aperam

Annual Report 2017

Contents

Disclaimer - Forward Looking Statements

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

Message from the Chairman of the Board of Directors

February 27, 2018

Dear Shareholders,

Since Aperam's creation, we have undertaken several initiatives to transform Aperam into a more resilient Company, one that is able to operate successfully in all market conditions. We have achieved this by focussing on our strategic priorities of operational excellence, product and service innovation and balance sheet strengthening.

I am very proud to report that 2017 was a major achievement for our Company, with the highest level of operational and financial performance achieved since 2011.

This performance was particularly impressive when set in the context of a highly volatile market for our key raw materials. In particular, nickel prices were impacted by concerns on nickel supplies and expectations of higher nickel demand for electrical vehicles, while we saw significant fluctuations in chrome ore and ferrochrome prices driven by variations in Chinese demand and by South African supply issues.

Before discussing the highlights of Aperam's 2017 performance, let me remind you that safety of our employees has been the top priority for our Company since our creation. In 2017, our lost time injury frequency rate remained stable at 1.4x. We will continue to put all our effort into working towards our goal of zero accidents.

Despite the volatile market conditions, we delivered a record financial performance in 2017, further improved the financial strength of the business and enhanced returns to shareholders:

> Our EBITDA of U.S.$619 million is a record since our creation, improving by more than 25 per cent compared to 2016;
> Our Net Result was U.S.$361 million, representing an increase of 69 per cent compared to the previous year;
> At the end of 2017, Aperam had a positive net cash position for the first time in its history; net cash stood at U.S.$75 million, compared to net debt of U.S.$154 million at the end of 2016 and of U.S.$ 1,066 million at our Company's inception;
> We continued to invest in the sustainability of our Company with U.S.$186 million of capital expenditure;
> We returned U.S.$219 million to our shareholders in the form of dividends and share buyback

As a result of this record financial performance, the Board of Directors has decided to increase the base dividend from U.S.$1.50 per share to U.S.$1.80 per share. This will be proposed to shareholders at our next general meeting. In addition, the Company announced the launch of a further share buyback program for an aggregate maximum amount of U.S.$100 million.

Looking forward, I am confident that Aperam is well positioned for further growth. Key to this will be the successful delivery of our Transformation Program, which involves harnessing the digital revolution and the power of big data to further enhance our operational efficiency and customer service offering. Successful delivery against our Transformation Program initiatives will lead to further structural profitability improvement.

Finally, I believe that our manufacturing process, which is based on recyclable scrap and charcoal produced from our own forests, and our products, which are endlessly recyclable are strong competitive advantages and part of the solution to global environmental challenges.

In conclusion, I would like to take this opportunity to thank all of our employees, the Leadership Team and my colleagues from the Board of Directors, for their support, dedication and contribution to the Company's strong performance in 2017. The progress we have made provides a very solid foundation from which to deliver further, sustainable performance improvement.

Lakshmi N. Mittal, Chairman of the Board of Directors

Message from the Chief Executive Officer

February 27, 2018

Dear Shareholders,

It is a great honor and pleasure for me to present you Aperam's 2017 Annual Report.

Our Chairman of the Board of Directors has explained to you our record performance in challenging market conditions and our confidence in our next phase of development.

I would like to take this opportunity to explain how we achieved this performance and how we will transform Aperam in a fast changing environment.

Let me start with health and safety. A stable frequency rate in 2017 is clearly not meeting our expectations, in particular as we continued to work hard in 2017 on this important matter. Dedicated training are taking place all across the Company and best practices are being exchanged in real time. Our objective is to further stimulate a strong mindset and culture of health and safety to reach our ultimate goal of zero accidents. I am convinced that we will achieve the right results as we continue our endless efforts to reach excellence in health and safety.

In 2017, we remained highly focused on our strategic objectives of operational excellence, product and service innovations and balance sheet strengthening, thereby achieving record performances by implementing strong set of actions:

> We continued to make progress on our operational excellence - our internal plan “Leadership Journey®” - and reached a contribution to EBITDA of a total amount of U.S.$573 million since the beginning of 2011. This successfully completes our objectives under phase 2 of our Leadership Journey® during which we invested U.S.$112 million over the period 2014 to 2017 on our best performing assets, enabling us to further improve our cost competitiveness, deeply embedded in Aperam's DNA.

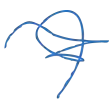
> Supported by our internal R&D platform, we further strengthened the development of our top line products designed for the most innovative and profitable segments of the markets. This progress enabled us to support a growing European market and mitigate a Brazilian environment which stabilized at a low level. We aim to continuously improve our range of stainless steel and alloys solutions which have contributed to Aperam's leadership in the industry and its customer loyalty.

> The strengthening of our balance sheet has been an important priority since our creation. Thanks to strong cash flows and debt restructuring actions taken since 2014 we became first time net cash positive at the end of 2017 and continued to reduce our costs of financing. We are very proud that our financial discipline and the solid execution of our strategy were recognised during 2017 with upgrades to Investment Grade by both rating agencies Moody's and Standard & Poor's making Aperam one of the most solid stainless steel players in the world.

Having demonstrated our capacity to deliver a solid operational and financial performance, we announced in 2017 a new structural profitability improvement program, as phase 3 of our Leadership Journey® “the Transformation Program”. Under this phase 3, we will accelerate our productivity gains by implementing the latest technologies and breakthroughs in automation; we will develop new applications and solutions; we will fully unlock the potential of a more digitized, connected and collaborative organization and will transform our supply chain. Our goal is to achieve U.S.$150 million of additional annualized gains by year 2020.

All these measures together with our continuous investments in the sustainability of our Company, make me very confident in Aperam's capability to further expand.

I am convinced that with the strong support of our Board of Directors, the high engagement of our employees and the trust of our customers and suppliers, we will continue to ensure satisfaction of our key stakeholders and take Aperam to the next level of sustainable performance and profitability.



Timoteo Di Maulo, Chief Executive Officer

Glossary

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

Financial Measures:

> "EBITDA" is defined as operating income[1] before depreciation[1] and impairment expenses[1].
> "free cash flow before dividend and share buyback" is defined as net cash provided by operating activities[1] less net cash used in investing activities[1].
> "gearing" is defined as net financial debt divided by Equity[1].
> "net financial debt" or "net cash" refers to long-term debt[1] plus short-term debt[1], less cash and cash equivalents[1] (including short-term investments)[1].

Other terms used in this annual report:

> "absenteeism rate" is defined as the number of hours of absence for illness inferior to six months divided by the number of theoretical to-be-worked hours;
> "annealing" are to the process of heating cold steel to make it more suitable for bending and shaping and to prevent breaking and cracking;
>'austenitic Stainless Steel is a steel alloy containing at least 16% of chromium, where other alloying elements -usually nickel, alternatively manganese or nitrogen- are added to obtain an austenitic crystalline structure;
> "bright annealing" refers to the final annealing lines (with an oven) with a reducing atmosphere which produces a bright annealed finish;
> "brownfield project" refers to the expansion of an existing operation;
> "carbon steel scrap" refers to recycled carbon steel that is re-melted and casted into new steel;
> "cold rolling" refers to the forming method employed after hot rolling;
> "downstream" refers to finishing operations, for example in the case of flat products, the operations after the production of hot-rolled coil;
> "€" or "EUR" are Euros and are converted into U.S. dollars using the closing exchange rate of U.S.$1= €0.833820 as of December 31, 2017;
> "ferritic steel" refers to stainless steels which have a low carbon content and contain between 10.5% and 27% chromium, the main alloying element;
> "greenfield project" refers to the development of a new project;
> "IFRS" means International Financial Reporting Standards as adopted in the European Union;
> "Lost Time Injury Frequency rate", or "LTIF", is a key metric which measures the time lost due to injuries per 1,000,000 worked hour;
> "pickling" refers to the process where steel coils are cleaned using chemical baths to remove impurities, such as rust, dirt and oil;
> "production capacity" refers to the annual production capacity of plant and equipment based on existing technical parameters as estimated by management;
> "R$" or BRL are Brazilian Real and are converted into U.S. dollars using the closing exchange rate of U.S.$1= R$3.30800 as of december 31, 2017;
> "sales" include shipping and handling fees and costs billed to a customer in a sales transaction;
> "Significant shareholder" means the trust (HSBC Trust (C.I.) Limited, as trustee) of which Mr. Lakshmi N. Mittal, Ms. Usha Mittal and their children are the beneficiaries, holding Aperam shares through Value Holdings II S.à r.l.
> "slabs" refers to compact blocks of crude steel (usually a product of the casting process in steel mills), which are used as a pre-product in hot rolling mills to produce rolled hot rolled coils or strips;
> "spin-off" refers to the transfer of the assets comprising ArcelorMittal's stainless and specialty steels businesses from its carbon steel and mining businesses to the Company, and the pro rata allocation of the ordinary shares of the Company to ArcelorMittal shareholders;
> "stainless steel scrap" refers to recycled stainless steel materials that are re-melted and casted into new steel;
> "steckel mill" refers to reversing steel sheet reduction mills with heated coil boxes at each end where steel sheet or plate is sent through the rolls of the reversing mill and then coiled at the end of the mill, reheated in the coil box and sent back through the steckel stands and recoiled;
> "tonnes" refers to metric tonnes and are used in measurements involving stainless and specialty steel products (a metric tonne is equal to 1,000 kilograms or 2,204.62 pounds);
> "upstream" refers to operations that precede downstream steel-making, such as coke, sinter, blast furnaces, electric arc furnaces, casters and hot rolling/steckel mills.

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

Management Report

The Board of Directors is pleased to present its report, which constitutes the managament report («Management Report») as defined by Luxembourg Law, together with the audited consolidated financial statements and annual accounts as of December 31, 2017 and for the year then ended.
As permitted by Luxembourg Law, the Board of Directors has elected to prepare a single Management Report covering the Company and the Group.

Nantes Pre Gauchet
Logements ZAC Pré Gauchet, Nantes - France
© Christophe Rousselle
Aperam stainless steel used :Nuance 304 d'aspect Uginox Bright»

Group Overview

Introduction

Aperam is a leading global stainless and specialty steel producer with an annual production capacity of 2.5 million tonnes in 2017. We are a leading stainless and specialty steel producer in South America and the second largest producer in Europe. We are also a leading producer of high value added specialty products, including grain oriented ("GO") and non-grain oriented ("NGO") electrical steels and nickel alloys. Our production capacity is concentrated in six production facilities located in Brazil, Belgium and France, and we have about 9,600 employees at end of December 2017. Our distribution network is comprised of 14 Steel Service Centres ("SSCs"), 6 transformation facilities and 16 sales offices. Our products are sold to customers 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 U.S.$5.1 billion and U.S.$4.3 billion and EBITDA of U.S.$619 million and U.S.$492 million for the years ended December 31, 2017, and 2016, respectively. Shipments amounted to 1.94 million tonnes and 1.92 million tonnes for the years ended December 31, 2017, and 2016, respectively.

We manage our business according to three primary operating segments:

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

The segment accounted for 45.9% of external sales and 83.7% of EBITDA for the year ended December 31, 2017, and respectively 46.0% of external sales and 83.3% of EBITDA for the year ended December 31, 2016.

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

The segment accounted for 43.7% of external sales and 12.6% of EBITDA for the year ended December 31, 2017, and respectively 44.4% of external sales and 16.5% of EBITDA for the year ended December 31, 2016.

> Alloys & Specialties. Our Alloys & Specialties segment is the fourth largest producer of nickel alloys in the world. We are specialised 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 segment accounted for 10.2% of external sales and 8.4% of EBITDA for the year ended December 31, 2017, and respectively 9.6% of external sales and 6.1% of EBITDA for the year ended December 31, 2016.

Additionally, we have external sales and EBITDA that are reported within our "Others and eliminations" segment. This segment, including eliminations between our primary operating segments, accounted for (4.7)% of EBITDA for the year ended December 31, 2017, and (6.1)% of EBITDA for the year ended December 31, 2016.

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 developed and 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.

The main shareholder ("Significant Shareholder") holds 40.89% of the issued share capital. Please refer to the share capital section of this Management Report for the definition of the term "Significant shareholder".

Our facilities

Our key production sites

Genk (Belgium)

Châtelet (Belgium)

Gueugnon (France)

Isbergues (France)

Imphy (France)

Timoteo (Brazil)

Stainless & Electrical Steel

Europe

Our European facilities produce the full range of our stainless steel products. In 2017, steel shipments from Stainless & Electrical Steel Europe facilities represented 1,253 thousand tonnes and 1,241 thousand tonnes in 2016.

We have two electric arc furnaces melt-shops in Belgium, located in Genk and Châtelet. The Genk facility includes two electric arc furnaces, argon-oxygen decarburising equipment, 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 melt-shop includes an electric arc furnace, argon-oxygen decarburising equipment, ladle furnaces refining metallurgy, a slab continuous caster and slab grinders.

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

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 a wide range of stainless, electrical steel and special carbon products, which account for approximately 33% of the Stainless & Electrical Steel operating segment's total shipments. Steel shipments from Stainless & Electrical Steel Brazil facilities represented 629 thousand tonnes in 2017 and 639 thousand tonnes in 2016.

The Timóteo integrated production facility includes two blast furnaces, one melting shop area (including two electrical furnaces, two converters and two continuous casting machines), one hot rolling mill (including one walking beam and one pusher furnace with one rougher mill and one steckel mill), a stainless cold rolling shop (including one hot annealing and pickling line, two cold annealing and pickling lines, one cold preparation line, three cold rolling mills and 4 batch annealing furnaces) and an electrical steel cold rolling shop (including one hot annealing and pickling line, two tandem annealing lines, one decarburising line, one thermo-flattening and carlite coating line, one cold rolling mill and 20 batch annealing furnaces).

Services & Solutions

We sell and distribute our products through our Services & Solutions segment, which includes our tubes business, and which also provides value added and customised steel solutions through further processing to meet specific customer requirements. Our distribution network comprises 14 steel service centres, 6 transformation facilities and 16 sales offices. Steel shipments from Services and Solutions division represented 818 thousand tonnes in 2017 and 799 thousand tonnes in 2016.

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 melt-shop is designed to produce specialty grades and includes one electric arc furnace, two induction furnaces with two vacuum oxygen decarburisation ladles and a ladle furnace, one vacuum induction melting furnace, two vacuum arc remelting furnaces and one electroslag remelting furnace. The melt shop is also equipped with ingot casting facilities and a continuous billet caster.

Our wire rod mill specialises 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 35 thousand tonnes, and finishing lines. Steel shipments from Alloys & Specialties facilities represented 33 thousand tonnes in 2017 and 30 thousand tonnes in 2016.

We also own downstream nickel alloy and specialty assets, including Aperam Alloys Rescal S.A.S., a wire drawing facility located in Epóne, France, Aperam Alloys Amilly, an electrical components manufacturer located in Amilly, France, Imhua Special Metals, a transformation subsidiary in Foshan, China. We also hold a majority stake in Innovative Clad Solutions, a production facility for industrial clads in Indore (Madhya Pradesh, India).

Our key competitive strengths

We believe that the following are among our key strengths:

We are committed to Sustainability and our number one priority is Health & Safety

Safety will always remain our first duty to our People. To monitor our health and safety performance, the company uses as main indicator the "Lost Time Injury Frequency rate", or "LTIF", a key metric which measures the time lost due to injuries per 1,000,000 worked hours. In 2017, our LTIF rate remained stable at 1.4 compared to the previous year. Beyond healthy employees, we also want to develop individuals and foster motivated and agile teams to develop, thrive and innovate for Aperam. With this aim, training and career development programs are continuously improved over the years and we promote proximity and team spirit.

From an environmental perspective, where many challenges lie for an energy-intensive industry, Aperam is up to its responsibilities. Firstly, we are proud of our unique capability to produce in Brazil charcoal-based biomass to use in our production instead of metallurgical coke. Also, while we look into all solutions to reduce the energy consumption of our manufacturing process, we also procure intelligent steel solutions to our customers to assist them in developing energy-efficiency end-products. As a producer of 100% recyclable products, it is only logical that we promote the circular economy. And so we do, primarily through an extensive usage of scraps ranking our steels among the best, in terms of carbon footprint, also through our fully-owned Recyco subsidiary which recovers metallic contents from melting shop dusts, and finally through our zero-waste objective (for landfill). In addition we are engaged in an innovative circular economy initiative, through a contractor, to fully value our slags (by-product from the production process) by injection of CO_2 to produce construction bricks.

In terms of Governance, Aperam always aims for best practices. We strive to maintain constant engagement, benevolence and transparency, with all our stakeholders. With our customers, we target the best satisfaction rates and propose innovative solutions ; with other stakeholder groups, such as neighbours or authorities, we engage openly, to earn their trust and maintain sound and sustainable local relationships.

For further information regarding Sustainability and our local country supplements, please refer to our “Made for life” reports available on our internet site www.aperam.com, section “Sustainability”.

A restructured and efficient European footprint able to seize market opportunities

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

In Europe, the Group benefits from high quality and cost efficient plants with the largest and most recent electric arc furnace melt-shop (Châtelet, Belgium), the largest hot rolling mill (Châtelet, Belgium), one of the largest cold rolling mills (Genk, Belgium) and LC2I, the best-in-class integrated rolling mill (Isbergues, France).

In Brazil, the Group operates a fully integrated ironmaking facility using charcoal produced by Aperam BioEnergìa from its planted eucalyptus forests.

Through an early restructuring of its downstream operations since the creation of Aperam - from 29 tools to 17 tools in Europe - to adapt to the market conditions, Aperam managed to reach record volumes in Europe since 2008 although with a lower number of tools. Aperam is well positioned in the core markets in Europe with an optimal loading of its most efficient assets. In addition, Aperam aims to continue investing in its industrial asset base with Leadership Journey® initiatives to benefit from the long-term potential growth of the stainless and specialty-steel industry. The Leadership Journey® initiative is described in greater detail below under the section "Our key strategic priorities".

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

Aperam also has a strong presence in the European stainless steel market. The Group's modern production facilities in Belgium and France are strategically located close to the scrap generating regions and are also close to the Group’s major customers. Aperam’s European industrial operations have consistently maintained high performance standards through the optimisation of production volumes, inventory and costs. The Group also has a highly integrated and technically advanced distribution network that is effective at maintaining direct contact with end-users through strong sales and marketing capabilities.

Aperam is a leading stainless and specialty steel producer in South America and according to the International Stainless Steel Forum (the "ISSF"), is the second largest producer in Europe. Aperam is well-positioned in both developed and emerging markets. In 2017 approximately 74% of the sales were derived from developed markets and 26% from emerging markets.

Key strengths of the European operations of Aperam

<table>
<tr><th>Sourcing</th><th>Logistics</th><th>Production</th></tr>
<tr><td rowspan="3">The only integrated upstream operations in the heart of Europe, with the best access to scrap supply</td><td>Best location to serve the biggest consumption areas of Europe</td><td>Full range of innovative products of stainless steel</td></tr>
<tr><td rowspan="2">Efficient logistics with a working capital management at the benchmark of the industry</td><td>Flexibility and efficient capacity</td></tr>
<tr><td>A strategy to be a cost benchmark on the key Aperam products</td></tr>
</table>

Key strengths of the Brazilian operations of Aperam

<table>
<tr><th>Sourcing</th><th>Logistics</th><th>Production</th></tr>
<tr><td rowspan="3">The only fully integrated stainless steel facility in South America with access to iron ore and environmentally friendly charcoal produced from own eucalyptus forests</td><td>Efficient logistics with integrated service centers</td><td>Full range of products including flat stainless steel, electrical steel and special carbon</td></tr>
<tr><td>Only stainless steel producer in South America with best in class deliveries to customers</td><td>A flexible production route which allows Aperam to maximise the product mix</td></tr>
<tr><td>Flexible geographical sales capabilities within South America which allow Aperam to optimise its geographical exposure</td><td>An improving cost position compared to industry benchmark benefiting from best practice benchmarking with European operations</td></tr>
</table>

In South America, the Group has a leading presence in flat stainless steel and electrical steel production with modern, flexible and fully integrated production and service centres.

This unique asset base is perfectly adapted to the South American market. Based upon low levels of historical apparent consumption per capita and a developing market for stainless steel, Management estimates that there is important growth potential in South America. In Brazil, Aperam has continued to benefit from the actions of the Leadership Journey® and Top Line strategy while the long term growth prospects in terms of stainless steel consumption have remained intact.

Value accretion beyond stainless production

Aperam has one of the largest integrated stainless and specialty steel sales, distribution and steel services networks in the world, with a total of 14 steel service centres, 6 transformation facilities and 16 sales offices. This network allows the Group to develop customers' loyalty thanks to a best-in-class service, to have a consistent and stable customer base to load the mills and finally to capture additional value in the downstream operations The Group's distribution channels are strategically located in areas of high demand and close to many end-users. The Group works continuously to further develop its distribution network through internal development, partnerships and targeted acquisitions. Aperam normally expands its global distribution network either in response to an identified market opportunity or in response to the express business needs of major customers. The Group's global distribution network enables it to tailor its products to address specific customer needs, thereby facilitating the maintenance of market share and the capture of growth opportunities. The Group's customer base is well diversified, comprising a number of blue chip clients.

A diversified product offering with a leading position in nickel alloys, supported by leading research and development capabilities

Aperam offers a wide range of products, including high margin value-added niche products to a diversified customer base in both emerging and developed markets. The Group's products are mainly sold to end-users in the automotive, building and construction, catering and appliance, energy and chemicals, and transportation industries, while electrical steel products are primarily sold to customers in the electric motors, generators and transformers industries.

The Group is the third largest global producer of nickel alloys and the largest in alloys wire rods, which are sold to customers in the aerospace, automotive, electronics, petrochemical, and oil & gas industries. Aperam's diverse product offering, sold to a wide range of customers across numerous industries, allows the Group to enjoy greater stability and to mitigate some of the risks and cyclicality inherent in certain markets.

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

Aperam's Research and Development activities are closely aligned with our strategy, focused on product development and process development. The Group's Research and Development team comprises 129 employees. These employees are based in two centres in Europe, located in Isbergues and Imphy, France, and one centre in Timóteo, Brazil. The Research and Development departments interact closely with the Group's operating segments and partner with industrial end-users and leading research organisations in order to remain at the forefront of product development. The Research and Development capabilities have contributed to both the Group's leadership in the industry and its development of long standing and recognisable brands. Aperam concentrates a significant portion of its Research and Development budget on high margin value-added niche products, such as nickel alloys and on developing products with enhanced capabilities for new applications and end markets.

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

The Group's profitability is supported by its implementation of the Leadership Journey®, which, at the end of December 2017, has contributed to approximately U.S.$573 million to EBITDA since the beginning of 2011. This successfully ends phase 2 of the Leadership Journey® - with gains in line with the objective to reach U.S.$575 million of annualized gains by end of 2017- and opens phase 3 of the Leadership Journey® “the

Transformation Program" with U.S.$150 million additional gains targeted by year 2020. In addition, the Group has been able to generate positive free cash flows over the past seven years. As of December 31, 2017, the Group had a net financial cash position of U.S.$75 million, compared to net financial debt of U.S.$1,066 million at the end of December 2010.

On February 15, 2017, Aperam announced that its long term issuer rating has been upgraded to Investment Grade by Moody's, in recognition of its sustainable financial performance. Aperam's Long Term Issuer rating by Moody's is at Baa3, with stable outlook. On May 18, 2017, Aperam also announced that its long term corporate credit rating has been upgraded to Investment Grade by Standard & Poor's, in recognition of its steady and strong operating performance and credit metrics. Aperam's long-term corporate credit rating by Standard & Poor's is at BBB-, with stable outlook. The credit ratings are described in greater detail in the section "Credit Ratings".

As of December 31, 2017, the Group had a solid funding structure and debt maturity profile as described in greater detail in the section "Liquidity".

These achievements have been the result of Aperam's strategic priorities as described in greater detail under the below section "Our strategic priorities".

Talented and dynamic Leadership Team and motivated workforce

Aperam benefits from the experience and industry knowhow of its Leadership Team. The team is comprised of nine members including the Chief Executive Officer ("CEO"), Mr. Timoteo Di Maulo. Mr. Di Maulo has over twenty-five years of experience in the stainless steel industry, having held a number of positions in the controlling, purchasing, logistics and commercial areas and has been CEO of different units of the Group. He is supported by the other members of the Group's senior management team, including Mr. Sandeep Jalan, the Chief Financial Officer ("CFO") who has over twenty-five years of experience in finance. Mr. Jalan joined the ArcelorMittal group in 1999 and served as CFO of ArcelorMittal Long Carbon Europe, responsible for finance and strategy prior to joining Aperam in 2014.

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

The collective industry knowledge and leadership of Aperam's senior management team and their record of accomplishment in responding to challenging economic conditions is a key asset to Aperam's business.

The Group has also introduced various initiatives to improve the dedication and motivation of its workforce, including development programs, employee annual appraisal, career committee meetings to evaluate opportunities for managers and performance based bonuses. Greater accountability improves motivation, and the Group's approach to human resources has contributed to the dedication and engagement of its workforce.

Our key strategic priorities

Since the early creation of Aperam, the Group is pursuing a strategy designed to reinforce Aperam´s resilience to challenging market conditions based on our in-house internal improvement measures and relying on our own resources. This has proven a successful strategy as it reduces reliance on external factors/resources to support our performance.

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

1. Achieving the next structural profitability improvement based on Phase 3 of the Leadership Journey® - the Transformation Program
2. Driving value through our Top Line strategy by strengthening our product and service differentiation.
3. Strong cash flow generation, and maintaining robust balance sheet ratios consistent with Investment Grade financial ratios.

1. Achieving the next structural profitability improvement based on Phase 3 of the Leadership Journey® - the T ransformation Program

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

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

Phase 1: 2011-2013 Restructuring & cost cutting Completed	Phase 2: 2014-2017 Upgrading best performing assets Completed	Phase 3: 2018-2020 Transforming the Company Ongoing
Launched at the early stage of the program in 2011, the restructuring initiatives were focused on the closure of non-competitive capacities and the reduction of fixed costs through, in particular, process simplification and major cost cutting investments.	Since the beginning of 2014, major asset upgrade projects were launched to debottleneck Aperam's downstream operations, improve cost competitiveness and enhance its product portfolio.	This new phase of the journey launched in 2017 aims to transform the business and address next generation needs of Aperam's customers through a modern industry with new technologies and fully connected organisation
Total gains Phase 1: U.S.$ 350 million	Total gains Phase 2: U.S.$ 223 million	Total target gains Phase 3: U.S.$ 150 million

Phase 2: 2014-2017 Upgrading best performing assets

Since 2014, upgrade programs on the most performing assets have been launched for a total amount of U.S.$112 million and are described more in detail at the below table:

Tranche	Amount Invested	Period of implementation	Description	Status
1	U.S.$52 million	2014 - 2015	> Productivity improvement of the downstream facilities in Genk (CAP2), Gueugnon (CAP10) and Timoteo (Sendzimir Mill #1) > Upgrade of the Wire Rod mill in Imphy > Upgrade of Grain Oriented operations in Timoteo with development of High Grain Oriented (Electrical Steel)	Completed
2	U.S.$30 million	2015 - 2016	Breakthrough on productivity increases: > Upgrade of CAP 2 in Genk > Upgrade of LC2i in Isbergues	Completed
3	U.S.$30 million	2015 - 2017	> Efficiency and competitiveness improvement of the lines CR6 and BA8 in Gueugnon > Upgrade of compact box annealing furnaces of the Wire Rod mill in Imphy	Completed

As of December 31, 2017, the Leadership Journey® had contributed a total amount of U.S.$573 million to EBITDA since the beginning of 2011, in line with our goal to reach U.S.$575 million in gains and profit enhancements by the end of 2017.

This successfully ends phase 2 of the Leadership Journey® and opens phase 3 of the Leadership Journey® - the Transformation Program - as described below.

Phase 3: 2018-2020 Transforming the Company

On June 7, 2017, Aperam announced Phase 3 of the Leadership Journey® - the Transformation Program - to achieve the next structural profitability improvement. This new phase of the Leadership Journey® aims to achieve U.S.$150 million of additional EBITDA gains per year by end of 2020. Under this phase, the Company wants to further transform the business to improve further our production costs as well as address next generation needs of Aperam's customers (better product offering and services) through new technologies, automation, digitalization and a fully connected organisation building upon our highly skilled and fully engaged workforce.

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

New technologies	Accelerate productivity gains by implementation of latest technology and breakthrough in automation with development of robotics, sensors and integrated production lines
Innovation	Development of new applications and solutions
Leaner	Realize full potential of digitized, connected and collaborative organization building upon our highly skilled and fully engaged workforce Promote data acquisition technology along the production route
Value added Services	Stainless steel one stop shop for services, supply chain transformation

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

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

Within the Top Line strategy, specific focus is allocated to develop innovative products allowing niche presence as well as attractive margins.

More specifically, our Top Line strategy includes:
> Leveraging our unique stainless steel product portfolio,
> Driving additional value through the Services & Solutions segment, and
> Growing the Alloys & Specialties segment.

Leveraging our unique stainless steel product portfolio

We intend to continue to support the development of our wide range of products, with a focus on high margin value added niche products. Because of the specialised and innovative nature of these products, we are able to earn higher margins, typically attracting higher prices than our other more commoditised products. In order to grow our sales of high margin value added niche products and replace low contribution margin products, we continue to put our focus on the development of innovative products through our research and development, while leveraging our marketing and advertising efforts for wider promotion.

Driving additional value through the Services & Solutions segment

Our industrial footprint in Europe and South America is perfectly complemented with global service centers and sales networks as part of our Services & Solutions segment. In a volatile environment, we believe that the development of the Services & Solutions segment and the provision of better services to our customers are key for achieving financial and operational excellence. Value added services provided to our clients include cutting, polishing, brushing, forming, welding, pickling, annealing or packaging. We believe that further development of the Services & Solutions segment will drive additional value creation while serving our customers more effectively. As part of this strategy, we continue to invest in and strengthen our service centers in Europe, Brazil and other parts of the world. In 2017, Aperam's new cut-to-length line became fully operational on its Isbergues' site (France) and has been presented to its customers during an opening ceremony held in Isbergues. The Company also announced in January 2018 an investment to transfer its German service center from Duisburg to Haan. This investment will enable us to further improve our supply chain, reduce working capital and decrease our costs while continuously improving our health and safety environment.

Strengthening our Leadership in the Alloys & Specialties segment

The Alloys & Specialties segment specialises in the design, production and transformation of various nickel alloys and certain specific stainless steels. These products are intended for high end applications or to address very specific customer requirements across a broad range of industries, including the oil and gas, aerospace, automotive, electronics, petrochemical and other industries. We believe that the Alloys & Specialties segment has significant growth potential which could be captured with new investments.

3. Strong cash generation and maintaining robust balance sheet ratios consistent with Investment Grade financial ratios

As part of our efforts to become a more resilient company capable of responding to the volatile market environment, we recorded a net financial cash position of U.S.$75 million at the end of December 2017, compared to a net financial debt position of U.S.$154 million at the end of December 2016, and net financial debt position of U.S.$1,066 million at the end of December 2010. This achievement is based on a strong set of actions in optimising our debt profile and interest costs.

In 2017, Aperam made the following announcements with respect to its Long Term Issuer rating and restructuring actions:

(i) On February 15, 2017, Aperam announces that its Long Term Issuer rating had been upgraded to Investment Grade by Moody’s, in recognition of its sustainable financial performance. Aperam’s Long Term Issuer rating by Moody’s is at Baa3, with stable outlook.

(ii) On May 18, 2017, Aperam announced that its long-term corporate credit rating has been upgraded to Investment Grade by Standard & Poor’s, in recognition of its steady and strong operating performance and credit metrics. Aperam’s long-term corporate credit rating by Standard & Poor’s is at BBB-, with stable outlook.

(iii) On June 7, 2017, Aperam announced that it has entered into an unsecured revolving credit facility (5-year facility with two options of extension by one year) of €300 million, replacing its existing secured borrowing base facility (3 year) of U.S.$400 million as part of its ongoing measures on balance sheet strengthening and financing.

(iv) On June 7, 2017, Aperam announced its intention for conversion of its U.S.$200 million Convertible and/or Exchangeable Bonds due 2020 during October 2017, adding further strength to the balance sheet.

(v) On June 22, 2017, Aperam confirmed the completion of its share buyback program announced on February 9, 2017, with final settlement on June 21, 2017. In aggregate, 2,000,000 shares were bought under this Program, representing an aggregate amount of U.S.$98,436,528. The 2,000,000 shares acquired under the Program were cancelled on June 22, 2017.

(vi) On September 8, 2017, Aperam gave notice to bondholders of its convertible bonds maturing 2020 that it intended to redeem the bonds on the optional redemption date, being October 16, 2017, at their principal amount together with accrued but unpaid interest to such date. Several Convertible bondholders holding Convertible Bonds 2020 decided to exercise their option for conversion into shares and U.S.$131 million of Bonds were already converted into 6,249,994 shares by end of September 2017. Out of remaining U.S.$69 million Convertible Bonds 2020, Bonds pertaining to U.S.$67 million face value were converted into 3,196,556 shares and remaining bondholders with face value of U.S.$2 million were redeemed at par. Considering the share buyback of 2 million shares completed in June 2017 and the cancellation of such shares, net shares issued during the year 2017 was 7,446,550 shares, with a current total number of issued shares amounting 85,496,280 shares.

(vii) On December 14, 2017, U.S.$0.8 million were bought back by the Company for a total consideration of U.S.$1.0 million.

In coherence with its Financial Policy, the Board of Directors decided in January 2018, to propose for approval at the next shareholders meeting of May 9, 2018, a base dividend increase from U.S.$1.50 per share to U.S.$1.80 per share. The Board of Directors also decided a share buyback program for an aggregate maximum amount of U.S.$100 million and a maximum of 1.8 million shares under the authorization given by the annual general meeting of shareholders held in 2015.

The company intends to maintain an overall payout between 50% to 100% of basic earnings per share.

Please refer to the section "Liquidity" of this Management Report for further details with respect to the Group's financing and to the section "Liquidity-Earnings Distribution" for the detailed and updated dividend calendar for the year 2018.

Our profit driving pillars

The Group's key profit driving pillars based on our strategic priorities can be summarised as follows:

1. We are aiming to be the best in cost with our Leadership Journey® and are targeting under phase 3 of the Leadership Journey® - the Transformation Program - US$150 million additional annualized gains by year 2020

2. We aim to optimise our product portfolio and replace low contribution margin products by higher margin products with our Top Line strategy, innovative products and best customer solutions and services

3. We aim to continue to focus on cash generation while maintaining a strong Balance Sheet consistent with Investment Grade Financial ratios

4. We aim to grow in our Alloys & Specialties business while continuing to improve our competitiveness

Apartment building "Lyon Islands ", Lyon - France; © Massimiliano & Doriana Fuksas
Aperam stainless steel used : Uginox Bright Nuance: 304/1.4301

Market analysis

Market environment

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

Stainless Steel Pricing

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

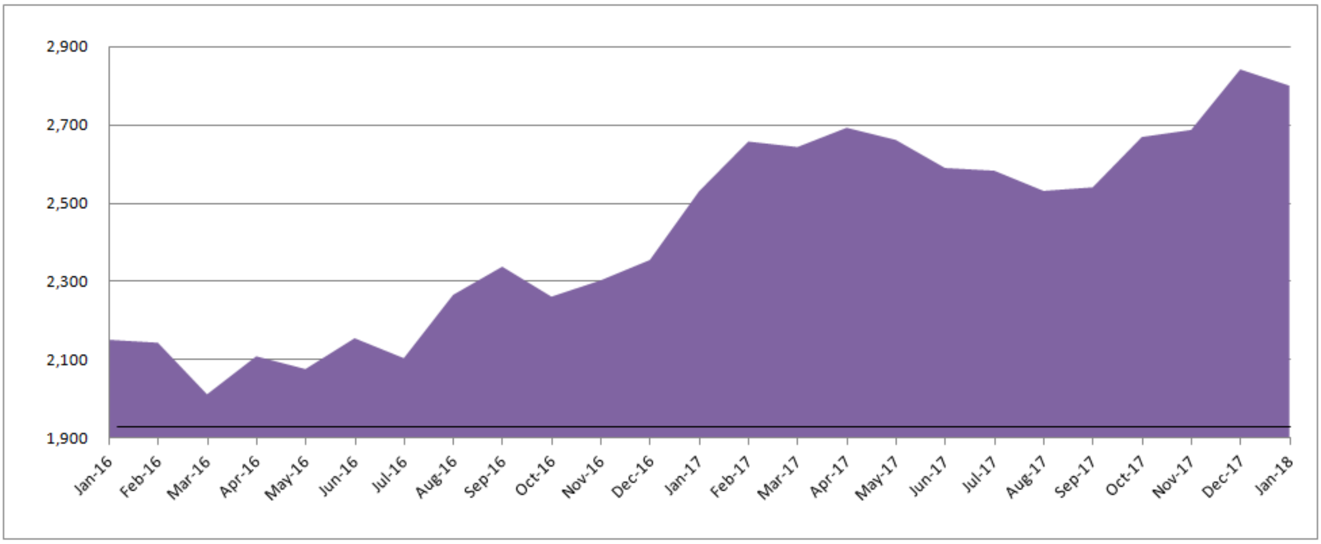
Stainless steel is a steel alloy with a minimum of 10.5% chromium content by mass and a combination of alloys which are added to confer certain specific properties depending upon the application. The cost of alloys used in stainless steel products varies across products and can fluctuate significantly.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

> the "base price", which is negotiated with customers and depends on market supply and demand; and
> the "alloy surcharge", which is a supplementary charge to the selling price of steel and offsets the purchase price increases in raw materials, such as nickel, chromium or molybdenum, by directly passing these increases onto customers. The concept of the "alloy surcharge", which is calculated using raw material purchase prices, among which some are quoted on certain accepted exchanges, 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.

Notwithstanding the application of the "alloy surcharge", the Group is still affected by changes in raw material prices, in particular nickel, which in the last decade experienced some sudden spikes, before coming back to a lower level. In general, when the price of nickel is falling, purchasers 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.

The nickel price evolution is described in greater detail in the below section “Raw materials”.

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



Source:
Stainless steel / CR 304 2B 2mm coil transaction price/Southern European domestic delivered prices have been derived from Steel Business Briefing ("SBB").

Following the strong increase in 2016, the apparent demand in China during 2017 remained positive at around 5% higher than last year, keeping stainless raw materials Ferrochrome and Nickel under pressure resulting in higher volatility all along the year, with sudden spikes of both all along the year. As a consequence, transaction prices of stainless coils improved in a similar pattern over 2017 and remained at higher levels versus 2016.

Despite the improving demand, the capacity utilisation improvements in Europe, the positive price development in 2017, and nickel prices still higher than the average at the beginning of 2018, Aperam remains cautious on its outlook for the year to come. This cautious view is due in particular to increased raw material price volatility, existing overcapacity in China and several exporting countries willing to increase their share into the European market, thus putting prices under pressure.

Electrical Steel Pricing

2017 was a confirmation that prices for Grain Oriented (GO) steels and Non Grain Oriented (NGO) steels have different drivers. GO steel prices were kept low in 2017 by weaker demand from Asia while NGO prices were pushed up by new applications in automotive business (electric vehicles) and increased demand for more efficient electric motors worldwide.

Demand for Stainless and Electrical Steel and Nickel Alloys Products

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

In 2017, global demand for stainless steel flat products grew again, due to the sharp demand increase in China, consumption growth and stronger demand also in developed markets.

In 2017, Nickel Alloys market growth rebounded after the weakness experienced in 2015 and 2016, with healthy aerospace and electrical safety markets as well as emerging new niches in electric vehicles and new technologies-related applications that were able to offset the still depressed oil & gas markets. Even among oil & gas applications, the growing role of natural gas in the world boosted the demand for nickel alloys in this area and enabled to partially offset the general oil & gas market decreases. Management estimates that the global demand for nickel alloys will be slightly positive for the years to come, with an accelerated life cycle of product portfolios, so that the capability of anticipating market needs connected to new emerging technologies and applications will be of essence.

Production and capacity

In 2017, global flat stainless steel production increased by more than 5%. Global structural overcapacity driven by China continued to affect the global stainless steel industry, as 2017 saw another year of double digit growth in flat stainless steel capacity in China, while consumption growth accelerated further. Despite China's promises to tackle overcapacity, the surplus capacity continued to impact its stainless industry in 2017, with cold rolled capacity utilisation estimated around 73%, slightly improved compared to 2016.

