

Interim Financial Report

Half year ended June 30, 2017

Interim Financial Report 2017

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Disclaimer – Forward Looking Statements

In this Interim Financial 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 Interim Financial 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 'Key factors affecting results of operations' section of this report.

Such forward-looking statements represent, in each case, only one of many possible scenarios and should not necessarily be viewed as the most likely to occur or standard scenario. Aperam undertakes no obligation to publicly update its forward-looking statements, whether as a result of new information, future events or otherwise. Unless indicated otherwise or the context otherwise requires, references in this Interim Financial 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.

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Stainless steel used: Aperam 304 with Uginox Bright finish

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Company Overview

Overview

Aperam including its subsidiaries ("Aperam" or the "Company" or "We" or the "Group") is a leading global stainless and specialty steel producer with an annual production capacity of 2.5 million tonnes. We are a leading stainless and specialty steel producer in South America and the second largest producer in Europe. We are also a leading producer of high value added specialty products, including grain oriented ("GO") and non-grain oriented ("NGO") electrical steels and nickel alloys. Our production capacity is concentrated in six production facilities located in Brazil, Belgium and France, and we have approximately 9,500 employees at end of June 2017.

Since the early creation of Aperam, we have pursued a successful strategy designed to reinforce Aperam's resilience to the market environment based on our in-house internal improvement measures and relying on our own resources.

We are committed to operate in a responsible way with respect to health, safety and the well-being of our employees, contractors and the communities in which we operate. We are also committed to the sustainable management of the environment and of finite resources.

Our products are sold to customers in over 40 countries, including customers in the aerospace, automotive, catering, construction, household appliances and electrical engineering, industrial processes, medical, and oil & gas industries.

The business is organised in three primary operating segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties.

In 2016, Aperam had sales of U.S.\$4.3 billion and shipments of 1.92 million tonnes. For the six months ended June 30, 2017, Aperam had sales of U.S.\$2.5 billion and shipments of 0.96 million tonnes, compared to respectively U.S.\$2.2 billion and 1.00 million tonnes for the six months ended June 30, 2016.

Contacts

The Company is a Luxembourg public limited liability company (*société anonyme*) incorporated on September 9, 2010.

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

The mailing address and telephone number of Aperam's registered office are: 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand-Duchy of Luxembourg, tel: +352 27 36 27 00.

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

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Message from the CEO

July 26, 2017



“ *The first half of the year demonstrates the continued solid execution of our strategy and announcements regarding our new phase of development.* ”

Dear shareholders,

I am proud to present you our 2017 interim report which reflects our performance and key achievements for the first six months of the year.

The first six months of the year have been clearly a period of progress for Aperam.

During this period we continued to focus on our strategic priorities by improving our operational excellence through our Leadership Journey®, delivering the best stainless steel solutions and services to our customers in coherence with our Top Line strategy and remaining highly focused on disciplined cash allocation.

This strategy continued to yield positive results in an environment marked by challenging operational conditions. In particular, nickel prices decreased over the period, ferrochrome prices were volatile, import pressure remained high in Europe despite anti-dumping measures and Brazil continued to be affected by economic and political uncertainty. Besides, our operations were impacted by a technical outage at our Châtelet hot strip mill with consequences on our European production, shipments and costs. Positively, stainless steel prices increased with recovering Asian prices, European stainless steel demand continued to improve and the Brazilian stainless steel market remained resilient despite economic uncertainties. Market conditions for our Alloys & Specialities Division also continued to improve during first half of the year.

In this environment, we increased our EBITDA for the six first months of 2017 to U.S.\$340 million, compared to U.S.\$235 million over the same period of last year. Our net income for the six first months of 2017 increased to U.S.\$178 million compared to U.S.\$102 million for the same period of last year. Despite solid cash returns to shareholders as described in greater detail below, we were able to maintain our net financial debt at low levels with U.S.\$235 million at the end of June 2017, representing a gearing of 9%. Finally, our operational excellence measured by our Leadership Journey® contributed a total amount of U.S.\$542 million to EBITDA by the end of June 2017, since the beginning of 2011.

The first half of the year was also marked with key announcements highlighting the solid execution of our strategy and our new phase of development:

- We announced in February 2017 two major actions regarding our cash deployment with a proposed increase of our base dividend from U.S.\$1.25 per share to U.S.\$1.50 per share and a share buyback program of up to U.S.\$100 million. The share buyback program has been already fully executed with 2 million shares bought and cancelled.
- In recognition of our sustainable financial performance, steady and strong operating performance and credit metrics we reached Investment Grade ratio with both Moody's and Standard & Poor's, respectively in February and May 2017. We are very proud of this achievement which demonstrates that the solid execution of our strategy is yielding the right results and making Aperam one of the few steel companies with the strongest financial metrics.

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- After our Belgium listing on Euronext Brussels in February 2017, we entered the BEL20 index in March 2017, placing Aperam among the top 20 companies in Belgium. In addition to increasing visibility, reputation and brand awareness, this listing and index inclusion also underlines Aperam's ambition to be a sustainable industrial partner in Belgium.
- Finally, in June 2017, we announced the third phase of our Leadership Journey® - the Transformation Program - which aims to accelerate adoption of latest technological breakthroughs, automation, digitalization and a fully connected organisation to address next generation needs of our customers. Under this phase we will spend U.S.\$150 million CAPEX over the period 2018 to 2020 and we aim to realize U.S.\$150 million of additional EBITDA gains per year by end of 2020 which will come in addition to the U.S.\$575 million of recurring gains targeted by end of 2017.

Turning to our health and safety performance, our lost time injury frequency rate improved from 1.6 in the first half of 2016 to 1.2 in the first half of 2017 as we continued to reinforce our trainings in this area to stimulate excellence in behaviours, and further leveraging the best practices in the industry and within Aperam. Although the trend is positive, we continuously strive to improve in this area and reaching zero accident is our ultimate goal. I can reassure you that we remain fully vigilant and active to further sustain this trend. As part of our global corporate responsibility, we also believe that our products are part of the solutions to the global environmental challenges as stainless steel has key properties of endless recyclability, durability and mechanical strength.

Finally, looking forward and for the remainder of the year, we are confident that our initiatives launched under our Leadership Journey® and Top Line strategy will continue to enable us to generate solid set of results while maintaining a strong balance sheet.

I would also like to warmly thank Aperam's employees and my colleagues in the Leadership Team for their continuous efforts and dedication and I remain confident that Aperam can reach even higher levels of sustainable performance and profitability as we prepare for the next phase of development under our Transformation Program.



Timoteo Di Maulo, CEO



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Stainless steel used: Aperam 304 with Uginox Bright finish

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Glossary

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

Financial Measures:

- > “EBITDA” is defined as operating income¹ before depreciation¹ and impairment expenses¹.
- > “free cash flow before dividend and share buy-back” is defined as net cash provided by operating activities¹ less net cash used in investing activities¹.
- > “gearing” is defined as net financial debt divided by Equity¹.
- > “net financial debt” refers to long-term debt¹ plus short-term debt¹, less cash and cash equivalents¹ (including short-term investments) and restricted cash¹.

Other terms used in this interim report:

- > “annealing” are to the process of heating cold steel to make it more suitable for bending and shaping and to prevent breaking and cracking;
- > “bright annealing” are to the final annealing lines (with an oven) with a reducing atmosphere which produces a bright annealed finish;
- > “carbon steel scrap” are to recycled carbon steel that is remelted and recasted into new steel;
- > “cold rolling” are to the forming method employed after hot rolling;
- > “downstream” are to finishing operations, for example in the case of flat products, the operations after the production of hot-rolled coil;
- > “€” or “EUR” are Euros and are converted into U.S. dollars using the closing exchange rate of U.S.\$1= €0.876271 as at June 30, 2017;
- > “IFRS” means International Financial Reporting Standards as adopted in the European Union;
- > “Lost Time Injury Frequency rate”, or “LTIF”, is a key metric which measures the time lost due to injuries per 1,000,000 worked hour;
- > “pickling” are to the process where steel coils are cleaned using chemical baths to remove impurities, such as rust, dirt and oil;
- > “production capacity” are to the annual production capacity of plant and equipment based on existing technical parameters as estimated by management;
- > “R\$” or BRL are Brazilian Real and are converted into U.S. dollars using the closing exchange rate of U.S.\$1= R\$3.3082 as at June 30, 2017;
- > “sales” include shipping and handling fees and costs billed to a customer in a sales transaction;
- > “Significant shareholder” means the trust (HSBC Trust (C.I.) Limited, as trustee) of which Mr. Lakshmi N. Mittal, Ms. Usha Mittal and their children are the beneficiaries, holding Aperam shares through Value Holdings II S.à r.l.
- > “spin-off” are to the transfer of the assets comprising ArcelorMittal’s stainless and specialty steels businesses from its carbon steel and mining businesses to the Company, and the pro rata allocation of the ordinary shares of the Company to ArcelorMittal shareholders;
- > “tonnes” are to metric tonnes and are used in measurements involving stainless and specialty steel products (a metric tonne is equal to 1,000 kilograms or 2,204.62 pounds);
- > “upstream” are to operations that precede downstream steel-making, such as coke, sinter, blast furnaces, electric arc furnaces, casters and hot rolling/steckel mills.

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

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Business Overview

The following discussion and analysis should be read in conjunction with Aperam's consolidated financial statements and related notes as of and for the year ended December 31, 2016 appearing in its 2016, Annual Report and the unaudited condensed consolidated financial statements as of and for the six months ended June 30, 2017, included in this report.

History of Aperam

On December 7, 2010, Aperam's Board of Directors and the Board of Directors of ArcelorMittal approved a proposal to spin-off ArcelorMittal's stainless and specialty steels businesses to its shareholders in order to enable it to benefit from better visibility in the markets, and to pursue its growth strategy as an independent company in the emerging markets and in specialty products, including electrical steel. On January 25, 2011, at an extraordinary general meeting, the shareholders of ArcelorMittal voted to approve the spin-off proposal.

Our key competitive strengths

We believe that the following are among our key strengths:

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

Safety will always remain our first duty to our People. To monitor our health and safety programs, the company uses as main indicator the "Lost Time Injury Frequency rate", or "LTIF", a key metric which measures the time lost due to injuries per 1,000,000 worked hours. In first half of 2017, LTIF rate was 1.2 compared to 1.6 in the first half of 2016. But beyond a healthy staff, what we want is an efficient and motivated team to develop, thrive and innovate for Aperam. With this aim, training and career development programs are continuously improved over the years and we promote proximity and team spirit.

From an environmental perspective, where many challenges lie for an energy-intensive industry, Aperam is up to its responsibilities. Firstly, we are proud of our unique capability to produce charcoal-based biomass to use in our production instead of extractive coke. Also, while we look into all solutions to reduce the energy consumption of our manufacturing process, we also procure intelligent steel solutions to our customers to assist them in developing energy-efficiency end-products. As a producer of 100% recyclable products, it is only logical that we promote the circular economy. And so we do, primarily through an extensive usage of scrap materials which means that our steels are among the lowest in terms of carbon footprint, also through our fully-owned Recyco subsidiary which recovers metallic contents from melting shop dusts, and eventually through our zero-waste objective (for landfill). In addition we are engaged in an innovative circular economy initiative, through a contractor, to fully value our slags (by-product from the production process) by injection of CO₂ to produce construction bricks.

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

For further information regarding Sustainability and our local country supplements, please refer to our "made for life" report for 2016 available on our internet site www.aperam.com, section "Sustainability".

A restructured and efficient European footprint able to seize market opportunities

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

In Europe, the Group benefits from high quality and cost efficient plants with the largest and most recent electric arc furnace meltshop (Châtelet, Belgium), the largest hot rolling mill (Châtelet, Belgium), one of the largest cold rolling mills (Genk, Belgium) and LC21, the best-in-class integrated rolling-mill (Isbergues, France).

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

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

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

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

Key strengths of the European operations of Aperam

Sourcing	Logistics	Production
The only integrated upstream operations in the heart of Europe, with the best access to scrap supply	Best location to serve the biggest consumption areas of Europe	Full range of innovative products of stainless steel
	Efficient logistics between sites for a working capital management at the benchmark of the industry	Flexible and efficient capacity
		A strategy to be a cost benchmark on the key Aperam products

Aperam is a leading stainless and specialty steel producer in South America and according to the International Stainless Steel Forum (the "ISSF"), is the second largest producer in Europe. Aperam is well-positioned in both developed and emerging markets. In the first half of 2017 approximately 76% of the sales were derived from developed markets and 24% from emerging markets.

Key strengths of the Brazilian operations of Aperam

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

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

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

Value accretion beyond stainless production

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

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

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

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

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

Aperam's research and development activities are closely aligned with our strategy, focused on product development and process development. The Group's Research and Development team comprises 128 employees. These employees are based in two centres in Europe, located in Isbergues and Imphy, France, and one centre in Timóteo, Brazil. The Research and Development departments interact closely with the Group's operating segments and partner with industrial end-users and leading research organisations in order to remain at the forefront of product development. The research and development capabilities have contributed to both the Group's leadership in the industry and its development of long standing and recognisable brands. Aperam concentrates a significant portion of its research and development budget on high margin value-added niche products, such as nickel alloys and on developing products with enhanced capabilities for new applications and end markets.

