Annual Report 2012

made for life

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Disclaimer – Forward Looking Statements

In this Annual Report Aperam has made certain forward-looking statements with respect to, among other topics, its financial position, business strategy, projected costs, projected savings, and the plans and objectives of our management.
Such statements are identified by the use of forward-looking verbs such as 'anticipate', 'intend', 'expect', 'plan', 'believe', or 'estimate', or words or phrases with similar meanings. Aperam's actual results may differ materially from those implied by such forward-looking statements due to the known and unknown risks and uncertainties to which it is exposed, including, without limitation, the risks described in this Annual Report. Aperam does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved. Please refer to the 'Summary of risks and uncertainties' section of this report page 35 as well as 'Risks related to the company and the stainless and specialty steel industry' page 142.
Such forward-looking statements represent, in each case, only one of many possible scenarios and should not necessarily be viewed as the most likely to occur or standard scenario. Aperam undertakes no obligation to publicly update its forward-looking statements, whether as a result of new information, future events or otherwise. Unless indicated otherwise or the context otherwise requires, references in this Annual Report to 'Aperam', the 'Group' and the 'Company' or similar terms refer to Aperam, 'société anonyme', having its registered office at 12C, Rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, and to its consolidated subsidiaries.

Message from the Chairman of the Board of Directors *March 5, 2013*

Dear Shareholders,

A year ago I was able to report to you the achievements of the recently created Aperam in difficult market conditions due to lower nickel prices and the impact of the EU sovereign debt crisis. After having successfully created our own funding structure in 2011 and initiated an ambitious management gains and cost reduction programme, we started to see in the early part of 2012 some signs of a rebound in the stainless steel business.

However the recovery was not sustainable due to falling nickel prices and lower demand in most of our markets. Despite these challenging market conditions, Aperam has continued to improve its operational performance by cost cutting measures and has further reduced its debt level. For the year 2012, the Company reported an EBITDA of $214 million and a net financial debt of $816 million versus respectively $356 million and $878 million a year ago. Aperam's sustainable management gains and fixed cost reductions programme - referred to as the “Leadership Journey®” – continued to progess and reached $276 million at the end of December 2012 versus $176 million at the end of previous year. These achievements in a highly volatile environment demonstrate that Aperam has become more resilient to the challenging market conditions.

Aperam must not only be a reference in terms of financial and operational performance and balance sheet strength, it must most of all be a reference with respect to Health and Safety. Our LTIFR (lost time injury frequency rate) for the year deteriorated to 1.3 from 0.7 in 2011 and this is very disappointing. I would like to reassure all our stakeholders that Health and Safety is our top priority and that we will be working hard to improve on this frequency rate. We must all aspire to have zero accidents and to be a sustainable Company in all respects.

During 2012, we have also announced appointments to our Management Committee and changes to the structure of our organization designed to be more focused on our customers. I am convinced that these changes will further focus operations on transforming Aperam into a market driven organization, reaching our Leadership Journey®'s objectives while serving our customers better.

We have seen some encouraging signs since towards the end of 2012 with respect to price movements and demand but, given the current economic environment particularly in Europe, we must remain cautious and work to make Aperam a more resilient company capable of responding to the volatile market environment. As part of this adaptation, the Board of Directors will propose to our shareholders at the next annual general meeting to stop the dividend payment in order to accelerate achieving the net debt reduction target of $650 million by the end of 2014. In a continuing effort to improve its cost competitiveness and profitability, we are also targeting an expansion of the Leadership Journey® to 2014 with $150 million of cost savings targeted over the next 2 years.

When we announced the spin-off of the stainless steel business from ArcelorMittal to create Aperam, our objective was to enable Aperam to pursue its growth as an independent company and provide the stainless steel business with the benefits of more attention from the financial markets. The decision to create Aperam has proven to be the right one as Aperam has become a stronger company and a leading player of its industry. I am also very proud to see that the creation of Aperam has been the key catalyst for the consolidation of the industry. I am convinced that Aperam is well placed to benefit from the changes in the competitive landscape and will continue on the path of value creation.

Finally, I would like to thank all Aperam employees, its Management Committee and the Board of Directors, for their support, hard work and contribution to the Company's performance in 2012. I am convinced that the strong competitive advantages of Aperam, together with our skilled and motivated employees, offer favourable and sustainable prospects for all our stakeholders.

Lakshmi N. Mittal
Chairman of the Board of Directors

Message from the Chief Executive Officer *March 5, 2013*

Dear Shareholders,

I am pleased to introduce you to Aperam's 2012 Annual Report, which provides you with a consolidated overview of the Company's performance and strategy.

Two years after it was spun off from ArcelorMittal, Aperam has established itself as a leading and respected player of the stainless steel industry.

2012 was not an easy year for Aperam as our Company was hit by slower demand in most of our markets.

2012 was also disappointing in terms of Health and Safety as our frequency rate went up against 2011 and a major fire occurred at our Gueugnon plant. We have taken strong measures to lastingly improve our performance. As the Company got organized to mitigate the fallout of this accident, our spirits were raised by the overwhelming response and show of solidarity from our employees.

The Leadership Journey® remains at the heart of our efforts to improve the profitability of our operations. Thanks to a persistent focus on fixed and variable cost reductions as well as on increased productivity, we are on track to achieve our initial target of $350 million by the end of 2013 and have now expanded our competitiveness and profitability program's target to $425 million by the end of 2014.

In 2012, Aperam adopted and launched a new commercial and sourcing organization designed to optimise the Company's Top Line. By joining sourcing, sales and R&D into one single organization, we gave ourselves the possibility to improve the use and yield of our production capacities, to target higher added value products, to better serve our existing customer base and to market new products. We believe this Top Line-oriented approach will fully come into play in 2013.

Our core values of Leadership, Ingenuity and Agility, which have helped us to navigate in a challenging environment, will continue to guide us through 2013. Despite some encouraging signs we remain cautious but well prepared to capture growth opportunities and continue to create value for our customers and shareholders.

Since it was created in January 2011, Aperam has been convinced that the worldwide overcapacity was the root cause of continuous difficult conditions and that it was important to reshape the Industry.

Thanks to its Leadership Journey®, Aperam has shown the way of capacity closures, breakeven point improvement and focus on the best product mix to satisfy the market. This value strategy is essential to bring back Aperam to sustainable profitability.

Philippe Darmayan
CEO Aperam

Management Report

The Board of Directors has the pleasure in presenting their 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, 2012, 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.

Company Overview

Introduction

We are a leading global stainless and specialty steel producer based on our annual production capacity of 2.5 million tonnes in 2012. We are the largest stainless and specialty steel producer in South America and we are 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 nickel alloys. Our production capacity is concentrated in six production facilities located in Brazil, Belgium and France, and we have approximately 9,800 employees. Our distribution network is comprised of 18 Steel Service Centers ("SSCs"), 9 transformation facilities and 22 sales offices. We sell our products to customers on three continents in over 40 countries, including customers in the aerospace, automotive, catering, construction, household appliances and electrical engineering, industrial processes, medical, and oil & gas industries.

We had sales of $5.3 billion and $6.3 billion and shipments of approximately 1.68 million tonnes and 1.75 million tonnes for the years ended December 31, 2012 and 2011, respectively.

We manage our business according to three operating segments:

- *Stainless & Electrical Steel.* We are one of the largest global producers of stainless steel by production capacity. We produce a wide range of stainless and electrical steels (both GO and NGO steel) and focus on developing new grades of stainless steel and higher grades of electrical steel. We have a broad portfolio of stainless and electrical steel products and we continuously expand our product offerings.

- *Services & Solutions.* Our Services & Solutions segment 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 and, to a much lesser extent, external suppliers' products; and (iii) transformation services, which include the provision of value-added and customized steel solutions through further processing to meet specific customer requirements.

- *Alloys & Specialties.* We believe that our Alloys & Specialties segment is the fourth largest producer of nickel alloys in the world. We are specialized in the design, production and transformation of various nickel 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.

The creation of Aperam

On December 7, 2010, the Board of Directors of Aperam and the Board of Directors of ArcelorMittal approved a proposal to spin-off ArcelorMittal's stainless and specialty steels businesses to its shareholders in order to enable it to benefit from better visibility in the markets, and to pursue its growth strategy as an independent company in the emerging markets and in 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. Since the creation of Aperam, the main shareholder ("Significant Shareholder") holds 40.8% of the issued share capital and the Luxembourg State 2.5% of the issued share capital. Please refer to page 53 for more information about the share capital structure and the definition of the term "Significant shareholder".

Business portfolio

Stainless & Electrical Steel

Europe

Our European facilities produce the full range of our stainless steel products. Our stainless steel production facilities in Europe produced approximately 1.2 million tonnes of crude steel in 2012.

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

Our cold rolling facilities in Europe consist of three cold rolling mill plants, located in Belgium (Genk) and France (Gueugnon and Isbergues). All three 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 Genk plant is focused on austenitic stainless steel products, the Gueugnon plant on ferritic stainless products and the Isbergues plant on products dedicated to the automotive market (mainly ferritic steels) and industrial market (mainly austenitic stainless steels). In November 2012, all assets and liabilities dedicated to our subsidiary Recyco, an electric arc furnace recycling company at our Isbergues facility that recycles dust and slags to retrieve nickel and chromium, have been contributed by Aperam Stainless France to Recyco in order for Recyco to be independently operational.

South America

We are the only integrated producer of flat stainless and electrical steel in South America. Our integrated production facility in Timóteo, Brazil produces the full range of our electrical steel products, which account for approximately 12% of the Stainless & Electrical Steel operating segment's total shipments, and a wide range of stainless steel products. We also produce relatively small volumes of special carbon steel at our Timóteo production facility. In 2012, we produced approximately 0.7 million tonnes of crude steel at this facility, mainly for the use of the domestic market, but from which we also exported products to over 40 countries.

The Timóteo integrated production facility includes two blast furnaces, one melting shop area (including two electrical furnaces, one ferrochrome smelter, 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 pickling line, two cold annealing pickling lines, one cold preparation line, three cold rolling mills and 20 batch annealing furnaces) and an electrical steel cold rolling shop (including one hot annealing pickling line, two tandem annealing lines, one decarburizing line, one thermo flattening and carlite coating line and one cold rolling mill).

Alloys & Specialties

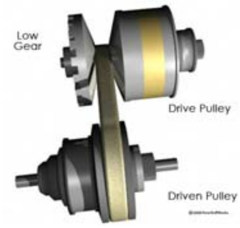
The Alloys & Specialties integrated production facility is located in Imphy, France and includes a meltshop, a wire rod facility and a cold rolling facility. The meltshop is designed to produce specialty grades and includes one electric arc furnace with a vacuum oxygen decarburization ladle and a ladle furnace, one vacuum induction melting furnace and one vacuum arc remelting furnace. The meltshop is also equipped with ingot casting facilities and a continuous billet caster. Our wire rod mill specializes in the production of nickel alloys and has the ability to process a wide range of grades, including stainless steel. It comprises a blooming mill, billet grinding, a hot rolling mill, which has a capacity of 30 thousand tonnes, and finishing lines

We also own downstream nickel alloy and specialty assets, including Aperam Alloys Rescal S.A.S., a wire drawing facility located in Epone, France, Aperam Alloys Amilly S.A.S., an electrical components manufacturer located in Amilly, France, Foshan Tongbao Imuha Special Metal, a transformation subsidiary in Foshan, China, and Innovative Clad Solutions, a production facility for industrial clads in Central India.

Examples of key specific markets and customers of Aperam in Alloys & Specialties:

Oil & Gas – LNG Tankers

Automotive - CVT



Welding - Overlay

Aerospace - Mould

Services & Solutions

We sell and distribute our products through our Services & Solutions segment. The Services & Solutions segment also provides value-added and customized steel solutions through further processing to meet specific customer requirements. Through our distribution network, we serve a variety of industries, including the automotive, construction, household appliances, public works, civil engineering and general industries. As of the date of this Annual Report, our distribution network is comprised of 18 Steel Service Centers (“SSCs”), 9 transformation facilities and 22 sales offices. Our largest SSCs in terms of sales are located in Germany, France and Italy. Our transformation facilities include two precision units located in France as well as tube making units located across Europe and South America.

Our distribution channels are strategically located close to many end users, which enhances our ability to provide customers with immediate availability of the entire range of our products, including flat, long, technical and specialty steel.

Other businesses: Charcoal (Biomass)

Aperam BioEnergìa produces wood and charcoal (biomass) from cultivated eucalyptus forests in Brazil. We use the charcoal (biomass) produced by Aperam BioEnergìa as a substitute for coke at our Timóteo production facility in Brazil, enabling us to produce stainless and specialty steel products in a more efficient and sustainable manner. Aperam’s biomass operations constitute a leading company in the sector of biomass production for the steel industry with state-of-the-art forest management, harvesting machinery and carbonization kilns. In 2012 and 2011, we respectively produced 429,000 tons and 318,000 tons of charcoal through Aperam BioEnerìa.

Eucalyptus nursery:

Transformation of the organization

On May 30, 2012 the Company announced new appointments to its Management Committee and a transformation of the organization with increased customer focus. In a volatile environment, a market driven organization with more agility and simplification in its processes is key for reaching financial and operational excellence while serving our customers better. The composition of the Management Committee is highlighted page 20 of this annual report.

Our key competitive strengths at a glance

Strong values and a commitment to sustainability and health and safety

We understand the Company's responsibility to future generations and local communities. In addition to Aperam BioEnergìa enabling the use of sustainable biomass technology, we have created environmentally sustainable production solutions while still meeting the stainless and specialty steel demands of our customers. With a strong focus on health and safety, Aperam has in the year 2012 a Lost Time Injury Frequency rate[1], our main indicator in this field, of 1.3 per million of hours worked against 0.7 in 2011. Health and Safety remains Aperam's top priority.

A leading position in the stainless steel industry and geographically well positioned

Aperam is the largest stainless and specialty steel producer in South America, the second in Europe and the sixth in the world. Aperam is well-positioned in both developed and emerging markets with two thirds of its sales realized in developed world and one third in emerging countries. Aperam has a unique position in Brazil and South America which based upon historically apparent consumption per capita continue to have an important growth potential.

A solid industrial base

In Brazil, Aperam is operating one fully integrated plant using charcoal produced by Aperam BioEnergìa. In Europe, Aperam has an industrial network based on 4 plants of high quality and cost effectiveness since the European steelmaking restructuring were realised in the mid-2000's. In particular, Aperam benefits from the last Greenfield built in Europe and from restructurations and investments launched with its "Leadership Journey®" programme. The Leadership Journey® is described in greater detail below.

A global distribution network

Aperam has a global sales, distribution and steel service centers network, including precision & tubes businesses representing a key competitive advantage to maintaining market share and capturing growth opportunities.

A leading position in nickel alloys

Aperam offers a wide range of products, including high value-added niche products, to a diversified customer base in both emerging and developed markets. Aperam is the fourth largest global nickel alloys producer which is a highly value creative business.

A solid financial structure

Aperam has one of the strongest balance sheet and highest margins of the European industry. Aperam had a gearing of 26% at December 31, 2012 and generated in 2012 an EBITDA of USD 214 million in a difficult environment.

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[1] Lost time injury frequency rate equals lost time injuries per 1,000,000 worked hours, based on own personnel and contractors

Aperam's strategy at a glance

Aperam's strategy is based on a top line and value strategy as well as on its "Leadership Journey®" programme targeting cost reductions and increasing productivity.

The top line and value strategy includes expanding the Alloys & Specialties segment, adding more value through the Services & Solutions segment, leveraging Aperam's unique product portfolio, enhancing the marketing strategy and finally catching new opportunities.

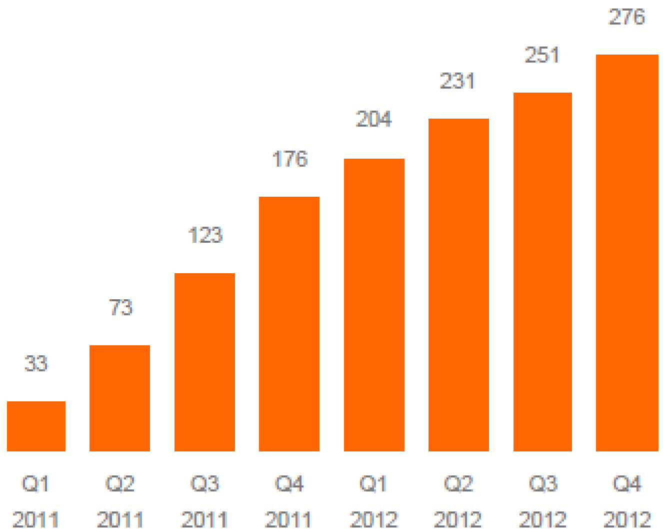
Cost competitiveness and achieving the Leadership Journey® remains the prime objective.

At the end of 2010, the Company launched an initiative to target $250 million of management gains and fixed cost reductions by the end of 2012. The program, referred to as the "Leadership Journey®", focuses on fixed and variable cost reductions and increasing productivity.

In November 2011, we announced that in response to the current economic uncertainty and in a continuing effort to improve Aperam's cost competitiveness and profitability, we targeted an additional $100 million of management gains and profit enhancement under the Leadership Journey®. This initiative is in addition to the $250 million program with a new combined target of $350 million of management gains and profit enhancement by 2013. As part of this increase, we focus on further industrial optimization and rationalization in Europe, systematic benchmarking in Brazil and new sourcing initiatives.

As of December 31, 2012, the Company achieved $276 million of management gains and profit enhancement under the Leadership Journey®.

Graph: Cumulated gains (in $ million)



Key projects completed in 2012 include the completion of a new induction furnace and electro slag remelting furnace at Imphy (France – Alloys & Specialities) and the completion of a service center expansion in Campinas (Brazil – Services & Solutions). The new hot annealing and pickling line RD79 at Gueugnon (France – Stainless & Electrical Steel) which was part of the Leadership Journey® was damaged on December 23, 2012 during an accidental fire. Aperam is mitigating the resulting production fallout by stepping up production at its other active pickling and annealing lines and has in addition decided to temporarily relaunch two idled production lines that were kept as capacity reserves. With these measures, Aperam will be able to supply its customers while the RD79 line is being rebuilt. The restart of the RD79 line is expected before the second half of 2013.

Key projects progressing include the industrial optimization and rationalization in Europe, new actions on meltshop and downstream activities following benchmarking in Brazil, new sourcing initiatives, yield and quality improvements, organization simplifications, biomass developments and new product growths.

On February 4, 2013, Aperam announced that the Company targets an expansion of the Leadership Journey® by 2014 with $150 million of cost savings targeted over the next 2 years starting end of 2012. This expansion of the Leadership Journey® leads to a new combined target of $425 million by 2014.

Market analysis

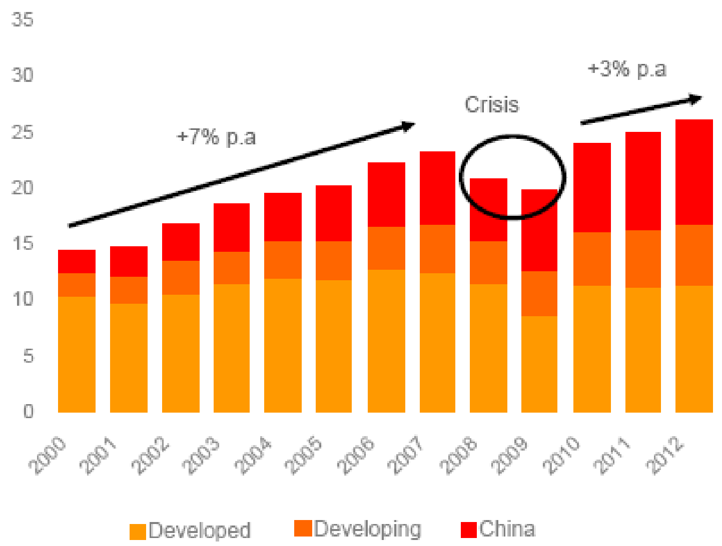
Market environment

Our results of operations are primarily affected by factors which impact the stainless and specialty steel industry generally, particularly global economic conditions, demand for stainless and specialty steels, production capacity, trends in raw material prices and fluctuations in exchange rates. In addition, our results of operations are affected by certain factors specific to us, including several initiatives we introduced in response to the challenging economic environment. These factors are described in greater detail below.

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. Demand is also affected in the short term by fluctuations in nickel prices as discussed in greater detail under “Stainless Steel Pricing” below.

Globally, compared to the stainless steel flat products demand growth of approximately 7% per annum over the years 2000 to 2007, demand has only grown by 3% per annum over the years 2010 to 2012, due to the crisis environment. The reduced growth rate of global stainless steel flat products demand has triggered a significant increase of overcapacity as planned capacity additions were still coming on stream. Although the industry has not overproduced compared to demand, structural overcapacity is expected to continue to affect the industry. Global utilization rates have declined significantly in recent years, from approximately 88% in 2006 to 62% in 2009. Over the period 2010 to 2012, global utilization rates recovered and reached approximately 72%, based on management estimates.

Graph: Stainless steel slab equivalent global demand (in millions of tonnes)



Source: CRU and Aperam estimates

Global stainless steel flat products demand is expected to increase by about 4% per annum from 2011 until 2017 with 1% in Europe and 3% in South America. Stainless steel base prices are expected to remain under pressure as a consequence of the structural overcapacity.

Competition

In 2012, there were six stainless steel flat producers with slab production capacity in excess of 2.0 million tonnes per year, accounting for approximately half of global capacity, based on management estimates. These producers are Outokumpu (including Inoxum, the stainless steel unit of ThyssenKrupp), Acerinox, Taiyuan Iron & Steel ("TISCO"), Yieh United Steel ("YUSCO"), Pohang Iron and Steel Company ("POSCO") and Aperam.

On January 31, 2012, ThyssenKrupp and Outokumpu confirmed that an agreement in principle had been reached about the combination of Outokumpu and Inoxum to create the world's largest stainless steel company. On November 7, 2012, the European Commission approved the acquisition of Inoxum by Outokumpu, subject to the divestiture of Inoxum's stainless steel mill in Terni, Italy and certain European service centres.

Major anti-dumping developments in Brazil

On March 9, 2012, Brazil's Trade Defense Department ("Decom") opened an anti-dumping investigation against imported welded austenitic stainless pipes from China and Taiwan. On April 12, 2012, the Decom officially launched an anti-dumping investigation on flat stainless steel products (austenitic stainless steel grade 304 and ferritic stainless steel grade 430). The imports from China, South Africa, Germany, South Korea, the United States, Finland, Taiwan and Vietnam will be investigated. On April 19, 2012, the Decom officially launched an anti-dumping investigation on flat non-grain oriented products. Imports from South Korea, China and Taiwan will be investigated. The outcome from these anti-dumping initiatives is expected beginning of 2013.

Stainless steel prices

The market for stainless steel is considered to be a global market. Stainless steel is suitable for transport over longer distances as logistics costs represent a smaller proportion of overall costs. Stainless steel is a steel alloy with a minimum of 10.5% chromium content by mass and a combination of alloys which are added to confer certain specific properties depending upon the application. The cost of alloys used in stainless steel products varies across products and can fluctuate significantly. Prices for stainless steel in Europe and the United States generally include two components:

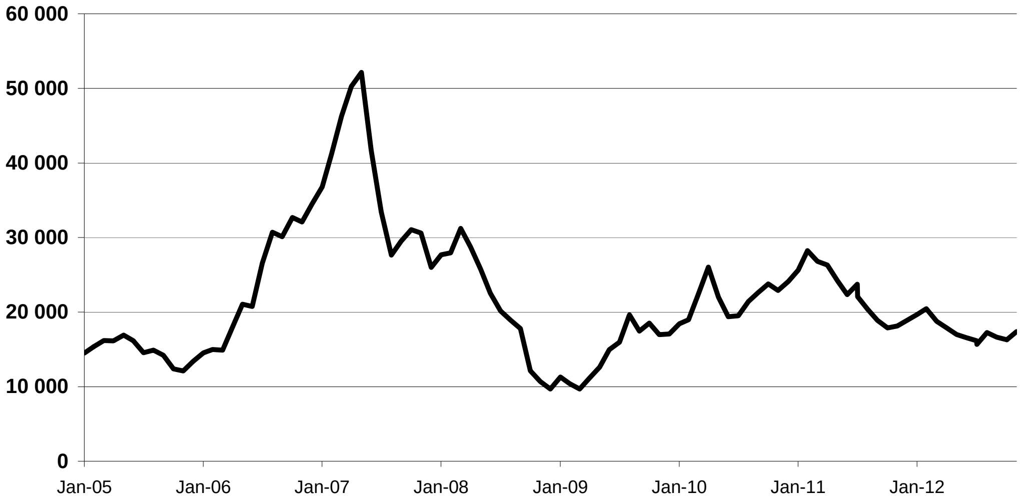
- the "base price", which is negotiated with customers and depends mainly on market supply and demand; and

- the "alloy surcharge", which is a supplementary charge added by producers to the selling price of steel and offsets price increases in raw materials, such as nickel, chromium or molybdenum, by directly passing these increases on to customers. The concept of the "alloy surcharge", which is calculated using raw material prices quoted on certain accepted exchanges, such as the London Metals Exchange ("LME"), was introduced in Europe and the United States in response to significant volatility in the price of these materials, which has historically been driven by fluctuations in demand, increasing or decreasing inventory levels, changes in production capacity and speculation by metal traders.

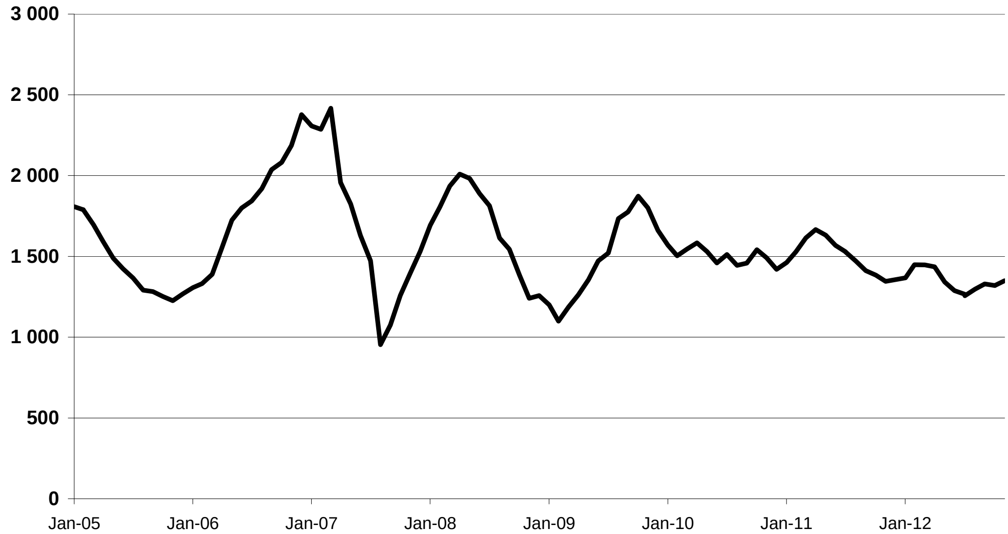
Notwithstanding the application of the "alloy surcharge", the Company is still affected by changes in raw material prices, in particular nickel. In general, when the price of nickel is falling, purchasers of stainless steel products delay their orders to benefit from an expected decline in prices, which 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. Nickel prices on the LME have been extremely volatile during the past few years. In 2011, Nickel prices reached a peak at approximately $28,000 per tonne in February, before falling to approximately $18,000 per tonne by year end. In the first half of 2012, Nickel prices increased up to approximately $22,000 per tonne in early February, before decreasing to approximately $17,000 per tonne at the end of June 2012. During the second half of 2012, Nickel prices reached approximately $18,800 per tonne at the end of September before decreasing to approximately $17,000 per tonne at the end of the year 2012.

The graphs below show the price of nickel on the LME and the European base price for CR304 stainless steel for the period from January 1, 2005 to December 31, 2012:

Graph: Nickel price on the LME (in $/tonne)



Graph: Stainless Steel Price/CR304 2B 2mm Coil Base/Northern Europe Domestic Delivered (in $/tonne)



Source:
Nickel prices have been derived from the LME. Stainless steel/CR304 2B 2mm coil base/Northern European domestic delivered prices have been derived from Steel Business Briefing ("SBB").

In 2011, base prices decreased by approximately 20% from 2011 April peak down to approximately $1,350 per tonne at year end, driven by lower nickel prices and pressure on demand. In the first half of 2012, base prices increased to approximately $1,460 per tonne at the end of March 2012 before decreasing to approximately $1,300 per tonne at the end of June 2012. During the second half of 2012 base prices continued to decrease until September 2012 to approximately $1,250 per tonne, before progressively increasing to approximately $1,350 per tonne at the end of the year 2012. The stainless market rebound in early 2012 was short lived due the falling nickel prices and the general economic uncertainty over the remaining of the year 2012.

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). Except for charcoal, which is produced internally, the Company is exposed to price uncertainty with respect to each of these raw materials, which it purchases mainly under short- and long-term contracts, but also on the spot market.

Prices for these raw materials are strongly correlated with demand for stainless steel and carbon steel and accordingly tend to fluctuate in response to changes in supply and demand dynamics in the industry. In addition, since most of the raw materials the Company uses are finite resources, their prices may also fluctuate in response to any perceived scarcity of reserves and the evolution of the pipeline of new exploration projects to replace depleted reserves.

In 2012, like many raw materials, nickel continued the downward trend observed in 2011. Although some recoveries were observed in nickel prices early 2012 and in the third quarter 2012, the market remained essentially oversupplied as economies were impacted worldwide by difficult market conditions. Molybdenum (oxide) showed a similar pattern than nickel, dropping from 30,000$/t in January to 25,000$/t in December. Ferrochrome showed the traditional upturn in the second quarter. A temporary under-supply had been created due to the fact that South African suppliers were encouraged selling power back to the grid (as they had been asked by the national power producer ESKOM to prevent shortages) rather than produce ferrochrome. In the second semester, prices dropped again. Iron ore prices were weak in the first half of 2012 but showed a sudden upturn in August when market sentiment for Chinese imports became more positive. In Europe, ferrous scrap prices showed a similar, but delayed and less pronounced pattern.

Energy

In Brazil, as part of the Leadership Journey®, the Timóteo production facility switched from LPG to natural gas in 2011 and entered into a long-term natural gas supply contract with a Brazilian supplier. In Europe, the Company purchases most of its natural gas requirements using prevailing pricing systems, where prices are usually linked with oil prices, normalizing for each fuel's energy content. In most of the countries where we operate, electricity prices have moved in line with other energy commodities. With regard to electricity prices, we benefit from preferred terms in France through the Exeltium consortium which began in May 2010. In Belgium, with five other electro intensive users within the Blue Sky consortium, Aperam participates to a co-investment with Electrabel to get access to electricity on preferred terms.

Impact of exchange rate movements

After recovering in 2010 against most currencies in the jurisdictions where Aperam operates (mainly euro and Brazilian real) the U.S. dollar depreciated again significantly to reach a record low in the second quarter of 2011. The U.S. dollar strengthened significantly during the second half of 2011. In 2012, the U.S. dollar depreciated until the beginning of the second quarter and appreciated thereafter to reach a peak in the beginning of the third quarter. Thereafter the U.S. dollar depreciated again significantly until the end of the year 2012. Because a substantial portion of Aperam's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its presentation currency), Aperam has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. In order to minimize its currency exposure, the Company enters into hedging transactions to lock in a set exchange rate, in accordance with its management policies.

Board of Directors

The Board of Directors is in charge of the overall management of the Company. It is responsible for the performance of all acts of administration necessary or useful to implement the corporate purpose of the Company as described in the Articles of Association, except for matters expressly reserved by Luxembourg law or the Articles of Association to the general meeting of shareholders.

Aperam places a strong emphasis on corporate governance. Aperam has four independent directors on its seven members of the Board of Directors and the Board's Audit and Risk Management Committee and Remuneration, Nomination and Corporate Governance Committee are each comprised exclusively of independent directors. In addition, two thirds of the Sustainability, Performance and Strategy Committee are comprised of independent directors. Mr. Lakshmi N. Mittal is the Chairman of the Board of Directors and Mr. Romain Bausch is the Lead Independent Director.

No members of the Board of Directors have entered into a service contract with Aperam or any of its subsidiaries providing for benefits upon the end of his or her service on the Board.

The members of the Board of Directors as of the date of this Annual Report are set forth below. The terms of the members of the Board of Directors expire at the annual general meeting of shareholders as described in the table below.

Name	Age(1)	Position within the Company (2)	Date joined Board	Term Expires
Mr. Lakshmi N. Mittal	62	Chairman, Non-independent member of the Board of Directors	December 2010	May 2013
Mr. Romain Bausch(3) (4)	59	Lead Independent Director, Independent member of the Board of Directors	January 2011	May 2013
Mr. David B. Burritt(3) (4)..........	57	Independent member of the Board of Directors	December 2010	May 2013
Ms. Kathryn A. Matthews(4) (5)	53	Independent member of the Board of Directors	December 2010	May 2013
Mr. Aditya Mittal	36	Non-independent member of the Board of Directors	December 2010	May 2013
Ms. Laurence Mulliez(3) (5)......	46	Independent member of the Board of Directors	May 2011	May 2014
Mr. Gonzalo Urquijo(5)	51	Non-independent member of the Board of Directors	December 2010	May 2013

Notes:

Company Secretary: Mr. Laurent Beauloye

(1) Age on December 31, 2012.

(2) See section Corporate Governance/Board of Directors for the status of independent director.

(3) Member of the Audit and Risk Management Committee

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

(5) Member of the Sustainability, Performance and Strategy Committee

Mr. Lakshmi N. Mittal

Lakshmi N. Mittal is the Chairman and CEO of ArcelorMittal. Mr. Mittal started his career in the steel industry in 1976 by founding Ispat Indo, a company that is still held privately by the Mittal family. He founded Mittal Steel Company (formerly the LNM Group) in 1989 and guided its strategic development, culminating in the merger in 2006 with Arcelor, to form the world's largest steelmaker. He is widely recognized for the leading role he has played in restructuring the steel industry towards a more consolidated and globalized model. Mr. Mittal is an active philanthropist and a member of various boards and trusts, including chairman and CEO of the board of ArcelorMittal and the boards of Goldman Sachs and European Aeronautic Defence & Space Company ("EADS") N.V. He is a member of the Indian Prime Minister's Global Advisory Council, the Foreign Investment Council in Kazakhstan, the Ukrainian President's Domestic and Foreign Investors Advisory Council, the World Economic Forum's International Business Council, the World Steel Association's Executive Committee and the Presidential International Advisory Board of Mozambique. He also sits on the Advisory Board of the Kellogg School of Management and on the Board of Trustees of Cleveland Clinic in the United States. Mr. Mittal began his career working in his family's steelmaking business in India, and has over 35 years of experience working in steel and related industries. In addition to spearheading the steel industry's consolidation, he championed the development of integrated mini-mills and the use of Direct Reduced Iron ("DRI") as a scrap substitute for steelmaking. Following the merger of Ispat International and LNM Holdings to form Mittal Steel in December 2004, with the simultaneous acquisition of International Steel Group, he led the formation of the world's then-leading steel producer. In 2006, he merged Mittal Steel and Arcelor to form ArcelorMittal. Mr. Mittal then led a successful integration of two large entities to firmly establish ArcelorMittal as one of the foremost industrial companies in the world. The company continues to be the largest and most global steel manufacturer. More recently, Mr. Mittal has been leading ArcelorMittal's expansion of its mining business through significant brownfield and greenfield growth. In 1996, Mr. Mittal was awarded 'Steelmaker of the Year' by New Steel in the United States and in 1998 the 'Willy Korf Steel Vision Award' by World Steel Dynamics for outstanding vision, entrepreneurship, leadership and success in global steel development. He was named Fortune magazine's 'European Businessman of the Year 2004'. Mr. Mittal was awarded 'Business Person of 2006' by the Sunday Times, 'International Newsmaker of the Year 2006' by Time Magazine and 'Person of the Year 2006' by the Financial Times for his outstanding business achievements. In January 2007, Mr. Mittal was presented with a Fellowship from King's College London, the college's highest award. He also received in 2007 the Dwight D. Eisenhower Global Leadership Award, the Grand Cross of Civil Merit from Spain and was named AIST Steelmaker of the year. In January 2008, Mr. Mittal was awarded the Padma Vibhushan, India's second highest civilian honor, by the President of India. In September 2008, Mr. Mittal was chosen for the third 'Forbes Lifetime Achievement Award', which honors heroes of entrepreneurial capitalism and free enterprise. In October 2010 he was awarded World Steel Association's medal in recognition of his services to the Association as its Chairman and also for his contribution to the sustainable development of the global steel industry. In January 2013, Mr. Mittal was awarded with a Doctor Honoris Causa by the AGH University of Science and Technology in Krakow, Poland. Mr. Mittal was born in Sadulpur in Rajasthan, India on June 15, 1950. He graduated from St Xavier's College in Kolkata, India, where he received a Bachelor of Commerce degree. Mr. Mittal is married to Usha Mittal. They have a son, Aditya Mittal, and a daughter, Vanisha Mittal Bhatia. Mr. Mittal is a citizen of India.