China is not only facing a significant industry restructuring challenge, but with over 50% of global installed capacity, its industry is exerting disproportionate direct and indirect export pressures globally.

Management estimates that global utilisation rates touched their lowest in 2015-2016 and are forecast to gradually improve through 2022, as global demand growth continues and China addresses its structural overcapacity.

Competition

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

Aperam's main competitors in Europe are Outokumpu, Acerinox and Thyssenkrupp Acciai Speciali Terni S.P.A. Although anti-dumping duties imposed on Chinese cold rolled coils significantly reduced imports from China, imports from Taiwan continue to be in the market thanks to a reduced level of anti-dumping duties. Other non-European Countries such as South Africa, Malaysia and India have seen their exports to Europe grow substantially in 2017.

Aperam remains a leading flat stainless producer in South America, with its operations based in Timoteo, Brazil. Protracted challenging market conditions in Brazil since 2015, and increased competitiveness of Brazilian operations in regional markets enabled higher exports out of Brazil to the Latin America region and beyond.

The global competitive landscape has transformed over the past years, with Chinese producers Tsingshan, TISCO, Baosteel and Beihai Chengde today ranking among the ten largest global flat stainless producers in the world.

Anti-dumping developments

European Union

The rates of the definitive anti-dumping duty applicable to the net, free-at-Union-frontier price, before duty, are as follows:

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

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

On June 28, 2016, The European Steel Association, Eurofer, on behalf of producers representing more than 25 % of the total Union production of stainless steel cold-rolled flat products, lodged a request for an absorption reinvestigation on imports of stainless steel cold-rolled flat products, originating in Taiwan.

On April 10, 2017, the European Commission adopted that the absorption re-investigation concerning imports of stainless steel cold-rolled flat products originating in Taiwan pursuant to Article 12 of Regulation (EU) 2016/1036 was terminated without amending the anti-dumping measures in force. As a consequence, there is no change to the duties as described in the above table.

Brazil

During 2012, Brazil's Trade Defence Department ("Decom"), an investigative body under the Brazilian Ministry of Development, Industry and Foreign Trade, opened an anti-dumping investigation against imports from several countries for welded austenitic stainless pipes, flat stainless steel products and flat non-grain oriented products and imposed anti-dumping duties for a period of 5 years as described below :

Type of products	Import duties status	Anti-dumping ("AD") status
Stainless Steel Flat Products CR 304 and 430, in thicknesses between 0.35mm and 4.75mm	Normal import duties are 14%	AD duties starting October 4, 2013, for 5 years from U.S.$236/tonne to U.S.$1,077/tonne for imports. Countries involved are China, Taiwan, South Korea, Vietnam, Finland and Germany
Stainless Steel W elded Tubes in thickness between 0.4mm to 12.70mm	Normal import duties are 14%	AD duties starting July 29, 2013, for 5 years from U.S.$360/tonne up to U.S.$911/tonne. Countries involved are China and Taiwan. AD investigation started on April 24, 2017, as per Circular SECEX nº 51, related to importation from Thailand, Malaysia and Vietnam. Due diligences (verification visits) have already been performed by Brazilian AD authorities in Marcegaglia do Brasil (in April, 2017) and Aperam Inox Tubos Brazil (in June, 2017), both tubes producers in Brazil. DECOM's technical note is expected to be released by end of Q1 2018 or early Q2 2018.
Electrical steel – Non Grain Oriented	Normal import duties are 14%	AD duties starting July 17, 2013, for 5 years from U.S.$133/tonne to U.S.$567/tonne. The countries involved are China, Korea and Taiwan. On August 15, 2014, Camex released AD partially, allowing 45 thousand tonnes of imports in the next 12 months to be without AD penalties. On August 12, 2015, Camex announced 11 thousand tonnes of free AD quota until the end of the Public Interest investigation in November 2015. AD rights payment would be subject to final investigation decision. On November 4, 2015, Camex announced the end of the Public Interest investigation that cancel free AD import quotas published in August 12, 2015, and established AD duties from U.S.$90/tonne to U.S.$132/tonne (valid until 2018) – from China, Taiwan and South Korea. Also announced a call for importers to make the payment of the AD rights for the material imported during the quota period from August 2015 to November 2015.
Electrical steel – Grain Oriented	Normal import duties are 14%	

Raw Materials and Energy

Raw Materials

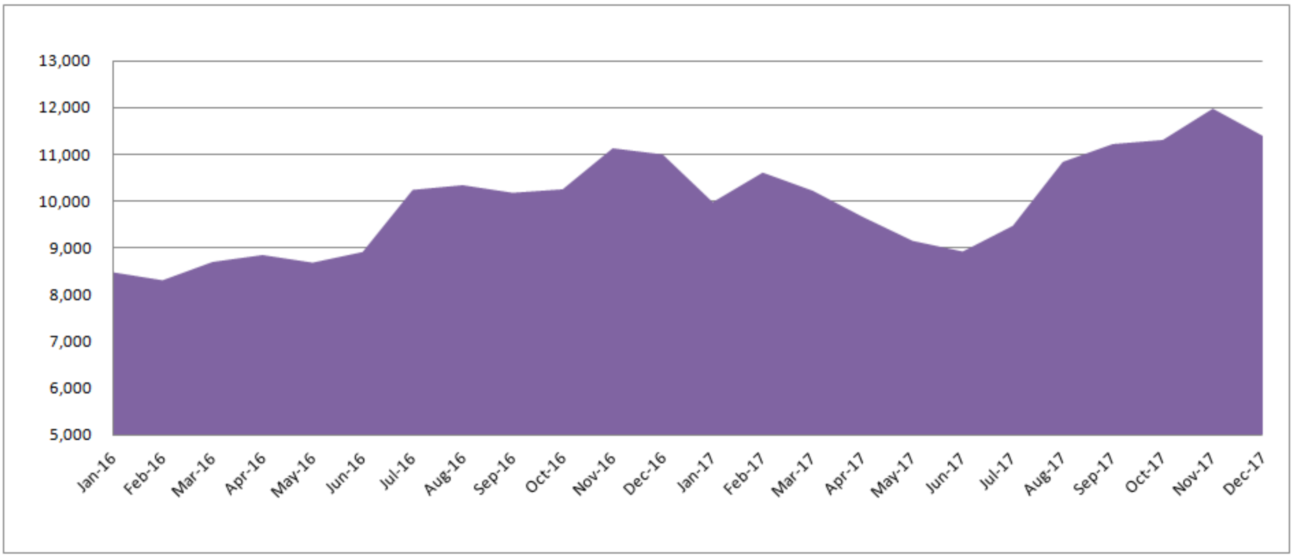
Stainless and specialty steel production requires substantial amounts of raw materials (primarily nickel, chromium, molybdenum, stainless and carbon steel scrap, charcoal (biomass) and iron ore). Except for charcoal, which is produced internally, we are exposed to price uncertainty with respect to each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

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

Nickel dropped from U.S.$10,000 to U.S.$8,700 per tonne in the first six months of 2017 on lower stainless steel production in China and the nickel ore export ban relaxation by Indonesia. However, the trend reversed in the second year half and a high of U.S.$12,800 per tonne was reached in November on stronger Chinese demand and speculation of high nickel demand from the electric vehicle battery sector. The 2017 average nickel price was U.S.$10,407 versus U.S.$9,598 in 2016. The International Nickel Study Group estimates a supply deficit of 100,000 tonnes of nickel in 2017 versus a smaller deficit of 50,000 tonnes in 2016.

The nickel price evolution from 2016 to end of 2017 is highlighted in the graph below under "Nickel LME Official Daily (in U.S.$/tonne)".

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



Source:
Nickel prices have been derived from the LME.

The European benchmark ferrochrome price rose by 50% in the first quarter of 2017 to U.S.$1.65 per pound of chrome on shortages of both ferrochrome and chrome ore in China. By the third quarter, the price was back to U.S.$1.10, the same level as in the fourth quarter of 2016. In the last quarter, it recovered back to U.S.$1.39 as demand from stainless steel producers was high in all regions.

With the exception of the summer months, molybdenum prices performed quite strong in 2017, starting the year at U.S.$15,400 per tonne and ending at U.S.$22,500 per tonne, driven by good demand for specialty steels.

Also iron ore prices were quite volatile in 2017 with the reference price (62% Fe2O3; CIF China) reaching a high of U.S.$95 per tonne end February and a low of U.S.$53 per tonne in June. The year was ended at U.S.$73 per tonne.

Ferrous scrap prices (Germany) traded for most of 2017 in a high range of €250 to €270 per tonne and reached even €300 per tonne in December.

Energy

With regard to natural gas, as part of the Leadership Journey®, the Timóteo production facility in Brazil switched from liquefied petroleum gas (LPG) to natural gas in 2011 and entered into a long-term natural gas supply contract with a Brazilian supplier. Since 2015, the Group purchases most of its natural gas in Europe through a new supply contract that has been put in place with ArcelorMittal Energy SCA.

The Group benefits from access to baseload nuclear power in France. Remaining needs are sourced from the market. In France, a new supply contract has been put in place with ArcelorMittal Energy Sca since the beginning of 2016 and for the Belgium perimeter such contract was already in place since the beginning of 2015. Aperam operations in Brazil have a net long position which is mitigated through excess power sale to the market.

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

Impact of exchange rate movements

At the end of 2016, the U.S. dollar amounted to 0.9487 Euro/U.S. dollar and 3.2591 Brazilian real/U.S. dollar. In 2017, the U.S. dollar depreciated by 12% against the Euro to reach 0.8338 Euro/U.S. dollar at year end. In 2017, the U.S. dollar appreciated by 1,5% against the Brazilian real to reach 3.3080 Brazilian real/U.S. dollar at year end. 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 minimise its currency exposure, the Group enters into hedging transactions to lock in a set exchange rate, in accordance with its management policies.

PANEUM - Wunderkammer des Brotes (House of Bread II) Asten, Austria,
© Markus Pillhofer, COOP HIMMELB(L)AU Wolf D. Prix & Partner ZT GmbH.
Aperam stainless steel used: Uginox Meca 8ND

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 implementation of the corporate purpose of the Company as described in the Articles of Association, except for matters expressly reserved by Luxembourg laws or the Articles of Association to the general meeting of shareholders.

Aperam places a strong emphasis on corporate governance. Aperam has four independent directors out of the 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. Mr. Lakshmi N. Mittal is the Chairman of the Board of Directors and Mr. Romain Bausch is the Lead Independent Director. Mr. Bausch's principal duties and responsibilities as Lead Independent Director are as follows: coordination of activities of the other Independent Directors; liaison between the Chairman and the other Independent Directors; the calling of meetings of the Independent Directors when necessary and appropriate; leading the Board of Directors' self-evaluation process and such other duties as are assigned from time to time by the Board of Directors.

On May 10, 2017, the Annual General Meeting of Shareholders approved the re-election of Mrs. Laurence Mulliez and Mr. Joseph Greenwell as Members of the Board of Directors of Aperam for a term of three years.

The election of members of the Board of Directors is an agenda item published in the Company's convening notice to its shareholders' meetings. Members of the Board of Directors are elected by simple majority of the represented shareholders at an ordinary general meeting of shareholders. The directors of Aperam are elected for three year terms.

No member 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. In December 2013, all non-executive Directors of the Company signed the Company’s Appointment Letter, which confirms the conditions of their appointment including compliance with a non-compete provision, the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange and the Company's Code of Business Conduct.

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 on the next page.

Name	Age (1)	Position within the Company (2)	Date joined Board	Term Expires
Mr. Lakshmi N. Mittal	67	Chairman, Non-independent member of the Board of Directors	December 2010	May 2019
Mr. Romain Bausch (3) (4)	64	Lead Independent Director, Independent member of the Board of Directors	January 2011	May 2019
Mr. Philippe Darmayan	65	Non-independent member of the Board of Directors	May 2015	May 2018
Mr. Joseph Greenwell (3) (4)	66	Independent member of the Board of Directors	May 2013	May 2020
Ms. Kathryn A. Matthews(4)	58	Independent member of the Board of Directors	December 2010	May 2019
Mr. Aditya Mittal	41	Non-independent member of the Board of Directors	December 2010	May 2019
Ms. Laurence Mulliez(3)	52	Independent member of the Board of Directors	May 2011	May 2020

Company Secretary: Mr. Laurent Beauloye

Notes:
(1) Age on December 31, 2017.
(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

Mr. Lakshmi N. Mittal

Mr. Lakshmi N. Mittal is the Chairman and Chief Executive of ArcelorMittal, a renowned global businessman who serves on the boards of various advisory councils, and an active philanthropist engaged in the fields of education and child health. Mr Mittal was born in Sadulpur in Rajasthan in 1950. Mr. Mittal graduated from St Xavier's College in Kolkata, where he received a Bachelor of Commerce degree.

Having completed his education in India, Mr. Mittal began his career working in his family's steel-making business in India before moving to Indonesia in 1976 to set up a small steel company that over time grew to become ArcelorMittal, the world's leading steel company and one of the foremost industrial companies in the world.

Mr. Mittal is widely recognized for the role he played in restructuring the steel industry towards a more consolidated and globalized model, pursuing and successfully integrating many acquisitions in North America, South America, Europe, South Africa and the CIS. ArcelorMittal continues today to be the largest and most global steel manufacturer. The then Mittal Steel became the world's leading steel producer in 2004 following the merger of Ispat International and LNM Holdings and the simultaneous acquisition of International Steel Group. Shortly after, in 2006, Mittal Steel launched an ambitious bid to merge with Arcelor which created ArcelorMittal.

Mr. Mittal's contribution to business and global industry has been widely recognized.

In 1996 he 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" in 2004 and "Business Person of the year" by the Sunday Times, "International Newsmaker of the Year" by Time Magazine and "Person of the Year" by the Financial Times in 2006 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 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." 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 a Doctor Honoris Causa by the AGH University of Science and Technology in Krakow, Poland.

In addition to his role at ArcelorMittal, Mr. Mittal is an active participant of various boards and advisory councils. Mr. Mittal is a member of the board of Goldman Sachs. He previously sat on the board of Airbus N.V. He is a member of the Foreign Investment Council in Kazakhstan, the Global CEO Council of the Chinese People's Association for Friendship with Foreign Countries, the World Economic Forum's International Business Council, the World Steel Association's Executive Committee, the European Round Table of Industrialists, the Indian School of Business and a member of the board of Trustees of Cleveland Clinic. Mr. Mittal, with his wife Usha Mittal, is also an active philanthropist. He recently made a significant gift to Harvard to support the Lakshmi Mittal South Asia Institute and is a member of the Global Advisory Council of Harvard University. The Mittal family have also made important gifts to Great Ormond Street Hospital, supporting the Mittal Children's Medical Centre which formally opened in January 2018 and UNICEF, specifically on the topic of child malnutrition in India. 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 the Chairman of the Board of Directors of SES since January 2015. Mr. Bausch is a member of the Board of Directors of SES since April 2013. Following a career in the Luxembourg civil service (Ministry of Finance) where he occupied key positions in the banking, media and telecommunications sectors, he became President and Chief Executive Officer of SES from 1995 to April 2014.

SES is a world-leading telecommunications satellite operator, with a global fleet of more than 50 geostationary and non-geostationary satellites. SES holds participations in a number of satellite operators and satellite service provision companies. Mr. Bausch is a member of the Board of Directors of non-publicly listed Banque Raiffeisen Société Coopérative, Compagnie Financière La Luxembourgeoise, SES Astra, the Luxembourg Future Fund and a Member of the CNFP, the Luxembourg Independent Advisory Board for Public Finances.

Mr. Bausch graduated with a degree in economics (specialisation 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. Philippe Darmayan

Since January 1, 2015, Mr. Philippe Darmayan has been President of ArcelorMittal France. He is also President of the French Steel Federation (FFA) and President of the Group of French Industrial Federations (GFI). Mr. Philippe Darmayan spent his whole career in metallurgy (nuclear fuel, aluminum, carbon and stainless steel).

From 2011 to 2014, Mr Philippe Darmayan was Chief Executive Officer of Aperam after being Executive Vice President, member of ArcelorMittal's Management Committee and Chief Executive Officer of ArcelorMittal Distribution and Solutions (AMDS) from 2005 to 2011. Mr. Philippe Darmayan is a graduate of HEC Paris. Mr. Philippe Darmayan is a citizen of France.

Mr. Joseph Greenwell

Mr. Joseph Greenwell has a career of 40 years in the motor industry and held senior roles in Jaguar Land Rover, Ford of Europe and Ford North America. Mr. Greenwell was appointed Chairman of Ford of Britain in 2009 and retired effective from this position end of April 2013.

Prior to this role, Mr. Greenwell was Vice President, Government Affairs, Ford of Europe and Premier Automotive Group from 2005 to 2008 and Chairman and Chief Executive Officer of Jaguar and Land Rover from 2003 to 2005.

Previously, he was Vice President, Marketing, Ford North America, Vice President, Global Marketing and Operations and Vice President Global Product Promotions from 2001 to 2003. Prior to that, he was Vice President Communications and Public Affairs for Ford of Europe from 1999 to 2001 and held similar responsibilities for Jaguar Cars from 1996 to 1999. Mr. Greenwell began his career as a graduate trainee with British Leyland Motor Corporation in 1973. In recognition of his services to the automotive industry he was awarded a CBE (Commander of the Most Excellent Order of the British Empire) in the Queen's birthday honours list in 2011. Mr. Greenwell will be non-executive Chairman of privately owned Xtrac effective July 2018. Xtrac is worldwide leader in the design and manufacture of transmission systems for top level motorsport and high performance automotive clients. Mr. Greenwell is Chairman of the RAC Foundation, a UK transport research charity.

Mr. Greenwell holds a Bachelor of Art degree from the University of East Anglia. Mr. Greenwell is a citizen of the United Kingdom.

Ms. Kathryn A. Matthews

Ms. Kathryn A. 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 publicly listed Rathbone Brothers Plc and JPMorgan Chinese Investment Trust Plc. She is also a non-executive director of publicly listed BT Investment Management.

Ms. Matthews is a non-executive director of non publicly listed Barclays Bank UK PLC, and of non publicly listed J O Hambro Capital Management Holdings Limited. Ms. Matthews is a member of the charitable non listed Board of Trustees for The Nuffield Trust and a member of the Council for the Duchy of Lancaster. Ms. Matthews holds a Bachelor of Science degree in Economics from Bristol University in Bristol, England and is a citizen of the United Kingdom.

Mr. Aditya Mittal

Mr. Aditya Mittal is the Group CFO and CEO Europe of ArcelorMittal. Prior to the merger that created ArcelorMittal, he was President and Chief Financial Officer of Mittal Steel Company. In that role, he initiated and led the company’s offer for Arcelor, creating the world’s first 100 million tonnes plus steel company. Mr. Aditya Mittal joined Mittal Steel in January 1997, holding various finance and management roles. In 1999, he was appointed Head of Mergers and Acquisitions.

In this position, he led the company’s acquisition strategy, resulting in Mittal Steel’s expansion into Central Europe, Africa and the United States. Subsequently he was also involved in post-integration, turnaround and improvement strategies regarding the acquired companies.

In 2008, Mr. Aditya Mittal was named ‘European Business Leader of the Future’ by CNBC Europe, and was ranked fourth in Fortune magazine’s ‘40 under 40’ list in 2011.

Mr. Aditya Mittal is an active philanthropist with particular interests in child health. Together with his wife Megha, he is a significant supporter of the Great Ormond Street Children's Hospital in London, having funded the Mittal Children's Medical Centre, which provides 240 beds, 6 operating theatres and more than 26,800 sq metres of state of the art clinical space. In India, the couple work closely with UNICEF, funding the first ever country-wide, statistically relevant survey into child nutrition, surveying in person more than 120,000 children and adolescents aged 0-19 years. The survey results will be used by the Government of India to inform relevant policy.

Mr. Aditya Mittal is Chairman of India's second largest refinery, Hindustan Mittal Energy Limited (HMEL), is a Board member at the Wharton School and a Board member at Iconiq Capital. He is also a trustee at Brookings Institute and an alumni of the World Economic Forum Young Global Leader's Programme. Mr. Aditya Mittal holds a Bachelor's degree in Economics with concentrations in Strategic Management and Corporate Finance from the Wharton School in Pennsylvania, United States. Mr. Aditya Mittal is a citizen of India.

Ms. Laurence Mulliez

Ms. Laurence Mulliez has 25 years of experience mostly in Managing Director roles in the oil, gas and chemical industries as well as renewables (solar and wind power). She was recently CEO of Eoxis from 2010 to 2013. Privately held Eoxis produced energy from renewable resources in Spain, Italy and India and was backed by a private equity firm, Platina Partners. Ms. Laurence Mulliez was previously CEO of Castrol Industrial Lubricants and Services at BP from 2007 to 2009 and before that held various Managing Director level positions in BP, such as Vice President PTA (a Chemical business) across Europe, Middle East and Africa from 2004 to 2007 and before that Head of Strategy and Financial Planning globally for all of BP's Gas, Power and Renewable Energy businesses. Previous to that, she held a number of financial roles and operational roles.

Ms. Mulliez is currently the Chairman at Voltalia, a renewable-based electricity producer in four countries which is publicly listed on Euronext in Paris, a member of the Supervisory Board of SBM Offshore, a provider of floating production solutions to the offshore energy industry which is publicly listed on Euronext in Amsterdam and a Non-Executive director of Morgan Advanced Materials plc, a global engineering company listed on the London Stock Exchange. She stepped down from her Non-Executive Director role at Green Investment Bank plc in the UK when it was sold in September. She previously spent ten years as a Non-Executive Director at Leroy Merlin, where she sat on the Audit Committee.

Ms. Mulliez holds a degree in business from the Ecole Supérieure de Commerce de Rouen and an MBA from the University of Chicago Booth, with a concentration in Finance and Strategy. Ms. Mulliez is a citizen of France and a citizen of the UK and has been living in London for the last 18 years.

Amphithéâtre « Le Dôme », Arras, France © Pierre Rousse
Aperam stainless steel used: Uginox Bright Nuance 304/1.430

Senior management

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

The members of the Leadership Team as of the date of this Annual Report are set forth below.

Changes to the Leadership Team in 2017: Ms. Ines Kolmsee has been the Chief Executive Officer of Aperam's Services & Solutions segment and Member of the Leadership Team since October 2017. Ms. Kolmsee replaced Ms. Johanna Van Sevenant, CEO Services & Solutions, who resigned to realize a personal project.

Name	Age(1)	Function
Mr. Timóteo Di Maulo	58	Chief Executive Officer; Member of the Leadership Team
Mr. Sandeep Jalan	50	Chief Financial Officer; Member of the Leadership Team
Ms. Vanisha Mittal Bhatia	37	Chief Strategy Officer; Member of the Leadership Team
Mr. Nicolas Changeur	46	Chief Marketing Officer, Member of the Leadership Team
Mr. Bernard Hallemans	50	Chief Operating Officer Stainless & Electrical Steel Europe; Member of the Leadership Team
Ms. Ines Kolmsee	47	Chief Executive Officer Services & Solutions; Member of the Leadership Team
Mr. Bert Lyssens	48	Head of Sustainability, Human Resources and Communications Member of the Leadership Team
Mr. Frederico Ayres Lima	45	Chief Operating Officer Stainless & Electrical Steel South America; Member of the Leadership Team
Mr. Frédéric Mattei	44	Chief Executive Officer Alloys & Specialties, Member of the Leadership Team

Secretary to the Leadership Team: Mr. Guillaume Bazetoux, Head of Finance

Note:
(1) Age on December 31, 2017

Mr. Timoteo Di Maulo

Mr. Timoteo Di Maulo has been the Chief Executive Officer since January 2015. Mr. Di Maulo has over twenty-five years of experience in the stainless steel industry, having held a number of positions in the controlling, purchasing, logistics and commercial areas and has been CEO of different units of the Group. Previously, Mr. Di Maulo was Chief Commercial and Sourcing Officer from May 2012 to December 2014.

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 centres 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. Sandeep Jalan

Mr. Sandeep Jalan has been the Chief Financial Officer of Aperam since January 2014. Mr. Sandeep Jalan has over twenty-five years of experience in finance and joined ArcelorMittal in 1999. During his time with ArcelorMittal he has held a number of positions including being an active member of the Mergers & Acquisition due diligence team for numerous acquisitions in both steel and mining and also helped in establishing the company's group-wide business performance management systems.

Most recently Mr. Sandeep Jalan was Chief Financial Officer of ArcelorMittal Long Carbon Europe, responsible for finance and strategy. Mr. Jalan is a Commerce Graduate from Banaras Hindu University (BHU), Chartered Accountant (equivalent to CPA) and Company Secretary from the respective Institutes in India.

He has also completed an Executive Education Programme on Leadership at the London School of Business and an Executive Education program on Strategic Finance at IMD, Lausanne. Mr. Jalan is a citizen of India.

Ms. Vanisha Mittal Bhatia

Ms. Vanisha Mittal Bhatia joined Aperam in April 2011 and since has held the position of Chief Strategy Officer. She is a non-independent Director of ArcelorMittal. She was appointed as a member of the LNM Holdings Board of Directors in June 2004. Ms. Vanisha Mittal Bhatia was appointed to Mittal Steel’s Board of Directors in December 2004, where she worked in the Procurement department leading various initiatives including “total cost of ownership program”. She has a Bachelor of Sciences from the European Business School. She is also the daughter of Mr. Lakshmi N. Mittal. Mrs. Mittal Bhatia is a citizen of India.

Mr. Nicolas Changeur

Mr. Nicolas Changeur has been the Chief Marketing Officer for Stainless & Electrical Steel since November 2014. Mr. Changeur joined the Group in 2003 as Head of strategy of J&L, USA. He then held various positions inside the stainless segment in strategy and in operations in Europe and in South America. Prior to joining the Group, Mr. Changeur spent 2 years as Senior Associate at AT Kearney, a strategy consulting firm. Until July 2012, Mr. Changeur was in charge of Services & Solutions Tubes & Bars.

In July 2012 he was appointed Responsible for Operating Marketing. Mr. Changeur holds a master in science in general engineering from Ecole Nationale Supérieure des Arts et Métiers and a master in business administration from INSEAD. Mr. Changeur is a citizen of France.

Mr. Bernard Hallemans

Mr. Bernard Hallemans has been the Chief Operating Officer Stainless & Electrical Steel since October 2016. Previously, Mr. Hallemans was Chief Technical Officer and Member of the Leadership Team from November 2014 to September 2016. Mr. Bernard Hallemans joined the Group in 1995 as a research and metallurgical engineer. He conducted different Research and Development, quality and process improvement projects in the stainless steel making, hot rolling and cold rolling areas until 2001.

From the Ugine & ALZ merger in 2002 to 2007, he was responsible for the setup and management of the customer service department of the Genk plant and later of the Division Industry within Stainless Europe. In 2008, he moved to Châtelet, heading the Châtelet plant. He was appointed Plant Manager of Genk, effective January, 2012. Bernard graduated as a Metallurgical Engineer from KU Leuven, where he worked for 4 years as a research assistant while finishing his PhD in Materials Science. He holds a European Executive MBA from ESCP-EAP Paris. Mr. Hallemans is a citizen of Belgium.

Ms. Ines Kolmsee

Ms. Ines Kolmsee has been the Chief Executive Officer Services & Solutions since October 2017. Ms. Ines Kolmsee has a deep industry experience (Steel and Energy) which she gained when holding various international leadership roles. Throughout her career she occupied various roles at top management level in the areas of Finance and Technology and worked as CEO. Between 2004 and 2014, Ms. Ines Kolmsee was CEO of SKW Stahl Metallurgie, a global supplier of chemical products for the steel industry. Ines Kolmsee was then CTO and Member of the Board of EWE AG, one of the largest utility companies in Germany with more than 9,000 employees and sales of 7.6 billion Euro in 2016.

Ms. Ines Kolmsee holds an MBA (INSEAD), a Master Degree in Process and Energy Engineering (Technical University of Berlin, Germany) and a degree in Industrial Engineering (Ingenieur Civile des Mines, Ecole des Mines, St Etienne, France). She is also co-founder of the technology startup Smart Hydropower and has successfully built up the company as a Board member. She has also been a member of the Board of Directors of Umicore since 2011 and of Suez since 2014. Ms. Kolmsee is a citizen of Germany.

Mr. Bert Lyssens

Mr. Bert Lyssens has been the Responsible for Sustainability, Human Resources and Communications since April 2015. Mr. Lyssens started his professional career in Belgium and was Executive Search Consultant at Schelstraete & Desmedt as from 1994 before joining Cimad Consultants in 1997 as Project Staffing Manager and IBM as HR Manager in 1998. From 1999 to 2005, Mr. Lyssens held senior HR positions at AT&T, an American multinational telecommunications corporation, with assignments in The Netherlands and the UK and responsibilities for EMEA.

He joined Agfa Gevaert in 2005 as HR Director responsible for EMEA and was appointed HR Director International at Agfa Graphics in 2006. In 2008, he was appointed VP Human Resources at Agfa HealthCare and in 2010, he was appointed Group Vice President. Mr. Lyssens holds a degree in Psychology from the University of Ghent. Mr. Lyssens is a citizen of Belgium.

Mr. Frederico Ayres Lima

Mr. Frederico Ayres Lima has been the Chief Operating Officer Stainless & Electrical Steel South America since December 2014. Prior to this function Mr. Lima held the position of Commercial Director of Aperam Stainless & Electrical Steel South America since 2009. Mr. Lima started his career in the Group in 1996 in Brazil as Metallurgist performing various roles in cost efficiency, technical assistance and production.

Mr. Lima worked in with exports from 2000 to 2003 and was appointed Manager in 2003 pursuing responsibilities in Europe in the fields of synergies between mills, logistics and coordination of the stainless sales network.
Mr. Lima moved back to Brazil in 2006 and held positions of Export Manager and afterwards General Manager.
Mr. Lima holds Engineering and Master in Science degrees in Metallurgy from the Universidade Federal de Minas Gerais and an Executive MBA in International Business Management from the Fundação Getulio Vargas. Mr. Lima is a citizen of Brazil.

Mr. Frédéric Mattei

Mr. Frédéric Mattei has been the Chief Executive Officer Alloys & Specialties since June 2014. Mr. Mattei started his career in 1998 at Creusot Loire Industrie, where he was successively project leader, manager of the hot rolling mill and clad plates workshop and Logistics and Quality Manager.
From 2005 to 2007, he was head of Strategy and Innovation of ArcelorMittal's Global Plates business unit. In 2007, he became the manager of the Le Creusot plant, part of ArcelorMittal's Industeel unit.

In 2013, Mr. Mattei joined the Salzgitter Group as CEO of Salzgitter Mannesmann Stainless Tubes - France. Mr. Mattei is a graduate of France's Ecole Polytechnique and Ecole Nationale des Ponts et Chaussées and holds an Executive MBA from ESCP- EAP. Mr. Mattei is a citizen of France.

Corporate responsibility

On April 21, 2017, Aperam published its sixth "Made for life" report, which details our progress for 2016 on the path of sustainability .

Based on the best practices in terms of Sustainability reporting, Aperam's report follows the Global Reporting Initiative's G4 framework and has been verified by an external audit firm.

The report is complemented with three short online supplements for each of the 3 countries (Belgium, Brazil, France) gathering 80% of our total global workforce. The objective of these supplements is to make available key metrics and yearly developments in local languages and to ensure that our employees and other local stakeholders can access easily to data aggregated at a national level, as is relevant to them.

The report and the country supplements demonstrates in detail how Aperam's Sustainability Roadmap is being integrated into our Group strategy, spurring cohesion and innovation and improving our ability to address the challenges and opportunities raised by our world in quest for a sustainable development.

Our report starts with "Our People". And truly, at Aperam, our values of leadership, ingenuity and agility, which are put in motion by our employees at all levels of the organisation, put the human being as our main focus. This is why Health and Safety cannot be anything less that our top priority, and this why people development is also a true strategic topic.

On the environmental side, Aperam's efforts to reduce its impacts are described with detailed metrics on all the areas impacted by our plants. On the Governance side, our high ethical standards translate into our strict governance strengthened by a structured compliance program. Our strong customer focus, with innovation and Research and Development as a key pillar, proves that we are good at listening and finding the right solutions, and so we target to keep the same pattern in our social dialogue and various stakeholders' engagements.

Our responsibility as an employer

Health & Safety

Zero fatalities, zero injuries. This is our top priority. Our first duty, as an employer, is not to allow anyone working for Aperam to suffer any harm from her or his work.

All teams of the Aperam Group are therefore working in unison to make sure all appropriate mindsets and procedures (including certifications such as OHSAS 18 001) are in place, anytime and everywhere in the organisation and this is also reflected in the personal objectives allocated to each Aperam employee.

As a consequence, our primary indicator remains the LTIF (Lost Time Injury Frequency rate equals lost time injuries per 1,000,000 worked hours), complemented by the Severity rate, and we monitor these data not only for our own people but also for all our subcontractors.

In 2017, our LTIF remained stable at 1.4. Despite the stable trend versus previous year, we are still not happy with these results and will continue to redouble our efforts in the coming years in this area.

People development and motivation

Contrary to most of physical assets that depreciate over time, we believe that an employee base is gaining value over the years. With an expertise constantly enhanced with on-the-job experience and training, our teams gain in autonomy. Therefore, they can knit networks that bring fresh ideas and synergies into play. And they can also help on the induction of newcomers, accelerating the time needed to climb the learning curve, with a structured mentoring process or simply thanks to team-spirit and pragmatic tips from the more experienced.

This is why monitoring performance of our workforce over time, with yearly routines to touch base and well defined training needs is so essential. But to define the right career paths, to assess existing programs and to improve further, we also need to be active listeners of our people and so we pay great attention to daily proximity while making sure we have a global vision with our Climate surveys.

Social dialogue and employee relations

Social dialogue is obviously a key component in this engagement with our people. Employee representatives and Unions are a natural intermediary for our staff as they also are a familiar business partner in discussions regarding the organisation of operations. So we promote a positive dialogue, ensure the right to collective bargaining at our sites and have collective labour agreements in place throughout Aperam. We consider that our operations have run in a sound social climate without major social conflict or disruptions in 2017 and an absenteeism rate of 2.1% in line with the year before. In 2017, we had 4 meetings of our European Work Council and we have reactivated a commission dedicated to health and safety matters.

Our environmental responsibility

Sustainable production processes

Metallurgy is a heavy industry requiring huge power and hazardous substances to transform raw materials into the precise blend of alloys requested by our clients. Together with cost awareness, this has resulted in a specific mindset, where resource efficiency is seen as “second nature”. Environmental consciousness is therefore both a duty to the public-at-large and a trigger to our sustainable profitability.

Consequently, and independently from evolving regulatory standards, resource efficiency topics (energy, raw materials) rank high on our priority list, which also encompass key areas such as water consumption, waste management or recyclability.

In terms of energy and CO_2, we have a two-fold strategy. On the Brazilian side, our blast furnace plant is fuelled with charcoal (biomass) from our eucalyptus forestry Aperam BioEnergìa, as a natural and renewable substitute for fossil fuels (coke). On the European side, our lower-consumption electric arc furnaces leverage locally available scrap material in order to use less energy and generate a lower level of CO_2 emissions than traditional blast furnaces.

But everywhere, including in our network of service centres, we have dedicated teams trying to reach our ambitious Company targets. As a result, in 2017, we were upgraded from ‘B’ to ‘A-’ by the Carbon Disclosure Project (“CDP”).

Pollution prevention and biodiversity protection

In addition to our responsibility towards future generations, we make sure that we are ready to address at any time any possible emergency such as fire or pollutions, with regular training and on-site simulations. At our main sites, these exercises are periodically set up with local authorities to assess the efficiency of our procedures to inform and protect local communities. We also closely manage our effluents, especially our dust emissions which are inconvenient to surrounding communities, as well as water quality. We also make periodic complementary analyses on soil or noise.

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

Provision of recyclable energy efficient steel solutions

Within our environmental responsibility, there is also our mission to propose energy-efficient steel products as an element of the solution to global environmental challenges. Indeed, its properties of endless recyclability, durability and mechanical resistance make stainless steel the perfect fabric of a sustainable society, opening up new opportunities for Aperam. Indeed, our products are used in energy efficient applications by our industrial customers, especially:

> stainless steel for automotive (e.g., exhaust systems) and energy infrastructure building applications;
> electrical steel products used in 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.

Our responsibility as a neighbor and market player

Community Engagement

Aperam's local impact can be significant where we are a key employer. In fact, in many cases, our responsibility goes well beyond direct jobs, payment of wages and taxes.
For example, an organisation like ours can indirectly attract additional revenues to the local economy by supporting local partners in the supply chain, especially in remote settings or areas with high unemployment rates. Even in smaller sites, Aperam is aware of its extended responsibility, as with traffic or noise, and so we try to mitigate any possible nuisance through constant engagement with local authorities and stakeholders.

As a result, Aperam develops Corporate Responsibility programs to support neighbouring communities on topics related to employment, education, culture and the environment. We do this in Brazil primarily through our Aperam Acesita Foundation, which supports many projects and partnerships across Minas Gerais, and through numerous local programs elsewhere.

We are convinced that we cannot strive to the detriment of those that are the breeding ground of our current and future employees, of our local suppliers, and of end-users, to name a few. So, we organise our development in a way that is also beneficial to them, earning their trust and protecting our licence to operate.

Cooperation with Authorities and compliance with Business Ethics

Aperam aims to be cooperating diligently with Authorities and to continuously improve its Corporate Governance and Compliance framework in line with best standards.

In a global organisation like Aperam it is most important to ensure that all employees are at all times fully aware and aligned with the Corporate Governance and Compliance framework and that a zero tolerance for non-compliant behaviours is achieved.
Aperam invests a lot of efforts to make sure all its numerous policies are well understood, in topics as varied as antitrust, economic sanctions, conflicts of interest, or data privacy with a network of champions spreading the word down to the shop-floor across Aperam. Likewise, we try to be exemplary in our direct relationships with Authorities, at local, national or supranational level, responding to questions conscientiously. Also, we do not contribute to the political sphere with any donations and we have no lobbying activity of our own and we rely on our professional associations (e.g. EUROFER, Brazil Steel Institute, ISSF) to represent our interests transparently in public debates..

But beyond regulations, Aperam's Compliance program also ensures that our Ethics are well understood, based on our Code of Conduct. With the help of our Risk management organisation, we aim to develop a true culture of awareness and shared vigilance but also engage on these topics with our partners. For instance, we issued in 2017 a more detailed policy with regard to gifts but we did not limit ourselves to simply sending out the policy. We took the time to inform our partners ahead of year-end celebrations by inviting them to refrain from offering any gifts and we also reinforced the message internally by highlighting to all holders of Aperam email accounts the global social and financial impact of Corruption on the United Nations' day against Corruption.

Sustainability Reports

Aperam's sustainability reports are issued on a yearly basis and are available on Aperam's website, www.aperam.com in the Sustainability section. Next release will be organised ahead of the 2018 Annual General Meeting.

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, 2017, compared to the year ended December 31, 2016.

Key Indicators

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

Sales, Steel Shipments and Average Steel Selling Prices

The following table provides our sales, steel shipments and average selling prices by operating segment for the year ended December 31, 2017 as compared to the year ended December 31, 2016:

	Sales for the Year Ended December 31, (1)		Steel Shipments for the Year Ended December 31, (1) (2)		Average Steel Selling Price for the Year Ended December 31, (1)		Changes in		
Operating segment	2017	2016	2017	2016	2017	2016	Sales	Steel Shipments	Average Steel Selling Price
	(in millions of U.S. dollars)		(in thousands of tonnes)		(in U.S. dollars/tonne)		(%)		
Stainless & Electrical Steel(3)	4,198	3,510	1,882	1,880	2,162	1,817	19.6	0.1	19.0
Services & Solutions	2,299	1,964	818	799	2,699	2,366	17.1	2.4	14.1
Alloys & Specialties	517	415	33	30	14,984	13,046	24.6	10.0	14.9
Total (before intra-group eliminations)	7,014	5,889	2,733	2,709			19.1	0.9	
Others and elimination	(1,963)	(1,624)	(797)	(792)			20.9	0.6	
Total (after intra-group eliminations)	5,051	4,265	1,936	1,917			18.4	1.0	

Notes:

(1) Amounts are shown prior to intra-group eliminations. For additional information, see Note 3 to the Consolidated Financial Statements

(2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 796 thousand tonnes and 792 thousand tonnes in the year ended December 31, 2017 and 2016, respectively.

