weaker end markets in the aerospace, automotive, and Oil & Gas sectors. The relative stability in power generation, LNG tankers or, to a lower extent, gas pipelines, could not fully compensate the excess supply due to the decline in the above mentioned end-markets. In this uncertain business environment, certain projects have either been cancelled or postponed, especially in the long products alloys segment, but on the upside, long-term technological changes are driving and boosting new applications for Aperam's specialty alloys products in electronics, e-mobility or green energy.

Production and capacity

Compared to 2019, the cold-rolled stainless steel production in 2020 decreased by 12% in Brazil, by 11% in the USA, and by 9% in Europe as demand was negatively impacted by the pandemic situation. Only China showed still a positive trend, with +1% compared to 2019.

The global structural overcapacity is estimated to have grown due to additional capacity added by China, where cold rolled overcapacity increased to 3.4 million tonnes, and by Indonesia, whose stainless slab overcapacity doubled to more than 1.2 million tonnes.

Considering the steady increase of stainless steel capacity in Indonesia, and China not taking sufficient measures to address its own overcapacity issue, it is unlikely that noticeable overcapacity reductions will take place in the near future, thus keeping under pressure the global stainless value chain and trade flows.

Due to ineffective safeguard measures in Europe, imports from Asia remained significantly high in Europe during the entire year 2020, thus exacerbating the pressure on domestic producers whose market had already been heavily impacted by COVID-19-induced demand crisis.

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.

While it was also hit by the COVID-19 induced crisis, Brazil reacted relatively better from a macroeconomic perspective compared to Europe and the USA. As a consequence, despite also showing a negative performance for 2020, the prices and the volumes have been relatively good, with a healthy recovery of prices in the second half of the year.

Developments regarding trade measures

2019 and 2020 were marked by extensive developments in respect to trade measures, as described in greater detail below.

European Union

Summary table of actions against unfair trade

	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 till July 2021 (Indonesia included from 1 Oct. 2019)	• Hot rolled: China, Indonesia, Taiwan since 8 October 2020 for 5 years • Cold rolled: China , Taiwan since 2015	• Cold rolled: Case opened by EU commission in February 2021 against India, Indonesia • Final decision in Q1 2022
Measure	• HR quota 364kt pa* CR quota 861kt pa* • Largest importers have a country quota. A residual quota for all others • 25% duty for shipments > quota	• HR: China 9.2% - 19.5%, Indonesia 17.3%, Taiwan 4.1% - 7.5% • CR: China 25.3%, Taiwan 6.8%	• To be determined
New initiatives		• Renewal: of cold rolled duty against China & Taiwan • Investigation: of cold rolled duty against Indonesia & India the two accounted for ~25% of CR imports	• Investigation: of cold rolled duty against Indonesia & India the two accounted for ~25% of CR imports
WTO dispute has been lodged officially			
Safeguard quotas are excessively generous. AD is effective in levelling the playing field			

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

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, expiring on July 30, 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 3% 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 supply 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 is 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 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.

With the first review in the summer of last year, the EC introduced a 3% annual increase in tariff-free steel quotas across all product categories, a cut from the original 5% annual increase and reviewed the list of exclusions for developing countries on the basis of statistics of 2018 full year.

Imports from Indonesia (both stainless steel cold rolled and stainless steel hot rolled products) were included in the scope, falling into the residual quota,

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

On February 14, 2020, the European Commission announced the initiation concerning the second review of safeguard measures applicable to imports of steel products.

On June 30, 2020, the European Commission published its decision to adopt the adjustments to the steel safeguard measures, taking effect as from July 1, 2020.

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 3% liberalization still remained in place.

2) Quarterly administration of all country-specific quota (but no elimination of unused quarterly quota carry-over)

3) Adjustment to the access regime to the residual quota in the fourth quarter of the last period (the last period runs from 1st July 2020 to 30th June 2021; Q2-2021 represents the last quarter of the period):

- Prohibited access: organic coated, wire rod, cold finished bars

- Limited access: stainless plate, merchant bars, rebar, stainless bars, stainless wire rod

- Unlimited access: all other categories. However the access to the last-quarter residual quotas is now limited to the initially available quota volumes (carried over volumes NOT included).

4) The list of developing countries excluded from the measures was updated on the basis of the most recent stable statistical data (2019), but there were no changes for Stainless Steel categories.

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

1) For Stainless Steel Cold Rolled Product Category there is a quarterly administration of all country-specific quota, with an unlimited access to the last-quarter residual quota; however the access is now limited to the initially available quota volumes (carried over volumes NOT included).

2) For Stainless Hot-Rolled Sheets And Strips Product Category, country quota system has turned into a global Tariff Rate Quota administered on a quarterly basis

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0894&from=EN

On October 30, 2020 the European Commission published in the Official Journal the "Notice concerning the adaptation of the level of Tariff Rate Quotas under the safeguard measures on certain steel products following the exit of the United Kingdom from the European Union as of 1 January 2021".

On December 10, 2020, the European Commission published the Implementing Regulation (EU) 2020/2037 amending Implementing Regulation (EU) 2019/159 imposing definitive safeguard measures against imports of certain steel products.

All quotas have been recalculated (including countries eligible to national quota >5% import share and developing countries >3%), this time with regard to EU27. The reference period is the same as the one in the original investigation (i.e. 2015-2017). The new tariff-rate quota will apply in Q1 and Q2 2021.

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

1) For Stainless Steel Cold Rolled Product Category overall quotas are slightly lower, around 3,000 tonnes per quarter. Vietnam recalculated import share is now 4.8% and therefore Vietnam is no longer eligible to have a national quota. As such its volumes are now falling into the residual quota (residual quota will be around 47,000 tonnes per quarter).

2) For Stainless Hot-Rolled Sheets and Strips Product Category, global quotas are slightly higher, around 1,000 tonnes per quarter (removed imports in UK from third countries but added EU imports from UK).

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOC_2020_366_R_0012&from=ENhttps://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2020.416.01.0032.01.ENG&toc=OJ%3AL%3A2020%3A416%3ATOC

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. Expiry review of the anti-dumping measures applicable to imports of stainless steel cold-rolled flat products originating in the People's Republic of China and Taiwan

On August 25, 2020, the European Commission published in the Official Journal the "Notice of initiation of an expiry review of the anti-dumping measures applicable to imports of stainless steel cold-rolled flat products originating in the People's Republic of China and Taiwan".

The request for an expiry review was lodged by the European steel association Eurofer on May 27 of the same year.

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOC_2020_280_R_0006&from=EN

3. 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".

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.

On April 7, 2020, the Commission implemented the "Regulation (EU) 2020/508, imposing a provisional anti-dumping duty on imports of certain hot rolled stainless steel sheets and coils originating in Indonesia, the People's Republic of China and Taiwan".

On October 6, 2020, the European Commission published definitive anti-dumping duties on imports of certain hot rolled stainless steel sheets and coils (SSHR) originating in Indonesia, the People's Republic of China and Taiwan (Regulation 2020/1408).

The Commission concluded that the Union industry suffered material injury within the meaning of Article 3(5) of the basic Regulation.

Type of Products	Countries	Definitive Anti-dumping duty (%)	Effective from
Hot Rolled Stainless Steel Flat Products	People's Republic of China	From 9.2% to 19.0%	October 7, 2020
Hot Rolled Stainless Steel Flat Products	Taiwan	From 4.1% up to 7.5%	October 7, 2020
Hot Rolled Stainless Steel Flat Products	Indonesia	17.3%	October 7, 2020

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1408&from=EN

4. 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".

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

On November 6, 2020, the European Commission published the decision to terminate the anti-subsidy proceeding concerning imports of certain hot rolled stainless steel sheets and coils originating in the People's Republic of China and Indonesia.

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020D1653

5. Anti-dumping proceeding concerning imports of certain cold rolled stainless steel sheets and coils

On September 30, 2020, the European Commission published in the Official Journal the “Notice of initiation of an anti-dumping proceeding concerning imports of stainless steel cold-rolled flat products originating in India and Indonesia”.

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020XC0930%2802%29

6. Anti-subsidy proceeding concerning imports of certain cold rolled stainless steel sheets and coils

On February 17, 2021, the European Commission published in the Official Journal the "Notice of initiation of an anti-subsidy proceeding concerning imports of stainless steel cold-rolled flat products originating in India and Indonesia".

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2021.057.01.0016.01.ENG&toc=OJ%3AC%3A2021%3A057%3ATOC

7. WTO challenge against Indonesian restrictions on raw materials

On November 22, 2019, the European Union 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 European Union 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

On January 14, 2021, the European Union “has requested the establishment of a panel at the World Trade Organization (WTO) to seek the elimination of unlawful export restrictions imposed by Indonesia on raw materials necessary for the production of stainless steel, notably nickel ore and iron ore”.

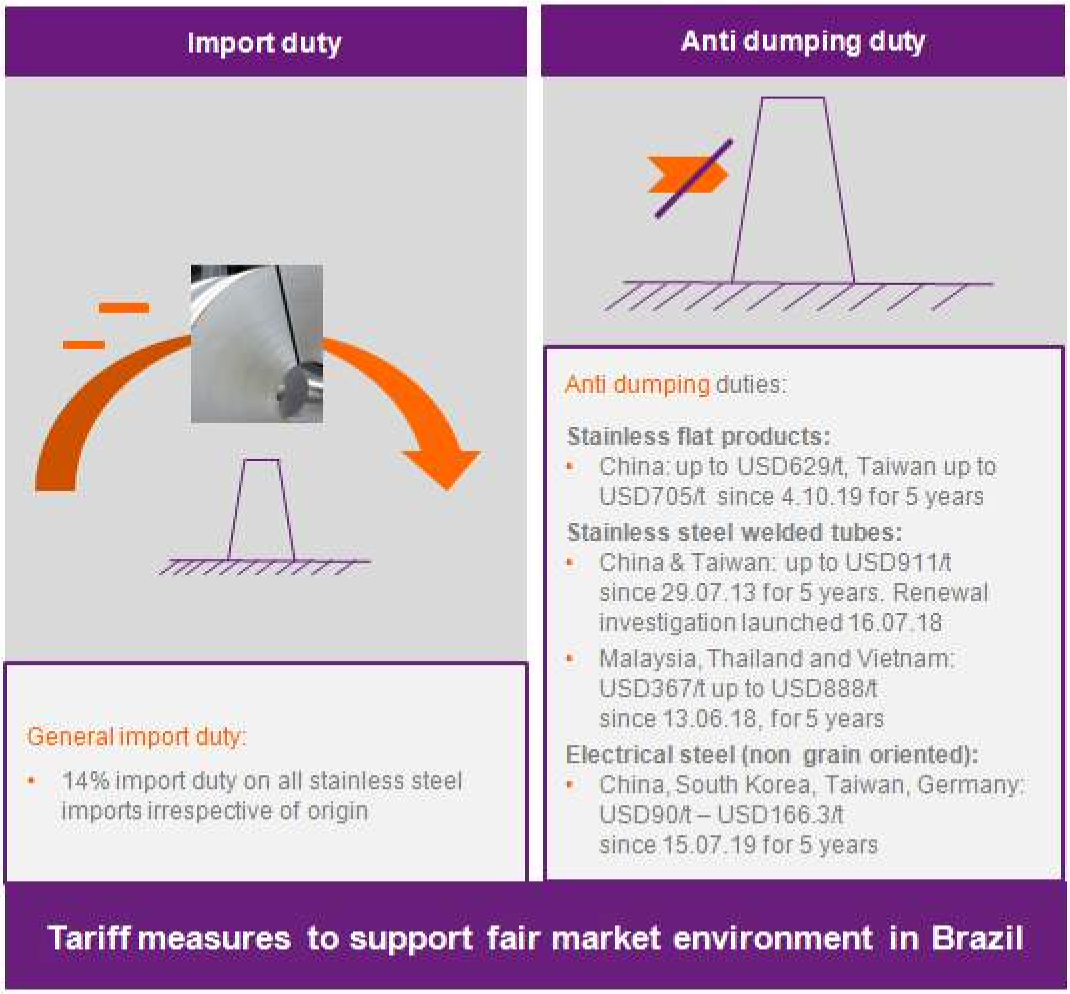
“The measures the European Union is challenging concern an export ban on nickel ore and domestic processing requirements on nickel ore and iron ore. These measures illegally restrict access for European Union steel producers to raw materials needed for stainless steel production”.

Evolution of imports in Europe (in tonnes, and in market share):

The above graph shows the evolution of stainless steel imports into Europe. Anti dumping duties on hot rolled stainless steel products from China, Indonesia and Taiwan have become effective since 8 April 2020 on top of the safeguard. The duty has to be paid on every single tonne coming into Europe and therefore influences relative competitiveness of domestic producers versus imports. Q2 2020 imports were limited due to a lack of remaining safeguard quotas. Imports from countries affected by the anti-dumping duty on hot rolled coil dropped by almost 90% in 2020 versus 2019 which demonstrates the effectiveness of these measures. An anti-dumping complaint against cold rolled stainless steel from Indonesia and India has been filed in August 2020. Both countries accounted for ~25% of cold rolled imports in Q3 2020. The European Commission has opened an investigation in September and has 7 to 8 months for the possible imposition of provisional measures.

Brazil

Two key pillars of trade protection against unfair market behaviour:



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.
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 2020 at U.S.$14,075 per tonne. However, as of February the rapid spread of the COVID-19 outbreak negatively impacted the global market as demand collapsed. In this context, the LME nickel price has been on a bearish trend and reached a year low of U.S.$11,055 at the end of March. In the second quarter, the COVID-19 related nickel supply disruptions as well as the recovery of the Chinese industrial activity and the gradual easing of lockdown restrictions in the key economies have supported the LME nickel price which ended the second quarter at U.S.$12,790. Since then, supported by the good economic data coming from China and a weakening US dollar, the LME nickel price has been bullish and reached its 2020 highest level of U.S.$17,650 per tonne in mid of December. At the end of year, the LME nickel price consolidated at U.S.$16.540 per tonne. The LME nickel stocks increased from 156,400 tonnes in January to 247,900 tonnes at the end of the year.

The ferrochrome price continued the bearish trend of 2019 as the European benchmark price further weakened to U.S.$1.01 per pound of chrome in the first quarter amid a quiet market demand. The Q2 benchmark has been concluded higher at U.S.$1.14 per pound of chrome supported by COVID-19 related lockdowns and supply disruptions in the main producing countries such as South Africa and India. The Q3 and Q4 European benchmark price remained at the high level of U.S.$1.14 per pound of chrome amid persistent supply disruptions and high electricity costs in South Africa.

Molybdenum prices started the year on a healthy trend trading at U.S.$20.3 per kilogram in January to peak at U.S.$24.03 per kilogram in February 2020 pushed by supply disruptions and strong demand. But slowing demand from the oil & gas sector drove the molybdenum prices down to U.S.$17.2 per kilogram in March, their lowest level since August 2017. After a short price recovery early Q2, additional COVID-19 related demand drop negatively impacted the molybdenum prices which were down to U.S.$16.26 per kilogram at the end of the second quarter. In the third quarter, the molybdenum prices consistently rose as demand recovered while the Chinese imports massively increased on local supply disruptions. The molybdenum prices stood at U.S.$22.10 per kilogram at the end of December 2020.

Iron ore prices started the year on a bullish trend supported by active stockpiling in China. The 62% Fe reference price CFR China increased to U.S.$96.7 per tonne in January. Despite remaining supply concerns, the iron ore prices followed the negative trend of the rest of the metals complex to drop to U.S.$80.5 per tonne in April. As market activity, led by China, recovered and supply disruptions remained a concern, the iron ore prices bounced back to U.S.$99.43 per tonne at the end of Q2. Boosted by positive expectations for steel demand, the iron ore prices rallied to U.S.$130.17 per tonne in September, the highest level since 2013. After a brief softening in Q3, the iron ore prices ended the year at a strong level of U.S.$160.47 per tonne.

Ferrous scrap prices started 2020 firmly trading at U.S.$284.5 per tonne in January. But the persistent negative sentiment on the market put a downward pressure on the ferrous scrap prices, crashing to U.S. $201.13 per tonne in March. Easing COVID-19 restrictions supported EU domestic and Turkish demand and the ferrous scrap prices recovered to U.S.$251.21 per tonne at the end of the second quarter. In the third quarter, the ferrous scrap prices continued their bullish trend boosted by higher iron ore price and improved demand. At the end of the year, supported by a strong demand and a limited supply the ferrous scrap increased again to U.S.$464.17per tonne.

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.

For electricity, 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, with 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 2019, the Euro amounted to 1.1234 U.S. dollar/Euro and 4.5305 Brazilian real/Euro. In 2020, the Euro appreciated by 8.5% against the U.S. dollar to reach 1.2271 U.S. dollar/Euro. In 2020, the Euro appreciated by 29.0% against the Brazilian real to reach 6.3779 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.

COVID-19: health and safety, business and accounting review

COVID-19: Health and Safety review

Health and safety remained as a top priority within the organisation. Triggered by the fast spread of COVID-19, Aperam took immediate and swift actions in all its plants and offices to guarantee a safe workplace for our employees. The actions were the result of joint risk analyses by management, employees and our medical staffing, embedding the rules as imposed by authorities in the different countries and adding the best practices presented in media, other companies and proposed employees ideas. As highlights of these actions, we can mention : strict sanitary rules providing all needed materials like alcohol gel and increased frequency of cleaning; clear procedures (SOPs) explaining the new way of working complemented with clear and frequent communication; adaptation of offices and shop floor workplaces, to guarantee the necessary distance between employees, placing of plastic shields; wearing of masks where and when needed, implementation of smart home office to reduce the people on site to the strict necessary minimum; strict rules applied to all visitors and contractors, all reduced to the absolute minimum needed on site. As a result, and thanks to the contribution of all our employees, we managed to keep our assets running with only temporary halts to implement strict health and safety protocols as described below, and avoided contamination with the virus on our premises.

COVID-19: Business perspective related impacts and related actions

In March 2020, with the spread of COVID-19, maintaining the health of all our people required to implement additional health & safety measures in our plants. We decided to temporarily halt our plants for the time necessary to put in place the required health and safety arrangements, guarantee social distancing and disinfectant routines. We also imposed a global travel ban, restricted access to our sites and encouraged employees to work remotely wherever possible. The plant specific shutdowns differed between sites. The plants in Genk and Brazil were able to implement the measures without a complete shutdown, while other plants were closed for the time required for implementation. This took about 10 days on average. Our distribution center in Italy was closed due to government orders which also continued in Q2 2020. Thanks to the quick and decisive measures taken there has been only a small impact on the group. Direct COVID-19 related costs remained below €10 million in Q1 2020. After reopening Aperam was fully able to produce and serve our customers. The health & safety measures successfully prevented the spread of COVID-19 in our workforce and succeeded in guaranteeing a safe working environment for our employees.
While our plants were back to being fully operational within Q2 2020 the prolonged shutdown in several European countries and the temporary closure of key customer industries like e.g. white goods and automotive was negatively reflected in our order books and caused a considerable drop in demand for our products. Due to our flexible business model we were able to align our production quickly with the lower demand. Q2 2020 shipments dropped 14% compared to Q1 2020 and 19% versus the prior year. The low volume was the major driver for a 30% drop in EBITDA versus Q1 2020 and -48% versus the prior year quarter. Due to tight cost control and the successful variabilization of fixed costs Aperam was still able to generate a positive free cash flow and remained profitable in 2020.

COVID-19: Accounting review

Due to the unforeseeable global consequences of the COVID-19 outbreak, accounting estimates and management judgements have been subject to increased uncertainty during the year 2020.

Management considered the COVID-19 outbreak and the economic downturn as impairment triggers and has therefore updated as of June 30, 2020 the impairment testing of goodwill performed as of October 31, 2019. Impairment tests for the cash-generating units of the group have therefore been performed as of June 30, 2020 and have confirmed the correctness of the corresponding carrying amounts. This correctness has been confirmed during the annual impairment testing of long-lived assets as of October 31, 2020.

The Company also continues to monitor and evaluate its key business drivers on an ongoing basis even if it is difficult to properly estimate the length and severity of this COVID-19 outbreak and the resulting consequences on its business. The negative effects have been largely mitigated with internal actions initiated by Management like strong cost variabilization plans and a focus on cash generation.

On April 1, 2020, the Company announced that the Board of Directors decided to prudently defer the start of the share buy-back programme announced on February 5, 2020 by six months to assess the severity and duration of the economic contraction linked to the COVID-19, while keeping the announced dividends. On November 4, 2020, considering the remaining exceptional COVID-19 related uncertainties, the Board of Directors decided to postpone the 2020 share buy back program.

Finally, the Company continues to invest in improving Aperam's competitiveness in the future. In this context, Management considers that future financial results will remain relatively resilient in a difficult macroeconomic environment. The Company will continue to further analyse developments and consequences of COVID-19 outbreak and implement mitigating actions during the year 2021.

Operational review and Liquidity

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, 2020, and is compared to the year ending December 31, 2019.

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, 2020 as compared to the year ending December 31, 2019:

	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	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**Sales**	**Steel Shipments**	**Average Steel Selling Price**
	(in millions of Euros)		(in thousands of tonnes)		(in Euros/tonne)		(%)		
Stainless & Electrical Steel[3]	2,897	3,352	1,639	1,722	1,705	1,879	(13.6)	(4.8)	(9.3)
Services & Solutions	1,513	1,773	646	706	2,242	2,381	(14.7)	(8.5)	(5.8)
Alloys & Specialties	511	597	31	36	16,061	15,949	(14.4)	(13.9)	0.7
Total (before intra-group eliminations)	4,921	5,722	2,316	2,464			(14.0)	(6.0)	
Others and elimination	(1,297)	(1,482)	(639)	(678)			(14.5)	(6.1)	
Total (after intra-group eliminations)	3,624	4,240	1,677	1,786			(12.5)	(5.8)	

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 639 thousand tonnes and 678 thousand tonnes in the year ending December 31, 2020 and 2019, respectively.
(3) Includes shipments of special carbon steel from the Company's Timóteo production facility.

In 2020, sales decreased by 12.5% compared to 2019 primarily due to lower average steel selling prices and lower steel shipments.

Stainless & Electrical Steel

In 2020, sales in the Stainless & Electrical Steel segment (including intersegment sales) decreased by 13.6% compared to 2019 primarily due to lower shipment volumes and decreased average steel selling prices.

Steel shipments for this segment (including inter-segment shipments) decreased by 4.8% to 1,639 thousand tonnes for the year ending December 31, 2020, of which 591 thousand tonnes were attributable to our operations in South America and 1,048 thousand tonnes were attributable to our operations in Europe, including inter-segment shipments. This was down from 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. The average steel selling price for the Stainless & Electrical Steel segment decreased by 9.3% in 2020 compared to 2019.

Sales to external customers in the Stainless & Electrical Steel segment were €1,660 million for the year ending December 31, 2020, representing 46% of total sales, a decrease of 15% as compared to sales to external customers of €1,943 million for the year ending December 31, 2019, or 46% of total sales.

Services & Solutions

In 2020, sales in the Services & Solutions segment (including intersegment sales) decreased by 14.7% compared to 2019 primarily due to 8.5% lower steel shipments and a lower average steel selling price by 5.8% for the segment.