Mr. Romain Bausch

Mr. Romain Bausch is President and Chief Executive Officer of SES since July 2001. SES is a world-leading telecommunications satellite operator, with a global fleet of 50 geostationary satellites. SES holds participations in a number of satellite operators and satellite service provision companies. Mr. Bausch is also Chairman of the Board of Directors of SES ASTRA, Vice-Chairman of the Board of O3b Networks and member of the Board of Solaris Mobile. He became the Director General and the Chairman of the Management Committee of SES in 1995, following a career in the Luxembourg civil service (Ministry of Finance). Previously, he occupied key positions in the banking, media and telecommunications sectors in Luxembourg. Mr. Bausch is also a Vice-Chairman of Fedil (the Luxembourg Business Federation) and a member of the Boards of Directors of BIP Investment Partners and of Compagnie Financière La Luxembourgeoise. He graduated with a degree in economics (specialization in business administration) from the University of Nancy and holds an honorary doctorate from Sacred Heart University in Luxembourg. Mr. Bausch is a citizen of Luxembourg.

Mr. David B. Burritt

Mr. David Burritt worked for Caterpillar Inc. for almost thirty-three years before retiring in October 2010. Mr. Burritt was Vice President and Chief Financial Officer of Caterpillar Inc. from 2004 to 2010, and served as Caterpillar Inc.'s Corporate Controller and Chief Accounting Officer from 2002 to 2004. Mr. Burritt also held various positions in finance, tax, accounting, and international operations at Caterpillar Inc. from 1978 to 2002. He currently serves as a non-executive director of the Board of Directors of the Lockheed Martin Corporation where he is a member of the Executive, Audit (Chairman), Strategic Affairs & Finance and Management Development & Compensation Committees. Mr. Burritt holds a bachelor degree from Bradley University and an MBA from the University of Illinois in the United States. Mr. Burritt is also a Certified Public Accountant (CPA), a member of the American Institute of Certified Public Accountants (AICPA), a Certified Management Accountant (CMA) and a member of the Institute of Management Accountants (IMA). Mr. Burritt is a citizen of the United States of America.

Ms. Kathryn A. Matthews

Ms. Kathryn Matthews has over thirty years of experience in the financial sector, with a focus on asset management, and has held senior management roles with Fidelity International Ltd, AXA Investment Managers, Santander Global Advisors Inc. and Baring Asset Management. Currently, Ms Matthews is a non-executive director of the corporate board of publicly listed Rathbone Brothers Plc. Ms Matthews is a non-executive director of the investment funds boards of publicly listed Fidelity Asian Values Plc, JPMorgan Chinese Investment Trust Plc, Montanaro UK Smaller Companies Investment Trust and Conversus Capital LP. Ms. Matthews is also a non-executive director of non-publicly listed Royal London Group and Hermes Fund Managers Ltd. Following the agreement of July 2012 between Conversus Capital LP and HarbourVest Structured Solutions II, Ms Matthews will cease to be a director of Conversus Capital LP in 2013 when the transaction is finally completed. Ms. Matthews is a citizen of the United Kingdom.

Mr. Aditya Mittal

Mr. Aditya Mittal is the Chief Financial Officer ("CFO") of ArcelorMittal and a member of the Group Management Board of ArcelorMittal with additional responsibility for Flat Carbon Europe. Prior to the merger to create ArcelorMittal, Mr. Aditya Mittal held the position of President and CFO of Mittal Steel Company from October 2004 to 2006. He joined Mittal Steel in January 1997 and has held various finance and management roles within the company. In 1999, he was appointed Head of Mergers and Acquisitions for Mittal Steel. In this role, he led the company's acquisition strategy, resulting in Mittal Steel's expansion into Central Europe, Africa and the United States. Besides the Merger and Acquisitions responsibilities, Mr. Aditya Mittal was involved in post-integration, turnaround and improvement strategies. As CFO of Mittal Steel, he also initiated and led Mittal Steel's offer for Arcelor to create the first hundred million tonnes plus steel company. In 2008, Mr. Aditya Mittal was awarded 'European Business Leader of the Future' by CNBC Europe. In 2011, he was also ranked 4th in the '40 under 40' list of Fortune magazine. He is a member of the Young President's Organization, a Board member at the Wharton School and a member of the Board of Directors of PPR. Mr. Aditya Mittal holds a Bachelor's degree of Science in Economics with concentrations in Strategic Management and Corporate Finance from the Wharton School in Pennsylvania, United States. Mr. Aditya Mittal is the son of Mr. Lakshmi N. Mittal. Mr. Aditya Mittal is a citizen of India.

Ms. Laurence Mulliez

Ms. Laurence Mulliez is CEO of Eoxis since 2010. Privately held Eoxis produces energy from renewable sources. Ms. Laurence Mulliez was previously CEO of Castrol Industrial Lubricants and Services at BP from 2007 to 2009 and held various positions in BP starting in 1999, including Head of Strategy for Gas, Power and Renewable Energy. From 1993 to 1999, she held several positions at Amoco in finance, business analysis and business development. Ms. Laurence Mulliez started her career at Banque Nationale de Paris as a Financial Analyst. Ms. Laurence Mulliez is also a non-executive director at Voltalia, a renewable electricity producer in four countries and quoted on the second market in Paris, after spending ten years as a non-executive director at a leading international do-it-yourself retailer, Leroy Merlin, where she was also a member of the Audit Committee. Ms. Laurence Mulliez holds a degree in business from the Ecole Supérieure de Commerce de Rouen and an MBA from the University of Chicago. Ms. Mulliez is a citizen of France.

Mr. Gonzalo Urquijo

Mr. Gonzalo Urquijo is a Member of the Group Management Board of ArcelorMittal and Responsible for Asia, Africa, Commonwealth of Independent States (excluding China and India), Distribution Solutions and Tubular Products. Mr Gonzalo Urquijo serves as a director of publicly listed ArcelorMittal South Africa in addition to his other responsibilities within the ArcelorMittal group. Mr. Gonzalo Urquijo previously Senior Executive Vice President and Chief Financial Officer of Arcelor, has held the following responsibilities: Finance, Purchasing, IT, Legal Affairs, Investor Relations, Arcelor Steel Solutions and Services, and other activities. Mr. Gonzalo Urquijo also held several other positions within Arcelor, including Deputy Senior Executive Vice President and Head of the functional directorates of distribution. Until the creation of Arcelor in 2002, when he became Executive Vice President of the Operational Unit South of the Flat Carbon Steel sector, Mr. Gonzalo Urquijo was CFO of Aceralia. Between 1984 and 1992, he held a variety of positions at Citibank and Crédit Agricole before joining Aristrain in 1992 as CFO and later Co-CEO. Mr. Gonzalo Urquijo is a graduate in Economics and Political Science of Yale University and holds an MBA from the Instituto de Empresa in Madrid. Mr. Gonzalo Urquijo is a citizen of Spain.

Senior Management

Each member of the Company's senior management is a member of the Management Committee, which is entrusted with the day-to-day management of the Company. The members of the Management Committee are appointed and dismissed by the Board of Directors. The Management Committee may exercise only the authority granted to it by the Board of Directors.

The members of Aperam's Management Committee as of the date of this annual report are set forth below.

Name	Age[1]	Function
Mr. Philippe Darmayan..................	60	Chief Executive Officer; Member of the Management Committee
Mr. Julien Burdeau	41	Responsible for Alloys & Specialties; Member of the Management Committee;
Mr. Timóteo Di Maulo	53	Chief Commercial and Sourcing Officer; Member of the Management Committee;
Mr. Clenio Guimarães	55	Chief Operating Officer Stainless & Electrical Steel South America; Member of the Management Committee;
Ms. Vanisha Mittal Bhatia…………	32	Responsible for Strategy; Member of the Management Committee;
Mr. Julien Onillon...........................	42	Chief Financial Officer; Member of the Management Committee
Mr. Jean-Paul Rouffiac..................	60	Chief Operating Officer Stainless & Electrical Steel Europe; Member of the Management Committee;
Ms. Johanna Van Sevenant	44	Responsible for Sustainability, Human Resources and Communications; Member of the Management Committee;

Note:

Secretary to the Management Committee: Mr. Guillaume Bazetoux, Head of Finance

(1) Age on December 31, 2012.

Mr. Philippe Darmayan

Mr. Philippe Darmayan is the Company's Chief Executive Officer since December 1, 2011. Since 2007, he has been President of the French Federation for Steel Industry ("FFA"). Mr. Darmayan graduated from the French business school – HEC in Paris. By joining Aperam, Mr. Darmayan's started its second period in the stainless steel industry as, from 2002 to 2006, he led the transformation of Ugine and ALZ – the stainless divisions of respectively Usinor and Arbed Groups – into one combined company which later became ArcelorMittal Stainless then Aperam. He has therefore a strong understanding of the stainless business fundamentals which led to heavily restructured Ugine and ALZ melt shop footprint and initiated the move to ferritic grades as a way to mitigate the high nickel price increase. Besides stainless steel, Mr. Darmayan has had an extensive experience in various metallurgical fields including nuclear fuel, aluminium and the carbon steel industries. From 2005 to 2011, before joining Aperam, Mr. Darmayan was Executive Vice President of ArcelorMittal, member of ArcelorMittal's Management Committee and the CEO of ArcelorMittal Distribution Solutions ("AMDS"), which activity gathers the ArcelorMittal processing and distribution businesses. Mr. Darmayan was previously in the aluminium industry and Vice President of Pechiney with various senior management positions as Head of the foil and bar divisions, followed by the leadership of the aerospace division, one of Pechiney's core assets with leading market shares at Airbus, Boeing and Embraer. Mr. Darmayan initiated his career in the nuclear fuel activity as plant manager and then managing director of Franco-Belge de Fabrication de Combustibles ("FBFC"), a subsidiary of Framatome. FBFC is the world largest nuclear fuel manufacturer for pressurized water reactors. As his continuous career vision, Mr. Darmayan has promoted entrepreneurship spirit and participative management, as the best way for large Groups to actively show renewed initiatives and decisions for fast development and value creation. Mr. Darmayan is a citizen of France.

Mr. Julien Burdeau

Mr. Julien Burdeau is Responsible for Alloys & Specialties since July 2009. Mr. Burdeau started his career in 1997, working with the French Ministry of Economy, Finance and Industry. He joined the Arcelor Group in 2002 as Director of Strategy for the Stainless Steel division. From 2005 to 2009, Mr. Burdeau held several operational positions within ArcelorMittal Stainless Europe, which included serving as a steel service center manager in Italy and as Head of the Finishing Department in Gueugnon. He subsequently became Head of Operations at the Gueugnon production facility and Chief Executive Officer of ArcelorMittal Stainless and Nickel Alloys in July 2009. Mr. Burdeau is a graduate of Ecole Normale Supérieure and Ecole des Mines, both located in Paris, France, and holds a Ph.D. in Mathematics. Mr. Burdeau is a citizen of France.

Mr. Timóteo Di Maulo

Mr. Timóteo Di Maulo is the Chief Commercial and Sourcing Officer of Aperam since May 2012. Prior to this function Mr. Di Maulo has served as Chief Executive Officer — Services & Solutions since 2005. In 1990, Mr. Di Maulo joined Ugine Italia, where he held various positions in the controlling, purchasing and sales departments. While at Ugine Italia, he successfully implemented and launched the ERP System, "Sidonie", across all of Ugine's subsidiaries worldwide. In 1996, Mr. Di Maulo joined Ugine's Commercial Direction in Paris where he was in charge of its Industry and Distribution division. Mr. Di Maulo was subsequently named Service Division Industrial Director in 1998 and took on additional responsibilities as Chief Executive Officer of the German SSC, RCC. In 2000, Mr. Di Maulo was named Chief Executive Officer of U&A Italy, a role which gave him full responsibility for its mill sales network and its two Italian SSCs. Mr. Di Maulo was then appointed Chief Executive Officer of ArcelorMittal's Stainless Europe Service Division in 2005 and, in 2008, of ArcelorMittal Stainless International (which included the division's worldwide mill sales network, all distribution and processing centers and ArcelorMittal Stainless Europe's tube mills and precision strips). Mr. Di Maulo is a graduate of Politecnico di Milano in Milan and holds an M.B.A. from Bocconi University in Milan. Mr. Di Maulo is a citizen of Italy.

Mr. Clenio Guimarães

Mr. Clenio Guimarães is the Chief Operating Officer Stainless & Electrical Steel South America since May 2012. Prior to this function, Mr. Guimarães was Chief Executive Officer — Stainless & Electrical Steel South America since December 2010. Mr. Guimarães joined Acesita in 1981 as a process engineer. In 1996, after performing various roles in quality, production and cost optimization, Mr. Guimarães was appointed Manager of Acesita's Continuous Improvement Department and then, Head of the stainless melt shop in 2002 and Industrial General Manager in 2005. Mr. Guimarães has since acted as the Chief Operating Officer of ArcelorMittal Inox Brazil since 2008. Mr. Guimarães was appointed Chief Executive Officer — Stainless & Electrical Steel South America in December 2010. Mr. Guimarães holds a degree in Metallurgical Engineering from the Universidade Federal de Ouro Preto in Brazil and post-graduate degrees in Marketing from Unileste-MG in Brazil and in General Management from Fundação Dom Cabral in Brazil. Mr. Guimarães also underwent training in the ArcelorMittal University Pioneer program in 2008. Mr. Guimarães is a citizen of Brazil.

Ms. Vanisha Mittal Bhatia

Ms. Mittal Bhatia joined Aperam in April 2011 and is Responsible for Strategy. She has a degree in business administration from the European Business School and a master's in South Asian studies from the School of Oriental and African Studies, London. She has completed corporate internships at Mittal Shipping Ltd, Mittal Steel Hamburg GmbH and an internet-based venture capital fund. Vanisha Mittal Bhatia is a member of the Board of Directors of ArcelorMittal. She is also the daughter of Mr. Lakshmi N. Mittal. Ms. Mittal Bhatia is a citizen of India.

Mr. Julien Onillon

Mr. Julien Onillon was appointed Chief Financial Officer ('CFO') of Aperam in 2010. Prior to this function, Mr. Onillon was Head of Investor Relations at ArcelorMittal after having joined Mittal Steel as Head of Investor Relations in June 2005. Mr. Onillon spent five years acting as the Head of Global Steel Research at HSBC before joining Mittal Steel. Mr. Onillon worked as an Equity Analyst between 1994 and 2000 at BNP Paribas and Detroyat Associés where he covered a variety of sectors, including pan-European materials and basic resources. Mr. Onillon is a graduate of the University of Bordeaux I in Bordeaux, France and the University of London (RHBNC) and holds a degree in Physical Chemistry. He is also a graduate of the Ecole Supérieure de Commerce de Bretagne in Brest, France and holds a Master's degree from the Société Française des Analystes Financiers in Paris and a degree from the European Federation of Financial Analysts Societies. Mr. Onillon is a citizen of France.

Mr. Jean-Paul Rouffiac

Mr. Jean-Paul Rouffiac is the Chief Operating Officer Stainless & Electrical Steel Europe since May 2012. Prior to this function Mr. Jean-Paul Rouffiac has served as Chief Executive Officer — Stainless & Electrical Steel Europe since December 2007. Mr. Rouffiac joined the Usinor Group in 1978 as a lawyer and served as Secretary of the Management Board from 1982 to 1985. He subsequently held various senior sales and marketing positions in the Flat Carbon division between 1986 and 1997. In March 1997, Mr. Rouffiac was appointed Vice President of International & Economic Affairs and Secretary of the Board of Directors. Between 2000 and 2002, Mr. Rouffiac was appointed Vice President of Flat Carbon Sales and Marketing and, prior to the creation of ArcelorMittal, he headed negotiations with the EU's Competition Directorate General. Mr. Rouffiac was named Vice President in charge of SSCs in 2002 and, in 2006, was appointed Vice President responsible for SSCs within Arcelor's Distribution and Solutions division. He was appointed Chief Executive Officer of ArcelorMittal Stainless Steel — Europe in 2007. Mr. Rouffiac is a graduate of Sciences Po in Paris, France and Paris 1 Panthéon-Sorbonne Law University. Mr. Rouffiac is a citizen of France.

Ms. Johanna Van Sevenant

Ms. Johanna Van Sevenant is Responsible for Sustainability, Human Resources and Communications. Ms. Johanna Van Sevenant started her career at PricewaterhouseCoopers Brussels in 1993 and later joined Deloitte & Touche in 1999 where she worked as a Senior Manager of the Human Resources Advisory Services. She subsequently joined the Arcelor Group in 2001 as Managing Director of the Belgian Pension Competence Center at Usinor in Liège, Belgium. Between 2003 and 2006, Ms. Van Sevenant served as International Manager—Pension and Risks Benefits at the Human Resources Corporate Center in Luxembourg. Ms. Van Sevenant became Manager of Integration in 2006 and, in 2007, was named Head of Human Resources, Communications and General Services of the ArcelorMittal International division within Steel Services & Solutions. She was later named Head of Human Resources and Communication of the Stainless Steel segment in December 2008. Ms. Van Sevenant holds a Master's degree in Political Science and Business Administration from Université Libre de Bruxelles in Brussels, Belgium and a Master's degree in Tax Law from HEC St. Louis in Brussels. Ms. Van Sevenant is a citizen of Belgium.

Corporate responsibility

On January 23, 2012, Aperam joined the United Nations Global Compact, the world's largest corporate responsibility initiative with over 8,000 business and non-business participants in 135 countries. The International Stainless Steel Forum (ISSF) has granted its 2012 Sustainability Award to Aperam for SolarStyl®, its pioneering solar panel technology. The prize was announced at the ISSF's annual meeting in Beijing on May 17, 2012. On July 10, 2012 Aperam published its first Sustainability Report outlining the Company's approach to sustainability, its record and policies in areas such as safety, people, communities, environment, and the contribution of the Company's products to society.

Provision of Environmentally Sustainable Processes and Solutions

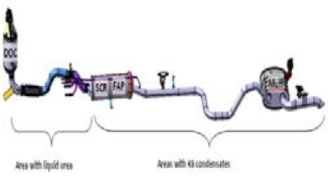
We have invested and will continue to invest in sustainable development opportunities in order to reduce our environmental impact. In our European production facilities, for instance, our stainless steel is produced using recycled scrap material in electric arc furnaces, which use less energy and generate a lower level of CO_2 emissions than traditional blast furnaces. We also constructed a new water treatment unit at our Imphy plant. In addition, in Brazil, we use charcoal (biomass) produced by Aperam BioEnergìa as a substitute for coke at our blast furnaces, enabling us to produce stainless steel and specialty products in a more environmentally sustainable manner.

We are also convinced that sustainability initiatives will drive greater stainless steel demand and create opportunities for Aperam. We are involved in developing stainless steel and specialty products that are used in energy efficient applications, including:

- stainless steel for automotive (*e.g.*, exhaust systems) and energy infrastructure building applications;
- electrical steel products used in high energy efficient transformers and rotating machines; and
- nickel alloys for energy efficient electrical equipment, energy production equipment and waste treatment equipment, as well as for the development of renewable energies, such as solar power.

Brazed heat exchangers

New application for Aperam



Selective catalytic reduction system

New application for stainless

Fuel cells stacks

New application for stainless

Evaporators in desalination

New market for Aperam

Automotive structural component

New application for stainless

PV Solar systems

New application for stainless

Personnel Development

We invest in the development of our employees, which management believes enhances their motivation and contributes to the overall success of our business. In order to continue to improve performance at all levels of our business, we are actively increasing the deployment of our “Performance Management” process, which is aimed at improving productivity through increased communication with the workforce at all levels, and reinforcing our commitment to a wide range of other personnel development initiatives.

Social dialogue and employee relations

We have a long track record of promoting social dialogue with employee representatives in each of the jurisdictions in which we operate. Our employees in various parts of the world are represented by trade unions, and we are a party to collective labor agreements with employee organizations in certain locations. In 2012, we negotiated new social agreements in different countries and following the creation of Aperam, the company and the trade unions started the negotiations for the implementation of the European Work Council of Aperam. During 2012, we also continued to reduce our costs to improve the productivity and competitiveness with a particular focus on white collars workforce. All these actions have been conducted in a good social climate, as proved by our low level of absenteeism and low attrition rate, and with a regular dialogue with our trade unions. In the same time, we launched some renewal competencies plans, mainly for critical jobs (quality, maintenance, production, metallurgy, research and commercial).

Community Engagement

We play an important role in the communities in which we operate. For example, we act through our Aperam Acesita foundation, which develops corporate responsibility programs in Brazil, and have established a number of partnerships with local communities and municipal organizations, including the fire brigade, police force, local government and schools, all of which are aimed at supporting the community. We also provide grants to non-governmental organizations and programs which focus on education, culture and the environment. In Europe, we have established a number of environmental initiatives at our various production facilities aimed at mitigating the environmental impact of our operations and strengthening our relationship with local communities. Management intends to continue to develop new initiatives aimed at supporting local communities, and believes that such initiatives create value by promoting environmental solutions, fostering goodwill within the communities in which we operate and generally promoting stainless and specialty steel development.

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 ended December 31, 2012, compared to the year ended December 31, 2011. The key performance indicators that we use to analyze operations are sales, steel shipments, average steel selling prices and operating income.

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 ended December 31, 2012, as compared to the year ended December 31, 2011:

	Sales for the Year Ended December 31,[1]		Steel Shipments for the Year Ended December 31,[2]		Average Selling Price for the Year Ended December 31,		Changes in		
Operating Segment	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**Sales**	**Steel Shipments**	**Average Steel Selling Price**
	(in million of U.S. dollars)		(thousands of tonnes)		(in U.S. dollars/tonne)			(%)	
Stainless & Electrical Steel[3]	4,180	5,068	1,611	1,675	2,489	2,903	(17.5)	(3.8)	(14.3)
Services & Solutions	2,173	2,603	661	662	3,148	3,764	(16.5)	(0.2)	(16.4)
Alloys & Specialties	659	721	36	37	17,405	18,805	(8.6)	(2.7)	(7.4)
Total (before intragroup eliminations)	7,012	8,392	2,308	2,374			(16.4)	(2.8)	
Total (after intragroup eliminations)	5,261	6,345	1,683	1,749			(17.1)	(3.8)	

Notes:

(1) Amounts are shown prior to intragroup eliminations. For additional information, see Note 23 to the consolidated financial statements.

(2) Steel shipments amounts are shown prior to intersegment shipments of 625 thousand tonnes and 625 thousand tonnes in 2012 and 2011, respectively.

(3) Includes shipments of special carbon steel from our Timóteo production facility.

The Company had sales of $5,261 million for the year ended December 31, 2012 representing a decrease of 17.1% compared to sales of $6,345 million for the year ended December 31, 2011. The decrease in sales was primarily due to the lower average selling price, which decreased from $3,475 per tonne in 2011 to $2,991 per tonne in 2012. Steel shipments amounted to approximately 1,683 thousand tonnes for the year ended December 31, 2012, decreasing from 1,749 thousand tonnes for the year ended December 31, 2011.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) were $4,180 million for the year ended December 31, 2012. Sales to external customers in the Stainless & Electrical Steel segment were $2,496 million, representing 47.4% of total sales in 2012, a decrease of 20.2% as compared to sales to external customers of $3,126 million for the year ended December 31, 2011, or 49.3% of total sales in 2011. Steel shipments for this segment (including intersegment shipments) decreased to 1,611 thousand tonnes for the year ended December 31, 2012 (of which 617 thousand tonnes were attributable to our operations in South America and 994 thousand tonnes were attributable to our operations in Europe, including intersegment shipments) from 1,675 thousand tonnes for the year ended December 31, 2011 (of which 647 thousand tonnes were attributable to our operations in South America and 1,028 thousand tonnes were attributable to our operations in Europe, including intersegment shipments), which represented a decrease of 3.8%.

Sales in the Stainless & Electrical Steel segment decreased by 17.5%, from $5,068 million in 2011 to $4,180 million in 2012, mainly as a result of lower volumes and decreasing average selling price. The average selling price for the Stainless & Electrical Steel segment decreased by 14.3% in 2012.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) were $2,173 million for the year ended December 31, 2012. Sales to external customers in the Services & Solutions segment were $2,103 million, representing 40.0% of total sales in 2012, a decrease of 16.0% as compared to sales of $2,505 million for the year ended December 31, 2011, or 39.5% of total sales in 2011. Steel shipments for this segment slightly decreased to 661 thousand tonnes for the year ended December 31, 2012 from 662 thousand tonnes for the year ended December 31, 2011, which represented a decrease of 0.2%. Sales in the Services & Solutions segment decreased from $2,603 million in 2011 to $2,173 million in 2012, a 16.5% decrease year-over-year. The main reason for this decrease in sales is the lower average selling price for the segment in 2012 compared to 2011. The average selling price for the Services & Solutions segment decreased by 16.4%, from $3,764 per tonne in 2011 to $3,148 per tonne in 2012.

Alloys & Specialties

Sales in the Alloys & Specialties segment (including intersegment sales) were $659 million for the year ended December 31, 2012. Sales to external customers in the Alloys & Specialties segment were $655 million, representing 12.5% of total sales in 2012. There was a decrease in sales of 8.6% from $721 million in 2011 to $659 million in 2012. This decrease in sales in 2012 was the result of a combination of lower shipments and average selling prices. Steel shipments for this segment decreased to 36 thousand tonnes for the year ended December 31, 2012 from 37 thousand tonnes for the year ended December 31, 2011, which represented a decrease of 2.7%. The average selling price for the Alloys & Specialties segment decreased by 7.4%, from $18,805 per tonne in 2011 to $17,405 per tonne in 2012.

Operating Income/(Loss)

The following table provides our operating income/(loss) and operating margin for the year ended December 31, 2012, as compared to the year ended December 31, 2011:

Operating Segment	Operating Income/(Loss) Year Ended December 31, 2012	Operating Income/(Loss) Year Ended December 31, 2011	Operating Margin Year Ended December 31, 2012	Operating Margin Year Ended December 31, 2011
	(in million of U.S. dollars)		(%)	
Stainless & Electrical Steel	(150)	(39)	(3.6)	(0.8)
Services & Solutions	(8)	(18)	(0.4)	(0.7)
Alloys & Specialties	50	64	7.6	8.9
Total[(1)]	(106)	45	(2.0)	0.7

Note:

(1) Amounts shown include eliminations of 2 and 38 for the year ended December 31, 2012 and 2011, 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 which are not segmented.

The Company's operating loss for the year ended December 31, 2012 was $106 million, compared to an operating income of $45 million for the year ended December 31, 2011. The decrease in 2012 operating result was mainly due to the net pricing squeeze that occurred in 2012. The Company was, however, able to significantly offset the difficult market conditions with the progress made in 2012 with the management gains and profit enhancement initiative known as the Leadership Journey®.

Stainless & Electrical Steel

The operating loss for the Stainless & Electrical Steel segment was $150 million for the year ended December 31, 2012 (of which an operating loss of $16 million and $134 million was attributable to our operations in South America and Europe, respectively), compared to operating loss of $39 million for the year ended December 31, 2011 (of which operating income of $10 million was attributable to our operations in South America and an operating loss of $29 million was attributable to our operations in Europe). The operating result in 2012 decreased compared to 2011 in the Stainless & Electrical Steel segment mainly as a result of a net pricing squeeze and lower shipments. Once again, this negative impact was significantly offset by the progress made on the Leadership Journey® in 2012.

Services & Solutions

The operating loss for the Services & Solutions segment was $8 million for the year ended December 31, 2012 compared to an operating loss of $18 million in the year ended December 31, 2011. The operating loss in 2012 decreased compared to 2011 in the Services & Solutions segment mainly as a consequence of positive stock effect.

Alloys & Specialties

The operating income for the Alloys & Specialties segment decreased from $64 million for the year ended December 31, 2011 to $50 million for the year ended December 31, 2012. The operating income in 2012 decreased primarily as a result of a net pricing squeeze. This impact was significantly offset by the progress made on the Leadership Journey® in 2012.

Income from Other Investments

We recorded an income of $2 million from other investments for the year ended December 31, 2012, compared to $2 million for the year ended December 31, 2011. The income from other investments was attributable to dividends received from a minority stake we held in Gerdau.

Interest Income

Interest income was $3 million for the year ended December 31, 2012, in line with $3 million recorded for the year ended December 31, 2011.

Interest Expense and Other Net Financing Costs

Interest expense and other net financing costs include interest expense, net foreign exchange result and other financing costs. Interest expense and other net financing costs decreased to $67 million for the year ended December 31, 2012, compared to $127 million for the year ended December 31, 2011.

Net interest expense and other financing costs in 2012 relating to the service of debt and other financing facilities was $78 million.

Unrealized Foreign Exchange and Derivative Losses/Gains

Unrealized results on foreign exchange and derivative instruments increased in 2012 as compared to 2011. We had unrealized losses on foreign exchange and derivative instruments of $4 million for the year ended December 31, 2012, compared to unrealized losses of $30 million for the year ended December 31, 2011. These unrealized losses primarily related to instruments we entered into to hedge our exposure to nickel prices which do not qualify for hedge accounting treatment under IAS 39 and the accounting revaluation of US dollar denominated external debt held in subsidiaries.

Income Tax

We recorded an income tax benefit of $64 million for the year ended December 31, 2012, compared to an income tax benefit of $48 million for the year ended December 31, 2011. Our income tax benefit in 2012 was primarily due to negative operational results in several countries with high tax rates.

Non-controlling Interests

Net income attributable to non-controlling interests was nil for the year ended December 31, 2012, compared to $1 million for the year ended December 31, 2011.

Net Loss / Income

Our net result was a loss of $108 million for the year ended December 31, 2012, compared to a loss of $60 million for the year ended December 31, 2011. This was primarily due to the net pricing squeeze that occurred in 2012.

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 "Risks related to the company and the stainless and specialty steel industry" page 142.

Outlook

On February 4, 2013, Aperam published its full year and fourth quarter 2012 results with its outlook for the first quarter 2013 and announced an accelerated net debt reduction target and an expansion of the Leadership Journey®.

EBITDA in the first quarter of 2013 is expected to improve compared to the fourth quarter of 2012 due to increased activity and the continuing progress of the Leadership Journey®. Net debt is expected to increase in the first quarter of 2013 compared to the fourth quarter of 2012 due to increased activity.

The Board of Directors will submit to a shareholder's vote, at the next annual general meeting, a proposal to stop the dividend payment to accelerate the net debt reduction target of $650 million by the end of 2014.

In response to the current economic uncertainty and in a continuing effort to improve Aperam's cost competitiveness and profitability the company targets an expansion of the Leadership Journey® by 2014 with $150 million of cost savings targeted over the next 2 years starting end of 2012. This expansion of the Leadership Journey® leads to a new combined target of $425 million by 2014.

The full year and fourth quarter 2012 results press release is available on www.aperam.com under Investors & Shareholders, Earnings.

Aperam as Parent Company

Aperam, incorporated under the laws of Luxembourg, is the parent company of the Aperam group and is expected to continue this role during the coming years.

The Company was incorporated on September 9, 2010 to hold the assets which comprise the stainless and specialty steels businesses of ArcelorMittal.

As described in the Company's article of association, the corporate purpose of the Company shall be the manufacture, 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, their processing and their 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, licences, know-how and, more generally, intellectual and industrial property rights.

The Company has its registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under the number B155.908.

The Company owns a branch office located in Zug (Switzerland) and controls directly and indirectly 69 subsidiaries. The Company generated a net loss of $173 million in 2012.

Liquidity

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash generated from its operations, its senior credit facility and credit facilities at the level of its operating subsidiaries. Management believes that the cash generated from the Company's operations and credit facilities are sufficient to meet the Company's present requirements.

Aperam S.A. 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 since it is a holding company.

Our cash and cash equivalents amounted to $226 million and $247million as of December 31, 2012 and 2011, respectively.

Our total debt, which includes long-term debt and short-term debt was $1,042 million and $1,125 million as of December 31, 2012 and 2011, respectively. Net debt (defined as long-term and short-term debt less cash and cash equivalents) was $816 million as of December 31, 2012, compared to $878 million at December 31, 2011. Gearing (defined as net debt divided by total equity) was 26% as of December 31, 2012.

As of December 31, 2012, the Company had drawn $325 million of the $800 million Borrowing Base Facility, leaving a committed credit line of $475 million under the facility. In addition, as of December 31, 2012, Aperam had $151 million of debt outstanding at the subsidiary level, of which the Company had granted security over $37 million of indebtedness.

As of December 31, 2012, the Company had total liquidity of $701 million, consisting of cash and cash equivalents (including short term investments) of $226 million and committed credit lines[1] of $475 million.

These facilities, together with other forms of financing, including the notes, represent an aggregate amount of approximately $1.5 billion, with borrowing capacity of approximately $400 million. In management's opinion, such financing will be sufficient for our future requirements.

Financing

Borrowing Base Facility

On March 15, 2011, Aperam entered into a $800 million Secured Borrowing Base Revolving Credit Facility (the "$800 million Borrowing Base Facility").

The purpose of the $800 million Borrowing Base Facility is to finance the working capital requirements of the Company. The $800 million Borrowing Base Facility may be repaid and redrawn from time to time until its final maturity in March 2014.

[1] Subject to eligible collateral available

The $800 million Borrowing Base Facility charges interest at a rate of LIBOR (or EURIBOR, in the case of an advance denominated in euro) plus a margin (depending on the Company's most recent corporate rating by Standard & Poor's or Moody's or both) for the relevant interest period, which may be one, two, three or six months or any other period agreed between the parties. The facility also charges a commitment fee on the undrawn and uncancelled portion of the total facility amount, payable quarterly in arrears.