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

The Group had sales of U.S.$5,051 million for the year ended December 31, 2017 representing an increase of 18.4% compared to sales of U.S.$4,265 million for the year ended December 31, 2016. The increase in sales was primarily due to higher average steel selling price, which increased by 16.8% from U.S.$2,162 per tonne in

2016 to U.S.$2,525 per tonne in 2017, alongside slightly higher steel shipments, which increased by 1.0% to 1,936 thousand tonnes for the year ended December 31, 2017 from 1,917 thousand tonnes for the year ended December 31, 2016.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) increased by 19.6% to U.S.$4,198 million for the year ended December 31, 2017 from U.S.$3,510 million for the year ended December 31, 2016, mainly as a result of increased average steel selling price, and stable shipment volumes. The average steel selling price for the Stainless & Electrical Steel segment increased by 19.0%, to U.S.$2,162 per tonne for the year ended December 31, 2017 from U.S.$1,817 per tonne for the year ended December 31, 2016. Steel shipments for this segment (including intersegment shipments) were stable to 1,882 thousand tonnes for the year ended December 31, 2017 (of which 629 thousand tonnes were attributable to our operations in South America and 1,253 thousand tonnes were attributable to our operations in Europe, including intersegment shipments) from 1,880 thousand tonnes for the year ended December 31, 2016 (of which 639 thousand tonnes were attributable to our operations in South America and 1,241 thousand tonnes were attributable to our operations in Europe, including intersegment shipments), which represented an increase of 0.1%.

Sales to external customers in the Stainless & Electrical Steel segment were U.S.$2,319 million for the year ended December 31, 2017, representing 46% of total sales, an increase of 18% as compared to sales to external customers of U.S.$1,964 million for the year ended December 31, 2016, or 46% of total sales.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) increased from U.S.$1,964 million for the year ended December 31, 2016 to U.S.$2,299 million for the year-ended December 31, 2017, which represented a 17.1% increase year-over-year. The increase in sales was primarily the result of a higher average steel selling price for the segment plus slightly higher steel shipments. The average steel selling price for the Services & Solutions segment increased by 14.1%, to U.S.$2,699 per tonne in 2017 from U.S.$2,366 per tonne in 2016. Steel shipments for this segment increased to 818 thousand tonnes for 2017 from 799 thousand tonnes for 2016, which represented an increase of 2.4%.

Sales to external customers in the Services & Solutions segment were U.S.$2,210 million for the year ended December 31, 2017, representing 44% of total sales, an increase of 17% as compared to sales of U.S.$1,892 million for the year ended December 31, 2016, or 44% of total sales.

Alloys & Specialties

Sales in the Alloys & Specialties segment (including intersegment sales) increased by 24.6% to U.S.$517 million for the year ended December 31, 2017 from U.S.$415 million for the year ended December 31, 2016. The increase in sales was primarily the result of higher average steel selling price for the segment plus higher steel shipments. The average steel selling price for the Alloys & Specialties segment increased by 14.9% to U.S.$14,984 per tonne in 2017 compared to U.S.$13,046 per tonne in 2016. Steel shipments for this segment were 33 thousand tonnes for the year ended December 31, 2017, which is a 10.0% increase compared to the 30 thousand tonnes for the year ended December 31, 2016.

Sales to external customers in the Alloys & Specialties segment were U.S.$513 million for the year ended December 31, 2017, representing 10% of total sales, an increase of 26% as compared to sales to external customers of U.S.$409 million for the year ended December 31, 2016 or 10% of total sales.

Operating Income

The Group's operating income for the year ended December 31, 2017 was U.S.$447 million, compared to an operating income of U.S.$317 million for the year ended December 31, 2016, including U.S.$ (19) million non-recurring and non-cash charge related to the announced intention of divestment of the French Tubes units of Services & Solutions division. Despite challenging market conditions in South America and a technical outage at Chatelet hot strip mill (Belgium) in the first semester, the company significantly increased its operating income in 2017 primarily due to the Leadership Journey®, the Top Line strategy and favorable conditions of the market, in particular in Europe.

The following table provides our operating income and operating margin for the year ended December 31, 2017 as compared to the year ended December 31, 2016:

	Operating Income Year Ended December 31,		Operating Margin Year Ended December 31,	
	2017	2016	2017	2016
Operating Segment	(in millions of U.S. dollars)		(%)	
Stainless & Electrical Steel	366	265	8.7	7.5
Services & Solutions	66	60	2.9	3.1
Alloys & Specialties	46	24	8.9	5.8
Total(1)	447	317	8.8	7.4

Notes:
(1) Amounts shown include eliminations of U.S.$(31) million and U.S.$(32) million for the year ended December 31, 2017, and 2016, 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.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was U.S.$366 million for the year ended December 31, 2017 (of which an operating income of U.S.$320 million was attributable to our operations in Europe and U.S.$46 million was attributable to our operations in South America) compared to operating income of U.S.$265 million for the year ended December 31, 2016 (of which an operating income of U.S.$216 million was attributable to our operations in Europe and U.S.$49 million was attributable to our operations in South America). The operating result for the year ended December 31, 2017 increased compared to the year ended December 31, 2016 in the Stainless & Electrical Steel segment mainly due to the continuous contribution of the Top Line strategy and Leadership Journey®, healthy demand in Europe and some stainless steel prices recovery during the first half of the year.

Services & Solutions

The operating income for the Services & Solutions segment was U.S.$66 million for the year ended December 31, 2017 compared to operating income of U.S.$60 million for the year ended December 31, 2016. This increased operational result was mainly due to higher volumes and positive contribution of the Top Line strategy.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was U.S.$46 million for the year ended December 31, 2017, compared to operating income of U.S.$24 million for the year ended December 31, 2016. This increase was mainly due to the continuous recovery of market demand over the year as well as the contribution of the Top Line strategy.

Loss from Other Investments

Aperam recorded a loss of U.S.$(4) million in result from other investments for the year ended December 31, 2017 compared to nil for the year ended December 31, 2016. This loss is due to an impairment loss of U.S.$(4) million related to the minority stake we hold in Exeltium, a French energy company.

Financing Costs

Financing costs include interest income, interest expense, net foreign exchange and derivative results and other net financing costs. Financing costs increased to U.S.$(45) million for the year ended December 31, 2017, compared to U.S.$(40) million for the year ended December 31, 2016.

Excluding foreign exchange and derivative result described below, net interest expense and other financing costs for the year ended December 31, 2017 were U.S.$(45) million, primarily related to cash cost of financing of U.S.$(12) million, compared to net interest expense and other financing costs of U.S.$(43) million for the year ended December 31, 2016, primarily related to cash cost of financing of U.S.$(15) million. Cash cost of financing relate to interests and other expenses related to the service of debt and other financing facilities. The decrease in cash cost of financing is primarily related to improved financing conditions and reduction of net financial indebtedness.

Realised and unrealised foreign exchange and derivative gains/losses were nil for the year ended December 31, 2017, compared to realised and unrealised foreign exchange and derivative gains of U.S.$3 million for the year ended December 31, 2016. Foreign exchange results primarily relate to the accounting revaluation of U.S. dollar denominated short term investments by subsidiaries and the revaluation of Euro denominated deferred tax assets on tax losses in the parent company. Results on derivatives primarily relate to financial instruments we entered into to hedge our exposure to nickel prices which do not qualify for hedge accounting treatment under IAS 39.

Income T ax

We recorded an income tax expense of U.S.$(37) million for the year ended December 31, 2017, compared to an income tax expense of U.S.$(63) million for the year ended December 31, 2016. Our income tax expense in 2017 was primarily due to positive operational results in several countries. Despite the increase in the profit before tax from U.S.$277 million for the year ended December 31, 2016 to U.S.$398 million for the year ended December 31, 2017, the income tax expense decreased by U.S.$26 million. This is mainly due to the accounting consequence of the announced change in tax rates at the end of the year in some jurisdictions (mainly Belgium but also Argentina, France, Turkey, UK and USA). The Group had to recognize U.S.$47 million of net deferred tax benefit in the fourth quarter of 2017, mainly due to the positive effect on its deferred tax liability position in Belgium as a consequence of the decrease of the corporate income tax rate from 33.99% to 25% with a 2-years transition period (2018-2019) with 29.58%. The accounting impact of the change in tax rates in other countries than Belgium had no material effect on the income tax expense.

Net Income Attributable to Equity Holders of the Parent

Our net result was a profit of U.S.$361 million for the year ended December 31, 2017, compared to a profit of U.S.$214 million for the year ended December 31, 2016.

Alternative Performance Measures

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

EBITDA

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

(in millions of U.S. dollars)

Year ended December 31, 2017	Stainless & Electrical Steel [2]	Services & Solutions	Alloys & Specialties	Others / Eliminations [1]	Total
Operating income (loss)	366	66	46	(31)	447
Depreciation, amortisation and Impairment	(152)	(12)	(6)	(2)	(172)
EBITDA	518	78	52	(29)	619

(in millions of U.S. dollars)

Year ended December 31, 2016	Stainless & Electrical Steel	Services & Solutions [3]	Alloys & Specialties	Others / Eliminations [1]	Total
Operating income (loss)	265	60	24	(32)	317
Depreciation, amortisation and Impairment	(145)	(22)	(6)	(2)	(175)
EBITDA	410	82	30	(30)	492

Notes:
(1) Others / Eliminations includes all other operations than mentioned above, together with inter-segment elimination, and/or non-operational items which are not segmented.
(2) Include exceptional items of U.S.$(10) million mainly refer to charges related to indirect taxes amnesty settlements and adoption of ICMS special regime in Brazil.
(3) Include the following non-recurring and non-cash charge related to the announced intention of divestment of the French Tubes units:

- U.S.$(19) million charge in operating income;
- U.S.$(8) million charge in depreciation and impairment;
- U.S.$(11) million charge In EBITDA.

Net Financial Debt / (Net cash) and Gearing

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

Gearing is defined as Net Financial Debt divided by Equity.

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

	December 31,	
(in millions of U.S. dollars)	2017	2016
Long-term debt	286	275
Short-term debt	6	204
Cash and cash equivalents	(367)	(325)
Net financial debt / (Net cash)	(75)	154
Equity	3,050	2,485
Gearing	n/a	6%

Free cash flow before dividend and share buyback

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

	Year Ended December 31,	
(in millions of U.S. dollars)	2017	2016
Net cash provided by operating activities	440	417
Net cash used in investing activities	(185)	(129)
Free cash flow before dividend and share buyback	255	288

Trend Information

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

Outlook

On January 30, 2018, Aperam published its full year and fourth quarter 2017 results with its outlook for the first quarter 2018. EBITDA in Q1 2018 is expected to slightly increase compared to EBITDA in Q4 2017 and net financial debt is expected to be at low levels in Q1 2018.

On January 30, 2018, Aperam announced that the Company will report its financial results in euro starting from its Q1 2018 Earnings Release. As indicative information and to support investors and analysts in this change, an unaudited Aperam Model in euros is available on the Company’s website www.aperam.com, under Investors & shareholders, Earnings.

The full year and fourth quarter 2017 results press release including the outlook section is also available on the Company’s website as described above.

Aperam S.A. as Parent Company

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

The parent 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 parent company's articles 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, licenses, know-how and, more generally, intellectual and industrial property rights.

The parent company has its registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under the number B155.908. The parent company owns a branch office located in Zug (Switzerland) and controls directly and indirectly 51 subsidiaries. The parent company generated a net profit[2] of U.S.$1,016 million in 2017.

Liquidity

Liquidity and Capital Resources

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

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

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

Our cash and cash equivalents amounted to U.S.$367 million and U.S.$325 million as of December 31, 2017 and December 31, 2016, respectively.

Our total debt, which includes long term debt and short term debt, was U.S.$292 million and U.S.$479 million as of December 31, 2017 and December 31, 2016, respectively. As of December 31, 2017, the Group had a net cash position of U.S.$75 million, compared to net financial debt of U.S.$154 million at December 31, 2016 (net financial debt / (Net cash) is defined as long term debt plus short term debt less cash and cash equivalents, including short term investments).

As of December 31, 2017, no amount of the revolving credit facility was drawn, leaving a committed credit line of U.S.$360 million (€300 million) under the facility.

In addition, as of December 31, 2017, Aperam had U.S.$9 million of debt outstanding at the subsidiary level. As of December 31, 2017, the Company had total liquidity of U.S.$787 million, consisting of cash and cash equivalents (including short term investments) of U.S.$367 million and committed credit lines of U.S.$420 million (revolving credit facility of €300 million and EIB financing of €50 million described below). As of December 31, 2016, the Company had total liquidity of U.S.$778 million, consisting of cash and cash equivalents (including short term investments) of U.S.$325 million and committed credit lines of U.S.$453 million (borrowing base facility of U.S.$400 million and EIB financing of €50 million described below).

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

These facilities, which include debt held at the subsidiary level, together with other forms of financing, including the convertible bonds, represent an aggregate amount of approximately U.S.$0.7 billion, including borrowing capacity of U.S.$420 million. In management's opinion, such financing will be sufficient for our future requirements.

Financing

Borrowing Base Facility

On March 6, 2015 Aperam signed a U.S.$500 million secured borrowing base revolving credit facility ("The Facility") with a group of nine banks. The Facility was structured as a 3-year revolving credit facility and included a one year extension option. It was used for liquidity and working capital purposes. On December 1, 2015, Aperam cancelled U.S.$100 million of commitments leading to a remaining U.S.$400 million secured borrowing base revolving credit facility. On May 26, 2016, Aperam extended the credit facility until March 5, 2019.

On June 6, 2017, this Facility was cancelled and replaced by an unsecured revolving credit facility (see below).

Unsecured Revolving Credit Facility

On June 6, 2017, Aperam entered into a €300 million Unsecured Revolving Credit Facility ("The Facility") with a group of ten banks. The Facility is structured as a 5-year revolving credit facility with two options of extension by one year each, replacing its U.S.$400 million existing 3-year secured borrowing base facility (see above). It will be used for the company's general corporate purposes.

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

The Facility contains financial covenants, including:

> a minimum 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, 2017, these financial covenants were fully met.

EIB Financing

On June 27, 2016, Aperam and the European Investment Bank ("EIB") announced the signature of a financing contract of an amount of €50 million which will be dedicated to finance a research and development programme over the period 2016-2019 as well as the upgrade of two plants located in cohesion regions in France & Belgium (Isbergues - Hauts-de-France and Châtelet - Hainaut). This project was funded under the Investment Plan for Europe, also named "Juncker Plan", of which France is one of the main beneficiary countries with 35 operations launched to date by the EIB Group for a total amount of €1.7 billion, which should generate €15 billion of additional investments. The financing contract is senior unsecured and is available for eighteen month following the signature date. Loans can be drawn for five years maturity with bullet repayment or for ten years maturity with progressive amortisation of principal.

On December 4, 2017, the availability period of the Facility was further extended to June 27, 2018.

Convertible bonds

Convertible and/or exchangeable bonds due 2020

On September 19, 2013, Aperam announced the successful placing and pricing of its offering of convertible and/or exchangeable bonds for U.S.$200 million (the “Bonds” hereafter). The Bonds were convertible into new or existing ordinary shares of the Company. The Significant Shareholder, subscribed for U.S.$81.8 million of Bonds, equal to its 40.8% stake in the Company’s share capital. The Bonds were senior and unsecured, and 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. They had an annual coupon of 2.625% payable semi-annually in arrear and an initial conversion price of U.S.$21.96. The Bonds were issued and would be redeemed at 100% of their principal amount and would, unless previously redeemed, converted, purchased and cancelled under certain conditions, mature on September 30, 2020.

Unless previously redeemed, or purchased and cancelled, each bond would be convertible and/or exchangeable into shares at the option of the bondholder during the conversion period. The delivery of new and/or existing shares was at Aperam’s absolute discretion, subject to the limits and conditions set out below. Should the number of new shares to be issued be in excess of the number of new shares which Aperam is authorised to issue, Aperam would deliver existing shares. On the basis of the initial conversion ratio, the issuance of up to 9,107,468 new shares would be required to deliver the necessary shares upon conversion of the Bonds.

From June 1, 2017, to October 10, 2017, U.S.$198 million of Bonds were early converted following notice of conversion received from bondholders and 9,446,550 shares were created and delivered to bondholders against their conversion notices. The remaining U.S.$2 million were repaid in cash on October 10, 2017.

Net share settled convertible and/or exchangeable bonds due 2021

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

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

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

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

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

In November 2017, following the successive quarterly dividend payments during 2016 and 2017, the conversion price of such bond was adjusted to U.S.$41.30 as per respective terms and conditions. On such basis, the issuance of up to 7,244,552 new shares would be required to deliver the necessary shares upon conversion of the Bonds.

On December 14, 2017, U.S.$0.8 million of Bonds were repurchased by the Company for a total consideration of U.S.$1.0 million.

If the Company is unable to satisfy the conversion right in whole or in part through the issue or delivery of shares, the Company will pay an equivalent cash amount.

Pursuant to the terms and conditions of the Bonds, the conversion price adjustments to the bonds in connection with the dividend payments are available on the Company's website www.aperam.com, section "Investors & shareholders" > "Fixed Income Investors - Bonds".

True Sales of Receivables Program

Following the spin-off, the Group obtained liquidity from the sale of receivables through a true sale of receivables ("TSR") program. As at the end of June 2012 the program was subsequently split into two programs under similar terms and conditions to the existing program. The maximum combined amount of the programs that could be utilised as at the end of December 2017 was €309 million. Through the TSR program, the Group 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 total amount of receivables sold under the True Sale of Receivables program and derecognised in accordance with IAS 39 for the year ended December 31, 2017 and 2016 was respectively U.S.$1.7 billion and U.S.$1.4 billion. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognised in the statement of operations as financing costs and amounted to U.S.$(5) million and U.S.$(6) million for the year ended December 31, 2017 and 2016, respectively.

Credit ratings

Aperam's Long Term issuer ratings were raised to Investment Grade in 2017 by both agencies Moody's and Standard & Poor's:

- On February 15, 2017, Aperam announced that its Long Term Issuer rating has been upgraded to Investment Grade by Moody's, in recognition of its sustainable financial performance. Aperam's Long Term Issuer rating by Moody's is now at Baa3, with stable outlook.

- On May 18, 2017, Aperam announced that its long-term corporate credit rating has been upgraded to Investment Grade by Standard & Poor's, in recognition of its steady and strong operating performance and credit metrics. Aperam's long-term corporate credit rating by Standard & Poor's is at BBB-, with stable outlook.

Since the creation of Aperam in 2011, the Company has successfully pursued a strategy designed to reinforce its resilience to challenging market conditions based on self help measures. The key strategic priorities of the Company are based on improving its operational excellence and profitability through the Leadership Journey®, driving value through the Top Line strategy, generating positive cash flows, and disciplined cash allocation policy thereby leading to a strong balance sheet consistent with Investment Grade Financial ratios.

The below tables provide an overview of the Group's credit ratings evolution since our creation:

Credit ratings as at date of publication of this Annual Report:

Rating Issuer	Long-term rating	Outlook
Moody's	Baa3	Stable
Standard & Poor's	BBB-	Stable

Moody's

Date	Revision	Rating	Outlook
January 2011	Initiate	Ba2	stable
November 2011	Downgrade	Ba3	negative
November 2012	Downgrade	B1	negative
May 2014	Outlook revision	B1	positive
November 2014	Upgrade	Ba3	positive
April 2015	Upgrade	Ba2	positive
February 2016	Upgrade	Ba1	stable
February 2017	Upgrade	Baa3	stable

Standard & Poor's

Date	Revision	Rating	Outlook
April 2011	Initiate	BB	stable
October 2011	Outlook revision	BB	negative
June 2012	Downgrade	BB-	negative
November 2012	Downgrade	B+	negative
July 2014	Outlook revision	B+	positive
November 2014	Upgrade	BB-	stable
April 2015	Upgrade	BB	stable
December 2015	Upgrade	BB+	stable
January 2017	Outlook revision	BB+	positive
May 2017	Upgrade	BBB-	stable

Financial Policy

Aperam`s financial policy aims to maximize the long term growth of the Company and the value accretion for its shareholders while maintaining a strong Balance Sheet consistent with Investment Grade Financial ratios.

	Financial Policy
Company Sustainability	Invest in sustaining and upgrading the company's assets base to continuously reinforce Leadership Journey® and Top Line Strategy
Value Accretive Growth & M&A	Compelling Growth and M&A opportunities with high hurdle rate
Dividend Policy (1)	A base dividend, anticipated to progressively increase over time (as the company continues to benefit from its strategic actions and capture growth opportunities). The company targets a Net Financial Debt/EBITDA ratio of <1x (through the cycle). In the (unlikely) event that Net Financial Debt/EBITDA exceeds 1x then the Company will review the dividend policy.
Extra Cash Utilization (2)	Remaining excess cash will be utilized in the most optimal way

Notes:
(1) The Board of Directors has decided to propose for approval at the next shareholder meeting of May 9, 2018, a base dividend increase to U.S.$1.80/share. Please refer to section "Earnings Distribution" below for greater details.
(2) On January 30, 2018, the Company announced a share buyback program for an aggregate maximum amount of U.S.$100 million and a maximum of 1.8 million shares under the authorization given by the annual general meeting of shareholders held in 2015. Please refer to section "Earnings Distribution" below for greater details.

The company intends to maintain an overall payout to shareholders between 50% to 100% of basic earnings per share.

Earnings distribution

Dividend

On February 9, 2017, Aperam announced its detailed dividend payment schedule for 2017. The Company also proposed to increase its base dividend from U.S.$1.25/share to U.S.$1.50/share, subject to shareholder approval at the Annual General Meeting of May 10, 2017, as the Company continues to improve its sustainable profitability benefiting from its strategic actions.

On May 10, 2017, at the Annual General Meeting, the shareholders approved a base dividend of U.S.$1.50 per share. The dividend was paid in four equal instalments of U.S.$0.375 (gross) per share.

On January 30, 2018, the Company proposed to increase its base dividend from U.S.$1.50/share to U.S.$1.80/share, subject to shareholders approval at the next Annual General Meeting to be held on May 9, 2018, as the Company continues to improve its sustainable profitability benefiting from its strategic actions.

The dividend payments would occur in four equal quarterly installments of U.S.$0.45 (gross) per share in 2018: on March 29, 2018, June 13, 2018, September 14, 2018 and December 11, 2018, taking into account that the first quarterly dividend payment to be paid on March 29, 2018, shall be an interim dividend.

Dividends are announced in U.S. dollar. Dividends are paid in U.S. dollars for shares traded in the United States on the over-the-counter market in the form of New York registry shares. Dividends are paid in Euro for shares listed on the European Stock Exchanges (Amsterdam, Brussels, Paris, Luxembourg) and converted from U.S. dollars to Euro based on the European Central Bank exchange rate at the date mentioned in the table below. A Luxembourg withholding tax of 15% is applied on the gross dividend amounts.

The detailed dividend schedule for 2018 as announced on January 30, 2018, is as follows:

	1st Quarterly Payment (interim)	2nd Quarterly Payment	3rd Quarterly Payment	4th Quarterly Payment
Announcement date	05 March 2018	14 May 2018	13 August 2018	12 November 2018
Ex-Dividend	08 March 2018	17 May 2018	16 August 2018	15 November 2018
Record Date	09 March 2018	18 May 2018	17 August 2018	16 November 2018
Payment Date	29 March 2018	13 June 2018	14 September 2018	11 December 2018
FX Exchange rate	06 March 2018	15 May 2018	14 August 2018	13 November 2018

Share buyback

Corporate authorisations and key features of its 2017 share buyback program

On May 5, 2015, the Annual General Meeting of shareholders had authorised the Company to repurchase its own shares in accordance with applicable laws and regulations for a period of 5 years or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration of the 5 year period.

As of February 8, 2017, the Board of Directors of Aperam authorised the implementation of a share buyback program ("The Program") with the following key features as announced by press release on February 9, 2017:

- Purpose of the Program: cancellation of shares to reduce the share capital
- Maximum number of shares to be acquired under the Program: 2 million
- Maximum pecuniary amount allocated to the Program: U.S.$100 million
- Period of authorisation of the Program: February 14, 2017 to September 30, 2017

Simultaneously, the Mittal family entered into a share repurchase agreement with Aperam, to sell each trading day on which Aperam has purchased shares under the Program, an equivalent number of shares, at the proportion of the Mittal family's stake of 40.85% in Aperam, at the same price as the shares repurchased on the market. The effect of the share repurchase agreement is to maintain Mittal family's voting rights in Aperam's issued share capital (net of treasury shares) at the current level, pursuant to the Program.

On May 10, 2017, the Extraordinary General Meeting of Shareholders approved the proposed resolution to allow the Company to cancel all the shares repurchased by the Company and held in treasury under its share buyback program, while amending the articles of association, reducing or cancelling the relevant reserves in consequence and approving the required delegations.

Disclosure of trading in own shares under the completed 2017 share buyback program

On June 22, 2017, Aperam announced the completion of its share buyback program with final settlement on June 21, 2017. In aggregate, 2,000,000 shares were bought under this Program, representing an aggregate amount of U.S.$98,436,528.

- Period of repurchases: March 7, 2017 to June 16, 2017 (based on trade date)
- Number of shares acquired: 2,000,000
    - Out of which on Euronext Amsterdam: 1,180,201
    - Out of which on Euronext off market platform from the Mittal family: 819,799
- Pecuniary amount of shares acquired: U.S.$98,436,528
    - Out of which on Euronext Amsterdam: U.S.$58,065,931
    - Out of which on Euronext off market platform from the Mittal family: U.S.$40,370,597

The weekly reportings of transactions in trading in own shares in accordance with EU Market Abuse Regulation are available on the Company's website www.aperam.com, section "Investors & shareholders" > "Share buyback program".

Disclosure of trading in own shares under Luxembourg Company law

- Number of own shares held on December 31, 2016: 278,381 shares or 0.36% of the subscribed capital, representing a nominal value of U.S.$9,098,934 and an accounting par value of €1,458,716.
- Aggregated number of own shares acquired at the completion of the share buyback program during the financial year 2017: 2,000,000 shares or 2.56% of the subscribed capital, representing a nominal value of U.S.$98,436,528 and an accounting par value of €10,480,000. In June 2017, these 2,000,000 shares acquired were cancelled in line with the announced purpose of the Program.
- Number of shares granted during the financial year 2017 to deliver shares to qualifying employees under the Group's Long Term Incentive Plans after fulfillment of performance criteria as described in greater detail in section Compensation of this report: 96,654 shares (105,550 shares, net of 8,896 shares retained for tax purpose) or 0.11% of the subscribed capital, representing a nominal value of U.S.$4,556,964 and an accounting par value of €506,467.
- Number of shares received as a consequence of the call spread overlay unwinding in relation to the convertible bonds 2021: 407 shares, representing a nominal value of U.S.$20,511 and an accounting par value of €2,133.
- Number of shares received as a consequence of a correction of the shareholder register: 368 shares, representing a nominal value of nil and an accounting par value of €1,928.
- Number of own shares held on December 31, 2017: 182,502 shares or 0.21% of the subscribed capital, representing a nominal value of U.S.$8,602,631 and an accounting par value of €956,310.

2018 share buyback program

On January 30, 2018, Aperam announced a share buyback program under the authorisation given by the annual general meeting of shareholders held on 5 May 2015 (the "Program").

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

Aperam intends to repurchase per day a variable number of shares at market price, for an aggregate maximum amount of one hundred (100) million U.S. dollars and a maximum of 1.8 (one point eight) million shares, over a period from February 2, 2018 up until December 31, 2018. The price per share, of the shares to be bought under the Program, shall not exceed 110% of the average of the final listing prices of the 30 trading days preceding the three trading days prior to each date of repurchase, in accordance to the resolution of the annual general meeting of shareholders held on 5 May 2015.

Simultaneously, the Mittal family has declared its intention to enter into a share repurchase agreement with Aperam, to sell each trading day on which Aperam has purchased shares under the Program, an equivalent number of shares, at the proportion of the Mittal family's stake of 40.89% in Aperam, at the same price as the shares repurchased on the market. The effect of the share repurchase agreement is to maintain Mittal family's voting rights in Aperam's issued share capital (net of treasury shares) at the current level, pursuant to the Program.

The shares so acquired under this buyback program are intended to be cancelled to reduce the share capital of Aperam and will be proposed for cancellation at the next shareholder meeting of May 9, 2018.

Sources and Uses of Cash

The following table presents a summary of our cash flow for the year ended December 31, 2017, as compared to the year ended December 31, 2016:

	Summary of Cash Flows	
	Year ended December 31,	
	2017	2016
	(in millions of U.S. dollars)	
Net cash provided by operating activities	440	417
Net cash used in investing activities	(185)	(129)
Net cash used in financing activities	(232)	(110)

Net cash provided by Operating Activities

Net cash provided by operating activities increased to U.S.$440 million for the year ended December 31, 2017, compared to U.S.$417 million for the year ended December 31, 2016. The increase of net cash provided by operating activities in 2017 by U.S.$23 million compared to previous year was mainly due to better operating result.

Net cash used in Investing Activities

Net cash used in investing activities amounted to U.S.$(185) million for the year ended December 31, 2017, compared to U.S.$(129) million for the year ended December 31, 2016. The net cash used in investing activities for the year ended December 31, 2017, was mainly related to capital expenditures for U.S.$186 million compared to U.S.$130 million for the year ended December 31, 2016.

Net Cash used in Financing Activities

Net cash used in financing activities was U.S.$(232) million for the year ended December 31, 2017, compared to net cash used in financing activities of U.S.$(110) million for the year ended December 31, 2016. Net cash used in financing activities for the year ended December 31, 2017, was primarily due to U.S.$121 million of dividend payments and U.S.$98 million of purchase of treasury stock. Net cash used in financing activities for the year ended December 31, 2016, was primarily due to U.S.$97 million of dividend payments.

Equity

Equity attributable to the equity holders of the parent increased to U.S.$3,046 million at December 31, 2017, as compared to U.S.$2,481 million at December 31, 2016, primarily due net income for the year of U.S.$361 million, foreign currency translation differences of U.S.$215 million and conversion of convertible bonds for U.S.$196 million partly offset by dividend declaration of U.S.$122 million and purchase of treasury shares of U.S.$98 million.

Capital Expenditure[3]

Capital expenditures for the years ended December 31, 2017, and 2016 were U.S.$186 million and U.S.$130 million, respectively. Capital expenditures for 2017 related primarily to the maintenance investments in our facilities in Brazil, France and Belgium.

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

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

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

Global economic cycle downturn, geopolitical risks, overcapacity in the stainless steel industry, and/or China slowdown

Global economic cycle downturn

Aperam'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. The re-emergence of recessionary conditions or a period of weak growth in Europe, or slow growth in emerging economies that are, or are expected to become, substantial consumers of stainless and specialty steels (such as China, Brazil, Russia and India, as well as other emerging Asian markets and the Middle East) would have a material adverse effect on the stainless and specialty steel industry.

Overcapacity

In addition to economic conditions, the stainless steel industry is affected by global production capacity and fluctuations in stainless steel imports and exports. The stainless steel industry has historically suffered from structural overcapacity, particularly in Europe. Production capacity in the developing world, particularly China, has increased substantially with China being now the largest global stainless steel producer. The balance between China's domestic production and consumption is accordingly an important factor impacting 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, Aperam 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 continue to have the effect of a substantial weakening of both domestic and global stainless and specialty steel demand and pricing.

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

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

Fluctuations in currency exchange rates

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

Litigation risks (product liability, patent infringement, commercial practices, employment, employment benefits, taxes, environmental issues, health & safety and occupational disease (including asbestos exposure/ classification)

A number of lawsuits, claims and proceedings have been and may be asserted against Aperam in relation to the conduct of its currently and formerly owned businesses, including those pertaining to product liability, patent infringement, commercial practices, employment, employee benefits, taxes, environmental 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 Aperam, Management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on Aperam's financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on 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 Aperam, see Note 24 to the Consolidated Financial Statements.

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

Aperam's total cost per employee is the main factor of cost disadvantage in comparison to competitors in certain countries. A lack of competitiveness in workforce costs might have a material adverse effect on Aperam's cost position. Aperam's key personnel have 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 and or experience of social conflicts could have a material adverse effect on its business, financial condition, results of operations or cash flows.

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

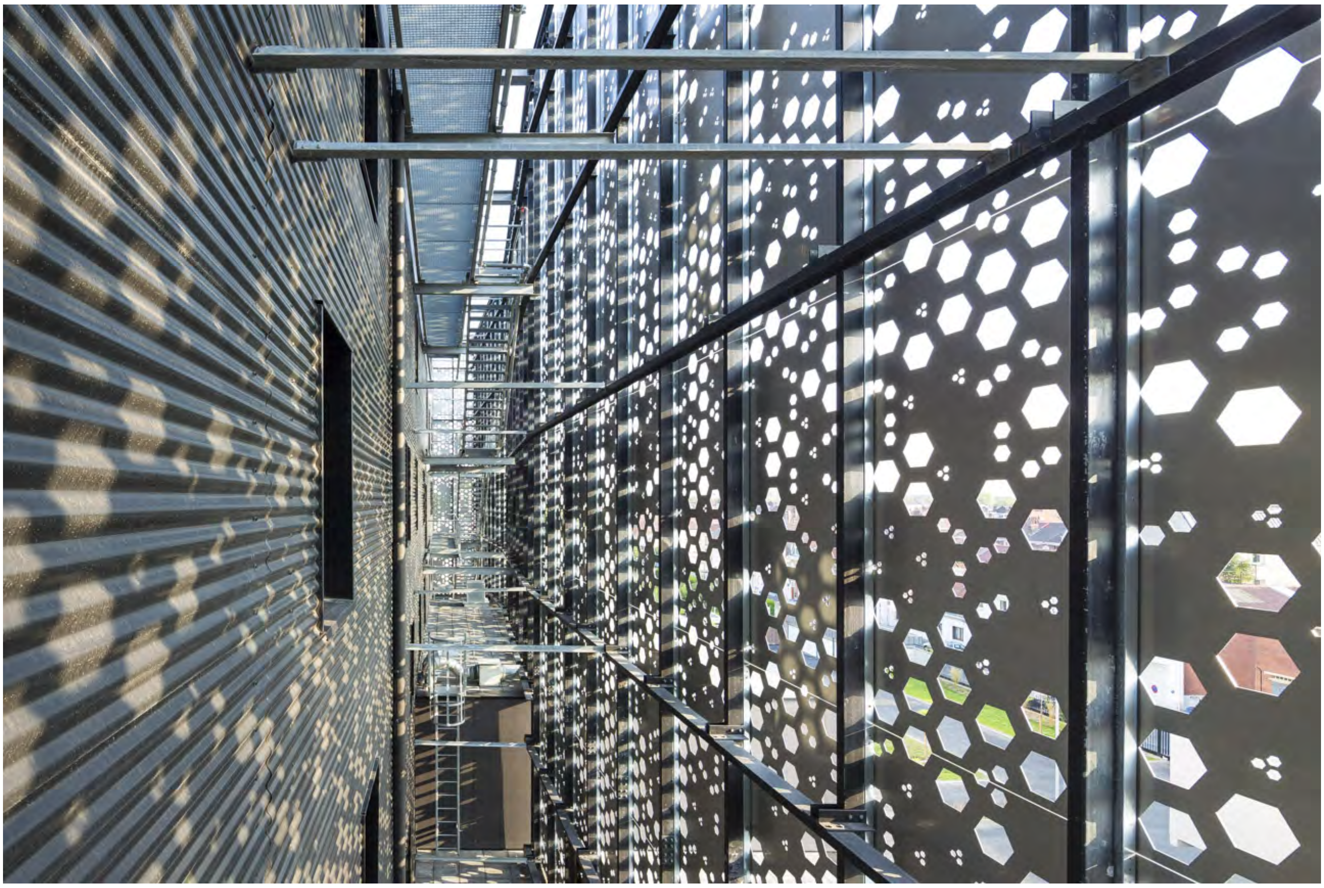
Due to the challenging economic climate, Aperam might experience an increased exposure to customers defaults or situations where credit insurance companies refuse to insure the recoverability risks of its receivables. Such a scenario could have a material effect on its business, financial condition,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

Cyber security risks

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

Risk of production equipment breakdown

Stainless steel manufacturing processes are dependent on critical steelmaking equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers), and such equipment may incur downtime as a result of unanticipated failures or other events, such as fires, explosions or furnace breakdowns. Aperam's manufacturing plants have experienced, and may in the future experience, plant shutdowns or periods of reduced production as a result of such equipment failures or other events. To the extent that lost production as a result of such a disruption cannot be compensated for by unaffected facilities, such disruptions could have an adverse effect on Aperam's operations, customer service levels and results of operations.



Conservation centre for the departmental archives of the Nord, Lille, France; de Alzua+ / ZigZag Architecture © Sergio Grazia
Aperam stainless steel used : 304 with Uginox Mat surface finish

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

Board of Directors, Leadership T eam

Aperam is administered by a Board of Directors and a Leadership Team.

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.

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 fulfil 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 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 Company Secretary fulfils those tasks and functions that are assigned to him by the Board of Directors. In particular, the Company Secretary ensures that all Directors are timely and properly informed and receive appropriate documentation for the performance of their tasks. 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, which are described in article 8.1 of its Articles of Association.

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 may not serve on the Board of Directors for more than 12 consecutive years, although the Board of Directors may, by way of exception to this rule, make an affirmative determination, on a case-by-case basis, that he or she may continue to serve beyond 12 years' rule if it considers it to be in the best interest of the Company based on the contribution of the Director involved and the balance between knowledge, skills experience and renewal in the Board.

As membership of the Board of Directors represents a significant time commitment, Directors are required to devote 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 of Directors may, by way of exception, allow for a temporary 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. In December 2013, all non-executive Directors of the Group signed the Group's Appointment Letter, which confirms the conditions of their appointment including compliance with a non-compete provision, the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange and the Group's Code of Business Conduct.

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

The Board of Directors and the Board committees may engage the services of external experts or advisers as well as take all actions necessary or useful to implement the Company's corporate purpose. The Board of Directors (including its two committees) has its own budget, which covers functioning costs such as external consultants and travel expenses.

Meetings

The Board of Directors shall choose amongst its members a chairman of the Board of Directors ("Président du conseil d'administration") (the "Chairman"). The Board may also choose one or several vice-chairmen. The meetings of the Board of Directors shall be chaired by the Chairman or, in his absence, by a vice-chairman. The Board of Directors meets when convened by the Chairman of the Board or a Vice-Chairman or two members of the Board of Directors.

The Board of Directors holds meetings in person on at least a quarterly basis as five regular meetings are scheduled per year. The Board of Directors holds additional meetings if and when circumstances require, in person or by teleconference and can take decisions by written circulation, provided that all members of the Board of directors agree.

The Board of Directors held five meetings in 2017. The average attendance rate of the directors at the Board of Directors' meetings held in 2017 was 97.1%.

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 and of the Vice-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 between 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 or the Vice-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 and his role was re-confirmed at the January 2018 Board meeting.

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. Four meetings of the independent Directors outside the presence of management and non-independent Directors were held in 2017. The Chairman of the Board of Directors and the Lead Independent Director held four meetings in 2017 enabling to provide feedback on the separate meetings of the independent directors outside the presence of the management and the non-independent directors.

Annual Self-Evaluation

The Board of Directors decided in 2011, the year of the creation of Aperam, to start conducting an annual self-evaluation of its functioning in order to identify potential areas for improvement. The self-evaluation process includes structured interviews between 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 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 2017 Board of Directors' self-evaluation was completed by the Board of Directors on January 29, 2018. Directors believe that the quality of the discussions on the industry and the strategic reviews continued to improve in 2017. The previous year´s recommendations to put on the agenda specific attention reviews and conduct a plant tour were successfully implemented. In particular, in 2017 the Board participated to specific attention reviews with regards to tax, investor relations and strategic subjects including digitalisation, technological breakthroughs and key differentiation factors.
For 2018, the Board identified a number of new priorities for discussion considering economic and market developments and agreed to conduct a yearly site visit by the Members of the Board of Directors.

