

Interim Financial Report

Half-year ending June 30, 2019

Interim Financial Report 2019

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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

Residential building - 151 rue du Faubourg Poissonnière, Paris 09

Atelier d'Architecture Laurent Niget Paris © David Boureau

Stainless steel used: **Aperam 304 with Uginox Mat 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 producer of stainless and specialty steels, with an annual production capacity of 2.5 million tonnes. We are a leading stainless and specialty steel producer in South America and the second largest producer in Europe. We are also a leading producer of high value added specialty products, including grain oriented (GO) and non-grain oriented (NGO) electrical steels and specialty alloys. Our production capacity is spread across six production facilities located in Brazil, Belgium and France. As of the end of June 2019, we have a workforce of about 9,700 employees.

Since its creation, Aperam has successfully 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.

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

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

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

In 2018, Aperam posted €4.7 billion in sales and shipped 1.97 million tonnes of product. For the six months ending June 30, 2019, Aperam had €2.3 billion in sales and shipments of 0.97 million tonnes, compared to the respective €2.4 billion and 1.03 million tonnes posted for the six months ending June 30, 2018.

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



“ *Despite the most challenging market conditions, we delivered resilient results during the first half of the year: a testament to the success of our actions to make Aperam an even stronger company.*

Looking ahead, I expect today's challenging market conditions to persist in the face of weakening economic growth and unabating import pressure. However, I remain fully confident in our ability to maximise the long-term prospects of the Company.

”

Dear shareholders,

Let me start by highlighting our number one priority: the health and safety of everyone working for Aperam. I am pleased to report that the level of accidents measured by our lost time frequency rate further improved over the first half of 2019, reaching 1.1x compared to 1.4x in 2018. While this performance is encouraging, there is still more we can do to achieve our ultimate goal of becoming an accident-free workplace.

During the first half of the year, the market was marked by a number of challenges, including persistent trade tensions, weakened economic growth, insufficient safeguard measures in Europe, and historically low stainless steel prices. Yet, despite these challenges, we delivered resilient results: a testament to the success of our actions to make Aperam an even stronger company, capable of operating in all market conditions.

Turning to our financial performance, Aperam's operational performance improved quarter-on-quarter, with an EBITDA of €81 million in Q1 2019 and €95 million in Q2 2019. On a half-year basis, our EBITDA represents €176 million (H1 2018: €291 million), our net income remained positive at €82 million (H1 2018: €165 million), and our net debt remained low at €176 million (H1 2018: €20 million) while we continued to deliver solid cash returns to our shareholders. Compared to the situation at our creation in 2011 (2011: net debt €679 million, net loss €45 million), Aperam is now in a much stronger position, and we continue to further improve our resilience :

- In-line with our efforts to improve our operational excellence, at the end of June 2019 we achieved cumulated annualized gains of €89 million at EBITDA level as part of Phase 3 of our Leadership Journey®. This phase has a targeted annualized EBITDA contribution of €200 million between 2018 to 2020, which we aim to achieve by accelerating our adoption of the new technologies, automation and digitisation needed to create a fully-connected organisation ready to address the next generation needs of our customers.
- Our investment in a new Cold Rolling and Annealing and Pickling Line in Genk is well on track. This investment will enlarge our product range to include the most demanding applications, improve lead-times, give us the flexibility to respond to market demands, increase the efficiency and cost competitiveness of our assets, and enhance our health, safety and environmental impact.
- Driving value through our Top Line strategy for strengthening our product and service differentiation continues to play an important role in our development, and has further improved during the first half of the year.

Turning to the environment, we believe Aperam is well-positioned to thrive in a world where decarbonisation and sustainability are given increasing importance. Not only are our products endlessly recyclable, they also qualify as one of the world's greenest stainless steels. This is due to our European furnaces maximising their

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use of scrap and our Brazilian operations using renewable charcoal produced from our own FSC®-certified eucalyptus forests.

While we strive to be the sector leader in environmental excellence, Europe continues to face high import pressure. Most of this pressure comes from countries with less advanced sustainability standards and concerns products produced with extractive materials, which corresponds to an overall CO₂ footprint (scope 1+2+3) much higher than Aperam's. Hence, to ensure a sustainable future for stainless steel produced according to the best environmental standards, we urge the European Commission to create a fair and level playing field that includes CO₂-indexed green taxes for imports. Further, although the European Commission is taking steps to address unfair trade, we believe these measures are so far insufficient. In particular, increase of imports quota in context of declining European demand and long-term issues of industry overcapacity in Asia and especially Indonesia and their effect on Europe remain unaddressed.

Looking ahead, I expect today's challenging market conditions to persist in the face of weakening economic growth and unabating import pressure. However, I remain fully confident in our ability to maximise the long-term prospects of the Company thanks to our solid cash generation, strong balance sheet, improvements in operational excellence, high added value products and unique services, and ability to offer our stakeholders the solutions they need to address today's most pressing challenges.

Timoteo Di Maulo
CEO



EASE Training Center, Illkirch Graffenstaden - France (European Aseptic & Sterile Environment Training Center)
VIB - architecture ballus.viallet © Cyrille Lallement
Stainless Steel used: Aperam 304 with Uginox Bright surface finish

Glossary

This Interim Financial Report includes Alternative Performance Measures (APM), which are non-GAAP financial measures. Aperam believes these APMs are needed to enhance the understanding of its financial position and to provide additional information to investors and management with respect to the Company's financial performance, capital structure and credit assessment. The definition of these APMs are the same since the creation of the Company. These non-GAAP financial measures should be read in conjunction with, and not as an alternative to, Aperam's financial information prepared in accordance with International Financial Reporting Standards (IFRS). Such non-GAAP measures may not be comparable to similarly titled measures used 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" (LTIF) is a key metric that measures the time lost due to injuries per 1,000,000 worked hours
- > "pickling" refers to the process where steel coils are cleaned using chemical baths to remove impurities, such as rust, dirt and oil
- > "production capacity" refers to the annual production capacity of 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\$4.3587 as of June 30, 2019
- > "sales" include shipping and handling fees and costs billed to a customer in a sales transaction
- > "significant shareholder" means trusts (HSBC Trust (C.I.) Limited, as trustee) of which Mr. Lakshmi N. Mittal, Ms. Usha Mittal and their children are the beneficiaries, holding Aperam shares through Value Holdings II Sàrl, a limited liability company organised under the laws of Luxembourg ("Value Holdings II")
- > "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.\$1.138 as of June 30, 2019
- > "upstream" refers to operations that precede downstream steel-making, such as coke, sinter, blast furnaces, electric arc furnaces, casters and hot rolling/steckel mills

¹ Those measures are derived directly from the financial statements (see 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 the related notes as of and for the year ending December 31, 2018, which can be found in Aperam's 2018 Annual Report, along with the unaudited condensed consolidated financial statements as of and for the six months ending June 30, 2019, which are included in this report.

History of Aperam

On December 7, 2010, the Board of Directors of Aperam and the Board of Directors of ArcelorMittal approved a proposal to its shareholders to spin-off ArcelorMittal's stainless and specialty steel businesses. The objective of establishing an independent company was to enable the stainless and specialty steel 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:

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

The health and safety of all the people who work for and with Aperam is our top priority. To monitor our health and safety performance, the Company uses the "Lost Time Injury Frequency rate" (LTIF) indicator, a key metric that measures the time lost due to injuries per 1,000,000 worked hours. In the first half of 2019, our LTIF rate improved to 1.1x, compared to 1.4x in the first half of 2018.

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

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

As a producer of 100% recyclable products, it is only logical that we promote a circular economy. We do this primarily through our extensive use of scrap materials, which give our steels 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 dust. Last but not least, we are working with a contractor on an innovative circular economy initiative that will extend the use of 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" reports available at www.aperam.com under the "Sustainability" section.

A restructured and efficient European footprint able to seize market opportunities

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

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In Europe, the Group benefits from high-quality and cost-efficient plants, including the largest and most recent electric arc furnace meltshop (Châtelet, Belgium), the largest hot rolling mill (Châtelet, Belgium), one of the largest cold rolling mills (Genk, Belgium) and LC2I, the best-in-class integrated rolling-mill (Isbergues, France). In January 2018, we announced a new investment project at our Genk (Belgium) plant. This consists of adding a new cold rolling and annealing and pickling line that further facilitate the transformation of our business. With these state-of-the-art modern line, 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 downstream 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 "A strong focus on self-help measures").

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

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

The Company is a leading stainless and specialty steel producer in South America and, according to the International Stainless Steel Forum (ISSF), is the second largest producer in Europe. Aperam is well-positioned in both developed and emerging markets. At the Group level, approximately 75% of Aperam's sales are 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 stainless steel products
	Efficient logistics and working capital management	Flexibility 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 on low levels of historical and apparent consumption per capita and a developing market for stainless steel, management foresees a substantial potential for growth in South America. In Brazil, Aperam continues to benefit from the actions of the Leadership Journey® and Top Line strategy, while the long-term growth prospects in terms of stainless steel consumption have remained intact.

Value accretion beyond stainless production

Aperam has one of the largest integrated stainless and specialty steel sales, distribution and service networks in the world, with 14 Steel Service Centres, 6 transformation facilities and 17 sales offices. This network, along with its best-in-class service, allows the Group to maintain customer loyalty and develop 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 continuously works to further develop its distribution network through internal development, partnerships and targeted acquisitions. Aperam normally expands its global distribution network either in response to an identified market opportunity or to meet the express business needs of major customers. The Group's global distribution network enables it to tailor its products to address specific customer needs, thereby allowing us to maintain our market share and capture 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. 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.

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

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

The Group's profitability is supported by its implementation of the Leadership Journey®. The Leadership Journey® is an initiative aimed at achieving management gains, fixed and variable cost reductions, and increased productivity over the near- and medium-term by enhancing the potential of our best performing assets. The Leadership Journey® is composed of a number of phases that can be broadly characterised as restructuring and cost-cutting projects, upgrading best performing assets, and transformation initiatives. On February 6, 2019, the Company announced that the annualized gains target of Phase 3 of the Leadership Journey® - the Transformation Programme - has been increased by €50 million to €200 million by the end of 2020. Related planned capex spend has been reduced by €50 million to €100 million. Phase 3 of the Leadership Journey® had a cumulated annualized contribution of €89 million to EBITDA at the end of June 2019.

The Group has also generated positive free cash flows over the past seven years. As of June 30, 2019, the Group had a net financial debt of €176 million, representing a gearing of 7% compared to a net financial debt of €799 million at the end of December 2010, representing a gearing of 29%.

As of June 30, 2019, the Group had a solid funding structure and debt maturity profile as described in greater detail in the "Liquidity" section below.

These achievements are the results of Aperam's strategic priorities as described in greater detail in "A strong focus on self-help measures" section below.

A talented, dynamic Leadership Team and motivated workforce

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

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

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

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

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The Group has also introduced various initiatives to improve the dedication and motivation of its workforce, including development programmes, and performance-based bonuses. Greater accountability improves motivation, and the Group's approach to human resources has contributed to the dedication and engagement of its workforce.