The Company's obligations under the $800 million Borrowing Base Facility are guaranteed by Aperam Stainless Belgium N.V., Aperam Stainless France S.A., Aperam Stainless Services & Solutions Precision S.A., Aperam Stainless Services & Solutions France S.A.S., Aperam Alloys Imphy S.A., Aperam South America Ltda., Aperam Stainless Services & Solutions Brasil Ltda., Aperam Stainless Services & Solutions Tubes Brasil Ltda., Aperam Stainless Services & Solutions Germany GmbH and Aperam Treasury S.N.C.

The $800 million Borrowing Base Facility is secured by first-ranking and second-ranking security interests over certain eligible receivables and inventory of certain of the guarantors, as well as over substantially all of the assets (other than fixed assets) of Aperam Stainless Belgium N.V. and certain bank accounts and insurance policies. The aggregate amount of advances drawn under the borrowing base facility may not exceed a borrowing base value equal to 70% to 100% of the book value (or, in some cases, market value or scrap value) of certain eligible receivables and inventory, which is reported to the facility agent on a monthly basis.

In addition to restrictive covenants limiting encumbrances on assets of Aperam and its subsidiaries, the ability of subsidiaries to incur debt and the ability of Aperam and its subsidiaries to dispose of assets in certain circumstances, the borrowing base facility contains financial covenants, including:

- a minimum ratio of consolidated current assets to consolidated current liabilities of 1.1:1;
- a minimum consolidated tangible net worth of $2.2 billion; and
- a maximum consolidated total debt of 70% of consolidated tangible net worth.

On December 31, 2012, these financial covenants were fully met.

On February 4, 2013, Aperam announces that it obtained an in-principle refinancing commitment to extend a portion of $600 million of its current $800 million Borrowing Base Facility from March 2014 until March 2015.

Notes

On March 28, 2011, Aperam issued two series of U.S. dollar denominated notes, consisting of $250 million aggregate principal amount of its 7.375% notes due 2016 and $250 million aggregate principal amount of its 7.75% notes due 2018, in a private placement in the international capital markets.

The notes are senior unsecured obligations, ranking equally in right of payment with all other existing and future senior unsecured indebtedness and senior in right of payment to all existing and future subordinated indebtedness. The notes are effectively subordinated to all the Company's secured obligations, including any indebtedness under its senior credit facility, to the extent of the value of the collateral. In addition, the notes are effectively subordinated to all current and future indebtedness and other obligations of the Company's subsidiaries, including trade payables and amounts drawn under the credit facilities of the Company's Brazilian subsidiary, Aperam South America Ltda.

The notes contain optional redemption options and certain covenants and events of default that, among other things, limit the ability of the Company and certain subsidiaries to incur or guarantee additional indebtedness, issue preferred shares, pay dividends or make other distributions.

Other credit facilities

On September 28, 2012, Aperam entered into a $50 million credit facility secured by Gerdau shares. The two year facility, which will be accounted for as a secured bank loan, was fully drawn on October 3, 2012.

True Sales of Receivables Program

Following the spin-off, the Company obtained liquidity from the sale of receivables through a true sale of receivables ("TSR") program. As of the end of June 2012 the program was subsequently split into two programs under similar terms and conditions to the existing program and the maximum combined amount of the programs that could be utilized as of the end of December 2012 was EUR 250 million. Through the TSR program, the Company and certain of its operating subsidiaries surrender the control, risks and benefits associated with the accounts receivable sold, allowing it to record the amount of receivables sold as a sale of financial assets and remove the accounts receivable from its statement of financial position at the time of the sale.

The amount of receivables we sold under the True Sale of Receivables program and derecognized in accordance with IAS 39 for the years ended December 31, 2012 and 2011 was $1.7 billion for both years. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognized in the statement of operations as financing costs and amounted to $10 million and $19 million in the years ended December 31, 2012 and 2011, respectively. See Note 3 to the Consolidated Financial Statements for further information.

Earnings distribution

On May 8, 2012 the Board of Directors submitted to a shareholder's vote, at the annual general meeting, a proposal to maintain the quarterly dividend payment at $0.1875 per share. The dividend payments occurred on a quarterly basis for the full year 2012 on March 13, 2012, June 14, 2012, September 10, 2012 and December 10, 2012 taking into account that the first quarterly dividend payment paid on March 13, 2012 was an interim dividend.

On February 4, 2013, Aperam announced that the Board of Directors will submit to a shareholder's vote, at the next annual general meeting on May 8, 2013, a proposal to stop the dividend payment to accelerate the net debt reduction target of $650 million by the end of 2014.

Sources and Uses of Cash

The following table presents a summary of our cash flow for the year ended December 31, 2012, as compared to the year ended December 31, 2011:

	Year Ended December 31,	
	2012	2011
	(in million of U.S. dollars)	
Net cash provided by operating activities	278	189
Net cash (used in) provided by investing activities	(158)	498
Net cash used in financing activities	(146)	(552)

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased to $278 million for the year ended December 31, 2012, compared to $189 million for the year ended December 31, 2011. The increase was due to decreased working capital requirements. Working capital (defined for purposes of this Annual Report as consisting of inventories plus trade accounts receivable less trade accounts payable) for the year ended December 31, 2012 decreased by $156 million due to an increased focus on inventory management by the Company, lower material prices and lower demand at the end of the year.

Net Cash (Used in) / Provided by Investing Activities

Net cash used in investing activities amounted to $158 million for the year ended December 31, 2012, compared to net cash provided by investing activities of $498 million for the year ended December 31, 2010. The net cash used in investing activities in 2012 was mainly related to capital expenditure. Capital expenditures were $161 million for the year ended December 31, 2012, compared to $158 million for the year ended December 31, 2011.

Net Cash Used in Financing Activities

Net cash used in financing activities was $146 million for the year ended December 31, 2012, compared to net cash used in financing activities of $552 million for the year ended December 31, 2011. The decrease of net cash used in financing activities was primarily due to transfer to Aperam in 2011 of borrowings under cash pooling arrangements with ArcelorMittal.

Equity

Equity attributable to the equity holders of the parent decreased to $3,186 million at December 31, 2012, as compared to $3,437 million at December 31, 2011, primarily due to the net loss of the year of $108 million, foreign currency translation differences of $103 million and dividend payments of $59 million.

Capital Expenditure

Capital expenditures for the years ended December 31, 2012 and 2011 were $161 million and $158 million, respectively. Similar as in 2011, capital expenditures for 2012 related primarily to the key projects of our Leadership Journey® with investments in Gueugnon, Imphy and Campinas as well as maintenance investments in our facilities in Brazil, France and Belgium.

Capital expenditures are expected to be reduced in 2013 compared to 2012 and will primarily relate to our Leadership Journey® and the maintenance of our facilities in Brazil, Belgium and France. Capital expenditures will be concentrated on security, environment and cost reduction. We will remain cautious on capital expenditures whilst enabling adjustments based upon market conditions.

Summary of risks and uncertainties

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

- global economic cycle downturn, geopolitical risks, overcapacity in the stainless steel industry and/or China slowdown;
- the risk of nickel price decrease and raw material price uncertainty;
- fluctuations in currency exchange rates;
- the risk that developments in the competitive environment in the steel industry could have an adverse effect on Aperam's competitive position;
- the risk of disruptions to Aperam's manufacturing operations or damage to Aperam's production facilities due to natural disasters or other events;
- litigation risks;
- customer risks with respect to default and credit insurance companies refusing to ensure the risks;
- the risks of lack of competitiveness of the workforce costs and retention;
- the risk that changes in the macroeconomic environment result in the recognition of impairment against the goodwill and/or tangible assets carried on the balance sheet;
- the environmental and health and safety risks;
- funding risks and
- energy risks.

These factors are discussed in more details in this Annual Report, on page 142.

Corporate Governance

This section provides a summary of the corporate governance practices of Aperam.

The 10 Principles of Corporate Governance of the Luxembourg Stock Exchange constitute Aperam's domestic corporate governance code.

Board of Directors, Management Committee

Aperam is governed by a Board of Directors and a Management Committee.

Board of Directors

The Board of Directors is in charge of the overall governance and direction of the Company. It is responsible for the performance of all acts of administration necessary or useful to implement the corporate purpose of the Company as described in the Articles of Association, except for matters expressly reserved by Luxembourg law or the Articles of Association to the general meeting of shareholders. The Articles of Association provide that the Board of Directors must be composed of a minimum of three members. None of the members of the Board of Directors may hold an executive position or executive mandate within the Company or any entity controlled by the Company.

The Articles of Association provide that directors are elected and removed by the general meeting of shareholders by a simple majority of votes cast. Directors are appointed for a maximum term of three years and are automatically eligible for reappointment at the end of such period. Any director may be removed with or without cause by a simple majority vote at any general meeting of shareholders. In the event that a vacancy arises on the Board of Directors for any reason, the remaining members of the Board of Directors may, by a simple majority, elect a new director to fulfill temporarily the duties attaching to the vacant post until the next general meeting of shareholders.

As of the date of this annual report, the Board of Directors is composed of seven members. Mr. Lakshmi N. Mittal was elected Chairman of the Board of Directors in December 2010. Mr. Romain Bausch joined the Aperam Board of Directors in January 2011 and was elected Lead Independent Director in February 2011. The Board is assisted by a Company Secretary who also acts as Secretary of all the Board Committees.

The 10 Principles of Governance of the Luxembourg Stock Exchange, which constitute Aperam's domestic corporate governance code, require Aperam to define the independence criteria that apply to its directors.

The Board of Directors has a majority of independent directors, with four members of the Board of Directors being independent and the remaining three members being non-independent. A member of the Board of Directors is considered as "independent", if (i) he or she is independent within the meaning of the NASDAQ Listing Rules, as amended from time to time, or any successor manual or provisions, subject to the exemptions available for foreign private issuers, if (ii) he or she is unaffiliated with any shareholder owning or controlling more than two percent (2%) of the total issued share capital of the Company and (iii) the Board of Directors makes an affirmative determination to this effect. For the purposes of this article, a person is deemed affiliated to a shareholder if he or she is an executive officer, or a director who is also employed by the shareholder, a general partner, a managing member, or a controlling shareholder of such shareholder.

Specific characteristics of the director role

There is no requirement in the Articles of Association that directors be shareholders of the Company.

The Board of Directors improved its corporate governance framework on February 4, 2013 to align the Company's corporate governance practices with developing best practices in the area of term limits and over-boarding.

The purpose of these improvements is to limit the time of service of directors on the Board of Directors and to set limits with respect to the number of directorships they can hold. An independent director shall not serve on the Board of Directors for more than 12 consecutive years. The Board of Directors may, by way of exception to this rule, make an affirmative determination, on a case-by-case basis, that a director may continue to serve beyond 12 years in consideration of his or her exceptional contribution to the Board. An independent director will no longer be considered "independent" as defined in the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange and the NASDAQ Listing Rules as applicable to foreign private issuers when he or she has completed 12 years of service on the Board.

As membership of the Board of Directors represents a significant time commitment, directors require devoting sufficient time to the discharge of their duties as a director of Aperam. Directors are therefore required to consult with the Chairman and the Lead Independent Director before accepting any additional commitment that could conflict with or impact on the time they can devote to their role as a Director of Aperam. Furthermore, a director may not serve on more than four public company boards in addition to the Aperam Board of Directors. However, service on the board of directors of any subsidiary or affiliate of the foregoing companies shall not be taken into account for purposes of complying with the foregoing limitation. The Board may, by way of exception, allow for a temporarily lifting of this rule.

None of the members of the Board of Directors have entered into service contracts with Aperam or any of its subsidiaries that provide for any form of remuneration or for benefits upon the termination of their term.

The remuneration of the members of the Board of Directors is determined on a yearly basis by the annual general meeting of shareholders.

Operation of the Board of Directors

General

Luxembourg law permits the Board of Directors to engage the services of external experts or advisers, as well as to take all actions necessary or useful to implement the Company's corporate purpose (*objet social*).

Meetings

The Board of Directors meets when convened by the Chairman of the Board or two members of the Board of Directors. The Board of Directors holds meetings in person on at least a quarterly basis and additional meetings are held as circumstances require, either in person or by teleconference.

The Board of Directors held five meetings in 2012. The average attendance rate of the directors at the Board of Directors' meetings held in 2012 was 100%.

In order for a meeting of the Board of Directors to be validly held, a majority of the directors must be present or represented. In the absence of the Chairman, the Board of Directors will appoint by majority vote a chairman pro tempore for the meeting in question. For any meeting of the Board of Directors, a director may designate another director to represent him or her and vote in his or her name.

The agenda of the meeting of the Board of Directors is agreed by the Chairman of the Board of Directors and the Lead Independent Director.

Votes

Each member of the Board of Directors has one vote and none of the directors, including the Chairman, has a casting vote. Decisions of the Board of Directors are made by a majority of the directors present and represented at a validly constituted meeting.

Lead Independent Director

The independent members of the Board of Directors are entitled to nominate annually a Lead Independent Director, whose functions include the following:

- coordination of the activities of the independent directors;
- liaising between the non-independent directors and the independent directors;
- calling meetings of the independent directors when necessary and appropriate; and
- performing such other duties as may be assigned to him or her by the Board of Directors from time to time.

Mr. Romain Bausch was elected by the Board of Directors as Aperam's Lead Independent Director in February 2011.

Separate Meetings of Independent Members of the Board of Directors

The independent members of the Board of Directors may schedule meetings outside the presence of the management and the non-independent Directors. Five meetings of the independent Directors outside the presence of management and non-independent Directors were held in 2012.

The Chairman of the Board of Directors and the Lead Independent Director held 5 meetings in 2012 enabling to provide feedback on the separate meetings of the independent directors outside the presence of the management and the non-independent directors.

Board of Directors Self-evaluation and Continuing Education Program

The Board of Directors conducts an annual self-evaluation in order to identify potential areas for improvement of the Board and its Committees. The self-evaluation process is based on interviews of the Lead Independent Director and the members of the Board of Directors and covers the overall performance of the Board of Directors, its relations with senior management, the performance of individual directors, and the performance of the Committees. The process is supported by the Company Secretary under the supervision of the Chairman and the Lead Independent Director. The findings of the self-evaluation process are examined by the Remuneration, Nomination and Corporate Governance Committee and presented with recommendations from the Committee to the Board of Directors for adoption and implementation.

Suggestions for improvement of the Board of Directors' process based on the prior year's performance and functioning are implemented during the following year.

The Company's first Board of Directors' self-evaluation was conducted early 2012 after a full yearly cycle of Board and Committee meetings had been completed and was discussed by the Board in May 2012. The items reviewed during the self-evaluation process included the functioning of the Board, the composition of the Board, the contribution to the Board and areas for improvement. Overall satisfaction with the quality of the Board and Committee process was high with successful induction sessions for the Board members. The balance of the time spent by the Board of Directors on strategic issues compared to the review of performance was an issue identified to merit further consideration. The second self-evaluation began in December 2012 and was on the agenda of the February 2013 Board Meeting. The previous year's recommendation on the balance of the time spent by the Board of Directors on strategic issues compared to the review of performance was successfully addressed. Specific topics that deserve further attention in the Board were suggested and will be followed up in the course of 2013, and include succession planning, specific industry briefings and trainings, visits to key Aperam facilities and management exposure to the Board.

The Board of Directors believes that its members have the appropriate range of skills, knowledge and experience necessary to enable them to effectively fulfill their duties. To enhance these skills, the Board of Directors implements a continuing education program for its members. The topics addressed through the program include areas of importance for our future growth and development (e.g., strategy, marketing, human resources, industrial development, research and development, sustainability, corporate governance, legal, accounting and regulatory). Additional topics may be added at the request of the members of the Board of Directors. The continuing education program consists of an introduction by recognized experts in the relevant fields who may be practitioners or academics followed by a facilitated discussion between the presenter and the Board of Directors. The members of the Board of Directors have the opportunity to participate in specific programs designed for directors of publicly listed companies at reputable academic institutions and business schools.

Committees of the Board of Directors

The Board of Directors has 3 committees: the Audit and Risk Management Committee, the Remuneration, Nomination and Corporate Governance Committee and the Sustainability, Performance and Strategy Committee.

Committee Composition

The composition of the Committees of the Board of Directors as of the date of this annual report is set forth below.

Name	Position within Aperam	Independent/ Non Independent Status	Audit and Risk Management Committee	Remuneration, Nomination and Corporate Governance Committee	Sustainability, Performance and Strategy Committee
Romain Bausch...........	Member of Board of Directors	Lead Independent Director	X	X (Chairman)	
David Burritt	Member of Board of Directors	Independent	X (Chairman)	X	
Kathryn Matthews…..	Member of Board of Directors	Independent		X	X
Laurence Mulliez	Member of Board of Directors	Independent	X		X
Gonzalo Urquijo	Member of Board of Directors	Non Independent			X (Chairman)

Audit and Risk Management Committee

The Audit and Risk Management Committee is composed of three directors. The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The Audit and Risk Management Committee takes decisions by a simple majority.

With respect to audit related matters, the primary function of the Audit and Risk Management Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

- our financial reports and other financial information provided to any governmental body or the public;
- our system of internal control regarding finance, accounting, legal, compliance and ethics established by the Board of Directors and senior management; and
- our auditing, accounting and financial reporting processes generally.

With respect to audit related matters the Audit and Risk Management Committee's primary duties and responsibilities relating to this function are to:

- be an independent and objective party to monitor our financial reporting process and internal controls system;
- review and appraise the audit efforts of Aperam's independent auditors and internal auditing department;
- review major legal and compliance matters and their follow up;
- provide an open avenue of communication among our independent auditors, senior management, the internal audit department, and the Board of Directors
- approve the appointment and fees of our independent auditors; and
- monitor the independence of the independent auditors.

With respect to risk management related matters, the primary function of the Audit and Risk Management Committee is to support the Board of Directors in fulfilling its corporate governance and oversight responsibilities by assisting with the monitoring and review of our risk management process. In that regard, its main responsibilities and duties are to assist the Board of Directors by developing recommendations regarding the following matters:

- oversight, development and implementation of a risk identification and management process and the review of this process in a consistent manner throughout the Company;
- review of the effectiveness of our risk management framework, policies and process at the corporate and operating segment levels and the proposal of improvements, with the aim of ensuring that our management is supported by an effective risk management system;
- promotion of constructive and open exchanges on risk identification and management among senior management, the Board of Directors, the legal department and other relevant departments of the Company;
- review of proposals to assess, define and review the level of risk tolerance to ensure that appropriate risk limits are in place;
- review of our internal and external audit plans to ensure that they include a review of the major risks we face; and
- making recommendations within the scope of its charter to Aperam's senior management and to the Board of Directors about senior management's proposals concerning risk management.

In fulfilling its duties, the Audit and Risk Management Committee may seek the advice of outside experts.

The three members of the Audit and Risk Management Committee are Messrs. David Burritt and Romain Bausch and Ms. Laurence Mulliez. Mr. David Burritt is the Chairman of the Audit and Risk Management Committee. Each of these members is an independent director in accordance with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

According to its charter, the Audit and Risk Management Committee is required to meet at least four times a year. During 2012, the Audit Committee met five times. The average attendance rate of the directors at the Audit and Risk Management Committee meetings held in 2012 was 100%.

As part of the annual self-evaluation interviews, the Audit and Risk Management Committee performed an evaluation, which was completed in February 2013 with respect to performance in 2012.

Remuneration, Nomination and Corporate Governance Committee

The Remuneration, Nomination and Corporate Governance Committee may be composed of two or three directors, and is currently composed of three directors. The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The Remuneration, Nomination and Corporate Governance Committee takes decisions by a simple majority.

The Board of Directors has established the Remuneration, Nomination and Corporate Governance Committee to:

- determine Aperam's compensation framework, including short and long term incentives for the Chief Executive Officer, the Chief Financial Officer, the members of the Management Committee;
- review and approve succession and contingency plans for key managerial positions at the level of the Management Committee;
- consider any candidate for appointment or reappointment to the Board of Directors at the request of the Board of Directors and provide advice and recommendations to it regarding the same;
- evaluate the functioning of the Board of Directors and monitor the Board of Directors' self-assessment process; and
- develop, monitor and review corporate governance principles and corporate responsibility policies applicable to Aperam, as well as their application in practice.

The Remuneration, Nomination and Corporate Governance Committee's principal criteria in determining the compensation of executives is to encourage and reward performance that will lead to long-term enhancement of shareholder value. In fulfilling its duties, the Remuneration, Nomination and Corporate Governance Committee may seek the advice of outside experts.

The three members of the Remuneration, Nomination and Corporate Governance Committee are Messrs. Romain Bausch and David Burritt and Ms. Kathryn Matthews. Mr. Romain Bausch is the Chairman of the Remuneration, Nomination and Corporate Governance Committee. Each of these members is an independent director in accordance with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

The Remuneration, Nomination and Corporate Governance Committee is required to meet at least twice a year. During 2012, this committee met four times. The average attendance rate at the Remuneration, Nomination and Corporate Governance Committee meetings held in 2012 was 100%.

As part of the annual self-evaluation interviews, the Remuneration, Nomination and Corporate Governance Committee performs an evaluation, which was completed in February 2013 with respect to performance in 2012.

Sustainability, Performance and Strategy Committee

The Sustainability, Performance and Strategy Committee is composed of three directors. The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The Sustainability, Performance and Strategy Committee takes decisions by a simple majority.

The primary function of the Sustainability, Performance and Strategy Committee is to review on a regular basis our sustainability, financial and industrial performance and strategy. With respect to sustainability related matters, Health and Safety is the top priority and reviewed systematically at each Committee meeting. Other sustainability related matters include the overall sustainability approach for the Company and its operating segments, in particular from the perspective of value creation, the use of green energy and, more generally, the environmental impact of production cycles and expansion projects.

The three members of the Sustainability, Performance and Strategy Committee are Mr. Gonzalo Urquijo, Ms. Kathryn Matthews and Ms. Laurence Mulliez. Mr. Gonzalo Urquijo is the Chairman of the Sustainability, Performance and Strategy Committee. Ms. Kathryn Matthews and Ms. Laurence Mulliez are independent directors in accordance with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

During 2012, this committee met four times. The average attendance rate at the Sustainability, Performance and Strategy Committee meetings held in 2012 was 100%.

As part of the annual self-evaluation interviews the Sustainability, Performance and Strategy Committee performs a self-evaluation, which was completed in February 2013 with respect to performance in 2012.

Transition Committee

Following the spin-off of ArcelorMittal's stainless and specialty steels business into Aperam on January 25, 2011, an ad hoc Transition Committee was formed by the Board of Directors in order to monitor the implementation of the transitional agreements entered into with ArcelorMittal. The Transition Committee was created for a maximum of three years, after which an evaluation of its purpose would take place. Its members were Ms. Kathryn Matthews, Ms. Laurence Mulliez and Mr. David Burritt with Ms. Kathryn Matthews acting as Chairman. Each of these members is an independent director in accordance with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

The Transition Committee reviewed the terms and conditions of the transitional services received from ArcelorMittal in the course of 2012. The Transition Committee then decided that a separate committee focused on the transition was no longer necessary, as the transitional agreements with ArcelorMittal had decreased in relevance and order of magnitude, effective October 30, 2012. Responsibility for the remaining arrangements with ArcelorMittal has been transferred to line management with oversight by the Audit and Risk Management Committee in the normal course of business.

During 2012, this committee met two times. The average attendance rate at the Transition Committee meetings held in 2012 was 100%. As part of the annual self evaluation interviews the Transition Committee members performed a self-evaluation, which was completed in February 2013 with respect to performance in 2012.

Management Committee

The Management Committee is entrusted with the day-to-day management of Aperam. Mr. Philippe Darmayan is the Chief Executive Officer and a member of the Management Committee. The members of the Management Committee are appointed and dismissed by the Board of Directors. As the Management Committee is not a corporate body created by Luxembourg law or Aperam's Articles of Association, the Management Committee may exercise only the authority granted to it by the Board of Directors.

Succession Planning

Succession planning at the Company is a systematic and deliberate process for identifying and preparing employees with potential to fill key organizational positions should the current incumbent's term expire. This process applies to all executives up to and including the Management Committee. Succession planning aims to ensure the continued effective performance of the organization by providing for the availability of experienced and capable employees who are prepared to assume these roles as they become available. For each position, candidates are identified based on performance and potential and their "years to readiness" and development needs are discussed and confirmed. Regular reviews of succession plans are conducted to ensure that they are accurate and up to date. Succession planning is a necessary process to reduce risk, create a pipeline of future leaders, ensure smooth business continuity and improve employee motivation.

Other Corporate Governance Practices

We are committed to adopting best practice corporate governance standards. We will continuously monitor legal requirements and best practices in order to make adjustments to our corporate governance controls and procedures where necessary.

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

Ethics and Conflicts of Interest

Ethics and conflicts of interest are governed by Aperam's Code of Business Conduct, which establishes the standards for ethical behavior that are to be followed by all employees and directors of Aperam in the exercise of their duties. They must always act in the best interests of Aperam and must avoid any situation in which their personal interests conflict, or could conflict, with their obligations to Aperam. As employees, they must not acquire any financial or other interest in any business or participate in any activity that could deprive Aperam of the time or the attention needed to devote to the performance of their duties. Any behavior that deviates from the Code of Business Conduct is to be reported to the employee's supervisor, a member of the management, the head of the legal department or the head of the combined assurance department. Code of Business Conduct training is offered throughout Aperam. The Code of Business Conduct is available in the "About – Investors & Shareholders - Corporate Governance—Code of Business Conduct" section of Aperam's website at www.aperam.com.

Process for Handling Complaints on Accounting and financial Matters

As part of the procedures of the Board of Directors for conducting the business in a fair and transparent manner, Aperam Code of Business Conduct and Anti-Fraud Policy (available on Aperam's website, www.aperam.com, under About - Investors & Shareholders - Corporate Governance) encourage all employees to bring any issues related to accounting, internal controls, auditing or banking matters to the Audit and Risk Management Committee's attention on a confidential basis. In accordance with Aperam Anti-Fraud Policy and Aperam Whistleblower Charter, concerns with regard to possible fraud or irregularities in accounting, auditing or banking matters or financial corruption within Aperam or any of its subsidiaries or other controlled entities, a part from regular or internal information and reporting means, may be communicated using the Aperam whistleblowing line at the disposal of all employees.

Combined Assurance

Aperam has a Combined Assurance function that, through its Head of Combined Assurance, reports to the Audit and Risk Management Committee. The function, using best-in class methodology in line with the Institute of Internal Auditors standards, is staffed by full-time professional staff located at the Head Office and the main production sites. The function supports the Audit and Risk Management Committee and the Management Committee in fulfilling their oversight responsibilities in Governance, Risk Management and Compliance & Forensic Services. Recommendations relating to the internal control environment are made by the Combined Assurance function and their implementation is regularly reviewed by the Audit and Risk Management Committee.

Independent Auditors

The appointment and determination of fees of the independent auditors is the direct responsibility of the Audit and Risk Management Committee. The Audit and Risk Management Committee is further responsible for obtaining, at least once each year, a written statement from the independent auditors that their independence has not been impaired. The Audit and Risk Management Committee has obtained from Aperam's principal independent auditors such an independence statement as well as a confirmation that none of its former employees are in a position within Aperam that may impair the principal auditors' independence. The appointment of the independent auditors is submitted to shareholder approval.

Audit fees in 2012 were $2.9 million for the audits of financial statements.

Measures to Prevent Insider Dealing and Market Manipulation

The Board of Directors of Aperam has adopted Insider Dealing Regulations ("IDR"), which are updated when necessary and in relation to which training is conducted throughout the group. The IDR are available on Aperam's website, www.aperam.com, under "About - Investors & Shareholders - Corporate Governance—Insider Dealing Regulations".

The General Counsel of Aperam is the IDR compliance officer and answers questions that members of senior management, the Board of Directors, or employees may have about the IDR's interpretation. Aperam maintains a list of insiders as required by the Luxembourg market manipulation (*"abus de marché"*) law of May 9, 2006. The compliance officer may assist senior executives and directors with the filing of notices required by Luxembourg law to be filed with the Luxembourg financial regulator, the CSSF (*"Commission de Surveillance du Secteur Financier"*). Furthermore, the compliance officer has the power to conduct investigations in connection with the application and enforcement of the IDR, in which any employee or member of senior management or of the Board of Directors is required to cooperate.

In addition, Aperam's Code of Business Conduct contains a section on "Trading in the Securities of the Company" that emphasizes the prohibition to trade on the basis of inside information.

Additional disclosures

The following disclosures are made in compliance with article 11 of the Luxembourg Law of May 19, 2006 transposing Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids. The Company's articles of association are available at www.aperam.com, under "Investors & shareholders - Corporate Governance - Articles of Association".

- With reference to article 11 (1) (a) of the above mentioned law – The Company has issued a single category of shares (ordinary shares). As per article 13.6 of the articles of association of the Company each share is entitled to one vote. The shareholder structure including voting rights as of December 31, 2012 is set out page 53 of this report and available at www.aperam.com, under "Investors & shareholders - Corporate Governance – Share Capital", where the shareholding structure table is updated monthly.

- With reference to article 11 (1) (b) of the above mentioned law – The ordinary shares of the Company are freely transferable.

- With reference to article 11 (1) (c) of the above mentioned law – The beneficial ownership and voting rights in the Company by each person who is known to be the beneficial owner of 2.5% or more of the Company's issued share capital is set out page 53 of this report and available at www.aperam.com, under "Investors & shareholders - Corporate Governance – Share Capital", where the shareholding structure table is updated monthly.

- With reference to article 11 (1) (d) of the above mentioned law – All of the issued and outstanding ordinary shares in the Company have equal voting rights and there are no special control rights attaching to the ordinary shares. As per article 13.6 of the articles of association of the Company each share is entitled to one vote. As per article 8.4 of the articles of association of the Company, the Mittal Shareholder (as defined in the articles of association) may, at its discretion, decide to exercise the right of proportional representation and nominate candidates for appointment as members of the board of directors. The Mittal Shareholder has not, to date, exercised that right.

- With reference to article 11 (1) (e) and (f) of the above mentioned law – Not applicable. However, the sanction of suspension of voting rights automatically applies, subject to limited exceptions set out in the Transparency Law (as defined below), to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in article 7 of the Articles of Association and articles 8 to 15 of the Luxembourg law of 11 January 2008 on the transparency requirements regarding issuers of securities (the "Transparency Law") but have not notified the Company accordingly. The sanction of suspension of voting rights will apply until such time as the notification has been properly made by the relevant shareholder(s).

- With reference to article 11 (1) (g) of the above mentioned law – Not applicable.

- With reference to article 11 (1) (h) of the above mentioned law – As per article 8.3 of the articles of association of the Company, the members of the Board of Directors shall be elected by the shareholders at the annual general meeting or at any other general meeting of shareholders for a term not exceeding three years and shall be eligible for re-election. In the event that a vacancy arises on the Board of Directors for any reason, the remaining members of the Board of Directors may, by a simple majority, elect a new director to fulfill temporarily the duties attaching to the vacant post until the next general meeting of shareholders. The Board of Directors' election is also set out on page 36 of this report. Rules governing amendments of the Company's articles of association are set out in article 14 of the articles of association of the Company.

- With reference to article 11 (1) (i) of the above mentioned law – As of December 31, 2012, the Company's authorized share capital, including the issued share capital, consisted of 85,854,303 shares without nominal value. The Company's issued share capital was represented by 78,049,730 fully paid up shares without nominal value. A general meeting of the Company held on January 21, 2011 adopted a resolution (which became effective upon the effectiveness under Luxembourg law of the spin-off of ArcelorMittal's stainless and specialty steels assets into the Company) whereby the general meeting authorizes the Company to acquire and to own Company shares, including through off-market and over-the-counter transactions, and through derivative financial instruments on any of the stock exchanges on which the Company is listed, 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, provided that (a) the maximum number of own shares the Company may hold at any time directly or indirectly may not exceed 10% of its issued share capital and may not have the effect of reducing the Company's net assets *("actif net")* below the amount mentioned in the relevant provisions of the Luxembourg law on commercial companies of August 10, 1915, as amended (Article 72-1), and (b) the purchase price per share to be paid may not represent more than 105% of the trading price of the Company shares on the stock exchanges where the Company is listed, and not less than one cent. For off-market transactions, the maximum purchase price will be 105% of the Company share price on Euronext. The reference price will be deemed to be the average of the final listing prices per share on the relevant stock exchange during 30 consecutive days on which the relevant stock exchange is open for trading preceding the three trading days prior to the date of purchase. The total amount allocated for the Company's share repurchase program may not in any event exceed the amount of the Company's then available equity.

- With reference to article 11 (1) (j) of the above mentioned law – Not applicable.

- With reference to article 11 (1) (k) of the above mentioned law – Not applicable.

Articles of Association

On May 8, 2012 the Extraordinary General Meeting of Shareholders approved amendments to the Articles of Association of the Company to reflect recent changes in Luxembourg law and enable additional flexibility in setting the date and time of the Annual General Meeting of shareholders.

In particular shareholders approved the amendments of Articles 6 (Shares), 7 (Rights and obligations of shareholders), 13 (Shareholders' meetings – General) and 14 (Annual general meetings of shareholders) to take into account the recent changes in Luxembourg law: the European Shareholders' Rights Directive 2007/36/EC transposed into Luxembourg law by a law dated May 24, 2011, and the law of January 11, 2008 on transparency obligations relating to issuers whose securities are admitted to trading on a regulated market. The principal changes concern the introduction of the "record date" system and the removal of the share blocking requirements five days ahead of the general meeting.

Shareholders also approved the amendment of article 14.1 of the Articles of Association to allow the Board of Directors a degree of flexibility in setting the date of the Annual General Meeting during the second or third week of May each year at any time between 9.00 a.m. and 4.00 p.m. Central European Time, thus providing some flexibility with regard to the Annual General Meeting date and time.

A copy of the amended and restated Articles of Association of Aperam is available at www.aperam.com, under "Investors & shareholders - Corporate Governance - Articles of Association".

Compensation

As of December 31, 2012 and 2011, Aperam did not have any outstanding loans or advances to members of its Board of Directors and, as of December 31, 2012, Aperam had not given any guarantees for the benefit of any member of its Board of Directors.

Board of Directors

The table below shows the directors compensation paid in 2012 for the financial period ending December 31, 2011 and in 2011 for the financial period ending January 25, 2011. The directors compensation for the financial period ending December 31, 2012 will be submitted to shareholder approval at the annual general meeting of May 8, 2013.

(Amounts in USD):

Name	Financial period ending January 25, 2011 (1) (2)	Financial period ending December 31, 2011 (1) (2)	Financial period ending December 31, 2012
Mr. Lakshmi N. Mittal.............	$ 13,118	$ 84,398	$ 92,358
Mr. Romain Bausch...............	$ 1,215	$ 116,696	$ 128 642
Mr. David B. Burritt	$ 12,763	$ 113,314	$ 125 343
Ms. Kathryn A. Matthews.......	$ 12,763	$ 107,531	$ 118 746
Mr. Aditya Mittal.....................	$ 13,118	$ 84,398	$ 92 358
Ms. Laurence Mulliez	-	$ 72,904	$ 115 448
Mr. Gonzalo Urquijo..............	$ 13,118	$ 95,964	$ 105 552
Total	$ 66,095	$ 675,205	$ 778 446
Shareholder approval date	July 12, 2011	May 8, 2012	May 8, 2013

Notes:

(1) Due to the complexity of the spin-off which was preceded by a multi-jurisdictional reorganization of ArcelorMittal's entire stainless and specialty steels businesses, the operating entities of which are predominantly based in France, Belgium and Brazil, and the related accounting and tax consequences of the spin-off, Aperam closed its financial year started on January 1, 2011 on the date on which the spin-off became effective, i.e., January 25, 2011.

