

Management Report

The Board of Directors is pleased to present its report, which constitutes the management report (Management Report) as defined by Luxembourg Law, together with the audited consolidated financial statements and annual accounts as of December 31, 2020 and for the year then ended. As permitted by Luxembourg Law, the Board of Directors has elected to prepare a single Management Report covering both the Company and the Group.

Group Overview

Introduction

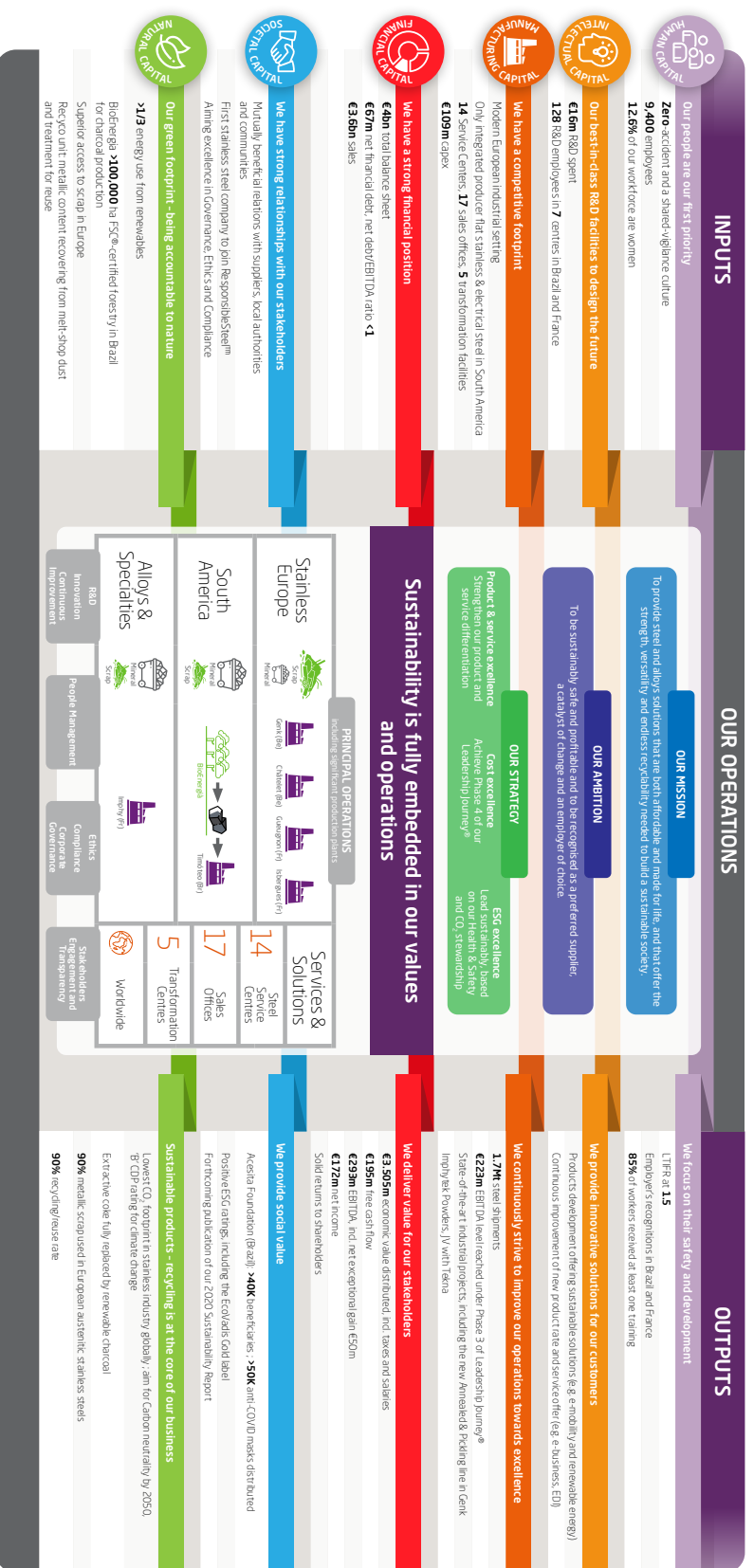
Aperam, including its subsidiaries (hereinafter referred to as “Aperam”, “the Company”, “We” or “the Group”) is a leading global stainless and specialty steel producer, and the world’s lowest CO₂ footprint stainless steel producer thanks to its European production route based on fully recyclable stainless steel scrap, and the use of charcoal from its own sustainable cultivated forests in Brazil.²

Aperam has an annual production capacity of 2.5 million tonnes and is a leading stainless and specialty steel producer in South America and the second largest producer in Europe. We are also a leading producer of high value added specialty products, including grain oriented (GO) and non-grain oriented (NGO) electrical steels and specialty alloys. Our production capacity is spread across six production facilities located in Brazil, Belgium and France. As of the end of December 2020, we have a workforce of about 9,400 employees. Our distribution network is comprised of 14 Steel Service Centres (SSCs), 5 transformation facilities and 17 sales offices. Our products are sold to customers in over 40 countries, including those operating in the aerospace, automotive, catering, construction, household appliances, electrical engineering, industrial processes, medical, and oil & gas industries.

Aperam posted sales of €3.6 billion and €4.2 billion and EBITDA of €343 million and €357 million for the years ending December 31, 2020 and 2019 respectively. Shipments amounted to 1.68 million tonnes and 1.79 million tonnes for the years ending December 31, 2020 and 2019 respectively.

² Scope 1 and 2

Our Business model: how we create value



Our history

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

The main shareholder ("Significant Shareholder") holds 40.94% of the voting rights. Please refer to the share capital section of this Management Report for the definition of the term "Significant shareholder".

