

Management Report

The Board of Directors is pleased to present its report, which constitutes the management report (Management Report) as defined by Luxembourg Law, together with the audited consolidated financial statements and annual accounts as of December 31, 2021 and for the year then ended. As permitted by Luxembourg Law, the Board of Directors has elected to prepare a single Management Report covering both the Company and the Group.

Group Overview

Introduction

Aperam, including its subsidiaries (hereinafter referred to as “Aperam”, “the Company”, “We” or “the Group”) is a leading global stainless and specialty steel producer, and the world’s lowest CO₂ footprint² stainless steel producer thanks to its European production route based on fully recyclable stainless steel scrap, and the use of charcoal from its own sustainable cultivated forests in Brazil.

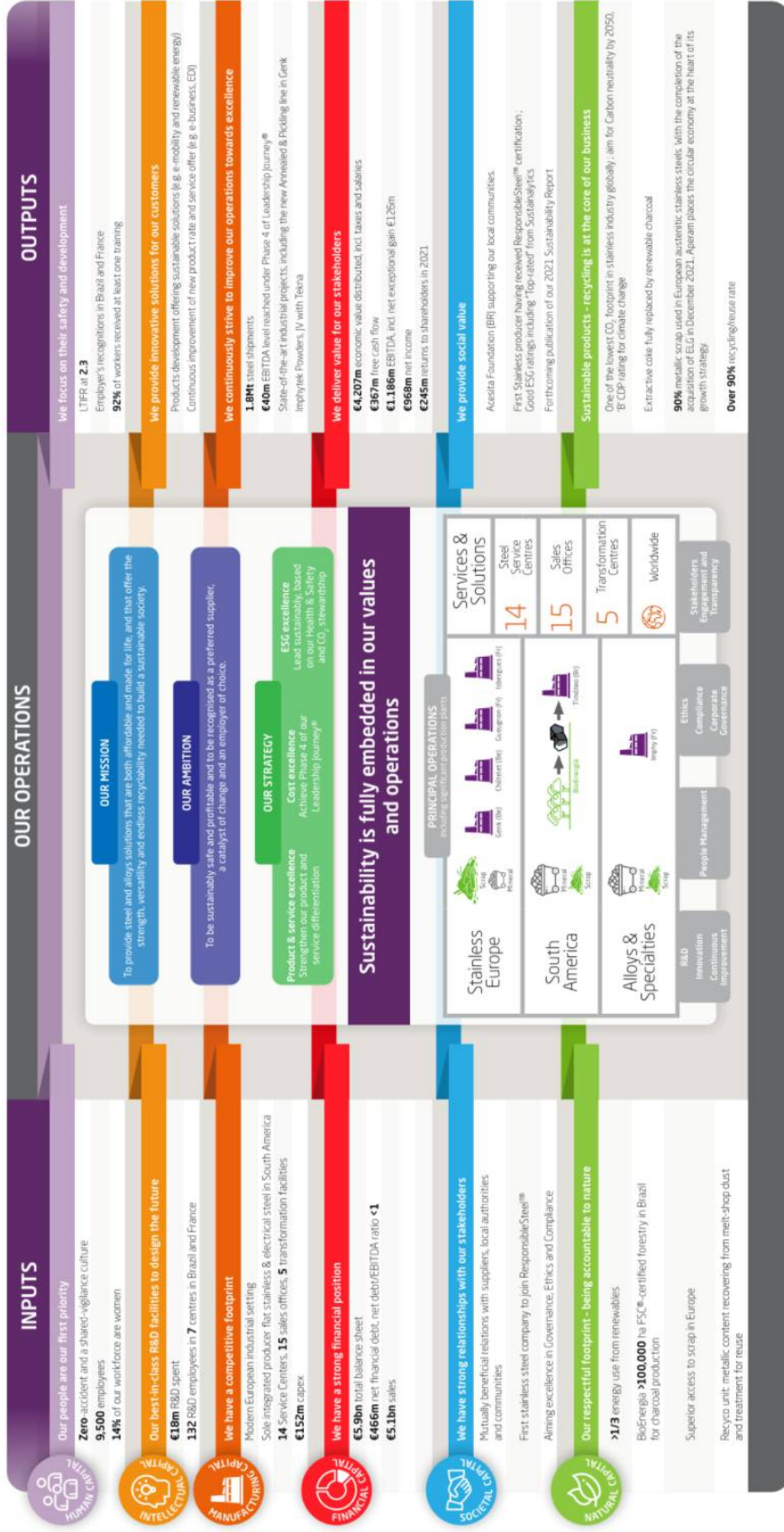
On December 27, 2021, Aperam became the legal owner of ELG, a global leader in stainless steel and superalloys recycling. ELG is fully consolidated into the Aperam Group as from the acquisition date under a new operating segment ‘Recycling’. The acquisition of ELG is described in greater details under section “Key transactions in 2021: Acquisition of ELG” including its strategic rationale and key financials. Unless stated otherwise, this management report will solely focus on the Aperam Group excluding ELG.

Aperam has an annual production capacity of 2.5 million tonnes and is a leading stainless and specialty steel producer in South America and the second largest producer in Europe. We are also a leading producer of high value added specialty products, including grain oriented (GO) and non-grain oriented (NGO) electrical steels and specialty alloys. Our production capacity is spread across six production facilities located in Brazil, Belgium and France. As of the end of December 2021, we have a workforce of about 9,500 employees. Our distribution network is comprised of 14 Steel Service Centres (SSCs), 5 transformation facilities and 15 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 €5.1 billion and €3.6 billion and EBITDA of €1.186 million and €343 million for the years ending December 31, 2021 and 2020 respectively. Shipments amounted to 1.82 million tonnes and 1.68 million tonnes for the years ending December 31, 2021 and 2020 respectively.

² Scope 1 and 2

Our Business model³: how we create value



³ Aperam announced the completion of the acquisition of ELG on December 27, 2021. ELG is a global leader in stainless steel and superalloys recycling and will further strengthen Aperam's competitiveness and Environmental-Social-Governance leadership position in the industry. ELG is fully consolidated into the Aperam Group as from acquisition date under a new operating segment Recycling. Figures included herein reflect the Aperam Group excluding ELG.

Our history

On December 7, 2010, the Board of Directors of Aperam and the Board of Directors of ArcelorMittal approved a proposal to its shareholders to spin-off ArcelorMittal's stainless and specialty steels businesses. The objective of establishing an independent company was to enable the stainless and specialty steels businesses to benefit from better market visibility by pursuing a growth strategy focused on emerging markets and specialty products, including electrical steel. On January 25, 2011, at an extraordinary general meeting, the shareholders of ArcelorMittal voted to approve the spin-off proposal. The main shareholder ("Significant Shareholder") holds 40.94% of the voting rights. Please refer to the share capital section of this Management Report for the definition of the term "Significant shareholder".

On December 27, 2021, Aperam announced the completion of the acquisition of ELG, a global leader in collecting, trading, processing and recycling of stainless steel scrap and high performance alloys. Please refer to the section below "Key transactions in 2021: Acquisition of ELG".

Key transaction in 2021: Acquisition of ELG

In 2021, Aperam opened the next chapter in Aperam's transformation with the acquisition of ELG – a leading recycling company for stainless steel scrap and superalloys. Aperam's acquisition of ELG is summarized below.

Announcement of the transaction

On May 6, 2021, Aperam announced a strategic transaction to further strengthen its cost and Environmental-Social-Governance 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) valued at December 31, 2020 under a locked box mechanism under which Aperam owns the economic value added to the ELG business as from January 1, 2021. Simultaneously, Aperam also announced its intention to operate ELG as a fully separate and independent company, with ELG to continue to serve all of its customers in their best interest. The acquisition, which was subject to customary regulatory approvals, was completed on December 27, 2021, and is expected to generate total minimum per annum synergies of €24 million within three years.

Strategic rationale: a compelling combination that enables lower cost, environmental improvement & growth:

Defending Aperam's cost leadership position	Synergies of €24 million per annum identified + additional potential to be identified
Driving Aperam's environmental ambition	Facilitates even higher use of recycled materials which lowers energy consumption and GHG emissions
Supporting Aperam's growth potential	Footprint in North America & Asia stainless recycling markets and superalloys all offer growth potential
Opening new areas for development	Closing recycling loops increases scrap volumes and improves quality, and enables to link Aperam's Alloys and Specialties segment with ELG's superalloys
Securing supply of Aperam's key strategic raw material	Scrap is Aperam's main raw material. Aperam uses more than 80% of scrap in its European operations

Regulatory approvals and completion of the transaction

On November 26, 2021, Aperam announced that the pending acquisition of ELG had been approved by the European Commission. On December 27, 2021, Aperam announced the completion of the acquisition of ELG with all necessary regulatory approvals having been obtained without conditions.

Key financials of the transactions and new operating segment "Recycling"

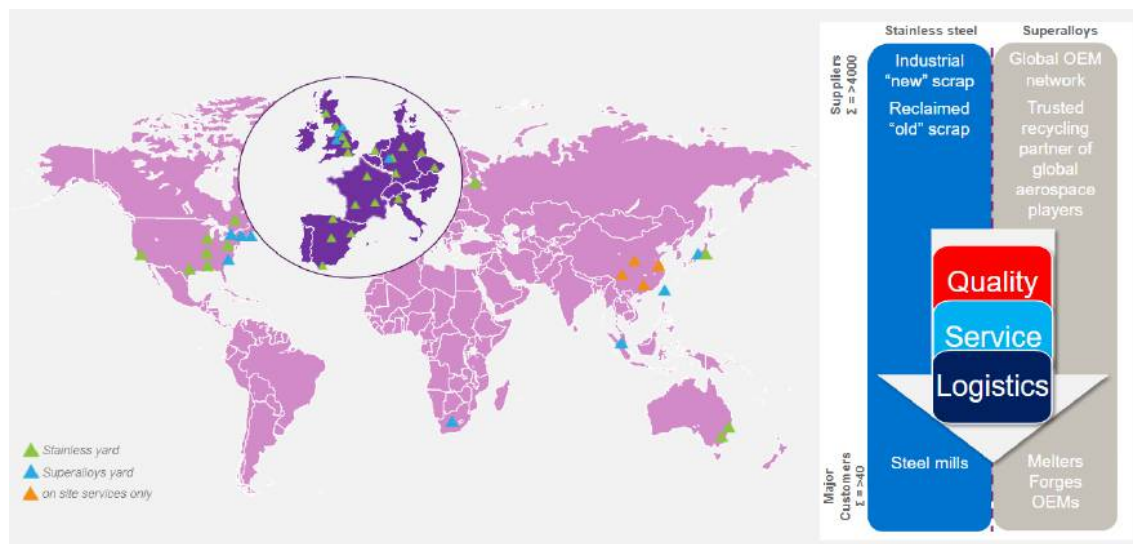
ELG's average EBITDA for the period 2017-2020 of €55 million (adjusted through the cycle on comparable scope to assets purchased) was used to value the transaction. Applied to the acquisition price, the EV/EBITDA multiple is 6.5x before and 4.5x post synergies.

