

Financial Report 2011



Foreword from the Chairman of the Board of Directors

Dear Shareholders,

I am very honoured to present to you the Annual Report of Aperam for the year 2011.

I am extremely proud of the achievements of this young company and of its success in becoming a reference for the stainless steel industry in a challenging economic environment.

Since the spin-off from ArcelorMittal, Aperam's senior management has implemented a successful strategy under the guidance of its Board of Directors to make the Company a leader of the stainless steel industry in terms of safety, industrial performance and balance sheet strength.

Aperam has achieved an outstanding Health & Safety performance in 2011 and I would like to encourage all our employees to continue focusing on this top priority. We aspire to have zero accidents and to be a sustainable Company in all respects. Not only are our products fully recyclable, but we are also taking actions to go further in ensuring that our activities create lasting benefits for all our stakeholders.

We have successfully established our own financing structure as a stand-alone company and have a sound balance sheet with prudent debt levels. From an industrial performance perspective, Aperam has continued the path of operational excellence by following an ambitious sustainable management gains and profit enhancement programme of \$350 million, which we call "Leadership Journey".

In addition to emerging as a leader in safety and industrial performance, Aperam has also directly impacted the stainless steel industry by creating higher visibility for the sector. I am very proud to see that the creation of our Company has been the key catalyst in initiating further consolidation. Looking ahead, I believe that Aperam is well positioned to benefit from these changes in the competitive landscape.

Together with my colleagues from the Board of Directors I take this opportunity to welcome our new CEO, Philippe Darmayan. Philippe has extensive leadership experience in the stainless steel industry and I am confident that he will successfully lead the company into its next phase of development. We also extend our thanks to Bernard Fontana for his contribution as CEO until the end of November 2011, during the transition phase of Aperam.

Finally, I would like to thank all Aperam employees, its Management Committee and the Board of Directors, for their support, hard work and contribution to the company's performance in 2011. I am convinced that the strong competitive advantages of Aperam, together with the high caliber of our people, offer favourable and sustainable prospects for all our stakeholders.



Lakshmi N. Mittal
Chairman of the Board of Directors

Foreword from the Chief Executive Officer

Dear Shareholders,

I am pleased to introduce you to Aperam's 2011 Financial Report, which provides you with a consolidated overview of the Company's performance and strategy.

A year after it was spun off from ArcelorMittal to challenge the status quo and reshape the future of the stainless steel industry, Aperam, which produces stainless, electrical and specialty steel, has established itself as a leading player of this industry.

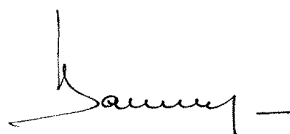
Aperam ended the year 2011 with an outstanding performance in Health and Safety, with a Lost Time Injury frequency rate, our main indicator in this field, at an average 0.7 per million of hours worked at the end of the fourth quarter against 2.0 a year earlier. This achievement, which makes Aperam a leader in the stainless steel industry, is filling us with pride and spurring our efforts to further improve our safety performance. To this end, we can rely on the motivation of our teams, who fully embrace this goal as a high priority.

During its first year of existence, building on its core values Leadership, Ingenuity and Agility, Aperam has created its own financing structure and pursued the implementation of the Leadership Journey, our ambitious profitability enhancement program. With limited exposure to bank debt and lower debt levels compared to peers, Aperam is well placed to benefit from growth opportunities and create value for its customers by delivering high value stainless steel products and solutions. At the end of December 2011, we had reached \$176 million of management gains and profit enhancement thanks to the "Leadership Journey". These results make me feel confident that we are well on track to reach the \$350 million EBITDA improvement we are targeting by 2013 focusing on fixed and variable cost reductions as well as on increased productivity.

Aperam's first annual results reflect extraordinarily difficult market conditions, specially towards year end, which we believe the Company weathered well, with sales at \$6.3 billion and EBITDA at \$356 million. At the beginning of the year 2012, we have started to see the signs of a rebound in the stainless business but we continue to remain cautious in view of the global economic uncertainties.