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

The Group's profitability is supported by its implementation of the Leadership Journey®, which, at the end of June 2017, has contributed to approximately U.S.\$542 million to EBITDA since the beginning of 2011.

In addition, the Group has been able to generate positive free cash flows before dividend and share buy-back over the past six years. As of June 30, 2017, the Group had net financial debt of U.S.\$235 million, representing a gearing of 9% compared to net financial debt of U.S.\$1,066 million at the end of December 2010, representing a gearing of 29%.

As of June 30, 2017, the Group had a solid funding structure and debt maturity profiles as described in greater detail in the section "Liquidity".

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

Talented and dynamic Leadership Team and motivated workforce

Aperam benefits from the experience and industry knowhow of its Leadership Team. The team is comprised of eight members including the Chief Executive Officer ("CEO"), Mr. Timoteo Di Maulo. Mr. Di Maulo has over twenty-five years of experience in the stainless steel industry, having held a number of positions in the controlling, purchasing, logistics and commercial areas and has been CEO of different units of the Group. Mr. Timoteo Di Maulo, CEO, also holds the interim responsibilities for Services & Solutions since from July 1, 2017, as described in greater detail in the section on Corporate Governance of this report. Mr. Timoteo Di Maulo is supported by the other members of the Group's senior management team, including Mr. Sandeep Jalan, the Chief Financial Officer ("CFO") who has over twenty-five years of experience in finance. Mr. Jalan joined the ArcelorMittal group in 1999 and served as CFO of ArcelorMittal Long Carbon Europe, responsible for finance and strategy prior to joining Aperam in 2014.

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

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

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

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Our key strategic priorities

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

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

Improving operational efficiency and increasing EBITDA through the Leadership Journey® by enhancing the potential of our best performing assets. We have recently announced Phase 3 of the Leadership Journey® - the Transformation Program - to achieve the next structural profitability improvement, as described in greater detail below.

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

Positive cash flow generation, and

Maintaining a strong balance sheet consistent with Investment Grade financial ratios.

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 by enhancing the potential of our best performing assets. The Leadership Journey® is composed of a number of phases which can be broadly characterised as restructuring and cost cutting projects, upgrading best performing assets and transformation initiatives, as described below:

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

Phase 1: 2011-2013 Restructuring & cost cutting	Phase 2: 2014-2017 Upgrading best performing assets	Phase 3: 2018-2020 Transforming the Company
Launched at the early stage of the program in 2011, the restructuring initiatives were focused on the closure of non-competitive capacities and the reduction of fixed costs through, in particular, process simplification and major cost cutting investments.	Since the beginning of 2014, major projects were launched to debottleneck Aperam's downstream operations, improve cost competitiveness and enhance its product portfolio.	This new phase of the journey launched in 2017 aims to transform the business and address next generation needs of Aperam's customers through a modern industry with new technologies and fully connected organisation
Total target gains Phase 1: U.S.\$ 350 million	Total target gains Phase 2: U.S.\$ 225 million	Total target gains Phase 3: U.S.\$ 150 million

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Phase 2: 2014-2017 Upgrading best performing assets

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

Tranche	Amount Invested	Period of implementation	Description	Status
1	U.S.\$52 million	2014 - 2015	<ul style="list-style-type: none"> > Productivity improvement of the downstream facilities in Genk (CAP2), Gueugnon (CAP10) and Timoteo (Sendzimir Mill #1) > Upgrade of the Wire Rod mill in Imphy > Upgrade of Grain Oriented operations in Timoteo with development of High Grain Oriented (Electrical Steel) 	Completed
2	U.S.\$30 million	2015 - 2016	Breakthrough on productivity increases: <ul style="list-style-type: none"> > Upgrade of CAP 2 in Genk > Upgrade of LC2i in Isbergues 	Completed
3	U.S.\$30 million	2015 - 2017	<ul style="list-style-type: none"> > Efficiency and competitiveness improvement of the lines CR6 and BA8 in Gueugnon > Upgrade of compact box annealing furnaces of the Wire Rod mill in Imphy 	On track

As at June 30, 2017, the Leadership Journey® had contributed a total amount of U.S.\$542 million to EBITDA since the beginning of 2011, well on track to achieve our goal of U.S.\$575 million in gains and profit enhancements by the end of 2017.

Phase 3: 2018-2020 Transforming the Company

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

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

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

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

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

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

- > Leveraging our unique stainless steel product portfolio,
- > Driving additional value through the Services & Solutions segment, and
- > Growing the Alloys & Specialties segment.

Leveraging our unique stainless steel product portfolio

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

Driving additional value through the Services & Solutions segment

Our industrial footprint in Europe and South America is perfectly complemented with global service centers and sales network as part of our Services & Solutions segment. In a volatile environment, we believe that the development of the Services & Solutions segment and the provision of better services to our customers are key for achieving financial and operational excellence. Value added services provided to our clients include cutting, polishing, brushing, forming, welding, pickling, annealing or packaging. We believe that further development of the Services & Solutions segment will drive additional value creation while serving our customers more effectively. As part of this strategy, we continue to invest in and strengthen our service centers in Europe, Brazil and other parts of the world.

Strengthening our Leadership in the Alloys & Specialties segment

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

Strong cash generation and maintaining robust balance sheet ratios consistent with Investment Grade Financial ratios

As part of our efforts to become a more resilient company capable of responding to the volatile market environment, we have reduced our net financial debt to U.S.\$235 million at the end of June 2017, representing a gearing of 9%, compared to U.S.\$154 million at the end of December 2016, representing a gearing of 6% and U.S.\$1,066 million at the end of December 2010, representing a gearing of 29%. This achievement is based on a strong set of actions in optimising our debt profile and interest costs.

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

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

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

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

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

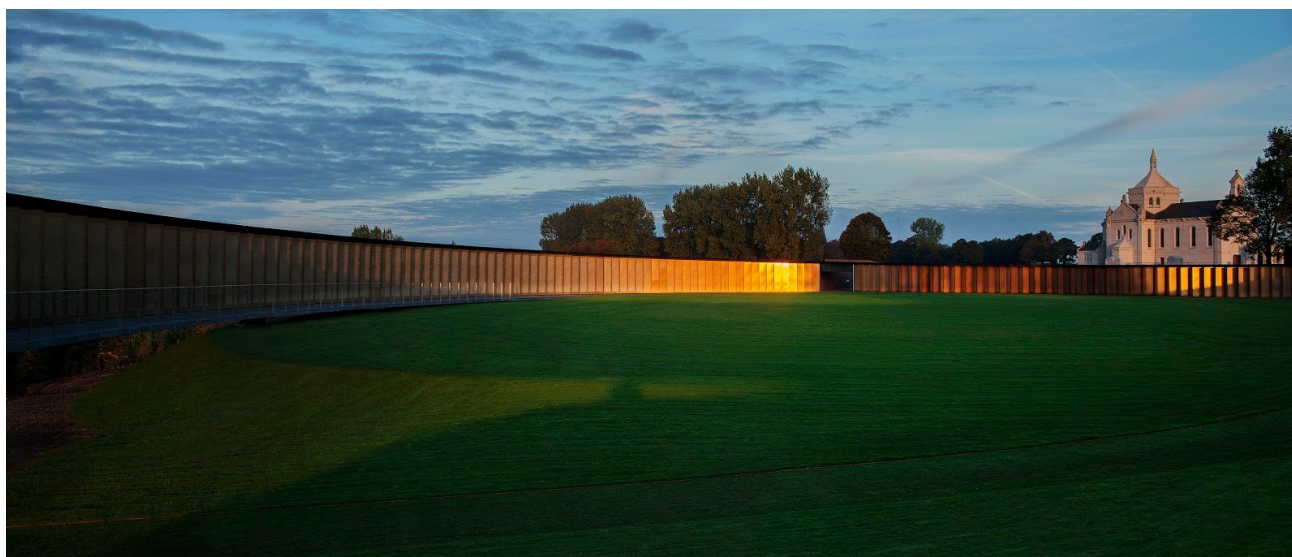
(v) On June 22, 2017, Aperam announced the completion of its share buyback program announced on February 9, 2017, with final settlement on June 21, 2017. In aggregate, 2,000,000 shares were bought under this Program, representing an aggregate amount of U.S.\$ 98,436,528. The 2,000,000 shares acquired under the Program were cancelled on June 22, 2017. Considering such cancellation and newly issued shares delivered to bondholders * of Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices, the number of issued shares amounts to 77,385,605 as of June 22, 2017.

*On June 2, 2017 and June 22, 2017, respectively 1,288,166 and 47,709 newly issued shares were delivered to Convertible and/or Exchangeable Bonds due 2020 against conversion notices, representing a total number of shares of 1,335,875.

In coherence with its Financial Policy, the Board of Directors decided in February 2017, to propose for approval at the next shareholders meeting of May 10, 2017, a base dividend increase from U.S.\$1.25 per share to U.S.\$1.50 per share. The Board of Directors also decided a share buyback program for an aggregate maximum amount of one U.S.\$100 million and a maximum of 2 million shares under the authorization given by the annual general meeting of shareholders held in 2015. The annual and extraordinary shareholders meetings of May 10, 2017, approved the base dividend of U.S.\$ 1.50 as well as the cancellation of shares repurchased under the share buyback program and the related reduction of issued share capital.

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

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



Mémorial international de Notre-Dame-de-Lorette, France; Philippe Prost, architecte / AAPP © adagp – 2014 © Aitor Ortiz ;
Stainless steel used: Aperam 304 with Uginox Bright colored in Bronze surface finish

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Our profit driving pillars

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

1. We are aiming at being the best in class in terms of costs with our Leadership Journey® and we are targeting an additional contribution of U.S.\$150 million to EBITDA by end of 2020 (on top of U.S.\$575 million by end of 2017)
2. We aim to optimise our product portfolio and replace low contribution margin products by high margin products with our Top Line strategy and our innovative products.
3. We aim to continue to focus on cash and the strengthening of our balance sheet.
4. We aim to grow in our Alloys & Specialties business while continuing to improve our competitiveness.



Bogindhu Farmhouse, Aberdeenshire, United Kingdom; Room architects © Nigel Rigden
Stainless steel used: Aperam 316 with Uginox Top surface finish

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Summary of principal 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 interim financial report.

- Global economic cycle downturn, geopolitical risks, overcapacity in the stainless steel industry and/or China slowdown;
- The risks of nickel price decrease, raw material price uncertainty, material margin squeeze, over dependency of main suppliers and electricity;
- Fluctuations in currency exchange rates;
- Litigation risks (product liability, patent infringement, commercial practices, employment, employment benefits, taxes, environmental issues, health & safety and occupational disease (including asbestos exposure/ classification));
- Risks of lack of competitiveness of the workforce costs, of retention and social conflicts;
- Customer risks with respect to default and credit insurance companies refusing to ensure the risks;
- Cyber security risks;
- Risk of production equipment breakdown.

These factors are discussed in more details in the section “Principal risks and uncertainties related to Aperam and the stainless and specialty steel industry” of the Annual Report 2016.



Social Housing, Nantes, France - Philippe Dubus © Sergio Grazia
Stainless Steel used: Aperam 304 with Uginox Bright surface finish

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Market environment

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

Stainless Steel Pricing

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

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

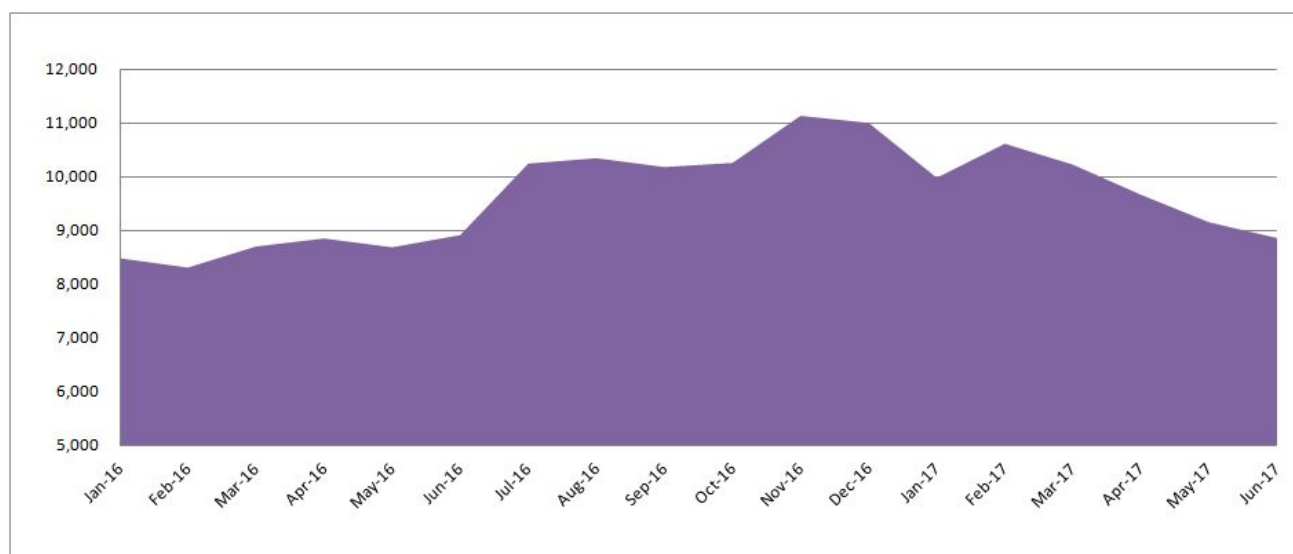
- > the "base price", which is negotiated with customers and depends on market supply and demand; and
- > the "alloy surcharge", which is a supplementary charge to the selling price of steel and offsets the purchase price increases in raw materials, such as nickel, chromium or molybdenum, by directly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

Notwithstanding the application of the "alloy surcharge", the Group is still affected by changes in raw material prices, in particular nickel, which in the last decade experienced some sudden spikes, before coming back to a lower level. In general, when the price of nickel is falling, purchasers of stainless steel products delay their orders to benefit from an expected decline in prices, which has the effect of reducing demand in the short term. By contrast, when nickel prices are rising, purchasers tend to acquire larger quantities of stainless steel in order to avoid having to buy at higher prices. In the first half of 2016 Nickel price averaged U.S.\$8,662 per tonne, while its average increased to U.S.\$10,520 per tonne in the second half of 2016, when it has been pushed higher by market speculations. In the first half of 2017, once it was clear that these speculations were not grounded, Nickel price retraced below to U.S.\$9,000 per tonne, with further downward price trend towards the end of the second quarter of 2017.