Our operational organisation and facilities

We manage our business according to three primary operating segments:

- **Stainless & Electrical Steel.** We are a leading global producer of stainless steel by production capacity. We produce a wide range of stainless and electrical steels (both Grain Oriented and Non-Grain Oriented) and continuously expand our product offerings by developing new and higher grades of stainless steel and electrical steel. The Stainless & Electrical Steel segment includes Aperam's Stainless Precision business and Aperam 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 45.8% of external sales and 80.8% of EBITDA for the year ending December 31, 2020, and 45.8% of external sales and 77.0% of EBITDA for the year ending December 31, 2019.

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

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

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

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

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

Our key production sites



Genk (Belgium)



Châtelet (Belgium)



Gueugnon (France)



Isbergues (France)



Imphy (France)



Timóteo (Brazil)

Stainless & Electrical Steel

Europe

Our European facilities produce the full range of our stainless steel products. In 2020, steel shipments from Stainless & Electrical Steel Europe facilities represented 1,048 thousand tonnes (compared to 1,113 thousand tonnes in 2019).

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

Our cold rolling facilities in Europe consist of four cold rolling mill plants, located in Belgium (Genk) and France (Gueugnon, Isbergues and Pont-de-Roide). Our plants include annealing and pickling lines (with shot blasting and pickling equipment), cold rolling mills, bright annealing lines (in Gueugnon and Genk), skin-pass and finishing operations equipment. The Isbergues plant also includes a Direct Rolling, Annealing and Pickling ("DRAP") line. The Genk plant is focused on austenitic steel products, the Gueugnon plant on ferritic products, and the Isbergues plant on products dedicated to the automotive (mainly ferritic steels) and industrial markets (mainly austenitic steels). The Pont-de-Roide plant is focused on narrow precision strips. Recyco, our electric arc furnace recycling facility located in France (Isbergues), retrieves dust and sludges with the aim of recycling stainless steel raw materials and reducing waste.

South America

We are the only producer of flat stainless and electrical steel in South America. Our integrated production facility in Timóteo, Brazil, produces a wide range of stainless, electrical steel and special carbon products, which account for approximately 35% of the Stainless & Electrical Steel operating segment's total shipments. Steel shipments from Stainless & Electrical Steel Brazil facilities represented 591 thousand tonnes in 2020 and 609 thousand tonnes in 2019.

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

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 process and sustainable, all the charcoal is produced efficiently and is sent to the furnaces of the Aperam Brazilian steel plant, located in the same state, in the city of Timóteo, some 350 kilometres away.

Services & Solutions

We sell and distribute our products through our Services & Solutions segment, which includes our tubes business. The segment also provides value added and customised steel solutions through further processing to meet specific customer requirements. Our distribution network is comprised of 14 steel service centres, 5 transformation facilities and 17 sales offices. Steel shipments from the Services and Solutions division represented 646 thousand tonnes in 2020 and 706 thousand tonnes in 2019.

Alloys & Specialties

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

Our wire rod mill specialises in the production of specialty alloys and has the ability to process a wide range of grades, including stainless steel. It is comprised of a blooming mill, billet grinding, a hot rolling mill, which has a capacity of 35 thousand tonnes, and finishing lines. Steel shipments from Alloys & Specialties facilities represented 31 thousand tonnes in 2020 and 36 thousand tonnes in 2019.

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

Market analysis

Market environment

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

Stainless steel pricing

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

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

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

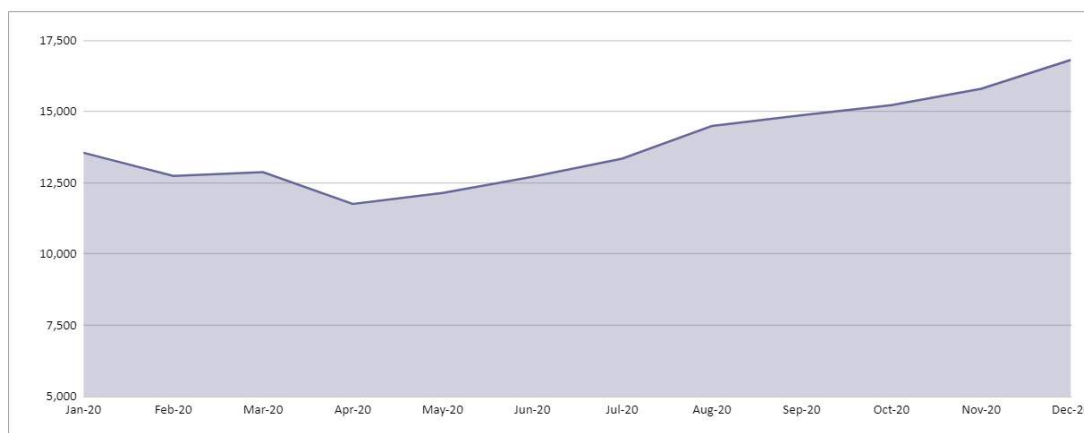
Notwithstanding the application of the "alloy surcharge", the Group is still affected by changes in raw material prices. This is particularly true for nickel, which in the last decade experienced some sudden spikes, before coming back to a lower level. In general, when the price of nickel is falling,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