A strong focus on self-help measures

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

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

1. Achieving the next structural profitability improvement based on Phase 3 of the Leadership Journey® - the Transformation Programme
2. Driving value through our Top Line strategy by strengthening our product and service differentiation

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

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

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

Phase 1: 2011-2013 Restructuring & cost cutting	Phase 2: 2014-2017 Upgrading best performing assets	Phase 3: 2018-2020 Transforming the Company
<i>Completed</i>	<i>Completed</i>	<i>Ongoing*</i>
Launched at the early stages of the programme in 2011, the restructuring initiatives focused on the closure of non-competitive capacities and the reduction of fixed costs through, in particular, process simplification and major cost cutting investments.	Since the beginning of 2014, major projects were launched to help Aperam overcome bottlenecks in its downstream operations, improve its cost competitiveness and enhance its product portfolio.	Launched in 2017, this new phase of the journey aims to transform the business and address the next generation needs of our customers by creating a modern, fully-connected and technology-enabled organisation. This was extended in early 2019 to consider cost reductions, including general procurement and raw material savings.
Total gains reached under Phase 2 and Phase 3: U.S.\$573 million		Total target gains Phase 3: €200 million

* As of June 30, 2019, cumulated gains reached €89 million

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On June 7, 2017, Aperam announced Phase 3 of the Leadership Journey® - the Transformation Programme. This phase of the Leadership Journey® aims to achieve an annualized EBITDA contribution of €200 million between 2018 to 2020 (increased from €125 million to €150 million in May 2018, and from €150 million to €200 million in February 2019). During this phase, the Company wants to further transform the business to improve our production costs, as well as accelerating our adoption of the latest technological breakthroughs, automation and digitisation needed to create a fully-connected organisation ready to address the next generation needs of our customers. This includes the announced transfer of the Company's German service centre from Duisburg to Haan. This investment will enable Aperam to further improve its supply chain, reduce working capital and decrease costs while continuously improving the health and safety of those who work for us. As of June 30, 2019, Phase 3 of the Leadership Journey® gains reached EUR 89 million cumulated with good progress on all pillars, which are described in greater detail below.

On February 6, 2019, Phase 3 was extended to include such additional cost reductions as general procurement and raw material savings. The objective of the accelerated Leadership Journey® is to address the challenging market environment by further transforming the Company and improving its competitiveness. The targeted annualized gains increased by €50 million, to €200 million by the end of 2020. Related planned capex spend has been reduced by €50 million to €100 million.

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

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

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

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

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

More specifically, our Top Line strategy includes:

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

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Leveraging our unique stainless steel product portfolio

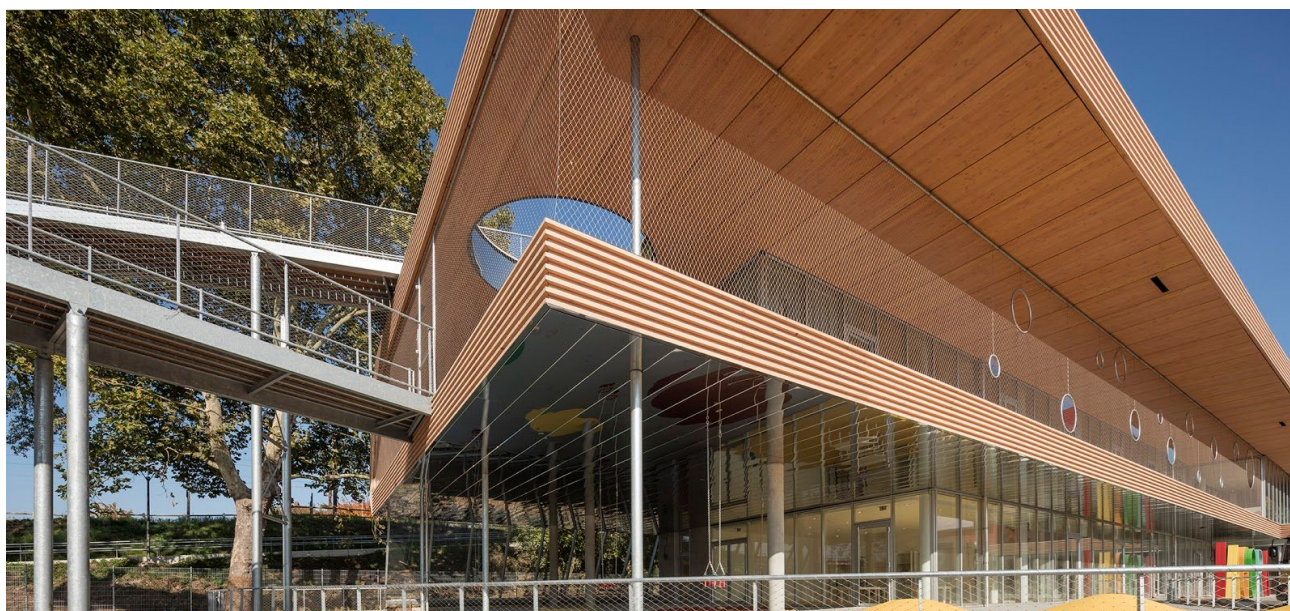
We intend to continue to support the development of our wide-range of products, with a focus on high margin value-added niche products. Because of the specialised and innovative nature of these products, we are able to earn higher margins as they typically attract higher prices than our commodity-type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

Driving additional value through the Services & Solutions segment

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

Strengthening our leadership position in the Alloys & Specialties segment

The Alloys & Specialties segment focuses on the design, production and transformation of various specialty alloys and certain specific stainless steels. These products are intended for high-end applications or to address very specific customer requirements across a broad range of industries, including oil and gas, aerospace, automotive, electronics, and petrochemical - to name only a few. We believe that the Alloys & Specialties segment has significant growth potential, especially in light of our R&D support and creative solutions we offer our customers.



Media library, social centre and digital workspace, Metz - France Ropa & Associés Architectes © Luc Boegly
Stainless Steel used: Aperam 304 with Uginox Bright surface 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.

- Macro-economic and geopolitical risks that indirectly impact Aperam;
- The risks of a decrease in nickel price, raw material price uncertainty, material margin squeeze, over dependency of main suppliers and electricity;
- Fluctuations in currency exchange rates;
- Litigation risks, including product liability, patent infringement, commercial practices, employment, employment benefits, taxes, environmental issues, health & safety and occupational disease (asbestos exposure/classification);
- Risks of lack of competitiveness of workforce costs, of retention and social conflicts;
- Customer risks in respect to default and credit insurance companies refusing to ensure the risks;
- Cybersecurity risks;
- Risk of production equipment breaking down.

These factors are discussed in more detail in the “Principal risks and uncertainties related to the Company and the stainless and specialty steel industry” section of our Annual Report 2018.



Le Berlingot - office building, Nantes - France - dl-a, designlab-architecture sa © Patrik André
Stainless Steel used: Aperam 304 with Uginox Top, Bright, Mat and brushed surface finishes

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

Stainless steel pricing

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

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

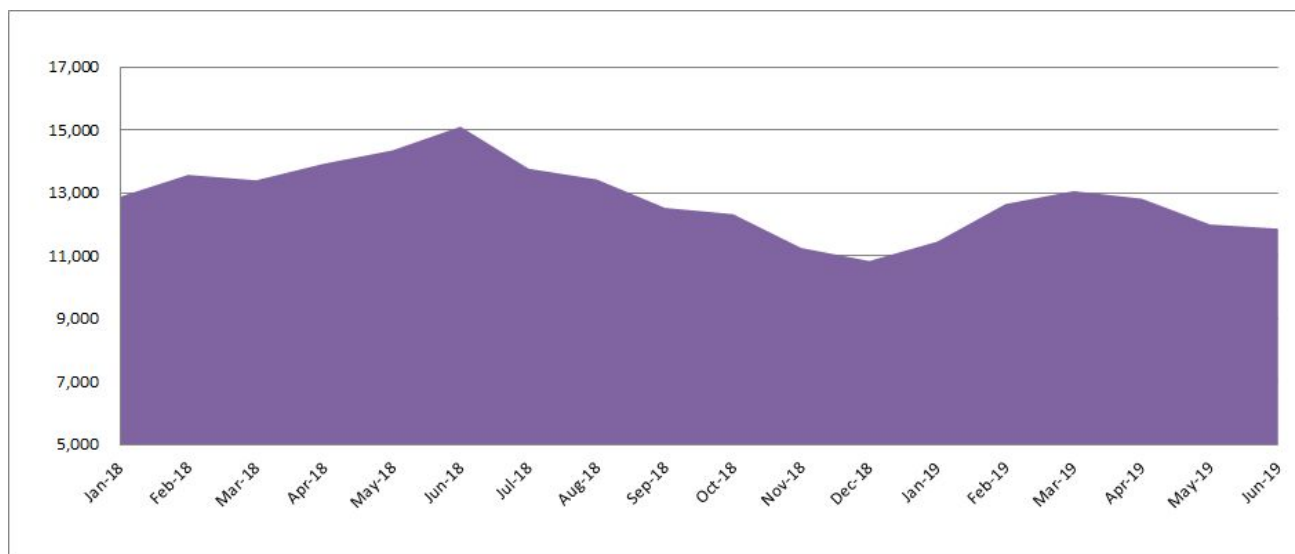
- > the "base price", which is negotiated with customers and depends on market supply and demand; and
- > the "alloy surcharge", which is a supplementary charge to the selling price of steel that offsets the purchase price increases in raw materials, such as nickel, chromium or molybdenum, by directly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

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

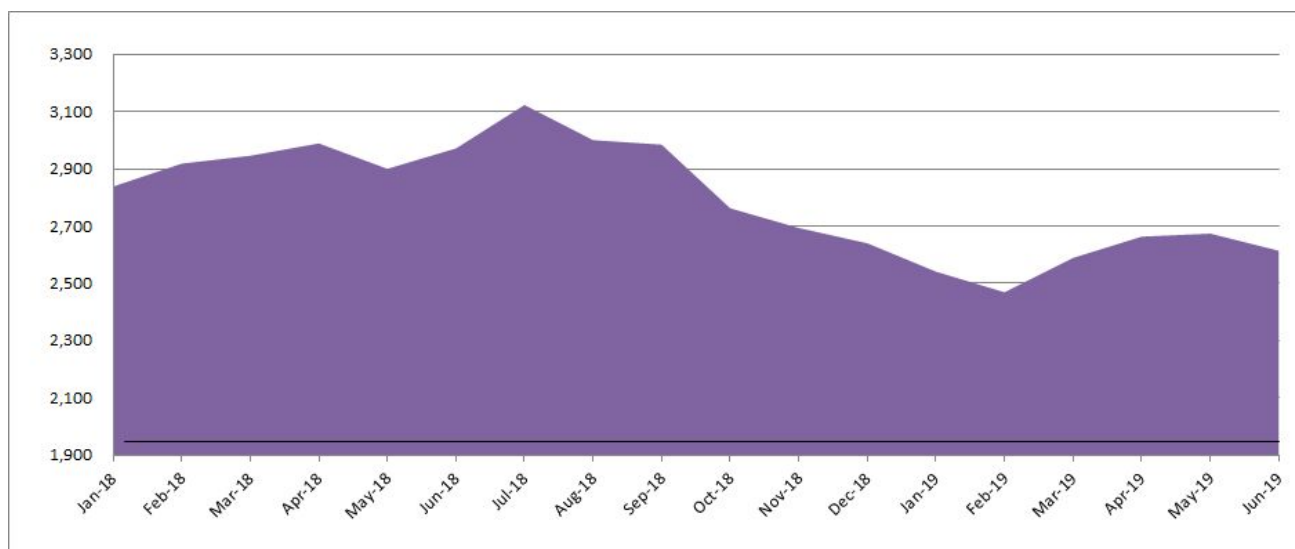
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The graphs below show the price of nickel on the LME and the European transaction price for CR304 stainless steel for the period from January 1, 2018 to June 30, 2019:

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).

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

Electrical steel pricing

Electrical steel prices were impacted globally by lower demand during the first half of 2019. Grain Oriented (GO) steels started the year with higher prices, after decreasing progressively. While Non-Grain Oriented (NGO) steels remained stable at lower levels.