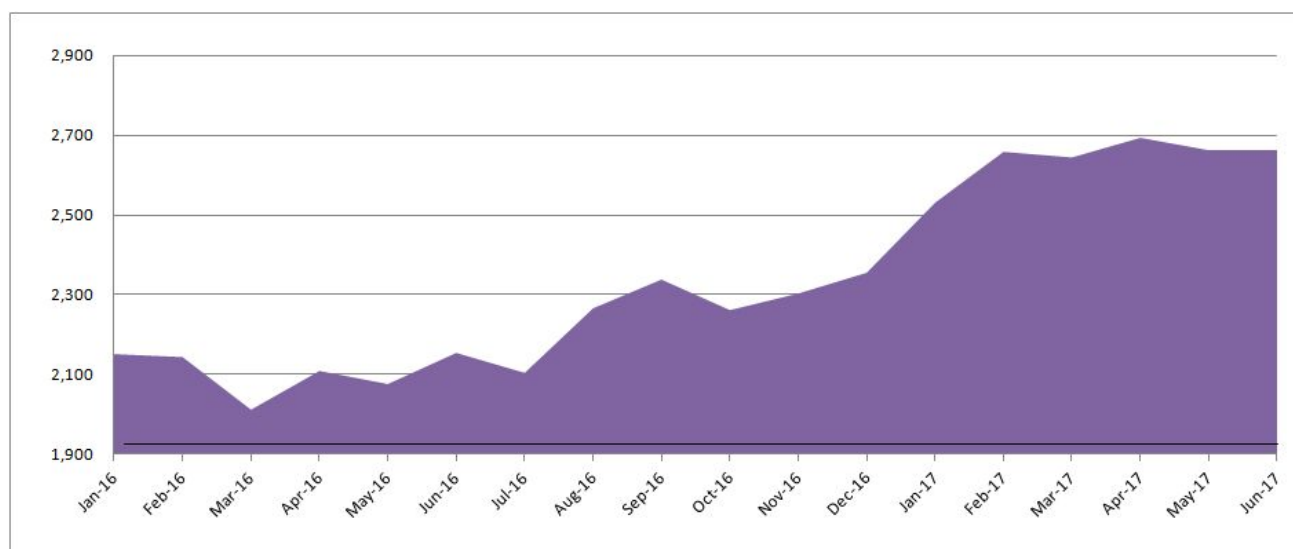
The graphs below shows the price of nickel on the LME and the European transaction price for CR304 stainless steel for the period from January 1, 2016, to June 30, 2017:

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



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



Source:

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

In the first half of 2016, apparent demand in China has been decreasing, participating to the pressure on raw materials. As a consequence of decreasing raw material prices and lower load, Chinese mills have put base price under greater pressure accelerating the decrease. As a consequence, Aperam experienced heavy price pressure in Europe and even more in Brazil, where the falling Gross Domestic Product and the Government crisis led to historic low prices for stainless steel. In the second half of 2016, thanks to the normalisation of demand in China and healthier raw material prices, stainless steel prices have improved, both in Europe and South America, our main markets. In the first half of 2017, the positive trend strengthened and the price averaged U.S.\$2,640 per tonne (CR 304 2B 2mm coil transaction price S.Europe domestic delivered price). Stainless steel prices have recovered over the first months of 2017 mainly thanks to healthy real demand in Europe and increasing chrome price. Aperam expects the stainless steel prices to be under pressure during the third quarter as a result of recent drop in the raw material prices and strong seasonality expected during summer in Europe.

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Electrical Steel Pricing

Electrical steel prices are following different directions in the first half of 2017. Non-grain oriented (NGO) prices are slightly recovering due to demand supply dynamics, recovering towards average levels of 2015. Grain Oriented (GO) prices on other hand have reduced and stabilised due to increase in global supplies to meet the increased demand encountered over past couple of years.

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 2016, the global demand for stainless steel flat products grew again, driven by the sharp demand increase in China, while in the first months of 2017 the situation appeared somehow contrasted with a slowdown of Chinese consumption growth and still positive figures in developed markets.

In 2016, nickel alloys market growth continued its slow down already started in 2015, as the consequence of a contrasted situation, opposing healthy aerospace and electrical safety markets against depressed oil & gas markets. However, among oil & gas applications, the growing need for liquid natural gas transportation in the world boosted the demand for nickel alloys in this area and enabled to partially offset the general oil & gas market decreases. In early 2017, a rebound of oil & gas markets occurred, even though not reaching past levels. As already initiated in 2016, the needs for nickel alloys to transport liquid natural gas have reached a peak. Meanwhile, other nickel alloys markets still remain healthy, leading to an overall quite positive market environment. Management estimates that these market trends should remain similar for the rest of the year.

Production and capacity

In 2016, global flat stainless steel production increased by more than 1%. Global structural overcapacity driven by China continued to affect the global stainless steel industry, as 2016 saw another year of double digit growth in flat stainless steel capacity in China, while consumption growth re-accelerated sharply. Despite China's initial efforts to tackle it, overcapacity continued to be a main factor weighing down China stainless industry in 2016, with cold rolled capacity utilisation estimated around 73%, slightly improved compared to 2015.

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

Early figures available for first half 2017, point to a slowdown of Chinese growth in stainless production. Management estimates global utilisation rates touched its lowest in 2015, so that it is forecasted to gradually improve through 2021, as global demand growth continues and China addresses its structural overcapacity.

Competition

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

Aperam's main competitors in Europe are Outokumpu, Acerinox and Thyssenkrupp Acciai Speciali Terni S.P.A. Although antidumping duties imposed on Chinese cold rolled coils significantly reduced imports from China, imports from Taiwan continued to be in the market with a reduced level of anti-dumping duties. There was also a sharp increase in imports from other non European countries and in hot rolled coils imports that are not subject to anti-dumping measures.

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Aperam remains a leading flat stainless producer in South America, with its operations based in Timoteo, Brazil. Despite challenging market conditions in Brazil in 2015, 2016 and also in first half of 2017, the improved competitiveness of Brazilian operations in regional markets has enabled higher exports out of Brazil to the Latin America region and beyond.

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

Anti-dumping developments

European Union

The absorption investigation concerning imports of stainless steel cold-rolled flat products originating in Taiwan was terminated on April 10, 2017, concluding without amending the anti-dumping measures in force. Therefore there were no relevant changes to anti-dumping developments in the E.U than those disclosed in the 2016 Company's annual report.

Brazil

There were no relevant changes to anti-dumping developments in Brazil than those disclosed in the 2016 Company's annual report except for the following :

Type of products	Import duties status	Anti-dumping ("AD") status
Stainless Steel Welded Tubes in thickness between 0.4mm to 12.70mm	Normal import duties are 14%	<p>AD duties starting July 29, 2013, for 5 years from U.S.\$360/tonne up to U.S.\$911/tonne. Countries involved are China and Taiwan.</p> <p>AD investigation started on April 24, 2017, as per Circular SECEX nº 51, related to importation from Thailand, Malaysia and Vietnam. Due diligences (verification visits) have already been performed by Brazilian AD authorities in Marcegaglia do Brasil (in April, 2017) and Aperam Inox Tubos Brazil (in June, 2017), both tubes producers in Brazil. Until end of August, 2017, the Brazilian AD authorities will analyze the reports and questionnaires received from stainless tubes exporters and importers. An AD decision will be further granted.</p>

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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 2016, the nickel price started to recover to reach U.S.\$10,000 per tonne at end of December 2016. The European benchmark price for ferrochrome recovered to U.S.\$1.10 per pound of chrome by the fourth quarter of 2016. Molybdenum prices strengthened to U.S.\$15,000 in the second half of 2016. The reference iron ore price (62% Fe₂O₃; CIF China) started the year at U.S.\$43 per tonne to reach U.S.\$80 per tonne in December 2016. Ferrous scrap prices (E8 quality; Germany) were rather volatile in 2016 with a low of €155 per tonne in February 2016 but by December 2016 the price had recovered back to €220 per tonne.

In the first half of 2017, Nickel showed a lot of volatility on uncertainties regarding ore exports from The Philippines and Indonesia. A peak of U.S.\$11,000 was reached in February, but as from March 2017, Nickel prices strongly corrected to reach a low of U.S.\$8,700 in June. LME stocks remained fairly stable around 375,000 tonnes.

Driven by spurt in buying from China and reduced supply, the European Benchmark price for Chrome rose by 50% from U.S.\$1.10 per pound of chrome in the last quarter of 2016 to U.S.\$1.65 per pound of chrome in the first quarter of 2017. In the second quarter of 2017 the benchmark price dropped moderately to U.S.\$1.54 per pound of chrome.

Molybdenum recovered from a weak market in 2016 and rose from U.S.\$15,000 per tonne early January 2017 to almost U.S.\$20,000 per tonne in March and April 2017, helped by production cuts and improved demand from the oil and gas industry. In May and June 2017 however, the price corrected back to U.S.\$15,000 per tonne, followed by a short rally to U.S.\$16,500 by the end of the second quarter.

Primarily for speculative reasons, the reference price of iron ore (62% Fe₂O₃; CIF China) rose to a peak of almost U.S.\$95 per tonne in February before retreating back to a level of U.S.\$55 per tonne by June 2017.

Ferrous scrap prices started the year at U.S.\$280 per tonne, then showed a sudden drop to U.S.\$225 per tonne in February 2017 but promptly recovered and traded in a narrow range of U.S.\$260 to U.S.\$270 for most of the second quarter of 2017.

Energy

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

With regard to electricity, in most of the countries where the Group operates, electricity prices have moved in line with other energy commodities. The Group benefits from access to baseload nuclear power in France. Complementary needs are sourced from the market. In France, a new supply contract has been put in place with ArcelorMittal Energy Sca since the beginning of 2016 and for the Belgium perimeter such contract was already in place since the beginning of 2015. Aperam operations in Brazil have long term contracts for electricity with a net long position, which is mitigated through excess power sale to the market.

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

Impact of exchange rate movements

At the end of 2016, the U.S. dollar amounted to 0.9487 Euro/U.S. dollar and 3.2591 Brazilian real/U.S. dollar. In the first half of 2017, the U.S. dollar depreciated by 7.6% against the Euro to reach 0.8763 Euro/U.S. dollar at half-year end. In the first half of 2017, the U.S. dollar appreciated by 1.5% against the Brazilian real to reach 3.3082 Brazilian real/U.S. dollar at half-year end. Because a substantial portion of Aperam's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its presentation currency), Aperam has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the U.S. dollar relative to the Euro and Brazilian real, as well as fluctuations in the currencies of the other countries in which Aperam has significant operations and sales, can have a material impact on its results of operations. In order to minimize its currency exposure, the Group enters into hedging transactions to lock in a set exchange rate for specific transactions in non-local currencies, in accordance with its management policies.



Allianz Parque Arena, São Paulo - Brazil; Edo Rocha © Edo Rocha Arquiteturas

Stainless steel used: K44 2B into the facade combining flat sheets and tubes

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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 six months ended June 30, 2017, compared to the six months ended June 30, 2016. The key performance indicators that we use to analyse operations are sales, steel shipments, average steel selling prices and operating result.