Sales to external customers in the Services & Solutions segment were €1,456 million for the year ending December 31, 2020, representing 40% of total sales, a decrease of 14% as compared to sales of €1,703 million for the year ended December 31, 2019, or 40% of total sales.

Alloys & Specialties

In 2020, sales in the Alloys & Specialties segment (including intersegment sales) decreased by 14.4% primarily due to lower steel shipments by 13.9% when average steel selling price remained almost stable with an increase of 0.7%.

Sales to external customers in the Alloys & Specialties segment were €509 million for the year ending December 31, 2020, representing 14% of total sales, a decrease of 13% as compared to sales to external customers of €594 million for the year ending December 31, 2019, or 14% of total sales.

Operating income

The following table provides our operating income and operating margin for the year ending December 31, 2020, as compared to the year ending December 31, 2019:

	Operating Income Year Ending December 31,		Operating Margin Year Ending December 31,	
	2020	**2019**	**2020**	**2019**
Operating Segment	**(in millions of Euros)**		**(%)**	
Stainless & Electrical Steel	159	152	5.5	4.5
Services & Solutions	26	33	1.7	1.9
Alloys & Specialties	36	42	7.0	7.0
Total[(1)]	**199**	**207**	**5.5**	**4.9**

Note:
(1) Amounts shown include eliminations of €(22) million and €(20) million for the years ending December 31, 2020 and 2019 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, 2020, was €199 million, compared to an operating income of €207 million for the year ending December 31, 2019. Group Adjusted EBITDA declined by 14% as the COVID-19 related lower demand also resulted in a very competitive pricing environment in Europe. Together with a negative inventory valuation, this outweighed the positive effect from the Leadership Journey® Phase 3, the Top Line strategy and the positive earnings development in Brazil. Exceptional gains of net €50 million from the PIS/Cofins tax credits and restructuring provisions for the Leadership Journey® Phase 4 also contributed to the operating income.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was €159 million for the year ending December 31, 2020, of which an operating income of €16 million was attributable to our operations in Europe and €143 million was attributable to our operations in South America. This is compared to operating income of €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. Despite the COVID-19 crisis, 2020 Adjusted EBITDA remained resilient at close to 90% of 2019, thanks to the successful implementation of the Top Line strategy and Leadership Journey® and higher earnings in Brazil. Negative effects in Europe where capacity utilization declined on the back of COVID-19 related lower demand were compensated via cost variabilization, but also resulted in additional pricing pressure. Inventory valuation was negative.

Services & Solutions

The operating income for the Services & Solutions segment was €26 million for the year ending December 31, 2020, compared to operating income of €33 million for the year ending December 31, 2019. The lower result was mainly attributable to a lower capacity utilization resulting from the demand slowdown due to the COVID-19 crisis and negative inventory valuation which was not fully compensated by cost savings.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was €36 million for the year ending December 31, 2020, compared to operating income of €42 million for the year ending December 31, 2019. The decrease is mainly attributable to lower volumes which could not be completely compensated by cost savings through the Leadership Journey®, price improvements and a less negative contribution from inventory valuation.

Financing costs

Financing costs include interest income, interest expense, net foreign exchange and derivative results and other net financing costs. Financing income increased to €40 million for the year ending December 31, 2020, compared to financing costs of €(23) million for the year ending December 31, 2019.

Excluding the foreign exchange and derivative results described below, net interest expense and other financing costs for the year ending December 31, 2020 were positive at €49 million, including an exceptional interest income of €66 million in Brazil for PIS/Cofins tax credits related to prior periods, compared to net interest expense and other financing costs of €(30) million for the year ending December 31, 2019, including an exceptional net financial loss of €(16) million related to the accounting effects linked to the acceptance by bondholders of the invitation to sell their Convertible Bonds 2021 pursuant to a fixed price tender offer process.

Net interest expense and other financing costs also includes recurring financing costs of €(17) million for the year ending December 31, 2020, of which cash costs of financing of €(11) million, compared to recurring financing costs of €(19) million for the year ending December 31, 2019, of which cash costs of financing of €(10) million. Cash costs of financing are made of interests and other expenses related to the service of debt and other financing facilities.

Realised and unrealised foreign exchange and derivative gains/losses were a loss of €(9) million for the year ending December 31, 2020, compared to realised and unrealised foreign exchange and derivative gains of €7 million for the year ending December 31, 2019. 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 were 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 €(63) million for the year ending December 31, 2020, compared to an income tax expense of €(37) million for the year ending December 31, 2019. Our 2020 income tax expense was primarily due to positive operational results in several countries. The profit before tax of €238 million for the year ending December 31, 2020 increased by 29% compared to the profit before tax of €185 million for the year ending December 31, 2019 while the income tax expense increased by 70% because the portion of profit before tax generated in high tax rate jurisdictions (mainly Brazil) was more important in the year ending December 31, 2020 compared to the year ending December 31, 2019. The effective tax rate for the year ending December 31, 2020 was therefore also higher at 26% compared to the effective tax rate of 20% for the year ending December 31, 2019.

Net Income Attributable to Equity Holders of the Parent

Our net result was a profit of €175 million for the year ending December 31, 2020, compared to a profit of €148 million for the year ending December 31, 2019.

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, 2020	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations(1)	Total
Operating income (loss)	159	26	36	(22)	**199**
Depreciation, amortisation and Impairment	(118)	(13)	(9)	(4)	**(144)**
EBITDA	**277**	**39**	**45**	**(18)**	**343**

(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**

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)	**2020**	**2019**
Long-term debt	372	365
Short-term debt	53	85
Cash and cash equivalents	(358)	(375)
Net Financial Debt	**67**	**75**
Equity	2,204	2,418
Gearing	**3%**	**3%**

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)	**2020**	**2019**
Net cash provided by operating activities	303	400
Net cash used in investing activities	(108)	(119)
Free cash flow before dividend and share buy-back	**195**	**281**

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 10, 2021, the Company released its fourth quarter and full year 2020 results, which are available on the Company's website (www.aperam.com) under the "Investors" > "Reports and Presentations" > "Quarterly Reports" section. As part of its prospects, the Company announced that Adjusted EBITDA is expected at a slightly higher level versus the high Q4 2020 base, and that net financial debt is expected at a comparable level.

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 is 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 (under liquidation) located in Zug (Switzerland) and controls directly and indirectly 51 subsidiaries. The parent company generated a net loss[3] of €(9) million in 2020.

[3] 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 €358 million and €375 million as of December 31, 2020 and December 31, 2019, respectively.

Our total gross debt, which includes long and short-term debt, was €425 million and €450 million as of December 31, 2020 and December 31, 2019, respectively. Net financial debt, defined as long-term debt plus short-term debt less cash and cash equivalents (including short-term investments), was €67 million as of December 31, 2020, compared to €75 million at December 31, 2019. Gearing, defined as net financial debt divided by total equity, was 3% as of December 31, 2020, compared to 3% as of December 31, 2019.

As of December 31, 2020, no amount of our credit facility was drawn, leaving a credit line of €475 million under the facilities (see more details in "Financing" section below).

In addition, as of December 31, 2020, Aperam had €54 million in debt outstanding at the subsidiary level (including €53 million of finance leases). As of December 31, 2020, the Company had a total liquidity of €833 million, consisting of cash and cash equivalents (including short term investments) of €358 million and committed credit lines of €475 million (revolving credit facility of €300 million and €100 million plus EIB financing of €75 million). 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 as described below).

These facilities, which include debt held at the subsidiary level, together with other forms of financing represented an aggregate amount of approximately €0.8 billion, including a borrowing capacity of €475 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, replacing its U.S.$400 million three-year secured borrowing base facility. It will be used for the company's general corporate purposes. On May 22, 2018 and May 23, 2019, the original final maturity date of the Facility was extended by one year, to 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 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 utilisation fees on the drawn portion of the total facility amount and commitment fees 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, 2020, these financial covenants were fully met and the credit facility was fully undrawn.

Unsecured short term revolving credit facility

On June 30, 2020, Aperam entered into a €100 million unsecured revolving credit facility (“The Short Term Facility”) arranged with BGL BNP Paribas. The Short Term Facility is structured as a one year credit facility and is guaranteed by the *Office du Ducroire Luxembourg*. It will be used for the company's general corporate purposes (excluding acquisitions financing) and the Company’s specific costs or expenses that have or will arise in the context of COVID-19 outbreak. This credit facility of €100 million was fully undrawn at end December 2020.

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 Hauts-de-France (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.

On September 30, 2020, Aperam strengthened its liquidity profile with the signature of a top-up financing contract where the EIB will make available to Aperam an amount of €75 million, in addition to the outstanding loan of €100 million, in relation to the financing of advanced stainless steel manufacturing technologies. This top up facility of €75 million was fully undrawn at end December 2020.

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 were 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 had an annual coupon of 0.625% payable semi-annually in arrears 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 were redeemed at 100% of their principal amount and matured on July 8, 2021 (7 years), unless previously redeemed, converted, exchanged, purchased or cancelled.

The Company had 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 were 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, 2020, an amount of €37 million was drawn under the Aperam NEU CP programme.

True sales of receivables programme

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 €340 million and €320 million as of December 31, 2020 and 2019, 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, 2020 and 2019 were €1.5 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 2020 and 2019, 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	2021
Company Sustainability, Upgrade and Transformation	~€80 million maintenance ~€30 million Leadership Journey®
Value accretive growth & M&A min IRR 15%	~€20 million capex
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	TBC

(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 4, 2021, a base dividend of 1.75€/per share. Please refer to section “Earnings distribution” below for greater 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 2020

On February 5, 2020, Aperam announced its detailed dividend payment schedule for 2020. The Company proposed maintaining its base dividend at €1.75, subject to shareholder approval at the 2020 Annual General Meeting. On May 5, 2020, at the 2020 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 2021

On February 10, 2021, Aperam announced its detailed dividend payment schedule for 2021. The Company proposed maintaining its base dividend at €1.75 per share, subject to shareholder approval at the 2021 Annual General Meeting of May 4, 2021.

The detailed dividend schedule for 2021, as announced on February 10, 2021, is as follows:

	1st Quarterly Payment (interim)	2nd Quarterly Payment	3rd Quarterly Payment	4th Quarterly Payment
Announcement date	25 February 2021	11 May 2021	13 August 2021	9 November 2021
Ex-Dividend	02 March 2021	14 May 2021	18 August 2021	12 November 2021
Record Date	03 March 2021	17 May 2021	19 August 2021	15 November 2021
Payment Date	25 March 2021	11 June 2021	13 September 2021	9 December 2021
FX Exchange rate	26 February 2021	12 May 2021	16 August 2021	10 November 2021

Share buyback

Corporate authorisations

On May 7, 2019, 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.

2020 share buyback programme cancelled due to the exceptional COVID-19 related uncertainties

On February 5, 2020, Aperam announced a share buyback programme under the authorization given by the Annual General Meeting of Shareholders held on May 7, 2019 (hereinafter “Programme”).

The key features of the Programme are described below:
- 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

On April 1, 2020, the Company announced that the Board of Directors decided to prudently defer the start of the Programme by 6 months to assess the severity and duration of the economic contraction linked to the COVID-19, while keeping the announced dividends. On November 4, 2020, Aperam announced that considering the remaining exceptional COVID-19 related uncertainties, the Board of Directors decided to postpone the 2020 share buy back program. As a consequence, the Company did not repurchase any of its own shares under this Programme.

Disclosure of trading in own shares under the 2020 share buyback programme

Nil. Please see above.

Disclosure of trading in own shares under Luxembourg Company law

- 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.
- Number of shares granted during the 2020 financial year to deliver shares to qualifying employees under the Group’s Long Term Incentive Plans after fulfilment of performance criteria as described in greater detail in the Compensation section of this report: 78,893 shares (94,932 shares, net of 16,039 shares retained for tax purposes), or 0.10% of the subscribed capital, representing a nominal value of €3,055,575 and an accounting par value of €413,399.
- Number of shares acquired under the 2019 share buyback programme cancelled on September 29, 2020: 3,700,000 shares or 4.63% of the subscribed capital, representing a nominal value of €109,584,282 and an accounting par value of €19,388,000.
- Number of own shares held on December 31, 2020: 101,548 or 0.13% of the subscribed capital, representing a nominal value of €36,240,920 and an accounting par value of €532,112.

As of the date of this report, the number of treasury shares is 101,548. The total numbers of outstanding shares (net of treasury shares) as of 31 December 2020 stood at 79,894,732 shares.

Sources and uses of cash

The following table presents a summary of our cash flows for the year ending December 31, 2020, as compared to the year ending December 31, 2019:

	Summary of Cash Flows	
	December 31,	
	2020	2019
	(in millions of Euros)	
Net cash provided by operating activities	303	400
Net cash used in investing activities	(108)	(119)
Net cash used in financing activities	(185)	(104)

Net cash provided by operating activities

Net cash provided by operating activities amounted to €303 million for the year ending December 31, 2020, compared to €400 million for the year ending December 31, 2019. The €97 million decrease of net cash provided by operating activities between 2019 and 2020 was mainly due to more cash being deployed to working capital.

Net cash used in investing activities

Net cash used in investing activities amounted to €(108) million for the year ending December 31, 2020, compared to €(119) million for the year ending December 31, 2019. The net cash used in investing activities for the year ending December 31, 2020 was mainly related to €109 million in capital expenditures, compared to €151 million for the year ending December 31, 2019, and partly offset by €32 million of proceeds from other investing activities in 2019 including €30 million on Gerdau shares disposal compared to only €1 million of proceeds from other investing activities in 2020.

Net cash used in financing activities

Net cash used in financing activities was €(185) million for the year ending December 31, 2020, compared to net cash used in financing activities of €(104) million for the year ending December 31, 2019. Net cash used in financing activities for the year ending December 31, 2020 was primarily due to €139 million of dividend payments and €37 million of net payments to banks. 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.

Equity

Equity attributable to the equity holders of the parent decreased to €2,200 million as of December 31, 2020, compared to €2,414 million on December 31, 2019. This is primarily due to foreign currency translation differences of €(255) million as Brazilian Real depreciated by (41)% against Euro during the year, plus dividend declaration of €(140) million, partly offset by a net profit for the year of €175 million.

Capital Expenditure[4]

Capital expenditures for the years ending December 31, 2020 and 2019 were €109 million and €151 million respectively.

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

A strong focus on self-help measures

From the very beginning, Aperam has always pursued a strategy designed to reinforce the robustness of our business using self-help measures. We accomplish this by leveraging our in-house internal improvement measures continuously 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 will remain focused on achieving Phase 4 of the Leadership Journey® through a combination of cost, growth and mix improvement measures.

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, transformation initiatives, and growth and mix improvements. 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 *Completed*
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 phase of the journey aimed 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 gains reached under Phase 4: €223 million

Completion of Phase 3 of the Leadership Journey®:

Under Phase 3 of the Leadership Journey® - the Transformation Programme - the Company aimed to achieve an annualized additional EBITDA contribution of €200 million between 2018 to 2020[5]. During this phase, we targeted 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 included 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, 2020, Phase 3 of the Leadership Journey® was

[5] 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.

successfully completed with €223 million of cumulated annualized gains exceeding the targeted objective of €200 million.

Phase 4 of the Leadership Journey®: Combining growth, mix and cost improvements

On November 4, 2020, Aperam announced Phase 4 of its Leadership Journey® with a cumulative target of €150 million gains for the period 2021 - 2023 via a combination of cost, growth and mix improvement measures. This new phase of the Leadership Journey®, comprises two stages. First, changes to our footprint will defend our cost leadership in Europe by bundling volumes and expertise at the most efficient lines. This forms a solid basis for stage 2 where the resulting increase in productivity will be used for the mix improvement and growth pillars. We plan a total cash out of €90 million for Phase 4 which comprises capex and any associated restructuring costs.

Structural cost	– Cost leadership in Europe – Leadership Journey (Phase 4) – Genk downstream ramp up – Footprint specialization – SG&A improvement
Growth	– Top line strategyTop – Distribution growth – Alloys growth plan – Brazil growth
Differentiation	– ESG leadership – Strong balance sheet – Financial discipline – Value oriented M&A approach

Structural cost: The ramp-up of our new rolling lines in Genk - the lowest cost plant in Europe - will play a crucial part under this Phase and result in efficiency gains and considerable fixed cost reductions. In addition we target improvements in our SG&A costs as we start transforming us in a post-COVID-19 era.

Growth in Specialties :The footprint concentration and increasing the flexibility of our lines will also enable us to use specialized lines to further develop high value products. The new set-up is expected to accelerate our top line strategy. The growth components will to some degree materialize beyond 2023 and yield gains in addition to those included in the Phase 4 gains.

Our growth initiatives include:

- To grow our sales of high margin value added niche products and replace low contribution margin products, we will 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.

- 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.

- 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.

Differentiation: Our recognized Environmental-Social-Governance leadership, strong balance sheet, financial discipline, and value oriented M&A approach will come as a support to our cost and growth initiatives.

Principal strengths and risks

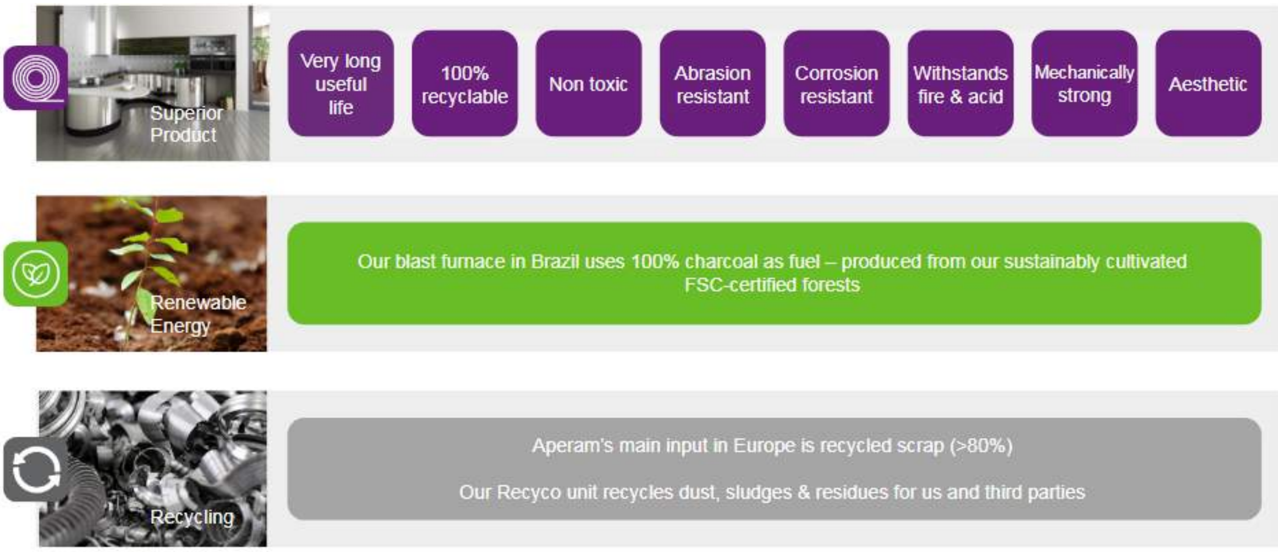
Principal strengths

We believe that our key strengths include:

Sustainable by Design, Made for Life:

Aperam's commitment to sustainability is ingrained in our values and fully aligned with our mission to produce endlessly recyclable products in a responsible manner. We are determined to be a sector leader in environmental excellence, recording the best carbon footprint of our industry while also striving to adopt best practices in terms of ethics, governance, community engagement and corporate citizenship.

Please refer to section environmental responsibility for greater details.



Our stainless steels are high added value material playing a key role in the energy transition

e-Mobility solutions

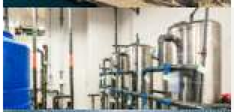
Aperam's solutions enable e-vehicle components such as converters, inverters, onboard-charges, motors, EPS, cooling systems, air conditioning systems, current sensors, charging stations, fuel cells and battery packs

Clean air

Stainless and alloys help the marine transport sector minimizing emissions. Aperam offers scrubbing systems that remove over 90% of Sulphur and 80% of particles. Corrosion resistance grades with high mechanical properties are required

Cryogenic applications

They require a material that can withstand very low temperatures. Aperam solutions (stainless and INVAR M93 LNG tanker) are specially designed for cryogenic storage; transporting natural gas, ethane, or ethylene; and handling liquefied air gases like nitrogen, oxygen and argon



Sustainable water supply

Due to its inert nature, stainless is the material of choice for water supply (e.g. tanks and fountains, water boilers, sanitary piping systems, etc.) and water treatment (e.g. sewerage, distillation, desalination) applications

Solar power

Alloys are resistant to heat, corrosion, fatigue, and creep. It is the ideal material for the receiver tubes used to ensure the flow of molten salt and for glass metal sealing. Stainless, is the material of choice for the structural and fixing elements used in solar power systems.

Renewable energy

> Electrical steels enable high performing wind generators due to their high permeability.
> The magnetic properties of alloys convert and shape an electrical signal from generation to end use
> Anemometric towers built of stainless steel enjoy an increased life span, reduced maintenance costs, improved safety

The hydrogen economy

Stainless steel and alloys are already used in a number of important hydrogen applications eg fuel cells, production and storage installations, and transportation*. Aperam is a big supporter of the shift to hydrogen and a proud member of HydrogenEurope

In Brazil, we also have a strong link to sustainable 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.

Performance - A competitive footprint in Europe and Brazil

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 a new annealing and pickling line 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 market and further improve its cost competitiveness in a highly competitive environment, Aperam aims to continue improving its operational excellence and investing in its industrial asset base with Leadership Journey® initiatives (described in detail under the section "A strong focus on self-help measures").

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.

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 European operations

Sourcing	Logistics	Production and innovation	Sustainability
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	Aperam's main input in Europe is recycled scrap (>80%) Our Recyco unit recycles dust, sludges & residues for us and third parties
	Efficient logistics and working capital management	Flexibility and efficient capacity	
		A strategy to be a cost benchmark on key Aperam products	
		4 R&D centers	

Key strengths of Aperam's Brazilian operations

Sourcing	Logistics	Production and Innovation	Sustainability
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	Efficient logistics with integrated service centres	Full range of products, including flat stainless steel, electrical steel and special carbon	Our blast furnace in Brazil uses only charcoal as fuel - produced from our sustainably cultivated FSC-certified forests
	Only stainless steel producer in South America with best-in-class deliveries to customers	A flexible production route that allows Aperam to maximise its product mix	
	Flexible geographic sales capabilities within South America, allowing Aperam to optimise its geographic exposure	An improving cost position compared to the industry benchmark and one that benefits from best practice benchmarking with European operations	
		3 R&D centers	

Value add and proximity to Customer - Our Geography and Our Distribution Network

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 comprises 128 employees (FTE) 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. As our customers look to lower their carbon footprint, Aperam is present with a wide range of products answering the strong demand for more sustainability. Some of our solutions are highlighted below.

According to the International Stainless Steel Forum (ISSF), the Company is the second largest producer in Europe, and the leading stainless and specialty steel producer in South America. Aperam is well-positioned in both developed and emerging markets. At the Group level, approximately 72% of Aperam's sales are derived from developed markets and 28% 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.

Aperam’s integrated stainless and specialty steel sales, distribution and service networks has a total of 14 Steel Service Centres, 5 transformation facilities and 17 sales offices, and is one of the largest in the world. 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.