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Demand for stainless and electrical steel and specialty alloys products

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

In 2018, global demand for stainless steel flat products grew once again, supported by the increase in demand in China, along with stronger demand in developed markets. In the first semester of 2019, stainless steel consumption heavily slowed down in all main regions and especially in China and Europe.

In 2018, global consumption of specialty alloys was stimulated by the recovery in oil & gas applications and supported by the health of the aerospace, electrical safety and liquid natural gas transportation markets. In the first semester of 2019, the specialty alloys markets continued to grow. Moreover, developing segments, such as electric vehicles, and new technologies, create new opportunities for our specialty alloys segment. In today's globally competitive environment, Aperam is committed to developing solutions that will answer the needs of emerging technologies and applications of tomorrow.

Production and capacity

In 2018, global flat stainless steel production increased by slightly less than 5%. Global structural overcapacity, driven by China, increased by 16% on cold rolled coils, thus continuing to affect the global stainless steel industry. The growth in flat stainless steel capacity in China has been just short of 10%, while consumption has remained strong, albeit growing at a slower pace than in the past. Although in 2018 China's surplus capacity continued to impact its stainless industry, it also continued to show slight signs of improvement. China is not only facing a significant industry restructuring challenge, but with over 50% of the global installed capacity, its industry is exerting disproportionate direct and indirect export pressures globally.

In addition to China, Indonesia has emerged on the global stainless market and is putting increasing pressure on export markets through aggressive pricing. In Indonesia, which is rich in nickel reserves, the main Chinese stainless players have invested massively in integrated mining, smelting and stainless steel mills. As a result, in 2018 alone, Indonesia boosted its stainless steel production capacity by +150% in Stainless Slab and by +200% in Stainless Cold Rolled, reaching over 2.5 Mt capacity and 300 kt respectively.

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

Due to ineffective provisional safeguard measures in Europe, imports from Asia, and especially Indonesia, increased significantly in Europe during 2018. Despite the enforcement of final safeguard measures by the European Commission, in the first half of 2019 the situation has not improved, so that the combined effect of higher imports and lower sales volumes due to the consumption slow down in Europe, has put domestic producers under further pressure.

Due to the stainless steel consumption slow down in all main regions, coupled with new capacity coming online in China and in Indonesia, global utilisation rates are forecasted to deteriorate in 2019 and to remain relatively low until 2022, assuming China does not address its overcapacity issue and there is no recovery in global demand.

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.

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

Although antidumping duties on Chinese cold rolled coils significantly reduced cold rolled imports from China, the lack of such duties on hot rolled coil saw imports from China grow substantially. 2018 also saw the emergence of Indonesia as a major offshore, integrated, nickel smelting and stainless steel production hub. As Indonesia was not covered by anti-dumping duties and neither by the provisional safeguard measures, it was able to substantially increase its exports to Europe. There was also a new wave of imports from Taiwan and South Korea (with limited duties), all of which have put increasing pressure on the European stainless market and its prices during the second half of 2018. Due to the effectiveness of the USA's trade barriers (section 232), Southeast Asian rerollers have redirected all their efforts onto Europe, conquering share from domestic players thanks to an aggressive pricing policy, made possible by the use of stainless semis like slabs or black coils supplied by Indonesia, where raw materials, labour and processing costs are even lower than in China. Despite the enforcement of final safeguard measures by the European Commission, in the first half of 2019 the situation has not improved, so that the combined effect of higher imports and lower sales volumes due to the consumption slow-down in Europe, has put domestic producers under further pressure. To be noted that this situation has been exacerbated by European Commission's decision of leaving Indonesia out of the list of Countries subject to import quotas, leaving the door open to further surge of hot and cold rolled coils imports at the expense of local mills.

Meanwhile, in Brazil, after several years of challenging market conditions, in 2018, profitability entered a recovery phase, thanks to the improvements implemented over the past years and economic growth gaining strength. However in the first half of 2019, Brazil is facing pressure both on the price, in a context of low international sales price, and higher costs of its raw materials, notably iron ore. Brazil growth projections for 2019 have been significantly lowered and end-use sectors are still not showing the recovery which was expected. Management confirms a strong potential in growth of per capita consumption of stainless steel in Brazil.

Developments regarding trade measures

2019 was marked by extensive developments in respect to trade measures, as described in greater detail below. Please refer to our Annual Report 2018 for further details regarding Section 232 in the United States and provisional safeguard measures announced by the European Commission in 2018.

European Union

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

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

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

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

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

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

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

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

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

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

[Link to Notice of initiation concerning the review of the safeguard measures applicable to imports of certain steel products \(2019/C 169/08\)](#)

According to Recital (161) of the Regulation imposing definitive safeguard measures, the European Commission, on the basis of the interest of the European Union, is investigating if it may have to adjust the level or allocation of the tariff-rate quota in case of changes of circumstances during the period of imposition of the measures.

On this basis, considering the development of imports of steel products subject to safeguard measures, the following issues will be specifically investigated:

1. Level and allocation of tariff-rate quota for a number of specific product categories
2. Crowding-out of traditional trade flows
3. Potential detrimental effects in achieving the integration objectives pursued with preferential trading partners
4. Update of the list of developing WTO member countries excluded from the scope of the measures, based on their most recent level of imports
5. Other changes of circumstances that may require an adjustment to the level of allocation of the tariff-rate quota

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Any amendment to the initial regulation following the review is likely to apply from 1 October 2019, after the Safeguard Committee has voted in favour.

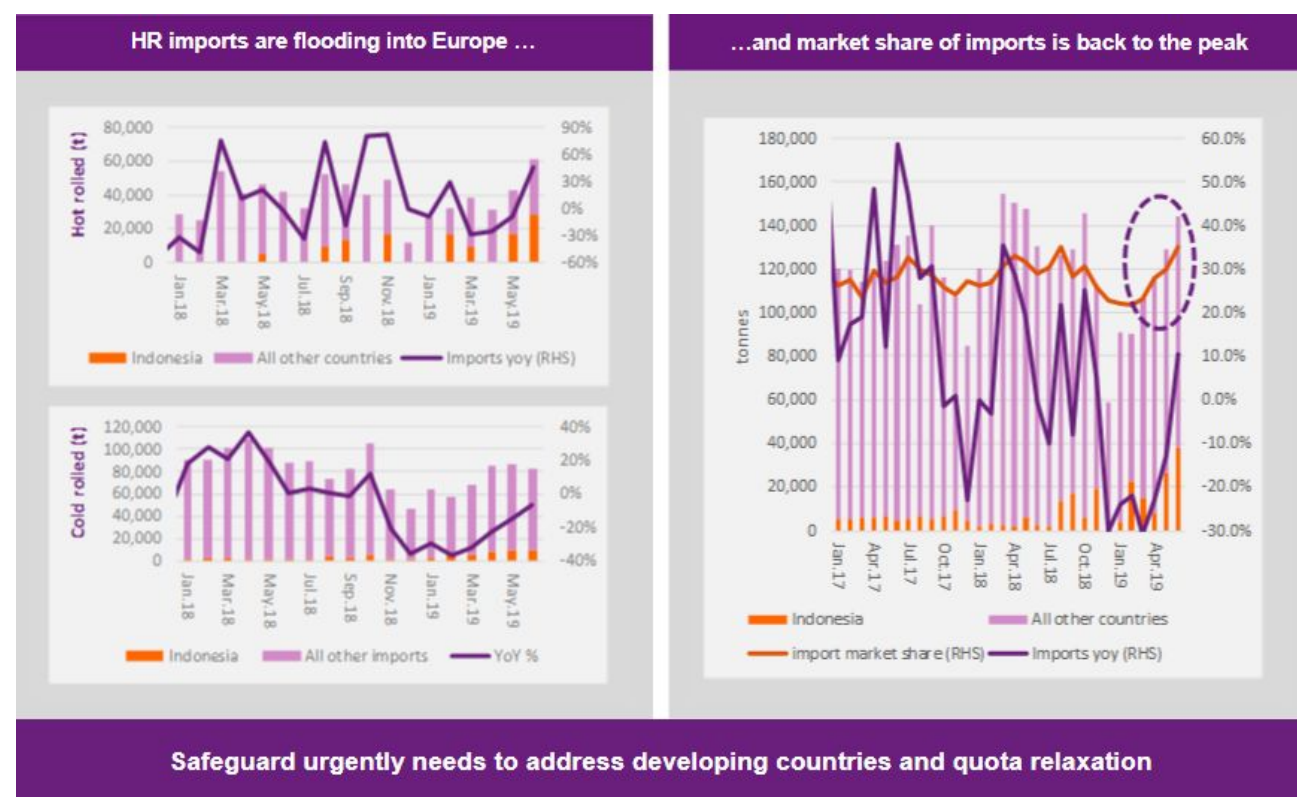
Anti-dumping measures on Colled Rolled Stainless Steel originating in China and Taiwan continued after the imposition of provisional safeguard and definitive measures.

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

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

Note:

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



In June 2019, imported tonnage of stainless cold rolled steel declined by only 6% year-on-year versus a high base while hot rolled stainless steel increased by staggering 46% year-on-year. In terms of global share of the market supply, imports continued to keep an outsized share of the market with 35% in June 2019, back to last years' peak level. Imports from Indonesia have increased by almost 480% year to date versus 2018. There is an urgent need for the European Commission to sharpen the safeguard measures, in particular by addressing developing countries, such as Indonesia, and quota relaxation.

Brazil

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

Type of products	Import duties status	Anti-dumping ("AD") status
Stainless Steel Flat Products CR304 and 430, in thicknesses between 0.35mm and 4.75mm	Normal import duties are 14%	<p>AD duties starting October 4, 2013 for 5 years from U.S.\$236/tonne to U.S.\$1,077/tonne for imports.</p> <p>Renewal investigation launched on October 3, 2018, during which time AD duties will remain in place.</p> <p>Countries involved are China, Taiwan, South Korea, Vietnam, Finland and Germany</p>
Stainless Steel Welded Tubes in thickness between 0.4mm to 12.70mm	Normal import duties are 14%	<p>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.</p> <p>Renewal investigation launched on July 16, 2018, during which time AD duties will remain in place.</p> <p>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.</p>
Electrical steel - Non Grain Oriented (NGO)	Normal import duties are 14%	<p>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.</p> <p>On August 15, 2014, Camex released partially NGO AD, giving 45kt of imports in the next 12 months without AD penalties.</p> <p>On November 4, 2015, Brazilian authorities decided to end the existing quota of imports without AD and fixed the AD duties from U.S.\$90/tonne to U.S.\$132.5/tonne.</p> <p>Renewal investigation launched on July 16, 2018, during which time AD duties will remain in place.</p> <p>An investigation involving Germany was launched on May 9, 2018.</p> <p>AD duties starting July 15, 2019, for 5 years from U.S.\$90/tonne to U.S.\$166.3/tonne. Countries involved are China, South Korea, Taiwan and Germany. Re-evaluation procedure to take place after 12 months.</p>
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.

The LME nickel prices rose from U.S.\$10,600 per tonne at the end of December 2018 to a high of U.S.\$13,610 per tonne in March 2019. However, international trade tension between the US and China, a downturn in macro economic indicators, and important levels of Chinese stainless steel stocks all negatively impacted nickel prices during the second quarter. LME nickel prices were U.S.\$12,665 per tonne at the end of June 2019. In July, LME nickel prices unexpectedly rallied and traded as high as U.S.\$15,000 per tonne during the middle of the month, and retreated towards U.S.\$14,100 at the date of this report.