Key Indicators

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

Sales, Steel Shipments and Average Steel Selling Prices

The following table provides our sales, steel shipments and average selling prices by operating segment for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016:

Operating segment	Sales for the Six Months Ended June 30, ⁽¹⁾		Steel Shipments for the Six Months Ended June 30, ^{(1) (2)}		Average Steel Selling Price for the Six Months Ended June 30, ⁽¹⁾		Changes in		
	2017	2016	2017	2016	2017	2016	Sales	Steel Shipments	Average Steel Selling Price
	(in millions of U.S. dollars)		(in thousands of tonnes)		(in U.S. dollars/tonne)		(%)		
Stainless & Electrical Steel ⁽³⁾	2,113	1,808	932	990	2,205	1,776	16.9	(5.9)	24.2
Services & Solutions	1,175	1,019	420	423	2,689	2,292	15.3	(0.7)	17.3
Alloys & Specialties	253	216	17	16	14,265	13,223	17.1	6.3	7.9
Total (before intragroup eliminations)	3,541	3,043	1,369	1,429			16.4	(4.2)	
Total (after intragroup eliminations)	2,544	2,197	964	1,003			15.8	(3.9)	

Notes:

- (1) Amounts are shown prior to intra-group eliminations. For additional information, see Note 2 to the Condensed Consolidated Financial Statements
- (2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 405 thousand tonnes and 426 thousand tonnes in the six months ended June 30, 2017 and 2016, respectively.
- (3) Includes shipments of special carbon steel from the Company's Timóteo production facility.

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Sales increased by 15.8% to U.S.\$2,544 million for the six months ended June 30, 2017, from U.S.\$2,197 million for the six months ended June 30, 2016. The increase in sales was due to higher average steel selling price, which increased by 20.8% to U.S.\$2,558 per tonne for the six months ended June 30, 2017, from U.S.\$2,117 per tonne for the six months ended June 30, 2016, partly offset by lower shipments, which decreased by 3.9% to 964 thousand tonnes for the six months ended June 30, 2017, from 1,003 thousand tonnes for the six months ended June 30, 2016.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) increased by 16.9% to U.S.\$2,113 million for the six months ended June 30, 2017, from U.S.\$1,808 million for the six months ended June 30, 2016, mainly as a result of increased average steel selling price, partly offset by lower shipment volumes. A technical outage in Châtelet hot strip mill impacted Stainless & Electrical steel production and shipments in Europe. We received U.S.\$5 million as indemnification from the insurer during the semester linked to this outage. The average steel selling price for the Stainless & Electrical Steel segment increased by 24.2%, to U.S.\$2,205 per tonne for the six months ended June 30, 2017, from U.S.\$1,776 per tonne for the six months ended June 30, 2016. Steel shipments for this segment (including intersegment shipments) decreased to 932 thousand tonnes for the six months ended June 30, 2017, from 990 thousand tonnes for the six months ended June 30, 2016, which represented a decrease of 5.9%.

Sales to external customers in the Stainless & Electrical Steel segment were U.S.\$1,154 million for the six months ended June 30, 2017, representing 45.4% of total sales, an increase of 15.1% as compared to sales to external customers of U.S.\$1,003 million for the six months ended June 30, 2016, or 45.7% of total sales.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) increased by 15.3% to U.S.\$1,175 million for the six months ended June 30, 2017, from U.S.\$1,019 million for the six months ended June 30, 2016. The increase was due to higher average stainless steel selling price, partly offset by lower shipment volumes. The technical outage in Stainless & Electrical Steel Châtelet hot strip mill mentioned above also impacted shipments at Service & Solutions level. The average steel selling price for the Services & Solutions segment increased by 17.3%, to U.S.\$2,689 per tonne for the six months ended June 30, 2017, from U.S.\$2,292 per tonne for the six months ended June 30, 2016. Steel shipments for this segment decreased to 420 thousand tonnes for the six months ended June 30, 2017, from 423 thousand tonnes for the six months ended June 30, 2016, which represented an decrease of 0.7%.

Sales to external customers in the Services & Solutions segment were U.S.\$1.129 million for the six months ended June 30, 2017, representing 44.4% of total sales, an increase of 15.1% as compared to sales of U.S.\$981 million for the six months ended June 30, 2016, or 44.7% of total sales.

Alloys & Specialties

Sales in the Alloys & Specialties segment increased by 17.1% to U.S.\$253 million for the six months ended June 30, 2017, from U.S.\$216 million for the six months ended June 30, 2016. The increase was primarily due to higher average selling price and higher shipments. The average steel selling price for the Alloys & Specialties segment increased by 7.9% to U.S.\$14,265 per tonne for the six months ended June 30, 2017, compared to U.S.\$13,223 per tonne for the six months ended June 30, 2016. Steel shipments for this segment were 17 thousand tonnes for the six months ended June 30, 2017, which is a 6.3% increase compared to the 16 thousand tonnes for the six months ended June 30, 2016.

Sales to external customers in the Alloys & Specialties segment were U.S.\$252 million for the six months ended June 30, 2017, representing 9.9% of total sales, an increase of 18.9% as compared to sales to external customers of U.S.\$212 million for the six months ended June 30, 16, or 9.6% of total sales.

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Operating Income

The Group's operating income for the six months ended June 30, 2017, was U.S.\$261 million, compared to an operating income of U.S.\$153 million for the six months ended June 30, 2016. The increased operating income for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 is mainly driven by improved market conditions, the contribution of the Leadership Journey® and the Top Line strategy as well as positive stock effects related to the raw material prices evolution.

The following table provides our operating income and operating margin for the six months ended June 30, 2017, as compared with the six months ended June 30, 2016:

	Operating Income Six Months Ended June 30,		Operating Margin Six Months Ended June 30,	
	2017	2016	2017	2016
Operating Segment	(in millions of U.S. dollars)		(%)	
Stainless & Electrical Steel	218	120	10.3	6.6
Services & Solutions	40	39	3.4	3.8
Alloys & Specialties	21	10	8.3	4.6
Total⁽¹⁾	261	153	10.3	7.0

Notes:

(1) Amounts shown include eliminations of U.S.\$(18) million and U.S.\$(16) million for the six months ended June 30, 2017, and 2016, respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with inter-segment eliminations and/or non-operational items which are not segmented.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was U.S.\$218 million for the six months ended June 30, 2017, compared to an operating income of U.S.\$120 million for the six months ended June 30, 2016. Despite lower shipments mainly due to a technical outage at the Châtelet hot strip mill (Belgium) during the first quarter of 2017, the operating result for the six months ended June 30, 2017, increased compared to the six months ended June 30, 2016, in the Stainless & Electrical Steel segment mainly as a result of some recovery of the stainless steel prices and the continuous contribution of the Leadership Journey® and the Top Line strategy.

Services & Solutions

The operating income for the Services & Solutions segment was U.S.\$40 million for the six months ended June 30, 2017, compared to an operating income of U.S.\$39 million for the six months ended June 30, 2016. The headwinds from the supply disruption following Châtelet technical outage and some customer's destocking over the second quarter of 2017 were compensated by the contribution of the Top Line strategy and positive stock effects related to the raw material prices evolution.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was U.S.\$21 million for the six months ended June 30, 2017, compared to an operating income of U.S.\$10 million for the six months ended June 30, 2016. This better operational result was primarily due to recovering market environment translated by an increase in shipments.

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Interest Income

Interest income was U.S.\$1 million for the six months ended June 30, 2017, compared to U.S.\$2 million recorded for the six months ended June 30, 2016, 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 net financing costs. Interest expense and other net financing costs increased to U.S.\$(31) million for the six months ended June 30, 2017, compared to U.S.\$(24) million for the six months ended June 30, 2016.

Excluding foreign exchange and derivative result described below, interest expense and other financing costs for the six months ended June 30, 2017, were U.S.\$(26) million, primarily related to financing costs of U.S.\$(7) million, compared to interest expense and other financing costs of U.S.\$(24) million for the six months ended June 30, 2016, primarily related to financing costs of U.S.\$(8) million. Financing costs relate to interests and other expenses related to the service of debt and other financing facilities.

Realised and unrealised foreign exchange and derivative losses were U.S.\$(5) million for the six months ended June 30, 2017, compared to realised and unrealised foreign exchange and derivative gains nil for the six months ended June 30, 2016. Foreign exchange results primarily relate to the accounting revaluation of U.S. dollar denominated short term investments by subsidiaries and the revaluation of Euro denominated deferred tax assets on tax losses in the parent company. Results on derivatives primarily relate to financial instruments we entered into to hedge our exposure to nickel prices which do not qualify for hedge accounting treatment under IAS 39.

Income Tax

We recorded an income tax expense of U.S.\$(53) million for the six months ended June 30, 2017, compared to an income tax expense of U.S.\$(29) million for the six months ended June 30, 2016. Our income tax expense in 2017 was primarily due to positive operational results in several countries. The increase by U.S.\$(24) million in income tax expense for the six months ended June 30, 2017, compared to the six months ended June 30, 2016, is primarily due to the increase in the result before tax from a profit before tax of U.S.\$131 million for the six months ended June 30, 2016, to a profit before tax of U.S.\$231 million for the six months ended June 30, 2017.

Net Income Attributable to Equity Holders of the Parent

Our net result was a profit of U.S.\$178 million for the six months ended June 30, 2017, compared to a profit of U.S.\$102 million for the six months ended June 30, 2016.

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Alternative Performance Measures

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

EBITDA

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

(in millions of U.S. dollars)

Six months ended June 30, 2017	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations⁽¹⁾	Total
Operating income (loss)	218	40	21	(18)	261
Depreciation and Impairment	(69)	(5)	(4)	(1)	(79)
EBITDA	287	45	25	(17)	340

(in millions of U.S. dollars)

Six months ended June 30, 2016	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations⁽¹⁾	Total
Operating income (loss)	120	39	10	(16)	153
Depreciation and Impairment	(71)	(7)	(3)	(1)	(82)
EBITDA	191	46	13	(15)	235

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.

Net Financial Debt and Gearing

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

Gearing is defined as Net Financial Debt divided by Equity.

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

	June 30, 2017	December 31, 2016
<i>(in millions of U.S. dollars)</i>		
Long-term debt	281	275
Short-term debt	179	204
Cash and cash equivalents	(225)	(325)
Net financial debt	235	154
Equity	2,597	2,485
Gearing	9%	6%

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Free cash flow before dividend and share buy-back

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

<i>(in millions of U.S. dollars)</i>	Six Months Ended June 30,	
	2017	2016
Net cash provided by operating activities	127	151
Net cash used in investing activities	(79)	(58)
Free cash flow before dividend and share buy-back	48	93

Related Party Transactions

We are engaged in certain commercial and financial transactions with related parties. Please refer to the Condensed Consolidated Statement of Operations for the six months ended June 30, 2017, and to Note 22 to the Consolidated Financial Statements as of December 31, 2016, for further details.

Liquidity

Liquidity and Capital Resources

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

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

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

Our cash and cash equivalents amounted to U.S.\$225 million and U.S.\$325 million as of June 30, 2017, and December 31, 2016, respectively.

Our total debt, which includes long-term debt and short-term debt, was U.S.\$460 million and U.S.\$479 million as of June 30, 2017, and December 31, 2016, respectively. Net financial debt, defined as long-term debt plus short-term debt less cash and cash equivalents (including short term investments), was U.S.\$235 million as of June 30, 2017, compared to U.S.\$154 million at December 31, 2016. Gearing, defined as net financial debt divided by total equity, was 9% as of June 30, 2017, compared to 6% as of December 31, 2016.

As of June 30, 2017, no amount of the unsecured revolving credit facility was drawn, leaving a committed credit line of U.S.\$342 million under the facility. In addition, as of June 30, 2017, Aperam had U.S.\$14 million of debt outstanding at the subsidiary level, of which the Company had granted security over U.S.\$10 million of indebtedness. As of June 30, 2017, the Company had total liquidity of U.S.\$624 million, consisting of cash and cash equivalents (including short term investments) of U.S.\$225 million and committed credit lines of U.S.\$399 million (unsecured revolving credit facility of €300 million and EIB financing of €50 million described below). As of December 31, 2016, the Company had total liquidity of U.S.\$778 million, consisting of cash and cash equivalents (including short term investments) of U.S.\$325 million and committed credit lines, subject to eligible collateral available of U.S.\$453 million (borrowing base facility of U.S.\$400 million and EIB financing of €50 million described below).

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These facilities, which include debt held at the subsidiary level, together with other forms of financing, including the convertible bonds, represent an aggregate amount of approximately U.S.\$860 million, with borrowing capacity of U.S.\$399 million. In Management's opinion, such financing arrangement will be sufficient for our future requirements.

Financing

Borrowing Base Facility

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

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

Unsecured revolving credit facility

On June 6, 2017, Aperam entered into a €300 million unsecured revolving credit facility ("The Facility") with a group of 10 banks. The Facility is structured as a 5-year revolving credit facility with two options of extension by one year each, replacing its U.S.\$400 million existing 3-year secured borrowing base facility (see above). It will be used for the company's general corporate purposes.

EIB Financing

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

Convertible bonds

Convertible and/or exchangeable bonds due 2020

On September 19, 2013, Aperam announced the successful placing and pricing of its offering of convertible and/or exchangeable bonds for U.S.\$200 million (the "bonds" hereafter). The bonds are convertible into new or existing ordinary shares of the Company. The Significant Shareholder, subscribed for U.S.\$81.8 million of bonds, equal to its 40.8% stake in the Company's share capital. The bonds 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 U.S.\$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 U.S.\$ at the prevailing exchange rate), shall have exceeded 130% of the bonds' principal amount. Bondholders will be entitled to have their bonds redeemed at their principal amount plus accrued interest on September 30, 2017.

