

aperam

Annual
report
2014



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Disclaimer – Forward Looking Statements

In this Annual Report Aperam has made certain forward-looking statements with respect to, among other topics, its financial position, business strategy, projected costs, projected savings, and the plans and objectives of 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 risks and uncertainties to which it is exposed, including, without limitation, the risks described in this Annual Report. Aperam does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved. Please refer to the 'Summary of risks and uncertainties' section of this report as well as 'Risks and uncertainties related to the company and the stainless and specialty steel industry'.

Such forward-looking statements represent, in each case, only one of many possible scenarios and should not necessarily be viewed as the most likely to occur or standard scenario. Aperam undertakes no obligation to publicly update its forward-looking statements, whether as a result of new information, future events or otherwise. Unless indicated otherwise or the context otherwise requires, references in this Annual Report to 'Aperam', the 'Group' and the 'Company' or similar terms refer to Aperam, 'société anonyme', having its registered office at 12C, Rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, and to its consolidated subsidiaries.

Message from the Chairman of the Board of Directors

March 18, 2015

Dear Shareholders,

Whilst 2014 was another challenging year for the stainless steel industry, Aperam continued to focus on its own resources to become more resilient to the environment and is now in a stronger financial position, ready to support its customers with sustainable and high quality stainless steel supply.

Before I go into detail on the global environment and our initiatives, I would first like to update you on our health and safety results. We continue to make progress, with our lost time injury frequency rate improving from 1.3 in 2013 to 1.1 in 2014. Zero accidents remain our ultimate goal; more needs to be done and more will be done.

Although the stainless steel demand continued to grow globally by about 5% in 2014, primarily led by China, the industry was impacted by the volatility of nickel prices and continued import pressure from Asia. The price of nickel increased by 50% in the first months of the year as a consequence of the Indonesian nickel ban and supply shortage fears before declining at year end as the shortage did not materialize. In Europe, the market was heavily impacted in 2014 by a surge of Asian imports which continued to increase during the year, leading EUROFER to file anti-dumping and anti subsidy proceedings to the European Commission.

I am pleased that in this overall challenging and volatile market environment, Aperam succeeded in further improving its operational efficiency and financial results and reducing its net debt.

In 2014, Aperam delivered EBITDA of \$547 million, compared with \$292 million throughout 2013 and returned to a positive net income of \$95 million compared with a loss of \$100 million previous year. Net debt was \$536 million at the end of 2014 compared with \$690 million at the end of 2013. These results were mainly the consequence of Aperam's strategy to focus on operational efficiency, product innovation and cash rather than counting on any positive market development.

As part of the main initiatives we launched at the creation of Aperam, was our Leadership Journey®, a program aimed at improving our competitiveness over the near and medium term. At the end of 2014, the Leadership Journey® had contributed a total amount of \$428 million to EBITDA since the beginning of 2011 and our goal is to achieve \$475 million by the end of 2015. Another key initiative is our Top Line strategy which continues to leverage our unique stainless steel product portfolio and service differentiation.

Looking forward our focus must remain on the improvement of our operational performance and balance sheet. In particular, we believe it is a priority to further reduce our debt level in order to come back to an acceptable level of financial charges and to reach a balance sheet allowing Aperam to be in a good position to capture any potential opportunity. With this in mind, we will propose at our next shareholders' meeting paying no dividend for another year.

Finally, I would like to thank the Aperam employees, the Leadership Team and my colleagues in the Board of Directors, for their support, hard work and contribution to the Company's performance improvements in 2014. In particular I would like to express my gratitude to Philippe Darmayan for everything he has done in his capacity as Chief Executive Officer of Aperam. I am confident that under the leadership of Timoteo Di Maulo, our newly appointed CEO, Aperam will continue to progress and prosper and offer favorable and sustainable prospects for all our stakeholders.



Lakshmi N. Mittal, Chairman of the Board of Directors

Message from the Chief Executive Officer

March 18, 2015

Dear Shareholders,

As the new CEO of Aperam it's a great honor for me to present you Aperam's 2014 Annual Report.

I am very proud to lead this dynamic Company which has established itself only in a few years time as a leading manufacturer of the stainless steel industry. Aperam has demonstrated its capability to deliver a robust performance in a challenging industry and market environment. My ambition as the new CEO of Aperam is to continue to make Aperam an even stronger and competitive Company by further improving its operational efficiency, reducing its cost of debt and aiming to become the preferred choice of our customers.

Before I comment our performance and prospects, you can be ensured that my first and non negotiable priority is Health and Safety. Although we improved our lost time injury frequency rate on an annual basis we need to further progress and we will emphasize our efforts in 2015 on behaviours, processes and leveraging the commitment of our managerial line.

As highlighted by the Chairman of the Board of Directors we were able in 2014 to improve once again our operational efficiency, financial performance as well as reducing our net debt in challenging market conditions.

Yet our journey to unlock Aperam's full potential is not over.

We will continue to improve our operational efficiency and we target to improve by the end of 2015 the contribution of our Leadership Journey® to EBITDA by \$47 million. With this additional improvement, our Leadership Journey® is expected to reach by the end of 2015 a total contribution to EBITDA of \$475 million since 2011.

We also aim to continue to further improve our customer orientation. As part of our strategy to become the preferred choice of our costumers we target to leverage our unique stainless steel product portfolio, drive additional value through our Services & Solutions segment and grow our Alloys & Specialties segment.

With respect to our debt we have launched early 2015 a journey to further reduce our cost. The key initiatives are first of all a new \$500 million Secured Borrowing Credit Facility which will refinance our existing Borrowing Base Facility and secondly, our intention to redeem in the second quarter 2015 our expensive High Yield Bonds of \$250 million maturing in 2018.

I am convinced that under the leadership of our Board of Directors and thanks to our highly motivated employees we will continue to reinforce Aperam's resilience to the challenging market environment and be well prepared us to take advantage of growth opportunities when they become available.



Timoteo Di Maulo, CEO

Management Report

The Board of Directors has the pleasure in presenting its report, which constitutes the management report (“Management Report”) as defined by Luxembourg Law, together with the audited consolidated financial statements and annual accounts as of December 31, 2014, and for the year then ended. As permitted by Luxembourg Law, the Board of Directors has elected to prepare a single Management Report covering both the Company and the Group.



Company Overview

Introduction

We are a leading global stainless and specialty steel producer based on our annual production capacity of 2.5 million tonnes in 2014. We are the largest stainless and specialty steel producer in South America and we are the second largest producer in Europe. We are also a leading producer of high value added specialty products, including grain oriented (“GO”) and non-grain oriented (“NGO”) electrical steels and nickel alloys. Our production capacity is concentrated in six production facilities located in Brazil, Belgium and France, and we have approximately 9,400 employees. Our distribution network is comprised of 16 Steel Service Centers (“SSCs”), 8 transformation facilities and 19 sales offices. We sell our products to customers on three continents in over 40 countries, including customers in the aerospace, automotive, catering, construction, household appliances and electrical engineering, industrial processes, medical, and oil & gas industries.

We had sales of \$5.5 billion and \$5.1 billion and EBITDA¹ of \$547 million and \$292 million for the years ended December 31, 2014 and 2013, respectively. Shipments amounted to approximately 1.81 million tonnes and 1.73 million tonnes for the years ended December 31, 2014 and 2013, respectively.

We manage our business according to three primary operating segments:

- > **Stainless & Electrical Steel.** We are one of the largest global producers of stainless steel by production capacity. We produce a wide range of stainless and electrical steels (both GO and NGO) and continuously expand our product offerings by developing new and higher grades of stainless steel and electrical steel. We have a broad portfolio of stainless and electrical steel products and we continuously expand our product offerings. The segment² accounted for 80.1% of sales³ and 78.0% of EBITDA for the year ended December 31, 2014, and respectively 78.1% of sales and 80.5% of EBITDA for the year ended December 31, 2013.
- > **Services & Solutions.** Our Services & Solutions segment which includes our tubes and precision businesses performs three core activities: (i) the management of exclusive, direct sales of stainless steel products from our production facilities, primarily those located in Europe; (ii) distribution of our and, to a much lesser extent, external suppliers’ products; and (iii) transformation services, which include the provision of value added and customized steel solutions through further processing to meet specific customer requirements. The segment accounted for 43.1% of sales and 15.9% of EBITDA for the year ended December 31, 2014, and respectively 42.8% of sales and 3.1% of EBITDA for the year ended December 31, 2013.
- > **Alloys & Specialties.** We believe that our Alloys & Specialties segment is the fourth largest producer of nickel alloys in the world. We are specialized in the design, production and transformation of various nickel alloys and certain specific stainless steels. Our products take the form of bars, semis, cold-rolled strips, wire and wire rods, and plates, and are offered in a wide range of grades. The segment accounted for 11.3% of sales and 10.6% of EBITDA for the year ended December 31, 2014, and respectively 12.5% of sales and 20.5% of EBITDA for the year ended December 31, 2013.

Additionally, we have sales and EBITDA that are reported within our “Other” segment . This segment, including eliminations between our primary operating segments, accounted for (4.5)% of EBITDA for the year ended December 31, 2014, and (4.1)% of EBITDA for the year ended December 31, 2013.

¹ EBITDA is defined as operating income plus depreciation and impairment expenses.

² Figures for 2013 have been reclassified to enhance comparability further to the transfer of Aperam Bioenergia from the segment «Other & Elimination» to the segment «Stainless & Electrical Steel» as from January 1, 2014

³ Amounts are shown prior to intragroup eliminations. For additional information, see Note 23 to the consolidated financial statements.

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 ArcelorMittal's shareholders in order to enable it to benefit from better visibility in the markets, and to pursue its growth strategy as an independent company. On January 25, 2011, at an extraordinary general meeting, the shareholders of ArcelorMittal voted to approve the spin-off proposal. Since the creation of Aperam, the main shareholder ("Significant Shareholder") holds 40.8% of the issued share capital and the Luxembourg State holds 2.5% 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

Stainless & Electrical Steel

Our European facilities produce the full range of our stainless steel products. In Europe, we have two electric arc furnace meltshops in Belgium, located in Genk and in Châtelet. The Genk facility also includes a cold rolling mill plant. The Châtelet facility is fully integrated from the meltshop to the hot rolling mill. In addition to our cold rolling mill in Genk, the Group has two other cold rolling mill plants in France, located in Gueugnon and in Isbergues. In Brazil, our Timóteo facility produces the full range of our stainless and electrical steel products, as well as relatively small volumes of special carbon steel. We are the only integrated producer of flat stainless and electrical steel in South America with fully integrated production and distribution facilities. The integrated Timóteo facility includes two blast furnaces, a melting shop consisting of an Oxygen Furnace and an Electric Arc Furnace, a stainless cold rolling shop and an electrical steel cold rolling shop. In 2014, steel shipments from Stainless & Electrical Steel facilities represented approximately 1,736 thousand tonnes, and approximately 1,650 thousand tonnes in 2013.

Through our Brazilian subsidiary Aperam BioEnergia, we produce wood and charcoal (biomass) from cultivated eucalyptus forests. We use the charcoal (biomass) produced by Aperam BioEnergia as a substitute for coke at our Timóteo production facility. In 2014, we produced 433,000 tonnes of charcoal through Aperam BioEnergia and 432,000 tonnes in 2013. Aperam Bioenergía has been transferred as from January 1, 2014 from the segment "Other & Elimination" to the segment "Stainless & Electrical Steel".

Services & Solutions

We sell and distribute our products through our Services & Solutions segment which includes our tubes and precision businesses, and which also provides value-added and customized steel solutions through further processing to meet specific customer requirements. Our distribution network comprises 16 SSCs, 8 transformation facilities and 19 sales offices. In 2014, steel shipments from Services and Solutions facilities represented approximately 721 thousand tonnes and approximately 679 thousand tonnes in 2013.

Alloys & Specialties

Our Alloys & Specialties integrated production facility is located in Imphy, France and includes a meltshop, a wire rod facility and a cold rolling facility. We also own downstream nickel alloy and specialty assets, including a wire drawing facility and an electrical components manufacturer, both located in France, a transformation subsidiary located in China, and a production facility for industrial clads located in central India. In 2014 and 2013, steel shipments from Alloys & Specialties facilities represented, respectively, approximately 35 thousand tonnes and 36 thousand tonnes.

Our key competitive strengths

We believe that the following are among our key strengths:

We place our priority on health and safety and are committed to sustainability

Aperam's top priority is health and safety. To measure the effectiveness of its health and safety procedures, the company uses as a benchmark the "Lost Time Injury Frequency rate", or "LTIF", a key indicator which measures the time lost due to injuries per 1,000,000 worked hours. During 2014, the LTIF was 1.1x compared to 1.3x during 2013. Aperam understands its responsibility to future generations and local communities. In addition to Aperam BioEnergia enabling the use of sustainable biomass technology, the Company has created environmentally sustainable production solutions while still meeting the stainless and specialty steel demands of its customers.

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

Aperam is a leading stainless and specialty steel producer in South America and according to the International Stainless Steel Forum (the "ISSF"), the second largest producer in Europe. Aperam is well-positioned in both developed and emerging markets, with approximately 68% of the sales derived from developed markets and 32% derived from emerging markets.

In South America, the Company has a leading presence in the flat stainless steel and electrical steel production with modern and fully integrated production and distribution facilities. This unique asset base is perfectly adapted to the South American market. Based upon historical apparent consumption per capita and a developing market for stainless steel, Management estimates that there is important growth potential in Brazil and South America. Management expects to optimize its Brazilian operations and sales to capture the potential of the South American market.

Aperam also has a strong presence in the European stainless steel market. The Company's modern production facilities in Belgium and France are strategically located close to its major customers and have consistently maintained high performance standards through the optimization of production volumes, inventory and costs. The Company 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.

A competitive industrial platform

Aperam's modern production facilities allow the Company to support its customers' stainless and specialty steel requirements with a high level of operational efficiency. In Europe, the Company benefits from high quality and cost efficient plants with the largest and most recent electric arc furnace meltshop (Châtelet, Belgium), the largest hot rolling mill (Châtelet, Belgium) and one of the largest cold rolling mills (Genk, Belgium). In Brazil, the Company operates a fully integrated production facility using charcoal produced by Aperam BioEnergia. 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 a good utilization rate 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 "- Our key strategic priorities".

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 16 Steel Service Centers ("SSCs"), 8 transformation facilities and 19 sales offices. This network allows the Company to develop customers' loyalty thanks to a best-in-class service, to reduce its exposure to imports, to support a continuous activity for the mills and finally to capture additional value in the downstream operations.

The Company's distribution channels are strategically located in areas of high demand and close to many end-users. The Company 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 Company'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 Company's customer base, comprising a number of blue chip clients is well diversified.

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 Company'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 Company is the fourth largest global producer of nickel alloys, 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 Company to enjoy greater stability and to mitigate some of the risks and cyclicity inherent in certain markets. In addition, Aperam's leading position in nickel alloys, which is a particularly high margin value-added niche product, helps the Company to maintain and improve its margins and profitability.

Aperam's research and development activities are closely aligned with our strategy and are focused on product development and process development. The Company's research and development team comprises 120 employees. These employees are based in two centers in Europe, located in Isbergues and Imphy, France, and one center in Timóteo, Brazil. The R&D departments interact closely with the Company's operating segments and partner with industrial end-users and leading research organizations in order to remain at the forefront of product development. The research and development capabilities have contributed to both the Company's leadership in the industry and its development of longstanding and recognizable brands. Aperam concentrates a significant portion of its research and development budget on high margin value-added niche products, such as nickel alloys.

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

The Company's profitability is supported by its implementation of the Leadership Journey[®], which has contributed at the end of December 2014 to approximately \$428 million to EBITDA since the beginning of 2011. In addition, the Company has been able to generate positive cash-flow from operations over the past three years. As of December 31, 2014, the Company had a net financial debt of \$536 million, representing a gearing of 20%.

Talented and dynamic Leadership Team and motivated workforce

Aperam benefits from the experience and industry know-how of its Leadership Team. The team is comprised of nine members led by the Chief Executive Officer ("CEO"), Mr. Timoteo Di Maulo. Mr. Di Maulo has 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 Company. He is supported by the other members of the Company's senior management team, including Mr. Sandeep Jalan, the Chief Financial Officer ("CFO") since January 2014, who previously served as CFO of ArcelorMittal Long Carbon Europe, responsible for finance and strategy. Mr. Jalan has over twenty years of experience in finance and joined the ArcelorMittal group in 1999. The other members of the Leadership Team are Ms. Vanisha Mittal Bhatia, Chief Strategy Officer; Mr. Nicolas Changeur, Chief Marketing Officer; Mr. Bernard Hallems, Chief Technical Officer; Mr. Jean-Paul Rouffiac, Chief Operating Officer Stainless & Electrical Steel Europe; Mr. Frederico Ayres Lima, Chief Operating Officer Stainless & Electrical Steel South America; Ms. Johanna Van Sevenant, Chief Executive Officer Services & Solutions, Mr. Frédéric Mattei, Chief Executive Officer Alloys & Specialties

and Mr. Bert Lyssens who is the Head of Sustainability, Human Resources and Communications effective April 1, 2015. 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 Company has also introduced various initiatives to improve the dedication and motivation of its work force, including development programs, employee self-evaluations, career committee meetings to evaluate opportunities for managers and performance-based bonuses. Greater accountability improves motivation, and the Company's approach to human resources has contributed to the dedication and motivation of its workforce.

Our key strategic priorities

Our key strategic priorities are (i) improving operational efficiency and increasing EBITDA through the Leadership Journey®, (ii) driving value through our Top Line strategy and (iii) reducing our net debt and cost of debt.

Our Top Line strategy includes (a) leveraging our unique stainless steel product portfolio, (b) driving additional value through the Services & Solutions segment and (c) growing the Alloys & Specialties segment.

Improving operational efficiency and increasing EBITDA through the Leadership Journey®

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. The Leadership Journey® is composed of a number of initiatives which can be broadly characterized as restructuring projects, cost reduction projects and continuous improvement initiatives. Restructuring projects under the Leadership Journey® have traditionally focused on the closure of non-competitive capacities and the reduction of fixed costs through process simplification. Cost reduction projects have focused on cost-cutting through improvement of our industrial footprint. Continuous improvement initiatives have typically entailed detailed action plans to streamline our sourcing functions, reduce costs in areas such as IT, and generally reduce our sales, general and administrative costs.

As at December 31, 2014, the Leadership Journey® had contributed a total amount of \$428 million to EBITDA since the beginning of 2011. Key projects announced in 2014 supporting the continuous progress of the Leadership Journey® are i) the debottlenecking the finishing line of the Imphy wire rod mill, ii) the productivity improvement of the downstream facilities in Genk, Gueugnon and Timóteo and iii) a High Grain Oriented electrical steel project in Brazil

Our goal is to achieve \$475 million in gains and profit enhancements by the end of 2015. In order to achieve our goals under the Leadership Journey®, we will continue to optimize and rationalize our production facilities in Europe, while exchanging best practices between our European and Brazilian facilities in order to increase our global industrial performance. In addition, we will continue to focus on new sourcing initiatives, yield and quality improvements, organizational simplifications and further product development.

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 specialized nature of these products, we are able to earn higher margins, typically attracting higher prices than our other more commoditized products. In order to grow our sales of high-margin value-added niche products and replace low contribution margin products, we continue to put focus on our research and development, which is dedicated to developing new solutions for customers with specialty steel requirements, while focusing our marketing and advertising efforts on promoting these products more widely. In 2014, The Board of Directors approved several investments as part of the Top Line strategy while at the same time improving the cost competitiveness of the Group's operations. The projects are described in greater detail under the section "Liquidity - Capital expenditures"

Driving additional value through the 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 the further development of the Services & Solutions segment will drive additional value creation while serving our customers more effectively. As part of this strategy, we invested \$35 million as part of the Leadership Journey® to create a new service center in Campinas in the Sao Paulo region of Brazil, which started operations by the end of 2012, and enables us to better serve customers in the Brazilian market. In particular, the facility's optimized footprint and its location close to high-consumption areas in the Brazilian market are expected to play a role in developing our operational capabilities and growing the Services & Solutions segment.

Growing the Alloys & Specialties segment

The Alloys & Specialties segment specializes in the design, production and transformation of various nickel alloys and certain specific stainless steels. These products are intended for high-end applications or addressing 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. As part of this strategy, we invested \$33 million as part of the Leadership Journey® at our Imphy plant in France to increase revenue and improve competitiveness, with operations started by the end of 2012. In February 2014, the Board of Directors of Aperam further approved an investment of \$10 million in debottlenecking the finishing line of the Imphy wire rod mill.

Reduction of net debt and cost of debt

As part of our efforts to become a more resilient company capable of responding to the volatile market environment, we have reduced our net debt to \$536 million at the end of 2014, representing a gearing of 20%. In 2014, the Company remained highly focused on optimizing its debt profile and interest costs. Key debt restructuring actions in 2014 included (i) net share settled convertible and/or exchangeable bonds due 2021 of \$300 million issued in June 2014 at coupon of 0.625% and premium of 32.5%, (ii) the reduction by half in 2014 of the Borrowing Base Facility to \$400 million, (iii) the reimbursement as of October 1, 2014 of the High Yield Bonds of \$250 million with coupon of 7.375% maturing in 2016 and (iv) the announcement of the enhancement of the net debt reduction target to be reached by the end of 2014 from \$650 million to \$550 million.

As part of our initiatives to improve our cost of debt: (i) on February 12, 2015, we announced our intention to redeem our High Yield Bonds of \$250 million with coupon 7.75% maturing in 2018 in the second quarter of 2015 and (ii) on March 6, 2015, we signed a \$500 million Secured Borrowing Base Revolving Credit Facility ("The Facility") with a group of nine banks. The Facility, which will refinance the existing Borrowing Base Facility of \$400 million, is structured as a three-year revolving credit facility and includes a one year extension option. It will be used for liquidity and working capital purposes.

Please refer to the section "Liquidity" of this Management Report for further details with respect to the Company's financing.

Our profit driving pillars

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

1. We are aiming at being the best in cost with our Leadership Journey® and are targeting a contribution of \$475 million to EBITDA from 2011 to 2015.
2. We are aiming at optimizing our product portfolio and replacing low contribution margin products by high margin products with our Top Line strategy and our innovation strengths.
3. We are aiming to continue focusing on cash and the strengthening of our balance sheet.
4. We are aiming at growing in our Alloys & Specialties business to follow the market growth while continuing to improve our competitiveness.

Pictures: Our key production sites





Market analysis

Market environment

Our results of operations are primarily affected by factors which impact the stainless and specialty steel industry generally, 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 results of operations are affected by certain factors specific to us, including several initiatives we have introduced in response to the challenging economic environment. These factors are described in greater detail below.

Stainless Steel Pricing

In contrast to carbon steel, the market for stainless steel is considered to be a global market. Stainless steel is suitable for transport over longer distances as logistics costs represent a small proportion of overall costs. As a result, prices for commoditized 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, 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 added by producers to the selling price of steel and offsets price increases in raw materials, such as nickel, chromium or molybdenum, by directly passing these increases on to customers. The concept of the “alloy surcharge”, which is calculated using raw material prices quoted on certain accepted exchanges, such as the London Metals Exchange (“LME”), was introduced in Europe and the United States in response to significant volatility in the price of these materials, which has historically been driven by fluctuations in demand, increasing or decreasing inventory levels, changes in production capacity and speculation by metal traders.

Notwithstanding the application of the “alloy surcharge”, the Company is still affected by changes in raw material prices, in particular nickel. In general, when the price of nickel is falling, purchasers of stainless steel products delay their orders to benefit from an expected decline in prices, which has the effect of reducing demand in the short term. By contrast, when nickel prices are rising, purchasers tend to acquire larger quantities of stainless steel in order to avoid having to buy at higher prices. The nickel price evolution over the period 2013 to 2014 is highlighted in the graph below under “—Nickel price on the LME (in \$/tonne)”.

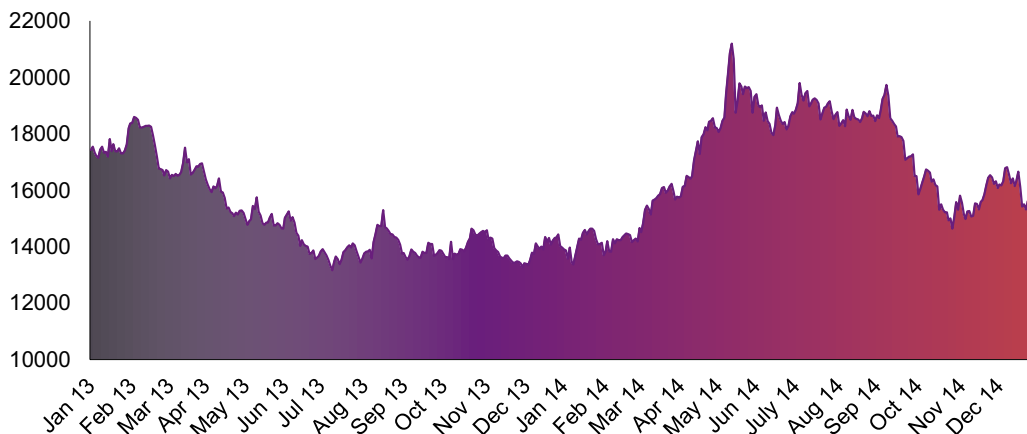
In 2013, the nickel price decreased from a level of approximately 17,000\$/tonne at the beginning of the year to about \$14,000 per tonne at the end of the year.

The enforcement in January 2014 of the Indonesian ban on export of nickel ores (essential for nickel pig iron production in China) resulted in a strong rise of nickel prices in the first half of 2014. From a level of \$14,000 per tonne in January, LME nickel price rose to almost \$21,000 per tonne by the mid of May in fear of a possible shortage. The feared supply shortage did not materialize, as LME nickel inventories continued to climb, and nickel pig iron (“NPI”) production in China remained high due to nickel ore inventory build-up in China prior to the Indonesia ban and continued ramp up of supply of

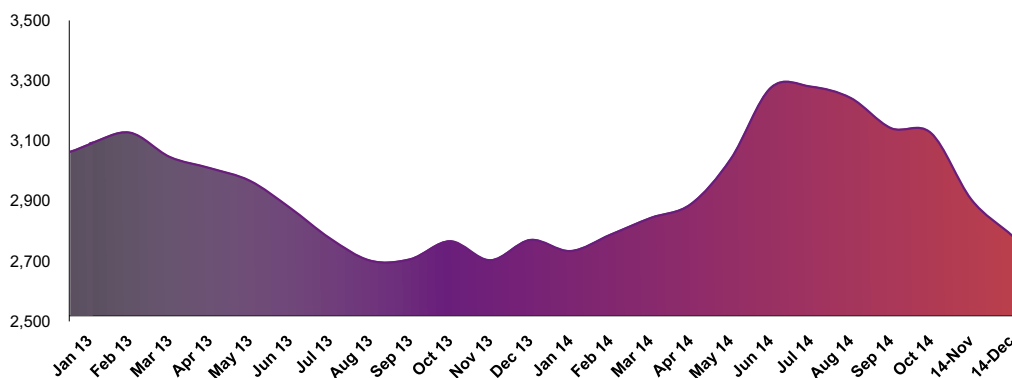
Philippine nickel ore. As a consequence, nickel prices began sliding from approximately \$20,000 per tonne in September to below \$15,000 by the end of December 2014. In 2015 we forecast a continued global nickel market in oversupply, although uncertainty on potentially disruptive supply and demand developments places significant uncertainty over the price evolution of nickel in 2015.

The graphs below show the price of nickel on the LME and the European base price for CR304 stainless steel for the period from January 1, 2013 to December 31, 2014:

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



Graph: Stainless Steel/CR304 2B 2mm Coil Transaction Price/Southern Europe Domestic Delivered (\$/tonne)



Source:

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

In 2013, stainless steel transaction prices (based on the price of CR304 2B 2mm transaction base prices/Southern Europe) reached approximately 2,700\$/tonne at year end.

Stainless steel transaction prices increased to approximately 3,300 \$/tonne at the end of July 2014 as a consequence of the rising nickel prices. As the feared supply shortage from the Indonesian ban on export of nickel ores did not materialize, prices decreased to approximately 2,800 \$/tonne at the end of 2014.

Despite improved demand, restocking and capacity utilization improvements, Aperam expects stainless steel prices to remain under pressure as a consequence of the surge in Chinese production and Asian imports into EU.

Electrical Steel Pricing

Electrical steel prices, like stainless steel base prices, are affected by global demand and supply dynamics. Because China is the most important source of demand for electrical steel, prices are dependent in particular upon Chinese demand.

During the first quarter of 2013, GO steel prices (based on RGO 30Q130 – Shanghai Market) remained at approximately 1,960\$/tonne and decreased to approximately 1,600\$/tonne at year end. During 2014 the GO prices remained at approximately 1,600\$/tonne over the year.

Prices in China for NGO steel (based on NGO M470-50A – Shanghai Market), which accounts for approximately 80% of the global electrical steel market, decreased over the course of 2013 to reach approximately 850\$/tonne at year end. During the year 2014, NGO prices remained relatively stable at a level of approximately 880\$/tonne.

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 2013, global demand for stainless steel flat products grew by 4%. In 2014, global demand for stainless steel flat products increased by 5%, primarily led by China. Global demand for stainless steel flat products is expected to increase by approximately 4% per annum from 2015 until 2019, with growth of approximately 1% and 3% expected for Europe and South America, respectively.

In 2013 and 2014, demand for GO and NGO continued to grow by approximately 4% per year. Global demand for GO and NGO is expected to continue its growth trend, mostly driven by China. Global demand for GO and NGO is expected to continue its growth trend, mostly driven by China.

Demand for nickel alloys products is positively impacted by the growing role of natural gas in the world energy mix and the post Fukushima effect. The macro trends of the aerospace, power generation and oil and gas industries are also key growth drivers of the nickel alloys market. Management estimates that the demand of nickel alloys has increased by about 5% in 2014 and is expected to continue its solid growth.

Production and capacity

In 2013, there was a 9% global growth in stainless production. In 2014, global stainless production continued to grow by about 8%, driven primarily by increased production in China.

Structural overcapacity in the sector has in the past affected the stainless steel industry. Based on Management estimates the global utilization rates reached approximately 68% in 2013 and 70% in 2014. Global utilisation rates are forecast to marginally improve through 2019, as global demand outpaces global capacity additions. In Europe, the current restructuring of the flat stainless steel industry are expected to support higher utilisation rates in the medium-term.

Competition

In 2014 Aperam was the eighth largest stainless steel flat producer in the world with slab production capacity in excess of 2.0 million tonnes per year behind Taiyuan Iron & Steel (“TISCO”), Pohang Iron and Steel Company (“POSCO”), Outokumpu, Yieh United Steel (“YUSCO”), Tsingshan, Baosteel and Acerinox.

