aperam

10 YEARS

Interim Financial Report

Half-Year ended June 30, 2021

Table of contents

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

Cover: Verrière Hôtel de la Marine, Paris ; Agence 2BDM et Hugh Dutton Associés/HDA; © Nicolas Trouillard ; Aperam grade used: 304Lwith Uginox Meca 7D (Mirror polish)

Message from the Chief Executive Officer

Dear Shareholders,

I am proud to present to you our 2021 Interim Financial Report, which reflects our performance and key achievements during the first six months of the year.

Aperam reached its best half year EBITDA since its creation a decade ago. While this is a major achievement, we need to remember that the effects of the Covid-19 pandemic continued to be unprecedented on our societies, businesses and daily lives. In this context, the health and safety of our employees remains our top priority and thanks to joint effort by employees, management, unions and medical staff we were able to protect our people from the pandemic and serve our customers without any interruptions to our operations. Yet we need to remain vigilant, as our lost time injury frequency rate in the first half of 2021 increased to 2.5x compared to 1.3x a year ago. While an analysis of the nature of accidents shows primarily non-severe accidents, a specific action plan has been launched to counter this trend and reach our ultimate goal of becoming an accident-free workplace, with Q2 2021 already showing progress compared to Q1 2021.

Operationally, we had a very strong first half of the year. Through the Leadership Journey® we adapted our flexible business model for capturing opportunities during the economic recovery. In Europe, volumes notably strengthened, prices improved and imports normalized on the back of more efficient protective anti-dumping measures against unfair competition. In Brazil, our flexible multi-product business set a new earnings record due to strong demand, paired with higher prices and a strong mix.

Turning to our financial performance over the first half of 2021, our EBITDA represented €446 million (H1 2020: €119 million), our net income was at €329 million (H1 2020: €50 million), and our net debt remained low at €1 million (H1 2020: €123 million). Cash flow from operations represented €221 million (H1 2020: €120 million).

While Aperam is in a much stronger position that at our creation in 2011 (2011: net debt €679 million, net loss €45 million) and capable of delivering value in the most challenging market conditions, our ambition is to continue to strengthen Aperam.

Thanks to a combination of cost reductions, growth and mix improvements under Phase 4 of our Leadership Journey®, we are adapting our footprint to defend our cost leadership in Europe by targeting volumes and expertise at the most efficient lines. This will form a solid basis for the second stage where the resulting increase in productivity will be used for our mix improvement and growth measures. As a reminder we target €150 million of gains over the period 2021 to 2023 under this Phase; and have already reached cumulative gains of €22 million at the end of June 2021.

While executing our detailed Phase 4 of the Leadership Journey®, we are already working on further improvement measures post 2023. We announced on May 7, 2021, the investments in revamping the hot rolling mill for long products in Imphy and the re-start of the AOD converter project in Genk that was put on hold in 2019. Both projects, together with the planned specialties'

center in Gueugnon, will further contribute to the reorientation of our product portfolio towards specialties.

Turning to the environment, we are convinced that Aperam is well-positioned to thrive in a world where decarbonisation and sustainability are given increasing importance. Not only are our products endlessly recyclable, we are also an industry benchmark in terms of CO2 emissions thanks to our European production route based on fully recyclable stainless steel scrap, and our Brazilian operations using renewable charcoal produced from our own FSC®-certified eucalyptus forests. As recent examples of our progress towards sustainability, we are building this year on our Genk site the second largest solar power installation in Belgium; and our two brand new downstream lines in Genk that are currently ramping up production will save almost 30% of natural gas and more than 40% of electricity compared to the previous installation. The new rolling lines will therefore reduce CO2 emissions substantially in addition to noticeable cost savings. We believe that as part of our corporate responsibility, we still need to go beyond and are targeting carbon neutrality by 2050, and have ambitious 2030 environmental objectives.

Finally, early May, we were very proud to announce a new chapter for Aperam with the signature of a Share Purchase Agreement to acquire ELG with Franz Haniel & Cie. ELG is a world leader in the recycling of stainless steel and alloys. Subject to the necessary regulatory approvals, this acquisition, for an Enterprise Value of €357 million (Equity value €30 million), on closing, will put Aperam at the core of the circular economy with roughly one third of its employees working in environmentally sustainable supplies. Investing in sustainable recycling will further improve Aperam's leading environmental footprint and support the company's CO2 reduction targets. The transaction will enable Aperam to improve its input mix and to expand into the supply of recycled raw materials. Total minimum synergies of €24 million are expected within three years.

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

Timoteo Di Maulo, Chief Executive Officer

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 for, Aperam's financial information prepared in accordance with IFRS. Such non-GAAP measures may not be comparable to similarly titled measures applied by other companies. These APMs are detailed in the section "Operational Review", found later in the Report.

Financial Measures:

- "**adjusted EBITDA**" is defined as operating income[1] before depreciation, amortization and impairment expenses and exceptional items
- "**EBITDA**" is defined as operating income[1] before depreciation[1], amortisation[1] and impairment expenses[1]
- "**exceptional items**" consists of (i) inventory write-downs equal to or exceeding 10% of total related inventories values before write-down at the considered quarter end (ii) restructuring (charges)/gains equal to or exceeding €10 million for the considered quarter, (iii) capital (loss)/gain on asset disposals equal to or exceeding €10 million for the considered quarter or (iv) other non-recurring items equal to or exceeding €10 million for the considered quarter
- "**free cash flow before dividend and share buy-back**" is defined as net cash provided by operating activities[1] less net cash used in investing activities[1]
- "**gearing**" is defined as net financial debt divided by equity[1]
- "**net financial debt**" or "**NFD"** refers to long-term debt[1] plus short-term debt[1], less cash and cash equivalents[1] (including short-term investments)[1]
- **Others and eliminations** to segment operating income reflects certain adjustments made to operating income of the segments to reflect corporate costs, the elimination of stock margins between segments and/or non-operational items that are not segmented.

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 a plant and equipment based on existing technical parameters as estimated by management
- "**R$**" or "**BRL**" are Brazilian Real and are converted into € using the closing exchange rate of €1= R$5.9276 as of June 30, 2021
- "**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

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

- "**steckel mill**" refers to reversing steel sheet reduction mills with heated coil boxes at each end where steel strip is sent through the rolls of the reversing mill and then coiled at the end of the mill, reheated in the coil box and sent back through the steckel stands and recoiled
- "**tonnes**" refers to metric tonnes and are used in measurements involving stainless and specialty steel products (a metric tonne is equal to 1,000 kilograms or 2,204.62 pounds)
- "**U.S.$**" or "**USD**" are U.S. dollars and are converted into € using the closing exchange rate of €1= U.S.$1.1884 as of June 30, 2021
- "**upstream**" refers to operations that precede downstream steel-making, such as coke, sinter, blast furnaces, electric arc furnaces, casters and hot rolling/steckel mills

Management Report

Group Overview

Introduction

Aperam, including its subsidiaries (hereinafter referred to as “Aperam”, “the Company”, “We” or “the Group”) is a leading global stainless and specialty steel producer, and has a best in class environmental footprint thanks to its European production route based on fully recyclable stainless steel scrap, and the use of charcoal from its own sustainable cultivated forests in Brazil.[1]

Aperam has an annual production capacity of 2.5 million tonnes and is a leading stainless and specialty steel producer in South America and the second largest producer in Europe. We are also a leading producer of high value added specialty products, including grain oriented (GO) and non-grain oriented (NGO) electrical steels and specialty alloys. Our production capacity is spread across six production facilities located in Brazil, Belgium and France. As of the end of June 2021, we have a workforce of about 9,400 employees. Our distribution network is comprised of 14 Steel Service Centres (SSCs), 5 transformation facilities and 16 sales offices. Our products are sold to customers in over 40 countries, including those operating in the aerospace, automotive, catering, construction, household appliances, electrical engineering, industrial processes, medical, and oil & gas industries.

Aperam posted sales of €3.6 billion and EBITDA of €343 million for the year ended December 31, 2020. Shipments amounted to 1.68 million tonnes for the year ended December 31, 2020.

For the six months ended June 30, 2021, Aperam had €2.4 billion in sales and shipments of 0.97 million tonnes, compared to the respective €1.9 billion and 0.81 million tonnes posted for the six months ended June 30, 2020.

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.

[1] Scope 1 and 2. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.

Our history

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

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

This year Aperam celebrates its 10 Year Journey:

Sustainable by Design
Made for Life

Market analysis

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 ended December 31, 2020, which can be found in Aperam's 2020 Annual Report, along with the unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2021, which are included in this report.

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.

After GDP and Industrial Production (IP) growth collapsed in 2020 due to the Covid-19 induced crisis and lockdown measures globally, growth expectations for 2021 have improved, however rather uneven, mainly due to pandemic factors, which are affecting economies differently. China as well as other Asian countries, like Taiwan, have recovered quicker, thanks to aggressive health interventions, policy support and booming export demand for key products where they can rely on their production base. Early 2021, new waves of infection and death rates were affecting recovery, primarily driven by developing countries in which latest surge was impacted by new variants, weaker social distancing, especially in areas of sub-optimal vaccine deployment. Covid-19 restrictions primarily impacted the service sector, especially hospitality & entertainment, while consumers increased spending on goods above pre-virus levels.

Since the beginning of 2021, overall manufacturing output is recovering and expected to continue to do so at a strong pace. However, automotive production has been partially impacted by semiconductor shortages, which is being offset by stronger than expected real demand from non-automotive manufacturing. In the EU gradual lifting of lockdowns is being accompanied by a rebound in "social" spending; and Industrial Production has returned to pre-crisis levels for the Eurozone as a whole, although the recovery has been unequal across both countries and sectors. For Brazil, expectations are for GDP to rebound, also thanks to the newly announced fiscal stimulus; commodity prices have returned to their highest levels in over six years; and stainless steel apparent consumption is at a high, compared to recent years. China has a strong industrial production growth, its manufacturing industry remained strong for the first half of the year, which supported prices for raw materials. Domestic stainless steel prices rose to their highest in four-and-a-half years by the end of June after producers made upward adjustments, driven by high production costs. Chinese and Indonesian stainless production reached record highs in the first half of 2021, primarily due to strong demand from China. The reduction of the export rebates for most steel products by 13% that was implemented on May 1, generated stronger Chinese export prices reaction, which is pushing global stainless price floor.

Stainless steel pricing

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

Stainless steel is a steel alloy with a minimum of 10.5% chromium content by mass and a combination of alloys that are added to confer certain specific properties depending on the application. The cost of alloys

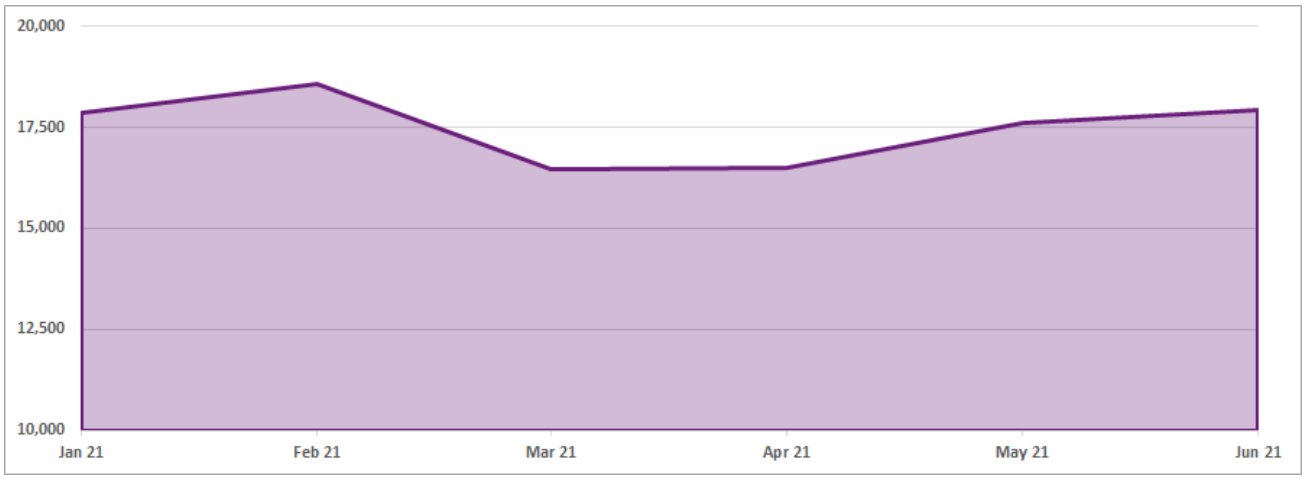
used in stainless steel products varies across products and can fluctuate significantly. Prices of stainless steel in Europe and the United States are concluded as either fixed prices or generally include two components:

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

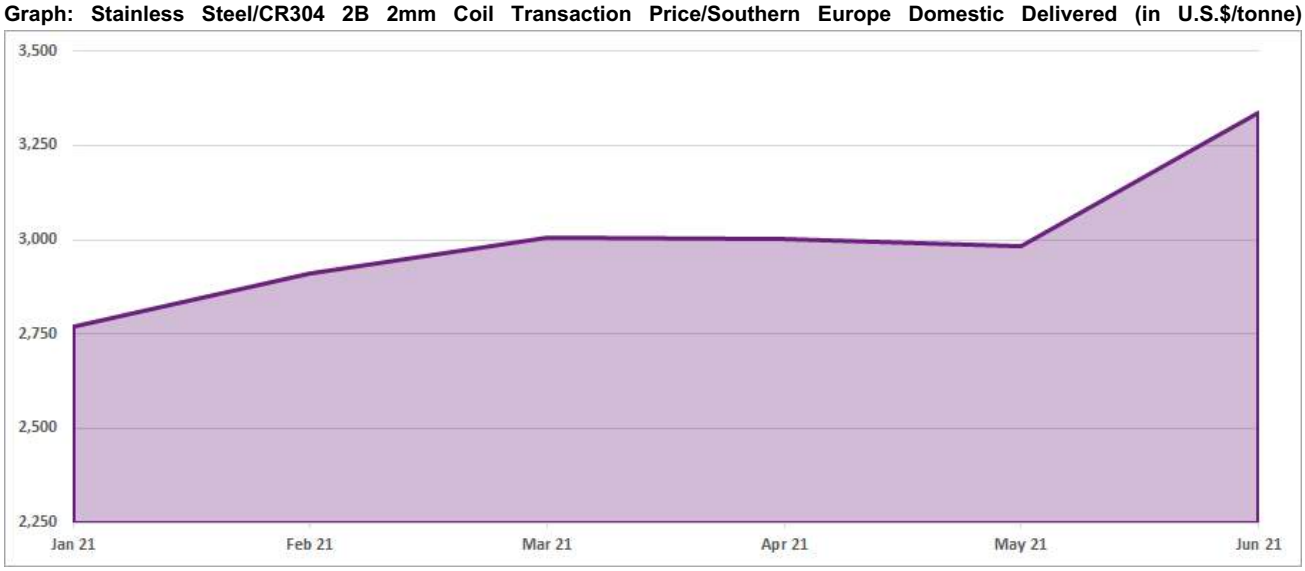
Notwithstanding the application of the "alloy surcharge", the Group is still affected by changes in raw material prices. This is particularly true for nickel, which in the last decade experienced some sudden spikes, before coming back to a lower level. In general, when the price of nickel is falling,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

The graphs below show the price of nickel on the LME and the European transaction price for CR304 stainless steel for the period running from January 1, 2021 to June 30, 2021:

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

The prices of electrical steels for Grain Oriented (GO) and Non Grain Oriented steels (NGO) were affected by global demand and supply dynamics during the first half of 2021 but also by the logistics constraints in Asia, as most of the steel products. In the first half of 2021, NGO prices increased by approximately 60% compared to the second half of 2020, following closely Carbon Hot Rolled Coil movements. GO prices were less correlated to Carbon Hot Rolled Coil, with prices increasing by 10-15% over the same period.

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.

Global domestic apparent consumption of stainless steel has been strong in the first half of 2021, with Q2 2021 slightly above Q1 2021 levels. In Europe demand was high and pressure of unfair imports was reduced due to high prices in Asia, tight supply, high shipping costs and protection measures against unfair imports. China’s demand has continued to grow strongly as well as export demand for stainless-containing products. China effective slab capacity utilization rate remained above 90% in Q2 2021. In Brazil, the apparent consumption reached a historical high in Q2 2021, with a significant restocking effect. In the USA, demand was strong from all sectors, supporting base price increases, in a context of trade defence measures (Section 232) and shipping disruptions. With respect to electrical steel, Asia is the most important source of demand but also supply, and as a consequence its prices are dependent in particular upon the Asian context. The removal of exports rebate in China had positive influence on prices overseas, and difficulties in exports due to logistics constraints in Asia affected the international prices environment.

The specialty alloys market saw a contrasted first half of the year 2021 after the Covid-19 induced crisis in 2020. The automotive sector partially recovered early 2021 with signs of light slow down being expected in the second half of 2021. The aerospace sector showed signs of improvement in terms of demand, whereas the Oil & Gas market only showed few project developments. The LNG market was at a lower cycle due to the postponement of several ships. On the upside, long-term technological changes continued to drive and boost new applications for Aperam’s specialty alloys products in electronics, e-mobility or green energy.

Production and capacity

Compared to 2020, the cold-rolled stainless steel production in 2021 is expected to increase by 13% globally, 20% in Brazil, 8.6% in the USA, and 18.5% in Europe as demand has been positively impacted by the economic recovery from the pandemic downturn. China, which already showed positive trend since the second half of 2020, has an expected growth of 9% compared to 2020.

The global structural overcapacity is estimated to have grown due to additional capacity added by China, where cold rolled overcapacity could reach 2.8 million tonnes, and by Indonesia, whose stainless slab overcapacity increased to around 2.8 million tonnes. The robust apparent consumption of cold rolled in China in 2021 is expected to help containing the overcapacity in China to a reasonable and lower level, compared to

2020. While Indonesia ramps up more capacity in 2021, the trade protection measures against unfair imports around the globe are expected to reduce its apparent consumption by impacting on its export quantity.

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

Import pressure reduced in Europe during 2021, not only because of the shipping constrains worldwide, but also because on 27 May 2021, the EU Commission announced provisional anti-dumping (AD) duties on cold-rolled stainless steel imports from Indonesia (13.6-34.6%) and India (19.9-20.2%), Moreover, the EU Commission recently announced an extension of the steel safeguards by three years from 1 July, which should support supply and demand in the Union.

Competition

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

Aperam's main competitors in Europe are Outokumpu, Acerinox and Thyssenkrupp Acciai Speciali Terni S.P.A. Globally, the competitive landscape has transformed over the past years, with Chinese producers Tsingshan, TISCO, BaoWu (formerly known as Baosteel) and Beihai Chengde now ranking among the 10 largest global flat stainless steel producers in the world. In South America, we face competition primarily from imports from Asia and, to a lesser extent, North America.

Developments regarding trade measures

2020 and the first half of 2021 were marked by extensive developments in respect to trade measures, as described in greater detail below.

European Union

Summary table of actions against unfair trade

	Safeguard	Anti-dumping (AD)	Countervailing duties (CVD)
Aim	• Maintain traditional trade flows • Volume focused	• Duty on imports that are priced below fair market value • Price focused	• Neutralize effect of subsidies that benefit certain imports • Price focused
Countries affected	• All countries globally (if not explicitly exempt) • Effective since February 2019 till July 2024 (prolongation as from July 2021)	• Hot rolled: China, Indonesia, Taiwan since Oct. 2020 for 5 years • Cold rolled: China , Taiwan since 2015, Indonesia, India since May 2021	• Cold rolled: Case opened by EU commission in February 2021 against India, Indonesia
Measure	• HR quota 364kt pa* CR quota 861kt pa* • Largest importers have a country quota. A residual quota for all others • 25% duty for shipments > quota	• HR: China 9.2% - 19.5%, Indonesia 17.3%, Taiwan 4.1% - 7.5% • CR: China 25.3%, Taiwan 6.8% NEW: India (13.6-34.6%), Indonesia (19.9-20.2%)	• To be determined
New Initiatives	• Prolongation: of safeguard measures from July 2021 to July 2024	• Renewal: of cold rolled duty against China & Taiwan (due Q4 2021)	• Investigation: of cold rolled duty against Indonesia & India (~25% of CR imports, decision due Q4 2021)
WTO dispute has been lodged officially			
Safeguard quotas are excessively generous to imports. AD is effective in levelling the playing field			

*Effective quota from 1 July 2021 to 30 June 2022. Quotas are quarterly from 07/20. There is one global SS Hot Rolled quotas since July 2020
SS CR: country quotas S. Korea, Taiwan, India, USA, Turkey, Malaysia, Vietnam **could be difference between domestic market price and export price or cost based

1. Safeguard measures on import of steel products

The EU has prolonged for three additional years the safeguard measure currently in place on imports of certain steel products. The prolongation will apply as from July 1, 2021. The initial safeguard measure was introduced in July 2018 to protect the Union steel market against trade diversion, following the US decision to impose, under its Section 232 legislation, duties on imports of steel into the US market. The US Section 232 measures are still in force.

The decision to extend the safeguard measure follows an investigation requested by 12 EU Member States on whether the conditions to prolong are fulfilled. The Commission found in its investigation that “the safeguard measure continues to be necessary to prevent or remedy serious injury to the EU steel industry, and that the EU industry is adjusting to a market situation in the EU with higher level of imports”.

The Commission “will closely monitor the prolongation and will review it to ensure that it remains limited to the strict minimum, is adapted to the evolution of the market, and is in line with the overall interest of the EU. This will allow the Commission to change the functioning of the safeguard measure as necessary”,

The safeguard measure takes the form of Tariff-Rate-Quotas (‘TRQs’) reflecting traditional trade flows from third countries, above which a 25% duty is levied on imports. The Commission has reviewed the functioning of the measure twice – in October 2019 and July 2020.

Following a duly substantiated request by 12 EU Member States, the Commission launched an investigation in February 2021 to assess whether to prolong the steel safeguard beyond June 30, 2021.

On June 25, 2021, the European Commission published amending Commission Implementing Regulation (EU) 2019/159 to prolong the safeguard measure on imports of certain steel products. These measures took effect on July 1, 2021, for a period of three years, expiring on July 30, 2024.

The main adopted adjustments to the existing steel safeguard measures are the following:

Length of the prolongation

- current measures (quarterly product-specific tariff-free quotas combining country-specific and residual quotas) are prolonged for 3 additional years until June 30, 2024

Liberalization

- the current liberalization rate of +3% per year remains unchanged for the first year of the prolongation (until 30 June 2022)
- the +3% liberalization rate could however be reviewed and, if necessary, changed for the period after 30 June 2022

Review of the regime during prolongation

- the Commission will carry out a review to see whether, on the basis of the circumstances at that time, the measures should be terminated by June 30, 2023 (after 2 years of prolongation)
- in addition, the Commission will do a review of the functioning of the measures (not the possible termination) to see if there would be any modality changes needed from July 1, 2022 (after the first prolongation year) - this would be a "functioning review" like those conducted in 2019 and 2020
- Finally, an immediate review will be triggered if the US introduces changes to its Section 232 measure on steel that may have a significant impact on the unduly diverted trade flows it currently generates

Product scope

- The prolonged tariff-rate quotas apply to the same products as the current ones

For further details please refer to the following link:
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1029&from=EN

Type of Products	Allocation by Country	Volume of tariff-rate quota (Kton) From 1.7.2021 to 30.9.2021	Volume of tariff-rate quota (Kton) From 1.10.2021 to 31.12.2021	Volume of tariff-rate quota (Kton) From 1.1.2022 to 31.3.2022	Volume of tariff-rate quota (Kton) From 1.4.2022 to 30.6.2022
Hot Rolled Stainless Steel Flat Products	Third Countries	95.4	95.4	93.3	94.4
Cold Rolled Stainless Steel Flat Products	South Korea	45.9	45.9	44.9	45.4
	Taiwan	42.6	42.6	41.7	42.1
	India	28.5	28.5	27.9	28.2
	USA	23.2	23.2	22.7	22.9
	Turkey	19.3	19.3	18.9	19.1
	Malaysia	12.2	12.2	11.9	12.1
	Third Countries	49.0	49.0	47.9	48.5

Anti-dumping measures on cold rolled stainless steel originating in China and Taiwan, India and Indonesia, and on hot rolled stainless steel originating in China, Taiwan and Indonesia continue during the imposition of safeguard measures.

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

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

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 China 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.

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

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

For further details please refer to the following link:
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOC_2020_280_R_0006&from=EN

On July 2, 2021, the European Commission released the definitive disclosure announcing the intention to maintain the existing AD duties on imports of SSCR originating in China and Taiwan for additional 5 years; the final decision is expected to be published within November 2021.

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

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

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

Type of products	Countries	Definitive Anti-dumping duty (%)	Effective from
Hot Rolled Stainless Steel Flat Products	People's Republic of China	From 9.2% up to 19.0%	October 7, 2020(1)
Hot Rolled Stainless Steel Flat Products	Taiwan	From 4.1% up to 7.5%	October 7, 2020
Hot Rolled Stainless Steel Flat Products	Indonesia	17.3%	October 7, 2020

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.

For further details please refer to the following link:
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1408&from=EN

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

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

For further details please refer to the following link:
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020XC0930%2802%29

On May 27, 2021, the European Commission published in the Official Journal the "Implementing Regulation (EU) 2021/854 of 27 May 2021 imposing a provisional anti-dumping duty on imports of stainless steel cold-rolled flat products originating in India and Indonesia"

Type of products	Countries	Provisional Anti-dumping duty (%)	Effective from
Cold Rolled Stainless Steel Flat Products	India	From 13.6% up to 34.6%	May 28, 2021(1)
Hot Rolled Stainless Steel Flat Products	Indonesia	From 19.9% up to 20.2%	May 28, 2021

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 provisional measures will remain in effect until the final measures are published, by November 2021 at the latest.

For further details please refer to the following link:
https://op.europa.eu/en/publication-detail/-/publication/2d6f14b8-bf52-11eb-a925-01aa75ed71a1/language-en

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

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

For further details please refer to the following link:
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2021.057.01.0016.01.ENG&toc=OJ%3AC%3A2021%3A057%3ATOC

6. WTO challenge against Indonesian restrictions on raw materials

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

These restrictions unfairly limit access of international producers to raw materials for steel production, notably nickel. The European Union is also challenging subsidies that encourage use of local content by Indonesian producers and give preference to domestic over imported goods, which goes against WTO rules.