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

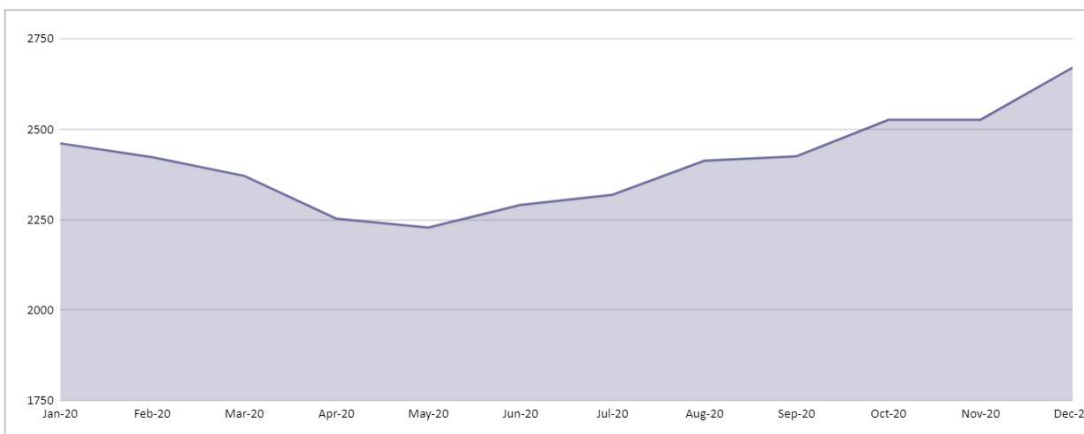
put strong pressure on the international stainless steel pricing, and European prices reached historical lows in May-June 2020.

The graphs below show the price of nickel on the LME and the European transaction price for CR304 stainless steel for the period running from January 1, 2020 to December 31, 2020:

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



Graph: Stainless Steel / CR 304 2B 2mm Coil Transaction Price/Southern Europe Domestic Delivered (in U.S.\$/tonne)



Source:

Nickel prices have been derived from the LME. Stainless steel/CR304 2B 2mm coil transaction price/Southern European domestic delivered prices have been derived from Steel Business Briefing ("SBB").

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

Electrical steel pricing

The prices of electrical steels for Grain Oriented (GO) and Non Grain Oriented steels (NGO) were negatively affected by lower demand due to COVID-19 induced crisis in the first half of 2020. In the second half of 2020,

prices were positively supported by the rebuilding of inventories, increased demand and improved electrical steel utilization rates.

Demand for stainless and electrical steel and specialty alloys products

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

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

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

Production and capacity

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

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

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

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

Competition

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

Aperam's main competitors in Europe are Outokumpu, Acerinox and Thyssenkrupp Acciai Speciali Terni S.P.A. Globally, the competitive landscape has transformed over the past years, with Chinese producers Tsingshan, TISCO, BaoWu (formerly known as Baosteel) and Beihai Chengde now ranking among the 10 largest global flat stainless steel producers in the world.

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

Developments regarding trade measures

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

European Union

Summary table of actions against unfair trade

	Safeguard	Anti-dumping (AD)	Countervailing duties (CVD)
Aim	<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 2021 (Indonesia included from 1 Oct. 2019) 	<ul style="list-style-type: none"> Hot rolled: China, Indonesia, Taiwan since 8 October 2020 for 5 years Cold rolled: China, Taiwan since 2015 	<ul style="list-style-type: none"> Cold rolled: Case opened by EU commission in February 2021 against India, Indonesia Final decision in Q1 2022
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% CR: China 25.3%, Taiwan 6.8% 	<ul style="list-style-type: none"> To be determined
New Initiatives		<ul style="list-style-type: none"> Renewal: of cold rolled duty against China & Taiwan Investigation: of cold rolled duty against Indonesia & India the two accounted for ~25% of CR imports 	<ul style="list-style-type: none"> Investigation: of cold rolled duty against Indonesia & India the two accounted for ~25% of CR imports
WTO dispute has been lodged officially			
Safeguard quotas are excessively generous. AD is effective in levelling the playing field			

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

1. Safeguard measures on import of steel products

On February 1, 2019, the European Commission published a regulation imposing definitive safeguard measures on the import of steel products, following the 200 day period of the application of the provisional measures. These measures took effect on February 2, 2019, expiring on July 30, 2021.

Definitive safeguard measures take the form of a tariff-rate quota in order to prevent serious injury, but at the same time preserve traditional trade flows as much as possible. This level of tariff-rate quota is set at the average level of imports over the 2015-2017 period plus 5%. Quotas are to be further adjusted, increasing the level of the free-of-duty quota by 3% after each year, specifically on July 1, 2019 and July 1, 2020. The additional duties to be paid above the quota are 25%.

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

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

Products originating in Norway, Iceland and Liechtenstein are not subject to the measures and, according to WTO rules, products originating from developing countries below 3% of total imports in the period July 2017 – June 2018 are not subject to the measures.

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

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

On September 27, 2019, the European Commission published its decision to adopt the adjustments to the steel safeguard measures, taking effect as from October 1, 2019.

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

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

For further details please refer to the following link:

[Link to Commission Implementing Regulation \(EU\) 2019/1590 of 26 September 2019 amending Implementing Regulation \(EU\) 2019/159 imposing definitive safeguard measures against imports of certain steel products](#)

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

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

The main adopted adjustments to the existing steel safeguard measures are the following, trying to better reflect the current situation in the steel sector:

- 1) The 3% liberalization still remained in place.
- 2) Quarterly administration of all country-specific quota (but no elimination of unused quarterly quota carry-over)
- 3) Adjustment to the access regime to the residual quota in the fourth quarter of the last period (the last period runs from 1st July 2020 to 30th June 2021; Q2-2021 represents the last quarter of the period):
 - Prohibited access: organic coated, wire rod, cold finished bars
 - Limited access: stainless plate, merchant bars, rebar, stainless bars, stainless wire rod
 - Unlimited access: all other categories. However the access to the last-quarter residual quotas is now limited to the initially available quota volumes (carried over volumes NOT included).