The acquisition of ELG based on a locked box mechanism, allowed Aperam to benefit from the economic value added to the ELG business as from January 1, 2021. Considering the locked box arrangement, 2021 ELG's earnings are part of the preliminary bargain purchase gain recognized in Aperam's 2021 accounts.

ELG has been fully consolidated into the Aperam Group's statement of financial position as of the acquisition date under a new segment "Recycling". The preliminary bargain purchase gain of EUR 117 million accounted for by the Company at acquisition was the only transaction qualifying as an exceptional item in the operating income of this new segment "Recycling". As a consequence, this preliminary bargain purchase gain has been included in the segment "Others & Eliminations". The performance of the new segment "Recycling" will be disclosed as from the first quarter of 2022.

The upstream value chain extension through the combination with ELG is a transformational addition to Aperam's business model. This will also be expressed in Aperam's operating segments. As from the 2022 financial statements onward, ELG will be reported, together with Recyco and ASB Recycling, as part of a new operating segment named "Recycling". This expresses the importance that the circular economy has to Aperam. Similar to the Leadership Journey® initiative, we will report on the initiatives that improve the competitiveness of the Recycling segment during and after integration.

ELG description of operations

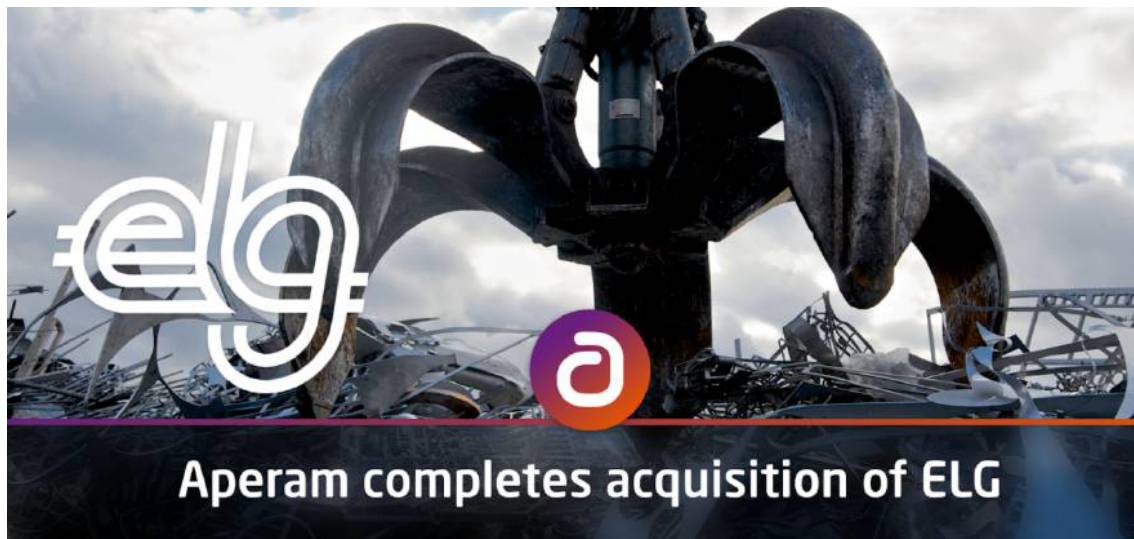


ELG is a global leader in the trading, processing and recycling of raw materials for the stainless steel industry as well as high performance materials such as superalloys and titanium. With 51 locations in North America, Europe, Asia, Australia and South Africa, ELG has one of the largest global networks of its industry.

ELG's product lines include stainless steel, special metals and superalloys scrap. ELG's customers, primarily stainless steel producers as well as manufacturers from the aviation industry, receive the material in exactly the composition and form that meet the requirements.

ELG is an integral part of the stainless steel and superalloys value chain, forming the link between industrial customers, local scrap handlers and mills & melt shops that purchase globally. To achieve this, ELG works with more than 4,000 trusted suppliers in order to source small- and medium-sized lots of material of manifold compositions and qualities. ELG's value creation consists of transforming a heterogeneous collection of materials into a tailor-made, homogenous, and constant stream of valuable raw material to be used by its global customers. Especially in the stainless and superalloys segments, ELG has developed sophisticated analytical methods, innovative techniques and services to meet the demanding quality standards of its customers.

In 2021, ELG's workforce counted 1,200 employees which contributed to reducing the stream of metal waste: 1.2 million tonnes of recycled raw material were shipped in 2021 to be transformed into new products. Together with ELG's suppliers and customers, ELG 'closes the metals loop' every day.



Our operational organisation and facilities

In 2021, we managed our business according to three primary operating segments:

- **Stainless & Electrical Steel.** We are a leading global producer of stainless steel by production capacity. We produce a wide range of stainless and electrical steels (both Grain Oriented and Non-Grain Oriented) and continuously expand our product offerings by developing new and higher grades of stainless steel and electrical steel. The Stainless & Electrical Steel segment includes Aperam's Stainless Precision business and Aperam BioEnergia, which produces wood and charcoal (biomass) from cultivated eucalyptus forests. We use the charcoal (biomass) produced by Aperam BioEnergia as a substitute for coke at our Timóteo production facility.

This segment accounted for 48.1% of external sales and 75.5% of EBITDA for the year ending December 31, 2021, and 45.8% of external sales and 80.8% of EBITDA for the year ending December 31, 2020.

- **Services & Solutions.** Our Services & Solutions segment, which includes our tubes business, performs three core activities: (i) the management of exclusive direct sales of stainless steel products from our production facilities, primarily those located in Europe; (ii) distribution of our products and, to a much lesser extent, external suppliers' products; and (iii) transformation services, which include the provision of value added and customised steel solutions through further processing to meet specific customer requirements.

This segment accounted for 41.8% of external sales and 17.5% of EBITDA for the year ending December 31, 2021, and 40.2% of external sales and 11.4% of EBITDA for the year ending December 31, 2020.

- **Alloys & Specialties.** Our Alloys & Specialties segment is the fourth largest producer of specialty alloys in the world. We specialise in the design, production and transformation of various specialty alloys and certain specific stainless steels. Our products take the form of bars, semis, cold-rolled strips, wire and wire rods, and plates and are offered in a wide range of grades.

This segment accounted for 10.1% of external sales and 4.9% of EBITDA for the year ending December 31, 2021, and 14.0% of external sales and 13.1% of EBITDA for the year ending December 31, 2020.

Additionally, we have EBITDA that is reported within our "Others and Eliminations" segment. This segment, includes corporate costs and elimination between our primary operating segments. Additionally, an exceptional preliminary bargain purchase gain of €117 million linked to the acquisition of ELG was recorded as of December 31, 2021. EBITDA for "Others and Eliminations" accounted for 2.0% of EBITDA for the year ending December 31, 2021, and (5.3)% of EBITDA for the year ending December 31, 2020.

Our key production sites



Genk (Belgium)



Châtelet (Belgium)



Gueugnon (France)



Isbergues (France)



Imphy (France)



Timóteo (Brazil)

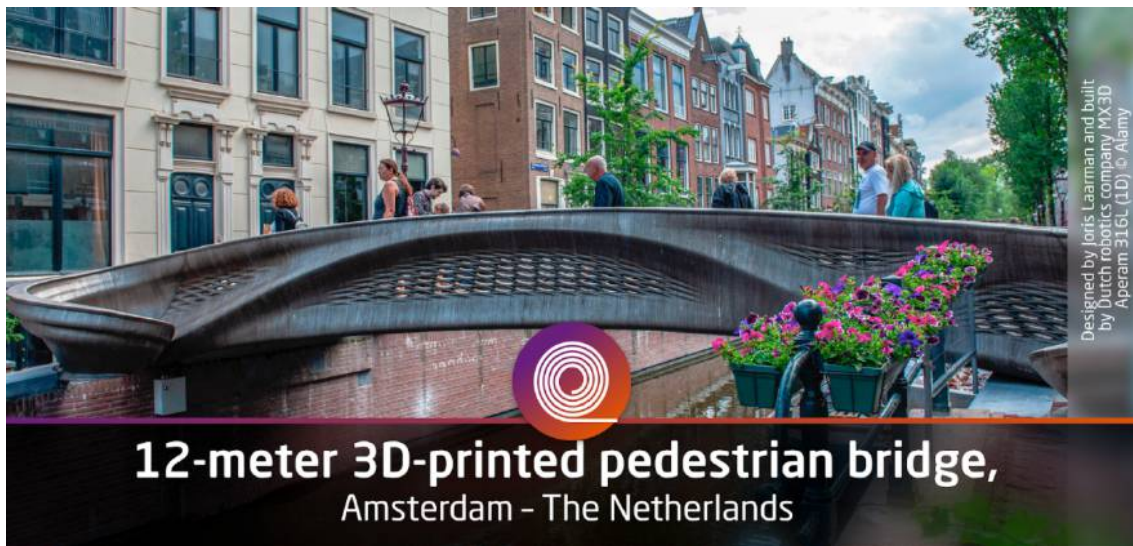
Stainless & Electrical Steel

Europe

Our European facilities produce the full range of our stainless steel products. In 2021, steel shipments from Stainless & Electrical Steel Europe facilities represented 1,170 thousand tonnes (compared to 1,048 thousand tonnes in 2020).

We have two melt shops in Belgium, located in Genk and Châtelet. The Genk facility includes two electric arc furnaces, argon-oxygen decarburization equipment, ladle refining metallurgy, a slab continuous caster and slab grinders. It also includes a cold rolling mill facility. The Châtelet location is an integrated facility with a meltshop and a hot rolling mill. The Châtelet melt shop includes an electric arc furnace, argon-oxygen decarburization equipment, ladle furnaces refining metallurgy, a slab continuous caster and slab grinders.

Our cold rolling facilities in Europe consist of four cold rolling mill plants, located in Belgium (Genk) and France (Gueugnon, Isbergues and Pont-de-Roide). Our plants include annealing and pickling lines (with shot blasting and pickling equipment), cold rolling mills, bright annealing lines (in Gueugnon and Genk), skin-pass and finishing operations equipment. The Isbergues plant also includes a Direct Rolling, Annealing and Pickling ("DRAP") line. Recyco⁴, our electric arc furnace recycling facility located in France (Isbergues), retrieves dust and sludge with the aim of recycling stainless steel raw materials and reducing waste.



South America

We are the only producer of flat stainless and electrical steel in South America. Our integrated production facility in Timóteo, Brazil, produces a wide range of stainless, electrical steel and special carbon products, which account for approximately 35% of the Stainless & Electrical Steel operating segment's total shipments. Steel shipments from Stainless & Electrical Steel Brazil facilities represented 626 thousand tonnes in 2021 and 591 thousand tonnes in 2020.