Anti-dumping developments

European Union

On June 26, 2014, the European Commission published a notice of initiation of an anti-dumping proceeding concerning imports of stainless steel cold-rolled flat products originating in the People’s Republic of China and Taiwan. The notification follows a complaint lodged on May 13, 2014 by the European Steel Association Eurofer. The investigation will determine whether the products under investigation are being dumped and whether the dumped imports have caused injury to the industry of the European Union. If the conclusions are affirmative, the investigation will examine whether the imposition of measures would not be against the European Union interest.

On August 14, 2014, the European Commission announced by a notice published in the Official Journal of the European Union, the initiation of an anti-subsidy proceeding concerning imports of stainless steel cold-rolled flat products originating in China following a complaint lodged on July 1, 2014 by Eurofer.

On December 16, 2014 the European Commission announced by a notice published in the Official Journal of the European Union, making imports of stainless steel cold-rolled flat products originating in the People’s Republic of China and Taiwan subject to registration. Pursuant to anti-dumping and anti-subsidy regulation imports of the product concerned should be made subject to registration for the purpose of ensuring that, should the investigations result in findings leading to the imposition of anti-dumping and/or countervailing duties, those duties can, if the necessary conditions are fulfilled, be levied retroactively on the registered imports in accordance with the applicable regulation.

Brazil

On March 7, 2012, Brazil’s Trade Defense Department (“Decom”), an investigative body under the Brazilian Ministry of Development, Industry and Foreign Trade, opened an anti-dumping investigation against imported welded austenitic stainless pipes from China and Taiwan. Furthermore, on April 13, 2012, Decom officially launched an anti-dumping investigation on flat stainless steel products (austenitic stainless steel grade 304 and ferritic stainless steel grade 430). As a result, the imports from China, Germany, South Korea, Finland, Taiwan and Vietnam were investigated. In addition to the above, on April 17, 2012, Decom officially launched an anti-dumping investigation on flat non-grain oriented products imported from South Korea, China and Taiwan. As a result of the investigations opened by Decom in 2012, anti-dumping rights were implemented for a period of 5 years as described in more details in the table on next page:

Product Type	Grade Family	Thickness	Countries	AD Duty Range (USD/mt)	Effective from
Cold Rolled Stainless Steel Flat Products	304 & 430	0,35mm to 4,75mm	China, Taiwan, South Korea, Vietnam, Germany and Finland	235.59 up to 1,076.86	October 3, 2013
Stainless Steel Circular Welded Tubes	304 & 316	0,4mm to 12,70mm	China and Taiwan	359.66 up to 911.71	July 29, 2013
Cold Rolled Electrical Flat Steel type NGO	All	All	China, Taiwan and South Korea	132,50 up to 567.16	July 17, 2013

On August 22, 2014, Decom decided to reduce the anti-dumping penalties on imports of GNO electrical steels from China, Taiwan and South Korea. The imports of GNO electrical steels from China, Taiwan and South Korea, up to 45.000 tons, duly registered (import declaration) until August 15, 2015, will not be subjected to the current penalties. Imports exceeding the quota will continue to be subject to penalties ranging between \$132.50 per tonne and \$567.16 per tonne.

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.

In 2013, the nickel market was in oversupply with as main factors the ramp up of new production facilities and expanding nickel pig iron production in China. The European benchmark price for ferrochrome was 1.125\$/pound of chrome in the last quarter of 2013. Molybdenum oxide prices traded around 21,000\$/tonne at the end of the year. The reference iron ore price (62% Fe₂O₃; CIF China) traded in a range of 130\$ to 140\$/tonne at the end of 2013. Ferrous scrap prices (E8 quality; Western Europe) ended the year 2013 at 293€/tonne.

In 2014, the nickel price evolution was primarily impacted by the Indonesian ban and its consequences as described in greater detail above under “—Stainless Steel Pricing”. The European benchmark price for ferrochrome ranged from \$1.18/pound of chrome in the first quarter 2014 to a high of \$1.22/pound of chrome in the second quarter after ending the fourth quarter with a price of \$1.15/pound chrome. Early 2014, molybdenum prices remained stable around \$22,000 per tonne but a delay in a copper/molybdenum project pushed prices to a peak of \$32,000 per tonne in June. By the end of the year molybdenum oxide prices had dropped back below \$20,000 per tonne as production forecasts increased again. The reference iron ore price (62% Fe₂O₃; CIF China) almost continuously dropped in 2014 to reach \$63 per tonne by end December 2014 as a result of concerns about the Chinese growth, combined with mine expansions. Ferrous scrap prices (E8 quality; Western Europe) decreased for most of 2014 reaching €250 per tonne by December 2014.

Energy

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

With regard to electricity, in most of the countries where the Company operates, electricity prices have moved in line with other energy commodities. The Company benefits from access to baseload nuclear power in France. Complementary needs are sourced in the market, particularly in Brazil, which has seen an unprecedented rise in electricity prices in 2014. Due to a net positive position in its electricity contracts in Brazil in 2014, EBITDA of the segment Stainless & Electrical Steel from South America included USD 58 million positive results from the sale of electricity surplus.

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

Impact of exchange rate movements

In 2014, the U.S. dollar appreciated by 14% against the Euro to reach 0.8237 Euro/U.S. dollar at year end. In 2014, the U.S. dollar appreciated by 13% against the Brazilian real to reach 2.6562 Brazilian real/U.S. dollar at year end. At the end of 2013, the U.S. dollar amounted to 0.7251 Euro/U.S.dollar and 2.3426 Brazilian real/U.S. dollar. Because a substantial portion of Aperam's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its presentation currency), Aperam has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. In order to minimize its currency exposure, the Company enters into hedging transactions to lock in a set exchange rate, in accordance with its management policies.

Board of directors

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

Aperam places a strong emphasis on corporate governance. Aperam has four independent directors on its seven members of the Board of Directors and the Board's Audit and Risk Management Committee and Remuneration, Nomination and Corporate Governance Committee are each comprised exclusively of independent directors. 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; calling 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 24 May 2013 the Board of Directors decided to co-opt Mr. Joseph Greenwell as a member of the Board of Directors as from the same date to fill the vacancy created by Mr. David B. Burritt's resignation which was effective 24 May 2013. Mr. Greenwell's election was submitted for confirmation to the annual general meeting of shareholders on May 8, 2014 where he was elected for a term of three years. The annual general meeting of shareholders on May 8, 2014 also acknowledged the expiration of the term of office of Ms. Laurence Mulliez and re-elected her for a new term of three years.

The Board of Directors has proposed Mr. Philippe Darmayan to serve as a member of the Aperam Board of Directors, subject to approval at the Aperam annual general meeting of shareholders to be held on May 5, 2015.

Aperam's Board composition is subject to the election of the members of the Board of Directors by the shareholders at the Company's upcoming shareholders' meeting. 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 dated May 2013 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 next page.

Name	Age ⁽¹⁾	Position within the Company ⁽²⁾	Date joined Board	Term Expires
Mr. Lakshmi N. Mittal	64	Chairman, Non-independent member of the Board of Directors	December 2010	May 2016
Mr. Romain Bausch ^{(3) (4)}	61	Lead Independent Director, Independent member of the Board of Directors	January 2011	May 2016
Mr. Joseph Greenwell ^{(3) (4)}	63	Independent member of the Board of Directors	May 2013	May 2017
Ms. Kathryn A. Matthews ⁽⁴⁾	55	Independent member of the Board of Directors	December 2010	May 2016
Mr. Aditya Mittal	38	Non-independent member of the Board of Directors	December 2010	May 2016
Ms. Laurence Mulliez ⁽³⁾	48	Independent member of the Board of Directors	May 2011	May 2017
Mr. Gonzalo Urquijo	53	Non-independent member of the Board of Directors	December 2010	May 2016

Notes:

Company Secretary: Mr. Laurent Beauloye

(1) Age on December 31, 2014.

(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 Officer of ArcelorMittal. Mr. Mittal started his career in steel in 1976 by founding Ispat Indo, a company that is still held privately by the Mittal family. He founded Mittal Steel Company (formerly the LNM Group) in 1989 and guided its strategic development, culminating in the merger in 2006 with Arcelor, to form the world's largest steelmaker. He is widely recognized for the leading role he has played in restructuring the steel industry towards a more consolidated and globalized model. Mr. Mittal is an active philanthropist and a member of various boards and trusts, including chairman of the board of ArcelorMittal and the boards of Goldman Sachs and Airbus N.V (previously EADS NV). He is a member of the Foreign Investment Council in Kazakhstan, the World Economic Forum's International Business Council and the World Steel Association's Executive Committee. He also sits on the Board of Trustees of Cleveland Clinic in the United States. Mr. Mittal began his career working in his family's steelmaking business in India, and has over 35 years of experience working in steel and related industries. In addition to spearheading the steel industry's consolidation, he championed the development of integrated mini-mills and the use of Direct Reduced Iron (DRI) as a scrap substitute for steelmaking. Following the merger of Ispat International and LNM Holdings to form Mittal Steel in December 2004, with the simultaneous acquisition of International Steel Group, he led the formation of the world's steel producer at the time. In 2006, he orchestrated Mittal Steel and Arcelor's merger to form ArcelorMittal. Mr. Mittal then led a successful integration of two large entities to firmly establish ArcelorMittal as one of the foremost industrial companies in the world. The company continues to be the largest and most global steel manufacturer. More recently, Mr. Mittal has been leading ArcelorMittal's expansion of its mining business through significant brownfield and greenfield growth. In 1996, Mr. Mittal was awarded 'Steelmaker of the Year' by New Steel in the United States and in 1998 the 'Willy Korf Steel Vision Award' by World Steel Dynamics for outstanding vision, entrepreneurship, leadership and success in global steel development. He was named Fortune magazine's 'European Businessman of the Year 2004'. Mr. Mittal was awarded 'Business Person of 2006' by the Sunday Times, 'International Newsmaker of the Year 2006' by Time Magazine and 'Person of the Year 2006' by the Financial Times for his outstanding business achievements. In January 2007, Mr. Mittal was presented with a Fellowship from King's College London, the college's highest award. He also received in 2007 the Dwight D.

Eisenhower Global Leadership Award, the Grand Cross of Civil Merit from Spain and was named AIST Steelmaker of the year. In January 2008, Mr. Mittal was awarded the Padma Vibhushan, India's second highest civilian honor, by the President of India. In September 2008, Mr. Mittal was chosen for the third 'Forbes Lifetime Achievement Award', which honors heroes of entrepreneurial capitalism and free enterprise. In October 2010, he was awarded World Steel Association's medal in recognition of his services to the Association as its Chairman and also for his contribution to the sustainable development of the global steel industry. In January 2013, Mr. Mittal was awarded with a Doctor Honoris Causa by the AGH University of Science and Technology in Krakow, Poland. Mr. Mittal was born in Sadulpur in Rajasthan, India on June 15, 1950. He graduated from St. Xavier's College in Kolkata, India where he received a Bachelor of Commerce degree. Mr. Mittal is married to Usha Mittal. They have a son, Aditya Mittal, and a daughter, Vanisha Mittal Bhatia. Mr. Mittal is a citizen of India.



Mr. Romain Bausch

Mr. Romain Bausch is 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 2014. Previously, he was President and Chief Executive Officer of SES from July 2001 to April 2014. SES is a world-leading telecommunications satellite operator, with a global fleet of 54 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 SES ASTRA and Vice-Chairman of the Board of non-publicly listed O3b Networks. He became the Director General and the Chairman of the Management Committee of SES in 1995, following a career in the Luxembourg civil service (Ministry of Finance). Previously, he occupied key positions in the banking, media and telecommunications sectors in Luxembourg. Mr. Bausch is a member of the Board of Directors of non-publicly listed BIP Investment Partner and Compagnie Financière La Luxembourgeoise. Mr. Bausch is also Chairman of the CNFP, the Luxembourg Independent Advisory Board for Public Finances. Mr. Bausch graduated with a degree in economics (specialization in business administration) from the University of Nancy and holds an honorary doctorate from Sacred Heart University in Luxembourg. Mr. Bausch is a citizen of Luxembourg.

**Mr. 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. In 2013 Mr. Greenwell was appointed Chief Executive Officer of The Automotive Investment Organisation, a Government organisation in the UK focussed on attracting investment to the UK automotive industry. Mr. Greenwell is also Chairman of the RAC Foundation, a UK transport research charity, since 2013. Mr. Greenwell holds a Bachelor of Art degree from the University of East Anglia. Mr. Greenwell is a citizen of the United Kingdom.

**Mrs. Kathryn A. Matthews**

Mrs. 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, Mrs Matthews is a non-executive director of publicly listed Rathbone Brothers Plc and JPMorgan Chinese Investment Trust Plc and Chairman of publicly listed Montanaro UK Smaller Companies Investment Trust Plc. Mrs. Matthews is also a non-executive director of non-publicly listed Hermes Fund Managers Ltd. Mrs. Matthews is also 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. Mrs. Matthews holds a Bachelor of Science degree in Economics from Bristol University in Bristol, England. Mrs. Matthews is a citizen of the United Kingdom.



Mr. Aditya Mittal

Mr. Aditya Mittal is a Member of the Group Management Board of ArcelorMittal, Chief Financial Officer of ArcelorMittal, CEO of ArcelorMittal Europe, Responsible for Flat Carbon Europe, Long Carbon Europe and Distribution Solutions. Prior to the merger to create ArcelorMittal, Mr. Aditya Mittal held the position of President and Chief Financial Officer of Mittal Steel Company from October 2004 to 2006. He joined Mittal Steel in January 1997 and has held various finance and management roles within the company. In 1999, he was appointed Head of Mergers and Acquisitions for Mittal Steel. In this role, he led the company's acquisition strategy, resulting in Mittal Steel's expansion into Central Europe, Africa and the United States. Besides M&A responsibilities, Aditya Mittal was involved in post-integration, turnaround and improvement strategies. As Chief Financial Officer of Mittal Steel, he also initiated and led Mittal Steel's offer for Arcelor to create the first 100 million tonnes plus steel company. In 2008, Mr. Aditya Mittal was awarded 'European Business Leader of the Future' by CNBC Europe. In 2011, he was also ranked 4th in the '40 under 40' list of Fortune magazine. He is a member of the World Economic Forum's Young Global Leaders Forum, the Young President's Organization and a Board member at the Wharton School. Aditya Mittal holds a Bachelor's degree of Science in Economics with concentrations in Strategic Management and Corporate Finance from the Wharton School in Pennsylvania, United States. Mr. Aditya Mittal is the son of Mr. Lakshmi N. Mittal. Mr. Aditya Mittal is a citizen of India.



Mrs. Laurence Mulliez

Mrs. Laurence Mulliez has 25 years of experience mostly in Profit&Loss 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. Mrs. 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. Mrs. Mulliez is currently the Chairman at Voltalia, a renewable-based electricity producer in four countries which is publicly listed on Euronext in Paris, and is also a Non Executive Director at publicly listed Green Investment Bank plc in the UK. Mrs. 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. Mrs. Mulliez is a citizen of France but has been living in London for the last 15 years.



Mr. Gonzalo Urquijo

Mr. Gonzalo Urquijo is adviser to Mr. Lakshmi N. Mittal, Chairman and CEO of ArcelorMittal since January 2015. Previously, Mr. Urquijo was a Member of the Group Management Board of ArcelorMittal and Responsible for Tubular Products, as well as for Health and Safety and Corporate Affairs (Government affairs, Corporate Responsibility and Communication). Mr. Gonzalo Urquijo serves as a director of publicly listed ArcelorMittal South Africa. Mr. Gonzalo Urquijo was previously member of the Group Management Board of ArcelorMittal, Responsible for AACIS (excluding China and India), Distribution Solutions, Tubular products, Corporate Responsibility and Investment Allocation Committee Chairman. Mr. Gonzalo Urquijo previously Senior Executive Vice President and Chief Financial Officer of Arcelor, has held the following responsibilities: Finance, Purchasing, IT, Legal Affairs, Investor Relations, Arcelor Steel Solutions and Services, and other activities. Mr. Gonzalo Urquijo also held several other positions within Arcelor, including Deputy Senior Executive Vice President and Head of the functional directorates of distribution. Until the creation of Arcelor in 2002, when he became Executive Vice President of the Operational Unit South of the Flat Carbon Steel sector, Mr. Gonzalo Urquijo was CFO of Aeralia. Between 1984 and 1992, he held a variety of positions at Citibank and Crédit Agricole before joining Aristrain in 1992 as CFO and later Co-CEO. Mr. Gonzalo Urquijo is a graduate in Economics and Political Science of Yale University and holds an MBA from the Instituto de Empresa in Madrid. Mr. Gonzalo Urquijo is a citizen of Spain.

Senior management

Each member of the Company's senior management is a member of the Leadership Team (formerly named Management Committee), 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.

On November 6, 2013 Aperam announced the appointment of Mr. Sandeep Jalan as the Company's new Chief Financial Officer effective January 15, 2014 following the resignation of Mr. Julien Onillon who left Aperam to realize a personal project.

On March 7, 2014 Aperam announced the appointment of Mr. Frédéric Mattei as the new Chief Executive Officer of its Alloys and Specialties division and member of Aperam's Leadership Team effective June 1, 2014. The responsibilities for the Alloys and Specialties division were previously held by the Chief Executive Officer of the Company following the departure of Mr. Julien Burdeau effective July 15, 2013.

On October 14, 2014, Mr. Philippe Darmayan, who had been the Chief Executive Officer of Aperam since December 2011, indicated to the Board of Directors his intention to retire effective December 31, 2014. The Board of Directors accepted Mr. Philippe Darmayan's request and announced the appointment of Mr. Timoteo Di Maulo, member of Aperam's Leadership Team, as Chief Executive Officer effective January 1, 2015. On October 14, 2014, Aperam also announced that Mr. Philippe Darmayan will retain links with the Company as advisor and will be proposed to become a member of Aperam's Board of Directors at the Company's annual general meeting of shareholders in 2015.

On October 28, 2014, Aperam announced the appointments of Mr. Nicolas Changeur as Chief Marketing Officer for Stainless & Electrical Steel, Ms. Johanna Van Sevenant as Chief Executive Officer for Services & Solutions and Mr. Bernard Hallemans as Chief Technical Officer of Aperam effective November 1, 2014.

On November 10, 2014, Aperam announced the appointment of Mr. Frederico Ayres Lima as Chief Operating Officer Stainless & Electrical Steel South America effective December 1, 2014, following the resignation of Mr. Clenio Guimarães who is pursuing other opportunities.

On March 2, 2015, Aperam announced the appointment of Mr. Bert Lyssens as Head of Sustainability, Human Resources and Communications effective April 1, 2015

The members of Aperam's Leadership Team are set forth below.

Name	Age ⁽¹⁾	Function
Mr. Timóteo Di Maulo	55	Chief Executive Officer; Member of the Leadership Team
Mr. Sandeep Jalan	47	Chief Financial Officer; Member of the Leadership Team
Ms. Vanisha Mittal Bhatia	34	Chief Strategy Officer; Member of the Leadership Team
Mr. Nicolas Changeur	43	Chief Marketing Officer, Member of the Leadership Team
Mr. Bernard Hallemans	47	Chief Technical Officer, Member of the Leadership Team
Mr. Bert Lyssens ⁽²⁾	45	Head of Sustainability, Human Resources and Communications Member of the Leadership Team
Mr. Jean-Paul Rouffiac	62	Chief Operating Officer Stainless & Electrical Steel Europe; Member of the Leadership Team
Mr. Frederico Ayres Lima	42	Chief Operating Officer Stainless & Electrical Steel South America; Member of the Leadership Team
Ms. Johanna Van Sevenant	46	Chief Executive Officer Services & Solutions; Member of the Leadership Team
Mr. Frédéric Mattei	41	Chief Executive Officer Alloys & Specialties, Member of the Leadership Team

Note:

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

(1) Age on December 31, 2014.

(2) Effective April 1, 2015.



Mr. Timoteo Di Maulo

Mr. Timoteo Di Maulo is the Chief Executive Officer since January 2015. Mr. Di Maulo has 25 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 Company. 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 centers and ArcelorMittal Stainless Europe's tube mills and precision strips). Mr. Di Maulo is a graduate of Politecnico di Milano in Milan and holds an M.B.A. from Bocconi University in Milan. Mr. Di Maulo is a citizen of Italy.

**Mr. Sandeep Jalan**

Mr. Sandeep Jalan is the Chief Financial Officer of Aperam since January 2014. Mr. Sandeep Jalan has over twenty 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 at the London School of Business. Mr. Jalan is a citizen of India.

**Mrs. Vanisha Mittal Bhatia**

Mrs. Vanisha Mittal Bhatia joined Aperam in April 2011 and is the Chief Strategy Officer. She has a bachelor of sciences from the European Business School. Mrs. Mittal Bhatia is a member of the Board of Directors of Arcelormittal and previously of LNM holdings; where she worked in the procurement department. She is also the daughter of Mr. Lakshmi N. Mittal. Mrs. Mittal Bhatia is a citizen of India.

**Mr. Nicolas Changeur**

Mr. Nicolas Changeur is 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 Hallemands**

Mr. Bernard Hallemands is the Chief Technical Officer since November 2014. Mr. Bernard Hallemands joined the Group in 1995 as a research and metallurgical engineer. He conducted different R&D, quality and process improvement projects in the stainless steelmaking, 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. Hallemands is a citizen of Belgium.

**Mr. Bert Lyssens**

Mr. Bert Lyssens is the Responsible for Sustainability, Human Resources and Communications effective April 1, 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. Jean-Paul Rouffiac

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



Mr. Frederico Ayres Lima

Mr. Frederico Ayres Lima is 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.

**Mrs. Johanna Van Sevenant**

Mrs. Johanna Van Sevenant is the Chief Executive Officer Services & Solutions since November 2014. Previously, Mrs. Van Sevenant was Responsible for Sustainability, Human Resources and Communications and Member of the Leadership Team since the creation of Aperam. Mrs. Johanna Van Sevenant started her career at PricewaterhouseCoopers Brussels in 1993 and later joined Deloitte & Touche in 1999 where she worked as a Senior Manager of the Human Resources Advisory Services. She subsequently joined the Arcelor Group in 2001 as Managing Director of the Belgian Pension Competence Center at Usinor in Liège, Belgium. Between 2003 and 2006, Mrs. Van Sevenant served as International Manager—Pension and Risks Benefits at the Human Resources Corporate Center in Luxembourg. Mrs. Van Sevenant became Manager of Integration in 2006 and, in 2007, was named Head of Human Resources, Communications and General Services of the ArcelorMittal International division within Steel Services & Solutions. She was later named Head of Human Resources and Communication of the Stainless Steel segment in December 2008. Mrs. Van Sevenant holds a Master's degree in Political Science and Business Administration from Université Libre de Bruxelles in Brussels, Belgium and a Master's degree in Tax Law from HEC St. Louis in Brussels. Mrs. Van Sevenant is a citizen of Belgium.

**Mr. Frédéric Mattei**

Mr. Frédéric Mattei was appointed 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 May 8, 2014 Aperam published its made for life report, which constitutes Aperam's sustainability performance report for 2013.

Built on stakeholder inclusiveness and materiality, Aperam's report follows the Global Reporting Initiative's recently launched G4 framework. It has been assured by an external audit firm as compliant with this protocol, including the reporting of material environmental performance data such as energy intensity, water withdrawal by source, CO₂ intensity and air emissions.

The report shows how Aperam strives to go beyond compliance in its environmental performance, presenting issues and solutions such as water conservation initiatives and the use of charcoal from our eucalyptus forest business. Additionally, Aperam's material indicators on Safety and People are disclosed by region and segment, offering insight into the Company's economical, social and environmental performance locally and globally.

Provision of Environmentally Sustainable Processes and Solutions

We have invested and will continue to invest in sustainable development opportunities in order to reduce our environmental impact. In our European production facilities, for instance, our stainless steel is produced using recycled scrap material in electric arc furnaces, which use less energy and generate a lower level of CO₂ emissions than traditional blast furnaces. We also constructed a new water treatment unit at our Imphy plant. In addition, in Brazil, we use charcoal (biomass) produced by Aperam BioEnergia as a substitute for coke at our blast furnaces, enabling us to produce stainless steel and specialty products in a more environmentally sustainable manner.

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

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

Personnel Development

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

Social dialogue and employee relations

We have a long track record of promoting social dialogue with employee representatives in each of the jurisdictions in which we operate. Our employees in various parts of the world are represented by trade unions, and we are a party to collective labour agreements with employee organizations in certain locations. We operate in a good social climate, as evidenced by our good level of absenteeism and low attrition rate, and with a regular dialogue with our trade unions. In 2014, the social dialogue at the European level was illustrated by the regular meeting of the European Work Council. A working group dedicated to Health and Safety topics was launched in 2014 within the European Work Council.

Community Engagement

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

Sustainability Reports

Aperam’s sustainability reports are available on Aperam’s website, www.aperam.com under Sustainability.

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, 2014, compared to the year ended December 31, 2013. The key performance indicators that we use to analyze operations are sales, steel shipments, average steel selling prices and operating result.

Key Indicators

The key performance indicators that we use to analyze 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, 2014, as compared to the year ended December 31, 2013:

Operating Segment	Sales for the Year Ended December 31 ^{(1) (4)}		Steel Shipments for the Year Ended December 31 ⁽²⁾		Average Steel Selling Price for the Year Ended December 31		Changes in		
	2014	2013	2014	2013	2014	2013	Sales	Steel Shipments	Average Steel Selling Price
	(in million of U.S. dollars)		(thousands of tonnes)		(in U.S. dollars/tonne)		(%)		
Stainless & Electrical Steel ⁽³⁾	4,390	4,001	1,736	1,650	2,391	2,322	9.7	5.2	3.0
Services & Solutions	2,363	2,189	721	679	3,090	3,061	7.9	6.2	0.9
Alloys & Specialties	618	641	35	36	16,728	17,224	(3.6)	(2.8)	(2.9)
Total (before intragroup eliminations)	7,371	6,831	2,492	2,366			7.9	5.3	
Total (after intragroup eliminations)	5,482	5,120	1,813	1,728			7.1	4.9	

Notes:

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

(2) Steel shipments amounts are shown prior to intersegment shipments of 679 thousand tonnes and 638 thousand tonnes in 2014 and 2013, respectively.

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

(4) Due to the transfer of the entity Aperam Bioenergia from the segment 'Other' to the operating segment 'Stainless & Electrical' starting January 1, 2014, segmented figures for 2013 have been restated.

The Company had sales of \$5,482 million for the year ended December 31, 2014 representing an increase of 7.1% compared to sales of \$5,120 million for the year ended December 31, 2013. The increase in sales was primarily due to the higher average selling price, which increased from \$2,836 per tonne in 2013 to \$2,851 per tonne in 2014. Steel shipments amounted to approximately 1,813 thousand tonnes for the year ended December 31, 2014, increasing by 4.9% from 1,728 thousand tonnes for the year ended December 31, 2013.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) increased from \$4,001 million for the year ended December 31, 2013 to \$4,390 million for the year ended December 31, 2014, which represented a 9.7% increase year-over-year. The increase in sales was primarily the result of higher steel shipments and a higher average steel selling price for the segment. Steel shipments for this segment (including intersegment shipments) increased from 1,650 thousand tonnes for the year ended December 31, 2013 (of which 646 thousand tonnes were attributable to our operations in South America and 1,004 thousand tonnes were attributable to our operations in Europe, including intersegment shipments) to 1,736 thousand tonnes for the year ended December 31, 2014 (of which 654 thousand tonnes were attributable to our operations in South America and 1,082 thousand tonnes were attributable to our operations in Europe, including intersegment shipments), which represented an increase of 5.2%. The average steel selling price for the Stainless & Electrical Steel segment increased from \$2,322 per tonne in 2013 to \$2,391 per tonne in 2014, which represented an increase of 3.0%.

Sales to external customers in the Stainless & Electrical Steel segment were \$2,593 million, representing 47.3% of total sales in 2014, an increase of 9.8% as compared to sales to external customers of \$2,366 million for the year ended December 31, 2013, or 46.2% of total sales in 2013.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) increased from \$2,189 million for the year ended December 31, 2013 to \$2,363 million for the year ended December 31, 2014, which represented a 7.9% increase year-over-year. The increase in sales was primarily the result of higher shipments for the segment from 679 thousand tonnes for the year ended December 31, 2013 to 721 thousand tonnes for the year ended December 31, 2014, which represented an increase of 6.2%. The average steel selling price for the Services & Solutions segment increased by 0.9% from \$3,061 per tonne in 2013 to \$3,090 per tonne in 2014.

Sales to external customers in the Services & Solutions segment were \$2,270 million, representing 41.4% of total sales in 2014, an increase of 7.2% as compared to sales to external customers of \$2,117 million for the year ended December 31, 2013, or 41.3% of total sales in 2013.

Alloys & Specialties

Sales in the Alloys & Specialties segment (including intersegment sales) decreased from \$641 million for the year ended December 31, 2013 to \$618 million for the year ended December 31, 2014, which represented a 3.6 decrease year-over-year. The decrease in sales was primarily the result of lower steel shipments and a lower average steel selling price for the segment. Steel shipments for this segment slightly decreased at 35 thousand tonnes for the year ended December 31, 2014 compared to 36 thousand tonnes for the year ended December 31, 2013, which represented a decrease of 2.8%. The average steel selling price for the Alloys & Specialties segment decreased from \$17,224 per tonne in 2013 to \$16,728 per tonne in 2014, which represented a decrease of 2.9%.

Sales to external customers in the Alloys & Specialties segment were \$616 million, representing 11.2% of total sales for the year ended December 31, 2014, a decrease of 3.3% as compared to sales to external customers of \$637 million for the year ended December 31, 2013, or 12.4% of total sales.

Additionally, we had sales to external customers that are reported within our Other & Elimination segment for \$3 million, or 0.1% of total sales for the year ended December 31, 2014. There were no sales to external customers reported within our Other & Elimination segment for the year ended December 31, 2013.

Operating Income/(Loss)

The following table provides our operating income/(loss) and operating margin for the year ended December 31, 2014, as compared to the year ended December 31, 2013:

Operating Segment	Operating Income/(Loss) Year Ended December 31		Operating Margin Year Ended December 31	
	2014	2013 ⁽²⁾	2014	2013 ⁽²⁾
	(in million of U.S. dollars)		(%)	
Stainless & Electrical Steel	209	(22)	4.8	(0.5)
Services & Solutions	64	(25)	2.7	(1.1)
Alloys & Specialties	51	50	8.3	7.8
Total ⁽¹⁾	296	(11)	5.4	(0.2)

Notes:

(1) Amounts shown include eliminations of (28) and (14) for the year ended December 31, 2014 and 2013, 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.

(2) Due to the transfer of the entity Aperam Bioenergia from the segment 'Other' to the operating segment 'Stainless & Electrical' starting January 1, 2014, segmented figures for 2013 have been restated.