Our Premium Products - Alloys and Stainless Specialties

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. As an example, Aperam has recently incorporated together with Tekna Plasma Europe, a leading actor in metallic powder manufacturing, a new joint-venture company named ImphyTek Powders SAS. It will market Nickel and Specialty Alloy spherical powders for advanced additive manufacturing and metal injection molding technologies.

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.

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
2020 has been an unprecedented year with demand falling globally due to COVID-19. Due to COVID-19 we expect very high sovereign debts, higher inflation and unemployment in certain sectors hit hardest. The speed of recovery most likely will be regional.
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 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.

The risks of nickel price fluctuation, 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. During the last months of 2020, following the impact of the COVID-19 1st wave, prices and margins have recovered, but remain lower than the historical average of the period 2016-2019. Considering the lack of efficient trade defense in Europe, margins may remain under pressure looking forward. Price cost squeeze due to higher cost of Raw Materials may also impact the Company considering higher raw material prices, and developments of regulations in Asia on scrap which could tighten the stainless steel scrap market, in Europe.

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)

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. In particular, Aperam is subject to a broad range of environmental laws and regulations in each of the jurisdiction in which it operates. Such laws and regulations focus in particular on 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.

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.

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 and risk of pandemic virus due to COVID-19 or other type of future virus

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.

The risk of pandemic due to COVID-19 or other type of disease could also affect our employees and lead to high absenteeism rate, up to fatalities in our production premises. While we have implemented strict health and safety protocols (please see section "COVID-19: health and safety, business and accounting review"), such pandemic may impact our production processes.

Aperam's manufacturing plants have experienced, and may in the future experience, plant shutdowns or periods of reduced production as a result of such process failures, or other events such as natural disasters, epidemics or pandemics or extreme weather 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.

Our Sustainability report is issued on a yearly basis ahead of the Annual General Meeting of shareholders and available on Aperam's website www.aperam.com under section “Sustainability”. We highlight below the key pillars of our Sustainability roadmap.

Corporate responsibility and Governance

Aperam’s commitment to sustainability is ingrained in our values of Leadership, Ingenuity and Agility, fully aligned with our mission to produce endlessly recyclable products in a responsible manner and embedded in our business model.
We are determined to be a sector leader in environmental excellence, recording the best carbon footprint of our industry while also striving to adopt best practices in terms of ethics, governance, community engagement and corporate citizenship. Our Sustainability roadmap is threefold and fully embedded in our business model.

Social responsibility

Our commitment to a safe and healthy workplace

The health and safety of all the people who work for and with Aperam is our top priority with an objective of Zero fatalities, zero injuries. 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. Furthermore, we continue to work on programmes to support the health and wellbeing of our employees.

To monitor its 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 2020, our LTIF rate reached to 1.52, compared to 1.72 in 2019. The Severity rate of these accidents increased at 0.14 in 2020, compared to 0.09 in 2019. 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) has slightly decreased from 20.50 in 2019 to 20.35 in 2020.

The year 2020 was marked by the COVID-19 pandemic with strict guidelines implemented at all company sites to ensure efficient barrier measures and prevent contamination. We made sure that all employees had the necessary equipment and information for this health risk management, all in a proactive mode while using the working at home where it was possible for activities. Please refer to section “COVID-19: health and safety, business and accounting review” for greater details.

More details will be available in our next Sustainability report.

People development and motivation

We believe that our employees appreciate in value over time with an expertise that is constantly being enhanced with on-the-job experience and training, and help our teams gain autonomy - an autonomy that is essential to continuous innovation and efficiency. Experienced employees also help with onboarding newcomers via a structured mentoring process or simply day-to-day on-the-job training.

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 expanded the coverage of the Learning Management module of our People Management Information System. This way, we can optimise the learning opportunities provided to our teams, integrate more employees on the Performance Management module for an efficient feedback process and develop our new culture of continuous capacity building.
But to define the right career paths for our people, we also need to be active listeners and use the results of our latest all-employee Climate survey to improve further our work conditions and maintain our ranking as one of the best employers in the industry. In Brazil, we are regularly recognised by Guia Você as one the best companies to work in for the steel industry and in France, the Capital magazine also rate us among the best employers of the ‘Heavy Industry & Metals’ sector.

More details will be available in our next Sustainability report.

An experienced and dynamic Leadership Team with an aligned organisation

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 more than 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. Sudhakar Sivaji, who has 20 years of experience in finance and transformation projects, and spent the last 12 years in the steel industry.

The other members of the Leadership Team are Mrs. Vanisha Mittal Bhatia, Chief Strategy Officer; Mr. Nicolas Changeur, Chief Executive Officer Services & Solutions and Chief Marketing Officer Stainless & Electrical Steel Europe; Mr. Bernard Hallemans, Chief Executive Officer Stainless & Electrical Steel Europe; Mr. Frederico Ayres Lima, Chief Executive Officer and Chief Marketing Officer Stainless & Electrical Steel South America; Mr. Bert Lyssens, Chief Human Resources Officer, Head of IT and Communications; Mr. Frédéric Mattei, Chief Executive Officer Alloys & Specialties, Head of R&D, and Mr. Geert Verbeeck, Chief Technology Officer, Head of Sustainability, Health & Safety, Environment, Industrial Risk & Innovation and Purchasing.

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 engagement and development of its employees, including a new appraisal system based on broader feedback from colleagues, competency assessments, an extensive digital learning offer with generic and home-made courses, mentoring and coaching programmes, management meetings dedicated to people development topics and performance-based bonuses.

Since 2018, company-wide objectives have been cascaded into the individual objectives of all exempts across the organisation to improve the alignment of our organisation around strategic goals and to create a culture of Accountability and Management by Objectives.

⇨ In 2020, the internal alignment on our Sustainability roadmap further improved thanks to the cascading of our CEO’s goals within our HR system. These Aperam Organisational goals cover 4 sections of which the first one is “Health, Safety and Sustainability”. This section includes topics like “Health” and “Environment", “Business ethics”, and “Diversity”.

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.

⇨ In 2020, considering the COVID-19 context, it was helpful and productive to rely on the social dialogue built with unions at European level. Besides the 4 regular meetings, we've had 7 extraordinary meetings with the select committee of the European Work Council to share specific topics (e.g adaptation measures to the specific work's situation). The members of the health and safety commission have pursued their work effectively, thanks also to these interactions.

Human Rights and diversity

Aperam’s commitment is detailed in its Human Rights policy with its first diversity program focused on Gender equality & diversity. Built around 10 principles inspired by the United Nations’ Women Empowerment Principles, the policy covers all the aspects linked to equal opportunities (career, remunerations), as well as those related to safe working conditions free from harassment and the fight against stereotypes. Further to the enacting of this policy in 2018, many procedures were adjusted to integrate a systematic gender-based analysis, and regular communication campaigns organised, notably a monthly Diversity focus highlighting interesting career paths combating stereotypes.

⇨ Based on this program, the company constantly monitors salary gaps between Women and Men (for comparable jobs), and while it continues to provide remunerations slightly above the market median, Aperam managed to close 50% of the salary gap in 2020 compared to 2017. In addition, despite the COVID-19 outspread, several actions were organised in 2020, including an anti-Bullying & Harassment awareness action at the occasion of the Human Rights’ day (Dec. 10th).

More details regarding diversity are published in our yearly sustainability reports and on our website www.aperam.com under section “Sustainability”<”Social”<”Diversity”. For further information regarding sustainability, please refer to our yearly “Made for Life” reports and to our local country supplements, both available at www.aperam.com under the “Sustainability” section.

Corporate Governance and Stakeholder relationships

Aperam aims to continuously improve its Corporate Governance in line with its vision of Corporate citizenship, ethics and responsibility. We are committed to monitor and anticipate legal requirements, adopt state-of-the-art practices in corporate governance and adjust our controls and procedures where necessary.

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

Corporate Governance

Corporate Citizenship

We strive to maintain constant engagement, benevolence and transparency with all our stakeholders in line with our values and commitment to Corporate responsibility. By our actions and the way we keep our word, we aim to deserve their trust and protect our business relationship as well as our social licence to operate.

Community engagement

With local stakeholders, such as neighbours and local authorities, we engage openly to maintain sound and sustainable local relationships, especially at our large plants.
As a key employer in the regions where Aperam operates, our local economic impact goes well beyond creating direct jobs and paying wages and taxes. 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. We also have a responsibility on various local issues such as traffic and noise.
Aware that 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-, we always try to mitigate any possible nuisance and organise our development in a fully respectful manner. We stand as supporters of the United Nations' Sustainable Development Goals 11 (Sustainable Cities and Communities)

At its main sites, Aperam often 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.

⇒ In 2020, the pandemic specific context did not allow for our usual events with person-to-person interaction to happen but we structured further our approach with specific guidelines on charitable contributions, in line with the most advanced practices in terms of ethics and third-party risk analysis. In Brazil, in particular, a special donation allowed to improve the COVID-19 readiness of Timoteo's hospital (Hospital e Maternidade Vital Brasil operated by the Sociedade Beneficente São Camilo).

Aperam Acesita Foundation

Cooperation with authorities

As a responsible Company, Aperam aims to sustain sound relationships with local authorities and regulators, which represent the interests of the general public, without interfering in the democratic debate. In addition to complying with regulations, we cooperate fully with the authorities and respond diligently when requested. Aperam does not usually participate in the public debate directly and relies primarily on its professional associations (mainly Eurofer in Europe and Brazil Steel Institute in Brazil) to promote transparently its business interests. We disclose the specifics of our approach within the European Commission Transparency Register.
No support is ever granted by Aperam to any specific party and the only financial contribution made to the Authorities is in the form of the taxes and duties owed that Aperam will pay scrupulously.

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

For more on Ethics and Compliance with laws, please refer to section Business Ethics.

Transparency

Since 2012, Aperam has publicly reported on a yearly basis about its Sustainability roadmap in a distinct 'Made for Life' report. Based on best practices, our Aperam's Made for life report follows the Global Reporting Initiative's framework and is verified by an external audit firm.

Since 2017, 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 language(s) (and English) for the information of our employees and other local stakeholders.
In addition, our main sites display at the entrance a dashboard with a few key indicators in terms of Health, Safety and the Environment as well as the access to our contact form to make sure all our local stakeholders know who we are and can freely interact with us.

⇒ On April 30, 2020, Aperam published its ninth “Made for life” report, which details the progress we made in 2019 on the path of sustainability. The next release will be organised ahead of the 2021 Annual General Meeting of shareholders (which will take place on May 4, 2021) and made available on Aperam's website, (www.aperam.com) in the Sustainability section.

Composition of the 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 Dr, Ros Rivaz is the Lead Independent Director since February 2021. Dr. Ros Rivaz’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.

Mr. Romain Bausch, and Mrs. Kathryn Matthews indicated to the Board of Directors their decision to step down from the Board of Directors for personal considerations and in the framework of a board succession planning effective May 5, 2020. Mr. Romain Bausch joined the Board at the creation of Aperam as Lead Independent Director and chaired its Remuneration, Nomination and Corporate Governance Committee. Mrs. Kathryn Matthews also joined the Company at the creation of Aperam and was a member of the Remuneration, Nomination and Corporate Governance Committee. The members of the Board of Directors expressed their gratitude for Mr. Bausch’s and Mrs. Matthews’ valuable contributions to the Board since the creation of Aperam.

On May 5, 2020, the Annual General Meeting of Shareholders approved the re-election of Mr. Joseph Greenwell, as well as the election of Mr. Alain Kinsch and Dr. Ros Rivaz as Members of the Board of Directors of Aperam for a three year term. Mr. Alain Kinsch is the Chairperson of the Remuneration, Nomination and Corporate Governance Committee, and a member of the Audit and Risk Management Committee. Dr. Ros Rivaz is the Lead Independent Director, and a member of the Remuneration, Nomination and Corporate Governance Committee.

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 November 4, 2020, Aperam announced that the Board of Directors of Aperam has decided to co-opt Mr. Sandeep Jalan member of the Board of Directors until Aperam's next general meeting of shareholders, where Mr. Jalan's election will be submitted for confirmation to the shareholders. This decision follows the resignation of Mr. Philippe Darmayan from the Board for personal considerations effective November 3, 2020. Mr. Lakshmi N. Mittal, Chairman of the Board of Directors, commented "I would like to express my warmest gratitude and appreciation for Philippe's contribution to Aperam as CEO during the early years of Aperam, and as a member of the Board of Directors over the last 6 years. I am also very pleased to welcome Sandeep to the Board of Directors. He will be a valuable addition due to his extensive industrial knowledge, and former CFO role at Aperam."

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	70	Chairman, non-independent member of the Board of Directors	December 2010	May 2022
Dr Ros Rivaz(4)	65	Lead Independent Director, member of the Board of Directors	May 2020	May 2023
Mrs. Bernadette Baudier(3)	60	Independent member of the Board of Directors	May 2019	May 2022
Mr. Joseph Greenwell(3) (4)	69	Independent member of the Board of Directors	May 2013	May 2023
Mr. Sandeep Jalan(5)	53	Non-independent member of the Board of Directors	Co-opted November 2020	
Mr. Alain Kinsch(3) (4)	49	Independent member of the Board of Directors	May 2020	May 2023
Mr. Aditya Mittal	44	Non-independent member of the Board of Directors	December 2010	May 2022

Company Secretary: Mr. Laurent Beauloye

Notes:
(1) Age on December 31, 2020.
(2) See section Corporate Governance practices 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
(5) Election to be submitted to shareholders's approval at the AGM of May 4, 2021

Mr. Lakshmi N. Mittal

Mr. Lakshmi N. Mittal became Executive Chairman of ArcelorMittal in February 2021. He was previously Chief Executive Officer of ArcelorMittal. He is 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.
Mr. Mittal 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 India-US CEO Forum, the Indian School of Business and a member of the board of Trustees of Cleveland Clinic. Mr. Mittal is the father of Aditya Mittal (who is President and Chief Financial Officer of ArcelorMittal) and Vanisha Mittal Bhatia (who is a Director of ArcelorMittal). Mr. Mittal is a citizen of India.

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. 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.

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

Mr. Sandeep Jalan

Mr. Sandeep Jalan is Chief Financial Officer at SES, a global leader in Satellite Services for providing premium video content and seamless connectivity around the world. Mr. Jalan has 30 years of experience in financial and operational leadership roles across Asia and Europe. He was until May 2020, the CFO of Aperam, a role he has held since 2014.
Previously, he worked for the ArcelorMittal Group since 1999 where he held various roles including the CFO of ArcelorMittal Long Carbon Europe and was part of the M&A team responsible for numerous acquisitions in both steel and mining. He was also the CFO & Company Secretary for Ispat Alloys Ltd from 1993 to 1999.

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 program on Strategic Finance at IMD, Lausanne. Mr. Jalan is an Indian national and a permanent resident of Luxembourg.

Mr. Alain Kinsch

Mr. Alain Kinsch, has a career of 25 years in professional services and has been the Country Managing Partner of EY Luxembourg (1.600 professionals) for 11 years. On July 1, 2020 he handed over the leadership, and left EY on 31 December 2020 after having completed a six months transition period until the end of 2020 before leaving EY. Mr. Kinsch has been a member of several EY European regional leadership teams and committees since 2010. Mr. Kinsch started his career at Arthur Andersen in Luxembourg in 1995, qualifying as a Réviseur d'Entreprises and CPA in 1999.

In 2002, he joined EY and became a Partner in 2004. Mr. Kinsch specializes in Private Equity and has been the founder and leader of the EY Private Equity practice from 2004 to 2012. Since 2010, he has also been leading the Private Equity fund practice for EY in EMEIA (Europe, Middle East, India & Africa). Throughout his 25 years with EY and Andersen, Mr. Kinsch served a portfolio of major clients both as signing audit partner for and engagement partner on valuation and transaction advisory mandates.

He is a member of the Luxembourg State Council (Conseil d'Etat) since 2015. He is the Consul General a.h. of the Republic of the Philippines to Luxembourg and the Vice-President of SOS Children's Villages in Luxembourg.
Mr. Kinsch holds an M.B.A. from INSEAD, Fontainebleau and post-graduate and graduate degrees from the University of Paris-Dauphine. Mr. Kinsch is a citizen of Luxembourg.

Mr. Aditya Mittal

Aditya Mittal became Chief Executive Officer of ArcelorMittal in February 2021. He was previously President and Chief Financial Officer of ArcelorMittal. Following the formation of ArcelorMittal in 2006, Aditya held various senior leadership roles, including managerial oversight of the Group's flat carbon steel businesses in the Americas and Europe, in addition to his role as CFO and membership of the Group Management Board. In 2008, Mr. 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 results of which are being used by the Government of India to inform relevant policy.

Mr. Mittal serves on the boards of ArcelorMittal, Aperam, HMEL and Iconiq Capital, and is the Chairman of the Board of ArcelorMittal Nippon Steel India. He is also a Trustee at the Brookings Institution and an alumni of the World Economic Forum Young Global Leader's Programme.

Mr. Mittal holds a Bachelor's degree in Economics with concentrations in Strategic Management and Corporate Finance from the Wharton School in Pennsylvania, United States. Mr. Mittal is a citizen of India.

Dr. Ros Rivaz

Dr. Ros Rivaz is a Non-Executive Director of the listed companies Computacenter Plc where she is Senior Independent Director and Remuneration Committee Chair and Victrex plc where she is also Senior Independent Director, being appointed on May 1, 2020. Dr. Ros Rivaz was appointed as Chair Designate of the UK Nuclear Decommissioning Authority in May 2020, taking up the role of Chair in September 2020.
She is also a Non-Executive Director of the Ministry of Defence (MOD) Equipment and Support Board of the United Kingdom.

Dr. Ros Rivaz was a Non-Executive Director of RPC Group Plc from 2017 to 2019, and of ConvaTec Group Plc from 2017 until September 2020, where she was Remuneration Committee Chair. She stepped down from her position as the Deputy Chair of the Council of the University of Southampton after 10 years, where she holds an honorary doctorate. Dr. Ros Rivaz served as the Chief Operating Officer for Smith & Nephew plc and has held senior management positions in global companies including Exxon, Diageo, ICI and Tate & Lyle Group.

Dr. Ros Rivaz holds a Bachelor of Science Honours Degree in Chemistry and an honorary Doctorate. She is a citizen of the United Kingdom.

Composition of the Leadership Team

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 to pursue other career opportunities outside the steel and mining industry. On April 7, 2020, Aperam announced the appointment of Mr. Sudhakar Sivaji as the Company's new CFO and Member of the Leadership Team. Mr. Sudhakar Sivaji has 20 years of experience in finance and transformation projects, and spent the last 12 years in the steel industry.

On September 14, 2020 Aperam announced a change in the organization of the Leadership Team, effective from September 14. Ines Kolmsee, CEO of the segment Services & Solutions decided to leave the Company to pursue other career opportunities. Nicolas Changeur was nominated as CEO of the segment Services & Solutions. Nicolas Changeur is a member of the Leadership Team, and was Chief Marketing Officer for the Group since November 2014.

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	61	Chief Executive Officer; Member of the Leadership Team
Mr. Sudhakar Sivaji	41	Chief Financial Officer; Member of the Leadership Team
Mrs. Vanisha Mittal Bhatia[2]	40	Chief Strategy Officer; Member of the Leadership Team
Mr. Nicolas Changeur	49	Chief Executive Officer Services & Solutions, and Chief Marketing Officer Stainless & Electrical Steel Europe, Member of the Leadership Team
Mr. Bernard Hallemans	53	Chief Executive Officer Stainless & Electrical Steel Europe; Member of the Leadership Team
Mr. Frederico Ayres Lima	48	Chief Executive Officer and Chief Marketing Officer Stainless & Electrical Steel South America; Member of the Leadership Team
Mr. Bert Lyssens	51	Chief Human Resources Officer and Head of Communications and IT; Member of the Leadership Team
Mr. Frédéric Mattei	47	Chief Executive Officer Alloys & Specialties, Head of R&D, Member of the Leadership Team
Mr. Geert Verbeeck	56	Chief Technical Officer, Head of Sustainability, Health & Safety, Environment, Industrial Risk & Innovation and Purchasing; Member of the Leadership Team

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

Notes:
(1) Age on December 31, 2020.
(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. Sudhakar Sivaji

Mr. Sudhakar Sivaji, is the Chief Financial Officer of Aperam since May 6, 2020. Mr. Sivaji has close to 20 years of experience in finance and transformation projects, and spent the last 12 years at thyssenkrupp's Steel and Material Services businesses. During his time with thyssenkrupp, he has held key responsibilities in Europe, USA and Latin America structuring the development of the company's portfolio and the financing of assets and transactions, leading the NAFTA SSC business, running international supply chains and logistic networks, and setting up and running digitization projects.

Mr. Sudhakar Sivaji holds a Master of Business Administration from the European School of Management and Technology, Berlin and a Bachelors in Engineering from Coimbatore Institute of Technology, India. Sudhakar is a citizen of Germany.

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 is the Chief Executive Officer Services & Solutions, and Chief Marketing Officer Stainless & Electrical Steel Europe since September 2020. Previously, Mr. Changeur has been the Chief Marketing Officer for Stainless & Electrical Steel since November 2014 and responsible for R&D until October 2020. 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.

Mr. Bert Lyssens

Mr. Bert Lyssens has been the Responsible for Human Resources and Communications since April 2015. Mr. Lyssens was also Head of Sustainability from April 2015 to October 2020. 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 Executive Officer and Chief Marketing Officer Stainless & Electrical Steel South America since September 2020. Previously, Mr. Lima was 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 and is responsible for R&D since November 2020. He was also Global head of Health & Safety, Environment and Industrial Risk from October 2016 to March 2020. 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.

Mr. Geert Verbeeck

Mr. Geert Verbeeck is the Chief Technology Officer Aperam and member of the Leadership Team with responsibilities for Health, Safety & Environment, Industrial Risk & Innovation and Purchasing, since April 2020. Mr. Verbeeck is also Head of Sustainability since November 2020. Prior to join Aperam Mr. Verbeeck held the position of Chief Executive Officer ArcelorMittal Poland since 2015.

Mr. Verbeeck started his career in ArcelorMittal in 1989. He took several positions in the domain of IT and Automation in the period of 1989 till 2004 in the sites of ArcelorMittal Gent, ArcelorMittal Bremen and TailorSteel Genk. In 2004 he became the head of the Automation department of ArcelorMittal Gent. From 2006 till 2014, he was the plant manager of the steel plant in ArcelorMittal Gent and in 2014 he became the Chief Operations Officer of ArcelorMittal Gent.

Mr Verbeeck graduated as an Engineer in Computer Science at the KU Leuven university, specializing afterwards in medical image processing and artificial intelligence. Mr Verbeeck is a citizen of Belgium.

Corporate governance practices

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

7 members	7 non-executive directors	4 independent directors
29% women / 71% men	5 average years on Board	59 average age of directors

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. Dr. Ros Rivaz was elected Lead Independent Director in February 2021. 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. All non-executive Directors of the Group have 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” > “News & Contact” > “Manager’s transactions”.

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 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 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 2020. The average attendance rate of directors at the Board of Directors' meetings held in 2020 was 97.1%, with appropriate delegation of powers as described below.

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.

Dr. Ros Rivaz was elected by the Board of Directors as Aperam's Lead Independent Director in February 2021.