⁴ Recyco is part of the operating segment Recycling as from 2022 ; please refer to section "Key transactions in 2021: Acquisition of ELG"

The Timóteo integrated production facility includes two blast furnaces, one melting shop area (including two electrical furnaces, two converters and two continuous casting machines), one hot rolling mill (including one walking beam and one pusher furnace with one rougher mill and one steckel mill), a stainless cold rolling shop (including one hot annealing and pickling line, two cold annealing and pickling lines, one cold preparation line, three cold rolling mills and four batch annealing furnaces) and an electrical steel cold rolling shop (including one hot annealing and pickling line, two tandem annealing lines, one decarburising line, one thermo-flattening and carlite coating line, one cold rolling mill and 20 batch annealing furnaces). Aperam South America also has a unique capability to produce stainless and specialty steel from low cost biomass (charcoal) produced by Aperam BioEnergia with the wood from its eucalyptus forests.



Aperam BioEnergia, and Timóteo

Aperam BioEnergia

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 CO₂ footprint. Our forest is continuously cultivated and maintained and is actually carbon positive, which means it is acting as a carbon sink. This is why our BioEnergia unit is a source of pride for our teams, who are keen to promote our products with 'green' labels.

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

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

Services & Solutions

We predominantly sell and distribute our products through our Services & Solutions segment, which also includes our tubes business. The segment provides value added and customised steel solutions through further processing in very short lead time and high service level to meet specific customer requirements. Our distribution network is comprised of 14 steel service centres, 5 transformation facilities and 15 sales offices with a global presence. Steel shipments from the Services and Solutions division represented 726 thousand tonnes in 2021 and 646 thousand tonnes in 2020.

Alloys & Specialties

The Alloys & Specialties integrated production facility is located in Imphy, France, and includes a meltshop, a wire rod facility and a strip cold rolling facility. The meltshop is designed to produce specialty grades and includes one electric arc furnace, two induction furnaces with two vacuum oxygen decarburisation ladles and a ladle furnace, one vacuum induction melting furnace, two vacuum arc remelting furnaces, and one electroslag remelting furnace. The meltshop is also equipped with ingot casting facilities and a continuous billet caster.

Our wire rod mill specialises in the production of specialty alloys and has the ability to process a wide range of grades, including stainless steel. It is comprised of a blooming mill, billet grinding, a hot rolling mill, which has a capacity of 35 thousand tonnes, and finishing lines. Steel shipments from Alloys & Specialties facilities represented 30 thousand tonnes in 2021 and 31 thousand tonnes in 2020.

We also own downstream nickel alloy and specialty assets, including Aperam Alloys Rescal S.A.S., a wire drawing facility located in Epône, France; Aperam Alloys Amilly, an electrical components manufacturer located in Amilly, France; and Imhua Special Metals, a transformation subsidiary in Foshan, China. We also hold a majority stake in Innovative Clad Solutions, a production facility for industrial clads in Indore, (Madhya Pradesh) India. Aperam has incorporated in 2020 together with Tekna Plasma Europe, a leading actor in metallic powder manufacturing, a new joint-venture company named ImphyTek Powders SAS. It develops and markets Nickel and Specialty Alloy spherical powders for advanced additive manufacturing and metal injection moulding technologies.



Market analysis

Market environment

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

After Gross Domestic Product and Industrial Production growth collapsed in 2020 due to the COVID-19 induced crisis and lockdown measures globally, growth for 2021 improved, if rather unevenly, mainly due to pandemic factors, which affected economies differently. 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. The pandemic caused disruptions at numerous points in supply chains, from port shutdowns in China to semiconductor checking processes in South East Asia. These disruptions pushed up inflation (while also holding back growth), which reacted much faster and more sharply than is normal, for this stage in the business cycle. Although the recovery in overall Gross Domestic Product is not yet complete in major economies, it has been skewed towards demand for goods, with services still lagging. 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.

Since the beginning of 2021, overall manufacturing output has been recovering and is 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; with the rapid reopening of the economy, supply chain bottlenecks and the rebound in energy prices are pushing up inflation. Although inflation dynamics vary across the euro area, this is not expected to last, with inflation returning to levels below the European Central Bank objective by the end of 2022.

For Brazil, GDP rebound in 2021, the vaccination campaign accelerated and economic activity, underpinned by private consumption and investment, restarted as restrictions were lifted; 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. Brazilian exports have benefited from the global recovery, the robust demand for commodities and a weak exchange rate. However, supply bottlenecks, lower purchasing power, higher interest rates and policy uncertainty have slowed the pace of recovery. The labour market is recovering with some delay and unemployment remains above pre-pandemic levels.

China with a swift recovery, driven by strong exports on the back of the reopening of overseas economies and robust investment, has stalled in the second half of the year. A large real estate company's default is shaking financial markets and confidence in the sector, thereby weakening real estate investment, an important engine of growth. Prospects for manufacturing investment have also worsened due to temporary power cuts in a large number of provinces. Consumption growth is stable, but adverse confidence effects coupled with inadequate social protection still hold it back. Consumer price inflation is low as there is only limited pass-through from surging prices in upstream industries. Its manufacturing industry remained strong for the first half of the year, which supported prices for raw materials.

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.

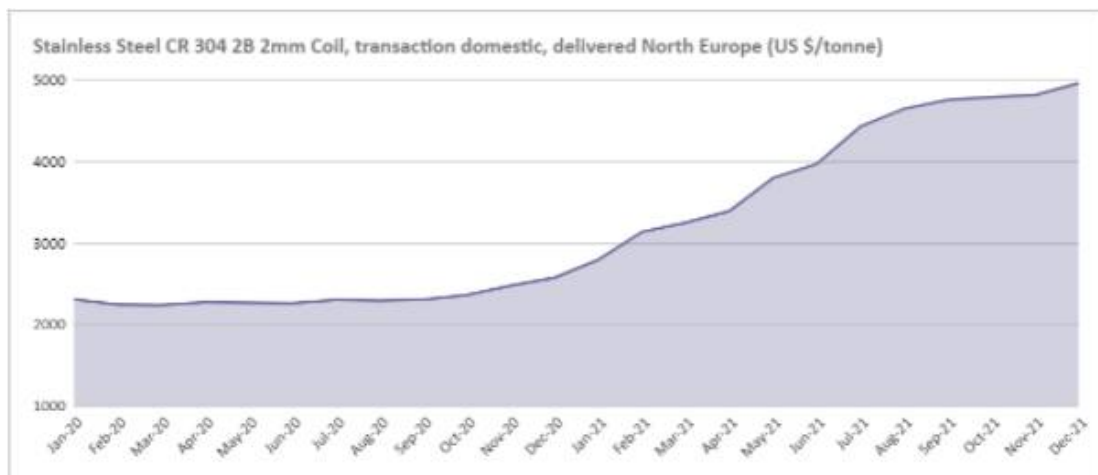
Stainless steel is a steel alloy with a minimum of 10.5% chromium content by mass and a combination of alloys that are added to confer certain specific properties depending on the application. The cost of alloys used in stainless steel products varies across products and can fluctuate significantly. 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.

Globally, during 2021 stainless steel prices rose sharply, largely due to tighter balance of supply and demand resulting from production cuts in China, high raw materials prices, global trade constraints and long lead-time as well as high container shipping cost. In Europe, healthy demand, with limitation of imports, plus higher raw material costs, pushed prices at a multi year high. The strong demand in China during the first half of the year, supported by raw material momentum, kept a positive trend on domestic prices. China's second half of the year, saw price constrained, mostly impacted by the electricity supply shortage, which affected domestic steel demand. The reduction of the export rebates for most steel products by 13% that was implemented on May 1, 2021, generated a stronger Chinese export prices reaction, which is pushing the global stainless price floor.

The graphs below show the price of nickel on the London Metals Exchange and the European transaction price for Cold Rolled 304 stainless steel for the period running from January 1, 2020 to December 31, 2021:



Source:

Nickel prices have been derived from the LME. Stainless steel/CR304 2B 2mm transaction domestic, delivered North Europe have been derived from Metal Bulletin Fastmarkets.

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 2021 but also by the logistics constraints in Asia, as with most of the steel products. Non Grain Oriented prices were also strongly affected due to rising demand of Electric-Vehicles (EV) and partial migration of Non Grain Oriented producers mainly in Europe and Asia, shifting production for less productivity grades to supply EV motors demand. Grain Oriented prices were also affected by an increasing demand for transformers worldwide, mainly in Asia for electrification.

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 saw a rebound in 2021 compared to 2020 volumes, mainly driven by China, followed by EU and USA. In Europe demand was high and pressure of unfair imports was reduced due to high prices in Asia, 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% for the first half of 2021, and being affected by the energy crisis in the second half of 2021 the utilization rate reduced to the 80% levels. In Brazil, the apparent consumption reached a historical high in Q2 2021, with a significant restocking effect, however the second half of 2021 saw a slow down to pre-COVID-19 levels. 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, as well as the 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 for 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 the construction 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

In 2021, global stainless steel production growth was very strong, driven by the recovery of demand after its collapse related to COVID-19 measures in 2020.

Global Cold Rolled stainless steel production is estimated to have increased by 11% in 2021 and by 14% in Europe. China experienced a slower growth of 6% as production had already recovered in the second half of 2020. 2022 is expected to see a more moderate growth of around 3% globally, with China showing some signs of weakening since the end of 2021.

The global structural overcapacity is estimated to have stabilized due to a slowdown of capacity added by China, where cold rolled overcapacity is estimated to have reached 2.4 million tonnes. However, Chinese companies announced the creation of massive new capacities in the upstream and downstream activities for the coming two years which, combined with a more moderate growth of demand, is expected to result in a significant increase of overcapacities.

Overall, import pressure reduced in Europe, not only because of the shipping constraints worldwide, but also because the European Commission announced anti-dumping duties on cold-rolled stainless steel imports from Indonesia and India. Moreover, the European Commission announced an extension of the steel safeguards by three years from July 1, 2021.

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. Largest stainless steel producers are Chinese companies and benefited from the exponential growth of their domestic market to expand capacities.

Developments regarding trade measures

European Union

Summary table of actions against unfair trade

	Safeguard	Anti-dumping (AD)	Countervailing duties (CVD)
Aim	<ul style="list-style-type: none"> Maintain traditional trade flows Volume focused 	<ul style="list-style-type: none"> Duty on imports that are <u>priced below fair market value</u> Price focused 	<ul style="list-style-type: none"> Neutralize effect of <u>subsidies</u> that benefit certain imports Price focused
Countries affected	<ul style="list-style-type: none"> All countries globally (if not explicitly exempt) Effective since February 2019 till July 2024 	<ul style="list-style-type: none"> Hot rolled: China, Indonesia, Taiwan since Oct. 2020 for 5 years Cold rolled: China, Taiwan since 2015, Indonesia, India since May 21 	<ul style="list-style-type: none"> Cold rolled: Case opened by EU commission in February 2021 against India, Indonesia
Measure	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> HR: China 9.2% - 19.5%, Indonesia 17.3%, Taiwan 4.1% - 7.5% NEW: CR: China 25.3%, Taiwan 6.8% (extended for 5 years to 09/2026) India (10.0-35.3%), Indonesia (9.3-20.2%) 	<ul style="list-style-type: none"> NEW: Cold Rolled: India (4.3-7.5%), Indonesia (13.5-21.4%, except PT. Jindal Stainless Indonesia)
New Initiatives			

*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 applies 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.