The Company's operating income for the year ended December 31, 2014 was \$296 million, compared to an operating loss of \$11 million for the year ended December 31, 2013. Despite historical high level of imports, the company was able to benefit from some stainless steel demand recovery with higher shipments and return to profitability thanks to the management gains and profit enhancement initiative respectively known as the Leadership Journey® and the Top Line strategy.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was \$209 million for the year ended December 31, 2014 (of which an operating income of \$109 million and \$100 million were attributable to our operations in South America and Europe, respectively), compared to operating loss of \$22 million for the year ended December 31, 2013 (of which an operating income of \$34 million and an operating loss of \$56 million was attributable to our operations in South America and Europe, respectively). The increase of the operating result in 2014 compared to 2013 in the Stainless & Electrical Steel segment was mainly driven by higher volumes and the continuing progress of the Leadership Journey®.

Services & Solutions

The operating income for the Services & Solutions segment was \$64 million for the year ended December 31, 2014 compared to an operating loss of \$25 million in the year ended December 31, 2013. The operating result in 2014 increased compared to 2013 in the Services & Solutions segment mainly as a consequence of higher shipments and positive contribution of the Leadership Journey® and the Top Line strategy.

Alloys & Specialties

The operating income for the Alloys & Specialties segment slightly improved at \$51 million for the year ended December 31, 2014 compared to \$50 million for the year ended December 31, 2013.

Income from Other Investments and Associates

We recorded a loss of \$54 million from other investments and associates for the year ended December 31, 2014 on account of an impairment loss of USD 51 million booked on the minority stake the Company holds in Gerdau, a Brazilian steelmaker, and USD 4 million booked on the minority stake we hold in

General Moly, a US molybdenum mining company, partly offset by dividends of \$1 million received from Gerdau.

Interest Income

Interest income was \$5 million for the year ended December 31, 2014, compared to \$6 million recorded for the year ended December 31, 2013, mainly due to interest income on short-term investments in Brazil.

Interest Expense and Other Net Financing Costs

Interest expense and other net financing costs include interest expense, net foreign exchange and derivative results and other financing costs. Interest expense and other net financing costs decreased to \$124 million for the year ended December 31, 2014, compared to \$137 million for the year ended December 31, 2013.

Interest expense and other financing costs for the year ended December 31, 2014 were \$121 million, primarily related to financing costs of \$73 million, compared to interest expense and other financing costs of \$124 million for the year ended December 31, 2013, primarily related to financing costs of \$87 million. Financing costs relate to interest and other expenses related to the service of debt and other financing facilities. The decrease in financing costs for the year ended December 31, 2014, compared to the year ended December 31, 2013 was primarily due to lower utilization of the Borrowing Base Facility and refinancing of the existing indebtedness with the issuance of net share settled convertible and/or exchangeable bonds due 2021 for USD 300 million bearing an interest rate of 0.625% and the early redemption during the year of the USD 250 million notes due 2016 bearing an interest rate of 7.375%. This decrease in financing costs was partly offset by an increase in amortization of arrangement fees and option premiums on convertible bonds from USD 9 million for the year ended December 31, 2013 to USD 21 million for the December 31, 2014.

Realized and unrealized foreign exchange and derivative losses were \$3 million for the year ended December 31, 2014, compared to realized and unrealized foreign exchange and derivative losses of \$13 million for the year ended December 31, 2013. Foreign exchange results primarily relate to the accounting revaluation of U.S. dollar denominated short term investments by subsidiaries and the revaluation of EUR denominated deferred tax assets on tax losses in the parent company. Results on derivatives primarily related 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 Tax

We recorded an income tax expense of \$28 million for the year ended December 31, 2014, compared to an income tax benefit of \$44 million for the year ended December 31, 2013. Our income tax expense in 2014 was primarily due to positive operational results in several countries. The change by \$72 million in income tax expense for the year ended December 31, 2014 compared to income tax benefit for the year ended December 31, 2013 is primarily due to the change in the result before tax from a loss before tax of \$143m for the year ended December 31, 2013 to a profit before tax of \$123m for the year ended December 31, 2014. Income tax benefit for the year ended December 31, 2013 included derecognition of deferred tax assets on tax losses in Brazil for \$24 million.

Non-controlling Interests

Net income attributable to non-controlling interests was nil for the year ended December 31, 2014, compared to \$1 million for the year ended December 31, 2013.

Net Income / (Loss)

Our net result was a profit of \$95 million for the year ended December 31, 2014, compared to a loss of \$100 million for the year ended December 31, 2013.

Trend Information

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

Outlook

On February 12, 2015, Aperam published its full year and fourth quarter 2014 results with its outlook for the first quarter 2015.

EBITDA in the first quarter 2015 is expected to increase compared to EBITDA in the fourth quarter 2014. Net debt is expected slightly to decrease in the first quarter 2015 compared to the fourth quarter 2014.

On February 12, 2015, Aperam announced its intention to redeem its High Yield Bond 2018 in the second quarter 2015.

The full year and fourth quarter 2014 results press release including the outlook section is available on www.aperam.com under Investors & Shareholders, Earnings.

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, licences, 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 62 subsidiaries.

The parent company generated a net loss of \$209 million in 2014.

Liquidity

Liquidity and Capital Resources

The Company'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 Company's operations and credit facilities are sufficient to meet the Company's present requirements.

Our cash and cash equivalents and restricted cash amounted to \$197 million and \$292 million as of December 31, 2014 and 2013, respectively.

Our total debt, which includes long-term debt and short-term debt, was \$733 million and \$982 million as of December 31, 2014 and 2013, respectively. Net debt (defined as long-term debt plus short-term debt less cash and cash equivalents (including short term investments) and restricted cash) was \$536 million as of December 31, 2014, compared to \$690 million at December 31, 2013. Gearing (defined as net debt divided by total equity) was 20% as of December 31, 2014.

As of December 31, 2014, the Borrowing Base Facility was undrawn, leaving a committed credit line of \$400 million under the facility subject to eligible collateral being available. In addition, as of December 31, 2014, Aperam had \$73 million of debt outstanding at the subsidiary level, of which the Company had granted security over \$33 million of indebtedness.

As of December 31, 2014, the Company had total liquidity of \$597 million, consisting of cash and cash equivalents (including short term investments) of \$197 million and committed credit lines of \$400 million.

These facilities, which include debt held at the subsidiary level, together with other forms of financing, including the notes, represent an aggregate amount of approximately \$1.1 billion, with borrowing capacity of approximately \$400 million. In management's opinion, such financing will be sufficient for our future requirements.

Financing

Borrowing Base Facility

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

The purpose of the Borrowing Base Facility is to finance the working capital requirements of the Company.

On March 15, 2013, the Company amended the Borrowing Base Facility to extend the maturity of \$600 million ("tranche B") of the Borrowing Base Facility from March 2014 to March 2015. The remaining \$200 million ("tranche A") of the Borrowing Base Facility had a maturity in March 2014. The Borrowing Base Facility could be repaid and re-drawn from time to time until its maturity in March 2014 for tranche A and March 2015 for tranche B.

Following the issuance of convertible and/or exchangeable bonds in September 2013, available commitments under tranche A of the Borrowing Base Facility have been cancelled for an amount of \$131 million, representing 2/3rd of the convertible bonds' net proceeds. The convertible and/or exchangeable bonds issued in September 2013 are described in greater detail under "— Convertible bonds" below.

On February 6, 2014, Aperam announced that it obtained a new in-principle refinancing commitment to extend tranche B portion of \$600 million Borrowing Base Facility from March 2015 until March 2016, subject to documentation amendments.

On March 18, 2014, the Company amended the Borrowing Base Facility to extend the maturity of the tranche B of \$600 million of the Borrowing Base Facility from March 2015 to March 2016.

Following the issuance of convertible and/or exchangeable bonds in July 2014, available commitments under the Borrowing Base Facility have been mandatorily prepaid and cancelled for an amount of \$31 million and voluntarily cancelled for an amount of \$169 million, leaving the commitment under the Borrowing Base Facility at \$400 million.

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

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

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

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

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

On December 31, 2014, these financial covenants were fully met.

On March 6, 2015, Aperam signed a USD 500 million secured borrowing base revolving credit facility ("The Facility") with a group of nine banks. The Facility, which will refinance the existing Borrowing Base Facility of USD 400 million, is structured as a three-year revolving credit facility and includes a one year extension option. It will be used for liquidity and working capital purposes.

Notes

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

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

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

On October 1, 2014, Aperam called and early redeemed \$250 million aggregate principal amount of its 7.375% notes due 2016.

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 \$200 million (the "bonds" hereafter). The bonds are convertible into new or existing ordinary shares of the Company. The Significant Shareholder (defined page 74), subscribed for \$81.8 million of bonds, equal to its 40.8% stake in the Company's share capital. 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. They have an annual coupon of 2.625% payable semi-annually in arrear and an initial conversion price of \$21.96. The bonds were issued and will be redeemed at 100% of their principal amount and will, unless previously redeemed, converted, purchased and cancelled under certain conditions, mature on September 30, 2020. The Company will have the option to redeem the bonds at their principal amount plus accrued interest on or after October 15, 2017, if the parity value (translated into USD 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 September 30, 2017.

Unless previously redeemed, or purchased and cancelled, each bond will 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 is 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 authorized to issue, Aperam will deliver existing shares. As at the closing date on September 30, 2013, Aperam had the authority to issue up to 7,804,573 new shares, representing 10% of the issued capital. On the basis of the current conversion ratio convertible, the issuance of up to 9,107,468 new shares would be required to deliver the necessary new shares upon conversion of the bonds.

On September 25, 2013, Aperam entered into a Share Lending Agreement with Lumen Investments Sarl, Luxembourg ("Lumen" thereafter), pursuant to which Lumen agrees to make available for borrowing by Aperam, at any time and from time to time while any bond is outstanding, ordinary shares up to, in aggregate, a maximum amount of 2.6 million shares, in consideration for the payment of an agreed loan fee of \$0.00046 per lent ordinary share, accruing daily from and including the date on which the loaned ordinary shares were delivered to the borrower to, but excluding, the date of return of the borrowed ordinary shares. Under the Share Lending Agreement, deliveries of the loaned shares by Lumen is to occur on the dates an equal number of ordinary shares are required to be delivered by Aperam pursuant to the terms of the bonds. The share lending agreement provides that Aperam can terminate all or any portion of any loan made thereunder at any time and that all outstanding loans will terminate on the date which is three business days after the date on which a general meeting of shareholders of Aperam has approved a resolution approving sufficient authorized share capital and authorizes the Board of

Directors of the Company to cancel the preferential subscription right of existing shareholders to allow return to Lumen of all borrowed ordinary shares. Under the Share Lending Agreement, Lumen has no rights (including voting or disposition rights) with respect to any ordinary shares that had been loaned to Aperam and not yet returned to Lumen. Subject to this condition being met, it is expected that any ordinary shares to be delivered by Aperam to Lumen upon termination of the loan(s) would be newly issued ordinary shares issued in favor of Lumen (with a cancellation of the shareholders' preferential subscription right).

If and to the extent that, upon exercise of a Conversion / Exchange Right, Aperam is unable to satisfy the conversion / exchange right in whole or in part through the issue of new shares from its authorized capital or through the delivery of existing shares from treasury or otherwise, Aperam will pay to the relevant bondholder an equivalent cash amount.

When taking into account the 9,107,468 ordinary shares required to cover the conversion of the bonds at the current conversion ratio and the 312,606 ordinary shares to be potentially issued based under the Company's existing equity-based incentive plans, the Company was to be able to raise the number of issued ordinary shares to 87,469,804 (the "Minimum Requirement"), which means there was a shortfall in the necessary authorized share capital of 1,615,501 ordinary shares.

On May 8, 2014, the shareholders approved at an Extraordinary General Meeting (i) an increase of the Company's authorized shares by 10,362,482 ordinary shares without nominal value, so that the Company's authorized share capital is represented by 96,216,785 ordinary shares without nominal value ; (ii) to renew, from the date of the general meeting until five years after the publication of the minutes of the general meeting in the Luxembourg official gazette (Mémorial C), the authority of the Board of Directors to issue additional ordinary shares in the Company within the limit of the new authorized share capital; (iii) to authorize the Board of Directors to limit or suppress the preferential subscription right of existing shareholders in this regard, and (iv) to amend the articles of association accordingly.

As a consequence the extraordinary general meeting of shareholders of Aperam that took place on May 8, 2014 approved sufficient authorized share capital and authorized the Board of Directors of the Company to cancel the preferential subscription right of existing shareholders to allow return to Lumen of all borrowed ordinary shares. Accordingly, the share lending agreement with Lumen was terminated on July 8, 2014.

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 USD300 million. The net proceeds of the Offering are being used for general corporate purposes and the refinancing of existing indebtedness (including senior notes maturing in 2016 as described above under "— Notes"). The issue of the bonds reflects the proactive approach of the Company to optimizing 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 USD 43.92 representing a conversion premium of 32.5% above the reference price of USD 33.15 (based on the volume-weighted average price of the Company's shares on Euronext Amsterdam between launch and pricing of EUR 24.3453, and an exchange rate of EUR:USD 1.3616). The bonds will be issued and 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 USD 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.

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.

The Bonds were issued and settled on July 8, 2014. Application was made to have the Bonds admitted to trading on the Open Market ("Freiverkehr") of the Frankfurt Stock Exchange.

Other credit facility at Corporate level

On September 28, 2012, Aperam entered into a \$50 million credit facility secured by Gerdau shares. The two year facility, which is accounted for as a secured bank loan, was fully drawn on October 3, 2012. On September 27, 2013, Aperam entered into a \$50 million amended and restated credit facility to extend the maturity of such bank loan by one year beyond the initial maturity date. On April 30, 2014, Aperam exercised its option of early termination under the credit facility and prepaid the outstanding amount of the loan.

True Sales of Receivables Program

Following the spin-off, the Company obtained liquidity from the sale of receivables through a true sale of receivables ("TSR") program. As of the end of June 2012 the program was subsequently split into two programs under similar terms and conditions to the existing program. The maximum combined amount of the programs that could be utilized as of the end of December 2014 was EUR 250 million. Through the TSR program, the Company and certain of its operating subsidiaries surrender the control, risks and benefits associated with the accounts receivable sold, allowing it to record the amount of receivables sold as a sale of financial assets and remove the accounts receivable from its statement of financial position at the time of the sale. The amount of receivables we sold under the True Sale of Receivables program and derecognized in accordance with IAS 39 for the years ended December 31, 2014 and 2013 was respectively \$1.8 billion and \$1.7 billion. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognized in the statement of operations as financing costs and amounted to \$14 million and \$13 million in the years ended December 31, 2014 and 2013, respectively. See Note 4 to the Consolidated Financial Statements for further information.

Earnings distribution

On May 8, 2014 the shareholders approved at the annual general meeting of shareholders to continue paying no dividend in 2014 in order to support the previously announced net debt reduction programme.

The Board of Directors will propose to the shareholders at the next annual general meeting on May 5, 2015 to continue paying no dividend in 2015 in order to further reduce the Company's cost of debt.

Sources and Uses of Cash

The following table presents a summary of our cash flow for the year ended December 31, 2014, as compared to the year ended December 31, 2013:

	Year Ended December 31,	
	2014	2013
	(in million of U.S. dollars)	
Net cash provided by operating activities	240	204
Net cash used in investing activities	(95)	(119)
Net cash used in financing activities	213	(14)

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased to \$240 million for the year ended December 31, 2014, compared to \$204 million for the year ended December 31, 2013. The increase of net cash provided by operating activities in 2014 of \$36 million compared to previous year was mainly due to the profitability improvement in 2014 compared to 2013.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to \$95 million for the year ended December 31, 2014, compared to net cash used in investing activities of \$119 million for the year ended December 31, 2013. The net cash used in investing activities in 2014 was mainly related to capital expenditure. Capital expenditures were \$103 million for the year ended December 31, 2014, compared to \$125 million for the year ended December 31, 2013.

Net Cash Used in Financing Activities

Net cash used in financing activities was \$213 million for the year ended December 31, 2014, compared to net cash used in financing activities of \$14 million for the year ended December 31, 2013. The increase of net cash used in financing activities was primarily due to net payments to banks of \$198 million, of which \$250 million early redemption of the notes due 2016, \$50 million early reimbursement of a secured bank loan maturing in 2015 and \$163 million net reimbursements on the Borrowing Base Facility, partly offset by \$297 million net proceeds from net share settled convertible and/or exchangeable bonds due 2021.

Equity

Equity attributable to the equity holders of the parent decreased to \$2,672 million at December 31, 2014, as compared to \$2,953 million at December 31, 2013, primarily due to foreign currency translation differences of \$415 million, partly offset by net income for the year of \$95 million and option premiums (net of tax) on equity derivatives of \$37 million.

Capital Expenditure¹

Capital expenditures for the years ended December 31, 2014 and 2013 were \$103 million and \$125 million, respectively. Capital expenditures for 2014 related primarily to the maintenance investments in our facilities in Brazil, France and Belgium.

In 2014, the Company also announced key investments as part of the Leadership Journey® and Top Line strategy. These investments are described in greater detail below:

On February 6, 2014, the Board of Directors of Aperam approved an investment of \$10 million in debottlenecking the finishing line of the Imphy wire rod mill. This follows the completion of the Imphy meltshop enhancement and aims at further improving competitiveness and increasing revenue in the Alloys & Specialties segment.

On May 7, 2014, Aperam announced that as part of the Leadership Journey® and the Top Line strategy, the Board of Directors of Aperam approved an investment of \$25 million in productivity improvement of the downstream facilities in Genk, Gueugnon and Timóteo.

On July 31, 2014, as part of the Top Line strategy and the Leadership Journey, the Board of Directors of Aperam approved an investment of \$17 million aiming at offering High Grain Oriented electrical steel products while at the same time improving the costs competitiveness of Aperam's Brazilian electrical steel operations.

Overall in 2015 we will remain cautious on capital expenditures whilst enabling adjustments based upon market conditions.

¹ Capital expenditure is defined as purchase of tangible assets, net of change in payables on acquisitions of tangible assets.

Summary of risks and uncertainties

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

- > global economic cycle downturn, geopolitical risks, overcapacity in the stainless steel industry and/or China slowdown;
- > the risk of nickel price decrease and raw material price uncertainty and material margin squeeze;
- > fluctuations in currency exchange rates;
- > the risk that developments in the competitive environment in the stainless steel industry could have an adverse effect on Aperam's competitive position;
- > the risk of disruptions to Aperam's manufacturing operations or damage to Aperam's production facilities due to natural disasters or other events, and any environmental restrictions;
- > litigation risks (product liability, patent infringement, commercial practices, employment, employment benefits, taxes, environmental issues, health & safety and occupational disease (including asbestos exposure/ classification));
- > customer risks with respect to default and credit insurance companies refusing to ensure the risks;
- > the risks of lack of competitiveness of the workforce costs, of retention and social conflicts, and
- > the environmental risks.

These factors are discussed in more details in the section Risks and uncertainties related to the Aperam and the stainless and specialty steel industry of this Annual Report.

Corporate Governance

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

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

Board of Directors, Leadership Team

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. Directors are appointed for a maximum term of three years and are automatically eligible for reappointment at the end of such period. Any director may be removed with or without cause by a simple majority vote at any general meeting of shareholders. In the event that a vacancy arises on the Board of Directors for any reason, the remaining members of the Board of Directors may, by a simple majority, elect a new director to 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.

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 require devoting sufficient time to the discharge of their duties as a director of Aperam. Directors are therefore required to consult with the Chairman and the Lead Independent Director before accepting any additional commitment that could conflict with or impact on the time they can devote to their role as a Director of Aperam. Furthermore, a director may not serve on more than four public company boards in addition to the Aperam Board of Directors. However, service on the board of directors of any subsidiary or affiliate of the foregoing companies shall not be taken into account for purposes of complying with the foregoing limitation. The Board 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 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 remuneration of the members of the Board of Directors is determined on a yearly basis by the annual general meeting of shareholders.

Operation of the Board of Directors

General

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

Meetings

The Board of Directors meets when convened by the Chairman of the Board or 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 and additional meetings are held as circumstances require, either in person or by teleconference.

The Board of Directors held six meetings in 2014. The average attendance rate of the directors at the Board of Directors' meetings held in 2014 was 95.2%. Each Director attended at least 85.7% of the Board meetings.

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.

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 2014.

The Chairman of the Board of Directors and the Lead Independent Director held four meetings in 2014 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 2014 Board of Directors' self-evaluation was completed by the Board of Directors on February 9, 2015 and is to be placed for further discussion at the next Board Meeting.

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 Company'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 Company 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 Company'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 Company'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-caliber 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.

Director Induction, Training and Development

The Board considers that the development of the directors' knowledge of the Company, the stainless steel-making and raw material industries, and the markets in which the Company 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 Company's products and markets. Non-executive directors may also participate in training programs designed to maximize 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 visits to plants and business briefings provided at Board meetings. Non-executive directors also build their Company 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, non-executive directors participated in the following activities:

- > Comprehensive business briefings intended to provide each Director with a deeper understanding of the Company's activities, environment, key issues and strategy of our segments. These briefings are provided to the Board by senior executives, including Leadership Team members. The briefings provided during the course of 2014 included Health and Safety, business segment reviews, capital expenditures projects, marketing and innovation. Certain business briefings were combined with site visits and thus took place on-site and, in other cases, they took place at Board meetings; and
- > Development sessions on specific topics of relevance, such as imports or commodity markets with a specific focus on Nickel and Nickel Pig Iron.

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, 2014, the Board of Directors had 3 committees: the Audit and Risk Management Committee and the Remuneration, Nomination and Corporate Governance Committee and the Sustainability, Performance and Strategy Committee which are described in greater detail below.

On February 9, 2015, the Board of Directors reviewed the functioning of the Board and its Committees. After 4 years since the creation of Aperam, the Board of Directors decided to simplify its functioning and agreed that as from 2015 a separate Committee on sustainability, performance and strategy was no longer necessary since these matters were being covered extensively at the meetings of the Board of Directors.

Committee Composition

The composition of the Committees of the Board of Directors as of December 31, 2014 is set forth below.

Name	Position within Aperam	Independent/ Non Independent Status	Audit and Risk Management Committee	Remuneration, Nomination and Corporate Govern- ance Committee	Sustainability, Performance and Strategy 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	X
Laurence Mulliez	Member of Board of Directors	Independent	X (Chair)		X
Gonzalo Urquijo	Member of Board of Directors	Non 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 and compliance matters and their follow up;
- > provide an open avenue of communication among our independent auditors, senior management, the internal audit department, and the Board of Directors
- > approve the appointment and fees of our independent auditors; and
- > monitor the independence of the independent auditors.

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

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

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

The three members of the Audit and Risk Management Committee are 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.

According to its charter, the Audit and Risk Management Committee is required to meet at least four times a year. During 2014, the Audit Committee met four times. The average attendance rate of the directors at the Audit and Risk Management Committee meetings held in 2014 was 100%.

As part of the annual self-evaluation interviews, the Audit and Risk Management Committee performed an evaluation, which was completed in February 2015 with respect to performance in 2014.

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;
- > 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 2014, this committee met seven times. The average attendance rate at the Remuneration, Nomination and Corporate Governance Committee meetings held in 2014 was 100%.

As part of the annual self-evaluation interviews, the Remuneration, Nomination and Corporate Governance Committee performed an evaluation, which was completed in February 2015 with respect to performance in 2014.

Sustainability, Performance and Strategy Committee

On February 9, 2015, the Board of Directors reviewed the functioning of the Board and its Committees. After 4 years since the creation of Aperam, the Board of Directors decided to simplify its functioning and agreed that as from 2015 a separate Committee on sustainability, performance and strategy was no longer necessary since these matters were being covered extensively at the meetings of the Board of Directors.

In 2014, the Sustainability, Performance and Strategy Committee was composed of three Directors. The members were appointed by the Board of Directors each year after the annual general meeting of shareholders. The Sustainability, Performance and Strategy Committee took decisions by a simple majority.

The primary function of the Sustainability, Performance and Strategy Committee was to review on a regular basis the Company's sustainability, financial and industrial performance and strategy.

In 2014, the three members of the Sustainability, Performance and Strategy Committee were Mr. Gonzalo Urquijo, Ms. Kathryn Matthews and Ms. Laurence Mulliez. Mr. Gonzalo Urquijo was the Chairman of the Sustainability, Performance and Strategy Committee. Ms. Kathryn Matthews and Ms. Laurence Mulliez are independent directors in accordance with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

During 2014, this committee met five times. The average attendance rate at the Sustainability, Performance and Strategy Committee meetings held in 2014 was 100%.

As part of the annual self-evaluation interviews the Sustainability, Performance and Strategy Committee performed an evaluation, which was completed in February 2015 with respect to performance in 2014.

Leadership Team (formerly Management Committee)

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

Other Corporate Governance Practices

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

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

A compliance-focused workforce

With the objective of zero tolerance for non-compliant behaviours, the Company has taken further initiatives in 2014 to improve its corporate governance and compliance framework. In particular, Aperam formed a company-wide compliance network to assist the Compliance Officer with the implementation of the compliance framework and related training sessions in the local languages of all Aperam sites. In 2014, training sessions with emphasis on the Aperam Code of Business Conduct and business specific policies were provided to all supplier and customer facing departments worldwide. Also, an internal

dedicated Corporate Governance and Compliance website has been made available to all employees and regular compliance newsletters ensure the topic stays high on the employees' agenda.

Ethics and Conflicts of Interest

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

Process for Handling Complaints on Accounting and financial Matters

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

During 2014, there were 11 allegations relating to fraud, which were referred to the Company's Combined Assurance Department for investigation. At the end of 2014, 9 forensic cases had been finalized with 3 cases founded and 6 cases unfounded while 2 were in progress. Following review by the Audit and Risk Management Committee, none of the 3 founded cases were significant.

Combined Assurance

Aperam has a Combined Assurance function that, through its Head of Combined Assurance, reports to the Audit and Risk Management Committee. The function, using best-in class methodology in line with the Institute of Internal Auditors standards, is staffed by full-time professional staff located at the Head Office and the main production sites. The function supports the Audit and Risk Management Committee and the 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.

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 2014 were \$2.4 million for the audits of financial statements. Please refer to Note 26 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. The IDR are available on Aperam's website, www.aperam.com, under "About - Corporate Governance - Compliance".

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

In addition, Aperam's Code of Business Conduct contains a section "Trading in the Securities of the Company" that emphasizes the prohibition to trade on the basis of inside information. Aperam's Code of Business Conduct is available on Aperam's website, www.aperam.com, under "About - Corporate Governance - Compliance".

Luxembourg Takeover 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 - Shareholding structure", 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 - Shareholding structure", where the shareholding structure table is updated monthly.
- > With reference to article 11 (1) (d) of the above mentioned law – All of the issued and outstanding ordinary shares in the Company have equal voting rights and there are no special control rights

attaching to the ordinary shares. As per article 13.6 of the Articles of Association of the Company each share is entitled to one vote. As per article 8.4 of the Articles of Association of the Company, the Mittal Shareholder (as defined in the Articles of Association) may, at its discretion, decide to exercise the right of proportional representation and nominate candidates for appointment as members of the Board of Directors. The Mittal Shareholder has not, to date, exercised that right.

- > With reference to article 11 (1) (e) and (f) of the above mentioned law – Not applicable. However, the sanction of suspension of voting rights automatically applies, subject to limited exceptions set out in the Transparency Law (as defined below), to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in article 7 of the Articles of Association and articles 8 to 15 of the Luxembourg law of 11 January 2008 on the transparency requirements regarding issuers of securities (the “Transparency Law”) but have not notified the Company accordingly. The sanction of suspension of voting rights will apply until such time as the notification has been properly made by the relevant shareholder(s).
- > With reference to article 11 (1) (g) of the above mentioned law – Not applicable.
- > With reference to article 11 (1) (h) of the above mentioned law – As per article 8.3 of the Articles of Association of the Company, the members of the Board of Directors shall be elected by the shareholders at the annual general meeting or at any other general meeting of shareholders for a term not exceeding three years and shall be eligible for re-election. In the event that a vacancy arises on the Board of Directors for any reason, the remaining members of the Board of Directors may, by a simple majority, elect a new director to 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, 2014, the Company’s authorized 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 78,049,730 fully paid up shares without nominal value. A general meeting of the Company held on January 21, 2011 adopted a resolution (which became effective upon the effectiveness under Luxembourg law of the spin-off of ArcelorMittal’s stainless and specialty steels assets into the Company) whereby the general meeting authorizes the Company to acquire and to own Company shares, including through off-market and over-the-counter transactions, and through derivative financial instruments on any of the stock exchanges on which the Company is listed, for a period of five years or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration of the five-year period, provided that (a) the maximum number of own shares the Company may hold at any time directly or indirectly may not exceed 10% of its issued share capital and may not have the effect of reducing the Company’s net assets (“actif net”) below the amount mentioned in the relevant provisions of the Luxembourg law on commercial companies of August 10, 1915, as amended (Article 72-1), and (b) the purchase price per share to be paid may not represent more than 105% of the trading price of the Company shares on the stock exchanges where the Company is listed, and may also not be less than one euro cent. For off-market transactions, the maximum purchase price will be 105% of the Company share price on Euronext. The reference price will be deemed to be the average of the final listing prices per share on the relevant stock exchange during 30 consecutive days on which the relevant stock exchange is open for trading preceding the three trading days prior to the date of purchase. The total amount allocated for the Company’s share repurchase program may not in any event exceed the amount of the Company’s then available equity.
- > With reference to article 11 (1) (j) of the above mentioned law – Not applicable.
- > With reference to article 11 (1) (k) of the above mentioned law – Not applicable.

Articles of Association

Last amendments to the Company's Articles of Association

On May 8, 2014 the Extraordinary General Meeting of Shareholders approved a resolution to increase the authorised share capital of the Company by an amount equal to 23.3% of the current issued share capital, to authorise the Board of Directors to limit or suppress the preferential subscription right of existing shareholders, and to amend articles 5.2 and 5.5 of the Articles of Association accordingly. The proposal to increase the authorised share capital was based on the need: i) for the Company to deliver the necessary ordinary shares upon conversion of its U.S.\$200,000,000 aggregate principal amount 2.625% Convertible and/or Exchangeable Bonds due 2020 (the "Convertible Bonds") issued on 30 September 2013 and which are, on the basis of the current conversion ratio convertible into up to 9,107,468 ordinary shares of the Company, and ii) for the Company to have adequate flexibility going forward.