At the start of 2019, ferrochrome continued to weaken, with the European benchmark price dropping to U.S.\$1.12 per pound of chrome (from U.S.\$1.24 per pound of chrome in the fourth quarter of 2018). The second quarter of 2019 showed a recovery of U.S.\$1.20 per pound of chrome, but the benchmark price ultimately fell again to U.S.\$1.04 per pound of chrome in July 2019. Availability levels of chrome ore and ferrochrome on the Chinese market, combined with reduced demand from stainless steel producers worldwide, were the root of this price decrease.

The seasonal molybdenum price increase that typically happens in the first quarter did not materialize in 2019, due to high stocks and slow demand. Except for a drop in January 2019, followed by a quick recovery as production cuts were announced, molybdenum prices traded mainly sideways in the first half of 2019, ending at U.S.\$26.18 per kilogram in June 2019.

Iron ore prices followed an upward trend since the start of the year amid important supply disruptions related to a dam break of Vale in Brazil and storm damage in Australia. Fears of tightness in supply pushed the price index (62% CFR Qingdao) from U.S.\$73 per tonne in December 2018 up to U.S.\$118 per tonne in June 2019, breaking the U.S.\$100 per tonne level for the first time since 2014.

Ferrous scrap prices started 2019 at the high level of U.S.\$360 per tonne and were stable during the first half of the year.

Energy

With regard to natural gas, the Timóteo production facility in Brazil has a natural gas supply contract with a Brazilian supplier. In Europe, the Group purchased most of its natural gas through a supply contract put in place with ArcelorMittal Energy S.c.a. in 2015.

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

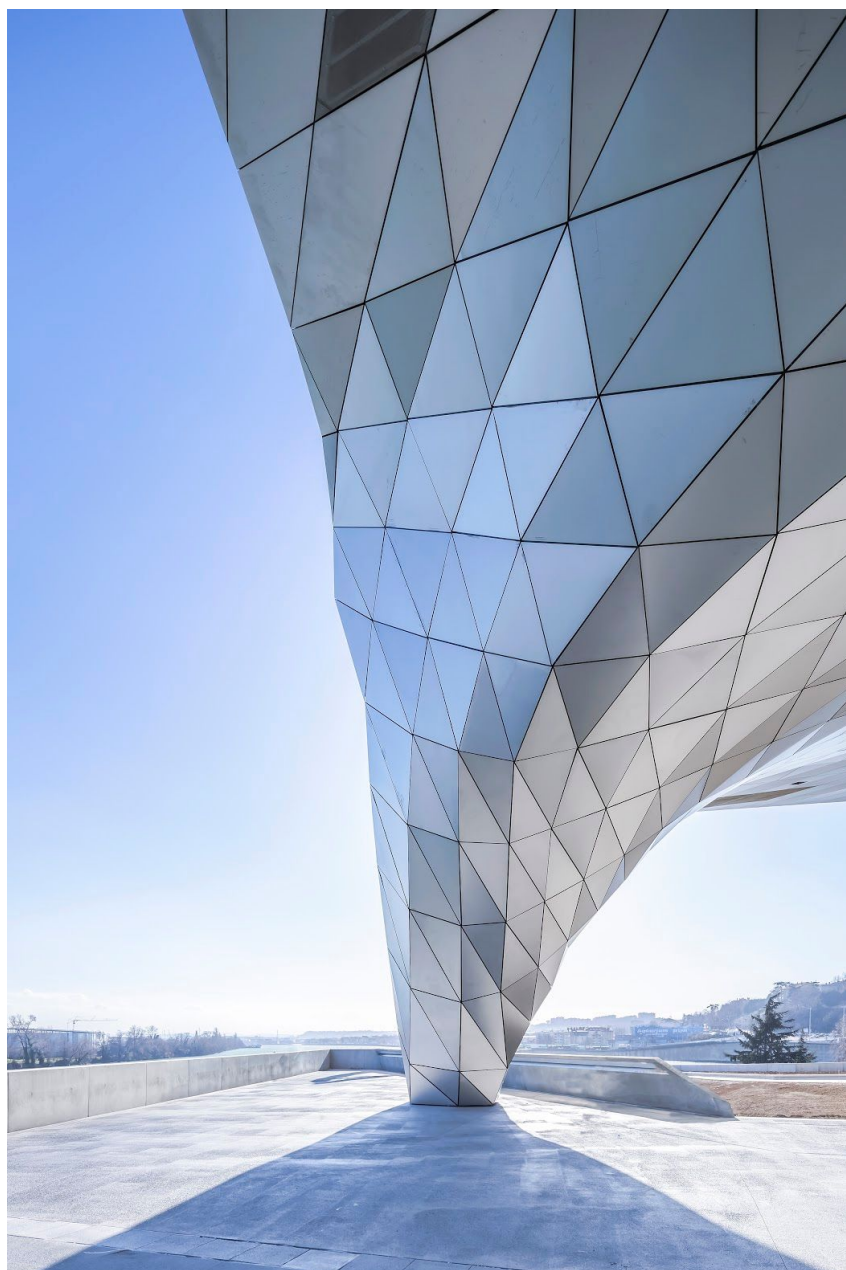
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With regard to industrial gases, the Group procures its industrial gas requirements using short- or long-term contracts with various suppliers in different geographical regions.

Impact of exchange rate movements

At the end of 2018, the Euro amounted to 1.1450 U.S. dollar/Euro and 4.4390 Brazilian real/Euro. In the first half of 2019, the Euro depreciated by 0.6% against the U.S. dollar to reach 1.1380 U.S. dollar/Euro. In the first half of 2019, the Euro depreciated by 1.8% against the Brazilian real to reach 4.3587 Brazilian real/Euro.

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



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Musée des Confluences in Lyon, France Architect: Coop Himmelb(l)au © Sergio Pirrone
Stainless steel used: Grade: Aperam 316L/1.4404 with Uginox Mat

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, 2019, and is compared to the six months ending June 30, 2018.

Key Indicators

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

Sales, steel shipments and average steel selling prices

The following table provides our sales, steel shipments and average selling prices by operating segment for the six months ending June 30, 2019 as compared to the six months ending June 30, 2018:

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		
	2019	2018	2019	2018	2019	2018	Sales	Steel Shipments	Average Steel Selling Price
	(in millions of Euros)		(in thousands of tonnes)		(in Euros/tonne)		(%)		
Stainless & Electrical Steel ⁽³⁾	1,773	2,010	919	995	1,864	1,963	(11.8)	(7.6)	(5.0)
Services & Solutions	973	1,110	396	447	2,341	2,389	(12.3)	(11.4)	(2.0)
Alloys & Specialties	309	280	19	19	15,705	14,082	10.4	0.0	11.5
Total (before intra-group eliminations)	3,055	3,400	1,334	1,461			(10.1)	(8.7)	
Total (after intra-group eliminations)	2,268	2,434	966	1,025	2,272	2,309	(6.8)	(5.8)	(1.6)

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 368 thousand tonnes and 436 thousand tonnes in the six months ending June 30, 2019 and 2018, respectively.
- (3) Includes shipments of special carbon steel from the Company's Timóteo production facility.

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Sales decreased by 6.8%, to €2,268 million, for the six months ending June 30, 2019, from €2,434 million for the six months ending June 30, 2018. This decrease in sales was due to lower shipments, which decreased by 5.8%, to 966 thousand tonnes, for the six months ending June 30, 2019, from 1,025 thousand tonnes for the six months ending June 30, 2018, plus a lower average steel selling price, which decreased by 1.6%, to €2,272 per tonne, for the six months ending June 30, 2019, from €2,309 per tonne for the six months ending June 30, 2018.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) decreased by 11.8%, to €1,773 million, for the six months ending June 30, 2019, from €2,010 million for the six months ending June 30, 2018. This was mainly due to lower shipment volumes, in addition to a decreasing average steel selling price. Steel shipments for this segment (including intersegment shipments) decreased to 919 thousand tonnes for the six months ending June 30, 2019, from 995 thousand tonnes for the six months ending June 30, 2018, which represented a decrease of 7.6%. The average steel selling price for the Stainless & Electrical Steel segment decreased by 5.0%, to €1,864 per tonne, for the six months ending June 30, 2019, from €1,963 per tonne for the six months ending June 30, 2018.

Sales to external customers in the Stainless & Electrical Steel segment were €1,024 million for the six months ending June 30, 2019, representing 45.1% of total sales, a decrease of 5.7% as compared to the €1,086 million in sales to external customers for the six months ending June 30, 2018, or 44.6% of total sales.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) decreased by 12.3%, to €973 million, for the six months ending June 30, 2019, from €1,110 million for the six months ending June 30, 2018. The decrease was due to lower shipment volumes, in addition to a decreasing average steel selling price. Steel shipments for this segment decreased to 396 thousand tonnes for the six months ending June 30, 2019, from 447 thousand tonnes for the six months ending June 30, 2018, which represented a decrease of 11.4%. The average steel selling price for the Services & Solutions segment decreased by 2.0%, to €2,341 per tonne, for the six months ending June 30, 2019, from €2,389 per tonne for the six months ending June 30, 2018.

Sales to external customers in the Services & Solutions segment were €936 million for the six months ending June 30, 2019, representing 41.3% of total sales, a decrease of 12.5% as compared to sales of €1,070 million for the six months ending June 30, 2018, or 44.0% of total sales.

Alloys & Specialties

Sales in the Alloys & Specialties segment increased by 10.4%, to €309 million, for the six months ending June 30, 2019, from €280 million for the six months ending June 30, 2018. The increase was primarily due to higher average selling price. The average steel selling price for the Alloys & Specialties segment increased by 11.5%, to €15,075 per tonne, for the six months ending June 30, 2019, compared to €14,082 per tonne for the six months ending June 30, 2018. Steel shipments for this segment were 19 thousand tonnes for the six months ending June 30, 2019, which is stable compared to the 19 thousand tonnes for the six months ending June 30, 2018.

Sales to external customers in the Alloys & Specialties segment were €308 million for the six months ending June 30, 2019, representing 13.6% of total sales, an increase of 10.8% as compared to the €278 million in sales to external customers for the six months ending June 30, 2018, or 11.4% of total sales.

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Operating Income

The Group's operating income for the six months ending June 30, 2019, was €105 million, compared to an operating income of €221 million for the six months ending June 30, 2018. This decrease is mainly due to the impact of lower volumes, lower stainless steel prices and negative inventory effects, partly offset by 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, 2019, as compared to the six months ending June 30, 2018:

	Operating Income Six Months Ending June 30,		Operating Margin Six Months Ending June 30,	
	2019	2018	2019	2018
Operating Segment	(in millions of Euros)		(%)	
Stainless & Electrical Steel	71	173	4.0	8.6
Services & Solutions	26	34	2.7	3.1
Alloys & Specialties	20	27	6.5	9.6
Total⁽¹⁾	105	221	4.6	9.1

Note:

(1) Amounts shown include eliminations of €(12) million and €(13) million for the six months ending June 30, 2019 and 2018 respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with 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 €71 million for the six months ending June 30, 2019, compared to an operating income of €173 million for the six months ending June 30, 2018. The operating result for the Stainless & Electrical Steel segment decreased for the six months ending June 30, 2019, compared to the six months ending June 30, 2018, mainly due to lower stainless steel prices, lower shipments and negative inventory effects. This decrease was partly compensated by the contribution of our Leadership Journey® and Top Line strategy.

Services & Solutions

The operating income for the Services & Solutions segment was €26 million for the six months ending June 30, 2019, compared to an operating income of €34 million for the six months ending June 30, 2018. The decline is due to lower volumes and negative inventory effects, partly offset by contributions from our Top Line strategy.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was €20 million for the six months ending June 30, 2019, compared to an operating income of €27 million for the six months ending June 30, 2018. This decrease is due to higher costs and negative inventory effects mitigated by higher prices and an improved mix.