(2) Ms. Sylvie Ouziel who stepped down from the Board of Directors for personal considerations effective on May 10, 2011 decided to renounce to her compensation as member of the Board of Directors.

The annual compensation of the Board of Directors is based on the following € based remuneration structure:

Position	Compensation (annual basis) (1)
Basic Director's remuneration……………………………………	€ 70,000
Lead Independent Director's remuneration……………………..	€ 80,000
Additional remuneration for the Chair of the Audit and Risk Management Committee……..	€ 15,000
Additional remuneration for the other Audit and Risk Management Committee members ..	€ 7,500
Additional remuneration for the Chairs of the other Committees………………………....	€ 10,000
Additional remuneration for the members of the other Committees………………………....	€ 5,000

Notes:

(1) Remuneration structure approved at the annual general meeting of shareholders on May 8, 2012.

Senior Management

The total compensation paid in 2012 to the persons comprising the Company's Management Committee members was $2.82 million in base salary (including certain allowances paid in cash) and $0.34 million in short-term performance related variable pay (consisting of a bonus linked to the 2011 results). As of December 31, 2012, approximately $450,000 was accrued to provide pension benefits to such persons.

The members of the Management Committee also participate in share-based compensation plans sponsored by Aperam. The Remuneration, Nomination and Corporate Governance Committee of the Board of Directors decided to further improve the remuneration disclosure published by the Company by focusing the information on on those executive officers whose remuneration is tied to the performance of the entire Aperam group. The Management Committee is defined going forward as Aperam's senior management.

The table below summarizes the detailed allocation of RSUs and PSUs to the Management Committee Members under the shareholder approvals. Additional information about the RSU and PSU plans is available in the Long Term Incentive Section of this report.

	Allocation under the shareholder approval of	
	July 12, 2011	**May 8, 2012**
Authorisation to issue up to…………………………………..	70,000 RSU 20,000 PSU	70,000 RSU 20,000 PSU
- corresponding to maximum………………………………..	110,000 shares	110,000 shares
- representing in % of issued shares………………………	less than 0.15%	less than 0.15%
Targeted population under the RSU Plan………………….	30 most senior managers	30 most senior managers
Targeted population under the PSU Plan………………….	Subset of the RSU population	Subset of the RSU population
Allocation under the shareholder approval limit................. to Members of the Management Commmittee		
- for RSUs	23,750 RSU (vesting November 3, 2014)	No PSUs and RSUs will be granted to the Management Committee under the May 8, 2012 shareholder approval
- for PSUS	14,250 PSU (vesting March 31, 2015)	
Performance criteria of PSU…………………………	50% weighting: 2012-2014 average ROCE of 6.5% 50% weighting: Management gains of $350 million under Leadership Journey end 2014	Not applicable as no PSUs will be granted under the May 8, 2012 shareholder approval

We do not have any outstanding loans or advances to members of the Company's senior management or any guarantees for the benefit of any member of the Company's senior management.

None of the members of senior management has entered into service contracts with the Company or any of our affiliates that provide for benefits upon the termination of their service.

The general meeting of the Company held on January 21, 2011, resolved to delegate to the Board of Directors to determine how to compensate employees who have outstanding ArcelorMittal stock options and who are transferring from ArcelorMittal to the Company. Upon the recommendation of the Board of Directors' Remuneration, Nomination & Corporate Governance Committee, the Board has approved that Aperam employees remain beneficiaries of the ArcelorMittal Stock option, under the same conditions as if they were still ArcelorMittal employees. The ArcelorMittal stock option plan administration committee has agreed this treatment for the ArcelorMittal management transferred to Aperam.

Remuneration governance

The Board has to ensure that the Groups' remuneration arrangements are equitable and aligned with the long-term interests of Aperam and its shareholders.

To this end, the Board has established the Remuneration, Nomination and Corporate Governance Committee ("RNCG Committee") to assist it in among others making decisions affecting employee remuneration. All members of the RNCG committee are required to be independent under the company's corporate governance guidelines, the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange and the NASDAQ Listing Rules.

The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The members have relevant expertise or experience relating to the purposes of the committee. The RNCG Committee is chaired by Mr. Romain Bausch, Lead Independent Director.

Additional information with respect to the Remuneration, Nomination and Corporate Governance Committee is provided page 40 of the Annual Report.

Board of Directors and Senior Management Compensation Policy

Philosophy

The Company's Compensation Policy for senior managers is based on the following principles:

- provide total compensation competitive with executive compensation levels of industrial companies of a similar size and scope;
- promote internal equity and market median base pay levels for executives, combined with "pay for performance";
- motivate managers towards the achievement of group-wide and personal goals, including efficiency and growth; and
- retain individuals who consistently perform at expected levels and contribute to the success of the organization.

Compensation Framework

The Remuneration, Nomination and Corporate Governance Committee draws up proposals for executive compensation on an annual basis for presentation to the Board of Directors. It also prepares proposals for the fees to be paid annually to the members of the Board of Directors. Its principal objective is to encourage and reward performance that will lead to the long-term enhancement of shareholder value. The proposals of the Remuneration, Nomination and Corporate Governance Committee for executive compensation comprise a fixed annual salary, short-term incentives (performance-related bonuses) and long-term incentives (Restricted Share Units and Performance Share Units).

The proposals prepared by the Remuneration, Nomination and Corporate Governance Committee apply to the Chief Executive Officer and members of the Management Committee. The Remuneration, Nomination and Corporate Governance Committee's decisions on short and long-term incentive plans may also apply to a larger group of employees. It receives updates regarding the application of these plans on a regular basis.

Fixed Annual Salary

Fixed annual salaries are determined based upon benchmarking against the median salary level of peer companies, which include industrial companies of a size and scope similar to that of the Company. Fixed annual salaries are reviewed annually to ensure that we remain competitive.

Short-term Incentives: Performance-Related Bonus

Our Global Performance Bonus Plan is a performance-related bonus plan. Performance-related bonuses are calculated as a percentage of an employee's fixed annual salary. Different percentages apply depending upon the employee's rank. Performance-related bonuses are determined based upon the performance of the Company and/or the relevant operating segment, the achievement of specific objectives and the relevant employee's overall performance and potential. Performance-related bonuses are paid only if certain minimum performance thresholds are met by the Company as a whole and/or the relevant segment.

The calculation of Aperam's 2012 performance bonus is aligned with Aperam's strategic objectives of improving health and safety performance and our overall competitiveness.

The following three levels of achievement apply:

• 80% achievement: the threshold or minimum level of achievement. The performance bonus is not paid out if the level of achievement of the business plan target is below this threshold;

• 100% achievement: the business plan target has been fully reached;

• 120% achievement: the maximum or ceiling for over-achievement of the business plan.

The bonus is calculated as a percentage of the individual employee's base salary, as indicated in the table below. Different percentage ranges are used depending on the position of the individual employee.

	Business Plan Achievement Threshold at 80%	**Business Plan Achievement Target at 100%**	**Business Plan Achievement Ceiling at 120%**
CEO	30% of base pay	60% of base pay	90% of base pay
Management Committee Member (VP)	20% of base pay	40% of base pay	60% of base pay
Management Committee Member (GM)	15% of base pay	30% of base pay	45% of base pay

Note: *VP, Vice-President; GM, General Manager*

For the Chief Executive Officer and the Members of the Management Committee, the 2012 bonus formula is based on:

- EBITDA at group level: 40% (this acts as a "circuit breaker" with respect to group-level financial performance measures, as explained below);
- Free Cash Flow at group level: 30%;
- Health and Safety performance at group level: 10%;
- Quantified specific measures (including specific Health and Safety targets): 20%.

In the 2012 bonus formula, EBITDA was operating as a "circuit breaker" for financial measures means that the 80% threshold described above must be met for EBITDA in order to trigger any bonus payment with respect to the EBITDA and Free Cash Flow performance measures.

The different performance measures are combined through a cumulative system: each measure is calculated separately and is added up for the performance bonus calculation. The individual performance and potential assessment ratings define the individual bonus multiplier that will be applied to the performance bonus calculated based on actual performance against the performance measures. Those individuals who consistently perform at expected levels will have an individual multiplier of 1. For outstanding performers, an individual multiplier of up to 1.3 may cause the performance bonus pay-out to be higher than 150% of the target bonus, up to 195% of target bonus being the absolute maximum. Similarly, a reduction factor will be applied for those at the lower end. No bonus pay-out is a possible outcome for substandard performance. The principles of the performance bonus plan, with different weight for performance measures and different levels of target bonus, are applicable to about 1,000 employees worldwide.

Long-term Incentives: Restricted Share Unit Plan and Performance Share Unit Plan

The shareholders have approved at the last annual general meeting of May 8, 2012 the implementation of a Restricted Share Unit Plan and a Performance Share Unit Plan to enhance the long-term performance of the Company and to retain key employees. The two Plans are intended to promote the alignment of interests between the Company's shareholders and eligible employees by allowing them to participate in the success of the Company. The table page 47 summarizes the key characteristics of long term incentive plans since the creation of Aperam.

Restricted Share Unit (RSU) Plan

The aim of the RSU Plan is to provide a retention incentive to eligible employees. It is subject to "cliff vesting" after three years, with 100% of the grant vesting on the third anniversary of the grant contingent upon the continued active employment of the eligible employee within the Aperam group. The RSUs are an integral part of the Company's remuneration framework in which it serves the specific objective of medium-term and long-term retention.

For the period from the July 12, 2011 general shareholders' meeting to the annual general meeting of shareholders held on May 8, 2012, a maximum of 70,000 RSUs and 20,000 PSUs might be allocated to qualifying employees under the RSU Plan and the PSU Plan, respectively. In November 2011, a total of 59,750 shares under the RSU Plan were granted to a total of 28 employees. In March 2012, a total of 14,250 PSU were granted to the Management Committee of the Company.

For the period from the annual general meeting of May 8, 2012 to the annual general meeting of shareholders to be held in 2013 a maximum of seventy thousand (70,000) Restricted Share Units (each, a "RSU") of the Company may be allocated to qualifying employees under the 2012 RSU Plan. The RSU Plan is targeted at the 30 most senior managers across the Aperam group. The decision was taken by the Board of Directors not to allocate any RSUs to the Management Committee Members between the May 2012 and May 2013 shareholder meetings as the long-term incentives schemes for the Members of the Management Committee are under review. The Company expects to make a grant under the RSU Plan by the end of the first quarter of 2013 to the other eligible managers.

Performance Share Unit (PSU) Plan

The PSU Plan's main objective is to be an effective performance-enhancing scheme based on the employee's contribution to the eligible achievement of the Company's strategy. Awards under the PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant. The employees eligible to participate in the PSU Plan are a sub-set of the group of employees eligible to participate in the RSU Plan. The target group for PSU grants is primarily the Chief Executive Officer and the other members of the Management Committee.

For the period from the May 2012 annual general shareholders' meeting to the May 2013 annual general shareholders' meeting, a maximum of 20,000 PSUs may be allocated to eligible employees under the PSU Plan. The decision was taken by the Board of Directors not to grant any PSUs to the members of the Management Committee between the May 2012 and May 2013 shareholder meetings as the long-term incentives schemes for the Members of the Management Committee are under review.

PSUs will vest three years after their date of grant subject to the eligible employee's continued employment with the Company and the fulfilment of targets related to the following performance measures as described in table page 47. Under the allocation of the July 12, 2011 shareholder meeting, performance measures are Return On Capital Employed ("ROCE") and management gains reached under the "Leadership Journey". Each performance measure has a weighting of 50%. In case the level of achievement of both performance targets together is below 80%, there is no vesting, and the rights are automatically forfeited. The two targets to be reached over the period 2012 to 2014 are an average ROCE of 6.5% and USD 350 million of management gains.

The allocation of RSUs and PSUs to members of the Senior Management under the RSU Plan and the PSU Plan is reviewed by the Remuneration, Nomination and Corporate Governance Committee, comprised of three independent directors, which makes a recommendation to the full Board of Directors. The Remuneration, Nomination and Corporate Governance Committee also reviews the proposed grants of RSUs and PSUs to eligible employees other than the members of the Management Committee and the principles governing their proposed allocation. The Committee also decides the criteria for granting PSUs and makes its recommendation to the Board of Directors. These criteria are based on the principle of rewarding performance upon the achievement of clear and measurable metrics for shareholder value creation.

Other Benefits

In addition to the primary elements of compensation described above, other benefits may be provided to senior management, such as company cars and contributions to pension plans and insurance policies, which will be in line with relevant local market and peer group practices.

None of the members of the Board of Directors is a party to a contract with the Company that provides for benefits upon termination of employment.

Employee Share Purchase Plan (ESPP)

Upon the recommendation of the Remuneration, Nomination and Corporate Governance Committee, the Board has decided not to implement an Aperam employee share purchase plan.

Certain of our employees became shareholders in Aperam through the 2008, 2009 and 2010 Employee Share Purchase Plans implemented by ArcelorMittal. Following the spin-off from ArcelorMittal, an addendum to the ArcelorMittal charter of the 2008, 2009 and 2010 ArcelorMittal ESPPs was adopted providing, among other measures, that:

- the spin-off was to be deemed an early exit event for the participants who were employees of one of the entities that was to be exclusively controlled by Aperam, except in certain jurisdictions where termination of employment was not an early exit event; and

- the Aperam shares received by ESPP participants would be blocked in line with the lock-up period applicable to the ArcelorMittal shares in relation to which the Aperam shares were allocated based on a ratio of one Aperam share for twenty ArcelorMittal shares.

As at December 31, 2012, Aperam employees were holding 21,735 Aperam shares under the ArcelorMittal ESPP 2008, 2009 and 2010 Plans.

Stock option plan

For historical reasons, certain of the Company's employees participate in stock-based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. Given that the Company's employees directly benefit from participation in these plans, the expense incurred by ArcelorMittal for options granted to its employees has been reflected in the Company's consolidated statements of operations as selling, general and administrative. The compensation expense recognized for stock option plans was $1 million and $3 million for each of the years ended December 31, 2012 and 2011, respectively. For the years ended December 31, 2012 and 2011, the amount of outstanding options was 661,909, and 843,681 respectively. The amount of exercisable options was 605,942 and 684,604 respectively for the years ended December 31, 2012 and 2011. Exercise prices of ArcelorMittal stock options vary from $27.31 to $78.44. Weighted average contractual life of the options varies from 0.5 to 7.6 years.

Share ownership

As of December 31, 2012, the aggregate beneficial share ownership of Aperam directors and senior management totaled 16,842 Aperam shares (excluding shares owned by Aperam's Significant shareholder). Other than the Significant shareholder, each director and member of senior management beneficially owns less than 1% of Aperam's shares. See definition of Significant shareholder in Share Capital table page 53.

The allocation of Aperam RSUs and PSUs granted to senior management is described in the table on page 47 of this Annual Report.

In accordance with the Luxembourg Stock Exchange's 10 Principles of Corporate Governance, non-executive members of Aperam's Board of Directors do not receive share options, RSUs or PSUs.

Share capital

As of December 31, 2012, the Company's authorized share capital, including the issued share capital, consisted of 85,854,303 shares without nominal value. The Company's issued share capital was represented by 78,049,730 fully paid up shares without nominal value.

The following table sets forth information as of December 31, 2012 with respect to the beneficial ownership and voting rights in the Company by each person who is known to be the beneficial owner of 2.5% or more of the Company's issued share capital.

	Shares	% of Issued Shares	% of Voting Rights
Significant shareholder[(1)]	31,880,243	40.85%	40.85%
Other public shareholders	46,169,487	59.15%	59.15%
of which is held by the Luxembourg State[(2)]	*1,948,226*	*2.50%*	*2.50%*
Total issued shares	78,049,730	100.00%	100.00%
Directors and Senior Management[(3) (4)]	16,842	0.02%	0.02%

Notes:

(1) The term "Significant shareholder" means the trust (HSBC Trust (C.I.) Limited, as trustee) of which Mr Lakshmi N. Mittal, Mrs Usha Mittal and their children are the beneficiaries, holding ArcelorMittal shares through the following two companies: Nuavam Investments Sàrl and Lumen Investments Sàrl. For purposes of this table, ordinary shares owned directly by Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal are aggregated with those ordinary shares beneficially owned by the Significant Shareholder. At December 31, 2012, Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, had direct ownership of Aperam ordinary shares and indirect ownership, through the Significant Shareholder, of two holding companies that own Aperam ordinary shares—Nuavam Investments S.à r.l. ("Nuavam") and Lumen Investments S.à r.l. ("Lumen"). Nuavam, a limited liability company organized under the laws of Luxembourg, was the owner of 5,616,913 Aperam ordinary shares. Lumen, a limited liability company organized under the laws of Luxembourg, was the owner of 26,250,000 Aperam ordinary shares. Mr. Mittal was the direct owner of 11,080 Aperam ordinary shares. Mrs. Mittal was the direct owner of 2,250 Aperam ordinary shares. Mr. Mittal, Mrs. Mittal and the Significant Shareholder shared indirect beneficial ownership of 100% of each of Nuavam and Lumen. Accordingly, Mr. Mittal was the beneficial owner of 31,877,993 Aperam ordinary shares, Mrs. Mittal was the beneficial owner of 31,869,163 Aperam ordinary shares and the Significant Shareholder was the beneficial owner of 31,880,243 ordinary shares.

(2) According to the Company's Articles of Association, a shareholder owning 2.5% or more of the share capital must notify the Company. The only registered shareholder owning 2.5% or more but less than 5% of the share capital of the Company at December 31, 2012 is the Luxembourg State, with 1,948,226 shares, representing 2.5% of the total issued share capital.

(3) Includes shares beneficially owned by directors and members of senior management listed in the sections "Board of Directors" and "Senior Management"; Excludes shares beneficially owned by Mr. Mittal.

(4) These 16,842 Aperam common shares are included in the shares owned by Other public shareholders in the table above.

The Company's ordinary shares are in registered form only and are freely transferable. Ownership of the Company's shares is recorded in a shareholders' register kept by the Company at its corporate headquarters at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg (the "Shareholders' Register").

The Company's ordinary shares may also be registered on one of two local registers, the European register (the "European Register") and the New York register (the "New York Register"). The European Register is kept by the Company. BNP Paribas Securities Services provides certain administrative services in relation to the European Register. The New York Register is kept by Citibank, N.A. (New York Branch) ("Citibank") on the Company's behalf. Ordinary shares registered on the European Register are referred to as "European Shares" and ordinary shares registered on the New York Register are referred to as "New York Registry Shares".

At December 31, 2012, there were 2,374 shareholders other than the Significant shareholder holding an aggregate of 2,667,917 Aperam common shares registered in Aperam's shareholder register, representing approximately 3.42% of the common shares issued.

At December 31, 2012, there were 104 U.S. shareholders holding an aggregate of 883,514 New York Registry Shares, representing approximately 1.13% of the common shares issued. Aperam's knowledge of the number of New York Registry Shares held by U.S. holders is based solely on the records of Citibank.

At December 31, 2012, there 42,631,386 Aperam common shares being held through the Euroclear clearing system in The Netherlands, France and Luxembourg.

Related Party Transactions

We are engaged in certain commercial and financial transactions with related parties. Please refer to Note 12 to the Consolidated Financial Statements for further details.

Agreements with ArcelorMittal in connection with the spin-off from ArcelorMittal

In connection with the spin-off from ArcelorMittal of the stainless steel division into a separately focused company, Aperam, which was completed on January 25, 2011, Aperam entered into several agreements with ArcelorMittal. These agreements include a Master Transitional Services Agreement dated January 25, 2011 (the "Transitional Services Agreement"), a purchasing services agreement and a sourcing services agreement, certain commitments regarding cost-sharing in Brazil and certain other ancillary arrangements governing the relationship between Aperam and ArcelorMittal following the spin-off, as well as certain agreements relating to financing.

The Transitional Services Agreement between Aperam and ArcelorMittal expired at year-end 2012. The parties agreed to renew a limited number of services that ArcelorMittal will continue to provide during 2013 relating to certain areas, including environmental and technical support, IT services relating to the Global Wide Area Network contract, press clipping communication, ArcelorMittal University training in human resources, maintenance and customization of back office finance software and registered shareholder management.

In the area of research and development, Aperam entered into an arrangement with ArcelorMittal to establish a framework for future cooperation between the two groups in relation to certain ongoing or new research and development programs. Moreover, Aperam and ArcelorMittal are keeping open the possibility to enter into ad hoc cooperation agreements for future research and development purposes.

The purchasing and sourcing of raw materials generally were not covered by the Transitional Services Agreement. Aperam is responsible for the sourcing of its key raw materials, including nickel, chromium, molybdenum and stainless steel scrap. However, under the terms of the purchasing services agreement and the sourcing services agreement, Aperam relies on ArcelorMittal for advisory services in relation to the negotiation of certain contracts with global or large regional suppliers, including those relating to the following key categories: energy (electricity, natural gas, industrial gas), raw materials (ferro-alloys, certain base materials), operating materials (rolls, electrodes, refractories) and industrial products and services. The purchasing services agreement also permits Aperam to avail itself of the services and expertise of ArcelorMittal for certain capital expenditure items not specific to stainless and specialty steel production. The purchasing services agreement and the sourcing services agreement were entered into for a term of two years, which expired on January 24, 2013. It is expected that the purchasing services agreement will be extended for an additional year on modified terms. It is expected that the sourcing servicing agreement will also be extended for an additional year, but that its scope will be limited to IT maintenance and support until Aperam switches to its own system.

In connection with the spin-off, an existing Brazilian cost-sharing agreement was renegotiated between, inter alia, ArcelorMittal Brasil and Aperam Inox América do Sul S.A. (formerly known as ArcelorMittal Inox Brasil), pursuant to which starting as of April 1, 2011, ArcelorMittal Brasil continued to perform only purchasing, insurance and real estate activities for the benefit of certain of Aperam's Brazilian subsidiaries, with costs being shared on the basis of cost allocation parameters agreed between the parties. Since the demerger of ArcelorMittal BioEnergia Ltda in July 2011, its payroll functions have also been handled by ArcelorMittal Brasil. The real estate activities of Aperam's Brazilian subsidiaries have not been handled by ArcelorMittal Brasil since January 1, 2013.

Certain services will continue to be provided to Aperam pursuant to existing contracts with ArcelorMittal entities that it has specifically elected to assume.

Financing Arrangements with ArcelorMittal

The Company's principal sources of financing until the end of March 2011 included loans from ArcelorMittal entities at the level of Aperam South America (formerly known as "ArcelorMittal Inox Brasil"), which holds the Company's assets in Brazil, and Aperam Stainless Belgium (formerly known as "ArcelorMittal Stainless Belgium"), which holds its assets in Belgium. In March 2011, Management entered into facilities and other forms of financing, including the issuance of bonds in the capital markets, in the aggregate amount of $1.3 billion, with available borrowing capacity at any one time of approximately $400 million. Facilities entered into with ArcelorMittal entities have been fully reimbursed in March 2011.

Shareholder information

The company

The Company is a Luxembourg public limited liability company ("*société anonyme*") incorporated on September 9, 2010 to hold the assets which comprise the stainless and specialty steels businesses of ArcelorMittal. The Company has its registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under the number B155.908.

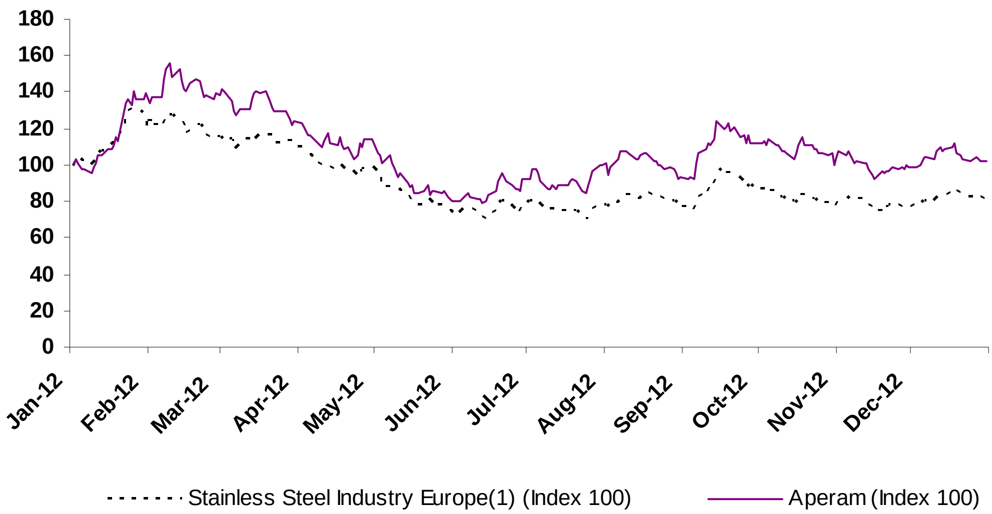
Listing and Indexes

The Company's ordinary shares are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange (symbol "APAM") and are traded on the NYSE Euronext Single Order Book with Amsterdam as the Market of Reference (symbol "APAM" and Euronext code NSCNL00APAM5). The ordinary shares were admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange, Euronext Amsterdam and Euronext Paris on January 31, 2011.The ordinary shares of the Company are accepted for clearance through Euroclear and Clearstream Luxembourg under common code number 056997440. The ISIN code of the ordinary shares of the Company is LU0569974404. The Aperam shares are also traded as New York registry shares on the OTC under the symbol APEMY.

The Company is a member of the different indexes, including AEX, SBF 120, NEXT 150, CAC MID 60. Recognised for its commitment to Sustainable Development, Aperam is also a member of the FTS4Good Index.

Share performance

The Graph below shows the share price performance of Aperam and the European Stainless Steel Industry[1] from January 1, 2012 to December 31, 2012 in index base 100:



Notes:

(1) European Stainless Steel Industry: Average Acerinox, Aperam, Outkumpu share price in index 100

Financial Calendar

Earnings calendar

- February 4, 2013*: Earnings for 4th quarter 2012 and 12 months 2012
- May 7, 2013*: Earnings for 1st quarter 2013
- July 31, 2013*: Earnings for 2nd quarter 2013 and 6 months 2013
- October 29, 2013*: Earnings for 3rd quarter 2013 and 9 months 2013

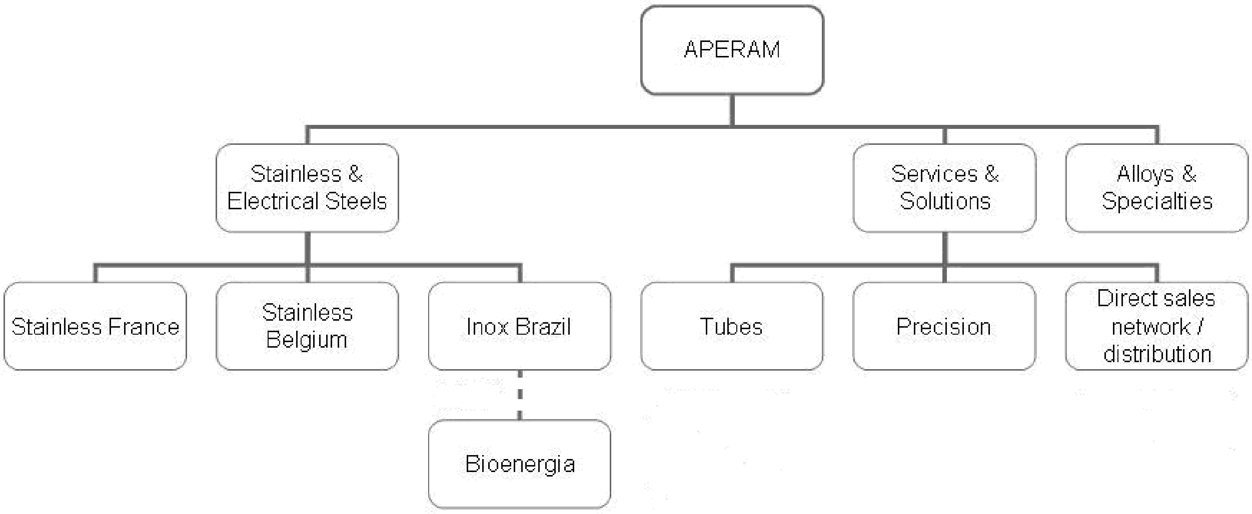
(earnings are issued after the closing of the European stock exchanges on which the Aperam share is listed)*

General meeting of shareholders

- May 8, 2013: Annual general meeting of shareholders, Luxembourg

Organizational Structure

Aperam is a holding company with no business operations of its own. All of its significant operating subsidiaries are owned directly or indirectly through intermediate holding companies. The following chart represents its current operational structure, including significant operating subsidiaries, and not its legal or ownership structure.



See Note 25 to the Consolidated Financial Statements for a list of the Company's significant subsidiaries.

Contacts

Aperam
12C, rue Guillaume Kroll
L-1882 Luxembourg
Grand Duchy of Luxembourg
Tel: +352 27 36 27 00

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

Aperam Investor Relations contact is:
Laurent Beauloye: +352 27 36 27 103, Company Secretary

Aperam Media contact is:
Jean Lasar: +352 27 36 27 27

Annual Report 2012
Consolidated Financial Statements

Chief Executive Officer and Chief Financial Officer's Responsibility Statement

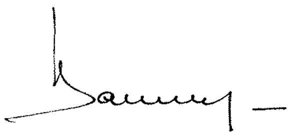
We confirm to the best of our knowledge that:

1. the consolidated financial statements of Aperam presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the assets, liabilities, financial position and results of Aperam and the undertakings included within the consolidation taken as a whole; and

2. the annual accounts of Aperam presented in this Annual Report and established in conformity with the Luxembourg legal and regulatory requirements relating to the preparation of annual accounts give a true and fair view of the assets, liabilities, financial position and results of the Company; and

3. the management report includes a fair review of the development and performance of the business and position of Aperam and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board of Directors



Chief Executive Officer

Philippe Darmayan

March 5, 2013

Chief Financial Officer

Julien Onillon

March 5, 2013

Aperam

Consolidated Statement of Financial Position

(millions of U.S. dollars)

	December 31,	
	2012	**2011**
ASSETS		
Current assets:		
Cash and cash equivalents	226	247
Trade accounts receivable (note 3)	330	391
Inventories (note 4)	1,227	1,262
Prepaid expenses and other current assets (note 5)	120	133
Income tax receivable	14	12
Total current assets	1,917	2,045
Non-current assets:		
Goodwill and intangible assets (note 6)	859	904
Biological assets (note 7)	135	145
Property, plant and equipment (note 8)	2,474	2,659
Investments in associates (note 9)	2	2
Other investments (note 10)	120	98
Deferred tax assets (note 17)	289	249
Other assets (note 11)	113	99
Total non-current assets	3,992	4,156
Total assets	5,909	6,201

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

Aperam

Consolidated Statement of Financial Position

(millions of U.S. dollars)

	December 31,	
	2012	**2011**
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt (note 13)	435	538
Trade accounts payable	950	846
Short-term provisions (note 18)	33	41
Accrued expenses and other liabilities (note 19)	297	309
Income tax liabilities	3	4
Total current liabilities	1,718	1,738
Non-current liabilities:		
Long-term debt, net of current portion (note 13)	607	587
Deferred tax liabilities (note 17)	136	173
Deferred employee benefits (note 21)	169	174
Long-term provisions (note 18)	75	80
Other long-term obligations	14	6
Total non-current liabilities	1,001	1,020
Total liabilities	2,719	2,758
Commitments and contingencies (note 20 and note 22)		
Equity (note 15):		
Common shares (no par value, 85,854,303 and 85,854,303 shares authorized, 78,049,730 and 78,049,730 shares issued and outstanding at December 31, 2012 and 2011, respectively)	547	547
Additional paid-in capital	1,600	1,600
Retained earnings	967	1,133
Foreign currency translation adjustments	73	176
Unrealized gain (loss) on available-for-sale securities	3	(15)
Unrealized loss on derivative financial instruments	(4)	(4)
Equity attributable to the equity holders of the parent	3,186	3,437
Non-controlling interests	4	6
Total equity	3,190	3,443
Total liabilities and equity	5,909	6,201

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

Aperam

Consolidated Statement of Operations

(millions of U.S. dollars)

	Year Ended December 31, 2012	Year Ended December 31, 2011
Sales	5,261	6,345
(including 150 and 180 of sales to related parties in 2012 and 2011, respectively)		
Cost of sales	5,128	6,039
(including depreciation and impairment of 320 and 311, and purchases from related parties of 157 and 269 in 2012 and 2011, respectively)		
Gross margin	133	306
Selling, general and administrative	239	261
Operating (loss) income	(106)	45
Income from other investments	2	2
Interest income (note 16)	3	3
Interest expense and other net financing costs (note 16)	(71)	(157)
Loss before taxes	(172)	(107)
Income tax benefit (note 17)	64	48
Net loss (including non-controlling interests)	(108)	(59)
Net (loss) income attributable to		
Equity holders of the parent	(108)	(60)
Non-controlling interests	—	1
Net loss (including non-controlling interests)	(108)	(59)
Earnings per common share (in U.S. dollars):		
Basic common shares	(1.39)	(0.76)
Diluted common shares	(1.39)	(0.76)
Weighted average common shares outstanding (in thousands)		
Basic common shares	78,050	78,050
Diluted common shares	78,050	78,050

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

Aperam

Consolidated Statement of Comprehensive (Loss) Income

(millions of U.S. dollars)

	Year Ended December 31,			
	2012		2011	
Net loss (including non-controlling interests)		**(108)**		**(59)**
Available-for-sale investments:				
Gain (loss) arising during the period, net of tax (expense) benefit of (6) and 16 for 2012 and 2011, respectively	18		(59)	
	18		(59)	
Cash flow hedges:				
Loss arising during the period, net of tax benefit of 4 and 6 for 2012 and 2011, respectively	(6)		(12)	
Reclassification adjustments for loss included in the statement of operations, net of tax benefit of 4 and 1 for 2012 and 2011, respectively	6		3	
	—		(9)	
Exchange differences arising on translation of foreign operations, net of tax benefit of 21 and 36 for 2012 and 2011, respectively	(103)		(281)	
Total other comprehensive loss	**(85)**		**(349)**	
Total other comprehensive loss attributable to:				
Equity holders of the parent	(85)		(349)	
		(85)		(349)
Net comprehensive loss		**(193)**		**(408)**
Net comprehensive loss attributable to:				
Equity holders of the parent		(193)		(409)
Non-controlling interests		—		1
Net comprehensive loss		**(193)**		**(408)**

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

Aperam

Consolidated Statement of Changes in Equity

(millions of U.S. dollars)

	Shares[(1)]	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains (losses) on derivatives financial instruments	Unrealized gains (losses) on available for sale securities	Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2010 (Combined)	**4**	**—**	**—**	**3,143**	**457**	**5**	**44**	**3,649**	**5**	**3,654**
Net income (loss)...	—	—	—	(60)	—	—	—	(60)	1	(59)
Other comprehensive loss...... …………………	—	—	—	—	(281)	(9)	(59)	(349)	—	(349)
Total comprehensive income (loss)………...	—	—	—	(60)	(281)	(9)	(59)	(409)	1	(408)
Recognition of share-based payments……..	—	—	—	3	—	—	—	3	—	3
Capital transactions with ArcelorMittal (note 15) .... ….	—	—	—	33	—	—	—	33	—	33
Capital increase and Spin-off………………..	78,046	547	1,600	(1,927)	—	—	—	220	—	220
Dividends.. ..	—	—	—	(59)	—	—	—	(59)	(1)	(60)
Other movements	—	—	—	—	—	—	—	—	1	1
Balance at December 31, 2011	**78,050**	**547**	**1,600**	**1,133**	**176**	**(4)**	**(15)**	**3,437**	**6**	**3,443**
Net loss...	—	—	—	(108)	—	—	—	(108)	—	(108)
Other comprehensive income (loss)….........	—	—	—	—	(103)	—	18	(85)	—	(85)
Total comprehensive income (loss)………...	—	—	—	(108)	(103)	—	18	(193)	—	(193)
Recognition of share-based payments……..	—	—	—	1	—	—	—	1	—	1
Dividends..	—	—	—	(59)	—	—	—	(59)	(2)	(61)
Balance at December 31, 2012	**78,050**	**547**	**1,600**	**967**	**73**	**(4)**	**3**	**3,186**	**4**	**3,190**

(1) Number of shares denominated in thousands.