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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 authorised to issue, Aperam will deliver existing shares. On the basis of the initial conversion ratio, the issuance of up to 9,107,468 new shares would be required to deliver the necessary new shares upon conversion of the bonds.

In June 2017, U.S.\$28 million of bonds were early converted following notice of conversion received from bondholders and 1,335,875 shares were created and delivered to bondholders against their conversion notices.

Following the successive quarterly dividend payments during 2016 and 2017, the conversion price of such bond was adjusted to U.S.\$20.96 as per respective terms and conditions. On such basis, and considering the early conversions described above, the issuance of up to 8,206,107 new shares would be required to deliver the necessary shares upon conversion of the bonds. Pursuant to the terms and conditions of the Bonds, the conversion price adjustments to the bonds in connection with the dividend payments are available on the Company's website www.aperam.com, section "Investors & shareholders" > "Fixed Income Investors - Bonds".

On June 7, 2017, Aperam announced its intention for conversion of Convertible and/or Exchangeable Bonds due 2020, during October 2017, adding further strength to the balance sheet.

Net share settled convertible and/or exchangeable bonds due 2021

On June 27, 2014, Aperam announced the successful placing and pricing of its offering of net share settled convertible and/or exchangeable bonds due 2021 (the "bonds" hereafter). Following the success of the Offering, the Company decided to exercise in full the extension clause in order to increase the initial Offering size to U.S.\$300 million. The issue of the bonds reflects the proactive approach of the Company to optimising its debt profile and interest costs.

The Bonds are senior and unsecured, and ranking equally in right of payment with all other existing and future senior unsecured indebtedness and senior in right of payment to all existing and future subordinated indebtedness.

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

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

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

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

Following the successive quarterly dividend payments during 2016 and 2017, the conversion price of such bond was adjusted to U.S.\$41.92 as per respective terms and conditions in May 2017. On such basis, the issuance of up to 7,156,489 new shares would be required to deliver the necessary shares upon conversion of the bonds. Pursuant to the terms and conditions of the Bonds, the conversion price adjustments to the

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bonds in connection with the dividend payments are available on the Company's website www.aperam.com, section "Investors & shareholders" > "Fixed Income Investors - Bonds".

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.

True Sales of Receivables Program

Following the spin-off, the Group obtained liquidity from the sale of receivables through a true sale of receivables ("TSR") program. As 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 utilised as of the end of June 2017 was €280 million. Through the TSR program, the Group and certain of its operating subsidiaries surrender the control, risks and benefits associated with the accounts receivable sold, allowing it to record the amount of receivables sold as a sale of financial assets and remove the accounts receivable from its statement of financial position at the time of the sale. The total amount of receivables sold under the True Sale of Receivables program and derecognised in accordance with IAS 39 during the six months ended June 30, 2017, and 2016, was respectively U.S.\$0.9 billion and U.S.\$0.7 billion. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognised in the statement of operations as financing costs and amounted to U.S.\$(3) million and U.S.\$(3) million for the six months ended June 30, 2017, and 2016, respectively.

Credit ratings

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

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

Moody's

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

Standard & Poor's

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

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Earnings distribution

Dividend

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

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

The base dividend is anticipated to progressively increase over time as the company continues to benefit from its strategic actions and capture growth opportunities. The company targets a Net Financial Debt/EBITDA ratio of <1x (through the cycle). In the (unlikely) event that Net Financial Debt/EBITDA exceeds 1x then the company will review the dividend policy.

Dividends are announced in U.S. dollars. They are paid in U.S. dollars for shares traded in the United States on the over-the-counter market in the form of New York registry shares and paid in Euro for shares listed on the European Stock Exchanges (Netherlands, France, Belgium, Luxembourg). Dividends to be paid in Euro are converted from U.S. dollars to Euro based on the European Central Bank exchange rate at the date mentioned in the table below.

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

The detailed dividend schedule for 2017 as announced on February 9, 2017, is as follows:

	1 st Quarterly Payment (interim)	2 nd Quarterly Payment	3 rd Quarterly Payment	4 th Quarterly Payment
Announcement date	06 March 2017	15 May 2017	11 August 2017	13 November 2017
Ex-Dividend	09 March 2017	18 May 2017	16 August 2017	16 November 2017
Record Date	10 March 2017	19 May 2017	17 August 2017	17 November 2017
Payment Date	30 March 2017	14 June 2017	12 September 2017	12 December 2017
FX Exchange rate	07 March 2017	16 May 2017	14 August 2017	14 November 2017

Share buyback

Corporate authorisations and key features of the Program

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

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

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

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

Disclosure of trading in own shares under the completed Program

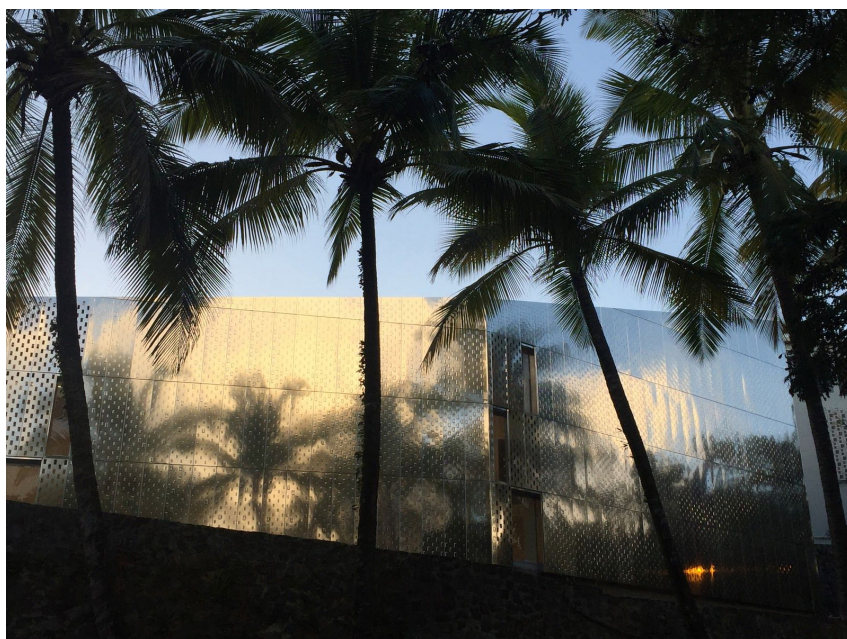
On June 22, 2017, Aperam announced the completion of the Program with final settlement on June 21, 2017. In aggregate, 2,000,000 shares were bought under this Program, representing an aggregate amount of U.S.\$98,436,528.

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

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

Disclosure of trading in own shares under Luxembourg Company law

- Number of own shares held on December 31, 2016: 278,381 or 0.36% of the subscribed capital, representing a nominal value of U.S.\$9,098,934 and an accounting par value of €1,458,716.
- Number of own shares acquired under share buyback program during the first half of 2017: 2,000,000 or 2.56% of the subscribed capital, representing a nominal value of U.S.\$98,436,528 and an accounting par value of €10,480,000. On June 22, 2017, these 2,000,000 shares acquired were cancelled in line with the announced purpose of the Program.
- Number of own shares held on June 30, 2017: 253,926 or 0.33% of the subscribed capital, representing a nominal value of U.S.\$11,984,848 and an accounting par value of €1,330,572.



Fondation Clément, Le François - Martinique; Reichen et Robert & Associés © Fondation Clément

Aperam Stainless Steel used:
Aperam 316L with Uginox Meca 8 ND
(mirror) & Uginox Linen

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Sources and Uses of Cash

The following table presents a summary of our cash flow for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016:

	Summary of Cash Flows	
	Six months ended June 30,	
	2017	2016
	<i>(in millions of U.S. dollars)</i>	
Net cash provided by operating activities	127	151
Net cash used in investing activities	(79)	(58)
Net cash used in financing activities	(161)	(56)

Net cash provided by Operating Activities

Net cash provided by operating activities amounted to U.S.\$127 million for the six months ended June 30, 2017, compared to U.S.\$151 million for the six months ended June 30, 2016. The net cash provided by operating activities in six months ended June 30, 2017, decreased by U.S.\$24 million compared to the six months ended June 30, 2016, mainly on account of worse ratio of conversion of operating income into cash, partly offset by better operating result.

Net cash used in Investing Activities

Net cash used in investing activities amounted to U.S.\$(79) million for the six months ended June 30, 2017, compared to U.S.\$(58) million for the six months ended June 30, 2016. The net cash used in investing activities for the six months ended June 30, 2017, was mainly related to capital expenditures for U.S.\$(81) million compared to U.S.\$(58) million for the six months ended June 30, 2016.

Net Cash used in Financing Activities

Net cash used in financing activities was U.S.\$(161) million for the six months ended June 30, 2017, compared to net cash used in financing activities of U.S.\$(56) million for the six months ended June 30, 2016. Net cash used in financing activities for the six months ended June 30, 2017 was primarily due to U.S.\$(98) million of acquisition of treasury shares under the share buy-back program and U.S.\$(58) million of dividend payments. Net cash used in financing activities for the six months ended June 30, 2016 was primarily due to U.S.\$(48) million of dividend payments.

Equity

Equity attributable to the equity holders of the parent increased to U.S.\$2,593 million at June 30, 2017, as compared to U.S.\$2,481 million at December 31, 2016, primarily due to net income for the period of U.S.\$178 million, foreign currency translation differences of U.S.\$122 million and capital increase related to the conversion of convertible bonds of U.S.\$27 million, partly offset by purchase of treasury shares of U.S.\$(98) million and dividend declaration of U.S.\$(116) million.

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 above “Summary of principal risks and uncertainties”.

Outlook

On July 26, 2017, the Company released its second quarter 2017 results which are available on the Company’s website www.aperam.com, section “Investors & shareholders” > “Earnings”. As part of its prospects, the Company announced that EBITDA in Q3 2017 is expected to decrease compared to Q2 2017 mainly due to the effects of the recent decline in raw material prices on top of the traditional seasonal slowdown. The net financial debt is expected to decrease in Q3 2017 versus Q2 2017.

Recent Developments

- On February 13, 2017, Aperam announced that it has applied for a listing on Euronext Brussels with the cross listing to become effective on February 16, 2017.
- On February 15, 2017, Aperam announced that its Long Term Issuer rating has been upgraded to Investment Grade by Moody’s, in recognition of its sustainable financial performance. Aperam’s Long Term Issuer rating by Moody’s is at Baa3, with stable outlook.
- On February 28, 2017, Aperam announced the publication of its 2016 Annual Report.
- On March 20, 2017, Aperam was included in BEL 20 index by Euronext.
- On April 4, 2017, Aperam announced the completion of the divestment of Aperam Stainless Services & Solutions Tubes Europe.
- On April 7, 2017, Aperam announced the publication of the convening notice for its Annual General Meeting and Extraordinary General Meetings of shareholders to be held on May 10, 2017.
- On April 21, 2017, Aperam announced the publication of its “made for life” report for 2016, which constitutes Aperam’s sustainability performance report.
- On May 10, 2017, Aperam announced that the Annual and Extraordinary General Meetings of Shareholders of Aperam held in Luxembourg on May 10, 2017 approved all resolutions on the agenda by a large majority.
- On May 11, 2017, Aperam announced changes to its Leadership Team (described in greater detail in the section on Corporate Governance hereafter).
- On May 18, 2017, Aperam announced that its long-term corporate credit rating has been upgraded to Investment Grade by Standard & Poor’s, in recognition of its steady and strong operating performance and credit metrics. Aperam’s long-term corporate credit rating by Standard & Poor’s is now at BBB-, with stable outlook.
- On June 7, 2017, Aperam announced Phase 3 of its Leadership Journey® with U.S.\$150 million additional EBITDA gains per year targeted by end of 2020.
- On June 7, 2017, Aperam announced its intention to exercise its call option to redeem its convertible bonds maturing 2020 at their principal amount, together with accrued but unpaid interest, on or after October 15, 2017, subject to terms and conditions of the bonds.

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- On June 7, 2017, Aperam announced having entered into a 5 years unsecured revolving credit facility of €300 million, replacing its 3 years secured borrowing base facility of U.S.\$400 million.
- On June 22, 2017, Aperam announced the completion of its share buyback program and cancellation of shares bought under the program.

Recent Developments in Legal Proceedings

The Company is party to various environmental liabilities, labor disputes, tax and other claims, the most significant are described in Note 24 to the consolidated financial statements as of and for the year ended December 31, 2016. Changes in contingencies since December 31, 2016, are described in Note 12 to the Condensed Consolidated Financial Statements.

Corporate Governance

Please refer to the "Corporate Governance" section of Aperam's Annual Report 2016 for a complete overview. Aperam's Annual Report is available on www.aperam.com under "Investors & shareholders" > "Aperam Financial Reports". The purpose of the present section is solely to describe the events and changes affecting the corporate governance of Aperam between December 31, 2016, and June 30, 2017.