On January 14, 2021, the European Union requested the establishment of a panel. At its meeting on January 25, 2021, the DSB deferred the establishment of a panel.

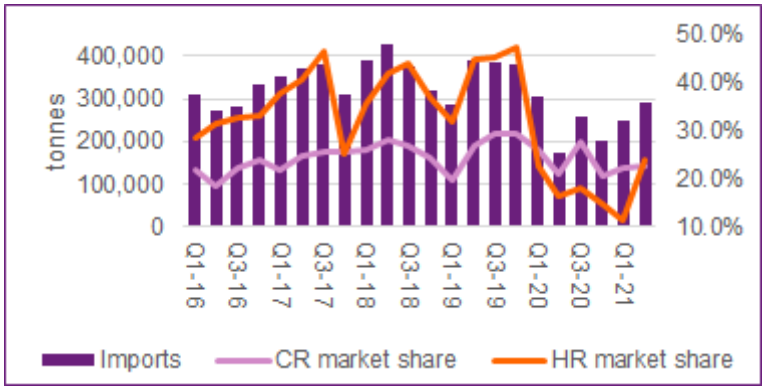
At its meeting on February 22, 2021, the Dispute Settlement Body established a panel. Brazil, Canada, China, India, Japan, Korea, the Russian Federation, Saudi Arabia, Singapore, Chinese Taipei, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, and the United States reserved their third-party rights.

On April 19, 2021, the European Union requested the Director-General to compose the panel.

On April 29, 2021, the Director-General composed the panel.

For further details please refer to the following link:
https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds592_e.htm

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



The above graph shows the evolution of stainless steel imports into Europe. Anti dumping duties on hot rolled stainless steel products from China, Indonesia and Taiwan have been effective since April 8, 2020 in addition to the safeguard. The duty has to be paid on every single tonne coming into Europe and therefore influences relative competitiveness of domestic producers versus imports. Imports from countries affected by the anti-dumping duty on hot rolled coil dropped by almost 90% in 2020 versus 2019 which demonstrates the effectiveness of these measures. Anti-dumping duties continued to show their effectiveness in hot-rolled coils in H1 2021 as market share of imports at 18% remained substantially below the 2019 peaks and more in line with historically normal volumes.
In the cold-rolled segment the market share of imports remained almost unchanged in the first half at 23% versus 24% a year ago. However, the European Commission set preliminary anti-dumping duties against cold rolled imports from Indonesia and India at the end of May 2021. Both countries accounted for around 25% of cold rolled imports in 2020. The future will tell if anti-dumping measure in the cold rolled segment will be as effective in reducing unfair competition as they have been in the hot rolled segment.

Brazil

Since 2013, Brazil's Trade Defence Department (Decom), an investigative body under the Brazilian Ministry of Development, Industry and Foreign Trade, opened anti-dumping investigations against imports from several countries 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. In 2021, an anti-dumping investigation and an anti-subsidy investigation was also opened against Indonesia. All the current measures are described below.

Type of products	Import duties status	Anti-dumping ("AD") status
Stainless Steel Flat Products CR 304 and 430, in thicknesses between 0.35mm and 4.75mm	Normal import duties are 14%	AD duties starting October 4, 2013 for 5 years from U.S.$236/tonne to U.S.$1,077/tonne for imports. Renewal investigation launched on October 3, 2018, during which time AD duties will remain in place. Countries involved are China, Taiwan, South Korea, Vietnam, Finland and Germany. Renewed AD duties against China and Taiwan starting October 04, 2019 valid for 5 years from U.S.$175/tonne to U.S.$629/tonne for China and U.S.$93/tonne to U.S.$705/tonne for Taiwan. Anti-Dumping investigation on 304 CR against Indonesia and S. Africa launched on Feb, 25th 2021. Anti-subsidy investigation on 304CR from Indonesia also launched on June,2nd, 2021.
Stainless Steel Welded Tubes in thickness between 0.4mm to 12.70mm	Normal import duties are 14%	AD duties starting July 29, 2013, for 5 years from U.S. $360/tonne up to U.S.$911/tonne. Countries involved are China and Taiwan. Renewal investigation launched on July 16, 2018, during which time AD duties will remain in place AD duties starting June 13, 2018, for 5 years from U.S.$367/tonne up to U.S.$888/tonne. Countries involved are Malaysia, Thailand and Vietnam. Renewed AD duties against China starting July 24, 2019 valid for 5 years from U.S.$344/tonne to U.S. $405/tonne.
Electrical steel – Non Grain Oriented (NGO)	Normal import duties are 14%	AD duties starting July 17, 2013, for 5 years from U.S. $133/tonne to U.S.$567/tonne. Countries involved are China, South Korea and Taiwan. On August 15, 2014, Camex released partially NGO AD, giving 45kt of imports in the next 12 months without AD penalties. On November 4, 2015, Brazilian authorities decided to end the existing quota of imports without AD and fixed the AD duties from U.S.$90/tonne to U.S.$132.5/tonne. Renewal investigation launched on July 16, 2018, during which time AD duties will remain in place. An investigation involving Germany was launched on May 9, 2018. AD duties starting July 15, 2019, for 5 years from U.S. $90/tonne to U.S.$166.3/tonne. Countries involved are China, South Korea, Taiwan and Germany.
Electrical steel – Grain Oriented	Normal import duties are 14%	

Raw materials and Energy

Raw materials

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

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

Nickel

The LME nickel price started 2021 at a high level of U.S.$17,344 per tonne. Supported by the recovery of the stainless steel production and positive macroeconomic factors, the LME nickel price entered into a rally leading to a new 9-year high of U.S.$ 20,110 per tonne in February 2021. As a consequence of an announcement of a large stainless steel and nickel pig iron producer on new nickel unit production capacities, the LME nickel price strongly corrected and ended the first quarter at U.S.$16,098 per tonne. The LME nickel price remained overall stable at that level until the end of April, somewhat depressed by concerns over a renewed Covid-19 deterioration in the main economies. Since then, influenced by alternating considerations on increasing inflation, rising interest rates, a fast recovery of the global economy and speculation on a fast growing automotive electrification, the LME nickel price has been very volatile between U.S.$17,000 and U.S. $18,600 per tonne. It ended the second quarter at U.S.$18,450 per tonne. The LME nickel stocks dropped from 259 thousand tonnes in the first quarter of the year to 231 thousand tonnes at the end of the second quarter.

Ferro chrome

After a year of sluggish development, the Ferro chrome price started 2021 on a stronger trend. The European ferro chrome benchmark price increased to U.S.$1.18 per pound of chrome in the first quarter amid a positive market sentiment as the producing countries faced supply disruptions as well as tightness in transportation logistics while the global demand recovered from the pandemic low levels. In this context, the European benchmark price for the second quarter was concluded significantly higher at U.S.$1.56 per pound of chrome, reflecting the sudden and strong price momentum of the first quarter and continued tightness in supply in Europe. The European ferro chrome benchmark price was rolled over for the third quarter mid June.

Molybdenum

Molybdenum prices started the first quarter on a healthy trend trading at U.S.$22.27 per kilogram in January to peak at U.S.$27.56 per kilogram in February 2021 on tight supply and logistics disruptions (container shortage, Covid related disruptions in South America,...) combined with a recovering demand. Despite these logistical challenges, the molybdenum prices dropped due to a temporary fallback in global demand. At the end of the first quarter, the molybdenum price was traded at U.S.$24.36 per kilogram. In the second quarter, supported by falling inventories, rising freight costs, social unrest in Chile together with strong demand, the molybdenum prices reached a 7 years high of U.S.$44.15 per kilogram in June. The molybdenum price ended the second quarter slightly lower at U.S.$42.66 per kilogram.

Ferrous scrap

Ferrous scrap prices were at a high level of U.S.$464.17 per tonne in January. But depressed demand from the export market together with a reasonable supply put a downward pressure on the ferrous scrap prices, dropping to U.S.$381.84 per tonne in February. Since then, the ferrous scrap price recovered on an improved global demand and ended the first quarter at U.S.$420.64 per tonne. Boosted by the news that China removed the export tax rebate on some steel products on May 1, higher iron ore prices and relaxed import criteria, the ferrous scrap prices consistently increased during the second quarter. In June 2021, the ferrous scrap price reached a new 10 year high of U.S.$510.55. At the end of the second quarter, the Ferrous scrap price softened to U.S.$496.38 per tonne on less than expected Chinese imports.

Energy

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

For electricity, in France, a supply contract was put in place with ArcelorMittal Energy S.c.a. at the beginning of 2016, whereas in Belgium such a contract has been in place since the beginning of 2015. In Brazil, electricity needs are mainly secured through long-term contracts with several suppliers, with balancing requirements managed through short-term arrangements.

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

Impact of exchange rate movements

At the end of 2020, the Euro amounted to 1.2271 U.S. dollar/Euro and 6.3779 Brazilian real/Euro. In the first half of 2021, the Euro depreciated by 3.2% against the U.S. dollar to reach 1.1884 U.S. dollar/Euro. In the first half of 2021, the Euro depreciated by 7.1% against the Brazilian real to reach 5.9276 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.

Operational review and Liquidity

Operational review

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

The information in this section relates to the six months ended June 30, 2021, and is compared to the six months ended June 30, 2020.

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 ended June 30, 2021 as compared to the six months ended June 30, 2020:

	Sales for the Six Months Ended June 30, [1]		Steel Shipments for the Six Months Ended June 30, [1] [2]		Average Steel Selling Price for the Six Months Ended June 30, [1]		Changes in		
Operating segment	2021	2020	2021	2020	2021	2020	Sales	Steel Shipments	Average Steel Selling Price
	(in millions of Euros)		(in thousands of tonnes)		(in Euros/tonne)		(%)		
Stainless & Electrical Steel[3]	2,055	1,459	955	790	2,087	1,785	40.8	20.9	16.9
Services & Solutions	1,073	760	397	318	2,597	2,281	41.2	24.8	13.9
Alloys & Specialties	257	297	15	18	16,077	16,311	(13.5)	(16.7)	(1.4)
Total (before intra-group eliminations)	3,385	2,516	1,367	1,126			34.5	21.4	
Others and elimination	(936)	(649)	(393)	(312)			44.2	26.0	
Total (after intra-group eliminations)	2,449	1,867	974	814			31.2	19.7	

Notes:
(1) Amounts are shown prior to intra-group elimination. For additional information, see Note 3 to the interim condensed consolidated financial statements
(2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 393 thousand tonnes and 312 thousand tonnes in the six months ended June 30, 2021 and 2020, respectively.
(3) Includes shipments of special carbon steel from the Company's Timóteo production facility.

In the first half of 2021, sales increased by 31.2% compared to the first half of 2020 primarily due to higher steel shipments and higher average steel selling prices.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) increased by 40.8%, for the six months ended June 30, 2021 compared to the same period previous year primarily due to higher shipment volumes compared to a COVID year in 2020 and higher average steel selling price. Steel shipments for this segment (including inter segment shipments) increased by 20.9%, and the average steel selling price for the Stainless & Electrical Steel segment increased by 16.9% for the six months ended June 30, 2021 compared to the same period previous year.

Sales to external customers in the Stainless & Electrical Steel segment were €1,161 million for the six months ended June 30, 2021, representing 47.4% of total sales, an increase of 38.0% as compared to the €841 million in sales to external customers for the six months ended June 30, 2020, or 45.0% of total sales.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) increased by 41.2% for the six months ended June 30, 2021 compared to the same period previous year, primarily due to higher shipment volumes, and a higher average steel selling price. Steel shipments for this segment increased by 24.8%, and the average steel selling price for the Services & Solutions segment increased by 13.9% for the six months ended June 30, 2021 compared to the same period previous year.

Sales to external customers in the Services & Solutions segment were €1,034 million for the six months ended June 30, 2021, representing 42.2% of total sales, an increase of 41.6% as compared to sales of €730 million for the six months ended June 30, 2020, or 39.1% of total sales.

Alloys & Specialties

Sales in the Alloys & Specialties segment decreased by 13.6% for the six months ended June 30, 2021 compared to the same period previous year,primarily due to lower steel shipments, and slightly lower average selling price. Steel shipments for this segment decreased by 16.7%, and the average steel selling price decreased by 1.4% for the six months ended June 30, 2021, compared to the same period previous year.

Sales to external customers in the Alloys & Specialties segment were €255 million for the six months ended June 30, 2021, representing 10.4% of total sales, a decrease of 13.9% as compared to the €296 million in sales to external customers for the six months ended June 30, 2020, or 15.9% of total sales.

Operating income

The following table provides our operating income and operating margin for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020:

	Operating Income Six Months Ended June 30,		Operating Margin Six Months Ended June 30,	
	2021	2020	2021	2020
Operating Segment	(in millions of Euros)		(%)	
Stainless & Electrical Steel	292	38	14.2	2.6
Services & Solutions	98	7	9.1	0.9
Alloys & Specialties	24	16	9.3	5.4
Total[(1)]	**375**	**48**	**15.3**	**2.6**

Note:
(1) Amounts shown include eliminations of €(39) million and €(13) million for the six months ended June 30, 2021 and 2020 respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with intersegment eliminations and/or non-operational items that are not segmented.