After the creation of Aperam, the stainless industry has moved towards consolidation. I welcome this upcoming transformation and I am confident that we are well positioned to benefit from consolidation thanks to our sound balance sheet and to the positive impact of our Leadership Journey.

All these developments and our strategy of value creation before volume growth comfort our confidence in the future of the stainless steel business in general and of Aperam in particular which is taking the right decisions to meet the expectations of its shareholders and customers in a highly volatile environment.



Philippe Darmayan
CEO Aperam

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Defined Terms and Conventions

“Company”, “we”, “us” and “our” refer to (i) Aperam following the spin-off (as defined below), (ii) Aperam together with its subsidiaries following the spin-off or (iii) the stainless and specialty steels businesses of ArcelorMittal prior to the spin-off, in each case as the context requires. “ArcelorMittal” refers to ArcelorMittal, formerly known as Mittal Steel Company N.V., and its subsidiaries, except in each case where otherwise indicated or where the context otherwise requires. “ArcelorMittal Group” refers to ArcelorMittal and its subsidiaries.

On January 25, 2011, the shareholders of ArcelorMittal approved the separation of its stainless and specialty steels businesses from its global steel and steel related products businesses. As a result, the shareholders of ArcelorMittal received ordinary shares of the Company, which now owns ArcelorMittal's stainless and specialty steels businesses. ArcelorMittal and the Company are independent from each other as of January 25, 2011.

References to “\$,” “U.S.\$” and “U.S. dollars” are to the United States dollar, the official currency of the United States, references to “real”, “reais” or “R\$” are to Brazilian reais, the official currency of Brazil and references to “euro”, “euros” or “€” are to the euro, the official currency of the European Union member states participating in the European Monetary Union. Certain information presented in Brazilian reais or euros has been translated into U.S. dollars. By including the U.S. dollar equivalents, we do not represent that the Brazilian reais or euro amounts actually represent the U.S. dollar amounts shown or that these amounts could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, foreign currency translations are presented on the basis of the noon buying rate on December 31, 2011, the date of the Company's most recent audited statement of financial position. As of that date, the noon buying rate of the Federal Reserve Bank of New York for the Brazilian real was R\$1.8758 per U.S. dollar and for the euro was €0.7728 per U.S. dollar.

In addition, unless indicated otherwise, or the context otherwise requires, references to:

- “AMIB” are to ArcelorMittal Inox Brasil S.A. and was renamed Aperam South America;
- “annealing” are to the process of heating cold steel to make it more suitable for bending and shaping and to prevent breaking and cracking;
- “Articles of Association” are to our articles of association;
- “bright annealing” are to the final annealing lines (with an oven) with a reducing atmosphere which produces a bright annealed finish;
- “brownfield project” are to the expansion of an existing operation;
- “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;
- “crude steel” are to the first solid steel product upon solidification of liquid steel, including ingots from conventional mills and semis (e.g., slab, billet and blooms) from continuous casters;
- “downstream” are to finishing operations, for example in the case of flat products, the operations after the production of hot-rolled coil;
- “EU-15” are to the 15 member states of the European Union prior to enlargement;
- “ferritic steel” are to stainless steels which have a low carbon content and contain between 13% and 17% chromium, the main alloying element;
- “finishing facilities” are to downstream facilities (including rolling mills, pickle lines, tandem mills, annealing facilities and temper mills);