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. The Chairman of the Board of Directors may also hold separate meetings with the independent Directors with the purpose to discuss feedback from the separate meetings of the independent directors, and exchange on any other relevant matter for the Board of Directors. In 2020, two meetings were hold with the Chairman and the independent member of the Board of 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 2020 Board of Directors' self-evaluation was completed by the Board of Directors in February 2021 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 2020 on important matters including COVID-19 related subjects, operational and financial performance, the Leadership Journey®, the competitive landscape, the global trade flows and raw materials, innovation and growth. The COVID-19 environment resulted in meetings needing to be conducted remotely for the majority of 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. The Board of Directors welcomed two newly elected members at its 2020 Annual General Meeting of Shareholders, who received extensive induction from the management and from the existing members of the Board of Directors.

For 2021, the Board of Directors set new priorities for discussion and review, including retaining the strong desire to perform plant visits. This 2020 priority has not been possible to achieve because of COVID-19 restrictions. The Board evaluation established that the balance between a pre-set annual timetable of Board topics, with flexibility and agility in the agendas to enable prioritisation of current priorities is effective and efficient and will be continued.

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 2020, the directors participated comprehensive business briefings intended to provide the directors with a deeper understanding of the Group's activities, environment, key issues and strategy, and remuneration framework.

These briefings are provided to the Board by the Leadership Team members. The key briefings provided during the course of 2020 included health and safety, sustainability related topics (ESG), operational and financial performance, the Leadership Journey® execution, the competitive landscape, the global trade flows and raw materials, innovation and refinancing. Also development sessions on specific topics of relevance, such as remuneration framework, or the 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, 2020, 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, 2020, is set forth below.

Name	Position within Aperam	Independent/ Non Independent Status	Audit & Risk Management Committee	Remuneration, Nomination and Corporate Governance Committee
Bernadette Baudier	Member of Board of Directors	Independent Director	X (Chair)	
Joseph Greenwell	Member of Board of Directors	Independent Director	X	X
Alain Kinsch	Member of Board of Directors	Independent Director	X	X (Chair)
Ros Rivaz	Member of Board of Directors	Lead Independent Director		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.

The Committee also reviews the Company's Sustainability roadmap and its progress.

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. Joseph Greenwell and Mr. Alain Kinsch. Mrs. Bernadette Baudier has been the Chairperson of the Audit and Risk Management Committee since August 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 2020, the Audit Committee met four times. The attendance rate of the directors at the Audit and Risk Management Committee meetings held in 2020 was 100%. Invitees at the Committee in 2020 included: Mrs. Kathryn Matthews, Dr. Ros Rivaz 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 2020, 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 2021 with respect to performance in 2020.

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. Alain Kinsch and Joseph Greenwell and Dr. Ros Rivaz. Mr. Alain Kinsch 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 2020, this committee met six times. The attendance rate at the Remuneration, Nomination and Corporate Governance Committee meetings held in 2020 was 100%. Invitees at the Committee in 2020 included Mrs. Bernadette Baudier, 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 2020, 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 2019 self-assessment of the Board members, the evolution of the Long-Term Incentive Plan's performance indicators, the Leadership Team's remunerations, and corporate governance matters of relevance for the Board and the Company.

As part of the annual self-evaluation interviews, the Remuneration, Nomination and Corporate Governance Committee performed an evaluation, which was completed in February 2021 with respect to performance in 2020.

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.

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 section

"Investors < Equity Investors < Share Capital & Voting Rights", 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 "Investors < Equity Investors < Share Capital & Voting Rights", 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, 2020, the Company's issued share capital was represented by 79,996,280 fully paid up shares without nominal value. As of December 31, 2020, the Company's authorised share capital, including the issued share capital, consisted of 88,100,042 shares without nominal value.

- 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 Compan'y share buyback programmes 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 December 11, 2020, 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 3,700,000 shares acquired under the 2019 share buyback program in line with the announced purpose of the program. The total number of issued shares have been reduced from 83,696,280 to 79,996,280.

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 practices - 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. Alain Kinsch. The primary function of the RNCG Committee, as well as how it functions, is described in greater detail in the “Corporate Governance practices” 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;
- 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 covering:
    - People (including motivation and engagement, competencies) and Social Sustainability, with a particular attention to Health and Safety,
    - Environmental Sustainability, and
    - Sustainable profitability, including business transformation and governance.
- 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

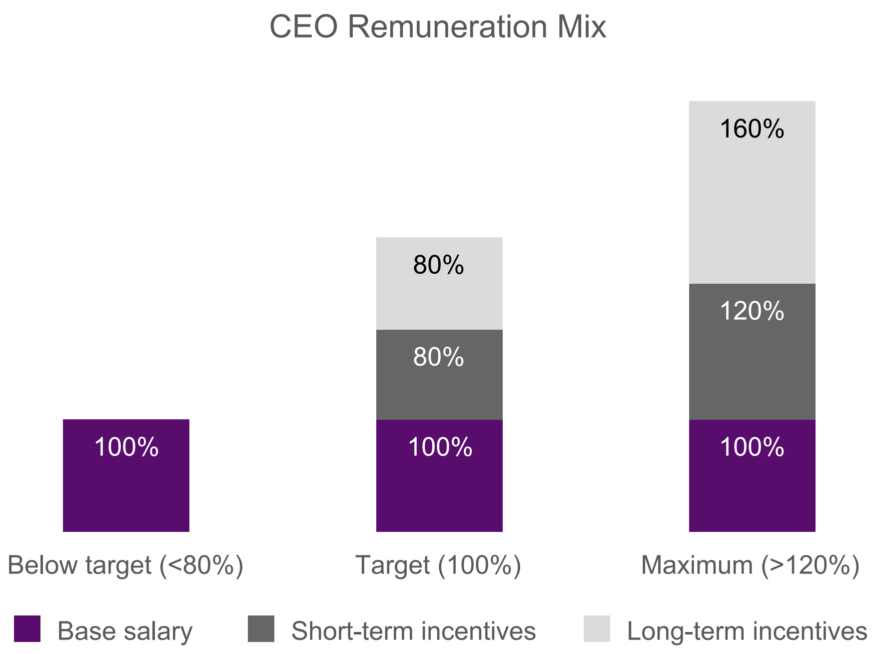
Remuneration framework

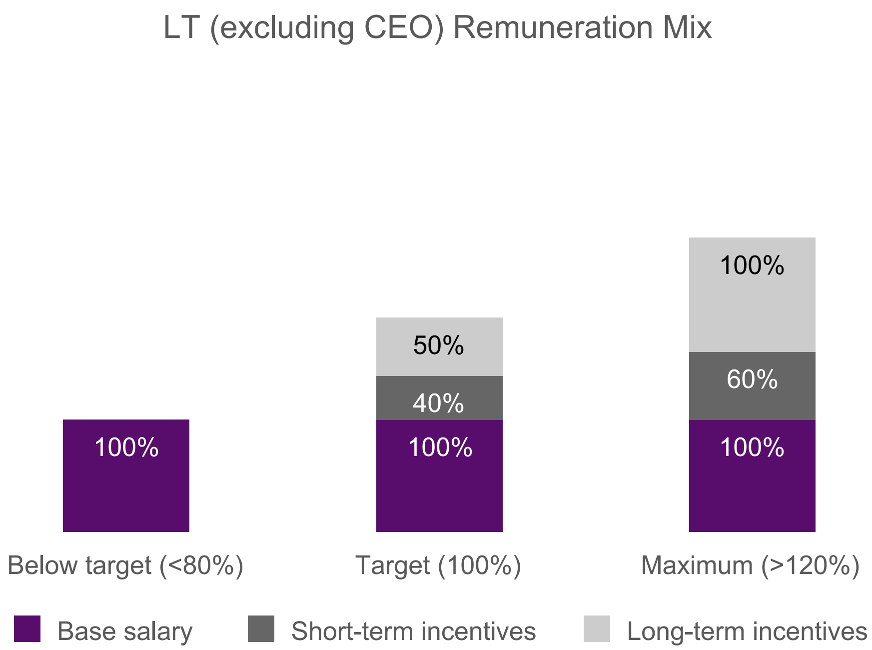
The Remuneration Nomination and Corporate Governance Committee develops proposals on senior management remuneration annually for consideration by the Board of Directors. Such proposals include the following components:

- fixed annual salary;
- short-term incentives (i.e., performance-based bonuses); and
- long-term incentives
    - Since May 2013, Leadership Team members only receive (performance based) PSUs as equity based incentive.
    - Outstanding stock options for ArcelorMittal plans for Leadership Team members who participated to this plan prior to the creation of Aperam in January 2011 only.

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.

The following remuneration charts illustrate the various elements of compensation for the CEO and the other members of the Leadership Team applicable for 2020.





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. Next to this the ESG framework is used to structure the remaining individual targets.

Fixed annual salary

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

Base salary levels are reviewed annually 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 2020 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 capped at 150%.

For the Chief Executive Officer and the Members of the Leadership Team, the 2020 bonus formula is based on:

- EBITDA at Group level: 40%;
  - *Rationale: demonstrates growth and operational performance*

- Free Cash Flow before dividend and share buyback at Group level: 20%;
  - *Rationale: demonstrates growth and operational performance*

- Leadership Journey®: 20%,
  - *Rationale: demonstrates capacity to improve operational excellence by self-help measures*

- Gap to competition: 20%.
  - *Rationale: demonstrated capacity to outperform peers.*

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 reviewed by the Remuneration Nomination and Corporate Governance Committee and the Board and the short-term incentive award is determined.

The 2019 Performance Bonus Plan with respect to senior management and paid out in 2020 was structured as follows:

2019 Measures	% Weighting for the Chief Executive Officer and LT members	Review
EBITDA	40%	Incentive attributed to this metric
Free Cash Flow	20%	Incentive attributed to this metric
Leadership Journey®	20%	Incentive attributed to this metric
ROCE	20%	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. On February 10, 2021 the Company announced that as of December 31, 2020, Phase 3 of the Leadership Journey® was successfully completed with €223 million of cumulated annualized gains exceeding the targeted objective of €200 million.

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.

The allocation of share based incentives is reviewed by the Remuneration, Nomination and Corporate Governance ('RNCG') Committee of the Company, which is composed of three independent directors, and which makes a recommendation to the Board of Directors. The RNCG Committee also reviews the proposed granting of share based incentives 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 share based incentives and makes its recommendation to the Board of Directors.The vesting criteria are also monitored by the Remuneration, Nomination and Corporate Governance Committee.

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. The decision was taken by the Board of Directors not to grant any RSUs to the members of the Leadership Team as from the May 2012 shareholder authorisations. As a consequence, RSUs are only granted to Senior Management below LT.

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.

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 regularly reviews the Long Term Incentive Plan Structure for the Members of the Leadership Team and proposes amendments to the Board of Directors when relevant, and which are submitted to shareholder approval. The below summarizes the PSU plan structure in place since 2018:

- 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)
- Peer group consists of direct stainless steel competitors (2 peers) and most relevant steel players (4 peers) from a statistical point of view
- Future outperformance at 200% capping
- Grant based on value of 80% of the base salary for the CEO, and 50% and for other Members of the Leadership Team
- The Long term orientation of the plan at 3 years

- Awards under the LT PSU Plan are subject to the fulfilment of the cumulative performance criteria 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 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 May 5, 2020, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2020 and the 2021 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 2020, a total of 101,806 PSUs were granted to a total of 29 employees at a fair value of €21.58 per share (out of which 81,970 PSUs were for the 10 Members of the Leadership Team).

The "Remuneration Report" provides additional details on the achievement of the vesting criteria at vesting, as well as the applicable peer group.

Remuneration Report

Remuneration of Board of Directors

As of December 31, 2020 and 2019, Aperam did not have any outstanding loans or advances to members of its Board of Directors and, as of December 31, 2020, 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, 2019 and 2020. In particular, at the May 5, 2020, annual general meeting of shareholders, the shareholders approved the annual remuneration for non-executive Directors for the 2019 financial year at €568,260. The directors' compensation for the financial period ending December 31, 2020 will be submitted for shareholder approval at the annual general meeting of May 4, 2021.

Name	Financial period ending December 31, 2019 (1)	Comparison vs. average remuneration on a FTE basis of an Aperam SA employee(5)	Financial period ending December 31, 2020 (1)	Comparison vs. average remuneration on a FTE basis of an Aperam SA employee(5)
Mr. Lakshmi N. Mittal	€70,000	0.79x	€70,000	0.61x
Mrs. Bernadette Baudier	€53,890	0.61x	€85,000	0.74x
Mr. Romain Bausch(2)	€97,500	1.10x	€33,299	0.29x
Mr. Philippe Darmayan(3)	€70,000	0.79x	€58,716	0.51x
Mr. Joseph Greenwell	€82,500	0.93x	€82,500	0.72x
Mr. Sandeep Jalan(3)	N/A	N/A	€11,284	0.10x
Mr. Alain Kinsch(4)	N/A	N/A	€57,616	0.50x
Mrs. Kathryn A. Matthews(2)	€75,000	0.84x	€25,615	0.22x
Mr. Aditya Mittal	€70,000	0.79x	€70,000	0.61x
Mrs. Laurence Mulliez	€49,370	0.55x	N/A	N/A
Dr. Ros Rivaz(4)	N/A	N/A	€49,385	0.43x
Total	€568,260		€543,415	
Shareholders' approval date	May 5, 2020		N/A	
Shareholders' expected approval date	N/A		May 4, 2021	

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) Mr. Romain Bausch and Mrs. Kathryn A. Matthews resigned effective May 5, 2020. Mr. Romain Bausch was Lead Independent Director, Chairman of the Remuneration, Nomination and Corporate Governance Committee. Mrs. Kathryn A. Matthews was a member of the Remuneration, Nomination and Corporate Governance Committee.

(3) Mr. Philippe Darmayan resigned effective November 3, 2020. Mr. Sandeep Jalan was co-opted on November 3, 2020 as director until Aperam's next annual general meeting of shareholders of May 4, 2021, where Mr. Jalan's election will be submitted for confirmation to the shareholders.

(4) Mr. Alain Kinsch and Dr. Ros Rivaz were elected at the annual general meeting of shareholders of May 5, 2020. Mr. Alain Kinsch is the Chairperson of the Remuneration, Nomination and Corporate Governance Committee, and a member of the Audit and Risk Management Committee. Dr. Ros Rivaz is the Lead Independent Director, and a member of the Remuneration, Nomination and Corporate Governance Committee.

(5) 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. (€89k in 2019, €115k in 2020).

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 of the Aperam Organisation Goals: People (including motivation and engagement, competencies) and Social Sustainability, with a particular attention to Health and Safety; Environmental Sustainability; and Sustainable profitability, including business transformation and governance.

The total compensation paid to the members of the Leadership Team in 2020 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 2019 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.

2020 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[3]	5 Total Remuneration	6. Comparison versus average remuneration on a full time equivalent basis of an Aperam SA employee[4]
		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	2020	€733K	€19k	€703k (35%)	€419k (21%)		€142k	€2,016k	17.5x
	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)[5]	2020	€2,365k	€158k	€849k (20%)	€616k (15%)		€192k	€4,180k	4.5x
	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, health care, 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 Retirement, death and disability insurances

4 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, €89k in 2019, and €115k in 2020)

5 Mr. Geert Verbeeck is included as from April 1, 2020 ; Mr Sandeep Jalan is included until May 5, 2020 ; Mr. Sudhakar Sivaji is included as from May 6, 2020 ; Mrs. Ines Kolmsee is included until September 13, 2020.

2019 short term incentives paid in 2020:

	Realization as a % of business targets Achievement
CEO	82%
Leadership Team Member excluding CEO	82%

Note: Individual performance not included in the percent of realization.

Long term incentive plans

The members of the Leadership Team also participate in share-based compensation plans sponsored by Aperam. The Leadership Team is also referred to as Aperam's senior management. In June 2020, the persons comprising the Company's Leadership Team received 81,970 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 €21.58. 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 of the Remuneration Policy of this annual report.

Name	Main conditions of the PSU plans					Information regarding the reported financial year : 2020					
						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 2017	3 years	41.83	31 August 2017	31 August 2020	6,344	NA	6,344	9,516	-6,344	0
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	21,809	NA	NA	NA	NA	21,809
Tim Di Maulo, CEO	LTIP 2020	3 years	21.58	01 June 2020	01 June 2023	0	27,163	NA	NA	NA	27,163
LT excluding CEO											
LT excluding CEO	LTIP 2017	3 years	41.83	31 August 2017	31 August 2020	17,915	NA	14,574	21,862	(17,915)	0
LT excluding CEO	LTIP 2018	3 years	40.32	1 June 2018	1 June 2021	25,762	NA	NA	NA	-3,850	21,912
LT excluding CEO	LTIP 2019	3 years	26.23	1 June 2019	1 June 2022	40,953	NA	NA	NA	-13,269	27,684
LT excluding CEO	LTIP 2020	3 years	21.58	1 June 2020	01 June 2023	0	54,807	NA	NA	-7,644	47,163

[1] Expressed in numbers of PSUs

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 under these plans is described in greater detail in the previous annual reports and included: ArcelorMittal, Acerinox, Outokumpu, thyssenkrupp, Voestalpine, Salzgitter, SSAB, AK Steel and Eramet.

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 used for the comparative performance as part of the Leadership Team PSU Plan submitted to shareholder approval as from 2018 is as follows:

    - 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	2,718	0.8
	Outokumpu	1,168	0.9
Carbon Steel peer group (weight inside peer group 50%) cerinox	Thyssen-Krupp	7,495	0.8
	Salzgitter	1,188	0.9
	ArcelorMittal	15,985	0.7
	Voestalpine	4,439	0.9

Notes:
(1) On January 1, 2020, in million €
(2) Correlation calculated from 01/01/2015 to 01/01/2020

LTIP vesting in 2020: 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 for TSR and EPS compared to a peer Group 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
Percentage of achievement after third anniversary date (cliff vesting):

Performance criteria	% Weighting of criteria	Percentage of achievement at review at third grant anniversary date (August 31, 2020
TSR	50%	Above 120% of median: 150%
EPS	50%	Above 120% of median: 150%

For the PSU Plans under the May 9, 2018, May 7 2019, and May 5, 2020 shareholder authorisations no vesting has yet been reached considering that the LT PSU Plans provide 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.

Share ownership by directors and senior management

As of December 31, 2020, the aggregate beneficial share ownership of Aperam directors and senior management totalled 108,656 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 “Share Capital” section of this Management Report.

The allocation of Aperam equity incentives to senior management is described in “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.

Business ethics

Ethics and compliance

Business ethics and fair dealings

Beyond strict compliance with laws, in Aperam, Ethics are governed by Aperam Code of Business Conduct (revised in 2019), which establishes the behavioural standards to be followed by all employees and directors of Aperam in the exercise of their duties. This Code specifies do’s and dont’s that apply in all our countries of operations. 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: an Aperam employee 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.
Any behaviour that deviates from the Code of Business Conduct is to be reported (see § Process for handling complaints below) and sanctions can apply, up to termination, as we have a zero-tolerance for non-compliant behaviours.

Code of Business Conduct training happens upon arrival in Aperam via an induction training and is regularly repeated to ensure it remains top-of-mind. A set of additional policies published externally detail Aperam’s stance on such key topics as Anti-Corruption, Antitrust, Data Privacy and Human Rights to name a few. These policies come with operational guidelines that are regularly updated in line with current best practices and with regular refreshing training routines. Our key policies are available in section Investors > Corporate Governance > Corporate Policies of Aperam’s website www.aperam.com.

Process for handling complaints

Since 2019, our updated Prevention of Misconduct & Whistleblowing Policy (available on Aperam’s website www.aperam.com under section Investors > Corporate Governance > Whistleblower) encourages all employees to bring any violation of the Aperam Code of Business Conduct, including but not only, all issues related to fraud, corruption and conflicts of interests matters to the Audit and Risk Management Committee's attention on a confidential basis. As a consequence, all breaches to the Code of Conduct or irregularities related to Health, Safety and the Environment, Human rights, Data Privacy and Cybersecurity, can also be reported not only via the employee's hierarchical manager, the compliance correspondents, HR or internal audit, as previously, but also using the Aperam whistleblowing line, available in the "Investors > Corporate Governance" section of the Aperam website (www.aperam.com).

⇒ In 2020, there were 8 allegations relating to fraud, which were referred to the Group Combined Assurance Department for investigation. At the end of 2020, all the forensic cases had been investigated, with 4 cases founded without a material impact on Aperam accounts and 4 cases unfounded. These cases are reviewed by the Audit and Risk Management Committee which makes a report to the Board of Directors.

A compliance-focused workforce

In a global organisation like Aperam, it is of the utmost importance to ensure that all employees are at all times fully aligned with the Corporate Governance and Compliance framework and that a zero tolerance for non-compliant behaviours is achieved.
To implement fully this culture, the Group continuously improves its corporate governance and compliance framework and practices as well as its employees' overall awareness of the subject. For instance, 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 on sites and from the C-suite down to the shop-floor. We also use a specific Ethics & Compliance Academy on our Learning Management System with off-the-shelves courses as well as tailor-made learning modules in many languages. We also use automated processes like the annual process of declarations of potential conflicts of interest, which we based on MyHR, our People Management System. This allows to deliver perfect efficiency while protecting the confidentiality of data by leveraging all the features of a powerful ERP (master people database, automatic notifications, reminders).

⇒ In 2020, the Compliance organisation was reviewed and strengthened by the incorporation into our Global Assurance department while continuing to report to the CFO. Other key actions undertaken during the year encompass the second edition of our Anti-Fraud Week as well as a pilot to assess our Cultural Maturity in Compliance in Brazil.

Global Assurance

Aperam has a Global Assurance function that, through its Chief Global Assurance, reports directly to the Audit and Risk Management Committee. The vision of the Global Assurance function is to be an agile trusted advisor by providing value-adding assurance services and facilitating change through a talent pool of future business leaders. 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 in Luxembourg 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, Compliance and Forensic Services. Recommendations to improve the internal control environment are made by the Global Assurance function and their implementation is quarterly reviewed by the Audit and Risk Management Committee.
In 2020 an external benchmarking project for the Global Assurance function has been performed concluding that the function is fully compliant with the Internal Audit Standards and operating in leading mode, being the highest of the 5-point spectrum ranking (positioning, people, processes, performance & projects). Based on a recommendation from this benchmarking report, the Compliance function has been integrated in Q4 2020 in the Global Assurance function, but the role of Compliance Officer continues to report to the CFO.

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 2020 were €1.4 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.

Our environmental responsibility

Aperam is the world's lowest CO_2 footprint stainless steel producer[6] 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.

This explains why we have a continuous improvement mindset and defined ambitious 2030 improvement targets that complement the previous set of objectives (see below).