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

Aperam

Consolidated Statement of Cash Flows

(millions of U.S. dollars)

	Year Ended December 31, 2012	Year Ended December 31, 2011
Operating activities:		
Net loss	(108)	(59)
Adjustments to reconcile net loss to net cash provided by operations and payments:		
Depreciation	293	307
Impairment	27	4
Interest expense	73	74
Income tax benefit	(64)	(48)
Write-downs of inventories to net realizable value (*)	38	35
Labor agreements and separation plans	5	21
Impairment of financial assets	—	1
Unrealized (gains) losses on derivative instruments	(3)	7
Unrealized foreign exchange effects, provisions and other non-cash operating expenses (net)	39	(8)
Changes in operating assets, liabilities and provisions:		
Trade accounts receivable	46	7
Inventories	(14)	176
Interest paid (net)	(72)	(70)
Income taxes paid	(15)	(17)
Trade accounts payable	124	(149)
Cash paid for separation plans	(4)	(17)
Other working capital and provisions movements	(87)	(75)
Net cash provided by operating activities	278	189
Investing activities:		
Purchase of property, plant and equipment	(161)	(158)
Loans under cash pooling arrangements (net)	—	647
Other investing activities (net)	3	9
Net cash (used in) provided by investing activities	(158)	498
Financing activities:		
Proceeds from short-term debt	96	704
Proceeds from long-term debt	80	518
Payments of short-term debt	(259)	(1,165)
Payments of long -term debt	—	(2)
Borrowings under cash pooling arrangements (net)	—	(540)
Dividends paid to ArcelorMittal	—	(1)
Dividends paid (includes 2 and 1 of dividends paid to non-controlling interests in 2012 and 2011, respectively)	(61)	(60)
Other financing activities (net)	(2)	(6)
Net cash used in financing activities	(146)	(552)
Effect of exchange rate changes on cash	5	(8)
Net (decrease) increase in cash and cash equivalents	(21)	127
Cash and cash equivalents:		
At the beginning of the year	247	120
At the end of the year	226	247

(*) Refer to Note 4 for more information on inventory write-downs

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

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

Nature of business

Aperam Société Anonyme (the "Company" or "Aperam") was incorporated in Luxembourg on September 9, 2010 to own certain operating subsidiaries of ArcelorMittal Société Anonyme ("ArcelorMittal") which primarily comprise ArcelorMittal's stainless steel and nickel alloys business. This business was transferred to the Company prior to the distribution of all its outstanding common shares to shareholders of ArcelorMittal on January 26, 2011. The Company's shares have been trading on the European stock exchanges of Amsterdam, Paris (Euronext) and Luxembourg since January 31, 2011.

These consolidated financial statements were authorized for issuance on March 5, 2013 by Aperam's Board of Directors.

Aperam is a global stainless steel producer with an annual capacity of 2.5 million tonnes in 2012. The Company's production activities are concentrated in six main plants in Brazil, Belgium and France. Its worldwide-integrated distribution network is comprised of 18 service centers, 9 transformation facilities, and 22 sales offices including customer support.

The Company produces a broad range of stainless steel products and high value-added products including electrical steel (grain oriented, non-grain oriented and non-grain oriented semi-processed steel), nickel alloys and specialties. The Company sells its products in local markets to a diverse range of customers, including automotive, construction, catering, medicine, oil and gas, aerospace, industrial processes, electronics and electrical engineering.

Note 25 provides an overview of the Company's principal operating subsidiaries.

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for available for sale financial assets, derivative financial instruments and biological assets which are measured at fair value, and inventories, which are measured at the lower of net realizable value or cost. The consolidated financial statements as at and for year ended December 31, 2012 have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS") and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data.

Adoption of new IFRS standards, amendments and interpretations applicable in 2012

Unless otherwise indicated below, the following new standards, amended standards, or interpretations were adopted by the Company on January 1, 2012 and did not have a material impact on the consolidated financial statements of Aperam.

- Amendments to IFRS 7, "Financial Instruments: Disclosures"

- Amendments to IAS 12, "Income Taxes"

New IFRS standards and interpretations applicable from 2013 onward

Unless otherwise indicated below, the Company does not expect the adoption of the following new standards, amended standards, or interpretations to have a significant impact on the consolidated financial statements of Aperam in future periods.

• IFRS 9, "Financial Instruments"

In November 2009, the International Accounting Standards Board ("IASB") issued IFRS 9 "Financial Instruments" as the first step in its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial instruments, including:

- The replacement of the multiple classification and measurement models in IAS 39, “Financial Instruments: Recognition and Measurement” with a single model that has only two classification categories: amortized cost and fair value;

- The replacement of the requirement to separate embedded derivatives from financial asset hosts with a requirement to classify a hybrid contract in its entirety at either amortized cost or fair value; and

- The replacement of the cost exemption for unquoted equities and derivatives on unquoted equities with guidance on when cost may be an appropriate estimate of fair value.

This standard is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company is in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption.

- Amendments to IAS 1, “Presentation of Financial Statements”

Presentation of items of other comprehensive income (Amendments to IAS 1 – Presentation of Financial Statements), issued on June 16, 2011, introduces changes to the presentation of items of other comprehensive income. The amendments:

- Require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;

- Do not change the existing option to present profit or loss and other comprehensive income in two statements; and

- Change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

These amendments are to be applied for annual periods beginning on or after July 1, 2012, with earlier application permitted.

- IFRS 10, “Consolidated Financial Statements”

IFRS 10 “Consolidated Financial Statements”, published by the IASB in May 2011, uses control as the single basis for consolidation, irrespective of the nature of the investee, thus eliminating the risks and rewards approach included in SIC-12. IFRS 10 identifies the following three elements of control:

- Power over the investee;

- Exposure, or rights, to variable returns from involvement with the investee; and

- The ability to use power over the investee to affect the amount of the investor’s returns.

The Standard also contains guidance on additional issues that needs to be considered when determining who has control. This standard is effective for annual periods beginning on or after January 1, 2013.

- IFRS 11, “Joint Arrangements”

IFRS 11 “Joint Arrangements” published by the IASB in May 2011, establishes two types of joint arrangements: joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. IFRS 11 provides guidance on determining the type of joint arrangement.

A joint operator recognizes its share of the assets, liabilities, revenues and expenses in accordance with applicable IFRS, while a joint venturer would account for its interest using the equity method of accounting under IAS 28 (revised 2011) "Investments in Associates and Joint Ventures", thus eliminating the option of proportionate consolidation for interests in joint ventures.

This standard is effective for annual periods beginning on or after January 1, 2013.

- IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard. Many of the disclosure requirements were previously included in IAS 27, IAS 28 or IAS 31, whilst others are new. This standard is effective for annual periods beginning on or after January 1, 2013.

- IFRS 13, "Fair Value Measurement"

IFRS 13 "Fair Value Measurement", published by the IASB in May 2011, replaces existing guidance on fair value measurement in different IFRS with a single definition of fair value, a framework for measuring fair value and disclosures about fair value measurements. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

- IAS 27, "Separate financial statements"

IAS 27 has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements. Amendments are to be applied for annual periods beginning on or after January 1, 2013.

- IAS 28, "Investments in Associates and Joint Ventures"

IAS 28 has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11. Amendments are to be applied for annual periods beginning on or after January 1, 2013.

- Amendments to IAS 19, "Employee benefits"

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to IAS 19 require retrospective application. Based on the Company's preliminary assessment, if the company had applied the amendments to IAS 19 for the year ended December 31, 2012, the net loss for the year ended December 31, 2012 would be increased by 3. As of January 1, 2013 and following the adoption of the amendments of IAS 19, the unrecognized portion of the actuarial losses is recognized in other comprehensive loss for 28 with the corresponding adjustments being recognized in the retirement benefit obligation and income tax liability. These impacts reflect a number of adjustments, including their income tax effects such as:

  - the full recognition of actuarial gains through other comprehensive income and decrease in the net pension deficit,

  - the immediate recognition of past service costs in profit or loss and an increase in the net pension deficit, and

  - the reversal of the difference between the gain arising from the expected rate of return on pension plan assets and the discount rate through other comprehensive income.

- IFRIC 20, “Stripping Costs in the Production Phase of a Surface Mine”

IFRIC 20, “Stripping Costs in the Production Phase of a Surface Mine” was issued on October 19, 2011 and will be applicable for years beginning on or after January 1, 2013, with early adoption permitted.

- On December 16, 2011, the IASB published amendments to IAS 32 “Financial Instruments: Presentation” to clarify the application of the offsetting of financial assets and financial liabilities requirement. The IASB also published amendments to IFRS 7 “Financial Instruments: Disclosures” including new disclosures requirements regarding the offsetting of financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2014, and January 1, 2013, respectively.

- Annual Improvements to IFRSs 2009 – 2011 Cycle:

The “Annual Improvements to IFRSs 2009 – 2011 Cycle” issued in May 2012 and applicable for years beginning on or after January 1, 2013 include a number of amendments to various IFRSs :

- Amendments to IAS 1 “Presentation of Financial Statements”:

IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification. The amendments to IAS 1 clarify that:

  - the opening statement of financial position is required only if: a change in accounting policy, a retrospective restatement, or a reclassification has a material effect upon the information;

  - except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required.

- Amendments to IAS 16 “Property, Plant and Equipment”:

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

- Amendments to IAS 32 “Financial instruments: Presentation”:

IAS 32 is amended to clarify that IAS 12 “Income taxes” applies to the accounting for income taxes relating to:

  - Distributions to holders of an equity instrument; and

  - Transaction costs of an equity transaction.

Basis of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries, and its respective interest in associated companies. Subsidiaries are consolidated from the date of acquisition, which is considered the date the Company obtains control until the date control ceases. Control is defined as the power to govern the financial and operating policies of an entity, so as to obtain benefits derived from its activities. Generally, control is presumed to exist when the Company holds more than half of the voting rights.

Associated companies are those companies over which the Company has the ability to exercise significant influence on the financial and operating policy decisions, which are not operating subsidiaries. Generally, significant influence is presumed to exist when the Company holds more than 20% of the voting rights. In addition, jointly controlled entities are companies over whose activities the Company has joint control under a contractual agreement. The financial statements include the Company's share of the total recognized gains and losses of associates and jointly controlled entities on an equity accounted basis from the date that significant influence commences until the date significant influence ceases, adjusted for any impairment loss. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the investee arising from changes in the investee's equity that have not been recognized in the investee's profit or loss. The Company's share of those changes is recognized directly in equity.

Other investments are classified as available for sale and are stated at fair value when their fair value can be reliably measured. When fair value cannot be measured reliably, the investments are carried at cost less impairment.

While there are certain limitations on the Company's operating and financial flexibility arising from the restrictive and financial covenants of the Company's principal credit facilities described in Note 13, there are no significant restrictions resulting from borrowing agreements or regulatory requirements on the ability of consolidated subsidiaries, associates and jointly controlled entities to transfer funds to the parent in the form of cash dividends to pay commitments as they come due.

Intra-company balances and transactions, including income, expenses and dividends, are eliminated in the preparation of the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the statement of operations and within equity in the consolidated statement of financial position.

Reverse acquisition

The spin-off of the stainless steel and nickel alloys business of ArcelorMittal on January 25, 2011 resulted in the transfer to the Company of the assets and liabilities pertaining to this business.

The transaction has been accounted for in 2011 as a reverse acquisition. The effect of the accounting treatment, as a result of the reverse acquisition, is that even though the consolidated financial statements are issued under the name of Aperam, they represent a continuation of the stainless steel and nickel alloys business of ArcelorMittal.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Translation of financial statements denominated in foreign currency

The functional currency of each of the major operating subsidiaries is the local currency. Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are re-measured at the rates of exchange prevailing at the statement of financial position date and the related transaction gains and losses are reported in the consolidated statement of operations. Non-monetary items that are carried at cost are translated using the rate of exchange prevailing at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate prevailing when the fair value was determined and the related transaction gains and losses are reported in the consolidated statement of comprehensive income.

Upon consolidation, the results of operations of the Company's subsidiaries and associates whose functional currency is other than the U.S. dollar are translated into the U.S. dollar at the monthly average exchange rates and assets and liabilities are translated at the year-end exchange rates. Translation adjustments are recognized directly in other comprehensive income and are reclassified in income or loss in the statement of operations only upon sale or liquidation of the underlying foreign subsidiary or associate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries at the year-end exchange rate are recorded as part of the shareholders' equity under "Foreign currency translation adjustments". When a foreign entity is sold, such exchange differences are recognized in the consolidated statement of operations as part of the gain or loss on sale.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less at the time of purchase and are carried at cost plus accrued interest, which approximates fair value.

Trade accounts receivable

Trade accounts receivable are initially recorded at their fair value and do not bear interest. The Company maintains an allowance for doubtful accounts at an amount that it considers to be a sufficient estimate of losses resulting from the inability of its customers to make required payments. An allowance is recorded and charged to expense when an account is deemed to be uncollectible. In judging the adequacy of the allowance for doubtful accounts, the Company considers multiple factors including historical bad debt experience, the current economic environment and the aging of the receivables. Recoveries of trade receivables previously reserved in the allowance for doubtful accounts are recorded as gains in the statement of operations.

The Company's policy is to provide for all receivables outstanding over 180 days, because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable. Trade receivables between 60 days and 180 days are provided for based on estimated unrecoverable amounts from the sale of goods and/or services, determined by reference to past default experience.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method or average cost method. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labor and an allocation of fixed and variable production overheads. Raw materials and spare parts are valued at cost inclusive of freight and shipping and handling costs. Net realizable value represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution. Costs incurred when production levels are abnormally low are partially capitalized as inventories and partially recorded as a component of cost of sales in the statement of operations.

Goodwill and bargain purchase

The goodwill recorded by the Company includes an allocation of the goodwill arising from the acquisition of Arcelor by Mittal Steel on August 1, 2006. Goodwill arising on acquisitions subsequent to January 1, 2007 is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is allocated to those groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose and in all cases is at the operating segment level which represents the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested annually at the level of the groups of cash generating units which correspond to operating segments as of November 30 or whenever changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the cash generating units comprising the operating segments are tested for impairment at the same time as goodwill, the cash generating units are tested first and any impairment of the assets is recorded prior to the testing of goodwill. The recoverable amounts of the cash generating units are determined from the higher of fair value less cost to sell or value in use calculations, as described below in the "Impairment of Tangible and Intangible Assets" section. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on the Company's growth forecasts which are in line with industry trends. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

Cash flow forecasts are derived from the most recent financial forecasts for the next five years. Beyond the specifically forecasted period, the Company extrapolates cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognized, impairment losses recognized for goodwill are not reversed. On disposal of a subsidiary, any residual amount of goodwill is included in the determination of the profit or loss on disposal.

In a business combination in which the fair value of the identifiable net assets acquired exceeds the cost of the acquired business, the Company reassesses the fair value of the assets acquired. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess (bargain purchase) is recognized immediately in the statement of operations.

Intangible assets

Intangible assets recorded by the Company include certain intangible assets acquired in connection with the acquisition of Arcelor by Mittal Steel on August 1, 2006. Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will flow to the Company and the cost can be reliably measured. Intangible assets acquired separately by Aperam are initially recorded at cost and those acquired in a business combination are recorded at fair value. These primarily include the cost of technology and licenses purchased from third parties. Intangible assets are amortized on a straight-line basis over their estimated economic useful lives which typically are not to exceed five years. Amortization is included in the statement of operations as part of depreciation.

Biological assets

The Company classifies eucalyptus plantations as biological assets. The purpose of such plantations is to produce charcoal to be used in its production process.

Biological assets are measured at fair value less cost to sell, with any change therein recognized in statement of operations. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Cost includes professional fees and, for assets constructed by the Company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. Property, plant and equipment except land are depreciated using the straight-line method over the useful lives of the related assets which are presented in the table below. The Company reviews the residual value, the useful lives and the depreciation method of its property, plant and equipment at least annually.

Asset Category	Useful Life Range
Land	Not depreciated
Buildings	10 to 50 years
Steel plant equipment	15 to 30 years
Auxiliary facilities	15 to 30 years
Other facilities	5 to 20 years

Major improvements, which add to productive capacity or extend the life of an asset, are capitalized, while repairs and maintenance are charged to expense as incurred. Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment under construction are recorded as construction in progress until they are ready for their intended use; thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. Interest incurred during construction is capitalized. Gains and losses on retirement or disposal of assets are reflected in the statement of operations.

Property, plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the inception of the lease. Each lease payment is allocated between the finance charges and a reduction of the lease liability. The interest element of the finance cost is charged to the statement of operations over the lease period so as to achieve a constant rate of interest on the remaining balance of the liability.

The residual values and useful lives of property, plant and equipment are reviewed at each reporting date and adjusted if expectations differ from previous estimates. Depreciation methods applied to property, plant and equipment are reviewed at each reporting date and changed if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset.

Investment in associates and other entities

Investments in associates, in which the Company has the ability to exercise significant influence, are accounted for under the equity method. The investment is carried at the cost at the date of acquisition, adjusted for the Company's share in undistributed earnings or losses since acquisition, less dividends received and impairment.

Any excess of the cost of the acquisition over the Company's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is evaluated for impairment as part of the investment.

The Company reviews all of its investments in associates at each reporting date to determine whether there is an indicator that the investment may be impaired. If objective evidence indicates that the investment is impaired, the Company calculates the amount of the impairment of the investments as being the difference between the higher of the fair value less costs to sell or its value in use and its carrying value. The amount of any impairment is included in the overall income from investments in associated companies in the statement of operations.

Investments in other entities, over which the Company and/or its operating subsidiaries do not have the ability to exercise significant influence and have a readily determinable fair value, are accounted for at fair value with any resulting gain or loss included in equity. To the extent that these investments do not have a readily determinable fair value, they are accounted for under the cost method.

Deferred employee benefits

Defined contribution plans are those plans where the Company pays fixed contributions to an external life insurance or pension fund for certain categories of employees. Contributions are paid in return for services rendered by the employees during the period. They are expensed as they are incurred in line with the treatment of wages and salaries. No provisions are established in respect of defined contribution plans, as they do not generate future commitments for the Company.

Defined benefit plans are those plans that provide guaranteed benefits to certain categories of employees, either by way of contractual obligations or through a collective agreement. For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Actuarial gains and losses that exceed ten per cent of the greater of the present value of the Company's defined benefit obligation and the fair value of plan assets at the end of the prior year are amortized over the expected average remaining working lives of the participating employees.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Voluntary retirement plans primarily correspond to the practical implementation of social plans or are linked to collective agreements signed with certain categories of employees. Early retirement plans are those plans that primarily correspond to terminating an employee's contract before the normal retirement date. Early retirement plans are considered effective when the affected employees have formally been informed and when liabilities have been determined using an appropriate actuarial calculation. Liabilities relating to the early retirement plans are calculated annually on the basis of the effective number of employees likely to take early retirement and are discounted using an interest rate which corresponds to that of highly-rated bonds that have maturity dates similar to the terms of the Company's early retirement obligations. Termination benefits are provided in connection with voluntary separation plans. The Company recognizes a liability and expense when it has a detailed formal plan which is without realistic possibility of withdrawal and the plan has been communicated to employees or their representatives.

Other long-term employee benefits include various plans that depend on the length of service, such as long service and sabbatical awards, disability benefits and long term compensated absences such as sick leave. The amount recognized as a liability is the present value of benefit obligations at the statement of financial position date, and all changes in the provision (including actuarial gains and losses or past service costs) are recognized in the statement of operations.

Provisions and accruals

Aperam recognizes provisions for liabilities and probable losses that have been incurred when it has a present legal or constructive obligation as a result of past events and it is probable that the Company will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financing cost. Provisions for onerous contracts are recorded in the statement of operations when it becomes known that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Provisions for restructuring relate to the estimated costs of initiated reorganizations that have been approved by the Aperam Management Committee, and which involve the realignment of certain parts of the industrial and commercial organization. When such reorganizations require discontinuance and/or closure of lines or activities, the anticipated costs of closure or discontinuance are included in restructuring provisions. A liability is recognized for those costs only when the Company has a detailed formal plan for the restructuring and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Environmental costs

Environmental costs that relate to current operations are expensed or capitalized as appropriate. Environmental costs that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation or cost reduction, are expensed. Liabilities are recorded when environmental assessments and or remedial efforts are probable and the cost can be reasonably estimated based on ongoing engineering studies, discussions with the environmental authorities and other assumptions relevant to the nature and extent of the remediation that may be required. The ultimate cost to the Company is dependent upon factors beyond its control such as the scope and methodology of the remedial action requirements to be established by environmental and public health authorities, new laws or government regulations, rapidly changing technology and the outcome of any potential related litigation. Environmental liabilities are discounted if the aggregate amount of the obligation and the amount and timing of the cash payments are fixed or reliably determinable.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the statement of financial position date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill or if the differences arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Derivative financial instruments

See critical accounting judgments.

Non-derivative financial instruments

Non-derivative financial instruments include cash and cash equivalents, trade and other receivables, investments in equity securities, trade and other payables and debt and other liabilities. These instruments are recognized initially at fair value when the Company becomes a party to the contractual provisions of the instrument. They are derecognized if the Company's contractual rights to the cash flows from the financial instruments expire or if the Company transfers the financial instruments to another party without retaining control or substantially all risks and rewards of the instruments.

The Company classifies its investments in equity securities that have readily determinable fair values as available-for-sale which are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale equity securities are reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a first-in, first-out basis.

Debt and liabilities, other than provisions, are stated at amortized cost. However, loans that are hedged under a fair value hedge are re-measured for the changes in the fair value that are attributable to the risk that is being hedged.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Estimated future cash flows are determined using various assumptions and techniques, including comparisons to published prices in an active market and discounted cash flow projections using projected growth rates, weighted average cost of capital, and inflation rates. In the case of available-for-sale securities, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognized in the statement of operations is removed from equity and recognized in the statement of operations.

If objective evidence indicates that cost-method investments need to be tested for impairment, calculations are based on information derived from business plans and other information available for estimating their value in use. Any impairment loss is charged to the statement of operations. An impairment loss related to financial assets is reversed if and to the extent there has been a change in the estimates used to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. Reversals of impairment are recognized in the statement of operations except for reversals of impairment of available-for-sale equity securities, which are recognized in other comprehensive income.

Emission rights

The Company's industrial sites which are regulated by the European Directive 2003/87/EC of October 13, 2003 on carbon dioxide emission rights, effective as of January 1, 2005, are located in Belgium and France. The emission rights allocated to the Company on a no-charge basis pursuant to the annual national allocation plan are recorded in the statement of financial position at nil and purchased emission rights are recorded at cost. If, at the date of the statement of financial position, the Company is short of emission rights, it will record a provision through the statement of operations.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, no longer retains control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Shipping and handling costs

The Company records amounts billed to a customer in a sale transaction for shipping and handling costs as sales and the related shipping and handling costs incurred as cost of sales.

Financing costs

Financing costs include interest income and expense, amortization of discounts or premiums on borrowings, amortization of costs incurred in connection with the arrangement of borrowings, and unrealized gains and losses on foreign exchange and raw material derivative contracts.

Equity settled share-based payments

Aperam issues equity-settled share-based payments consisting in restricted share units to key employees of the Company. Prior the spin-off, ArcelorMittal issued equity-settled share-based payments consisting in stock options to certain Aperam employees. Equity-settled share-based payments issued to Aperam employees are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. For the restricted share units, the fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line method over the vesting period and adjusted for the effect of non market-based vesting conditions.

Segment reporting

Operating segments are components of the Company that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), for which discrete financial information is available and whose operating results are evaluated regularly by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance.

In conjunction with the spin-off, Aperam management identified the Chief Executive Officer and Chief Financial Officer of the Company as its CODM, which is the individual or body of individuals responsible for the allocation of resources and assessment of performance of the operating segments. The newly identified CODM began managing the business according to three operating segments: Stainless & Electrical Steel, Alloys & Specialties and Services & Solutions.

These segments include attributable goodwill, intangible assets, property, plant and equipment, and equity method investments. They do not include other investments, other non-current receivables, cash and short-term deposits, short-term investments, tax assets, and other current financial assets. Segment liabilities are also those resulting from the normal activities of the segment, excluding tax liabilities and indebtedness but including post retirement obligations where directly attributable to the segment. Financing items are managed centrally for the Company as a whole and so are not directly attributable to individual operating segments.

Geographical information is separately disclosed and represents the Company's most significant regional markets. Attributed assets are operational assets employed in each region and include items such as pension balances that are specific to a country. Attributed assets exclude attributed goodwill, deferred tax assets, other investments or other non-current receivables and other non-current financial assets. Attributed liabilities are those arising within each region, excluding indebtedness. Financing items are managed centrally for the Company as a whole and so are not directly attributable to individual geographical areas.

Critical accounting judgments

The critical accounting judgments and significant assumptions made by management in the preparation of these financial statements are provided below.

Deferred Tax Assets

The Company records deferred tax assets and liabilities based on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax assets are also recognized for the estimated future effects of tax losses carried forward. The Company reviews the deferred tax assets in the different jurisdictions in which it operates periodically to assess the possibility of realizing such assets based on projected taxable profit, the expected timing of the reversals of existing temporary differences, the carry forward period of temporary differences and tax losses carried forward and the implementation of tax-planning strategies.

Note 17 describes the total deferred tax assets recognized in the consolidated statements of financial position. As of December 31, 2012, the amount of future income required to recover the Company's deferred tax assets was approximately 866 at certain operating subsidiaries.

Deferred Employee Benefits

The Company's operating subsidiaries have different types of pension plans for their employees. Also, some of the operating subsidiaries offer other post-employment benefits. The expense associated with these pension plans and post-employment benefits, as well as the carrying amount of the related liability/asset on the statement of financial position is based on a number of assumptions and factors such as discount rates, expected rate of compensation increase, expected return on plan assets, mortality rates and retirement rates.

- Discount rates. The discount rate is based on several high quality corporate bond indexes in the appropriate jurisdictions (rated AA or higher by a recognized rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates.

- Rate of compensation increase. The rate of compensation increase reflects actual experience and the Company's long-term outlook, including contractually agreed upon wage rate increases for represented hourly employees.

- Expected return on plan assets. The expected return on plan assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plans' asset mix.

- Mortality and retirement rates. Mortality and retirement rates are based on actual and projected plan experience.

In accordance with IFRS, actuarial gains or losses resulting from experience and changes in assumptions are recognized in the Company's statement of operations only if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation at that date and 10% of the fair value of any plan asset at that date. The fraction exceeding 10% is then recognized over the expected average remaining working lives of the employees participating in the plans.

Note 21 details the net liabilities of pension plans and other post-employment benefits including a sensitivity analysis illustrating the effects of changes in assumptions.

Legal, Environmental and Other Contingencies

The Company may be involved in litigation, arbitration or other legal proceedings. Most of these claims involve highly complex issues, actual damages and other matters. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management. The Company recognizes a liability for contingencies when it is more likely than not that the Company will sustain a loss and the amount can be estimated.

The Company is subject to changing and increasingly stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean-up of soil and groundwater. The Company recognizes a liability for environmental remediation when it is more likely than not that such remediation will be required and the amount can be estimated.

The estimates of loss contingencies for environmental matters and other contingencies are based on various judgments and assumptions including the likelihood, nature, magnitude and timing of assessment, remediation and/or monitoring activities and the probable cost of these activities. In some cases, judgments and assumptions are made relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of cost of these activities, including third parties who sold assets to the Company or purchased assets from the Company subject to environmental liabilities. The Company also considers, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and its historical experience with other circumstances judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. As estimated costs to remediate change, the Company will reduce or increase the recorded liabilities through credits or charges in the statement of operations. The Company does not expect these environmental issues to affect the utilization of its plants, now or in the future.

Impairment of Tangible and Intangible Assets

Tangible and Intangible Assets

At each reporting date, the Company reviews whether there is any indication that the carrying amounts of its tangible and intangible assets (excluding goodwill) may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of its net selling price (fair value reduced by selling costs) and its value in use.

In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The cash generating unit is the smallest identifiable group of assets corresponding to operating units that generate cash inflows. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized as an expense immediately as part of operating income in the statement of operations.

In the case of permanently idled assets, the impairment is measured at the individual asset level on the basis of salvage value. Otherwise, it is not possible to estimate the recoverable amount of the individual asset because the cash flows are not independent from that of the cash generating unit to which it belongs. Accordingly, the Company's assets are measured for impairment at the cash generating unit level. In certain instances, the cash generating unit is an integrated manufacturing facility which may also be an operating subsidiary. Furthermore, a manufacturing facility may be operated together with another facility with neither facility generating cash flows that are largely independent from the cash flows of the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2012, the Company had determined it has six cash generating units.

An impairment loss recognized in prior years is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. However, the increased carrying amount of an asset due to a reversal of an impairment loss will not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately as part of operating income in the statement of operations.

Goodwill

With respect to goodwill, the recoverable amounts of the groups of cash generating units are determined from the higher of its net selling price (fair value reduced by selling costs) or its value in use calculations, as described above. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

Cash flow forecasts are derived from the most recent financial budgets for the next five years. Beyond the specifically forecasted period, the Company extrapolates cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognized, impairment losses recognized for goodwill are not reversed.

Derivative financial instruments

The Company enters into derivative financial instruments principally to manage its exposure to fluctuation in exchange rates and prices of raw materials and energy. Derivative financial instruments are classified as current assets or liabilities based on their maturity dates and are accounted for at trade date. Embedded derivatives are separated from the host contract and accounted for separately if required by IAS 39, "Financial Instruments: Recognition and Measurement". The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. See Note 14 for analysis of the Company's sensitivity to changes in certain of these inputs. Gains or losses arising from changes in the fair value of derivatives are recognized in the statement of operations, except for derivatives that are highly effective and qualify for cash flow hedge accounting.

The effective portion of changes in the fair value of a derivative that is designated and that qualifies as a cash flow hedge are recorded in other comprehensive income. Amounts deferred in other comprehensive income are recorded in the statement of operations in the periods when the hedged item is recognized in the statement of operations and within the same line item. Any ineffective portion of changes in the fair value of the derivative is recognized directly in the statement of operations.

The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When a hedging instrument is sold, terminated, expires or is exercised the cumulated unrealized gain or loss on the hedging instrument is maintained in equity until the forecasted transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss, which had been recognized in equity, is reported immediately in the statement of operations.

For instruments not accounted for as cash flow hedges, gains or losses arising from changes in fair value of derivatives and gains or losses realized upon settlement of derivatives are recognized in the statement of operations.

Use of estimates

The preparation of financial statements in conformity with IFRS recognition and measurement principles and, in particular, making the aforementioned critical accounting judgments require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

(millions of U.S. dollars)

Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

NOTE 3: TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable and allowance for doubtful accounts are as follows:

	December 31,	
	2012	2011
Gross amount	344	405
Allowance for doubtful accounts	(14)	(14)
Total	330	391

See Note 12 for information regarding trade accounts receivable from related parties.

Before accepting any new customer, the Company requests a credit limit authorization from credit insurance companies or uses an internally developed credit scoring system to assess the potential customer's credit quality and to define credit limits by customer. For all significant customers, the credit terms must be approved by relevant credit committees. Limits and scoring attributed to customers are reviewed periodically. There are no customers who represent more than 10% of the total balance of trade accounts receivable.

Included in the Company's trade accounts receivable balance are debtors with a carrying amount of 275 and 331 as of December 31, 2012 and 2011, respectively, which were not past due at the reporting date.

The amount of receivables pledged as collateral was 98 and 83 as of December 31, 2012 and 2011, respectively. Pledges mainly aim at securing the borrowing base revolving credit facility entered into by the Company as described in Note 13.

Exposure to credit risk by operating segment

The maximum exposure to credit risk for trade accounts receivable by operating segment is:

	December 31,	
	2012	2011
Stainless & Electrical Steel	155	171
Alloys & Specialties	28	47
Services & Solutions	146	172
Others	1	1
Total	330	391

Exposure to credit risk by geography

The maximum exposure to credit risk for trade accounts receivable by geographical area is:

	December 31,	
	2012	2011
Europe	188	245
North America	22	27
South America	117	115
Asia	3	4
Total	330	391

(millions of U.S. dollars)

Aging of trade accounts receivable

The aging of trade accounts receivable is as follows:

	December 31,			
	2012		2011	
	Gross	Allowance	Gross	Allowance
Not past due	275	—	331	(1)
Past due 0-30 days	43	—	51	—
Past due 31-60 days	5	—	7	—
Past due 61-90 days	2	—	1	—
Past due 91-180 days	5	(1)	1	—
More than 180 days	14	(13)	14	(13)
Total	344	(14)	405	(14)

The movement in the allowance for doubtful accounts in respect of trade accounts receivable during the year is as follows:

Balance as of December 31, 2010 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2011
15	5	(5)	(1)	14

Balance as of December 31, 2011	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2012
14	4	(4)	—	14

The Company has established sales without recourse of trade accounts receivable program with financial institutions, referred to as True Sales of Receivables (“TSR”). The amount of the Aperam facility available for the Company represented €250 million and €200 million as of December 31, 2012 and 2011, respectively. Through the TSR program, 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 amounts of receivables sold under the TSR program and derecognized in accordance with IAS 39 for the years ended December 31, 2012 and 2011 were $1.7 billion and $1.7 billion, respectively. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognized in the consolidated statement of operations as financing costs and amounted to 10 and 19 in 2012 and 2011, respectively.

(millions of U.S. dollars)

NOTE 4: INVENTORIES

Inventory, net of allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence of 124 and 139 as of December 31, 2012 and 2011, respectively, is comprised of the following (there are no inventories which are carried at fair value less cost to sell):

	December 31, 2012	December 31, 2011
Finished products	524	505
Production in process	399	435
Raw materials	158	182
Manufacturing supplies, spare parts and other	146	140
Total	1,227	1,262

The amount of inventory pledged as collateral was 748 and 639 as of December 31, 2012 and 2011, respectively. Pledges mainly aim at securing the borrowing base revolving credit facility entered into by the Company as described in Note 13.

The movement in the allowance for obsolescence is as follows:

Balance as of December 31, 2010 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2011
140	63	(56)	(8)	139

Balance as of December 31, 2011	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2012
139	47	(64)	2	124

The amount of write-down of inventories to net realizable value recognized as an expense was 47 and 63 in 2012 and 2011, respectively, and was reduced by 64 and 56 in 2012 and 2011, respectively, due to normal inventory consumption.