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Financing Costs

Financing costs include interest income, interest expense, net foreign exchange and derivative results and other net financing costs. Financing costs increased to €(20) million for the six months ending June 30, 2019, compared to €(9) million for the six months ending June 30, 2018.

Excluding the foreign exchange and derivative results described below, net interest expense and other financing costs for the six months ending June 30, 2019 were €(21) million, related to financing costs of €(4) million and an exceptional financial loss of €(16) million related to the early buy-back of convertible bonds due 2021. This is compared to the net interest expense and other financing costs of €(10) million for the six months ending June 30, 2018, primarily related to financing costs of €(4) 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, 2019, compared to realised and unrealised foreign exchange and derivative gains of €1 million for the six months ending June 30, 2018. Foreign exchange results primarily relate to the accounting revaluation of non-Euro assets, liabilities, sales and earnings. Results on derivatives primarily relate to the financial instruments we entered 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 €(3) million for the six months ending June 30, 2019, compared to an income tax expense of €(48) million for the six months ending June 30, 2018. This decrease in income tax expense for the six months ending June 30, 2019 is primarily due to the lower level of profit before tax for the six months ending June 30, 2019, at €85 million compared to €213 million for the six months ending June 30, 2018, along with a tax benefit applicable as from 2018 and reduced taxation on the financing activity.

Net Income Attributable to Equity Holders of the Parent

Our net result was a profit of €82 million for the six months ending June 30, 2019, compared to a profit of €165 million for the six months ending June 30, 2018.

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 to enhance the understanding of its financial position and provides additional information to investors and management with respect to the Company's financial performance, capital structure and credit assessment. The definitions of these APMs are the same since the creation of the Company. These non-GAAP financial measures should be read in conjunction with, and not as an alternative for, Aperam's financial information prepared in accordance with IFRS. Such non-GAAP measures may not be comparable to similarly titled measures applied by other companies.

EBITDA

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

(in millions of Euros)

Six months ending June 30, 2019	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations ⁽¹⁾	Total
Operating income (loss)	71	26	20	(12)	105
Depreciation and Impairment	(60)	(6)	(4)	(1)	(71)
EBITDA	131	32	24	(11)	176

(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

Note:

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

Net Financial Debt and Gearing

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

Gearing is defined as Net Financial Debt divided by Equity.

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

	June 30, 2019	December 31, 2018
<i>(in millions of Euros)</i>		
Long-term debt	175	181
Short-term debt	190	66
Cash and cash equivalents	(189)	(199)
Net financial debt	176	48
Equity	2,387	2,519
Gearing	7%	2%

Free cash flow before dividend and share buy-back

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

	Six Months Ending June 30,	
<i>(in millions of Euros)</i>	2019	2018
Net cash provided by operating activities	168	143
Net cash used in investing activities	(72)	(85)
Free cash flow before dividend and share buy-back	96	58

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, 2019, and to Note 22 to the Consolidated Financial Statements as of December 31, 2018, 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 €189 million and €199 million as of June 30, 2019 and December 31, 2018 respectively.

Our total gross debt, which includes long- and short-term debt, was €365 million and €247 million as of June 30, 2019, and December 31, 2018, respectively. Net financial debt, defined as long-term debt plus short-term debt less cash and cash equivalents (including short-term investments), was €176 million as of June 30, 2019, compared to a net financial debt of €48 million at December 31, 2018. Gearing, defined as net financial debt divided by total equity, was 7% as of June 30, 2019.

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As of June 30, 2019, no amount of the revolving credit facility was drawn, leaving a committed credit line of €300 million under the facility (see more details in “Financing” section below).

In addition, as of June 30, 2019, Aperam had €33 million of debt outstanding at the subsidiary level (including €32 million of finance leases). As of June 30, 2019, the Company had a total liquidity of €489 million, consisting of cash and cash equivalents (including short-term investments) of €189 million and committed credit lines of €300 million (revolving credit facility of €300 million). As of December 31, 2018, the Company had a total liquidity of €499 million⁽¹⁾, consisting of cash and cash equivalents (including short term investments) of €199 million and committed credit lines of €300 million (revolving credit facility of €300 million).

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 €0.5 billion, including a borrowing capacity of €300 million. In management’s opinion, such a financing arrangement is sufficient for our future requirements.

Note:

(1) Total amount of liquidity didn't include the bridge loan facility agreement of €300 million described below since it was a short-term facility that has already been repaid.

Financing

Unsecured revolving credit facility

On June 6, 2017, Aperam entered into a €300 million unsecured revolving credit facility (The Facility) with a group of 10 banks. The Facility is structured as a five-year revolving credit facility with two options of extension by one year each, replacing its U.S.\$400 million three-year secured borrowing base facility. It will be used for the company's general corporate purposes. On May 22, 2018 and May 23, 2019, the original final maturity date of the Facility was extended by one year, to June 6, 2024.

The Facility charges interest at a rate of EURIBOR (or LIBOR, in the case of an advance denominated in U.S. dollars) plus a margin for the relevant interest period, which may be below one, two, three or six months, or any other period agreed to between the parties. The Facility also charges utilisation fees on the drawn portion of the total facility amount and commitment fees on the undrawn and uncanceled portion of the total facility amount, payable quarterly in arrears. On June 4, 2019, the Company received the consent from all lenders to amend the calculation of the margin to be determined on levels of a Net Leverage Ratio as opposed to the Company’s previous pricing model depending on the Group's most recent corporate rating by Standard & Poor's, Moody's, or both.

The Facility contains financial covenants, including:

- > a minimum consolidated tangible net worth of €1.25 billion; and
- > a maximum consolidated total debt of 70% of consolidated tangible net worth.

On June 30, 2019, these financial covenants were fully met.

Bridge loan facility agreement

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

EIB 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 and dedicated to financing a research and development programme over the 2016-2019 period, as well as upgrading two plants located in two cohesion regions in France and Belgium (Isbergues, Hauts-de-France and Châtelet, Hainaut respectively). This project was funded under the Investment Plan for Europe, also known as the “Juncker Plan”. The financing contract, which is senior

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unsecured, was entirely drawn down on October 16, 2018, at a rate of 1.669%, with a final maturity date of October 16, 2028.

On February 25, 2019, the Company announced the signature of a financing contract where the EIB will make available to Aperam an amount of €100 million. The purpose of this contract is the financing of ongoing investments in the cold rolling and annealing & pickling lines at Aperam's Genk plant (Belgium), as well as the Company's ongoing modernisation programmes in the cohesion regions of Nord-Pas-de-Calais (France) - Isbergues plant, and Hainaut (Belgium) - Châtelet plant. The financing contract, which is senior unsecured, was entirely drawn down on March 15, 2019, at a rate of 1.307%, with a final maturity date of March 15, 2029.

Convertible bonds

Net share settled convertible and/or exchangeable bonds due 2021

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

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

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

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

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

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

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

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

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

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On the remaining portion of the U.S.\$27.6 million debt, Aperam has the possibility at anytime to exercise a clean-up call, compelling the bondholders to redeem the bond at par. Since it's the intention of the Company to exercise this cleanup call before the end of year 2019, the expected future cash flows have been modified and an accelerated amortization of U.S.\$ 18 million (€16 million) has been recorded as a financial loss in the statement of operations for the six months ending June 30, 2019.

In May 2019, following the successive quarterly dividend payments during 2016, 2017, 2018 and 2019, the conversion price of such bond was adjusted to U.S.\$38.29 as per respective terms and conditions. On such basis, the issuance of up to 720,815 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.

Commercial paper programme

On July 10, 2018, Aperam received confirmation from Banque de France, as foreseen by art. D.213-2 of "Code monétaire et financier" of the French law, that the conditions as described in the financial documentation of its programme of NEU commercial paper for a maximum outstanding amount of €200 million, fulfill the requirements of law. On June 30, 2019, an amount of €157 million was drawn under the Aperam NEU CP programme.

True sales of receivables programme

Following the spin-off, the Group obtained liquidity from the sale of receivables through a true sale of receivables (TSR) programme. As of the end of June 2012, the programme was subsequently split into two programmes under similar terms and conditions to the existing programme. The maximum combined amount of the programmes that could be utilised as of the end of June 2019 was €320 million. Through the TSR programme, the Group and certain operating subsidiaries surrender the control, risks and benefits associated with the accounts receivable sold, allowing it to record the amount of receivables sold as a sale of financial assets and remove the accounts receivable from its statement of financial position at the time of the sale.

The total amount of receivables sold under the TSR programme and derecognised in accordance with IFRS 9 during the six months ending June 30, 2019 and 2018 was €0.86 billion and €0.87 billion respectively. Expenses incurred under the TSR programme (reflecting the discount granted to the acquirers of the accounts receivable) are recognised in the statement of operations as financing costs and amounted to €(2) million and €(3) million for the six months ending June 30, 2019, and 2018 respectively.

Credit ratings

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

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

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

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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 the 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) A base dividend increase to €1.75/share was approved at the Annual General Meeting of Shareholders of May 7, 2019. Please refer to section "Earnings distribution" below for greater details.

(2) On February 6, 2019, the Company announced a share buyback programme for an aggregate maximum amount of €100 million and a maximum of 3.7 million shares under the authorisation given by the Annual General Meeting of shareholders held in 2015. On June 27, 2019, Aperam announced the completion of the programme. In aggregate, 3.7 million shares were bought, representing an equivalent amount of EUR 92.6 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

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

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

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

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

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

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

Share buyback

Corporate authorisations

On May 5, 2015, the Annual General Meeting of Shareholders authorised the company to repurchase its own shares in accordance with applicable laws and regulations for a period of five years or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration of the five year period. On 7 May 2019, the Annual General Meeting of Shareholders renewed such authorisation under the same conditions.

Key features of the 2019 share buyback programme

On February 6, 2019, Aperam announced a share buyback programme under the authorization given by the Annual General Meeting of Shareholders held on May 5, 2015 and, or under any renewal of such authorization, at the May 7, 2019 Annual General Meeting of shareholders (hereinafter "Programme").

The key features of the Programme are as follows:

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

Aperam appointed an investment services provider to execute the repurchasing of shares in the open market during open and closed periods. The price per share of the shares to be bought under the Programme 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, and such renewal at the May 7, 2019 Annual General Meeting of Shareholders.

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

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

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

- Period of repurchases: April 3, 2019 to June 25, 2019 (based on settlement date)
- Number of shares acquired: 3,700,000
 - Out of which on Euronext Amsterdam and other regulated dealing platforms²: 2,184,494
 - Out of which on Euronext off market platform from the Mittal family: 1,515,506
- Pecuniary amount of shares acquired: €92,598,848
 - Out of which on Euronext Amsterdam and other regulated dealing platforms²: €54,670,712
 - Out of which on Euronext off market platform from the Mittal family: €37,928,136

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" > "Equity Investors" > "Share Buy Back".

Disclosure of trading in own shares under Luxembourg Company law

- Number of own shares held on December 31, 2018: 1,939,598 shares or 2.27% of the subscribed capital, representing a nominal value of €76,398,937 and an accounting par value of €10,163,494.
- Number of own shares acquired under share buyback programme during the first half of 2019: 3,700,000 or 4.33% of the subscribed capital, representing a nominal value of €92,598,848 and an accounting par value of €19,388,000.
- Number of shares received as a consequence of the call spread overlay unwinding in relation to the convertible bonds 2021: 60,323 or 0.07% of the subscribed capital, representing a nominal value of €1,508,901 and an accounting par value of €316,093.
- Number of own shares held on June 30, 2019: 5,699,921 or 6.67% of the subscribed capital, representing a nominal value of €170,506,686 and an accounting par value of €29,867,586.