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

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

- 1) For Stainless Steel Cold Rolled Product Category there is a quarterly administration of all country-specific quota, with an unlimited access to the last-quarter residual quota; however the access is now limited to the initially available quota volumes (carried over volumes NOT included).
- 2) For Stainless Hot-Rolled Sheets And Strips Product Category, country quota system has turned into a global Tariff Rate Quota administered on a quarterly basis

For further details please refer to the following link:

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

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

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

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

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

- 1) For Stainless Steel Cold Rolled Product Category overall quotas are slightly lower, around 3,000 tonnes per quarter. Vietnam recalculated import share is now 4.8% and therefore Vietnam is no longer eligible to have a national quota. As such its volumes are now falling into the residual quota (residual quota will be around 47,000 tonnes per quarter).
- 2) For Stainless Hot-Rolled Sheets and Strips Product Category, global quotas are slightly higher, around 1,000 tonnes per quarter (removed imports in UK from third countries but added EU imports from UK).

For further details please refer to the following link:

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

Anti-dumping measures on cold rolled stainless steel originating in China and Taiwan continued after the imposition of provisional safeguard and definitive measures.

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

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

Note:

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

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

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

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

For further details please refer to the following link:

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

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

On August 12, 2019, the Commission published in the Official Journal the "Notice of initiation of an anti-dumping proceeding concerning imports of certain hot rolled stainless steel sheets and coils originating in the People's Republic of China, Taiwan and Indonesia".

For further details please refer to the following link:

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:2019:269I:FULL&from=EN>.

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

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

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

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

For further details please refer to the following link:

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

4. Anti-subsidy proceeding concerning imports of certain hot rolled stainless steel sheets and coils

On October 10, 2019, the European Commission published in the Official Journal the "Notice of initiation of an anti-subsidy proceeding concerning imports of certain hot rolled stainless steel sheets and coils originating in the People's Republic of China and Indonesia".

For further details please refer to the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOC_2019_342_R_0009&from=EN

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

For further details please refer to the following link:

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

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

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

For further details please refer to the following link:

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

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

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

For further details please refer to the following link:

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

7. WTO challenge against Indonesian restrictions on raw materials

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

These restrictions unfairly limit access of international producers to raw materials for steel production, notably nickel.

The European Union is also challenging subsidies that encourage use of local content by Indonesian producers and give preference to domestic over imported goods, which goes against WTO rules.

For further details please refer to the following link:

https://trade.ec.europa.eu/doclib/docs/2019/november/tradoc_158450.pdf

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

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

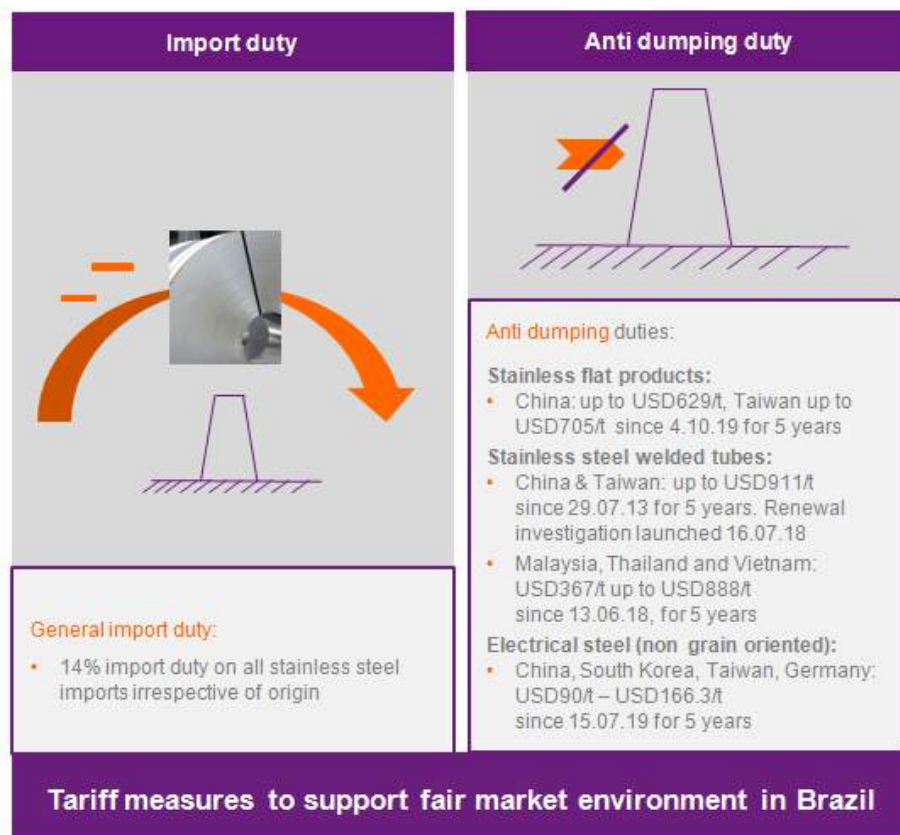
Evolution of imports in Europe (in tonnes, and in market share):



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

Brazil

Two key pillars of trade protection against unfair market behaviour:



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

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

Raw materials and Energy

Raw materials

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

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

The LME nickel price started the year 2020 at U.S.\$14,075 per tonne. However, as of February the rapid spread of the COVID-19 outbreak negatively impacted the global market as demand collapsed. In this context, the LME nickel price has been on a bearish trend and reached a year low of U.S.\$11,055 at the end of March. In the second quarter, the COVID-19 related nickel supply disruptions as well as the recovery of the Chinese industrial activity and the gradual easing of lockdown restrictions in the key economies have supported the LME nickel price which ended the second quarter at U.S.\$12,790. Since then, supported by the good economic data coming from China and a weakening US dollar, the LME nickel price has been bullish and reached its 2020 highest level of U.S.\$17,650 per tonne in mid of December. At the end of year, the LME nickel price consolidated at U.S.\$16,540 per tonne. The LME nickel stocks increased from 156,400 tonnes in January to 247,900 tonnes at the end of the year.

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

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

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

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

demand. At the end of the year, supported by a strong demand and a limited supply the ferrous scrap increased again to U.S.\$464.17per tonne.