The Group's operating income for the six months ended June 30, 2021, was €375 million, compared to an operating income of €48 million for the six months ended June 30, 2020. Operating income increased by €328 million when comparing six months ended June 30, 2021 versus six months ended June 30, 2020 (including exceptional gains of €9 million made of PIS/Cofins tax credits related to prior periods recognised in Brazil). Demand was strong in both Europe and Brazil. Both regions also benefited from a normalizing price environment during the first half of 2021. COVID related costs ceased to exist and higher raw material prices generated positive inventory valuation effects.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was €292 million for the six months ended June 30, 2021, compared to an operating income of €38 million for the six months ended June 30, 2020. The operating result for the Stainless & Electrical Steel segment increased for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. Shipments increased in both Europe and Brazil due to strong underlying demand as well as from refilling of the industrial value chains. Profitability increased due to higher prices, a better mix and tight cost control. The combined effect of these factors enabled Brazil to record record results in both the first and the second quarter of 2021.

Services & Solutions

The operating income for the Services & Solutions segment was €98 million for the six months ended June 30, 2021, compared to an operating income of €7 million for the six months ended June 30, 2020. The increase is due to due to higher volumes, higher prices, exceptional PIS/Cofins gains as well as raw material price driven by inventory valuation gains.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was €24 million for the six months ended June 30, 2021, compared to an operating income of €16 million for the six months ended June 30, 2020. The increase is due to higher prices, the absence of COVID related costs, tight cost control and raw material price driven inventory valuation gains that compensated for lower volumes year on year.

Financing costs

Financing costs include interest income, interest expense, net foreign exchange and derivative results and other net financing costs. Financing costs were negative at €(2) million for the six months ended June 30, 2021, compared to financing income of €2 million for the six months ended June 30, 2020.

Excluding the foreign exchange and derivative results described below, net interest expense and other financing costs for the six months ended June 30, 2021 were negative at €(2) million, including exceptional interest income of €6 million in Brazil for PIS/Cofins tax credits related to prior periods. This is compared to the net interest expense and other financing income of €7 million for the six months ended June 30, 2020 that included exceptional interest income of €15 million in Brazil for PIS/Cofins tax credits related to prior periods. Net interest expense and other financing costs for the six months ended June 30, 2021 also included €(6) million of cash cost of financing versus €(5) million for the six months ended June 30, 2020. Cash cost of financing relates to interests and other expenses related to the service of debt and other financing facilities.

Realised and unrealised foreign exchange and derivative losses were nil for the six months ended June 30, 2021, compared to realised and unrealised foreign exchange and derivative losses of €(5) million for the six months ended June 30, 2020. 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 €(44) million for the six months ended June 30, 2021, compared to an income tax benefit of less than €1 million for the six months ended June 30, 2020. This increase in income tax expense for the six months ended June 30, 2021 is primarily due to the higher level of profit before tax for the six months ended June 30, 2021, at €373 million compared to €50 million for the six months ended June 30, 2020. The effective tax rate for the six months ended June 30, 2021 was therefore also higher at 12% compared to the effective tax rate of 0% for the six months ended June 30, 2020, despite the recognition of additional deferred tax assets on tax losses carried forward in certain jurisdictions for €32 million as of June 30, 2021.

Net Income Attributable to Equity Holders of the Parent

Our net result was a profit of €329 million for the six months ended June 30, 2021, compared to a profit of €50 million for the six months ended June 30, 2020.

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 ended June 30, 2021	**Stainless & Electrical Steel**	**Services & Solutions**	**Alloys & Specialties**	**Others / Eliminations[1]**	**Total**
Operating income (loss)	292	98	24	(39)	**375**
Depreciation, amortisation and Impairment	(60)	(6)	(4)	(1)	**(71)**
EBITDA	**352**	**104**	**28**	**(38)**	**446**

(in millions of Euros)

Six months ended June 30, 2020	**Stainless & Electrical Steel**	**Services & Solutions**	**Alloys & Specialties**	**Others / Eliminations[1]**	**Total**
Operating income (loss)	38	7	16	(13)	**48**
Depreciation, amortisation and Impairment	(58)	(7)	(4)	(2)	**(71)**
EBITDA	**96**	**14**	**20**	**(11)**	**119**

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

Net Financial Debt and Gearing

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

Gearing is defined as Net Financial Debt divided by equity.

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

(in millions of Euros)	June 30 2021	December 31 2020
Long-term debt	379	372
Short-term debt	39	53
Cash and cash equivalents	(417)	(358)
Net Financial Debt	**1**	**67**
Equity	2,443	2,204
Gearing	**—%**	**3%**

Free cash flow before dividend and share buy-back

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

	Six Months Ended June 30,	
(in millions of Euros)	**2021**	**2020**
Net cash provided by operating activities	221	120
Net cash used in investing activities	(76)	(68)
Free cash flow before dividend and share buy-back	**145**	**52**

Trend information

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

Outlook

On July 30, 2021, the Company released its second quarter 2021 results, which are available on the Company's website (www.aperam.com) under the "Investors" > "Reports and Presentations" > "Quarterly Reports" section. As part of its prospects, the Company announced that Adj. EBITDA in Q3 2021 is expected at a comparable level versus Q2 2021, and that free cash flow is expected to be comparable in Q3 2021 despite higher working capital.

Liquidity

Liquidity and capital resources

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

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

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

Our cash and cash equivalents amounted to €417 million and €358 million as of June 30, 2021 and December 31, 2020, respectively.

Our total gross debt, which includes long and short-term debt, was €418 million and €425 million as of June 30, 2021 and December 31, 2020, respectively. Net financial debt, defined as long-term debt plus short-term debt less cash and cash equivalents (including short-term investments), was €1 million as of June 30, 2021, compared to €67 million at December 31, 2020. Gearing, defined as net financial debt divided by total equity, was nil as of June 30, 2021, compared to 3% as of December 31, 2020.

As of June 30, 2021, no amount of our credit facility was drawn, leaving a credit line of €375 million under the facilities (see more details in "Financing" section below).

In addition, as of June 30, 2021, Aperam had €59 million in debt outstanding at the subsidiary level (including €52 million of finance leases). As of June 30, 2021, the Company had a total liquidity of €792 million, consisting of cash and cash equivalents (including short term investments) of €417 million and committed credit lines of €375 million (revolving credit facility of €300 million plus EIB financing of €75 million). As of December 31, 2020, the Company had a total liquidity of €833 million, consisting of cash and cash equivalents (including short term investments) of €358 million and committed credit lines of €475 million (revolving credit facility of €300 million as described below and €100 million plus EIB financing of €75 million).

In Management's opinion, such a financing arrangement is sufficient for our future requirements.

Financing

Unsecured revolving credit facility

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

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

The Facility contains financial covenants, including:
- a minimum consolidated tangible net worth of €1.25 billion; and
- a maximum consolidated total debt of 70% of consolidated tangible net worth.

On June 30, 2021, these financial covenants were fully met and the credit facility was fully undrawn.

EIB financings

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

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

On September 30, 2020, Aperam strengthened its liquidity profile with the signature of a top-up financing contract where the EIB will make available to Aperam an amount of €75 million, in addition to the outstanding loan of €100 million, in relation to the financing of advanced stainless steel manufacturing technologies. This top up facility of €75 million was fully undrawn at end June 2021.

Schuldscheindarlehen

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

Commercial paper programme

On July 10, 2018, Aperam received confirmation from Banque de France, as foreseen by art. D.213-2 of *"Code monétaire et financier"* of the French law, that the conditions as described in the financial documentation of its programme of NEU commercial paper for a maximum outstanding amount of €200 million, fulfill the requirements of law. On June 30, 2021, an amount of €25 million was drawn under the Aperam NEU CP programme.

True sales of receivables programme

The Company has established sales without recourse of trade accounts receivable programme with financial institutions, referred to as True Sales of Receivables ("TSR"). The maximum combined amount of the programmes that could be utilised were €370 million and €340 million as of June 30, 2021 and December 31, 2020, respectively. Through the TSR programme, certain operating subsidiaries of Aperam surrender control, risks and the benefits associated with the accounts receivable sold. Therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the statement of financial position at the moment of the sale.

The total amount of receivables sold under the TSR programme and derecognised in accordance with IFRS 9 for the six months ended June 30, 2021 and 2020 were €0.97 billion and €0.66 billion, respectively. Expenses

incurred under the TSR programme (reflecting the discount granted to the acquirers of the accounts receivable) are recognised in the consolidated statement of operations as financing costs and amounted to €(2) million and €(2) million for the six months ended June 30, 2021 and 2020, respectively.

Credit ratings

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

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

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

Financial policy

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

Sequence

Financial Policy	2021
Maintain a strong balance sheet consistent with Investment Grade ratios Target NFD/EBITDA ratio of <1x (through the cycle)	✓
Company Sustainability, Upgrade and Transformation	~€80 million maintenance ~€50 million Leadership Journey®
Value accretive growth & M&A min IRR 15%	~€35 million capex €357 million ELG acquisition(2)
Dividend base dividend, anticipated to progressively increase over time(1)	Dividend of €1.75 per share (EUR140m)
Utilize remaining excess cash in most optimal way	EUR 100m (2.45m shares)

(1) Base dividend review in the (unlikely) event that NFD/EBITDA exceeds 1x.
(2) Subject to the necessary regulatory approvals

Earnings distribution

Dividend

Technicalities

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

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

In 2021

On February 10, 2021, Aperam announced its detailed dividend payment schedule for 2021. The Company proposed maintaining its base dividend at €1.75 per share, subject to shareholder approval at the 2021 Annual General Meeting. On June 8, 2021, at the 2021 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.

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

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

Share buyback

Corporate authorisations

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

Key features of the 2021 share buyback programme

On July 30, 2021, Aperam announced a share buyback program under the authorization given by the annual general meeting of shareholders held on May 7, 2019 (the “Program”).

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

Aperam intends to repurchase per day a variable number of shares at market price, for an aggregate maximum amount of one hundred (100) million euros and a maximum of 2.45 million (two million four hundred

and fifty thousand) shares, over a period from 2 August 2021 up and until 31 December 2021. The price per share, of the shares to be bought under the Program, shall not exceed 110% of the average of the final listing prices of the 30 trading days preceding the three trading days prior to each date of repurchase, in accordance to the resolution of the annual general meeting of shareholders held on May 7, 2019.

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

The shares acquired under this buyback program are intended:
- to be cancelled to reduce the share capital of Aperam, and
- to meet Aperam's obligations arising from employee share programs.

Disclosure of trading in own shares under Luxembourg Company law

- Number of own shares held on December 31, 2020: 101,548 or 0.13% of the subscribed capital, representing a nominal value of €3,933,018 and an accounting par value of €532,112.
- In May 2021, a total of 101,396 treasury shares were bought to serve upcoming long term incentive plans, representing 0.13% of the issued share capital, representing a nominal value of €4,705,798 and a par value of €531,315. The share purchase price was €4,705,798, or €46.41 per share.
- Number of shares granted during the 2020 financial year to deliver shares to qualifying employees under the Group's Long Term Incentive Plans after fulfilment of performance criteria: 71,249 shares (98,555 shares, net of 27,306 shares retained for tax purposes), or 0.09% of the subscribed capital, representing a nominal value of €3,032,891 and an accounting par value of €373,345.
- Number of own shares held on June 30, 2021: 131,695 or 0.16% of the subscribed capital, representing a nominal value of €5,605,925 and an accounting par value of €690,082.

The total numbers of outstanding shares (net of treasury shares) as of June 30, 2021 stood at 79,864,585 shares.

Sources and uses of cash

The following table presents a summary of our cash flows for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020:

	Summary of Cash Flows	
	Six months ended June 30,	
	2021	2020
	(in millions of Euros)	
Net cash provided by operating activities	221	120
Net cash used in investing activities	(76)	(68)
Net cash used in financing activities	(93)	(141)

Net cash provided by operating activities

Net cash provided by operating activities amounted to €221 million for the six months ended June 30, 2021, compared to €120 million for the six months ended June 30, 2020. The net cash provided by operating

activities in the six months ended June 30, 2021 increased by €101 million compared to the six months ended June 30, 2020, mainly due to higher operating income.

Net cash used in investing activities

Net cash used in investing activities amounted to €(76) million for the six months ended June 30, 2021, compared to €(68) million for the six months ended June 30, 2020. The net cash used in investing activities for the six months ended June 30, 2021 was related to capital expenditures of €(73) million, compared to €(68) million for the six months ended June 30, 2020 and €(3) million of other operating activities.

Net cash used in financing activities

Net cash used in financing activities was €(93) million for the six months ended June 30, 2021, compared to €(141) million for the six months ended June 30, 2020. Net cash used in financing activities for the six months ended June 30, 2021 was primarily related to €(71) million of dividend payments, repayments of commercial papers of €(7) million, purchase of treasury shares of €(5) million and €(4) million of lease payments. In comparison, net cash used in financing activities for the six months ended June 30, 2020 was primarily related to repayments of commercial papers of €(67) million, €(69) million of dividend payments and €(5) million of lease payments.

Equity

Equity attributable to the equity holders of the parent increased to €2,443 million as of June 30, 2021, compared to €2,200 million on December 31, 2020. This is primarily due to a net profit for the half year of €329 million and foreign currency translation differences of €51 million as Brazilian Real appreciated by 7% against Euro during the six months period, partly offset by dividend declaration of €(140) million.

A strong focus on self-help measures

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

As our key strategic priorities have proven their efficiency in terms of operating and financial performance over the past years, we will remain focused on achieving Phase 4 of the Leadership Journey® through a combination of cost reductions, growth and mix improvement measures.