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

As of the date of this report, the number of treasury shares is 3,899,921, out of which 3,700,000 shares are intended to be cancelled to reduce the share capital of the Company, in coherence with the objective of the 2019 programme. Total numbers of outstanding shares (net of treasury shares) as of 30 June 2019 stood at 79,796,359 million shares.

² Chi-X, Turquoise & BATS



Nova Housing, Strasbourg - France TOA © Frédéric Delangle
Stainless steel used : Aperam 304 with Uginox Bright finish

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Sources and Uses of Cash

The following table presents a summary of our cash flows for the six months ending June 30, 2019, as compared to the six months ending June 30, 2018:

	Summary of Cash Flows	
	Six months ending June 30,	
	2019	2018
	<i>(in millions of Euros)</i>	
Net cash provided by operating activities	168	143
Net cash used in investing activities	(72)	(85)
Net cash used in financing activities	(106)	(144)

Net cash provided by operating activities

Net cash provided by operating activities amounted to €168 million for the six months ending June 30, 2019, compared to €143 million for the six months ending June 30, 2018. The net cash provided by operating activities in the six months ending June 30, 2019 increased by €25 million compared to the six months ending June 30, 2018, mainly due to less cash being deployed to working capital.

Net cash used in investing activities

Net cash used in investing activities amounted to €(72) million for the six months ending June 30, 2019, compared to €(85) million for the six months ending June 30, 2018. The net cash used in investing activities for the six months ending June 30, 2019 was mainly related to capital expenditures of €(73) million, compared to €(88) million for the six months ending June 30, 2018, and partly offset by €1 million of proceeds mainly related to sale of assets in Brazil.

Net cash used in financing activities

Net cash used in financing activities was €(106) million for the six months ending June 30, 2019, compared to €(144) million for the six months ending June 30, 2018. Net cash used in financing activities for the six months ending June 30, 2019 was primarily related to the €(194) million of convertible bonds 2021 repurchases, €(93) million of acquisition of treasury shares under the 2019 share buyback program and €(72) million of dividend payments. This was partly offset by €157 million of commercial paper drawings and €100 million new loan from EIB. In comparison, net cash used in financing activities for the six months ending June 30, 2018 was primarily related to €(63) million of dividend payments, €(55) million of acquisition of treasury shares under the 2018 share buyback program and €(26) million of convertible bonds 2021 repurchases.

Equity

Equity attributable to the equity holders of the parent decreased to €2,383 million on June 30, 2019, as compared to €2,515 million on December 31, 2018. This is primarily due to a dividend declaration of €(146) million, the purchase of €(93) million of treasury shares, which was partly offset by a net income for the period of €82 million, a net foreign currency translation differences of €16 million, and a net increase in cash flow hedge reserves of €11 million.

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, 2019, the Company released its second quarter 2019 results, which are available on the Company’s website www.aperam.com under the “Investors” > “Investors Essentials” > “Earnings” section. As part of its prospects, the Company announced that EBITDA in Q3 2019 is expected to decrease compared to Q2 2019, due to the seasonal slowdown in Europe, rising imports, declining demand and low international prices. Net financial debt is expected to remain stable at a low level in Q3 2019.

Recent Developments

- On February 25, 2019, Aperam announced the signature of a financing contract where the EIB will make available to Aperam an amount of €100 million for advanced stainless steel manufacturing.
- On February 26, 2019, Aperam announced the publication of its Annual Report 2018 ([Link](#)).
- On March 25, 2019, Aperam invited holders of its outstanding U.S.\$300 million 0.625% Net Share Settled Bonds due 2021 (convertible into common shares of Aperam) to offer to sell their bonds pursuant to a fixed price tender offer process.
- On March 25, 2019, Aperam announced the results of its fixed price tender of its outstanding U.S.\$300 million 0.625% Net Share Settled Bonds due 2021 (convertible into common shares of Aperam).
- On March 27, 2019, Aperam announced the Final Purchase Price in relation to its fixed price tender of its outstanding U.S.\$300 million 0.625% Net Share Settled Bonds due 2021 (convertible into common shares of Aperam).
- On April 5, 2019, Aperam announced the publication of the convening notice for its Annual General Meeting and Extraordinary General Meeting of shareholders to be held on May 7, 2019 ([Link](#)).
- On April 19, 2019, Aperam announced the publication of its “made for life” report for 2018, which constitutes Aperam’s sustainability performance report ([Link](#)).
- On May 7, 2019, Aperam announced that the Annual and Extraordinary General Meetings of Shareholders of Aperam held in Luxembourg on May 7, 2019 approved all resolutions on the agenda by a large majority. In particular, the shareholders
 - approved the consolidated financial statements for the financial year 2018;
 - re-elected Mr. Lakshmi N. Mittal, Mr. Romain Bausch, Mrs. Kathryn A. Matthews and Mr. Aditya Mittal; and elected Mrs Bernadette Baudier as Directors of Aperam for a term of three years;
 - renewed the authorisation of the Board of Directors of the Company and of the corporate bodies of other companies in the Aperam group to acquire shares in the Company;
 - authorized grants of share based incentives under the Group’s Long Term Incentive Plan covering Performance Share Unit grants for the Leadership Team and other performance based grants below the level of the Leadership Team;
 - decided to cancel shares and to consequently reduce the issued share capital following the cancellation of shares repurchased under the share buyback program, such cancellation to take place after the end of the program.
- On June 13, 2019, Aperam announced that it has requested to be withdrawn from the credit rating services of S&P Global Ratings and Moody’s Investor Service, while reaffirming to maintain investment grade financial ratios:

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- o On June 27, 2019, Moody's Investors Service withdrew the 'Baa3' long-term issuer rating with stable outlook of Aperam S.A.
 - o On July 15, 2019, S&P Global Ratings withdrew its 'BBB-' long-term issuer credit rating with stable outlook of Aperam S.A.
- On June 27, 2019, Aperam announced the completion of its share buyback program. In aggregate, 3,700,000 shares were bought under the Program, representing an equivalent amount of €92.6 million.
- On July 18, 2019, 1,800,000 shares acquired under the 2018 share buyback program were cancelled in line with the announced purpose of the program. The total number of shares outstanding (Net of Treasury Shares 3,899,921) as of July 18, 2019 is 79,796,359 shares.

Recent Developments in Legal Proceedings

The Company defends itself in several environmental, labour, tax and other claims. The most significant of these are described in Note 23 to the Consolidated Financial Statements as of and for the year ending December 31, 2018. Changes in contingencies since December 31, 2018, are described in Note 11 to this Condensed Consolidated Financial Statements.

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Corporate Governance

Aperam aims to continuously improve its Corporate Governance and Compliance framework to remain in line with the industry's highest standards. In a global organisation like Aperam, it is of the utmost importance to ensure that all employees are at all times fully aware and aligned with the Corporate Governance and Compliance framework and that a zero tolerance for non-compliant behaviours is achieved. In particular, the Company updated its Code of Business Conduct during the first half of the year, and its release was widely communicated within the Group. The updated Code of Business Conduct is also available at www.aperam.com under "Sustainability" > "Governance" > "Business Ethics & Compliance" ([Link](#)). Please refer to the "Corporate Governance" section of Aperam's Annual Report 2018 for a complete overview. Aperam's Annual Report is available at www.aperam.com under the "Investors" > "Investors Essentials" > "Financial Reports" section ([Link](#)). The purpose of the present section is solely to describe the events and changes affecting Aperam's corporate governance between December 31, 2018, and June 30, 2019.

Board of Directors and Committees

Election of members of the Board of Directors

On May 7, 2019, the Annual General Meeting of Shareholders approved the election of Mr. Lakshmi N. Mittal, Mr. Romain Bausch, Mrs. Kathryn A. Matthews, and Mr. Aditya Mittal. It also elected Mrs. Bernadette Baudier as Members of the Board of Directors of Aperam for a three year term.

Composition of the Board of Directors and Committees

On July 31, 2019, Aperam announced the resignation of Mrs. Laurence Mulliez for personal considerations effective August 1, 2019. Ms. Laurence Mulliez joined the Board in May 2011 and chaired its Audit and Risk Management Committee since May 2013. The members of the Board of Directors extended their warmest gratitude and appreciation for Mrs. Mulliez's valuable contribution to the Board. Mrs. Bernadette Baudier will replace Mrs. Laurence Mulliez as Chairperson of the Audit and Risk Management Committee. The members of the Board of Directors, as well as their memberships to the Board's Committees as of issue of this 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 2022
Mr. Romain Bausch ^{(1) (2)}	Lead Independent Director, Independent member of the Board of Directors	January 2011	May 2022
Mrs. Bernadette Baudier ⁽¹⁾	Independent member of the Board of Directors	May 2019	May 2022
Mr. Philippe Darmayan	Non-independent member of the Board of Directors	May 2015	May 2021
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 2022
Mr. Aditya Mittal	Non-independent member of the Board of Directors	December 2010	May 2022
Mrs. Laurence Mulliez ^{(1) (3)}	Independent member of the Board of Directors	May 2011	May 2020

Notes:

Company Secretary: Mr. Laurent Beuloye

⁽¹⁾ Member of the Audit and Risk Management Committee

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

⁽³⁾ Mrs. Laurence Mulliez resigned for personal considerations effective August 1, 2019

Information related to the shares of the Company

Authorisation of grants of share-based incentives

On May 7, 2019, 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

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Unit Plan (hereinafter “LT PSU Plan”). 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” > “Equity Investors” > “Shareholders Meetings”, > “7 May 2019 - General Meetings of Shareholders” section ([Link](#)).

Authorisation for cancellation of shares and reduction of issued share capital

- 2019 Share buy back program: On May 7, 2019, 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 February 6, 2019, 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.
- 2018 share buy back program: On 18 July 2019, 1,800,000 shares acquired under the 2018 share buyback program were cancelled in-line with the announced purpose of the share buy back program. As of the date of this report, the total number of issued shares amounts to 83,696,280, and the number of treasury shares amounts to 3,899,921, out of which 3,700,000 shares are intended to be cancelled to reduce the share capital of the Company, in coherence with the objective of the 2019 share buy back program.

Renewal of the authorisation of the Board of Directors of the Company and of the corporate bodies of other companies in the Aperam group to acquire shares in the Company

On May 7, 2019, the Annual General Meeting of Shareholders authorised, effective immediately after the meeting, the Board of Directors of the Company, with option to delegate, and the corporate bodies of the other companies in the Aperam Group, in accordance with the Luxembourg law of 10 August 1915 on commercial companies, as amended (the “Law”), to acquire and sell shares in the Company in accordance with the Law and any other applicable laws and regulations, including but not limited to entering into off-market and over-the-counter transactions, and to acquire shares in the Company through derivative financial instruments.

The authorisation will allow the Company to hold or repurchase shares not exceeding 10% of the Company’s issued share capital. The present authorisation is valid for a period of five (5) years or until the date of its renewal by a resolution of the General Meeting of Shareholders if such renewal date is prior to the expiration of the five-year period. The full details of the authorisation are available at www.aperam.com under the “Investors” > “Equity Investors” > “Shareholders Meetings”, > “7 May 2019 - General Meetings of Shareholders” > “convening Notice” section ([Link](#)).

Shareholding notifications with reference to Transparency Law requirements

With reference to the law and Grand-Ducal regulation of January 11, 2008, on transparency requirements for issuers of securities (Transparency Law) and to shareholding notifications, such notifications are available in the Luxembourg Stock Exchange’s electronic database OAM on www.bourse.lu and on www.aperam.com under the “Investors” > “Corporate Governance” > “Shareholding Structure” section ([Link](#)).