Energy

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

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

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

Impact of exchange rate movements

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

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

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

COVID-19: Health and Safety review

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

COVID-19: Business perspective related impacts and related actions

In March 2020, with the spread of COVID-19, maintaining the health of all our people required to implement additional health & safety measures in our plants. We decided to temporarily halt our plants for the time necessary to put in place the required health and safety arrangements, guarantee social distancing and disinfectant routines. We also imposed a global travel ban, restricted access to our sites and encouraged employees to work remotely wherever possible. The plant specific shutdowns differed between sites. The plants in Genk and Brazil were able to implement the measures without a complete shutdown, while other plants were closed for the time required for implementation. This took about 10 days on average. Our distribution center in Italy was closed due to government orders which also continued in Q2 2020. Thanks to the quick and decisive measures taken there has been only a small impact on the group. Direct COVID-19 related costs remained below €10 million in Q1 2020. After reopening Aperam was fully able to produce and serve our customers. The health & safety measures successfully prevented the spread of COVID-19 in our workforce and succeeded in guaranteeing a safe working environment for our employees.

While our plants were back to being fully operational within Q2 2020 the prolonged shutdown in several European countries and the temporary closure of key customer industries like e.g. white goods and automotive was negatively reflected in our order books and caused a considerable drop in demand for our products. Due to our flexible business model we were able to align our production quickly with the lower demand. Q2 2020 shipments dropped 14% compared to Q1 2020 and 19% versus the prior year. The low volume was the major driver for a 30% drop in EBITDA versus Q1 2020 and -48% versus the prior year quarter. Due to tight cost control and the successful variabilization of fixed costs Aperam was still able to generate a positive free cash flow and remained profitable in 2020.

COVID-19: Accounting review

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

Management considered the COVID-19 outbreak and the economic downturn as impairment triggers and has therefore updated as of June 30, 2020 the impairment testing of goodwill performed as of October 31, 2019. Impairment tests for the cash-generating units of the group have therefore been performed as of June 30,

2020 and have confirmed the correctness of the corresponding carrying amounts. This correctness has been confirmed during the annual impairment testing of long-lived assets as of October 31, 2020.

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

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

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

Operational review and Liquidity

Operational review

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

The information in this section relates to the year ending December 31, 2020, and is compared to the year ending December 31, 2019.

Key indicators

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

Sales, steel shipments and average steel selling prices

The following table provides our sales, steel shipments and average selling prices by operating segment for the year ending December 31, 2020 as compared to the year ending December 31, 2019:

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

Notes:

- (1) Amounts are shown prior to intra-group elimination. For additional information, see Note 3 to the consolidated financial statements
 (2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 639 thousand tonnes and 678 thousand tonnes in the year ending December 31, 2020 and 2019, respectively.
 (3) Includes shipments of special carbon steel from the Company's Timóteo production facility.

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

Stainless & Electrical Steel

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

Steel shipments for this segment (including inter-segment shipments) decreased by 4.8% to 1,639 thousand tonnes for the year ending December 31, 2020, of which 591 thousand tonnes were attributable to our operations in South America and 1,048 thousand tonnes were attributable to our operations in Europe, including inter-segment shipments. This was down from 1,722 thousand tonnes for the year ending December 31, 2019, of which 609 thousand tonnes were attributable to our operations in South America and 1,113 thousand tonnes were attributable to our operations in Europe, including inter-segment shipments. The average steel selling price for the Stainless & Electrical Steel segment decreased by 9.3% in 2020 compared to 2019.

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

Services & Solutions

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

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

Alloys & Specialties

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

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

Operating income

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

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

Note:

(1) Amounts shown include eliminations of €(22) million and €(20) million for the years ending December 31, 2020 and 2019 respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with intersegment eliminations and/or non-operational items that are not segmented.

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

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was €159 million for the year ending December 31, 2020, of which an operating income of €16 million was attributable to our operations in Europe and €143 million was attributable to our operations in South America. This is compared to operating income of €152 million for the year ending December 31, 2019, of which an operating income of €83 million was attributable to our operations in Europe and €69 million was attributable to our operations in South America. Despite the COVID-19 crisis, 2020 Adjusted EBITDA remained resilient at close to 90% of 2019, thanks to the successful implementation of the Top Line strategy and Leadership Journey® and higher earnings in Brazil. Negative effects in Europe where capacity utilization declined on the back of COVID-19 related lower demand were compensated via cost variabilization, but also resulted in additional pricing pressure. Inventory valuation was negative.

Services & Solutions

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

Alloys & Specialties

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

Financing costs

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

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

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

Realised and unrealised foreign exchange and derivative gains/losses were a loss of €(9) million for the year ending December 31, 2020, compared to realised and unrealised foreign exchange and derivative gains of €7 million for the year ending December 31, 2019. Foreign exchange results primarily relate to the accounting revaluation of non-Euro assets, liabilities, sales and earnings. Results on derivatives primarily relate to the financial instruments were entered into in order to hedge our exposure to nickel prices but which do not qualify for hedge accounting treatment under IFRS 9.

Income Tax

We recorded an income tax expense of €(63) million for the year ending December 31, 2020, compared to an income tax expense of €(37) million for the year ending December 31, 2019. Our 2020 income tax expense was primarily due to positive operational results in several countries. The profit before tax of €238 million for the year ending December 31, 2020 increased by 29% compared to the profit before tax of €185 million for the year ending December 31, 2019 while the income tax expense increased by 70% because the portion of profit before tax generated in high tax rate jurisdictions (mainly Brazil) was more important in the year ending December 31, 2020 compared to the year ending December 31, 2019. The effective tax rate for the year ending December 31, 2020 was therefore also higher at 26% compared to the effective tax rate of 20% for the year ending December 31, 2019.