The Extraordinary General Meeting of Shareholders approved:

- (a) to increase the authorised share capital by EUR 54,279,543, equivalent to 10,362,482 shares, so that the Company's authorised share capital (including its issued share capital) shall amount to EUR 503,991,548, represented by 96,216,785 shares without nominal value;
- (b) to authorise the Board of Directors, during a period of five years from the date of the Extraordinary General Meeting of shareholders to the fifth anniversary of the date of publication in the Luxembourg official gazette (Mémorial C) of the minutes of this Extraordinary General Meeting, to issue additional shares in the Company within the limit of the authorised share capital set out in point (a) above;
- (c) to authorise the Board of Directors to limit or cancel the preferential subscription rights of existing shareholders in the event of any increase in the issued share capital up to and including the authorized share capital set out in point (a) above;
- (d) to amend article 5.2 and the first paragraph of article 5.5. of the Articles of Association accordingly.
- (e) to authorise the Board of Directors to do or cause to be done all such further acts and things as the Board of Directors may determine to be necessary or advisable in order to implement the content and purpose of the resolution.

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

Compensation

Remuneration of Board of Directors

As of December 31, 2014 and 2013, Aperam did not have any outstanding loans or advances to members of its Board of Directors and, as of December 31, 2014, Aperam had not given any guarantees for the benefit of any member of its Board of Directors.

At the May 8, 2014 annual general meeting of shareholders, the shareholders approved the annual remuneration for non-executive Directors for the 2013 financial year at \$ 786,087 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 Chairs of the other Committees	€ 10,000
Additional remuneration for the members of the other Committees	€ 5,000

The table below shows the directors compensation paid in 2014 for the financial period ending December 31, 2013. Following a recommendation from the Remuneration, Nomination and Corporate Governance Committee based on a benchmark exercise, the Board of Directors decided to maintain the remuneration for the Board of Directors for 2014 at same level as in previous year. The directors' compensation for the financial period ending December 31, 2014 will be submitted to shareholder approval at the annual general meeting of May 5, 2015.

(Amounts in USD):

Name	Financial period ending December 31, 2013	Financial period ending December 31, 2014
Mr. Lakshmi N. Mittal	\$ 96,537	\$ 84,987
Mr. Romain Bausch	\$ 134,462	\$ 118,375
Mr. Joseph Greenwell ⁽¹⁾	\$ 69,201	\$ 100,163
Ms. Kathryn A. Matthews	\$ 110,328	\$ 97,128
Mr. Aditya Mittal	\$ 96,537	\$ 84,987
Ms. Laurence Mulliez	\$ 120,067	\$ 109,269
Mr. Gonzalo Urquijo	\$ 110,328	\$ 97,128
Mr. David B. Burritt ⁽¹⁾	\$ 48,627	-
Total	\$ 786,087	\$ 692,037
Shareholder approval date	May 8, 2014	May 5, 2015

Notes:

(1) On May 24, 2013, the Board of Directors of Aperam decided to co-opt Mr. Joseph Greenwell as director until Aperam's general meeting of shareholders of May 8, 2014, where Mr. Greenwell's election was approved by the shareholders. This decision followed the resignation of Mr. David B. Burritt from the Board for personal considerations effective May 24, 2013.

Remuneration of Senior Management

The total compensation paid in 2014 to the persons comprising the Company's Leadership Team members (formerly Management Committee) was \$ 3.09 million in base salary (including certain allowances paid in cash) and \$0.89 million in short-term performance related variable pay (consisting of a bonus linked to the 2013 results). As of December 31, 2014, approximately \$447,000 was accrued to provide pension benefits to such persons. 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 Company 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 summarizes the detailed allocation of equity based incentives to the Leadership Team ('MC' thereafter in the table) Members under the shareholder approvals. Additional information about the equity based incentives is available in greater detail under "— Long-term Incentives: Equity Based Incentives".

Allocation under the shareholder approval of				
	July 12, 2011	May 8, 2012	May 8, 2013	May 8, 2014
Authorization to issue up to	70,000 RSU and 20,000 PSU, corresponding to a maximum 110,000 shares	70,000 RSU and 20,000 PSU, corresponding to a maximum 110,000 shares	220,000 shares for grants under the MC PSU Plan and other retention based grants below the level of the MC	220,000 shares for grants under the MC PSU Plan and other retention based grants below the level of the MC
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 0.15%	Less than 0.15%	Less than 0.29%	Less than 0.29%
Targeted population under the RSU Plan	30 most senior managers	30 most senior managers	Employees below the level of MC members	Employees below the level of MC members
Targeted population under the PSU Plan	Subset of the RSU population	Subset of the RSU population	Leadership Team members	Leadership Team members
Allocation under the shareholder approval limit to members of the Leadership Team	23,750 RSU (vesting November 3, 2014) and 14,250 PSU (vesting March 31, 2015)	No PSUs and RSUs were granted to the members of the MC under the May 8, 2012 shareholder approval	66,792 PSU (vesting August 5, 2016) (MC members do not receive RSUs under the MC PSU Plan)	41,439 PSU (vesting June 29, 2017) (MC members do not receive RSUs under the MC PSU Plan)
Allocations to Members of Leadership Team in percentage of the Company'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 0.07%	0.00% (see below)	Less than 0.18%	Less than 0.08%
Performance criteria for PSU Plans	50% weighting: 2012-2014 average ROCE of 6.5%, and 50% weighting: management gains of \$350 million under Leadership Journey® by end of 2014	Not applicable as no PSUs were granted under the May 8, 2012 shareholder approval	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

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

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

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

The table below summarizes the detailed target definitions for the PSU plans as well as the progress of meeting the vesting criteria on each grant anniversary date.

PSU Plan under the July 12, 2011 shareholder authorization

The PSUs will vest three years after their date of grant subject to the eligible employee's continued employment with the Company and the fulfilment of targets related to the following performance measures: Return On Capital Employed ("ROCE") and management gains reached under the "Leadership Journey®". Each performance measure has a weighting of 50%. Each PSU may give right to up to two shares of the Company. In case the level of achievement of both performance targets together is below 80%, there is no vesting, and the rights are automatically forfeited. The percentage of PSUs vesting over three years will be 50% for achieving 80% of both objectives, 100% for achieving both objectives, 150% for achieving 120% of both objectives, and up to a maximum of 200% for an achievement above 140% of both objectives.

Targets:

The two targets to be reached over the period 2012 to 2014 are an average Return On Capital Employed ("ROCE") of 6.5% and USD 350 million of management gains under the Leadership Journey®. ROCE is defined as (Adjusted EBITDA – Depreciation) X (1- Normalized tax of 10%) / Capital Employed. The Leadership Journey® is a strategic initiative launched to improve the operational efficiency of the Group. The Leadership Journey® is composed of a number of initiatives which can be broadly characterized as restructuring projects, cost reduction projects and continuous improvement initiatives.

Grant date: March 31, 2012

Vesting date: March 31, 2015

Progress at yearly anniversary grant dates:

Performance criteria	% Weighting of criteria	Percentage of achievement at review at first grant anniversary date (March 31, 2013)	Percentage of achievement at review at second grant anniversary date (March 31, 2014)
ROCE	50%	0%	0%
Leadership Journey®	50%	96%	89%

PSU Plan under the May 8, 2013 shareholder authorization (no grants under the May 8, 2012 authorization)

Awards under the MC PSU Plan are subject to the fulfilment of cumulative performance criteria over a three-year period from the date of the PSU grant. The value of the grant at grant date will equal 35% of the year base salary for the Chief Executive Officer and for the other MC members. Each PSU may give right to up to two shares of the Company.

Targets:

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. 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, 150% for achieving 120% of the median TSR, and up to a maximum of 200% for an achievement above the upper quartile.

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 percentage of PSUs vesting will be 50% for achieving 80% of the median EPS, 100% for achieving the median EPS, 150% for achieving 120% of the median EPS, and up to a maximum 200% for an achievement above the upper quartile.

The applicable peer group of companies is described in greater detail below.

Grant date: August 5, 2013

Vesting date: August 5, 2016

Progress at yearly anniversary grant dates:

Performance criteria	% Weighting of criteria	Percentage of achievement at review at first grant anniversary date (August 5, 2014)
TSR	50%	Above the upper quartile
EPS	50%	Above the upper quartile

PSU Plan under the May 8, 2014 shareholder authorization

Awards under the MC PSU Plan are subject to the fulfilment of cumulative performance criteria 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 MC members. Each PSU may give right to up to one and half shares of the Company.

Targets:

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. 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 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 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.

The applicable peer group of companies is described in greater detail below.

Grant date: June 29, 2014

Vesting date: June 29, 2017

Progress at yearly anniversary grant dates: No anniversary grant date yet reached

The table below lists the applicable group of companies used for the comparative performance as part of the Management Committee PSU Plan submitted to shareholder approval on May 8, 2014. The group of companies consists of three stainless steel companies, six steel companies and one mining company. These companies have been retained by the Board of Directors based on industry classification, size (limited to companies not smaller than approximately one quarter of Aperam's market capitalisation) and on correlation of TSR performance in order to identify whether this group is sound from a statistical viewpoint.

Company	Industry	Market Capitalization ⁽¹⁾	Correlation ⁽²⁾
ArcelorMittal	Steel	29 163	0.81
Acerinox	Stainless steel	3 213	0.74
Outokumpu	Stainless steel	1 132	0.67
ThyssenKrupp	Steel, Stainless steel & downstream	13 234	0.73
Voestalpine	Steel	8 221	0.71
Salzgitter	Steel	2 255	0.77
SSAB	Steel	2 463	0.73
Rautaruuki	Steel	1 260	0.70
AK Steel	Stainless steel	1 109	0.57
Eramet	Mining	2 506	0.72

Notes:

(1) At January 1, 2014, in USD million

(2) Correlation calculated from 26/01/2011 to 01/01/2014 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 company'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.

Remuneration, Nomination and Corporate Governance Committee

The primary function of the RNCG Committee is to assist the Board of Directors, among others with respect to the following:

- > review and approve corporate goals and objectives relevant to the Leadership Team and other members of executive management as deemed appropriate by the committee regarding their remuneration, and assess performance against goals and objectives;
- > review and evaluate on a yearly basis the performance of the Leadership Team as a whole and its individual members ;
- > make recommendations to the Board with respect to incentive remuneration plans and equity-based plans;
- > identify candidates qualified to serve as members of the Board and the Leadership Team;
- > recommend candidates to the Board for appointment by the general meeting of shareholders or for appointment by the Board to fulfill interim Board vacancies;
- > develop, monitor and review corporate governance principles applicable to the Company;
- > facilitate the evaluation of the Board;
- > review the succession planning and the executive development of the Leadership Team members;
- > submit proposals to the Board on the remuneration of the Leadership Team members, and on the appointment of new directors and Leadership Team members;
- > make recommendations to the Board on the Company's framework of remuneration for the Leadership Team and such other members of the executive management as designated by the Committee. In making such recommendations, the Committee may take into account factors that it deems necessary (the remuneration of directors on the Board shall be a matter to be decided by the Board). This may include total cost of employment (including equity based components) and determination on behalf of the Board specific remuneration packages and conditions of employment (including pension rights).

The RNCG Committee met seven times in 2014. Its members comprise Messrs. Romain Bausch (Chairman) and Joseph Greenwell and Ms. Kathryn Matthews. Invitees at the Committee in 2014 included from the Board of Directors Mr. Lakshmi N. Mittal (Chairman), Ms. Laurence Mulliez, Mr. Gonzalo Urquijo and from the Leadership Team, Mr. Philippe Darmayan, Mr. Timoteo Di Maulo and Ms. Johanna Van Sevenant. Mr. Laurent Beauloye (Group Company Secretary) acts as secretary of the Committee. The RNCG Committee Chairman presents its decisions and finding to the Board of Directors after each Committee meeting.

Remuneration Strategy

Scope

Aperam's remuneration philosophy and framework apply to the following group of senior managers:

- > the Chief Executive Officer; and
- > the 9 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 (after July 2011) and PSUs (after July 2011), stock options (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 are only granted to employees below the MC level).

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 2014 performance bonus is aligned with its strategic objectives of improving health and safety 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 2014 bonus formula is based on:

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

EBITDA operating as a “circuit breaker” for financial measures means that the 80% threshold described above must be met for EBITDA in order to trigger any bonus payment with respect to the EBITDA and Free Cash Flow performance measures. Fatalities operating as a “circuit breaker”, means that in case of fatalities no bonus will be paid out with respect to the Health and Safety performance measure.

For the Chief Executive Officer, the performance bonus at 100% achievement of performance targets linked to the business plan is equal to 60% of his base salary. For the other members of the Leadership Team, the performance bonus at 100% achievement of performance targets linked to the business plan ranges from 30% to 40% of the relevant base salary.

The different performance measures are combined through a cumulative system: each measure is calculated separately and is added up for the performance bonus calculation.

Performance below threshold will result in zero performance bonus payout.

The achievement level of performance for performance bonus is summarized 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
Leadership Team Member (GM)	15% of base pay	30% of base pay	45% of base pay

Note:

VP, Vice-President; GM, General Manager

Individual performance and potential assessment ratings define the individual bonus multiplier that will be applied to the performance bonus calculated based on actual performance against the performance measures. Those individuals who consistently perform at expected levels will have an individual multiplier of 1. For outstanding performers, an individual multiplier of up to 1.5 may cause the performance bonus pay-out to be higher than 90% of the target bonus, up to 135% of target bonus being the absolute maximum. Similarly, a reduction factor will be applied for those at the lower end.

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 achievement of the 2013 Performance Bonus Plan with respect to senior management and paid out in 2014 was as follows:

2013 Measures	% Weighting for the Chief Executive Officer and MC members	Assessment
EBITDA	40%	No incentive attributable to this metric
Free Cash Flow	30%	No incentive attributable to this metric
Health and Safety	10%	Incentive attributed to this metric
Quantified specific measures	20%	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 incentivize employees, improve the Company'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 page 63 summarizes the key characteristics of the shareholders approved equity based incentives since the creation of Aperam.

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.

For the period from the July 12, 2011 general shareholders' meeting to the annual general meeting of shareholders held on May 8, 2012, a maximum of 70,000 RSUs corresponding to up to 70,000 of Aperam shares might be allocated to qualifying employees under the RSU Plan. In November 2011, a total of 59,750 RSUs under the RSU Plan were granted to a total of 28 employees at a fair value of \$16.04 per share (out of which 23,750 RSUs for the Members of the Leadership Team). In November 2014, a total of 45,500 shares were allocated to qualifying employees (out of which 17,500 shares for Members of the Leadership Team).

The May 8, 2012 annual general meeting of shareholders authorized the Board of Directors to issue, during the period between the 2012 and the 2013 annual general meeting, to key employees of Aperam a maximum of 70,000 RSUs corresponding to up to 70,000 of Aperam shares. 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 authorization and not to submit to shareholders approval RSU grants under the next equity incentives. As a consequence, the only grants of RSUs to Leadership Team members are those under the July 12, 2011 share holder meeting authorization. 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 \$12.16 per share, all grants were for employees below the level of the Leadership Team.

The May 8, 2013 annual general meeting of shareholders authorized the Board of Directors to issue, during the period between the 2013 and the 2014 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 August 2013, a total of 44,000 RSUs were granted to a total of 28 employees at a fair value of \$13.40 per share, all grants were for employees below the level of the Leadership Team.

The May 8, 2014 annual general meeting of shareholders authorized 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 \$31.97 per share, all grants were for employees below the level of the Leadership Team.

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 Company'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 two shares of the Company.

For the period from the July 12, 2011 general shareholders' meeting to the annual general meeting of shareholders held on May 8, 2012, a maximum of up to 20,000 PSUs corresponding to up to 40,000 of the Company's shares might be allocated to qualifying employees under the PSU Plan. In March 2012, a total of 14,250 PSUs were granted to the 8 members of the Leadership Team of the Company at a fair value of \$16.53 per share. No PSUs were granted for employees below the level of the Leadership Team.

The May 8, 2012 annual general meeting of shareholders authorized the Board of Directors to issue, during the period between the 2012 and the 2013 annual general meeting, to key employees of Aperam up to 20,000 PSUs corresponding to up to 40,000 of the Company's shares. No PSUs were granted under the May 8, 2012 authorization.

The May 8, 2013 annual general meeting of shareholders authorized the Board of Directors to issue, during the period between the 2013 and the 2014 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 August 2013, a total of 87,592 PSUs were granted to a total of 35 employees at a fair value of \$13.40 per share (out of which 66,792 PSUs for the 7 Members of the Leadership Team).

The May 8, 2014 annual general meeting of shareholders authorized 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

\$33.97 per share and \$31.97 per share (out of which 41,439 PSUs for the 8 Members of the Leadership Team). The MC PSU Plan provides for cliff vesting on the third year anniversary of the grant date, under the condition that the relevant MC member continues to be actively employed by the Aperam group on that date. If the MC member is retired on that date or in case of an early retirement by mutual consent, the relevant MC 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. Awards under the MC PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant. 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. Each PSU may give right to up to one and half shares of the Company. The two sets of performance criteria to be met for vesting of the PSUs under this MC 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. 41,439 PSUs were allocated to Leadership Team members under the MC PSU Plan with vesting date June 29, 2017.

The tables page 64 to 65 summarize 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 page 66 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 Management Committee and the principles governing their proposed allocation. The Committee also decides the criteria for granting PSUs and makes its recommendation to the Board of Directors.

Employee Share Purchase Plan (ESPP)

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

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

- > the spin-off was to be deemed an early exit event for the participants who were employees of one of the entities that was to be exclusively controlled by Aperam, except in certain jurisdictions where termination of employment was not an early exit event; and
- > the Aperam shares received by ESPP participants would be blocked in line with the lock-up period applicable to the ArcelorMittal shares in relation to which the Aperam shares were allocated based on a ratio of one Aperam share for twenty ArcelorMittal shares.

As at December 31, 2014 there were no more Aperam shares locked under the ESPP Plans.

Stock option plan

For historical reasons, certain of the Company's employees participate in stock based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. Given that the Company's employees directly benefit from participation in these plans, the expense incurred by ArcelorMittal for options granted to its employees has been reflected in the Company's consolidated statements of operations as selling, general and administrative. The compensation expense recognized for stock option plans was below \$1 million and \$1 million for each of the years ended December 31, 2014 and 2013, respectively. For the years ended December 31, 2014 and 2013, the amount of outstanding options was 394,850, and 548,150 respectively. The amount of exercisable options was 394,850 and 548,150 respectively for the years ended December 31, 2014 and 2013. Exercise prices of ArcelorMittal stock options vary from \$27.31 to \$78.44. Weighted average contractual life of the options varies from 1.6 to 6.6 years.

Share ownership

As of December 31, 2014, the aggregate beneficial share ownership of Aperam directors and senior management totaled 19,653 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, 2014, the Company's authorized 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 78,049,730 fully paid up shares without nominal value.

The following table sets forth information as of December 31, 2014 with respect to the beneficial ownership and voting rights in the Company by each person who is known to be the beneficial owner of 2.5% or more of the Company's issued share capital.

	Shares	% of Issued Shares	% of Voting Rights
Significant shareholder ⁽¹⁾	31,880,253	40.85%	40.87%
Treasury shares	45,188	0.06%	0.00%
Other public shareholders	46,124,289	59.10%	59.13%
Total issued shares	78,049,730	100.00%	100.00%
Of which: Luxembourg State ⁽²⁾	1,948,226	2.50%	2.50%
Of which: M&G Investment Management Limited ⁽²⁾	2,349,335	3.01%	3.01%
Of which: Alken Luxembourg SA ⁽²⁾	3,909,392	5.01%	5.01%
Of which: Directors and Senior Management ^{(3) (4)}	19,653	0.03%	0.03%

Notes:

(1) The term «Significant shareholder» means the trust (HSBC Trust (C.I.) Limited, as trustee) of which Mr Lakshmi N. Mittal, Mrs Usha Mittal and their children are the beneficiaries, holding Aperam shares through the following two companies: Nuavam Investments Sàrl and Lumen Investments Sàrl. For purposes of this table, ordinary shares owned directly by Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal are aggregated with those ordinary shares beneficially owned by the Significant Shareholder. At December 31, 2014, Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, had direct ownership of Aperam ordinary shares and indirect ownership, through the Significant Shareholder, of two holding companies that own Aperam ordinary shares—Nuavam Investments S.à r.l. ("Nuavam") and Lumen Investments S.à r.l. ("Lumen"). Nuavam, a limited liability company organized under the laws of Luxembourg, was the owner of 5,616,913 Aperam ordinary shares. Lumen, a limited liability company organized under the laws of Luxembourg, was the owner of 26,250,000 Aperam ordinary shares. Mr. Mittal was the direct owner of 11,090 Aperam ordinary shares. Mrs. Mittal was the direct owner of 2,250 Aperam ordinary shares. Mr. Mittal, Mrs. Mittal and the Significant Shareholder shared indirect beneficial ownership of 100% of each of Nuavam and Lumen. Accordingly, Mr. Mittal was the beneficial owner of 31,878,003 Aperam ordinary shares, Mrs. Mittal was the beneficial owner of 31,869,163 Aperam ordinary shares and the Significant Shareholder was the beneficial owner of 31,880,253 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 2014 are the Luxembourg State with 1,948,266 shares representing 2.5% of the total issued share capital and M&G Investment Management Limited with 2,349,335 shares presenting 3.01% of the total issued share capital. The only shareholders owning more than 5% of the share capital of Aperam at 31 December 2014 but less than 25% is Alken Luxembourg SA with 3,909,392 shares representing 5.01% of the issued 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 19,653 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, 2014, there were 2,253 shareholders other than the Significant shareholder holding an aggregate of 2,618,428 Aperam common shares registered in Aperam's shareholder register, representing approximately 3.35% of the common shares issued.

At December 31, 2014, there were 96 U.S. shareholders holding an aggregate of 523,763 New York Registry Shares, representing approximately 0.91% 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, 2014, there were 43,036,711 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 specializes in the settlement of securities transactions as well as the safekeeping and asset servicing of these securities.

In August 2014, a total of 90,688 treasury shares were bought to serve upcoming long term incentive plans. In November 2014, a total of 45,500 shares were allocated to qualifying employees under the RSU plan under the July 12, 2011 general shareholders' approval. Aperam held 45,188 treasury shares as of December 31, 2014.

Shareholding notification with reference to Transparency Law requirements

With reference to the law and grand ducal regulation of 11 January 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 December 17, 2014 Aperam announced a 5.01% shareholding notification by Alken Luxembourg SA;
- > On January 15, 2015, Aperam announced a 5.08% shareholding notification by JP Morgan Asset Management Holdings Inc.;
- > On January 28, 2015, Aperam announced a shareholding notification by JP Morgan Asset Management Holdings Inc. for crossing downwards the 5% threshold;
- > On February 4, 2015, Aperam announced a 5.01% shareholding notification by JP Morgan Asset Management Holdings Inc.;
- > On February 13, 2015, Aperam announced a shareholding notification by JP Morgan Asset Management Holdings Inc. for crossing downwards the 5% threshold.

Related Party Transactions

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

Offering of convertible and/or exchangeable bonds (the “bonds”) for \$200 million in September 2013 and Share Lending Agreement in connection therewith

On September 19, 2013, Aperam announced the successful placing and pricing of its offering of convertible and/or exchangeable bonds for \$200 million (the “bonds” hereafter). The bonds are convertible into new or existing ordinary shares of the Company. The Significant Shareholder (defined in the share capital section of this Management Report), subscribed for \$81.8 million of bonds, equal to its 40.8% stake in the Company’s share capital.

On September 25, 2013, Aperam entered into a Share Lending Agreement with Lumen Investments Sarl, Luxembourg (“Lumen” thereafter), pursuant to which Lumen agrees to make available for borrowing by Aperam, at any time and from time to time while any bond is outstanding, ordinary shares up to, in aggregate, a maximum amount of 2.6 million shares, in consideration for the payment of an agreed loan fee.

The extraordinary general meeting of shareholders of Aperam that took place on May 8, 2014 approved sufficient authorized share capital and authorized the Board of Directors of the Company to cancel the preferential subscription right of existing shareholders to allow return to Lumen of all borrowed ordinary shares. Accordingly, the share lending agreement with Lumen was terminated on July 8, 2014.

The bonds and the Share Lending Agreement are described in greater detail in section Liquidity of this Management Report.

Agreements with ArcelorMittal post Spin-Off

In connection with the spin-off of the stainless steel division of ArcelorMittal into a separately focused company, Aperam, which was completed on January 25, 2011, Aperam entered into several agreements with ArcelorMittal. These agreements include a Master Transitional Services Agreement dated January 25, 2011 (the “Transitional Services Agreement”) for support for/from corporate activities, a purchasing services agreement for negotiation services from ArcelorMittal Purchasing and a sourcing services agreement for negotiation services from ArcelorMittal Sourcing, 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 very limited number of services where expertise and bargaining powers create values for both parties. ArcelorMittal will continue to provide certain services during 2015 relating to certain areas, including environmental and technical support and administration of the shareholders register.

In the area of research and development, Aperam entered into a frame arrangement with ArcelorMittal to establish a framework for future cooperation between the two groups in relation to certain ongoing or new research and development programs. Currently only limited research and development support for existing projects are implemented through such agreement.

The purchasing and sourcing of raw materials generally were not covered by the Transitional Services Agreement. Aperam is responsible for the sourcing of its key raw materials, including nickel, chromium, molybdenum and stainless steel scrap. However, under the terms of the purchasing services agreement, 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: energy (electricity, natural gas, industrial gas), operating materials (rolls, electrodes, refractory materials) and industrial products and services. The purchasing services agreement also permits Aperam to avail itself of the

services and expertise of ArcelorMittal for certain capital expenditure items. The purchasing services agreement and the sourcing services agreement were each 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 twice for an additional year on similar terms, while the sourcing services agreement was limited to IT services as of October 2013. It is expected that the term of the purchasing services agreement will be further extended until the end of January 2016. The sourcing service agreement ended in January 2015 and shall not be extended further since Aperam has switched to its own IT system. As from 2015, Aperam purchases in Europe most of its natural gas through a new supply contract that has been put in place with ArcelorMittal Energy.

In connection with the spin-off, management also renegotiated an existing Brazilian cost-sharing agreement between, inter alia, ArcelorMittal Brasil and Aperam Inox América do Sul S.A. (formerly known as ArcelorMittal Inox Brasil), pursuant to which starting as of April 1, 2011, ArcelorMittal Brasil continued to perform only purchasing, insurance and real estate activities for the benefit of certain of Aperam's Brazilian subsidiaries, with costs being shared on the basis of cost allocation parameters agreed between the parties. From the demerger of ArcelorMittal BioEnergia Ltda in July 2011 up until June 27, 2014, its payroll functions were handled by ArcelorMittal Brasil. The real estate and insurance activities of Aperam's Brazilian subsidiaries have not been handled by ArcelorMittal Brasil since January 1, 2013 and June 30, 2013, respectively.

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

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.

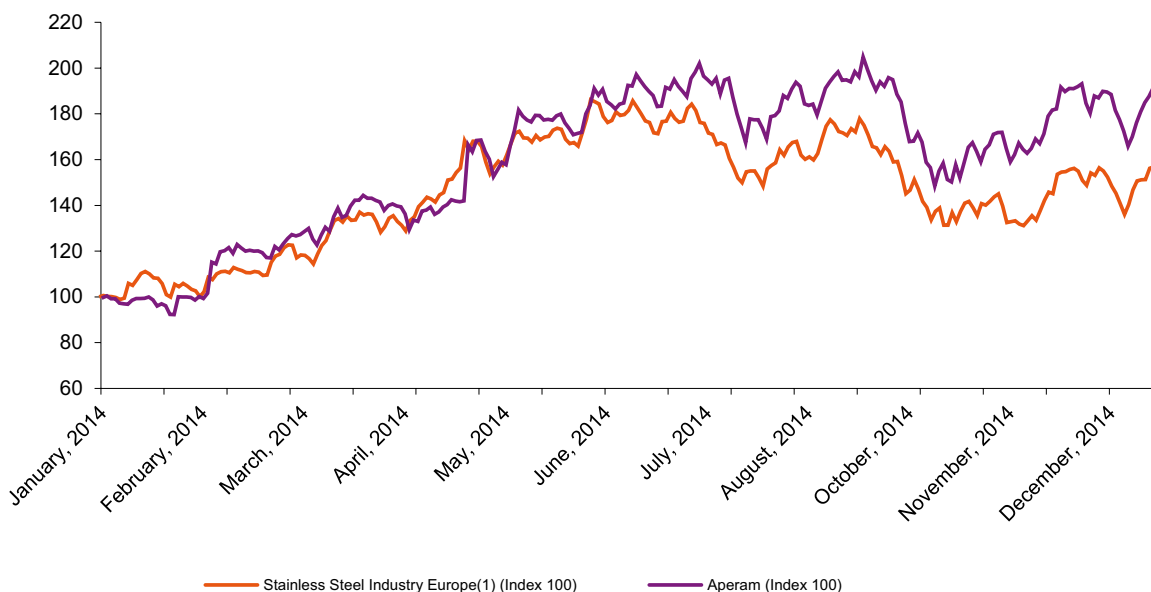
Listing and Indexes

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

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

Share performance

Aperam was the best performer within the Dutch MidCap Index AMX in 2014 and was awarded the AMX Best Performer Prize 2014 by Euronext on January 9, 2015. The Graph below shows the share price performance of Aperam and the European Stainless Steel Industry(1) from January 1, 2014 to December 31, 2014 in index base 100:



Note:

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

Financial Calendar

Earnings calendar

- > February 12, 2015*: Earnings for 4th quarter 2014 and 12 months 2014
- > May 5, 2015*: Earnings for 1st quarter 2015
- > July 29, 2015*: Earnings for 2nd quarter 2015 and 6 months 2015
- > November 5, 2015*: Earnings for 3rd quarter 2015 and 9 months 2015

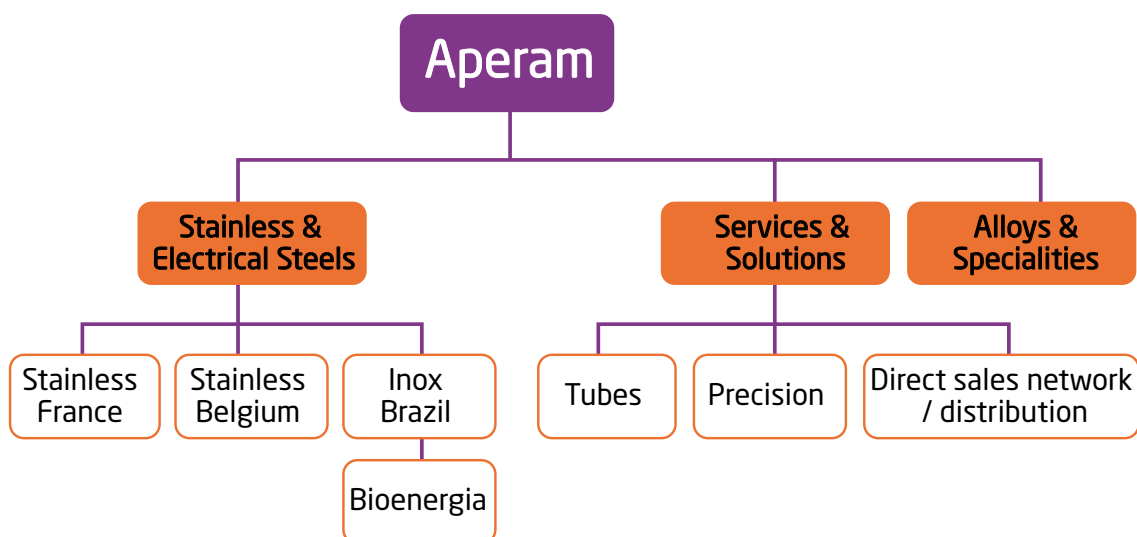
(* earnings are issued after the closing of the European stock exchanges on which the Aperam share is listed)

General meeting of shareholders

- > May 5, 2015: Annual general meeting of shareholders, Luxembourg

Organizational Structure

Aperam is a holding company with no business operations of its own. All of its significant operating subsidiaries are owned directly or indirectly through intermediate holding companies. The following chart represents its current operational structure. See Note 25 to the Consolidated Financial Statements for a list of the Company's significant subsidiaries.