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:

a. 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.

b. Liberalization

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

c. 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

d. 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 continued 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.

On December 17, 2021, the Commission has opened the expected safeguard review on the tariff-rate quota functioning and impact of the EU-US Section 232 deal.

In the review, the Commission will look into a number of factors, including allocations of quotas and the current, 3% level of annual liberalization of the safeguard quotas.

The review will also focus on the new trade agreement between the EU and the US for steel products. "The Commission will examine whether any changes to the US Section 232 measures have a significant impact on the unduly diverted trade flows generated by the US Section 232 measures".

In particular, the Commission intends to carry out this review in line with the following structure:

- Allocation and management of tariff-rate quotas
- Crowding-out of traditional trade flows
- Update of the list of developing World Trade Organisation Member countries excluded from the scope of the measures based on their most recent level of imports
- Level of liberalization
- Change in the US Section 232 measures
- Other changes in circumstances that may require an adjustment to the level of allocation of the tariff-rate quota

The review will be concluded by June 2022 and aims at ensuring measures are still “adapted to market evolution and in line with the interest of all stakeholders”.

For further details please refer to the following link:

[https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC1217\(02\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC1217(02)&from=EN)

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 anti-dumping duties on imports of stainless steel cold-rolled originating in China and Taiwan for additional 5 years.

On September 16, 2021, the European Commission extended definitive anti-dumping duties on imports of stainless steel cold-rolled (SSCR) flat products from China and Taiwan.

The decision followed an expiry review lodged by the European steel association Eurofer in May.

The extended duties will remain in place until June 30, 2024.

For further details please refer to the following link:

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1483&qid=1631777843356>

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 definitive 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 May 27, 2021 imposing a provisional anti-dumping duty on imports of stainless steel cold-rolled flat products originating in India and Indonesia”.

On November 17, 2021, the European Commission published in the Official Journal the “Implementing Regulation (EU) 2021/2012 of November 17, 2021 imposing a definitive anti-dumping duty on imports of stainless steel cold-rolled flat products originating in India and Indonesia”.

The Implementing Regulation (EU) 2021/2012 (article 1(2)) is amended as follows, after the publication of the Implementing Regulation (EU) 2022/433 of 15 March 2022 (see below) imposing new anti-dumping duties.

Type of products	Countries	Definitive Anti-dumping duty (%)	Effective from
Cold Rolled Stainless Steel Flat Products	India	From 10.0% up to 35.3%	May 28, 2021 ⁽¹⁾
Cold Rolled Stainless Steel Flat Products	Indonesia	From 9.3% up to 20.2%	May 28, 2021

Note:

(1) Entry into force from the day following that of the publication of the definitive 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:32021R2012&from=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

On December 17, 2021, the European Commission released the General Disclosure Document announcing the essential facts and considerations on the basis of which the Commission intends to impose definitive anti-subsidy measures on imports of stainless steel cold-rolled flat products originating in India and Indonesia.

On March 16, 2022, the European Commission published in the Official Journal the "Implementing Regulation (EU) 2022/433 of 15 March 2022 imposing countervailing duties on imports of stainless steel cold-rolled flat products originating in India and Indonesia".

Type of products	Countries	Definitive Countervailing duty (%)	Effective from
Cold Rolled Stainless Steel Flat Products	India	From 4.3% up to 7.5%	March 17, 2022 ⁽¹⁾
Cold Rolled Stainless Steel Flat Products	Indonesia	From 13.5% up to 21.4% except PT. Jindal Stainless Indonesia	March 17, 2022

Note:

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

6. World Trade Organization 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.

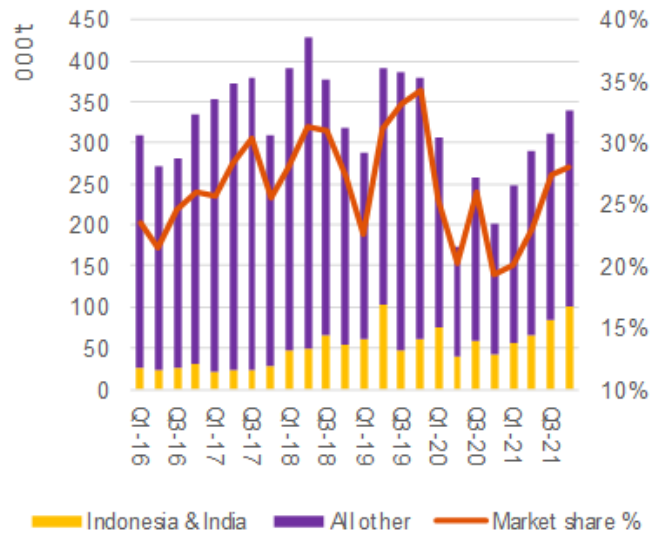
On April 19, 2021, the European Union requested the Director-General to compose the panel.

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

On November 1, 2021, the Chair of the panel informed the Dispute Settlement Body that, in accordance with the timetable adopted thus far following consultations with the parties, the panel estimated that it would issue its final report to the parties in the last quarter of 2022.

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. Overall, import pressure reduced in Europe, not only because of the shipping constraints worldwide, but also because the European Commission announced anti-dumping duties on cold-rolled stainless steel imports from Indonesia and India. Moreover, the European Commission announced an extension of the steel safeguards by three years from July 1, 2021. On a more granular level, hot rolled import market share increased substantially reaching 40% at the end of the third quarter 2021. Asian exporters have good demand and prices in their home market for cold rolled and are therefore more prone to export hot rolled material at the moment. We are convinced that in normalized market the hot rolled import market share would be at normal levels.

Brazil

Two key pillars of trade protection against unfair market behaviour:

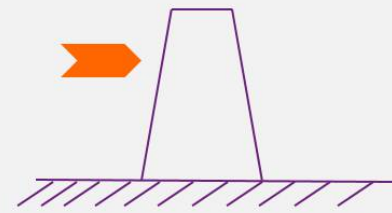
IMPORT DUTY



General import duty:

- 12.6% import duty on all stainless steel imports irrespective of origin

ANTI-DUMPING DUTY



Stainless flat products:

- China: up to USD629/t, Taiwan up to USD705/t since 4.10.19 for 5 years

Stainless steel welded tubes:

- China: up to USD405/t since 24.07.19 for 5 years.
- Malaysia, Thailand and Vietnam: USD367/t up to USD888/t since 13.06.18, for 5 years

Electrical steel (non grain oriented):

- China, South Korea, Taiwan, Germany: USD90/t – USD166.3/t since 15.07.19 for 5 years

Tariff measures to support fair market environment in 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. On November 5, 2021, stainless steel import duties were reduced from 14% to 12.6%. 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 12.6%	<p>AD duties starting October 4, 2013 for 5 years from U.S.\$236/tonne to U.S.\$1,077/tonne for imports.</p> <p>Renewal investigation launched on October 3, 2018, during which time AD duties will remain in place. Countries involved are China, Taiwan, South Korea, Vietnam, Finland and Germany.</p> <p>Renewed AD duties against China and Taiwan starting October 4, 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.</p> <p>Anti-Dumping investigation on Stainless Steel Flat CR 304 against Indonesia and South Africa launched on February 25, 2021. Anti-subsidy investigation on 304CR from Indonesia also launched on June 2, 2021. On November 4, 2021 the Brazilian Trade Defence authority closed the anti-dumping investigation.</p>
Stainless Steel Welded Tubes in thickness between 0.4mm to 12.70mm	Normal import duties are 12.6%	<p>AD duties starting July 29, 2013, for 5 years from U.S.\$360/tonne up to U.S.\$911/tonne. Countries involved are China and Taiwan.</p> <p>Renewal investigation launched on July 16, 2018, during which time AD duties will remain in place</p> <p>AD duties starting June 13, 2018, for 5 years from U.S.\$367/tonne up to U.S.\$888/tonne. Countries involved are Malaysia, Thailand and Vietnam.</p> <p>Renewed AD duties against China starting July 24, 2019 valid for 5 years from U.S.\$344/tonne to U.S.\$405/tonne.</p>
Electrical steel – Non Grain Oriented (NGO)	Normal import duties are 12.6%	<p>AD duties starting July 17, 2013, for 5 years from U.S.\$133/tonne to U.S.\$567/tonne. Countries involved are China, South Korea and Taiwan.</p> <p>On August 15, 2014, Camex released partially NGO AD, giving 45kt of imports in the next 12 months without AD penalties.</p> <p>On November 4, 2015, Brazilian authorities decided to end the existing quota of imports without AD and fixed the AD duties from U.S.\$90/tonne to U.S.\$132.5/tonne.</p> <p>Renewal investigation launched on July 16, 2018, during which time AD duties will remain in place.</p> <p>An investigation involving Germany was launched on May 9, 2018.</p> <p>AD duties starting July 15, 2019, for 5 years from U.S.\$90/tonne to U.S.\$166.3/tonne. Countries involved are China, South Korea, Taiwan and Germany.</p>
Electrical steel – Grain Oriented	Normal import duties are 12.6%	

Raw materials and Energy

Raw materials

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

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

The London Metal Exchange (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. But following 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 quite stable at that level till the end of April, somewhat depressed by fears over renewed COVID-19 deterioration in the main economies. Later on, the LME nickel price has been volatile between U.S.\$17,000 and U.S.\$18,600 per tonne on alternating considerations on macro economics and speculations on fast growing automotive electrification. It ended the second quarter at U.S.\$18,450 per tonne. In July 2021, the LME nickel prices spiked again to U.S.\$ 19,892 per tonne supported by strong fundamentals with higher than expected demand from the stainless steel and EV sectors and fresh supply disruptions threats. After a consolidation phase, the LME nickel price found a new yearly high at U.S.\$20,375 per tonne in September 2021. At the end of the third quarter the LME nickel price was traded at U.S.\$18,180 per tonne amid inflation concerns and weakness across the base metal complex. During the fourth quarter, amid COVID-19 related tensions and strong demand in Europe and US, the LME nickel prices remained volatile ranging between U.S.\$19,000 and U.S.\$20,500 per tonne. The peak of U.S.\$21,135 per tonne was achieved at the end of November. At the end of year, the LME nickel price consolidated at U.S.\$20,925 per tonne. The LME nickel stocks decreased from 248,382 tonnes in January 2021 to 101,256 tonnes at the end of the year.