Board of Directors and Committees

Election of members of the Board of Directors

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

Composition of the Board of Directors and Committees

The members of the Board of Directors as well as their memberships to the Board's Committees as of the date of this interim financial report are set forth below.

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

Notes:

Company Secretary: Mr. Laurent Beauloye

⁽¹⁾ Member of the Audit and Risk Management Committee.

⁽²⁾ Member of the Remuneration, Nomination and Corporate Governance Committee.

Leadership Team

On May 11, 2017, Aperam announced the resignation of Mrs. Johanna Van Sevenant, CEO Services & Solutions, effective July 1, 2017 to realize a personal project. Mr. Timoteo Di Maulo, CEO, is holding the interim responsibilities for Services & Solutions as from July 1, 2017 and until a successor is appointed.

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Information related to the shares of the Company

Listing

Aperam is listed on Euronext Brussels since February 16, 2017, and entered the Belgium BEL20 index on March 20, 2017.

Aperam has not placed any new shares in this connection and remains listed on the Luxembourg Stock Exchange's regulated market and on Euronext Amsterdam and Euronext Paris. In the US, the shares are traded as New York registry shares on the OTC.

Shareholding notifications

On April 10, 2017, Aperam announced that in reference to the amended Luxembourg law and Grand Ducal regulation of January 11, 2008, on transparency requirements for issuers of securities, a shareholding notification by HSBC Trustee (C.I.) Limited was made 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.

Authorisation of grants of share based incentives

On May 10, 2017, the Annual General Meeting of Shareholders authorised the Board of Directors to issue up to 220,000 of the Company's fully paid-up ordinary shares under the Leadership Team Performance Share Unit Plan (the "LT PSU Plan"). These shares can be newly issued shares or treasury shares. The Board of Directors may consider appropriate rules to implement the LT PSU Plan, including other performance based grants below the level of the Leadership Team. Awards under the LT PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant (development of Total Shareholder Return and Earnings per Share compared to a peer group of companies over a three year period). The details of the LT PSU Plan are described in the convening notice as well as in an explanatory presentation available on www.aperam.com, section "Investors & shareholders" > "Equity Investors" > "Shareholders' Meetings", > "10 May 2017 - General Meetings of Shareholders".

Cancellation of shares and reduction of issued share capital *

On May 10, 2017, the Extraordinary General Meeting of Shareholders approved the proposed resolution to allow the Company to cancel all the shares repurchased by the Company and held in treasury under its share buyback program as announced on February 9, 2017 (the "Program"), while amending the articles of association, reducing or cancelling the relevant reserves in consequence and approving the required delegations.

On June 22, 2017, 2,000,000 shares acquired under share buyback program were cancelled in line with the announced purpose of the Program. Such cancellation was recorded by way of notarial deed on June 26, 2017.

Please refer to section "Earnings distribution" of this Interim Report for greater details.

Increase of issued shares

On June 2, 2017, and June 22, 2017, respectively 1,288,166 and 47,709 newly issued shares were delivered to Convertible and/or Exchangeable Bonds due 2020 against conversion notices, representing a total number of shares of 1,335,875. Such issuance of shares was recorded by way of notarial deed on June 26, 2017.

* Additional details are described in the convening notice available on www.aperam.com, section "Investors & shareholders" > "Equity Investors" > "Shareholders' Meetings", > "10 May 2017 - General Meetings of Shareholders".

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Compulsory dematerialisation of all the shares in the Company *

On May 10, 2017, the Extraordinary General Meeting of shareholders approved the compulsory dematerialisation of all the shares in the Company in accordance with the law of April 6, 2013, on dematerialised securities and delegation of powers to the Board of Directors to inter alia determine the effective date of such compulsory dematerialisation.

Articles of Association

Amendments of articles of association to reflect recent changes in Luxembourg law *

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

Articles of Association after amendments pursuant to Extraordinary General Meeting of May 10, 2017 and notarial deed of June 26, 2017

The amended version of the articles of association of the Company (also in track changes version) following changes approved at the Extraordinary General Meeting of Shareholders of May 10, 2017 is available on www.aperam.com under “About” – “Investors & shareholders” - “Equity Investors” - “Shareholders’ Meetings” - “10 May 2017 – General Meetings of Shareholders”.

A more recent version reflecting the changes related to the cancellation of shares acquired under share buyback program and newly issued shares delivered to Convertible and/or Exchangeable Bonds due 2020 against conversion notices is available on www.aperam.com under “About” - “Corporate Governance” - “Articles of Association”.



Island Pavilion and Footbridge

Wormsley - United Kingdom; Robin Snell and Partners
© Graham Everitt - View Pictures Ltd

Stainless steel used: Aperam 316L with Uginox Top finish

* Additional details are described in the convening notice available on www.aperam.com, section “Investors & shareholders” > “Equity Investors” > “Shareholders’ Meetings”, > “10 May 2017 - General Meetings of Shareholders”.

Aperam, Société Anonyme

Condensed Consolidated Financial Statements

As of and for the six months ended June 30, 2017

Aperam S.A.
Société Anonyme

12C, rue Guillaume Kroll
L-1882 Luxembourg
R.C.S. Luxembourg B155.908

Interim Financial Report 2017

Statement of Responsible Persons

July 26, 2017

We confirm, to the best of our knowledge, that:

1. the Condensed Consolidated Financial Statements of Aperam presented in this Interim Financial Report 2017, prepared in conformity with International Accounting Standard 34, *Interim Financial Reporting*, 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 as of June 30, 2017, and for the six months period then ended included within the consolidation taken as a whole; and
2. the interim 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.



For and on behalf of the Board of Directors
Mr. Philippe Darmayan



Chief Executive Officer
Mr. Timoteo di Maulo



Chief Financial Officer
Mr. Sandeep Jalan

Interim Financial Report 2017

Aperam Condensed Consolidated Statement of Operations (in millions of U.S. dollars except share and per share data)

	Six months ended June 30,	
	2017	2016
Sales (Note 2) (including 50 and 35 of sales to related parties in 2017 and 2016, respectively)	2,544	2,197
Cost of sales (including depreciation and impairment of 79 and 82, and purchases from related parties of 139 and 96 for 2017 and 2016, respectively)	(2,178)	(1,950)
Gross margin	366	247
Selling, general and administrative expense	(105)	(94)
Operating income (Note 2)	261	153
Interest income	1	2
Interest expense and other net financing costs	(31)	(24)
Income before taxes	231	131
Income tax expense (Note 3)	(53)	(29)
Net income	178	102
Net income attributable to:		
Equity holders of the parent	178	102
Earnings per common share (in U.S. dollars):		
Basic	2.30	1.31
Diluted	2.01	1.09
Weighted average common shares outstanding (in thousands):		
Basic	77,368	77,604
Diluted	93,504	93,847

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

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Aperam

Condensed Consolidated Statement of Comprehensive Income / (Loss) (in millions of U.S. dollars)

	Six months ended June 30,	
	2017	2016
Net income	178	102
Items that cannot be recycled to the consolidated statement of operations:		
Re-measurement of defined benefit obligation during the period, net of tax expense of nil for 2017 and 2016, respectively	—	1
Items that can be recycled to the consolidated statement of operations:		
Available-for-sale investments (Note 7):		
Gain (loss) arising during the period, net of tax expense of nil and 1 for 2017 and 2016, respectively	(3)	3
Cash flow hedges:		
Gain (loss) arising during the period, net of tax expense of nil and 10 for 2017 and 2016, respectively	(1)	22
Reclassification adjustments for (gain) loss included in the statement of operations, net of tax expense of nil for 2017 and 2016, respectively	2	(1)
Total cash flow hedges	1	21
Exchange differences arising on translation of foreign operations, net of tax expense of 15 and 6 for 2017 and 2016, respectively	122	212
Total other comprehensive income	120	237
Total other comprehensive income attributable to:		
Equity holders of the parent	119	237
Non-controlling interests	1	—
Total other comprehensive income	120	237
Net comprehensive income	298	339
Net comprehensive income attributable to:		
Equity holders of the parent	297	339
Non-controlling interests	1	—
Net comprehensive income	298	339

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

Interim Financial Report 2017

Aperam Condensed Consolidated Statement of Financial Position (in millions of U.S. dollars)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	225	325
Trade accounts receivable ⁽¹⁾	370	238
Inventories (Note 4)	1,449	1,226
Prepaid expenses and other current assets (Note 5) ⁽¹⁾	81	84
Income tax receivable	6	5
Assets held for sale (Note 6)	—	24
Total current assets	2,131	1,902
Non-current assets:		
Goodwill and intangible assets	589	565
Biological assets	44	48
Property, plant and equipment	1,709	1,643
Other investments (Note 7)	37	37
Deferred tax assets	272	285
Other assets	190	195
Total non-current assets	2,841	2,773
Total assets	4,972	4,675

Note:

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

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

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Aperam Condensed Consolidated Statement of Financial Position (in millions of U.S. dollars)

	June 30, 2017	December 31, 2016
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt (Note 8)	179	204
Trade accounts payable ⁽¹⁾	1,069	947
Short-term provisions	22	19
Accrued expenses and other liabilities ⁽¹⁾	278	219
Income tax liabilities	14	9
Liabilities held for sale (Note 6)	—	24
Total current liabilities	1,562	1,422
Non-current liabilities:		
Long-term debt, net of current portion (Note 8)	281	275
Deferred tax liabilities	199	171
Deferred employee benefits	184	173
Long-term provisions	49	49
Other long-term obligations	100	100
Total non-current liabilities	813	768
Total liabilities	2,375	2,190
Equity (Note 9):		
Common shares (no par value, 96,216,785 and 96,216,785 shares authorised, 77,385,605, and 78,049,730 shares issued and 77,131,679 and 77,771,349 shares outstanding as of June 30, 2017 and December 31, 2016, respectively)	541	547
Treasury shares (253,926 and 278,381 common shares as of June 30, 2017 and December 31, 2016, respectively)	(12)	(9)
Additional paid-in capital	1,534	1,595
Retained earnings	1,348	1,282
Other comprehensive loss	(842)	(961)
Option premium on convertible bonds	24	27
Equity attributable to the equity holders of the parent	2,593	2,481
Non-controlling interests	4	4
Total equity	2,597	2,485
Total liabilities and equity	4,972	4,675

Note:

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

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

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

		Other Comprehensive Income (Loss)										Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
		Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealised gains (losses) on derivatives financial instruments	Unrealised gains (losses) available for sale securities	Recognised actuarial gains (losses)	Option premium on convertible bonds				
Balance at December 31, 2015	Shares ⁽¹⁾	547	(15)	1,599	1,165	(1,060)	(24)	—	(22)	27	5	2,222		
Net income	—	—	—	—	102	—	—	—	—	—	—	102		
Other comprehensive income	—	—	—	—	—	212	21	3	1	—	—	237		
Total comprehensive income	—	—	—	—	102	212	21	3	1	—	—	339		
Treasury stock	—	—	1	—	—	—	—	—	—	—	—	1		
Recognition of share based payments	37	—	—	—	1	—	—	—	—	—	—	1		
Dividends	—	—	—	—	(97)	—	—	—	—	—	—	(97)		
Balance at June 30, 2016	77,627	547	(14)	1,599	1,171	(848)	(3)	3	(21)	27	5	2,466		
Balance at December 31, 2016	77,771	547	(9)	1,595	1,282	(959)	(2)	17	(17)	27	4	2,485		
Net income	—	—	—	—	178	—	—	—	—	—	—	178		
Other comprehensive income	—	—	—	—	—	121	1	(3)	—	—	1	120		
Total comprehensive income	—	—	—	—	178	121	1	(3)	—	—	1	298		
Recognition of share based payments	24	—	1	—	1	—	—	—	—	—	—	2		
Purchase of treasury shares	(2,000)	—	(98)	—	—	—	—	—	—	—	—	(98)		
Conversion of convertible bonds	1,336	8	—	19	3	—	—	—	—	(3)	—	27		
Cancellation of treasury shares	—	(14)	94	(80)	—	—	—	—	—	—	—	—		
Dividends	—	—	—	—	(116)	—	—	—	—	—	(1)	(117)		
Balance at June 30, 2017	77,131	541	(12)	1,534	1,348	(838)	(1)	14	(17)	24	4	2,597		

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

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

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

	Six months ended June 30,	
	2017	2016
Operating activities:		
Net income	178	102
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation, amortisation and impairment	79	82
Net interest expense	20	19
Income tax expense (Note 3)	53	29
Net write-downs of inventories to net realisable value	16	6
Unrealised (gains)/ losses on derivative instruments	11	3
Unrealised foreign exchange effects, other provisions and non-cash operating expenses, (net)	(13)	(21)
Changes in operating working capital:		
Trade accounts receivable ⁽¹⁾	(106)	(47)
Trade accounts payable ⁽¹⁾	60	(115)
Inventories	(162)	79
Changes in other operating assets, liabilities and provisions:		
Interest paid, (net)	(5)	(6)
Income taxes paid	(19)	(8)
Other working capital movements and provisions movements ⁽¹⁾	15	28
Net cash provided by operating activities	127	151
Investing activities:		
Acquisition of property, plant and equipment, intangible and biological assets (CAPEX)	(81)	(58)
Other investing activities, (net)	2	—
Net cash used in investing activities	(79)	(58)
Financing activities:		
Net proceeds (payments) from short-term debt (Note 8)	(6)	(7)
Proceeds from long-term debt, net of debt issuance costs	1	—
Purchase of treasury shares (Note 9)	(98)	—
Dividends paid (Note 9)	(58)	(48)
Other financing activities (net)	—	(1)
Net cash used in financing activities	(161)	(56)
Effect of exchange rate changes on cash	13	7
Net decrease in cash and cash equivalents	(100)	44
Cash and cash equivalents:		
At the beginning of the period	325	148
At the end of the period	225	192

Note:

⁽¹⁾ Amounts for June 30, 2016, have been restated in accordance with the change of presentation related to TSR programs - see Note 1 to the condensed consolidated financial statements.