- “General Moly” are to General Moly, Inc., in which we held, as of December 31, 2011, a 9.09% interest;
- “greenfield project” are to the development of a new project;
- “integrated mills” are to steel mills encompassing in the same location facilities ranging from meltshops and hot and cold rolling mills to finishing lines;
- “IFRS” are to International Financial Reporting Standards as adopted by the European Union;
- “martensitic” are to a small category of magnetic steels typically containing 12% chromium, a moderate level of carbon and a very low level of nickel;
- “Significant shareholder” are to a trust (HSBC Trust (C.I.) Limited, as trustee), of which Mr. Lakshmi N. Mittal, Ms. Usha Mittal and their children are the beneficiaries, or (where the context requires) prior owners of the Significant shareholder’s stake in Aperam;
- “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;
- “sales” include shipping and handling fees and costs billed to a customer in a sales transaction;
- “borrowing base facility” are the senior credit facility of \$800 million;
- “slabs” are to compact blocks of crude steel (usually a product of the casting process in steel mills), which are used as a pre-product in hot-rolling mills to produce hot-rolled coils or strips;
- “spin-off” are to the transfer of the assets comprising ArcelorMittal’s stainless and specialty steels businesses to us and the pro rata allocation of our ordinary shares to ArcelorMittal’s shareholders;
- “stainless steel scrap” are to recycled stainless steel materials that are remelted and recasted into new steel;
- “steckel mill” are to reversing steel sheet reduction mills with heated coil boxes at each end where steel sheet or plate is sent through the rolls of the reversing mill and then coiled at the end of the mill, reheated in the coil box and sent back through the steckel stands and recoiled;
- “upstream” are to operations that precede downstream steel-making, such as coke, sinter, blast furnaces, electric arc furnaces, casters and hot rolling/steckel mills;
- “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);
- “W/kg” are to watts per kilogram and are used in measurements involving electrical steel; and
- “width” are to the lateral dimension of rolled steel, as opposed to the length or the gauge.

The fiscal years presented in this financial report are the years ended December 31, 2011, 2010 and 2009, which we refer to as “2011,” “2010” and “2009”, respectively.

The Company was formed for the purpose of holding ArcelorMittal’s stainless and specialty steels businesses. The Company was initially incorporated under the name ArcelorMittal Stainless & Specialty Steels and its name was changed to Aperam following a notarial deed dated December 10, 2010.

This financial report contains references to some of our owned or licensed trademarks, trade names and service marks, which we refer to as our brands. All of the product names and logos included in this financial report are either registered trademarks of ours or of our licensors.

Certain information provided in this financial report has been sourced from third parties. We confirm that such third-party information has been accurately reproduced and that, so far as we are aware and are able to ascertain from information published by such third parties, no facts have been omitted which would render the third-party information reproduced herein inaccurate or misleading.

Financial Information

This financial report contains the audited consolidated financial statements of Aperam and its consolidated subsidiaries, including the consolidated statement of financial position as of December 31, 2011, and the consolidated statements of operations, changes in equity and cash flows for the year ended December 31, 2011. Aperam's consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Our historical combined financial statements as of and for the two years ended December 31, 2010 and 2009 have been prepared in accordance with IFRS as adopted by the European Union and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data.

In connection with the preparation of our December 31, 2009 financial statements, we adopted IFRS on January 1, 2007 and, in connection with that initial adoption, have applied the accounting principles effective as of the end of the year ended December 31, 2009 to all periods prior to December 31, 2009. The historical combined financial statements have been prepared on a "carve-out" basis from the ArcelorMittal consolidated financial statements using the historical results of operations, assets and liabilities attributable to ArcelorMittal's stainless steel and nickel alloys business, and certain other entities, except for the effects of the first-time adoption of IFRS under IFRS 1. The historical combined financial statements also include allocations of expenses from ArcelorMittal. The historical combined financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and derivative financial instruments, which are measured at fair value, and inventories, which are measured at the lower of net realizable value or cost.

Companies controlled by ArcelorMittal entities as of our adoption of IFRS, January 1, 2007, were recognized in the opening combined statement of financial position as of that date at their initial carrying value in the ArcelorMittal consolidated financial statements by increasing combined equity. Substantially all of the subsidiaries within the scope of our combination were acquired in August 2006 as part of the acquisition of Arcelor by Mittal Steel. In connection with this acquisition, associated goodwill, intangible assets, and certain fair value adjustments were recorded. Any goodwill and fair value adjustments recorded by ArcelorMittal have been recognized in full in the historical combined financial statements.

Market information

This financial report includes industry data and projections about our markets obtained from industry surveys, market research, publicly available information and industry publications. Statements regarding our competitive position contained in this financial report are based, in part, on public sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. In addition, in many cases we have made statements in this financial report regarding our industry and our position in the industry based on internal surveys, industry forecasts and market research, as well as our own experience.