The Board of Directors believes that its members have the appropriate range of skills, knowledge and experience, as well as the degree of diversity, necessary to enable it to effectively govern the business. Board composition is reviewed on a regular basis and additional skills and experience are actively searched for in line with the expected development of Aperam's business as and when appropriate.

Required Skills, Experience and Other Personal Characteristics

Diverse skills, backgrounds, knowledge, experience, geographic location, nationalities and gender are required in order to effectively govern a global business the size of the Group's operations.

The Board and its committees are therefore required to ensure that the Board has the right balance of skills, experience, independence and knowledge necessary to perform its role in accordance with the highest standards of governance.
The Company's directors must demonstrate unquestioned honesty and integrity, preparedness to question, challenge and critique constructively, and a willingness to understand and commit to the highest standards of governance. They must be committed to the collective decision-making process of the Board and must be able to debate issues openly and constructively, and question or challenge the opinions of others. Directors must also commit themselves to remain actively involved in Board decisions and apply strategic thought to matters at issue. They must be clear communicators and good listeners who actively contribute to the Board in a collegial manner. Each Director must also ensure that no decision or action is taken that places his or her interests in front of the interests of the business. Each Director has an obligation to protect and advance the interests of the Group and must refrain from any conduct that would harm it.

In order to govern effectively, non-executive Directors must have a clear understanding of the Group's strategy, and a thorough knowledge of the Aperam Group and the industries in which it operates. Non-executive Directors must be sufficiently familiar with the Group's core business to effectively contribute to the development of strategy and monitor performance.

With specific regard to the non-executive Directors of the Company, the composition of the group of non-executive Directors should be such that the combination of experience, knowledge and independence of its members allows the Board to fulfil its obligations towards the Company and other stakeholders in the best possible manner.

The Remuneration, Nomination and Corporate Governance Committee ensures that the Board is comprised of high-calibre individuals whose background, skills, experience and personal characteristics enhance the overall profile of the Board and meets its needs and diversity aspirations by nominating high quality candidates for election to the Board by the general meeting of shareholders.

Board Profile

The key skills and experience of the Directors, and the extent to which they are represented on the Board and its committees, are set out below. In summary, the non-executive Directors contribute:

> international and operational experience;

> understanding of the industry sectors in which we operate;

> knowledge of world capital markets and being a company listed in several jurisdictions; and

> an understanding of the health, safety, environmental, political and community challenges that we face.

Each Director is required to adhere to the values set out in, and sign, the Aperam Code of Business Conduct. In addition each Director is expected to bring an area of specific expertise to the Board.

Renewal

The Board plans for its own succession, with the assistance of the Remuneration, Nomination and Corporate Governance Committee. In doing this, the Board:

> considers the skills, backgrounds, knowledge, experience and diversity of geographic location, nationality and gender necessary to allow it to meet the corporate purpose;

> assesses the skills, backgrounds, knowledge, experience and diversity currently represented;

> identifies any inadequate representation of those attributes and agrees the process necessary to ensure a candidate is selected who brings them to the Board; and

> reviews how Board performance might be enhanced, both at an individual Director level and for the Board as a whole.

The Board believes that orderly succession and renewal is achieved through careful planning and by continuously reviewing the composition of the Board.

When considering new appointments to the Board, the Remuneration, Nomination and Corporate Governance Committee oversees the preparation of a position specification that is provided to an independent recruitment firm retained to conduct a global search, taking into account, among other factors, geographic location, nationality and gender. In addition to the specific skills, knowledge and experience required of the candidate, the specification contains the criteria set out in the Aperam Board profile.

Diversity

Diversity at Aperam overall is aligned with the worldwide effort to increase gender diversity on the boards of directors of listed and unlisted companies. The Board has 2 women based upon a Board of Directors size of 7 members. The Aperam Board's diversity not only relates to gender, but also to the background, professional industry experience and nationality of its members.
Aperam’s focus on diversity goes also beyond the Board of Directors and is detailed in a Group diversity and integration policy with as objective to create a work environment where everyone has the opportunity to fully participate in creating business success and where all employees are valued for their distinctive skills, experiences and perspectives. For implementation of the policy, each manager is responsible to ensure that the behaviour and actions within their teams are in accordance with the policy. In addition, the use of collaborative tools and innovative technologies contributes to a positive working environment creating additional flexibility to accommodate family life. More details regarding diversity are published in our yearly sustainability reports available on our website www.aperam.com, section sustainability.

Director Induction, T raining and Development

The Board considers that the development of the directors' knowledge of the Group, the stainless steel-making and raw material industries, and the markets in which the Group operates is an ongoing process. Upon his or her election, each new non-executive director undertakes an induction program specifically tailored to his or her needs.
The Board's development activities include the provision of regular updates to directors on each of the Group's products and markets. Non-executive directors may also participate in training programs designed to maximise the effectiveness of the directors throughout their tenure and link in with their individual performance evaluations. The training and development program may cover not only matters of a business nature, but also matters falling into the environmental, social and governance area.

Structured opportunities are provided to build knowledge through initiatives such as plants visits and business briefings provided at Board meetings. Non-executive directors also build their Group and industry knowledge through the involvement of the Leadership Team members and other senior employees in Board meetings. Business briefings, site visits and development sessions underpin and support the Board's work in monitoring and overseeing progress towards the corporate purpose of creating long-term shareholder value through the development of our business in stainless steel. We therefore continuously build Directors' knowledge to ensure that the Board remains up-to-date with developments within our segments, as well as developments in the markets in which we operate. During the year 2017, non-executive directors participated in the following activities:

> Comprehensive business briefings intended to provide each director with a deeper understanding of the Group's activities, environment, key issues and strategy of our segments.

These briefings are provided to the Board by the Leadership Team members. The key briefings provided during the course of 2017 included tax, investor relations and strategic reviews including digitalisation and technological breakthroughs. Certain business briefings took place at the level of the Committees and, in other cases, they took place at the Board meetings; and

> Development sessions on specific topics of relevance, such as regulatory developments by external audit.

The Remuneration, Nomination and Corporate Governance Committee oversees directors training and development. This approach allows induction and learning opportunities to be tailored to the directors' committee memberships, as well as the Board's specific areas of focus. In addition, this approach ensures a coordinated process in relation to succession planning, Board renewal, training, development and committee composition, all of which are relevant to the Remuneration, Nomination and Corporate Governance Committee role in securing the supply of talent to the Board.

Committees of the Board of Directors

As of December 31, 2017, the Board of Directors had 2 committees: The Audit and Risk Management Committee and the Remuneration, Nomination and Corporate Governance Committee which are described in greater detail below.

Committee Composition

The composition of the Committees of the Board of Directors as of December 31, 2017, is set forth below.

Name	Position within Aperam	Independent/ Non Independent Status	Audit and Risk Management Committee	Remuneration, Nomination and Corporate Governance Committee
Romain Bausch	Member of Board of Directors	Lead Independent Director	X	X (Chair)
Joseph Greenwell	Member of Board of Directors	Independent	X	X
Kathryn Matthews	Member of Board of Directors	Independent		X
Laurence Mulliez	Member of Board of Directors	Independent	X (Chair)	

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 external auditors and internal auditing department;

> review major legal, tax, 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 Group;

> 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 Group;

> 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 Ms. Laurence Mulliez, Mr. Romain Bausch and Mr. Joseph Greenwell. Ms. Laurence Mulliez is the Chairperson 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.

Ms. Laurence Mulliez has 25 years of experience mostly in Managing Director roles in the oil, gas and chemical industries as well as renewables. Ms. Laurence Mulliez held senior responsibilities also as Head of Strategy and Financial Planning and accumulated accounting and audit expertise expertise, also as a non-executive director at a leading international do-it-yourself retailer, Leroy Merlin, where she spent ten years and 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 Booth, with a concentration in Finance and Strategy.

According to its charter, the Audit and Risk Management Committee is required to meet at least four times a year. During 2017, the Audit Committee met four times. The attendance rate of the directors at the Audit and Risk Management Committee meetings held in 2017 was 100%. Invitees at the Committee in 2017 included from the Board of Directors Ms. Kathryn Matthews and Mr. Philippe Darmayan and from the Leadership Team, the CEO and the CFO. Other invitees included members of the Finance Team, Sustainability & Compliance Team, Combined Assurance Team, as well as of IT as appropriate as well as representatives of External Audit. The Company Secretary acts as secretary of the Committee.

During the year 2017, the Audit and Risk Management Committee reviewed on a quarterly basis the Financial Reporting, the Governance and Compliance reports, the External Auditor's report, the Combined Assurance reports and the Risk Management reports (including risks described in detail at the end of this annual report). Specific sessions were also organised at the Committee level such as: sustainability reporting and performance, the IT strategic and cyber security plan, regulatory developments sessions by external audit.

As part of the annual self-evaluation interviews, the Audit and Risk Management Committee performed an evaluation, which was completed in January 2018 with respect to performance in 2017.

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 Leadership Team and make recommendations to the Board;

> review and approve succession and contingency plans for key managerial positions at the level of the Leadership Team;

> review and evaluate on a yearly basis the performance of the Leadership Team as a whole and its individual members.

> 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 Joseph Greenwell 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 2017, this committee met four times. The attendance rate at the Remuneration, Nomination and Corporate Governance Committee meetings held in 2017 was 100%. Invitees at the Committee in 2017 included from the Board of Directors Ms. Laurence Mulliez, Mr. Philippe Darmayan and from the Leadership Team, the CEO, the CFO and the Head of Human Resources, Sustainability and Communications. The Company Secretary acts as secretary of the Committee.

During the year 2017, the Remuneration, Nomination and Corporate Governance reviewed in particular; the succession planning for the Board and the Leadership Team, the performance of the Leadership Team members and the self-assessment of the Board Members, the Long Term Incentive Plan performance indicators evolution and structure, and the Leadership Team nominations and remunerations.

As part of the annual self-evaluation interviews, the Remuneration, Nomination and Corporate Governance Committee performed an evaluation, which was completed in January 2018 with respect to performance in 2017.

Leadership T eam

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

Succession Planning

Succession planning at the Group is a systematic and deliberate process for identifying and preparing employees with potential to fill key organisational positions should the current incumbent's term expire. This process applies to all executives up to and including the Leadership Team. Succession planning aims to ensure the continued effective performance of the organisation 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 Compliance

Business Ethics and fair dealings

Ethics are governed by Aperam's Code of Business Conduct. This code establishes the standards for ethical behaviour to be followed by all employees and directors of Aperam in the exercise of their duties, on top of the strict observance of laws required. Code of Business Conduct training is offered throughout Aperam and regularly repeated to ensure it impregnates mindsets. Any behaviour that deviates from the Code of Business Conduct is to be reported to the employee's hierarchy, the head of Compliance, the General Counsel and the head of the Combined Assurance department.

Our code of Conduct specifies do’s and dont’s. It addresses topics ranging from the fight against discrimination, up to the fair behaviours expected towards our partners in business, be they customers or suppliers. It also covers the numerous facets of Conflict of interest. As per our Code, an Aperam employee must not acquire any interest in any business or participate in any activity that could deprive Aperam of the time or the attention needed for conducting his/her duties. In short, Aperam employees should always act in the best interests of Aperam and must avoid any situation in which their personal interests conflict, or could conflict, with the obligations to Aperam.

A set of additional policies published externally detail also Aperam stance on key topics such as Anti-Trust, Anti-Fraud, Data Privacy or Human Rights, and they come with operational guidelines that are regularly updated in line with the best practices.

The Code of Business Conduct is available in the "About - Corporate Governance - Compliance" section of Aperam's website at www.aperam.com.

A compliance-focused workforce

With the objective of zero tolerance for non-compliant behaviours, in 2017 the Group continued its initiatives to improve its corporate governance and compliance framework as well as its employees' overall awareness on the subject. In particular, a new six-pillar framework was set up in 2017 to transform the culture thanks to regular communication or training actions targeting the entire workforce - or more specific populations.
One of these communication actions was an online quiz with 6 questions in 10 languages aiming at raising awareness on our Code of Conduct. This learning module refreshed the memories of more than 3,200 Aperam employees worldwide with a very positive feedback from all respondents (rated 4 out of 5).

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's Code of Business Conduct and Anti-Fraud Policy (available on Aperam's website, www.aperam.com, under section Corporate Governance) encourages 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's Anti-Fraud Policy and Aperam's Whistle-blower 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, may be communicated using the Aperam whistleblowing line at the disposal of all employees. The Aperam whistleblowing line is also available in the Corporate Governance section of Aperam's website at www.aperam.com.

During 2017, there were 17 allegations relating to fraud, which were referred to the Group's Combined Assurance Department for investigation. At the end of 2017, 11 forensic cases had been finalized with 4 cases founded and 7 cases unfounded while 3 were under discussion and 3 in progress. Following review by the Audit and Risk Management Committee, none of the 4 founded cases had a material impact on Aperam accounts.

Combined Assurance

Aperam has a Combined Assurance function that, through its Head of Combined Assurance, reports directly 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 Leadership Team in fulfilling their oversight responsibilities in Governance, Risk Management and 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. In order to comply with the Standards of the Institute of Internal Auditors, the Combined Assurance function has been assessed by an external consultant. The diagnostic indicates that the Internal Audit function is compliant with the IIA Standards and the Combined Assurance function is in the top performing scores of the maturity Index. A Strategy map has been developed reflecting the updated vision: “to be a trusted advisor by providing value-adding assurance services and facilitating change through a talent pool of future business leaders”. In order to achieve the Strategy map a Roadmap has been developed with 10 key projects based on the following 3 strategic themes : efficiency & agility, sustainable assurance and integrated GRC.

Independent Auditors

The selection 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 2017 were U.S.$1.7 million for the audits of financial statements. Please refer to Note 27 to the Consolidated Financial Statements for further details.

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. In 2016, the IDR were updated following the automatic implementation on July 3, 2016, in all EU member states including Luxembourg of Regulation No 596/2014 of the European Parliament and the Council of April 16, 2014, on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC. During the course of 2017, a dedicated e-Learning module was rolled out through the organisation reminding definitions and obligations, do's & don'ts, and using interactive videos from the United Nations.

The IDR are available on Aperam's website, www.aperam.com, under section Corporate Governance.

The Board of Directors has appointed the Company Secretary to act as the IDR Compliance Officer and who responds to questions about the IDR's interpretation. Aperam maintains a list of insiders as required by law. The IDR 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 IDR 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.

Luxembourg T akeover Law disclosure

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 is set out in the share capital section of this Management Report and available at www.aperam.com, under Corporate Governance, 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 in the share capital section of this Management Report and available at www.aperam.com, under Corporate Governance, 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 January 11, 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 fulfil temporarily the duties attaching to the vacant post until the next general meeting of shareholders. The Board of Directors' election is also set out in the section Corporate Governance - Board of Directors of this Management 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, 2017, the Company's authorised share capital, including the issued share capital, consisted of 96,216,785 shares without nominal value.
The Company's issued share capital was represented by 85,496,280 fully paid up shares without nominal value. On May 5, 2015, the Annual General Meeting of Shareholders decided (a) to cancel the authorisation granted to the Board of Directors by the general meeting of shareholders held on January 21, 2011, with respect to the share buyback program, and (b) to authorise the Board of Directors of the Company, with option to delegate, and the corporate bodies of the other companies in the Aperam Group in accordance with the Luxembourg law of August 10, 1915, on commercial companies, as amended (the “Law”), to acquire and sell shares in the Company in accordance with the Law and any other applicable laws and regulations, including but not limited to entering into off-market andover the-counter transactions and to acquire shares in the Company through derivative financial instruments.
The authorisation is valid for a period of five (5) years or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration the five-year period. The maximum number of shares that may be acquired is the maximum allowed by the Law as amended in such manner that the accounting par value of the Company’s shares held by the Company do not in any event exceed 10% of the Company’s issued share capital.

The maximum number of own shares that Aperam may hold at any time directly or indirectly may not have the effect of reducing its net assets ("actif net") below the amount mentioned in paragraphs 1 and 2 of Article 72-1 of the Law. The purchase price per share to be paid shall not represent more than 110% of the trading price of the shares on the Euronext markets where the Company is listed or the Luxembourg Stock Exchange, depending on the market on which the purchases are made, and no less than one euro cent. For off-market transactions, the maximum purchase price shall be 110% of the reference price on the Euronext markets where the Company is listed. The reference price will be deemed to be the average of the final listing prices per share on these markets during thirty (30) consecutive days on which these markets are open for trading preceding the three trading days prior to the date of purchase. In the event of a share capital increase by incorporation of reserves or issue of shares at premium and the free allotment of shares as well as in the event of the division or regrouping of the shares, the purchase price indicated above shall be adjusted by a multiplying coefficient equal to the ratio between the number of shares comprising the issued share capital prior to the transaction and such number following the transaction.

The share buyback programme conducted during the year 2017 for two million shares - and which shares were cancelled on June 22, 2017 after completion of the programme - is described in greater detail in the section Liquidity of this Annual Report.

On January 20, 2018, Aperam announced a share buyback program under the authorization given by the annual general meeting of shareholders held on 5 May 2015. Aperam intends to repurchase per day a variable number of shares at market price, for an aggregate maximum amount of one hundred (100) million U.S. dollars and a maximum of 1.8 (one point eight) million shares, over a period from February 2, 2018 up until December 31, 2018. The shares so acquired under this buyback program are intended to be cancelled to reduce the share capital of Aperam. The details of the program are described in greater detail in the section Liquidity of this Annual Report.

> 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

The last version of the Company's Articles of Association is dated October 13, 2017, and is available on the Company's website www.aperam.com, under section Corporate Governance. The amendments to Aperam's Articles of Association reflect the change in the number of shares of the issued share capital to consider the cancellation of shares bought back under share buyback program as well as the newly issued shares in 2017 delivered to Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices.

On May 10, 2017, the Extraordinary General Meeting of Shareholders approved amendments of the articles of association to take into account recent changes in the Luxembourg law of August 10, 1915, on commercial companies, as amended from time to time and in particular by the law of August 10, 2016. Such changes were not legally mandatory but were proposed to make use of certain additional flexibility offered by the new law and to clarify certain points.

Compensation

Remuneration of Board of Directors

As of December 31, 2017, and 2016, Aperam did not have any outstanding loans or advances to members of its Board of Directors and, as of December 31, 2017, Aperam had not given any guarantees for the benefit of any member of its Board of Directors. At the May 10, 2017, annual general meeting of shareholders, the shareholders approved the annual remuneration for non-executive Directors for the 2016 financial year at U.S.$579,755 based on the following annual fees set in Euros:

(Amounts in Euros):

Position	Compensation (annual basis)
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 Chair of the Remuneration, Nomination and Corporate Governance Committee	€ 10,000
Additional remuneration for the member of the Remuneration, Nomination and Corporate Governance Committee	€ 5,000

The table below shows the Directors' compensation for the financial periods ending December 31, 2016 and 2017.

The directors' compensation for the financial period ended December 31, 2017, will be submitted to shareholder approval at the annual general meeting of May 9, 2018.

Name	Financial period ending December 31, 2016 (1)	Financial period ending December 31, 2017 (1)
Mr. Lakshmi N. Mittal	U.S.$ 73,787	U.S.$ 83,951
Mr. Romain Bausch	U.S.$ 102,755	U.S.$ 116,932
Mr. Philippe Darmayan	U.S.$ 73,787	U.S.$ 83,951
Mr. Joseph Greenwell	U.S.$ 86,963	U.S.$ 98,942
Ms. Kathryn A. Matthews	U.S.$ 79,058	U.S.$ 89,948
Mr. Aditya Mittal	U.S.$ 73,787	U.S.$ 83,951
Ms. Laurence Mulliez	U.S.$ 89,599	U.S.$ 101,941
Total	U.S.$ 579,755	U.S.$ 659,615
Shareholders' approval date	May 10, 2017	N/A
Shareholders' expected approval date	N/A	May 9, 2018

Notes:

(1) Differences between the years 2016 and 2017 are explained by currency effects between the U.S.$ and €.

Mr. Philippe Darmayan who has been elected as member of the Board of Directors on May 5, 2015, at the annual general meeting of shareholders is Aperam's former Chief Executive Officer from 2011 to 2014. As announced on October 14, 2015, Mr. Philippe Darmayan is retaining links with the Group as advisor due to his extensive industry knowledge. In 2017, the Group paid to PHD Partners, a company owned by Mr. Darmayan, an amount of €105,170 for advisory services.

Remuneration of Senior Management

The total compensation paid in 2017 to the persons comprising the Company's Leadership Team members was U.S.$2.93 million in base salary (including certain allowances paid in cash) and U.S.$1.61 million in short-term performance related variable pay (consisting of a bonus linked to the 2016 results). As of December 31, 2017, approximately U.S.$0.30 million was accrued to provide pension benefits to such persons. In August 2017, the persons comprising the Company's Leadership Team received 24,259 PSUs, corresponding to a value at grant equal to 45% of the year base salary for the Chief Executive Officer and for the other Leadership Team members. The fair value per share for this grant was U.S.$50.16. Each PSU may give right to up to one and half shares of the Company.

The changes to the composition of the Leadership Team are described in greater detail in the section "Senior Management" of this Management Report.

The members of the Leadership Team 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 Group by focusing the information on those executive officers whose remuneration is tied to the performance of the entire Aperam Group. The Leadership Team is defined going forward as Aperam's senior management.

The following table summarises the detailed allocation of equity based incentives to the Leadership Team ('LT' thereafter in the table) Members under the shareholder approvals. Additional information about the equity based incentives is available in greater detail under section "Long-term Incentives: Equity Based Incentives".

	Allocation under the shareholder approval of			
	May 8, 2014	May 8, 2015	May 4, 2016	May 10, 2017
Authorisation to issue up to	220,000 shares for grants under the LT PSU Plan and other retention based grants below level of LT	220,000 shares for grants under the LT PSU Plan and other retention based grants below level of LT	220,000 shares for grants under the LT PSU Plan and other retention based grants below level of LT	220,000 shares for grants under the LT PSU Plan and other retention based grants below level of LT
Represented in percentage of the Company's issued share capital (net of treasury shares) on an outstanding Basis at the date of the shareholder approval	Less than 0.29%	Less than 0.29%	Less than 0.29%	Less than 0.29%
Targeted population under the RSU Plan	Employees below the level of LT members	Employees below the level of LT members	Employees below the level of LT members	Not applicable: Since 2017, only performance grants, also below the level of LT members
Targeted population under the PSU Plan	Leadership Team members	Leadership Team members	Leadership Team members	Leadership Team members
Allocation under the shareholder approval limit to members of the Leadership Team	41,439 PSU (vesting June 29, 2017) (LT members do not receive RSUs under the LT PSU Plan)	39,232 PSU (vesting August 26, 2018) (LT members do not receive RSUs under the LT PSU Plan)	34,561 PSU (vesting August 31, 2019) (LT members do not receive RSUs under the LT PSU Plan)	24,259 PSU (vesting August 31, 2020) (LT members do not receive RSUs under the LT PSU Plan)
Allocations to Members of Leadership Team in percentage of the Group's issued share capital (net of treasury shares) on an outstanding basis at the date of the shareholder approval and assuming Maximum conversion of PSUs into shares	Less than 0.08%	Less than 0.08%	Less than 0.08%	Less than 0.08%
Performance criteria for PSU Plans	50% weighting: Total Shareholder Return ('TSR') compared to a peer group of companies, and 50% weighting: Earnings Per Share ('EPS') compared to a peer group of companies	50% weighting: Total Shareholder Return ('TSR') compared to a peer group of companies, and 50% weighting: Earnings Per Share ('EPS') compared to a peer group of companies	50% weighting: Total Shareholder Return ('TSR') compared to a peer group of companies, and 50% weighting: Earnings Per Share ('EPS') compared to a peer group of companies	50% weighting: Total Shareholder Return ('TSR') compared to a peer group of companies, and 50% weighting: Earnings Per Share ('EPS') compared to a peer group of companies

Note:
LT = Leadership Team (formerly named Management Committee = MC)

Aperam does 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.

PSU Plans - Cumulative performance criteria:

The performance criteria of the Performance Share Unit Plans defined in the section Long-term Incentives: Equity Based Incentives are as follows:

> 50% of the criteria is based on the Total Shareholder Return ("TSR") defined as the share price at the end of the period minus the share price at start of the period plus any dividend paid divided by the share price at the start of the period compared to a peer group of companies.
> The other 50% of the criteria to be met to trigger vesting of the PSUs is based on the development of Earnings Per Share ("EPS"), defined as the amount of earnings per share outstanding compared to a peer group of companies.
> The applicable peer group of companies is described in greater detail below.

The tables below summarise the progress of meeting the vesting criteria on each grant anniversary date for the Performance Share Unit (PSU) Plans.

PSU Plan under the May 8, 2014, shareholder authorisation

Awards under the LT PSU Plan are subject to the fulfilment of the cumulative performance criteria defined above over a three-year period from the date of the PSU grant.

The value of the grant at grant date will equal 45% of the year base salary for the Chief Executive Officer and for the other LT members. Each PSU may give right to up to one and half shares of the Company.

Vesting:

No vesting will take place for performance below 80% of the median compared to the peer group over three years. The percentage of PSUs vesting will be 50% for achieving 80% of the median TSR, 100% for achieving the median TSR and up to a maximum of 150% for achieving 120% of the median TSR. The percentage of PSUs vesting will be 50% for achieving 80% of the median EPS, 100% for achieving the median EPS and up to a maximum of 150% for achieving 120% of the median EPS.

Grant date: June 29, 2014
Vesting date: June 29, 2017
Progress at yearly anniversary grant dates:

Performance criteria	% Weighting of criteria	Percentage of achievement at review at first grant anniversary date (June 29, 2015)	Percentage of achievement at review at second grant anniversary date (June 29, 2016)	Percentage of achievement at review at third grant anniversary date (June 29, 2017)
TSR	50%	Above 120% of median:150%	Above 120% of median:150%	Above 120% of Median: 150%
EPS	50%	Above 120% of median:150%	Above 120% of median:150%	Above 120% of median:150%

Note:
The progress at anniversary grant date 1 and 2 is indicative, considering that the LT PSU Plan provides for cliff vesting on the third year anniversary of the grant date subject to the fulfilment of cumulative performance criteria over a three-year period, under the condition that the relevant LT member continues to be actively employed by the Aperam group on that date

PSU Plan under the May 5, 2015, shareholder authorisation

Awards under the LT PSU Plan are subject to the fulfilment of the cumulative performance criteria defined above over a three year period from the date of the PSU grant.

The value of the grant at grant date will equal 45% of the year base salary for the Chief Executive Officer and for the other LT members. Each PSU may give right to up to one and half shares of the Company.

Vesting:

No vesting will take place for performance below 80% of the median compared to the peer group over three years. The percentage of PSUs vesting will be 50% for achieving 80% of the median TSR, 100% for achieving the median TSR and up to a maximum of 150% for achieving 120% of the median TSR. The percentage of PSUs vesting will be 50% for achieving 80% of the median EPS, 100% for achieving the median EPS and up to a maximum of 150% for achieving 120% of the median EPS.

Grant date: August 26, 2015
Vesting date: August 26, 2018
Progress at yearly anniversary grant dates:

Performance criteria	% Weighting of criteria	Percentage of achievement at review at first grant anniversary date (August 26, 2016)	Percentage of achievement at review at second grant anniversary date (August 26, 2017)
TSR	50%	Above 120% of median: 150%	Above 120% of median: 150%
EPS	50%	Above 120% of median:150%	54.2%

Note:
The progress at anniversary grant date 1 and 2 is indicative, considering that the LT PSU Plan provides for cliff vesting on the third year anniversary of the grant date subject to the fulfilment of cumulative performance criteria over a three-year period, under the condition that the relevant LT member continues to be actively employed by the Aperam group on that date

PSU Plan under the May 4, 2016, shareholder authorisation

Awards under the LT PSU Plan are subject to the fulfilment of the cumulative performance criteria defined above over a three year period from the date of the PSU grant.

The value of the grant at grant date will equal 45% of the year base salary for the Chief Executive Officer and for the other LT members. Each PSU may give right to up to one and half shares of the Company.

Vesting:

No vesting will take place for performance below 80% of the median compared to the peer group over three years.The percentage of PSUs vesting will be 50% for achieving 80% of the median TSR, 100% for achieving the median TSR and up to a maximum of 150% for achieving 120% of the median TSR. The percentage of PSUs vesting will be 50% for achieving 80% of the median EPS, 100% for achieving the median EPS and up to a maximum of 150% for achieving 120% of the median EPS.

Grant date: August 31, 2016
Vesting date: August 31, 2019
Progress at yearly anniversary grant dates:

Performance criteria	% Weighting of criteria	Percentage of achievement at review at first grant anniversary date (August 31, 2017)
TSR	50%	Below 80% of median: 0%
EPS	50%	Below 80% of median: 0%

Note:
The progress at anniversary grant date 1 is indicative, considering that the LT PSU Plan provides for cliff vesting on the third year anniversary of the grant date subject to the fulfilment of cumulative performance criteria over a three-year period, under the condition that the relevant LT member continues to be actively employed by the Aperam group on that date

PSU Plan under the May 10, 2017, shareholder authorisation

Awards under the LT PSU Plan are subject to the fulfilment of the cumulative performance criteria defined above over a three year period from the date of the PSU grant.

The value of the grant at grant date will equal 45% of the year base salary for the Chief Executive Officer and for the other LT members. Each PSU may give right to up to one and half shares of the Company.

Vesting:

No vesting will take place for performance below 80% of the median compared to the peer group over three years.The percentage of PSUs vesting will be 50% for achieving 80% of the median TSR, 100% for achieving the median TSR and up to a maximum of 150% for achieving 120% of the median TSR. The percentage of PSUs vesting will be 50% for achieving 80% of the median EPS, 100% for achieving the median EPS and up to a maximum of 150% for achieving 120% of the median EPS.

Grant date: August 31, 2017
Vesting date: August 31, 2020
Progress at yearly anniversary grant dates: No anniversary grant date yet reached.

PSU Plan - Peer Group of companies:

The table below lists the applicable group of companies used for the comparative performance as part of the Leadership Team PSU Plan submitted to shareholder approval on May 10, 2017. The group of companies consists of three stainless steel companies, five steel companies and one mining company. These companies have been retained by the Board of Directors based on industry classification, size and on correlation of Total Shareholder Return performance in order to identify whether this group is sound from a statistical viewpoint.

Company	Industry	Market Capitalisation (1)	Correlation (2)
ArcelorMittal	Steel	22,566	0.94
Acerinox	Stainless steel	3,646	0.89
Outokumpu	Stainless steel	3,715	0.94
Thyssen-Krupp	Steel, Stainless steel & downstream	13,596	0.91
Voestalpine	Steel	6,945	0.88
Salzgitter	Steel	2,132	0.90
SSAB	Steel	3,457	0.89
AK Steel	Stainless steel	3,299	0.75
Eramet	Mining	1,557	0.85

Notes:
(1) At January 1, 2017, in million U.S. dollars.
(2) Correlation calculated from 01/01/2016 to 01/01/2017 on the basis of the evolution of the respective shares prices

Remuneration policy

Board Oversight

The Board is responsible for ensuring that the Group's remuneration arrangements are equitable and aligned with the long-term interests of the Company and its shareholders. It is therefore critical that the Board remains independent of management when making decisions affecting remuneration of the Chief Executive Officer and its direct reports.

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

The definition of the independence criteria that applies to the Directors is described in greater detail under the section Corporate Governance - Board of Directors of this Management Report.

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 makes decisions by a simple majority with no member having a casting vote. The RNCG Committee is chaired by Mr. Romain Bausch, Lead Independent Director. The primary function of the RNCG Committee as well as its functioning is described in greater detail on page 65 of the report.

Remuneration Strategy

Scope

Aperam's remuneration philosophy and framework apply to the following group of senior managers:
> the Chief Executive Officer; and
> the 8 other members of the Leadership Team.

The remuneration philosophy and governing principles also apply, with certain limitations, to a wider group of employees including General Managers and Managers.

Remuneration Philosophy

Aperam's remuneration philosophy for its senior managers is based on the following principles:
> provide total remuneration competitive with executive remuneration levels of a peer group composed of a selection of industrial companies of a similar size and scope;
> encourage and reward performance that will lead to long-term enhancement of shareholder value;
> promote internal pay equity and provide "market" median (determined by reference to its identified peer group) base pay levels for Aperam's senior managers with the possibility to move up to the third quartile of the market base pay levels, depending on performance over time; and
> promote internal pay equity and target total direct remuneration (base pay, bonus, and long term incentives) levels for senior managers at up to 75 percent of the market median depending on performance over time.

Remuneration Framework

The RNCG Committee develops proposals on senior management remuneration annually for consideration by the Board of Directors. Such proposals include the following components:
> fixed annual salary;
> short-term incentives (i.e., performance-based bonuses); and
> long-term incentives (i.e., RSUs and PSUs ; stock options only for ArcelorMittal plans prior to the creation of Aperam in January 2011). The decision was taken by the Board of Directors not to allocate any RSUs and PSUs to the members of Leadership Team between May 2012 and May 2013. Since May 2013, Leadership Team members only receive PSUs as equity based incentives (RSUs were granted to employees below the Leadership Team level until 2016, since 2017 only performance related grants are allocated to employees below the levels of the Leadership Team).

Fixed Annual Salary

Base salary levels are reviewed annually and compared to the market to ensure that Aperam remains competitive with market median base pay levels.

Short-term Incentives

Annual Performance Bonus Plan

Aperam has a short-term incentive plan consisting of a performance-based bonus plan. Bonus calculations for each employee reflect the performance of the Aperam Group as a whole, the performance of the relevant business units, the achievement of objectives specific to the department and the individual employee's overall performance.

The calculation of Aperam's 2017 performance bonus is aligned with its strategic objectives of improving financial performance and overall competitiveness and the following principles:

> no performance bonus will be triggered if the achievement level of the performance measures is less than the threshold of 80%;

> achievement of 100% of the performance measure yields 100% of the performance bonus pay-out; and

> achievement of more than 100% and up to 120% of the performance measure generates a higher performance bonus pay-out, except as explained below. The performance bonus for each individual is expressed as a percentage of his or her annual base salary.

For an initial performance bonus target of 30%, performance target may range from 15% of the base pay for achievement of performance measures at the threshold (80%) to up to 45% for an achievement at or in excess of the ceiling of 120%. Between the 80% threshold and the 120% ceiling, the performance bonus is calculated on a proportional, straight-line basis.

For the Chief Executive Officer and the Members of the Leadership Team, the 2017 bonus formula is based on:

> EBITDA at Group level: 40%;

> Free Cash Flow before dividend and share buyback at Group level: 20%;

> Quantified contribution of strategic objectives: 40%

The achievement level of performance for performance bonus is summarised as follow:

	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
Leadership Team Member (VP)	20% of base pay	40% of base pay	60% of base pay

Note:
VP = Vice-President

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 2 may cause the performance bonus pay-out to be higher than 120% of the target bonus, up to 180% of target bonus being the absolute maximum. Similarly, a reduction factor will be applied for those at the lower end. It is reminded that Health and Safety being the Group´s top priority, necessary actions are being taken to ensure that a “Safety First” attitude is a “conditio sine qua non” for employment at Aperam. In practice, Health & Safety is therefore a primary target in the described individual performance and assessment ratings of the employees and plays an important role in the final evaluations.

The principles of the performance bonus plan, with different weights for performance measures and different levels of target bonuses, are applicable to approximately 1,000 employees worldwide.

In exceptional cases, there are some entitlements to a retention bonus or a business specific bonus.

At the end of the financial year, achievement against the measures is assessed by the RNCG Committee and the Board and the short-term incentive award is determined.

The 2016 Performance Bonus Plan with respect to senior management and paid out in 2017 was structured as follows:

2016 Measures	% Weighting for the Chief Executive Officer and LT members	Assessment
EBITDA	40%	Incentive attributed to this metric
Free Cash Flow	20%	Incentive attributed to this metric
Quantified specific measures	40%	Incentive attributed to this metric

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.

Long-term Incentives: Equity Based Incentives

Share Unit Plans

The first shareholders' meeting after the creation of Aperam of July 12, 2011 approved a equity-based incentive. The plan comprises a Restricted Share Unit Plan ("RSU Plan") and a Performance Share Unit Plan ("PSU Plan") designed to incentivise employees, improve the Group's long-term performance and retain key employees. Both the RSU Plan and the PSU Plan are intended to align the interests of the Company's shareholders and eligible employees by allowing them to participate in the success of the Company.

The maximum number of Restricted Share Units (each, an "RSU") and Performance Share Units (each, a "PSU") available for grant during any given year is subject to the prior approval of the Company's shareholders at the annual general meeting.

The table 73 summarises the key characteristics of the shareholders approved equity based incentives.

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.

The decision was taken by the Board of Directors not to grant any RSUs to the members of the Leadership Team under the May 2012 shareholder authorisation and not to submit to shareholders' approval RSU grants under the next equity incentives.
Since 2017, employees below the level of the Leadership Team ceased to receive RSUs and only receive performance related grants.

In April 2013, a total of 40,000 RSUs under the RSU Plan were granted to a total of 27 employees at a fair value of U.S.$12.16 per share, all grants were for employees below the level of the Leadership Team. In April 2016, a total of 35,000 shares were vested and allocated to qualifying employees.

The May 8, 2014, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2014 and the 2015 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Management Committee PSU Plan and other retention based grants below the level of the Leadership Team. In September 2014, a total of 48,000 RSUs were granted to a total of 32 employees at a fair value of U.S.$31.97 per share, all grants were for employees below the level of the Leadership Team. In September 2017 a total of 39,000 shares were vested and allocated to qualifying employees.

The May 5, 2015, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2015 and the 2016 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other retention based grants below the level of the Leadership Team. In August 2015, a total of 27,500 RSUs were granted to a total of 32 employees at a fair value of U.S.$32.19 per share, all grants were for employees below the level of the Leadership Team.

The May 4, 2016, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2016 and the 2017 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other retention based grants below the level of the Leadership Team. In August 2016, a total of 33,550 RSUs were granted to a total of 44 qualifying employees at a fair value of U.S.$39.14 per share, all grants were for employee below the level of the Leadership Team.

The February 2017 Remuneration, Nomination and Corporate Governance Committee recommended that no RSUs are granted anymore as from the annual general meeting of shareholders of May 2017 onward and that employees below the level of the Leadership Team only receive performance related grants.

The allocation of RSUs to employees below the Leadership Team level is reviewed by the RNCG Committee, comprised of three independent directors, which makes a recommendation to the full Board of Directors. The Committee also decides the criteria for granting RSUs and makes its recommendation to the Board of Directors.

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 Group's strategy. Awards under the PSU Plan are subject to the fulfilment of cumulative performance criteria over a three-year period from the date of the PSU grant. The target group for PSU grants is primarily the Chief Executive Officer and the other members of the Leadership Team. Each PSU may give right to up to one and half shares for the 2014 plan and following plans. The LT PSU Plan provides for cliff vesting on the third year anniversary of the grant date, under the condition that the relevant LT member continues to be actively employed by the Aperam Group on that date. If the LT member is retired on that date or in case of an early retirement by mutual consent, the relevant LT member will not automatically forfeit PSUs and pro rata vesting will be considered at the end of the vesting period at the sole discretion of the Company. The value of the grant at grant date is to equal 45% of the year base salary for the Chief Executive Officer and for the other Leadership Team members. The two sets of performance criteria to be met for vesting of the PSUs under this LT PSU Plan are Total Shareholder Return and Earnings Per Share versus a peer group. Each performance measure has a weighting of 50%. No vesting will take place for performance below 80% of the median compared to the peer group.

The May 8, 2014, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2014 and the 2015 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Management Committee PSU Plan and other retention based grants below the level of the Leadership Team. In June 2014 and September 2014, a total of 63,839 PSUs were granted to a total of 40 employees at a fair value of respectively U.S.$33.97 per share and U.S.$31.97 per share (out of which 41,439 PSUs for the 8 Members of the Leadership Team). In 2017, a total of 66,550 shares were vested and allocated to qualifying employees (out of which 43,750 for Members of the Leadership Team).

The May 5, 2015, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2015 and the 2016 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other retention based grants below the level of the Leadership Team. In August 2015, a total of 49,232 PSUs were granted to a total of 42 employees at a fair value of U.S.$32.19 per share (out of which 39,232 PSUs for the 10 Members of the Leadership Team).