The Leadership Journey® is an initiative aimed at achieving management gains, fixed and variable cost reductions, and increased productivity over the near and medium-term by enhancing the potential of our best performing assets. The Leadership Journey® is composed of a number of phases that can be broadly

characterised as restructuring and cost cutting projects, upgrading best performing assets, transformation initiatives, and growth and mix improvements. Each phase is described in greater details below.

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

Phase 1: 2011-2013 Restructuring & cost cutting *Completed*	Phase 2: 2014-2017 Upgrading best performing assets *Completed*	Phase 3: 2018-2020 Transforming the Company *Completed*
Launched at the early stage of the programme in 2011, the restructuring initiatives focused on the closure of non-competitive capacities and the reduction of fixed costs through, in particular, process simplification and major cost cutting investments.	Since the beginning of 2014, major projects were launched to help Aperam overcome bottlenecks in its downstream operations, improve its cost competitiveness, and enhance its product portfolio.	Launched in 2017, this phase of the journey aimed to transform the business and address the next generation needs of our customers by creating a modern, fully-connected and technology-enabled organisation. This was extended in early 2019 to consider cost reductions, including general procurement and raw material savings.
Total gains reached under Phase 1 and Phase 2: U.S.$573 million		Total gains reached under Phase 3: €223 million

Completion of Phase 3 of the Leadership Journey®:

Under Phase 3 of the Leadership Journey® - the Transformation Programme - the Company aimed to achieve an annualized additional EBITDA contribution of €200 million between 2018 to 2020[1]. During this phase, we targeted to further transform the business to improve our production costs, as well as accelerating our adoption of the latest technological breakthroughs, automation and digitisation needed to create a fully-connected organisation ready to address the next generation needs of our customers. This included the transfer of the Company's German service centre from Duisburg to Haan, enabling Aperam to further improve its supply chain, reduce working capital and decrease costs while continuously improving the health and safety of those who work for us. As of December 31, 2020, Phase 3 of the Leadership Journey® was successfully completed with €223 million of cumulated annualized gains exceeding the targeted objective of €200 million.

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

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

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

capex and any associated restructuring costs. As of June 30, 2021, Phase 4 of the Leadership Journey® reached €22 million of cumulated gains.

Phase 4: 2021-2023 Cost, growth and mix improvements *Ongoing*	
Structural cost	– Cost leadership in Europe – Leadership Journey® (Phase 4) – Genk downstream ramp up – Footprint specialization – SG&A improvement
Growth	– Top line strategy – Distribution growth – Alloys growth plan – Brazil growth
Differentiation	– Environmental-Social-Governance (ESG) leadership – Strong balance sheet – Financial discipline – Value oriented M&A approach
Total gains planed under Phase 4 : €150 million	

Structural cost: The ramp-up of our new rolling lines in Genk - the lowest cost plant in Europe - will play a crucial part under Phase 4 of the Leadership Journey® and result in efficiency gains and considerable fixed cost reductions. In addition, we target improvements in our SG&A costs as we start transforming us in a post-Covid-19 era.

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

- To grow our sales of high margin value added niche products and replace low contribution margin products, we will continue to focus on developing innovative products through our research and development initiatives, while also leveraging our marketing and advertising efforts for wider promotion. This includes accelerating the stainless steel consumption in the Brazilian market.

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

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

ImphyTek Powders. It markets Nickel and Specialty Alloy spherical powders for advanced additive manufacturing technologies.

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

Preparing Phase 5 of the Leadership Journey®:

While executing our detailed Phase 4 of the Leadership Journey®, we are already working on further improvement measures post 2023. We announced on May 7, 2021 the investments in revamping the hot rolling mill for long products in Imphy and the re-start of the AOD converter project in Genk that was put on hold in 2019. Both projects, together with the planned specialties center in Gueugnon, will further contribute to the reorientation of our product portfolio towards specialties.

Acquisition of ELG: Placing the circular economy at the core of Aperam's growth strategy

On May 6, 2021 Aperam, announced the signature of a Share Purchase Agreement to acquire ELG with Franz Haniel & Cie for an Enterprise Value of €357 million (Equity value €30 million). ELG is a world leader in the recycling of stainless steel and alloys and subject to the necessary regulatory approvals (expected to be completed in Q4 2021), this acquisition will place Aperam at the forefront of the circular economy.
ELG is delivering 1.3 million tonnes of materials annually, employing ~1,300 FTEs in 52 locations in 18 countries and generated an adj. EBITDA of €55 million through the cycle. Investing in sustainable recycling will further improve Aperam's leading environmental footprint and support the company's CO_2 reduction targets. The transaction will enable Aperam to improve its input mix and to expand into the supply of raw materials. Total minimum synergies of €24 million are expected within three years. Combined with phase 4 of the Leadership Journey®, Aperam will achieve its next level of competitive excellence. The transaction is expected to be value creative from year 1 and executed in line with Aperam's financial policy.

Principal strengths and risks

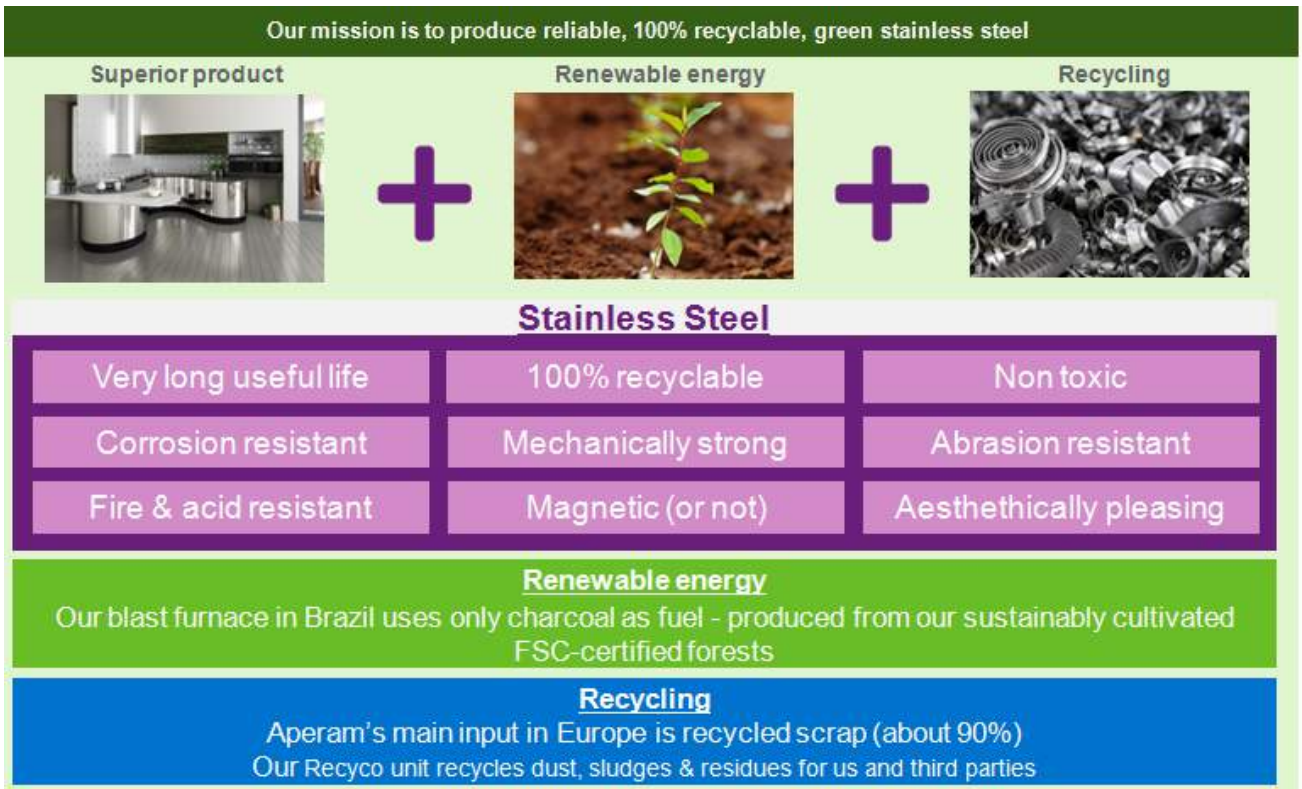
Principal strengths

We believe that our key strengths include:

Sustainable by Design, Made for Life:

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

Please refer to sections social and environmental responsibility of this report and to our sustainability reports for greater details.



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

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

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

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

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

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

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

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

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

Performance - A competitive footprint in Europe and Brazil

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

In Europe, the Group benefits from high-quality and cost-efficient plants, including the largest and most recent electric arc furnace meltshop (Châtelet, Belgium), the largest hot rolling mill (Châtelet, Belgium), one of the largest cold rolling mills (Genk, Belgium) and LC2I, the best-in-class integrated rolling-mill (Isbergues, France). In January 2018, we announced a new investment project of €130 million at our Genk (Belgium) plant. This consists of adding a new cold rolling and a new annealing and pickling line that further facilitate the transformation of our business. With these state-of-the-art modern lines, which use the latest technology, we can enlarge our product range to include the most demanding applications, improve lead-times and our flexibility to meet market demands, increase the efficiency and cost competitiveness of our assets, and continuously enhance our health, safety and environmental impact.

To adapt to market conditions, shortly after its creation, Aperam restructured its downstream operations from 29 to 17 tools in Europe. As a result, Aperam has reached an optimal loading of its most efficient assets and is well positioned in Europe's core markets. To benefit from the long-term growth potential of the stainless and specialty steel market and further improve its cost competitiveness in a highly competitive environment,

Aperam aims to continue improving its operational excellence and investing in its industrial asset base with Leadership Journey® initiatives (described in detail under the section "A strong focus on self-help measures").

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

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

Key strengths of Aperam's European operations

<table>
<tr><th>Sourcing</th><th>Logistics</th><th>Production and innovation</th><th>Sustainability</th></tr>
<tr><td rowspan="4">The only integrated upstream operations in the heart of Europe, with the best access to scrap supply</td><td>Best location to serve Europe's biggest consumption areas</td><td>Full range of innovative stainless steel products</td><td rowspan="4">Aperam's main input in Europe is recycled scrap (about 90%)
Our Recyco unit recycles dust, sludges & residues for us and third parties</td></tr>
<tr><td rowspan="3">Efficient logistics and working capital management</td><td>Flexibility and efficient capacity</td></tr>
<tr><td>A strategy to be a cost benchmark on key Aperam products</td></tr>
<tr><td>2 major R&D centers</td></tr>
</table>

Key strengths of Aperam's Brazilian operations

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

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

Aperam's research and development activities are closely aligned with our strategy and focus on product and process development. The Group's Research and Development team comprises 123 employees (FTE) spread across two centres in Europe (Isbergues and Imphy, France) and one centre in Timóteo, Brazil. These centres interact closely with the Group's operating segments and partner with industrial end-users and leading research organisations to remain at the forefront of product development. Our research and development capabilities have contributed to both the Group's position as an industry leader and its development of long standing and recognisable brands. Aperam concentrates a significant portion of its research and development budget on high margin, value-added niche products, such as specialty alloys, and on developing products with enhanced capabilities for new applications and end markets. As our customers look to lower their carbon footprint, Aperam is present with a wide range of products answering the strong demand for more sustainability. Some of our solutions are highlighted below.

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

Aperam has a strong presence in the European stainless steel market. Not only are the Group's modern production facilities in Belgium and France strategically located close to scrap generating regions, they are also close to the Group's major customers. Aperam's European industrial operations have consistently maintained high performance standards through the optimisation of production volumes, inventory and costs.

The Group also has a highly integrated and technically advanced service centre and distribution network that is effective at maintaining direct contact with end-users through its strong sales and marketing capabilities.