FORWARD-LOOKING STATEMENTS

This financial report contains forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding management's expectations as to savings from the Company's cost reduction programs; the anticipated benefits of Aperam BioEnergia and General Moly; management's expectations of the long-term growth potential of the stainless steel industry; the Company's ability to achieve or maintain ongoing regulatory and environmental compliance in the various jurisdictions in which it operates; the adequacy of the Company's credit facilities to meet its present and future requirements; and the Company's expectations regarding its business, growth, future financial condition, results of operations and prospects. These statements usually contain the words "believes", "plans", "expects", "anticipates", "intends", "estimates" or other similar expressions. Forward-looking statements involve known and unknown risks and uncertainties. Although management believes that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that the actual results or developments anticipated will be realized or, even if realized, that they will have the expected effects on the business, financial condition, results of operations or prospects of the Company.

These forward-looking statements speak only as of the date on which the statements were made, and no obligation has been undertaken to publicly update or revise any forward-looking statements made in this financial report as a result of new information, future events or otherwise, except as required by applicable laws and regulations. In addition to other factors and matters contained in this financial report, the following major factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- global economic cycle downturn, overcapacity and or China slowdown;
- the risk of Nickel price decrease and raw material price uncertainty;
- fluctuations in currency exchange rates;
- the risk that developments in the competitive environment in the steel industry could have an adverse effect on our competitive position;
- the risk of disruptions to our manufacturing operations or damage to our production facilities due to natural disasters or other events;
- the litigation risks;
- the customer risks with respect to default and credit insurance companies refusing to ensure the risks;
- the risks of lack of competitiveness of the workforce costs and retention;
- the environmental and health and safety risks; and
- the energy risks;

These factors are discussed in more detail in this financial report, including under "Risk Factors".

PART I

Item 1. Key information

A. Selected financial

The following tables present selected consolidated financial information of Aperam as of and for the years ended December 31, 2011, 2010 and 2009. This summary financial information should be read in conjunction with the historical combined financial included elsewhere in this financial report. The consolidated financial statements are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per-share data. We have prepared the historical combined financial statements assuming an IFRS transition date of January 1, 2007.

Consolidated Statements of Operations

The following table presents data from our consolidated statements of operations for the years ended December 31, 2011, 2010 and 2009. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations" for additional information.

	Year ended December 31,		
	2011	2010 Combined	2009 Combined
	(in million of U.S. dollars)		
Sales ⁽¹⁾	6,345	5,604	4,235
Cost of sales ⁽²⁾	6,039	5,254	4,145
Gross margin	306	350	90
Selling, general and administrative	261	257	297
Operating income (loss)	45	93	(207)
Income from other investments	2	9	2
Interest income	3	9	10
Interest expense and other net financing costs	(157)	(9)	(12)
(Loss) income before taxes	(107)	102	(207)
Income tax benefit	(48)	(3)	(57)
Net (loss) income (including non-controlling interests)	(59)	105	(150)
Net (loss) income attributable to:			
Equity holders of the parent	(60)	104	(150)
Non-controlling interests	1	1	—
Net (loss) income (including non-controlling interests)	(59)	105	(150)
Basic earnings per share ⁽³⁾	(0.76)	—	—

Notes:

- (1) Includes \$180 million, \$194 million and \$146 million of sales to related parties for the years ended December 31, 2011, 2010 and 2009, respectively.
- (2) Includes depreciation and impairment of \$311 million, \$317 million and \$333 million and purchases from related parties of \$269 million, \$1,165 million and \$403 million for the years ended December 31, 2011, 2010 and 2009, respectively.
- (3) Basic earnings per ordinary share is computed by dividing net income attributable to equity holders of Aperam by the weighted average number of ordinary shares outstanding during the period presented.