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

Interim Financial Report 2017

SUMMARY OF NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- Note 1: Nature of business, basis of presentation and accounting policies
- Note 2: Segment reporting
- Note 3: Income tax
- Note 4: Inventories
- Note 5: Prepaid expenses and other current assets
- Note 6: Assets and liabilities held for sale
- Note 7: Other investments
- Note 8: Short-term and long-term debt
- Note 9: Equity
- Note 10: Instruments at fair value
- Note 11: Commitments
- Note 12: Contingencies
- Note 13: Subsequent events

NOTE 1 – NATURE OF BUSINESS, BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Nature of business

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

Basis of presentation

The condensed consolidated financial statements of Aperam (or the “Company”) as of June 30, 2017, and for the six months then ended (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) No. 34, “Interim Financial Reporting”. They should be read in conjunction with the annual consolidated financial statements and the notes thereto as of and for the year ended December 31, 2016, included in the Company’s 2016 Annual Report which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”). They are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data.

Accounting policies

The Interim 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 realisable value or cost. Unless specifically described herein, the accounting policies used to prepare the Interim Financial Statements are the policies described in Note 2 of the consolidated financial statements for the year ended December 31, 2016.

There were no significant effects on the Interim Financial Statements as a result of the adoption of any of the aforementioned standards or interpretations, except for the modification of the presentation of assets and liabilities related to the TSR programs to more appropriately reflect the nature of these items. The comparative amount in the condensed consolidated statement of financial position was reclassified for consistency, which resulted in an amount of nil being reclassified from “Prepaid expenses and other current assets” to “Trade accounts receivable” and U.S.\$42 million being reclassified from “Accrued expenses and other current liabilities” to “Trade accounts payable” as of December 31, 2016. In addition, amounts in the condensed consolidated statement of cash flows were similarly reclassified, which resulted in U.S.\$61 million being reclassified from “Other working capital movements and provisions movements” to “Changes in working capital - Trade accounts payable” for the six months period ended June 30, 2016.

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The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

NOTE 2 – SEGMENT REPORTING

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

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

<i>(in millions of U.S. dollars)</i>	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others / Eliminations⁽¹⁾	Total
Six months ended June 30, 2017					
Sales to external customers	1,154	1,129	252	9	2,544
Intersegment sales ⁽²⁾	959	46	1	(1,006)	—
Operating income (loss)	218	40	21	(18)	261
Depreciation and Impairment	69	5	4	1	79
Capital expenditures	68	8	4	1	81
Six months ended June 30, 2016					
Sales to external customers	1,003	981	212	1	2,197
Intersegment sales ⁽²⁾	805	38	4	(847)	—
Operating income (loss)	120	39	10	(16)	153
Depreciation and Impairment	71	7	3	1	82
Capital expenditures	52	2	4	—	58

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.

NOTE 3 – INCOME TAX

The income tax expense or benefit for the period is based on an estimated annual effective rate, which requires management to make its best estimate of annual pre-tax income for the year. During the year, management regularly updates its estimates based on changes in various factors such as geographical mix of operating profit, prices, shipments, product mix, plant operating performance and cost estimates, including labor, raw materials, energy and pension and other postretirement benefits.

Income tax was an expense of U.S.\$(53) million and U.S.\$(29)million for the six months ended June 30, 2017, and 2016, respectively. The higher income tax expense is mainly a result of an improvement in the level of the estimated results of the Company's operating entities for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. The effective tax rate remained stable at 23% for the six months ended June 30, 2017 compared to an effective tax rate of 22% for the six months ended June 30, 2016.

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NOTE 4 – INVENTORIES

Inventories, net of provision for obsolescence, slow-moving inventories and excess of cost over net realisable value of U.S.\$103 million and U.S.\$85 million as of June 30, 2017, and December 31, 2016, respectively, are comprised of the following:

<i>(in millions of U.S. dollars)</i>	June 30, 2017	December 31, 2016
Finished products	556	449
Production in process	570	440
Raw materials	179	208
Manufacturing supplies, spare parts and other	144	129
Total	1,449	1,226

The amount of write-downs of inventories to net realisable value recognised as an expense was U.S.\$(16) million and U.S.\$(6) million during the six months ended June 30, 2017, and 2016, respectively and the expense was reduced by U.S.\$4 million and U.S.\$16 million, respectively, due to normal inventory consumption.

The amount of inventories recognised as an expense (due to normal inventory consumption) was U.S.\$(526) million and U.S.\$(587) million during the six months ended June 30, 2017, and 2016, respectively.

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

<i>(in millions of U.S. dollars)</i>	June 30, 2017	December 31, 2016
Value added tax (VAT) and other amount receivable from tax authorities	38	40
Prepaid expenses and accrued receivables	14	13
Derivative financial assets	4	9
Other	25	22
Total	81	84

NOTE 6 – ASSETS AND LIABILITIES HELD FOR SALE

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

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NOTE 7 – OTHER INVESTMENTS

The Company holds the following other investments:

			Fair value	
		Ownership % at June 30, 2017	June 30, 2017	December 31, 2016
(in millions of U.S. dollars)	Location			
Available-for-sale securities (at fair value)				
General Moly Inc	U.S.	7.43%	3	2
Gerdau S.A.	Brazil	0.53%	28	30
Total available-for-sale securities			31	32
Investments accounted for at cost				
Exeltium S.A.S.	France	2.05%	4	4
Other			2	1
Total investments accounted for at cost			6	5
Total			37	37

The fair value (applying a Level 1 fair value measurement) of Aperam's stake in Gerdau amounted to U.S.\$28 million and U.S.\$30 million as of June 30, 2017 and December 31, 2016, respectively. The decrease of U.S.\$2 million over the period is due to the decrease in the market price of the shares from R\$10.80 as of December 31, 2016, to R\$10.28 as of June 30, 2017.

The fair value of Aperam's stake in General Moly amounted to U.S.\$3 million and U.S.\$2 million as of June 30, 2017, and December 31, 2016, respectively.

The Company reviewed the investments in Gerdau and General Moly for impairment and didn't recognise any impairment loss in the statement of operations for the six months ended June 30, 2017, nor for the six months ended June 30, 2016.

NOTE 8 – SHORT-TERM AND LONG-TERM DEBT

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

(in millions of U.S. dollars)	June 30, 2017	December 31, 2016
Short-term bank loans and other credit facilities	2	5
Current portion of long-term debt	176	198
Lease obligations	1	1
Total	179	204

Secured borrowing base revolving credit facility

On March 6, 2015, Aperam signed a U.S.\$500 million secured borrowing base revolving credit facility ("The Facility") with a group of nine banks. The Facility, which refinanced the existing Borrowing Base Facility of U.S.\$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. On December 1, 2015, Aperam cancelled a U.S.\$100 million of commitments leading to a remaining U.S.\$400 million secured borrowing base revolving credit facility. On May 26, 2016, Aperam extended the maturity of the credit facility until March 5, 2019.

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

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Unsecured revolving credit facility

On June 6, 2017, Aperam entered into a €300 million unsecured revolving credit facility ("The Facility") with a group of 10 banks. The Facility is structured as a 5-year revolving credit facility with two options of extension by one year each, replacing its U.S.\$400 million existing 3-year secured borrowing base facility (see above). It will be used for the company's general corporate purposes.

As of June 30, 2017, no amount was drawn under this facility.

The Company's long-term debt consisted of the following:

<i>(in millions of U.S. dollars)</i>	Year of maturity	Type of Interest	Interest rate⁽¹⁾	June 30, 2017	December 31, 2016
300 Convertible Bonds	2019/2021 ⁽²⁾	Fixed	0.625%	277	269
200 Convertible Bonds	2017/2020 ⁽³⁾	Fixed	2.625%	169	191
Loans in Brazil	2017-2026	Fixed/Floating	2.50%-11%	9	11
Total				455	471
Less current portion of long-term debt				(176)	(198)
Total long-term debt (excluding lease obligations)				279	273
Lease obligations ⁽⁴⁾				2	2
Total long-term debt, net of current portion				281	275

Notes:

(1) Rates applicable to balances outstanding at June 30, 2017.

(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 U.S.\$1 million and U.S.\$1 million as of June 30, 2017, and December 31, 2016, respectively.

U.S.\$200 million Convertible Bonds

On September 19, 2013, Aperam issued a U.S.\$200 million convertible and/or exchangeable debt instrument with a contractual maturity of 7 years. 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 recognised as an equity component. The Company determined the fair value of the financial liability component of the bonds was U.S.\$158 million on the date of issuance.

In June 2017, U.S.\$28 million of these bonds were early converted following notice of conversion issued by bondholders and 1,335,875 shares were created and delivered to bondholders against their conversion notices.

U.S.\$300 million Convertible Bonds

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

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

Interim Financial Report 2017

NOTE 9 – EQUITY

Share details

The Company's shares consist of the following:

	December 31, 2016	Movement of the period	June 30, 2017
Issued shares	78,049,730	(664,125)	77,385,605
Treasury shares	(278,381)	24,455	(253,926)
Total outstanding shares	77,771,349	(639,670)	77,131,679

Authorised shares

On May 8, 2014, the Extraordinary General Meeting resolved to increase the authorised share capital by €54,279,543, equivalent to 10,362,482 shares, so that the Company's authorised share capital (including its issued share capital) shall amount to €503,991,548, represented by 96,216,785 shares without nominal value.

Issued shares

On June 2, 2017, and June 22, 2017, the Company increased its share capital by €6,999,985 (U.S.\$8 million) from €408,831,000 (U.S.\$547 million) to €415,830,985 (U.S.\$555 million) through the issuance of 1,288,166 and 47,709 new shares delivered to bondholders of Convertible and/or Exchangeable Bonds due 2020 following receipt of conversion notices. The aggregate number of shares issued and fully paid up increased to 79,385,605.

On June 22, 2017, following the decision of the Extraordinary General Meeting of May 10, 2017 to cancel issued shares acquired under the share buy-back program announced on February 9, 2017, the Company cancelled 2,000,000 issued shares acquired under the Program. The share capital decreased from €415,830,985 (U.S.\$555 million) to €405,350,985 (U.S.\$541 million). The aggregate number of shares issued and fully paid up decreased to 77,385,605.

Treasury shares

Between March 7, 2017, and June 16, 2017, the Company acquired 2,000,000 of its own shares under the share buy-back program announced on February 9, 2017, for a total consideration of U.S.\$98 million.

On June 22, 2017, 2,000,000 shares acquired under the share buyback program were cancelled in line with the announced purpose of the program.

On June 29, 2017, a total of 24,455 shares were allocated to qualifying employees under the PSU plan granted in June 2014.

Aperam held 253,926 and 278,381 treasury shares as of June 30, 2017, and December 31, 2016, respectively.

Dividends

On February 9, 2017, Aperam announced a proposal to increase its base dividend from U.S.\$1.25 (gross) per share to U.S.\$1.50 (gross) per share, subject to shareholder approval at the Annual General Meeting of May 10, 2017.

On May 10, 2017, the shareholders approved at the annual general meeting of shareholders a gross dividend per share of U.S.\$1.50 (gross) per share. The dividend is being paid in four equal quarterly instalments of U.S.\$0.375 (gross) per share.

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Share unit plan

On May 10, 2017, the Annual General Meeting of Shareholders authorised the Board of Directors to issue (during the period between the 2017 and the 2018 annual general meeting) up to 220,000 of the Company's fully paid-up ordinary shares under the Leadership Team Performance Share Unit Plan (the "LT PSU Plan"). These shares can be newly issued shares or treasury shares. The Board of Directors may consider appropriate rules to implement the LT PSU Plan, including other performance based grants below the level of the Leadership Team.

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NOTE 10 – INSTRUMENTS AT FAIR VALUE

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

Fair value versus carrying amounts

The following table summarises assets and liabilities based on their categories as of June 30, 2017.