NOTE 5: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2012	December 31, 2011
Value-added tax (VAT) and other amount receivable from tax authorities	66	76
Other	54	57
Total	120	133

(millions of U.S. dollars)

NOTE 6: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	Goodwill on acquisition	Customer relationships, trade marks & technology	Concessions, patents and licenses	Total
Cost				
At December 31, 2010 (Combined)	825	280	104	1,209
Acquisitions	—	—	3	3
Foreign exchange differences	(59)	(19)	(10)	(88)
Transfers and other movements	—	(1)	16	15
At December 31, 2011	766	260	113	1,139
Accumulated amortization and impairment losses				
At December 31, 2010 (Combined)	—	127	93	220
Amortization charge	—	26	7	33
Impairment	—	3	—	3
Foreign exchange differences	—	(10)	(11)	(21)
At December 31, 2011	—	146	89	235
Carrying amount				
At December 31, 2011	766	114	24	904
Cost				
At December 31, 2011	766	260	113	1,139
Acquisitions	—	—	6	6
Disposals	—	—	(2)	(2)
Foreign exchange differences	(22)	(6)	(5)	(33)
Transfers and other movements	—	—	5	5
At December 31, 2012	744	254	117	1,115
Accumulated amortization and impairment losses				
At December 31, 2011	—	146	89	235
Disposals	—	—	(2)	(2)
Amortization charge	—	23	7	30
Foreign exchange differences	—	(3)	(4)	(7)
At December 31, 2012	—	166	90	256
Carrying amount				
At December 31, 2012	744	88	27	859

As a result of the acquisition of Arcelor by Mittal Steel on August 1, 2006, associated goodwill, intangible assets, and certain fair value adjustments were recorded.

(millions of U.S. dollars)

The Company identified three operating segments. As a result, goodwill acquired in business combinations was allocated to these operating segments based on the relative fair values of the operating segments. Goodwill is allocated as follows to each of the Company's operating segments:

	Net value December 31, 2011	Foreign exchange differences	Net value December 31, 2012
Stainless & Electrical Steel	654	(24)	630
Alloys & Specialties	26	1	27
Services & Solutions	86	1	87
TOTAL	**766**	**(22)**	**744**

Goodwill is reviewed at the Group of cash-generating unit ("GCGU") level for impairment annually or whenever changes in circumstances indicate that its carrying amount may not be recoverable. For 2012, goodwill was tested at the GCGU level for impairment as of November 30. The GCGU is at the operating segment level of Aperam. The recoverable amounts of the GCGUs are determined based on their value in use. The Company determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the GCGUs as the carrying value of the GCGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the terminal growth rate and the expected changes to raw material margin, shipments and added costs during the period. The impairment tests did not result in impairment for any periods presented in these consolidated financial statements.

The value in use of the GCGUs was determined by estimating cash flows for a period of five years, giving due consideration to the cyclical nature of the industry in which each GCGU operates. Assumptions for raw material margin and shipments were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial plans approved by management.

Beyond the specifically forecasted period of five years, the Company extrapolated cash flows for the remaining years based on an estimated constant growth rate of 2%. This rate did not exceed the average long-term growth rate for the relevant markets.

When estimating shipments for purposes of the 2012 impairment test, the Company used a growth rate of 1% in Europe and 3% in South America over the next 5 years. Those estimates were determined on the basis of the analysis of the markets where the Company is active in as well as on the basis of projections provided by external sources.

When estimating raw material margin for purposes of the 2012 impairment test, the Company used a stable ratio of raw material margin compared to sales over the next 5 years.

The nickel price estimate for the next 5 years was determined on the basis of forecasts published by the Metal Bulletin.

Management estimated discount rates using pre-tax rates that reflected current market rates for investments of similar risk. The discount rate for the GCGUs was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of the Company's assets.

	Stainless & Electrical Steel	Alloys & Specialties	Services & Solutions
GCGU weighted average pre-tax discount rate used in 2011 (in %).........................	13.1	11.4	13.3
GCGU weighted average pre-tax discount rate used in 2012 (in %).........................	13.6	16.5	14.9

(millions of U.S. dollars)

When estimating GCGU's average selling price for the purpose of 2012 impairment test, the Company used a range ("Stainless Base Price 304 Germany") of assumptions between €1,176 per ton in 2013 to a maximum of €1,183 per ton in 2015.

The results of the goodwill impairment test as of November 30, 2011 and 2012 for each GCGU did not result in an impairment of goodwill as the value in use exceeded the carrying value of the GCGU.

In validating the value in use determined for the GCGU, key assumptions used in the discounted cash-flow model (such as discount rates, raw material margins, shipments and terminal growth rate) were sensitized to test the resilience of value in use. Management believes that reasonably possible changes in key assumptions would cause an impairment loss to be recognized in respect of Stainless & Electrical Steel and Services & Solutions operating segments.

	Stainless & Electrical Steel	Services & solutions
Recoverable amount	3,616	474
Carrying amount	3,412	451
Excess of recoverable amount over carrying amount	204	23

The following changes in key assumptions in projected cash flows in every year of the initial five-year period, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal the respective carrying value;

	Stainless & Electrical Steel	Services & solutions
Increase in pre-tax discount rate (change in basis points)	68 bps	70 bps
Decrease in terminal growth rate used for the years beyond the five-year plan (change in basis points)	65 bps	62 bps
Decrease in shipments (change in %)	2.3 %	1.5 %
Decrease in raw material margin (change in %)	2.3 %	1.5 %
Increase in added costs (change in %)	1.6 %	0.9 %

In addition, the Company analyzed the sensitivity of the estimated recoverable amounts to the reasonable expected changes in assumptions, assuming unchanged values for the other assumptions:

- For the Stainless & Electrical Steel GCGU, reasonable expected changes in excess of the changes outlined above in relation to shipments, raw material margin and fixed costs would result in a directly proportional decrease in the GCGU's recoverable amount. Reasonable expected changes comprising of a 100 basis point increase in the pre-tax discount rate or a 100 basis point decrease in the terminal growth rate would result in decreases in the GCGU's recoverable amount of 292 or 303 respectively.

- For the Services & Solutions GCGU, reasonable expected changes in excess of the changes outlined above in relation to shipments, raw material margin and fixed costs would result in a directly proportional decrease in the GCGU's recoverable amount. Reasonable expected changes comprising of a 100 basis point increase in the pre-tax discount rate or a 100 basis point decrease in the terminal growth rate would result in decreases in the GCGU's recoverable amount of 32 or 35 respectively.

The analysis did not result in other scenarios whereby a reasonable possible change in the aforementioned key assumptions would result in a recoverable amount for the GCGU which is inferior to the carrying value.

Research and development costs

Research and development costs not meeting the criteria for capitalization are expensed and included in selling, general and administrative expenses within the consolidated statement of operations. These costs amounted to 20 and 18 in the years ended December 31, 2012 and 2011, respectively. There were no research and development costs capitalized during any of the periods presented.

(millions of U.S. dollars)

NOTE 7: BIOLOGICAL ASSETS

Biological assets movements are summarized as follows:

Balance at January 1, 2011	—
Full consolidation of Aperam BioEnergìa (note 9)	157
Additions	7
Change in fair value	37
Harvested trees	(26)
Foreign exchange differences	(30)
Balance at December 31, 2011	145
Balance at January 1, 2012	145
Additions	14
Change in fair value	28
Harvested trees	(41)
Foreign exchange differences	(11)
Balance at December 31, 2012	135

Forest reserves

The total area of 126 thousand hectares is composed of eucalyptus forest reserves in Brazil. These areas are managed by Aperam BioEnergìa that provides planting, lumber harvesting and coal production services.

Biological assets

The Company's biological assets comprise the cultivation and planting of eucalyptus forests in order to supply raw materials for the production of charcoal. As of December 31, 2012, the Company had 22,234 hectares of planted areas at harvest point, not considering the permanent preservation areas and legal reserve to be maintained to comply with the Brazilian environmental law.

The Company recognizes its biological assets at fair value in accordance with the following assumptions:

i) Eucalyptus forests are recorded at historical cost through their sixth year, based on the Management's understanding that during this period the historical cost of biological assets approximates their fair values. The cutting plan of the forests maintained by the Company varies between 6 and 7 years;

ii) After the sixth year, eucalyptus forests are measured at fair value, which reflects the sales price of the agricultural produce less costs required to make a product saleable or consumable;

iii) The prices of biological assets, denominated in BRL/cubic meter, are obtained through market price surveys.

(millions of U.S. dollars)

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	Machinery and equipment	Land, buildings and improvements	Construction in progress	Total
Cost				
At December 31, 2010 (Combined)	2,929	957	117	4,003
Full consolidation of Aperam BioEnergìa	54	9	15	78
Additions	32	2	121	155
Foreign exchange differences	(173)	(61)	(17)	(251)
Disposals	(35)	(2)	—	(37)
Other movements	57	25	(72)	10
At December 31, 2011	2,864	930	164	3,958
Accumulated depreciation and impairment				
At December 31, 2010 (Combined)	953	133	—	1,086
Full consolidation of Aperam BioEnergìa	27	4	—	31
Depreciation charge for the year	215	51	—	266
Impairment	1	—	—	1
Disposals	(19)	—	—	(19)
Foreign exchange differences	(55)	(11)	—	(66)
Other movements	(2)	2	—	—
At December 31, 2011	1,120	179	—	1,299
Carrying amount				
At December 31, 2011	1,744	751	164	2,659
Cost				
At December 31, 2011	2,864	930	164	3,958
Additions	25	2	120	147
Foreign exchange differences	(34)	(17)	(1)	(52)
Disposals	(145)	(22)	—	(167)
Other movements	177	52	(212)	17
At December 31, 2012	2,887	945	71	3,903
Accumulated depreciation and impairment				
At December 31, 2011	1,120	179	—	1,299
Depreciation charge for the year	208	45	—	253
Impairment	23	4	—	27
Disposals	(142)	(10)	—	(152)
Foreign exchange differences	1	(2)	—	(1)
Other movements	(3)	6	—	3
At December 31, 2012	1,207	222	—	1,429
Carrying amount				
At December 31, 2012	1,680	723	71	2,474

Other movements represent mostly transfers between the categories and changes in the consolidation scope.

In 2012 and 2011, various idle assets were written down to their salvage value as a decision was made to cease all future use. Accordingly, an impairment loss of 27 and 1 was recognized as an expense as part of operating result in the consolidated statement of operations for the years ended December 31, 2012 and 2011, respectively. The carrying amount of these assets was nil at December 31, 2012 and 2011. The impairment loss of 27 recorded in 2012 consisted primarily of damaged assets in the accidental fire that occurred in Aperam Stainless France's Gueugnon plant for 14, and in idle assets at Aperam Stainless Belgium and Aperam South America for 7 and 6, respectively. The impairment loss of 1 recorded in 2011 consisted primarily of Company's facilities in Aperam Stainless France. Aperam Stainless France, Aperam South America and Aperam Stainless Belgium are included in the Stainless & Electrical Steel segment. As of December 31, 2012 and 2011, temporarily idle assets included in the Stainless & Electrical Steel segment were 25 and 18, respectively. There were no temporarily idle assets included in the other segments as of any of the periods presented.

(millions of U.S. dollars)

During the year ended December 31, 2012 and in conjunction with its testing of goodwill for impairment, the Company analyzed the recoverable amount of its property, plant and equipment. Property, plant and equipment were tested at the Cash Generating Unit ("CGU") level. In certain instances, the CGU is an integrated manufacturing facility which may also be an operating subsidiary. Furthermore, a manufacturing facility may be operated together with another facility, with neither facility generating cash flows that are largely independent from the cash flows in the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2012, the Company had determined it has six CGUs. The recoverable amounts of the CGUs are determined based on value in use calculation and follow similar assumptions as those used for the test on impairment for goodwill.

The Company estimated discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of Aperam's assets. Aside from the impairments described above where a decision was made to cease all future use, no impairment of property, plant and equipment was recorded for any of the years ended December 31, 2012 and 2011.

The carrying amount of property, plant and equipment includes 18 and 20 of finance leases as of December 31, 2012 and 2011, respectively. The carrying amount of these finance leases is included in machinery and equipment.

These finance lease arrangements are mainly related to equipment in Brazil for a carrying amount of 5 and which can be purchased at the end of the remaining leasing period of 1 year for an amount of 4 and to equipment related to the scrap and slab yard in Belgium for a carrying amount of 13 which can be purchased for their book value at the end of the remaining leasing period.

No property, plant and equipment was pledged in 2012 and 2011.

NOTE 9: INVESTMENTS IN ASSOCIATES

The Company had the following investments in associates:

Investee	Location	Ownership %at December 31, 2012	Net asset value at December 31, 2012	Net asset value at December 31, 2011
BlueSky Amercoeur [1].....	Belgium	18.5%	2	2
Total………………….......			2	2

[1] Aperam with five other electricity intensive users in Belgium has developed a solution with Electrabel to cover part of their energy supply within the BlueSky consortium. On November 4, 2011, the consortium members incorporated Blue Sky Amercoeur as a cooperative company under Belgian law.

(millions of U.S. dollars)

NOTE 10: OTHER INVESTMENTS

The Company holds the following other investments:

			Fair value December 31,	
	Location	Ownership % at December 31, 2012	2012	2011
Available-for-sale securities (at fair value)				
General Moly Inc.	U.S.	9.04%	33	26
Gerdau S.A.	Brazil	0.53%	80	70
Investments accounted for at cost				
Exeltium S.A.S.	France	2.05%	5	—
Other			2	2
Total			120	98

The change in fair value of available-for-sale securities for the period was recorded directly in equity (other comprehensive income) as an unrealized gain or loss, net of income tax, of 18 and (59) for the years ended December 31, 2012 and 2011, respectively.

On February 20, 2012, the Company acquired 35,818 shares in Exeltium S.A.S. from ArcelorMittal, representing a 2.05% stake, for an amount of 5, recorded at cost. Exeltium is a consortium bringing together a number of "electro-intensive" European industrials to secure electricity supply of industrial sites in France.

On September 28, 2012, shares of the Company's investment in Gerdau were pledged as security for the new 50 secured bank loan described in note 13.

NOTE 11: OTHER ASSETS

Other assets consisted of the following:

	December 31,	
	2012	2011
Cash guarantees and deposits	56	48
Long-term VAT receivables	21	9
Tax indemnification from ArcelorMittal Bioflorestas	18	22
Long-term receivables from sale of tangible assets	7	9
Other financial assets	11	11
Total	113	99

(millions of U.S. dollars)

NOTE 12: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties, including associates of the Company, were as follows:

		Year Ended December 31,		December 31,	
		2012	2011	2012	2011
Transactions	**Category**	**Sales**		**Included in Trade accounts receivable**	
ArcelorMittal Group	Other	150	180	8	17
Total		150	180	8	17

		Year Ended December 31,		December 31,	
		2012	2011	2012	2011
Transactions	**Category**	**Purchases of raw material & others**		**Included in Trade accounts payable**	
ArcelorMittal Group	Other	139	269	18	28
BlueSky Amercoeur (note 9)	Associate	18	—	3	—
Total		157	269	21	28

The table above includes purchases of raw materials and energy from related parties as follows:

	Year Ended December 31,	
	2012	2011
Raw materials	41	214
Energy supply contracts	81	10

Transactions with related parties also include the following:

	December 31,	
	2012	2011
Tax indemnification from ArcelorMittal Bioflorestas—current and non current (note 11)	21	27
Prepaid expenses and other current assets	5	4
Derivative financial instruments—assets (note 14)	—	4
Derivative financial instruments—liabilities (note 14)	3	6
Cash and cash equivalents (*)	—	133
Selling, General and administrative	11	11
Interest expense	—	22
Interest income	—	1

(*) Since March 2012, Aperam has ceased cash pooling transactions with ArcelorMittal.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note.

Refer to Note 24 for disclosure of transactions with key management personnel.

The above mentioned transactions between Aperam and the respective entities were conducted on an arm's length basis.

(millions of U.S. dollars)

NOTE 13: SHORT-TERM AND LONG-TERM DEBT

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

	December 31,	
	2012	2011
Short-term bank loans and other credit facilities	407	498
Current portion of long-term debt	19	35
Lease obligations	9	5
Total	**435**	**538**

800 secured borrowing base revolving credit facility

On March 16, 2011, the Company entered into an 800 secured borrowing base revolving credit facility with a group of lenders. The facility is structured as a 3-year revolving credit facility. It is used for liquidity and working capital purposes including the repayment of part of the financing provided by ArcelorMittal.

As of December 31, 2012, 325 was outstanding under this facility.

Long-term debt is comprised of the following as of December 31:

	Year of maturity	Type of Interest	Interest rate(1)	2012	2011
250 unsecured bonds	2016	Fixed	7.375%	247	246
250 unsecured bonds	2018	Fixed	7.750%	246	245
Loans in Brazil Fixed/Floating	2014-2021	Fixed/Floating	2.50%-8.70%	67	89
50 secured bank loan	2014	Floating	3.46%	49	—
€17 million loan	2013	Floating	—	—	23
Other loans	2014-2015	Fixed	5.01%-13.25%	6	4
Total				**615**	**607**
Less current portion of long-term debt				19	35
Total long-term debt (excluding lease obligations)				596	572
Lease obligations (2)				11	15
Total long-term debt, net of current portion				**607**	**587**

(1) Rates applicable to balances outstanding at December 31, 2012.
(2) Net of current portion of 9 and 5 on December 31, 2012 and 2011, respectively.

50 secured bank loan

On September 28, 2012, the Company signed a 2-year 50 secured bank loan which bear interest at a rate of US$ Libor plus 310 basis point per annum. As at December 31, 2012, shares of the Company's investment in Gerdau, representing a carrying value of 80, were pledged as security.

€17 million loan

On September 27, 2011, Aperam signed a €17 million bilateral credit facility agreement. The facility is due on September 2013 and has therefore been reclassified into short term debt as at December 31, 2012.

(millions of U.S. dollars)

Unsecured Bonds

On March 30, 2011, the Company issued 500 principal amount of unsecured fixed rated bonds in two tranches, in a private placement in the international capital markets. The first tranche of 250 bears interest at 7.375% and is due April 1, 2016 and the second tranche of 250 bears interest at 7.75% and is due April 1, 2018. Interests are payable semi-annually on April 1 and October 1 of each year commencing on October 1, 2011.

Scheduled maturities of long-term debt including lease obligations are as follows:

	December 31, 2012
2013	28
2014	75
2015	17
2016	257
2017	9
Subsequent years	249
Total	635

The following table presents the structure of the Company's debt and cash in original currencies:

		In USD equivalent as of December 31, 2012			
	Total USD	EUR	USD	BRL	Other
Short-term debt and current portion of long-term debt	435	29	340	64	2
Long-term debt	607	13	562	30	2
Cash	226	134	21	62	9

		In USD equivalent as of December 31, 2011			
	Total USD	EUR	USD	BRL	Other
Short-term debt and current portion of long-term debt	538	9	483	41	5
Long-term debt	587	23	518	32	14
Cash	247	156	42	49	—

As a part of the Company's overall risk and cash management strategies, several loan agreements have been swapped from their original currencies to other foreign currencies.

At the reporting date the carrying amount and fair value of the Company's interest-bearing financial instruments was:

	December 31,			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Instruments payable bearing interest at fixed rates	527	482	525	447
Instruments payable bearing interest at variable rates	108	103	102	101

NOTE 14: FINANCIAL INSTRUMENTS AND CREDIT RISK

The Company utilizes financial derivative instruments to manage its exposure to fluctuations in exchange rates, commodity prices, and energy arising from operating, financing and investment activities.

Fair values versus carrying amounts

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

Cash and cash equivalents, restricted cash, short term investments and trade receivables are included in the “Loans and receivables” category, which is measured at amortized cost. Prepaid expenses and other current assets include derivative instruments of 5 and 4 as of December 31, 2012 and 2011, respectively. These derivatives instruments are classified as “Financial assets at fair value through profit or loss”. Other investments are classified as “Available-for-sale” with gains or losses arising from changes in fair value recognized in other comprehensive income. Other assets are classified as “Financial assets at fair value through profit or loss”.

Except for derivative financial instruments, which are classified as “Financial liabilities at fair value through profit or loss”, financial liabilities are classified as “Financial liabilities measured at amortized cost”. Accrued expenses and other liabilities include derivative financial instruments amounting to (8) and (6) as of December 31, 2012 and 2011, respectively. Other long-term obligations include derivative financial instruments amounting to nil and (2) as of December 31, 2012 and 2011, respectively.

Net gains and losses recognized in the statement of operations on derivative instruments amounted to (15) and (11) for the years ended December 31, 2012 and 2011, respectively, of which:

- Unrealized gains (losses), which are included in financial income and expense, which were 3 and (7) (see Note 16) for the years ended December 31, 2012 and 2011, respectively;

- Realized gains (losses) which were (18) and (4) for the years ended December 31, 2012 and 2011, respectively.

The Company’s short and long-term debt consists of debt instruments which bear interest at fixed rates and variable rates tied to market indicators. The fair value of fixed rate debt is based on estimated future cash flows, which are discounted using current market rates for debt with similar remaining maturities and credit spreads. See Note 13 for disclosures of the carrying amount and fair value of the Company’s variable rate debt.

The following table summarizes the bases used to measure certain assets and liabilities at their fair value as of December 31, 2012. Assets and liabilities carried at fair value have been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The levels are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;

- Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

- Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets. The Company did not have any assets or liabilities classified as Level 3.

(millions of U.S. dollars)

	Level 1	Level 2	Total
Assets at fair value:			
Available-for-sale financial assets	113	—	113
Derivative financial assets	—	5	5
Total assets at fair value	113	5	118
Liabilities at fair value			
Derivative financial liabilities	—	8	8
Total liabilities at fair value	—	8	8

Available-for-sale financial assets classified as Level 1 refer to listed securities quoted in active markets. The total fair value is either the price of the most recent trade at the time of the market close or the official close price as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

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

Portfolio of Derivatives

The Company's portfolio of derivatives consists of transactions with Aperam Treasury (ArcelorMittal Treasury until January 25, 2011), which in turn enters into offsetting positions with counterparties external to Aperam. Aperam manages the counterparty risk associated with its instruments by centralizing its commitments and by applying procedures which specify, for each type of transaction exposure limits based on the risk characteristics of the counterparty.

The portfolio associated with derivative financial instruments as of December 31, 2012 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	14	—	19	—
Forward sale contracts	87	—	28	—
Total foreign exchange rate instruments		—		—
Raw materials (base metal), energy				
Term contracts sales metals	33	1	8	—
Term contracts purchases metals	71	4	115	(8)
Total raw materials (base metal), energy		5		(8)
Total		5		(8)

The portfolio associated with derivative financial instruments as of December 31, 2011 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	4	—	4	—
Forward sale contracts	1	—	30	(2)
Total foreign exchange rate instruments		—		(2)
Raw materials (base metal)				
Term contracts sales	6	1	10	—
Term contracts purchases	77	3	67	(6)
Total raw materials (base metal)		4		(6)
Total		4		(8)

Exchange rate risk

The Company is exposed to fluctuations in foreign exchange rates due to a substantial portion of the Company's assets, liabilities, sales and earnings being denominated in currencies other than the U.S. dollar (its presentation currency). These currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the Euro, Brazilian real, as well as fluctuations in the other countries' currencies in which the Company has significant operations and/or sales, could have a material impact on its results of operations.

Following its Treasury and Financial Risk Management Policy, the Company hedges its net exposure to exchange rates through spot and derivative transactions.

Liquidity Risk

The Company's principal sources of liquidity are cash generated from its operations, bank credit lines and various working capital credit lines at its operating subsidiaries. The levels of cash, credit lines and debt are closely monitored and appropriate actions are taken in order to manage the maturity profile and currency mix.

(millions of U.S. dollars)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	December 31, 2012					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over 100	(818)	(991)	(366)	(37)	(332)	(256)
Trade and other payables	(950)	(950)	(950)	—	—	—
Other non-derivative financial liabilities	(224)	(241)	(120)	(79)	(40)	(2)
Total	(1,992)	(2,182)	(1,436)	(116)	(372)	(258)
Derivative financial liabilities						
Foreign exchange contracts	—	—	—	—	—	—
Other commodities contracts	(8)	(8)	(8)	—	—	—
Total	(8)	(8)	(8)	—	—	—

	December 31, 2011					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over 100	(891)	(1,091)	(442)	(37)	(353)	(259)
Trade and other payables	(846)	(846)	(846)	—	—	—
Other non-derivative financial liabilities	(234)	(247)	(144)	(64)	(35)	(4)
Total	(1,971)	(2,184)	(1,432)	(101)	(388)	(263)
Derivative financial liabilities						
Foreign exchange contracts	(2)	(2)	(1)	(1)	—	—
Other commodities contracts	(6)	(6)	(5)	(1)	—	—
Total	(8)	(8)	(6)	(2)	—	—

Cash flow hedges

The following table presents the periods in which cash flows hedges are expected to mature:

	December 31, 2012					
		(outflows)/inflows				
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	4	2	1	1	—	—
Total	4	2	1	1	—	—

The following table presents the periods in which cash flows hedges are expected to impact the statement of operations:

	December 31, 2012					
		(expense)/income				
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	4	2	1	1	—	—
Total	4	2	1	1	—	—

(millions of U.S. dollars)

Raw materials and energy

The Company utilizes derivative instruments such as forwards, swaps and options to manage its exposure to commodity and energy prices both through the purchase of commodities and energy and through sales contracts.

Fair values of raw material and energy instruments are as follows:

	At December 31, 2012	At December 31, 2011
Base metals	(3)	(2)
Total	(3)	(2)
Assets associated with raw material and energy	5	4
Liabilities associated with raw material and energy	(8)	(6)
Total	(3)	(2)

The Company consumes large amounts of commodities (mainly nickel), the price of which is related to the London Metals Exchange price index and energy (the prices of which are related to the New York Mercantile Exchange index, the Intercontinental Exchange index and the Powernext index). The Company is exposed to price volatility in respect of its purchases in the spot market and under its long-term supply contracts.

Sensitivity analysis

Foreign currency sensitivity

The following table details the Company's sensitivity as it relates to derivative financial instruments to a 10% variation of the U.S. dollar against the other currencies to which the Company is exposed. The sensitivity analysis does not include non-derivative foreign currency-denominated monetary items. A positive number indicates an increase in statement of operations where a negative number indicates a decrease in statement of operations and other equity.

	December 31, 2012	December 31, 2011
10% appreciation in U.S. dollar	2	(2)
10% depreciation in U.S. dollar	(2)	2

(millions of U.S. dollars)

Cash flow sensitivity analysis for variable rate instruments

The following table details the Company's sensitivity to a change of 100 basis points ("bp") variation in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	December 31, 2012		
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(4)	—	(4)
100 bp decrease	4	—	4

	December 31, 2011		
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(4)	—	(4)
100 bp decrease	4	—	4

Base metals

The following table details the Company's sensitivity to a 10% variation in the prices of base metals. The sensitivity analysis includes un-matured base metal derivative instruments.

	December 31, 2012		December 31, 2011	
	Income	Other Equity Cash Flow Hedging Reserves	Income	Other Equity Cash Flow Hedging Reserves
+10% in prices Base Metals	9	5	7	6
−10% in prices Base Metals	(9)	(5)	(7)	(6)

NOTE 15: EQUITY

On September 9, 2010, the Company's subscribed share capital was fixed in the sum of $40,000 represented by 4,000 shares without par value.

On December 6, 2010, the Company's subscribed share capital was converted from USD into EUR (€31,000). The Company's authorized share capital, including the issued capital, was increased to €450,031,000 represented by 85,854,303 shares without nominal value.

On January 25, 2011, the Company allotted the 78,045,730 newly issued shares without par value as fully paid up to the shareholders of ArcelorMittal S.A. in proportion of their holding of ArcelorMittal S.A. shares based on the exchange ratio set out in the spin-off proposal.

Capital transactions with ArcelorMittal

There were no capital transactions with ArcelorMittal in 2012.

Capital transactions with ArcelorMittal amounted to 33 in 2011 and mainly included the reversal of amounts payables related to allocations of expenses from ArcelorMittal.

Dividends

Certain entities within the scope of the Company's consolidated financial statements historically owned by ArcelorMittal entities which are not in the scope of the Company's consolidated financial statements paid dividends between January 1, 2010 and December 31, 2011. These dividend payments have been maintained in the consolidated financial statements and treated as distributions by the Company.

On January 21, 2011, the Company announced that subject to legal and regulatory requirements being met, Aperam's dividend payment of $0.75 per share will be applicable after the spin-off. As at December 31, 2011, dividend payments of 14, 16, 13 and 16 ($0.1875 per share per quarter) were made on March 30, 2011, June 14, 2011, September 12, 2011 and December 12, 2011, respectively.

On May 8, 2012, the annual general meeting approved the dividend payment at $0.75 per share. As at December 31, 2012, quarterly dividend payments of 15, 14, 15 and 15 ($0.1875 per share per quarter) were made on March 13, 2012, June 14, 2012, September 10, 2012 and December 10, 2012.

On February 4, 2013, the Company announced that the Board of Directors will submit to a shareholder's vote, at the next annual general meeting, a proposal to stop the dividend payment.

Stock Option Plans

For historical reasons, certain of the Company's employees participate in stock-based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. Given that the Company's employees directly benefit from participation in these plans, the expense incurred by ArcelorMittal for options granted to its employees has been reflected in the Company's consolidated statements of operations as selling, general and administrative. The compensation expense recognized for stock option plans was 1 and 3 for each of the years ended December 31, 2012 and 2011, respectively.

During the year 2011, certain employees were transferred from ArcelorMittal to the Company. These beneficiaries increased the number of options outstanding.

The fair values for options and other share-based compensation is recorded as an expense in the consolidated statement of operations over the relevant vesting or service periods, adjusted to reflect actual and expected levels of vesting. The fair value of each option grant to purchase ArcelorMittal common shares was estimated on the date of grant using the Black-Scholes option pricing model.

For the years ended December 31, 2012 and 2011, the amount of outstanding options was 661,909, and 843,681 respectively. The amount of exercisable options was 605,942 and 684,604 respectively for the years ended December 31, 2012 and 2011.

Exercise prices of ArcelorMittal stock options vary from $27.31 to $78.44. Weighted average contractual life of the options varies from 0.5 to 7.6 years.

Share Unit Plan

On July 12, 2011, the ordinary general meeting of shareholders approved an equity-based incentive plan to key employees of Aperam. The plan comprises a Restricted Share Unit Plan ("RSU Plan") and a Performance Share Unit Plan ("PSU Plan") designed to incentivize the targeted employees, to improve the long-term performance of the Company and to retain key employees. Both the RSU Plan and the PSU Plan are intended to promote the alignment of interests between the company's shareholders and eligible employees by allowing them to participate in the success of the Company.

The aim of the RSU Plan is to provide a retention incentive to eligible employees. RSUs shall vest in full on the three year anniversary of the date on which the award was granted contingent upon the continued active employment of the employee within the Group. The RSUs are an integral part of the Company's remuneration framework in which it serves the specific objective of medium-term and long-term retention.

The maximum number of RSUs and PSUs available for grant during any given year is subject to the prior approval of the Company's shareholders at the annual general meeting.

For the period from the July 12, 2011 general shareholders' meeting to the annual general meeting of shareholders held on May 8, 2012, a maximum of 70,000 RSUs and 20,000 PSUs might be allocated to qualifying employees under the RSU Plan and the PSU Plan, respectively. In November 2011, a total of 59,750 shares under the RSU Plan were granted to a total of 28 employees. In March 2012, a total of 14,250 PSU were granted to senior management of the Company.

For the period from the May 8, 2012 general shareholders' meeting to the annual general meeting of shareholders to be held in May 2013, a maximum of 70,000 RSUs and 20,000 PSUs may be allocated to qualifying employees under the RSU Plan and the PSU Plan, respectively. At the date of this report, no RSUs and PSUs have been granted to senior management of the Company.

The fair value of the shares allocated to the beneficiaries is recorded as en expense in the consolidated statements of operations over the relevant vesting or service periods. The compensation expense recognized for the restricted stock units was below 1 and below 1 for the year ended December 31, 2012 and 2011, respectively.

(millions of U.S. dollars)

NOTE 16: FINANCIAL INCOME AND EXPENSE

Financial income and expense recognized in the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Recognized in the statement of operations		
Interest income	3	3
Interest expense	(76)	(73)
Result on disposal of financial assets	—	(1)
Unrealized gains (losses) on derivative instruments	3	(7)
Impairment of financial assets	—	(1)
Net foreign exchange result	(5)	(30)
Others	7	(45)
Total interest expense and other net financing costs	**(71)**	**(157)**
Recognized in the statement of comprehensive income (Company share)		
Net change in fair value of available-for-sale financial assets	18	(59)
Effective portion of changes in fair value of cash flow hedge	—	(9)
Foreign currency translation differences for foreign operations	(103)	(281)
Total	**(85)**	**(349)**

Others include mainly financing costs.

Unrealized gains and losses on derivative instruments are mainly related to the fair value adjustments of raw material financial instruments hedging the purchases of nickel and do not qualifying for hedge accounting.

(millions of U.S. dollars)

NOTE 17: INCOME TAX

Income tax benefit

The breakdown of the income tax benefit for each of the years ended December 31, 2012 and 2011, respectively, is summarized as follows:

	Year ended December 31	
	2012	2011
Total current income tax expense	11	7
Total deferred tax benefit	(75)	(55)
Total income tax benefit	(64)	(48)

The following table reconciles the income tax benefit to the statutory tax expense (benefit) as calculated:

	Year ended December 31,	
	2012	2011
Net loss	(108)	(60)
Non-controlling interest	—	1
Income tax benefit	(64)	(48)
Loss before tax:	**(172)**	**(107)**
Tax benefit at domestic rates applicable to countries where loss was generated	(80)	(62)
Tax exempt revenues	—	(3)
Net change in measurement of deferred tax assets	121	40
Tax deductible write-down on shares	(109)	—
Deductible interest on net equity	—	(1)
Non-deductible stock option charge	—	1
Other permanent difference	4	(23)
Income tax benefit	**(64)**	**(48)**

The weighted average statutory tax benefit was 80 and 62 in 2012 and 2011 respectively. The increase of the tax benefit from 2011 to 2012 was mainly due to negative result in Belgium, Brazil, France and distribution entities in countries with high tax rate.

Tax exempt revenues mainly relate to tax exempt results from companies held by Luxembourg entities and Aperam South America for nil and (1) in 2012 and 2011, respectively and tax exempt dividends in Aperam South America for nil and (1) in 2012 and 2011.

Net change in measurement of deferred tax assets of 121 in 2012 mainly relates to tax expense of 109 due to unrecognized deferred tax assets on write-down of the value of shares of a consolidated subsidiary in Luxembourg and not capitalization of tax losses for 6 in Brazil, partly offset by recognition of deferred tax assets on previous tax losses in Czech Republic for 2. Further change relates to limitation of interest deduction for 3 in France due to the new legislation.

Net change in measurement of deferred tax assets of 40 in 2011 mainly relates to de-recognition of deferred tax assets for previous tax losses for 5, de-recognition of deferred tax assets for other temporary differences for 5 and non capitalization of 2011 losses for 6 in Brazil, de-recognition of deferred tax assets on previous tax losses in France for 8 and interest expense recapture in Luxembourg Tax Consolidation for 9.

Other permanent difference in 2012 consists of a reduced taxation on the financing activity, transfer pricing adjustment in Brazil, effect of foreign currency translation and equity method benefits, taxation on dividends and adjustments for tax deductible and non deductible items.

(millions of U.S. dollars)

Other permanent difference in 2011 consists of a reduced taxation on certain activities, effect of foreign currency translation and equity method benefits, taxation on dividends and adjustments for tax deductible and non deductible items.

