



Interim Financial Report

Half year ending June 30, 2018

aperam

Interim Financial Report 2018

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Disclaimer – Forward Looking Statements

In this Interim Financial Report Aperam makes 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 risks and uncertainties to which it is exposed, including, without limitation, the risks described in this Interim Financial 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 'Summary of principal risks and uncertainties' section of this report. In each case, such forward-looking statements represent 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 otherwise indicated or the context otherwise requires, references in this Interim Financial 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.

Photo credits cover page

Silène luminaris sive Muflier de Borges, Miguel Chevalier, 2015; Painted stainless steel sculpture in red and orange Clement Foundation, Le François, Martinique

Stainless steel used: Aperam 316 Hot Rolled Finish

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Company Overview

Overview

Aperam including its subsidiaries (hereinafter referred to as “Aperam”, “the Company”, “We” or “the Group”) is a leading global stainless and specialty steel producer with an annual production capacity of 2.5 million tonnes. We are a leading stainless and specialty steel producer in South America and the second largest producer in Europe. We are also a leading producer of high value added specialty products, including grain oriented ("GO") and non-grain oriented ("NGO") electrical steels and specialty alloys. Our production capacity is concentrated in six production facilities located in Brazil, Belgium and France. As of the end of June 2018, we have a workforce of about 9,600 employees.

Since the creation of Aperam, we have pursued a successful strategy designed to reinforce our market robustness. We accomplish this by leveraging our in-house internal improvement measures and by relying on our own resources.

We are committed to operating in a responsible manner that respects the health, safety and well-being of our employees, contractors and the communities in which we operate. We are also committed to the sustainable management of the environment and of the finite resources it provides.

Our products are sold to customers in over 40 countries, including those operating in the aerospace, automotive, catering, construction, household appliances and electrical engineering, industrial processes, medical, and oil & gas industries.

Our business is organised into three primary operating segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties.

In 2017, Aperam posted sales of €4.5 billion and shipments of 1.94 million tonnes. For the six months ending June 30, 2018, Aperam had sales of €2.4 billion and shipments of 1.03 million tonnes, compared to the respective €2.3 billion and 0.96 million tonnes posted for the six months ending June 30, 2017.

Contacts

The Company is a Luxembourg public limited liability company (*société anonyme*) incorporated on September 9, 2010.

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.

The mailing address and telephone number of Aperam's registered office are: 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand-Duchy of Luxembourg, tel: +352 27 36 27 00.

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

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Message from the CEO

July 31, 2018



“ Our numbers from the first half of the year demonstrate the robustness of Aperam’s business model - even in the most challenging market conditions.

Furthermore, our announced VDM Metals transaction, shows our strength and ability to capture a value accretive and transforming deal for Aperam at the right price and the right time while maintaining a strong balance sheet. ”

Dear shareholders,

I am proud to present to you our 2018 Interim Financial Report, which reflects our performance and key achievements during the first six months of the year.

During the first half of the year, we have clearly demonstrated the robustness of Aperam’s business model in the context of challenging market conditions. In addition, we announced the signature of a Share Purchase Agreement to acquire VDM Metals. This represents a major step in our development, one that allows us to further grow our Alloys & Specialties steel business, a high added-value segment within the stainless steel and alloys sector.

But let me begin by discussing our top priority: Health and Safety. In the first half of 2018, our health and safety performance, which is measured by our lost time injury frequency rate remained stable at 1.4x. Although this is comparable to our overall 2017 rate, it represents an increase from the 1.2x achieved during the first half of 2017. Even though our performance remains twice as good as the industry average, we will not rest until we reach our ultimate objective of zero accident. To achieve this, we remain focused on changing mindsets, improving procedures and training our entire organisation. It is simply not acceptable that anyone could get hurt while working at Aperam. This is the cornerstone of our commitment to sustainability.

Turning to the market, the first half of 2018 can best be described as ‘challenging’, to say the least. Most notably, trade tensions increased as United States of America (U.S.) placed tariff measures on imported steel and aluminium. Although the U.S. only represents around 5% of Aperam’s sales and such measures have a limited impact on Aperam, the deflection of flows to Europe poses a threat to European industry with a significant increase in the level of imports. In response, the European Commission announced provisional safeguards in July to ensure fair trade conditions for European industry. The United States of America has agreed on a quota system for Brazilian imports.

In this challenging environment and despite some temporary disruptions in Brazil during the second quarter of 2018 due to a national truckers’ strike, we improved our operational performance quarter-on-quarter with an EBITDA of €141 million in Q1 2018 and €150 in Q2 2018. On a half-year basis, our EBITDA for the first six months of 2018 was €291 million, compared to €314 over the same period last year. Our net income for the first six months of 2018 remained at €165 million compared to the €164 million posted during the same period last year. Despite solid cash returns to shareholders in the form of dividends and share buybacks, our net financial debt was €20 million at the end of June 2018 (representing a gearing of 1%), compared to €206 million at the end of June 2017. The effects of the phase 3 of our Leadership Journey® - the Transformation Program - also started to materialise over the first half of the year with a €24 million contribution to EBITDA (annual rate). Under this new phase of the Leadership Journey®, Aperam aims to achieve an incremental €150 million of annualised EBITDA gains by 2020.

The first half 2018 was also marked by several key announcements. Each of these announcements highlight our robust business model and dedication to continuously improving our operational excellence and customer

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satisfaction while also investing in the sustainability of Aperam and retaining strong returns to our shareholders. These announcements include:

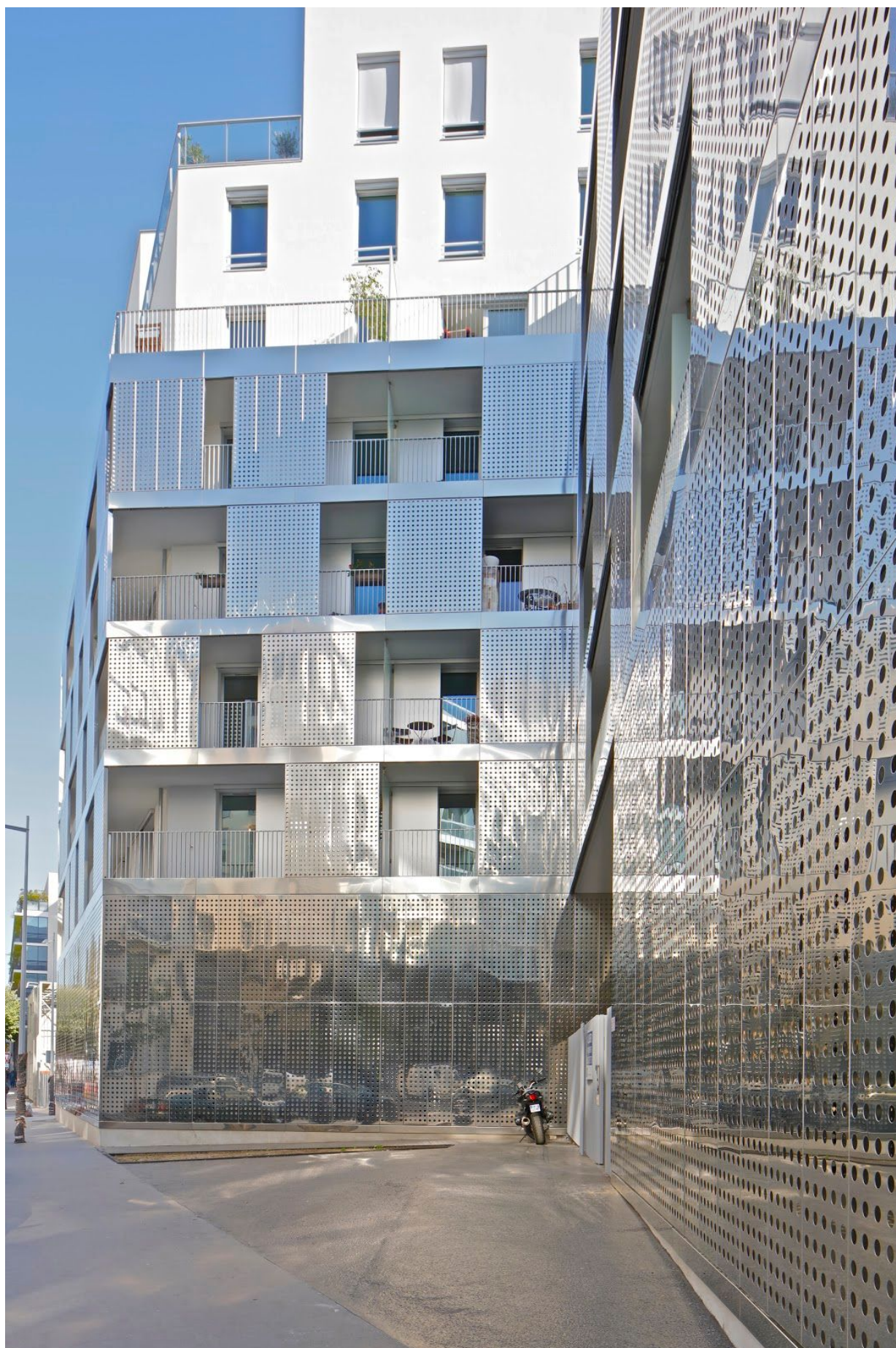
- As we continue to improve Aperam's sustainable profitability, in January we announced a proposal to increase our base dividend from U.S.\$1.50 per share to U.S.\$1.80 per share and a share buyback program of up to U.S.\$100 million. The share buyback program has already been completed in July with 1.8 million shares bought.
- In January we announced a new investment project at our Genk (Belgium) plant. This consisted of adding new Cold Rolling and Annealing and Pickling lines that further facilitate the transformation of our business. With these state-of-the-art modern lines, which use the latest technology, we can enlarge our product range to include the most demanding applications, improve lead-times and our flexibility to respond to market demands, increase the efficiency and cost competitiveness of our assets, and continuously enhance our health, safety and environmental impact.
- Also in January, we announced the transfer of our German Service Centre from Duisburg to Haan. This investment will enable us to further improve our supply chain, reduce working capital and decrease costs while continuously improving our health and safety environment.
- Thanks to the solid execution of our strategy and our financial strength, in April we announced the signature of a Share Purchase Agreement with Falcon Metals and Lindsay Goldberg Vogel to acquire VDM Metals. This represents a major step in our development, one that allows Aperam to further grow our Alloys & Specialties steel business. Thanks to the enhanced footprint that this combination provides, Aperam can now offer our customers the largest range of specialty alloys products and services. Whilst maintaining our priority of a strong balance sheet, consistent with investment grade ratios, we are confident that this acquisition will create further value for all Aperam's stakeholders. This acquisition is fully in line with Aperam's value strategy and represents a purchase price of €438 million which will be financed through a mix of available cash surplus and debt. The acquisition is expected to unlock about €20 million in synergies by 2020, enhance cost competitiveness and provide a strong platform to further develop new products and applications for alloys & specialties materials. The transaction is expected to enhance our Earnings Per Share and Free Cash Flow from year one. We expect to complete the transaction during the second half of 2018 subject to merger control approvals.
- Under the third phase of our Leadership Journey® - the Transformation Program, in May we announced that our annualised recurring EBITDA gains target for 2020 increased from €125 million to €150 million and that our capex increased from €125 million to €150 million. During this phase, we aim to accelerate the adoption of the latest technological breakthroughs, automation and digitisation needed to create a fully connected organisation ready to address the next generation needs of our customers.

Finally, looking towards the remainder of the year, despite high level of imports, we remain confident about the fundamentals of the stainless steel market. In particular, we are confident in the Brazilian market's ability to recover and our capability to take Aperam to the next level of development based on our strategic initiatives.

I would like to thank Aperam's employees and my colleagues from the Leadership Team for their continuous efforts and dedication. With their support, I remain confident that Aperam can reach even higher levels of sustainable performance and profitability as we continue to progress under our Transformation Program.



Timoteo Di Maulo, CEO



Cap City, Rives de Seine - France; ppa architectures Xavier Leplaë architecte; © Philippe Ruault
Stainless steel used: Aperam 304 with Uginox Bright

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Glossary

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

Financial Measures:

- > “EBITDA” is defined as operating income¹ before depreciation¹, amortisation¹ and impairment expenses¹.
- > “free cash flow before dividend and share buy-back” is defined as net cash provided by operating activities¹ less net cash used in investing activities¹.
- > “gearing” is defined as net financial debt divided by equity¹.
 - > “net financial debt” or “NFD” refers to long-term debt¹ plus short-term debt¹, less cash and cash equivalents¹ (including short-term investments)¹.