(in millions of U.S. dollars)	Carrying amount in statements of financial position	Non-financial assets and liabilities	Loan and receivables	Liabilities at amortised cost	Instruments at fair value		
					Fair value recognised in profit and loss	Available for sale assets	Derivatives
ASSETS							
Current assets:							
Cash and cash equivalents	225	—	225	—	—	—	—
Trade accounts receivable	370	—	370	—	—	—	—
Inventories	1,449	1,449	—	—	—	—	—
Prepaid expenses and other current assets	81	38	39	—	—	—	4
Income tax receivable	6	6	—	—	—	—	—
Total current assets	2,131	1,493	634	—	—	—	4
Non-current assets:							
Goodwill and intangible assets	589	589	—	—	—	—	—
Biological assets	44	—	—	—	44	—	—
Property, plant and equipment	1,709	1,709	—	—	—	—	—
Other investments	37	6	—	—	—	31	—
Deferred tax assets	272	272	—	—	—	—	—
Other assets	190	66	35	—	—	—	89
Total non-current assets	2,841	2,642	35	—	44	31	89
Total assets	4,972	4,135	669	—	44	31	93
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt and current portion of long-term debt	179	—	—	179	—	—	—
Trade accounts payable	1,069	—	—	1,069	—	—	—
Short-term provisions	22	22	—	—	—	—	—
Accrued expenses and other liabilities	278	123	—	149	—	—	6
Income tax liabilities	14	14	—	—	—	—	—
Total current liabilities	1,562	159	—	1,397	—	—	6
Non-current liabilities:							
Long-term debt, net of current portion	281	—	—	281	—	—	—
Deferred tax liabilities	199	199	—	—	—	—	—
Deferred employee benefits	184	184	—	—	—	—	—
Long-term provisions	49	49	—	—	—	—	—
Other long-term obligations	100	8	—	3	—	—	89
Total non-current liabilities	813	440	—	284	—	—	89
Equity:							
Equity attributable to the equity holders of the parent	2,593	2,593	—	—	—	—	—
Non-controlling interests	4	4	—	—	—	—	—
Total equity	2,597	2,597	—	—	—	—	—
Total liabilities and equity	4,972	3,196	—	1,681	—	—	95

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The following table summarises the bases used to measure assets and liabilities at their fair value.

(in millions of U.S. dollars)	As of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Biological assets	—	—	44	44
Available-for-sale financial assets	31	—	—	31
Derivative financial current assets	—	4	—	4
Derivative financial non-current assets	—	—	89	89
Total assets at fair value	31	4	133	168
Liabilities at fair value:				
Derivative financial current liabilities	—	6	—	6
Derivative financial non-current liabilities	—	—	89	89
Total liabilities at fair value	—	6	89	95

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

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

In order to determine the fair value of biological assets, a discounted cash flow model was used, with the harvest cycle of six to seven years. Fair value measurement of biological assets is categorised within level 3 of fair value hierarchy.

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 liabilities classified as Level 3 refers to the conversion option in the U.S.\$300 million convertible bonds. The fair valuation of Level 3 derivative instruments is established at each reporting date in relation to which an analysis is performed in respect of changes in the fair value measurement since the last period. Aperam's valuation policies for derivatives are an integral part of its internal control procedures and have been reviewed and approved according to the Company's principles for establishing such procedures. In particular, such procedures address the accuracy and reliability of input data, the accuracy of the valuation model and the knowledge of the staff performing the valuations.

Aperam establishes the fair valuation of the call options on its own shares and the conversion option with respect to the U.S.\$300 million convertible bonds through the use of a volatility model based on a partial differential equation. The model uses an iterative procedure to price options, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the option's expiration date. In contrast to the Black-Scholes model, which provides a numerical result based on inputs, the model allows for the calculation of the asset and the option for multiple periods along with the range of possible results for each period.

Observable input data used in the valuations include zero coupon yield curves, stock market prices and Libor interest rates. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available.

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The following tables summarised the reconciliation of the fair value of the assets and liabilities classified as Level 3 for the six months ended June 30, 2017:

<i>(in millions of U.S. dollars)</i>	U.S.\$300 million convertible bonds' conversion option	Call option on own shares	Total
Balance as of December 31, 2016	(92)	92	—
Change in fair value ⁽¹⁾	3	(3)	—
Balance as of June 30, 2017	(89)	89	—

Note:

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

<i>(in millions of U.S. dollars)</i>	Biological assets
Balance as of December 31, 2016	48
Additions	6
Change in fair value ⁽¹⁾	3
Harvested trees	(13)
Foreign exchange difference	—
Balance as of June 30, 2017	44

Note:

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

Portfolio of Derivatives

The Company enters into derivative financial instruments to manage its exposure to fluctuations in exchange rates and the price of raw materials arising from operating, financing and investment activities.

The Company's portfolio of derivatives consists of transactions with Aperam Treasury S.C.A., which in turn enters into offsetting positions with counterparties external to Aperam. Aperam manages the counterparty risk associated with its instruments by centralising its commitments and by applying procedures which specify, for each type of transaction exposure limits based on the risk characteristics of the counterparty.

The portfolio associated with derivative financial instruments classified as Level 2 as of June 30, 2017 is as follows:

<i>(in millions of U.S. dollars)</i>	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	50	—	45	—
Forward sale contracts	29	—	59	—
Total foreign exchange rate instruments		—		—
Raw materials (base metal)				
Term contracts sales metals	27	1	34	(2)
Term contracts purchases metals	29	3	45	(4)
Total raw materials (base metal)		4		(6)
Total		4		(6)

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NOTE 11 – 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 and other.

The total of commitments by category is as follows:

<i>(in millions of U.S. dollars)</i>	June 30, 2017	December 31, 2016
Purchase commitments	1,208	1,587
Guarantees, pledges and other collateral	110	1,013
Operating leases	37	42
Total	1,355	2,642

Pledges on December 31, 2016, mainly related to inventory and trade receivables pledged to secure the borrowing base revolving credit facility which was cancelled in June 2017, see note 8.

NOTE 12 – CONTINGENCIES

The Company is 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. Consequently, for a large number 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 the Company's 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.

The Company is party to various environmental liabilities, labor disputes, tax and other claims, the most significant are described in Note 24 to the consolidated financial statements as of and for the year ended December 31, 2016. Changes in contingencies since December 31, 2016, are described below:

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Tax Claims

- On March 28, 2017, Aperam South America received a partially favorable decision in the pending tax litigation related to the two tax assessments raised on May 29, 2015, related to social contributions paid in 2010-2011 for a total amount of R\$22 million (U.S.\$7 million).
- On March 31, 2017, Aperam South America received a new tax assessment related to the tax benefit taken in 2012 from the goodwill generated by the acquisition of the shares from the minority shareholders for the delisting of the Company. The total amount claimed is R\$55 million (U.S.\$17 million) . The Company presented its defense on May 2, 2017.
- On April 24, 2017, the Court of Appeal has denied the appeal launched by the State in the pending case at administrative level in relation to the tax assessment Aperam South America received on March 29, 2011, regarding drawback tax benefit. Federal Revenue stated 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 R\$30 million (U.S.\$9 million). The Court of Appeal decision is to be notified to the Company.
- On May 15, 2017, Aperam South America appealed the unfavorable decision in the pending litigation related to two tax assessments from the State of Minas Gerais in relation to use of ICMS (VAT) credits generated by the acquisition of goods for use and consumption from January 2010 to April 2015. The total amount claimed is R\$27 million (U.S.\$8 million).
- On May 18, 2017, the Court of Appeals has denied the appeal launched by the Federal Revenue against the favorable decision obtained by Aperam Bioenergia in the pending tax assessment in the total amount of R\$99 million (U.S.\$30 million) related to compensation of corporate income tax ("IRPJ" and "CSLL") made by the Company in 2011, in connection with the demerger of Aperam Bioenergia. The Court of Appeal decision is to be notified to the Company.
- On May 22, 2017, Aperam South America launched an appeal against the refused motion it requested for clarification in the pending tax case in relation to two tax assessments for social contributions paid in relation to 2009 and 2010 "Profit Sharing Program" for a total amount of R\$50 million (U.S.\$15 million).
- On May 26, 2017, Aperam South America filed an annulment action to start the discussion at judicial level in the pending tax case related a ICMS tax case related to an assessment dated December 11, 2015, in the total amount of R\$19 million (U.S. \$6 million).
- On June 21, 2017, Aperam South America received a final favourable decision by the Supreme Court that definitively closed the pending tax assessment the Company received on December 2, 2010, in the total amount of R\$111 million (U.S.\$34 million). The Minas Gerais State Revenue claimed that the Company should have paid VAT ("ICMS") related to the distribution of electric power between 2005 and 2009.

Note:

⁽¹⁾ Amounts in Brazilian Real are converted into U.S. dollars using the closing exchange rate of 1U.S.\$=3,3082R\$

NOTE 13 – SUBSEQUENT EVENTS

There were no subsequent events after June 30, 2017, except for those already mentioned in the notes.

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To the Shareholders of
Aperam, Société Anonyme (« Aperam »)
12C, Rue Guillaume Kroll
L-1882 Luxembourg

REVIEW REPORT OF THE REVISEUR D'ENTREPRISES AGREE ON INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Aperam as of June 30, 2017 and the related condensed consolidated statements of operations, comprehensive income, changes in equity and cash flows for the six month period then ended and the other explanatory notes, (collectively, the "interim financial statements"). The Board of Directors is responsible for the preparation and fair presentation of the interim financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

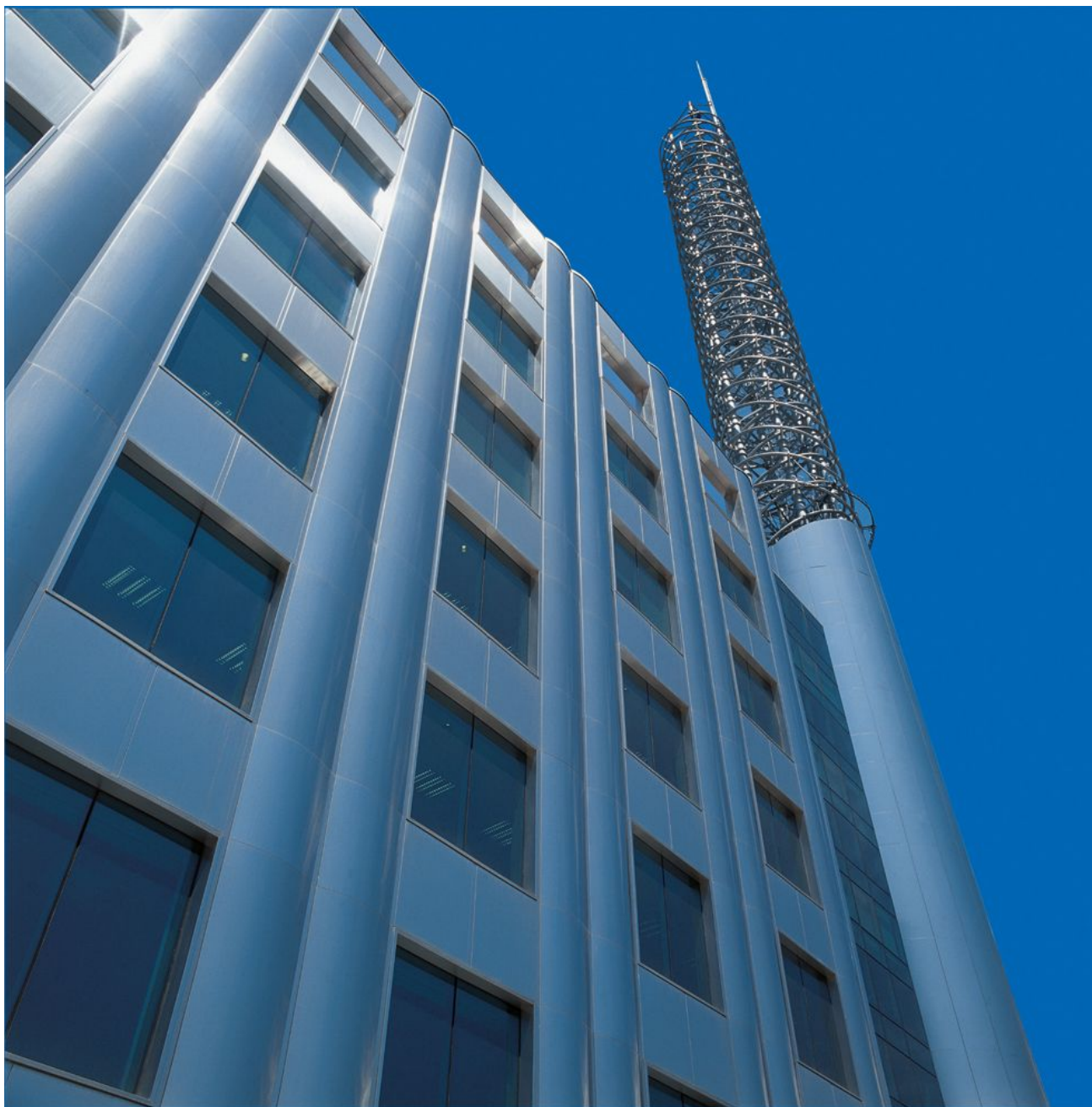
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviser d'entreprises agréé*
Partner

July 26, 2017



Vivo Headquarters, São Paulo - Brazil; Edo Rocha © Edo Rocha Arquiteturas

Stainless steel used: Aperam 304 and 316



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