After a year of sluggish development, the Ferrochrome price started 2021 on a stronger trend. The European ferrochrome 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 pandemics lows. 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 ferrochrome benchmark price was rolled over for the third quarter in mid June. Following strong global demand, the European benchmark price for the fourth quarter 2021 jumped by 15% quarter on quarter to U.S.\$1.80 per pound of chrome, its highest level since the first quarter of 2009.

Molybdenum prices started the first quarter trading at U.S.\$22.27 per kilogram in January to peak at U.S.\$27.56 per kilogram in February 2021 on the basis of logistical disruptions (container shortage, COVID-19 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 but 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. In July, the molybdenum price remained quite stable at U.S.\$40.41 per kilogram amid a balanced market between supply and demand, with slow trading activity. Supported by a renewed demand interest and continued freight delays disrupting the supply, the molybdenum price increased in August to peak at U.S.\$44.20 per kilogram early September. Shortly thereafter,

driven by limited market activity, the molybdenum price softened to end the third quarter 2021 at U.S.\$40.675 per kilogram. The molybdenum prices stood at U.S.\$41.56 per kilogram at the end of December 2021.

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. Since then, the ferrous scrap prices have been on a consistent downward trend because finished steel sales on the export and domestic markets have remained poor. The ferrous scrap price was down to U.S.\$429.75 per tonne at the end of the third quarter 2021. At the beginning of October, stronger demand and limited supply pushed the price to U.S.\$503.32 per tonne but as demand softened, the ferrous scrap decreased again to U.S.\$450.88 per tonne at the end of the year.

Energy

With regard to natural gas, the Timóteo production facility in Brazil has a natural gas supply contract with a Brazilian supplier. In Europe, the Group 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.

As an industrial Company, Aperam is a large consumer of electricity and natural gas. The energy and natural gas inflation had some impact during the second half of 2021. In this environment, we also seek to balance higher costs with efficiency gains. This is an industry wide phenomenon that has a comparable impact on production costs across the industry. The episode shows how important our 30% energy reduction target to 2030 is and that investment in energy savings has potentially high returns.

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 2021, the Euro depreciated by 8.3% against the U.S. dollar to reach 1.1326 U.S. dollar/Euro. In 2021, the Euro depreciated by 0.9% against the Brazilian real to reach 6.3210 Brazilian real/Euro.

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

COVID-19: health and safety review

COVID-19: Health and Safety review

Health and Safety remained as a top priority within the organisation. 2021 has continued to be dominated by the COVID-19 pandemic situation. Aperam maintained its installed centralised crisis management approach in the fight against the spread of the virus.

With all the measures implemented and their reinforcement at each site, Aperam has been able to limit the spread of the virus and ensure a very low level of contamination within the sites. In addition to these measures, many initiatives were taken on top of the general guidance such as

- rolling out a preventing testing strategy on the sites using saliva self tests;
- providing all employees a set of saliva tests for private use;
- shipping self tests for our employees and families and the local communities in India and our Indore plant, shipment of portable oxygen generators for the local hospitals, offering the possibility to our employees and families to come and live in the plant premises.

As a result, and thanks to the contribution of all our employees, we managed to keep our assets running with only temporary halts to implement strict health and safety protocols, and avoided contamination with the virus on our premises.

Aperam strongly encouraged its employees and contractors to get vaccinated. We reached in several plants a vaccination percentage far above 90%.

When allowed by country governments, Aperam used its own medical facilities to vaccinate its employees, as for instance in Brazil and in the plant of Genk in Belgium.

Operational review and Liquidity

Operational review

Aperam reports its operations in three segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties⁵.

The information in this section relates to the year ending December 31, 2021, and is compared to the year ending December 31, 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 steel selling prices by operating segment for the year ending December 31, 2021 as compared to the year ending December 31, 2020:

Operating segment	Sales for the Year Ending December 31, ⁽¹⁾		Steel Shipments for the Year Ending December 31, ^{(1) (2)}		Average Steel Selling Price for the Year Ending December 31, ⁽¹⁾		Changes in		
	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⁾	4,369	2,897	1,796	1,639	2,360	1,705	50.8	9.6	38.4
Services & Solutions	2,212	1,513	726	646	2,922	2,242	46.2	12.4	30.3
Alloys & Specialties	518	511	30	31	16,600	16,061	1.4	(2.6)	3.4
Total (before intra-group eliminations)	7,099	4,921	2,552	2,316			44.3	10.2	
Others and elimination	(1,997)	(1,297)	(733)	(639)			54.0	14.7	
Total (after intra-group eliminations)	5,102	3,624	1,819	1,677			40.8	8.5	

Notes:

(1) Amounts are shown prior to intra-group elimination. For additional information, see Note 4 to the consolidated financial statements

(2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 733 thousand tonnes and 639 thousand tonnes in the year ending December 31, 2021 and 2020, respectively.

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

⁵ ELG is fully consolidated into the Aperam Group as from acquisition date under a new operating segment "Recycling".

In 2021, sales increased by 40.8% compared to 2020 primarily due to higher average steel selling prices and higher steel shipments.

Stainless & Electrical Steel

In 2021, sales in the Stainless & Electrical Steel segment (including intersegment sales) increased by 50.8% compared to 2020 primarily due to higher shipment volumes and increased average steel selling prices.

Steel shipments for this segment (including intersegment shipments) increased by 9.6% to 1,796 thousand tonnes for the year ending December 31, 2021, of which 626 thousand tonnes were attributable to our operations in South America and 1,170 thousand tonnes were attributable to our operations in Europe, including intersegment shipments. This was up from 1,639 thousand tonnes for the year ending December 31, 2020, of which 591 thousand tonnes were attributable to our operations in South America and 1,048 thousand tonnes were attributable to our operations in Europe, including intersegment shipments. The average steel selling price for the Stainless & Electrical Steel segment increased by 38.4% in 2021 compared to 2020.

Sales to external customers in the Stainless & Electrical Steel segment were €2,453 million for the year ending December 31, 2021, representing 48% of total sales, an increase of 48% as compared to sales to external customers of €1,660 million for the year ending December 31, 2020, or 46% of total sales.

Services & Solutions

In 2021, sales in the Services & Solutions segment (including intersegment sales) increased by 46.2% compared to 2020 primarily due to 12.4% higher steel shipments and higher average steel selling prices by 30.3% for the segment.

Sales to external customers in the Services & Solutions segment were €2,135 million for the year ending December 31, 2021, representing 42% of total sales, an increase of 47% as compared to sales of €1,456 million for the year ending December 31, 2020, or 40% of total sales.

Alloys & Specialties

In 2021, sales in the Alloys & Specialties segment (including intersegment sales) slightly increased by 1.4% primarily due to higher average steel selling prices by 3.4%, partly compensated by lower steel shipments by 2.6%.

Sales to external customers in the Alloys & Specialties segment were €513 million for the year ending December 31, 2021, representing 10% of total sales, an increase of 1% as compared to sales to external customers of €509 million for the year ending December 31, 2020, or 14% of total sales.

Operating income

The following table provides our operating income and operating margin for the year ending December 31, 2021, as compared to the year ending December 31, 2020:

	Operating Income Year Ending December 31,		Operating Margin Year Ending December 31,	
	2021	2020	2021	2020
Operating Segment	(in millions of Euros)		(%)	
Stainless & Electrical Steel	774	159	17.7	5.5
Services & Solutions	196	26	8.9	1.7
Alloys & Specialties	50	36	9.7	7.0
Total⁽¹⁾	1,042	199	20.4	5.5

Note:

(1) Amounts shown include eliminations and other items of €22 million and €(22) million for the years ending December 31, 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 year ending December 31, 2021, was €1,042 million, compared to an operating income of €199 million for the year ending December 31, 2020. Group operating income increased by 424% as higher demand supported a pricing recovery in both Europe and South America. Additional contributions could be realized from inventory valuation gains, from the Leadership Journey® Phase 4 and the Top Line strategy. Exceptional gains of €126 million made of €117 million preliminary bargain purchase gain on ELG acquisition plus €9 million from the PIS/Cofins tax credits related to prior periods recognized in Brazil also contributed to the operating income in 2021 when exceptional gains of net €50 million from the PIS/Cofins tax credits and restructuring provisions for the Leadership Journey® Phase 4 also contributed to the operating income in 2020.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was €774 million for the year ending December 31, 2021, of which an operating income of €384 million was attributable to our operations in Europe and €390 million was attributable to our operations in South America. This is compared to operating income of €159 million for the year ending December 31, 2020, of which an operating income of €16 million was attributable to our operations in Europe and €143 million was attributable to our operations in South America. The market recovery in both regions resulted in higher prices and higher volumes. The implementation of the Top Line strategy and Leadership Journey® were also supportive. Inventory valuation gains additionally benefited Europe.

Services & Solutions

The operating income for the Services & Solutions segment was €196 million for the year ending December 31, 2021, compared to operating income of €26 million for the year ending December 31, 2020. The higher result was mainly attributable to higher shipments, higher prices and inventory valuation gains.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was €50 million for the year ending December 31, 2021, compared to operating income of €36 million for the year ending December 31, 2020. The increase is mainly attributable to higher selling price, a positive contribution from inventory valuation and cost savings through the Leadership Journey®.

Financing income / (costs)

Financing income / (costs) include interest income, interest expense, net foreign exchange and derivative results and other net financing costs. Financing income decreased to €2 million for the year ending December 31, 2021, compared to financing income of €40 million for the year ending December 31, 2020.

Excluding the foreign exchange and derivative results described below, net interest expense and other financing costs for the year ending December 31, 2021 were below €1 million, including an exceptional interest income of €7 million in Brazil for PIS/Cofins tax credits related to prior periods, compared to positive net interest expense and other financing costs of €49 million for the year ending December 31, 2020, including an exceptional interest income of €66 million in Brazil for PIS/Cofins tax credits related to prior periods.

Net interest expense and other financing costs also includes recurring financing costs of €(9) million for the year ending December 31, 2021, of which cash costs of financing of €(7) million, compared to recurring financing costs of €(15) million for the year ending December 31, 2020, of which cash costs of financing of €(11) million. Cash costs of financing are made of interests and other expenses related to the service of debt and other financing facilities.

Realised and unrealised foreign exchange and derivative gains/losses were a gain of €2 million for the year ending December 31, 2021, compared to realised and unrealised foreign exchange and derivative losses of €(9) million for the year ending December 31, 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 entered into in order to hedge our exposure to nickel prices but which do not qualify for hedge accounting treatment under IFRS 9.

Income Tax

We recorded an income tax expense of €(74) million for the year ending December 31, 2021, compared to an income tax expense of €(63) million for the year ending December 31, 2020. Our 2021 income tax expense was primarily due to positive operational results in several countries. The income tax expense was positively impacted by additional recognition of deferred tax assets on tax attributes in several jurisdictions as well as a more favourable mix of the portion of profit before tax generated in lower versus higher tax rate jurisdictions for the year ending December 31, 2021 compared to the year ending December 31, 2020. The effective tax rate for the year ending December 31, 2021 was 7% compared to the effective tax rate of 26% for the year ending December 31, 2020.