Consolidated Statements of Financial Position

The following table presents data from our consolidated statements of financial position as of December 31, 2011, 2010 and 2009:

	December 31,		
	2011	2010	2009
	Combined	Combined	Combined
	(in million of U.S. dollars)		
Cash and cash equivalents	247	120	118
Trade accounts receivable	391	405	324
Inventories	1,262	1,496	1,089
Property, plant and equipment	2,659	2,917	3,193
Total assets	6,201	7,335	7,133
Short-term debt and current portion of long-term debt	538	900	506
Long-term debt, net of current portion	587	932	1,375
Total liabilities	2,758	3,681	3,544
Total equity	3,443	3,654	3,589
Total liabilities and total equity	6,201	7,335	7,133

Consolidated Statements of Cash Flows

The following table presents data from our consolidated statements of cash flows for the years ended December 31, 2011, 2010 and 2009:

	Year Ended December 31,		
	2011	2010	2009
	Combined	Combined	Combined
	(in million of U.S. dollars)		
Net cash provided by operating activities	189	362	214
Net cash provided by (used in) investing activities	498	(404)	90
Net cash (used in) provided by financing activities	(552)	42	(339)

Other Financial Data

The following table presents other financial data which we use to analyze our business on a consolidated basis and a pro forma basis:

	As of and for the Year Ended December 31,		
	2011	2010	2009
	Combined	Combined	Combined
	(in million of U.S. dollars, except ratios)		
Capital expenditures.....	158	101	115
Adjusted EBITDA ⁽¹⁾	392	410	226
Total debt ⁽²⁾	1,125	1,832	1,881
Net debt ⁽³⁾	878	1,066	1,419

Notes:

(1) Adjusted EBITDA is defined as operating income plus depreciation, impairment expenses and other items. Other items are those charges and gains that we describe below. We use adjusted EBITDA as a supplemental measure of operating performance. We also believe that adjusted EBITDA is a useful indicator of our ability to service our indebtedness. Adjusted EBITDA is not a measure of performance under IFRS and not all companies calculate adjusted EBITDA or similarly titled financial measures in the same manner. As such, adjusted EBITDA as disclosed by other companies may not be comparable with our use of adjusted EBITDA.

Other items consist of: (i) inventory write-downs of at least 10% of total related net inventories value before writedown at the relevant quarter end or of at least \$75 million; (ii) restructuring charges/(gains) of at least \$10 million for the relevant quarters; (iii) capital loss/(gain) of at least \$10 million for the relevant quarter; or (iv) one-off capital loss/(gains) of at least \$10 million for the relevant quarter.

The following table presents a reconciliation of adjusted EBITDA to operating income:

	As of and for the Year Ended December 31,		
	2011	2010	2009
	Combined	Combined	Combined
	(in million of U.S. dollars)		
Operating income (loss).....	45	93	(207)
Depreciation & impairment.....	311	317	333
Other items.....	36	—	100
Adjusted EBITDA.....	392	410	226

(2) Total debt refers to short-term debt plus long-term debt.

(3) Net debt refers to total debt, less cash and cash equivalents, and less amounts receivable under cash pooling arrangements with ArcelorMittal of nil, 646 and 344 in 2011, 2010 and 2009, respectively. Net debt is not a recognized measure under IFRS and does not purport to be an alternative to debt calculated in accordance with IFRS. Management believes that net debt is useful to investors in assessing our financial condition and results of operations, as well as our capital structure. Though other companies in the steel industry present net debt, they may not calculate it identically, and our presentation of net debt may not be comparable to such similarly titled measures

Operating Data

The following table presents certain operating data which we use to analyze our business:

	As of and for the year ended December 31,		
	2011	2010 Combined	2009 Combined
Shipments (in thousands of tonnes).....	1,749	1,741	1,447
Average steel selling price (in U.S. dollars):			
Stainless & Electrical Steel	2,903	2,591	2,230
Services & Solutions	3,764	3,397	2,868
Alloys & Specialties.....	18,805	15,368	14,732
Adjusted EBITDA/tonne (in U.S. dollars).....	224	235	156

B. Risk Factors

The Company's business, financial condition, results of operations or prospects could be materially adversely affected by any of the major risks and uncertainties described below.

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

Global economic cycle downturn

The Company's business and results of operations are substantially affected by international, national and regional economic conditions, including geopolitical risks that might disrupt the economic activity in affected countries.