Contacts

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Financial Statements 2014



Responsibility statement

We confirm to the best of our knowledge that:

1. the consolidated financial statements of Aperam presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the assets, liabilities, financial position and results of Aperam and the undertakings included within the consolidation taken as a whole; and
2. the annual accounts of Aperam presented in this Annual Report and established in conformity with the Luxembourg legal and regulatory requirements relating to the preparation of annual accounts give a true and fair view of the assets, liabilities, financial position and results of the Company; and
3. the management report includes a fair review of the development and performance of the business and position of Aperam and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Member of the Board of Directors

Gonzalo Urquijo



Chief Executive Officer

Timoteo Di Maulo



Chief Financial Officer

Sandeep Jalan



Aperam

Consolidated Statement of Financial Position

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

	December 31,	
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents (note 3)	197	291
Restricted cash	—	1
Trade accounts receivable (note 4)	302	284
Inventories (note 5)	1,315	1,213
Prepaid expenses and other current assets (note 6)	137	116
Income tax receivable (note 17)	27	13
Total current assets	1,978	1,918
Non-current assets:		
Goodwill and intangible assets (note 7)	696	808
Biological assets (note 8)	97	119
Property, plant and equipment (note 9)	1,929	2,269
Other investments (note 10)	44	89
Deferred tax assets (note 17)	326	333
Other assets (note 11)	129	91
Total non-current assets	3,221	3,709
Total assets	5,199	5,627

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

Aperam Consolidated Statement of Financial Position

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

	December 31,	
	2014	2013
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt (note 13)	40	209
Trade accounts payable	979	934
Short-term provisions (note 18)	43	30
Accrued expenses and other liabilities (note 19)	293	299
Income tax liabilities (note 17)	6	4
Total current liabilities	1,361	1,476
Non-current liabilities:		
Long-term debt, net of current portion (note 13)	693	773
Deferred tax liabilities (note 17)	125	117
Deferred employee benefits (note 21)	213	220
Long-term provisions (note 18)	68	71
Other long-term obligations	63	12
Total non-current liabilities	1,162	1,193
Total liabilities	2,523	2,669
Equity (note 15):		
Common shares (no par value, 96,216,785 and 85,854,303 shares authorized, 78,049,730 and 78,049,730 shares issued and 78,004,542 and 78,049,730 shares outstanding as of December 31, 2014 and 2013, respectively)	547	547
Treasury shares (45,188 and nil common shares at December 31, 2014 and 2013, respectively, at cost)	(2)	—
Additional paid-in capital	1,599	1,600
Retained earnings	991	858
Reserves	(463)	(52)
Equity attributable to the equity holders of the parent	2,672	2,953
Non-controlling interests	4	5
Total equity	2,676	2,958
Total liabilities and equity	5,199	5,627

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

Aperam Consolidated Statement of Operations

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

	Year Ended December 31,	
	2014	2013
Sales (including 168 and 116 of sales to related parties in 2014 and 2013, respectively)	5,482	5,120
Cost of sales (including depreciation and impairment of 251 and 303, and purchases from related parties of 190 and 172 in 2014 and 2013, respectively)	4,945	4,903
Gross margin	537	217
Selling, general and administrative	241	228
Operating income (loss)	296	(11)
Loss from other investments and associates	(54)	(1)
Interest income (note 16)	5	6
Interest expense and other net financing costs (note 16)	(124)	(137)
Income (loss) before taxes	123	(143)
Income tax (expense) benefit (note 17)	(28)	44
Net income (loss) (including non-controlling interests)	95	(99)
Net income (loss) income attributable to		
Equity holders of the parent	95	(100)
Non-controlling interests	—	1
Net income (loss) (including non-controlling interests)	95	(99)
Earnings per common share (in U.S. dollars):		
Basic common shares	1.21	(1.28)
Diluted common shares	1.17	(1.28)
Weighted average common shares outstanding (in thousands)		
Basic common shares	78,020	78,050
Diluted common shares	81,430	78,050

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

Aperam**Consolidated Statement of Comprehensive (Loss) Income**

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

	Year Ended December 31,	
	2014	2013
Net income (loss) (including non-controlling interests)	95	(99)
Other comprehensive (loss) income:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligation during the period, net of tax benefit (expense) of 7 and (4) for 2014 and 2013, respectively	(13)	8
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments:		
Loss arising during the period, net of tax benefit of 6 and nil for 2014 and 2013, respectively	(17)	(23)
Reclassification adjustments for loss included in the statement of operations, net of tax benefit of 18 and nil for 2014 and 2013, respectively	37	—
	20	(23)
Cash flow hedges:		
Gain (loss) arising during the period, net of tax (expense) benefit of (5) and 7 for 2014 and 2013, respectively	10	(15)
Reclassification adjustments for (gain) loss included in the statement of operations, net of tax expense (benefit) of 7 and (7) for 2014 and 2013, respectively	(13)	14
	(3)	(1)
Exchange differences arising on translation of foreign operations, net of tax benefit of 35 and 28 for 2014 and 2013, respectively	(415)	(117)
Total other comprehensive loss	(411)	(133)
Total other comprehensive loss attributable to:		
Equity holders of the parent	(411)	(133)
Net comprehensive loss	(316)	(232)
Net comprehensive loss attributable to:		
Equity holders of the parent	(316)	(233)
Non-controlling interests	—	1
Net comprehensive loss	(316)	(232)

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

Aperam Consolidated Statement of Changes in Equity

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

	Shares ⁽¹⁾	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains (losses) on derivatives financial instruments	Unrealized gains (losses) on available for sale securities	Recognized actuarial gains / (losses)	Option premium on convertible bonds	Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2012	78,050	547	—	1,600	957	73	(4)	3	(18)	—	3,158	4	3,162
Net loss	—	—	—	—	(100)	—	—	—	—	—	(100)	1	(99)
Other comprehensive income (loss)	—	—	—	—	—	(117)	(1)	(23)	8	—	(133)	—	(133)
Total comprehensive income (loss)	—	—	—	—	(100)	(117)	(1)	(23)	8	—	(233)	1	(232)
Issuance of convertible bonds	—	—	—	—	—	—	—	—	—	27	27	—	27
Recognition of share based payments	—	—	—	—	1	—	—	—	—	—	1	—	1
Balance at December 31, 2013	78,050	547	—	1,600	858	(44)	(5)	(20)	(10)	27	2,953	5	2,958
Net income	—	—	—	—	95	—	—	—	—	—	95	—	95
Other comprehensive income (loss)	—	—	—	—	—	(415)	(3)	20	(13)	—	(411)	—	(411)
Total comprehensive income (loss)	—	—	—	—	95	(415)	(3)	20	(13)	—	(316)	—	(316)
Derivative instruments on Aperam shares, net of tax (note 15)	—	—	—	—	37	—	—	—	—	—	37	—	37
Purchase of treasury shares (note 15)	(91)	—	(3)	—	—	—	—	—	—	—	(3)	—	(3)
Recognition of share based payments	46	—	1	(1)	1	—	—	—	—	—	1	—	1
Dividends	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Balance at December 31, 2014	78,005	547	(2)	1,599	991	(459)	(8)	—	(23)	27	2,672	4	2,676

Note: (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

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

	Year Ended December 31,	
	2014	2013
Operating activities:		
Net income (loss) (including non-controlling interests)	95	(99)
Adjustments to reconcile net income (loss) to net cash provided by operations and payments:		
Depreciation (notes 7, 8 and 9)	243	290
Impairment (note 9)	8	13
Net interest expense (note 16)	83	85
Income tax expense (benefit) (note 17)	28	(44)
Write downs of inventories to net realizable value (note 5)	35	48
Labor agreements and separation plans	6	3
Impairment of financial assets (note 10)	55	—
Unrealized losses (gains) on derivative instruments	3	(2)
Unrealized foreign exchange effects, provisions and other non-cash operating expenses (net)	58	77
Changes in operating assets, liabilities and provisions:		
Trade accounts receivable	(58)	39
Inventories	(306)	(42)
Interest paid (net)	(65)	(76)
Income taxes paid	(31)	(14)
Trade accounts payable	153	(15)
Other working capital and provisions movements	(67)	(59)
Net cash provided by operating activities	240	204
Investing activities:		
Purchase of property, plant and equipment	(103)	(125)
Other investing activities (net)	8	6
Net cash used in investing activities	(95)	(119)
Financing activities:		
Proceeds from short-term debt	3	45
Proceeds from long-term debt	299	248
Payments of short-term debt	(200)	(298)
Payments of long-term debt	(300)	(1)
Premium paid for call options acquired on Aperam shares (notes 11 and 14)	(60)	—
Premium received for call options sold on Aperam shares (note 15)	53	—
Purchase of treasury stock (note 15)	(3)	—
Dividends paid (includes 1 and nil of dividends paid to non-controlling interests in 2014 and 2013, respectively)	(1)	—
Other financing activities (net)	(4)	(8)
Net cash used in financing activities	(213)	(14)
Effect of exchange rate changes on cash	(26)	(6)
Net (decrease) increase in cash and cash equivalents	(94)	65
Cash and cash equivalents (note 3):		
At the beginning of the year	291	226
At the end of the year	197	291

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

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

Nature of business

Aperam Société Anonyme (“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.

These consolidated financial statements were authorized for issuance on March 18, 2015 by Aperam’s Board of Directors.

Aperam is a global stainless steel producer with an annual capacity of 2.5 million tonnes in 2014. The Company’s production activities are concentrated in six main plants in Brazil, Belgium and France. Its worldwide-integrated distribution network is comprised of 16 service centers, 8 transformation facilities, and 19 sales offices including customer support.

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

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

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for available for sale financial assets, derivative financial instruments and biological assets which are measured at fair value, and inventories, which are measured at the lower of net realizable value or cost. The consolidated financial statements as of and for the year ended December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”) and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data.

Adoption of new IFRS standards, amendments and interpretations applicable in 2014

On January 1, 2014, the Company adopted the following new standards, amended standards, or interpretations which did not have a material impact on the consolidated financial statements of Aperam.

- > Amendments to IAS 36: Impairment disclosures for non-financial assets amended. Amendments reverse the requirement in IFRS 13 “Fair Value Measurement” to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated.
- > Amendments to IAS 32 “Financial Instruments: Presentation” to clarify the application of the offsetting of financial assets and financial liabilities requirement.
- > IFRIC Interpretation 21 “Levies”, which clarifies that an entity should recognize a liability for a levy only when the activity that triggers a payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon

reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached.

- > Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” entitled Novation of Derivatives and Continuation of Hedge Accounting. The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

New IFRS standards and interpretations applicable from 2015 onward

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

- > IFRS 9, “Financial Instruments” : In November 2009, the International Accounting Standards Board (“IASB”) issued IFRS 9 “Financial Instruments” as the first step in its project to replace IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for classifying and measuring financial instruments, including:
 - The replacement of the multiple classification and measurement models in IAS 39, “Financial Instruments: Recognition and Measurement” with a single model that has only two classification categories: amortized cost and fair value;
 - The replacement of the requirement to separate embedded derivatives from financial asset hosts with a requirement to classify a hybrid contract in its entirety at either amortized cost or fair value; and
 - The replacement of the cost exemption for unquoted equities and derivatives on unquoted equities with guidance on when cost may be an appropriate estimate of fair value.

The effective date of application of IFRS 9 by IASB is January 1, 2018. IFRS 9 is not yet endorsed by the European Union. The Company is in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption.

- > On November 21, 2013, the IASB published amendments to IAS 19 “Employee Benefits”, which clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the numbers of years of service. These amendments are effective for annual periods beginning on or after July 1, 2014.
- > On December 12, 2013, the IASB published Annual Improvements 2010-2012 as part of its annual improvements process to make amendments to the following standards:
 - IFRS 2 “Share-based Payment”, amends the definition of vesting condition and market condition and adds definitions for performance condition and service condition
 - IFRS 3 “Business Combinations”, provides additional guidance for accounting for contingent consideration in a business combination
 - IFRS 8 “Operating Segments”, provides clarification of the requirements for the aggregation of operating segments and the reconciliation of the total of the reportable segments’ assets to the entity’s assets
 - IFRS 13 “Fair Value Measurement”, provides additional guidance for the measurement of short-term receivables and payables
 - IAS 16 “Property, Plant and Equipment”, provides additional guidance for the proportionate restatement of accumulated depreciation when the revaluation method is applied

- IAS 24 “Related Party Disclosure”, provides additional guidance for the definition of key management personnel
- IAS 38 “Intangible Assets”, provides additional guidance for the proportionate restatement of accumulated depreciation when the revaluation method is applied.

Also, on December 12, 2013, the IASB published Annual Improvements 2011-2013 as part of its annual improvements process to make amendments to the following standards:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards”, provides additional guidance for the effectiveness of IFRSs
- IFRS 3 “Business Combinations”, clarifies the scope of exception for joint arrangements
- IFRS 13 “Fair Value Measurement”, clarifies the scope of paragraph 52 (portfolio exception)
- IAS 40 “Investment Property”, provides clarification of the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these new amendments is not expected to have any material impact on the financial statements of the Company.

> On May 6, 2014, the IASB published amendments to IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). Amendments are applicable to annual periods beginning on or after 1 January 2016 and are not yet endorsed by the European Union.

> On May 12, 2014, the IASB published Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) which amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment,
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated,
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments are applicable to annual periods beginning on or after 1 January 2016 and are not yet endorsed by the European Union.

> On May 28, 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- > Identify the contract with the customer,
- > Identify the performance obligations in the contract,
- > Determine the transaction price,
- > Allocate the transaction price to the performance obligations in the contracts
- > Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Amendments are applicable to annual periods beginning on or after 1 January 2017 and are not yet endorsed by the European Union.

- > On June 30, 2014, the IASB published Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) which amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to:
 - include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16,
 - introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales clarify that produce growing on bearer plants remains within the scope of IAS 41.

Amendments are applicable to annual periods beginning on or after 1 January 2016 and are not yet endorsed by the European Union. The Company is still in the process of assessing whether there will be any significant changes to its financial statements upon adoption of these new amendments.

- > On June 30, 2014, the IASB published Amendments to IAS 27: Equity Method in Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments are applicable to annual periods beginning on or after 1 January 2016 and are not yet endorsed by the European Union.

- > On September 11, 2014, the IASB published Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) which clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments are applicable to annual periods beginning on or after 1 January 2016 and are not yet endorsed by the European Union.

- > On September 25, 2014, the IASB published Annual Improvements 2012-2014 Cycle as part of its annual improvements process to make amendments to the following standards:
 - IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued,
 - IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements,

- IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid,
- IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Amendments are applicable to annual periods beginning on or after 1 January 2016 and are not yet endorsed by the European Union.

> On December 18, 2014, the IASB published Disclosure Initiative (Amendments to IAS 1) to address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Amendments are applicable to annual periods beginning on or after 1 January 2016 and are not yet endorsed by the European Union.

> On December 18, 2014, the IASB published Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) to address issues that have arisen in the context of applying the consolidation exception for investment entities.

Amendments are applicable to annual periods beginning on or after 1 January 2016 and are not yet endorsed by the European Union.

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 influence on the financial and operating policy decisions, which are not operating subsidiaries. Generally, significant influence is presumed to exist when the Company holds more than 20% of the voting rights. In addition, jointly 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 recognized 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 recognized in the investee's profit or loss. The Company's share of those changes is recognized directly in equity.

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

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

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

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

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 re-measured at the rates of exchange prevailing at the statement of financial position date and the related transaction gains and losses are reported in the consolidated statement of operations. Non-monetary items that are carried at cost are translated using the rate of exchange prevailing at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate prevailing when the fair value was determined and the related transaction gains and losses are reported in the consolidated statement of comprehensive income.

Upon consolidation, the results of operations of the Company's subsidiaries and associates whose functional currency is other than the U.S. dollar are translated into the U.S. dollar, 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 recognized directly in other comprehensive income and are reclassified in income or loss in the statement of operations only upon sale or liquidation of the underlying foreign subsidiary or associate.

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

Cash and cash equivalents

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

Trade accounts receivable

Trade accounts receivable are initially recorded at their 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 realizable 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 labor and an allocation of fixed and variable production overheads. Raw materials and spare parts are valued at cost inclusive of freight and shipping and handling costs. Net realizable value represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution. Costs incurred when production levels are abnormally low are partially capitalized as inventories and partially recorded as a component of cost of sales in the statement of operations.

Goodwill

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

Goodwill is allocated to those groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose and in all cases is at the operating segment level which represents the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested annually 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 recognized, impairment losses recognized for goodwill are not reversed. On disposal of a subsidiary, any residual amount of goodwill is included in the determination of the profit or loss on disposal.

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

Intangible assets

Intangible assets recorded by the Company include 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 amortized on a straight-line basis. They have residual useful lives between three and five years.

Concessions, patents and licenses are recognized only when it is probable that the expected future economic benefits attributable to the assets will flow to the Company and the cost can be reliably

measured. They are initially recorded at cost and are amortized on a straight-line basis over their estimated economic useful lives which typically are not to exceed five years.

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

Biological assets

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

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

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

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

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

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

Investment in associates and other entities

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

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

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

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

Deferred employee benefits

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

Defined benefit plans are those plans that provide guaranteed benefits to certain categories of employees, either by way of contractual obligations or through a collective agreement. For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date.

The retirement benefit obligation recognized 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 recognized 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 recognizes 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 recognized 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 recognizes a liability and expense when it has a detailed formal plan which is without realistic possibility of withdrawal and the plan has been communicated to employees or their representatives.

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

Provisions and accruals

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

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

Environmental costs

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

Income taxes

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

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

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

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

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 recognized initially at fair value when the Company becomes a party to the contractual provisions of the instrument. They are derecognized if the Company's contractual rights to the cash flows from the financial instruments expire or if the Company transfers the financial instruments to another party without retaining control or substantially all risks and rewards of the instruments.

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

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

Impairment of financial assets

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

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

Emission rights

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

Revenue recognition

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

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

Shipping and handling costs

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

Financing costs

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

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.

Equity settled share based payments

Aperam issues equity-settled share-based payments consisting in restricted share units to key employees of the Company. Prior the spin-off, ArcelorMittal issued equity settled share based payments consisting in stock options to certain Aperam employees. Equity settled share based payments issued to Aperam employees are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a graded vesting basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market based vesting conditions. 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 behavioral 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 newly identified CODM began managing the business according to three operating segments: Stainless & Electrical Steel, Alloys & Specialties and Services & Solutions.

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

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

Critical accounting judgments

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

Deferred Tax Assets

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

Note 17 describes the total deferred tax assets recognized in the consolidated statements of financial position. As of December 31, 2014, the amount of future income required to recover the Company's deferred tax assets was approximately 997 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 recognized rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates.
- > Rate of compensation increase. The rate of compensation increase reflects actual experience and the Company's long-term outlook, including contractually agreed upon wage rate increases for represented hourly employees.
- > 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 recognized in the Company's statement of other comprehensive income in the period in which they arise.

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

Legal, Environmental and Other Contingencies

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

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

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

Impairment of Tangible and Intangible Assets

Tangible and Intangible Assets

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

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

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

As of December 31, 2014, the Company had determined it has six cash generating units.

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

Goodwill

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

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

Derivative financial instruments

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

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

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

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

Use of estimates

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

Change in accounting estimates

During 2014, the Company performed a review of the useful lives of its assets and determined its maintenance and operating practices have enabled a change in the useful lives of plant and equipment. Maintenance practices employed have served to preserve and extend the operating life of certain of these assets, while operating practices in the current economic environment have also contributed to the extension of asset useful life beyond previous estimates. The Company thus revised the useful lives due to its determination that certain of its existing assets have been used longer than previously anticipated and therefore, the estimated useful lives of certain plant and equipment have been lengthened.

The revisions were accounted for prospectively as a change in accounting estimate. The reduction of the depreciation charge as a result of changes in estimated useful lives for the year ended December 31, 2014 was 47 as compared to the amounts that would have been charged if no change in estimate occurred.

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	December 31,	
	2014	2013
Bank current accounts	158	164
Term accounts (initial maturity < 3 months)	39	125
Other cash and cash equivalents	—	2
Total	197	291

NOTE 4: TRADE ACCOUNTS RECEIVABLE

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

	December 31,	
	2014	2013
Gross amount	312	295
Allowance for doubtful accounts	(10)	(11)
Total	302	284

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

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

Included in the Company's trade accounts receivable balance are debtors with a carrying amount of 267 and 239 as of December 31, 2014 and 2013, respectively, which were not past due at the reporting date.

The amount of receivables pledged as collateral was 58 and 68 as of December 31, 2014 and 2013, respectively. Pledges mainly aim at securing the borrowing base revolving credit facility entered into by the Company as described in Note 13.

Exposure to credit risk by operating segment

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

	December 31,	
	2014	2013
Stainless & Electrical Steel	114	101
Alloys & Specialties	40	42
Services & Solutions	148	141
Total	302	284

Exposure to credit risk by geography

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

	December 31,	
	2014	2013
Europe	171	172
South America	94	81
North America	34	28
Asia	3	3
Total	302	284

Aging of trade accounts receivable

The aging of trade accounts receivable is as follows:

	December 31,			
	2014		2013	
	Gross	Allowance	Gross	Allowance
Not past due	267	—	239	—
Past due 0-30 days	27	—	32	—
Past due 31-60 days	4	—	5	—
Past due 61-90 days	2	—	5	—
Past due 91-180 days	2	—	3	—
More than 180 days	10	(10)	11	(11)
Total	312	(10)	295	(11)

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

Balance as of December 31, 2012	Additions	Deductions/ Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2013
14	4	(6)	(1)	11
Balance as of December 31, 2013	Additions	Deductions/ Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2014
11	2	(2)	(1)	10

The Company has established sales without recourse of trade accounts receivable program with financial institutions, referred to as True Sales of Receivables ("TSR"). The amount of the Aperam facility available for the Company represented €250 million and €250 million as of December 31, 2014 and 2013, 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

derecognized in accordance with IAS 39 for the years ended December 31, 2014 and 2013 were \$1.8 billion and \$1.7 billion, respectively. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognized in the consolidated statement of operations as financing costs and amounted to 14 and 13 in 2014 and 2013, respectively.

NOTE 5: INVENTORIES

Inventories, net of allowance for slow-moving inventories, excess of cost over net realizable value and obsolescence of 116 and 134 as of December 31, 2014 and 2013, respectively, is comprised of the following:

	December 31,	
	2014	2013
Finished products	547	519
Production in process	431	396
Raw materials	197	142
Manufacturing supplies, spare parts and other	140	156
Total	1,315	1,213

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

The amount of inventory pledged as collateral was 893 and 783 as of December 31, 2014 and 2013, respectively. Pledges mainly aim at securing the borrowing base revolving credit facility entered into by the Company as described in Note 13.

The movement in the allowance for obsolescence is as follows:

Balance as of December 31, 2012	Additions	Deductions/ Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2013
124	54	(48)	4	134
Balance as of December 31, 2013	Additions	Deductions/ Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2014
134	40	(43)	(15)	116

The amount of write-down of inventories to net realizable value recognized as an expense was 40 and 54 in 2014 and 2013, respectively, and was reduced by 43 and 48 in 2014 and 2013, respectively, due to normal inventory consumption.

The amount of inventories recognized as an expense (due to normal inventory consumption) was 3,263 and 3,148 during the year ended December 31, 2014 and 2013, respectively.

NOTE 6: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31,	
	2014	2013
Value added tax (VAT) and other amount receivable from tax authorities	75	66
Prepaid expenses and accrued receivables	15	18
Cash receivable from sold trade receivables	14	—
Derivative financial assets (note 14)	6	—
Other	27	32
Total	137	116

NOTE 7: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	Goodwill on acquisition	Customer relationships, trade marks & technology	Concessions, patents and licenses	Total
Cost				
At December 31, 2012	744	254	117	1,115
Acquisitions	—	—	5	5
Disposals	—	—	(1)	(1)
Foreign exchange differences	(25)	(7)	(6)	(38)
Transfers and other movements	—	—	4	4
At December 31, 2013	719	247	119	1,085
Accumulated amortization and impairment losses				
At December 31, 2012	—	166	90	256
Disposals	—	—	—	—
Amortization charge	—	24	9	33
Foreign exchange differences	—	(5)	(7)	(12)
At December 31, 2013	—	185	92	277
Carrying amount				
At December 31, 2013	719	62	27	808
Cost				
At December 31, 2013	719	247	119	1,085
Acquisitions	—	—	7	7
Foreign exchange differences	(85)	(30)	(13)	(128)
At December 31, 2014	634	217	113	964
Accumulated amortization and impairment losses				
At December 31, 2013	—	185	92	277
Amortization charge	—	19	7	26
Foreign exchange differences	—	(24)	(11)	(35)
At December 31, 2014	—	180	88	268
Carrying amount				
At December 31, 2014	634	37	25	696

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:

	Net value December 31, 2013	Foreign exchange differences	Net value December 31, 2014
Stainless & Electrical Steel	600	(71)	529
Alloys & Specialties	28	(3)	25
Services & Solutions	91	(11)	80
TOTAL	719	(85)	634

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 2014, 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 2014 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 pre-tax rates that reflected current market rates for investments of similar risk. The discount rate for the GCGUs was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of the Company's assets.

	Stainless & Electrical Steel	Alloys & Specialties	Services & Solutions
GCGU weighted average pre-tax discount rate used in 2013 (in %)	14.1	16.9	15.2
GCGU weighted average pre-tax discount rate used in 2014 (in %)	12.7	15.1	13.2

When estimating GCGU's average selling price for the purpose of 2014 impairment test, the Company used an average range ("Stainless Base Price 304 Germany") of €1,070 per tonne.

The results of the goodwill impairment test of 2013 and 2014 for each GCGU did not result in an impairment of goodwill as the value in use exceeded the carrying value of the GCGU.

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

	Stainless & Electrical Steel
Recoverable amount	3,189
Carrying amount	2,864
Excess of recoverable amount over carrying amount	325

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

	Stainless & Electrical Steel
Increase in pre-tax discount rate (change in basis points)	127 bps
Decrease in terminal growth rate used for the years beyond the five-year plan (change in basis points)	156 bps
Decrease in shipments (change in %)	4.1%
Decrease in raw material margin (change in %)	4.1%
Increase in added costs (change in %)	2.5%

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

For the Stainless & Electrical Steel GCGU, reasonable expected changes in excess of the changes outlined above in relation to shipments, raw material margin and fixed costs would result in a directly proportional decrease in the GCGU's recoverable amount. Reasonable expected changes comprising of a 100 basis point increase in the pre-tax discount rate or a 100 basis point decrease in the terminal growth rate would result in decreases in the GCGU's recoverable amount of 291 or 222 respectively.

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

Research and development costs

Research and development costs do not meet the criteria for capitalization and are expensed and included in selling, general and administrative expenses within the consolidated statement of operations. These costs amounted to 20 and 20 in the years ended December 31, 2014 and 2013, respectively. There were no research and development costs capitalized during any of the periods presented.

NOTE 8: 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:

Balance at January 1, 2013	135
Additions	21
Change in fair value	19
Harvested trees	(39)
Foreign exchange differences	(17)
At December 31, 2013	119
Balance at January 1, 2014	119
Additions	21
Change in fair value ⁽¹⁾	5
Harvested trees	(35)
Foreign exchange differences	(13)
At December 31, 2014	97

Note:

(1) Recognized in cost of sales in the consolidated statements of operations.

The Company's biological assets comprise the cultivation and planting of eucalyptus forests 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 BioEnergia Ltda that provides planting, lumber harvesting 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 categorized 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 2014 was equivalent to 32 m³/ha/year.

The average net sales price of 39 Brazilian real per m³ 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 labor services. Tax effects based on current rates of 34% in 2014, 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 11.48%. 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, 2014:

Significant unobservable impacts	Impacts on the fair value resulting from	
	10% increase	10% decrease
Average annual growth	14	(14)
Average selling price	14	(14)
Discount rate	(5)	6

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	Machinery and equipment	Land, buildings and improvements	Construction in progress	Total
Cost				
At December 31, 2012	2,887	945	71	3,903
Additions	24	—	71	95
Foreign exchange differences	(19)	(14)	(4)	(37)
Disposals	(27)	—	—	(27)
Other movements	67	13	(78)	2
At December 31, 2013	2,932	944	60	3,936
Accumulated depreciation and impairment				
At December 31, 2012	1,207	222	—	1,429
Depreciation charge for the year	200	46	—	246
Impairment	13	—	—	13
Disposals	(24)	—	—	(24)
Foreign exchange differences	8	(5)	—	3
Other movements	1	(1)	—	—
At December 31, 2013	1,405	262	—	1,667
Carrying amount				
At December 31, 2013	1,527	682	60	2,269
Cost				
At December 31, 2013	2,932	944	60	3,936
Additions	29	—	73	102
Foreign exchange differences	(343)	(115)	(9)	(467)
Disposals	(29)	(6)	—	(35)
Other movements	32	19	(48)	3
At December 31, 2014	2,621	842	76	3,539
Accumulated depreciation and impairment				
At December 31, 2013	1,405	262	—	1,667
Depreciation charge for the year	145	31	—	176
Impairment	8	—	—	8
Disposals	(24)	(4)	—	(28)
Foreign exchange differences	(177)	(36)	—	(213)
Other movements	(1)	1	—	—
At December 31, 2014	1,356	254	—	1,610
Carrying amount				
At December 31, 2014	1,265	588	76	1,929

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

In 2014 and 2013, various idle assets were written down to their salvage value as a decision was made to cease all future use. Accordingly, an impairment loss of 8 and 5 was recognized as an expense as part of operating result in the consolidated statement of operations for the years ended December 31, 2014 and 2013, respectively. The carrying amount of these assets was nil at December 31, 2014 and 2013. The impairment loss of 8 recorded in 2014 consisted primarily of idled mill rolls at Aperam Stainless Belgium for 5 and at Aperam Stainless France for 3. The impairment loss of 5 recorded in 2013 consisted for 3 of idled assets in relation to the closure of the Firminy plant in France and in idle assets at Aperam South America for 2. As of December 31, 2014 and 2013, temporarily idle assets included in the Stainless & Electrical Steel segment were 18 and 24, respectively. There were no temporarily idle assets included in the other segments as of any of the periods presented.