Net Income Attributable to Equity Holders of the Parent

Our net result was a profit of €968 million for the year ending December 31, 2021, compared to a profit of €175 million for the year ending December 31, 2020.

Alternative Performance Measures

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

EBITDA

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

(in millions of Euros)

Year ending December 31, 2021	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations ⁽¹⁾	Total
Operating income (loss)	774	196	50	22	1,042
Depreciation, amortisation and Impairment	(122)	(12)	(8)	(2)	(144)
EBITDA	896	208	58	24	1,186

(in millions of Euros)

Year ending December 31, 2020	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations ⁽¹⁾	Total
Operating income (loss)	159	26	36	(22)	199
Depreciation, amortisation and Impairment	(118)	(13)	(9)	(4)	(144)
EBITDA	277	39	45	(18)	343

Note:

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

Net Financial Debt and Gearing

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

Gearing is defined as Net Financial Debt divided by equity.

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

	December 31	
<i>(in millions of Euros)</i>	2021	2020
Long-term debt	719	372
Short-term debt	271	53
Cash and cash equivalents	(524)	(358)
Net Financial Debt	466	67
Equity	2,953	2,204
Gearing	16%	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. In 2021, the free cash flow included also €(31) million paid for the acquisition of net assets of subsidiaries (net of cash acquired). The following table presents a reconciliation of Free cash flow before dividend and share buy-back with amounts disclosed in the consolidated statement of cash flows:

	Year ending December 31,	
<i>(in millions of Euros)</i>	2021	2020
Net cash provided by operating activities	550	303
Net cash used in investing activities	(183)	(108)
Free cash flow before dividend and share buy-back	367	195

Trend information

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

Outlook

On February 11, 2022, the Company released its fourth quarter and full year 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 Q1 2022 Adjusted EBITDA is expected at a slightly higher level versus the record Q4 2021 base, and that net financial debt at the end of Q1 2022 is expected slightly higher than end of Q4 2021.

Aperam S.A. as parent company

Aperam S.A., incorporated under the laws and domiciled in Luxembourg, is the parent company of the Aperam Group, a role it is expected to continue to play in the coming years.

The parent company was incorporated on September 9, 2010, to hold the assets that comprise ArcelorMittal's stainless and specialty steels businesses. As described in the parent company's articles of association, the corporate purpose of the company is the manufacturing, processing and marketing of stainless steel, stainless steel products and all other metallurgical products, as well as all products and materials used in their manufacture, processing and marketing, and all industrial and commercial activities connected directly or indirectly with those objects, including mining and research activities and the creation, acquisition, holding, exploitation and sale of patents, licenses, know-how and, more generally, intellectual and industrial property rights.

The parent company has its registered office at 24-26 Boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under the number B155.908. The parent company controls directly and indirectly 87 subsidiaries. The parent company generated a net profit⁶ of €810 million in 2021.

EU Taxonomy

Compliance with Regulation (EU) 2020/852 on EU Taxonomy

Introduction

In order to meet the EU's climate and energy targets for 2030 and reach the objectives of the European green deal in line with the Paris Agreement, the Green Pact and the Sustainable Development Goals, investments will have to be channelled towards sustainable projects and activities. The EU taxonomy is a classification system establishing the conditions that an economic activity has to meet in order to qualify as sustainable, as described by the Regulation (EU) 2020/852 published on June 18, 2020.

Specifically an activity must make a substantial contribution to one or more of the six environmental objectives established by the European Union, without having a significant detrimental impact (the Do No Significant Harm principle or DNSH) on the other five, while meeting certain minimum social safeguards, defined as ILO Core Labour Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Complementary regulatory developments were published in the course of 2021 specifying the content, methodology and presentation of information to be disclosed by Financial and Non-Financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities. A phased implementation is planned in accordance with the Disclosures Delegated Act: non-financial undertakings shall disclose, from 1 January 2022 until 31 December 2022 on the 2021 accounts, as a preliminary analysis the proportion of EU Taxonomy-eligible and EU Taxonomy non-eligible economic activities in their total turnover, capital and operational expenditure (see below), whereas starting on the 2022 accounts, the alignment with all criteria contributing to climate change mitigation or adaptation (including DNSH) will have to be assessed and reported.

⁶ The net profit has been established according to generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

Implications for non-financial undertakings

In accordance with Article 10 (1) of the Disclosures Delegated Act, non-financial undertakings shall disclose from 1 January 2022 until 31 December 2022 the proportion of EU Taxonomy-eligible and EU Taxonomy non-eligible economic activities in their total turnover, capital and operational expenditure.

The identification of the eligible activities corresponds to a preliminary screening of the activities likely to participate to a transition to a low-carbon EU economy whereas the alignment entails the confirmation of the undertaking meeting the technical criteria defined for its sector (for instance in terms of CO₂ intensity or level of circularity) together with the DNSH requirements.

Turnover KPI: represents the proportion of the net turnover derived from products or services that are EU Taxonomy-aligned. The Turnover KPI gives a static view of the companies contribution to environmental goals.

OpEx KPI: represents the proportion of the operating expenditure associated with EU taxonomy-aligned activities or to the CapEx plan. The operating expenditure covers direct non-capitalised costs relating to research and development, renovation measures, short-term lease, maintenance and other direct expenditures relating to the day-to-day servicing of assets or property, plant and equipment that are necessary to ensure the continued and effective use of such assets.

CapEx KPI: represents the proportion of the capital expenditure of an activity that is either already EU Taxonomy-aligned or is part of a credible plan to extend or reach EU taxonomy alignment. CapEx provides a dynamic and forward-looking view of companies' plans to transform their business activities.

For further details please refer to the following link:

https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-article-8-faq_en.pdf

Eligibility and preliminary results for Aperam

We confirm to the best of our knowledge that the financial information of Aperam presented under the European Taxonomy section is a contributive financial information in line with the IFRS, therefore including the elimination of intercompany balances.

Following an analysis of our activities led jointly by Aperam's Finance and Sustainability teams, we concluded that our entire Stainless and Electrical Steel production as well as our Services & Solutions' service centres are considered by EU taxonomy under economic activity: 3.9- Manufacture of iron and steel. This activity is identified in the supplementing Commission Delegated Regulation 2021/2139, which focuses on climate mitigation and climate change adaptation objectives and are even seen as "enabling activities" meaning activities supporting the transition of other sectors towards low-carbon operations. For further reference, the substantial contribution criterion for Climate Change mitigation from the Iron and Steel sector is one of the following: a CO₂e intensity calculated at crude steel level (for blast furnaces or electric arc furnaces), or a percentage of scrap input relative to the production output, which stands as 70% minimum for the production of high alloy steel (stainless).

Our Alloys and Specialties business is not included in our preliminary analysis and reporting below but we are further working on assessing their possible eligibility, in particular considering their ability to produce long-lasting metal solutions used for their exceptional resilience in extreme temperature, corrosion and pressure conditions while enhancing energy efficiency and both fuel cells and hydrogen development, for instance.

Lastly, for the year ended December 31, 2021, we did not consolidate ELG into Aperam figures for the EU Taxonomy as only the ELG's statement of financial position had been consolidated into Aperam's consolidated statement of financial position as of December 2021. We will assess ELG's eligibility in the upcoming report, together with Alloys & Specialties.

Overall, according to our analysis, the activities considered eligible under the EU Taxonomy regulation represent 90% of turnover, 85% of OpEx, and 94% of CapEX of the Aperam group as of December 31, 2021, while the rest of the business is still under assessment.

Whereas we are confident that these eligible entities should be able to comply in full to the applicable criteria, such as CO₂ intensity in Brazil and scrap ratio in Europe, we also expect further clarifications and additions to the EU Taxonomy documentation to address some uncertainties and recognize the benefits of specific sub-sectors. Therefore, further works will be necessary to conclude in 2022 on the share of the activity to be considered as aligned.

Aperam	EU Taxonomy - eligible (%)	EU Taxonomy Non-eligible (%)
Turnover	90%	10%
OpEx	85%	15%
CapEx	94%	6%

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 described below are sufficient to meet the Group's present requirements.

Our cash and cash equivalents amounted to €524 million and €358 million as of December 31, 2021 and December 31, 2020, respectively.

Our total gross debt, which includes long and short-term debt, was €990 million (including €500 million attributable to ELG Group) and €425 million as of December 31, 2021 and December 31, 2020, respectively. As of December 31, 2021, Aperam had €561 million out of the total gross debt of €990 million outstanding at the subsidiary level (including €98 million of finance leases).

Net financial debt, defined as long-term debt plus short-term debt less cash and cash equivalents (including short-term investments), was €466 million as of December 31, 2021, compared to €67 million at December 31, 2020.

Gearing, defined as net financial debt divided by total equity, was 16% as of December 31, 2021, compared to 3% as of December 31, 2020.

As of December 31, 2021, the Company had a total liquidity of €932 million, consisting of cash and cash equivalents (including short term investments) of €524 million, committed credit lines of €300 million (revolving credit facility of €300 million) at Aperam SA level and €108 million of committed credit lines from ELG Group.

As of December 31, 2020, the Company had a total liquidity of €833 million, consisting of cash and cash equivalents (including short term investments) of €358 million and committed credit lines of €475 million (revolving credit facility of €300 million and €100 million plus EIB financing of €75 million as described below).

Financing

Unsecured revolving credit facility

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

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

Company's previous pricing model depending on the Group's most recent corporate rating by Standard & Poor's, Moody's, or both.

The Facility contains financial covenants, including:

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

As of December 31, 2021, these financial covenants were fully met and the credit facility was fully undrawn.

Unsecured short term revolving credit facility

On June 30, 2020, Aperam entered into a €100 million unsecured revolving credit facility ("The Short Term Facility") arranged with BGL BNP Paribas. The Short Term Facility is structured as a one year credit facility and is guaranteed by the *Office du Dueroire Luxembourg*. It was used for the company's general corporate purposes (excluding acquisitions financing) and the Company's specific costs or expenses that have arisen in the context of COVID-19 outbreak. This credit facility of €100 million has been extinguished on June 30, 2021.

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 drawn on October 8, 2021, at a rate of 0.88%, with a final maturity date of October 25, 2031.

Schuldscheindarlehen

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

Commercial paper programme

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

million, fulfill the requirements of law. On December 31, 2021, an amount of €25 million was drawn under the Aperam NEU CP programme.

ELG Debts

ELG debt (excluding leases) consists of €415 million of bank loans (Money market loans and overdrafts) and €40 million of promissory Notes as of December 31, 2021.