The May 4, 2016, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2016 and the 2017 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other retention based grants below the level of the Leadership Team. In August 2016, a total of 46,761 PSUs were granted to a total of 54 employees at a fair value of U.S.$39.14 per share (out of which 34,561 PSUs for the 10 Members of the Leadership Team).

The May 10, 2017, annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2017 and the 2018 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other performance based grants below the level of the Leadership Team. In August 2017, a total of 71,884 PSUs were granted to a total of 54 employees at a fair value of U.S.$52.43 per share (out of which 24,259 PSUs for the 9 Members of the Leadership Team).

The tables on pages 74 to 76 summarise the detailed target definitions for the PSU plans as well as the progress of meeting the vesting criteria on each grant anniversary date. The peer group is described on page 76 of the Management Report. The allocation of PSUs is reviewed by the RNCG Committee, comprised of three independent directors, which makes a recommendation to the full Board of Directors. The RNCG Committee also reviews the proposed grants of PSUs to eligible employees other than the members of the Leadership Team 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.

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.

Some 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 of December 31, 2017, there were no more Aperam shares locked under the ESPP Plans.

Stock option plan

For historical reasons, certain of the Group's employees participate in stock based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. For the years ended December 31, 2017, and 2016, the amount of outstanding options was 46,636 and 332,850 respectively. The amount of exercisable options was 46,636 and 332,850 respectively for the years ended December 31, 2017, and 2016. Exercise prices of ArcelorMittal stock options vary from U.S.$91.98 to U.S.$235.32. Weighted average contractual life of the options varies from 0.6 to 2.6 years.

Share ownership

As of December 31, 2017, the aggregate beneficial share ownership of Aperam directors and senior management totalled 88,312 Aperam shares (excluding shares owned by Aperam's Significant shareholder). Other than the Significant shareholder, no director and member of senior management beneficially owns more than 1% of Aperam's shares. See definition of Significant shareholder in the section Share Capital of this Management Report.

The allocation of Aperam equity incentives to senior management is described in the section Share Capital of this Management 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, 2017, the Company's authorised share capital, including the issued share capital, consisted of 96,216,785 shares without nominal value. The Company's issued share capital was represented by 85,496,280 fully paid-up shares without nominal value.

The following table sets forth information as of December 31, 2017 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 Rights	% of Voting Rights
Significant shareholder(1)	34,963,125	40.89%	40.98%
Treasury shares	182,502	0.21%	0.00%
Other public shareholders	50,350,653	58.89%	59.02%
Total issued shares	85,496,280	100.00%	100.00%
of which: Prudencial plc (2)	2,821,434	3.30%	3.31%
of which: Directors and Senior Management(3) (4)	88,312	0.10%	0.10%

Notes:
(1) The term "Significant shareholder" means the trust (HSBC Trust (C.I.) Limited, as trustee) of which Mr. Lakshmi N. Mittal, Ms. Usha Mittal and their children are the beneficiaries, holding Aperam shares through Value Holdings II Sàrl, a limited liability company organised under the laws of Luxembourg ("Value Holdings II"). For purposes of this table, ordinary shares owned directly by Mr. Lakshmi N. Mittal and his wife, Ms. Usha Mittal are aggregated with those ordinary shares beneficially owned by the Significant shareholder. At December 31, 2017, Mr. Lakshmi N. Mittal and Ms. Usha Mittal, had direct ownership of Aperam ordinary shares and indirect ownership, through the Significant shareholder, of one holding company that owns Aperam ordinary shares: Value Holdings II. Value Holdings II was the owner of 34,949,785 Aperam ordinary shares. Mr. Lakshmi N. Mittal was the direct owner of 11,090 Aperam ordinary shares. Ms. Usha Mittal was the direct owner of 2,250 Aperam ordinary shares. Mr. Lakshmi N. Mittal, Ms. Usha Mittal and the Significant shareholder shared indirect beneficial ownership of 100% of Value Holdings II. Accordingly, Mr. Lakshmi N. Mittal was the beneficial owner of 34,960,875 Aperam ordinary shares, Ms. Usha Mittal was the beneficial owner of 34,952,035 Aperam ordinary shares and the Significant shareholder was the beneficial owner of 34,963,125 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 shareholders owning 2.5% or more but less than 5% of the share capital of Aperam at 31 December 2017 was Prudencial plc with 2,821,434 shares representing 3.30% 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 88,312 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, 2017, there were 2,042 shareholders other than the Significant shareholder holding an aggregate of 361,329 Aperam common shares registered in Aperam's shareholder register, representing approximately 0.42% of the common shares issued. At December 31, 2017, there were 63 U.S. shareholders holding an aggregate of 288,889 New York Registry Shares, representing approximately 0.46% 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, 2017, there were 49,896,277 Aperam common shares being held through the Euroclear clearing system in The Netherlands, France and Luxembourg. Euroclear is a Belgium based financial services company that specialises in the settlement of securities transactions as well as the safekeeping and asset servicing of these securities.

Shareholding notification with reference to Transparency Law requirements

With reference to the law and grand ducal regulation of January 11, 2008, on transparency requirements for issuers of securities ("Transparency Law") and to shareholding notifications for crossing the threshold of 5% voting rights, such notifications are available in the Luxembourg Stock Exchange's electronic database OAM on www.bourse.lu and on the Company's web site www.aperam.com under Corporate Governance, Shareholding structure.
> On April 10, 2017, Aperam announced a shareholding notification by HSBC Trustee (C.I.) Limited.

Related Party Transactions

We are engaged in certain commercial and financial transactions with related parties. Please refer to Note 22 to the Consolidated Financial Statements for further details.

Agreements with ArcelorMittal post Spin-Off

In connection with the spin-off of its stainless steel division into a separately focused company, Aperam SA (“Aperam”), which was completed on January 25, 2011, ArcelorMittal entered into several agreements with Aperam and/ or certain Aperam subsidiaries.

These agreements include a Master Transitional Services Agreement dated January 25, 2011 (the “Transitional Services Agreement”) for support for/from corporate activities, a purchasing services agreement for negotiation services from ArcelorMittal Purchasing (the “Purchasing Services Agreement”), a sourcing services agreement for negotiation services from ArcelorMittal Sourcing (the “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 ArcelorMittal and Aperam expired at year-end 2012. The parties agreed to renew a limited number of services where expertise and bargaining power created value for each party. ArcelorMittal will continue to provide certain services in 2018 relating to areas including environmental and technical support and the administration of the shareholders register.

In the area of research and development, Aperam entered into a frame arrangement with ArcelorMittal to establish a structure for future cooperation in relation to certain ongoing or new research and development programs. Currently, only limited research and development support are implemented through the agreement, but new collaborative endeavors are foreseen in 2018.

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 2011 Purchasing Services Agreement, Aperam still relies on ArcelorMittal for services in relation to the negotiation of certain contracts with global or large regional suppliers, including those relating to the following key categories: operating materials (rolls, electrodes and refractory materials), spare parts, transport, 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. The Purchasing Services Agreement was entered into for an initial term of two years, which was to expire on January 24, 2013. However, since that date, the Purchasing Services Agreement has been extended successively until January 24, 2019. As from January 1, 2016, purchasing services for metallics (carbon scrap) were removed from the Purchasing Services Agreement. New specific IT service agreements are being put in place with Aperam, one for Asset Reliability Maintenance Program (ARMP) in its Brazilian entities, and two others for the use in Europe of ARMP and for the use of the global wide area network (WAN). In Europe, Aperam purchased most of its electricity and natural gas though energy supply contracts put in place for the period 2014-2019 with ArcelorMittal Energy SCA and ArcelorMittal Purchasing SAS.

Purchasing activities will continue to be provided to Aperam pursuant to existing contracts with ArcelorMittal entities that it has specifically elected to assume. In addition, in September 2016, a services term sheet agreement has been concluded between ArcelorMittal Shared Service Center Europe Sp z.o.o. Sp.k. and Aperam according to which ArcelorMittal Shared Service Center Europe Sp z.o.o. Sp.k.SSC Poland will prepare in close cooperation with Aperam, transfer pricing documentation for the financial years 2015, 2016 and 2017 for specific Aperam entities. The transfer pricing documentation shall be compliant with OECD transfer pricing guidelines and in line with country specific legal requirements as well as respecting the country specific deadlines. The work shall include also the update of benchmark studies.

In connection with the spin-off, management also renegotiated an existing Brazilian cost-sharing agreement between 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 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. From the demerger of ArcelorMittal BioEnergia Ltda on July 1, 2011, its payroll functions were also handled by ArcelorMittal Brasil. The real estate, insurance activities and payroll functions of Aperam's Brazilian subsidiaries have not been handled by ArcelorMittal Brasil since January 1, 2013, June 30, 2013, and June 27, 2014 respectively.

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 historically held by 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 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, and Euronext Brussels on February 16, 2017.

The ordinary shares of the Company are accepted for clearance through Euroclear and Clearstream Luxembourg under common code number 056997440.

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 BEL20, SBF 120, NEXT 150, CAC MID 60, AMX.

Euronext Brussels Listing Ceremony, February 16, 2017

Investor relations

At Aperam, we attach a high importance to providing clear, high-quality, regular and transparent communication with institutional investors and other financiers and providers of capital, and rating agencies. We aim to be the first choice for investors in the stainless steel sector. To achieve this objective and provide the most relevant information fitting the needs of the financial community, Aperam implements an active and broad investor communications policy: conference calls, roadshows, regular participation at investor conferences and plant visits.

To contact the Investor Relations department: Investor.Relations@aperam.com

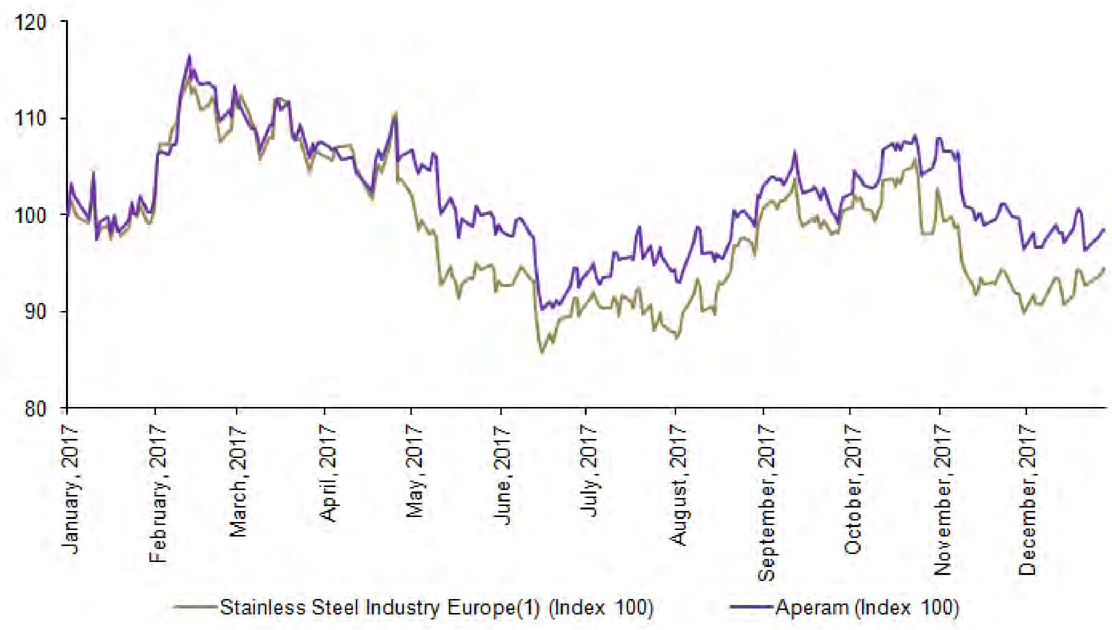
Socially responsible investors

Aperam attaches a great importance to Sustainability and has been issuing yearly Sustainability Reports since its creation in 2011. The Sustainability team is in charge of the questions from socially responsible investors and ESG rating agencies[4].
We are happy to see our efforts recognised by ESG analysts, especially with the Prime label awarded in 2016 by rating agency Oekom and MSCI's 2016 "AA" rating reconfirmed in 2017.

To contact the Sustainability Team: sustainability@aperam.com

Share performance

The Graph below shows the share price performance of Aperam and the European Stainless Steel Industry[1] over the year 2017 in index base 100:



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

[4] Rating agencies assessing Aperam according to social, environmental, economic and governance criteria

Financial Calendar

Earnings calendar[1]
> May 09, 2018: earnings for 1st quarter 2018
> July 31, 2018: earnings for 2nd quarter 2018 and 6 months 2018
> October 31, 2018: earnings for 3rd quarter 2018 and 9 months 2018

Note:
(1) Earnings are issued after the closing of the European stock exchanges on which the Aperam share is listed

General meeting of shareholders

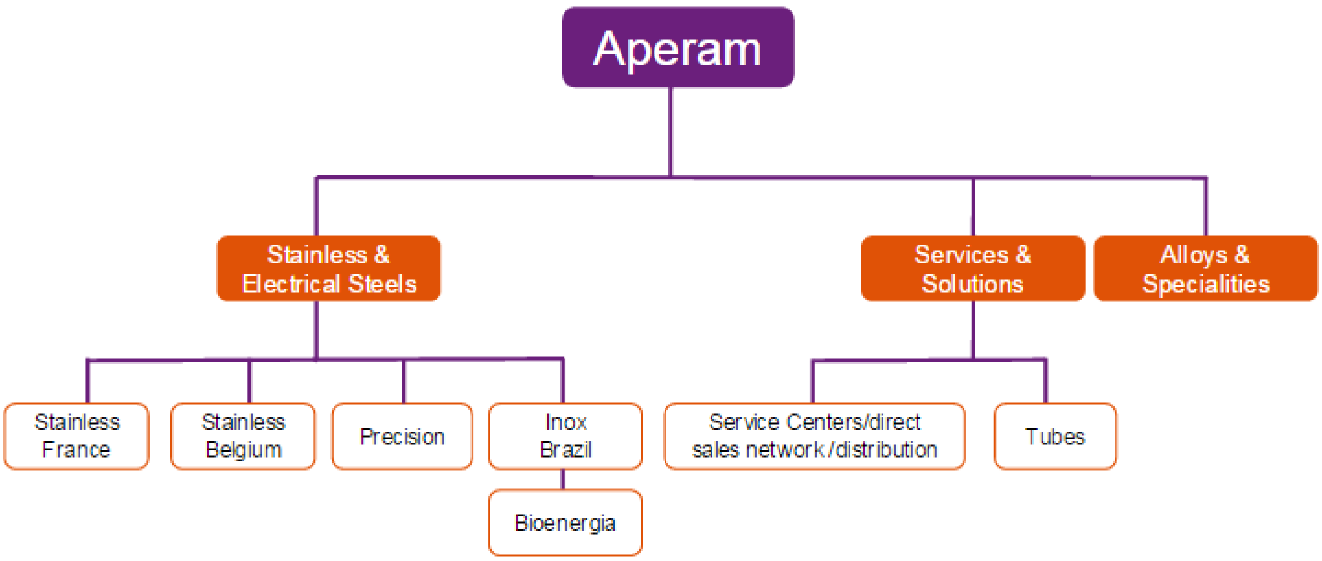
> May 09, 2018: Annual general meeting of shareholders, Luxembourg

Dividend Schedule

Please refer to the section "Liquidity" of this Management Report for further details with respect to the Company's detailed dividend schedule for the year 2018.

Organisational 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. See Note 26 to the Consolidated Financial Statements for a list of the Group's significant subsidiaries.



Contacts

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

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Laurent Beauloye: +352 27 36 27 103

Financial Statements 2017

Aperam, Societé Anonyme

Consolidated financial statements

As of and for the year ended December 31, 2017

Aperam S.A
Société Anonyme

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

Centre de formation des apprentis hôteliers, Metz, France
© Bernard Ropa
Aperam stainless steel used :Uginox Bright 304/1.4301

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 presented in this Annual Report includes a fair review of the development and performance of the business and position of Aperam and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

On behalf of the Board of Directors
February 27, 2018

Philippe Darmayan

Chief Executive Officer
Timoteo Di Maulo

Chief Financial Officer
Sandeep Jalan

Aperam

Consolidated Statement of Operations

(in millions of U.S. dollars except share and per share data)

	Year ended December 31, 2017	Year ended December 31, 2016
Sales (Note 3) (including 94 and 65 of sales to related parties in 2017 and 2016, respectively (Note 22))	5,051	4,265
Cost of sales (including depreciation and impairment of 172 and 175 (Note 3), and purchases from related parties of 261 and 189 for 2017 and 2016, respectively (Note 22))	(4,385)	(3,755)
Gross margin	666	510
Selling, general and administrative expenses	(219)	(193)
Operating income (Note 3)	447	317
Loss from other investments	(4)	—
Financing costs - net (Note 5)	(45)	(40)
Income before taxes	398	277
Income tax expense (Note 6)	(37)	(63)
Net income	361	214
Net income attributable to Equity holders of the parent	361	214
Net income	361	214
Earnings per common share (in U.S. dollars):		
Basic	4.51	2.75
Diluted	4.29	2.59
Weighted average common shares outstanding (in thousands) (Note 20):		
Basic	80,012	77,667
Diluted	88,535	87,043

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

Aperam

Consolidated Statement of Comprehensive Income / (Loss)

(in millions of U.S. dollars)

	Year ended December 31,	
	2017	2016
Net income	361	214
Items that cannot be recycled to the consolidated statement of operations:		
Remeasurement of defined benefit obligation during the period, net of tax expense of 2 and 6 for 2017 and 2016, respectively	—	5
Items that can be recycled to the consolidated statement of operations:		
Available-for-sale investments:		
Gain arising during the period, net of tax expense of nil and nil for 2017 and 2016, respectively	4	17
Cash flow hedges:		
Gain arising during the period, net of tax expense of 5 and 16 for 2017 and 2016, respectively	15	29
Reclassification adjustments for gain included in the statement of operations, net of tax expense of 2 and 3 for 2017 and 2016, respectively	(4)	(7)
Total cash flow hedges	11	22
Exchange differences arising on translation of foreign operations, net of tax expense of 27 and nil for 2017 and 2016, respectively	211	100
Total other comprehensive income	226	144
Total other comprehensive income attributable to:		
Equity holders of the parent	225	145
Non-controlling interests	1	(1)
Total other comprehensive income	226	144
Net comprehensive income	587	358
Net comprehensive income attributable to:		
Equity holders of the parent	586	359
Non-controlling interests	1	(1)
Net comprehensive income	587	358

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

Aperam

Consolidated Statement of Financial Position

(in millions of U.S. dollars)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents (Note 7)	367	325
Trade accounts receivable (Note 8) [(1)]	324	238
Inventories (Note 9)	1,475	1,226
Prepaid expenses and other current assets (Note 10) [(1)]	88	84
Income tax receivable	10	5
Assets held for sale (Note 4)	—	24
Total current assets	2,264	1,902
Non-current assets:		
Goodwill and intangible assets (Note 11)	610	565
Biological assets (Note 12)	47	48
Property, plant and equipment (Note 13)	1,840	1,643
Other investments (Note 14)	39	37
Deferred tax assets (Note 6)	237	285
Other assets (Note 15)	199	195
Total non-current assets	2,972	2,773
Total assets	5,236	4,675

Note:

[(1)] Amounts for December 31, 2016, have been restated in accordance with the change of presentation related to TSR programs - see Note 1 to the consolidated financial statements.

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

Aperam

Consolidated Statement of Financial Position

(in millions of U.S. dollars)

	December 31, 2017	December 31, 2016
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt (Note 16)	6	204
Trade accounts payable [(1)]	1,076	947
Short-term provisions (Note 17)	20	19
Accrued expenses and other liabilities (Note 18) [(1)]	271	219
Income tax liabilities	4	9
Liabilities held for sale (Note 4)	—	24
Total current liabilities	1,377	1,422
Non-current liabilities:		
Long-term debt, net of current portion (Note 16)	286	275
Deferred tax liabilities (Note 6)	167	171
Deferred employee benefits (Note 19)	191	173
Long-term provisions (Note 17)	52	49
Other long-term obligations	113	100
Total non-current liabilities	809	768
Total liabilities	2,186	2,190
Equity (Note 20):		
Common shares (no par value, 96,216,785 and 96,216,785 shares authorised, 85,496,280, and 78,049,730 shares issued and 85,313,778 and 77,771,349 shares outstanding as of December 31, 2017 and December 31, 2016, respectively)	591	547
Treasury shares (182,502 and 278,381 common shares as of December 31, 2017 and December 31, 2016, respectively)	(9)	(9)
Additional paid-in capital	1,651	1,595
Retained earnings	1,549	1,282
Other comprehensive loss	(736)	(961)
Option premium on convertible bonds	—	27
Equity attributable to the equity holders of the parent	3,046	2,481
Non-controlling interests	4	4
Total equity	3,050	2,485
Total liabilities and equity	5,236	4,675

Note:

[(1)] Amounts for December 31, 2016, have been restated in accordance with the change of presentation related to TSR programs - see Note 1 to the consolidated financial statements.

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

Aperam
Consolidated Statement of Changes in Equity
(in millions of U.S. dollars, except share data)

	Shares(1)	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other Comprehensive Income (Loss)				Option premium on convertible bonds	Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
						Foreign currency translation adjustments	Unrealised gains (losses) on derivatives financial instruments	Unrealised gains on available for sale securities	Recognised actuarial gains (losses)				
Balance at December 31, 2015	**77,590**	**547**	**(15)**	**1,599**	**1,165**	**(1,060)**	**(24)**	**—**	**(22)**	**27**	**2,217**	**5**	**2,222**
Net income	—	—	—	—	214	—	—	—	—	—	214	—	214
Other comprehensive income (loss)	—	—	—	—	—	101	22	17	5	—	145	(1)	144
Total comprehensive income	—	—	—	—	214	101	22	17	5	—	359	(1)	358
Share based payments	181	—	6	(4)	—	—	—	—	—	—	2	—	2
Dividends	—	—	—	—	(97)	—	—	—	—	—	(97)	—	(97)
Balance at December 31, 2016	**77,771**	**547**	**(9)**	**1,595**	**1,282**	**(959)**	**(2)**	**17**	**(17)**	**27**	**2,481**	**4**	**2,485**
Balance at December 31, 2016	**77,771**	**547**	**(9)**	**1,595**	**1,282**	**(959)**	**(2)**	**17**	**(17)**	**27**	**2,481**	**4**	**2,485**
Net income	—	—	—	—	361	—	—	—	—	—	361	—	361
Other comprehensive income (loss)	—	—	—	—	—	210	11	4	—	—	225	1	226
Total comprehensive income	—	—	—	—	361	210	11	4	—	—	586	1	587
Share based payments	96	—	4	(2)	—	—	—	—	—	—	2	—	2
Purchase of treasury shares	(2,000)	—	(98)	—	—	—	—	—	—	—	(98)	—	(98)
Cancellation of treasury shares	—	(14)	94	(80)	—	—	—	—	—	—	—	—	—
Conversion of convertible bonds	9,447	58	—	138	27	—	—	—	—	(27)	196	—	196
Dividends	—	—	—	—	(121)	—	—	—	—	—	(121)	(1)	(122)
Balance at December 31, 2017	**85,314**	**591**	**(9)**	**1,651**	**1,549**	**(749)**	**9**	**21**	**(17)**	**—**	**3,046**	**4**	**3,050**

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

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

Aperam
Consolidated Statement of Cash Flows
(in millions of U.S. dollars)

	Year ended December 31,	
	2017	2016
Operating activities:		
Net income	361	214
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation, amortisation and impairment (Note 3)	172	175
Net interest expense (Note 5)	31	36
Income tax expense (Note 6)	36	63
Net write-downs of inventories to net realisable value	18	4
Labor agreements and separation plans	6	2
Impairment of financial assets	4	—
Unrealised losses on derivative instruments (Note 5)	10	1
Unrealised foreign exchange effects, other provisions and non-cash operating expenses, (net)	(7)	(31)
Changes in operating working capital:		
Trade accounts receivable [1]	(42)	4
Trade accounts payable [1]	12	56
Inventories	(132)	(99)
Changes in other operating assets, liabilities and provisions:		
Interest paid, (net)	(8)	(10)
Income taxes paid	(34)	(8)
Other working capital movements and provisions movements [1]	13	10
Net cash provided by operating activities	440	417
Investing activities:		
Acquisition of property, plant and equipment, intangible and biological assets (CAPEX)	(186)	(130)
Other investing activities, (net)	1	1
Net cash used in investing activities	(185)	(129)
Financing activities:		
Net payments from short-term debt (Note 16)	(12)	(12)
Proceeds from long-term debt, net of debt issuance costs	1	—
Payments of long-term debt	(1)	—
Purchase of treasury stock	(98)	—
Dividends paid (Note 20)	(121)	(97)
Other financing activities (net) (Note 16)	(1)	(1)
Net cash used in financing activities	(232)	(110)
Effect of exchange rate changes on cash	19	(1)
Net increase in cash and cash equivalents	42	177
Cash and cash equivalents (Note 7):		
At the beginning of the year	325	148
At the end of the year	367	325

Note:
[1] Amounts for December 31, 2016, have been restated in accordance with the change of presentation related to TSR programs - see Note 1 to the consolidated financial statements.

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

SUMMARY OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of business

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

These consolidated financial statements were authorised for issuance on February 27, 2018 by Aperam's Board of Directors.

Aperam is a global stainless steel producer with an annual capacity of 2.5 million tonnes in 2017. The Company's production activities are concentrated in six main plants in Brazil, Belgium and France. Its worldwide-integrated distribution network is comprised of 14 service centres, 6 transformation facilities, and 16 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 26 provides an overview of the Company's principal operating subsidiaries.

Basis of presentation

The consolidated financial statements of Aperam (or the "Company") 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 realisable value or cost.

The consolidated financial statements as of and for the year ended December 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union ("EU"). They 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 2017

> Amendments to IAS 7 "Statement of Cash Flows: Disclosure Initiative" (issued January 2016) that is mandatory for annual periods beginning on or after January 1, 2017. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information since last year in Note 16.

· > Amendments to IAS 12 "Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses" issued January 2016) that is mandatory for annual periods beginning on or after January 1, 2017. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. This amendment has no impact on Aperam's financial statements.

> Annual improvements to IFRSs (2014-2016) (issued December 2016) that are mandatory for annual periods beginning on or after January 1, 2017, but has not yet been endorsed by the EU. The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in

a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These improvements have no impact on Aperam's financial statements.

In addition, the Company decided to modify the presentation of assets and liabilities related to the TSR programs to more appropriately reflect the nature of these items.The comparative amount in the consolidated statement of financial position was reclassified for consistency, which resulted in an amount of nil being reclassified from "Prepaid expenses and other current assets" to "Trade accounts receivable" and U.S.$42 million being reclassified from "Accrued expenses and other current liabilities" to "Trade accounts payable" as of December 31, 2016. In addition, amounts in the consolidated statement of cash flows were similarly reclassified, which resulted in U.S.$13 million being reclassified from "Other working capital movements and provisions movements" to "Changes in working capital - Trade accounts payable" for the year ended December 31, 2016.

New IFRS standards and interpretations applicable from 2018 onwards

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 15 "Revenue from Contracts with Customers" (issued May 2014) that is mandatory for annual periods beginning on or after January 1, 2018, and establishes a five-step model to account for revenue arising from contracts with customers. The focus of the new standard is to recognize revenue as performance obligations are met rather than based on the transfer of risks and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Company's revenue is predominantly derived from the single performance obligation to transfer stainless steel products under arrangements in which the transfer of risks and rewards of ownership and the fulfillment of the Company's performance obligation occur at the same time. The Company has laid out a detailed assessment and implementation plan for the roll out of IFRS 15. As part of this process the Company assessed its performance obligations underlying the revenue recognition, estimation of variable considerations including rebates, methods for estimating warranties, and customized products. The Company concluded that there will not be a material impact, except for the impact it will have on the disclosures. Aperam has established the procedures and controls to commence applying IFRS 15 as of January 1, 2018, and intends to apply the full retrospective transition approach without any practical expedients and will accordingly recast its comparative information where applicable.

> IFRS 9 "Financial Instruments" (issued July 2014) that is mandatory for annual periods beginning on or after January 1, 2018. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group will adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. Overall, the Group expects no significant impact on its statement of operations, statement of financial position and equity. In addition, the Group will implement changes in classification of certain financial instruments.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI are not held for trading and therefore the Group will apply the option to record them at Fair Value through OCI with no recycling. The equity shares in non-listed companies currently accounted for at amortised cost are intended to be held for the foreseeable future. Exeltium shares were impaired in 2017 to adjust their carrying value to their fair value. The Group will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. Since most of Aperam’s trade receivables are insured the loss allowance is not expected to increase significantly.

(c) Hedge accounting

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group has chosen not to retrospectively apply IFRS 9 on transition to the hedges where the Group excluded the forward points from the hedge designation under IAS 39. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group’s financial statements.

> Amendments to IFRS 2 “Share-based payment” (issued June 2016) that is mandatory for annual periods beginning on or after January 1, 2018, but has not yet been endorsed by the EU. This amendment has no impact on Aperam’s financial statements.

> Amendments to IFRS 4 “Insurance contracts” (issued September 2016) that is mandatory for annual periods beginning on or after January 1, 2018. This amendment has no impact on Aperam’s financial statements.

> Amendments to IAS 40 “Investment Property” (issued December 2016) that is mandatory for annual periods beginning on or after January 1, 2018, but has not yet been endorsed by the EU. This amendment has no impact on Aperam’s financial statements.

> Amendments to IFRS 1 “First-time Adoption of IFRS’s “ and IAS 28 “Investment in Associates and Joint Ventures” (issued November 2016) that is mandatory for annual periods beginning on or after January 1, 2018, but has not yet been endorsed by the EU. This amendment has no impact on Aperam’s financial statements.

> IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (issued December 2016) that is mandatory for annual periods beginning on or after January 1, 2018, but has not yet been endorsed by the EU. This IFRIC has no impact on Aperam’s financial statements.

· > IFRS 16 “Leases” (issued January 16) that is mandatory for annual periods beginning on or after January 1, 2019. This new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. At December 31, 2017 and 2016, the Company had non-cancellable operating lease commitments on an undiscounted basis of U.S.$51 million and U.S.$42 million, respectively (see note 23). A preliminary review and assessment of the Company's lease arrangements indicates that most of these arrangements will meet the definition of a lease under IFRS 16. The Company intends to apply the modified retrospective transition approach with the cumulative effect of initial application of IFRS 16 recognized at January 1, 2019. In addition, it intends to apply the practical expedient to grandfather the definition of a lease on transition and accordingly apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. Hence, the Company will recognize a right-of-use asset and corresponding liability in respect of the net present value of these leases unless they qualify for short-term leases upon the application of IFRS 16. The actual quantification of the impact of the application of IFRS 16 on the consolidated financial statements is ongoing and will depend on future economic conditions, including the Company's incremental borrowing rate and the composition of the Company's lease portfolio at January 1, 2019.

· > IFRIC 23 “Uncertainty over Income Tax Treatments” (issued June 17) that is mandatory for annual periods beginning on or after January 1, 2019, but has not yet been endorsed by the EU. This IFRIC should have no impact on Aperam’s financial statements.

· > Amendments to IFRS 9 “Prepayment Features with Negative Compensation” (issued October 17) that is mandatory for annual periods beginning on or after January 1, 2019, but has not yet been endorsed by the EU. This amendment has no impact on Aperam’s financial statements.

· > Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued October 17) that is mandatory for annual periods beginning on or after January 1, 2019, but has not yet been endorsed by the EU.

This amendment has no impact on Aperam's financial statements.

- > IFRS 17 "Insurance Contracts" (issued May 17) that is mandatory for annual periods beginning on or after January 1, 2021, but has not yet been endorsed by the EU. This standard has no impact on Aperam's financial statements.

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 the Company obtains control until the date control ceases. Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Associated companies are those companies over which the Company has the ability to exercise significant 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, joint ventures are arrangements where the Company has joint control under a contractual agreement and has the right to the nets assets of the arrangement. The financial statements include the Company's share of the total recognised gains and losses of associates and joint ventures 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 recognised in the investee's profit or loss. The Company's share of those changes is recognised 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 16, 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND CHANGE IN ACCOUNTING ESTIMATES

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 remeasured 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, the Company's presentation currency, at the monthly average exchange rates and assets and liabilities are translated at the year-end exchange rates. Translation adjustments are recognised 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 recognised 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 nominal amount which approximately equals 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 realisable value. Cost is determined using the average cost method. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labour 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 realisable value represents the estimated selling price at which the inventories can be realised 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 capitalised as inventories and partially recorded as a component of cost of sales in the statement of operations.

Goodwill

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 recognised 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 recognised. After initial recognition, Goodwill shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

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 for impairment as of October 31 or whenever changes to the 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 recognised, impairment losses recognised 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 recognised immediately in the statement of operations.

Intangible assets

Intangible assets recorded by the Company include customer relationships, trademarks and technology acquired in connection with the acquisition of Arcelor by Mittal Steel on August 1, 2006. Those intangible assets acquired in a business combination are recorded at fair value, and are amortised on a straight-line basis. They have residual useful lives between one and three years.

Concessions, patents and licenses are recognised 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. They are recorded at cost and are amortised on a straight-line basis over their estimated economic useful lives which typically are not to exceed five years.

Amortisation is included in the statement of operations as part of depreciation.

Biological assets

The Company classifies eucalyptus plantations (except for the roots of the plantation which are qualified as bearer plants, see below) as biological assets. The purpose of such plantations is to produce charcoal to be used in the production process.

Biological assets are measured at fair value, net of estimated costs to sell at the time of harvest, with any change therein recognised in statement of operations.

The fair value is determined based on the discounted cash flow method, taking into consideration the cubic volume of wood, segregated by plantation year, and the equivalent sales value of standing trees. The average market price was estimated based on domestic market prices.

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	5 to 20 years
Bearer plants	14 years

Major improvements, which add to productive capacity or extend the life of an asset, are capitalised, 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 capitalised. 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 recognised at the date of acquisition is recognised 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.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Current service cost, which is the increase of the present value of the defined benefit obligation resulting from the employee service in the current period, is recorded as an expense as part of cost of sales and selling, general and administrative expenses in the consolidated statements of operations.

The net interest cost, which is the change during the period in the net defined benefit liability or asset that arises from the passage of time, is recognised as part of net financing costs in the consolidated statements of operations. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The Company recognises gains and losses on the curtailment of a defined benefit plan when the curtailment occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or a curtailment. Past service cost is recognised immediately in the consolidated statements of operations in the period in which it arises.

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 recognises 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 recognised 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 recognised in the statement of operations.

Provisions and accruals

Aperam recognises 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 recognised 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 reorganisations that have been approved by the Aperam Management Committee, and which involve the realignment of certain parts of the industrial and commercial organisation. When such reorganisations require discontinuance and/or closure of lines or activities, the anticipated costs of closure or discontinuance are included in restructuring provisions. A liability is recognised 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 capitalised 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 expense 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 recognised 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 recognised for all taxable temporary differences, and deferred tax assets are generally recognised 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 utilised. Such assets and liabilities are not recognised 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 recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, 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.

Fair value measurement

The Company classifies the bases used to measure certain assets and liabilities at their fair value. Assets and liabilities carried or measured 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 that the entity can access at the measurement date;
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.

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 recognised initially at fair value when the Company becomes a party to the contractual provisions of the instrument. They are derecognised 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. Unrealised 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 realised. Realised 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 amortised cost. However, loans that are hedged under a fair value hedge are remeasured 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. The Company considers a significant or prolonged decline in fair value as objective evidence of impairment. The decline is considered as significant if it exceeds 50% of cost or as prolonged if it continues for eighteen months or more. 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 recognised in the statement of operations is removed from equity and recognised 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 recognised. Reversals of impairment are recognised in the statement of operations except for reversals of impairment of available-for-sale equity securities, which are recognised 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.

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 recognised 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, amortisation of discounts or premiums on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings, and unrealised gains and losses on foreign exchange and raw material derivative contracts.

Earnings per common share
Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed by dividing income available to equity holders and assumed conversion by the weighted average number of common shares and potential common shares from restricted share units and performance share units as well as potential common shares from the conversion of convertible bonds whenever the conversion results in a dilutive effect.

Assets held for sale and distribution
Non-current assets and disposal groups that are classified as held for sale and distribution are measured at the lower of carrying amount and fair value less costs to sell or to distribute. Assets and disposal groups are classified as held for sale and for distribution if their carrying amount will be recovered through a sale or a distribution transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset, or disposal group, is available for immediate sale or distribution in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. Assets held for sale and distribution are presented separately on the consolidated statements of financial position and are not depreciated.

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 spinoff, ArcelorMittal issued equity settled share based payments consisting of 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. The expected life used in the calculation has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. 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. 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 CODM manages 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 recognised 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 realising 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 6 describes the total deferred tax assets recognised in the consolidated statements of financial position. As of December 31, 2016, the amount of future income required to recover the Company's deferred tax assets was approximately U.S.$979 million 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, 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 recognised 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.

> Mortality and retirement rates. Mortality and retirement rates are based on actual and projected plan experience. Actuarial gains or losses resulting from experience and changes in assumptions are recognised in the Company's statement of other comprehensive income in the period in which they arise.

Note 19 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 recognises 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 recognises 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 expenses in the statement of operations.

The Company does not expect these environmental issues to affect the utilisation 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 recognised. An impairment loss is recognised 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, 2017, the Company had determined it has six cash generating units.

An impairment loss recognised 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 recognised. 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 amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised 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 recognised, impairment losses recognised 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. 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 21 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 recognised 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 recognised in the statement of operations and within the same line item. Any ineffective portion of changes in the fair value of the derivative is recognised 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 accumulated unrealised 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 unrealised gain or loss, which had been recognised 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 realised upon settlement of derivatives are recognised 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. 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: SEGMENT AND GEOGRAPHIC INFORMATION

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

The following table summarises certain financial data relating to Aperam's operations in its different segments:

(in millions of U.S. dollars)	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations (1)	Total
Year ended December 31, 2017					
Sales to external customers	2,319	2,210	513	9	5,051
Intersegment sales(2)	1,879	89	3	(1,971)	—
Operating income (loss)	366	66	46	(31)	447
Depreciation and Impairment	(152)	(12)	(6)	(2)	(172)
Capital expenditures	(146)	(23)	(11)	(6)	(186)

(in millions of U.S. dollars)	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations (1)	Total
Year ended December 31, 2016					
Sales to external customers	1,964	1,892	409	—	4,265
Intersegment sales(2)	1,546	72	6	(1,624)	—
Operating income (loss)	265	60	24	(32)	317
Depreciation and Impairment	(145)	(22)	(6)	(2)	(175)
Capital expenditures	(112)	(7)	(9)	(2)	(130)

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

The Company does not regularly provide assets for each reportable segment to the CODM. The table which follows presents the reconciliation of segment assets to total assets as required by IFRS 8.

(in millions of U.S. dollars)	December 31,	
	2017	2016
Assets allocated to segments	4,394	3,833
Cash and cash equivalents	367	325
Investments	39	37
Deferred tax assets	237	285
Other unallocated assets	199	195
Total assets	5,236	4,675

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

(in millions of U.S. dollars)	Year Ended December 31,	
	2017	2016
Operating income	447	317
Loss from other investments	(4)	—
Financing costs - net	(45)	(40)
Income before taxes	398	277
Income tax expense	(37)	(63)
Net income	361	214

Geographical information

Sales (by destination)

(in millions of U.S. dollars)	Year ended December 31, 2017	2016
Americas		
Brazil	911	741
United States	308	251
Argentina	77	68
Others	65	62
Total Americas	1,361	1,122
Europe		
Germany	1,191	970
Italy	577	503
France	343	294
Poland	172	162
Belgium	166	113
Spain	114	93
Netherlands	104	85
Turkey	91	90
United Kingdom	86	88
Others	529	436
Total Europe	3,373	2,834
Asia & Africa		
South Korea	127	85
China	70	90
India	32	32
Vietnam	28	25
United Arab Emirates	8	20
Others	52	57
Total Asia & Africa	317	309
Total	5,051	4,265

Non-current assets(1) per significant country

(in millions of U.S. dollars)	December 31, 2017	2016
Americas		
Brazil	541	537
Others	12	13
Total Americas	553	550
Europe		
Belgium	769	667
France	515	442
Germany	35	20
Poland	15	13
Czech Republic	13	12
Italy	12	11
Others	17	13
Total Europe	1,376	1,178
Asia & Africa		
India	3	3
China	1	1
Total Asia & Africa	4	4
Unallocated assets(1)	1,039	1,041
Total	2,972	2,773

Note:
(1) 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”.