During the year ended December 31, 2014 and in conjunction with its testing of goodwill for impairment, the Company analyzed the recoverable amount of its property, plant and equipment. Property, plant and equipment were tested at the Cash Generating Unit ("CGU") level. In certain instances, the CGU is an integrated manufacturing facility which may also be an operating subsidiary. Furthermore, a manufacturing facility may be operated together with another facility, with neither facility generating cash flows that are largely independent from the cash flows in the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2014, the Company had determined it has six CGUs. The recoverable amounts of the CGUs are determined based on value in use calculation and follow similar assumptions as those used for the test on impairment for goodwill.

The Company estimated discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of Aperam's assets. Aside from the impairments described above where a decision was made to cease all future use, no impairment of property, plant and equipment was recorded for the year ended December 31, 2014.

For the year ended December 31, 2013, the Company concluded that the value in use of certain of its property, plant and equipment was less than its carrying amount. Accordingly, an impairment of 8 was recognized as an expense as part of operating income (loss) in the statement of operations for the year ended December 31, 2013. This impairment consisted for 5 of various tubular product operations that are included in Services & Solutions reportable segment and for 3 of assets that are included in Alloys & Specialties reportable segment.

The carrying amount of property, plant and equipment includes 6 and 10 of finance leases as of December 31, 2014 and 2013, 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 6 which can be purchased for their book value at the end of the remaining leasing period.

No property, plant and equipment was pledged in 2014 and 2013.

NOTE 10: OTHER INVESTMENTS

The Company holds the following investments:

	Location	Ownership % at December 31, 2014	Fair value December 31,	
			2014	2013
Available-for-sale securities (at fair value)				
General Moly Inc.	U.S.	8.96%	5	11
Gerdau S.A.	Brazil	0.53%	33	71
Total available-for-sale securities			38	82
Investments accounted for at cost				
Exeltium S.A.S	France	2.05%	4	5
Other			2	2
Total investments accounted for at cost			6	7
Total			44	89

The fair value (applying a Level 1 fair value measurement) of Aperam's stake in Gerdau amounted to 33 and 71 as of December 31, 2014 and December 31, 2013, respectively. The fair value of Aperam's stake in General Moly amounted to 5 and 11 as of December 31, 2014 and December 31, 2013, respectively.

The fair value of available-for-sale securities decreased by 44 during the year ended December 31, 2014 from 82 as of December 31, 2013 to 38 as of December 31, 2014 on account of an impairment loss of 55 and a foreign exchange difference of 6, partly offset by the reversal of an unrealized loss recognized in equity of 17.

The Company reviewed the investments in Gerdau and General Moly for impairment and recognized an impairment loss of 51 and 4 respectively as a loss from other investments in the statement of operations for the year ended December 31, 2014. The Company considers a significant or prolonged decline in fair value as objective evidence of impairment.

NOTE 11: OTHER ASSETS

Other assets consisted of the following:

	December 31,	
	2014	2013
Call options on Aperam shares ⁽¹⁾	54	—
Cash guarantees and deposits	38	41
Long-term VAT receivables	14	21
Tax indemnification from ArcelorMittal Bioflorestas	8	12
Long-term receivables from sale of tangible assets	2	2
Other financial assets	13	15
Total	129	91

Note:

(1) On June 27, 2014, Aperam acquired call options of its own shares. See Note 14: Financial instruments.

NOTE 12: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

Transactions	Category	Year Ended December 31,		December 31,	
		2014	2013	2014	2013
		Sales		Included in Trade accounts receivable	
ArcelorMittal and its subsidiaries	Other	168	116	30	9
Total		168	116	30	9

Transactions	Category	Year Ended December 31,		December 31,	
		2014	2013	2014	2013
		Purchases of raw material & others		Included in Trade accounts payable	
ArcelorMittal and its subsidiaries	Other	190	155	25	18
Blue Sky Amercoeur	Associate	—	17	—	—
Total		190	172	25	18

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

	Year Ended December 31,	
	2014	2013
Raw materials	77	49
Energy supply contracts	80	88

	December 31,	
	2014	2013
Convertible bonds—long-term debt (note 13) ⁽¹⁾	82	82
Tax indemnification from ArcelorMittal Bioflorestas—current and non-current assets (note 11)	11	15
Other current assets	—	1
Other current liabilities	3	3
Selling, general and administrative	5	8

Note:

(1) On September 19, 2013, Aperam issued convertible and/or exchangeable bonds for a total consideration of 200, of which 40.85% or 82 have been subscribed by Lumen Investments S.à r.l. ("Lumen" thereafter).

On September 25, 2013, Aperam entered into a Share Lending Agreement with Lumen, pursuant to which Lumen agrees to make available for borrowing by Aperam, at any time and from time to time while any bond is outstanding, ordinary shares up to, in aggregate, a maximum amount of 2.6 million shares, in consideration for the payment of an agreed loan fee of \$0.00046 per lent ordinary share, accruing daily from and including the date on which the loaned ordinary shares were delivered to the borrower to, but excluding, the date of return of the borrowed ordinary shares. Under the Share Lending Agreement, deliveries of the loaned shares by Lumen is to occur on the dates an equal number of ordinary shares are required to be delivered by Aperam pursuant to the terms of the bonds. The share lending agreement provides that Aperam can terminate all or any portion of any loan made thereunder at any time and that all outstanding loans will terminate on the date which is three business days after the date on which a general meeting of shareholders of Aperam has approved a resolution approving sufficient authorized share capital and authorizes the Board of Directors of the Company to cancel the preferential subscription right of existing shareholders to allow return to Lumen of all borrowed ordinary shares. Under the Share Lending Agreement, Lumen has no rights (including voting or disposition rights) with respect to any ordinary shares that had been loaned to Aperam and not yet returned to Lumen. Subject to this condition being met, it is expected that any ordinary shares to be delivered by Aperam to Lumen upon termination of the loan(s) would be newly issued ordinary shares issued in favor of Lumen (with a cancellation of the shareholders' preferential subscription right). The extraordinary general meeting of shareholders of Aperam that took place on May 8, 2014 approved sufficient authorized share capital and authorized the Board of Directors of the Company to cancel the preferential subscription right of existing shareholders to allow return to Lumen of all borrowed ordinary shares. Accordingly, the share lending agreement with Lumen was terminated on July 8, 2014.

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

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

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

NOTE 13: SHORT-TERM AND LONG-TERM DEBT

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

	December 31,	
	2014	2013
Short-term bank loans and other credit facilities	15	173
Current portion of long-term debt	22	32
Lease obligations	3	4
Total	40	209

Secured borrowing base revolving credit facility

On March 16, 2011, the Company entered into a 800 secured borrowing base revolving credit facility (the "Borrowing Base Facility") with a group of lenders. The Borrowing Base Facility was structured as a 3-year revolving credit facility.

On March 15, 2013, the Company amended the Borrowing Base Facility to extend the maturity of 600 (tranche B) of the 800 Borrowing Base Facility from March 2014 to March 2015. The remaining 200 (tranche A) of the Borrowing Base Facility matured in March 2014.

On March 18, 2014, the Company amended the Borrowing Base Facility to extend the maturity of the tranche B of 600 of the Borrowing Base Facility from March 2015 until March 2016.

On July 31, 2014, Aperam announced the reduction of its commitment under the Borrowing Base Facility by 200 from 600 to 400.

The remaining Borrowing Base Facility may be repaid and redrawn from time to time until its final maturity in March 2016.

As of December 31, 2014, no amount was outstanding under this facility.

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

	<u>Year of maturity</u>	<u>Type of Interest</u>	<u>Interest rate⁽¹⁾</u>	<u>2014</u>	<u>2013</u>
250 Unsecured Bonds	2018	Fixed	7.750%	248	247
300 Convertible Bonds	2019/2021 ⁽²⁾	Fixed	0.625%	243	—
200 Convertible Bonds	2017/2020 ⁽³⁾	Fixed	2.625%	169	160
Loans in Brazil	2016-2021	Fixed/Floating	2.50%-8.70%	51	91
250 Unsecured Bonds	—	Fixed	—	—	248
50 secured bank loan	—	Floating	—	—	50
Other loans	—	Fixed	—	—	1
Total				711	797
Less current portion of long-term debt				22	32
Total long-term debt (excluding lease obligations)				689	765
Lease obligations ⁽⁴⁾				4	8
Total long-term debt, net of current portion				693	773

Notes:

(1) Rates applicable to balances outstanding at December 31, 2014.

(2) Convertible bonds maturity is on July 8, 2021 but bonds are puttable by the bondholders on January 8, 2019.

(3) Convertible bonds maturity is on September 30, 2020 but bonds are puttable by the bondholders on September 30, 2017.

(4) Net of current portion of 3 and 4 on December 31, 2014 and 2013, respectively.

Unsecured Bonds

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

On October 1, 2014, Aperam reimbursed its 7.375% notes of 250 aggregate principal amount due 2016.

Convertible Bonds

On September 19, 2013, Aperam issued a 200 convertible and/or exchangeable debt instrument with a contractual maturity of 7 years. These bonds bear interest at 2.625% per annum payable semi-annually on March 30 and September 30 of each year, commencing on March 30, 2014. The bonds are puttable by the bondholders on September 30, 2017 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 conversion option premium is recognized as an equity component (see Note 15). The Company determined the fair value of the financial liability component of the bonds was 158 on the date of issuance.

On July 8, 2014, Aperam issued a 300 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. As such, the Company determined the fair value of the financial liability component of the bonds was 237 on the date of issuance. Conversion option is recognized as a derivative financial liability (see Note 14).

50 secured bank loan

On September 28, 2012, the Company signed a 2-year 50 secured bank loan which bear interest at a rate of US\$ Libor plus 310 basis point per annum. In 2013, the loan maturity was extended to October 2015. On April 30, 2014, the loan was reimbursed.

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

	<u>December 31, 2014</u>
2015	25
2016	16
2017	181
2018	251
2019	244
Subsequent years	1
Total	<u>718</u>

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

	<u>Total USD</u>	<u>In USD equivalent as of December 31, 2014</u>			
		<u>EUR</u>	<u>USD</u>	<u>BRL</u>	<u>Other</u>
Short-term debt and current portion of long-term debt	40	3	7	27	3
Long-term debt	693	4	660	29	—
Cash	197	132	42	11	12

	<u>Total USD</u>	<u>In USD equivalent as of December 31, 2013</u>			
		<u>EUR</u>	<u>USD</u>	<u>BRL</u>	<u>Other</u>
Short-term debt and current portion of long-term debt	209	75	109	19	6
Long-term debt	773	8	714	51	—
Cash	291	134	47	97	13

The following tables summarize 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.

	Carrying Amount	December 31, 2014			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	695	767	33	—	800
Instruments payable bearing interest at variable rates	38	—	35	—	35
Total	733	767	68	—	835

	Carrying Amount	December 31, 2013			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	692	740	33	—	773
Instruments payable bearing interest at variable rates	117	—	111	—	111
Total	809	740	144	—	884

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.

NOTE 14: FINANCIAL INSTRUMENTS

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.

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 summarizes assets and liabilities based on their categories as of December 31, 2014.

	Carrying amount in statements of financial position	Non-financial assets and liabilities	Loan and receivables	Liabilities at amortized cost	Fair value recognized in profit and loss	Available for sale assets	Derivatives
ASSETS							
Current assets:							
Cash and cash equivalents	197	—	197	—	—	—	—
Trade accounts receivable	302	—	302	—	—	—	—
Inventories	1,315	1,315	—	—	—	—	—
Prepaid expenses and other current assets	137	75	56	—	—	—	6
Income tax receivable	27	27	—	—	—	—	—
Total current assets	1,978	1,417	555	—	—	—	6
Non-current assets:							
Goodwill and intangible assets	696	696	—	—	—	—	—
Biological assets	97	—	—	—	97	—	—
Property, plant and equipment	1,929	1,929	—	—	—	—	—
Investments	44	6	—	—	—	38	—
Deferred tax assets	326	326	—	—	—	—	—
Other assets	129	24	51	—	—	—	54
Total non-current assets	3,221	2,981	51	—	97	38	54
Total assets	5,199	4,398	606	—	97	38	60
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt and current portion of long-term debt	40	—	—	40	—	—	—
Trade accounts payable	979	—	—	979	—	—	—
Short-term provisions	43	43	—	—	—	—	—
Accrued expenses and other liabilities	293	35	—	238	—	—	20
Income tax liabilities	6	6	—	—	—	—	—
Total current liabilities	1,361	84	—	1,257	—	—	20
Non-current liabilities:							
Long-term debt, net of current portion	693	—	—	693	—	—	—
Deferred tax liabilities	125	125	—	—	—	—	—
Deferred employee benefits	213	213	—	—	—	—	—
Long-term provisions	68	68	—	—	—	—	—
Other long-term obligations	63	3	—	6	—	—	54
Total non-current liabilities	1,162	409	—	699	—	—	54
Equity:							
Equity attributable to the equity holders of the parent	2,672	2,672	—	—	—	—	—
Non-controlling interests	4	4	—	—	—	—	—
Total equity	2,676	2,676	—	—	—	—	—
Total liabilities and equity	5,199	3,169	—	1,956	—	—	74

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

	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Available-for-sale financial assets	38	—	—	38
Derivative financial current assets	—	6	—	6
Derivative financial non-current assets	—	—	54	54
Total assets at fair value	38	6	54	98
Liabilities at fair value				
Derivative financial current liabilities	—	20	—	20
Derivative financial non-current liabilities	—	—	54	54
Total liabilities at fair value	—	20	54	74

	As of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Available-for-sale financial assets	82	—	—	82
Derivative financial current assets	—	1	—	1
Total assets at fair value	82	1	—	83
Liabilities at fair value				
Derivative financial current liabilities	—	5	—	5
Total liabilities at fair value	—	5	—	5

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 recognized vendors of market data (Bloomberg and Reuters) and the fair value is calculated using standard industry models based on significant observable market inputs such as foreign exchange rates, commodity prices, swap rates, and interest rates.

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 300 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 300 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 table summarized the reconciliation of the fair value of the derivative financial assets and liabilities classified as Level 3 for the year ended December 31, 2014:

	300 convertible bonds Conversion option	Call option on own shares	Total
Balance as of December 31, 2013	—	—	—
Acquisition value	(60)	60	—
Change in fair value ⁽¹⁾	6	(6)	—
Balance as of December 31, 2014	(54)	54	—

Note:

(1) Recognized in net financing costs in the consolidated statements of operations.

Portfolio of Derivatives

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 centralizing its commitments and by applying procedures which specify, for each type of transaction exposure limits based on the risk characteristics of the counterparty.

The portfolio associated with derivative financial instruments as of December 31, 2014 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	36	—	2	—
Forward sale contracts	26	—	21	—
Total foreign exchange rate instruments		—		—
Raw materials (base metal)				
Term contracts sales metals	63	4	48	(2)
Term contracts purchases metals	30	2	212	(18)
Total raw materials (base metal)		6		(20)
Total		6		(20)

The portfolio associated with derivative financial instruments as of December 31, 2013 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	2	—	104	—
Forward sale contracts	23	—	4	—
Total foreign exchange rate instruments		—		—
Raw materials (base metal)				
Term contracts sales metals	7	—	13	—
Term contracts purchases metals	64	1	118	(5)
Total raw materials (base metal)		1		(5)
Total		1		(5)

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:

	December 31, 2014					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over 100	(660)	(756)	(27)	(27)	(457)	(245)
Trade payables	(979)	(979)	(979)	—	—	—
Other non-derivative financial liabilities	(73)	(80)	(43)	(18)	(18)	(1)
Total	(1,712)	(1,815)	(1,049)	(45)	(475)	(246)
Derivative financial liabilities						
Foreign exchange contracts	—	—	—	—	—	—
Other commodities contracts	(20)	(20)	(20)	—	—	—
Total	(20)	(20)	(20)	—	—	—

	December 31, 2013					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over 100	(818)	(1,017)	(208)	(43)	(766)	—
Trade payables	(934)	(934)	(934)	—	—	—
Other non-derivative financial liabilities	(164)	(180)	(54)	(88)	(37)	(1)
Total	(1,916)	(2,131)	(1,196)	(131)	(803)	(1)
Derivative financial liabilities						
Foreign exchange contracts	—	—	—	—	—	—
Other commodities contracts	(5)	(5)	(5)	—	—	—
Total	(5)	(5)	(5)	—	—	—

Cash flow hedges

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

	Carrying amount	December 31, 2014 (outflows)/inflows				
		3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	(11)	(7)	(2)	(2)	—	—
Foreign exchange contracts	3	2	—	1	—	—
Total	(8)	(5)	(2)	(1)	—	—

	Carrying amount	December 31, 2013 (outflows)/inflows				
		3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	4	2	1	1	—	—
Total	4	2	1	1	—	—

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

	Carrying amount	December 31, 2014 (outflows)/inflows				
		3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	(11)	(7)	(2)	(2)	—	—
Foreign exchange contracts	3	2	—	1	—	—
Total	(8)	(5)	(2)	(1)	—	—

	Carrying amount	December 31, 2013 (outflows)/inflows				
		3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	4	2	1	1	—	—
Total	4	2	1	1	—	—

Raw materials

The Company utilizes 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:

	At December 31,	
	2014	2013
Base metals	(14)	(4)
Total	(14)	(4)
Assets associated with raw material	6	1
Liabilities associated with raw material	(20)	(5)
Total	(14)	(4)

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	
	2014	2013
10% appreciation in U.S. dollar	—	(10)
10% depreciation in U.S. dollar	—	10

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 1 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, 2014	
	Income	Other Equity Cash Flow Hedging Reserves
+10% in prices Base Metals	1	14
-10% in prices Base Metals	(1)	(14)

NOTE 15: EQUITY

Authorized shares

On May 8, 2014, the Extraordinary General Meeting resolved to increase the authorized share capital by EUR 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 authorized share capital (including its issued share capital) was EUR 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 \$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 December 31, 2014, the Company has 78,049,730 shares issued and 78,004,542 shares outstanding, with no par value, for a total amount of 547.

Treasury shares

In August 2014, a total of 90,688 treasury shares were bought to serve upcoming long term incentive plans. In November 2014, a total of 45,500 shares were allocated to qualifying employees under the RSU plan under the July 12, 2011 general shareholders' approval.

Aperam held 45,188 and nil shares as of December 31, 2014 and 2013, respectively.

Dividends

On February 4, 2013, the Company announced that the Board of Directors would submit to a shareholder's vote, at the next annual general meeting, a proposal to stop the dividend payment. On May 8, 2013, the annual general meeting of shareholders approved a proposal to make no dividend payment in 2013 in order to accelerate the deleveraging.

On February 6, 2014, the Company announced that the Board of Directors will submit to a shareholder's vote, at the next annual general meeting, a proposal to continue paying no dividend payment in 2014 in order to support the previously announced net debt reduction program. On May 8, 2014, the annual general meeting of shareholders approved a proposal to make no dividend payment in 2014.

The Board of Directors will propose to the shareholders at the next annual general meeting on May 5, 2015 to continue paying no dividend in 2015 in order to further reduce the Company's cost of debt.

Management of share capital

In June 2014, the Company sold call options on Aperam shares to financial institutions. As the Company has an obligation to settle the call options in a fixed number of its own shares, it classified the proceeds from the sale of these call options in equity for an amount of 37, net of tax.

Stock Option Plans

For historical reasons, certain of the Company's employees participate in stock based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. Given that the Company's employees directly benefit from participation in these plans, the expense incurred by ArcelorMittal for options granted to its employees has been reflected in the Company's consolidated statements of operations as selling, general and administrative. The compensation expense recognized for stock option plans was nil and below 1 for each of the years ended December 31, 2014 and 2013, respectively. The vesting period of these plans ended in 2013 and there was no compensation expense recognized at end of December 31, 2014.

For the years ended December 31, 2014 and 2013, the amount of outstanding options was 394,850 and 548,150 respectively. The amount of exercisable options was 394,850 and 548,150 respectively for the years ended December 31, 2014 and 2013.

Exercise prices of ArcelorMittal stock options vary from \$27.31 to \$78.44. Weighted average contractual life of the options varies from 1.6 to 6.6 years.

Share Unit Plan

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

The 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.

For the period from the July 12, 2011 general shareholders' meeting to the annual general meeting of shareholders held on May 8, 2012, a maximum of 70,000 RSUs corresponding to up to 70,000 of Aperam shares and up to 20,000 PSUs corresponding to up to 40,000 of the Company's shares was authorized to be allocated to qualifying employees under the RSU Plan and the PSU Plan, respectively. In November 2011, a total of 59,750 RSUs under the RSU Plan was granted to a total of 28 employees at a fair value of \$16.04 per share. In March 2012, a total of 14,250 PSUs was granted to a total of 8 employees of the Company at a fair value of \$16.53 per share. In November 2014, a total of 45,500 shares were allocated to qualifying employees (out of which 17,500 shares for Members of the Leadership Team).

On May 8, 2012, the annual general meeting of shareholders authorized the Board of Directors to issue, during the period between the 2012 and the 2013 annual general meeting, to key employees of Aperam a maximum of 70,000 RSUs corresponding to up to 70,000 of Aperam shares and up to 20,000 PSUs corresponding to up to 40,000 of the Company's shares. In April 2013, a total of 40,000 RSUs under the RSU Plan was granted to a total of 27 employees at a fair value of \$12.16 per share, all grants were for employees below the level of the Management Committee. No PSUs were granted under the May 8, 2012 authorization.

On May 8, 2013 annual general meeting of shareholders authorized the Board of Directors to issue, during the period between the 2013 and the 2014 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 Management Committee. In August 2013, a total of 87,592 PSUs was granted to a total of 35 employees and a total of 44,000 RSUs was granted to a total of 28 employees at a fair value of \$13.40 per share.

On May 8, 2014 annual general meeting of shareholders authorized the Board of Directors to allocate during the period between the 2014 and the 2015 annual general meeting, a maximum of 220,000 of the Company's fully paid-up ordinary shares under the 2014 Cap. 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 \$33.97 per share and \$31.97 per share and a total of 48,000 RSUs was granted to a total of 32 employees at a fair value of \$31.97 per share.

The fair value of the shares allocated to the beneficiaries is recorded as an expense in the consolidated statements of operations over the relevant vesting or service periods. The compensation expense recognized for the restricted stock units was 1 and below 1 for the year ended December 31, 2014 and 2013, respectively.

Option premium on convertible bonds

The option premium on convertible bonds of 39, net of deferred tax liability of 12 represents the equity component (conversion rights) of the 200 convertible debt instrument issued on September 19, 2013 (see Note 13).

Earnings per common share

For the purpose of calculating earnings per common share, diluted weighted average common shares outstanding excludes 9 million potential common shares from the 200 convertible bond described in note 13 for the year ended December 31, 2014 because the potential common shares are anti-dilutive.

	Year Ended December 31,	
	2014	2013
Net income (loss) considered for the purposes of basic earnings per share.	95	(99)
Interest and fair value of the conversion option for the 300 Convertible Bonds issued in 2014	—	—
Net income (loss) considered for the purposes of diluted earnings per share	95	(99)
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	78	78
Incremental shares from assumed conversion of stock options, restricted share units and performance share units (in millions)	—	—
Incremental shares from assumed conversion of the 300 Convertible Bonds issued in 2014	3	—
Weighted average common shares assuming conversions (in millions) used in the calculation of diluted earnings per share	81	78

NOTE 16: FINANCIAL INCOME AND EXPENSE

Financial income and expense recognized in the years ended December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Recognized in the statement of operations		
Interest income	5	6
Interest expense	(88)	(92)
Result on disposal of financial assets	6	(1)
Unrealized gains on derivative instruments	(3)	2
Net foreign exchange result	(5)	(14)
Others ⁽¹⁾	(34)	(32)
Total interest expense and other net financing costs	(124)	(137)
Recognized in the statement of comprehensive income (Company share)		
Net change in fair value of available-for-sale financial assets	20	(23)
Effective portion of changes in fair value of cash flow hedge	(3)	(1)
Foreign currency translation differences for foreign operations	(415)	(117)
Total	(398)	(141)

Note:

(1) Others include mainly expenses related to True Sale of Receivables ("TSR"), bank fees and interest cost on deferred employee benefits plans.

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

NOTE 17: INCOME TAX

Income tax expense (benefit)

The breakdown of the income tax expense (benefit) for each of the years ended December 31, 2014 and 2013, respectively, is summarized as follows:

	Year ended December 31,	
	2014	2013
Total current tax expense	19	14
Total deferred tax expense (benefit)	9	(58)
Total income tax expense (benefit)	28	(44)

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

	Year ended December 31,	
	2014	2013
Net income (loss)	95	(100)
Non-controlling interest	—	1
Income tax expense (benefit)	28	(44)
Income (loss) before tax:	123	(143)
Tax expense (benefit) at domestic rates applicable to countries where income (loss) was generated	25	(71)
Net change in measurement of deferred tax assets	23	101
Tax deductible write-down on shares	(14)	(70)
Tax credits	(3)	(2)
Other permanent difference	(3)	(2)
Income tax (expense) benefit	28	(44)

The weighted average statutory tax expense (benefit) was 25 and (71) in 2014 and 2013, respectively.

Net change in measurement of deferred tax assets of 23 in 2014 mainly relates to tax expense of 14 due to unrecognized deferred tax assets on write-down of the value of shares of a consolidated subsidiary in Luxembourg, limitation of interest deduction for 5 in France and not capitalization of tax losses in Brazil for 5.

Net change in measurement of deferred tax assets of 101 in 2013 mainly relates to tax expense of 70 due to unrecognized deferred tax assets on write-down of the value of shares of a consolidated subsidiary in Luxembourg, de-recognition of deferred tax assets on previous tax losses for 24 and not capitalization of tax losses for 6 in Brazil, partly offset by recognition of deferred tax assets on previous tax losses in Spain for 3. Further change relates to limitation of interest deduction for 3 in France due to the new legislation.

Tax credits of 3 and 2 in 2014 and 2013, respectively, mainly relate to research tax credits and competitiveness and employment tax credits in France.

Other permanent difference in 2014 and 2013 consists of a reduced taxation on the financing activity, transfer pricing adjustment in Brazil, effect of foreign currency translation and equity method benefits, taxation on dividends and adjustments for tax deductible and non deductible items.

Income tax recognized directly in equity

Income tax recognized in equity for the years ended December 31, 2014 and 2013 is as follows:

	December 31,	
	2014	2013
Deferred tax (expense) benefit		
Recognized in Other Comprehensive Income (Loss):		
Recognized actuarial gain (loss)	6	(4)
Unrealized gain (loss) loss on available-for-sale securities	(6)	—
Unrealized gain (loss) on derivative financial instruments	2	—
Foreign currency translation adjustments	35	28
Recognized on the Option Premium on Convertible Bonds	—	(12)
Recognized on derivative instruments on Aperam shares	(15)	—
Total	22	12

The net deferred tax benefits recorded directly to equity was 22 and 12 as of December 31, 2014 and 2013, respectively. There was no current tax booked directly in equity in 2014 and 2013.

The amount of (15) recognized on derivative instruments on Aperam shares in 2014 relates to the management of share capital described in Note 15.

The amount of (12) recognized on the option premium on convertible bonds in 2013 relates to the issuance of convertible bonds described in Note 13.

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,	
	2014	2013	2014	2013	2014	2013
Intangible assets	1	2	(14)	(21)	(13)	(19)
Property, plant and equipment	8	7	(272)	(311)	(264)	(304)
Biological assets	—	—	(32)	(41)	(32)	(41)
Inventories	20	30	(3)	(8)	17	22
Available-for-sale financial assets	15	6	—	—	15	6
Financial instruments	12	4	(4)	(3)	8	1
Other assets	19	17	(7)	(7)	12	10
Provisions	66	65	(72)	(66)	(6)	(1)
Other liabilities	26	68	(31)	(17)	(5)	51
Tax losses carried forward	467	482	—	—	467	482
Tax credits	2	9	—	—	2	9
Deferred tax assets/(liabilities)	636	690	(435)	(474)	201	216
Deferred tax assets					326	333
Deferred tax liabilities					(125)	(117)

Deferred tax assets not recognized by the Company as of December 31, 2014 were as follows:

	<u>Gross amount</u>	<u>Total deferred tax assets</u>	<u>Recognized deferred tax assets</u>	<u>Unrecognized deferred tax assets</u>
Tax losses carried forward	2,183	697	467	230
Tax credits and other tax benefits	32	10	2	8
Other temporary differences	496	167	167	—
Total		874	636	238

Deferred tax assets not recognized by the Company as of December 31, 2013 were as follows:

	<u>Gross amount</u>	<u>Total deferred tax assets</u>	<u>Recognized deferred tax assets</u>	<u>Unrecognized deferred tax assets</u>
Tax losses carried forward	2,270	728	482	246
Tax credits and other tax benefits	63	21	9	12
Other temporary differences	584	199	199	—
Total		948	690	258

The Company has unrecognized deferred tax assets relating to tax loss carry forwards, tax credits and other tax benefits amounting to 238 and 258 as of December 31, 2014 and 2013, respectively. As of December 31, 2014, the deferred tax assets not recognized relate to tax loss carry forwards attributable to subsidiaries located in Luxembourg (181), Brazil (41), France (6) and Spain (2) with different statutory tax rates. Therefore, the amount of the total deferred tax assets is the aggregate amount of the various deferred tax assets recognized and unrecognized at the various subsidiaries and not the result of a computation with a blended rate. Unrecognized tax losses have no expiration date in Brazil, France and Luxembourg and an expiration date of 18 years in Spain. The utilization of tax loss carry forwards is restricted to the taxable income of the subsidiary.

At December 31, 2014, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Company will realize the benefits of an amount of deferred tax assets recognized for 326. The amount of future taxable income required to be generated by the Company's operating subsidiaries to utilize the total deferred tax assets is approximately 997. Historically, the Company has been able to generate taxable income in sufficient amounts to permit it to utilize tax benefits associated with net operating loss carry forwards and other deferred tax assets that have been recognized in its consolidated financial statements. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

The Company has not recorded any deferred income tax liabilities on the undistributed earnings of its foreign subsidiaries for income tax due if these earnings would be distributed. For investments in subsidiaries, branches, associates and investments, that are not expected to reverse in the foreseeable future, no deferred tax liability has been recognized at December 31, 2014.

Tax loss carry forwards

At December 31, 2014, the Company had total estimated net tax loss carry forwards of 2,185.

Such amount includes net operating losses of 16 and 1 related to Aperam Stainless Services & Solutions Iberica S.L. in Spain and Aperam Stainless Services & Solutions Poland z.o.o. in Poland which expire as follows:

<u>Year expiring</u>	<u>Amount</u>
2015	—
2016	—
2017	—
2018	—
2019	—
2020–2032	17
Total	17

The remaining tax loss carry forwards of 2,168 are indefinite and attributable to the Company's operations in Belgium, Brazil, France, Italy and Luxembourg.