Other terms used in this interim report:

- > “annealing” refers to the process of heating cold steel to make it more suitable for bending and shaping and to prevent breaking and cracking;
- > “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;
- > “IFRS” means International Financial Reporting Standards as adopted in the European Union;
- > “Lost Time Injury Frequency rate”, or “LTIF”, is a key metric that measures the time lost due to injuries per 1,000,000 worked hour;
- > “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 plant and equipment based on existing technical parameters as estimated by management;
- > “R\$” or “BRL” are Brazilian Real and are converted into € using the closing exchange rate of €1= R\$4.5032 as of June 30, 2018;
- > “sales” include shipping and handling fees and costs billed to a customer in a sales transaction;
- > “Significant shareholder” means the trust (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 S.à r.l.
- > “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;
- > “steckel mill” refers to reversing steel sheet reduction mills with heated coil boxes at each end where steel sheet or plate is sent through the rolls of the reversing mill and then coiled at the end of the mill, reheated in the coil box and sent back through the steckel stands and recoiled;
- > “tonnes” refers to metric tonnes and are used in measurements involving stainless and specialty steel products (a metric tonne is equal to 1,000 kilograms or 2,204.62 pounds);
- > “U.S.\$” or “USD” are U.S. dollars and are converted into € using the closing exchange rate of €1= U.S.\$1.1658 as of June 30, 2018;
- > “upstream” refers to operations that precede downstream steel-making, such as coke, sinter, blast furnaces, electric arc furnaces, casters and hot rolling/steckel mills.

¹ Those measures are derived directly from the financial statements, see the Notes to the Condensed Consolidated Financial Statements

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Business Overview

The following discussion and analysis should be read in conjunction with Aperam's consolidated financial statements and related notes as of and for the year ending December 31, 2017, which can be found in its 2017 Annual Report, along with the unaudited condensed consolidated financial statements as of and for the six months ending June 30, 2018, which are included in this report.

History of Aperam

On December 7, 2010, Aperam's Board of Directors and the Board of Directors of ArcelorMittal approved a proposal to spin-off ArcelorMittal's stainless and specialty steels businesses to its shareholders. 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.

Our key competitive strengths

We believe that our key strengths include:

We are committed to Sustainability and our number one priority is Health & Safety

Safety will always remain our primary duty to our people. To monitor our health and safety performance, the Company uses the "Lost Time Injury Frequency rate" (or "LTIF") indicator, a key metric that measures the time lost due to injuries per 1,000,000 worked hours. In the first half of 2018, our LTIF rate was 1.4x (compared to 1.2x in the first half of 2017). Beyond healthy employees, we also want to foster motivated individuals and agile teams ready to develop and innovate for Aperam. To accomplish this, we are continuously improving our training and career development programmes and are always promoting proximity and team spirit.

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

As a producer of 100% recyclable products, it is only logical that we promote a circular economy. We do this, primarily through our extensive use of scrap materials which means that our steels have some of the lowest carbon footprints in the industry. In addition to our zero-waste objective (for landfill), we also have our fully-owned Recyco subsidiary that recovers metallic contents from melting shop dusts. Last but not least, we are working with a contractor on an innovative circular economy initiative that will fully value our slags (a by-product from the production process) by injecting it with CO₂ to produce construction bricks.

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

For further information regarding Sustainability and our local country supplements, please refer to our "Made for life" report for 2017 available at www.aperam.com under the "Sustainability" section.

A restructured and efficient European footprint able to seize market opportunities

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

In Europe, the Group benefits from high-quality and cost-efficient plants, including the largest and most recent electric arc furnace meltshop (Châtelet, Belgium), the largest hot rolling mill (Châtelet, Belgium), one of the largest cold rolling mills (Genk, Belgium) and LC21, the best-in-class integrated rolling-mill (Isbergues,

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France). In January we announced a new investment project at our Genk (Belgium) plant. This consisted of adding a new Cold Rolling and Annealing and Pickling lines that further facilitate the transformation of our business. With these state-of-the-art modern lines, which use the latest technology, we can enlarge our product range to include the most demanding applications, improve lead-times and our flexibility to meet market demands, increase the efficiency and cost competitiveness of our assets, and continuously enhance our health, safety and environmental impact.

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

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

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

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

The Company is a leading stainless and specialty steel producer in South America and according to the International Stainless Steel Forum (the "ISSF"), is the second largest producer in Europe. Aperam is well-positioned in both developed and emerging markets. In the first half of 2018 approximately 75% of its sales were derived from developed markets and 25% from emerging markets.

Key strengths of Aperam's European operations

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

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Key strengths of Aperam's Brazilian operations

Sourcing	Logistics	Production
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
	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

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

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

Value accretion beyond stainless production

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

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

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

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

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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. (See "Strengthening our Leadership in the Alloys & Specialties segment", below, for additional details).

Aperam's research and development activities are closely aligned with our strategy and focus on product and process development. The Group's Research and Development team is comprised of 132 employees spread across two centres in Europe (Isbergues and Imphy, France) and one centre in Timóteo, Brazil. These centres interact closely with the Group's operating segments and partner with industrial end-users and leading research organisations in order to remain at the forefront of product development. Our research and development capabilities have contributed to both the Group's position as an industry leader and its development of long standing and recognisable brands. Aperam concentrates a significant portion of its research and development budget on high margin value-added niche products, such as specialty alloys and on developing products with enhanced capabilities for new applications and end markets.

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

The Group's profitability is supported by its implementation of the Leadership Journey®. Phase 3 of the Leadership Journey® launched in the beginning of 2018 is on track to reach its objective of €150 million in gains and profit enhancements by the end of 2020. Gains have already started ramping-up with €24 million (annual rate).

In addition, the Group has been able to generate positive free cash flows over the past seven years. As of June 30, 2018, the Group had a net financial debt of €20 million, representing a gearing of 1% compared to a net financial debt of €799 million at the end of December 2010, representing a gearing of 29%.

As of June 30, 2018, the Group had a solid funding structure and debt maturity profile as described in greater detail in the "Liquidity" section.

These achievements are the results of Aperam's strategic priorities as described in greater detail in "Our key strategic priorities" section below.

A talented, dynamic Leadership Team and motivated workforce

Aperam benefits from the experience and industry knowhow of its Leadership Team. The team is comprised of nine members including the Chief Executive Officer ("CEO"), Mr. Timoteo Di Maulo. Mr. Di Maulo has over twenty-six 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 of the Group.

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

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

The collective industry knowledge and leadership of Aperam's senior management team and their record of accomplishment in responding to challenging economic conditions is a key asset to Aperam's business.

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

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Our key strategic priorities

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

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

1. Achieving the next structural profitability improvement based on Phase 3 of the Leadership Journey® - the Transformation Program
2. Driving value through our Top Line strategy by strengthening our product and service differentiation
3. Generating a strong cash flow, and maintaining robust balance sheet ratios consistent with Investment Grade financial ratios

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

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

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

Phase 1: 2011-2013 Restructuring & cost cutting	Phase 2: 2014-2017 Upgrading best performing assets	Phase 3: 2018-2020 Transforming the Company
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.	This new phase of the journey launched in 2017 aims to transform the business and address next generation needs of our customers by creating a modern, fully-connected and technology-enabled organisation
Total target gains Phase 1: U.S.\$350 million	Total target gains Phase 2: U.S.\$225 million	Total target gains Phase 3: €150 million

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

On June 7, 2017, Aperam announced Phase 3 of the Leadership Journey® - the Transformation Program. This new phase of the Leadership Journey® aims to achieve €150 million of additional EBITDA gains per year by the end of 2020 (increased from €125 million to €150 million in May 2018). During this phase, the Company wants to further transform the business to improve our production costs as well as accelerate the adoption of the latest technological breakthroughs, automation and digitisation needed to create a fully-connected organisation ready to address the next generation needs of our customers. As of June 30, 2018, Phase 3 of the Leadership Journey® has contributed a total amount of €24 million to EBITDA (annual rate) .

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

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

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

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

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

More specifically, our Top Line strategy includes:

- > Leveraging our unique stainless steel product portfolio,
- > Driving additional value through the Services & Solutions segment, and
- > Strengthening our leadership position in the Alloys & Specialties segment.

Leveraging our unique stainless steel product portfolio

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

Driving additional value through the Services & Solutions segment

Our industrial footprint in Europe and South America is perfectly complemented by our global service centres and sales networks, which is 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

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services are key to achieving financial and operational excellence. Our value-added services include cutting, polishing, brushing, forming, welding, pickling, annealing and packaging. We believe that further developing the Services & Solutions segment will not only drive additional value creation, it will also allow us to serve our customers more effectively. As part of this strategy, we continue to invest in and strengthen our service centres in Europe, Brazil and other parts of the world. In 2017, Aperam's new cut-to-length line at our Isbergues (France) site became fully operational and has since been presented to customers during an on-site ribbon cutting ceremony. In January 2018, the Company also announced the transfer of its German service centre from Duisburg to Haan. This investment will enable us to further improve our supply chain, reduce working capital and decrease costs while continuously improving our health and safety environment.

Strengthening our leadership position in the Alloys & Specialties segment

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

A transforming and value-unlocking transaction for Aperam while maintaining a strong balance sheet consistent with investment grade ratios:

In support of this objective, on April 11, 2018, Aperam announced the signature of a Share Purchase Agreement with Falcon Metals and Lindsay Goldberg Vogel to acquire VDM Metals Holding GmbH ("VDM Metals"). VDM Metals' product offering is highly complementary to Aperam's Alloys & Specialties division. Our enlarged geographical presence would better position us to fully support the evolution of our customers' needs and address the challenges of the industry.

The combined Alloys & Specialties division would generate pro-forma production revenues of about €1.15 billion with a pro-forma EBITDA of €122 million based on last year's annual Audited Financials of the two entities.

This acquisition is fully in-line with Aperam's value strategy and represents a cash purchase price of €438 million for 100% of the shares in VDM Metals. This corresponds to an Enterprise Value of €596 million, which will be financed through a mix of available cash surplus and debt.

The acquisition is expected to unlock about €20 million of synergies by 2020, enhance cost competitiveness and provide a strong platform to further develop new products and applications for alloys and specialties materials. The transaction is expected to improve Earnings Per Share ("EPS") and Free Cash Flow ("FCF") from year one and executed in line with Aperam's financial policy.

The acquisition presented to the employee representatives of both parties is subject to merger control approvals. It is expected to be completed during the second half of 2018. Until closing, VDM Metals and Aperam will remain fully separate and independent companies.

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Key highlights of the VDM transaction:

Structure	<ul style="list-style-type: none"> - 100% of VDM Metals Holding GmbH and related entities
Value consideration	<ul style="list-style-type: none"> - Total Enterprise Value ("EV") of €596 million including €123 million of pension liabilities, €35 million of net financial debt and purchase price €438 million - Equivalent to 7.8x EV/EBITDA before synergies, based on audited year-ending September 30, 2017 EBITDA of €76 million (last twelve months February 28, 2018 EBITDA is €81 million) - Book value of €225 million for Operating Working Capital as of September 30, 2017 - Locked Box as of September 30, 2017: VDM's subsequent economic results and cash flows to buyer's account
Financing	<ul style="list-style-type: none"> - All cash and debt financed - Aperam will continue to maintain a strong balance sheet consistent with investment grade ratios with a pro forma Net Financial Debt/EBITDA of 0.7x as of December 31, 2017
Conditions precedent	<ul style="list-style-type: none"> - Standard regulatory approvals including merger control approvals - Transaction approved by the Board of Directors
Timetable	<ul style="list-style-type: none"> - Expected closing during the second half of 2018
Value accretive deal	<ul style="list-style-type: none"> - The right price and right timing - Targeting about €20 million per annum of synergies by 2020 - Acquisition expected to enhance EPS and FCF from year one (with synergies to come on top) - Maintain existing shareholder payout policy (between 50% to 100% of EPS) with progressive dividends - Aperam believes its enlarged Alloys & Specialties division should be valued at a premium multiple to stainless steel

3. Strong cash generation and maintaining robust balance sheet ratios consistent with Investment Grade Financial ratios

As part of our efforts to become a more robust company capable of responding to the volatile market environment, we have reduced our net financial debt to €20 million at the end of June 2018, representing a gearing of 1% (compared to a net financial debt position of €799 million at the end of December 2010 when Aperam was constituted). This achievement is based on a strong set of actions that aimed to optimise our debt profile and interest costs.

In the first half of 2018, Aperam took the following actions with respect to its financing:

(i) On June 7, 2018, Aperam successfully exercised the first option of extension by one year of its senior unsecured revolving credit facility of €300 million.

(ii) In May and June 2018, Aperam partially repurchased its convertible bond maturing in July 2021 for a total consideration of €26 million (nominal value U.S.\$25 million or €21 million)

In line with its Financial Policy, in January 2018, the Board of Directors decided to propose for approval by the shareholders a base dividend increase from U.S.\$1.50 per share to U.S.\$1.80 per share. The Board of Directors also decided on a share buyback program for an aggregate maximum amount of U.S.\$100 million

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and a maximum of 1.8 million shares under the authorisation given by the annual general meeting of shareholders held in 2015. The annual and extraordinary shareholders meetings of May 9, 2018, approved the base dividend of U.S.\$1.80 as well as the cancellation of shares repurchased under the share buyback program and the related reduction of issued share capital. On July 20, 2018, Aperam announced the completion of its share buyback program. In aggregate, 1,800,000 shares were bought under this Program, representing an equivalent amount of U.S.\$82.2 million.