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 December 31, 2021 and 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 years ending December 31, 2021 and 2020 were €2 billion and €1.5 billion, respectively. Expenses incurred under the TSR programme (reflecting the discount granted to the acquirers of the accounts receivable) are recognised in the consolidated statement of operations as financing costs and amounted to €(4) million and €(4) million in 2021 and 2020, respectively.

Recent developments

On February 11, 2022, Aperam announced having entered into a 5+1+1 years sustainably linked senior unsecured revolving credit facility of €500 million with a syndicate of 16 banks. Such facility replaces the existing senior unsecured revolving credit facility of €300 million signed in June 2017. In addition, Aperam announced having entered into a 6 years sustainably linked amortizing fixed rate term facility of €300 million with a syndicate of 10 banks. The revolving credit facility is for general corporate purposes and the term loan is dedicated to the refinancing of maturing debts of ELG. The pricing of financing contracts are linked to two strategic commitments of the company being firstly to become a best-in-class stainless steel manufacturer in terms of Health & Safety by constantly outperforming its industrial average in terms of Health & Safety metrics and to maintain its leadership in low carbon steel-making by setting an ambitious decarbonisation trajectory.

On February 11, 2022, Aperam has increased its sales without recourse of trade accounts receivable programme with financial institutions, referred to as True Sales of Receivables ("TSR"), to a maximum combined amount of the programmes that could be utilised to €420 million from €370 million earlier.

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 at that time 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.

	Financial Policy	2022
5	Return excess cash to investors	Share buyback: up to €100m (up to 2.5m shares)
4	Dividend Base dividend progressively increases over time ⁽¹⁾	Dividend of €2.00 per share (~EUR156m) ⁽²⁾
3	Value accretive growth & M&A min IRR 15%	~€50 million growth capex
2	Company Sustainability, Upgrade and Transformation	~€110m maintenance ⁽³⁾ / ~€40m ESG / Leadership Journey® Phase 4: ~€50m, Phase 5: ~€50m
1	Strong balance sheet. Ratios consistent with investment grade ratios, NFD / EBITDA of <1x ⁽⁴⁾	✓

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

(2) The Board of Directors has decided to propose for approval at the next Annual General Meeting of Shareholders of May 4, 2022, a base dividend of 2.00€/per share. Please refer to section "Earnings distribution" below for greater details.

(3) Including ELG

(4) Through the cycle

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 order to benefit from exemption of Luxembourg dividend withholding tax at source, an "Informative Memorandum" describing the procedure to obtain an exemption at source of the Luxembourg dividend withholding tax is available at the following link:

[Procedure to apply for an exemption from Luxembourg withholding tax](#)

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, subject to shareholders 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 was paid in four equal quarterly instalments of €0.4375 (gross) per share.

In 2022

On February 11, 2022, Aperam announced its detailed dividend payment schedule for 2022. The Company proposed to increase its dividend from €1.75 per share to €2.00 per share, subject to shareholders approval at the 2022 Annual General Meeting of May 4, 2022. The dividend payments would occur in four equal quarterly instalments of EUR 0.5 (gross) per share in 2022 as described below in the detailed dividend schedule:

	1 st Quarterly Payment (interim)	2 nd Quarterly Payment	3 rd Quarterly Payment	4 th Quarterly Payment
Announcement date	24 February 2022	10 May 2022	16 August 2022	9 November 2022
Ex-Dividend	01 March 2022	13 May 2022	19 August 2022	14 November 2022
Record Date	02 March 2022	16 May 2022	22 August 2022	15 November 2022
Payment Date	24 March 2022	10 June 2022	16 September 2022	9 December 2022
FX Exchange rate	25 February 2022	11 May 2022	17 August 2022	10 November 2022

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 programme under the authorization given by the Annual General Meeting of Shareholders held on May 7, 2019 (hereinafter "Program").

The key features of the Program are as follows:

- Purpose of the Program: cancellation of shares to reduce the share capital and meeting obligations arising from employee share programs.
- Maximum number of shares to be acquired under the Program: 2.45 million
- Maximum pecuniary amount allocated to the Program: €100 million
- Period of authorisation of the Program: August 2, 2021 to December 31, 2021

Aperam appointed an investment services provider to execute the repurchasing of shares in the open market during open and closed periods. The price per share, of the shares to be bought under the 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 7 May 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.

Disclosure of trading in own shares under the 2021 share buyback program

In aggregate, 1,959,592 shares were bought under this Program from August 17, 2021 to September 24, 2021, representing an aggregate amount of €99,963,194 (based on settlement date).

- Period of repurchases: August 17, 2021 to September 24, 2021 (based on settlement date)
- Number of shares acquired: 1,959,592
 - Out of which on Euronext Amsterdam and other regulated dealing platforms : 1,156,942
 - Out of which on Euronext off market platform from the Mittal family: 802,650
- Pecuniary amount of shares acquired: €99,963,194
 - Out of which on Euronext Amsterdam and other regulated dealing platforms : €59,018,213
 - Out of which on Euronext off market platform from the Mittal family: €40,944,981

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

Disclosure of trading in own shares under Luxembourg Company law

- Number of own shares held on December 31, 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.
- Number of own shares acquired under share buyback program during 2021: 1,959,592 or 2.45% of the subscribed capital, representing a nominal value of €104,668,993 and an accounting par value of €10,268,262.
- Number of own shares acquired, at market price, from a related party 101,396 shares, or 0.13% of the subscribed capital, representing a nominal value of 4,705,798€ and an accounting par value of €531,315.
- Number of shares granted during the 2021 financial year to deliver shares to qualifying employees under the Group's Long Term Incentive Plans after fulfilment of performance criteria as described in greater detail in the Compensation section of this report: 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 December 31, 2021: 2,091,287 or 2.61% of the subscribed capital, representing a nominal value of €103,768,865 and an accounting par value of €10,958,344.

As of the date of this report, the number of treasury shares is 2,091,287. The total numbers of outstanding shares (net of treasury shares) as of 31 December 2021 stood at 77,904,993 shares.

Key features of the 2022 share buyback program

On February 11, 2022, Aperam announced a share buyback program under the authorization given by the Annual General Meeting of Shareholders held on May 7, 2019 and, or under any renewal of such authorization at the May 4, 2022 annual general meeting of shareholders (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 100 million euros and a maximum of 2.5 million shares, over a period from 14 February 2022 up and until 31 December 2022. 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 7 May 2019. Such shareholder resolution is to be renewed at the May 4, 2022 annual general meeting of shareholders.

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.

The 2022 share buyback program has started on February 18, 2022. The weekly reporting of transactions of the 2022 share buyback programme in accordance with Market Abuse Regulation are available on the Company's website (www.aperam.com) under Investors, Equity Investors, Share Buyback.

Sources and uses of cash

The following table presents a summary of our cash flows for the year ending December 31, 2021, as compared to the year ending December 31, 2020:

	Summary of Cash Flows	
	December 31,	
	2021	2020
	<i>(in millions of Euros)</i>	
Net cash provided by operating activities	550	303
Net cash used in investing activities	(183)	(108)
Net cash used in financing activities	(197)	(185)

Net cash provided by operating activities

Net cash provided by operating activities amounted to €550 million for the year ending December 31, 2021, compared to €303 million for the year ending December 31, 2020. The €247 million increase of net cash provided by operating activities between 2020 and 2021 was mainly due to increased operating result.

Net cash used in investing activities

Net cash used in investing activities amounted to €(183) million for the year ending December 31, 2021, compared to €(108) million for the year ending December 31, 2020. The net cash used in investing activities

for the year ending December 31, 2021 was mainly related to €152 million in capital expenditures, compared to €109 million for the year ending December 31, 2020. In addition we had in 2021 €31 million of other investing activities corresponding to ELG acquisition for €29 million net of cash acquired and ASB recycling for €2million net of cash acquired.

Net cash used in financing activities

Net cash used in financing activities was €(197) million for the year ending December 31, 2021, compared to net cash used in financing activities of €(185) million for the year ending December 31, 2020. Net cash used in financing activities for the year ending December 31, 2021 was primarily due to €140 million of dividend payments and €105 million of purchase of treasury stock partially compensated by €57 million of net proceeds from banks. Net cash used in financing activities for the year ending December 31, 2020 was primarily due to €139 million of dividend payments and €37 million of net payments to banks.

Equity

Equity attributable to the equity holders of the parent increased to €2,945 million as of December 31, 2021, compared to €2,200 million on December 31, 2020. This is primarily due net profit for the year of €968 million, partially compensated by dividend declaration of €(139) million and share buy-back program €(105) million.

Capital Expenditure⁽⁷⁾

Capital expenditures for the years ending December 31, 2021 and 2020 were €152 million and €109 million respectively.

⁷ Capital expenditure is defined as purchase of tangible assets, intangible assets and biological assets, net of change in amount payables on these acquisitions

A strong focus on self-help measures

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

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

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

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

Phase 1: 2011-2013 Restructuring & cost cutting <i>Completed</i>	Phase 2: 2014-2017 Upgrading best performing assets <i>Completed</i>	Phase 3: 2018-2020 Transforming the Company <i>Completed</i>
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

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

On November 4, 2020, Aperam announced Phase 4 of its Leadership Journey® with a cumulative target of €150 million gains for the period 2021 - 2023 via a combination of cost, growth and mix improvement measures. This new phase of the Leadership Journey®, comprises two stages. First, changes to our footprint will defend our cost leadership in Europe by bundling volumes and expertise at the most efficient lines. This forms a solid basis for stage 2 where the resulting increase in productivity will be used for the mix improvement and growth pillars. We plan a total cash out of €90 million for Phase 4 which comprises capex and any associated restructuring costs. As of December 31, 2021, Phase 4 of the Leadership Journey® reached €40 million of cumulated annualized gains.

Structural cost	<ul style="list-style-type: none"> – Cost leadership in Europe – Leadership Journey (Phase 4) – Genk downstream ramp up – Footprint specialization – SG&A improvement
Growth	<ul style="list-style-type: none"> – Top line strategy – Distribution growth – Alloys growth plan – Brazil growth
Differentiation	<ul style="list-style-type: none"> – ESG leadership – Strong balance sheet – Financial discipline – Value oriented M&A approach

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

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

Our growth initiatives include:

- To grow our sales of high margin value added niche products and replace low contribution margin products, we will continue to focus on developing innovative products through our research and development initiatives, while also leveraging our marketing and advertising efforts for wider promotion. This includes accelerating the stainless steel consumption in the Brazilian market.
- Our industrial footprint in Europe and South America is perfectly complemented by our global service centres and sales networks, which are part of our Services & Solutions segment. In a volatile market environment, we believe that the development of the Services & Solutions segment and the provision of better customer services are key to achieving financial and operational excellence. Our value-added services include cutting, polishing, brushing, forming, welding, pickling, annealing and packaging. We believe that further developing the Services & Solutions segment will not only drive additional value creation, it will also allow us to serve our customers more effectively.
- The Alloys & Specialties segment focuses on the design, production and transformation of various specialty alloys and certain specific stainless steels. These products are intended for high-end applications or to address very specific customer requirements such as for e-mobility, renewable energies, new display devices (e.g. Oled screens), aerospace, automotive, electronics - 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 company named ImphyTek Powders to market Nickel and Specialty Alloy spherical powders for advanced additive manufacturing technologies.