After a sustained recovery during the first half of 2011, stainless steel demand stalled mainly due to Nickel price collapse and the EU sovereign debt crisis weakening further inducing cautious buying and low inventories. As a result management estimates that 2011 demand was only 5% higher than in 2010. Since the beginning of the year 2012, we have started to see the signs of a rebound in the business but we continue to remain cautious considering the global economic uncertainty. Should the recovery falter, the outlook for stainless and specialty steel producers will again worsen.

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

Overcapacity

In addition to economic conditions, the stainless steel industry is affected by global production capacity and fluctuations in stainless steel imports and exports. The stainless steel industry has historically suffered from structural overcapacity, particularly in the EU-15. Production capacity in the developing world, particularly China, has recently increased substantially and China is now the largest global stainless steel producer by a large margin. The balance between China's domestic production and consumption is accordingly an important factor in global stainless steel prices. Chinese stainless steel exports, or conditions favorable to them (such as excess capacity in China and/or higher market prices for stainless steel in markets outside of China), can have a significant impact on stainless steel prices in other markets, including Europe and South America. Over the short to medium term, the Company is exposed to the risk of stainless steel production increases in China and other markets outstripping increases in real demand, which may weigh on price recovery in the industry as a whole.

China slowdown

A significant factor in the worldwide strengthening of stainless and specialty steel pricing in recent years has been the significant growth in consumption in China, which at times has outpaced its manufacturing capacity. At times, this has resulted in China being a net importer of stainless and specialty steel products, as

well as a net importer of raw materials and supplies required for the manufacturing of these products. A reduction in China's economic growth rate with a resulting reduction in stainless and specialty steel consumption, coupled with China's expansion of steel-making capacity, could have the effect of a substantial weakening of both domestic and global stainless and specialty steel demand and pricing.

The risk of Nickel price decrease and raw material price uncertainty

The Company's profitability correlates amongst others with nickel prices. A significant price decrease of Nickel would have a negative impact on apparent demand and base prices due to a "wait and see" behavior from customers. Furthermore, Nickel is listed on the LME and subject to speculation by the financial markets.

Stainless and specialty steel production requires substantial amounts of raw materials (primarily nickel, chromium, molybdenum, stainless and carbon steel scrap, charcoal (biomass), and iron ore). The Company is exposed to price uncertainty with respect to each of these raw materials, which it purchases mainly under short- and long-term contracts, but also on the spot market.

The Company's results of operations could be affected by fluctuations in foreign exchange rates

The Company operates and sells its products globally, and a substantial portion of its assets, liabilities, costs, sales and income are denominated in currencies other than the U.S. dollar (the Company's reporting currency). Accordingly, currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro and the Brazilian real, as well as fluctuations in the currencies of the other countries in which the Company have significant operations and/or sales, could have a material impact on its results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Currency Exposure."

The stainless and specialty steel market is characterized by strong competition

The Company faces strong competition from other producers of stainless and specialty steels. Competitors may develop production technologies and products that are more cost effective than those of the Company, which could have a negative impact on its ability to increase its market share while maintaining profitability. Large, diversified producers of stainless and specialty steels may also use their resources, which could be greater than the Company's, in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for the Company's products. In addition, competition from global stainless and specialty steel manufacturers with significant production capacity and from new market entrants could result in significant price competition, declining margins and reductions in the Company's sales.

The risk of disruptions to our manufacturing operations or damage to our production facilities due to natural disasters or other events

Stainless and specialty steel manufacturing processes are dependent on critical steel-making equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers). The Company has in the past experienced, and may continue to experience, unanticipated plant outages or equipment failures. In addition, it could experience transportation disruptions or disruptions in the supply of raw materials and energy. To the extent that the Company is unable to compensate for lost production as a result of such disruptions with production from unaffected facilities and/or existing inventory, its business, financial condition, results of operations or cash flows could be adversely affected. The Company is particularly exposed to the risk of production disruptions in Brazil, where it operates its production facilities at or near full capacity production levels. Additionally, Natural disasters could significantly damage the Company's production facilities and general infrastructure. The Company could also experience labor disputes that may disrupt its operations and its relationships with its customers.