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

Please refer to the "Liquidity" section of this Management Report for further details with respect to the Group's financing.



Bibliothèque Universitaire, Villetaneuse - France, Bernard Ropa © Luc Boegly
Stainless steel used: Aperam 304 with Uginox Bright surface finish

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Our profit driving pillars

The Group's key profit driving pillars based on our strategic priorities can be summarised as follows:

1. We continue to improve our operational excellence with our Leadership Journey® and under phase 3 of the Leadership Journey® - the Transformation Program, are targeting €150 million additional annualised gains by 2020.
2. We continuously optimise our product portfolio and replace low contribution margin products with higher margin products with our Top Line strategy, innovative products and best-in-class customer solutions and services.
3. We continue to focus on cash generation while maintaining a strong balance sheet consistent with investment grade financial ratios.
4. We aim to grow our Alloys & Specialties business while continuing to improve our competitiveness.



Congress and music hall, Strasbourg - France
Rey-Lucquet et associés Atelier d'Architecture / Dietrich I Untertrifaller Architekten © Bruno Klomfar
Stainless steel used: Aperam 304L with Uginox Brushed finish

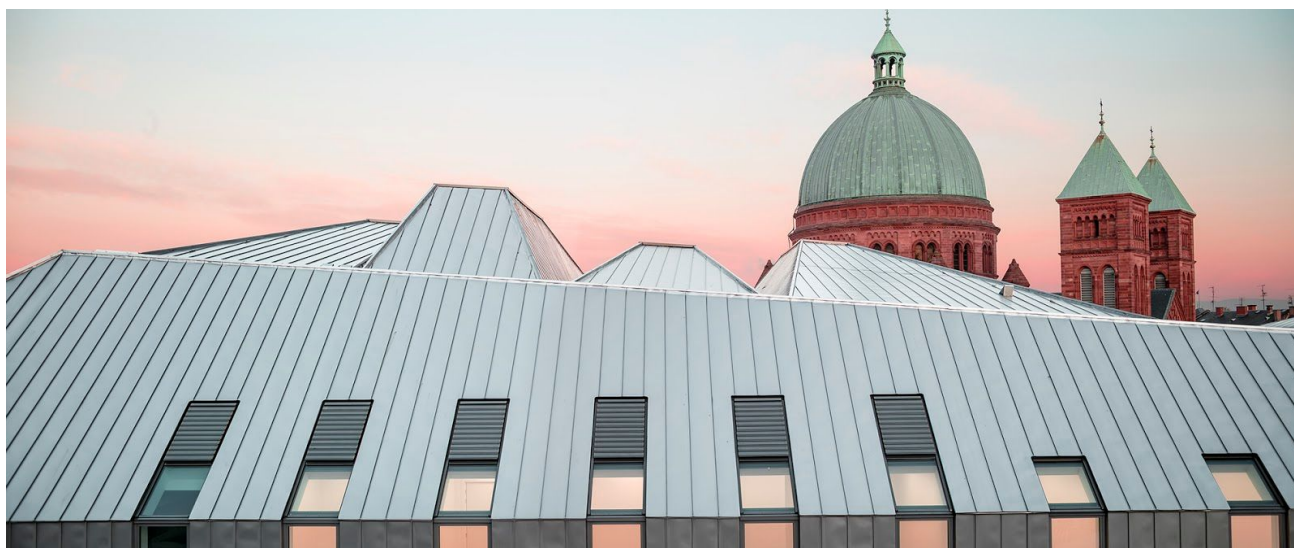
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Summary of principal risks and uncertainties

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

- Global economic cycle downturn, geopolitical risks, overcapacity in the stainless steel industry and/or China slowdown;
- The risks of a nickel price decrease, raw material price uncertainty, material margin squeeze, over-dependency of main suppliers and electricity;
- Fluctuations in currency exchange rates;
- Litigation risks (product liability, patent infringement, commercial practices, employment, employment benefits, taxes, environmental issues, health & safety and occupational disease (including asbestos exposure/classification));
- Risks of lack of competitiveness of workforce costs, retention and social conflicts;
- Customer risks with respect to default and credit insurance companies refusing to ensure the risks;
- Cyber security risks;
- Risk of production equipment breakdown.

These factors are discussed in more detail in the “Principal risks and uncertainties related to Aperam and the stainless and specialty steel industry” section of our Annual Report 2017.



Palais de Justice (Courthouse), Strasbourg - France Garcés.De Seta.Bonet Architectes & Serra-Vives-Cartagena © Adrià Goula
Stainless Steel used: Aperam 304 with Uginox Top finish

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Market environment

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

Stainless steel pricing

The stainless steel market is a global market. Stainless steel is suitable for transport over long distances as logistics costs represent a small proportion of overall costs. As a result, prices for commoditised stainless steel products evolve similarly across regions. However, in general, stainless steel products are not completely fungible due to wide variations in shape, chemical composition, quality, specifications and application, local raw material availability 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 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.

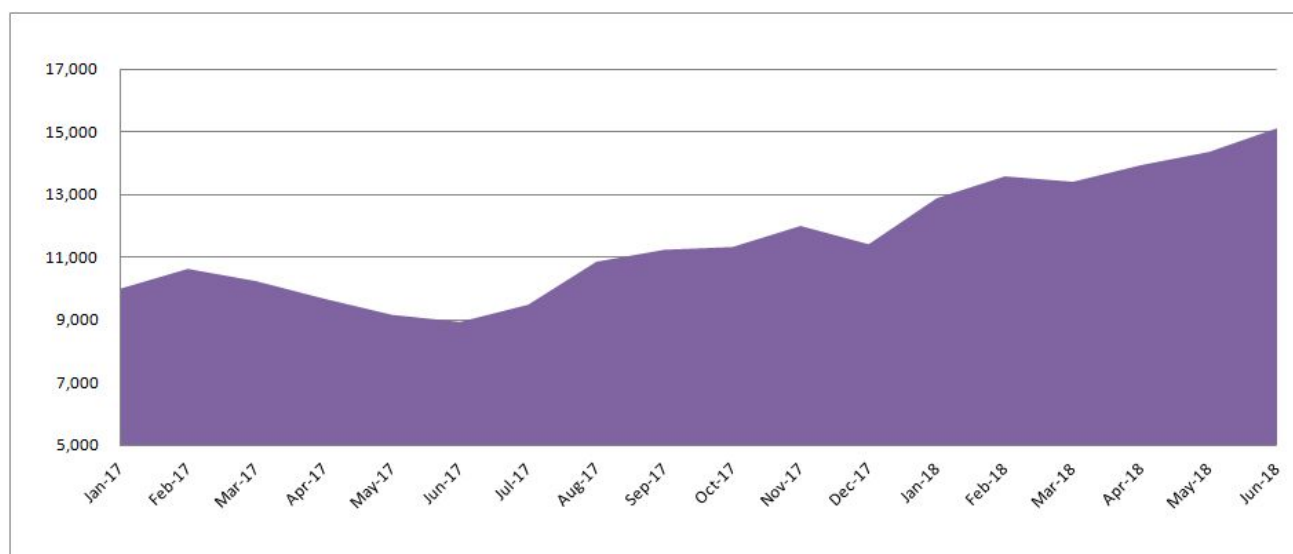
Notwithstanding the application of the "alloy surcharge", the Group is still affected by changes in raw material prices. This is particularly true for nickel, which in the last decade experienced some sudden spikes, before coming back to a lower level. In general, when the price of nickel is falling, purchasers delay their orders of stainless steel products to benefit from an expected decline in prices. 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.

In the first half of 2018, nickel prices, although volatile, continued the upward trend started in mid-2017. This trend is supported by falling LME & Shanghai Futures Exchange ("SHFE") stocks, suspension of several highly-polluting smelters in China, solid demand from the stainless and oil & gas industry, and anticipation over the future booming demand of nickel for the electric vehicles ("EV") battery sector. The LME nickel price rose as high as U.S.\$15,700 per tonne in June 2018 from a low of U.S.\$12,500 per tonne in January 2018. However, in the first days of July 2018 its price dropped below \$14,000 per tonne as a result of global trade and growth concerns

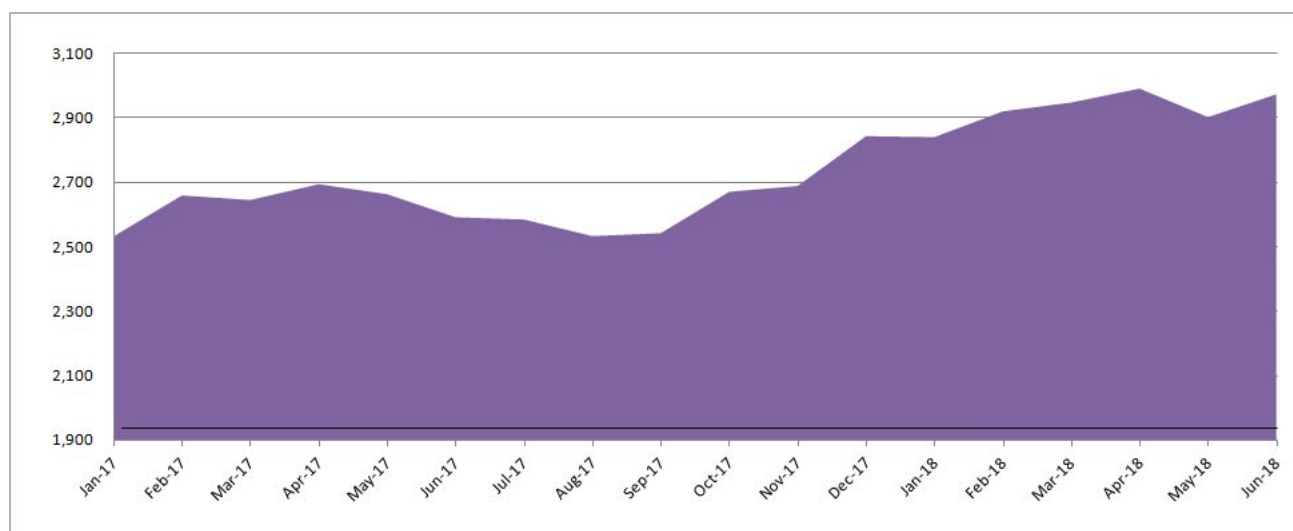
The graphs below show the price of nickel on the LME and the European transaction price for CR304 stainless steel for the period from January 1, 2017 to June 30, 2018:

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



Graph: Stainless Steel/CR304 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").

Several factors (in particular global demand especially market anticipation on the use of nickel in electric vehicle batteries) kept nickel prices higher during the first half of 2018:

As a consequence, the transaction prices of stainless steel coils were higher in the first quarter and remained at similar levels during the whole first semester of the current year.

Despite the healthy demand in the first half year, the steady capacity utilisation improvements in Europe, and the positive price development started in Q1 2017 and continuing in Q2 2018, Aperam remains cautious on its outlook for the next six months. This cautious view is due to: i) continued volatility in raw material prices, ii) uncertainties regarding Global trade actions and its impact on growth, if any iii) overcapacity in Asia.

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In the first half of 2018, the positive trend strengthened mainly thanks to higher raw material prices. The price averaged U.S.\$2,927 per tonne (compared to U.S.\$2,640 per tonne in 2017) (CR304 2B 2mm coil transaction price Europe domestic delivered price).

Electrical steel pricing

In the first half of 2018, electrical steel prices showed a slight recovery. Grain oriented ("GO") steel prices increased, the result of higher demand in Asia while non-grain oriented ("NGO") prices were positively influenced by higher demand for more efficient electric motors worldwide and new applications in automotive (electric vehicles) that are starting to gain more attention.

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 2017, global demand for stainless steel flat products grew again, the result of the sharp increase in demand in China and consumption growth, along with stronger demand in developed markets. In the first semester of 2018 stainless steel consumption continued its robust momentum. This was led by China, where demand grew in excess of 5%, along with healthy increases above 3% in both Europe and the Americas.

In 2017, growth in the specialty alloys market rebounded after the weakness experienced in 2015 and 2016. This growth was led by healthy aerospace and electrical safety markets as well as emerging new niches in electric vehicles and new technology-related applications, all of which were able to offset the still depressed oil & gas markets. Even among oil & gas applications, the growing role of natural gas boosted the demand for specialty alloys. In the first semester of 2018, specialty alloys market continued to grow with a strong contribution from natural gas transportation and the recovery of the oil & gas business as a whole. Healthy aerospace and electrical safety markets as well as emerging new niches also contributed to boosting demand for specialty alloys. Management estimates that the global demand for specialty alloys will continue to increase in the years to come. With an accelerated life cycle of product portfolios, it will be essential to be able to anticipate new market needs linked to emerging technologies and applications.

Production and capacity

In 2017, global flat stainless steel production increased by more than 5%. Global structural overcapacity driven by China continued to affect the global stainless steel industry. 2017 saw another year of double digit growth in flat stainless steel capacity in China, while consumption growth accelerated further. Despite China's promises to tackle overcapacity, in 2017 the surplus capacity continued to impact its stainless industry with cold rolled capacity utilisation estimated around 73%, a slight improvement over 2016.