Our 2030 environmental objectives, are as follows :

- **30% 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
- **11% Energy intensity (electricity and natural gas) reduction vs. 2015;**
  This is a new effort on top of those deployed to reach a 10% reduction by 2020 vs. 2012
- **70% Dust emissions intensity reduction vs. 2015;**
  This is a bolder target compared to the 12% reduction expected in 2020 and already exceeded
- **40% Water intake reduction vs. 2015**
- **>97% reuse/recycle performance aiming at a long-term target of 100%**

(2020 performance will be disclosed and commented in the upcoming Sustainability Report)

Climate Change and CO_2 leadership

Today already, our state-of-the-art carbon footprint (scope 1 and 2), nearly twice better than ISSF's average of 0.9 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.Thanks to this two-fold strategy, a 35% reduction in our CO_2 emissions intensity was recorded in 2019 vs. 2007.
But we aim to go further, and so we have been using an internal price of CO_2 since 2016 in order to incentivize the teams to integrate this aspect in every investment project and look for innovative solutions. Likewise, our set of 2030 targets is only a first step towards our long-term objective of carbon neutrality by

[6] Scope 1 and 2

2050 for European operations. Across the entire company, we have dedicated projects and teams trying to reach our ambitious Company targets and preparing the long-term action plan in line with our vision.

⇨ As proof of our commitment, in 2020, we received a “B” rating from the Carbon Disclosure Project (CDP).

BioEnergia

In Brazil we have unique capability to produce stainless and specialty steel from low cost biomass (charcoal) produced by Aperam BioEnergìa with the wood from its eucalyptus forests. The charcoal produced at BioEnergia is used in our steel-making process as a natural and renewable substitute for fossil fuels (coke). This allows us to entirely eradicate the use of extractive coke and makes our steel a leader in terms of CO_2 footprint. Please refer to section Our operational organisation and facilities of this Report.

Scrap recycling

Steel is an endlessly reusable product, meaning it is an input in both our industrial process and our end products. This is a unique property, and one that Aperam is fully committed to optimising. Some of our products contain over 80% metallic scrap, and this is especially true for the stainless steels melt in Genk and Châtelet, with our austenitics reaching 90% on average. But as an active promoter of a circular economy, we not only recycle scrap into our production but also such external wastes as tires and cans and such recycled materials as electrodes and refractories.

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 discharge quality. Furthermore, we conduct periodic and complementary soil and noise analyses .

More special in 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 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.

Our 100% recyclable and low energy-consumer comprise:
> e-mobility solutions,
> clean air,
> cryogenic applications,
> sustainable water supply,
> solar power,
> renewable energy,
> hydrogen economy.

Share capital

As of December 31, 2020, the Company's authorised share capital, including the issued share capital, consisted of 88,100,042 shares without nominal value. The Company's issued share capital was represented by 79,996,280 fully paid-up shares without nominal value.

The following table sets forth information as of December 31, 2020 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	40.89%	40.94%
Treasury shares	101,548	0.13%	0.00%
Other public shareholders	47,184,750	58.98%	59.06%
Total issued shares	**79,996,280**	**100.00%**	**100.00%**
of which: M&G plc [2]	5,566,417	6.96%	6.97%
of which: Directors and Senior Management[3] [4]	108,656	0.14%	0.14%

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, 2020, 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 6.86%.
(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 108,656 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 2,080 shareholders - other than the Significant shareholder and Aperam as holder of treasury shares - with an aggregate of 82,560 Aperam common shares registered in Aperam's shareholder register, representing approximately 0.10% of the common shares issued. As of December 31, 2020, there were 45 U.S. shareholders holding an aggregate of 234,958 New York Registry Shares, representing approximately 0.29% 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, 2020, there were 46,880,466 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 15, 2020, Aperam announced shareholding notifications from Société Générale for reaching and crossing upwards the 5% voting rights threshold (5.94%).
– On April 20, 2020, Aperam announced shareholding notifications from Société Générale for crossing downwards the 5% voting rights threshold (4.51%).
– On May 6, 2021, Aperam announced shareholding notifications from Société Générale for crossing upwards and downwards the 5% voting rights threshold (5.03%, and 4.60%).
– On May 28, 2020, Aperam announced shareholding notifications from Société Générale for reaching and crossing upwards the 5% voting rights threshold (5.22%).
– On June 2, 2020, Aperam announced shareholding notifications from Société Générale for crossing downwards the 5% voting rights threshold (4.52%).
– On August 5, 2020, Aperam announced shareholding notifications from Prudential plc for crossing downwards the 5% voting rights threshold (6.86%).
– On August 11, 2020, Aperam announced shareholding notifications from Prudential plc for crossing downwards the 5% voting rights threshold (6.86% global, but below 5% threshold in sub-section “voting rights attached to shares”).
– On August 18, 2020, Aperam announced shareholding notifications from Prudential plc for reaching and crossing upwards the 5% voting rights threshold (6.86% global; but above 5% threshold in sub-section “voting rights attached to shares”).

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 and 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.

In Europe, Aperam purchased most of its electricity and natural gas though energy supply contracts put in place for the period 2014-2020 with ArcelorMittal Energy SCA and ArcelorMittal Purchasing SAS, and such contracts are to be automatically renewed. Regarding procurement, Aperam still relies on ArcelorMittal for supplies and services in relation to the negotiation of certain contracts with global or large regional suppliers. The Purchasing Services Agreement, entered into for an initial term of two years till January 24, 2013, has been extended successively and is expected to remain in force until 2021 in relation with the following key categories: operating materials (rolls (only hot strip mill), electrodes and refractory materials, spare parts, sea freight, industrial products and support services (excluding industrial services). The Purchasing Services Agreement also permits Aperam to avail itself of the services and expertise of ArcelorMittal for certain capital expenditure items.

Another supply agreement entered into between Aperam and ArcelorMittal Sourcing is effective since January 2020 for the purchase of electrodes. 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).

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), Aperam Inox Serviços Brasil Ltda., Aperam Inox Tubos Brasil Ltda. and Aperam Bioenergia Ltda. pursuant to which, as of April 1, 2011, ArcelorMittal Brasil continued to perform purchasing for the benefit of these Aperam’s Brazilian subsidiaries, with costs being shared on the basis of cost allocation parameters agreed between the parties.

Headquarters

ArcelorMittal Kirchberg Real Estate s.à r.l., Kennedy 2020 SAS, and Aperam Real Estate s.à r.l, which are subsidiaries of ArcelorMittal and Aperam, respectively, signed a land use right 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

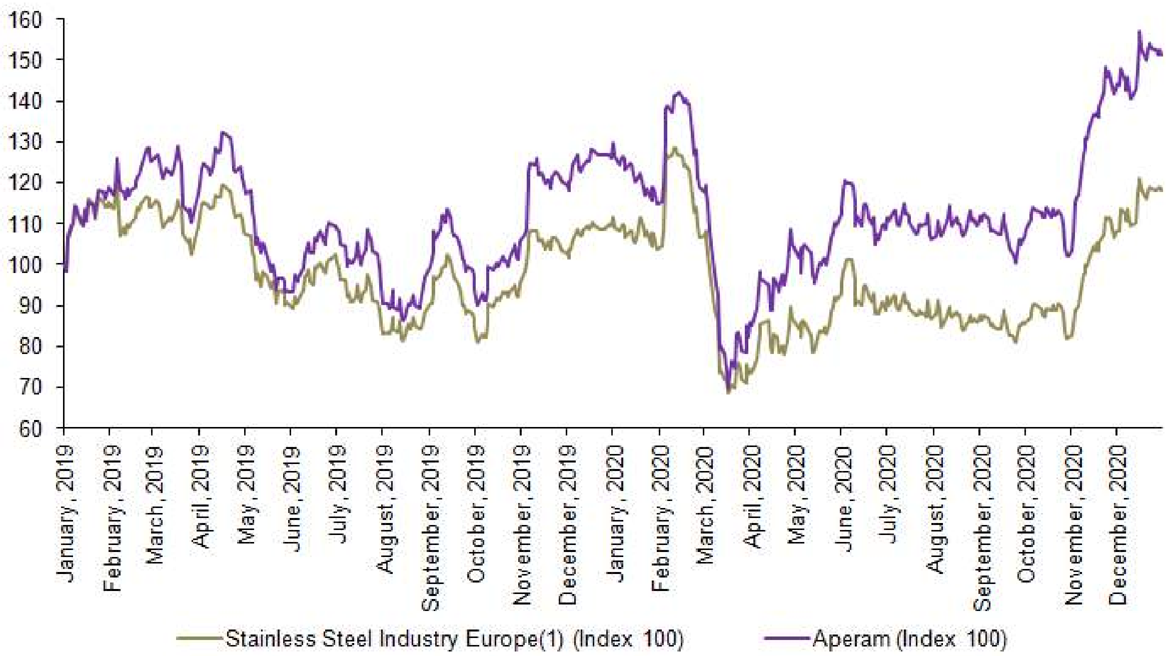
Aperam is also proud to be a leader in Sustainability within its sector and has been issuing yearly Sustainability Reports since its creation in 2011. The Sustainability team is in charge of the questions from socially responsible investors and ESG rating agencies[7].
We are happy to see again our efforts being acknowledged by ESG analysts, especially with our listing in the Excellence registers from Forum ETHIBEL (Europe and World) and ISS-Oekom “Prime” rating reconfirmed in 2020. Aperam was also rated B by the CDP (Management Level).

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

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 Industry1 over the years 2019 to 2020 in index base 100:



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

Financial Calendar

Earnings calendar(1)

> May 05, 2021: earnings for 1st quarter 2021
> July 28, 2021: earnings for 2nd quarter 2021 and 6 months 2021
> November 10, 2021: earnings for 3rd quarter 2021 and 9 months 2021

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

General meeting of shareholders

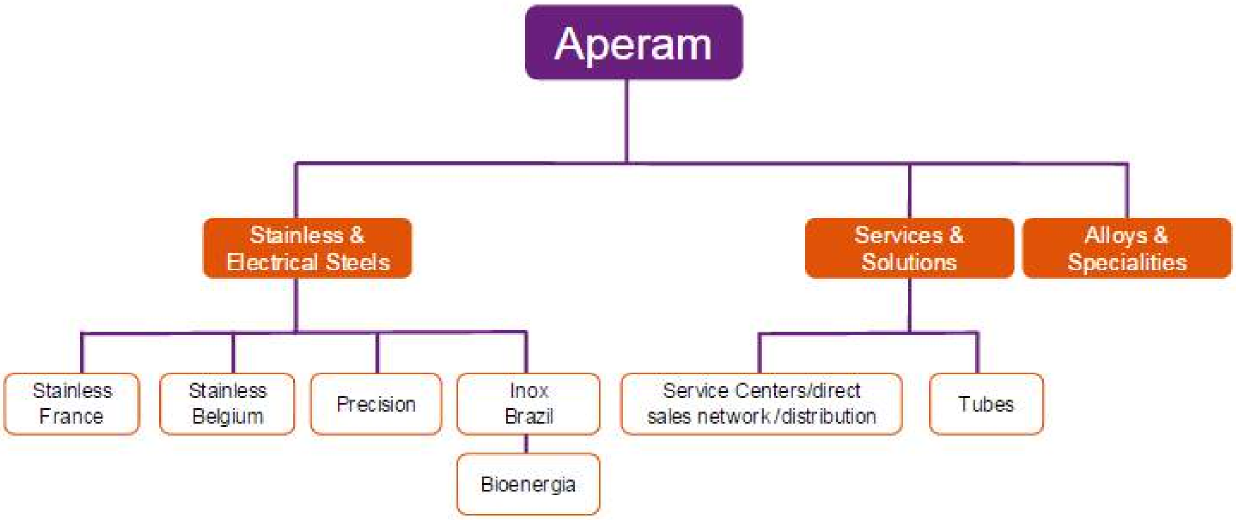
- May 4, 2021: Annual general meeting of shareholders, Luxembourg

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 2021.

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

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

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Financial Statements 2020

Verrière Hôtel de la Marine, Paris - Agence 2BDM et Hugh Dutton Associés/HDA © Nicolas Trouillard
Executed using grade Aperam 304L with Uginox Meca 7D (Mirror polish)

Aperam, Société Anonyme

Consolidated financial statements

As of and for the year ending December 31, 2020

Aperam S.A
Société Anonyme

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

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 24, 2021

Member of the Board of Directors, Chair of the Audit and Risk Management Committee
Bernadette Baudier

Chief Executive Officer
Timoteo Di Maulo

Chief Financial Officer
Sudhakar Sivaji

Aperam

Consolidated Statement of Operations

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

	Year ending December 31,	
	2020	**2019**
Sales (Note 3) (including 49 and 59 of sales to related parties in 2020 and 2019, respectively (Note 22))	3,624	4,240
Cost of sales (including depreciation and impairment of 144 and 150 (Note 3), and purchases from related parties of 136 and 154 for 2020 and 2019, respectively (Note 22))	(3,256)	(3,843)
Gross margin	**368**	**397**
Selling, general and administrative expenses	(169)	(190)
Operating income (Note 3)	**199**	**207**
Income / (Loss) from other investments	(1)	1
Financing costs, net (Note 4)	40	(23)
Income before taxes	**238**	**185**
Income tax expense (Note 5)	(63)	(37)
Net income	**175**	**148**
Net income attributable to Equity holders of the parent	175	148
Net income	**175**	**148**
Earnings per common share (in Euros):		
Basic	2.19	1.82
Diluted	2.19	1.82
Weighted average common shares outstanding (in thousands) (Note 19):		
Basic	79,836	81,172
Diluted	80,145	81,432

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, 2020	Year ending December 31, 2019
Net income	**175**	**148**
Items that cannot be recycled to the consolidated statement of operations:		
Remeasurement of defined benefit obligation during the period, net of tax income of 1 and nil for 2020 and 2019, respectively	(2)	—
Investments in equity instruments at FVOCI:		
Gain arising during the year, net of tax expense of nil for 2020 and 2019, respectively	—	2
Items that can be recycled to the consolidated statement of operations:		
Cash flow hedges:		
(Loss) gain arising during the year, net of tax income (expense) of 2 and (7) for 2020 and 2019, respectively	(3)	19
Reclassification adjustments for loss (gain) included in the consolidated statement of operations, net of tax (income) expense of (3) and (5) for 2020 and 2019, respectively	8	(12)
Total cash flow hedges	5	7
Exchange differences arising on translation of foreign operations, net of tax expense of nil and nil for 2020 and 2019, respectively	(255)	(18)
Total other comprehensive loss	**(252)**	**(9)**
Total other comprehensive loss attributable to:		
Equity holders of the parent	(252)	(9)
Total other comprehensive loss	**(252)**	**(9)**
Net comprehensive income (loss)	**(77)**	**139**
Net comprehensive income (loss) attributable to:		
Equity holders of the parent	(77)	139
Net comprehensive income (loss)	**(77)**	**139**

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

Aperam

Consolidated Statement of Financial Position

(in millions of Euros)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents (Note 6)	358	375
Trade accounts receivable (Note 7)	229	228
Inventories (Note 8)	1,101	1,227
Prepaid expenses and other current assets (Note 9)	149	79
Income tax receivable	2	5
Total current assets	**1,839**	**1,914**
Non-current assets:		
Goodwill and intangible assets (Note 10)	429	479
Biological assets (Note 11)	30	51
Property, plant and equipment (Note 12)	1,492	1,602
Investments in associates, joint ventures and other investments (Note 13)	2	4
Deferred tax assets (Note 5)	94	128
Other assets (Note 14)	83	81
Total non-current assets	**2,130**	**2,345**
Total assets	**3,969**	**4,259**

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

Aperam

Consolidated Statement of Financial Position

(in millions of Euros)

	December 31, 2020	December 31, 2019
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt (Note 15)	53	85
Trade accounts payable	714	800
Short-term provisions (Note 16)	39	23
Accrued expenses and other liabilities (Note 17)	240	233
Income tax liabilities	38	7
Total current liabilities	**1,084**	**1,148**
Non-current liabilities:		
Long-term debt, net of current portion (Note 15)	372	365
Deferred tax liabilities (Note 5)	117	130
Deferred employee benefits (Note 18)	148	146
Long-term provisions (Note 16)	37	43
Other long-term obligations	7	9
Total non-current liabilities	**681**	**693**
Total liabilities	**1,765**	**1,841**
Equity (Note 19):		
Common shares (no par value, 88,100,042 and 96,216,785 shares authorised, 79,996,280 and 83,696,280 shares issued and 79,894,732 and 79,815,839 shares outstanding as of December 31, 2020 and December 31, 2019, respectively)	419	438
Treasury shares (101,548 and 3,880,441 common shares as of December 31, 2020 and December 31, 2019, respectively	(4)	(117)
Share premium	1,098	1,189
Retained earnings	1,424	1,389
Other comprehensive loss	(737)	(485)
Equity attributable to the equity holders of the parent	**2,200**	**2,414**
Non-controlling interests	4	4
Total equity	**2,204**	**2,418**
Total liabilities and equity	**3,969**	**4,259**

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	Share premium	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, 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 income (loss)	—	—	—	—	—	(18)	7	2	—	(9)	—	(9)
Total comprehensive income (loss)	—	—	—	—	148	(18)	7	2	—	139	0	139
Recognition of share based payments	26	—	1	1	—	—	—	—	—	2	0	2
Purchase of treasury shares	(3,700)	—	(93)	—	—	—	—	—	—	(93)	0	(93)
Call Spread Overlay unwinding	(67)	—	(2)	—	(1)	—	—	—	—	(3)	0	(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**
Balance at December 31, 2019	**79,816**	**438**	**(117)**	**1,189**	**1,389**	**(463)**	**(2)**	**—**	**(20)**	**2,414**	**4**	**2,418**
Net income	—	—	—	—	175	—	—	—	—	175	—	175
Other comprehensive income (loss)	—	—	—	—	—	(255)	5	—	(2)	(252)	—	(252)
Total comprehensive income (loss)	—	—	—	—	175	(255)	5	—	(2)	(77)	—	(77)
Recognition of share based payments	79	—	3	—	2	—	—	—	—	5	—	5
Dividends	—	—	—	—	(140)	—	—	—	—	(140)	—	(140)
Cancellation of shares	—	(19)	110	(91)	—	—	—	—	—	—	—	—
Impairment of investments at FVOCI	—	—	—	—	(2)	—	—	—	—	(2)	—	(2)
Balance at December 31, 2020	**79,895**	**419**	**(4)**	**1,098**	**1,424**	**(718)**	**3**	**—**	**(22)**	**2,200**	**4**	**2,204**

(1) Number of shares denominated in thousands, excludes treasury shares.

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,	
	2020	**2019**
Operating activities:		
Net income	175	148
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation, amortisation and impairment (Note 3)	144	150
Net interest expense (Note 4)	7	25
Income tax expense (Note 5)	63	37
Net write-downs of inventories to net realisable value	12	20
Labor agreements and separation plans	16	—
Unrealised (gains)/ losses on derivative instruments (Note 4)	4	(3)
Unrealised foreign exchange effects, other provisions and non-cash operating (income)/expenses, (net)	(7)	(29)
Changes in operating working capital:		
Trade accounts receivable	(18)	39
Trade accounts payable	(62)	(132)
Inventories	57	174
Changes in other operating assets, liabilities and provisions:		
Interest paid, (net)	(7)	(5)
Income taxes paid	(4)	(5)
Other working capital movements and provisions movements	(77)	(19)
Net cash provided by operating activities	**303**	**400**
Investing activities:		
Acquisition of property, plant and equipment, intangible and biological assets (CAPEX)	(109)	(151)
Other investing activities, (net)	1	32
Net cash used in investing activities	**(108)**	**(119)**
Financing activities:		
Net payments of short-term debt (Note 15)	(37)	(150)
Proceeds from long-term debt, net of debt issuance costs	—	289
Purchase of treasury shares	—	(93)
Dividends paid (Note19)	(139)	(142)
Other financing activities (net) (Note 15)	(9)	(8)
Net cash used in financing activities	**(185)**	**(104)**
Effect of exchange rate changes on cash	(27)	(1)
Net increase in cash and cash equivalents	(17)	176
Cash and cash equivalents (Note 6):		
At the beginning of the year	375	199
At the end of the year	358	375

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

Note 2: Summary of significant accounting policies, critical accounting judgements and change in accounting estimates

Note 3: Segment and geographic information

Note 4: Financing costs - net

Note 5: Income tax

Note 6: Cash and cash equivalents

Note 7: Trade accounts receivable

Note 8: Inventories

Note 9: Prepaid expenses and other current assets

Note 10: Goodwill and intangible assets

Note 11: Biological assets

Note 12: Property, plant and equipment

Note 13: Other investments

Note 14: Other assets

Note 15: Short-term and long-term debt

Note 16: Provisions

Note 17: Accrued expenses and other liabilities

Note 18: Deferred employee benefits

Note 19: Equity

Note 20: Leases

Note 21: Financial instruments

Note 22: Balances and transactions with related parties

Note 23: Commitments

Note 24: Contingencies

Note 25: Employees and key management personnel

Note 26: List of significant subsidiaries as of December 31, 2020

Note 27: Principal accountant fees and services

Note 28: Subsequent events

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 24, 2021 by Aperam's Board of Directors.

Aperam is a global stainless steel producer with an annual capacity of 2.5 million tonnes in 2020. 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, 2020 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 2020

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without

including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

New IFRS standards and interpretations applicable from 2021 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. 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 influence on the financial and operating policy decisions, which it does not control. 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.

Investments in other entities, over which the Company and/ or its operating subsidiaries do not have the ability to exercise significant influence, are accounted for as investments in equity instruments at FVOCI with any resulting gain or loss, net of related tax effect, recognized in the consolidated statements of other comprehensive income. Realized gains and losses from the sale of investments in equity instruments at FVOCI are reclassified from other comprehensive income to retained earnings within equity upon disposal.

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.

COVID-19: Accounting review

Due to the unforeseeable global consequences of the COVID-19 outbreak, accounting estimates and management judgements have been subject to increased uncertainty during the year 2020.

Management considered the COVID-19 outbreak and the economic downturn as impairment triggers and has therefore updated as of June 30, 2020 the impairment testing of goodwill performed as of October 31, 2019. Impairment tests for the cash-generating units of the group have therefore been performed as of June 30, 2020 and have confirmed the correctness of the corresponding carrying amounts. This correctness has been confirmed during the annual impairment testing of long-lived assets as of October 31, 2020.

The Company also continues to monitor and evaluate its key business drivers on an ongoing basis even if it is difficult to properly estimate the length and severity of this COVID-19 outbreak and the resulting consequences on its business. The negative effects have been largely mitigated with internal actions initiated by Management like strong cost variabilization plans and a focus on cash generation.

On April 1, 2020, the Company announced that the Board of Directors decided to prudently defer the start of the share buy-back programme announced on February 5, 2020 by six months to assess the severity and duration of the economic contraction linked to the COVID-19, while keeping the announced dividends. On November 4, 2020, considering the remaining exceptional COVID-19 related uncertainties, the Board of Directors decided to postpone the 2020 share buy back program.

Finally, the Company continues to invest in improving Aperam's competitiveness in the future. In this context, Management considers that future financial results will remain relatively resilient in a difficult macroeconomic environment. The Company will continue to further analyse developments and consequences of COVID-19 outbreak and implement mitigating actions during the year 2021.

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 283.4% and 385.9% respectively for the years ending December 31, 2019 and December 31, 2020 for this purpose. As a result of the inflation-related adjustments on monetary items, a gain of respectively €3.1 million and €2.2 million was recognized in net financing costs for the year ending December 31, 2019 and December 31, 2020.

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 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.

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.

Regarding investments in other entities, 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 for most of them the control of the cars is within the employee and the remaining part is not material to the Group. Related lease payments 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. As stated by IFRIC decision on IFRS 16 Lease Term, the Group considers the broader economics of the contract, and not only contractual termination payments when estimating the lease term.