Net Income Attributable to Equity Holders of the Parent

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

Alternative Performance Measures

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

EBITDA

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

(in millions of Euros)

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

(in millions of Euros)

Year ending December 31, 2019	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations ⁽¹⁾	Total
Operating income (loss)	152	33	42	(20)	207
Depreciation, amortisation and Impairment	(123)	(13)	(8)	(6)	(150)
EBITDA	275	46	50	(14)	357

Note:

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

Net Financial Debt and Gearing

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

Gearing is defined as Net Financial Debt divided by equity.

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

<i>(in millions of Euros)</i>	December 31	
	2020	2019
Long-term debt	372	365
Short-term debt	53	85
Cash and cash equivalents	(358)	(375)
Net Financial Debt	67	75
Equity	2,204	2,418
Gearing	3%	3%

Free cash flow before dividend and share buy-back

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

<i>(in millions of Euros)</i>	Year ending December 31,	
	2020	2019
Net cash provided by operating activities	303	400
Net cash used in investing activities	(108)	(119)
Free cash flow before dividend and share buy-back	195	281

Trend information

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

Outlook

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

Aperam S.A. as parent company

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

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

The parent company has its registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under the number B155.908. The parent company owns a branch office (under liquidation) located in Zug (Switzerland) and controls directly and indirectly 51 subsidiaries. The parent company generated a net loss³ of €(9) million in 2020.

³ The net profit has been established according to generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

Liquidity

Liquidity and capital resources

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

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

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

Our cash and cash equivalents amounted to €358 million and €375 million as of December 31, 2020 and December 31, 2019, respectively.

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

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

In addition, as of December 31, 2020, Aperam had €54 million in debt outstanding at the subsidiary level (including €53 million of finance leases). As of December 31, 2020, the Company had a total liquidity of €833 million, consisting of cash and cash equivalents (including short term investments) of €358 million and committed credit lines of €475 million (revolving credit facility of €300 million and €100 million plus EIB financing of €75 million). As of December 31, 2019, the Company had a total liquidity of €675 million, consisting of cash and cash equivalents (including short term investments) of €375 million and committed credit lines of €300 million (revolving credit facility of €300 million as described below).

These facilities, which include debt held at the subsidiary level, together with other forms of financing represented an aggregate amount of approximately €0.8 billion, including a borrowing capacity of €475 million. In Management's opinion, such a financing arrangement is sufficient for our future requirements.

Financing

Unsecured revolving credit facility

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

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

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

The Facility contains financial covenants, including:

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

On December 31, 2020, these financial covenants were fully met and the credit facility was fully undrawn.

Unsecured short term revolving credit facility

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

EIB financings

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

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

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

Convertible bonds

Net share settled convertible and/or exchangeable bonds due 2021

On June 27, 2014, Aperam announced the successful placing and pricing of its offering of net share settled convertible and/or exchangeable bonds due in 2021 (hereafter "Bonds"). Following the success of the offering, the Company decided to exercise the extension clause in full to increase the initial offering size to U.S.\$300 million. The net proceeds of the offering were targeting general corporate purposes and the refinancing of existing indebtedness.

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

The Bonds had an annual coupon of 0.625% payable semi-annually in arrears and an initial conversion price of U.S.\$43.92 representing a conversion premium of 32.5% above the reference price of U.S.\$33.15 (based on the volume-weighted average price of the Company's shares on Euronext Amsterdam between launch and pricing of €24.3453, and an exchange rate of €1=U.S.\$1.3616). The Bonds were issued and were redeemed

at 100% of their principal amount and matured on July 8, 2021 (7 years), unless previously redeemed, converted, exchanged, purchased or cancelled.

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

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

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

In 2018, U.S.\$55.1 million (€47.7 million) of Bonds were repurchased by the Company for a total consideration of U.S.\$69.9 million (€60.3 million).

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

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

The remaining portion of the U.S.\$27.6 million debt, was repurchased in cash thanks to a clean-up call (compelling the bondholders to redeem the bond at par) on November 4, 2019. An accelerated amortization of U.S.\$18 million (€16 million) has been recorded as a financial loss in the statement of operations in 2019.

Schuldscheindarlehen

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

Commercial paper programme

On July 10, 2018, Aperam received confirmation from Banque de France, as foreseen by art. D.213-2 of "Code monétaire et financier" of the French law, that the conditions as described in the financial documentation of its programme of NEU commercial paper for a maximum outstanding amount of €200 million, fulfill the requirements of law. On December 31, 2020, an amount of €37 million was drawn under the Aperam NEU CP programme.

True sales of receivables programme

The Company has established sales without recourse of trade accounts receivable programme with financial institutions, referred to as True Sales of Receivables ("TSR"). The maximum combined amount of the programmes that could be utilised were €340 million and €320 million as of December 31, 2020 and 2019, respectively. Through the TSR programme, certain operating subsidiaries of Aperam surrender control, risks and the benefits associated with the accounts receivable sold. Therefore, the amount of receivables sold is

recorded as a sale of financial assets and the balances are removed from the statement of financial position at the moment of the sale.

The total amount of receivables sold under the TSR programme and derecognised in accordance with IFRS 9 for the years ending December 31, 2020 and 2019 were €1.5 billion and €1.6 billion, respectively. Expenses incurred under the TSR programme (reflecting the discount granted to the acquirers of the accounts receivable) are recognised in the consolidated statement of operations as financing costs and amounted to €(4) million and €(4) million in 2020 and 2019, respectively.