China is not only facing a significant industry restructuring challenge, but with over 50% of the global installed capacity, its industry is exerting disproportionate direct and indirect export pressures globally.

After having touched their lowest point in 2015-2016, management forecast global utilisation rates to gradually improve through 2022, as growth in global demand continues and China addresses its structural overcapacity.

Competition

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

Aperam's main competitors in Europe are Outokumpu, Acerinox and Thyssenkrupp Acciai Speciali Terni S.P.A. Although antidumping duties imposed on Chinese cold rolled coils significantly reduced imports from China, thanks to a reduced level of anti-dumping duties, imports from Taiwan continued to be robust. Other non-European countries such as South Africa, Malaysia, South Korea, India and Indonesia saw in the first half

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of 2018 their exports following the same growth path started in 2017. The imports-driven pressure on the domestic stainless market is currently being further exacerbated by the recent implementation of U.S. tariffs.

Aperam remains a leading flat stainless steel producer in South America, with its operations based in Timóteo, Brazil. Since 2015, Aperam faced 2 consecutive years of challenging market conditions in Brazil, and maintained profitable operations leveraging its competitiveness for higher exports out of Brazil to the Latin American region and beyond. Brazil economy and steel demand is continuing on recovery momentum with good level of economic growth as well as strong potential in growth of per capita consumption of stainless steel.

The global competitive landscape has transformed over the past years, with Chinese producers Tsingshan, TISCO, Baosteel and Beihai Chengde now ranking among the ten largest global flat stainless steel producers in the world.

Developments regarding Trade Measures

The first half of 2018 was marked by extensive developments in respect to trade measures as described in greater detail below.

European Union

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

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

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

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

On July 18, 2018, the European Commission announced provisional safeguard measures concerning imports of a number of steel products which came into effect on July 19, 2018. These provisional measures concern 23 steel product categories and take the form of a Tariff Rate Quota (“TRQ”). For each of the 23 categories, tariffs of 25% will only be imposed once imports exceed the average of imports over the last three years. As the quota is allocated on a “first-come first-serve” basis, it has not, at this stage, been allocated by individual exporting country. These measures are imposed against all countries, with the exception of some developing countries with limited exports to the EU.

The provisional safeguard measures can remain in place for a maximum of 200 days. The European Commission will reach its final conclusion, by early 2019 at the latest. If all conditions are met, definitive safeguard measures may be imposed.

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Type of products	Countries ⁽¹⁾	Volume of tariff quota (200 days)	Additional duty rate	Effective from ⁽²⁾
Hot Rolled Stainless Steel Flat Products	All countries with some exclusion	193.049 tons	25%	July 19, 2018
Cold Rolled Stainless Steel Flat Products	All countries with some exclusion	476.161 tons	25%	July 19, 2018

Notes:

- (1) Products originating in Norway, Iceland and Liechtenstein shall not be subject to the measures and products originating from developing countries below 3% of total imports in the year 2017 are, for the time being, not subject to the measures, according to WTO rules.
- (2) Entry into force from the day following that of the publication of the provisional measures in the Official Journal of the European Union. The measures will be effective up to 200 days from the initial day.

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

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

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Brazil

Since 2012, 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 for welded austenitic stainless pipes, flat stainless steel products and flat non-grain oriented products and imposed 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 CR304 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. Countries involved are China, Taiwan, South Korea, Vietnam, Finland and Germany
Stainless Steel Welded Tubes in thickness between 0.4mm to 12.70mm	Normal import duties are 14%	AD duties starting July 29, 2013, for 5 years from U.S.\$360/tonne up to U.S.\$911/tonne. Countries involved are China and Taiwan. Renewal investigation launched on July 16, 2018. AD duties starting June 13, 2018, for 5 years from U.S.\$367/tonne up to U.S.\$888/tonne. Countries involved are Malaysia, Thailand and Vietnam.
Electrical steel - Non Grain Oriented (NGO)	Normal import duties are 14%	AD duties starting July 17, 2013, for 5 years from U.S.\$133/tonne to U.S.\$567/tonne. Countries involved are China, South Korea and Taiwan. On August 15, 2014, Camex released NGO AD partially, giving 45kt of imports in the next 12 months without AD penalties. On November 4, 2015, Brazilian authorities decided to end up 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. An investigation has also been launched against Germany on May 9, 2018.
Electrical steel - Grain Oriented	Normal import duties are 14%	

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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.

In the first half of 2018, nickel prices continued to increase along the same trend since mid-2017. The metal was supported by falling exchange inventory levels on both LME and SHFE. Both the stainless and specialty alloy industries (Oil & Gas) showed strong demand. Support for long-term demand is expected to come from the EV battery sector. The LME nickel price rose as high as U.S.\$15,700 per tonne in June 2018 from a low of U.S.\$12,500 per tonne in early January 2018.

Driven by strong volatility on the Chinese market, ferrochrome continued to rollercoaster in the first half of 2018. In the first quarter of 2018, the European benchmark price dropped to U.S.\$1.18 per pound of chrome (from U.S.\$1.39 per pound of chrome in the fourth quarter of 2017), only to rise again to U.S.\$1.42 per pound of chrome in the second quarter of 2018.

At the start of 2018, molybdenum prices initially rose to U.S.\$28.9 per kilogram, following solid demand from specialty alloys. However, as supply again outpaced demand during the second quarter, molybdenum prices ended the first half of 2018 at U.S.\$23.5 per kilogram, about the same as early January 2018.

Iron ore prices started the year relatively high at U.S.\$75 per tonne and kept that level until the end of February 2018. March 2018 saw a sharp drop to U.S.\$65 per tonne as demand from China weakened. The price remained at this level for the rest of the first half of 2018.

In the first half of 2018, ferrous scrap prices oscillated around a relatively high level of U.S.\$350 per tonne with only a short-lived dip to U.S.\$325 per tonne in May 2018.

Energy

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

The Group benefits from access to baseload nuclear power in France. Remaining needs are sourced from the market. In France, a supply contract has been put in place with ArcelorMittal Energy S.c.a. since the beginning of 2016, whereas in Belgium, such a contract has been in place since the beginning of 2015.

With regard to industrial gases, the Group procures its industrial gas requirements using short or long-term contracts with various suppliers in different geographical regions.

Impact of exchange rate movements

At the end of 2017, the Euro amounted to 1.1993 U.S. dollar/Euro and 3.9693 Brazilian real/Euro. In the first half of 2018, the Euro depreciated by 2.8% against the U.S. dollar to reach 1.1658 U.S. dollar/Euro. In the first half of 2018, the Euro appreciated by 13.5% against the Brazilian real to reach 4.5032 Brazilian real/Euro.

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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. In order 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.



CTLES extension, Bussy-Saint-Georges - France; Antonini + Darmon © Pierre L'Excellent
Stainless steel used: Aperam 304L with Uginox Bright finish

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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 six months ending June 30, 2018, compared to the six months ending June 30, 2017.

Key Indicators

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

Sales, Steel Shipments and Average Steel Selling Prices

The following table provides our sales, steel shipments and average selling prices by operating segment for the six months ending June 30, 2018 as compared to the six months ending June 30, 2017:

Operating segment	Sales for the Six Months Ending June 30, ⁽¹⁾		Steel Shipments for the Six Months Ending June 30, ^{(1) (2)}		Average Steel Selling Price for the Six Months Ending June 30, ⁽¹⁾		Changes in		
	2018	2017 ⁽³⁾	2018	2017 ⁽³⁾	2018	2017 ⁽³⁾	Sales	Steel Shipments	Average Steel Selling Price
	(in millions of Euros)		(in thousands of tonnes)		(in Euros/tonne)		(%)		
Stainless & Electrical Steel ⁽⁴⁾	2,010	1,951	995	932	1,963	2,036	3.0	6.8	(3.6)
Services & Solutions	1,110	1,085	447	420	2,389	2,484	2.3	6.4	(3.8)
Alloys & Specialties	280	234	19	17	14,082	13,156	19.7	11.8	7.0
Total (before intragroup eliminations)	3,400	3,270	1,461	1,369			4.0	6.7	
Total (after intragroup eliminations)	2,434	2,349	1,025	964	2,309	2,362	3.6	6.3	(2.3)

Notes:

- (1) Amounts are shown prior to intra-group eliminations. For additional information, see Note 2 to the Condensed Consolidated Financial Statements
- (2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 436 thousand tonnes and 405 thousand tonnes in the six months ending June 30, 2018 and 2017, respectively.
- (3) Amounts for the six months ending June 30, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.
- (4) Includes shipments of special carbon steel from the Company's Timóteo production facility.

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Sales increased by 3.6% to €2,434 million for the six months ending June 30, 2018, from €2,349 million for the six months ending June 30, 2017. The increase in sales was due to higher shipments, which increased by 6.3% to 1,025 thousand tonnes for the six months ending June 30, 2018, from 964 thousand tonnes for the six months ending June 30, 2017, partly offset by a lower average steel selling price, which decreased by 2.3% to €2,309 per tonne for the six months ending June 30, 2018, from €2,362 per tonne for the six months ending June 30, 2017.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) increased by 3.0% to €2,010 million for the six months ending June 30, 2018, from €1,951 million for the six months ending June 30, 2017, mainly as a result of higher shipment volumes, partly offset by a decreased average steel selling price. Steel shipments for this segment (including intersegment shipments) increased to 995 thousand tonnes for the six months ending June 30, 2018, from 932 thousand tonnes for the six months ending June 30, 2017, which represented an increase of 6.8%. The average steel selling price for the Stainless & Electrical Steel segment decreased by 3.6%, to €1,963 per tonne for the six months ending June 30, 2018, from €2,036 per tonne for the six months ending June 30, 2017.

Sales to external customers in the Stainless & Electrical Steel segment were €1,086 million for the six months ending June 30, 2018, representing 44.6% of total sales, an increase of 1.9% as compared to sales to external customers of €1,066 million for the six months ending June 30, 2017, or 45.4% of total sales.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) increased by 2.3% to €1,110 million for the six months ending June 30, 2018, from €1,085 million for the six months ending June 30, 2017. The increase was due to higher shipment volumes, partly offset by the average stainless steel selling price. Steel shipments for this segment increased to 447 thousand tonnes for the six months ending June 30, 2018, from 420 thousand tonnes for the six months ending June 30, 2017, which represented an increase of 6.4%. The average steel selling price for the Services & Solutions segment decreased by 3.8%, to €2,389 per tonne for the six months ending June 30, 2018, from €2,484 per tonne for the six months ending June 30, 2017.

Sales to external customers in the Services & Solutions segment were €1,070 million for the six months ending June 30, 2018, representing 44.0% of total sales, an increase of 2.6% as compared to sales of €1,043 million for the six months ending June 30, 2017, or 44.4% of total sales.

Alloys & Specialties

Sales in the Alloys & Specialties segment increased by 19.7% to €280 million for the six months ending June 30, 2018, from €234 million for the six months ending June 30, 2017. The increase was primarily due to higher average selling price and higher shipments. The average steel selling price for the Alloys & Specialties segment increased by 7.0% to €14,082 per tonne for the six months ending June 30, 2018, compared to €13,156 per tonne for the six months ending June 30, 2017. Steel shipments for this segment were 19 thousand tonnes for the six months ending June 30, 2018, which is an 11.8% increase compared to the 17 thousand tonnes for the six months ending June 30, 2017.

Sales to external customers in the Alloys & Specialties segment were €278 million for the six months ending June 30, 2018, representing 11.4% of total sales, for an increase of 19.8% as compared to sales to external customers of €232 million for the six months ending June 30, 2017, or 9.9% of total sales.

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Operating Income

The Group's operating income for the six months ending June 30, 2018, was €221 million, compared to an operating income of €241 million for the six months ending June 30, 2017. The decreased operating income for the six months ending June 30, 2018, compared to the six months ending June 30, 2017, is mainly driven by the impact of higher input costs and lower base prices, partly offset by higher shipments and the contribution from our Leadership Journey® and Top Line strategy.

The following table provides our operating income and operating margin for the six months ending June 30, 2018, as compared with the six months ending June 30, 2017:

	Operating Income Six Months Ending June 30,		Operating Margin Six Months Ending June 30,	
	2018	2017 ⁽¹⁾	2018	2017
Operating Segment	(in millions of Euros)		(%)	
Stainless & Electrical Steel	173	201	8.6	10.3
Services & Solutions	34	38	3.1	3.5
Alloys & Specialties	27	20	9.6	8.5
Total⁽²⁾	221	241	9.1	10.3

Notes:

(1) Amounts for the six months ending June 30, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

(2) Amounts shown include eliminations of €(13) million and €(18) million for the six months ending June 30, 2018, and 2017, respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with inter-segment eliminations and/or non-operational items which are not segmented.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was €173 million for the six months ending June 30, 2018, compared to an operating income of €201 million for the six months ending June 30, 2017. The operating result for the Stainless & Electrical Steel segment decreased for the six months ending June 30, 2018, compared to the six months ending June 30, 2017, mainly the result of some negative effect on stainless steel prices and input costs (electrodes, refractories, energy), partly compensated by higher shipments and the contribution of the Leadership Journey® and Top Line strategy.