The net deferred tax benefit recorded directly to equity was 15 and 40 as of December 31, 2012 and 2011, respectively. There was no current tax booked directly in equity in 2012 and 2011.

The amount of (17) recognized in capital employed in 2011, relates primarily to the capital transactions described in Note 15.

Income tax recognized directly in equity

	2012	2011
Deferred tax		
Recognized in other comprehensive income:		
Unrealized (loss) gain on available-for-sale securities	(6)	16
Unrealized gain on derivatives financial instruments	—	5
Foreign currency translation adjustments	21	36
Recognized in capital employed	—	(17)
	15	40

Deferred tax assets and liabilities

The origin of deferred tax assets and liabilities is as follows:

	Assets		Liabilities		Net	
	December 31,		December 31,		December 31,	
	2012	2011	2012	2011	2012	2011
Intangible assets	16	69	(17)	(21)	(1)	48
Property, plant and equipment	5	4	(343)	(377)	(338)	(373)
Biological assets	—	—	(46)	(50)	(46)	(50)
Inventories	28	30	(7)	(6)	21	24
Available-for-sale financial assets	7	13	—	—	7	13
Financial instruments	4	7	(5)	(3)	(1)	4
Other assets	17	16	(4)	(4)	13	12
Provisions	54	60	(62)	(60)	(8)	—
Other liabilities	40	15	(5)	(5)	35	10
Tax losses carried forward	462	380	—	—	462	380
Tax credits	9	8	—	—	9	8
Deferred tax assets/(liabilities)	642	602	(489)	(526)	153	76
Deferred tax assets					289	249
Deferred tax liabilities					(136)	(173)

Deferred tax assets not recognized by the Company as of December 31, 2012 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	1,856	604	462	142
Tax credits and other tax benefits	53	19	9	10
Other temporary differences	503	171	171	—
Total		794	642	152

(millions of U.S. dollars)

Deferred tax assets not recognized by the Company as of December 31, 2011 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	1,230	411	380	31
Tax credits and other tax benefits	51	18	8	10
Other temporary differences	631	214	214	—
Total		643	602	41

The Company has unrecognized deferred tax assets relating to tax loss carry forwards, tax credits and other tax benefits amounting to 152 and 41 as of December 31, 2012 and 2011, respectively. As of December 31, 2012, the deferred tax assets not recognized relate to tax loss carry forwards attributable to subsidiaries located in Luxembourg (112), Brazil (14), France (8), Spain (5), Czech Republic (1), Poland (1) and Italy (1) with different statutory tax rates. Therefore, the amount of the total deferred tax assets is the aggregate amount of the various deferred tax assets recognized and unrecognized at the various subsidiaries and not the result of a computation with a blended rate. Unrecognized tax losses have no expiration date in Brazil, France, Italy and Luxembourg and an expiration date of 18 years in Spain, 5 years in Czech Republic and Poland. The utilization of tax loss carry forwards is restricted to the taxable income of the subsidiary.

At December 31, 2012, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Company will realize the benefits of an amount of deferred tax assets recognized for 289. The amount of future taxable income required to be generated by the Company's operating subsidiaries to utilize the total deferred tax assets is approximately 866. Historically, the Company has been able to generate taxable income in sufficient amounts to permit it to utilize tax benefits associated with net operating loss carry forwards and other deferred tax assets that have been recognized in its consolidated financial statements. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

The Company has not recorded any deferred income tax liabilities on the undistributed earnings of its foreign subsidiaries for income tax due if these earnings would be distributed. Investments in the Company's subsidiaries are not expected to reverse in the foreseeable future and therefore dividends, withholding taxes and/or capital gains triggering income taxes are not anticipated. The aggregate amount of deferred tax liabilities relating to investments in subsidiaries, branches and associates, and investments that is not recognized due to the fact that its undistributed earnings are permanently reinvested amounts to is nil.

Tax loss carry forwards

At December 31, 2012, the Company had total estimated net tax loss carry forwards of 1,856.

Such amount includes net operating losses of 19, 9 and 4 related to Aperam Stainless Services & Solutions Iberica S.L. in Spain, Aperam Stainless Services & Solutions Tubes Czech Republic s.r.o. in Czech Republic and Aperam Stainless Services & Solutions Poland z.o.o. in Poland which expire as follows:

Year expiring	Amount
2013	5
2014	7
2015	—
2016	—
2017	1
2018–2031	19
Total	32

The remaining tax loss carry forwards of 1,824 are indefinite and attributable to the Company's operations in Belgium, Brazil, France, Germany, Italy and Luxembourg.

(millions of U.S. dollars)

Tax loss carry forwards are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the U.S. dollar equivalent value of these tax loss carry forwards in future years.

NOTE 18: PROVISIONS

The movements by provision were as follows:

	Balance at December 31, 2010 Combined	Additions	Deductions—Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2011
Environmental (note 22)	38	3	(6)	(1)	34
Restructuring	1	—	(1)	—	—
Litigation (note 22)	94	9	(49)	—	54
Voluntary separation plans	12	40	(31)	(1)	20
Other	17	14	(11)	(7)	13
	162	66	(98)	(9)	121
Short-term provisions	39				41
Long-term provisions	123				80
	162				121

	Balance at December 31, 2011	Additions	Deductions—Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2012
Environmental (note 22)	34	4	(12)	1	27
Litigation (note 22)	54	15	(9)	(3)	57
Voluntary separation plans	20	6	(14)	(1)	11
Other	13	13	(13)	—	13
	121	38	(48)	(3)	108
Short-term provisions	41				33
Long-term provisions	80				75
	121				108

There are uncertainties regarding the timing and amount of the provisions above. Changes in underlying facts and circumstances for each provision could result in differences in the amounts above and the actual outflows. Due to the uncertainties regarding the timing of the provisions or the short period of their expected use, they are presented on a non-discounted basis.

As of December 31, 2012, the outstanding provision for voluntary separation plans relates to plans primarily in France which are expected to be settled in a period of one to two years.

Provisions for litigation related to probable losses that have been incurred due to a present legal or constructive obligation are expected to be settled in a period of one to four years.

Environmental provisions are related to probable environmental assessments and/or remedial efforts and are expected to be used for up to 20 years.

Other includes provisions for technical warranties, guarantees as well as other disputes.

(millions of U.S. dollars)

NOTE 19: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses were comprised of the following as of:

	December 31,	
	2012	2011
Accrued payroll and employee related expenses	158	153
VAT and other amounts due to public authorities	34	45
Cash collected from sold trade receivables	32	26
Payable from acquisition of intangible & tangible assets	22	20
Accrued interests	14	13
Revaluation of derivative instruments	8	6
Unearned revenue and accrued payables	7	4
Other creditors	22	42
Total	297	309

NOTE 20: COMMITMENTS

The Company's commitments consist of three main categories:

- various purchase and capital expenditure commitments,
- pledges, guarantees and other collateral instruments given to secure financial debt and credit lines,
- non-cancellable operating leases.

Commitments given

	December 31,	
	2012	2011
Purchase commitments	1,879	1,686
Guarantees, pledges and other collateral	1,082	879
Operating leases	29	24
Other commitments	—	2
Total	**2,990**	**2,591**

Purchase commitments

Purchase commitments consist of the major agreements for procuring nickel, iron ore and pellets. The Company also entered into agreements for industrial gas and mill rolls.

Guarantees, pledges and other collateral

Guarantees consist of guarantees of financial loans and credit lines first demand and documentary guarantees.

Pledges mainly relate to inventory and trade receivable pledged to secure the borrowing base revolving credit facility (see Notes 3, 4 and 13).

Other collateral include documentary credits, letters of credit and sureties.

(millions of U.S. dollars)

Operating leases

Commitments for operating leases primarily related to one contract for land in Belgium. This lease expires in 2064. Future payments required under operating leases that have initial or remaining non-cancellable terms as of December 31, 2012 according to maturity periods are as follows:

Less than 1 year	4
1-3 years	5
4-5 years	4
More than 5 years	16
Total	29

NOTE 21: DEFERRED EMPLOYEE BENEFITS

The Company's operating subsidiaries have different types of pension plans for its employees. Also, some of the operating subsidiaries offer other post-employment benefits, principally retirement indemnities. Limited health care benefits are also offered to some employees in Belgium. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the statements of financial position are based on a number of assumptions and factors such as the discount rate, expected compensation increases, expected return on plan assets and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect the statement of operations and the recorded obligation in future periods. The total accumulated unrecognized actuarial losses amounted to 31 for pensions and 1 for other post retirement benefits as of December 31, 2012.

Pension Plans

A summary of the significant defined benefit pension plans is as follows:

Brazil

The primary defined benefit plans, financed through trust funds, have been closed to new entrants. Brazilian entities have all established defined contribution plans that are financed by employer and employee contributions.

Europe

Certain European operating subsidiaries maintain primarily unfunded defined benefit pension plans for a certain number of employees. Benefits are based on such employees' length of service and applicable pension table under the terms of individual agreements. Some of these unfunded plans have been closed to new entrants and replaced by defined contribution pension plans for active members financed by employer and employee contributions.

Plan Assets

The weighted-average asset allocations by asset category in Brazil were as follows:

	December 31	
	2012	**2011**
Equity Securities	6%	6%
Fixed Income (including cash)	93%	90%
Real Estate	1%	1%
Other	—	3%
Total	**100%**	**100%**

(millions of U.S. dollars)

The assets related to the funded defined benefit pension plans in Europe represented 1 and 1 as of December 31, 2012 and 2011, respectively, and were invested in guaranteed insurance contracts.

These assets do not include any direct investment in Aperam or in property or other assets occupied or used by Aperam. This does not exclude Aperam shares included in mutual fund investments. The invested assets produced an actual return of 7 and 21 in 2012 and 2011, respectively.

The Remuneration Committee of the Board of Directors for the respective operating subsidiaries has general supervisory authority over the respective trust funds. This committee has established the following asset allocation targets. These targets are considered benchmarks and are not mandatory.

	BRAZIL	EUROPE
Equity Securities	5%	—
Fixed Income (including cash)	94%	—
Real Estate	1%	—
Other	—	100%
Total	100%	100%

The following tables detail the reconciliation of defined benefit obligation, plan assets and statement of financial position.

	Year Ended December 31, 2012		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	198	116	82
Service cost	—	—	—
Interest cost	14	10	4
Curtailments & settlements	(24)	(24)	—
Actuarial loss	62	34	28
Benefits paid	(13)	(8)	(5)
Foreign currency exchange rate differences and other movements	9	7	2
Benefit obligation at end of the period	246	135	111
Change in plan assets			
Fair value of plan assets at beginning of the period	192	191	1
Expected return on plan assets	18	18	—
Actuarial loss	(11)	(11)	—
Settlements	(28)	(28)	—
Benefits paid	(8)	(8)	—
Foreign currency exchange rate differences and other movements	3	3	—
Fair value of plan assets at end of the period	166	165	1
Present value of wholly or partly funded obligation	(136)	(135)	(1)
Fair value of plan assets	166	165	1
Net present value of wholly or partly funded obligation	30	30	—
Present value of unfunded obligation	(110)	—	(110)
Unrecognized net actuarial loss	31	—	31
Prepaid due to unrecoverable surpluses	(30)	(30)	—
Recognized liabilities	(79)	—	(79)

(millions of U.S. dollars)

	Year Ended December 31, 2011		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	188	103	85
Service cost	1	1	—
Interest cost	17	12	5
Actuarial loss	8	6	2
Benefits paid	(16)	(10)	(6)
Foreign currency exchange rate differences and other movements	—	4	(4)
Benefit obligation at end of the period	198	116	82
Change in plan assets			
Fair value of plan assets at beginning of the period	188	187	1
Expected return on plan assets	20	20	—
Actuarial gain	1	1	—
Benefits paid	(10)	(10)	—
Foreign currency exchange rate differences and other movements	(7)	(7)	—
Fair value of plan assets at end of the period	192	191	1
Present value of wholly or partly funded obligation	(117)	(116)	(1)
Fair value of plan assets	192	191	1
Net present value of wholly or partly funded obligation	75	75	—
Present value of unfunded obligation	(81)	—	(81)
Unrecognized net actuarial (gain) loss	(4)	(6)	2
Prepaid due to unrecoverable surpluses	(69)	(69)	—
Recognized liabilities	(79)	—	(79)

Asset Ceiling

In accordance with IFRS, assets recognized for a defined benefit plan are limited to the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan. The amount not recognized in the fair value of plan assets due to the asset ceiling was 30 and 69 at December 31, 2012 and 2011, respectively.

The following tables detail the components of net periodic pension cost:

	Year Ended December 31, 2012		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost			
Service cost	—	—	—
Interest cost	14	10	4
Expected return on plan assets	(18)	(18)	—
Charges due to unrecoverable surpluses	(33)	(33)	—
Curtailments & settlements	4	4	—
Amortization of unrecognized actuarial loss	37	37	—
Total	4	—	4

	Year Ended December 31, 2011		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost			
Service cost	1	1	—
Interest cost	17	12	5
Expected return on plan assets	(20)	(20)	—
Charges due to unrecoverable surpluses	7	7	—
Total	5	—	5

(millions of U.S. dollars)

Other post-employment benefits

The Company's principal operating subsidiaries provide Other Post-Employment Benefits ("OPEB"), including life insurance benefits, to retirees.

Summary of changes in the other post employment benefit obligation and the change in plan assets:

	Year Ended December 31, 2012		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation			
Benefit obligation at beginning of period	59	3	56
Service cost	2	—	2
Interest cost	3	—	3
Actuarial loss (gain)	10	(1)	11
Benefits paid	(3)	—	(3)
Plan amendments	—	—	—
Benefits obligation at end of period	71	2	69
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	(71)	(2)	(69)
Unrecognized net actuarial loss	1	—	1
Unrecognized past service cost (non vested benefits)	10	—	10
Net amount recognized	**(60)**	**(2)**	**(58)**

	Year Ended December 31, 2011		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation			
Benefit obligation at beginning of period	66	4	62
Service cost	2	—	2
Interest cost	3	—	3
Actuarial gain	(5)	—	(5)
Benefits paid	(4)	(1)	(3)
Plan amendments	1	—	1
Curtailments & settlements	(4)	—	(4)
Benefits obligation at end of period	59	3	56
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	(59)	(3)	(56)
Unrecognized net actuarial gain	(8)	—	(8)
Unrecognized past service cost (non vested benefits)	10	—	10
Recognized liabilities	**(57)**	**(3)**	**(54)**

(millions of U.S. dollars)

The following tables detail the components of net periodic other post-employment cost:

	Year Ended December 31, 2012		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB benefit			
Service cost	2	—	2
Interest cost	3	—	3
Amortization of unrecognized actuarial loss (gain)	1	(1)	2
Total	6	(1)	7

	Year Ended December 31, 2011		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB benefit			
Service cost	2	—	2
Interest cost	3	—	3
Curtailments and settlements	(3)	—	(3)
Amortization of unrecognized actuarial loss	1	—	1
Total	3	—	3

Weighted-average assumptions used to determine benefit obligations:

	Pension Plans		Other Post-employment Benefits	
	December 31,		December 31,	
	2012	2011	2012	2011
Discount rate	3.00% - 8.99%	4.75% - 10.46%	3.00% - 8.99%	4.75% - 10.46%
Rate of compensation increase	2% - 6.95%	2% - 6.55%	3.25% - 6.95%	3.25% - 6.55%
Expected long-term rate of return on plan assets	4% - 10.54%	4% - 10.91%	N/A	5.00%

Cash Contributions

In 2013, the Company expects its cash contributions to amount to 6 for pension plans, 3 for other post employment benefits plans and 10 for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were 10 and 11 in 2012 and 2011, respectively.

Statement of Financial Position

Together with plans and obligations that do not constitute pension or other post-employment benefits, the total deferred employee benefits are as follows:

	December 31,	
	2012	2011
Pension plan benefits	79	79
Other post-employment benefits	60	57
Early retirement benefits	29	37
Other long-term employee benefits	1	1
Total	169	174

(millions of U.S. dollars)

Sensitivity analysis

The following information illustrates the sensitivity to a change in certain assumptions related to the Company's operating subsidiaries' pension plans (as of December 31, 2012, the defined benefit obligation ("DBO") for pension plans was 246):

	Effect on 2013 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2012 DBO
Change in assumption		
100 basis point decrease in discount rate	1	36
100 basis point increase in discount rate	(1)	(31)
100 basis point decrease in rate of compensation	(1)	(3)
100 basis point increase in rate of compensation	1	3
100 basis point decrease in expected return on plan assets	(2)	—
100 basis point increase in expected return on plan assets	2	—

The following table illustrates the sensitivity to a change in the discount rate assumption related to the Company's operating subsidiaries' OPEB plans (as of December 31, 2012 the DBO for post-employment benefit plans was 71):

	Effect on 2013 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2012 DBO
Change in assumption		
100 basis point decrease in discount rate	—	6
100 basis point increase in discount rate	—	(5)

The above sensitivities reflect the effect of changing one assumption at a time. Actual economic factors and conditions often affect multiple assumptions simultaneously, and the effects of changes in key assumptions are not necessarily linear.

Experience adjustments

The five-year history of the present value of the defined benefit obligations, the fair value of the plan assets and the surplus or the deficit in the pension plans is as follows:

	At December 31,				
	2012	2011	2010 Combined	2009 Combined	2008 Combined
Present value of the defined benefit obligations	246	198	188	185	144
Fair value of the plan assets	166	192	188	163	98
Deficit	(80)	(6)	—	(22)	(46)
Experience adjustments: (increase)/decrease plan liabilities	5	(2)	7	(2)	(7)
Experience adjustments: increase/(decrease) plan assets	(11)	1	(4)	10	(7)

This table illustrates the present value of the defined benefit obligations, the fair value of the plan assets and the surplus or the deficit for the OPEB plans:

	At December 31,				
	2012	2011	2010 Combined	2009 Combined	2008 Combined
Present value of the defined benefit obligations	71	59	66	59	60
Fair value of the plan assets	—	—	—	—	—
Deficit	(71)	(59)	(66)	(59)	(60)
Experience adjustments: (increase)/decrease plan liabilities	—	5	2	1	1
Experience adjustments: increase/(decrease) plan assets	—	—	—	—	—

NOTE 22: CONTINGENCIES

The Company is involved in litigation, arbitration or other legal proceedings. Provisions related to legal and arbitral proceedings are recorded in accordance with the principles described in Note 2 to the consolidated financial statements.

Most of these claims involve highly complex issues, actual damages and other matters. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, for certain of these claims, the Company is unable to make a reasonable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, the Company has disclosed information with respect to the nature of the contingency. The Company has not accrued a reserve for the potential outcome of these cases.

In the cases in which quantifiable fines and penalties have been assessed, the Company has indicated the amount of such fine or penalty, or the amount of provision accrued, which is the estimate of the probable loss.

In a limited number of ongoing cases, the Company is able to make a reasonable estimate of the expected loss or range of possible loss and has accrued a provision for such loss, but management believes that publication of this information on a case-by-case basis would seriously prejudice its position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed information with respect to the nature of the contingency, but has not disclosed its estimate of the range of potential loss.

These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management. Management believes that the aggregate provisions recorded for these matters are adequate based upon currently available information. However, given the inherent uncertainties related to these cases and in estimating contingent liabilities, the Company could, in the future, incur judgments that have a material adverse effect on its results of operations in any particular period.

In addition, in the normal course of business, the Company and its operating subsidiaries may be subject to audits by the tax authorities in the countries in which they operate. Those audits could result in additional tax liabilities and payments, including penalties for late payment and interest.

Environmental Liabilities

The Company is subject to a broad range of environmental laws and regulations. As of December 31, 2012, the Company had established reserves of 27 for environmental and remedial activities and liabilities.

Belgium

In Belgium, there is an environmental provision of 13, of which the most significant elements are legal obligations linked to soil treatment and removal of slag and fines.

France

In France, there is an environmental provision of 14, which relates to the demolition and clean-up of the Company's Ardoise facility after operations ceased at the site.

Brazil

In Brazil, violation of an environmental regulation may result in fines, imprisonment, interruption of the Company's activities, cancellation of tax incentives and credit lines with governmental financial entities and dissolution of the corporate entity, in addition to the obligation to repair or to indemnify for damages caused to the environment and third parties.

Therefore, changes in environmental laws or regulations, or in the interpretation thereof, or in the administrative procedures and policies adopted under current environmental laws and regulations, could require the Company to invest in additional resources in environmental compliance and the renewal of its licenses, and could therefore adversely affect it. Additionally, non-compliance with or violation of any such laws and regulations could result in the revocation of the Company's licenses and suspension of its activities or in its responsibility for environmental remediation costs, which could be substantial. The Company cannot assure that its expenses relating to compliance with applicable environmental regulations will not be significant or that it will be able to renew its licenses in a timely manner, or at all. Moreover, under certain circumstances the Company's corporate shareholder structure could be disregarded in order to enable claimants to recover for environmental claims against it.

Tax Claims

The Company is party to various tax claims, the most significant of which are set out below. As of December 31, 2012, the Company has established reserves in the aggregate of approximately 16 for those of the claims as to which the criteria for provisioning were met.

- In March 2012, the Company received two tax assessments regarding PIS and COFINS (social contributions on revenue) related to importation of services (freight, logistics and commercial representation services) made by the Company in 2007. The total amount claimed is 10. In June 2012, the Company obtained a partial favorable decision from the first administrative instance. The case is pending at the second administrative instance.

- On December 27, 2011, Aperam South America received a tax assessment from the State of Minas Gerais regarding VAT tax credit ("ICMS") used by the Company related to the purchasing of scraps from a supplier which the State considered as not being authorized to issue invoices with VAT. The total amount claimed is 9. The case is in first administrative instance where the Company presented its defense.

- On December 16, 2011, Aperam Services and Solutions Brazil has been assessed by the Tax authorities aiming at collecting 38 (including interest on late payments and penalties) related to VAT ("ICMS"). Tax authorities claimed that the Company has not collected to the State of Sao Paulo the ICMS imposed on importation of products performed by a trading company located in the State of Espirito Santo and disregarded the ICMS credit recognized by the Company at the time of acquisition of the goods from the trading company. After several unfavorable decisions, the Company presented an appeal to the Special Court in the second administrative instance.

- In December 2011, the Federal Revenue issued four tax assessments against Aperam South America for a total amount of 28 considering that the Company did not pay several social contributions due on payments made to employees under the Profit Sharing Program. These cases are at the first administrative instance where the Company presented its defense.

- On May 26, 2011, Aperam South America received a tax assessment from the Federal Revenue Service for a total amount of 20 related to sales by Aperam South America to Acesita Imports & Exports (Madeira Island). The tax authorities require that the profits of Acesita Imports & Exports be added to Aperam South America's tax basis. In November 2011 and on July 4, 2012, the Company obtained a partial favorable decision by the Administrative Court and it presented its appeal for the remaining amount in dispute.

- On March 29, 2011, Aperam South America received a tax assessment related to drawback tax benefit. Federal revenue states that the Company did not respect the conditions to use the benefit and demand to pay taxes related to importation and fees. The total amount claimed is 10. The Company presented its appeal at the first administrative level.

- On December 2, 2010, Aperam South America received a tax assessment in the total amount of 35. The Minas Gerais State Revenue claims that the Company should have paid VAT ("ICMS") related to the distribution of electric power between 2005 and 2009. The Company believes that this charge should not prevail since the distribution of electrical power should not be considered as a good or transportation and therefore it should not be subject to VAT ("ICMS"). On May 5, 2011 the Company received a partial favorable decision. Minas Gerais State Revenue concluded that the Company has to pay ICMS but stated that the amount for late payments and penalties was wrong. In March 2012, the Company has brought the case before the judicial court that confirmed the favorable decision obtained by the administrative court; nevertheless the procedure is still pending before the court of Appeal where the Company presented its defense.

- On December 5, 2007, the Federal Revenue Service challenged IPI tax credits (Tax on Industrialized Products similar to Federal VAT) registered by Aperam South America from January 2003 to December 2006 related to the acquisition of certain materials. The claim alleges that the products acquired are either not related to the final product or not integrally consumed during operations. In December 2010, there was a partial favorable decision and the Company filed an appeal in February 2011 at the second administrative level for the remaining non favorable part of the decision obtained at the first administrative level. The amount in dispute is approximately 7.

- In June 2007, the Company was assessed for payment of social contributions on some payments made to employees related to bonus granted by collective work agreement. The total amount asked by the Federal Union is 10. The first administrative instance's decision was favorable to the Company, but it still need to be confirmed by the second administrative instance.

- On December 21, 2005, Aperam South America has been assessed by the Federal Revenue Service in relation to its calculation of social contributions on revenue (PIS and COFINS) due to (i) unconditional discounts given to clients, (ii) the value of tax incentives granted by federal legislation (specifically, credits to be offset with IPI) and (iii) revenues derived from exchange rate variations. The amount in dispute is approximately 34 and the Company obtained a partial favorable decision from the Special Court in the second administrative instance but presented a special motion regarding the pending unfavorable decision.

- On December 21, 2005, the Brazilian Federal Revenue Service assessed Aperam South America for taxes related to intra-group credit transactions. The amount in dispute of 6 is currently on appeal before the Federal Administrative Council of Appeals.

- On March 15 and March 18, 2005, Aperam South America has been assessed by the INSS (the Brazilian Social Securities Institute) for the non-collection of certain payroll taxes between 1999 and 2004 related to the special retirement of employees exposed to unhealthy working conditions. The amount in dispute comprising six cases is 29 as of December 31, 2012. The Company has received a partial unfavorable decision by the second administrative instance.

- On October 13, 1998, the Federal Revenue Service filed a tax foreclosure action against the Company in relation to the alleged underpayment of payroll taxes in the period of January 1987 to July 1997. After the Company initially prevailed in the Federal Court, the Brazilian Federal Revenue Service filed an appeal with the Federal Court of Appeals. The amount in dispute is approximately 6.

- In November 1995, the Company was assessed for unauthorized compensation of losses and negative basis of social contribution between 1989 and 1994. The total amount claimed is 11. After unfavorable decision in the first and second judicial instances, the Company is waiting for the final decision of the superior courts.

Labor and Other Claims

The Company is presently involved in a number of labor disputes, the most significant of which are set out below. As of December 31, 2012, the Company has established reserves in the aggregate of approximately 41 for those of the claims as to which the criteria for provisioning were met.

Brazil

- On April 1, 2004, a sanctioning administrative process with the Central Bank was brought against Aperam South America based on alleged irregular exchange operations utilized by it in the purchase and sale of treasury bills. On March 22, 2007, Aperam South America has been assessed with a fine of 10 plus interest. The Company brought the case before the judicial court in 2012.

(millions of U.S. dollars)

NOTE 23: SEGMENT AND GEOGRAPHIC INFORMATION

Aperam reports its operations in three segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties. Refer to Note 2 for the policy about segment reporting.

- Stainless & Electrical Steel operates upstream and downstream facilities located in France and Belgium as well as an integrated plant in Brazil. Aperam is the only integrated producer of flat stainless and silicon steel in South America;
- Alloys & Specialties is specialized in the design, production and transformation of nickel and cobalt alloys and certain specific stainless steels. Its facilities are mainly located in France with ownership interests in China and central India;
- Services & Solutions represents the trading and distribution arm of Aperam. It also provides value-added and customized steel solutions through further steel processing to meet specific customer requirements including stainless precision strips and welded tubes.

The following table summarizes certain financial data relating to Aperam's operations in its different reportable segments.

	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others/ Eliminations (*)	Total
Year ended December 31, 2012					
Sales to external customers	2,496	2,103	655	7	5,261
Intersegment sales(**)	1,684	70	4	(1,758)	—
Operating income (loss)	(150)	(8)	50	2	(106)
Depreciation	241	29	6	17	293
Impairment	27	—	—	—	27
Capital expenditures	91	31	23	16	161
Year ended December 31, 2011					
Sales to external customers	3,126	2,505	712	2	6,345
Intersegment sales(**)	1,942	98	9	(2,049)	—
Operating income (loss)	(39)	(18)	64	38	45
Depreciation	259	30	6	12	307
Impairment	1	3	—	—	4
Capital expenditures	110	20	12	16	158

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

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

The below table presents the reconciliation of segment assets to total assets as required by IFRS 8.

	Year Ended December 31, 2012	Year Ended December 31, 2011
Assets allocated to segments	5,160	5,507
Cash and cash equivalents	226	247
Other investments	120	98
Deferred tax assets	289	249
Other unallocated assets	114	100
Total assets	**5,909**	**6,201**

(millions of U.S. dollars)

The reconciliation from operating (loss) income to net (loss) income is as follows:

	Year Ended December 31, 2012	2011
Operating (loss) income	(106)	45
Income from other investments	2	2
Interest income	3	3
Interest expense and other net financing costs	(71)	(157)
Loss before taxes	(172)	(107)
Income tax benefit	64	48
Net loss (including non-controlling interests)	(108)	(59)

Geographical information

Sales (by destination)

	Year Ended December 31, 2012	2011
Americas		
Brazil	1,158	1,335
United States	294	341
Argentina	104	130
Others	94	130
Total Americas	1,650	1,936
Europe		
Germany	1,108	1,313
Italy	493	592
France	439	581
Belgium	189	209
Poland	138	151
Netherlands	134	149
United Kingdom	114	123
Spain	91	131
Others	543	660
Total Europe	3,249	3,909
Asia & Africa		
South Korea	101	80
China	61	105
Taiwan	28	52
India	27	43
Thailand	27	54
United Arab Emirates	23	25
Others	95	141
Total Asia & Africa	362	500
Total	5,261	6,345

(millions of U.S. dollars)

Non-current assets(*) per significant country

	As of December 31,	
	2012	2011
Americas		
Brazil	1,029	1,199
Others	23	28
Total Americas	1,052	1,227
Europe		
Belgium	925	973
France	541	503
Germany	22	23
Italy	20	23
Czech Republic	20	21
Poland	20	19
Others	19	25
Total Europe	1,567	1,587
Asia & Africa		
India	8	8
China	5	6
Others	1	2
Total Africa & Asia	14	16
Unallocated assets	1,359	1,326
Total	3,992	4,156

(*) Non-current assets do not include goodwill (as it is not allocated to the geographic regions), deferred tax assets, other investments or receivables and other non-current financial assets. Such assets are presented under the caption "Unallocated assets".

(millions of U.S. dollars)

NOTE 24: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

The total annual compensation of Aperam's employees paid in 2012 and 2011 was as follows:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Employee Information		
Wages and salaries	608	654
Pension cost	7	17
Other staff costs	73	90
Total	688	761

As of December 31, 2012 and 2011, Aperam employed approximately 9,815 and 10,533 persons, respectively.

The total annual compensation of Aperam's key management personnel, including its Board of Directors, paid in 2012 was as follows:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Base salary and/or directors fees	3	3
Short-term performance-related bonus(1)	—	1
Post-employments benefits(1)	—	—
Share based compensation(1)	—	—

(1) Short-term performance related bonus for the year ended December 31, 2012 , post-employments benefits and share based compensation for the years ended December 31, 2012 and December 31, 2011 respectively were below 1.

As of December 31, 2012 and 2011, the Company did not have any outstanding loans or advances to members of Aperam's Board of Directors or key management personnel and had not given any guarantees for the benefit of any member of Aperam's Board of Directors or key management personnel.

(millions of U.S. dollars)

NOTE 25: LIST OF SIGNIFICANT SUBSIDIARIES AT DECEMBER 31, 2012

The following table provides an overview of the Company's principal operating subsidiaries, all of which are integrated in full consolidation by the Company, according to the principles defined in Note 1, and meet the following criteria:

- Contribution to the Group total property, plant and equipment in excess of 5; or

- Contribution to the Group revenue in excess of 40.

Name of subsidiary	Country of incorporation	% Interest
Stainless & Electrical Steel		
Aperam Stainless Belgium	Belgium	100%
Aperam South America	Brazil	100%
Aperam Stainless Europe	France	100%
Aperam Stainless France	France	100%
Aperam Recyco	France	100%
Alloys & Specialties		
Aperam Alloys Imphy	France	100%
Innovative Clad Solutions Private	India	78.3%
Services & Solutions		
Aperam Stainless Services & Solutions Argentina	Argentina	100%
Aperam Stainless Services & Solutions Brazil	Brazil	100%
Aperam Stainless Services & Solutions Tubes Brazil	Brazil	100%
Aperam Stainless Services & Solutions Tubes Czech Republic	Czech Republic	100%
Aperam Stainless Services & Solutions France	France	100%
Aperam Stainless Services & Solutions Precision	France	100%
Aperam Stainless Services & Solutions Tubes Europe	France	100%
Aperam Stainless Services & Solutions Germany	Germany	100%
Aperam Stainless Services & Solutions Italy	Italy	100%
Aperam Stainless Services & Solutions Luxembourg	Luxembourg	100%
Aperam Stainless Services & Solutions Poland	Poland	100%
Aperam Stainless Services & Solutions Iberica	Spain	100%
Aperam Paslanmaz Celik	Turkey	100%
Aperam Stainless Services & Solutions Tubes Uruguay	Uruguay	100%
Aperam Stainless Services & Solutions USA	USA	100%
Other		
Aperam BioEnergìa	Brazil	100%

(millions of U.S. dollars)

NOTE 26: AUDITORS' FEES AND SERVICES

The following table summarizes the aggregate amounts paid to the Company's auditors:

	Year Ended December 31,	
	2012	2011
Audit fees	2.9	3.1
Audit-related fees	0.2	0.3
Tax fees	0.5	0.4
Total	3.6	3.8

Audit-related fees consist principally of issuances of certifications related to the covenant compliance required by lenders of the borrowing base revolving credit facility. Tax fees consist principally of tax planning services and tax compliance services.

NOTE 27: SUBSEQUENT EVENTS

On February 4, 2013, Aperam announced that it obtained an in-principle refinancing commitment to extend a portion of 600 of its current secured borrowing base revolving credit facility from March 2014 to march 2015.

On February 7, 2013, a fire occurred at Firminy plant (France) of Aperam Stainless Services & Solutions Precision. It caused partial damage to the rolling mill ZR 1000 resulting in an immediate shutdown of this equipment. Other activities of the plant are still operating normally. No injuries were reported as a result of the incident. Once detailed assessments of the damage and required repairs have been carried out, the potential loss of sales and estimate of the duration of ZR 1000 non availability will be determined. Continuity of the deliveries to customers will be eased by Aperam Stainless Precision plant at Pont-de-Roide (France).

On February 20, 2013, Aperam, Ilta Inox S.p.A. and Marcegaglia S.p.A. announced that they have signed a memorandum of understanding to create an Italian Joint Venture aimed at participating in the sale process of the stainless steel producer Acciai Speciali Terni S.p.A, currently being divested by Outokumpu Oyj.