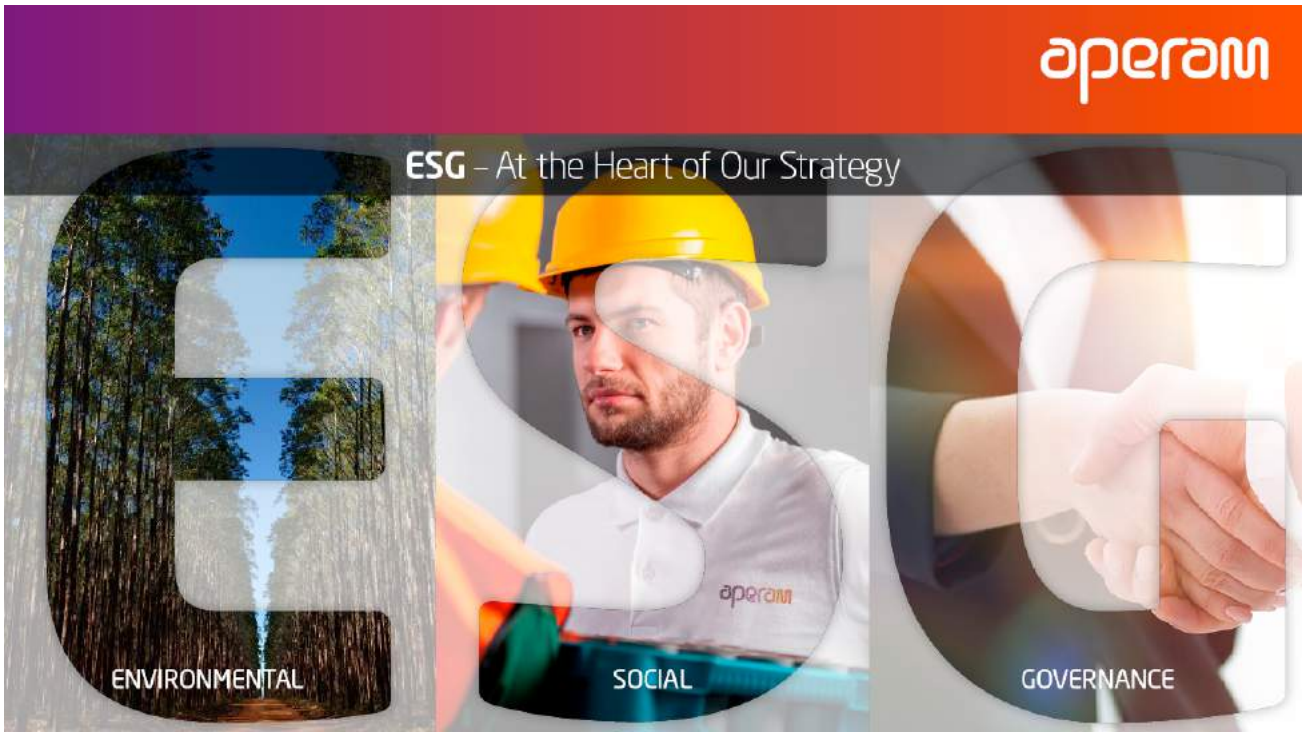
Aperam's integrated stainless and specialty steel sales, distribution and service networks has a total of 14 Steel Service Centres, 5 transformation facilities and 16 sales offices, and is one of the largest in the world. This network, along with its best-in-class service, allows the Group to develop customer loyalty and a consistent and stable customer base, while also capturing additional value in downstream operations. The Group's distribution channels are strategically located in areas of high demand and close to many end-users. The Group's global distribution network enables it to tailor its products to address specific customer needs, thereby facilitating the maintenance of our market share and the capturing of growth opportunities. The Group's customer base is well diversified, consisting of a number of blue chip clients.

Our Premium Products - Alloys and Stainless Specialties

Aperam offers a wide range of products, including high margin value-added niche products to a diversified customer base in both emerging and developed markets. It is this diverse product offering, sold to a wide range of customers across numerous industries, that allows the Group to enjoy greater stability and to mitigate some of the risks and 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 fourth largest global producer of specialty alloys and the largest producer of alloys wire rods and strips, which are sold to customers in the aerospace, automotive, electronics, petrochemical, and oil & gas industries. Aperam has incorporated in 2020 together with Tekna Plasma Europe, a leading actor in metallic powder manufacturing, a new joint-venture company named ImphyTek Powders SAS. It will market Nickel and Specialty Alloy spherical powders for advanced additive manufacturing and metal injection molding technologies.

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



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

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 & geopolitical risks indirectly impacting Aperam
- The risks of nickel price fluctuation, raw material price uncertainty, material margin squeeze, over dependency of main suppliers and electricity
- Fluctuations in currency exchange rates
- Litigation risks, specifically in case of changes in law (taxes, environmental regulations, health & safety, labour matters, product liability..)
- Risks of lack of competitiveness of the 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 breakdown or stoppage and risk of pandemic virus due to COVID-19 or other type of future virus

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 2020.

Our Sustainability reports are issued on a yearly basis ahead of the Annual General Meeting of shareholders and available on Aperam's website www.aperam.com under section "Sustainability" > "Essentials" > "Sustainability reports" and highlight the key pillars of our Sustainability roadmap: Link.

Corporate responsibility and Governance

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

Social Responsibility

Our commitment to a safe and healthy workplace

The health and safety of all the people who work for and with Aperam is our top priority with an objective of Zero fatalities, zero injuries. Our first duty as an employer is to ensure that no one working for Aperam suffers any harm from her or his work. For this reason, all Aperam Group teams work in unison to make sure all that appropriate mindsets and procedures (including certifications such as OHSAS 18,001) are always in place everywhere in the organisation and that this commitment is also reflected in the personal objectives allocated to each Aperam employee. Furthermore, we continue to work on programmes to support the health and well-being of our employees.

Health and Safety remained as a top priority within the organisation during the first half of 2021. The fight against the Covid-19 virus kept on playing an important role in our prevention strategy. We continued our joint effort by employees, management, unions and medical staff to keep our assets running and avoid contamination with the virus on our premises, all the time adapting our guidance to the pandemic evolution in the regions we are active in. As a responsible company, Aperam decided in addition to these measures to offer help to our surrounding communities. Oxygen generators and Covid-19 self tests were offered to local communities in India and Brazil. A set of self tests were donated to Aperam employees and their families for private use. Vaccination campaigns were organised on our site premises when authorized by the local governments. 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 2021, our LTIF rate was 2.5x compared to 1.3x in the first half of 2020. While the accidentology shows primarily non severe accidents, Covid 'fatigue' and psychological factors were a major contributing factor, as well as an adaptation on the way safety rituals have been followed due to Covid-19. A

specific action plan has been launched to counter this negative trend, with Q2 2021 showing already a downward trend in our accidentology (LTIF of 2.3x in Q2 2021 compared to 2.6x in Q1 2021).

More details on our social responsibility can be found in our Sustainability reports available on www.aperam.com, section "Sustainability" > "Essentials" > "Sustainability Reports" (Link).

Corporate Governance and Stakeholder relationships

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

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

Please refer to the "Corporate Governance" section of Aperam's Annual Report 2020 for a complete overview. Aperam's Annual Report is available at www.aperam.com under the "Investors" > "Reports & Presentations" > " Financial Reports" (Link).

The purpose of the present section is solely to describe the events and changes affecting Aperam's corporate governance between December 31, 2020, and June 30, 2021.

Corporate Governance

Composition of the Board of Directors

On June 8, 2021, the Annual General Meeting of Shareholders approved the election of Mr. Sandeep Jalan as a Member of the Board of Directors of Aperam for a three year term. Please refer to the biographical information part of the shareholder meeting material available at www.aperam.com under the “Investors” > “Equity Investors” > “Annual General Meeting” > “8 June 2021 - General Meeting of Shareholders” (Link).

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 Aperam [2]	Date joined Board	Term expires
Mr. Lakshmi N. Mittal	Chairman of the Board of Directors	December 2010	May 2022
Dr Ros Rivaz[1]	Lead Independent Director	May 2020	May 2023
Mrs. Bernadette Baudier[4]	Director	May 2019	May 2022
Mr. Joseph Greenwell[1] [2]	Director	May 2013	May 2023
Mr. Sandeep Jalan	Director	November 2020	May 2024
Mr. Alain Kinsch[3] [2]	Director	May 2020	May 2023
Mr. Aditya Mittal	Director	December 2010	May 2022

Notes:
Company Secretary: Mr. Laurent Beauloye
(1) Member of the Remuneration, Nomination and Corporate Governance Committee
(2) Member of the Audit and Risk Management Committee
(3) Chair of the Remuneration, Nomination and Corporate Governance Committee
(4) Chair of the Audit and Risk Management Committee

Information related to the shares of the Company

Authorisation of grants of share-based incentives

On June 8, 2021, the Annual General Meeting of Shareholders authorised the Board of Directors to issue up to 220,000 of the Company's fully paid-up ordinary shares under the Leadership Team Performance Share Unit Plan (hereinafter "LT PSU Plan"). Awards under the LT PSU Plan are subject to the fulfilment 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" > "Annual General Meeting" > "8 June 2021 - General Meeting of Shareholders" (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 for crossing the threshold of 5% voting rights, such notifications are available in the Luxembourg Stock Exchange's electronic database OAM on www.bourse.lu and on the Company's website (www.aperam.com) under the "Investors" > "Equity Investors" > "Share Capital & Voting Rights" section (Link).

- On February 25, 2021, Aperam announced a shareholding notification from M&G plc for crossing downwards the 5% voting rights threshold (6.37% global; below the 5% threshold in sub-section "voting rights attached to shares").
- On March 15, 2021 Aperam announced a shareholding notification from M&G plc for crossing upwards the 5% voting rights threshold (6.01% global; above the 5% threshold in sub-section "voting rights attached to shares").
- On May 10, 2021, Aperam announced a shareholding notification from M&G plc for crossing downwards the 5% voting rights threshold (5.44% global; below the 5% threshold in sub-section "voting rights attached to shares").
- On May 25, 2021, Aperam announced a shareholding notification from M&G plc for crossing upwards the 5% voting rights threshold (5.42% global; above the 5% threshold in sub-section "voting rights attached to shares").

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" > "News & Contact" > "Managers' Transactions" section (Link).

- On February 16, May 26, and June 4, 2021, Aperam announced Designated Persons notifications.

Our environmental responsibility

Aperam has a state of the art CO_2 footprint in the stainless steel industry[1] thanks to its European production route based on fully recyclable stainless steel scrap, and the use of charcoal from its sustainable cultivated forests in Brazil.

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

Sustainable production processes

Metallurgy is a heavy industry requiring huge power and hazardous substances to transform raw materials into the precise blend of alloys requested by our clients. As we aim for environmental excellence, and independent of evolving regulatory standards, resource efficiency topics (energy, raw materials) rank high on our priority list, which also encompass such key areas as water consumption, waste management and recyclability.

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

Our 2030 environmental objectives, are as follows :

- **30% CO_2 intensity reduction vs. 2015**;
  This is a new effort on top of the previous target of 35% reduction expected in 2020 vs. 2007
- **11% Energy intensity (electricity and natural gas) reduction vs. 2015;**
  This is a new effort on top of those deployed to reach a 10% reduction by 2020 vs. 2012
- **70% Dust emissions intensity reduction vs. 2015;**
  This is a bolder target compared to the 12% reduction expected in 2020 and already exceeded
- **40% Water intake reduction vs. 2015**
- **>97% reuse/recycle performance aiming at a long-term target of 100%**

(Our 2020 performance is disclosed and commented in the Sustainability Report)

Climate Change and CO_2 leadership

Today already, our state-of-the-art carbon footprint (scope 1 and 2), twice better than ISSF's average, is based on our leveraging of the best available techniques. On the Brazilian side, our blast furnace plant is fuelled with charcoal (biomass) from Aperam BioEnergia, our eucalyptus forestry, which is a natural and renewable substitute for fossil fuels (coke). On the European side, our electric arc furnaces leverage locally available scrap material instead of extractive raw materials, generating a much lower level of CO_2 emissions than traditional blast furnaces.

[1] Scope 1 and 2. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.

But we aim to progress further, and we have been using an internal price of CO_2 since 2016 in order to incentivize the teams to integrate this aspect in every investment project and look for innovative solutions. Likewise, our set of 2030 targets is only a first step towards our long-term objective of carbon neutrality by 2050. Across the entire company, we have dedicated projects and teams trying to reach our ambitious Company targets and preparing the long-term action plan in line with our vision.

Examples of our actions to further reduce our environmental footprint include:

- *In 2021 we will build the second largest solar power installation in Belgium on our Genk site. The plant will have an output of 20.3 gigawatt hours and demonstrates how we decarbonize our energy intake.*

- *Another example are our two brand new downstream lines in Genk that are ramping up production and that are part of the Leadership Journey® Phase 4. These ultra efficient lines will save almost 30% of natural gas and more than 40% of electricity compared to the previous installation. The new rolling lines will therefore reduce CO2 emissions substantially in addition to noticeable cost savings.*

BioEnergia

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

Scrap recycling

Steel is an endlessly reusable product, meaning it is an input in both our industrial process and our end products. Our scrap ratio is about 90%. This is a unique property, and one that Aperam is fully committed to optimising. But as an active promoter of a circular economy, we not only recycle scrap into our production but also such external wastes as tires and cans and such recycled materials as electrodes and refractories.

Placing the circular economy at the core of Aperam's growth strategy

Subject to the necessary regulatory approvals, the acquisition of ELG will put Aperam at the core of the circular economy and enable capturing value in the global recycling industry. Investing in sustainable recycling will further improve Aperam's leading environmental footprint and support the company's CO2 reduction targets. The transaction will enable Aperam to improve its input mix and to expand into the supply of raw materials. Please refer to above section "A strong focus on self-help measures" for further details on the acquisition of ELG.

Source: Aperam, SMR, ISSF

Pollution prevention and biodiversity protection

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

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

Provision of energy-efficient or water-saving steel solutions

Within our responsibility to the environment, we are also committed to propose energy-efficient and water-saving steel products capable of helping society to solve global environmental challenges. Stainless steel's endless recyclability, durability and mechanical resistance make it the perfect fabric of a sustainable society, opening up new opportunities for Aperam.

Our products are used in a number of energy efficient applications by our industrial customers, thereby contributing to the United Nations' Sustainable Development Goals 3, 5, 6, 7, 9, 12, 13 and 16 Health & Safety; Gender Equality; Clean Water and Sanitation; Affordable and Clean Energy; Industry; Innovation and infrastructure; Sustainable cities and communities; Responsible Consumption and Production; Climate Action; Peace, justice and strong institutions.

More details on our environmental responsibility can be found in our Sustainability reports available on www.aperam.com, section "Sustainability" > "Essentials" > "Sustainability Reports" (Link).