Services & Solutions

The operating income for the Services & Solutions segment was €34 million for the six months ending June 30, 2018, compared to an operating income of €38 million for the six months ending June 30, 2017. The negative impact that higher pressure from imports had on the selling price, mainly in Europe, was partially compensated for by the contribution of the Top Line strategy.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was €27 million for the six months ending June 30, 2018, compared to an operating income of €20 million for the six months ending June 30, 2017. This better operational result was primarily due to a recovering market environment, which translated into an increase in shipments and improvement in mix, along with some positive effect on raw material stock.

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Interest Income

Interest income was €1 million for the six months ending June 30, 2018, compared to €1 million recorded for the six months ending June 30, 2017, mainly corresponding to interest income on short-term investments in Brazil.

Interest Expense and Other Net Financing Costs

Interest expense and other net financing costs include interest expense, net foreign exchange and derivative results and other net financing costs. Interest expense and other net financing costs decreased to €(10) million for the six months ending June 30, 2018, compared to €(29) million for the six months ending June 30, 2017.

Excluding the foreign exchange and derivative result described below, interest expense and other financing costs for the six months ending June 30, 2018, were €(11) million, primarily related to financing costs of €(4) million. This is compared to the interest expense and other financing costs of €(25) million for the six months ending June 30, 2017, primarily related to financing costs of €(7) million. Financing costs relate to interests and other expenses related to the service of debt and other financing facilities.

Realised and unrealised foreign exchange and derivative gains were €1 million for the six months ending June 30, 2018, compared to realised and unrealised foreign exchange and derivative losses of €(4) million for the six months ending June 30, 2017. Foreign exchange results primarily relate to the accounting revaluation of non-Euro assets, liabilities, sales and earnings. Results on derivatives primarily relate to the financial instruments we entered to hedge our exposure to nickel prices which do not qualify for hedge accounting treatment under IFRS 9.

Income Tax

We recorded an income tax expense of €(48) million for the six months ending June 30, 2018, compared to an income tax expense of €(49) million for the six months ending June 30, 2017. Our 2018 income tax expense was primarily due to positive operational results in several countries. The stability in income tax expense for the six months ending June 30, 2018, compared to the six months ending June 30, 2017, is primarily due to the level of profit before tax which is similar between the six months ending June 30, 2018 and the six months ending June 30, 2017 at €213 million.

Net Income Attributable to Equity Holders of the Parent

Our net result was a profit of €165 million for the six months ending June 30, 2018, compared to a profit of €164 million for the six months ending June 30, 2017.

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Alternative Performance Measures

This Interim Financial Report includes Alternative Performance Measures (“APM”), which are non-GAAP financial measures. Aperam believes that these APMs are relevant for enhancing 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)

Six months ending June 30, 2018	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations⁽¹⁾	Total
Operating income (loss)	173	34	27	(13)	221
Depreciation and Impairment	(61)	(4)	(3)	(2)	(70)
EBITDA	234	38	30	(11)	291

(in millions of Euros)

Six months ending June 30, 2017⁽²⁾	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations⁽¹⁾	Total
Operating income (loss)	201	38	20	(18)	241
Depreciation and Impairment	(64)	(4)	(3)	(2)	(73)
EBITDA	265	42	23	(16)	314

Notes:

(1) Others/Eliminations includes all other operations than mentioned above, together with inter-segment elimination, and/or non-operational items that are not segmented.

(2) Amounts for the six months ending June 30, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Net Financial Debt/(Net cash) and Gearing

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

Gearing is defined as Net Financial Debt divided by Equity.

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

<i>(in millions of Euros)</i>	June 30, 2018	December 31, 2017⁽¹⁾
Long-term debt	2	238
Short-term debt	235	5
Cash and cash equivalents	(217)	(306)
Net financial debt/(Net cash)	20	(63)
Equity	2,407	2,544
Gearing	1%	n/a

Note:

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

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:

<i>(in millions of Euros)</i>	Six Months Ending June 30,	
	2018	2017⁽¹⁾
Net cash provided by operating activities	143	113
Net cash used in investing activities	(85)	(74)
Free cash flow before dividend and share buy-back	58	39

Note:

(1) Amounts for the six months ending June 30, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Related Party Transactions

We are engaged in certain commercial and financial transactions with related parties. Please refer to the Condensed Consolidated Statement of Operations for the six months ending June 30, 2018, and to Note 22 to the Consolidated Financial Statements as of December 31, 2017, for further details.

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 on 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 €217 million and €306 million as of June 30, 2018 and December 31, 2017 respectively.

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Our total gross debt, which includes long and short-term debt, was €237 million and €243 million as of June 30, 2018 and December 31, 2017 respectively. Net financial debt, defined as long-term debt plus short-term debt less cash and cash equivalents (including short term investments), was €20 million as of June 30, 2018, compared to a net cash position of €63 million at December 31, 2017. Gearing, defined as net financial debt divided by total equity, was 1% as of June 30, 2018.

As of June 30, 2018, no amount of the revolving credit facility was drawn, leaving a committed credit line of €300 million under the facility (see more details in “Financing” section below).

In addition, as of June 30, 2018, Aperam had €6 million of debt outstanding at the subsidiary level. As of June 30, 2018, the Company had a total liquidity of €567 million, consisting of cash and cash equivalents (including short term investments) of €217 million and committed credit lines of €350 million (revolving credit facility of €300 million and EIB financing of €50 million as described below). As of December 31, 2017, the Company had a total liquidity of €656 million, consisting of cash and cash equivalents (including short term investments) of €306 million and committed credit lines of €350 million (revolving credit facility of €300 million and EIB financing of €50 million as described below).

These facilities, which include debt held at the subsidiary level, together with other forms of financing, including the convertible bonds, represent an aggregate amount of approximately €0.6 billion, including a borrowing capacity of €350 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 ten banks. The Facility is structured as a five-year revolving credit facility with two options of extension by one year each, replacing its U.S.\$400 million three-year secured borrowing base facility. It will be used for the company’s general corporate purposes. On May 22, 2018, the original final maturity date of the Facility was extended to June 6, 2023.

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

The Facility contains financial covenants, including:

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

On June 30, 2018, these financial covenants were fully met.

EIB financing

On June 27, 2016, Aperam and the European Investment Bank (“EIB”) announced the signing of a financing contract in the amount of €50 million which will be dedicated to financing a research and development programme over the 2016-2019 period, as well as an upgrade of two plants located in cohesion regions in France & Belgium (Isbergues - Hauts-de-France and Châtelet - Hainaut). This project was funded under the Investment Plan for Europe, also known as the “Juncker Plan”. France is one of the main beneficiary countries of the Plan, with 35 operations launched to date by the EIB Group for a total amount of €1.7 billion, which should generate €15 billion of additional investments. The financing contract is senior unsecured and is available for eighteen months following the signature date. Loans can be drawn for five years maturity with bullet repayment or for ten years maturity with progressive amortisation of principal.

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On December 4, 2017 and April 3, 2018, the availability period of the Facility was further extended to June 27, 2018 and December 27, 2018 respectively.

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 2021 ("Bonds"). Following the success of the offering, the Company decided to exercise the extension clause in full to increase the initial offering size to U.S.\$300 million. The net proceeds of the offering are being used for general corporate purposes and the refinancing of existing indebtedness. The issue of the bonds reflects the Company's proactive approach to optimising its debt profile and interest costs.

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

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

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

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

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

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

In May and June 2018, U.S.\$25.0 million (€21.4 million) of Bonds were repurchased by the Company for a total consideration of U.S.\$30.4 million (€26.0 million).

In May 2018, following the successive quarterly dividend payments during 2016, 2017 and 2018, the conversion price of such bond was adjusted to U.S.\$40.57 as per respective terms and conditions. On such basis, the issuance of up to 6,758,689 new shares would be required to deliver the necessary shares upon conversion of the Bonds.

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

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

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True Sales of Receivables Program

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

The total amount of receivables sold under the True Sale of Receivables program and derecognised in accordance with IFRS 9 during the six months ending June 30, 2018 and 2017 was €0.87 billion and €0.79 billion respectively. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognised in the statement of operations as financing costs and amounted to €(3) million and €(2) million for the six months ending June 30, 2018 and 2017 respectively.

Credit ratings

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

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

Moody's

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

Standard & Poor's

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

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Financial Policy

Aperam's financial policy aims to maximise the long-term growth of the Company and the value accretion for its shareholders while maintaining a strong Balance Sheet consistent with Investment Grade financial ratios.

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

Notes:

(1) The Board of Directors proposed for approval at the shareholder meeting of May 9, 2018, a base dividend increase to U.S.\$1.80/share. Please refer to section "Earnings distribution" below for more details.

(2) On January 30, 2018, the Company announced a share buyback program for an aggregate maximum amount of U.S.\$100 million and a maximum of 1.8 million shares under the authorisation given by the annual general meeting of shareholders held in 2015. On July 20, Aperam announced the completion of the share buyback program. In aggregate, 1.8 million shares were bought under this program, representing an equivalent amount of U.S.\$ 82.2 million. Please refer to section "Earnings distribution" below for more details.

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

Earnings distribution

Dividend

As the Company continues to benefit from its strategic actions and improve its sustainable profitability, on January 30, 2018, the Company proposed to increase its base dividend from U.S.\$1.50/share to U.S.\$1.80/share, subject to shareholder approval.

On May 9, 2018, at the 2018 Annual General Meeting, the shareholders approved a base dividend of U.S.\$1.80 per share. The dividend is being paid in four equal quarterly instalments of U.S.\$0.45 (gross) per share.

Dividends are announced in U.S. dollars. They 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 paid in Euro for shares listed on the European Stock Exchanges (Euronext Amsterdam, Euronext Brussels, Euronext Paris and Luxembourg stock exchange). Dividends to be paid in Euro are converted from U.S. dollars to Euro based on the European Central Bank exchange rate at the date mentioned in the table below.

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

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The detailed dividend schedule for 2018 as announced on January 30, 2018, is as follows:

	1 st Quarterly Payment (interim)	2 nd Quarterly Payment	3 rd Quarterly Payment	4 th Quarterly Payment
Announcement date	05 March 2018	14 May 2018	13 August 2018	12 November 2018
Ex-Dividend	08 March 2018	17 May 2018	16 August 2018	15 November 2018
Record date	09 March 2018	18 May 2018	17 August 2018	16 November 2018
Payment date	29 March 2018	13 June 2018	14 September 2018	11 December 2018
FX Exchange rate	06 March 2018	15 May 2018	14 August 2018	13 November 2018

Share buyback

Corporate authorisations and key features of the 2018 share buyback program

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

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

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

Simultaneously, the Mittal family has declared its intention to enter into a share repurchase agreement with Aperam to sell on each trading day on which Aperam has purchased shares under the Program, an equivalent number of shares, at the proportion of the Mittal family's stake of 40.89% in Aperam, at the same price as the shares are repurchased on the market. The effect of the share repurchase agreement is to maintain the Mittal family's voting rights in Aperam's issued share capital (net of treasury shares) at the current level, pursuant to the Program.

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

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

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

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

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

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

The weekly reportings of transactions in trading in own shares in accordance with the Market Abuse Regulation are available on the Company's website www.aperam.com, section "Investors & shareholders" > "Share buyback program".

Disclosure of trading in own shares under Luxembourg Company law

- Number of own shares held on December 31, 2017: 182,502 shares or 0.21% of the subscribed capital, representing a nominal value of U.S.\$8,602,631 (€7,856,381) and an accounting par value of €956,310.
- Number of own shares acquired under share buyback program during the first half of 2018: 1,386,999 or 1.62% of the subscribed capital, representing a nominal value of €55,185,815 and an accounting par value of €7,265,448.
- Number of shares received as a consequence of the call spread overlay unwinding in relation to the convertible bonds 2021: 13,499 or 0.02% of the subscribed capital, representing a nominal value of €538,845 and an accounting par value of €70,711.
- Number of own shares held on June 30, 2018: 1,583,000 or 1.85% of the subscribed capital, representing a nominal value of €63,581,040 and an accounting par value of €8,292,150.

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Fondation Clément, Le François - Martinique; Reichen et Robert & Associés © Fondation Clément
Aperam Stainless Steel used: Aperam 316L with Uginox Meca 8 ND (mirror) & Uginox Linen

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Sources and Uses of Cash

The following table presents a summary of our cash flow for the six months ending June 30, 2018, as compared to the six months ending June 30, 2017:

	Summary of Cash Flows	
	Six months ending June 30,	
	2018	2017⁽¹⁾
	<i>(in millions of Euros)</i>	
Net cash provided by operating activities	143	113
Net cash used in investing activities	(85)	(74)
Net cash used in financing activities	(144)	(147)

Note:

(1) Amounts for the six months ending June 30, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

Net cash provided by operating activities

Net cash provided by operating activities amounted to €143 million for the six months ending June 30, 2018, compared to €113 million for the six months ending June 30, 2017. The net cash provided by operating activities in the six months ending June 30, 2018, increased by €30 million compared to the six months ending June 30, 2017, mainly on account of less cash deployment in working capital.