- On April 1, 2019, Aperam announced shareholding notifications from Prudential plc for reaching and crossing the 5% voting rights threshold.

Designated person notifications with reference to Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulations)

With reference to Article 19(3) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulations) and to notifications of share transaction by Designated Persons (i.e. Directors or Executive Officers), such notifications are available in the Luxembourg Stock Exchange’s electronic database OAM on www.bourse.lu and on www.aperam.com under “Investors” > “Corporate Governance” > “Share Transactions by Management” section ([Link](#)).

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- Over the period, from February 11, 2019 to June 24, 2019, Aperam announced several notifications for Designated Persons, primarily in relation to the share buyback program.



Embarcadère, Yvoire - France, Architecte Fabrice David, Studio Erick Saillet
Stainless Steel used: Aperam 304 mirror polished appearance (Meca 8ND) and Uginox Bright

Aperam, Société Anonyme

Condensed Consolidated Financial Statements

as of and for the six months ending June 30, 2019

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 30, 2019

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

1. the Condensed Consolidated Financial Statements of Aperam presented in this Interim Financial Report 2019, 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, 2019, 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
Philippe Darmayan

Chief Executive Officer
Timoteo di Maulo

Chief Financial Officer
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,	
	2019	2018
Sales (Note 2) (including 36 and 40 of sales to related parties in 2019 and 2018, respectively)	2,268	2,434
Cost of sales (including depreciation and impairment of 71 and 70, and purchases from related parties of 88 and 112 for 2019 and 2018, respectively)	(2,066)	(2,102)
Gross margin	202	332
Selling, general and administrative expense	(97)	(111)
Operating income (Note 2)	105	221
Income from other investments and associates	—	1
Interest income	1	1
Interest expense and other net financing costs	(21)	(10)
Income before taxes	85	213
Income tax expense (Note 3)	(3)	(48)
Net income	82	165
Net income attributable to:		
Equity holders of the parent	82	165
Earnings per common share (in euros):		
Basic	0.99	1.93
Diluted	0.99	1.57
Weighted average common shares outstanding (in thousands):		
Basic	82,554	85,151
Diluted	82,895	93,326

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,	
	2019	2018
Net income	82	165
<i>Items that cannot be recycled to the consolidated statement of operations:</i>		
Investments in equity instruments at FVOCI:		
Gain arising during the period, net of tax expense of nil for 2019 and 2018, respectively	2	—
<i>Items that can be recycled to the consolidated statement of operations:</i>		
Cash flow hedges:		
Gain arising during the period, net of tax (expense) income of (4) and 2 for 2019 and 2018, respectively	12	—
Reclassification adjustments for gain included in the statement of operations, net of tax expense of nil and 3 for 2019 and 2018, respectively	(1)	(6)
Total cash flow hedges	11	(6)
Exchange differences arising on translation of foreign operations, net of tax income of nil and 2 for 2019 and 2018, respectively	16	(115)
Total other comprehensive income	29	(121)
Total other comprehensive income attributable to:		
Equity holders of the parent	29	(121)
Total other comprehensive income	29	(121)
Net comprehensive income	111	44
Net comprehensive income attributable to:		
Equity holders of the parent	111	44
Net comprehensive income	111	44

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, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	189	199
Trade accounts receivable	280	274
Inventories (Note 4)	1,290	1,410
Prepaid expenses and other current assets (Note 5)	80	71
Income tax receivable	4	6
Total current assets	1,843	1,960
Non-current assets:		
Goodwill and intangible assets	491	490
Biological assets	33	34
Property, plant and equipment	1,565	1,555
Other investments (Note 6)	34	32
Deferred tax assets	163	160
Other assets	80	92
Total non-current assets	2,366	2,363
Total assets	4,209	4,323

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, 2019	December 31, 2018
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt (Note 7)	190	66
Trade accounts payable	823	940
Short-term provisions	14	15
Accrued expenses and other liabilities	282	249
Income tax liabilities	7	6
Total current liabilities	1,316	1,276
Non-current liabilities:		
Long-term debt, net of current portion (Note 7)	175	181
Deferred tax liabilities	129	131
Deferred employee benefits	146	148
Long-term provisions	43	42
Other long-term obligations	13	26
Total non-current liabilities	506	528
Total liabilities	1,822	1,804
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 79,796,359 and 83,556,682 shares outstanding as of June 30, 2019, and December 31, 2018, respectively)	448	448
Treasury shares (5,699,921 and 1,939,598 common shares as of June 30, 2019, and December 31, 2018, respectively)	(171)	(76)
Additional paid-in capital	1,231	1,231
Retained earnings	1,336	1,402
Other comprehensive loss	(461)	(490)
Equity attributable to the equity holders of the parent	2,383	2,515
Non-controlling interests	4	4
Total equity	2,387	2,519
Total liabilities and equity	4,209	4,323

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)

		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 derivative 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, 2017⁽²⁾	Shares⁽¹⁾	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
Balance at December 31, 2018	83,557	448	(76)	1,231	1,402	(478)	(9)	17	(20)	—	2,515	4	2,519
Net income	—	—	—	—	82	—	—	—	—	—	82	—	82
Other comprehensive income	—	—	—	—	—	16	11	2	—	—	29	—	29
Total comprehensive income	—	—	—	—	82	16	11	2	—	—	111	—	111
Recognition of share based payments	—	—	—	—	1	—	—	—	—	—	1	—	1
Purchase of treasury shares	(3,700)	—	(93)	—	—	—	—	—	—	—	(93)	—	(93)
Dividends	—	—	—	—	(146)	—	—	—	—	—	(146)	—	(146)
Call Spread Overlay unwinding	(61)	—	(2)	—	(3)	—	—	—	—	—	(5)	—	(5)
Balance at June 30, 2019	79,796	448	(171)	1,231	1,336	(462)	2	19	(20)	—	2,383	4	2,387

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

⁽²⁾ Amounts for December 31, 2017 have been converted from USD to EUR for comparative purpose following the change in presentation currency - see Note 1 to the condensed consolidated financial statements in 2018 Annual Report

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,	
	2019	2018
Operating activities:		
Net income	82	165
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation, amortisation and impairment	71	70
Net interest expense	21	7
Income tax expense (Note 3)	3	48
Net write-downs of inventories to net realisable value	6	11
Unrealised (gains)/ losses on derivative instruments	3	(9)
Unrealised foreign exchange effects, other provisions and non-cash operating expenses, (net)	(19)	16
Changes in operating working capital:		
Trade accounts receivable	—	(104)
Trade accounts payable	(120)	125
Inventories	133	(156)
Changes in other operating assets, liabilities and provisions:		
Interest paid, (net)	(3)	(2)
Income taxes refund (paid)	2	(21)
Other working capital movements and provisions movements	(11)	(7)
Net cash provided by operating activities	168	143
Investing activities:		
Acquisition of property, plant and equipment, intangible and biological assets (CAPEX)	(73)	(88)
Other investing activities, (net)	1	3
Net cash used in investing activities	(72)	(85)
Financing activities:		
Net proceeds (payments) from short-term debt	(37)	(26)
Proceeds from long-term debt, net of debt issuance costs	100	—
Purchase of treasury shares (Note 8)	(93)	(55)
Dividends paid (Note 8)	(72)	(63)
Finance lease payments	(4)	—
Net cash used in financing activities	(106)	(144)
Effect of exchange rate changes on cash	—	(3)
Net decrease in cash and cash equivalents	(10)	(89)
Cash and cash equivalents:		
At the beginning of the period	199	306
At the end of the period	189	217

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.

Accounting policies

The interim condensed consolidated financial statements for the six months ended June 30, 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at December 31, 2018.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019. 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 16 *Leases*. 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 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 16 “Leases”

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

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously

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identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

a) Nature of the effect of adoption of IFRS 16

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

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

Leases previously classified as finance leases

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

Leases previously accounted for as operating leases

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

The Group also applied the available practical expedients wherein it:

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

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

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

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

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

Notes:

- (1) Out of which €26 million of discounted operating lease commitments disclosed in Note 22 to the consolidated financial statements as of and for the year ending December 31, 2018.
- (2) Incremental borrowing rate was computed in various currencies and maturities and considered the cost of debt at Aperam level in EUR, including base rate and credit spread for BBB- / Baa3 credits in close sector plus a country adjusted spread considering country risk and interest rate in various currencies reflect in sovereign bonds issued in local currency

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

• Right-of-use assets

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

• Lease liabilities

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

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

• Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments related to

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company cars have been scoped out of IFRS 16 since they are not material to the Group and are recognised as an expense on a straight-line basis over the lease term. Before each year's end closing the Group will do an exhaustive review of current portfolio to verify that amounts remains non material.

The expenses related to short-term leases and leases of low value assets (including company cars lease payments below €1 million) were €4 million for the six months ending June 30, 2019.

There were no expenses related to variable lease payments not included in the measurement of lease liabilities for the six months ending June 30, 2019.

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

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

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

c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

(in millions of Euros)	Right-of-use assets			Lease liabilities
	Land and buildings	Machinery and equipment	Total right-of-use assets	
As of January 1, 2019	17	17	34	34
Additions	1	—	1	1
Depreciation expense	(2)	(2)	(4)	—
Interest expense	—	—	—	1
Payments	—	—	—	(4)
As of June 30, 2019	16	15	31	32

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

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

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

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

Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

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

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

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

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

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

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

Annual Improvements 2015-2017 Cycle

• IFRS 3 *Business Combinations*

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

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

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

• IFRS 11 *Joint Arrangements*

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

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

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

• IAS 12 *Income Taxes*

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

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

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

• IAS 23 *Borrowing Costs*

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

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

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

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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, 2019					
Sales to external customers	1,024	936	308	—	2,268
Intersegment sales ⁽²⁾	749	37	1	(787)	—
Operating income (loss)	71	26	20	(12)	105
Depreciation and Impairment	(60)	(6)	(4)	(1)	(71)
Capital expenditures	(55)	(13)	(4)	(1)	(73)
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)

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.

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 €(3) million and €(48) million for the six months ending June 30, 2019, and 2018, respectively. The decrease in income tax expense for the six months ending June 30, 2019, compared to the six months ending June 30, 2018, is primarily due to the lower level of profit before tax for the six months ending June 30, 2019 at €85 million compared to €213 million for the six months ending June 30, 2018, a tax benefit applicable as from 2018 and reduced taxation on the financing activity.

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NOTE 4 – INVENTORIES

Inventories, net of provision for obsolescence, slow-moving inventories and excess of cost over net realisable value of €102 million and €110 million as of June 30, 2019, and December 31, 2018, respectively, are comprised of the following:

<i>(in millions of Euros)</i>	June 30, 2019	December 31, 2018
Finished products	462	545
Production in process	492	529
Raw materials	189	186
Manufacturing supplies, spare parts and other	147	150
Total	1,290	1,410

The amount of write-downs of inventories to net realisable value recognised as an expense was €(6) million and €(9) million during the six months ending June 30, 2019, and 2018, respectively and the expense was reduced by €15 million and €7 million, respectively, due to normal inventory consumption.

The amount of inventories recognised as an expense (due to normal inventory consumption) was €(702) million and €(469) million during the six months ending June 30, 2019, and 2018, respectively.