The Company may be subject to litigation which could be costly, result in the diversion of management's time and efforts and require it to pay damages and/or prevent it from marketing its existing or future products

A number of lawsuits, claims and proceedings have been and may be asserted against the Company in relation to the conduct of its currently and formerly owned businesses, including those pertaining to product liability, patent infringement, commercial practices, employment, employee benefits, taxes, environmental issues, health and safety and occupational disease. Due to the uncertainties of litigation, no assurance can be given that it will prevail on all claims made against it in the lawsuits that it currently faces or that additional claims will not be made against it in the future. While the outcome of litigation cannot be predicted with

certainty, and some of these lawsuits, claims or proceedings may be determined adversely to the Company, Management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on the Company's financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on its results of operations for that period. Management can also give no assurance that any litigation brought in the future will not have a material effect on its financial condition or results of operations. For a discussion of certain ongoing investigations and litigation matters involving the Company, see Note 22 to the Consolidated Financial Statements.

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

Due to the challenging economic situation the Company is facing increased risk of customers to default or credit insurance companies refusing to ensure the risks of its receivables.

Risks of lack of competitiveness of the workforce costs and retention

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

Environmental and health and safety risks

The Company's activities are subject to extensive and increasingly stringent environmental laws and regulations regarding, for example, control of major accidents, elimination of waste water, elimination of hazardous solid industrial waste, prevention of atmospheric and water pollution, protection of sites, health and safety and remediation of environmental contamination. The Company may be required to pay potentially significant fines or damages as a result of past, present or future violations of applicable environmental laws and regulations, even if these violations occurred prior to the acquisition of the companies or operations responsible for the relevant violations.

Furthermore, compliance with new and more stringent environmental obligations, particularly those arising from policies limiting greenhouse gas emissions, may require additional capital expenditures or modifications in operating practices, as well as additional reporting obligations. For additional information, see Note 22 to the Consolidated Financial Statements.

The Company's operations and products are subject to a broad range of health and safety laws and regulations in each of the jurisdictions in which it operates. The costs of complying with, and the imposition of liabilities pursuant to, health and safety laws and regulations could be significant, and failure to comply could result in the assessment of civil and criminal penalties, the suspension of permits or operations, and lawsuits by third parties. Additionally, despite the Company's significant efforts to monitor and reduce accidents at its facilities, there remains a risk that health and safety incidents may occur, which may result in costs and liabilities and negatively impact its reputation or the operations of the affected facility

Energy risks

The prices for, and the availability of, electricity, natural gas and other energy resources used by the Company in the manufacture of its products are subject to volatile market conditions. These market conditions often are affected by political and economic factors beyond the Company's control. Disruptions in the supply of energy resources could temporarily impair the Company's ability to manufacture products for its customers. Furthermore, increases in energy costs or changes in costs relative to energy costs paid by competitors have had and may continue to have an adverse effect on the Company's profitability. To the extent that these uncertainties cause suppliers and customers to be more cost sensitive, increased energy prices may have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

Item 2: Information on the company

A. History and development of the company

Aperam Overview

We are a leading global stainless and specialty steel producer based on our annual production capacity of 2.5 million tonnes in 2011. We are the largest stainless and specialty steel producer in South America and, according to the International Stainless Steel Forum ("ISSF"), we are the third 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 10,500 employees. Our distribution network is comprised of 19 Steel Service Centers ("SSCs"), 10 transformation facilities and 33 sales offices. We sell our products to customers on three continents in over 30 countries, including customers in the aerospace, automotive, catering, construction, household appliances and electrical engineering, industrial processes, medical, and oil & gas industries.

We had sales of \$6.3 billion, \$5.6 billion and \$4.2 billion and shipments of approximately 1.75 million tonnes, 1.74 million tonnes and 1.45 million tonnes for the years ended December 31, 2011, 2010 and 2009, respectively.