Net cash used in investing activities

Net cash used in investing activities amounted to €(85) million for the six months ending June 30, 2018, compared to €(74) million for the six months ending June 30, 2017. The net cash used in investing activities for the six months ending June 30, 2018, was mainly related to capital expenditures of €(88) million compared to €(75) million for the six months ending June 30, 2017, partly offset by €2 million of proceeds received in relation to the sale of Gerda shares.

Net Cash used in financing activities

Net cash used in financing activities was €(144) million for the six months ending June 30, 2018, compared to net cash used in financing activities of €(147) million for the six months ending June 30, 2017. Net cash used in financing activities for the six months ending June 30, 2018 was primarily due to €(63) million of dividend payments, €(55) million of acquisition of treasury shares under the share buyback program and €(26) million of convertible bonds 2021 early buy-back. Net cash used in financing activities for the six months ending June 30, 2017 was primarily due to €(90) million of acquisition of treasury shares under the share buyback program and €(53) million of dividend payments.

Equity

Equity attributable to the equity holders of the parent decreased to €2,407 million on June 30, 2018, as compared to €2,544 million on December 31, 2017. This is primarily due to a dividend declaration of €(128) million, foreign currency translation differences of €(115) million and the purchase of €(55) million of treasury shares, partly offset by a net income for the period of €165 million.

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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 “Summary of principal risks and uncertainties” above.

Outlook

On July 31, 2018, the Company released its second quarter 2018 results which are available on the Company’s website www.aperam.com under the “Investors & shareholders” > “Earnings” section. As part of its prospects, the Company announced that EBITDA in Q3 2018 is expected to decrease compared to Q2 2018 due to the traditional seasonal slowdown in Europe. The net financial debt is expected to remain at low levels in Q3 2018.

Recent Developments

- On February 27, 2018, Aperam announced the publication of its Annual Report 2017.
- On April 6, 2018, Aperam announced the publication of the convening notice for its Annual General Meeting and Extraordinary General Meeting of shareholders to be held on May 9, 2018.
- On April 11, 2018, Aperam announced the signing of a Share Purchase Agreement with Lindsay Goldberg to acquire VDM Metals.
- On April 18, 2018, Aperam announced the publication of its “Made for Life” report for 2017, which constitutes Aperam’s sustainability performance report.
- On July 20, 2018, Aperam announced the completion of its share buyback program. In aggregate, 1,800,000 shares were bought under this Program, representing an equivalent amount of U.S.\$82.2 million.

Recent Developments in Legal Proceedings

The Company is party to various environmental liabilities, labor disputes, tax and other claims. The most significant of these are described in Note 24 to the Consolidated Financial Statements as of and for the year ending December 31, 2017. Changes in contingencies since December 31, 2017 are described in Note 11 to this Condensed Consolidated Financial Statements.

Corporate Governance

Please refer to the “Corporate Governance” section of Aperam’s Annual Report 2017 for a complete overview. Aperam’s Annual Report is available at www.aperam.com under the “Investors & shareholders” > “Aperam Financial Reports” section. The purpose of the present section is solely to describe the events and changes affecting Aperam’s corporate governance between December 31, 2017 and June 30, 2018.

Board of Directors and Committees

Election of members of the Board of Directors

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

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Composition of the Board of Directors and Committees

The members of the Board of Directors as well as their memberships to the Board's Committees as of the date of this Interim Financial Report are set forth below.

Name	Position within the Company	Date joined Board	Term Expires
Mr. Lakshmi N. Mittal	Chairman, Non-independent member of the Board of Directors	December 2010	May 2019
Mr. Romain Bausch ^{(1) (2)}	Lead Independent Director, Independent member of the Board of Directors	January 2011	May 2019
Mr. Joseph Greenwell ^{(1) (2)}	Independent member of the Board of Directors	May 2013	May 2020
Ms. Kathryn A. Matthews ⁽²⁾	Independent member of the Board of Directors	December 2010	May 2019
Mr. Aditya Mittal	Non-independent member of the Board of Directors	December 2010	May 2019
Ms. Laurence Mulliez ⁽¹⁾	Independent member of the Board of Directors	May 2011	May 2020
Mr. Philippe Darmayan	Non-independent member of the Board of Directors	May 2015	May 2021

Notes:

Company Secretary: Mr. Laurent Beauloye

⁽¹⁾ Member of the Audit and Risk Management Committee.

⁽²⁾ Member of the Remuneration, Nomination and Corporate Governance Committee.

Information related to the shares of the Company

Authorisation of grants of share-based incentives

On May 9, 2018, the Annual General Meeting of Shareholders authorised the Board of Directors to issue up to 150,000 of the Company's fully paid-up ordinary shares under the Leadership Team Performance Share Unit Plan (the "LT PSU Plan"). These shares can be newly issued shares or treasury shares. The Board of Directors may consider appropriate rules to implement the LT PSU Plan, including other performance-based grants below the level of the Leadership Team. Awards under the LT PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant. The details of the LT PSU Plan are described in the convening notice as well as in an explanatory presentation available at www.aperam.com under the "Investors & shareholders" > "Equity Investors" > "Shareholders' Meetings", > "9 May 2018 - General Meetings of Shareholders" section.

Authorisation for cancellation of shares and reduction of issued share capital *

On May 9, 2018, the Extraordinary General Meeting of Shareholders approved the proposed resolution to allow the Company to cancel all the shares repurchased by the Company and held in treasury under its share buyback program as announced on January 30, 2018 (the "Program"), while amending the articles of association, reducing or cancelling the relevant reserves in consequence and approving the required delegations. Please refer to section "Earnings distribution" of this Interim Management Report for more details regarding the share buyback program.

* Additional details are described in the convening notice available at www.aperam.com under the "Investors & shareholders" > "Equity Investors" > "Shareholders' Meetings", > "9 May 2018 - General Meetings of Shareholders" section.



Middle East Training Centre, Beirut Rafic Hariri International Airport, Lebanon
Stainless steel used: Aperam 316L with Uginox Méca 8ND finish

Aperam, Société Anonyme

Condensed Consolidated Financial Statements

As of and for the six months ending June 30, 2018

Aperam S.A.
Société Anonyme

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

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Statement of Responsible Persons

July 31, 2018

We confirm, to the best of our knowledge, that:

1. the Condensed Consolidated Financial Statements of Aperam presented in this Interim Financial Report 2018, prepared in conformity with International Accounting Standard 34, *Interim Financial Reporting*, 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 as of June 30, 2018, and for the six months period then ended included within the consolidation taken as a whole; and
2. the interim management 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.



For and on behalf of the Board of Directors
Mr. Philippe Darmayan



Chief Executive Officer
Mr. Timoteo di Maulo



Chief Financial Officer
Mr. Sandeep Jalan

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Aperam

Condensed Consolidated Statement of Operations (in millions of Euros except share and per share data)

	Six months ending June 30,	
	2018	2017 ⁽¹⁾
Sales (Note 2) (including 40 and 46 of sales to related parties in 2018 and 2017, respectively)	2,434	2,349
Cost of sales (including depreciation and impairment of 70 and 73, and purchases from related parties of 112 and 128 for 2018 and 2017, respectively)	(2,102)	(2,011)
Gross margin	332	338
Selling, general and administrative expense	(111)	(97)
Operating income (Note 2)	221	241
Income from other investments and associates	1	—
Interest income	1	1
Interest expense and other net financing costs	(10)	(29)
Income before taxes	213	213
Income tax expense (Note 3)	(48)	(49)
Net income	165	164
Net income attributable to:		
Equity holders of the parent	165	164
Earnings per common share (in euros):		
Basic	1.93	2.13
Diluted	1.57	1.87
Weighted average common shares outstanding (in thousands):		
Basic	85,151	77,368
Diluted	93,326	93,504

Note:

(1) Amounts for the six months ending June 30, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

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

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Aperam Condensed Consolidated Statement of Comprehensive Income/(Loss) (in millions of Euros)

	Six months ending June 30,	
	2018	2017 ⁽¹⁾
Net income	165	164
Items that can be recycled to the consolidated statement of operations:		
Available-for-sale investments (Note 6):		
Gain (loss) arising during the period, net of tax expense of nil and nil for 2018 and 2017, respectively	—	(3)
Cash flow hedges:		
Gain (loss) arising during the period, net of tax income (expense) of 2 and (1) for 2018 and 2017, respectively	—	3
Reclassification adjustments for (gain) loss included in the statement of operations, net of tax expense of 3 and 1 for 2018 and 2017, respectively	(6)	(2)
Total cash flow hedges	(6)	1
Exchange differences arising on translation of foreign operations, net of tax income (expense) of 2 and (14) for 2018 and 2017, respectively	(115)	(79)
Total other comprehensive income	(121)	(81)
Total other comprehensive income attributable to:		
Equity holders of the parent	(121)	(81)
Total other comprehensive income	(121)	(81)
Net comprehensive income	44	83
Net comprehensive income attributable to:		
Equity holders of the parent	44	83
Net comprehensive income	44	83

Note:

(1) Amounts for the six months ending June 30, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

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

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Aperam Condensed Consolidated Statement of Financial Position (in millions of Euros)

	June 30, 2018	December 31, 2017 ⁽¹⁾
ASSETS		
Current assets:		
Cash and cash equivalents	217	306
Trade accounts receivable	376	270
Inventories (Note 4)	1,354	1,230
Prepaid expenses and other current assets (Note 5)	83	74
Income tax receivable	6	8
Total current assets	2,036	1,888
Non-current assets:		
Goodwill and intangible assets	486	509
Biological assets	33	39
Property, plant and equipment	1,473	1,534
Other investments (Note 6)	31	32
Deferred tax assets	172	197
Other assets	130	167
Total non-current assets	2,325	2,478
Total assets	4,361	4,366

Note:

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

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

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Aperam Condensed Consolidated Statement of Financial Position (in millions of Euros)

	June 30, 2018	December 31, 2017 ⁽¹⁾
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt (Note 7)	235	5
Trade accounts payable	1,028	897
Short-term provisions	16	17
Accrued expenses and other liabilities	271	226
Income tax liabilities	8	3
Total current liabilities	1,558	1,148
Non-current liabilities:		
Long-term debt, net of current portion (Note 7)	2	238
Deferred tax liabilities	133	139
Deferred employee benefits	155	159
Long-term provisions	41	43
Other long-term obligations	65	95
Total non-current liabilities	396	674
Total liabilities	1,954	1,822
Equity (Note 8):		
Common shares (no par value, 96,216,785 and 96,216,785 shares authorised, 85,496,280 and 85,496,280 shares issued and 83,913,280 and 85,313,778 shares outstanding as of June 30, 2018 and December 31, 2017, respectively)	448	448
Treasury shares (1,583,000 and 182,502 common shares as of June 30, 2018 and December 31, 2017, respectively)	(64)	(8)
Additional paid-in capital	1,232	1,232
Retained earnings	1,275	1,235
Other comprehensive loss	(488)	(367)
Equity attributable to the equity holders of the parent	2,403	2,540
Non-controlling interests	4	4
Total equity	2,407	2,544
Total liabilities and equity	4,361	4,366

Note:

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

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

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

	Shares ⁽¹⁾	Other Comprehensive Income (Loss)									Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
		Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealised gains (losses) on derivatives financial instruments	Unrealised gains (losses) on equity instruments at Fair Value through OCI	Recognised actuarial gains (losses)	Option premium on convertible bonds			
Balance at December 31, 2016 ⁽²⁾	77,771	409	(8)	1,191	1,001	(253)	(1)	16	(21)	20	2,354	4	2,358
Net income	—	—	—	—	164	—	—	—	—	—	164	—	164
Other comprehensive income (loss)	—	—	—	—	—	(79)	1	(3)	—	—	(81)	—	(81)
Total comprehensive income (loss)	—	—	—	—	164	(79)	1	(3)	—	—	83	—	83
Recognition of share based payments	24	—	1	—	1	—	—	—	—	—	2	—	2
Purchase of treasury shares	(2,000)	—	(90)	—	—	—	—	—	—	—	(90)	—	(90)
Cancellation of treasury shares	—	(10)	86	(76)	—	—	—	—	—	—	—	—	—
Conversion of convertible bonds	1,336	7	—	18	3	—	—	—	—	(3)	25	—	25
Dividends	—	—	—	—	(102)	—	—	—	—	—	(102)	—	(102)
Balance at June 30, 2017 ⁽²⁾	77,131	406	(11)	1,133	1,067	(332)	—	13	(21)	17	2,272	4	2,276
Balance at December 31, 2017 ⁽²⁾	85,314	448	(8)	1,232	1,235	(371)	9	16	(21)	—	2,540	4	2,544
Net income	—	—	—	—	165	—	—	—	—	—	165	—	165
Other comprehensive loss	—	—	—	—	—	(115)	(6)	—	—	—	(121)	—	(121)
Total comprehensive income (loss)	—	—	—	—	165	(115)	(6)	—	—	—	44	—	44
Recognition of share based payments	—	—	—	—	1	—	—	—	—	—	1	—	1
Purchase of treasury shares	(1,387)	—	(55)	—	—	—	—	—	—	—	(55)	—	(55)
Dividends	—	—	—	—	(128)	—	—	—	—	—	(128)	—	(128)
Other movements	(13)	—	(1)	—	2	—	—	—	—	—	1	—	1
Balance at June 30, 2018	83,914	448	(64)	1,232	1,275	(486)	3	16	(21)	—	2,403	4	2,407