NOTE 4: ASSETS AND LIABILITIES HELD FOR SALE

On April 3, 2017, the Company completed the divestment of Aperam Stainless Services & Solutions Tubes Europe, its French stainless steel welded tubes activities located in Ancerville (manufacturing plant) and Annecy (distribution centre). The total consideration was U.S.$2 million and the result of disposal was nil. Assets and liabilities of the Ancerville and Annecy facilities, which were part of the "Services & Solutions" reportable segment, were classified as held for sale as of December 31, 2016 and the Company recorded in cost of sales and in income tax expense an impairment charge of U.S.$(19) million (including U.S.$(8) million in depreciation and impairment) and U.S.$(3) million, respectively, to write down their carrying amount to the expected net proceeds from the sale. The fair value measurement of the Services & Solutions entities was determined using contract price, a Level 3 unobservable input.

NOTE 5: FINANCING COSTS - NET

(in millions of U.S. dollars)	Year ended December 31, 2017	2016
Recognised in the statement of operations		
Interest income	2	4
Interest expense	(33)	(40)
Other financing costs[1]	(14)	(7)
Net interest expense and other financing costs - net	(45)	(43)
Unrealised losses on derivative instruments	(10)	(1)
Net foreign exchange result	8	10
Result on disposal of financial assets	2	(6)
Foreign exchange and derivatives gains	—	3
Financing costs - net	(45)	(40)
Recognised in the statement of comprehensive income (Company share)		
Net change in fair value of available-for-sale financial assets	4	17
Effective portion of changes in fair value of cash flow hedge	11	22
Foreign currency translation differences for foreign operations	210	101
Total	225	140

Note:
(1) Others mainly include expenses related to True Sale of Receivables ("TSR"), discount charges on provisions for other liabilities and charges, bank fees, interest cost on deferred employee benefits plans and other financing costs.

Unrealised losses on derivative instruments are mainly related to the fair value adjustments of raw material financial instruments and foreign exchange instruments which do not qualify for hedge accounting.

NOTE 6: INCOME TAX

Income tax expense

The breakdown of the income tax expense for each of the years ended December 31, 2017 and 2016, respectively, is summarised as follows:

	Year Ended December 31,	
(in millions of U.S. dollars)	2017	2016
Current tax expense	(24)	(24)
Deferred tax expense	(13)	(39)
Total income tax expense	(37)	(63)

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

	Year Ended December 31,	
(in millions of U.S. dollars)	2017	2016
Net income	361	214
Income tax expense	(37)	(63)
Income before tax:	398	277
Tax expense at domestic rates applicable to countries where income was generated	(104)	(74)
Tax exempt revenues	9	6
Net change in measurement of deferred tax assets	(15)	(88)
Tax deductible write-down on shares	12	95
Tax credits	2	2
Rate changes	47	(7)
Other permanent difference	12	3
Income tax expense	(37)	(63)

The weighted average statutory tax expense was U.S.$(104) million and U.S.$(74) million in 2017 and 2016, respectively.

Tax exempt revenues of U.S.$9 million in 2017 and U.S.$6 million in 2016 mainly relate to 80% exemption of the net income derived from the intra-group licensing of the Aperam trademark.

Net change in measurement of deferred tax assets

Net change in measurement of deferred tax assets of U.S.$(15) million in 2017 mainly relates to tax expense of U.S.$(12) million due to unrecognised deferred tax assets on write-down of the value of shares held by a consolidated subsidiary in Luxembourg and limitation of interest deduction for U.S.$(4) million in France.

Net change in measurement of deferred tax assets of U.S.$(88) million in 2016 mainly relates to tax expense of U.S.$(95) million due to unrecognised deferred tax assets on write-down of the value of shares of a consolidated subsidiary in Luxembourg, derecognition of deferred tax assets on previous tax losses for U.S.$(21) million in Brazil, limitation of interest deduction for U.S.$(5) million in France and derecognition of deferred tax assets of French Tubes units for U.S.$(3) million, partly offset by new recognition of deferred tax assets on tax losses in Luxembourg for U.S.$32 million.

Tax credits of U.S.$2 million and U.S.$2 million in 2017 and 2016, respectively, mainly relate to research tax credits and competitiveness and employment tax credits in France.

Rate changes

The 2017 tax benefit from rate changes of U.S.$47 million is mainly due to the impact of the decrease in the future income tax rate on deferred tax liabilities in Belgium and France of U.S.$48 million and U.S.$1 million, respectively, partly offset by a tax expense of U.S.$(1) million in the United States.

The 2016 tax expense from rate changes of U.S.$(7) million is mainly due to the impact of the decrease in the future tax rate on deferred tax assets in Luxembourg and France, resulting in tax expenses of U.S.$(4) million and U.S.$(3) million, respectively.

Other permanent difference in 2017 and 2016 consists of a reduced taxation on the financing activity, transfer pricing adjustment in Brazil, effect of foreign currency translation, taxation on dividends and adjustments for tax deductible and non-deductible items.

Income tax recognised directly in equity

Income tax recognised in equity for the years ended December 31, 2017 and 2016 is as follows:

	Year Ended December 31,	
(in millions of U.S. dollars)	2017	2016
Deferred tax (expense) benefit		
Recognised in Other Comprehensive Income (Loss):		
Recognised actuarial loss	(2)	(6)
Unrealised gain / (loss) on derivative financial instruments	(3)	(13)
Foreign currency translation adjustments	(27)	—
Total	(32)	(19)

The net deferred tax expense recorded directly to equity was U.S.$(32) million as of December 31, 2017 and the net deferred tax expense recorded directly to equity was U.S.$(19) million as of December 31, 2016. There was no current tax booked directly in equity in 2017 and 2016.

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,	
(in millions of U.S. dollars)	2017	2016	2017	2016	2017	2016
Intangible assets	1	2	(2)	(4)	(1)	(2)
Property, plant and equipment	3	3	(188)	(212)	(185)	(209)
Biological assets	—	—	(29)	(30)	(29)	(30)
Inventories	27	24	(6)	(3)	21	21
Financial instruments	7	10	(18)	(14)	(11)	(4)
Other assets	8	7	(14)	(12)	(6)	(5)
Provisions	50	51	(65)	(59)	(15)	(8)
Other liabilities	25	20	(6)	(18)	19	2
Tax losses carried forward	275	347	—	—	275	347
Tax credits	2	2	—	—	2	2
Deferred tax assets/(liabilities)	398	466	(328)	(352)	70	114
Deferred tax assets					237	285
Deferred tax liabilities					(167)	(171)

Deferred tax assets not recognised by the Company as of December 31, 2017, were as follows:

(in millions of U.S. dollars)	Gross amount	Total deferred tax assets	Recognised deferred tax assets	Unrecognised deferred tax assets
Tax losses carried forward	2,510	701	275	426
Tax credits and other tax benefits	13	3	2	1
Other temporary differences	428	121	121	—
Total		825	398	427

Deferred tax assets not recognised by the Company as of December 31, 2016, were as follows:

(in millions of U.S. dollars)	Gross amount	Total deferred tax assets	Recognised deferred tax assets	Unrecognised deferred tax assets
Tax losses carried forward	2,548	721	347	374
Tax credits and other tax benefits	25	8	2	6
Other temporary differences	377	117	117	—
Total		846	466	380

The Company has unrecognised deferred tax assets relating to tax losses carry forward, tax credits and other tax benefits amounting to U.S.$427 million and U.S.$380 million as of December 31, 2017 and 2016, respectively. As of December 31, 2017, the deferred tax assets not recognised relate to tax losses carry forward attributable to subsidiaries located in Luxembourg (U.S.$353 million), Brazil (U.S.$68 million), France (U.S.$4 million), Italy (U.S.$1 million) and the United States (U.S.$1 million) with different statutory tax rates. Therefore, the amount of the total deferred tax assets is the aggregate amount of the various deferred tax assets recognised and unrecognised at the various subsidiaries and not the result of a computation with a blended rate. Unrecognised tax losses have no expiration date in Brazil, France, Italy and Luxembourg[(1)].

Note
(1) Starting in 2017, any tax losses generated in 2017 and onwards will have an expiry date of 17 years in Luxembourg.

The utilisation of tax losses carry forward is restricted to the taxable income of the subsidiary.

At December 31, 2017, 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 realise the benefits of an amount of deferred tax assets recognised for U.S.$237 million.

The amount of future taxable income required to be generated by the Company's operating subsidiaries to utilise the total deferred tax assets is approximately U.S.$819 million. Historically, the Company has been able to generate taxable income in sufficient amounts to permit it to utilise tax benefits associated with net operating losses carry forward and other deferred tax assets that have been recognised in its consolidated financial statements. However, the amount of the deferred tax assets considered realisable 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. For investments in subsidiaries, branches, associates and investments, that are not expected to reverse in the foreseeable future, no deferred tax liability has been recognised at December 31, 2017.

Tax losses carry forward

At December 31, 2017, the Company had total estimated net tax losses carry forward of U.S.$2,510 million.

Such amount includes net operating losses of U.S.$5 million related to Aperam Stainless Services & Solutions USA in the United States which expire as follows:

Year expiring	Amount (in millions of U.S. dollars)
2018	—
2019	—
2020	—
2021	—
2022	—
2023 - 2037	5
Total	5

The remaining tax losses carry forward of U.S.$2,505 million are indefinite and attributable to the Company's operations in Belgium, Brazil, France, Italy and Luxembourg. Tax losses carry forward 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 losses carry forward in future years.

NOTE 7: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	December 31,	
(in millions of U.S. dollars)	2017	2016
Bank current accounts	290	290
Term accounts (initial maturity < 3 months)	77	35
Total	367	325

NOTE 8: TRADE ACCOUNTS RECEIVABLE

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

	December 31,	
(in millions of U.S. dollars)	2017	2016
Gross amount	333	246
Allowance for doubtful accounts	(9)	(8)
Total	324	238

See Note 22 for information regarding trade accounts receivable from related parties.

Before accepting any new customer, the Company requests a credit limit authorisation 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 which represent more than 10% of the total balance of trade accounts receivable and revenues.

Included in the Company's trade accounts receivable balance are debtors with a carrying amount of U.S.$288 million and U.S.$219 million as of December 31, 2017 and 2016, respectively, which were not past due at the reporting date.

The amount of trade accounts receivable pledged as collateral was nil and U.S.$42 million as of December 31, 2017 and 2016, respectively. Pledges mainly aim at securing the borrowing base revolving credit facility entered into by the Company as described in Note 16.

Exposure to credit risk by operating segment

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

	December 31,	
(in millions of U.S. dollars)	2017	2016
Services & Solutions	166	133
Stainless & Electrical Steel	126	73
Alloys & Specialties	32	32
Total	324	238

Exposure to credit risk by geography

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

	December 31,	
(in millions of U.S. dollars)	2017	2016
Europe	214	139
South America	79	68
North America	28	27
Asia	3	4
Total	324	238

Aging of trade accounts receivable

The aging of trade accounts receivable is as follows:

	December 31,			
	2017		2016	
(in millions of U.S. dollars)	Gross	Allowance	Gross	Allowance
Not past due	296	(1)	213	—
Past due 0-30 days	19	—	16	—
Past due 31-180 days	10	—	9	—
More than 180 days	8	(8)	8	(8)
Total	333	(9)	246	(8)

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

(in millions of U.S. dollars)

Balance as of December 31, 2015	Additions	Deductions/ Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2016
8	2	(2)	—	8

(in millions of U.S. dollars)

Balance as of December 31, 2016	Additions	Deductions/ Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2017
8	2	(1)	—	9

The Company has established sales without recourse of trade accounts receivable program with financial institutions, referred to as True Sales of Receivables (“TSR”). The maximum combined amount of the programs that could be utilised were €309 million and €280 million as of December 31, 2017 and 2016, 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 total amount of receivables sold under the TSR program and derecognised in accordance with IAS 39 for the years ended December 31, 2017 and 2016 were U.S.$1.7 billion and U.S.$1.4 billion, respectively. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognised in the consolidated statement of operations as financing costs and amounted to U.S.$(5) million and U.S.$(6) million in 2017 and 2016, respectively.

NOTE 9: INVENTORIES

Inventories, net of provision for obsolescence, slow-moving inventories and excess of cost over net realisable value of U.S.$107 million and U.S.$85 million as of December 31, 2017 and December 31, 2016, respectively, are comprised of the following:

(in millions of U.S. dollars)	December 31, 2017	December 31, 2016
Finished products	611	449
Production in process	524	440
Raw materials	190	208
Manufacturing supplies, spare parts and other	150	129
Total	1,475	1,226

There are no inventories which are carried at fair value less cost to sell.

The amount of inventory pledged as collateral was U.S.$17 million and U.S.$802 million as of December 31, 2017 and 2016, respectively. Pledges mainly aimed at securing the borrowing base revolving credit facility entered into by the Company and cancelled in 2017 as described in Note 16.

The movement in the allowance for obsolescence is as follows:

(in millions of U.S. dollars)

Balance as of December 31, 2015	Additions	Deductions/ Releases	Other Movements	Balance as of December 31, 2016
109	15	(30)	(9)	85

(in millions of U.S. dollars)

Balance as of December 31, 2016	Additions	Deductions/ Releases	Other Movements	Balance as of December 31, 2017
85	20	(9)	11	107

The amount of write-down of inventories to net realisable value recognised as an expense was U.S.$(20) million and U.S.$(15) million in 2017 and 2016, respectively, and the expense was reduced by U.S.$9 million and U.S.$30 million in 2017 and 2016, respectively, due to normal inventory consumption.

The amount of inventories recognised as an expense (due to normal inventory consumption) was U.S.$(1,102) million and U.S.$(906) million during the year ended December 31, 2017, and 2016, respectively.

NOTE 10: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

(in millions of U.S. dollars)	December 31, 2017	December 31, 2016
Value added tax (VAT) and other amount receivable from tax authorities	45	40
Prepaid expenses and accrued receivables	9	13
Derivative financial assets (Note 21)	17	9
Other	17	22
Total	88	84

NOTE 11: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(in millions of U.S. dollars)	Goodwill on acquisition	Customer relationships, trade marks & technology	Concessions, patents and licenses	Total
Cost				
At December 31, 2015	512	180	98	790
Acquisitions	—	2	4	6
Transfer in assets held for sale (Note 4)	(4)	—	—	(4)
Foreign exchange differences	25	(1)	5	29
At December 31, 2016	533	181	107	821
Accumulated amortisation and impairment losses				
At December 31, 2015	—	(157)	(77)	(234)
Amortisation charge	—	(11)	(5)	(16)
Impairment loss	(4)	—	—	(4)
Transfer in assets held for sale (Note 4)	4	—	—	4
Foreign exchange differences	—	(2)	(4)	(6)
At December 31, 2016	—	(170)	(86)	(256)
Carrying amount				
At December 31, 2016	533	11	21	565

Cost				
At December 31, 2016	533	181	107	821
Acquisitions	—	1	10	11
Foreign exchange differences	41	13	8	62
At December 31, 2017	574	195	125	894
Accumulated amortisation and impairment losses				
At December 31, 2016	—	(170)	(86)	(256)
Amortisation charge	—	(5)	6)	(11)
Foreign exchange differences	—	(13)	(4)	(17)
At December 31, 2017	—	(188)	(96)	(284)
Carrying amount				
At December 31, 2017	574	7	29	610

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.

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:

(in millions of U.S. dollars)	Net value December 31, 2016	Foreign exchange differences	Net value December 31, 2017
Stainless & Electrical Steel	450	30	480
Alloys & Specialties	21	3	24
Services & Solutions	62	8	70
Total	533	41	574

Goodwill is tested 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 2017, goodwill was tested at the GCGU level for impairment as of October 31. The GCGU is at the operating segment level of Aperam, which represents the lowest level at which goodwill is monitored for internal management purposes. 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.

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 budget approved by the Board of Directors. 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 1.5% in Europe and 2% in South America. These rates did not exceed the average long-term growth rate for the relevant markets.

For purposes of the 2017 impairment test, the Company estimated shipments 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.

The nickel price estimate for the next 5 years was determined by the management based on internal analysis giving due consideration to forecasts published by external sources.

Management estimated discount rates using pretax 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 2016	11.7%	13.2%	12.4%
GCGU weighted average pre-tax discount rate used in 2017	12.4%	12.2%	11.1%

When estimating GCGU's average selling price for the purpose of 2016 impairment test, the Company used an average price per tonne (based on Stainless steel/CR304 2B 2mm coil transaction price/Southern European domestic delivered prices derived from Steel Business Briefing ("SBB").

The results of the goodwill impairment test of 2016 and 2017 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 sensitised to test the resilience of value in use.

The analysis did not result in any 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 do not meet the criteria for capitalisation and are expensed and included in selling, general and administrative expenses within the consolidated statement of operations. These costs amounted to U.S.$(20) million and U.S.$(18) million in the years ended December 31, 2017, and 2016, respectively. There were no research and development costs capitalised during any of the periods presented.

NOTE 12: BIOLOGICAL ASSETS

The reconciliation of changes in the carrying value of biological assets between the beginning and the end of the year is as follows:

(in millions of U.S. dollars)

Balance at January 1, 2016	45
Additions	12
Change in fair value(1)	4
Harvested tree	(21)
Foreign exchange differences	8
At December 31, 2016	48
Balance at January 1, 2017	48
Additions	11
Change in fair value(1)	15
Harvested trees	(27)
Foreign exchange differences	—
At December 31, 2017	47

Notes:
(1) Recognised in cost of sales in the consolidated statements of operations.

The Company's biological assets comprise eucalyptus forests cultivated and planted in order to supply raw materials for the production of charcoal. The total area of 126 thousand hectares is composed of eucalyptus forest reserves in Brazil. These areas are managed by Aperam BioEnergìa Ltda that provides planting and coal production services.

In order to determine the fair value of biological assets, a discounted cash flow model was used, with the harvest cycle of six to seven years. Fair value measurement of biological assets is categorised within level 3 of fair value hierarchy. The projected cash flows are consistent with area's growing cycle. The volume of eucalyptus production to be harvested was estimated considering the average productivity in cubic meters of wood per hectare from each plantation at the time of harvest. The average productivity varies according to the genetic material, climate and soil conditions and the forestry management programs. The projected volume is based on the average annual growth which at the end of 2017 was equivalent to 30m^3/ha/year.

The projected cash flows are consistent with area's growing cycle. The volume of eucalyptus production to be harvested was estimated considering the average productivity in cubic meters of wood per hectare from each plantation at the time of harvest.

The average net sales price of 41 Brazilian real per m^3 was projected based on the estimated price for eucalyptus in the local market, through a market study and research of actual transactions, adjusted to reflect the price of standing trees by region. The average estimated cost considers expenses for felling, chemical control of growing, pest control, composting, road maintenance, inputs and labour services. Tax effects based on current rates of 34% in 2017, as well as the contribution of other assets, such as property, plant and equipment and land were considered in the estimation based on average rates of return for those assets.

The valuation model considers the net cash flows after income tax and the post-tax discount rate used of 11.91%. Discount rate is calculated using a Capital Asset Pricing Model.

The following table illustrates the sensitivity to a 10% variation in each of the significant unobservable inputs used to measure the fair value of the biological assets on December 31, 2017:

(in millions of U.S. dollars)	Impacts on the fair value resulting from	
Significant unobservable impacts	10% increase	10% decrease
Average annual growth	12	(12)
Average selling price	12	(12)
Discount rate	(5)	5

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarised as follows:

(in millions of U.S. dollars)	Machinery, equipment and others	Land, buildings and improvements	Construction in progress	Total
Cost				
At December 31, 2015	2,253	714	89	3,056
Additions	31	2	97	130
Foreign exchange differences	40	19	2	61
Disposals	(75)	(3)	—	(78)
Other movements	67	(14)	(90)	(37)
At December 31, 2016	2,316	718	98	3,132
Accumulated amortisation and impairment losses				
At December 31, 2015	(1,216)	(233)	—	(1,449)
Depreciation charge of the year	(113)	(17)	—	(130)
Impairment loss	(3)	(1)	—	(4)
Disposals	75	3	—	78
Foreign exchange differences	(19)	(7)	—	(26)
Other movements	30	12	—	42
At December 31, 2016	(1,246)	(243)	—	(1,489)
Carrying amount				
At December 31, 2016	1,070	475	98	1,643
Cost				
At December 31, 2016	2,316	718	98	3,132
Additions	37	—	143	180
Foreign exchange differences	221	66	11	298
Disposals	(28)	(1)	—	(29)
Other movements	78	11	(109)	(20)
At December 31, 2017	2,624	794	143	3,561
Accumulated amortisation and impairment losses				
At December 31, 2016	(1,246)	(243)	—	(1,489)
Depreciation charge of the year	(118)	(18)	—	(136)
Disposals	28	1	—	29
Foreign exchange differences	(126)	(23)	—	(149)
Other movements	24	—	—	24
At December 31, 2017	(1,438)	(283)	—	(1,721)
Carrying amount				
At December 31, 2017	1,186	511	143	1,840

Other movements represent mostly transfers from construction in progress to other categories.

As of December 31, 2017, and 2016, temporarily idle assets included in the Stainless & Electrical Steel segment were U.S.$2 million and U.S.$7 million, respectively. There were no temporarily idle assets included in the other segments as of any of the periods presented.

As of December 31, 2016, the property, plant & equipment of the entities Aperam Stainless Services & Solutions Tubes Europe and Aperam Stainless Services & Solutions Tubes France have been classified as Assets Held for Sale and as such an impairment loss of U.S.$(4) million was recognised as an expense as part of operating result in the consolidated statement of operations for the year ended December 31, 2016 (see Note 4).

During the year ended December 31, 2017, and in conjunction with its testing of goodwill for impairment, the Company analysed 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, 2017, 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 due to Held for Sale classification, no impairment of property, plant and equipment was recorded for the year ended December 31, 2017, and December 31, 2016.

The carrying amount of property, plant and equipment includes U.S.$2 million and U.S.$2 million of finance leases as of December 31, 2017, and 2016, respectively. The carrying amount of these finance leases is included in machinery and equipment. These finance lease arrangements are mainly equipment related to the scrap and slab yard in Belgium for a carrying amount of U.S.$2 million which can be purchased for their book value at the end of the remaining leasing period.

The amount of property, plant and equipment pledged as collateral was U.S.$4 million and U.S.$3 million as of December 31, 2017, and 2016, respectively.

NOTE 14: OTHER INVESTMENTS

The Company holds the following other investments:

(in millions of U.S. dollars)	Location	Ownership % at December 31, 2017	Fair value December 31, 2017	2016
Available-for-sale securities (at fair value)				
General Moly Inc.	U.S.	6.60%	3	2
Gerdau S.A.	Brazil	0.53%	34	30
Total available-for-sale securities			37	32
Investments accounted for at cost				
Exeltium S.A.S.	France	2.05%	—	4
Other			2	1
Total investments accounted for at cost			2	5
Total			39	37

The fair value (applying a Level 1 fair value measurement) of Aperam’s stake in Gerdau amounted to $34 million and U.S.$30 million as of December 31, 2017, and December 31, 2016, respectively. The increase of

U.S.$4 million over the period is due to the increase in the market price of the shares from R$10.80 as of December 31, 2016, to R$12.38 as of December 31, 2017.

The fair value of Aperam's stake in General Moly, amounted to U.S.$3 million and U.S.$2 million as of December 31, 2017, and December 31, 2016, respectively.

The Company reviewed the investments in Gerdau and General Moly for impairment and didn't recorded any impairment loss in the statement of operations for the year ended December 31, 2017 and December 31, 2016. The Company considers a significant or prolonged decline in fair value as objective evidence of impairment.

The Company reviewed the investment in Exeltium for impairment and recorded an impairment loss of U.S.$4 million and nil in the statement of operations for the year ended December 31, 2017 and December 31, 2016, respectively. The Company considers a significant or prolonged decline in fair value as objective evidence of impairment.

NOTE 15: OTHER ASSETS

Other assets consisted of the following:

(in millions of U.S. dollars)	December 31,	
	2017	2016
Call options on Aperam shares [(1)]	101	92
Cash guarantees and deposits	33	33
Long-term VAT receivables	23	29
Pension fund assets [(2)]	17	17
Reimbursement rights [(2)]	3	3
Tax indemnification from ArcelorMittal Bioflorestas	—	2
Other long-term assets	22	19
Total	199	195

Notes:
(1) On June 27, 2014, Aperam acquired call options of its own shares. See Note 21: Financial instruments
(2) See Note 19: Deferred Employee Benefits

NOTE 16: SHORT-TERM AND LONG-TERM DEBT

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

(in millions of U.S. dollars)	December 31,	
	2017	2016
Short-term bank loans and other credit facilities	6	5
Current portion of long-term debt	—	198
Lease obligations	—	1
Total	6	204

Secured borrowing base revolving credit facility

On March 6, 2015 Aperam signed a U.S.$500 million secured borrowing base revolving credit facility ("The Facility") with a group of nine banks. The Facility was structured as a 3-year revolving credit facility and included a one year extension option. It was used for liquidity and working capital purposes. On December 1, 2015, Aperam cancelled a U.S.$100 million of commitments leading to a remaining U.S.$400 million secured borrowing base revolving credit facility. On May 26, 2016, Aperam extended the credit facility until March 5, 2019.

On June 6, 2017, this Facility was cancelled and replaced by an unsecured revolving credit facility (see below).

Unsecured revolving credit facility

On June 6, 2017, Aperam entered into a €300 million Unsecured Revolving Credit Facility ("The Facility") with a group of ten banks. The Facility is structured as a 5-year revolving credit facility with two options of extension by one year each, replacing its U.S.$400 million existing 3-year secured borrowing base facility (see above). It will be used for the company's general corporate purposes.

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

The Facility contains financial covenants, including:
> a minimum ratio of consolidated current assets to consolidated current liabilities of 1.1:1;
> a minimum consolidated tangible net worth of U.S.$2.2 billion; and
> a maximum consolidated total debt of 70% of consolidated tangible net worth.

On December 31, 2017, these financial covenants were fully met.

Long-term debt is comprised of the following:

(in millions of U.S. dollars)	Year of maturity	Type of Interest	Interest rate [1]	December 31, 2017	December 31, 2016
300 Convertible Bonds	2019/2021 [2]	Fixed	0.625%	283	269
200 Convertible Bonds	2017/2020	Fixed	2.625%	—	191
Loans in Brazil	2018-2026	Fixed/Floating	4.50%-11.0%	1	11
Total				284	471
Less current portion of long-term debt				—	(198)
Total long-term debt (excluding lease obligations)				284	273
Lease obligations [3]				2	2
Total long-term debt, net of current portion				286	275

Notes:
(1) Rates applicable to balances outstanding at December 31, 2017.
(2) Convertible bonds maturity is on July 8, 2021 but bonds are puttable by the bondholders on January 8, 2019.
(3) Net of current portion of below U.S.$1 million and U.S.$1 million as of December 31, 2017 and December 31, 2016 respectively.

Convertible Bonds

On September 19, 2013, Aperam issued a U.S.$200 million convertible and/or exchangeable debt instrument with a contractual maturity of 7 years. From June 1, 2017, to October 10, 2017, U.S.$198 million of Bonds were early converted following notice of conversion received from bondholders and 9,446,550 shares were created and delivered to bondholders against their conversion notices. The remaining U.S.$2 million were repaid in cash on October 10, 2017.

On July 8, 2014, Aperam issued a U.S.$300 million convertible and/or exchangeable debt instrument with a contractual maturity of 7 years. These bonds bear interest at 0.625% per annum payable semi-annually on January 8, and July 8, of each year, commencing on January 8, 2015. The bonds are puttable by the bondholders on January 8, 2019, at the principal amount (plus accrued interests).

At inception, the Company determined the bonds met the definition of a compound financial instrument in accordance with IFRS. The Company determined the fair value of the financial liability component of the bonds was U.S.$237 million on the date of issuance. Conversion option is recognised as a derivative financial liability.

Scheduled maturities of short-term and long-term debt are as follows:

(in millions of U.S. dollars)	December 31, 2017
2018	6
2019	283
2020	1
2021	1
2022	—
Subsequent years	1
Total	292

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

(in millions of U.S. dollars)	In USD equivalent as of December 31, 2017				
	Total USD	EUR	USD	BRL	Others
Short-term debt and current portion of long-term debt	6	1	—	3	2
Long-term debt	286	2	283	1	—
Cash	367	267	42	49	9

(in millions of U.S. dollars)	In USD equivalent as of December 31, 2016				
	Total USD	EUR	USD	BRL	Others
Short-term debt and current portion of long-term debt	204	1	191	10	2
Long-term debt	275	2	269	3	1
Cash	325	272	17	24	12

The following tables summarise the Company's bases used to measure its debt at fair value. Fair value measurement has been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

(in millions of U.S. dollars)	As of December 31, 2017				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	290	265	7	—	272
Instruments payable bearing interest at variable rates	2	—	6	—	6
Total	292	265	13	—	278

(in millions of U.S. dollars)	As of December 31, 2016				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	472	677	12	—	689
Instruments payable bearing interest at variable rates	7	—	7	—	7
Total	479	677	19	—	696

Instruments payable classified as Level 1 refer to the Company's listed bonds quoted in active markets. The total fair value is the official closing price as defined by the exchange on which the instrument is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

Instruments payable classified as Level 2 refer to all debt instruments not classified as Level 1. Fixed rate debt is based on estimated future cash flows which are discounted using current zero coupon rates for the relevant maturities and currencies as well as Aperam's credit spread quotations for the relevant maturities.

The following table summarise the movements on financial liabilities between financing cash flows impacts and other non-cash impacts :

(in millions of U.S. dollars)	Short-term debt and current portion of long-term debt	Long-term debt, net of current portion
Balance at December 31, 2016	204	275
Changes from financing cash flows		
Proceeds and (repayments) from debt	(11)	—
Proceeds and (repayments) from finance lease	(1)	—
Total changes from financing cash flows	(12)	—
Effect of changes in foreign exchange rates	—	—
Conversion of convertible bonds in shares	(196)	—
Amortisation of borrowing costs and equity component on convertible notes	7	14
Reclassification between non-current and current debt	3	(3)
Balance at December 31, 2017	6	286

NOTE 17: PROVISIONS

The movements by provision were as follows:

(in millions of U.S. dollars)	Balance at December 31, 2015	Additions	Provisions used during the year	Provisions reversed during the year	Effects of Foreign Exchange and other movements	Balance at December 31, 2016
Litigation (Note 24)	38	10	(1)	(9)	6	44
Environmental (Note 24)	16	—	(1)	—	—	15
Restructuring	1	—	(1)	—	—	—
Voluntary separation plans	2	1	(2)	—	—	1
Other	19	3	(12)	(1)	(1)	8
Total	76	14	(17)	(10)	5	68
Short-term provisions	30					19
Long-term provisions	46					49
Total	76					68

(in millions of U.S. dollars)	Balance at December 31, 2016	Additions	Provisions used during the year	Provisions reversed during the year	Transfer	Effects of Foreign Exchange and other movements	Balance at December 31, 2017
Litigation (Note 24)	44	13	(10)	(2)	(3)	—	42
Environmental (Note 24)	15	2	(2)	—	—	2	17
Voluntary separation plans	1	—	(1)	—	—	1	1
Other	8	4	(2)	(2)	3	1	12
Total	68	19	(15)	(4)	—	4	72
Short-term provisions	19						20
Long-term provisions	49						52
Total	68						72

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.

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. Discussion regarding legal matters is provided in Note 24.

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.

NOTE 18: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses were comprised of the following as of:

(in millions of U.S. dollars)	December 31,	
	2017	2016 [1]
Accrued payroll and employee related expenses	144	119
Payable from acquisition of intangible & tangible assets	67	46
VAT and other amounts due to public authorities	34	21
Revaluation of derivative instruments (Note 21)	6	7
Unearned revenue and accrued payables	4	3
Accrued interests	1	2
Other creditors	15	21
Total	271	219

Note:

[1] Amounts for December 31, 2016, have been restated in accordance with the change of presentation related to TSR programs - see Note 1 to the consolidated financial statements.

NOTE 19: DEFERRED EMPLOYEE BENEFITS

The total net employee benefits as of December 31, 2017 and 2016 are presented as follows in the below table:

(in millions of U.S. dollars)	December 31,	
	2017	2016
Pension fund assets (Note 15)	17	17
Deferred Employee Benefits liabilities	(191)	(173)
Total Net Employee Benefits	(174)	(156)

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, actual return on plan assets and market value of the underlying assets.

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 :

(in millions of U.S. dollars)	December 31,	
	2017	2016
Pension plan benefits liabilities	(105)	(98)
Pension fund assets (Note 15)	17	17
Net Pension Plan	(88)	(81)
Other post-employment benefits	(62)	(54)
Early retirement benefits	(23)	(20)
Other long-term employee benefits	(1)	(1)
Total Net Employee Benefits	(174)	(156)
Reimbursement rights (Note 15)	3	3
Total Net Employee Benefits and reimbursement rights	(171)	(153)

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.

As from 2016, Aperam decided to reduce the contributions to the funds due to the existence of a reversion fund hold by ACEPREV. Indeed, ACEPREV has a reversion fund (Fundo de Reversão - art 37) generated with the amount of provisions from participants that left the plan before retirement date. These participants were not able to receive part of the contributions done by the sponsor (Aperam) and it was reverted to this fund in accordance with the regulation. This fund can be used by the sponsor to reduce future contributions. Aperam is not allowed to receive this amount in cash. As a consequence, Aperam decided to reduce contributions from 2016 onwards. The percentage of reduction is revised annually. Due to Aperam's decision to reduce future contributions, an asset of R$56 million (U.S.$17 million) has been recognised on the balance sheet.

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.

The majority of the funded defined benefit payments described earlier provide benefit payments from trustee-administered funds. Aperam also sponsors a number of unfunded plans where the Company meets the benefit payment obligation as it falls due. Plan assets held in trusts are legally separated from the Company and are governed by local regulations and practice in each country, as is the nature of the relationship between the Company and the governing bodies and their composition. In general terms, governing bodies are required by law to act in the best interest of the plan members and are responsible for certain tasks related to the plan (e.g. setting the plan's investment policy).

As from December 2015 new Belgian legislation modifies the minimum guaranteed rates of return applicable to Belgian Defined Contribution Plans. For insured plans, the rates of 3.25% on employer contributions and 3.75% on employee contributions will continue to apply to the accumulated pre-2016 contributions. For contributions paid as from January, 1, 2016, a new variable minimum guaranteed rate of return will apply. For 2016 and 2017 the minimum guaranteed rate of return was 1.75% and this is also the best estimate for future years. This change in Belgian legislation, results into minimum guaranteed benefits at the date of leaving or retirement.
Those plans, which are funded through group insurances, were basically accounted for as defined contribution plans until 2016 and are recorded as defined benefit plans since January 1, 2017. This resulted in the recognition of U.S.$92 million as fair value of plan assets at end 2017 compensated by U.S.$(92) million of benefit obligation at end 2017.

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

(in millions of U.S. dollars)	Year Ended December 31, 2017 Total	Brazil	Europe
Change in benefit obligation			
Benefit obligation at beginning of the year	(181)	(82)	(99)
Service cost	—	—	—
Interest cost	(11)	(10)	(1)
Actuarial gain / (loss)	(30)	(34)	4
Demographic assumptions	—	—	—
Financial assumptions	(25)	(26)	1
Experience adjustments	(5)	(8)	3
Benefits paid	12	7	5
Obligations transfer	(92)	—	(92)
Foreign currency exchange rate differences and other movements	(16)	3	(19)
Benefit obligation at end of the year	(318)	(116)	(202)
Actives	(94)	(10)	(84)
Terminated vested	(19)	—	(19)
Retirees	(205)	(106)	(99)
Benefit obligation at end of the year	(318)	(116)	(202)
Change in plan assets			
Fair value of plan assets at beginning of the year	151	150	1
Interest income on plan assets	17	17	—
Return on plan assets greater/(less) than discount rate	7	7	—
Obligation transfer	92	—	92
Benefits paid	(7)	(7)	—
Foreign currency exchange rate differences and other movements	3	(3)	6
Fair value of plan assets at end of the year	263	164	99
Present value of wholly or partly funded obligation	216	117	99
Fair value of plan assets	263	164	99
Net present value of wholly or partly funded obligation	47	47	—
Present value of unfunded obligation	(105)	—	(105)
Prepaid due to unrecoverable surpluses	(30)	(30)	—
Recognised net liabilities	(88)	17	(105)
Change in unrecoverable surplus			
Unrecoverable surplus at beginning of the year	(51)	(51)	—
Interest cost on unrecoverable surplus	(5)	(5)	—
Change in unrecoverable surplus in excess of interest	25	25	—
Exchange rates changes	—	—	—
Unrecoverable surplus at end of the year	(30)	(30)	—

(in millions of U.S. dollars)	Year Ended December 31, 2016 Total	Brazil	Europe
Change in benefit obligation			
Benefit obligation at beginning of the year	(154)	(53)	(101)
Service cost	—	—	—
Interest cost	(10)	(8)	(2)
Actuarial gain / (loss)	(18)	(15)	(3)
Demographic assumptions	—	—	—
Financial assumptions	(17)	(11)	(6)
Experience adjustments	(1)	(4)	3
Benefits paid	11	6	5
Obligations transfer	—	—	—
Foreign currency exchange rate differences and other movements	(10)	(12)	2
Benefit obligation at end of the year	(181)	(82)	(99)
Actives	(6)	(4)	(2)
Terminated vested	(5)	—	(5)
Retirees	(170)	(78)	(92)
Benefit obligation at end of the year	(181)	(82)	(99)
Change in plan assets			
Fair value of plan assets at beginning of the year	104	103	1
Interest income on plan assets	15	15	—
Return on plan assets greater/(less) than discount rate	16	16	—
Obligation transfer	—	—	—
Benefits paid	(6)	(6)	—
Foreign currency exchange rate differences and other movements	22	22	—
Fair value of plan assets at end of the year	151	150	1
Present value of wholly or partly funded obligation	92	82	10
Fair value of plan assets	151	150	1
Net present value of wholly or partly funded obligation	59	68	(9)
Present value of unfunded obligation	(89)	—	(89)
Prepaid due to unrecoverable surpluses	(51)	(51)	—
Recognised net liabilities	(81)	17	(98)
Change in unrecoverable surplus			
Unrecoverable surplus at beginning of the year	(50)	(50)	—
Interest cost on unrecoverable surplus	(5)	(5)	—
Change in unrecoverable surplus in excess of interest	13	13	—
Exchange rates changes	(9)	(9)	—
Unrecoverable surplus at end of the year	(51)	(51)	—

Asset ceiling

In accordance with IFRS, assets recognised 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 recognised in the fair value of plan assets due to the asset ceiling was U.S.$30 million and U.S.$51 million at December 31, 2017, and 2016, respectively.