Auditor’s Report on the Consolidated Statements

REPORT OF THE RÉVISEUR D’ENTREPRISES AGRÉÉ

To the Shareholders
of Aperam, Société Anonyme (“Aperam”)
12 C, rue Guillaume Kroll
L-1882 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated May 8, 2012, we have audited the accompanying consolidated financial statements of Aperam, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of operations and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the consolidated financial statements

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

Responsibility of the réviseur d’entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Aperam as of December 31, 2012 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

March 5, 2013

Annual Report 2012
Statutory Financial Statements
For the year ended December 31, 2012

made for life

Balance Sheet

Aperam, Société Anonyme
(Expressed in thousands of U.S. dollars)

Assets		December 31, 2012	December 31, 2011
B. Formation expenses	Note 3	**1,538**	**2,043**
C. Fixed assets		**4,911,964**	**5,130,788**
I. Intangible assets	Note 4	**7,609**	**9,312**
2.a) Concessions, patents, licences, trade marks and similar rights and assets acquired for valuable consideration		7,146	9,312
4. Payments on account and intangible fixed assets under development		463	—
II. Tangible assets	Note 5	**71**	—
3. Other fixtures and fittings		71	—
III. Financial assets	Note 6	**4,904,284**	**5,121,476**
1. Shares in affiliated undertakings		1,561,435	1,821,129
2. Loans to affiliated undertakings		3,342,588	3,300,096
5. Investments held as fixed assets		251	251
6. Loans and claims held as fixed assets		10	—
D. Currents assets		**113,027**	**159,973**
II. Debtors		**113,008**	**159,973**
2.a) Amounts owed by affiliated undertakings becoming due and payable after less than one year	Note 7	112,862	158,562
4.a) Other debtors becoming due and payable after less than one year		146	1,411
IV. Cash at bank and in hand		**19**	—
E. Prepayment and accrued income	Note 8	**628**	**130**
Total assets		**5,027,157**	**5,292,934**

Liabilities		December 31, 2012	December 31, 2011
A. Capital and reserves	Note 9	**4,093,693**	**4,326,283**
I. Subscribed capital		**546,652**	**546,652**
II. Share premium account and similar premiums		**1,600,321**	**1,600,321**
IV. Reserves		**75,368**	**75,368**
1. Legal reserve		75,368	75,368
V. Profit brought forward		**2,044,730**	**2,055,151**
VI. Result for the financial period		**(173,378)**	**48,791**
D. Non subordinated debt	Note 10	**933,464**	**966,651**
1.b) Non convertible debenture loans	Note 11	509,453	509,453
i) Becoming due and payable after less than one year		*9,453*	*9,453*
ii) Becoming due and payable after more than one year		*500,000*	*500,000*
2. Amounts owed to credit institutions	Note 12	401,379	425,271
a) Becoming due and payable after less than one year		*351,379*	*401,508*
b) Becoming due and payable after more than one year		*50,000*	*23,763*
6.a) Amounts owed to affiliated undertakings becoming due and payable after less than one year	Note 13	15,327	24,305
8. Tax and social security		2,446	1,751
a) Tax		*1,887*	*1,609*
b) Social security		*559*	*142*
9.a) Other creditors becoming due and payable after less than one year		4,859	5,871
Total liabilities		**5,027,157**	**5,292,934**

The accompanying notes are an integral part of these annual accounts.

Profit and Loss account

Aperam, Société Anonyme
(Expressed in thousands of U.S. dollars)

		Year ended December 31, 2012	Period from January 26 to December 31, 2011
A. Charges			
2. Other external charges		51,453	52,518
3. Staff costs		9,672	7,155
a) Wages and salaries		*7,879*	*6,172*
b) Social security attributable to wages and salaries		*797*	*449*
c) Social security costs relating to pensions		*881*	*419*
d) Other social security costs		*115*	*115*
4. Value adjustments		2,864	2,451
a) on formation expenses and on tangible and intangible fixed assets		*2,851*	*2,451*
b) on elements of current assets		*13*	—
5. Other operating charges		2,002	3,336
6. Value adjustments and fair value adjustments on financial fixed assets	Note 6	372,000	—
8. Interest payable and similar charges	Note 14	54,354	154,402
a) Concerning affiliated undertakings		*3*	*190*
b) Other interest payable and charges		*54,351*	*154,212*
10. Tax on profit	Note 15	2,014	1,616
12. Profit for the financial period		—	48,791
Total charges		**494,359**	**270,269**

		Year ended December 31, 2012	Period from January 26 to December 31, 2011
B. Income			
5. Other operating income	Note 16	51,875	54,807
6. Income from financial fixed assets		183,443	205,171
8. Other interest and other financial income	Note 14	85,663	10,291
a) Derived from affiliated undertakings		*31,908*	*10,200*
b) Other interest receivables and similar income		*53,755*	*91*
10. Loss for the financial year		173,378	—
Total income		**494,359**	**270,269**

The accompanying notes are an integral part of these annual accounts.

NOTE 1 – GENERAL INFORMATION

Aperam ("the Company") was incorporated as a "Société Anonyme" under Luxembourg law on September 9, 2010 for an unlimited period.

The Company has its registered office in 12C, rue Guillaume Kroll, L-1882 Luxembourg and is registered at the Register of Trade and Commerce of Luxembourg under the number B155.908.

The financial year of the Company starts on January 1 and ends on December 31 each year. The preceding accounting period covered the period from January 26, 2011 to December 31, 2011.

The Company's corporate goal was initially the acquisition and holding of interests in any kind or form in Luxembourg and/or in foreign undertakings, the administration, development and management of such interests as well as the direct and/or indirect financial assistance to such undertakings in which it holds a participation or which are members of its group of companies.

The Company's corporate object has been amended on December 6, 2010 by an extraordinary general meeting.

Additionally, the corporate purpose of the Company shall be the manufacture, 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, their processing and their 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 Company owns a branch office located in Zug (Switzerland) and controls directly and indirectly 69 subsidiaries.

In conformity with the requirements of Luxembourg laws and regulations, the Company publishes consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union. The consolidated financial statements as of and for the year ended December 31, 2012 are available at Aperam Headquarters, 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand-Duchy of Luxembourg.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 – Basis of preparation

These annual accounts, corresponding to the standalone financial statements of the parent company, Aperam, have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg. They comply in particular with the law of December 10, 2010 under the historical cost convention.

The presentation of the annual accounts has been modified when compared to the presentation used in respect of the financial period ended December 31, 2011. As a consequence, and in order to ensure adequate comparability across both financial periods, some comparative figures have been reclassified in respect of the financial period ended December 31, 2011 as follows:

- 251 have been reclassified from current assets to fixed assets, and
- 5,333 have been reclassified from trade creditors to other creditors.

2.2 – Significant accounting policies

The Company maintains its accounting records in United States Dollars ("USD") and the annual accounts are prepared in this currency. Unless otherwise stated, all amounts in the annual accounts are stated in thousands of USD.

The main valuation rules applied by the Company are the following:

Intangible and tangible fixed assets

Intangible and tangible fixed assets are carried at acquisition cost, less cumulated depreciation and value adjustments when a permanent diminution in value is identified. A reversal of a value adjustment is recorded if the reasons for which the value adjustment was made have ceased to apply.

Financial fixed assets

Shares in affiliated undertakings, associates and participating interests are recorded at acquisition cost including the expenses incidental thereto. At the end of each accounting period, shares in affiliated undertakings are subject to an impairment review. Where a permanent diminution in value is identified, this diminution is recorded in the profit and loss account as a value adjustment. A reversal of the value adjustment is recorded to the extent the factors, which caused its initial recording, have ceased to exist.

Loans to affiliated undertakings and other loans are recorded in the balance sheet at their nominal value. At the end of each accounting period, value adjustments are recorded on loans which appear to be partly or wholly irrecoverable.

Debtors

Debtors are recorded in the balance sheet at their nominal value. At the end of each accounting period, value adjustments are recorded on debtors which appear to be partly or wholly irrecoverable.

Derivative financial instruments

The Company may enter into derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. Unrealized gains and losses are recognized so as to offset unrealized gains and losses with respect to the underlying hedged items in the balance sheet.

Foreign currency translation

The following principles are applied to items denominated in a currency other than the USD:

- Fixed assets and creditors due after more than one year are translated at historical exchange rates or the current rate if unrealized exchange losses exist. Differences in the exchange rates leading to an unrealized loss are recorded in the profit and loss for the year. A reversal of the unrealized loss is recorded to the extent the factors, which caused its initial recording, have ceased to exist.
- Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.
- Other balance sheet items are translated at the year-end exchange rate and related exchange differences are recorded in the profit and loss for the year.
- Profit and loss items are translated at the exchange rate prevailing at the transaction date.
- Off balance sheet commitments are disclosed based upon the historical exchange rate.

Liabilities

Liabilities are recorded in the balance sheet at their nominal value.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

NOTE 3 – FORMATION EXPENSES

In 2010, ArcelorMittal incurred expenses in relation with the assessment and preparation of the spin-off of the stainless steel business. These expenses were transferred to the Company at the date of the spin-off on January 25, 2011 for an amount of 2,553 and are amortized on a linear basis over five years.

The movements for the year are as follows:

	December 31, 2012
Gross book value	
Opening balance	2,553
Closing balance	2,553
Accumulated value adjustment	
Opening balance	(510)
Allocations for the year	(505)
Closing balance	(1,015)
Net book value	
Opening balance	2,043
Closing balance	1,538

NOTE 4 – INTANGIBLE ASSETS

Intangible assets mainly include intellectual property rights and trade marks transferred by ArcelorMittal on January 25, 2011 as a result of its stainless steel business spin-off. Intangible assets are amortized over a period of five years.

The movements for the year are as follows:

	Concessions, patents, licenses, trade marks and similar rights and values	Payments on account and intangible assets under development	Total as of December 31, 2012
Gross book value			
Opening balance	11,252	—	11,252
Additions	163	463	626
Closing balance	11,415	463	11,878
Accumulated value adjustment			
Opening balance	(1,940)	—	(1,940)
Allocations for the year	(2,329)	—	(2,329)
Closing balance	(4,269)	—	(4,269)
Net book value			
Opening balance	9,312	—	9,312
Closing balance	7,146	463	7,609

(Expressed in thousands of U.S. dollars, unless otherwise stated)

NOTE 5 – TANGIBLE ASSETS

Tangible assets mainly include office equipments bought during the year. Tangible assets are amortized over a period of five years.

The movements for the year are as follows:

	December 31, 2012
Gross book value	
Opening balance	—
Additions	88
Closing balance	88
Accumulated value adjustment	
Opening balance	—
Allocations for the year	(17)
Closing balance	(17)
Net book value	
Opening balance	—
Closing balance	71

NOTE 6 – FINANCIAL ASSETS

The movements for the year are as follows:

	Shares in affiliated undertakings	Loans to affiliated undertakings	Investments held as fixed assets	Loans and claims held as fixed assets	Total as of December 31, 2012
Gross book value					
Opening balance	1,821,129	3,300,096	251	—	5,121,476
Additions	112,306	—	—	10	112,316
Disposals	—	(10,000)	—	—	(10,000)
Foreign exchange differences	—	52,492	—	—	52,492
Closing balance	1,933,435	3,342,588	251	10	5,276,284
Accumulated value adjustment					
Opening balance	—	—	—	—	—
Allocations for the year	(372,000)	—	—	—	(372,000)
Closing balance	(372,000)	—	—	—	(372,000)
Net book value					
Opening balance	1,821,129	3,300,096	251	—	5,121,476
Closing balance	1,561,435	3,342,588	251	10	4,904,284

(Expressed in thousands of U.S. dollars, unless otherwise stated)

6.1 – Shares in affiliated undertakings

Name of undertaking	Registered office	Percentage of capital held as of December 31, 2012 (%)	Result for 2012 [(1)]	Capital and reserves (including result for 2012) [(1)]	Carrying amount as of December 31, 2012	Carrying amount as of December 31, 2011
Aperam Luxco S.à r.l.	Luxembourg	100.00	(463,748)	1,286,592	1,413,086	1,672,780
Aperam Stainless Belgium	Belgium	15.32	(47,346)	783,593	130,690	130,690
Corea S.A.	Luxembourg	100.00	(4,216)	4,536	11,386	11,386
Aperam Stainless Services & Solutions Germany Gmbh	Germany	5.10	1,333	69,769	6,189	6,189
Aperam Sourcing S.C.A.	Luxembourg	100.00	14,232	1,284	42	42
Aperam Treasury S.C.A.	Luxembourg	100.00	(6,939)	(4,142)	42	42
					1,561,435	1,821,129

[(1)] In accordance with the unaudited IFRS reporting packages converted to USD. Result for 2012 is converted at the average exchange rate of the year and capital and reserves at December 31, 2012 exchange rate.

Description of the main changes during the year

On December 21, 2012, the Company made three cash contributions to the distributable share premium (without any issue of shares) of Aperam LuxCo S.à.r.l for a total consideration of 112,306.

On December 31, 2012, the Company recorded a value adjustment of 372,000 on its shares in affiliated undertakings as a result of a downward revision of the Company's operating subsidiaries' cash flow projections due to the current difficult macro-economic environment. This value adjustment was recorded as a decrease of the carrying value of Aperam Luxco S.à r.l. which owns indirectly the majority of the operating subsidiaries of the Aperam Group.

6.2 – Loans to affiliated undertakings

Affiliate	Currency	Amount in original currency	December 31, 2012	December 31, 2011
Aperam Treasury S.C.A.	EUR	655,973	865,491	848,772
Aperam Treasury S.C.A.	USD	766,987	766,987	776,987
Aperam Treasury S.C.A.	PLN	100,000	32,386	29,024
Aperam Luxco S.à r.l.	EUR	1,271,581	1,677,724	1,645,313
Total			3,342,588	3,300,096

Description of the main changes during the year

On December 21, 2012, the Company received a repayment of 10,000 under the 776,987 loan agreement dated December 23, 2010 from Aperam Treasury S.C.A. Other movements during the year were due to foreign exchange differences.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

NOTE 7 – AMOUNTS OWED BY AFFILIATED UNDERTAKINGS BECOMING DUE AND PAYABLE AFTER LESS THAN ONE YEAR

Amounts owed by affiliated undertakings becoming due and payable after less than one year decreased by 45,700 during the year. This variance is primarily related to the cash pooling account with Aperam Treasury S.N.C., various services provided by affiliated undertakings, receivables from the tax integration (see Note 14) and accrued interests.

NOTE 8 – PREPAYMENT AND ACCRUED INCOME

As at December 31, 2012, prepayment and accrued income amounts to 628 and mainly refers to prepaid charges on supplier invoices received.

NOTE 9 – CAPITAL AND RESERVES

	Number of shares [(1)]	Subscribed capital	Share premium account and equivalent premiums	Legal reserve	Profit brought forward	Profit for the year	Total
Balance as at December 31, 2011	**78,049,730**	**546,652**	**1,600,321**	**75,368**	**2,055,151**	**48,791**	**4,326,283**
Allocation of net result	—	—	—	—	48,791	(48,791)	—
Dividends paid	—	—	—	—	(58,537)	—	(58,537)
Directors' fees (Note 19)	—	—	—	—	(675)	—	(675)
Loss for the year	—	—	—	—	—	(173,378)	(173,378)
Balance as at December 31, 2012	**78,049,730**	**546,652**	**1,600,321**	**75,368**	**2,044,730**	**(173,378)**	**4,093,693**

[(1)] Number of shares denominated in units.

9.1 – Subscribed capital and share premium

The subscribed capital amounts to 546,652 and is divided into 78,049,730 shares without par value as fully paid up.

To the knowledge of the Board of Directors, the shareholding may be specified as follows:

	December 31, 2012
Lumen Investment S.à r.l.	33.63%
Nuavam Investments S.à r.l.	7.20%
Other shareholders	59.17%
Total	**100.00%**

9.2 – Legal reserve

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the subscribed capital. The legal reserve is not available for distribution to the shareholders. As at December 31, 2012 the legal reserve is fully constituted.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

NOTE 10 – MATURITY OF NON SUBORDINATED DEBTS

	December 31, 2012				December 31, 2011
	Up to 1 year	From 1 to 5 years	5 years or more	Total	Total
Non convertible debenture loans	9,453	250,000	250,000	509,453	509,453
Amount owed to credit institutions	351,379	50,000	—	401,379	425,271
Trade payables	—	—	—	—	5,333
Amount owed to affiliated undertakings	15,327	—	—	15,327	24,305
Liabilities for tax and social security	2,446	—	—	2,446	1,751
Other liabilities	4,859	—	—	4,859	538
Total	**383,464**	**300,000**	**250,000**	**933,464**	**966,651**

NOTE 11 – NON CONVERTIBLE DEBENTURE LOANS

On March 25, 2011, the Company issued unsecured and unsubordinated notes in two tranches for an aggregate principal amount of 500,000, consisting of 250,000 (issued at 100%) maturing April 1, 2016 and 250,000 (issued at 100%) maturing April 1, 2018 respectively. These notes bear an annual interest at 7.375% and 7.750% respectively, payable semi-annually on October 1 and April 1 of each year commencing on October 1, 2011.

NOTE 12 – AMOUNTS OWED TO CREDIT INSTITUTIONS

On March 15, 2011, the Company entered into an 800,000 secured revolving facility agreement with a group of lenders. The facility is structured as a 3-year revolving credit facility. The facility bears a variable interest rate composed of LIBOR plus 3.35% margin. The utilized amount as at December 31, 2012 is 325,000 and is secured by assets owned by operating subsidiaries of the Aperam Group.

On September 27, 2011, the Company entered into a bilateral credit facility agreement for EUR 17,500 thousands (23,763). The maturity of this loan is on September 28, 2013. The loan bears a variable interest rate (6 months EURIBOR plus 3.45%), payable semi-annually on March 28 and September 28 of each year, commencing 2012.

On September 28, 2012, the Company entered into a new secured bank loan for 50,000 with maturity September 2014. The loan bears a variable interest rate (3 months LIBOR plus 3.10%), payable on a quarterly basis starting January 2, 2013. The loan is secured by a pledge of financial assets owned by Aperam South America, a fully owned indirect subsidiary of the Company.

NOTE 13 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS BECOMING DUE AND PAYABLE AFTER LESS THAN ONE YEAR

The decrease in amounts owed to affiliated undertakings by 8,978, mainly results from research and development services provided by Aperam Stainless France to the Company.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

NOTE 14 – INTEREST PAYABLE/ RECEIVABLE AND SIMILAR CHARGES/ INCOME

	Year ended December 31, 2012		Period from January 26 to December 31, 2011	
	Charges	Income	Charges	Income
Interests payable / receivable in respect of affiliated undertakings	(3)	3,943	(190)	853
Income from tax integration with affiliated undertakings	—	27,965	—	9,347
Total interests concerning affiliated undertakings	**(3)**	**31,908**	**(190)**	**10,200**
Interests in respect of credit institutions	(16,190)	—	(8,819)	91
Interests in respect of debenture loans	(37,813)	—	(28,464)	—
Interests in respect of related parties	(5)	—	(11,500)	—
Effects of foreign exchange	—	53,755	(89,218)	—
Other interest and similar charges	(343)	—	(16,211)	—
Total other interests	**(54,351)**	**53,755**	**(154,212)**	**91**
Total interest payable / receivable and similar charges / income	**(54,354)**	**85,663**	**(154,402)**	**10,291**

Interest in respect of credit institutions corresponds to the revolving credit facility, the bilateral credit facility agreement and the new secured bank loan contracted by the Company during the year.

Interest expenses on debenture notes relate to the unsecured and unsubordinated notes.

Interests in respect of related parties for the period from January 26 to December 31, 2011 include the interest charges for the period corresponding to the 900,000 credit facility received from ArcelorMittal Finance S.C.A and reimbursed in March 2011.

Other interest and similar charges for the period from January 26 to December 31, 2011 include the issuance costs for the loans contracted by the Company during the year and referred to in Note 11.

NOTE 15 – INCOME TAX

The Company is the head of a tax consolidation including other subsidiaries located in Luxembourg and is fully liable for the overall tax liability of the tax group. Each of the entities included in the tax consolidation is paying to the Company the amount of tax determined based on its individual taxable profit.

As a consequence of the net tax losses within the tax group, no income tax is payable in respect of 2012 (2011: nil).

The amount charged to affiliated undertakings amounted to 27,965 (2011: 9,347). Please refer to Note 13.

The amount of income tax corresponds to the tax charge of the Company's Swiss Branch and withholding tax on interest income with affiliated undertakings.

NOTE 16 – OTHER OPERATING INCOME

Other operating income corresponds mainly to branding fees and income related to information technology and general services provided to group companies.

(Expressed in thousands of U.S. dollars, unless otherwise stated)

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Commitments given

	December 31, 2012	December 31, 2011
Guarantees given relating to credit facilities (1)	27,137	27,773
Other commitments (2)	9,265	4,713
Total	**36,402**	**32,486**

(1) The Company has given guarantees for certain credit facilities contracted by Aperam subsidiaries.

(2) Other commitments refer to guarantees given by the Company on behalf of Aperam subsidiaries for various obligations (other than debt).

The Company is jointly and severally liable for the following entities:

- Aperam Sourcing S.C.A.
- Aperam Treasury S.C.A.

Available lines of credit

The Company has available lines of credit for an aggregate amount of 475,000 as of December 31, 2012 (2011: 400,000).

Contingencies

The Company has no contingency as at December 31, 2012.

Stock option plans

For historical reasons, certain of the Company’s employees participate in stock-based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. During the year 2011, certain employees were transferred from ArcelorMittal to the Company. These beneficiaries increased the number of options outstanding.

For the years ended December 31, 2012 and 2011, the amount of outstanding options was 661,909, and 843,681 respectively. The amount of exercisable options was 605,942 and 684,604 respectively for the years ended December 31, 2012 and 2011. Exercise prices of ArcelorMittal stock options vary from $27.31 to $78.44. Weighted average contractual life of the options varies from 0.5 to 7.6 years. As of December 31, 2012 no provision was recognised as share price is lower than exercise price.

Share Unit Plans

On July 12, 2011, the ordinary general meeting of shareholders approved an equity-based incentive plan to key employees of Aperam. The plan comprises a Restricted Share Unit Plan (“RSU Plan”) and a Performance Share Unit Plan (“PSU Plan”) designed to incentivize the targeted employees, to improve the long-term performance of the Company and to retain key employees. Both the RSU Plan and the PSU Plan are intended to promote the alignment of interests between the company’s shareholders and eligible employees by allowing them to participate in the success of the Company.

The aim of the RSU Plan is to provide a retention incentive to eligible employees. RSUs shall vest in full on the three year anniversary of the date on which the award was granted contingent upon the continued active employment of the employee within the Group. The RSUs are an integral part of the Company’s remuneration framework in which it serves the specific objective of medium-term and long-term retention.

The maximum number of RSUs and PSUs available for grant during any given year is subject to the prior approval of the Company’s shareholders at the annual general meeting.

For the period from the July 12, 2011 general shareholders' meeting to the annual general meeting of shareholders held on May 8, 2012, a maximum of 70,000 RSUs and 20,000 PSUs might be allocated to qualifying employees under the RSU Plan and the PSU Plan, respectively. In November 2011, a total of 59,750 shares under the RSU Plan were granted to a total of 28 employees. In March 2012, a total of 14,250 PSU were granted to senior management of the Company.

For the period from the May 8, 2012 general shareholders' meeting to the annual general meeting of shareholders to be held in May 2013, a maximum of 70,000 RSUs and 20,000 PSUs may be allocated to qualifying employees under the RSU Plan and the PSU Plan, respectively. At the date of this report, no RSUs and PSUs have been granted to senior management of the Company.

NOTE 18 – STAFF

The Company employed an average of 47 full-time equivalents employees during the financial year (23 full-time equivalents during the previous period).

NOTE 19 – DIRECTORS' REMUNERATION

The Company's Board of Directors members are entitled to a total remuneration of 778 for the year ended December 31, 2012 (675 for the period ended December 31, 2011).

NOTE 20 – EXPENSES RELATED TO THE REVISEUR D'ENTREPRISES AGRÉÉ

In 2012, expenses related to the *réviseur d'entreprises agréé* amounted to 511.

NOTE 21 – SUBSEQUENT EVENTS

On February 4, 2013, Aperam announces that it obtained an in-principle refinancing commitment to extend a portion of 600,000 of its current Secured Borrowing Base Revolving Credit Facility from March 2014 until March 2015.

On February 20, 2013, Aperam, Ilta Inox S.p.A. and Marcegaglia S.p.A. announced that they have signed a memorandum of understanding to create an Italian Joint Venture aimed at participating in the sale process of the stainless steel producer Acciai Speciali Terni S.p.A, currently being divested by Outokumpu Oyj.

Auditor's Report on the Annual Accounts

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

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

Report on the annual accounts

Following our appointment by the general meeting of the Shareholders dated May 8, 2012, we have audited the accompanying annual accounts of Aperam which comprise the balance sheet as at December 31, 2012 and the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement*,* including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors or the management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Aperam as of December 31, 2012, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirement

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

For Deloitte Audit, Cabinet de révision agréé

John Psaila, *réviseur d'entreprises agréé*
Partner

March 5, 2013

Proposed allocation of the results for 2012

	In U.S. dollars
Loss for the financial year	(173,378,216)
Profit brought forward *(Report à nouveau)*	2,044,729,570
Results to be allocated and distributed	**1,871,351,354**
Dividend [1]	—
Directors' compensation	(778,446)
Profit carried forward	**1,870,572,908**

[1] Board of Directors will submit to a shareholder's vote, at the next annual general meeting of May 8, 2013, a proposal to stop the dividend payment to accelerate the net debt reduction target of USD 650 million by the end of 2014.

Risks Related to the Company and the Stainless and Specialty Steel Industry

The Company's business, financial condition, results of operations or prospects could be materially adversely affected by any of the major risks and uncertainties described below.

Global economic cycle downturn, geopolitical risks, overcapacity in the stainless steel industry and/or China slowdown

Global economic cycle downturn

The Company's business and results of operations are substantially affected by international, national and regional economic conditions, including geopolitical risks that might disrupt the economic activity in affected countries.

Globally, compared to the stainless steel flat products demand growth of approximately 7% per annum over the years 2000 to 2007, demand has only grown by 3% per annum over the years 2010 to 2012, due to the crisis environment. The reduced growth rate of global stainless steel flat products demand has triggered a significant increase of overcapacity as planned capacity additions were still coming on stream. Although the industry has not overproduced compared to demand, structural overcapacity is expected to continue to affect the industry. Since the end of the year 2012, we have started to see signs of a rebound in the business but we continue to remain cautious considering the global economic uncertainty. Should the recovery falter, the outlook for stainless and specialty steel producers will again worsen.

In particular, 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 Brazil, Russia and India, as well as emerging Asian markets, the Middle East and the Commonwealth of Independent States ("CIS")) 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. The stainless steel industry has historically suffered from structural overcapacity, particularly in the EU-15. Production capacity in the developing world, particularly China, has recently increased substantially and China is now the largest global stainless steel producer by a large margin. The balance between China's domestic production and consumption is accordingly an important factor in global stainless steel prices. Chinese stainless steel exports, or conditions favorable to them (such as excess capacity in China and/or higher market prices for stainless steel in markets outside of China), can have a significant impact on stainless steel prices in other markets, including Europe and South America. Over the short to medium term, the Company is exposed to the risk of stainless steel production increases in China and other markets outstripping increases in real demand, which may weigh on price recovery in the industry as a whole.

China slowdown

A significant factor in the worldwide strengthening of stainless and specialty steel pricing in recent years has been the significant growth in consumption in China, which at times has outpaced its manufacturing capacity. At times, this has resulted in China being a net importer of stainless and specialty steel products, as well as a net importer of raw materials and supplies required for the manufacturing of these products. 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 have the effect of a substantial weakening of both domestic and global stainless and specialty steel demand and pricing.

The risk of Nickel price decrease and raw material price uncertainty

The Company's profitability correlates amongst others with nickel prices. A significant price decrease of nickel would have a negative impact on apparent demand and base prices due to a "wait and see" behavior from customers. Furthermore, nickel is listed on the LME and subject to speculation by 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). The Company is exposed to price uncertainty with respect to each of these raw materials, which it purchases mainly under short and long-term contracts, but also on the spot market.

The Company's results of operations could be affected by fluctuations in foreign exchange rates

The Company 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 U.S. dollar (the Company's reporting currency). Accordingly, currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro and the Brazilian real, as well as fluctuations in the currencies of the other countries in which the Company has significant operations and/or sales, could have a material impact on its results of operations.

The stainless and specialty steel market is characterized by strong competition

The Company faces strong competition from other producers of stainless and specialty steels. Competitors may develop production technologies and products that are more cost effective than those of the Company, which could have a negative impact on its ability to increase its market share while maintaining profitability. Large, diversified producers of stainless and specialty steels may also use their resources, which could be greater than the Company's, in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for the Company's products. In addition, competition from global stainless and specialty steel manufacturers with significant production capacity and from new market entrants could result in significant price competition, declining margins and reductions in the Company's sales.

The risk of disruptions to our manufacturing operations or damage to our production facilities due to natural disasters or other events

Stainless and specialty steel manufacturing processes are dependent on critical steel-making equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers). The Company has in the past experienced, and may continue to experience, unanticipated plant outages or equipment failures. In addition, it could experience transportation disruptions or disruptions in the supply of raw materials and energy. To the extent that the Company is unable to compensate for lost production as a result of such disruptions with production from unaffected facilities and/or existing inventory, its business, financial condition, results of operations or cash flows could be adversely affected. The Company is particularly exposed to the risk of production disruptions in Brazil, where it operates its production facilities at or near full capacity production levels. Additionally, natural disasters could significantly damage the Company's production facilities and general infrastructure. The Company could also experience labor disputes that may disrupt its operations and its relationships with its customers.

The Company may be subject to litigation which could be costly, result in the diversion of management's time and efforts and require it to pay damages and/or prevent it from marketing its existing or future products

A number of lawsuits, claims and proceedings have been and may be asserted against the Company 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 issues, health and safety and occupational disease. Due to the uncertainties of litigation, no assurance can be given that it 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 be determined adversely to the Company, Management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on the Company'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 its results of operations for that period. Management can also give no assurance that any litigation brought in the future will not have a material effect on its financial condition or results of operations. For a discussion of certain ongoing investigations and litigation matters involving the Company, see Note 22 to the Consolidated Financial Statements.

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

Due to the challenging economic situation, the Company is facing increased risk of customers to default or credit insurance companies refusing to ensure the risks of its receivables.

Risks of lack of competitiveness of the workforce costs and retention

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

Risks that changes in the macroeconomic environment result in the recognition of impairment against the goodwill and/or tangible assets carried on the balance sheet

At each reporting date, Aperam reviews the carrying amounts of its tangible and intangible assets (excluding goodwill, which is reviewed annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset (or cash generating unit) is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of its net selling price (fair value reduced by selling costs) and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit). If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized as an expense immediately as part of operating income in the consolidated statements of operations.

The goodwill recorded by the Company includes an allocation of the goodwill arising from the acquisition of Arcelor by Mittal Steel on August 1, 2006. Goodwill arising on acquisitions subsequent to January 1, 2007 is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. Goodwill has been allocated at the level of the Company's three operating segments; the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested for impairment annually at the levels of the groups of cash generating units which correspond to the operating segments during the fourth quarter, or when changes in the circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the groups of cash generating units are determined on the basis of value in use calculations, which depend on certain key assumptions. These include assumptions regarding the shipments, discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on the Company's growth forecasts, which are in line with industry trends. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market. See Notes 2 and 6 to Aperam's consolidated financial statements.

If management's estimates change, the estimate of the recoverable amount of goodwill or the asset could fall significantly and result in impairment. While impairment does not affect reported cash flows, the decrease of the estimated recoverable amount and the related non-cash charge in the consolidated statements of operations could have a material adverse effect on Aperam's results of operations or financial condition.

At December 31, 2012, substantial amounts of goodwill ($744 million) and other intangible assets ($115 million) remain recorded in its consolidated statements of financial position. No assurance can be given as to the absence of significant impairment losses in future periods, particularly if market conditions continue to deteriorate. In particular, Management believes that reasonably possible changes in key assumptions would cause an impairment loss to be recognized in respect of the Stainless & Electrical Steel and Services & Solutions segments, which account for $717 million of goodwill at December 31, 2012. See Note 6 to Aperam's consolidated financial statements.

Environmental and health and safety risks

The Company's activities are subject to extensive and increasingly stringent environmental laws and regulations regarding for example, control of major accidents, elimination of waste water, elimination of hazardous solid industrial waste, prevention of atmospheric and water pollution, protection of sites, health and safety and remediation of environmental contamination. The Company may be required to pay potentially significant fines or damages as a result of past, present or future violations of applicable environmental laws and regulations, even if these violations occurred prior to the acquisition of the companies or operations responsible for the relevant violations.

Furthermore, compliance with new and more stringent environmental obligations, particularly those arising from policies limiting greenhouse gas emissions, may require additional capital expenditures or modifications in operating practices, as well as additional reporting obligations. For additional information, see Note 22 to the Consolidated Financial Statements.

The Company's operations and products are subject to a broad range of health and safety laws and regulations in each of the jurisdictions in which it operates. The costs of complying with, and the imposition of liabilities pursuant to, health and safety laws and regulations could be significant, and failure to comply could result in the assessment of civil and criminal penalties, the suspension of permits or operations, and lawsuits by third parties. Additionally, despite the Company's significant efforts to monitor and reduce accidents at its facilities, there remains a risk that health and safety incidents may occur, which may result in costs and liabilities and negatively impact its reputation or the operations of the affected facility.

Funding risk

If the stainless steel markets deteriorate further, consequently reducing operating cash flows, Aperam may have difficulty accessing financial markets to refinance maturing debt on acceptable terms or, in extreme scenarios, come under liquidity pressure. Aperam's access to financial markets for refinancing also depends on conditions in the global capital and credit markets which are volatile and are sensitive in particular to developments in the Euro-zone sovereign debt situation. Financial markets could conceivably deteriorate sharply, including in response to significant political or financial news, such as large credit losses at a systemically important financial institution or the bankruptcy of a large company, a default or heightened risk of default by a sovereign country in Europe or elsewhere, or worse, the voluntary exit or expulsion of certain countries from the Euro currency block and/or a collapse of the Euro-zone financial system, which would be a deeply disruptive global economic event. Under such circumstances, the Company could experience difficulties in accessing the financial markets on acceptable terms or at all.

In addition, credit rating agencies could downgrade Aperam's ratings either due to factors specific to Aperam, a prolonged cyclical downturn in the stainless steel industry or macroeconomic trends (such as global or regional recessions) and trends in credit and capital markets more generally. In this respect, on November 8, 2012, Moody's downgraded the corporate family rating for Aperam S.A. to B1 from Ba3. Moody's maintained the company's negative outlook. On November 30, 2012, S&P lowered the long term corporate credit rating on Aperam to 'B+' from 'BB-'. S&P maintained its negative outlook on Aperam. Any further downgrades in Aperam's credit ratings would result in an increase in its cost of borrowing, could reduce the size of the sale of receivables program as well as hinder its ability to refinance its existing indebtedness on acceptable terms.

As described in the Liquidity section of this annual report, the borrowing base facility contains financial covenants, including: a minimum ratio of consolidated current assets to consolidated current liabilities of 1.1:1; a minimum consolidated tangible net worth of $2.2 billion; and a maximum consolidated total debt of 70% of consolidated tangible net worth. On December 31, 2012, these financial covenants were fully met. Failure to comply with these covenants would enable the lenders to accelerate Aperam's repayment obligations. In addition, even market perception of a potential breach of any financial covenant could have a negative impact on Aperam's ability to refinance its indebtedness on acceptable conditions.

Energy risks

The prices for, and the availability of, electricity, natural gas and other energy resources used by the Company in the manufacture of its products are subject to volatile market conditions. These market conditions often are affected by political and economic factors beyond the Company's control. Disruptions in the supply of energy resources could temporarily impair the Company's ability to manufacture products for its customers. Furthermore, increases in energy costs or changes in costs relative to energy costs paid by competitors have had and may continue to have an adverse effect on the Company's profitability. To the extent that these uncertainties cause suppliers and customers to be more cost sensitive, increased energy prices may have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.