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. Effective Interest Rate is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. 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 that represents the production of a full range of stainless steel products in Europe (Belgium and France) and of a wide range of flat stainless and electrical steel and special carbon products in Brazil. ,

– Alloys & Specialties that includes an integrated production facility in France with a meltshop designed to produce specialty grades. This segment also includes downstream activities with nickel alloy and specialty assets.

– Services & Solutions that sells and distributes the Company's products. It includes our tubes business. The segment also provides value added and customised steel solutions through further processing to meet customer specific requirements.

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.

Due to the still not fully foreseeable global consequences of the covid-19 pandemic, especially the accounting estimates and management judgements regarding the reporting of assets and liabilities are subject to increased uncertainty. With the update of the accounting estimates and management judgements, available information on the expected economic developments and country-specific governmental countermeasures has been included. This information was included in the analysis of the recoverability and collectability of financial assets, as well as in impairment tests for the cash-generating units.

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, 2020, the amount of future income required to recover the Company's deferred tax assets was approximately €345 million at certain operating subsidiaries.

Uncertain tax positions

The Company takes income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Company periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions is based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Company believes that the ultimate resolution of such matters will not have a material effect on the Company's financial position, statements of operations or cash flows.

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, 2020, the Company had determined it has five 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, 2020					
Sales to external customers	1,660	1,456	509	(1)	3,624
Intersegment sales[2]	1,237	57	2	(1,296)	—
Operating income (loss)	159	26	36	(22)	199
Depreciation, amortization and Impairment	(118)	(13)	(9)	(4)	(144)
Capital expenditures	(100)	(3)	(5)	(1)	(109)

(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, amortization and Impairment	(123)	(13)	(8)	(6)	(150)
Capital expenditures	(119)	(21)	(10)	(1)	(151)

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,**	
	2020	**2019**
Assets allocated to segments	3,432	3,671
Cash and cash equivalents	358	375
Investments	2	4
Deferred tax assets	94	127
Other unallocated assets	83	82
Total assets	**3,969**	**4,259**

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

(in millions of Euros)	Year Ended December 31,	
	2020	**2019**
Operating income	**199**	**207**
Income (loss) from associates, joint ventures and other investments	(1)	1
Financing costs - net	40	(23)
Income before taxes	**238**	**185**
Income tax expense	(63)	(37)
Net income	**175**	**148**

Geographical information

Sales (by destination)

	Year ending December 31,	
(in millions of Euros)	**2020**	**2019**
Americas		
Brazil	643	798
United States	158	229
Argentina	38	40
Others	40	57
Total Americas	**879**	**1,124**
Europe		
Germany	802	915
Italy	446	509
France	233	292
Belgium	124	140
Poland	116	130
Spain	85	98
United Kingdom	45	69
Netherlands	69	83
Turkey	69	79
Others	459	498
Total Europe	**2,448**	**2,813**
Asia & Africa		
South Korea	139	114
China	69	80
Vietnam	29	33
India	17	22
United Arab Emirates	7	9
Others	36	45
Total Asia & Africa	**297**	**303**
Total	**3,624**	**4,240**

Non-current assets[1] per significant country

(in millions of Euros)	December 31, 2020	December 31, 2019
Americas		
Brazil	274	409
Others	20	14
Total Americas	**294**	**423**
Europe		
Belgium	723	700
France	412	442
Germany	62	64
Poland	10	12
Czech Republic	8	10
Italy	11	11
Others	20	15
Total Europe	**1,246**	**1,254**
Asia & Africa		
India	2	2
China	3	4
Total Asia & Africa	**5**	**6**
Unallocated assets[1]	585	662
Total	**2,130**	**2,345**

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, 2020	2019
Recognised in the consolidated statement of operations		
Interest income	2	2
Interest expense[(1)]	(9)	(27)
Other financing costs[(2)]	56	(5)
Net interest expense and other financing costs - net	**49**	**(30)**
Unrealised gains/(losses) on derivative instruments	(4)	3
Net foreign exchange result	(2)	2
Realised gains (losses) on derivative instruments	(3)	2
Foreign exchange and derivatives gains (losses)	**(9)**	**7**
Financing costs - net	**40**	**(23)**
Recognised in the consolidated statement of comprehensive income (Company share)		
Net change in fair value of investments at FVOCI	—	2
Effective portion of changes in fair value of cash flow hedge	5	7
Foreign currency translation differences for foreign operations	(255)	(18)
Total	**(250)**	**(9)**

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 (see Note 15).
(2) Other financing costs 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. In 2020, other financing costs included an exceptional interest income of €66 million in Brazil for PIS/Cofins tax credits related to prior periods.

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, 2020 and 2019, respectively, is summarised as follows:

	Year Ending December 31,	
(in millions of Euros)	**2020**	**2019**
Current tax expense	(49)	(5)
Deferred tax expense	(14)	(32)
Total income tax expense	**(63)**	**(37)**

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

	Year Ending December 31,	
(in millions of Euros)	**2020**	**2019**
Net income	**175**	**148**
Income tax expense	(63)	(37)
Income before tax:	**238**	**185**
Tax expense at domestic rates applicable to countries where income was generated	(73)	(36)
Tax exempt revenues	6	5
Net change in measurement of deferred tax assets	3	(55)
Tax deductible (write-backs)/write-down on shares	(20)	40
Tax credits	1	2
Rate changes	—	(1)
Other permanent difference	20	8
Income tax expense	**(63)**	**(37)**

The weighted average statutory tax expense was €(73) million and €(36) million in 2020 and 2019, respectively.

The income tax expense was €(63) million in 2020, which corresponds to an effective tax rate of 26%, compared to an income tax expense of €(37) million and an effective tax rate of 20% in 2019. The increase of the effective tax rate in 2020 is mainly due to the higher portion of profit before tax generated in high tax rate jurisdictions (mainly Brazil) that was more important in 2020 than in 2019.

Tax exempt revenues

Tax exempt revenues of €6 million in 2020 and €5 million in 2019 mainly relate to partial exemption of IP income.

Net change in measurement of deferred tax assets

Net change in measurement of deferred tax assets of €3 million in 2020 mainly relates to tax benefit of €20 million due to unrecognised deferred tax liabilities on net write-backs revenues taken on investments in shares of consolidated subsidiaries recorded by certain of Aperam's holding companies in Luxembourg and the recognition of deferred tax assets on non-deductible interest expense of €11 million in various jurisdictions, partly offset by the effect of the recapture of interest expense on intercompany loans due to tax exempt dividends received by some subsidiaries for €(6) million, the reversal of deferred tax assets on previous years tax losses for €(8) million in France and the limitation of interest deduction for €(11) million in various jurisdiction.

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, reversal of deferred tax assets on previous years 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.

Tax credits

Tax credits of €1 million in 2020 relate to research tax credits in France.

Tax credits of €2 million in 2019 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 difference

Other permanent differences in 2020 consists of a reduced taxation on the financing activity, taxation on dividends, withholding taxes on intra-group corporate service fees and adjustments for tax deductible and non-deductible items.

Other permanent differences in 2019 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, 2020 and 2019 is as follows:

	Year Ending December 31,	
(in millions of Euros)	**2020**	**2019**
Deferred tax (expense) benefit		
Recognised in Other Comprehensive Income (Loss):		
Recognised actuarial loss	1	—
Unrealised gain / (loss) on derivative financial instruments	(1)	(2)
Recognised in Retained Earnings:	**—**	**4**
Total	**—**	**2**

The net deferred tax income recorded directly to equity was nil as of December 31, 2020 and €2 million as of December 31, 2019. There was no current tax booked directly in equity in 2020 and 2019.

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)	2020	2019	2020	2019	2020	2019
Intangible assets	1	3	—	(1)	1	2
Property, plant and equipment	1	2	(152)	(154)	(151)	(152)
Biological assets	—	—	(13)	(23)	(13)	(23)
Inventories	20	21	(2)	(2)	18	19
Financial instruments	2	6	(4)	(3)	(2)	3
Other assets	5	12	(6)	(8)	(1)	4
Provisions	37	38	(51)	(65)	(14)	(27)
Other liabilities	19	24	—	(8)	19	16
Tax losses carried forward	97	144	—	—	97	144
Tax credits and other tax benefits	23	12	—	—	23	12
Deferred tax assets/(liabilities)	**205**	**262**	**(228)**	**(264)**	**(23)**	**(2)**
Deferred tax assets					94	128
Deferred tax liabilities					(117)	(130)

Deferred tax assets not recognised by the Company as of December 31, 2020, 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	1,915	502	97	405
Tax credits and other tax benefits	92	24	23	1
Other temporary differences	314	85	85	—
Total		**611**	**205**	**406**

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**

The Company has unrecognised deferred tax assets relating to tax losses carry forward, tax credits and other tax benefits amounting to €406 million and €439 million as of December 31, 2020 and 2019, respectively. As of December 31, 2020, the deferred tax assets not recognised relate to tax losses carry forward attributable to subsidiaries located in Luxembourg (€341 million), Brazil (€52 million) and France (€12 million) and other tax benefits attributable to subsidiary located in Italy (€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, 2020, 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 €94 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 €345 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, 2020

Tax losses carry forward

As of December 31, 2020, the Company had total estimated net tax losses carry forward of €1,915 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)*
2021	—
2022	—
2023	—
2024	—
2025	—
2026 - 2037(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 €1,325 million are indefinite and attributable to the Company's operations in Brazil, France, Germany, Italy, Luxembourg and Spain. Tax losses carry forward are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the Euro equivalent value of these tax losses carry forward in future years.

NOTE 6: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	December 31,	
(in millions of Euros)	**2020**	**2019**
Bank current accounts	258	286
Term accounts (initial maturity < 3 months)	100	89
Total	**358**	**375**

Aperam cash deposits are done with leading banks, having strong credit ratings, in countries where it is represented.

NOTE 7: TRADE ACCOUNTS RECEIVABLE

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

	December 31,	
(in millions of Euros)	**2020**	**2019**
Gross amount	234	234
Allowance for doubtful accounts	(5)	(6)
Total	**229**	**228**

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)	**2020**	**2019**
Services & Solutions	97	108
Stainless & Electrical Steel	105	89
Alloys & Specialties	27	31
Total	**229**	**228**

Exposure to credit risk by geography

The maximum exposure to credit risk for trade accounts receivable by geographical area is:

(in millions of Euros)	December 31, 2020	December 31, 2019
Europe	151	129
South America	58	67
North America	19	30
Asia	1	2
Total	**229**	**228**

Ageing of trade accounts receivable

The ageing of trade accounts receivable is as follows:

	December 31,			
	2020		2019	
(in millions of Euros)	**Gross**	**Allowance** [1]	**Gross**	**Allowance** [1]
Not past due	215	—	209	(1)
Past due 0-30 days	11	—	13	—
Past due 31-180 days	3	—	7	—
More than 180 days	5	(5)	5	(5)
Total	**234**	**(5)**	**234**	**(6)**

Note:

[1] The large majority of our trade receivables are covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions, therefore ECL (Expected Credit Losses) before 180 days is non significant (below 0.10%)

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

(in millions of Euros)

Balance as of December 31, 2019	**Additions**	**Deductions/ Releases**	**Other Movements (primarily exchange rate changes)**	**Balance as of December 31, 2020**
6	3	(2)	(2)	5

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and any shipments to major customers are in the large majority covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. At December 31, 2020, only trade receivables due above 180 days were fully impaired for an impact of €5 million. The Covid-19 pandemic didn't have a significant impact on the recoverability of our trade receivables which are in great majority insured.

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 €340 million and €320 million as of December 31, 2020 and 2019, 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, 2020 and 2019 were €1.5 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 2020 and 2019, respectively.

NOTE 8: INVENTORIES

Inventories, net of provision for obsolescence, slow-moving inventories and excess of cost over net realisable value of €111 million and €116 million as of December 31, 2020 and December 31, 2019, respectively, are comprised of the following:

(in millions of Euros)	**December 31, 2020**	**December 31, 2019**
Finished products	381	441
Production in process	434	447
Raw materials	174	203
Manufacturing supplies, spare parts and other	112	136
Total	**1,101**	**1,227**

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 as of December 31, 2020 and 2019, respectively.

The movement in the allowance for obsolescence is as follows:

(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

(in millions of Euros)

Balance as of December 31, 2019	**Additions**	**Deductions/ Releases**	**Other Movements**	**Balance as of December 31, 2020**
116	24	(26)	(3)	111

The amount of write-down of inventories to net realisable value recognised as an expense was €(24) million and €(27) million in 2020 and 2019, respectively, and the expense was reduced by €26 million and €22 million in 2020 and 2019, respectively, due to normal inventory consumption.

The amount of inventories recognised as an expense (due to normal inventory consumption) was €(2,217) million and €(2,675) million during the year ending December 31, 2020, and 2019, 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, 2020**	**December 31, 2019**
Value added tax (VAT) and other amount receivable from tax authorities (1)	114	44
Derivative financial assets (Note 21)	16	13
Prepaid expenses and accrued receivables	7	9
Other	12	13
Total	**149**	**79**

Note:
(1) Includes €84 million for PIS/Cofins tax credits in Brazil related to prior periods

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, 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**
Cost				
At December 31, 2019	457	152	101	710
Acquisitions	—	1	—	1
Foreign exchange differences	(44)	(13)	(11)	(68)
At December 31, 2020	**413**	**140**	**90**	**643**
Accumulated amortisation and impairment losses				
At December 31, 2019	—	(147)	(84)	(231)
Amortisation charge	—	—	(6)	(6)
Foreign exchange differences	—	12	11	23
At December 31, 2020	**—**	**(135)**	**(79)**	**(214)**
Carrying amount				
At December 31, 2020	**413**	**5**	**11**	**429**

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, 2019**	**Foreign exchange differences**	**Net value December 31, 2020**
Stainless & Electrical Steel	378	(44)	334
Alloys & Specialties	20	—	20
Services & Solutions	59	—	59
Total	**457**	**(44)**	**413**

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 2020, goodwill was tested at the GCGU level for impairment as of October 31. The Group reviewed as of December 31, 2020 any indication that long-lived assets (including goodwill) may be impaired. There were no triggers for impairment at the end of 2020. 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 2020 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 2019	8.6%	8.6%	8.3%
GCGU weighted average pre-tax discount rate used in 2020	8.8%	8.9%	8.9%

Aperam's WACC is increasing in 2020 versus 2019 mainly due to an increase of equity risk premium to 6% (from 5.5% in 2019), along with country risk premium increase to 1.95% (from 1.04% in 2019) mainly due to

Brazil (goes from 2.70% in 2019 to 4.10% in 2020) and in Argentina (for S&S Distribution from 11.7% in 2019 to 25.3% in 2020). Risk free rate remains stable at 0%.

When estimating GCGU's average selling price for the purpose of 2020 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 2019 and 2020 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 €(18) million and €(20) million in the years ended December 31, 2020, and 2019, 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, 2018	34
Additions	9
Change in fair value[(1)]	23
Harvested trees	(14)
Foreign exchange differences	(1)
At December 31, 2019	**51**
Balance at December 31, 2019	51
Additions	5
Change in fair value[(1)]	3
Harvested trees	(15)
Foreign exchange differences	(14)
At December 31, 2020	**30**

Note:
(1) 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 2020 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 60 Brazilian real per m3 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 2020, 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 10.82%. 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, 2020:

(in millions of Euros)	**Impacts on the fair value resulting from**	
Significant unobservable impacts	**10% increase**	**10% decrease**
Average annual growth	8	(8)
Average selling price	8	(8)
Discount rate	3	(3)

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarised as follows:

(in millions of Euros)	Machinery, equipment and others[(1) (2)]	Land, buildings and improvements[(1)]	Construction in progress	Total
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**
Cost				
At December 31, 2019	2,338	704	130	3,172
Additions	15	1	76	92
Foreign exchange differences	(159)	(50)	(9)	(218)
Disposals	(8)	—	—	(8)
Other movements	42	24	(39)	27
At December 31, 2020	**2,228**	**679**	**158**	**3,065**
Accumulated amortisation and impairment losses				
At December 31, 2019	(1,319)	(251)	—	(1,570)
Depreciation charge of the year	(102)	(18)	—	(120)
Impairment	(4)	—	—	(4)
Disposals	7	—	—	7
Foreign exchange differences	90	22	—	112
Other movements	3	(1)	—	2
At December 31, 2020	**(1,325)**	**(248)**	**—**	**(1,573)**
Carrying amount				—
At December 31, 2020	**903**	**431**	**158**	**1,492**

Note:
(1) Right-of-use assets included in those sections are detailed in Note 20 "Leases".
(2) Bearer plants are included in this section for a net amount of €23 million at end December 31, 2020 and €31 million at end December 31, 2019.

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

As of December 31, 2020, and 2019, temporarily idle assets included in the Stainless & Electrical Steel segment were below €1 million and €1 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, 2020, 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, 2020, the Company had determined it has five 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 machines in Stainless Precision (France) were impaired during 2020 for a total amount of €4 million and some property lands in Brazil were impaired during 2019 for a total amount of €1 million.

The amount of property, plant and equipment pledged as collateral was nil and €3 million as of December 31, 2020, and 2019, respectively.

NOTE 13: ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

The Company holds the following other investments:

(in millions of Euros)	**Location**	**Ownership % at December 31, 2020**	**Fair value December 31, 2020**	**2019**
Equity instruments at fair value through OCI				
General Moly Inc	U.S.A.	5.46 %	—	2
Other investments	Various	n/a	1	1
Investments accounted for under equity method	Various	n/a	1	1
Total other investments			**2**	**4**

As from October 1, 2020, General Moly has been delisted from NYSE - shares are currently trading OTC at a value close to zero ($0.03ct). Due to the above increased risk of bankruptcy, the remaining amount of €0.8 million has been impaired in the fourth quarter of 2020.

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 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,	
	2020	**2019**
Receivable from public authorities [(1)]	42	17
Cash guarantees and deposits	18	26
Long-term VAT receivables [(1)]	12	24
Pension fund assets [(2)]	8	12
Reimbursement rights [(2)]	2	2
Other financial assets	1	—
Total	**83**	**81**

Notes:
(1) Includes €35 million for PIS/Cofins tax credits in Brazil related to prior periods
(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,	
	2020	**2019**
Short-term bank loans and other credit facilities[(1)]	38	70
Current portion of long-term debt	6	6
Lease obligations	9	9
Total	**53**	**85**

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, 2020, an amount of €37million 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, 2020, these financial covenants were fully met.

As of December 31, 2020, 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, 2020	December 31, 2019
EIB loan 1	2028	Fixed	1.669%	44	50
EIB loan 2	2029	Fixed	1.307%	100	100
Schuldscheindarlehen	2023-2026	Fixed/Floating	1.10%- 1.50%	190	190
Other loans				—	—
Total				**334**	**340**
Lease obligations [2]				53	40
Less current portion of long-term debt				(6)	(6)
Less current portion of lease obligations				(9)	(9)
Total long-term debt, net of current portion				**372**	**365**

Notes:
(1) Rates applicable to balances outstanding as of December 31, 2020.
(2) 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.

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

(in millions of Euros)	**December 31, 2020**
2021	53
2022	25
2023	108
2024	79
2025	57
Subsequent years	103
Total	**425**

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, 2020**				
	Total EUR	**EUR**	**USD**	**BRL**	**Others**
Short-term debt and current portion of long-term debt	53	50	1	1	1
Long-term debt	372	358	11	2	1
Cash	358	216	36	97	9

(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

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, 2020				
(in millions of Euros)	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	307	—	303	—	303
Instruments payable bearing interest at variable rates	118	—	113	—	113
Total	**425**	**—**	**416**	**—**	**416**

	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**

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, 2019	85	365
Changes from financing cash flows		
Proceeds and (repayments) from debt	(37)	—
Proceeds and (repayments) from finance lease	(9)	—
Total changes from financing cash flows	**(46)**	**—**
Effect of changes in foreign exchange rates	(1)	(1)
New leases during the year	2	21
Reclassification between non-current and current debt	13	(13)
Balance at December 31, 2020	**53**	**372**

NOTE 16: PROVISIONS

The movements by provision were as follows:

(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**

(in millions of Euros)	**Balance at December 31, 2019**	**Additions**	**Provisions used during the year**	**Provisions reversed during the year**	**Effects of Foreign Exchange and other movements**	**Balance at December 31, 2020**
Litigation (Note 24)	36	5	—	(1)	(8)	32
Environmental (Note 24)	14	3	(1)	(1)	—	15
Voluntary separation plans	1	14	—	(1)	—	14
Other	15	4	(2)	(1)	(1)	15
Total	**66**	**26**	**(3)**	**(4)**	**(9)**	**76**
Short-term provisions	23					39
Long-term provisions	43					37
Total	**66**					**76**

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.

Voluntary separation plans are mainly due to social costs provisions related to asset optimization in Europe associated with the implementation of the Phase 4 of the Leadership Journey®.

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,	
	2020	**2019**
Accrued payroll and employee related expenses	125	120
Payable from acquisition of intangible & tangible assets	42	54
VAT and other amounts due to public authorities	34	25
Revaluation of derivative instruments (Note 21)	13	15
Unearned revenue and accrued payables	6	3
Accrued interests	1	1
Other creditors	19	15
Total	**240**	**233**

NOTE 18: DEFERRED EMPLOYEE BENEFITS

The total net employee benefits as of December 31, 2020 and 2019 are presented as follows in the below table:

(in millions of Euros)	December 31,	
	2020	**2019**
Pension fund assets (Note 14)	8	12
Deferred Employee Benefits liabilities	(148)	(146)
Total Net Employee Benefits	**(140)**	**(134)**

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,	
	2020	**2019**
Pension plan benefits liabilities	*(76)*	*(77)*
Pension fund assets (Note 14)	*8*	*12*
Net Pension Plan	(68)	(65)
Other post-employment benefits	(55)	(54)
Early retirement benefits	(16)	(14)
Other long-term employee benefits	(1)	(1)
Total Net Employee Benefits	**(140)**	**(134)**
Reimbursement rights (Note 14)	2	2
Total Net Employee Benefits and reimbursement rights	**(138)**	**(132)**

Pension Plans

A summary of the significant defined benefit pension plans is as follows:

Brazil

Brazilian entities have Defined Contribution (DC) plans that are financed by employer and employee contributions. The prior defined benefit (DB) plans, financed through trust funds, have been closed to new entrants and are covering mostly liabilities for retirees or terminated vested. For the time being, assets in the funds are sufficient to cover liabilities and Aperam is not contributing. Aperam is not allowed to recuperate the excess of assets in these funds and therefore, an asset of €26 million is 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 external fully insured assets. Aperam also sponsors a number of unfunded plans where the Company meets the benefit payment obligation as it falls due.

Aperam has maintained significant defined benefit (DB) pension plans in the following major countries:

- In France, for covering the liabilities for retirement indemnities for all active employees and for the closed pension plan IRUS with no more active employees. There are no separate assets to cover these liabilities.
- In Germany, covering mostly retired employees and with no separate assets.
- In Belgium, there are several pension arrangements (DB and DC-Defined Contribution plans with guaranteed interest) funded through separate insured assets under group insurances. Most of the insured plans have assets in Branch 21 (with a guaranteed return and potentially profit sharing) and there are also insured plans in Branch 23 which assets invested in funds. For time being, for the DC plans the return on assets obtained (guaranteed interest rates plus profit sharing or return on investments) are sufficient to honour the minimum guaranteed interest rates to which APERAM is liable under plan rules and Belgian legislation.