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

⁽²⁾ Amounts for December 31, 2016, June 30, 2017 and December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

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

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

	Six months ending June 30,	
	2018	2017 ⁽¹⁾
Operating activities:		
Net income	165	164
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation, amortisation and impairment	70	73
Net interest expense	7	19
Income tax expense (Note 3)	48	49
Net write-downs of inventories to net realisable value	11	15
Unrealised (gains)/ losses on derivative instruments	(9)	10
Unrealised foreign exchange effects, other provisions and non-cash operating expenses, (net)	16	(13)
Changes in operating working capital:		
Trade accounts receivable	(104)	(100)
Trade accounts payable	125	54
Inventories	(156)	(153)
Changes in other operating assets, liabilities and provisions:		
Interest paid, (net)	(2)	(5)
Income taxes paid	(21)	(18)
Other working capital movements and provisions movements	(7)	18
Net cash provided by operating activities	143	113
Investing activities:		
Acquisition of property, plant and equipment, intangible and biological assets (CAPEX)	(88)	(75)
Other investing activities, (net)	3	1
Net cash used in investing activities	(85)	(74)
Financing activities:		
Net proceeds (payments) from short-term debt	(26)	(5)
Proceeds from long-term debt, net of debt issuance costs	—	1
Purchase of treasury shares (Note 8)	(55)	(90)
Dividends paid (Note 8)	(63)	(53)
Net cash used in financing activities	(144)	(147)
Effect of exchange rate changes on cash	(3)	(3)
Net decrease in cash and cash equivalents	(89)	(111)
Cash and cash equivalents:		
At the beginning of the period	306	308
At the end of the period	217	197

Note:

(1) Amounts for the six months ending June 30, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

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

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SUMMARY OF NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- Note 1: Nature of business, basis of presentation and accounting policies
- Note 2: Segment reporting
- Note 3: Income tax
- Note 4: Inventories
- Note 5: Prepaid expenses and other current assets
- Note 6: Other investments
- Note 7: Short-term and long-term debt
- Note 8: Equity
- Note 9: Instruments at fair value
- Note 10: Commitments
- Note 11: Contingencies
- Note 12: Subsequent events

NOTE 1 – NATURE OF BUSINESS, BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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 condensed 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.

Basis of presentation - Change in Presentation Currency

The condensed consolidated financial statements of Aperam (or the “Company”) as of June 30, 2018, and for the six months then ending (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) No. 34, “Interim Financial Reporting”. They should be read in conjunction with the annual consolidated financial statements and the notes thereto as of and for the year ending December 31, 2017, included in the Company’s 2017 Annual Report which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”). They are presented in Euros with all amounts rounded to the nearest million, except for share and per share data. Indeed, on January 30, 2018, Aperam announced that the Company will report its financial results in Euros starting from its first quarter 2018 earnings release as the Board of Directors decided to change the Group’s presentation currency from U.S. dollars to Euro as from January 1, 2018. The Board of Directors believes that using Euro as reporting currency will provide more relevant presentation of the Group’s financial position, financial performance and cash flows. This decision has been based on several criteria, the most important ones being that:

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

In order to satisfy the requirements of IAS 8 and IAS 21 with respect to change in presentation currency, the financial information as previously reported in the Group’s half-year report of June 30, 2017 and the Group’s annual report of December 31, 2017 has been translated from U.S. dollars to Euro using the procedures outlined below:

- Non-Euro income and expenditures were translated into Euro at the average rates of exchange prevailing for the relevant period;
- Assets and liabilities denominated in non-Euro currencies were translated into Euro at the relevant closing rates of exchange on the relevant balance sheet date;
- Share capital, treasury shares, additional paid-in capital, retained earnings and option premium on convertible bonds were translated at the relevant historical rate with movements of the period

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translated at the relevant rate of exchange prevailing at the date of transaction or at the average rate of exchange prevailing for the relevant period;

- Other comprehensive income (loss) (excluding foreign currency translation adjustments) were translated at the relevant closing rates of exchange prevailing on the relevant balance sheet date;
- The foreign currency translation adjustments at the date of the opening balance were calculated as the difference between total equity converted at the relevant closing rates of exchange prevailing on the relevant balance sheet date and other equity captions converted at rates of exchange described above. All subsequent movements comprising differences on the retranslation of the opening net assets of non-euros subsidiaries have been taken to the foreign currency translation reserve;
- All exchange rates were extracted from the Group's underlying financial records.

The exchange rates used were as follows :

Euros/U.S.dollar exchange rate	December 31, 2016	June 30, 2017	December 31, 2017
Closing rate	1.0541	1.1412	1.1993
Average rate	1.1065	1.0826	1.1297

Accounting policies

The Interim Financial Statements have been prepared on a historical cost basis, except for available for sale financial assets, derivative financial instruments and biological assets, which are measured at fair value, and inventories which are measured at the lower of net realisable value or cost. Unless specifically described herein, the accounting policies used to prepare the Interim Financial Statements are the policies described in Note 2 of the consolidated financial statements for the year ending December 31, 2017, except for the adoption of new standards effective as of January 1, 2018 and the change in presentation currency as mentioned above. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies, for the first time, IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group. These amendments and interpretations are: Classification and Measurement of Share-Based Payment Transactions (Amendments to IFRS 2); Transfers of Investment Property (Amendments to IAS 40); Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 first time adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures) and IFRIC 22 Foreign currency transactions and advance consideration.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted IFRS 15 using the full retrospective method of adoption. The Group's revenue is predominantly derived from the single performance obligation to transfer stainless steel products under arrangements in which the transfer of risks and rewards of ownership and the fulfillment of the Company's performance obligation occur at the same time. The Company has laid out a detailed assessment and implementation plan for the roll out of IFRS 15. As part of this process the Company assessed its performance obligations underlying the revenue recognition, estimation of variable considerations including rebates, methods for estimating warranties, and customized products. There was no impact in the statement of profit or loss and the cash flow statement for the six months ending June 30, 2017 and no impact in the statement of financial position as at December 31, 2017.

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IFRS 9 “Financial instruments”

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

(a) Classification and measurement

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

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

(b) Impairment

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

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

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

For other debt financial assets (i.e., equity instruments at Fair Value through OCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group's equity instruments at FVOCI comprised mainly Gerdau shares which have been upgraded to Ba2 by Moody's in January 2018. It is the Group's policy to measure such instruments on a 12-month ECL basis. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

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

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

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million, and €0.8 million, respectively.

(c) Hedge accounting

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

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

Those changes only apply prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires 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 2 – SEGMENT REPORTING

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:

<i>(in millions of Euros)</i>	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations⁽¹⁾	Total
Six months ending June 30, 2018					
Sales to external customers	1,086	1,070	278	—	2,434
Intersegment sales ⁽²⁾	924	40	2	(966)	—
Operating income (loss)	173	34	27	(13)	221
Depreciation and Impairment	(61)	(4)	(3)	(2)	(70)
Capital expenditures	(71)	(12)	(4)	(1)	(88)
Six months ending June 30, 2017⁽³⁾					
Sales to external customers	1,066	1,043	232	8	2,349
Intersegment sales ⁽²⁾	885	42	2	(929)	—
Operating income (loss)	201	38	20	(18)	241
Depreciation and Impairment	(64)	(4)	(3)	(2)	(73)
Capital expenditures	(63)	(7)	(3)	(2)	(75)

Notes:

⁽¹⁾ Others / Eliminations includes all other operations than mentioned above, together with inter-segment elimination, and/or non-operational items which are not segmented.

⁽²⁾ Transactions between segments are conducted on the same basis of accounting as transactions with third parties.

⁽³⁾ Amounts for the six months ending June 30, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

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NOTE 3 – INCOME TAX

The income tax expense or benefit for the period is based on an estimated annual effective rate, which requires management to make its best estimate of annual pre-tax income for the year. During the year, management regularly updates its estimates based on changes in various factors such as geographical mix of operating profit, prices, shipments, product mix, plant operating performance and cost estimates, including labor, raw materials, energy and pension and other postretirement benefits.

Income tax was an expense of €(48) million and €(49) million for the six months ending June 30, 2018, and 2017, respectively. The stability in income tax expense for the six months ending June 30, 2018, compared to the six months ending June 30, 2017, is primarily due to the level of profit before tax which is similar between the six months ending June 30, 2018 and the six months ending June 30, 2017 at €213 million. The effective tax rate also remained stable at 23% for the six months ending June 30, 2018 compared to an effective tax rate of 23% for the six months ending June 30, 2017.

NOTE 4 – INVENTORIES

Inventories, net of provision for obsolescence, slow-moving inventories and excess of cost over net realisable value of €90 million and €89 million as of June 30, 2018, and December 31, 2017, respectively, are comprised of the following:

(in millions of Euros)

	June 30, 2018	December 31, 2017⁽¹⁾
Finished products	541	509
Production in process	474	437
Raw materials	204	158
Manufacturing supplies, spare parts and other	135	126
Total	1,354	1,230

Note:

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

The amount of write-downs of inventories to net realisable value recognised as an expense was €(9) million and €(15) million during the six months ending June 30, 2018, and 2017, respectively and the expense was reduced by €7 million and €4 million, respectively, due to normal inventory consumption.

The amount of inventories recognised as an expense (due to normal inventory consumption) was €(469) million and €(486) million during the six months ending June 30, 2018, and 2017, respectively.

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

(in millions of Euros)

	June 30, 2018	December 31, 2017⁽¹⁾
Value added tax (VAT) and other amount receivable from tax authorities	32	38
Derivative financial assets	23	14
Prepaid expenses and accrued receivables	16	8
Other	12	14
Total	83	74

Note:

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

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NOTE 6 – OTHER INVESTMENTS

The Company holds the following other investments:

			Fair value	
		Ownership % at June 30, 2018	June 30, 2018	December 31, 2017 ⁽¹⁾
<i>(in millions of Euros)</i>				
	Location			
Equity instruments at fair value through OCI				
Gerdau S.A.	Brazil	0.50%	26	28
General Moly Inc	U.S.	6.60%	3	2
Other			2	2
Total other investments			31	32

Note:

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

The fair value (applying a Level 1 fair value measurement) of Aperam's stake in Gerdau amounted to €26 million and €28 million as of June 30, 2018 and December 31, 2017, respectively. The decrease of €2 million over the period is due to FX loss on EUR/BRL, partially offset by increase in the market price of the shares from R\$12.38 as of December 31, 2017 to R\$13.91 as of June 30, 2018.

Following the implementation of IFRS 9 as of date January 1, 2018, we decided to elect irrevocably to present gains and losses on these equity investments in Other Comprehensive Income. Indeed Aperam's intention in respect of this portfolio of shares is to hold them for a long period as strategic investments.

The fair value of our investments which are not valued daily in financial markets (unlike Gerdau and General Moly) is based on latest available financial statements (value of net equity, Level 3 fair value measurement).

NOTE 7 – 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)	June 30, 2018	December 31, 2017 ⁽¹⁾
Short-term bank loans and other credit facilities	6	5
Current portion of long-term debt	229	—
Lease obligations	—	—
Total	235	5

Note:

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

Secured borrowing base revolving credit facility

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

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

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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 5-year revolving credit facility with two options of extension by one year each, replacing its U.S.\$400 million existing 3-year secured borrowing base facility (see above). It will be used for the company's general corporate purposes.

As of June 30, 2018, no amount was drawn under this facility.

The Company's long-term debt consisted of the following:

<i>(in millions of Euros)</i>	Year of maturity	Type of Interest	Interest rate⁽¹⁾	June 30, 2018	December 31, 2017⁽²⁾
274MUSD ⁽³⁾ Convertible Bonds	2019/2021 ⁽⁴⁾	Fixed	0.625%	229	236
Loans in Brazil	2018-2026	Fixed/Floating	3.50%-10.6%	1	1
Total				230	237
Less current portion of long-term debt				(229)	—
Total long-term debt (excluding lease obligations)				1	237
Lease obligations ⁽⁵⁾				1	1
Total long-term debt, net of current portion				2	238

Notes:

⁽¹⁾ Rates applicable to balances outstanding at June 30, 2018.

⁽²⁾ Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements.

⁽³⁾ Nominal has been adjusted to take into account the early buy-back (see below).

⁽⁴⁾ Convertible bonds maturity is on July 8, 2021, but bonds are puttable by the bondholders on January 8, 2019.