Credit ratings

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

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

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

Financial policy

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

	Financial Policy	2021
Sequence ↓	Company Sustainability, Upgrade and Transformation	~€80 million maintenance ~€30 million Leadership Journey®
	Value accretive growth & M&A min IRR 15%	~€20 million capex
	Dividend base dividend, anticipated to progressively increase over time ⁽¹⁾	Dividend of €1.75 per share (EUR140m) ⁽²⁾
	Maintain a strong balance sheet consistent with Investment Grade ratios Target NFD/EBITDA ratio of <1x (through the cycle)	✓
	Utilize remaining excess cash in most optimal way	TBC

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

(2) The Board of Directors has decided to propose for approval at the next Annual General Meeting of Shareholders of May 4, 2021, a base dividend of 1.75€/per share. Please refer to section "Earnings distribution" below for greater details.

Earnings distribution

Dividend

Technicalities

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

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

In 2020

On February 5, 2020, Aperam announced its detailed dividend payment schedule for 2020. The Company proposed maintaining its base dividend at €1.75, subject to shareholder approval at the 2020 Annual General Meeting. On May 5, 2020, at the 2020 Annual General Meeting, the shareholders approved a base dividend of €1.75 per share. The dividend was paid in four equal quarterly instalments of €0.4375 (gross) per share.

In 2021

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

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

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

Share buyback

Corporate authorisations

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

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

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

The key features of the Programme are described below:

- Purpose of the Programme: cancellation of shares to reduce the share capital
- Maximum number of shares to be acquired under the Programme: 3.8 million
- Maximum pecuniary amount allocated to the Programme: €100 million
- Period of authorisation of the Programme: 8 February 2020 to 30 December 2020

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

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

Nil. Please see above.

Disclosure of trading in own shares under Luxembourg Company law

- Number of own shares held on December 31, 2019: 3,880,441 or 4.64% of the subscribed capital, representing a nominal value of €116,572,875 and an accounting par value of €20,333,511.
- Number of shares granted during the 2020 financial year to deliver shares to qualifying employees under the Group's Long Term Incentive Plans after fulfilment of performance criteria as described in greater detail in the Compensation section of this report: 78,893 shares (94,932 shares, net of 16,039 shares retained for tax purposes), or 0.10% of the subscribed capital, representing a nominal value of €3,055,575 and an accounting par value of €413,399.
- Number of shares acquired under the 2019 share buyback programme cancelled on September 29, 2020: 3,700,000 shares or 4.63% of the subscribed capital, representing a nominal value of €109,584,282 and an accounting par value of €19,388,000.
- Number of own shares held on December 31, 2020: 101,548 or 0.13% of the subscribed capital, representing a nominal value of €36,240,920 and an accounting par value of €532,112.

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

Sources and uses of cash

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

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

Net cash provided by operating activities

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

Net cash used in investing activities

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

Net cash used in financing activities

Net cash used in financing activities was €(185) million for the year ending December 31, 2020, compared to net cash used in financing activities of €(104) million for the year ending December 31, 2019. Net cash used in financing activities for the year ending December 31, 2020 was primarily due to €139 million of dividend payments and €37 million of net payments to banks. Net cash used in financing activities for the year ending December 31, 2019 was primarily due to €142 million of dividend payments and €93 million of purchase of treasury stock, partly offset by €139 million of net proceeds from banks.

Equity

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

Capital Expenditure⁽⁴⁾

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

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

A strong focus on self-help measures

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

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

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

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

Phase 1: 2011-2013 Restructuring & cost cutting <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 4: €223 million

Completion of Phase 3 of the Leadership Journey®:

Under Phase 3 of the Leadership Journey® - the Transformation Programme - the Company aimed to achieve an annualized additional EBITDA contribution of €200 million between 2018 to 2020⁵. During this phase, we targeted to further transform the business to improve our production costs, as well as accelerating our adoption of the latest technological breakthroughs, automation and digitisation needed to create a fully-connected organisation ready to address the next generation needs of our customers. This included the transfer of the Company's German service centre from Duisburg to Haan, enabling Aperam to further improve its supply chain, reduce working capital and decrease costs while continuously improving the health and safety of those who work for us. As of December 31, 2020, Phase 3 of the Leadership Journey® was

⁵ On February 6, 2019, gains to be reached under Phase 3 were extended from €150 million to €200 million to include such additional cost reductions as general procurement and raw material savings. The objective of the accelerated Leadership Journey® is to address the challenging market environment by further transforming the Company and improving its competitiveness. Related planned capex spent were simultaneously reduced by €50 million to €100 million.

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

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

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

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

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

Our growth initiatives include:

- To grow our sales of high margin value added niche products and replace low contribution margin products, we will continue to focus on developing innovative products through our research and development initiatives, while also leveraging our marketing and advertising efforts for wider promotion. This includes accelerating the stainless steel consumption in the Brazilian market.
- Our industrial footprint in Europe and South America is perfectly complemented by our global service centres and sales networks, which are part of our Services & Solutions segment. In a volatile market environment, we believe that the development of the Services & Solutions segment and the provision of better customer services are key to achieving financial and operational excellence. Our value-added services include cutting, polishing, brushing, forming, welding, pickling, annealing and packaging. We believe that further developing the Services & Solutions segment will not only drive additional value creation, it will also allow us to serve our customers more effectively.
- The Alloys & Specialties segment focuses on the design, production and transformation of various specialty alloys and certain specific stainless steels. These products are intended for high-end applications or to address very specific customer requirements across a broad range of industries, including oil and gas, aerospace, automotive, electronics, and petrochemical - to name only a few. We believe that the Alloys & Specialties segment has significant growth potential, especially in light of our R&D support and creative solutions we offer our customers. As an example, Aperam has recently launched in cooperation with Tekna, a leading actor in metallic powder manufacturing, a new company named ImphyTek Powders. It will market Nickel and Specialty Alloy spherical powders for advanced additive manufacturing technologies.

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



Principal strengths and risks

Principal strengths

We believe that our key strengths include:

Sustainable by Design, Made for Life:

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

Please refer to section environmental responsibility for greater details.