The following tables detail the reconciliation of defined benefit obligation, plan assets and statement of financial position.

(in millions of Euros)	Year Ending December December 31, 2020 Total	Brazil	Europe
Change in benefit obligation			
Benefit obligation at beginning of the year	(274)	(98)	(176)
Service cost	(4)	—	(4)
Interest cost	(7)	(5)	(2)
Actuarial gain / (loss)	(13)	(5)	(8)
Demographic assumptions	(6)	*(6)*	—
Financial assumptions	(6)	*4*	*(10)*
Experience adjustments	(1)	*(3)*	*2*
Benefits paid	10	5	5
Obligations transfer	—	—	—
Foreign currency exchange rate differences and other movements	29	29	—
Benefit obligation at end of the year	**(259)**	**(74)**	**(185)**
Actives	*(167)*	*(3)*	*(164)*
Terminated vested	*(15)*	—	*(15)*
Retirees	*(77)*	*(71)*	*(6)*
Benefit obligation at end of the year	**(259)**	**(74)**	**(185)**
Change in plan assets			
Fair value of plan assets at beginning of the year	249	150	99
Interest income on plan assets	9	8	1
Return on plan assets greater/(less) than discount rate	(2)	(8)	6
Employer contributions	4	—	4
Obligation transfer	—	—	—
Benefits paid	(6)	(5)	(1)
Foreign currency exchange rate differences and other movements	(43)	(43)	—
Fair value of plan assets at end of the year	**211**	**102**	**109**
Present value of wholly or partly funded obligation	(183)	(74)	(109)
Fair value of plan assets	211	102	109
Net present value of wholly or partly funded obligation	**28**	**28**	**—**
Present value of unfunded obligation	(76)	—	(76)
Prepaid due to unrecoverable surpluses	(21)	(21)	—
Recognised net liabilities	**(69)**	**7**	**(76)**
Change in unrecoverable surplus			
Unrecoverable surplus at beginning of the year	(40)	(40)	—
Interest cost on unrecoverable surplus	(2)	(2)	—
Change in unrecoverable surplus in excess of interest	11	11	—
Exchange rates changes	10	10	—
Unrecoverable surplus at end of the year	**(21)**	**(21)**	**—**

(in millions of Euros)	Year Ending December December 31, 2019 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**	**(77)**
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)**	**—**

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 €26 million and €40 million at December 31, 2020, and 2019, respectively.

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

	Year Ending December 31, 2020		
(in millions of Euros)	**Total**	**Brazil**	**Europe**
Net periodic pension cost			
Service cost	(4)	—	(4)
Net Interest (cost) / income on net (liability) / asset	2	3	(1)
Administration costs	—	—	—
Total	**(2)**	**3**	**(5)**

	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)**

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, 2020		
(in millions of Euros)	**Total**	**Brazil**	**Europe**
Change in post-employment benefit obligation			
Benefit obligation at beginning of year	(54)	—	(54)
Service cost	(3)	—	(3)
Interest cost	(1)	—	(1)
Actuarial (gain)/loss	—	—	—
Demographic assumptions	—	—	—
Financial assumptions	*(3)*	—	*(3)*
Experience adjustments	*3*	—	*3*
Benefits paid	3	—	3
Curtailments	—	—	—
Foreign currency exchange rate changes and other movements	—	—	—
Benefits obligation at end of year	**(55)**	**—**	**(55)**
Actives	*(55)*	—	*(55)*
Terminated vested	—	—	—
Retirees	—	—	—
Benefit obligation at end of the year	**(55)**	**—**	**(55)**
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	55	—	55
Recognised liabilities	**55**	**—**	**55**

	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**

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

	Year Ending December 31, 2020		
(in millions of Euros)	**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)**

	Year Ending December 31, 2019		
(in millions of Euros)	**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)**

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, 2020 and €2 million as of December 31, 2019.

Plan Assets

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

	At December 31,	
	2020	**2019**
Equity Securities	13%	20%
Asset classes that have a quoted market price in an active market	*13%*	*20%*
Asset classes that do not have a quoted market price in an active market	*—%*	*—%*
Fixed Income (including cash)	76%	70%
Asset classes that have a quoted market price in an active market	*76%*	*70%*
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	11%	10%
Total	**100%**	**100%**

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

	At December 31,	
	2020	**2019**
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 and hence classified under other asset category above. This does not exclude Aperam shares included in mutual fund investments. The invested assets produced an actual return of €7 million and €40 million in 2020 and 2019, 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,	
	2020	2019	2020	2019
	Discount rate			
Range	0.50%-7.30%	0.95%-7.20%	0.50%	0.95%
Weighted average	2.45%	3.09%	0.50%	0.95%
	Rate of compensation increase			
Range	0.00%-5.41%	2.00%-6.25%	3.05%	2.80%-3.30%
Weighted average	2.86%	2.88%	3.05%	3.05%
	Average longevity at retirement age for current pensioners (years)			
Males	22.689	22.221	NA	NA
Females	26.843	26.719	NA	NA

Cash Contributions and maturity profile of the plans

In 2020, the Company expects its cash contributions to amount to €10 million for pension plans, €3 million for other post-employment benefits plans and €7 million for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were €7 million and €6 million in 2020 and 2019, respectively. On December 31, 2020, the weighted average durations of the pension and other post-employment benefits plans were 11 years and 12 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, 2020, the defined benefit obligation ("DBO") for pension plans was €259 million):

(in millions of Euros)	**Effect on 2021 Pre-Tax Pension Expense (sum of service cost and interest cost) (1)**	**Effect of December 31, 2020 DBO**
Change in assumption		
100 basis point decrease in discount rate	1	(32)
100 basis point increase in discount rate	(1)	25
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 2020 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, 2020 the DBO for post-employment benefit plans was €54 million):

(in millions of Euros)	**Effect on 2021 Pre-Tax Pension Expense (sum of service cost and interest cost)(1)**	**Effect of December 31, 2020 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 2020 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 5, 2020, the Extraordinary General Meeting resolved to adjust the authorised share capital by €23,123,395, equivalent to 4,416,743 shares, to €480,868,153, represented by 91,800,042 shares without nominal value. This adjustment was to allow the Company to retain flexibility while taking into account the Company's current commitments under its long term incentive plans and the shares to be cancelled under the share buy back programmes.

On December 11, 2020, and in accordance with the resolution of the Extraordinary General Meeting held on May 5, 2020, the Company further decreased its authorised share capital by €19,388,000, equivalent to 3,700,000 shares. This adjustment translates the 3,700,000 shares cancelled under the 2019 share buy back program. Following this decrease, the total authorised share capital (including its issued share capital) was €461,480,153 represented by 88,100,042 shares without nominal value.

Share capital

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 September 29, 2020, following the decision of the Extraordinary General Meeting of May 7, 2019, to cancel issued shares acquired under the share buyback programme announced on February 6, 2019, the Company cancelled 3,700,000 issued shares acquired under the Programme. The share capital decreased from €438,418,922 to €419,030,922. The aggregate number of shares issued and fully paid up decreased to 79,996,280.

On December 31, 2020, the Company has 79,996,280 shares issued and 79,894,732 shares outstanding, with no par value, for a total amount of €419 million.

Treasury shares

Share buy back

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 2018 share buyback programme of 2018 were cancelled in line with the announced purpose of the programme.

On September 29, 2020, 3,700,000 shares acquired under the 2019 share buyback programme were cancelled in line with the announced purpose of the programme.

Share unit plans

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

During 2020, a total of 94,932 shares were allocated to qualifying employees under the PSU plan granted in August 2017.

Other movements

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 101,548 and 3,880,441 treasury shares as of December 31, 2020, and 2019, respectively.

Dividends

On May 7, 2019, the shareholders approved, at the 2019 Annual General Meeting of shareholders, a base dividend per share of €1.75 (gross). The dividend was paid in four equal quarterly instalments of €0.4375 (gross) per share.

On May 5, 2020, the shareholders approved, at the 2020 Annual General Meeting of shareholders, a base dividend per share of €1.75 (gross). The dividend was paid in four equal quarterly instalments of €0.4375 (gross) per share.

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, 2020:

At Grant date						Number of shares issued as of December 31, 2020		
Grant date	Type of plan	Number of shares	Number of beneficiaries	Maturity	Fair value per share (in €)	Shares outstanding	Shares vested	Shares forfeited
Jun 1, 2018	PSU	85,461	54	Jun 1, 2021	44.34	77,261	—	(8,200)
Jun 1, 2019	PSU	102,662	48	Jun 1, 2022	40.32	90,294	—	(12,368)
Jun 1, 2020	PSU	101,806	29	Jun 1, 2023	21.58	93,118	—	(8,688)
Jun 1, 2020	RSU	54,060	42	Jun 1, 2023	21.58	51,258	—	(2,802)
TOTAL		**343,989**				**311,931**	**—**	**(32,058)**

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, 2020, and 2019, respectively.

Share unit plan activity is summarized below as of and for each year ending December 31, 2020 and 2019:

	RSUs		PSUs	
	Number of shares	Fair value per share (€)	Number of shares	Fair value per share (€)
Outstanding Dec 31, 2018	**33,550**	**35.08**	**204,106**	**40.53**
Granted	—	—	102,662	26.23
Vested	(30,250)	35.08	0	—
Forfeited	(3,300)	35.08	(46,761)	35.08
Outstanding Dec 31, 2019	**—**	**—**	**260,007**	**35.87**
Granted	54,060	21.58	101,806	21.58
Vested	—	—	(63,294)	44.34
Forfeited	(2,802)	21.58	(37,846)	32.33
Outstanding Dec 31, 2020	**51,258**	**21.58**	**260,673**	**28.75**

Earnings per common share

	Year Ending December 31,	
	2020	2019
(in millions of Euros)		
Net income considered for the purposes of basic earnings per share	**175**	**148**
Net income considered for the purposes of diluted earnings per share	**175**	**148**
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	**79.8**	**81.2**
Incremental shares from assumed conversion of stock options, restricted share units and performance share units	0.3	0.2
Weighted average common shares assuming conversions (in millions) used in the calculation of diluted earnings per share	**80.1**	**81.4**

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 :

	December 31,	
(in millions of Euros)	**2020**	**2019**
Long-term debt	372	365
Short-term debt	53	85
Cash and cash equivalents	(358)	(375)
Net financial debt	**67**	**75**
Equity	2,200	2,414
Gearing	**3%**	**3%**

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

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**
Cost			
At December 31, 2019	45	23	68
Additions	7	20	27
Foreign exchange differences	(1)	(1)	(2)
Disposals	—	—	—
Other movements	(2)	1	(1)
At December 31, 2020	**49**	**43**	**92**
Accumulated amortisation and impairment losses			
At December 31, 2019	(24)	(5)	(29)
Depreciation charge of the year	(7)	(3)	(10)
Disposals	—	—	—
Foreign exchange differences	—	—	—
Other movements	1	—	1
At December 31, 2020	**(30)**	**(8)**	**(38)**
Carrying amount			
At December 31, 2020	**19**	**35**	**54**

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, 2019	40
Additions	23
Accretion of interest	—
Payments	(10)
Balance at December 31, 2020	**53**
Current	9
Non-current	44

Scheduled maturities of lease debt are as follows:

(in millions of Euros)	**December 31, 2020**
2021	9
2022	7
2023	6
2024	5
2025	5
Subsequent years	21
Total	**53**

The following are the amount recognised in profit or loss:

(in millions of Euros)	**Year ended December 31, 2020**	**Year ended December 31, 2019**
Depreciation expense of right-of-use assets	(10)	(8)
Interest expense on lease liabilities	(2)	(2)
Expense relating to company cars (included in cost of sales)	—	—
Expense relating to short-term leases (included in cost of sales)	(7)	(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	**(19)**	**(20)**

The Group had total cash outflows for leases of €10 million in 2020 and €8 million in 2019. The Group also had non-cash additions to lease liabilities of €23 million in 2020 and €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 2020 or December 2019.

The Group didn't have any material contract with variable lease payments nor with extension/termination options at end December 31, 2020 or 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, 2020.

					Assets/Liabilities at fair value		
(in millions of Euros)	Carrying amount in statements of financial position	Non-financial assets and liabilities	Assets at amortised cost	Liabilities at amortised cost	Fair value recognised in profit and loss	Equity instruments at Fair Value through OCI	Derivatives
ASSETS							
Current assets:							
Cash and cash equivalents	358	—	358	—	—	—	—
Trade accounts receivable	229	—	229	—	—	—	—
Inventories	1,101	1,101	—	—	—	—	—
Prepaid expenses and other current assets	149	114	19	—	—	—	16
Income tax receivable	2	2	—	—	—	—	—
Total current assets	**1,839**	**1,217**	**606**	**—**	**—**	**—**	**16**
Non-current assets:							
Goodwill and intangible assets	429	429	—	—	—	—	—
Biological assets	30	—	—	—	30	—	—
Property, plant and equipment	1,492	1,492	—	—	—	—	—
Other investments	2	—	—	—	—	2	—
Deferred tax assets	94	94	—	—	—	—	—
Other assets	83	53	30	—	—	—	—
Total non-current assets	**2,130**	**2,068**	**30**	**—**	**30**	**2**	**—**
Total assets	**3,969**	**3,285**	**636**	**—**	**30**	**2**	**16**
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt and current portion of long-term debt	53	—	—	53	—	—	—
Trade accounts payable	714	—	—	714	—	—	—
Short-term provisions	39	39	—	—	—	—	—
Accrued expenses and other liabilities	240	33	—	194	—	—	13
Income tax liabilities	38	38	—	—	—	—	—
Total current liabilities	**1,084**	**110**	**—**	**961**	**—**	**—**	**13**
Non-current liabilities:							
Long-term debt, net of current portion	372	—	—	372	—	—	—
Deferred tax liabilities	117	117	—	—	—	—	—
Deferred employee benefits	148	148	—	—	—	—	—
Long-term provisions	37	37	—	—	—	—	—
Other long-term obligations	7	—	—	7	—	—	—
Total non-current liabilities	**681**	**302**	**—**	**379**	**—**	**—**	**—**
Equity:							
Equity attributable to the equity holders of the parent	2,200	2,200	—	—	—	—	—
Non-controlling interests	4	4	—	—	—	—	—
Total equity	**2,204**	**2,204**	**—**	**—**	**—**	**—**	**—**
Total liabilities and equity	**3,969**	**2,616**	**—**	**1,340**	**—**	**—**	**13**

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

	As of December 31, 2020			
(in millions of Euros)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at fair value:				
Biological assets	—	—	30	30
Equity instruments at Fair Value through OCI	—	—	2	2
Derivative financial current assets	—	16	—	16
Derivative financial non-current assets	—	—	—	—
Total assets at fair value	**—**	**16**	**32**	**48**
Liabilities at fair value:				
Derivative financial current liabilities	—	13	—	13
Derivative financial non-current liabilities	—	—	—	—
Total liabilities at fair value	**—**	**13**	**—**	**13**

	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**

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.

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.

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, 2020:

(in millions of Euros)	**Equity instruments not quoted**	**Total**
Balance as of December 31, 2019	2	2
Change in fair value(1)	—	—
Early buyback (see Note 15)	—	—
Balance as of December 31, 2020	**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, 2020, 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	3	—	269	(9)
Forward sale contracts	153	4	85	—
Total foreign exchange rate instruments		**4**		**(9)**
Raw materials (base metal)				
Term contracts sales metals	38	1	50	(2)
Term contracts purchases metals	97	11	45	(2)
Total raw materials (base metal)		**12**		**(4)**
Total		**16**		**(13)**

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)**

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, 2020
	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)	(104)	(1)	(13)	(40)	(50)
Trade payables	(714)	(714)	(714)	—	—	—
Other non-derivative financial liabilities	(325)	(338)	(57)	(16)	(212)	(53)
Total	**(1,139)**	**(1,156)**	**(772)**	**(29)**	**(252)**	**(103)**
Derivative financial liabilities						
Foreign exchange contracts	(9)	(9)	(9)	—	—	—
Other commodities contracts	(4)	(4)	(4)	—	—	—
Total	**(13)**	**(13)**	**(13)**	**—**	**—**	**—**

(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)**	**—**	**—**	**—**

Cash flow hedges

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

						December 31, 2020 (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	2	1	—	—	—
Foreign exchange contracts	—	—	—	—	—	—
Total	**3**	**2**	**1**	**—**	**—**	**—**

(in millions of Euros)	December 31, 2019 (outflows)/inflows 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**	**—**	**—**	**—**	**—**

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, 2020 (expense)/income Carrying Amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	3	2	1	—	—	—
Foreign exchange contracts	—	—	—	—	—	—
Total	**3**	**2**	**1**	**—**	**—**	**—**

(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**	**—**	**—**	**—**	**—**

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)	December 31, 2020	2019
Base metals	8	(3)
Total	**8**	**(3)**
Assets associated with raw material	12	9
Liabilities associated with raw material	(4)	(12)
Total	**8**	**(3)**

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, 2020	
(in millions of Euros)	**Income**	**Other Equity Cash Flow Hedging Reserves**
10% appreciation in Euro	3	—
10% depreciation in Euro	(3)	—

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 include un-matured base metal derivative instruments

	December 31, 2020	
(in millions of Euros)	**Income**	**Other Equity Cash Flow Hedging Reserves**
+10% in prices Base Metals	6	4
-10% in prices Base Metals	(6)	(4)

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,	
	2020	2019	2020	2019
Transactions	Sales		Included in Trade accounts receivable	
ArcelorMittal and its subsidiaries	49	59	6	3
Total	**49**	**59**	**6**	**3**

(in millions of Euros)	Year Ending December 31,		December 31,	
	2020	2019	2020	2019
Transactions	Purchase of raw material & others		Included in Trade accounts payable	
ArcelorMittal and its subsidiaries	136	154	23	15
Total	**136**	**154**	**23**	**15**

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

(in millions of Euros)	Year Ending December 31,	
	2020	2019
Raw materials	29	23
Energy supply contracts	84	106

Transactions and balances with related parties also include the following:

(in millions of Euros)	December 31,	
	2020	2019
Other current assets	1	—
Other current liabilities	5	1

(in millions of Euros)	Year Ending December 31,	
	2020	2019
Selling, general and administrative expenses	4	4

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,	
	2020	**2019**
Purchase commitments	1,227	1,465
Guarantees, pledges and other collateral	261	224
Total	**1,488**	**1,689**

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, 2020, the Company had established reserves of €15 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 €10 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, 2020, (ii) that constitute a contingent liability, or (iii) that were resolved in 2020, 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, 2020, the Company has established reserves in the aggregate of approximately €7 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 the 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. In 2020, the credits of Aperam South America were homologated by the tax administration which allowed the company to start the offset of PIS/Cofins credits with other Federal Taxes. In 2020, Aperam South America and its subsidiaries recognized R$840 million (€135 million)[8] in the consolidated statements of operations.

- On December 3, 2018, Aperam South America received a tax assessment related to PIS/Cofins (federal tax on turnover) for the year 2014. The total amount claimed is R$24 million (€4 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$63 million (€10 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

[8] €135 million of PIS/Cofins tax credits related to prior periods have been recognized in the consolidated statement of operations for the year ending December 31, 2020, of which €69 million (net of €4 million of administrative expenses) have been recognized in the cost of sales and €66 million have been recognized in financing costs.

for the unfavorable part of the decision. the Company was denied its interlocutory appeal in January 2020; the case is pending at the third administrative level.

- 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$27 million (€4 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, subject to specific tax diligence to review the tax assessment .

- 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 (€4 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 defence. 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$251 million (€39 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. Since January 2020, authorities filled on appeal on the remaining contingencies that the Company counter argued. The Company's argumentation was accepted by the Special Court in October 2020. The case is pending at the second administrative level.

- On July 11, 2014, Aperam South America received two tax assessments for social contributions paid in relation to 2009 and 2010 "Profit Sharing Programme" for a total amount of R$61 million (€10 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 brought the case to judicial level in November 2020.

- On June 24, 2014, Aperam Bioenergìa received a tax assessment from the Federal Revenue Service in the total amount of R$78 million (€12 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$412 million (€65 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. On November 2020 , the Company successfully launched a special proceeding to claim for the remaining contingencies. The case is pending at the third administrative level.

- On December 14, 2011, the Federal Revenue issued four tax assessments against Aperam South America for a total amount of R$104 million (€16 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 filled petitions in 2020 for several clarifications.

- 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 (€4 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/Cofins). The Administrative level ended partially favorable to the Company and the amount involved was reduced to R$67 million (€11 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.

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, 2020, the Company has established reserves in the aggregate of approximately €25 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$47 million (€7 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 (€8 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,**	
	2020	**2019**
Employee Information		
Wages and salaries	414	452
Pension cost	7	6
Other staff costs	60	59
Total	**481**	**517**

During 2020 and 2019, Aperam employed 9,500 and 9,670 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,**	
	2020	**2019**
Base salary	3	3
Directors' fees	1	1
Short-term performance-related bonus	2	1
Post-employments benefits(1)	—	—
Share based compensation	1	1

Note:
(1) Post-employments benefits for Aperam's key management personnel were below €1 million for the years ending December 31, 2020 and December 31, 2019

As of December 31, 2020, and 2019, 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, 2020

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 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, 2020, and 2019. Set forth below is a breakdown of fees for services rendered in 2020 and 2019.

Audit Fees. Audit fees in 2020 and 2019 were €1.4 million and €1.5 million, respectively.

Audit-Related Fees. Audit-related fees in 2020 and 2019 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 2020 and 2019 were below €<0.1 million.

NOTE 28: SUBSEQUENT EVENTS

On February 2, 2021, the Company, through Aperam Stainless Belgium, acquired 100% of the shares of Cronimet Belgium N.V. for a total consideration of €7.1 million. This acquisition of a small scrap yard situated close to our Genk plant will allow us to store scrap used in our melt shop and optimize our processes.

On February 10, 2021, the Company proposed to maintain its base dividend at €1.75 per share, subject to shareholder approval at the May 4, 2021 Annual General Meeting.

Auditor's Report on the Consolidated Financial 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, 2020, and the consolidated statement of operations, the consolidated statement of 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, 2020, 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.

Valuation of deferred tax assets

Key audit matter description
As of December 31, 2020, the Group recognized approximately €94 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:

a. The taxable profits the Group expects to generate in the future
b. The local tax laws and regulations applying to the recognition and use of deferred tax assets arising from tax losses carried forward at subsidiary level.

As such, the valuation and future use of deferred tax assets arising from tax losses carried forward imply significant judgments from the management. These judgments mainly relate to forecasted taxable income, the length of tax loss, and available and feasible tax planning strategies. In parallel, the fact that the subsidiaries of the Group, which recognize deferred tax assets arising from tax losses carried forward are located in various tax jurisdictions with, in some cases, changing environments, makes the determination of these management estimates more complex.

Therefore, considering its significance as well as the fact that its recognition depends on management estimates and various legal frameworks, the balance of deferred tax assets arising from tax losses carried forward is defined as a key audit matter.
For further details on the deferred tax assets, please refer to Note 2 ("Summary of significant accounting policies, critical accounting judgments and change in accounting estimates"), and Note 5 ("Income tax") to the consolidated financial statements.