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

Related Party Transactions

We are engaged in certain commercial and financial transactions with related parties. Please refer to the Interim Condensed Consolidated Statement of Operations for the six months ended June 30, 2021, and to Note 22 to the Consolidated Financial Statements as of December 31, 2020, for further details.

Aperam, Société Anonyme

Interim Condensed Consolidated Financial Statements as of and for the six months ended June 30, 2021

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

Aperam, Société Anonyme

Interim Condensed Consolidated Financial Statements

As of and for the six months ended June 30, 2021

Aperam S.A.
Société Anonyme

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

Responsibility statement

We confirm to the best of our knowledge that:

1. the Interim Condensed Consolidated Financial Statements of Aperam presented in this Interim Financial Report 2021, prepared in conformity with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by 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, 2021, 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.

On behalf of the Board of Directors
July 28, 2021

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

Chief Executive Officer
Timoteo Di Maulo

Chief Financial Officer
Sudhakar Sivaji

Aperam

Interim Condensed Consolidated Statement of Operations

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

	Six months ended June 30,	
	2021	**2020**
Sales (Note 3) (including 36 and 24 of sales to related parties in 2021 and 2020, respectively)	2,449	1,867
Cost of sales (including depreciation and amortisation of 71 and 71, and purchases from related parties of 172 and 61 for 2021 and 2020, respectively)	(1,978)	(1,735)
Gross margin	**471**	**132**
Selling, general and administrative expenses	(96)	(84)
Operating income (Note 3)	**375**	**48**
Financing costs, net	(2)	2
Income before taxes	**373**	**50**
Income tax expense (Note 4)	(44)	—
Net income	**329**	**50**
Net income attributable to Equity holders of the parent	329	50
Net income	**329**	**50**
Earnings per common share (in Euros):		
Basic	4.12	0.63
Diluted	4.10	0.63
Weighted average common shares outstanding (in thousands):		
Basic	79,878	79,816
Diluted	80,196	80,218

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

Aperam

Interim Condensed Consolidated Statement of Comprehensive Income / (Loss)

(in millions of Euros)

	Six months ended June 30,	
	2021	**2020**
Net income	**329**	**50**
Items that can be recycled to the consolidated statement of operations:		
Cash flow hedges:		
Gain (loss) arising during the period, net of tax (expense) income of (1) and 5 for 2021 and 2020, respectively	5	(10)
Reclassification adjustments for (gain) loss included in the consolidated statement of operations, net of tax expense (income) of 1 and (4) for 2021 and 2020, respectively	(3)	10
Total cash flow hedges	2	—
Exchange differences arising on translation of foreign operations, net of tax expense of nil and nil for 2021 and 2020, respectively	51	(225)
Total other comprehensive income (loss)	**53**	**(225)**
Total other comprehensive income (loss) attributable to:		
Equity holders of the parent	53	(225)
Total other comprehensive income (loss)	**53**	**(225)**
Net comprehensive income (loss)	**382**	**(175)**
Net comprehensive income (loss) attributable to:		
Equity holders of the parent	382	(175)
Net comprehensive income (loss)	**382**	**(175)**

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

Aperam

Interim Condensed Consolidated Statement of Financial Position

(in millions of Euros)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	417	358
Trade accounts receivable	378	229
Inventories (Note 5)	1,397	1,101
Prepaid expenses and other current assets (Note 6)	123	149
Income tax receivable	2	2
Total current assets	**2,317**	**1,839**
Non-current assets:		
Goodwill and intangible assets	435	429
Biological assets	29	30
Property, plant and equipment	1,503	1,492
Investments in associates, joint ventures and other investments	4	2
Deferred tax assets	103	94
Other assets	66	83
Total non-current assets	**2,140**	**2,130**
Total assets	**4,457**	**3,969**

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

Aperam

Interim Condensed Consolidated Statement of Financial Position

(in millions of Euros)

	June 30, 2021	December 31, 2020
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt (Note 7)	39	53
Trade accounts payable	899	714
Short-term provisions	27	39
Accrued expenses and other liabilities	322	240
Income tax liabilities	35	38
Total current liabilities	**1,322**	**1,084**
Non-current liabilities:		
Long-term debt, net of current portion (Note 7)	379	372
Deferred tax liabilities	116	117
Deferred employee benefits	148	148
Long-term provisions	42	37
Other long-term obligations	7	7
Total non-current liabilities	**692**	**681**
Total liabilities	**2,014**	**1,765**
Equity (Note 8):		
Common shares (no par value, 88,100,042 and 88,100,042 shares authorised, 79,996,280 and 79,996,280 shares issued and 79,864,585 and 79,894,732 shares outstanding as of June 30, 2021 and December 31, 2020, respectively)	419	419
Treasury shares (131,695 and 101,548 common shares as of June 30, 2021 and December 31, 2020, respectively	(6)	(4)
Share premium	1,097	1,098
Retained earnings	1,613	1,424
Other comprehensive loss	(684)	(737)
Equity attributable to the equity holders of the parent	**2,439**	**2,200**
Non-controlling interests	4	4
Total equity	**2,443**	**2,204**
Total liabilities and equity	**4,457**	**3,969**

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

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

						Other Comprehensive Income (Loss)					
	Shares[1]	Share capital	Treasury shares	Share premium	Retained earnings	Foreign currency translation adjustments	Unrealised gains (losses) on derivatives financial instruments	Recognised actuarial gains (losses)	Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2019	**79,816**	**438**	**(117)**	**1,189**	**1,389**	**(463)**	**(2)**	**(20)**	**2,414**	**4**	**2,418**
Net income	—	—	—	—	50	—	—	—	50	—	50
Other comprehensive loss	—	—	—	—	—	(225)	—	—	(225)	—	(225)
Total comprehensive income (loss)	—	—	—	—	50	(225)	—	—	(175)	—	(175)
Recognition of share based payments	—	—	—	—	2	—	—	—	2	—	2
Dividends	—	—	—	—	(140)	—	—	—	(140)	—	(140)
Balance at June 30, 2020	**79,816**	**438**	**(117)**	**1,189**	**1,301**	**(688)**	**(2)**	**(20)**	**2,101**	**4**	**2,105**
Balance at December 31, 2020	**79,895**	**419**	**(4)**	**1,098**	**1,424**	**(718)**	**3**	**(22)**	**2,200**	**4**	**2,204**
Net income	—	—	—	—	329	—	—	—	329	—	329
Other comprehensive income	—	—	—	—	—	51	2	—	53	—	53
Total comprehensive income	—	—	—	—	329	51	2	—	382	—	382
Recognition of share based payments	71	—	3	(1)	—	—	—	—	2	—	2
Dividends	—	—	—	—	(140)	—	—	—	(140)	(1)	(141)
Purchase of treasury shares	(101)	—	(5)	—	—	—	—	—	(5)	—	(5)
Other movements	—	—	—	—	—	—	—	—	—	1	1
Balance at June 30, 2021	**79,865**	**419**	**(6)**	**1,097**	**1,613**	**(667)**	**5**	**(22)**	**2,439**	**4**	**2,443**

[1] Number of shares denominated in thousands, excludes treasury shares.

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

Aperam

Interim Condensed Consolidated Statement of Cash Flows

(in millions of Euros)

	Six months ended June 30	
	2021	**2020**
Operating activities:		
Net income	329	50
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation and amortisation	71	71
Net interest expense	4	4
Income tax expense (Note 4)	44	—
Net write-downs of inventories to net realisable value	7	9
Unrealised (gains)/ losses on derivative instruments	(3)	4
Unrealised foreign exchange effects, other provisions and non-cash operating (income)/expenses, (net)	(23)	(6)
Changes in operating working capital:		
Trade accounts receivable	(125)	(11)
Trade accounts payable	156	(174)
Inventories	(270)	127
Changes in other operating assets, liabilities and provisions:		
Interest paid, (net)	(3)	(2)
Income taxes paid	(6)	(2)
Other working capital movements and provisions movements	40	50
Net cash provided by operating activities	**221**	**120**
Investing activities:		
Purchase of property, plant and equipment, intangible and biological assets (CAPEX)	(73)	(68)
Acquisition of net assets of subsidiaries, net of cash acquired of 5 and nil in 2021 and 2020,	(2)	—
Other investing activities, (net)	(1)	—
Net cash used in investing activities	**(76)**	**(68)**
Financing activities:		
Net payments of short-term debt	(13)	(67)
Purchase of treasury shares	(5)	—
Dividends paid (includes 1 and nil of dividends paid to non-controlling shareholders in 2021 and 2020, respectively) (Note 8)	(71)	(69)
Payment of principal portion of lease liabilities and other financing activities (net)	(4)	(5)
Net cash used in financing activities	**(93)**	**(141)**
Effect of exchange rate changes on cash	7	(23)
Net increase in cash and cash equivalents	59	(112)
Cash and cash equivalents :		
At the beginning of the period	358	375
At the end of the period	417	263

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

SUMMARY OF NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of business

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

Accounting policies

The interim condensed consolidated financial statements for the six months ended June 30, 2021 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, 2020. 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, 2020, except for the adoption of new standards effective as of January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).
The amendments include the following practical expedients:
• A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
• Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

COVID-19

The global health crisis resulting from the COVID-19 pandemic had a profound impact on the global economy and our daily lives, and had tragic consequences for millions of people across the world. Within this context, we focused all our efforts on providing a safe and healthy working environment for our employees. Thanks to a deeply embedded health and safety culture, we were able to swiftly implement strict sanitary protocols, protect our people and continue to serve our clients with only temporary halts to our operations during the first quarter of 2020. Our plants were back to being fully operational in the second quarter of 2020, and delivered a record quarter in the second quarter of 2021.

The Company continues to monitor and evaluate its key business drivers on an ongoing basis even if it is difficult to properly estimate the length and severity of this COVID-19 outbreak and the resulting consequences on its business. Over the first six months of 2021 our business didn't suffer from negative effects of the crisis and Aperam continued to implement internal actions like strong cost variabilization plans and a focus on cash generation.

Finally, the Company continues to invest in improving Aperam's competitiveness in the future.The Company will continue to further analyse developments and consequences of COVID-19 outbreak and implement mitigating actions if needed during the next months.

NOTE 2: INVESTMENTS IN SUBSIDIARIES

Cronimet Belgium N.V.

On February 2, 2021, the Company completed the acquisition of 100% of the shares in Cronimet Belgium N.V. (subsequently renamed “ASB Recycling” N.V.) for a total consideration of €7.2 million (including cash acquired of €4.9 million), of which €6.6 million was paid at closing and €0.6 million paid upon fulfilment of certain criteria. ASB Recycling owns a scrap yard situated in Zutendaal, close to our Genk plant in Belgium, that will allow us to store scrap used in our meltshop and optimize our processes.

The Company has completed the process of preparing the purchase price accounting and estimating the fair value of the acquired assets and liabilities of ASB Recycling in the first half of 2021. It recognized €3.8 million of right-of-use assets and lease liabilities, following the final measurement, and a bargain purchase gain of €1.8 million in cost of sales for the six months period ended June 30, 2021, mainly as a result of the recognition of €1.8 million of deferred tax assets on tax losses carried forward.

The table below summarizes the final acquisition-date fair value of the assets acquired and liabilities assumed in respect of ASB Recycling:

(in millions of Euros)	**ASB Recycling**
Property, plant & equipment (including Right-of-use assets)	6.2
Deferred tax assets	1.8
Other current assets	0.3
Total assets acquired	**8.3**
Long term and short term lease liabilities	(3.8)
Other current liabilities	(0.4)
Total liabilities acquired	**(4.2)**
Net assets acquired	**4.1**
Consideration paid, net	(2.3)
Bargain purchase gain	**1.8**

ELG

On May 6, 2021, the Company announced a strategic transaction to further strengthen its cost and ESG leadership position with the signature of a Share Purchase Agreement with Franz Haniel & Cie. Gmbh to acquire ELG for an Enterprise Value of €357 million (Equity value €30 million). This acquisition is subject to customary regulatory approvals and is expected to be completed during the fourth quarter of 2021.

NOTE 3: 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:

(in millions of Euros)	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations[1]	Total
Six months ended June 30, 2021					
Sales to external customers	1,161	1,034	255	(1)	2,449
Intersegment sales[2]	894	39	2	(935)	—
Operating income (loss)	292	98	24	(39)	375
Depreciation, amortization and Impairment	(60)	(6)	(4)	(1)	(71)
Capital expenditures	(68)	(2)	(3)	—	(73)

(in millions of Euros)	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations[1]	Total
Six months ended June 30, 2020					
Sales to external customers	841	730	296	—	1,867
Intersegment sales[2]	618	30	1	(649)	—
Operating income (loss)	38	7	16	(13)	48
Depreciation, amortization and Impairment	(58)	(7)	(4)	(2)	(71)
Capital expenditures	(63)	(2)	(3)	—	(68)

Notes:
(1) Others / Eliminations includes all other operations than mentioned above, together with inter-segment elimination, and/or non-operational items which are not segmented.
(2) Transactions between segments are conducted on the same basis of accounting as transactions with third parties.