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

Principal strengths and risks

Principal strengths




We believe that our key strengths include:

Sustainable by Design, Made for Life:








Aperam's commitment to sustainability is ingrained in our values and fully aligned with our mission to produce endlessly recyclable products in a responsible manner. Being the first stainless steel company to earn a ResponsibleSteel™ certification is reassurance to our stakeholders that we produce responsibly. With Aperam, our customers have selected a partner recognised as capable of delivering the highest standards of service, offering them responsibly produced solutions that are also 100% recyclable and low carbon – solutions that are much needed for the sustainable society we strive to live in.

We are determined to be a sector leader in environmental excellence, recording one of the best carbon footprint of our industry while also striving to adopt best practices in terms of ethics, governance, community engagement and corporate citizenship.

Please refer to section Corporate responsibility for greater details.

 <p>Superior Product</p>	Very long useful life	100% recyclable	Non toxic	Abrasion resistant	Corrosion resistant	Withstands fire & acid	Mechanically strong	Aesthetic
 <p>Renewable Energy</p>	Our blast furnace in Brazil uses 100% charcoal as fuel – produced from our sustainably cultivated FSC-certified forests							
 <p>Recycling</p>	<p>Aperam's main input in Europe is recycled scrap (>80%)</p> <p>Our Recyco unit recycles dust, sludges & residues for us and third parties</p>							

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	<ul style="list-style-type: none"> 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, better safety
	The hydrogen economy	Stainless steel and alloys are already used in a number of important hydrogen applications eg fuel cells, production and storage installations, and transportation*. Aperam is a big supporter of the shift to hydrogen and a proud member of HydrogenEurope

In Brazil, we also have a strong link to sustainable agriculture: our production process is 100% based on charcoal from our own sustainably cultivated eucalyptus forests, which is unique in the world and gives us one of the best carbon footprint globally. In Brazil, about 1,000 of our employees are employed in seedling, nursing and planting eucalyptus trees. Our forest management is based upon the best practices, recognized by the Forest Stewardship Council's (FSC®) certification, which standards and principles conciliate ecological protection (flora and fauna, but also water reserves) with social benefits and economic feasibility. As an example of our responsible forest management, we use the most ecological and advanced technologies to preserve our forests from diseases and fire. Beyond our environmental responsibility in Brazil, we are very proud to be recognised since our creation as one of 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 the educational, cultural, environmental and social agendas 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 LC21, 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. In May 2021, we announced the investment in revamping the hot rolling mill for long products at Imphy and re-start of the Argon Oxygen Decarburization (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.

To adapt to market conditions, shortly after its creation, Aperam restructured its downstream operations from 29 to 17 tools in Europe. As a result, Aperam has reached an optimal loading of its most efficient assets and is well positioned in Europe's core markets. To benefit from the long-term growth potential of the stainless and specialty steel market and further improve its cost competitiveness in a highly competitive environment, Aperam aims to continue improving its operational excellence and investing in its industrial asset base with Leadership Journey® initiatives (described in detail under the section "A strong focus on self-help measures").

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

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

Key strengths of Aperam's European operations

Sourcing	Logistics	Production and innovation	Sustainability
The only integrated upstream operations in the heart of Europe, with the best access to scrap supply ⁽¹⁾	Best location to serve Europe's biggest consumption areas	Full range of innovative stainless steel products	<p>Aperam's main input in Europe is recycled scrap (>80%)</p> <p>Our Recyco unit is a unique asset that recycles dust, sludges & residues for us and third parties.</p> <p>Our 4 main plants have been certified in accordance with the strict ESG criteria of the ResponsibleSteel™ standard</p>
	Efficient logistics and working capital management	Flexibility and efficient capacity	
		A strategy to be a cost benchmark on key Aperam products	
		2 R&D centers	

(1) With the acquisition of ELG, Aperam benefits from a recycling backbone ; please refer to section "Key transaction in 2021: Acquisition of ELG"

Key strengths of Aperam's Brazilian operations

Sourcing	Logistics	Production and Innovation	Sustainability
The only fully integrated stainless steel facility in South America, with access to iron ore and environmentally friendly charcoal produced from our own eucalyptus forests	Efficient logistics with integrated service centres	Full range of products, including flat stainless steel, electrical steel and special carbon	Our blast furnace in Brazil uses only charcoal as fuel - produced from our sustainably cultivated FSC ^(C) -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 R&D centers	

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

Aperam's research and development activities are closely aligned with our strategy and focus on product and process development. The Group's Research and Development team comprises 132 employees (FTE) spread across two main centres in Europe (Isbergues and Imphy, France) and one main 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.

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 67% of Aperam's sales are derived from developed markets and 33% 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 15 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. As previously mentioned, Aperam is also engaged in the Nickel and Specialty Alloy spherical powders for advanced additive manufacturing and metal injection molding technologies through its JV ImphyTek Powders SAS.

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

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

Macro-economic & geopolitical risks indirectly impacting Aperam

Global economic cycle downturn

The global economic recovery from the recession caused by responses to the COVID-19 pandemic is expected to continue but to slow down in 2022 compared to 2021, still impacted by high sovereign debts, and high inflation.

Aperam's business and results of operations are substantially affected by international, national and regional economic conditions, including geopolitical risks that could disrupt the economic activity in affected countries. A period of slow growth in emerging economies that are, or are expected to become, substantial consumers of stainless and specialty steels (such as China, Brazil, Russia and India, as well as other emerging Asian markets and the Middle East) would have a material adverse effect on the stainless and specialty steel industry.

Overcapacity

In addition to economic conditions, the stainless steel industry is affected by global production capacity and fluctuations in stainless steel imports and exports. Production capacity in the developing world, particularly China and Indonesia, has increased substantially, with China being the largest global stainless steel producer. Accordingly, the balance between China's domestic production and consumption is an important factor

impacting global stainless steel prices. Stainless steel exports from these countries, or conditions favourable to them (such as excess capacity in China / Indonesia and/or higher market prices for stainless steel in markets outside of China/Indonesia) can have a significant impact on stainless steel prices in other markets, including Europe and South America. Over the short- to medium-term, Aperam is exposed to the risk of stainless steel production increases in China and other markets (including Indonesia) outstripping increases in real demand, which may weigh on price recovery in the industry as a whole.

China slowdown

A reduction in China's economic growth rate, with a resulting reduction in stainless and specialty steel consumption, coupled with China's expansion of steel-making capacity, could continue to substantially weaken both domestic and global stainless and specialty steel demand and pricing.

The risks of nickel price fluctuation, raw material price uncertainty, material margin squeeze, over dependency of main suppliers and electricity

Aperam's profitability correlates, amongst other factors, with nickel prices. A significant decrease in the price of nickel would have a negative impact on apparent demand and base prices due to "wait and see" behaviour by customers. Furthermore, nickel is listed on the LME and thus subject to the fluctuation of the financial markets. Stainless and specialty steel production requires substantial amounts of raw materials (primarily nickel, chromium, molybdenum, stainless and carbon steel scrap, charcoal (biomass) and iron ore), which can lead to an over-dependence on its main suppliers. Aperam is also exposed to price uncertainty and material margin squeeze with respect to each of these raw materials, which it mainly purchases under short- and long-term contracts, but also on the spot market.

Fluctuations in currency exchange rates

Aperam operates and sells its products globally, and a substantial portion of its assets, liabilities, costs, sales and income are denominated in currencies other than the Euro (Aperam's reporting currency). Accordingly, currency fluctuations triggered by inflationary movements or other factors, especially the fluctuation of the value of the Euro relative to the U.S. dollar and the Brazilian real, as well as fluctuations in the currencies of the other countries in which Aperam has significant operations and/or sales, could have a material impact on its results of operations.

Litigation risks (product liability, patent infringement, commercial practices, employment, employment benefits, taxes, environmental issues, health & safety)

A number of lawsuits, claims and proceedings have been and may be asserted against Aperam in relation to the conduct of its currently and formerly owned businesses, including those pertaining to product liability, patent infringement, commercial practices, employment, employee benefits, taxes, environmental aspects, health and safety, and occupational disease. In particular, Aperam is subject to a broad range of environmental laws and regulations in each of the jurisdiction in which it operates. Such laws and regulations focus in particular on air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic substances, slag treatment, soil pollution, waste disposal practices and the remediation of environmental contamination.

Due to the uncertainties of litigation, no assurance can be given that the Company will prevail on all claims made against it in the lawsuits that it currently faces or that additional claims will not be made against it in the future. While the outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may have an outcome that is adverse to Aperam, Management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on Aperam's financial

condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on the Company's results of operations for that period.

Risks of lack of competitiveness of the workforce costs, of losing key competencies and inability of attracting new key competencies, and social conflicts

A lack of competitiveness in workforce costs might have a material adverse effect on Aperam's cost position. Aperam's key personnel have extensive knowledge on its business and, more generally, on the stainless and specialty steel sector as a whole. Its inability to retain key personnel and/or the experience of social conflicts could have a material adverse effect on its business, financial condition, results of operations or cash flows.

Customer risks in respect to default and credit insurance companies refusing to insure the risks

Due to the challenging economic climate, Aperam might experience increased exposure to customer defaults or situations where credit insurance companies refuse to insure the recoverability risks of its receivables. Such a scenario could have a material effect on the Company's business, financial condition, results of operations or cash flows.

Cybersecurity risks

Aperam's operations depend on the secure and reliable performance of its information technology systems. An increasing number of companies, including Aperam, are experiencing intrusion and phishing attempts for money transfers, as well as attempts at disabling information technology systems. If such attempts would succeed, they could cause application unavailability, data confidentiality failures, adverse publicity and, in the case of an intrusion to our process systems, interruptions to the Group's operations. Aperam could be subject to litigation, civil or criminal penalties, and adverse publicity - all of which could adversely affect its reputation, financial condition and results of operations.

Risk of production equipment breakdown, risk of disruption of operations and supply chain, risk of pandemic virus

Stainless steel manufacturing processes are dependent on critical steelmaking equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers). This equipment may incur downtime as a result of unanticipated failures or other events, such as fires, severe climate events, explosions or furnace breakdowns.

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

Aperam's manufacturing plants have experienced, and may in the future experience, plant shutdowns or periods of reduced production, disruption of operations and supply chain as a result of such process failures, or other events such as natural disasters, epidemics, pandemics, extreme weather events, and environmental issues linked to climate change.

To the extent that lost production resulting from such a disruption cannot be compensated for by unaffected facilities, the disruption could have an adverse effect on Aperam's operations, customer service levels and results of operations.