How the key audit matter was addressed in the audit?
In considering the appropriateness of the valuation and recoverability of deferred tax assets arising from tax losses carried forward, the following audit procedures were performed:

a. We assessed the Group's controls, which support the process followed to book deferred tax assets arising from tax losses carried forward.
b. 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:
c. 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.
d. 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.
e. Evaluating the compliance of management assumptions with current and future local tax laws and regulations.
f. 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 €413 million as of December 31, 2020, 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 2020, the goodwill of the CGU S&E, A&S and S&S had a carrying value of €334 million, €20 million and €59 million respectively.
The result of the goodwill impairment test for the 2020 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:

a. We assessed the key controls performed by management in relation to goodwill impairment.
b. 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.
c. 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.
d. In respect of cash-flows forecasted by the Group's management to compute the value-in-use of each GCGU:
    i. We evaluated management's future cash-flow forecasts for each GCGU, and the process by which they were drawn up
    ii. We verified the mathematical accuracy and the appropriateness of the cash-flow models.
    iii. We performed sensitivity analysis around the key assumptions within the cash flow models considering current economic uncertainties.
    iv. We assessed the sensitivity to changes of the respective assumptions on the outcome of the impairment test
e. 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 financial statements.
In some specific circumstances, tax litigations and claims can also have an impact on the amount of exceptional gain / (loss) recognized in the consolidated financial statements.

In particular, for the year ended December 31, 2020:

a. As described in Note 24 ("Contingencies"), some developments occurred for some tax claims involving change in the amount of provisions as recorded at year ended December 31, 2020 or in the amount of contingent liabilities comparing with prior period as disclosed within the notes to the financial statements.
b. As described in Note 24 ("Contingencies") and Note 4 ("Financing costs – net"), the Group recognized in 2020 an exceptional gain on a PIS/Cofins tax claim in the consolidated statements of operations for an amount of €135 million (€69 million and €66 million decreasing respectively the Group's cost of sales and financing costs).

The main risks relating to tax litigation matters in Brazil consist in:

a. 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.
b. 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.
c. The recognition of the exceptional gain booked in the consolidated statements of operations in 2020 in relation with PIS/Cofins tax credits. Considering the complexity and uncertainty of this specific Brazilian tax matter, the timing of recognition and the amount of this exceptional gain imply the use of judgement from management.

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"), Note 4 ("Financing costs – net") 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:

a. 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.
b. We assessed management's positions in relation to the Brazilian tax matters open at year-end.
c. We obtained external legal counsel confirmation letters and evaluated the impact of their content on the financial statements.
d. With the assistance of our legal and 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.
e. Together with our tax and legal specialists, we challenged the conclusion reached on recognition of the PIS/Cofins exceptional gain described in Note 24 ("Contingencies") focusing particularly on timing and amount.

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 consolidated management report, the Corporate Governance Statement and the Messages from the Chairman of the Board of Directors and the Chief Executive Officer but does not include the consolidated financial statements and our report of the "*réviseur d'entreprises agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*réviseur d'entreprises agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

a. 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.
b. 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.
c. 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.
d. 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.
e. 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, actions taken to eliminate threats or safeguards applied.

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 4, 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 10 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 24, 2021

Aperam, Société Anonyme

Annual Accounts

As of and for the year ending December 31, 2020

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, 2020	December 31, 2019
Assets			
C. Fixed assets		**4,046,072**	**4,235,011**
I. Intangible assets	**Note 3**	**6,551**	**8,416**
2.a) Concessions, patents, licences, trademarks and similar rights and assets, if they were acquired for valuable consideration		3,914	6,115
4. Payments on account and intangible fixed assets under development		2,637	2,301
III. Financial assets	**Note 4**	**4,039,521**	**4,226,595**
1. Shares in affiliated undertakings		4,017,557	2,130,301
2. Loans to affiliated undertakings		21,931	2,096,262
6. Other loans		33	32
D. Current assets		**128,943**	**191,149**
II. Debtors		**124,955**	**183,795**
2. Amounts owed by affiliated undertakings		123,760	182,708
a) becoming due and payable within one year	*Note 5*	*120,194*	*179,444*
b) becoming due and payable after more than one year		*3,566*	*3,264*
4.a) Other debtors becoming due and payable within one year		1,195	1,087
III. Investments		**3,933**	**6,989**
2. Own shares	Note 6	3,933	6,989
IV. Cash at bank and in hand		**55**	**365**
E. Prepayments	**Note 7**	**1,597**	**2,189**
Total assets		**4,176,612**	**4,428,349**

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

Balance Sheet

Aperam, Société Anonyme

(in thousands of Euros)		December 31, 2020	December 31, 2019
Capital, reserves and liabilities			
A. Capital and reserves	**Note 8**	**3,400,197**	**3,633,916**
I. Subscribed capital		**419,031**	**438,419**
II. Share premium account		**1,140,629**	**1,205,864**
IV. Reserves		**60,299**	**63,355**
1. Legal reserve		56,366	56,366
2. Reserve for own shares	Note 6	3,933	6,989
V. Profit brought forward		**1,789,054**	**1,593,570**
VI. Profit or loss for the financial year		**(8,816)**	**332,708**
C. Creditors	**Note 9**	**776,415**	**794,433**
1. Debenture loans		227,576	258,602
b) Non convertible loans	*Note 10*	*227,576*	*258,602*
i) becoming due and payable within one year		*37,576*	*68,602*
ii) becoming due and payable after more than one year		*190,000*	*190,000*
2. Amounts owed to credits institutions	Note 11	144,985	150,559
a) becoming due and payable within one year		*6,096*	*6,114*
b) becoming due and payable after more than one year		*138,889*	*144,445*
6.a) Amounts owed to affiliated undertakings becoming due and payable within one year	Note 12	386,685	368,169
8. Other creditors		17,169	17,103
a) Tax authorities		*1,030*	*1,705*
b) Social security authorities		*263*	*200*
c.i) Other creditors becoming due and payable within one year		*15,876*	*15,198*
Total capital, reserves and liabilities		**4,176,612**	**4,428,349**

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, 2020	Year ending December 31, 2019
4. Other operating income	**Note 13**	**92,033**	**105,150**
5. b) Other external expenses	**Note 14**	**(59,757)**	**(74,531)**
6. Staff costs		**(15,218)**	**(12,577)**
a) Wages and salaries		*(13,492)*	*(11,021)*
b) Social security costs		*(1,664)*	*(1,389)*
i) relating to pensions		*(932)*	*(743)*
ii) other social security costs		*(732)*	*(645)*
c) Other staff costs		*(62)*	*(167)*
7. Value adjustments		**(2,732)**	**(4,327)**
a) In respect of formation expenses and of tangible and intangible fixed assets		*(2,732)*	*(4,327)*
8. Other operating expenses		**(1,177)**	**(8)**
9. Income from participating interests	**Note 15**	**59,344**	**291,519**
a) Derived from affiliated undertakings		59,344	291,519
11. Other interest receivable and similar income	**Note 16**	**17,392**	**27,002**
a) Derived from affiliated undertakings		*17,392*	*27,002*
13. Value adjustments in respect of financial assets and of investments held as current assets		**(75)**	**27,236**
14. Interest payable and similar expenses	**Note 16**	**(94,678)**	**(24,146)**
a) Concerning affiliated undertakings		*(4,939)*	*(4,408)*
b) Other interest and similar expenses		*(89,739)*	*(19,738)*
15. Tax on profit or loss	**Note 17**	**(3,941)**	**(2,541)**
16. Profit or loss after taxation		**(8,809)**	**332,777**
17. Other taxes not shown under items 4 to 16		**(7)**	**(69)**
18. Profit or loss for the financial year		**(8,816)**	**332,708**

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 (under liquidation) located in Zug (Switzerland) and controls directly and indirectly 51 subsidiaries.

In conformity with the requirements of Luxembourg laws and regulations, the Company publishes consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union. The consolidated financial statements as of and for the year ended December 31, 2020 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 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, 2020**
Gross book value			
Opening balance	23,490	2,301	25,791
Additions	—	866	866
Disposals	(300)	—	(300)
Transfer	530	(530)	—
Closing balance	**23,720**	**2,637**	**26,357**
Accumulated value adjustments			
Opening balance	(17,374)	—	(17,374)
Additions	(2,732)	—	(2,732)
Disposals	300	—	300
Closing balance	**(19,806)**	**—**	**(19,806)**
Net book value			
Opening balance	6,115	2,301	8,416
Closing balance	**3,914**	**2,637**	**6,551**

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	Other loans	Total as of December 31, 2020
Gross book value				
Opening balance	2,147,676	2,096,262	32	4,243,970
Additions	2,030,215	668,895	4	2,699,114
Disposals	(142,984)	(2,665,140)	(3)	(2,808,127)
Foreign exchange differences	—	(78,086)	—	(78,086)
Closing balance	**4,034,907**	**21,931**	**33**	**4,056,871**
Accumulated value adjustments				
Opening balance	(17,375)	—	—	(17,375)
Additions	(75)			(75)
Disposals	100	—		100
Closing balance	**(17,350)**	**—**	**—**	**(17,350)**
Net book value				
Opening balance	2,130,301	2,096,262	32	4,226,595
Closing balance	**4,017,557**	**21,931**	**33**	**4,039,521**

4.1. – Shares in affiliated undertakings

(in thousands of Euros)

Name of undertaking	Registered office	Percentage of capital held (%) as of December 31, 2020	Result for 2020 (1)	Capital and reserves (including result for 2020) (1)	Carrying amount as of December 31, 2020	Carrying amount as of December 31, 2019
Aperam HoldCo S.à.r.l.	Luxembourg	100.00	83,631	2,944,418	3,492,806	1,605,550
Aperam Stainless France S.A.S	France	100.00	(42,900)	451,277	500,000	500,000
Aperam Stainless Services & Solutions Italy S.r.l.	Italy	100.00	(1,068)	2,113	15,000	15,000
Corea S.A.	Luxembourg	100.00	509	10,630	7,976	7,976
Aperam Stainless Services & Solutions Germany GmbH	Germany	10.01	(4,910)	8,001	1,741	1,741
Aperam Treasury S.C.A	Luxembourg	100.00	8,306	1,238	31	31
Aperam Sourcing S.C.A	Luxembourg	< 0.00	40,911	10,347	< 1	< 1
Other	Various	—	n/a	n/a	2	2
					4,017,557	**2,130,301**

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 June 24, 2020, the Company contributed the loan portfolio held by its Swiss branch to the share premium of Aperam HoldCo S.à r.l. for a total consideration of €2,030,140 thousands.

On November 20, 2020, the Company made a capital contribution to the free capital reserve of Aperam Alloys Germany GmbH for a total consideration of €75 thousands in order to recapitalize it and bring its net equity back to €1. This amount of €75 thousands has been fully impaired immediately.

On December 3, 2020, the Company sold its 100% interest in Aperam Alloys Germany GmbH to Aperam Stainless Services & Solutions Germany GmbH for a total consideration of €1.

On December 31, 2020, the Company received a share premium distribution of €142,884 thousands from Aperam HoldCo S.à r.l. made of a distribution in cash of €139,550 thousands and a distribution in kind of a receivable of €3,334 thousands from Aperam South America S.A.

On December 31, 2020, the Board of Directors has reviewed the carrying value of the shares in affiliated undertakings of the Company and considered that there has been no permanent change in the value of the shares the Company has in portfolio.

4.2 – Loans to affiliated undertakings

(in thousands of Euros, unless otherwise stated)	**Currency**	**Amount in original currency**	**December 31, 2020**	**December 31, 2019**
Aperam Treasury S.C.A.	EUR	—	—	1,096,000
Aperam Treasury S.C.A.	BRL	—	—	341,770
Aperam Treasury S.C.A.	PLN	100,000	21,931	23,492
Aperam HoldCo S.à r.l.	EUR	—	—	635,000
Total			**21,931**	**2,096,262**

Description of the main changes during the year

On April 20, 2020, the Company informed Aperam HoldCo S.à r.l. about its intention to exercise its put option on the €635,000 thousands term loan with maturity December 22, 2028. Following this, the term loan has been early amortized on May 11, 2020.

On May 11, 2020, the Company granted a €635,000 thousands term loan to Aperam Treasury S.C.A. with maturity December 28, 2028.

On June 23, 2020, the Company made a payment of BRL 200,000 thousands (€33,895thousands) to Aperam Treasury S.C.A. under the BRL 500,000 thousands credit facility agreement dated May 30, 2019 with maturity July 11, 2029.

On June 24, 2020, the Company contributed its loan portfolio with Aperam Treasury S.C.A. to the share premium of Aperam HoldCo S.à r.l. for a total consideration of €2,030,140 thousands, consisting of 5 loans denominated in Euro for a total consideration of €1,731,000 thousands and 2 loans denominated in BRL for a total consideration of €299,140 thousands (BRL 1,747,653 thousands).

All other movements during the year were due to foreign exchange differences.

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

(in thousands of Euros)	December 31, 2020	December 31, 2019
Amounts receivable on corporate services	100,496	124,526
Amounts receivable on tax integration	16,363	22,484
Dividends to be received	3,334	—
Accrued interests	1	32,434
Total	**120,194**	**179,444**

Description of the main changes during the year

Amounts owed by affiliated undertakings becoming due and payable within one year decreased by €59,250 thousands during the year to €120,194 thousands as of December 31, 2020. This variance is mainly explained by:

- a decrease in accrued interests by €32,433 thousands as the loan portfolio held by the Company has been transferred to Aperam HoldCo S.à r.l. as of June 24, 2020 (see Note 4.2),
- a decrease in amounts receivable on corporate services by €24,030 thousands (Amounts receivable for corporate services are related to various corporate services rendered by the Company to its subsidiaries),
- a decrease in amounts receivable on tax integration by €6,121 thousands (Amounts receivable on tax integration correspond to income tax receivables from entities included in the tax integration headed by the Company), partly offset by
- an increase of dividends receivable by €3,334 thousands (see Note 4.1).

NOTE 6 – OWN SHARES

During the year 2020, 78,893 own shares (94,932 shares, net of 16,039 shares retained for tax purposes) have been given to certain employees of the Company to serve the PSU Plan 2017.

On December 31, 2020, the Company had 101,548 own shares for a total book value of €3,933 thousands.

NOTE 7 – PREPAYMENTS

As of December 31, 2020, prepayment and accrued income amounts to €1,597 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, 2019	83,696,280	438,419	1,205,864	56,366	6,989	1,593,570	332,708	3,633,916
Allocation of net result	—	—	—	—	—	332,708	(332,708)	—
Directors' fees (Note 20)	—	—	—	—	—	(568)	—	(568)
Dividend	—	—	—	—	—	(139,712)	—	(139,712)
Cancellation of shares	(3,700,000)	(19,388)	(65,235)	—	—	—	—	(84,623)
Loss for the financial year	—	—	—	—	—	—	(8,816)	(8,816)
Reserve for own shares	—	—	—	—	(3,056)	3,056	—	—
Balance as of December 31, 2020	**79,996,280**	**419,031**	**1,140,629**	**56,366**	**3,933**	**1,789,054**	**(8,816)**	**3,400,197**

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

8.1. Subscribed capital and share premium account

On September 29, 2020, 3,700,000 shares acquired under the share buyback programme of 2019 were cancelled in line with the announced purpose of the programme.

As of December 31, 2020, the subscribed capital amounts to €419,031 thousands and is divided into 79,996,280 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, 2020
Significant Shareholder [2]	40.89%
Treasury shares	0.13%
M&G plc	6.96%
Other public shareholders	52.02%
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, 2020, the legal reserve is fully constituted.

8.3. Reserve for own shares

The Board of Directors shall request the upcoming General Meeting of Shareholders to approve the release of €3,056 thousands from the reserve for own shares in order to increase the profit brought forward and to align the non distributable reserve to an amount equivalent to the carrying value (Note 6) of its own shares in accordance with Luxembourg Company Law.

NOTE 9 – MATURITY OF CREDITORS

(in thousands of Euros)				December 31, 2020	December 31, 2019
	Up to 1 year	**From 1 to 5 years**	**Above 5 years**	**Total**	**Total**
Non convertible debenture loans	37,576	175,000	15,000	227,576	258,602
Amounts owed to credit institutions	6,096	72,222	66,667	144,985	150,559
Amounts owed to affiliated undertakings	386,685	—	—	386,685	368,169
Other creditors	17,169	—	—	17,169	17,103
Total	**447,526**	**247,222**	**81,667**	**776,415**	**794,433**

NOTE 10 – 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, 2020, an amount of €37,000 thousands was drawn under the Aperam NEU commercial paper programme.

NOTE 11 – AMOUNTS OWED TO CREDIT INSTITUTIONS

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

The increase in amounts owed to affiliated undertakings by €18,516 thousands mainly results from the increase of the liability under cash pooling arrangement with Aperam Treasury S.C.A. by €21,933 thousands.

NOTE 13 – 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 14 – OTHER EXTERNAL EXPENSES

Other external expenses of €59,757 thousands mainly relate to staff, R&D and IT costs invoiced by affiliated undertakings.

NOTE 15 – INCOME FROM PARTICIPATING INTERESTS

Income from participating interests of €59,344 thousands mainly relate to €10,572 thousands and €48,772 thousands of dividends and interest income received from affiliated undertakings, respectively.

NOTE 16 – INTEREST PAYABLE / RECEIVABLE AND SIMILAR EXPENSES / INCOME

(in thousands of Euros)	Year ending December 31, 2020		Year ending December 31, 2019	
	Expenses	**Income**	**Expenses**	**Income**
Interests payable concerning affiliated undertakings	(4,939)	78	(4,408)	1,189
Income from tax integration with affiliated undertakings	—	16,363	—	22,484
Other income with affiliated undertakings	—	951	—	3,329
Total interests concerning affiliated undertakings	**(4,939)**	**17,392**	**(4,408)**	**27,002**
Interests in respect of credit institutions	(2,843)	—	(2,765)	—
Interests in respect of debenture loans	(2,362)	—	(820)	—
Effects of foreign exchange	(84,448)	—	(7,247)	—
Other interest and similar expenses	(86)	—	(8,906)	—
Total other interests	**(89,739)**	**—**	**(19,738)**	**—**
Total interests payable / receivable and similar expenses / income	**(94,678)**	**17,392**	**(24,146)**	**27,002**

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 11).

Interests in respect of debenture loans relate to the *“Schuldscheindarlehen*” and the commercial papers.

NOTE 17 – 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 2020 (2019: nil).

The amount charged to affiliated undertakings amounted to €16,383 thousands (2019: €22,484 thousands). Please refer to Note 16.

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 18 – COMMITMENTS AND CONTINGENCIES

Commitments given

(in thousands of Euros)	**December 31, 2020**	**December 31, 2019**
Guarantees given relating to credit facilities (1)	4,486	4,974
Other commitments (2)	51,044	48,039
Total	**55,530**	**53,013**

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

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 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.$400,000 thousands existing 3-year secured borrowing base facility. It will be used for the company's general corporate purposes. On May 23, 2019, the original final maturity date of the Facility was extended to June 6, 2024.

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, 2020.

Bank credit line

On June 30, 2020, Aperam strengthened its liquidity profile by closing an additional bank credit line for a total commitment of €100,000 thousands valid until June 30, 2021. In the context of COVID-19 outbreak, this financing contract is guaranteed by the "*Office du Ducroire Luxembourg*".

The bank credit line is fully undrawn as of December 31, 2020.

Top-up financing contract

On September 30, 2020, Aperam strengthened its liquidity profile with the signature of a top-up financing contract where the EIB will make available to Aperam an amount of €75,000 thousands, in addition to the outstanding loan of €100,000 thousands, in relation to the financing of advanced stainless steel manufacturing technologies.

The top up financing contract is fully undrawn as of December 31, 2020.

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, 2020, an amount of €37,000 thousands was drawn under the Aperam NEU commercial paper programme.

Contingencies

The Company has no contingency as of December 31, 2020.

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, 2020 and 2019, the amount of outstanding options was nil and 19,967 respectively. The amount of exercisable options was nil and 19,967 for the years ending December 31, 2020 and 2019 respectively.

Share Unit Plans

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).

On May 5, 2020, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2020 and the 2021 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 2020, a total of 101,806 PSUs and 54,060 RSUs were granted to a total of 29 employees and 42 employees, respectively, at a fair value of €21.58 per share (out of which 81,970 PSUs were for the 10 Members of the Leadership Team).

NOTE 19 – STAFF

The Company employed an average of 57 full time equivalents employees during the financial year (59 full-time equivalents during the previous year).

NOTE 20 – DIRECTORS' REMUNERATION

The Company's Board of Directors members are entitled to a total remuneration of €543 thousands for the year ending December 31, 2020 (€568 thousands for the year ending December 31, 2019). Please refer to Note 8.

As of December 31, 2020, and 2019, the Company did not have any outstanding loans or advances to members of Aperam's Board of Directors or key management personnel and had not given any guarantees for the benefit of any member of Aperam's Board of Directors or key management personnel.

NOTE 21 – SUBSEQUENT EVENTS

On February 10, 2021, the Company proposed to maintain its base dividend at €1.75 per share, subject to shareholder approval at the May 4, 2021 Annual General Meeting.

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 the 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, 2020, 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, 2020, 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 €4,018 million as at December 31, 2020.

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, 2020 mainly depends on:

a. The presence of possible impairment indicators such as pro-rata of equity lower than carrying value of the affiliated undertakings,

b. The recoverable value of the shares in affiliated undertakings as at December 31, 2020 and,

c. The existence of durable factors of impairment of shares in affiliated undertakings as at December 31, 2020.

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

Considering the following:

a. The significance of shares in affiliated undertakings as at December 31, 2020, and,

b. 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:

a. We assessed the controls supporting the Company's process to account for and test the impairment of shares in affiliated undertakings at year end,

b. We challenged changes in ownership, as well as increases in capital contribution, tracing these movements to supporting legal documentation,

c. We compared the pro-rata of equity with the carrying value of the shares in affiliated undertakings to identify potential indicator of impairment,

d. We challenged management's judgments and estimates to conclude on the need for impairment of shares in affiliated undertakings at year end,

e. 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:

a. 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.

b. 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.

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

d. 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.

e. 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 4, 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 10 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 S.à.r.l., *Cabinet de Révision Agréé*

Marco Crosetto, *Réviseur d'Entreprises Agréé*
Partner

February 24, 2021

Proposed allocation of the 2020 results

	In Euros
Profit for the financial year	(8,815,828)
Profit brought forward (*Report à nouveau*) before transfer to the reserve for own shares	1,785,998,141
Results to be allocated and distributed	**1,777,182,313**
Transfer from the reserve for own shares	3,055,575
Dividend (1)	(139,815,781)
Directors' compensation	(543,415)
Profit carried forward	**1,639,878,692**

Note:

(1) To be submitted to shareholders' approval at the Annual General Meeting of May 4, 2021, and related to the financial period ending December 31, 2020. On the basis of 79,894,732 shares outstanding as of December 31, 2020 (79,996,280 shares in issue, net of 101,548 treasury shares). Dividends are paid quarterly, resulting in a total annualised cash dividend per share of €1.75.

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