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

(in millions of U.S. dollars)	Year Ended December 31, 2017		
	Total	Brazil	Europe
Net periodic pension cost			
Service cost	—	—	—
Net Interest (cost) / income on net (liability) / asset	1	2	(1)
Administration costs	—	—	—
Total	1	2	(1)

(in millions of U.S. dollars)	Year Ended December 31, 2016		
	Total	Brazil	Europe
Net periodic pension cost			
Service cost	—	—	—
Net Interest (cost) / income on net (liability) / asset	—	2	(2)
Administration costs	(1)	(1)	—
Total	(1)	1	(2)

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, 2017		
(in millions of U.S. dollars)	Total	Brazil	Europe
Change in post-employment benefit obligation			
Benefit obligation at beginning of year	(54)	(1)	(53)
Service cost	(3)	—	(3)
Interest cost	(1)	—	(1)
Actuarial (gain)/loss	(1)	—	(1)
Demographic assumptions	—	—	—
Financial assumptions	—	—	—
Experience adjustments	—	—	—
Benefits paid	3	—	3
Curtailments	—	—	—
Foreign currency exchange rate changes and other movements	(6)	1	(7)
Benefits obligation at end of year	(62)	—	(62)
Actives	(62)	—	(62)
Terminated vested	—	—	—
Retirees	—	—	—
Benefit obligation at end of the year	(62)	—	(62)
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	62	—	62
Recognised liabilities	(62)	—	(62)

(in millions of U.S. dollars)	Year Ended December 31, 2016 Total	Brazil	Europe
Change in post-employment benefit obligation			
Benefit obligation at beginning of year	(57)	(1)	(56)
Service cost	(2)	—	(2)
Interest cost	(1)	—	(1)
Actuarial (gain)/loss	(2)	—	(2)
Demographic assumptions	—	—	—
Financial assumptions	(4)	—	(4)
Experience adjustments	2	—	2
Benefits paid	4	—	4
Curtailments	—	—	—
Foreign currency exchange rate changes and other movements	1	—	—
Benefits obligation classified as held for sale (Note 4)	3	—	3
Benefits obligation at end of year	(54)	(1)	(53)
Actives	(54)	(1)	(53)
Terminated vested	—	—	—
Retirees	—	—	—
Benefit obligation at end of the year	(54)	(1)	(53)
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	54	1	53
Recognised liabilities	(54)	(1)	(53)

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

(in millions of U.S. dollars)	Year Ended December 31, 2017 Total	Brazil	Europe
Components of net periodic OPEB benefit			
Service cost	(3)	—	(3)
Past service cost – Curtailments	—	—	—
Net Interest (cost)/income on net (liability)/asset	(1)	—	(1)
Actuarial gains/(losses) recognised during the year	(1)	—	(1)
Total	(5)	—	(5)

(in millions of U.S. dollars)	Year Ended December 31, 2016 Total	Brazil	Europe
Components of net periodic OPEB benefit			
Service cost	(2)	—	(2)
Past service cost – Curtailments	—	—	—
Net Interest (cost)/income on net (liability)/asset	(1)	—	(1)
Actuarial gains/(losses) recognised during the year	(1)	—	(1)
Total	(4)	—	(4)

Reimbursement rights

Reimbursement rights arising from reinsurance contracts covering retirement pensions, death and disability benefits in Germany amount to U.S.$3 million as of December 31, 2017 and U.S.$3 million as of December 31, 2016.

Plan Assets

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

	At December 31,	
	2017	2016
Equity Securities	—	—
Asset classes that have a quoted market price in an active market	—	—
Asset classes that do not have a quoted market price in an active market	—	—
Fixed Income (including cash)	97%	97%
Asset classes that have a quoted market price in an active market	97%	97%
Asset classes that do not have a quoted market price in an active market	—	—
Real Estate	2%	3%
Asset classes that do not have a quoted market price in an active market	2%	3%
Asset classes that have a quoted market price in an active market	—	—
Other	1%	—
Total	100%	100%

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

	At December 31,	
	2017	2016
Equity Securities	—	—
Asset classes that have a quoted market price in an active market	—	—
Asset classes that do not have a quoted market price in an active market	—	—
Fixed Income (including cash)	—	—
Asset classes that have a quoted market price in an active market	—	—
Asset classes that do not have a quoted market price in an active market	—	—
Real Estate	—	—
Asset classes that do not have a quoted market price in an active market	—	—
Asset classes that have a quoted market price in an active market	—	—
Other	100%	100%
Total	100%	100%

The assets related to the funded defined benefit pension plans in Europe are all related to insured contracts in Belgium. 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 U.S.$24 million and U.S.$31 million in 2017 and 2016, 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	3%	—
Fixed Income (including cash)	93%	—
Real Estate	2%	—
Other	2%	100%
Total	100%	100%

Weighted average assumptions used to determine benefit obligations:

	Pension Plans		Other Post-Employment Benefits	
	December 31,		December 31,	
	2017	2016	2017	2016
	Discount rate			
Range	1.45%-9.30%	1.45%-11.2%	1.45%-9.30%	1.45%-11.2%
Weighted average	4.31%	5.88%	1.47%	1.52%
	Rate of compensation increase			
Range	2.00%-7.42%	2.00%-8.03%	3.05%-7.42%	3.05%-8.03%
Weighted average	3.25%	5.17%	3.06%	3.11%
	Average longevity at retirement age for current pensioners (years)			
Males	21.507	21.783	18.804	18.898
Females	24.546	24.881	22.046	22.066
	Average longevity at retirement age for future pensioners (years)			
Males	22.451	22.871	18.804	18.898
Females	25.572	26.062	22.046	22.066

Cash Contributions and maturity profile of the plans

In 2018, the Company expects its cash contributions to amount to U.S.$4 million for pension plans, U.S.$3 million for other post-employment benefits plans and U.S.$8 million for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were U.S.$8 million and U.S.$7 million in 2017 and 2016, respectively. At December 31, 2017, the weighted average durations of the pension and other post-employment benefits plans were 12 years and 10 years, respectively.

Risks associated with defined benefit plans

Through its defined benefit pension plans and OPEB plans, Aperam is exposed to a number of risks, the most significant of which are detailed below:

Change in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Investment risk

The present value of the defined plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. For Aperam's funded plans, plan assets hold a significant portion of equities, which are expected to outperform corporate bond in the long-term while providing volatility and risk in the short-term. Due to the long-term nature of the plan liabilities, the Company considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the plans.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

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, 2017, the defined benefit obligation ("DBO") for pension plans was U.S.$318 million):

(in millions of U.S. dollars)	Effect on 2018 Pre-T ax Pension Expense (sum of service cost and interest cost) [1]	Effect of December 31, 2017 DBO
Change in assumption		
100 basis point decrease in discount rate	1	(45)
100 basis point increase in discount rate	(1)	37
100 basis point decrease in rate of compensation	—	3
100 basis point increase in rate of compensation	—	(3)
1-year increase of the expected life of the beneficiaries	—	(7)

Note:
(1) Effects of change in assumptions on 2017 Pre-Tax pension expense were below U.S.$ 1 million.

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, 2017 the DBO for post-employment benefit plans was U.S.$63 million):

(in millions of U.S. dollars)	Effect on 2018 Pre-T ax Pension Expense (sum of service cost and interest cost) (1)	Effect of December 31, 2017 DBO
Change in assumption		
100 basis point decrease in discount rate	—	(7)
100 basis point increase in discount rate	—	6
100 basis point decrease in rate of compensation	—	5
100 basis point increase in rate of compensation	(1)	(6)
1-year increase of the expected life of the beneficiaries	—	—

Note:
(1) Effects of change in assumptions on 2017 OPEB expense were below U.S.$1 million.

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.

NOTE 20: EQUITY

Authorised shares

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

Share capital

On September 9, 2010, the Company's subscribed share capital was fixed in the sum of U.S.$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).

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.

On June 2, 2017, and June 22, 2017, the Company increased its share capital by €6,999,985 (U.S.$8 million) from €408,831,000 (U.S.$547 million) to €415,830,985 (U.S.$555 million) through the issuance of 1,288,166 and 47,709 new shares delivered to bondholders of Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices. The aggregate number of shares issued and fully paid up increased to 79,385,605.

On June 22, 2017, following the decision of the Extraordinary General Meeting of May 10, 2017, to cancel issued shares acquired under the share buyback program announced on February 9, 2017, the Company cancelled 2,000,000 issued shares acquired under the Program. The share capital decreased from €415,830,985 (U.S.$555 million) to €405,350,985 (U.S.$541 million). The aggregate number of shares issued and fully paid up decreased to 77,385,605.

On August 4 and August 11, 2017, the Company increased its share capital by €25,749,984 (U.S.$30 million) from €405,350,985 (U.S.$541 million) to €431,100,969 (U.S.$571 million) through the issuance of 4,036,258 and 877,861 new shares, at a conversion price of U.S.$20.96 per share, delivered to bondholders of Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices. The aggregate number of shares issued and fully paid up increased to 82,299,724.

On September 8, 2017, Aperam gave notice to bondholders of its convertible bonds maturing 2020 that it intended to redeem the bonds on the optional redemption date, being October 16, 2017, at their principal amount together with accrued but unpaid interest to such date. Several bondholders holding Convertible Bonds due 2020 decided to exercise their option for conversion into shares. On October 11, 2017, the Company increased its share capital by €16,749,953 (U.S.$20 million) from €431,100,969 (U.S.$571 million) to €447,850,922 (U.S.$591 million) through the issuance of 3,196,556 new shares, at a conversion price of U.S.$20.96 per share, delivered to bondholders of Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices. The aggregate number of shares issued and fully paid up increased to 85,496,280.

The remaining bondholders with face value of U.S.$2 million were redeemed at par.

Considering the share buyback of 2 million shares completed in June 2017 and the cancellation of such shares, net shares issued during the year 2017 was 7,446,550 shares, with a current total number of issued shares amounting 85,496,280 shares.

On December 31, 2017, the Company has 85,496,280 shares issued and 85,313,778 shares outstanding, with no par value, for a total amount of U.S.$591 million.

Treasury shares

In January 2016, a total of 782 shares were allocated to qualifying employees under the RSU plan granted in August 2013. In April 2016, a total of 35,817 shares were allocated to qualifying employees under the RSU plan granted in April 2013. In August and September 2016, a total of 144,554 shares were allocated to qualifying employees under the RSU and PSU plans granted in August and September 2013.

Between March 7, 2017, and June 16, 2017, the Company acquired 2,000,000 of its own shares under the share buyback program announced on February 9, 2017, for a total consideration of U.S.$98 million.

On June 22, 2017, 2,000,0000 shares acquired under the share buyback program were cancelled in line with the announced purpose of the program.

During 2017, a total of 66,550 shares were allocated to qualifying employees under the PSU plan granted in June 2014. During 2017, a total of 39,000 shares were allocated to qualifying employees under the RSU plan granted in September 2014.

Aperam held 182,502 and 278,381 treasury shares as of December 31, 2017, and 2016, respectively. Refer to Note 22 “Balance and Transactions with Related Parties” for additional information.

Dividends

On May 4, 2016, the shareholders approved at the annual general meeting of shareholders a gross dividend per share of U.S.$.1.25 (gross) per share. The dividend were paid in four equal quarterly instalments of U.S.$0.3125 (gross) per share.

On May 10, 2017, the shareholders approved at the annual general meeting of shareholders a gross dividend per share of U.S.$.1.50 (gross) per share. The dividend is being paid in four equal quarterly instalments of U.S.$0.375 (gross) per share.

Stock Option Plans

For historical reasons, certain of the Group's employees participate in stock based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal.

For the years ended December 31, 2017, and 2016, the amount of outstanding options was 46,636 and 332,850 respectively. The amount of exercisable options was 46,636 and 332,850 respectively for the years ended December 31, 2017, and 2016. Exercise prices of ArcelorMittal stock options vary from U.S.$91.98 to U.S.$235.32. Weighted average contractual life of the options varies from 0.6 to 2.6 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 incentivise 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 RSU and PSU plans 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 aim of the RSU Plan is to provide a retention incentive to eligible employees. 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 main objective of the PSU Plan is to be an effective performance-enhancing scheme based on the achievement of the Company’s strategy.

The maximum number of shares available for grant is subject to the prior approval of the Company's shareholders at the annual general meeting, such approval being valid until the next annual general meeting.

The allocation of equity based incentives to eligible employees under the RSU Plan and the PSU Plan is reviewed by the Remuneration, Nomination and Corporate Governance Committee of the Board of Directors, which makes a proposal and recommendation to the full Board of Directors.

The following table summarizes the Company's share unit plans outstanding December 31, 2017:

At Grant date						Number of shares issued as of December 31, 2017		
Grant date	Type of plan	Number of shares	Number of beneficiaries	Maturity	Fair value per share (in U.S.$)	Shares outstanding	Shares vested	Shares forfeited
Aug. 26, 2015	PSU	49,232	42	Aug 26, 2018	32.19	49,232	—	—
Aug. 26, 2015	RSU	27,500	32	Aug 26, 2018	32.19	27,500	—	—
Aug. 31, 2016	PSU	46,761	54	Aug 31, 2019	39.14	46,761	—	—
Aug. 31, 2016	RSU	33,550	44	Aug 31, 2019	39.14	33,550	—	—
Aug. 31, 2017	PSU	71,884	54	Aug 31, 2020	52.43	71,884	—	—
TOTAL		228,927				228,927	—	—

The fair value of the shares allocated to the beneficiaries is recorded as an expense in the consolidated statements of operations (selling, general and administrative expenses) over the relevant vesting or service periods. The compensation expense recognised for the restricted stock units was U.S.$(2) million and U.S.$(2) million for the year ended December 31, 2017, and 2016, respectively.

Share unit plan activity is summarized below as of and for each year ended December 31, 2017 and 2016 :

	RSUs		PSUs	
	Number of shares	Fair value per share (U.S.$)	Number of shares	Fair value per share (U.S.$)
Outstanding Dec. 31, 2015	152,327	23.00	189,749	25.49
Granted	33,550	39.14	46,761	39.14
Vested	(74,385)	15.80	(70,290)	15.80
Forfeited	(2,442)	15.80	(6,388)	15.80
Outstanding Dec. 31, 2016	109,050	34.23	159,832	34.14
Granted	—	—	71,884	52.43
Vested	(39,000)	31.97	(46,291)	31.97
Forfeited	(9,000)	31.97	(17,548)	31.97
Outstanding Dec. 31, 2017	61,050	36.01	167,877	42.79

Option premium on convertible bonds

The option premium on convertible bonds of U.S.$39 million, net of deferred tax liability of U.S.$12 million represented the equity component (conversion rights) of the U.S.$200 million convertible debt instrument issued on September 19, 2013. Following the debt conversion and redemption in 2017 (see Note 16) the equity component was reclassified from "Option premium on convertible bonds" to "Retained Earnings".

Earnings per common share

For the purpose of calculating earnings per common share, diluted weighted average common shares outstanding excluded approximately 7 million potential common shares coming from the assumed conversion of the U.S.$300 million convertible bond described in Note 16 for the year ended December 31, 2016, because the potential common shares are anti-dilutive.

	Year Ended December 31,	
(in millions of U.S. dollars)	2017	2016
Net income considered for the purposes of basic earnings per share	361	214
Interest (expense)/income for the U.S.$200 million Convertible Bonds issued in 2013	—	11
Interest (expense)/income for the U.S.$300 million Convertible Bonds issued in 2014	19	—
Net income considered for the purposes of diluted earnings per share	380	225
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	80.0	77.7
Incremental shared from assumed conversion of stock options, restricted share units and performance share units	0.2	0.2
Incremental shares from assumed conversion of the U.S.$200 million Convertible Bonds issued in 2013	—	9.1
Incremental shares from assumed conversion of the U.S.$300 million Convertible Bonds issued in 2014	8.3	—
Weighted average common shares assuming conversions (in millions) used in the calculation of diluted earnings per share	88.5	87.0

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors capital using a ratio of Net Financial Debt divided by Equity which is called gearing ratio. Net Financial Debt or Net cash refers to long-term debt, plus short-term debt, less cash and cash equivalents (including short-term investments) and restricted cash.

The gearing ratio at end of the reporting period was as follows :

	December 31,	
(in millions of U.S. dollars)	2017	2016
Long-term debt	286	275
Short-term debt	6	204
Cash and cash equivalents	(367)	(325)
(Net cash) / Net financial debt	(75)	154
Equity	3,050	2,485
Gearing	n/a	6%

NOTE 21: FINANCIAL INSTRUMENTS

Fair values versus carrying amounts

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. The following table summarises assets and liabilities based on their categories as of December 31, 2017.

					Instruments at fair value		
(in millions of U.S. dollars)	Carrying amount in statements of financial position	Non-financial assets and liabilities	Loan and receivables	Liabilities at amortised cost	Fair value recognised in profit and loss	Available for sale assets	Derivatives
ASSETS							
Current assets:							
Cash and cash equivalents	367	—	367	—	—	—	—
Trade accounts receivable	324	—	3243	—	—	—	—
Inventories	1,475	1,475	—	—	—	—	—
Prepaid expenses and other current assets	88	46	25	—	—	—	17
Income tax receivable	10	10	—	—	—	—	—
Total current assets	2,264	1,531	716	—	—	—	17
Non-current assets:							
Goodwill and intangible assets	610	610	—	—	—	—	—
Biological assets	47	—	—	—	47	—	—
Property, plant and equipment	1,840	1,840	—	—	—	—	—
Other investments	39	2	—	—	—	37	—
Deferred tax assets	237	237	—	—	—	—	—
Other assets	199	20	78	—	—	—	101
Total non-current assets	2,972	2,709	78	—	47	37	101
Total assets	5,227	4,240	785	—	47	37	118
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt and current portion of long-term debt	6	—	—	6	—	—	—
Trade accounts payable	1,076	—	—	1,076	—	—	—
Short-term provisions	20	20	—	—	—	—	—
Accrued expenses and other liabilities	271	67	—	199	—	—	5
Income tax liabilities	4	4	—	—	—	—	—
Total current liabilities	1,377	91	—	1,281	—	—	5
Non-current liabilities:							
Long-term debt, net of current portion	286	—	—	286	—	—	—
Deferred tax liabilities	167	167	—	—	—	—	—
Deferred employee benefits	191	191	—	—	—	—	—
Long-term provisions	52	52	—	—	—	—	—
Other long-term obligations	113	5	—	7	—	—	101
Total non-current liabilities	809	415	—	293	—	—	101
Equity:							
Equity attributable to the equity holders of the parent	3,046	3,046	—	—	—	—	—
Non-controlling interests	4	4	—	—	—	—	—
Total equity	3,050	3,050	—	—	—	—	—
Total liabilities and equity	5,236	3,556	—	1,574	—	—	106

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

(in millions of U.S. dollars)	As of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Biological assets	—	—	47	47
Available-for-sale financial assets	37	—	—	37
Derivative financial current assets	—	17	—	17
Derivative financial non-current assets	—	—	101	101
Total assets at fair value	37	17	148	202
Liabilities at fair value:				
Derivative financial current liabilities	—	5	—	5
Derivative financial non-current liabilities	—	—	101	101
Total liabilities at fair value	—	5	101	106

(in millions of U.S. dollars)	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Biological assets	—	—	48	48
Available-for-sale financial assets	32	—	—	32
Derivative financial current assets	—	9	—	9
Derivative financial non-current assets	—	—	92	92
Total assets at fair value	32	9	140	181
Liabilities at fair value:				
Derivative financial current liabilities	—	7	—	7
Derivative financial non-current liabilities	—	—	92	92
Total liabilities at fair value	—	7	92	99

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 foreign exchange rates and commodity prices (base metals). The total fair value is based on the price a dealer would pay or receive for the security or similar securities, adjusted for any terms specific to that asset or liability.

Market inputs are obtained from well-established and recognised vendors of market data (Bloomberg and Reuters) and the fair value is calculated using standard industry models based on significant observable market inputs such as foreign exchange rates, commodity prices, swap rates, and interest rates. Derivative financial assets classified as Level 3 refer to the call options bought end of June 2014 by the Company on its own shares which may be exercised at the conversion price of the convertible bonds issued on July 8, 2014. Derivative financial liability classified as Level 3 refers to the conversion option in the U.S.$300 million convertible bonds. The fair valuation of Level 3 derivative instruments is established at each reporting date in relation to which an analysis is performed in respect of changes in the fair value measurement since the last period.

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

Aperam establishes the fair valuation of the call options on its own shares and the conversion option with respect to the U.S.$300 million convertible bonds through the use of a volatility model based on a partial differential equation.

The model uses an iterative procedure to price options, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the option's expiration date.

In contrast to the Black-Scholes model, which provides a numerical result based on inputs, the model allows for the calculation of the asset and the option for multiple periods along with the range of possible results for each period. Observable input data used in the valuations include zero coupon yield curves, stock market prices and Libor interest rates. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available.

The following tables summarised the reconciliation of the fair value of the assets and liabilities classified as Level 3 for the year ended December 31, 2017:

(in millions of U.S. dollars)	U.S.$300 million convertible bonds' conversion option	Call option on own shares	Total
Balance as of December 31, 2016	(92)	92	—
Change in fair value[1]	(9)	9	—
Balance as of December 31, 2017	(101)	101	—

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

For more information on Biological assets, please refer to Note 12.

Portfolio of Derivatives

The Company enters into derivative financial instruments to manage its exposure to fluctuations in exchange rates and the price of raw materials arising from operating, financing and investment activities.

The Company's portfolio of derivatives consists of transactions with Aperam Treasury S.C.A., which in turn enters into offsetting positions with counterparties external to Aperam. Aperam manages the counterparty risk associated with its instruments by centralising its commitments and by applying procedures which specify, for each type of transaction exposure limits based on the risk characteristics of the counterparty.

The portfolio associated with derivative financial instruments as of December 31, 2017, is as follows:

	Assets		Liabilities	
(in millions of U.S. dollars)	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	26	—	29	—
Forward sale contracts	46	1	4	—
Total foreign exchange rate instruments		1		—
Raw materials (base metal)				
Term contracts sales metals	37	2	35	(4)
Term contracts purchases metals	89	14	21	(1)
Total raw materials (base metal)		16		(5)
Total		17		(5)

The portfolio associated with derivative financial instruments as of December 31, 2016, is as follows:

(in millions of U.S. dollars)	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	89	—	16	—
Forward sale contracts	55	2	5	—
Total foreign exchange rate instruments		2		—
Raw materials (base metal)				
Term contracts sales metals	84	4	14	(1)
Term contracts purchases metals	35	3	76	(6)
Total raw materials (base metal)		7		(7)
Total		9		(7)

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.

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

(in millions of U.S. dollars)	December 31, 2017					
	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 U.S.$100 million	(283)	(286)	(2)	(284)	—	—
Trade payables	(1,076)	(1,076)	(1,076)	—	—	—
Other non-derivative financial liabilities	(9)	(17)	(12)	(1)	(4)	(1)
Total	(1,368)	(1,379)	(1,090)	(285)	(4)	(1)
Derivative financial liabilities						
Foreign exchange contracts	—	—	—	—	—	—
Other commodities contracts	(5)	(5)	(5)	—	—	—
Total	(5)	(5)	(5)	—	—	—

(in millions of U.S. dollars)	December 31, 2016					
	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 U.S.$100 million	(460)	(511)	(207)	(2)	(302)	—
Trade payables	(905)	(905)	(905)	—	—	—
Other non-derivative financial liabilities	(19)	(20)	(14)	(3)	(2)	(1)
Total	(1,384)	(1,436)	(1,126)	(5)	(304)	(1)
Derivative financial liabilities						
Foreign exchange contracts	—	—	—	—	—	—
Other commodities contracts	(7)	(7)	(7)	—	—	—
Total	(7)	(7)	(7)	—	—	—

Cash flow hedges

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

	December 31, 2017					
	(outflows)/inflows					
(in millions of U.S. dollars)	Carrying Amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	7	5	1	1	—	—
Foreign exchange contracts	2	1	1	—	—	—
Total	9	6	2	1	—	—

	December 31, 2016					
	(outflows)/inflows					
(in millions of U.S. dollars)	Carrying Amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	2	3	(1)	—	—	—
Foreign exchange contracts	(4)	(2)	(1)	(1)	—	—
Total	(2)	1	(2)	(1)	—	—

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

	December 31, 2017					
	(expense)/income					
(in millions of U.S. dollars)	Carrying Amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	7	5	1	1	—	—
Foreign exchange contracts	2	1	1	—	—	—
Total	9	6	2	1	—	—

	December 31, 2016					
	(expense)/income					
(in millions of U.S. dollars)	Carrying Amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	2	3	(1)	—	—	—
Foreign exchange contracts	(4)	(2)	(1)	(1)	—	—
Total	(2)	1	(2)	(1)	—	—

Raw materials

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

Fair values of raw material instruments are as follows:

(in millions of U.S. dollars)	At December 31,	
	2017	2016
Base metals	11	—
Total	11	—
Assets associated with raw material	16	7
Liabilities associated with raw material	(5)	(7)
Total	11	—

The Company consumes large amounts of commodities (mainly nickel), the price of which is related to the London Metals Exchange price 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, 2017	
(in millions of U.S. dollars)	Income	Other Equity Cash Flow Hedging Reserves
10% appreciation in U.S. dollar	16	(16)
10% depreciation in U.S. dollar	(16)	16

Cash flow sensitivity analysis for variable rate instruments

The Company's sensitivity to a change of 100 basis points variation in interest rates for variable rate instruments would have an impact lower than U.S.$1 million on profit or loss. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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, 2017	
(in millions of U.S. dollars)	Income	Other Equity Cash Flow Hedging Reserves
10% appreciation in U.S. dollar	(8)	13
10% depreciation in U.S. dollar	8	(13)

NOTE 22: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

(in millions of U.S. dollars)	Year Ended December 31,		December 31,	
	2017	2016	2017	2016
Transactions	Sales		Included in Trade accounts receivable	
ArcelorMittal and its subsidiaries	94	65	5	3
Total	94	65	5	3

(in millions of U.S. dollars)	Year Ended December 31,		December 31,	
	2017	2016	2017	2016
Transactions	Purchase of raw material & others		Included in Trade accounts payable	
ArcelorMittal and its subsidiaries	261	189	32	40
Total	261	189	32	40

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

(in millions of U.S. dollars)	Year Ended December 31,	
	2017	2016
Raw materials	55	34
Energy supply contracts	143	127

Transactions and balances with related parties also include the following:

(in millions of U.S. dollars)	December 31,	
	2017	2016
Convertible bonds – long term debt(1)	—	82
Tax indemnification from ArcelorMittal Bioflorestas (current and non-current assets)	2	5
Other current assets	—	1
Other current liabilities	1	3

Note:
(1) On September 19, 2013, Aperam issued convertible and/or exchangeable bonds for a total consideration of U.S.$200 million, of which 40.85% or U.S.$82 million have been subscribed by Lumen Investments S.à r.l. During the year 2017, Lumen Investments S.à r.l. transferred its bonds to Value Holdings II S.à r.l. These bonds have been subsequently converted into shares during the year 2017.

(in millions of U.S. dollars)	Year Ended December 31,	
	2017	2016
Selling, general and administrative expenses	5	4

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 25 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.

NOTE 23: 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

(in millions of U.S. dollars)	Year Ended December 31,	
	2017	2016
Purchase commitments	1,419	1,587
Guarantees, pledges and other collateral	150	1,013
Operating leases	51	42
Total	1,620	2,642

Purchase commitments

Purchase commitments consist of the major agreements for procuring electricity and nickel. The Company also entered into agreements for industrial gas, molybdenum, chromium, scrap and mill rolls. Those commitments are valued based on the market quotations at relevant markets, depending on the contracts and related conditions either as an average or at year-end for each commodity.

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 receivables pledged to secure the borrowing base revolving credit facility (see Notes 8, 9 and 13). Other collateral include documentary credits, letters of credit and sureties.

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, 2017 according to maturity periods are as follows:

(in millions of U.S. dollars)	December 31, 2017
Less than 1 year	11
1-3 years	13
4-5 years	11
More than 5 years	16
Total	51

NOTE 24: 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, 2017, the Company had established reserves of U.S.$17 million for environmental and remedial activities and liabilities.

Belgium

In Belgium, there is an environmental provision of U.S.$7 million, of which the most significant elements are legal obligations linked to soil treatment and removal of slag. In 2015 an external company has been assigned to evaluate potential soil pollution at the site of Châtelet. Based on the initial investigation, a limited pollution has been confirmed and we are still waiting for instructions from the official instances about the possible remediation measures.

France

In France, there is an environmental provision of U.S.$10 million, which relates to (i) the demolition and clean-up of the Company's Ardoise facility after operations ceased at the site, (ii) the demolition costs of few minor production equipments put permanently out of service and (iii) the clean-up and restructuring of its Firminy 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

Set out below is a summary description of the tax claims (i) in respect of which Aperam had recorded a provision as of December 31, 2017, (ii) that constitute a contingent liability, or (iii) that were resolved in 2017, in each case involving amounts deemed material by Aperam. The Company is vigorously defending against each of the pending claims discussed below. As of December 31, 2017, the Company has established reserves in the aggregate of approximately U.S.$13 million for those of the claims as to which the criteria for provisioning were met.

> On March 31, 2017, Aperam South America received a tax assessment related to the tax benefit taken in 2012 from the goodwill generated by the acquisition of the minority shares for the delisting of the Company that occured in 2008. The total amount claimed is R$57 million (U.S.$17 million). On September 29, 2017, the first instance decision was not favorable to the Company. On October 30, 2017, the Company presented its appeal.

> On November 22, 2016, Aperam South America received a tax assessment related to IPI (tax on manufactured products) for year 2011-2012 for its branch in Sumare, Brazil. Total amount claimed is R$24 million (U.S.$7 million). The Company presented its defense on December 21, 2016.

> On December 15, 2015, Aperam South America received two tax assessments from the State of Minas Gerais in relation to use of ICMS (VAT) credits generated by the acquisition of goods for use & consumption from January 2010 to April 2015. The total amount claimed was R$27 million (U.S.$8 million). The case was closed in December 2017 with the Company's adhesion to the Minas Gerais amnesty program.

> On December 11, 2015, Aperam South America received a tax assessment related to ICMS generated in 2010 from distribution & transmission of electricity power. The total amount claimed is R$19 million (U.S.$6 million). The case was closed in December 2017 with the Company's adhesion to the Minas Gerais amnesty program.

> On May 19, 2015, Aperam South America received two tax assessments related to social contributions regarding years 2010-2011 in a total amount of R$21 million (U.S.$6 million). The Company presented its defense on June 18, 2015. In March 2017, the Company received a partially favorable decision. In July 2017, the Company filed an action for annulment of the tax debits before Judicial Court.

> On July 23, 2014, Aperam South America received a tax assessment related to the tax benefit taken in 2010 and 2011 from the goodwill generated by the acquisition of the minority shares for the delisting of the Company that occured in 2008. The total amount claimed by the Federal Revenue Service is R$230 million (U.S.$70 million). The Company presented its defense on August 21, 2014, at the first administrative level. On July 1, 2016, the Company received an unfavorable decision that it appealed on July 29, 2016.

> On July 11, 2014, Aperam South America received two tax assessments for social contributions paid in relation to 2009 and 2010 "Profit Sharing Program" for a total amount of R$48 million (U.S.$15 million). The Company presented its defense successively on August 12, 2014, and December 2, 2014, at the first administrative level. On February 26, 2015, the decision was unfavorable. The Company appealed on May 7, 2015. On July 13, 2016, Court of Appeal's decisions were partially favorable to the Company. The Company appealed in May 2017 to the third administrative instance.

> On June 26, 2014, Aperam South America received a tax assessment from the State of Minas Gerais for a total consideration of R$35 million (U.S.$11 million) related to VAT (ICMS) credit taken by the company as the result of the acquisition in 2011 of Aperam Stainless Services & Solutions Tubes Brazil's branch in Timóteo

(“CETUBOS”). The case was closed in December 2017 with the Company’s adhesion to the Minas Gerais amnesty program.

> On June 24, 2014, Aperam Bioenergìa received a tax assessment from the Federal Revenue Service in the total amount of R$95 million (U.S.$29 million) related to corporate income tax (“IRPJ” and “CSLL”) due to disallowance of previous tax losses compensation made by the Company in 2011. The Company presented its defense at the first administrative level on July 24, 2014. On December 10, 2015, Aperam Bioenergìa received a partially favorable decision. The Federal Revenue appealed to the Administrative Court and Aperam Bioenergìa presented its voluntary appeal on January 5, 2016. In May 2017, the Court of Appeal denied the appeals. In August 2017, the Company presented a motion for clarification of the court decision that has been denied in October 2017. The Company intends to bring the case to judicial level.

> On December 20, 2013, Aperam South America received a tax assessment from Federal Revenue in the total amount of R$378 million (U.S.$114 million). This assessment contains two parts for the years 2008 and 2009:

- The tax authorities required that the profits of Acesita Imports & Exports Ltda to be added to Aperam South America‘s tax basis,
- The tax authorities disregarded the goodwill generated by the acquisition by Arcelor Aços Espeçiais do Brasil (“AAEB”) of the minority shareholding of Aperam South America at the time of its delisting in 2008.

Aperam South America presented its defense at the first administrative level on January 20, 2014. On June 24, 2016, the Company received an unfavorable decision at first administrative level. The company presented its appeal on July 22, 2016.

> On October 31, 2013, Aperam South America received a tax assessment for PIS and COFINS compensation it made since 2010. Total amount claimed after favorable decision is R$29 million (U.S.$9 million). The Company presented a voluntary appeal on October 6, 2014 to the Administrative Court.

> In December 2012, Aperam Bioenergia received a tax assessment related to the tax benefit generated by accelerated depreciation and exhaustion of assets (forests). The total amount claimed is R$14 million (U.S.$4 million). The Company presented its defense on January 22, 2013. After having obtained an unfavorable decision, the Company presented its appeal. In July 2017, it was judged partially favorable to the Company. In January 2018, the Company filed a motion of clarification of the decision.

> On October 30, 2012, Aperam South America received a tax assessment from the State of Minas Gerais in relation to the use of ICMS (VAT) credits generated by the acquisition of goods for use & consumption in 2007. After a partially favorable decision obtained on July 3, 2013, the Company presented an appeal for the remaining amount. On April 11, 2014, the Court rejected the appeal. On February 27, 2015, the Company brought the case at judicial level. The total remaining amount was R$26 million (U.S.$8 million). The case was closed in December 2017 with the Company’s adhesion to the Minas Gerais amnesty program.

> On December 14, 2011, the Federal Revenue issued four tax assessments against Aperam South America for a total amount of R$76 million (U.S.$23 million) considering that the Company did not pay several social contributions due on payments made to employees under the Profit Sharing Program. The Company presented its defense on January 13, 2012. On April 28, 2014, the Company obtained an unfavorable decision from the first instance and presented its voluntary appeal. On July 13, 2016, amongst the four cases, the Company obtained one partially favorable and one unfavorable decision. In August 2017 and September 2017, cases were brought to the Superior Administrative Court for appeal.

> 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 authorised to issue invoices with VAT. The total amount claimed was R$26 million (U.S.$8 million). The case was closed in December 2017 with the Company’s adhesion to the Minas Gerais amnesty program.

> 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 importations and fees. The total amount claimed was R$30 million (U.S.$9 million). The Company presented its appeal at the first administrative level. On November 23, 2015, the Company obtained a

favorable decision that the Federal Revenue appealed. In May 2017, the appeal was denied. The case is closed in favor of the Company.

> On December 2, 2010, Aperam South America received a tax assessment in the total amount of R$111 million (U.S.$33 million). 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"). The case was closed in May 2017 due to a favorable decision at the Judicial Court.

> On December 5, 2007, Aperam South America received a tax assessment related to IPI tax credits generated from acquisition of refractory bricks. The total amount claimed is R$15 million (U.S.$5 million). The Company presented its defense on January 4, 2008. On January 12, 2011, the Court decision was partially favorable. The Company appealed. On May 21, 2013, the Court of Appeal decision was partially favorable to the Company. The Company presented a motion for clarification of the decision on July 7, 2016.

> In June 2007, Aperam South America brought the discussion about social contributions and bonus payment at judicial level. The total amount claimed by the Federal Union is R$25 million (U.S.$8 million). On June 20, 2012, the first Judicial Court decision was favorable to the Company but the Federal Union appealed the decision on June 21, 2013.

> On December 21, 2005, Aperam South America has been assessed by the Federal Revenue 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), (iii) revenues derived from exchange rate variations, (iv) taxation on sales performed to the tax free zone of Manaus and(v) compensation received by the company as a result of insured accidents. The Administrative level ended partially favorable to the Company (only remained the discussion about items iii, iv and v above) and the amount involved was reduced to R$64 million (U.S.$19 million). The Company brought the case at judicial level on September 9, 2014. In June 2016, the Company filed a petition against the defense presented by the Federal Revenue.

> In March 2005, Aperam South America has been assessed by the INSS (the Brazilian Social Security 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 R$59 million (U.S.$18 million). Regarding to the major case (R$46 million - U.S.$14 million), an unfavorable decision was granted on March 7, 2006, and the Company appealed on April 6, 2006. A decision from the Administrative Court of Appeals is still pending. The other cases are also still being challenged at the administrative instance.

> In October 1998, Aperam South America brought the discussion related to social contributions on group life insurance contribution and holiday bonuses paid from 1987 to 1997 at the judicial level. The total amount claimed is R$12 million (U.S.$4 million). On December 4, 2009, the first judicial instance decision was favorable to the Company but the Federal Unions appealed the decision.

> In November 1995, the Company filed a lawsuit seeking the right to fully compensate the losses and negative basis of social contribution between 1989 and 1995. The total amount claimed is R$32 million (U.S.$10 million). After unfavorable decisions in the first and second judicial instances, the Company is waiting for the final decision from the Superior Courts.

Litigations and Other Claims

The Company is presently involved in a number of legal disputes, the most significant of which are set out below. As of December 31, 2017, the Company has established reserves in the aggregate of approximately U.S.$29 million for those of the claims as to which the criteria for provisioning were met.

Brazil

> In July 2014, Union claimed against Aperam South America for non payment of weekly remunerated rest period to employees since 2007. Total amount claimed is R$32 million (U.S $9 million). The decision of the Court of Appeal was favorable to the Unions but granted rights higher that initial calculation claimed. The Company filed an action to get clarification. The Court agreed to suspend the execution of the Court of Appeal decision.

> On September 27, 2012, Aperam filed a first lawsuit against the State of Minas Gerais, in order to prove that the Company has complied with all its obligations related to the Rio Corrente Park. The total amount asked was R$25 million (U.S.$7 million). On July 16, 2014, a partially favorable decision was granted and published. The case was closed in December 2017 with the Company's adhesion to the Minas Gerais amnesty program.

> On April 1, 2004, a sanctioning administrative process with the Central Bank was brought against Aperam South America based on alleged irregular exchange operations utilised by it in the purchase and sale of treasury bills. On March 22, 2007, Aperam South America has been assessed with a fine of R$49 million (U.S.$15 million). The Company brought the case before the Judicial Court in 2012. On February 16, 2014, the first judicial instance was not favorable to the Company. On September 24, 2014, the appeal launched by the Company was accepted by the Court. The case is still pending before the Court of Appeal.

NOTE 25: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

The total annual compensation of Aperam's employees was as follows:

(in millions of U.S. dollars)	Year Ended December 31,	
	2017	2016
Employee Information		
Wages and salaries	518	486
Pension cost	3	2
Other staff costs	78	68
Total	599	556

During 2017 and 2016, Aperam employed 9,520 and 9,550 persons on average, respectively.

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

(in millions of U.S. dollars)	Year Ended December 31,	
	2017	2016
Base salary	3	3
Directors' fees	1	1
Short-term performance-related bonus	2	1
Post-employments benefits[(1)]	—	—
Share based compensation[(1)]	—	—

Note:
(1) Post-employments benefits and share based compensation for Aperma's key management personnel were below U.S.$1 million for the years ended December 31, 2017 and December 31, 2016

As of December 31, 2017, and 2016, 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.

NOTE 26: LIST OF SIGNIFICANT SUBSIDIARIES AS OF DECEMBER 31, 2017

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 U.S.$5 million; or
> Contribution to the Group revenue in excess of U.S.$40 million.

Name of subsidiary	Country of incorporation	% Interest
Stainless & Electrical Steel		
Aperam Stainless Belgium	Belgium	100%
Aperam BioEnergìa	Brazil	100%
Aperam South America	Brazil	100%
Aperam Stainless Europe	France	100%
Aperam Stainless France	France	100%
Aperam Stainless Precision	France	100%
Recyco	France	100%
Alloys & Specialties		
Aperam Alloys Imphy	France	100%
Services & Solutions		
Aperam Stainless Services & Solutions Brazil	Brazil	100%
Aperam Stainless Services & Solutions Tubes Czech Republic	Czech Republic	100%
Aperam Stainless Services & Solutions France	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%

NOTE 27: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte Audit S.à r.l. acted as the principal independent registered public accounting firm for Aperam for the fiscal years ended December 31, 2017, and 2016. Set forth below is a breakdown of fees for services rendered in 2017 and 2016.

Audit Fees. Audit fees in 2017 and 2016 were U.S.$1.7 million and U.S.$1.7 million, respectively.

Audit-Related Fees. Audit-related fees in 2017 and 2016 were U.S.$0.2 million and U.S.$0.1 million, respectively. Audit-related fees consist principally of issuances of certifications related to the covenant compliance required by lenders of the borrowing base revolving credit facility and certifications related to the sustainability report and other external publications.

Tax Fees. Fees relating to tax planning, advice and compliance in 2017 and 2016 were U.S.$<0.1 million and U.S.$0.1 million, respectively.