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

(in millions of Euros)	Six months ended June 30,	
	2021	**2020**
Operating income	**375**	**48**
Income (loss) from associates, joint ventures and other investments	—	—
Financing costs - net	(2)	2
Income before taxes	**373**	**50**
Income tax expense	(44)	—
Net income	**329**	**50**

NOTE 4: 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 €(44) million and nil million for the six months ended June 30, 2021 and 2020, respectively. This increase in income tax expense for the six months ended June 30, 2021 is primarily due to the higher level of profit before tax for the six months ended June 30, 2021, at €373 million compared to €50 million for the six months ended June 30, 2020. The effective tax rate for the six months ended June 30, 2021 was therefore also higher at 12% compared to the effective tax rate of 0% for the six months ended June 30, 2020, despite the recognition of additional deferred tax assets on tax losses carried forward for €32 million as of June 30, 2021. The effective tax rate for the six months ended June 30, 2021 and 2020 were positively impacted by a reduced taxation on the financing activity and research tax credits in France.

NOTE 5: INVENTORIES

Inventories, net of provision for obsolescence, slow-moving inventories and excess of cost over net realisable value of €105 million and €111 million as of June 30, 2021 and December 31, 2020, respectively, are comprised of the following:

(in millions of Euros)	**June 30, 2021**	**December 31, 2020**
Finished products	446	381
Production in process	545	434
Raw materials	272	174
Manufacturing supplies, spare parts and other	134	112
Total	**1,397**	**1,101**

The amount of write-down of inventories to net realisable value was €(7) million and €(9) million during the six months ended June 30, 2021, and 2020, respectively. The Company reversed previously recorded write-downs of €14 million and €13 million during the six months ended June 30, 2021, and 2020 due to normal inventory consumption. These were recognised in cost of sales in the interim condensed statement of operations.

The amount of inventories recognised as an expense in the cost of sales in the interim condensed statement of operations (due to normal inventory consumption) was €(1,353) million and €(1,201) million during the six months ended June 30, 2021, and 2020, respectively.

NOTE 6: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

(in millions of Euros)	**June 30, 2021**	**December 31, 2020**
Value added tax (VAT) and other amount receivable from tax authorities [(1)]	82	114
Derivative financial assets	17	16
Prepaid expenses and accrued receivables	14	7
Other	10	12
Total	**123**	**149**

Note:
(1) Include PIS/Cofins tax credits related to prior periods in Brazil for €31 million and €84 million as of June 30, 2021 and December 31, 2020, respectively.

NOTE 7: SHORT-TERM AND LONG-TERM DEBT

Short-term debt, including the current portion of long-term debt, consisted of the following:

(in millions of Euros)	June 30, 2021	December 31 2020
Short-term bank loans and other credit facilities[1]	25	38
Current portion of long-term debt	6	6
Lease obligations	8	9
Total	**39**	**53**

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, 2021, an amount of €25 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 ten banks. The Facility is structured as a 5-year revolving credit facility with two options of extension by one year each, replacing its U.S.$400 million existing 3-year secured borrowing base facility. It is to be used for the Company's general corporate purposes.

The Facility charges interest at a rate of EURIBOR (or LIBOR, in the case of an advance denominated in US dollars) plus a margin (depending on the evolution of a net leverage ratio) for the relevant interest period, which may be below one, two, three or six months or any other period agreed between the parties. The Facility also charges a utilisation fee on the drawn portion of the total facility amount and a commitment fee on the undrawn and uncancelled portion of the total facility amount, payable quarterly in arrears.

The Facility contains financial covenants, including:

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

On June 30, 2021, these financial covenants were fully met.

As of June 30, 2021, no amount was drawn under this facility. The current final maturity date for this facility stands at June 6, 2024. Related fees paid during the six months-ended June 30, 2021 and June 30, 2020 were below 1 million euros.

Long-term debt is comprised of the following:

(in millions of Euros)	Year of maturity	Type of Interest	Interest rate[1]	June 30, 2021	December 31, 2020
EIB loan 1	2028	Fixed	1.669%	44	44
EIB loan 2	2029	Fixed	1.307%	100	100
Schuldscheindarlehen	2023-2026	Fixed/Floating	1.10%- 1.50%	190	190
Other loans				6	—
Total				**340**	**334**
Lease obligations				53	53
Less current portion of long-term debt				(6)	(6)
Less current portion of lease obligations				(8)	(9)
Total long-term debt, net of current portion				**379**	**372**

Note:
(1) Interest rates applicable to balances outstanding as of June 30, 2021.

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% repayable in tranches 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%, repayable in tranches with a final maturity date of March 15, 2029.

Schuldscheindarlehen

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

NOTE 8: EQUITY

Authorised shares

On May 5, 2020, the Extraordinary General Meeting resolved to adjust the authorised share capital by €23,123,395, equivalent to 4,416,743 shares, to €480,868,153, represented by 91,800,042 shares without nominal value. This adjustment was to allow the Company to retain flexibility while taking into account the Company's current commitments under its long term incentive plans and the shares to be cancelled under the share buy back programmes.

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

Share capital

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

On June 30, 2021, the Company has 79,996,280 shares issued and 79,864,585 shares outstanding, with no par value, for a total amount of €419 million.

Treasury shares

Share buy back

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

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

On May 21, 2021 the Company acquired at market price from a related party 101,396 of its own shares for a total consideration of €4.7 million.

Aperam held 131,695 and 101,548 treasury shares as of June 30, 2021, and December 31, 2020, respectively.

Dividends

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

On June 8, 2021, the shareholders approved, at the 2021 Annual General Meeting of shareholders, a base dividend per share of €1.75 (gross). The dividend is paid in four equal quarterly instalments of €0.4375 (gross) per share.

NOTE 9: FINANCIAL INSTRUMENTS

Fair values versus carrying amounts

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. The following table summarises assets and liabilities based on their categories as of June 30, 2021.

					Assets/Liabilities at fair value		
(in millions of Euros)	Carrying amount in statement of financial position	Non-financial assets and liabilities	Assets at amortised cost	Liabilities at amortised cost	Fair value recognised in profit and loss	Equity instruments at Fair Value through OCI	Derivatives
ASSETS							
Current assets:							
Cash and cash equivalents	417	—	417	—	—	—	—
Trade accounts receivable	378	—	378	—	—	—	—
Inventories	1,397	1,397	—	—	—	—	—
Prepaid expenses and other current assets	123	82	24	—	—	—	17
Income tax receivable	2	2	—	—	—	—	—
Total current assets	**2,317**	**1,481**	**819**	**—**	**—**	**—**	**17**
Non-current assets:							
Goodwill and intangible assets	435	435	—	—	—	—	—
Biological assets	29	—	—	—	29	—	—
Property, plant and equipment	1,503	1,503	—	—	—	—	—
Other investments	4	3	—	—	—	1	—
Deferred tax assets	103	103	—	—	—	—	—
Other assets	66	35	32	—	—	—	—
Total non-current assets	**2,140**	**2,079**	**32**	**—**	**29**	**1**	**—**
Total assets	**4,457**	**3,560**	**851**	**—**	**29**	**1**	**17**
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt and current portion of long-term debt	39	—	—	39	—	—	—
Trade accounts payable	899	—	—	899	—	—	—
Short-term provisions	27	27	—	—	—	—	—
Accrued expenses and other liabilities	322	65	—	247	—	—	10
Income tax liabilities	35	35	—	—	—	—	—
Total current liabilities	**1,322**	**127**	**—**	**1,185**	**—**	**—**	**10**
Non-current liabilities:							
Long-term debt, net of current portion	379	—	—	379	—	—	—
Deferred tax liabilities	116	116	—	—	—	—	—
Deferred employee benefits	148	148	—	—	—	—	—
Long-term provisions	42	42	—	—	—	—	—
Other long-term obligations	7	1	—	6	—	—	—
Total non-current liabilities	**692**	**307**	**—**	**385**	**—**	**—**	**—**
Equity:							
Equity attributable to the equity holders of the parent	2,439	2,439	—	—	—	—	—
Non-controlling interests	4	4	—	—	—	—	—
Total equity	**2,443**	**2,443**	**—**	**—**	**—**	**—**	**—**
Total liabilities and equity	**4,457**	**2,877**	**—**	**1,570**	**—**	**—**	**10**

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

	As of June 30, 2021			
(in millions of Euros)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at fair value:				
Biological assets	—	—	29	29
Equity instruments at Fair Value through OCI	—	—	1	1
Derivative financial current assets	—	17	—	17
Derivative financial non-current assets	—	—	—	—
Total assets at fair value	**—**	**17**	**30**	**47**
Liabilities at fair value:				
Derivative financial current liabilities	—	10	—	10
Derivative financial non-current liabilities	—	—	—	—
Total liabilities at fair value	**—**	**10**	**—**	**10**

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

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in foreign exchange rates and commodity prices (base metals). The total fair value is based on the price a dealer would pay or receive for the security or similar securities, adjusted for any terms specific to that asset or liability.

Market inputs are obtained from well-established and recognised vendors of market data (Bloomberg and Reuters) and the fair value is calculated using standard industry models based on significant observable market inputs such as foreign exchange rates, commodity prices, swap rates, and interest rates.

In order to determine the fair value of biological assets, a discounted cash flow model was used, with the harvest cycle of six to seven years. Fair value measurement of biological assets is categorised within level 3 of fair value hierarchy.

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

Aperam's valuation policies for derivatives are an integral part of its internal control procedures and have been reviewed and approved according to the Company's principles for establishing such procedures. In particular, such procedures address the accuracy and reliability of input data, the accuracy of the valuation model and the knowledge of the staff performing the valuations.

The following tables summarise the reconciliation of the fair value of the assets and liabilities classified as Level 3 for the six months ended June 30, 2021:

(in millions of Euros)	**Equity instruments not quoted**	**Total**
Balance as of December 31, 2020	1	1
Change in fair value[1]	—	—
Early buyback	—	—
Balance as of June 30, 2021	**1**	**1**

Note:
(1) Recognised in net financing costs in the interim condensed consolidated statements of operations.

(in millions of Euros)	**Biological assets**
Balance at December 31, 2020	30
Additions	4
Change in fair value[1]	2
Harvested trees	(8)
Foreign exchange differences	1
At June 30, 2021	**29**

Note:
(1) Recognised in cost of sales in the interim condensed 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, 2021, is as follows:

(in millions of Euros)	Assets		Liabilities	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**
Foreign exchange rate instruments				
Forward purchase contracts	253	4	95	(1)
Forward sale contracts	60	1	223	(4)
Total foreign exchange rate instruments		**5**		**(5)**
Raw materials (base metal)				
Term contracts sales metals	106	11	16	—
Term contracts purchases metals	39	1	106	(5)
Total raw materials (base metal)		**12**		**(5)**
Total		**17**		**(10)**

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.

Commitments given

(in millions of Euros)	June 30, 2021	December 31, 2020 [(1)]
Purchase commitments	1,141	1,227
Guarantees, pledges and other collateral	166	149
Total	**1,307**	**1,376**

Note:
(1) Guarantees, pledges and other collateral as of December 31, 2020 have been reduced by €(112) million for the sake of comparability with June 30, 2021 balance.

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 24 to the consolidated financial statements as of and for the year ended December 31, 2020. Changes in contingencies since December 31, 2020, are described below:

Tax Claims

- For over 20 years, Aperam South America and its subsidiaries have been challenging the calculation basis of PIS/Cofins (Brazilian Federal taxes for unemployment insurance and social security), specifically, whether Brazilian state tax (ICMS) may be deducted from the base amount on which the PIS/Cofins are calculated. In March 2017, the Supreme Court decided in a separate case, not involving Aperam South America and its subsidiaries, on the same subject in favor of the relevant taxpayers. Nevertheless, Federal Revenue Service filed a Motion for Clarification on such separate Supreme Court decision, asking for some clarification. This appeal was decided on May 13, 2021, stating that the ICMS to be excluded from PIS/Cofins tax basis is the gross one. This understanding has a binding precedential value with respect to all similar cases, including those of Aperam South America's subsidiaries. Due to this decision, in June 2021, Aperam South America's subsidiaries recognized R$90 million (€15 million)[1] in the interim condensed consolidated statements of operations.

- On November 22, 2016, Aperam South America received a tax assessment related to IPI (tax on manufactured products) for the years 2011-2012 for its branch in Sumaré, Brazil. The total amount

[1] €15 million of PIS/Cofins tax credits related to prior periods have been recognized in the consolidated statement of operations for the six months period ended June 30, 2021, of which €9 million have been recognized in the cost of sales and €6 million have been recognized in financing costs.

claimed is R$27 million (€4.5 million). On March 8, 2018, the Company received an unfavorable decision and decided to appeal it on April 6, 2018. On May 31, 2021 the case was judged partially in favor of the Company but the decision was not published yet.

NOTE 12: SUBSEQUENT EVENTS

There were no subsequent events after June 30, 2021, except for those already mentioned in the notes.

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of
Aperam, Société Anonyme (« Aperam »)

We have reviewed the accompanying interim condensed consolidated financial statements of Aperam (the "Company") and its subsidiaries (the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2021, and the interim condensed consolidated statement of operations, the interim condensed consolidated statement of comprehensive income/(loss), the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the interim condensed consolidated financial statements

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our 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") as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

A review of interim condensed consolidated financial statements in accordance with ISRE 2410 is a limited assurance engagement. The “Réviseur d’entreprises agréé” performs procedures, primarily consisting of making inquiries of management and others within the Group, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 28 July 2021

Gilles Vanderweyen

aperam

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

10 YEARS

Sustainable by Design
Made for Life

For more information, please visit our website:
www.aperam.com/investors