⁽⁵⁾ Net of current portion of below €1 million and below €1 million as of June 30, 2018, and December 31, 2017, respectively.

U.S.\$300 million Convertible Bonds

On July 8, 2014, Aperam issued a U.S.\$300 million convertible and/or exchangeable debt instrument with a contractual maturity of 7 years. These bonds bear interest at 0.625% per annum payable semi-annually on January 8 and July 8 of each year, commencing on January 8, 2015. The bonds are puttable by the bondholders on January 8, 2019 at the principal amount (plus accrued interests).

At inception, the Company determined the bonds met the definition of a compound financial instrument in accordance with IFRS. The Company determined the fair value of the financial liability component of the bonds was U.S.\$237 million on the date of issuance. Conversion option is recognised as a derivative financial liability.

On December 14, 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).

During May and June 2018, U.S.\$25 million (€21.4 million) of Bonds were repurchased by the Company for a total consideration of U.S.\$31.5 million (€26 million).

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NOTE 8 – EQUITY

Share details

The Company's shares consist of the following:

	December 31, 2017	Movement of the period	June 30, 2018
Issued shares	85,496,280	—	85,496,280
Treasury shares	(182,502)	(1,400,498)	(1,583,000)
Total outstanding shares	85,313,778	(1,400,498)	83,913,280

Authorised shares

On May 8, 2014, the Extraordinary General Meeting resolved to increase the authorised share capital by €54,279,543, equivalent to 10,362,482 shares, so that the Company's authorised share capital (including its issued share capital) shall amount to €503,991,548, represented by 96,216,785 shares without nominal value.

Treasury shares

Between March 7, 2017, and June 16, 2017, the Company acquired 2,000,000 of its own shares under the share buy-back program announced on February 9, 2017, for a total consideration of €90 million.

On June 22, 2017, 2,000,000 shares acquired under the share buyback program were cancelled in line with the announced purpose of the program.

On June 29, 2017, a total of 24,455 shares were allocated to qualifying employees under the PSU plan granted in June 2014.

Between May 18, 2018, and June 27, 2018, the Company acquired 1,386,999 of its own shares under the share buyback program announced on January 30, 2018, for a total consideration of €55 million.

Between May 18, 2018, and June 28, 2018, the Company received 13,499 of its own shares due to Call Spread Overlay unwinding linked to the early buyback of the convertible bonds maturing in 2021 (see Note 7 short-term and long-term debt) for a total consideration of €0.5 million.

Aperam held 1,583,000 and 182,502 treasury shares as of June 30, 2018, and December 31, 2017, respectively.

Dividends

On January 30, 2018, the Company proposed to increase its base dividend from U.S.\$1.50 (gross) per share to U.S.\$1.80 (gross) per share, subject to shareholders approval at the Annual General Meeting of May 9, 2018.

On May 9, 2018, at the 2018 Annual General Meeting, the shareholders approved a base dividend of U.S.\$1.80 (gross) per share. The dividend is being paid in four equal quarterly instalments of U.S.\$0.45 (gross) per share.

Share unit plan

On May 9, 2018, the Annual General Meeting of Shareholders authorised the Board of Directors to issue (during the period between the 2018 and the 2019 annual general meeting) up to 150,000 of the Company's fully paid-up ordinary shares under the Leadership Team Performance Share Unit Plan (the "LT PSU Plan"). These shares can be newly issued shares or treasury shares. The Board of Directors may consider appropriate rules to implement the LT PSU Plan, including other performance based grants below the level of the Leadership Team.

On June 1, 2018, the Remuneration Committee awarded 37,461 Performance Share Units to Aperam Leadership Team and 48,000 Performance Share Units to Aperam Senior Management.

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NOTE 9 – INSTRUMENTS AT FAIR VALUE

The estimated fair values of certain instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates.

Fair value versus carrying amounts

The following table summarises assets and liabilities based on their categories as of June 30, 2018.

(in millions of Euros)	Instruments at fair value						
	Carrying amount in statements of financial position	Non financial assets and liabilities	Loan and receivables	Liabilities at amortised cost	Fair value recognised in profit and loss	Equity instruments at Fair Value through OCI	Derivatives
ASSETS							
Current assets:							
Cash and cash equivalents	217	—	217	—	—	—	—
Trade accounts receivable	376	—	376	—	—	—	—
Inventories	1,354	1,354	—	—	—	—	—
Prepaid expenses and other current assets	83	32	28	—	—	—	23
Income tax receivable	6	6	—	—	—	—	—
Total current assets	2,036	1,392	621	—	—	—	23
Non-current assets:							
Goodwill and intangible assets	486	486	—	—	—	—	—
Biological assets	33	—	—	—	33	—	—
Property, plant and equipment	1,473	1,473	—	—	—	—	—
Other investments	31	—	—	—	—	31	—
Deferred tax assets	172	172	—	—	—	—	—
Other assets	130	35	41	—	—	—	54
Total non-current assets	2,325	2,166	41	—	33	31	54
Total assets	4,361	3,558	662	—	33	31	77
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt and current portion of long-term debt	235	—	—	235	—	—	—
Trade accounts payable	1,028	—	—	1,028	—	—	—
Short-term provisions	16	16	—	—	—	—	—
Accrued expenses and other liabilities	271	36	—	220	—	—	15
Income tax liabilities	8	8	—	—	—	—	—
Total current liabilities	1,558	60	—	1,483	—	—	15
Non-current liabilities:							
Long-term debt, net of current portion	2	—	—	2	—	—	—
Deferred tax liabilities	133	133	—	—	—	—	—
Deferred employee benefits	155	155	—	—	—	—	—
Long-term provisions	41	41	—	—	—	—	—
Other long-term obligations	65	2	—	9	—	—	54
Total non-current liabilities	396	331	—	11	—	—	54
Equity:							
Equity attributable to the equity holders of the parent	2,403	2,403	—	—	—	—	—
Non-controlling interests	4	4	—	—	—	—	—
Total equity	2,407	2,407	—	—	—	—	—
Total liabilities and equity	4,361	2,798	—	1,494	—	—	69

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The following table summarises the bases used to measure assets and liabilities at their fair value.

(in millions of Euros)	As of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Biological assets	—	—	33	33
Equity instruments at fair value through OCI	29	—	2	31
Derivative financial current assets	—	23	—	23
Derivative financial non-current assets	—	—	54	54
Total assets at fair value	29	23	89	141
Liabilities at fair value:				
Derivative financial current liabilities	—	15	—	15
Derivative financial non-current liabilities	—	—	54	54
Total liabilities at fair value	—	15	54	69

Equity instruments classified as Level 1 refer to listed securities quoted in active markets. The total fair value is either the price of the most recent trade at the time of the market close or the official close price as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs. Equity instruments classified as Level 3 refer to securities not quoted in active markets. The fair value is thus based on latest available financial statements (value of net equity).

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in foreign exchange rates and commodity prices (base metals). The total fair value is based on the price a dealer would pay or receive for the security or similar securities, adjusted for any terms specific to that asset or liability. Market inputs are obtained from well established and recognised vendors of market data (Bloomberg and Reuters) and the fair value is calculated using standard industry models based on significant observable market inputs such as foreign exchange rates, commodity prices, swap rates, and interest rates.

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.

Derivative financial assets classified as Level 3 refer to the call options bought end of June 2014 by the Company on its own shares which may be exercised at the conversion price of the convertible bonds issued on July 8, 2014. Derivative financial liabilities classified as Level 3 refers to the conversion option in the U.S.\$274 million convertible bonds. The fair valuation of Level 3 derivative instruments is established at each reporting date in relation to which an analysis is performed in respect of changes in the fair value measurement since the last period. Aperam's valuation policies for derivatives are an integral part of its internal control procedures and have been reviewed and approved according to the Company's principles for establishing such procedures. In particular, such procedures address the accuracy and reliability of input data, the accuracy of the valuation model and the knowledge of the staff performing the valuations.

Aperam establishes the fair valuation of the call options on its own shares and the conversion option with respect to the U.S.\$274 million convertible bonds through the use of a volatility model based on a partial differential equation. The model uses an iterative procedure to price options, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the option's expiration date. In contrast to the Black-Scholes model, which provides a numerical result based on inputs, the model allows for the calculation of the asset and the option for multiple periods along with the range of possible results for each period.

Observable input data used in the valuations include zero coupon yield curves, stock market prices and Libor interest rates. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available.

The fair value of our investments which are not valued daily in financial markets (unlike Gerdau and General Moly) is based on latest available financial statements (value of net equity, Level 3 fair value measurement).

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The following tables summarised the reconciliation of the fair value of the assets and liabilities classified as Level 3 for the six months ending June 30, 2018:

<i>(in millions of Euros)</i>	U.S.\$274 million convertible bonds' conversion option	Call option on own shares	Equity instruments not quoted	Total
Balance as of December 31, 2017 ⁽¹⁾	(84)	84	2	2
Change in fair value ⁽²⁾	30	(30)	—	—
Balance as of June 30, 2018	(54)	54	2	2

Note:

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

⁽²⁾ Recognised in net financing costs in the consolidated statements of operations.

(in millions of Euros)

	Biological assets
Balance as of December 31, 2017 ⁽¹⁾	39
Additions	4
Change in fair value ⁽²⁾	2
Harvested trees	(8)
Foreign exchange difference	(4)
Balance as of June 30, 2018	33

Notes:

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

⁽²⁾ Recognised in cost of sales in the consolidated statements of operations.

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 June 30, 2018, is as follows:

<i>(in millions of Euros)</i>	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	283	12	287	(1)
Forward sale contracts	65	—	262	(10)
Total foreign exchange rate instruments		12		(11)
Raw materials (base metal)				
Term contracts sales metals	23	—	63	(3)
Term contracts purchases metals	117	11	43	(1)
Total raw materials (base metal)		11		(4)
Total		23		(15)

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NOTE 10 – COMMITMENTS

The Company's commitments consist of three main categories:

- Various purchase and capital expenditure commitments,
- Pledges, guarantees and other collateral instruments given to secure financial debt and credit lines,
- Non-cancellable operating leases and other.

The total of commitments by category is as follows:

<i>(in millions of Euros)</i>	June 30, 2018	December 31, 2017⁽¹⁾
Purchase commitments	1,021	1,183
Guarantees, pledges and other collateral	210	125
Operating leases	38	43
Total	1,269	1,351

Note:

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

NOTE 11 – CONTINGENCIES

The Company is 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. Consequently, for a large number 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 the Company's 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.

The Company is party to various environmental liabilities, labor disputes, tax and other claims, the most significant are described in Note 24 to the consolidated financial statements as of and for the year ending December 31, 2017. Changes in contingencies since December 31, 2017, are described below:

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Tax Claims

- On April 6, 2018, Aperam South America appealed the unfavorable decision of the Court regarding the tax assessment initiated in November 2016 related to IPI (tax on manufactured products) for year 2011-2012 for its branch in Sumaré, Brazil. Total amount claimed is R\$24 million (€5 million).
- On May 22, 2018, the case related to the tax assessment Aperam South America received on October 31, 2013, for PIS and COFINS compensation it made since 2010, was presented to the Administrative Court. Total remaining amount claimed is R\$29 million (€6 million).
- On May 25, 2018, the Federal Revenue presented its defense against one of the four assessments initiated in December 14, 2011, against Aperam South America for possible wrongful payment of social contributions due on payments made to employees under the Profit Sharing Program. Cases are pending before the Superior Administrative Court for appeal for a total amount of R\$78 million (€17 million).
- On June 8, 2018, Aperam South America was notified of the Administrative Court Decision held regarding a tax assessment issued in July 23, 2014, 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 occurred in 2008. The total amount claimed by the Federal Revenue Service is R\$234 million (€52 million). The Company filed a motion for clarification of this decision on June 15, 2018.
- On July 6, 2018, Aperam South America was notified the partially favorable decision it obtained in the tax assessment from Federal Revenue made on December 20, 2013 for years 2008 & 2009 related to the profits of Acesita Imports & Exports Ltda to be added to the Company's tax basis and the goodwill generated by the acquisition by Arcelor Aços Especiais do Brasil ("AAEB") of the minority shareholding of Aperam South America at the time of its delisting in 2008. Total amount at stake is R\$384 million (€85 million).

Note:

⁽¹⁾ Amounts in Brazilian Real are converted into Euros using the closing exchange rate of 1€=4,5032R\$

NOTE 12 – SUBSEQUENT EVENTS

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 million, fulfill the requirements of law.

Interim Financial Report 2018

To the Shareholders of
Aperam, Société Anonyme (« Aperam »)
12C, Rue Guillaume Kroll
L-1882 Luxembourg

REVIEW REPORT OF THE REVISEUR D'ENTREPRISES AGREE ON INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Aperam as of June 30, 2018 and the related condensed consolidated statements of operations, comprehensive income, changes in equity and cash flows for the six month period then ended and the other explanatory notes, (collectively, the “interim financial statements”) . The Board of Directors is responsible for the preparation and fair presentation of the interim financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

Marco Crosetto, *Réviseur d'entreprises agréé*
Partner

July 31, 2018



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