NOTE 28: SUBSEQUENT EVENTS

On January 30, 2018, Aperam proposed to increase its base dividend from U.S.$1.50 per share to U.S.$1.80, subject to shareholder approval at the Annual General Meeting of May 9, 2018, as the Company continues to improve its sustainable profitability benefiting from its strategic actions.

On January 30, 2018, Aperam announced a share buyback program of up to U.S.$100 million, and a maximum of 1.8 million shares under the authorization given by the Annual General Meeting of shareholders held on May 5, 2015.

On January 30, 2018, Aperam announced that the Company will report its financial results in Euro starting from its first quarter 2018 earnings release as the Board of Directors decided to change the Group's presentation currency from U.S. dollars to Euro as from January 1, 2018. The Board of Directors believes that using Euro as reporting currency will provide more relevant presentation of the Group's financial position, financial performance and cash flows. This decision has been based on several criteria, the most important ones being that:

(i) The exposure of the Group to U.S. dollars financing have considerably decreased. Indeed, at spin-off date, Aperam had a net financial debt position of about U.S. dollar 1 billion which were mainly funded by U.S. dollar borrowings that have been restructured and reimbursed progressively.

(ii) The weight of European operations in sales, operating result and cash flows raised since the spin-off, yet increasing the proportion of cash-flows denominated in Euro.

Auditor's Report on the Consolidated Statements

To the Shareholders of
Aperam, Société Anonyme ("Aperam")
12C, rue Guillaume Kroll
L-1882 Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aperam and its subsidiaries (the « Group »), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, comprehensive income/(loss), changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and Standards are further described in the Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Valuation of deferred tax assets</u>

Key audit matter description

As of December 31, 2017, the Group recognized approximately U.S.$237 million of deferred tax assets in its consolidated financial statements. The Group's deferred tax assets relate mainly to tax losses carried forward.

The valuation and the recoverability of deferred tax assets arising from tax losses carried forward depend on:
- The taxable profits the Group expects to generate in the future
- The local tax laws and regulations applying to the recognition and use of deferred tax assets arising from tax losses carried forward at subsidiary level.

As such, the valuation and future use of deferred tax assets arising from tax losses carried forward imply significant judgments from the management. These judgments mainly relate to the forecasted taxable income, the length of tax loss, and available and feasible tax planning strategies. In parallel, the fact that the subsidiaries of the Group which recognize deferred tax assets arising from tax losses carried forward are located in various tax jurisdictions with in some cases changing environments, makes the determination of these management estimates more complex.

Therefore, considering its significance as well as the fact that its recognition depends on management estimates and various legal frameworks, the balance of deferred tax assets arising from tax losses carried forward is defined as a key audit matter.

For further details on the deferred tax assets, please refer to the Note 2 (“Summary of significant accounting policies, critical accounting judgments and change in accounting estimates”), and Note 6 (“Income tax”) to the consolidated financial statements.

How the key audit matter was addressed in the audit?

In considering the appropriateness of the valuation and recoverability of deferred tax assets arising from tax losses carried forward, the following audit procedures were performed:

- We assessed the controls supporting the Group’s process followed to book deferred tax assets arising from tax losses carried forward.
- We assessed management’s assumptions used in order to estimate the recoverable value of deferred tax assets arising from tax losses carried forward booked at year-end with the assistance of our own tax specialists. This includes but is not limited to the following:
  - Challenging the management estimates of projected taxable profits by performing a retrospective review of the projections used in the prior years assessment and considering the results of this retrospective review in evaluating the current-year taxable profit projections.
  - Comparing assumptions used by the management to determine future taxable profits for the purpose of valuing deferred tax assets to assumptions used by the management to determine future cash-flows in the frame of the goodwill impairment test.
  - Evaluating the compliance of management assumptions with current and future local tax laws and regulations.
- We tested the classification of deferred tax assets considering the potential existence of deferred tax liabilities.

<u>Goodwill Impairment</u>

Key audit matter description

Aperam has goodwill of U.S.$574 million as of December 31, 2017, included within the following group of cash generating units (‘GCGU’): Stainless & Electrical Steel (“S&E”), Alloys & Specialties (“A&S”) and Services & Solutions (“S&S”).

At the end of 2017, the goodwill of the GCGU S&E, A&S and S&S had a carrying value of U.S.$480 million, U.S.$24 million and U.S.$70 million respectively.

The result of the goodwill impairment test for the 2017 reporting period and for each GCGU did not determine an impairment of the Group’s goodwill.

Impairment of goodwill is tested by the Group’s management at the GCGU level annually and whenever changes in circumstances indicate that its carrying amount may not be recoverable. The recoverable value of each GCGU is determined based on its value-in-use. Management uses a discounted cash-flow model to determine each GCGU’s value-in-use.

This model is based on various management assumptions and estimates such as nickel prices, terminal growth rate, expected changes to raw material margin, level of shipments, and discount rate.

There is a risk that management uses assumptions in preparing its value-in-use estimates that are unreasonable compared to available market and industry data or are inconsistent with objective historical information. Inappropriate assumptions can then result in the misstatement of the Group’s goodwill at year-end.

For further details on the balance of goodwill, please refer to the Note 2 (“Summary of significant accounting policies, critical accounting judgments and change in accounting estimates”) and Note 11 (“Goodwill and intangible assets”) to the consolidated financial statements.

How the key audit matter was addressed in the audit?

As part of our audit procedures, in order to address the aforementioned risk, we performed the following:
- We assessed the key controls performed by management in relation to goodwill impairment.

- We evaluated, with the assistance of our internal valuation specialists, the overall methodology used by the management to determine the value-in-use of each GCGU.
- We challenged, with the assistance of our valuation specialists, the significant assumptions used as part of the value-in-use model for each GCGU. These significant assumptions include but are not limited to the discount rate, the terminal growth rate and the nickel prices. As part of the procedures performed, we used back testing and assessed consistency of management assumptions with external and/or historical data.
- In respect of cash-flows forecasted by the Group's management to compute the value-in-use of each GCGU:
  - We evaluated management's future cash-flow forecasts for each GCGU, and the process by which they were drawn up
  - We verified the mathematical accuracy and the appropriateness of the cash-flow models.
  - We performed sensitivity analysis around the key assumptions within the cash flow models
- We also considered the appropriateness of the disclosures.

Tax litigations in Brazil

Key audit matter description

The Group is involved in tax litigations, arbitration and other legal proceedings related to tax matters in Brazil.

This involves highly complex issues, actual damages and other matters that can have an impact on the amount of provisions booked by the Group at year-end as well as the contingencies to be disclosed within the notes to the financial statements.

The main risks relating to tax litigation matters in Brazil consist of:
- The valuation of the provisions to be booked as liabilities and the contingent liabilities to be disclosed in the notes at year-end. Considering the complexity and uncertainty of some of Brazilian tax matters, their valuation implies the use of judgment from the management. The existence of such management estimates increase the complexity of evaluating the proper valuation of these items.
- The completeness of the provisions booked and the information disclosed in relation to contingent liabilities at year-end. Risks of errors in the completeness of these items are mainly generated by the complexity of determining the probability of the tax liabilities to realize.

As such, tax litigation matters in Brazil has been considered as key audit matters.

For further details on Brazilian tax litigations, please refer to the Note 2 ("Summary of significant accounting policies, critical accounting judgments and change in accounting estimates"), Note 17 ("Provisions") and Note 24 ("Contingencies") to the consolidated financial statements.

How the key audit matter was addressed in the audit?

In order to address the risks detailed above, we performed the following procedures:
- We have read and challenged the correspondence between the Group and the Brazilian tax authority, including the results of the tax assessments completed during the year.
- We assessed the management's position in relation to the Brazilian tax matters open at year-end.
- We obtained external legal counsel confirmation letters and evaluated the impact of their content on the financial statements.
- With the assistance of our tax specialists knowledgeable in Brazilian tax legislation and regulatory matters, we considered the accounting implications in terms of valuation, completeness and disclosure of the Brazilian tax matters identified as part of the procedures mentioned above.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the Corporate Governance Statement and the Messages from the Chairman of the Board of Directors and the Chief Executive Officer but does not include the consolidated financial statements and our report of “Réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and for such internal control as 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.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Responsibilities of the « Réviseur d’Entreprises Agréé » for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain a reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of “Réviseur d’Entreprises Agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of “Réviseur d’Entreprises Agréé” to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of “Réviseur d’Entreprises Agréé”. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have been appointed as “Réviseur d’Entreprises Agréé” by the General Meeting of the Shareholders on May 10, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, included in the consolidated management report, is the responsibility of the Board of Directors. The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N°537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit, Cabinet de Révision Agréé

Marco Crosetto, Réviseur d’Entreprises Agréé
Partner

February 27, 2018

Aperam, Société Anonyme

Annual Accounts

As of and for the year ended December 31, 2017

Aperam S.A.
Société Anonyme

12C, rue Guillaume Kroll
L-1882 Luxembourg
R.C.S. Luxembourg B155.908

Family lodgings, Montreuil, France
© Archi5
Aperam stainless steel used :Uginox Bright Grade: K36

Balance Sheet

Aperam, Société Anonyme

(in thousands of U.S. dollars)		December 31, 2017	December 31, 2016
Assets			
C. Fixed assets		4,898,989	4,116,342
I. Intangible assets	Note 3	10,468	7,060
2.a) Concessions, patents, licences, trademarks and similar rights and assets, if they were acquired for valuable consideration		10,468	7,060
III. Financial assets	Note 4	4,888,521	4,109,282
1. Shares in affiliated undertakings		2,426,492	2,262,175
2. Loans to affiliated undertakings		2,402,176	1,787,110
5. Investments held as fixed assets		59,810	59,970
6. Other loans		43	27
D. Current assets		220,359	140,012
II. Debtors		211,711	130,884
2.a) Amounts owed by affiliated undertakings becoming due and payable within one year	Note 5	210,825	129,115
4.a) Other debtors becoming due and payable within one year		886	1,769
III. Investments		8,603	9,099
2. Own shares	Note 6	8,603	9,099
IV. Cash at bank and in hand		45	29
E. Prepayments	Note 7	629	412
Total assets		5,119,977	4,256,766

The accompanying notes are an integral part of these annual accounts.

Balance Sheet

Aperam, Société Anonyme

(in thousands of U.S. dollars)		December 31, 2017	December 31, 2016
Liabilities			
A. Capital and reserves	Note 8	4,512,460	3,514,034
I. Subscribed capital		590,775	546,652
II. Share premium account		1,659,802	1,600,321
IV. Reserves		83,971	84,467
1. Legal reserve		75,368	75,368
2. Reserve for own shares	Note 6	8,603	9,099
V. Profit brought forward		1,161,872	1,440,224
VI. Profit or loss for the financial year		1,016,040	(157,630)
C. Creditors	Note 9	607,517	742,732
1. Debenture loans		300,101	502,228
a) Convertible loans	Note 10	300,101	502,228
i) becoming due and payable within one year		901	202,228
ii) becoming due and payable after more than one year		299,200	300,000
6.a) Amounts owed to affiliated undertakings becoming due and payable within one year	Note 12	200,199	141,105
8. Other creditors		107,217	99,399
a) Tax authorities		1,220	1,081
b) Social security authorities		495	857
c) Other creditors		105,502	97,461
i) becoming due and payable within one year		14,037	11,911
ii) becoming due and payable after more than one year	Note 13	91,465	85,550
Total liabilities		5,119,977	4,256,766

The accompanying notes are an integral part of these annual accounts.

Profit and Loss account

Aperam, Société Anonyme

(in thousands of U.S. dollars)		Year ended December 31, 2017	Year ended December 31, 2016
4. Other operating income	Note 16	111,107	77,118
5. b) Other external expenses		(77,098)	(54,519)
6. Staff costs		(18,708)	(18,353)
a) Wages and salaries		(16,156)	(15,887)
b) Social security costs		(2,082)	(1,761)
i) relating to pensions		(1,114)	(979)
ii) other social security costs		(968)	(782)
c) Other staff costs		(471)	(705)
7. Value adjustments		(1,979)	(1,895)
a) In respect of formation expenses and of tangible and intangible fixed assets		(1,979)	(1,895)
8. Other operating expenses		(26)	(58)
9. (Loss) income from participating interests		786,328	(167,422)
a) Derived from affiliated undertakings		786,328	(167,422)
11. Other interest receivable and similar income	Note 14	233,847	48,256
a) Derived from affiliated undertakings		58,140	23,050
b) Other interest and similar income		175,707	25,206
13. Value adjustments in respect of financial assets and of investments held as current assets		(6,055)	(25,020)
14. Interest payable and similar expenses	Note 14	(9,810)	(13,951)
a) Concerning affiliated undertakings		(4,139)	(4,281)
b) Other interest and similar expenses		(5,671)	(9,670)
15. Tax on profit or loss		(1,565)	(1,785)
16. Profit or loss after taxation		1,016,041	(157,629)
17. Other taxes not shown under items 4 to 16		(1)	(1)
18. Profit or loss for the financial year		1,016,040	(157,630)

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 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 may perform and carry out its corporate purpose either directly or through the creation of companies, the acquisition, holding or acquisition of interests in any companies or partnerships, membership in any associations, consortia and joint ventures. In general, the Company's corporate purpose comprises the participation, in any form, in companies and partnerships, and the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or in any other manner of shares, bonds, debt securities, warrants and other securities and instruments of any kind.

The Company may grant assistance of any kind (including financial assistance) to any affiliated company and take any measure for the control and supervision of such companies. In general it may carry out any commercial, financial or industrial activity, operation or transaction which it considers to be directly or indirectly necessary or useful in order to achieve or further its corporate purpose.

The Company owns a branch office located in Zug (Switzerland) and controls directly and indirectly 51 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, 2017 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 SA, 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 19, 2002, under the historical cost convention.

2.2 – Significant accounting policies

The Company maintains its accounting records in United States Dollars ("USD" or "U.S.$") 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 assets

Intangible assets are carried at acquisition cost, less accumulated 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.

Intangible assets are amortised on a linear basis over five years.

Financial assets

Shares in affiliated undertakings and investments held as fixed assets 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. Unrealised gains and losses are recognised so as to offset unrealised 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 unrealised exchange losses exist. Differences in the exchange rates leading to an unrealised loss are recorded in the profit and loss for the year. A reversal of the unrealised loss is recorded to the extent the factors, which caused its initial recording, have ceased to exist.
> Back-to-back loans are translated at year-end exchange rates with the related differences in the exchange rates leading to unrealised losses and gains recorded in the profit and loss account for the year.
> 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 leading to unrealised losses 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 exchange rate effective at the balance sheet date.

Liabilities (excluding “other creditors becoming due and payable after more than one year”)

Liabilities, except other creditors becoming due and payable after more than one year, are recorded in the balance sheet at their nominal value.

Other creditors becoming due and payable after more than one year

This section only includes call options that are recorded in the balance sheet at their selling price value. Where the market value of its investments is greater than its selling price, the difference is recorded in the profit and loss.

NOTE 3 – INTANGIBLE ASSETS

Intangible assets mainly include intellectual property rights and trademarks transferred by ArcelorMittal on January 25, 2011, as a result of its stainless steel business spin-off and some licenses on IT systems. The movements for the years ended December 31, 2017, and 2016 are as follows:

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Gross book value		
Opening balance	21,147	18,960
Additions	5,386	2,187
Closing balance	26,533	21,147
Accumulated value adjustments		
Opening balance	(14,087)	(12,321)
Charge for the year	(1,978)	(1,766)
Closing balance	(16,065)	(14,087)
Net book value		
Opening balance	7,060	6,639
Closing balance	10,468	7,060

NOTE 4 – FINANCIAL ASSETS

The movements for the year are as follows:

(in thousands of U.S.dollars)	Shares in affiliated under takings	Loans to affiliated under takings	Investments held as fixed assets	Other loans	Total as of December 31, 2017
Gross book value					
Opening balance	2,262,175	1,787,110	59,970	27	4,109,282
Additions	164,359	534,137	—	19	698,515
Disposals	(42)	(141,260)	(160)	(3)	(141,465)
Foreign exchange differences	—	222,189	—	—	222,189
Closing balance	2,426,492	2,402,176	59,810	43	4,888,521
Net book value					
Opening balance	2,262,175	1,787,110	59,970	27	4,109,282
Closing balance	2,426,492	2,402,176	59,810	43	4,888,521

4.1. – Shares in affiliated undertakings

(in thousands of U.S.dollars) Name of undertaking	Registered office	Percentage of capital held as of December 31, 2017 (%)	Result for 2017[1]	Capital and reserves (including result for 2017)[1]	Carrying amount as of December 31, 2017	Carrying amount as of December 31, 2016
Aperam HoldCo S.à.r.l.	Luxembourg	100.00	(68,721)	1,137,290	2,067,668	1,903,309
Aperam Stainless Services & Solutions Germany Gmbh	Germany	100.00	1,814	30,703	201,034	201,034
Aperam Stainless Belgium SA/NV	Belgium	15.32	108,928	1,007,704	130,690	130,690
Aperam Stainless Services & Solutions Italy S.r.l.	Italy	100.00	2,139	4,202	15,669	15,669
Corea S.A.	Luxembourg	100.00	526	10,816	11,386	11,386
Aperam Treasury S.C.A	Luxembourg	100.00	29,566	7,603	42	42
Aperam Sourcing S.C.A.	Luxembourg	< 0.00	97,492	112,961	< 1	42
Other	Various	—	—	—	3	3
					2,426,492	2,262,175

Note:
(1) In accordance with the unaudited IFRS reporting packages converted to USD. Result for 2017 is converted at the average exchange rate of the year and capital and reserves at December 31, 2017 exchange rate. Unaudited IFRS reporting package relates to financial information used for the preparation of the consolidated financial statements of Aperam Group.

Description of the main changes during the year

On October 23, 2017, the Company sold at fair market value a 99.99% interest in Aperam Sourcing S.C.A. with a net carrying amount of U.S.$42 thousands represented by 30,998 shares to Aperam Stainless Belgium SA/NV. The total consideration received amounted to €516,967 thousands (U.S.$606,918 thousands) and resulted in a gain on disposal of €516,936 thousands (U.S.$606,876 thousands). The Company retained 1 share in Aperam Sourcing S.C.A.

On October 23, 2017, the Company subscribed to a capital increase in Aperam HoldCo S.à.r.l. by cash contribution of €140,000 thousands (U.S.$164,359 thousands) of which €1 has been attributed to the share capital and €139,999,999 to the distributable share premium.

On December 31, 2017, the Board of Directors has considered that there has not been any decrease in the value of the shares in affiliated undertakings that is other than temporary and therefore no value adjustments have been recorded.

4.2 – Loans to affiliated undertakings

(in thousands of U.S. dollars, unless otherwise stated)	Currency	Amount in original currency	December 31, 2017	December 31, 2016
Aperam Treasury S.C.A.	EUR	655,973	786,708	691,459
Aperam Treasury S.C.A.	EUR	326,000	382,724	—
Aperam Treasury S.C.A.	BRL	1,307,677	394,747	401,566
Aperam Treasury S.C.A.	BRL	154,976	46,782	—
Aperam Treasury S.C.A.	PLN	100,000	28,712	23,901
Aperam HoldCo S.à r.l.	EUR	635,790	762,503	670,184
Total			2,402,176	1,787,110

Description of the main changes during the year

Between January 2017 and October 2017, the Company received nine repayments for a total consideration of R$324,702 thousands (U.S.$141,261 thousands) under the R$1,307,677 thousands loan agreement dated December 23, 2010 (as amended and converted from U.S.$ into Brazilian reais on August 12, 2014) from Aperam Treasury S.C.A. During the same period, the Company made nine payments for a total consideration of R$324,702 thousands (U.S.$102,030 thousands) under the R$1,307,215 thousands credit facility agreement dated August 3, 2016 and granted to Aperam Treasury S.C.A.

In September and October 2017, accrued interests of R$154,976 thousands (U.S.$49,383 thousands) on the R$1,307,677 thousands loan agreement have been converted into new tranches under the R$1,307,215 thousands credit facility agreement dated August 3, 2016 and granted to Aperam Treasury S.C.A.

On October 23, 2017, the Company granted a EUR 326,000 thousands (U.S.$382,724 thousands) credit facility to Aperam Treasury S.C.A. with maturity October 23, 2027.

A loan of EUR 555,973 thousands granted to Aperam Treasury S.C.A. will mature on December 16, 2018 and the loan of EUR 635,790 thousands granted to Aperam HoldCo S.à r.l. will mature on December 22, 2018. It is the intention of Management to renew these loans at maturity date.

All other movements during the year were due to foreign exchange differences.

4.3 – Investments held as fixed assets

In June 2014, the Company purchased 6,830,601 call options on Aperam shares in two transactions with financial institutions for a total consideration of U.S.$59,970 thousands. These call options had a strike price of U.S.$43.92 and will mature in July 2021. Pursuant to protection clause in relation to dividends payment, the number of call options and the strike price of the call options were further adjusted to 7,263,923 call options and U.S.$41.30, respectively.

On December 14, 2017, the Company unwinded 19,370 call options for a carrying amount of U.S.$160 thousands corresponding to the proportion of the repurchase of U.S.$800 thousands of the net share settled convertible and/or exchangeable bonds due 2021 compared to initial issued amount of U.S.$300,000 thousands.

On December 31, 2017, the market value of the 7,244,553 outstanding call options was U.S.$100,685 thousands.

On December 31, 2017, the Company has considered that there has not been any decrease in the value of its investments held as fixed assets that is other than temporary and therefore no value adjustments have been recorded.

NOTE 5 – AMOUNTS OWED BY AFFILIATED UNDERTAKINGS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

(in thousands of U.S. dollars)	December 31, 2017	December 31, 2016
Amounts receivable on corporate services	140,553	92,623
Amounts receivable on tax integration	52,663	22,349
Accrued interests	17,609	14,143
Total	210,825	129,115

Description of the main changes during the year

Amounts owed by affiliated undertakings becoming due and payable within one year increased by U.S.$81,710 thousands during the year to U.S.$210,825 thousands as of December 31, 2017. This variance is explained by increases in amounts receivable on corporate services by U.S.$47,930 thousands, in amounts receivable on tax integration by U.S.$30,314 thousands and in accrued interests by U.S.$3,466 thousands. Amounts receivable on tax integration correspond to income tax receivables from entities included in the tax integration headed by the Company. Amounts receivable for corporate services are related to various corporate services rendered by the Company to its subsidiaries.

NOTE 6 – OWN SHARES

During the year 2016, 181,153 own shares have been given to certain employees of the Company to serve the RSU Plan and PSU Plan 2013.

Between March 7, 2017 and June 16, 2017, the Company acquired, at market price, 2,000,000 of its own shares under the share buyback program announced on February 9, 2017, for a total consideration of U.S.$98,437 thousands.

On June 22, 2017, 2,000,000 shares acquired under the share buyback program were cancelled in line with the announced purpose of the program.

During the year 2017, 96,654 own shares (105,500 shares, net of 8,896 shares retained for tax purposes) have been given to certain employees of the Company to serve the RSU Plan and PSU Plan 2014.

On December 31, 2017, the Company had 182,502 own shares for a total net book value of U.S.$8,603 thousands.

NOTE 7 – PREPAYMENTS

As of December 31, 2017, prepayment and accrued income amounts to U.S.$629 thousands and mainly refers to prepaid charges on supplier invoices received.

NOTE 8 – CAPITAL AND RESERVES

(in thousands of U.S.dollars)	Number of shares (1)	Subscribed capital	Share premium account	Legal reserve	Reserve for own shares	Profit brought forward	Profit / (Loss) for the financial year	Total
Balance as of December 31, 2016	78,049,730	546,652	1,600,321	75,368	9,099	1,440,224	(157,630)	3,514,034
Allocation of net result	—	—	—	—	—	(157,630)	157,630	—
Directors' fees (Note 19)	—	—	—	—	—	(580)	—	(580)
Dividend	—	—	—	—	—	(120,638)	—	(120,638)
Profit for the financial year	—	—	—	—	—	—	1,016,040	1,016,040
Conversion of convertible bonds	9,446,550	58,093	139,907	—	—	—	—	198,000
Cancellation of shares	(2,000,000)	(13,970)	(80,426)	—	—	—	—	(94,396)
Reserve for own shares	—	—	—	—	(496)	496	—	—
Balance as of December 31, 2017	85,496,280	590,775	1,659,802	75,368	8,603	1,161,872	1,016,040	4,512,460

Note:
(1) Number of shares denominated in units.

8.1. Subscribed capital and share premium account

The subscribed capital amounts to U.S.$590,775 thousands and is divided into 85,496,280 shares without par value and fully paid up.

To the knowledge of the Board of Directors, the shareholding (1) may be specified as follows:

	December 31, 2017
Significant Shareholder (2)	40.89%
Other shareholders	59.12%
Total	100.00%

Note:
(1) Shareholding disclosed in above table relates to shareholders owning 5% or more of the share capital.
(2) Please refer to the share capital section of the Management Report for the definition of the term "Significant shareholder.

Issued shares – Conversion of convertible bonds and Cancellation of shares

On June 2, 2017, and June 22, 2017, the Company increased its share capital by €6,999,985 (U.S.$7,853 thousands) from €408,831,000 (U.S.$546,652 thousands) to €415,830,985 (U.S.$554,505 thousands) through the issuance of 1,288,166 and 47,709 new shares, at a conversion price of U.S.$20.96 per share, delivered to bondholders of Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices. The aggregate number of shares issued and fully paid up increased to 79,385,605.

On June 22, 2017, following the decision of the Extraordinary General Meeting of May 10, 2017 to cancel issued shares acquired under the share buyback program announced on February 9, 2017, the Company cancelled 2,000,000 issued shares acquired under the Program. The share capital decreased from €415,830,985 (U.S.$554,505 thousands) to €405,350,985 (U.S.$540,535 thousands). The aggregate number of shares issued and fully paid up decreased to 77,385,605.

On August 4, August 11 and October 11, 2017, the Company increased its share capital by €42,499,937 (U.S.$50,240 thousands) from €405,350,985 (U.S.$540,535 thousands) to €447,850,922 (U.S.$590,775 thousands) through the issuance of 4,036,258, 877,861 and 3,196,556 new shares, at a conversion price of U.S.$20.96 per share, delivered to bondholders of Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices. The aggregate number of shares issued and fully paid up increased to 85,496,280.

8.2. 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 of December 31, 2017, the legal reserve is fully constituted.

8.3. Reserve for own shares

The Board of Directors shall request the upcoming General Meeting of Shareholders to approve the release of U.S.$496 thousands from the reserve for own shares in order to increase the profit brought forward and to align the non distributable reserve to the carrying value (note 6) of its own shares in accordance with Luxembourg Company Law.

NOTE 9 – MATURITY OF CREDITORS

(in thousands of U.S.dollars)				December 31, 2017	December 31, 2016
	Up to 1 year	From 1 to 5 years	Above 5 years	Total	Total
Convertible debenture loans	901	299,200	—	300,101	502,228
Amount owed to affiliated undertakings	200,199	—	—	200,199	141,105
Other creditors	15,752	91,465	—	107,217	99,399
Total	216,852	390,665	—	607,517	742,732

NOTE 10 – CONVERTIBLE DEBENTURE LOANS

On September 19, 2013, the Company issued convertible and/or exchangeable bonds for a total amount of U.S.$200,000 thousands. These senior and unsecured bonds have an annual coupon of 2.625% payable semi-annually in arrear and an initial conversion price of U.S.$21.96 representing a conversion premium of 35% above the reference price of U.S.$16.27. Following the successive quarterly dividend payments during 2016 and 2017, the conversion price of such bond was adjusted to U.S.$20.96 as per respective terms and conditions. The bonds were supposed to mature on September 30, 2020, and the bondholders were entitled to have their bonds redeemed at their principal amount plus accrued interest on September 30, 2017. From June 1, 2017, to October 10, 2017, U.S.$198,000 thousands of bonds were early converted following notice of conversion received from bondholders and 9,446,550 shares were created and delivered to bondholders against their conversion notices. The remaining U.S.$2,000 thousands were repaid in cash on October 10, 2017.

On June 27, 2014, the Company issued net share settled convertible and/or exchangeable bonds due 2021 for a total amount of U.S.$300,000 thousands. The bonds have an annual coupon of 0.625% payable semi-annually in arrear and an initial conversion price of U.S.$43.92 representing a conversion premium of 32.5% above the reference price of U.S.$33.15. Following the successive quarterly dividend payments during 2016 and 2017, the conversion price of such bond was adjusted to U.S.$41.30 as per respective terms and conditions in November 2017. The bonds will mature on July 8, 2021, but the bondholders will be entitled to have their bonds redeemed at their principal amount plus accrued interest on January 8, 2019. On December 14, 2017, bonds for an outstanding amount of U.S.$800 thousands were repurchased by the Company for a total consideration of U.S.$1,035 thousands.

NOTE 11 – AMOUNTS OWED TO CREDIT INSTITUTIONS

Borrowing Base Facility

On March 6, 2015 Aperam signed a U.S.$500,000 thousands secured borrowing base revolving credit facility ("The Facility") with a group of nine banks. The Facility was structured as a 3-year revolving credit facility and included a one year extension option. It was used for liquidity and working capital purposes. On December 1, 2015, Aperam cancelled a U.S.$100,000 thousands of commitments leading to a remaining U.S.$400,000 thousands secured borrowing base revolving credit facility. On May 26, 2016, Aperam extended the credit facility until March 5, 2019.

On June 6, 2017, this Facility was cancelled and replaced by an unsecured revolving credit facility (see below).

Unsecured Revolving Credit Facility

On June 6, 2017, Aperam entered into a €300,000 thousands Unsecured Revolving Credit Facility ("The Facility") with a group of 10 banks. The Facility is structured as a 5-year revolving credit facility with two options of extension by one year each, replacing its U.S.$400,000 thousands existing 3-year secured borrowing base facility (see above). It will be used for the company's general corporate purposes.

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

The Facility is fully undrawn as of December 31, 2017.

NOTE 12 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

The increase in amounts owed to affiliated undertakings by U.S.$59,094 thousands mainly results from the increase on the liability under cash pooling arrangement with Aperam Treasury S.C.A. by U.S.$59,674 thousands.

NOTE 13 – OTHER CREDITORS BECOMING DUE AND PAYABLE AFTER MORE THAN ONE YEAR

During 2014, the Company sold 6,830,601 call options on Aperam shares in 2 transactions with financial institutions for a total consideration of U.S.$52,738 thousands. These call options have a strike price of U.S.$45.58 and will mature in July 2021. Pursuant to protection clause in relation to dividends payment, the number of call options and the strike price of the call options was further adjusted to 7,263,923 call options and U.S.$42.87, respectively.

On December 14, 2017, the Company unwinded 19,370 call options for a carrying amount of U.S.$254 thousands corresponding to the proportion of the repurchase of U.S.$800 thousands of the net share settled convertible and/or exchangeable bonds due 2021 compared to initial issued amount U.S.$300,000 thousands.

On December 31, 2017, the Company recorded a value adjustment of U.S.$6,169 thousands on its call options sold as the market value of these instruments was above their carrying value. This value adjustment in respect of investments held as fixed assets has been recorded in the section of the profit and loss account "Value adjustments in respect of financial assets and of investments held as current assets".

NOTE 14 – INTEREST PAYABLE / RECEIVABLE AND SIMILAR EXPENSES / INCOME

(in thousands of U.S.dollars)	Year ended December 31, 2017		Year ended December 31, 2016	
	Expenses	Income	Expenses	Income
Interests payable concerning affiliated undertakings	(4,139)	—	(4,281)	—
Income from tax integration with affiliated undertakings	—	52,551	—	22,350
Other income with affiliated undertakings	—	5,589	—	700
Total interests concerning affiliated undertakings	(4,139)	58,140	(4,281)	23,050
Interests in respect of credit institutions	(1,322)	—	(2,245)	—
Interests in respect of debenture loans	(4,081)	—	(7,125)	—
Effects of foreign exchange	—	175,707	—	25,206
Other interest and similar expenses	(268)	—	(300)	—
Total other interests	(5,671)	175,707	(9,670)	25,206
Total interests payable / receivable and similar expenses / income	(9,810)	233,847	(13,951)	48,256

Interests in respect of credit institutions mainly corresponds to commitment fees related to the U.S.$400 million borrowing base revolving credit facility cancelled and replaced during the year by the €300 million unsecured revolving credit facility (Note 11).

Interests in respect of debenture notes relate to the convertible and/or exchangeable bonds.

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 2017 (2016: nil).

The amount charged to affiliated undertakings amounted to U.S.$52,551 thousands (2016: U.S.$22,350 thousands). Please refer to Note 14.

The amount of income tax corresponds to the tax charge of the Company's Swiss Branch and withholding tax on corporate services with affiliated undertakings.

NOTE 16 – OTHER OPERATING INCOME

Other operating income corresponds mainly to corporate service fees, branding fees and income related to information technology, procurement and Research and Development services provided to group companies.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Commitments given

(in thousands of U.S.dollars)	December 31, 2017	December 31, 2016
Guarantees given relating to credit facilities (1)	30,190	21,887
Other commitments (2)	54,217	7,579
Total	84,207	29,466

Notes:
(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) and renting obligations related to Aperam headquarters.

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 U.S.$360,000 thousands as of December 31, 2017 (2016: U.S.$400,000 thousands). Please refer to Note 11.

Contingencies

The Company has no contingency as of December 31, 2017.

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, 2017, and 2016, the amount of outstanding options was 46,636 and 332,850 respectively. The amount of exercisable options was 46,636 and 332,850 respectively for the years ended December 31, 2017, and 2016. Exercise prices of ArcelorMittal stock options vary from U.S.$91.98 to U.S.$235.32. Weighted average contractual life of the options varies from 0.6 to 2.6 years.

As of December 31, 2017, no provision was recognised as share price is lower than exercise price.

Share Unit Plans

The February 2017 Remuneration, Nomination and Corporate Governance Committee recommended that no RSUs are granted anymore as from the annual general meeting of shareholders of May 2017 onward and that employees below the level of the Leadership Team only receive performance related grants.

On May 10, 2017 annual general meeting of shareholders authorised the Board of Directors to issue, during the period between the 2017 and the 2018 annual general meeting, to key employees of Aperam a maximum of 220,000 of the Company's shares for grants under the Leadership Team PSU Plan and other performance based grants below the level of the Leadership Team. In August 2017, a total of 71,884 PSUs were granted to a total of 54 employees at a fair value of U.S.$52.43 per share (out of which 24,259 PSUs for the 9 Members of the Leadership Team).

NOTE 18 – STAFF

The Company employed an average of 63 full time equivalents employees during the financial year (53 full-time equivalents during the previous year).

NOTE 19 – DIRECTORS' REMUNERATION

The Company's Board of Directors members are entitled to a total remuneration of U.S.$660 thousands for the year ended December 31, 2017 (U.S.$580 thousands for the year ended December 31, 2016). Please refer to Note 8.

As of December 31, 2017, and 2016, 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.

NOTE 20 – SUBSEQUENT EVENTS

On January 1, 2018, the Company changed its functional currency from U.S. dollars to Euro. This change of functional currency was triggered by multiple factors, of which the considerable decrease of exposure of the Company to U.S. dollar financing. The Company also put in place a new hedging strategy to neutralize the EUR/USD effect generated by the remaining debt of the Company still denominated in U.S. dollar.

On January 2, 2018, the Company reimbursed, at maturity, a loan with a principal amount of EUR 97,000 thousands (U.S.$116,332 thousands) received from Aperam Treasury S.C.A.

On January 26, 2018, the Company sold at fair market value a 15.32% interest in Aperam Stainless Belgium NV/SA with a net carrying amount of EUR 100,000 thousands (U.S.$130,690 thousands) represented by 61,502 shares to Aperam Stainless France S.A.S. The total consideration received amounted to €190,000 thousands (U.S.$236,284 thousands) and resulted in a gain on disposal of €90,000 thousands (U.S.$105,594 thousands).

On January 26, 2018, the Company granted a EUR 190,000 thousands (U.S.$236,284 thousands) credit facility to Aperam Treasury S.C.A. with maturity January 26, 2028.

On January 30, 2018, the Company announced a share buyback program for an aggregate maximum amount of U.S.$100 million and a maximum of 1.8 million shares under the authorization given by the annual general meeting of shareholders held in 2015.

On January 30, 2018, the Company also proposed to increase its base dividend from U.S.$1.50 per share to U.S.$1.80 per share, subject to shareholders approval at the next Annual General Meeting to be held on May 9, 2018, as the Company continues to improve its sustainable profitability benefiting from its strategic actions.

Auditor’s Report on the Annual Accounts

To the shareholders of
APERAM Société Anonyme, (“APERAM”)
12C, rue Guillaume Kroll
L-1882 Luxembourg

REPORT OF THE RÉVISEUR D’ENTREPRISES AGRÉÉ

Report on the annual accounts

Opinion

We have audited the annual accounts of Aperam S.A. (the « Company »), which comprise the balance sheet as at December 31, 2017, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2017, and the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the Responsibilities of “Réviseur d’Entreprises Agréé” for the Audit of the Annual accounts” section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is this matter that, in our professional judgment, was of most significance in our audit of the annual accounts of the current period. This matter was addressed in the context of the audit of the annual accounts as whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

<u>Valuation and impairment of shares in affiliated undertakings</u>

Key audit matter description

Aperam has shares in affiliated undertakings of U.S.$2,426 million as at December 31, 2017.

The shares in affiliated undertakings are valued at acquisition costs including related expenses. They are subject to an impairment test at the end of each accounting period. In case a permanent decrease in the value of the shares in affiliated undertakings is identified, a value adjustment has to be recorded. Value adjustments are reversed when the factors that generated its recording cease to exist.

The valuation and the impairment of shares in affiliated undertakings as at December 31, 2017 mainly depends on:

- The presence of possible impairment indicators such as pro-rata of equity lower than carrying value of the affiliated undertakings,
- The recoverable value of the shares in affiliated undertakings as at December 31, 2017 and,
- The existence of durable factors of impairment of shares in affiliated undertakings as at December 31, 2017.

Thus, the valuation of shares in affiliated undertakings can be impacted by management judgments and estimates.

Considering
- The significance of shares in affiliated undertakings as at December 31, 2017, and
- The fact that their impairment is subject to management judgments and estimates,

the impairment of shares in affiliated undertakings was defined as a Key Audit Matter.

For further details on the balance of shares in affiliated undertakings, please refer to the Note 2 ("Summary of significant accounting policies"), and Note 4 ("Financial assets") to the annual accounts.

How the key audit matter was addressed in the audit?

As part of our audit procedures, in order to address the aforementioned risks, we performed the following:
- We assessed the controls supporting the Company's process to account for and test the impairment of shares in affiliated undertakings at year end,
- We challenged changes in ownership, as well as increases in capital contribution, tracing these movements to supporting legal documentation,
- We compared the pro-rata of equity with the carrying value of the shares in affiliated undertakings to identify potential indicator of impairment,
- We challenged management's judgments and estimates to conclude on the need for impairment of shares in affiliated undertakings at year end,
- We challenged the conclusion of management as to whether the potential factor of impairment identified are durable.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report, the Corporate Governance Statement and the Messages from the Chairman of the Board of Directors and the Chief Executive Officer but does not include the annual accounts and our report of "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regards.

Responsibilities of the Board of Directors and Those Charged with Governance for the Annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Annual accounts

The objectives of our audit are to obtain a reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on May 10, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, included in the management report, is the responsibility of the Board of Directors. The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N°537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit, Cabinet de Révision Agréé

Marco Crosetto, Réviseur d’Entreprises Agréé
Partner

February 27, 2018

Proposed allocation of the results for 2017

	In U.S. dollars
Profit for the financial year	1,016,040,426
Profit brought forward (Report à nouveau) before transfer from the reserve for own shares	1,161,873,148
Results to be allocated and distributed	2,177,913,574
Transfer from the reserve for own shares	496,304
Dividend [1]	(153,564,800)
Directors' compensation	(659,615)
Profit carried forward	2,024,185,463

Note:
(1) To be submitted to shareholders' approval at the Annual General Meeting of May 9, 2018, and related to the financial period ending December 31, 2017. On the basis of 85,313,778 shares outstanding as of December 31, 2017 (85,496,280 shares in issue, net of 182,502 treasury shares). Dividends are paid quarterly, resulting in a total annualised cash dividend per share of U.S.$1.80.

Cover - Paneum, Wunderkammer des Brotes (House of Bread II), Asten, Austria,

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