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

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



e-Mobility solutions

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

Clean air

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

Cryogenic applications

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

Sustainable water supply

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

Solar power

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

Renewable energy

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

The hydrogen economy

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

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

Performance - A competitive footprint in Europe and Brazil

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

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

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

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

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

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

Key strengths of Aperam's European operations

Sourcing	Logistics	Production and innovation	Sustainability
The only integrated upstream operations in the heart of Europe, with the best access to scrap supply	Best location to serve Europe's biggest consumption areas	Full range of innovative stainless steel products	Aperam's main input in Europe is recycled scrap (>80%) Our Recyco unit recycles dust, sludges & residues for us and third parties
	Efficient logistics and working capital management	Flexibility and efficient capacity	
		A strategy to be a cost benchmark on key Aperam products	
		4 R&D centers	

Key strengths of Aperam's Brazilian operations

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

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

Aperam's research and development activities are closely aligned with our strategy and focus on product and process development. The Group's Research and Development team comprises 128 employees (FTE) spread across two centres in Europe (Isbergues and Imphy, France) and one centre in Timóteo, Brazil. These centres interact closely with the Group's operating segments and partner with industrial end-users and leading research organisations to remain at the forefront of product development. Our research and development capabilities have contributed to both the Group's position as an industry leader and its development of long standing and recognisable brands. Aperam concentrates a significant portion of its research and development budget on high margin, value-added niche products, such as specialty alloys, and on developing products with enhanced capabilities for new applications and end markets. As our customers look to lower their carbon footprint, Aperam is present with a wide range of products answering the strong demand for more sustainability. Some of our solutions are highlighted below.

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

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

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

Aperam's integrated stainless and specialty steel sales, distribution and service networks has a total of 14 Steel Service Centres, 5 transformation facilities and 17 sales offices, and is one of the largest in the world. This network, along with its best-in-class service, allows the Group to develop customer loyalty and a consistent and stable customer base, while also capturing additional value in downstream operations. The Group's distribution channels are strategically located in areas of high demand and close to many end-users. The Group's global distribution network enables it to tailor its products to address specific customer needs, thereby facilitating the maintenance of our market share and the capturing of growth opportunities. The Group's customer base is well diversified, consisting of a number of blue chip clients.

Our Premium Products - Alloys and Stainless Specialties

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

The Group's products are mainly sold to end-users in the automotive, building and construction, catering and appliance, energy and chemicals, and transportation industries. Our electrical steel products are primarily sold to customers in the electric motors, generators and transformers industries. We are the fourth largest global producer of specialty alloys and the largest producer of alloys wire rods and strips, which are sold to customers in the aerospace, automotive, electronics, petrochemical, and oil & gas industries. As an example, Aperam has recently incorporated together with Tekna Plasma Europe, a leading actor in metallic powder manufacturing, a new joint-venture company named ImphyTek Powders SAS. It will market Nickel and Specialty Alloy spherical powders for advanced additive manufacturing and metal injection molding technologies.

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

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

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

Macro-economic & geopolitical risks indirectly impacting Aperam

Global economic cycle downturn

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

Aperam's business and results of operations are substantially affected by international, national and regional economic conditions, including geopolitical risks that could disrupt the economic activity in affected countries. The re-emergence of recessionary conditions or a period of weak growth in Europe, or slow growth in emerging economies that are, or are expected to become, substantial consumers of stainless and specialty

steels (such as China, Brazil, Russia and India, as well as other emerging Asian markets and the Middle East) would have a material adverse effect on the stainless and specialty steel industry.

Overcapacity

In addition to economic conditions, the stainless steel industry is affected by global production capacity and fluctuations in stainless steel imports and exports. Production capacity in the developing world, particularly China and Indonesia, has increased substantially, with China being the largest global stainless steel producer. Accordingly, the balance between China's domestic production and consumption is an important factor impacting global stainless steel prices. Stainless steel exports from these countries, or conditions favourable to them (such as excess capacity in China / Indonesia and/or higher market prices for stainless steel in markets outside of China/Indonesia) can have a significant impact on stainless steel prices in other markets, including Europe and South America. Over the short- to medium-term, Aperam is exposed to the risk of stainless steel production increases in China and other markets (including Indonesia) outstripping increases in real demand, which may weigh on price recovery in the industry as a whole.

China slowdown

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

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

Aperam's profitability correlates, amongst other factors, with nickel prices. A significant decrease in the price of nickel would have a negative impact on apparent demand and base prices due to "wait and see" behaviour by customers. Furthermore, nickel is listed on the LME and thus subject to the fluctuation of the financial markets. Stainless and specialty steel production requires substantial amounts of raw materials (primarily nickel, chromium, molybdenum, stainless and carbon steel scrap, charcoal (biomass) and iron ore), which can lead to an over-dependence on its main suppliers. Aperam is also exposed to price uncertainty and material margin squeeze with respect to each of these raw materials, which it mainly purchases under short- and long-term contracts, but also on the spot market. During the last months of 2020, following the impact of the COVID-19 1st wave, prices and margins have recovered, but remain lower than the historical average of the period 2016-2019. Considering the lack of efficient trade defense in Europe, margins may remain under pressure looking forward. Price cost squeeze due to higher cost of Raw Materials may also impact the Company considering higher raw material prices, and developments of regulations in Asia on scrap which could tighten the stainless steel scrap market, in Europe.

Fluctuations in currency exchange rates

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

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

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

hazardous or toxic substances, slag treatment, soil pollution, waste disposal practices and the remediation of environmental contamination.

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

Risks of lack of competitiveness of the workforce costs, of retention and social conflicts

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

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

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

Cybersecurity risks

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

Risk of production equipment breakdown or stoppage and risk of pandemic virus due to COVID-19 or other type of future virus

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

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

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

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