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

NOTE 18: PROVISIONS

The movements by provision were as follows:

	Balance at December 31, 2012	Additions	Deductions- Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2013
Litigation (note 22)	57	13	(12)	(2)	56
Environmental (note 22)	27	2	(4)	2	27
Restructuring	—	7	—	—	7
Voluntary separation plans	11	1	(7)	(2)	3
Other	13	15	(19)	(1)	8
Total	108	38	(42)	(3)	101
Short-term provisions	33				30
Long-term provisions	75				71
Total	108				101

	Balance at December 31, 2013	Additions	Deductions- Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2014
Litigation (note 22)	56	11	(8)	(5)	54
Environmental (note 22)	27	4	(2)	(3)	26
Restructuring	7	1	(6)	—	2
Voluntary separation plans	3	2	(1)	(1)	3
Other	8	25	(4)	(3)	26
Total	101	43	(21)	(12)	111
Short-term provisions	30				43
Long-term provisions	71				68
Total	101				111

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 22.

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

In June 2013, a restructuring provision of 7 has been recorded in relation to Firminy site (Aperam Stainless Services & Solutions Precision) upcoming closure. As of December 31, 2014, the outstanding amount for the Firminy closure is expected to be settled in a period of one year.

As of December 31, 2014, the outstanding provision for voluntary separation plans relates to plans primarily in France which are expected to be settled in a period of two years.

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

NOTE 19: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses were comprised of the following as of:

	December 31,	
	2014	2013
Accrued payroll and employee related expenses	134	143
Cash collected from sold trade receivables	36	54
VAT and other amounts due to public authorities	35	39
Payable from acquisition of intangible & tangible assets	31	14
Revaluation of derivative instruments (note 14)	20	5
Accrued interests	9	14
Unearned revenue and accrued payables	8	6
Other creditors	20	24
Total	293	299

NOTE 20: COMMITMENTS

The Company's commitments consist of three main categories:

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

Commitments given

	December 31,	
	2014	2013
Purchase commitments	1,976	1,734
Guarantees, pledges and other collateral	1,207	1,104
Operating leases	37	38
Total	3,220	2,876

Purchase commitments

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

Guarantees, pledges and other collateral

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

Pledges mainly relate to inventory and trade receivables pledged to secure the borrowing base revolving credit facility (see Notes 4, 5 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, 2014 according to maturity periods are as follows:

	December 31, 2014
Less than 1 year	7
1-3 years	9
4-5 years	7
More than 5 years	14
Total	37

NOTE 21: DEFERRED EMPLOYEE BENEFITS

The Company's operating subsidiaries have different types of pension plans for its employees. Also, some of the operating subsidiaries offer other post-employment benefits, principally retirement indemnities. Limited health care benefits are also offered to some employees in Belgium. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the statements of financial position are based on a number of assumptions and factors such as the discount rate, expected compensation increases, 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:

	December 31,	
	2014	2013
Pension plan benefits	113	111
Other post-employment benefits	66	72
Early retirement benefits	33	36
Other long-term employee benefits	1	1
Total	213	220

Pension Plans

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

Brazil

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

Europe

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

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).

The Belgian defined contribution pension plans are by law subject to minimum guaranteed rates of return, currently 3.25% on employer contributions and 3.75% on employee contributions. The latter, which apply as an average over the employees entire career, may be modified by Royal Decree in which case the new rate(s) apply to both the accumulated past contributions and the future contributions as from the date of modification onwards. Those plans, which are funded through group insurances, were basically accounted for as defined contribution plans. At 31 December 2014, the minimum guaranteed reserves were lower than the actual accumulated reserves. The contributions paid during 2014 for those plans amounted to 4. The plan assets at 31 December 2014 consisted of 62.

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

	Year Ended December 31, 2014		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	191	79	112
Service cost	—	—	—
Interest cost	14	11	3
Actuarial gain	33	14	19
<i>Demographic assumptions</i>	—	—	—
<i>Financial assumptions</i>	20	4	16
<i>Experience adjustments</i>	13	10	3
Benefits paid	(13)	(7)	(6)
Obligations transfer	6	6	—
Foreign currency exchange rate differences and other movements	(27)	(12)	(15)
Benefit obligation at end of the period	204	90	114
<i>Actives</i>	10	7	3
<i>Terminated vested</i>	4	—	4
<i>Retirees</i>	190	83	107
Benefit obligation at end of the period	204	90	114
Change in plan assets			
Fair value of plan assets at beginning of the period	155	154	1
Interest income on plan assets	18	18	—
Return on plan assets greater/(less) than discount rate	(2)	(2)	—
Obligation transfer	6	6	—
Benefits paid	(7)	(7)	—
Foreign currency exchange rate differences and other movements	(20)	(20)	—
Fair value of plan assets at end of the period	150	149	1
Present value of wholly or partly funded obligation	102	90	12
Fair value of plan assets	150	149	1
Net present value of wholly or partly funded obligation	48	59	(11)
Present value of unfunded obligation	(102)	—	(102)
Prepaid due to unrecoverable surpluses	(59)	(59)	—
Recognized liabilities	(113)	—	(113)
Change in unrecoverable surplus			
Unrecoverable surplus at beginning of the year	(75)	(75)	—
Interest cost on unrecoverable surplus	(7)	(7)	—
Change in unrecoverable surplus in excess of interest	16	16	—
Exchange rates changes	7	7	—
Unrecoverable surplus at end of the year	(59)	(59)	—

	Year Ended December 31, 2013		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	246	135	111
Service cost	1	1	—
Interest cost	14	11	3
Actuarial gain	(48)	(47)	(1)
<i>Demographic assumptions</i>	1	1	—
<i>Financial assumptions</i>	(47)	(45)	(2)
<i>Experience adjustments</i>	(2)	(3)	1
Benefits paid	(13)	(7)	(6)
Foreign currency exchange rate differences and other movements	(9)	(14)	5
Benefit obligation at end of the period	191	79	112
<i>Actives</i>	19	15	4
<i>Terminated vested</i>	3	—	3
<i>Retirees</i>	169	64	105
Benefit obligation at end of the period	191	79	112
Change in plan assets			
Fair value of plan assets at beginning of the period	166	165	1
Interest income on plan assets	14	14	—
Return on plan assets greater/(less) than discount rate	7	7	—
Benefits paid	(7)	(7)	—
Foreign currency exchange rate differences and other movements	(23)	(23)	—
Fair value of plan assets at end of the period	155	154	1
Present value of wholly or partly funded obligation	80	79	1
Fair value of plan assets	155	154	1
Net present value of wholly or partly funded obligation	75	75	—
Present value of unfunded obligation	(111)	—	(111)
Prepaid due to unrecoverable surpluses	(75)	(75)	—
Recognized liabilities	(111)	—	(111)
Change in unrecoverable surplus			
Unrecoverable surplus at beginning of the year	(30)	(30)	—
Interest cost on unrecoverable surplus	(3)	(3)	—
Change in unrecoverable surplus in excess of interest	(50)	(50)	—
Exchange rates changes	8	8	—
Unrecoverable surplus at end of the year	(75)	(75)	—

Asset ceiling

In accordance with IFRS, assets recognized for a defined benefit plan are limited to the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan. The amount not recognized in the fair value of plan assets due to the asset ceiling was 59 and 75 at December 31, 2014 and 2013, respectively.

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

	Year Ended December 31, 2014		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost			
Service cost	—	—	—
Net Interest cost/(income) on net liability/(asset)	3	—	3
Administration costs	—	—	—
Total	3	—	3

	Year Ended December 31, 2013		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost			
Service cost	1	1	—
Net Interest cost/(income) on net liability/(asset)	3	—	3
Administration costs	1	1	—
Total	5	2	3

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, 2014		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation			
Benefit obligation at beginning of period	72	1	71
Service cost	2	—	2
Interest cost	2	—	2
Actuarial (gain)/loss	4	—	4
<i>Demographic assumptions</i>	—	—	—
<i>Financial assumptions</i>	7	—	7
<i>Experience adjustments</i>	(3)		(3)
Benefits paid	(4)	—	(4)
Curtailments	(1)	—	(1)
Foreign currency exchange rate changes and other movements	(9)	—	(9)
Benefits obligation at end of period	66	1	65
<i>Actives</i>	66	1	65
<i>Terminated vested</i>	—	—	—
<i>Retirees</i>	—	—	—
Benefit obligation at end of the period	66	1	65
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	(66)	(1)	(65)
Recognized liabilities	(66)	(1)	(65)

	Year Ended December 31, 2013		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation			
Benefit obligation at beginning of period	71	2	69
Service cost	3	—	3
Interest cost	2	—	2
Actuarial (gain)/loss	(7)	(1)	(6)
<i>Demographic assumptions</i>	(3)	—	(3)
<i>Financial assumptions</i>	(1)	—	(1)
<i>Experience adjustments</i>	(3)	(1)	(2)
Benefits paid	(5)	—	(5)
Curtailments	5	—	5
Foreign currency exchange rate changes and other movements	3	—	3
Benefits obligation at end of period	72	1	71
<i>Actives</i>	72	1	71
Benefit obligation at end of the period	72	—	—
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	(72)	(1)	(71)
Recognized liabilities	(72)	(1)	(71)

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

	Year Ended December 31, 2014		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB benefit			
Service cost	2	—	2
Past service cost – Curtailments	(1)	—	(1)
Net Interest cost/(income) on net liability/(asset)	2	—	2
Actuarial (gains)/losses recognized during the year	1	—	1
Total	4	—	4

	Year Ended December 31, 2013		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB benefit			
Service cost	3	—	3
Past service cost – Curtailments	5	—	5
Net Interest cost/(income) on net liability/(asset)	2	—	2
Actuarial (gains)/losses recognized during the year	(1)	(1)	—
Total	9	(1)	10

Plan Assets

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

	December 31	
	2014	2013
Equity Securities	4%	7%
Asset classes that have a quoted market price in an active market	4%	7%
Asset classes that do not have a quoted market price in an active market	—	—
Fixed Income (including cash)	91%	89%
Asset classes that have a quoted market price in an active market	91%	89%
Asset classes that do not have a quoted market price in an active market	—	—
Real Estate	2%	1%
Asset classes that have a quoted market price in an active market	2%	1%
Asset classes that do not have a quoted market price in an active market	—	—
Other	3%	3%
Total	100%	100%

The assets related to the funded defined benefit pension plans in Europe represented 1 and 1 as of December 31, 2014 and 2013, respectively, and were invested in guaranteed insurance contracts.

These assets do not include any direct investment in Aperam or in property or other assets occupied or used by Aperam. This does not exclude Aperam shares included in mutual fund investments. The invested assets produced an actual return of 16 and 21 in 2014 and 2013, 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	6%	—
Fixed Income (including cash)	90%	—
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,	
	2014	2013	2014	2013
Discount rate				
Range	1.75%-12.01%	3.15%-12.36%	1.75%-12.01%	3.15%-12.36%
Weighted average	6.28%	6.95%	1.86%	3.26%
Rate of compensation increase				
Range	2.00%-7.10%	2.00%-7.91%	3.05%-7.10%	3.25%-7.91%
Weighted average	4.70%	4.99%	3.09%	3.31%
Average longevity at retirement age for current pensioners (years)				
Males	21.847	21.921	18.455	18.545
Females	24.989	25.047	21.751	18.238
Average longevity at retirement age for future pensioners (years)				
Males	23.386	23.508	18.455	18.545
Females	26.571	26.781	21.751	18.238

Cash Contributions and maturity profile of the plans

In 2015, the Company expects its cash contributions to amount to 6 for pension plans, 4 for other post-employment benefits plans and 10 for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were 10 and 11 in 2014 and 2013, respectively.

At December 31, 2014, the weighted average durations of the pension and other post-employment benefits plans were 12 years and 9 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, 2014, the defined benefit obligation ("DBO") for pension plans was 204):

	Effect on 2015 Pre-Tax Pension Expense (sum of service cost and interest cost)*	Effect of December 31, 2014 DBO
Change in assumption		
100 basis point decrease in discount rate	—	25
100 basis point increase in discount rate	—	(20)
100 basis point decrease in rate of compensation	—	(2)
100 basis point increase in rate of compensation	—	2
1 year increase of the expected life of the beneficiaries	—	6

* Effects of change in assumptions on 2015 Pre-Tax pension expense were below 1 respectively.

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, 2014 the DBO for post-employment benefit plans was 66):

	Effect on 2015 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2014 DBO
Change in assumption		
100 basis point decrease in discount rate	—	6
100 basis point increase in discount rate	—	(5)
100 basis point decrease in rate of compensation	—	(6)
100 basis point increase in rate of compensation	—	7
1 year increase of the expected life of the beneficiaries	—	—

* Effects of change in assumptions on 2015 Pre-Tax pension expense were below 1 respectively.

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 22: CONTINGENCIES

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

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

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

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

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

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

Environmental Liabilities

The Company is subject to a broad range of environmental laws and regulations. As of December 31, 2014, the Company had established reserves of 26 for environmental and remedial activities and liabilities.

Belgium

In Belgium, there is an environmental provision of 15, of which the most significant elements are legal obligations linked to soil treatment and removal of slag and fines.

France

In France, there is an environmental provision of 11, 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

The Company is party to various tax claims, the most significant of which are set out below. As of December 31, 2014, the Company has established reserves in the aggregate of approximately 13 for those of the claims as to which the criteria for provisioning were met.

- > On July 23, 2014, Aperam South America received a tax assessment related to the tax benefit obtained from 2010 and 2011 goodwill generated by the acquisition of the shares of the minority shareholders of Aperam South America for its delisting. The total amount claimed by the Federal Revenue Service is 66. The company presented its defense on August 21, 2014 at the first administrative level.
- > On July 11, 2014, Aperam South America received 2 tax assessments for social contributions paid in relation to 2009 and 2010 "Profit Sharing Program" for a total amount of 14. Aperam South America presented its defense successively on August 12 and December 2, 2014 at the first administrative level.
- > On June 26, 2014, Aperam South America received a tax assessment from the State of Minas Gerais for a total consideration of 11 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"). Tax authorities understood that Aperam South America has not continued the activity of producing tubes in Timóteo (despite contrary evidence provided) and, as a consequence, it could not use the VAT credits of the acquired branch. The Company presented its defence at the first administrative level on July 28, 2014.
- > On June 24, 2014, Aperam Bioenergia received a tax assessment from the Federal Revenue Service in the total amount of 27 related to corporate income tax ("IRPJ" and "CSLL") due to disallowance of previous tax losses compensation made by the company in 2011. Tax authorities understood that Aperam Bioenergia didn't have sufficient tax losses to offset the taxable profits created at spin-off in 2011 mainly as consequence of previous tax assessments for the period 2002-2007 regarding accelerated exhaustion benefit used by Aperam Bioenergia. Despite the fact that the previous tax assessments are still under administrative court discussion (and therefore are not yet legally definitive and binding) tax authorities sustain that Aperam Bioenergia should have adjusted its books to reduce its fiscal losses for the period 2002-2007, lately utilized to offset the 2011 taxable result. The Company presented its defense at the first administrative level on July 24, 2014.

- > On December 20, 2013, Aperam South America received a tax assessment from Federal Revenue in the total amount of 113. This assessment contains 2 parts for the years 2008 and 2009:
 - Madeira Island Tax planning (the tax authorities required that the profits of Acesita Imports & Exports (Madeira Island) be added to Aperam South America's tax basis,
 - The tax authorities disregarded the goodwill generated by the acquisition by Arcelor Aços Especiais 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 October 31, 2013, Aperam South America was assessed by the Federal Revenue Service for a total amount of 70 in connection with the compensation the company made since 2010 on undue payment of PIS and COFINS (social contributions on revenue) charges. The later was judged unconstitutional in 2005 and the Company launched at that time the necessary procedure to get reimbursed. On September 5, 2014 the company obtained a partially favorable decision that reduced the initial amount claimed to 8. The company presented its appeal for this remaining amount on October 6, 2014.

- > In March 2012, the Company received two tax assessments regarding PIS and COFINS related to importation of services (freight, logistics and commercial representation services) made by the Company in 2007. The total amount claimed is 8. In June 2012, the Company obtained a partial favorable decision from the first administrative instance. On December 10, 2014, the Company obtained a partial favorable decision and maintained the assessment only for insurance services.

- > In December 2011, the Federal Revenue Service issued four tax assessments against Aperam South America for a total amount of 24 considering that the Company did not pay several social contributions due on payments made to employees under the Profit Sharing Program. These cases are at the first administrative instance where the Company presented its defense. On April 28, 2014, the Company obtained an unfavorable decision from the first instance and presented its voluntary 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 authorized to issue invoices with VAT. The total amount claimed is 8. On October 3, 2014, the Company obtained an unfavorable decision at the second administrative level. On October 7, 2014 and November 6, 2014, the Company presented a motion to get the reverse of the decision.

- > On December 16, 2011, Aperam Stainless Services and Solutions Brazil has been assessed by the Tax authorities aiming at collecting 30 (including interest on late payments and penalties) related to VAT ("ICMS"). Tax authorities claimed that the Company has not collected to the State of Sao Paulo the ICMS imposed on importation of products performed by a trading company located in the State of Espirito Santo and disregarded the ICMS credit recognized by the Company at the time of acquisition of the goods from the trading company. The company obtained a partial favorable decision at the first administrative level, confirmed by the Superior court in October 2013. On May 16, 2014 the Company provided all the documents needed to adhere to the Amnesty program offered by the State of Sao Paulo (recognition of payments of VAT made to the State of Espirito Santo). Such request for adhesion to Amnesty is under investigation by the State of Sao Paulo.

- > On March 29, 2011, Aperam South America received a tax assessment related to drawback tax benefit. Federal Revenue states Service 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 is 8. The Company presented its appeal at the first administrative level.

- > On December 2, 2010, Aperam South America received a tax assessment in the total amount of 31. The Minas Gerais State Revenue claims that the Company should have paid VAT (“ICMS”) related to the distribution of electric power between 2005 and 2009. The Company believes that this charge should not prevail since the distribution of electrical power should not be considered as a good or transportation and therefore it should not be subject to VAT (“ICMS”). On May 5, 2011 the Company received a partial favorable decision. Minas Gerais State Revenue concluded that the Company has to pay ICMS but stated that the amount for late payments and penalties was wrong. In March 2012, the Company has brought the case before the judicial court that confirmed the favorable decision obtained by the administrative court. The Company’s position was comforted by the court of Appeal in August 2013 but there are still some pending discussions at second level of judicial court. The company and the state presented requests for clarification, but the clarifications were denied by the Court. On December 18, 2013, the Company presented a special appeal to discuss lawyer’s fees. On January 15, 2014, the State presented its extraordinary and special appeals. That has been rejected by the Court on August 22, 2014. The case is still pending before the Superior Court.
- > On December 5, 2007, the Federal Revenue Service challenged IPI tax credits (Tax on Industrialized Products similar to Federal VAT) registered by Aperam South America from January 2003 to December 2006 related to the acquisition of certain materials. The claim alleges that the products acquired are either not related to the final product or not integrally consumed during operations. In December 2010, there was a partial favorable decision that has been confirmed in May 2013 to the Company. The amount in dispute is approximately 6.
- > In June 2007, the Company was assessed for payment of social contributions on some payments made to employees related to bonus granted by collective work agreement. The total amount asked by the Federal Union is 9. The first administrative instance’s decision was favorable to the Company, but it still need to be confirmed by the second administrative instance.
- > On December 21, 2005, Aperam South America has been assessed by the Federal Revenue Service in relation to its calculation of social contributions on revenue (PIS and COFINS) due to (i) unconditional discounts given to clients, (ii) the value of tax incentives granted by federal legislation (specifically, credits to be offset with IPI) and (iii) revenues derived from exchange rate variations. The Company obtained a partial favorable decision from the Special Court in the second administrative instance but presented a special motion regarding the pending unfavorable decision. On February 24, 2014 final decision was published and the assessment was reduced to 17. The Company brought the case at judicial level on September 9, 2014.
- > On March 15 and March 18, 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. On December 3, 2013, the Company has received a partial unfavorable decision by the second administrative instance but asked for a special motion to be clarified for which the Federal Revenue authorities presented a specific appeal at the Superior administrative level. On January 22, 2014, the Special appeal was rejected and remains to be discussed before the National Institute of Social Security. The amount in dispute comprising six cases is 25.
- > On October 13, 1998, the Federal Revenue Service filed a tax foreclosure action against the Company in relation to the alleged underpayment of payroll taxes in the period of January 1987 to July 1997. After the Company initially prevailed in the Federal Court, the Brazilian Federal Revenue Service filed an appeal with the Federal Court of Appeals. The amount in dispute is approximately 5.
- > In November 1995, the Company was assessed for unauthorized compensation of losses and negative basis of social contribution between 1989 and 1994. The total amount claimed is 9. After unfavorable decision in the first and second judicial instances, the Company is waiting for the final decision of the superior courts.

Labor and Other Claims

The Company is presently involved in a number of labor disputes, the most significant of which are set out below. As of December 31, 2014, the Company has established reserves in the aggregate of approximately 41 for those of the claims as to which the criteria for provisioning were met.

Brazil

- > On April 1, 2004, a sanctioning administrative process with the Central Bank was brought against Aperam South America based on alleged irregular exchange operations utilized by it in the purchase and sale of treasury bills. On March 22, 2007, Aperam South America has been assessed with a fine of 15. 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.

NOTE 23: SEGMENT AND GEOGRAPHIC INFORMATION

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

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

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

	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others/ Eliminations ⁽¹⁾	Total
Year ended December 31, 2014					
Sales to external customers	2,593	2,270	616	3	5,482
Intersegment sales ⁽²⁾	1,797	93	2	(1,892)	—
Operating income (loss)	209	64	51	(28)	296
Depreciation	210	23	7	3	243
Impairment	8	—	—	—	8
Capital expenditures	80	11	12	—	103
Year ended December 31, 2013 ⁽³⁾					
Sales to external customers	2,366	2,117	637	—	5,120
Intersegment sales ⁽²⁾	1,635	72	4	(1,711)	—
Operating income (loss)	(22)	(25)	50	(14)	(11)
Depreciation	255	26	7	2	290
Impairment	2	8	3	—	13
Capital expenditures	102	11	12	—	125

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.

(3) Due to the transfer of the entity Aperam Bioenergia from the segment "Other / eliminations" to the segment "Stainless & Electrical Steel" starting January 1, 2014, segmented figures for the year ended December 31, 2013 have been restated accordingly.

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.

	Year Ended December 31,	
	2014	2013
Assets allocated to segments	4,508	4,822
Cash and cash equivalents, including restricted cash	197	292
Investments	44	89
Deferred tax assets	326	333
Other unallocated assets	129	91
Total assets	5,204	5,627

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

	Year Ended December 31,	
	2014	2013
Operating income (loss)	296	(11)
Loss from other investments and associates	(54)	(1)
Interest income	5	6
Interest expense and other net financing costs	(124)	(137)
Income (loss) before taxes	123	(143)
Income tax (expense) benefit	(28)	44
Net income (loss) (including non-controlling interests)	95	(99)

Geographical information

Sales (by destination)

	Year Ended December 31,	
	2014	2013
Americas		
Brazil	1,263	1,171
United States	291	259
Argentina	88	96
Others	68	73
Total Americas	1,710	1,599
Europe		
Germany	1,145	1,068
Italy	516	472
France	462	402
Poland	170	145
Belgium	156	168
Spain	122	104
United Kingdom	119	109
Turkey	111	101
Netherlands	104	104
Others	509	437
Total Europe	3,414	3,110
Asia & Africa		
China	114	113
South Korea	94	123
India	27	26
United Arab Emirates	20	21
Taiwan	11	28
Thailand	3	20
Others	89	80
Total Asia & Africa	358	411
Total	5,482	5,120

Non-current assets() per significant country*

	As of December 31,	
	2014	2013
Americas		
Brazil	678	823
Others	21	21
Total Americas	699	844
Europe		
Belgium	764	896
France	502	571
Germany	18	22
Poland	16	19
Italy	14	19
Czech Republic	14	17
Others	17	19
Total Europe	1,345	1,563
Asia & Africa		
India	4	4
China	3	3
Others	—	1
Total Africa & Asia	7	8
Unallocated assets	1,170	1,294
Total	3,221	3,709

Note:

(*) 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 24: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

The total annual compensation of Aperam's employees was as follows:

	Year Ended December 31,	
	2014	2013
Employee Information		
Wages and salaries	594	607
Pension cost	2	9
Other staff costs	85	89
Total	681	705

As of December 31, 2014 and 2013, Aperam employed approximately 9,400 and 9,533 persons, respectively.

The total annual compensation of Aperam's key management personnel, including its Board of Directors, paid in 2014 was as follows:

	Year Ended December 31, 2014	Year Ended December 31, 2013
	Base salary and/or directors fees	3
Short-term performance-related bonus	1	—
Post-employments benefits ⁽¹⁾	—	—
Share based compensation ⁽¹⁾	—	—

Note:

(1) Short-term performance-related bonus, post-employments benefits and share based compensation were below 1 for the years ended December 31, 2014 and December 31, 2013.

As of December 31, 2014 and 2013, 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 25: LIST OF SIGNIFICANT SUBSIDIARIES AS OF DECEMBER 31, 2014

The following table provides an overview of the Company's principal operating subsidiaries, all of which are integrated in full consolidation by the Company, according to the principles defined in Note 1, and meet the following criteria:

- > Contribution to the Group total property, plant and equipment in excess of 5; or
- > Contribution to the Group revenue in excess of 40.

Name of subsidiary	Country of incorporation	% Interest
Stainless & Electrical Steel		
Aperam BioEnergia	Brazil	100%
Aperam Stainless Belgium	Belgium	100%
Aperam South America	Brazil	100%
Aperam Stainless Europe	France	100%
Aperam Stainless France	France	100%
Recyco	France	100%
Alloys & Specialties		
Aperam Alloys Imphy	France	100%
Services & Solutions		
Aperam Stainless Services & Solutions Argentina	Argentina	100%
Aperam Stainless Services & Solutions Brazil	Brazil	100%
Aperam Stainless Services & Solutions Tubes Brazil	Brazil	100%
Aperam Stainless Services & Solutions Tubes Czech Republic	Czech Republic	100%
Aperam Stainless Services & Solutions France	France	100%
Aperam Stainless Services & Solutions Precision	France	100%
Aperam Stainless Services & Solutions Tubes Europe	France	100%
Aperam Stainless Services & Solutions Germany	Germany	100%
Aperam Stainless Services & Solutions Italy	Italy	100%
Aperam Stainless Services & Solutions Luxembourg	Luxembourg	100%
Aperam Stainless Services & Solutions Poland	Poland	100%
Aperam Stainless Services & Solutions Iberica	Spain	100%
Aperam Paslanmaz Celik	Turkey	100%
Aperam Stainless Services & Solutions Tubes Uruguay	Uruguay	100%
Aperam Stainless Services & Solutions USA	USA	100%

NOTE 26: AUDITORS' 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, 2014 and 2013.

The following table summarizes the aggregate amounts paid to the Company's auditors:

	Year Ended December 31,	
	2014	2013
Audit fees	2.4	2.6
Deloitte	2.2	2.1
Non Deloitte	0.2	0.5
Audit-related fees	0.7	0.7
Deloitte	0.2	0.4
Non Deloitte	0.5	0.3
Tax fees	0.6	0.6
Deloitte	—	0.1
Non Deloitte	0.6	0.5
Total	3.7	3.9

Audit fees consist of fees paid for the audits of the financial statements.

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 the certifications related to the issuance of convertible and/or exchangeable bonds.

Tax fees consist principally of tax planning services and tax compliance services.

NOTE 27: SUBSEQUENT EVENTS

On January 30, 2015, Aperam Stainless Belgium was requested by a contractor ("the respondent») to join, as a third party, the arbitration proceedings brought before the Belgian Centre for Arbitration and Mediation (CEPANI) by one sub-contractor against the respondent. For technical reasons, the respondent subcontracted part of the slag treatment services he was mandated for by Aperam Stainless Belgium for its Châtelet plant. The sub-contractor is claiming damages of 19 for alleged contractual breaches committed by the respondent.

On February 12, 2015, Aperam announced its intention to redeem its High Yield Bond 2018 in the second quarter of 2015.

On March 6, 2015, Aperam signed a USD 500 million secured borrowing base revolving credit facility ("The Facility") with a group of nine banks. The Facility, which will refinance the existing Borrowing Base Facility of USD 400 million, is structured as a three-year revolving credit facility and includes a one year extension option. It will be used for liquidity and working capital purposes.

Report of the réviseur d'entreprises agréé

To the Shareholders
of Aperam, Société Anonyme ("Aperam")
12 C, rue Guillaume Kroll
L-1882 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated May 8, 2014, we have audited the accompanying consolidated financial statements of Aperam, which comprise the consolidated statement of financial position as of December 31, 2014, and the consolidated statement of operations and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the consolidated financial statements

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

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Aperam as of December 31, 2014, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

March 18, 2015

560, rue de Neudorf
L-2220 Luxembourg

Parent Company

Annual Accounts

As of and for the year ended December 31, 2014



Balance Sheet

Aperam, Société Anonyme (Expressed in thousands of U.S. dollars, unless otherwise stated)

		December 31, 2014	December 31, 2013
Assets			
B. Formation expenses	Note 3	532	1,030
C. Fixed assets		4,562,236	4,781,699
I. Intangible fixed assets	Note 4	6,665	6,595
2.a) Concessions, patents, licences, trade marks and similar rights and assets acquired for valuable consideration		6,665	5,704
4. Payments on account and intangible fixed assets under Development		—	891
II. Tangible fixed assets	Note 5	35	53
3. Other fixtures and fittings, tools and equipment		35	53
III. Financial fixed assets	Note 6	4,555,536	4,775,051
1. Shares in affiliated undertakings		2,410,634	2,377,453
2. Amounts owed by affiliated undertakings		2,089,520	2,397,324
5. Securities held as fixed assets		53,762	251
6. Loans and claims held as fixed assets		37	23
7. Own shares or own corporate units		1,583	—
D. Current assets		99,937	220,537
II. Debtors		99,925	220,532
2.a) Amounts owed by affiliated undertakings becoming due and payable within one year	Note 7	99,152	217,374
4.a) Other receivables becoming due and payable within one year		773	3,158
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand		12	5
E. Prepayments	Note 8	1,535	885
Total assets		4,664,240	5,004,151

The accompanying notes are an integral part of these annual accounts.