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

<i>(in millions of Euros)</i>	June 30, 2019	December 31, 2018
Value added tax (VAT) and other amounts receivable from tax authorities	45	40
Prepaid expenses and accrued receivables	17	10
Derivative financial assets	7	8
Other	11	13
Total	80	71

NOTE 6 – OTHER INVESTMENTS

The Company holds the following other investments:

<i>(in millions of Euros)</i>	Location	Ownership % at June 30, 2019	Fair value	
			June 30, 2019	December 31, 2018
Equity instruments at fair value through OCI				
Gerda S.A.	Brazil	0.49%	29	28
General Moly Inc	U.S.	6.00%	3	2
Other			1	2
Total other investments			33	32

The fair value (applying a Level 1 fair value measurement) of Aperam's stake in Gerda amounted to €29 million and €28 million as of June 30, 2019, and December 31, 2018, respectively. The increase of €1 million over the period is due to increase in the market price of the shares from R\$14.82 as of December 31, 2018, to R\$15.20 as of June 30, 2019.

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The fair value of our investments which are not valued daily in financial markets (unlike Gerdau and General Moly) is based on last 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:

<i>(in millions of Euros)</i>	June 30, 2019	December 31, 2018
Short-term bank loans and other credit facilities ⁽¹⁾	158	2
Current portion of long-term debt	24	63
Lease obligations	8	1
Total	190	66

Note:

⁽¹⁾ Including Commercial paper programme described below

Commercial paper programme

On July 10, 2018, Aperam received confirmation from Banque de France, as foreseen by art. D.213-2 of “Code monétaire et financier” of the French law, that the conditions as described in the financial documentation of its programme of NEU commercial paper for a maximum outstanding amount of €200 million, fulfill the requirements of law. On June 30, 2019, an amount of €157 million was drawn under the Aperam NEU CP programme.

Unsecured revolving credit facility

On June 6, 2017, Aperam entered into a €300 million unsecured revolving credit facility ("The Facility") with a group of 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, 2019, no amount was drawn under this facility.

Long-term debt is comprised of the following:

<i>(in millions of Euros)</i>	Year of maturity	Type of Interest	Interest rate⁽¹⁾	June 30, 2019	December 31, 2018
27.6MUSD ⁽²⁾ Convertible Bonds	2019 ⁽³⁾	Fixed	0.625%	24	189
EIB loan	2028/2029	Fixed	1.669%/1.307%	150	50
Other loans				1	—
Total				175	239
Lease obligations				32	6
Less current portion of long-term debt				(24)	(63)
Less current portion of lease obligations				(8)	(1)
Total long-term debt, net of current portion				175	181

Notes:

⁽¹⁾ Rates applicable to balances outstanding at June 30, 2019.

⁽²⁾ Nominal has been adjusted to take into account the early buy-back (see below).

⁽³⁾ Convertible bonds maturity is on July 8, 2021, but bonds are expected to be repaid before the end of 2019 due to clean-up call.

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EIB loans

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

On February 25, 2019, the Company announced the signature of a financing contract where the EIB will make available to Aperam an amount of €100 million. The purpose of this contract is the financing of ongoing investments in the cold rolling, and annealing & pickling line at Aperam's Genk plant (Belgium) as well as the Company's ongoing modernisation programmes in the cohesion regions of Nord-Pas-de-Calais (France) - Isbergues plant, and Hainaut (Belgium) - Châtelet plant. The financing contract, which is senior unsecured, was entirely drawn down on March 15, 2019, at a rate of 1.307%, with a final maturity date of March 15, 2029.

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.

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

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

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

On the remaining portion of the debt of U.S.\$27.6 million, Aperam has the possibility at anytime to exercise a clean-up call, compelling the bondholders to redeem the bond at par. Since it's the intention of the Company to exercise this cleanup call before end of year 2019, the expected future cash flows have been modified and an accelerated amortization of U.S.\$18 million (€16 million) has been recorded as a financial loss in the statement of operations for the six months ending June 30, 2019.

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NOTE 8 – EQUITY

Share details

The Company's shares consist of the following:

	December 31, 2018	Movement of the period	June 30, 2019
Issued shares	85,496,280	—	85,496,280
Treasury shares	(1,939,598)	(3,760,323)	(5,699,921)
Total outstanding shares	83,556,682	(3,760,323)	79,796,359

Authorised shares

On May 8, 2014, the Extraordinary General Meeting resolved to increase the authorised share capital by €54,279,543, equivalent to 10,362,482 shares, or approximately 13% of Aperam's outstanding shares. Following this approval, which is valid for five years, the total authorised share capital (including its issued share capital) was €503,991,548, represented by 96,216,785 shares without nominal value.

Treasury shares

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

In April 2019, the Company received 60,323 of its own shares due to Call Spread Overlay unwinding linked to the early buyback of convertible bonds maturing in 2021 (see Note 7 short-term and long-term debt) for a total consideration of €1.5 million.

Aperam held 5,699,921 and 1,939,598 treasury shares as of June 30, 2019, and December 31, 2018, respectively.

Dividends

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

Share unit plan

On May 7, 2019, the Annual General Meeting of Shareholders authorised the Board of Directors to issue (during the period between the 2019 and the 2020 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, 2019, the Remuneration Committee awarded 62,762 Performance Share Units to Aperam Leadership Team and 39,900 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.

The following table summarises assets and liabilities based on their categories as of June 30, 2019.

(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	189	—	189	—	—	—	—
Trade accounts receivable	280	—	280	—	—	—	—
Inventories	1,290	1,290	—	—	—	—	—
Prepaid expenses and other current assets	80	45	28	—	—	—	7
Income tax receivable	4	4	—	—	—	—	—
Total current assets	1,843	1,339	497	—	—	—	7
Non-current assets:							
Goodwill and intangible assets	491	491	—	—	—	—	—
Biological assets	33	—	—	—	33	—	—
Property, plant and equipment	1,565	1,565	—	—	—	—	—
Other investments	34	—	—	—	—	34	—
Deferred tax assets	163	163	—	—	—	—	—
Other assets	80	38	40	—	—	—	2
Total non-current assets	2,366	2,257	40	—	33	34	2
Total assets	4,209	3,596	537	—	33	34	9
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt and current portion of long-term debt	190	—	—	190	—	—	—
Trade accounts payable	823	—	—	823	—	—	—
Short-term provisions	14	14	—	—	—	—	—
Accrued expenses and other liabilities	282	39	—	234	—	—	9
Income tax liabilities	7	7	—	—	—	—	—
Total current liabilities	1,316	60	—	1,247	—	—	9
Non-current liabilities:							
Long-term debt, net of current portion	175	—	—	175	—	—	—
Deferred tax liabilities	129	129	—	—	—	—	—
Deferred employee benefits	146	146	—	—	—	—	—
Long-term provisions	43	43	—	—	—	—	—
Other long-term obligations	13	2	—	9	—	—	2
Total non-current liabilities	506	320	—	184	—	—	2
Equity:							
Equity attributable to the equity holders of the parent	2,383	2,383	—	—	—	—	—
Non-controlling interests	4	4	—	—	—	—	—
Total equity	2,387	2,387	—	—	—	—	—
Total liabilities and equity	4,209	2,767	—	1,431	—	—	11

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

<i>(in millions of Euros)</i>	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Biological assets	—	—	33	33
Equity instruments at fair value through OCI	32	—	2	34
Derivative financial current assets	—	7	—	7
Derivative financial non-current assets	—	—	2	2
Total assets at fair value	32	7	37	76
Liabilities at fair value:				
Derivative financial current liabilities	—	9	—	9
Derivative financial non-current liabilities	—	—	2	2
Total liabilities at fair value	—	9	2	11

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.\$27.6 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.\$27.6 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 the 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, 2019:

(in millions of Euros)	U.S.\$27.6 million convertible bonds' conversion option		Call option on own shares	Equity instruments not quoted	Total
Balance as of December 31, 2018	(15)	15		2	2
Change in fair value ⁽¹⁾	(1)	1		—	—
Early buyback (see Note 7)	14	(14)		—	—
Balance as of June 30, 2019	(2)	2		2	2

Note:

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

(in millions of Euros)

	Biological assets
Balance as of December 31, 2018	34
Additions	5
Change in fair value ⁽¹⁾	2
Harvested trees	(8)
Foreign exchange difference	—
Balance as of June 30, 2019	33

Note:

(1) 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, 2019, is as follows:

(in millions of Euros)	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	84	1	129	(3)
Forward sale contracts	145	1	127	(1)
Total foreign exchange rate instruments		2		(4)
Raw materials (base metal)				
Term contracts sales metals	27	1	52	(3)
Term contracts purchases metals	66	4	34	(2)
Total raw materials (base metal)		5		(5)
Total		7		(9)

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NOTE 10 – COMMITMENTS

The Company's commitments consist of two main categories:

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

The total of commitments by category is as follows:

<i>(in millions of Euros)</i>	June 30, 2019	December 31, 2018
Purchase commitments	1,666	1,859
Guarantees, pledges and other collateral	203	142
Operating leases	—	26
Total	1,869	2,027

NOTE 11 – CONTINGENCIES

The Company is defendants in pending litigations, arbitrations 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 an 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 audit 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 defends itself in various environmental labor, tax and other claims, the most significant are described in Note 23 to the consolidated financial statements as of and for the year ending December 31, 2018. Changes in contingencies since December 31, 2018, are described below:

Tax Claims

- On January 18, 2019, the Company's petition discussing tax diligence was filed and the case was enrolled to the Special Chamber of Administrative Court (CARF) for decision related to social contributions on Employment Retirement (RAT) assessments initiated in 2005. Total amount claimed is R\$51million (€12 million).

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- On January 30, 2019, the Special Chamber of Administrative Court (CARF) decided for a new tax due diligence in the course of pending administrative tax litigation against the Company for PIS/COFINS compensation made since 2010. Total amount claimed is R\$30 million (€7 million).
- On May 22, 2019, the Special Chamber of Administrative Court (CARF) objected the Company's appeal related to tax assessments issued in December 2011 related to social contributions due on payments made to employees under the Profit Sharing Program. On June 3, 2019 the Company filed a tax enforcement to initiate the judicial proceeding against the tax assessments. Total amount claimed is R\$81 million (€19 million).
- On May 24, 2019, the motion for clarification issued by Aperam South America related to a tax assessment issued in March 2017 linked the tax benefit taken in 2012 from the goodwill generated by the acquisition of the minority shares for the delisting of the Company, was rejected. On June 10, 2019 the Company decided to appeal the decision to the Special Chamber of Administrative Court (CARF). Total amount claimed is R\$60 million (€14 million).
- On June 7, 2019, Aperam South America had a favorable decision by the Administrative first instance on a tax assessment initiated in December 2018 related to PIS & COFINS (federal tax on turnover) for the year 2014. It appealed the decision for the remaining part. Total amount claimed is R\$23 million (€5 million).

Note:

⁽¹⁾ Amounts in Brazilian Real are converted into Euros using the closing exchange rate of 1€=4,3587R\$

NOTE 12 – SUBSEQUENT EVENTS

On July 18, 2019, 1,800,000 shares acquired under the 2018 share buyback program were cancelled in line with the announced purpose of the program. The total number of issued shares as of July 18, 2019, amounts to 83,696,280, and the number of treasury shares amounts to 3,899,921, out of which 3,700,000 shares are intended to be cancelled and reduce the share capital of the Company, in coherence with the objective of the 2019 program.

Interim Financial Report 2019

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Aperam as of June 30, 2019, 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, ("the interim financial information"). The Board of Directors is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 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 information does not present fairly, in all material respects, the financial position of the company as at June 30, 2019 and of the results of its operations for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

For Deloitte Audit, Cabinet de Révision Agréé

Marco Crosetto, *Réviseur d'Entreprises Agréé*
Partner

July 30, 2019



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