Balance Sheet

Aperam, Société Anonyme (Expressed in thousands of U.S. dollars, unless otherwise stated)

		December 31, 2014	December 31, 2013
Liabilities			
A. Capital and reserves	Note 9	3,825,544	4,035,693
I. Subscribed capital		546,652	546,652
II. Share premium and similar premiums		1,600,321	1,600,321
IV. Reserves		75,368	75,368
1. Legal reserve		75,368	75,368
2. Reserve for own shares		1,583	—
V. Profit brought forward		1,810,983	1,870,573
VI. Loss for the financial year		(209,363)	(57,221)
D. Non subordinated debts	Note 10	838,696	968,458
1. Debenture loans		757,072	710,780
1.a) Convertible debenture loans	Note 11	502,228	201,327
i) becoming due and payable within one year		2,228	1,327
ii) becoming due and payable after more than one year		500,000	200,000
1.b) Non convertible debenture loans	Note 12	254,844	509,453
i) becoming due and payable within one year		4,844	9,453
ii) becoming due and payable after more than one year		250,000	500,000
2. Amounts owed to credit institutions	Note 13	—	214,132
a) becoming due and payable within one year		—	164,132
b) becoming due and payable after more than one year		—	50,000
6.a) Amounts owed to affiliated undertakings becoming due and payable within one year	Note 14	16,160	33,298
8. Tax and social security debts		2,376	2,478
a) tax debts		1,099	2,043
b) social security debts		1,277	435
9. Other creditors		63,088	7,770
a) becoming due and payable within one year		10,350	7,770
b) becoming due and payable after more than one year	Note 15	52,738	—
Total liabilities		4,664,240	5,004,151

The accompanying notes are an integral part of these annual accounts.

Profit and Loss account

Aperam, Société Anonyme (Expressed in thousands of U.S. dollars, unless otherwise stated)

		Year ended December 31, 2014	Year ended December 31, 2013
A. Charges			
2. Other external charges		54,951	55,637
3. Staff costs		16,934	12,791
a) wages and salaries		14,505	10,275
b) social security on salaries and wages		1,082	890
c) supplementary pension costs		738	1,296
d) other social costs		609	330
4. Value adjustments		3,074	2,836
a) on formation expenses and on tangible and intangible fixed assets		3,074	
5. Other operating charges		1	466
6. Value adjustments and fair value adjustments on financial fixed assets	Note 6	38,000	238,000
8. Interest and other financial charges	Note 16	312,648	66,863
a) concerning affiliated undertakings		1,040	35
b) other interest and similar financial charges		311,608	66,828
11. Income Tax	Note 17	2,418	3,864
Total charges		428,026	380,457
B. Income			
4.b) Reversal of value adjustments on current assets		—	13
5. Other operating income	Note 18	58,959	56,882
6.a) Income from financial fixed assets derived from affiliated undertakings		145,730	189,406
8. Other interests and other financial income	Note 16	13,974	76,935
a) derived from affiliated undertakings		13,974	16,489
b) other interest and similar financial income		—	60,446
13. Loss for the financial year		209,363	57,221
Total income		428,026	380,457

The accompanying notes are an integral part of these annual accounts.

Notes to the Annual accounts

Aperam, Société Anonyme (Expressed in thousands of U.S. dollars, unless otherwise stated)

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 Company’s corporate goal was initially the acquisition and holding of interests in any kind or form in Luxembourg and/or in foreign undertakings, the administration, development and management of such interests as well as the direct and/or indirect financial assistance to such undertakings in which it holds a participation or which are members of its group of companies.

The Company’s corporate object has been amended on December 6, 2010 by an extraordinary general meeting.

Additionally, the corporate purpose of the Company shall be the manufacturing, processing and marketing of stainless steel, stainless steel products and all other metallurgical products, as well as all products and materials used in their manufacture, their processing and their marketing, and all industrial and commercial activities connected directly or indirectly with those objects, including mining and research activities and the creation, acquisition, holding, exploitation and sale of patents, licenses, know-how and, more generally, intellectual and industrial property rights.

The Company owns a branch office located in Zug (Switzerland) and controls directly and indirectly 62 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, 2014 are available at Aperam Headquarters, 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand-Duchy of Luxembourg.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These annual accounts, corresponding to the standalone financial statements of the parent company, Aperam, have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg. They comply in particular with the law of December 19, 2002 under the historical cost convention.

2.2. Significant accounting policies

The Company maintains its accounting records in United States Dollars (“USD”) and the annual accounts are prepared in this currency. Unless otherwise stated, all amounts in the annual accounts are stated in thousands of USD.

The main valuation rules applied by the Company are the following:

Formation expenses

Formation expenses are amortized on a linear basis over five years.

Intangible and tangible fixed assets

Intangible and tangible fixed assets are carried at acquisition cost, less cumulated depreciation and value adjustments when a permanent diminution in value is identified. A reversal of a value adjustment is recorded if the reasons for which the value adjustment was made have ceased to apply.

Intangible and tangible fixed assets are amortized on a linear basis over five years.

Financial fixed assets

Shares in affiliated undertakings, associates and participating interests are recorded at acquisition cost including the expenses incidental thereto. At the end of each accounting period, shares in affiliated undertakings are subject to an impairment review. Where a permanent diminution in value is identified, this diminution is recorded in the profit and loss account as a value adjustment. A reversal of the value adjustment is recorded to the extent the factors, which caused its initial recording, have ceased to exist.

Amounts owed by affiliated undertakings and other loans are recorded in the balance sheet at their nominal value. At the end of each accounting period, value adjustments are recorded on loans which appear to be partly or wholly irrecoverable.

Debtors

Debtors are recorded in the balance sheet at their nominal value. At the end of each accounting period, value adjustments are recorded on debtors which appear to be partly or wholly irrecoverable.

Derivative financial instruments

The Company may enter into derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. Unrealized gains and losses are recognized so as to offset unrealized gains and losses with respect to the underlying hedged items in the balance sheet.

Foreign currency translation

The following principles are applied to items denominated in a currency other than the USD:

- > Fixed assets and creditors due after more than one year are translated at historical exchange rates or the current rate if unrealized exchange losses exist. Differences in the exchange rates leading to an unrealized loss are recorded in the profit and loss for the year. A reversal of the unrealized loss is recorded to the extent the factors, which caused its initial recording, have ceased to exist.
- > Back-to-back loans are translated at year-end exchange rates with the related differences in the exchange rates leading to unrealized 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 are recorded in the profit and loss for the year.
- > Profit and loss items are translated at the exchange rate prevailing at the transaction date.
- > Off balance sheet commitments are disclosed based upon the historical exchange rate.

Liabilities

Liabilities are recorded in the balance sheet at their nominal value.

NOTE 3: FORMATION EXPENSES

In 2010, ArcelorMittal incurred expenses in relation with the assessment and preparation of the spin-off of the stainless steel business. These expenses were transferred to the Company at the date of the spin-off on January 25, 2011 for an amount of 2,553.

The movements for the year are as follows:

	December 31, 2014
Gross book value	
Opening balance	2,553
Closing balance	2,553
Accumulated value adjustments	
Opening balance	(1,523)
Charge for the year	(498)
Closing balance	(2,021)
Net book value	
Opening balance	1,030
Closing balance	532

NOTE 4: INTANGIBLE ASSETS

Intangible assets mainly include intellectual property rights and trade marks transferred by ArcelorMittal on January 25, 2011 as a result of its stainless steel business spin-off and some licenses on IT systems.

The movements for the year are as follows:

	Concessions, patents, licenses, trademarks and simi- lar rights and values	Payments on account and intangible assets under development	Total as of December 31, 2014
Gross book value			
Opening balance	12,283	891	13,174
Additions	2,627	—	2,627
Transfer	891	(891)	—
Closing balance	<u>15,801</u>	<u>—</u>	<u>15,801</u>
Accumulated value adjustments			
Opening balance	(6,579)	—	(6,579)
Charge for the year	(2,557)	—	(2,557)
Closing balance	<u>(9,136)</u>	<u>—</u>	<u>(9,136)</u>
Net book value			
Opening balance	5,704	891	6,595
Closing balance	<u>6,665</u>	<u>—</u>	<u>6,665</u>

NOTE 5: TANGIBLE ASSETS

Tangible assets mainly include office equipments bought during previous years.

The movements for the year are as follows:

	December 31, 2014
	<u> </u>
Gross book value	
Opening balance	88
Closing balance	<u>88</u>
Accumulated value adjustments	
Opening balance	(35)
Charge for the year	<u>(18)</u>
Closing balance	<u>(53)</u>
Net book value	
Opening balance	<u>53</u>
Closing balance	<u>35</u>

NOTE 6: FINANCIAL FIXED ASSETS

The movements for the year are as follows:

	Shares in affiliated undertakings	Amounts owed by affiliated undertakings	Securities held as fixed assets	Loans and claims held as fixed assets	Own shares or own corporate units	Total as of December 31, 2014
Gross book value						
Opening balance	2,987,453	2,397,324	251	23	—	5,385,051
Additions	71,181	—	59,970	21	3,177	134,349
Disposals	—	(64,009)	—	(7)	(1,594)	(65,610)
Foreign exchange differences	—	(243,795)	—	—	—	(243,795)
Closing balance	3,058,634	2,089,520	60,221	37	1,583	5,209,995
Accumulated value adjustments						
Opening balance	(610,000)	—	—	—	—	(610,000)
Charge for the year	(38,000)	—	(6,459)	—	—	(44,459)
Closing balance	(648,000)	—	(6,459)	—	—	(654,459)
Net book value						
Opening balance	2,377,453	2,397,324	251	23	—	4,775,051
Closing balance	2,410,634	2,089,520	53,762	37	1,583	4,555,536

6.1. Shares in affiliated undertakings

Name of undertaking	Registered office	Percentage of capital held as of December 31, 2014 (%)	Result for 2014 ⁽¹⁾	Capital and reserves (including result for 2014) ⁽¹⁾	Carrying amount as of December 31, 2014	Carrying amount as of December 31, 2013
Aperam Luxco S.à r.l.	Luxembourg	100.00	239,957	2,249,687	2,260,688	2,229,101
Aperam Stainless Belgium S.A.	Belgium	15.32	55,963	739,373	130,690	130,690
Corea S.A.	Luxembourg	100.00	2,262	8,269	11,386	11,386
Aperam Stainless Services & Solutions Germany GmbH	Germany	10.00	10,251	74,779	7,783	6,189
Aperam Sourcing S.C.A.	Luxembourg	100.00	14,540	1,523	42	42
Aperam Treasury S.C.A.	Luxembourg	100.00	22,282	11,773	42	42
Other	Various		—	—	3	3
					2,410,634	2,377,453

Note:

(1) In accordance with the unaudited IFRS reporting packages converted to USD. Result for 2014 is converted at the average exchange rate of the year and capital and reserves at December 31, 2014 exchange rate.

Notes to the Annual accounts, Aperam, Société Anonyme (Expressed in thousands of U.S. dollars, unless otherwise stated)

Description of the main changes during the year

On September 16, 2014, the Company acquired from Aperam HoldCo S.à r.l. a total of 4.9% of the shares of Aperam Stainless Services & Solutions Germany GmbH for a total consideration of 1,594.

On December 15, 2014, the Company contributed EUR 56,000 of accrued interests on a loan towards Aperam Treasury S.C.A. into the distributable share premium (without any issue of shares) of Aperam LuxCo S.à r.l. for a total consideration of 69,587.

On December 31, 2014, the Company recorded a value adjustment of 38,000 on its shares in affiliated undertakings to align the value of its investments with the Company's best estimate of their value-in-use. This value adjustment was recorded as a decrease of the carrying value of Aperam Luxco S.à r.l. which owns indirectly the majority of the operating subsidiaries of the Aperam Group.

6.2. Amounts owed by affiliated undertakings

Affiliate	Currency	Amount in original currency	December 31, 2014	December 31, 2013
Aperam Treasury S.C.A.	EUR	655,973	796,412	881,302
Aperam Treasury S.C.A.	USD	—	—	632,710
Aperam Treasury S.C.A.	BRL	1,307,215	492,787	—
Aperam Treasury S.C.A.	PLN	100,000	28,412	33,197
Aperam Luxco S.à r.l.	EUR	635,791	771,909	850,115
Total			2,089,520	2,397,324

Description of the main changes during the year

On August 11, 2014, the loan of 632,710 with Aperam Treasury S.C.A. bearing an interest rate of 5% has been converted into a loan of 1,454,347 Brazilian Real (BRL) bearing an interest rate of 11.5%. On September 30, 2014, an amount of BRL 147,132 has been repaid for a total consideration of 64,009.

Other movements during the year were due to foreign exchange differences.

6.3. Securities 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 59,970. These call options have a strike price of USD 43.92 and will mature in July 2021.

On December 31, 2014, the Company recorded a value adjustment of 6,459 on its securities held as fixed assets to align the value of its investments with their market value.

6.4. Own shares or own corporate units

On August 4, 2014, the Company acquired 90,688 of its own shares for a total consideration of 3,177. In November 2014 and December 2014, 45,500 own shares have been given to certain employees of the Company to serve the RSU Plan and PSU Plan 2011 that came to maturity.

On December 31, 2014, the Company had 45,188 own shares for a total net book value of 1,583.

NOTE 7: AMOUNTS OWED BY AFFILIATED UNDERTAKINGS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

	December 31, 2014	December 31, 2013
Loan to Aperam Treasury S.C.A.	—	68,955
Current account with Aperam Treasury S.C.A.	3,802	—
Receivables on corporate services	61,281	67,255
Accrued interests	5,290	64,336
Receivables on tax integration	28,779	16,828
Total	99,152	217,374

Description of the main changes during the year

Amounts owed by affiliated undertakings becoming due and payable within one year decreased by 118,222 during the year to 99,152 as of December 31, 2014. This variance is primarily related to EUR 50,000 (68,955) short-term loan granted to Aperam Treasury S.C.A. that came to maturity on January 23, 2014 and a decrease in accrued interests by 59,046.

Receivables on tax integration correspond to income tax receivables from entities included in the tax integration headed by the Company. Receivables for corporate services are related to various corporate services rendered by the Company to its subsidiaries.

NOTE 8: PREPAYMENTS

As of December 31, 2014, prepayment and accrued income amounts to 1,535 and mainly refers to prepaid charges on supplier invoices received.

NOTE 9: CAPITAL AND RESERVES

	Number of shares ⁽¹⁾	Subscribed capital	Share premium and similar premiums	Legal reserve	Reserve for own shares	Profit brought forward	Loss for the year	Total
Balance as at December 31, 2013	78,049,730	546,652	1,600,321	75,368	—	1,870,573	(57,221)	4,035,693
Allocation of net result	—	—	—	—	—	(57,221)	57,221	—
Directors' fees (Note 21)	—	—	—	—	—	(786)	—	(786)
Loss for the year	—	—	—	—	—	—	(209,363)	(209,363)
Reserve for own shares	—	—	—	—	1,583	(1,583)	—	—
Balance as at December 31, 2014	78,049,730	546,652	1,600,321	75,368	1,583	1,810,983	(209,363)	3,825,544

Note:

(1) Number of shares denominated in units.

9.1. Subscribed capital and share premium

The subscribed capital amounts to 546,652 and is divided into 78,049,730 shares without par value as fully paid up.

To the knowledge of the Board of Directors, the shareholding⁽²⁾ may be specified as follows:

	December 31, 2014
Lumen Investment S.à r.l.	33.63%
Nuavam Investments S.à r.l.	7.20%
Aiken Luxembourg S.A.	5.01%
M&G Investment Management Limited	3.01%
Luxembourg State	2.50%
Other shareholders	48.65%
Total	100.00%

Note:

(2) Shareholding disclosed in above table relates to shareholders owning 2.50% or more of the share capital.

9.2. Legal reserve

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the subscribed capital. The legal reserve is not available for distribution to the shareholders. As of December 31, 2014, the legal reserve is fully constituted.

9.3. Reserve for own shares

The Board of Directors shall request the upcoming General Meeting of Shareholders to approve the allocation of 1,583 from the profit brought forward in order to establish a non distributable reserve equivalent to the carrying value (note 6) of its own shares in accordance with Luxembourg Company Law.

NOTE 10: MATURITY OF NON SUBORDINATED DEBTS

				December 31, 2014	December 31, 2013
	Up to 1 year	From 1 to 5 years	Above 5 years	Total	Total
Convertible debenture loans	2,228	—	500,000	502,228	201,327
Non convertible debenture loans	4,844	250,000	—	254,844	509,453
Amount owed to credit institutions	—	—	52,738	52,738	214,132
Amount owed to affiliated undertakings	16,160	—	—	16,160	33,298
Liabilities for tax and social security	2,376	—	—	2,376	2,478
Other liabilities	10,351	—	—	10,351	7,770
Total	35,959	250,000	552,738	838,697	968,458

NOTE 11: CONVERTIBLE DEBENTURE LOANS

On September 19, 2013, the Company issued convertible and/or exchangeable bonds for a total amount of 200,000. These senior and unsecured bonds have an annual coupon of 2.625% payable semi-annually in arrear and an initial conversion price of USD 21.96 representing a conversion premium of 35% above the reference price of USD 16.27. The bonds will mature on September 30, 2020 but the bondholders will be entitled to have their bonds redeemed at their principal amount plus accrued interest on September 30, 2017.

On June 27, 2014, the Company issued net share settled convertible and/or exchangeable bonds due 2021 for a total amount of 300,000. The bonds have an annual coupon of 0.625% payable semi-annually in arrear and an initial conversion price of USD 43.92 representing a conversion premium of 32.5% above the reference price of USD 33.15. 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.

NOTE 12: NON CONVERTIBLE DEBENTURE LOANS

On March 25, 2011, the Company issued unsecured and unsubordinated notes in two tranches for an aggregate principal amount of 500,000, consisting of 250,000 (issued at 100%) maturing April 1, 2016 and 250,000 (issued at 100%) maturing April 1, 2018 respectively. These notes bear an annual interest at 7.375% and 7.750% respectively, payable semi-annually on October 1 and April 1 of each year commencing on October 1, 2011.

On October 1, 2014, the Company called and early redeemed 250,000 on aggregate principal amount of its 7.375% notes due 2016.

NOTE 13: AMOUNTS OWED TO CREDIT INSTITUTIONS

On March 15, 2011, the Company entered into an 800,000 secured revolving facility agreement (“the Facility”) with a group of lenders. The Facility is structured as a 3-year revolving credit facility. On March 15, 2013, the Company amended the Facility to extend the maturity of 600,000 (“Tranche B”) of the Facility from March 2014 to March 2015. The remaining 200,000 (“Tranche A”) of the Facility matures in March 2014. The Facility may be repaid and re-drawn from time to time until its final maturity in March 2014 for Tranche A and March 2015 for Tranche B. Following the issuance of convertible bonds in September 2013, available commitments under Tranche A of the Facility have been cancelled for an amount of 131,000, representing 2/3rd of the convertible bonds net proceeds. On March 18, 2014, the Company amended the Facility to extend the maturity of 600,000 of the tranche B of the Facility from March 2015 to March 2016. Following the issuance of convertible and/or exchangeable bonds in July 2014, available commitments under the Facility have been mandatorily prepaid and cancelled for an amount of 31,000 and voluntarily cancelled for an amount of 169,000, leaving the commitment under the Facility at 400,000. The Facility bears a variable interest rate composed of LIBOR plus 3.25%. The Facility is fully undrawn as at December 31, 2014 and is secured by assets owned by operating subsidiaries of the Aperam Group.

On September 28, 2012, the Company entered into a secured bank loan for 50,000 with maturity September 2014. The loan bears a variable interest rate (3 months LIBOR plus 3.10%), payable on a quarterly basis starting January 2, 2013. The loan is secured by a pledge of financial assets owned by Aperam South America, a fully owned indirect subsidiary of the Company. On September 27, 2013, the maturity of the loan has been extended until October 4, 2015. On April 30, 2014, the Company exercised its option of early termination and repaid this secured bank loan in full for a total amount of 50,000.

NOTE 14: AMOUNTS OWED TO AFFILIATED UNDERTAKINGS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

The decrease in amounts owed to affiliated undertakings by 17,138 mainly results from the decrease on the liability under cash pooling arrangement with Aperam Treasury S.C.A.

NOTE 15: OTHER CREDITORS BECOMING DUE AND PAYABLE AFTER MORE THAN ONE YEAR

In June 2014, the Company sold 6,830,601 call options on Aperam shares in 2 transactions with financial institutions for a total consideration of 52,738. These call options have a strike price of USD 45.58 and will mature in July 2021.

NOTE 16: INTEREST PAYABLE / RECEIVABLE AND SIMILAR CHARGES / INCOME

	Year ended December 31, 2014		Year ended December 31, 2013	
	Charges	Income	Charges	Income
Interests payable / receivable in respect of affiliated undertakings	(1,040)	—	(35)	313
Income from tax integration with affiliated undertakings	—	13,974	—	16,176
Total interests concerning affiliated undertakings	(1,040)	13,974	(35)	16,489
Interests in respect of credit institutions	(12,767)	—	(27,281)	—
Interests in respect of debenture loans	(39,354)	—	(39,141)	—
Interests in respect of related parties	—	—	—	—
Effects of foreign exchange	(248,402)	—	—	60,446
Other interest and similar charges	(11,085)	—	(406)	—
Total other interests	(311,608)	—	(66,828)	60,446
Total interest payable / receivable and similar charges / income	(312,648)	13,974	(66,863)	76,935

Interest in respect of credit institutions corresponds to the borrowing base revolving credit facility, the secured bank loan and the bilateral credit facility that has been reimbursed during the year.

Interest expenses on debenture notes relate to the unsecured and unsubordinated notes and the convertible and/or exchangeable bonds issued during the year.

NOTE 17: INCOME TAX

The Company is the head of a tax integration 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 integration 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 2014 (2013: nil).

The amount charged to affiliated undertakings amounted to 13,974 (2013: 16,176). Please refer to Note 16.

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 18: OTHER OPERATING INCOME

Other operating income corresponds mainly to corporate service fees, branding fees and income related to information technology, procurement and R&D services provided to group companies.

NOTE 19: COMMITMENTS AND CONTINGENCIES

Commitments given

	December 31, 2014	December 31, 2013
Guarantees given relating to credit facilities ⁽¹⁾	25,450	27,901
Other commitments ⁽²⁾	19,724	5,357
Total	45,174	33,258

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 400,000 as of December 31, 2014 (2013: 506,045).

Contingencies

The Company has no contingency as of December 31, 2014.

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, 2014 and 2013, the amount of outstanding options was 394,850 and 548,150 respectively. The amount of exercisable options was 394,850 and 548,150 respectively for the years ended December 31, 2014 and 2013. Exercise prices of ArcelorMittal stock options vary from \$27.31 to \$78.44. Weighted average contractual life of the options varies from 1.6 to 6.6 years. As of December 31, 2014 no provision was recognised as share price is lower than exercise price.

Share Unit Plans

On July 12, 2011, the ordinary general meeting of shareholders approved an equity-based incentive plan to key employees of Aperam Group. The plan comprises a Restricted Share Unit Plan ("RSU Plan") and a Performance Share Unit Plan ("PSU Plan") designed to incentivize the targeted employees, to improve the long-term performance of the Aperam Group 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 Aperam Group.

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.

For the period from the July 12, 2011 general shareholders' meeting to the annual general meeting of shareholders held on May 8, 2012, a maximum of 70,000 RSUs corresponding to up to 70,000 of Aperam shares and up to 20,000 PSUs corresponding to up to 40,000 of the Company's shares have been authorized to be allocated to qualifying employees under the RSU Plan and the PSU Plan, respectively. In November 2011, a total of 59,750 RSUs under the RSU Plan was granted to a total of 28 employees at a fair value of \$16.04 per share. In March 2012, a total of 14,250 PSUs was granted to a total of 8 employees at a fair value of \$16.53 per share. In November 2014, a total of 45,500 shares were allocated to qualifying employees (out of which 17,500 shares for Members of the Leadership Team).

On May 8, 2012 annual general meeting of shareholders authorized the Board of Directors to issue, during the period between the 2012 and the 2013 annual general meeting, to key employees of Aperam a maximum of 70,000 RSUs corresponding to up to 70,000 of Aperam shares and up to 20,000 PSUs corresponding to up to 40,000 of the Company's shares. In April 2013, a total of 40,000 RSUs under the RSU Plan was granted to a total of 27 employees at a fair value of \$12.16 per share, all grants were for employees below the level of the Management Committee. No PSUs were granted under the May 8, 2012 authorization.

On May 8, 2013 annual general meeting of shareholders authorized the Board of Directors to issue, during the period between the 2013 and the 2014 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 Management Committee. In August 2013, a total of 87,592 PSUs was granted to a total of 35 employees and a total of 44,000 RSUs was granted to a total of 28 employees at a fair value of \$13.40 per share.

On May 8, 2014 annual general meeting of shareholders authorized the Board of Directors to allocate during the period between the 2014 and the 2015 annual general meeting, a maximum of 220,000 of the Company's fully paid-up ordinary shares under the 2014 Cap. 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 \$33.97 per share and \$31.97 per share and a total of 48,000 RSUs was granted to a total of 32 employees at a fair value of \$31.97 per share.

NOTE 20: STAFF

The Company employed an average of 57 full-time equivalents employees during the financial year (53 full-time equivalents during the previous year).

NOTE 21: DIRECTORS' REMUNERATION

The Company's Board of Directors members are entitled to a total remuneration of 692 for the year ended December 31, 2014 (786 for the year ended December 31, 2013).

NOTE 22: SUBSEQUENT EVENTS

On February 12, 2015, Aperam announced its intention to redeem its High Yield Bond 2018 in the second quarter of 2015.

On March 6, 2015, Aperam signed a USD 500 million secured borrowing base revolving credit facility (“The Facility”) with a group of nine banks. The Facility, which will refinance the existing Borrowing Base Facility of USD 400 million, is structured as a three-year revolving credit facility and includes a one year extension option. It will be used for liquidity and working capital purposes.

Report of the réviseur d'entreprises agréé

To the shareholders of
APERAM Société Anonyme, ("APERAM")
12C, rue Guillaume Kroll
L-1882 Luxembourg

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated May 8, 2014, we have audited the accompanying annual accounts of Aperam, which comprise the balance sheet as at December 31, 2014 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of, the financial position of Aperam as of

December 31, 2014, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

March 18, 2015

560, rue de Neudorf
L-2220 Luxembourg

Proposed allocation of the results for 2014

	In U.S. dollars
Loss for the financial year	(209,363,441)
Profit brought forward (Report à nouveau) before transfer to the reserve for own shares	1,812,566,280
Results to be allocated and distributed	1,603,202,839
Transfer to the reserve for own shares	(1,583,276)
Dividend ⁽¹⁾	—
Directors' compensation	(692,037)
Profit carried forward	1,600,927,526

Note:

(1) The Board of Directors will propose to the shareholders at the Company's next annual general meeting on May 5, 2015 to continue paying no dividend in 2015 in order to further reduce the Company's cost of debt

Risks and uncertainties related to Aperam and the stainless and specialty steel Industry

Aperam's business, financial condition, results of operations or prospects could be materially adversely affected by any of the major risks and uncertainties described below.



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

Global economic cycle downturn

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 as the largest global stainless steel producer. The balance between China's domestic production and consumption is accordingly an important factor in global stainless steel prices. Chinese stainless steel exports, or conditions favorable to them (such as excess capacity in China and/or higher market prices for stainless steel in markets outside of China), can have a significant impact on stainless steel prices in other markets, including Europe and South America. Over the short to medium term, 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 have the effect of a substantial weakening of both domestic and global stainless and specialty steel demand and pricing.

The risk of Nickel price decrease and raw material price uncertainty and material margin squeeze

Aperam's profitability correlates amongst others with nickel prices. A significant price decrease of nickel would have a negative impact on apparent demand and base prices due to a "wait and see" behavior from customers. Furthermore, nickel is listed on the LME and subject to speculation by the financial markets.

Stainless and specialty steel production requires substantial amounts of raw materials (primarily nickel, chromium, molybdenum, stainless and carbon steel scrap, charcoal (biomass) and iron ore). Aperam is 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.

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, 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.

The risk that developments in the competitive environment in the stainless steel industry could have an adverse effect on Aperam's competitive position;

Aperam faces strong competition from other producers of stainless and specialty steels. Competitors may develop production technologies and products that are more cost effective than those of Aperam, which could have a negative impact on Aperam's ability to increase its market share while maintaining profitability. Large, diversified producers of stainless and specialty steels may also use their resources, which could be greater than Aperam's, in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for Aperam's products. In addition, competition from global stainless and specialty steel manufacturers with significant production capacity and from new market entrants could result in significant price competition, declining margins and reductions in Aperam's sales.

The risk of disruptions to Aperam's manufacturing operations or damage to Aperam's production facilities due to natural disasters or other events, and any environmental restrictions

Stainless and specialty steel manufacturing processes are dependent on critical steel-making equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers). Aperam has in the past experienced, and may continue to experience, unanticipated plant outages or equipment failures. In addition, it could experience transportation disruptions or disruptions in the supply of raw materials and energy. To the extent that Aperam is unable to compensate for lost production as a result of such disruptions with production from unaffected facilities and/or existing inventory, its business, financial condition, results of operations or cash flows could be adversely affected. Additionally, natural disasters could significantly damage Aperam's production facilities and general infrastructure. Aperam could also experience environmental restrictions or labor disputes that may affect its operations and its relationships with its customers.

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 22 to the Consolidated Financial Statements.

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

Due to the challenging economic situation, Aperam might face increased risk of customers to default or credit insurance companies refusing to ensure the risks of its receivables.

Risks of lack of competitiveness of the workforce costs, 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 the 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.

The environmental risks

Aperam is subject in each of the jurisdictions in which it operates to a broad range of environmental regulations and laws related to the regulation, protection or preservation of the environment, natural resources, public or worker health and safety or that pertain to the handling, use manufacturing, processing, storage, treatment, transportation, discharge, release, emission, disposal, re-use, recycling or other management, contact, involvement with hazardous substances. These laws and regulations impose increasingly stringent environmental protection standards regarding, among others, soil changes & contamination, CO2 emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices and the remediation of environmental contamination. Failure to comply can result in civil, tax and/ or criminal penalties being imposed, the suspension of permits, requirements to curtail or suspend operations and lawsuits by third parties. Despite Aperam's efforts to comply with environmental laws and regulations, environmental incidents or

accidents may occur that negatively affect Aperam's reputation or the operations of key facilities. Aperam also incurs costs and liabilities associated with the assessment and remediation of contaminated sites. In addition to the impact on current facilities and operations, environmental remediation obligations can give rise to substantial liabilities in respect of divested assets and past activities. Aperam could become subject to unidentified liabilities in the future, such as those relating to uncontrolled tailings breaches or other future events or to underestimated emissions of polluting substances. Aperam's operations may be located in areas where individuals or communities may regard its activities as having a detrimental effect on their natural environment and conditions of life. Any actions taken by such individuals or communities in response to such concerns could compromise Aperam's profitability or, in extreme cases, the viability of an operation or the development of new activities in the relevant region or country.

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