We manage our business according to three operating segments:

- *Stainless & Electrical Steel.* We are one of the largest global producers of stainless steel by production capacity. We produce a wide range of stainless and electrical steels (both GO and NGO steel) and focus on developing new grades of stainless steel and higher grades of electrical steel. We have a broad portfolio of stainless and electrical steel products and we continuously expand our product offerings.
- *Services & Solutions.* Our Services & Solutions segment performs three core activities: (i) the management of exclusive, direct sales of stainless steel products from our production facilities, primarily those located in Europe; (ii) distribution of our and, to a much lesser extent, external suppliers' products; and (iii) transformation services, which include the provision of value-added and customized steel solutions through further processing to meet specific customer requirements.
- *Alloys & Specialties.* We believe that our Alloys & Specialties segment is the third largest producer of nickel alloys in the world. We specialize in the design, production and transformation of various nickel alloys and certain specific stainless steels. Our products take the form of bars, semis, cold-rolled strips, wire and wire rods, and plates, and are offered in a wide range of grades.

On June 7, 2011, Aperam announced that its biomass operations in Brazil have been separated from ArcelorMittal's biomass operations and will be renamed Aperam BioEnergia. The legal steps of the demerger were completed in the third quarter and since then the results of Aperam BioEnergia are fully consolidated into those of the Company. Aperam's biomass operations constitute a leading company in the sector of biomass production for the steel industry with state-of-the-art forest management, harvesting machinery and carbonization kilns. In 2011, they produced 318,000 tons of charcoal. We use the charcoal (biomass) produced by Aperam BioEnergia as a substitute for coke at our Timóteo production facility in Brazil, enabling us to produce stainless and specialty steel products in a more efficient and sustainable manner. We also hold a minority interest in General Moly (9.09% as of December 31, 2011), the owner of one of the world's largest development projects for the production of molybdenum, with which we have entered into a long-term supply agreement.

History and Development of the Company

The Spin-off

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

In connection with the spin-off, 78,049,730 of our ordinary shares were allocated on a pro rata basis to ArcelorMittal's shareholders at an exchange ratio of one of our ordinary shares for every 20 ordinary shares of ArcelorMittal. The ordinary shares were admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange, Euronext Amsterdam and Euronext Paris on January 31, 2011.

The company

The Company is a Luxembourg public limited liability company (*société anonyme*) incorporated on September 9, 2010 to hold the assets which comprise the stainless and specialty steels businesses of ArcelorMittal.

The Company has its registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under the number B-155.908.

The stainless and specialty steels businesses of ArcelorMittal are primarily composed of four entities, Ugine S.A., ALZ, Acesita and Imphy S.A., and were formed from several business combinations. The history of these four entities is described below.

Ugine S.A.

Ugine ACG was formed from three French ironworks plants: Gueugnon, which was founded in 1724 and introduced the first bright annealing line in 1962; Isbergues, which was founded in 1881 by the "Société des Aciéries de France"; and Ardoise, which was founded in the early twentieth century. Ugine Aciers, the predecessor entity of Ugine ACG, was acquired by Sacilor S.A. in 1982. Following the merger of Sacilor S.A. and Usinor S.A. in 1986, Ugine ACG was reorganized as Ugine S.A. in 1991 and restructured as the stainless steel division of Usinor. At the time of this reorganization, Ugine S.A. comprised Ugine-Savoie, which produced long stainless steel products, Industeel, J&L Steel and Thainox, which was subsequently separated from Ugine S.A.

In 1998, Usinor acquired 27.83% of Acesita, a Brazilian stainless steel producer that was renamed Aperam South America (formerly known as "ArcelorMittal Inox Brasil").

ALZ

In 1961, Allegheny Ludlum, an American stainless steel producer, and Espérance-Longdoz, a Belgian steel producer, formed Allegheny-Longdoz, which was originally a reroller of flat stainless steel. In 1970, Allegheny-Longdoz completed the construction of a steel plant in Genk, Belgium, and, in 1974, after the departure of Allegheny Ludlum, Allegheny-Longdoz was renamed ALZ. In 1985, Arbed S.A. acquired the majority of ALZ through its subsidiary Sidmar N.V. and in 1987, ALZ became a subsidiary of Arbed S.A. In 2000, ALZ completed an overhaul of the Genk production facility.

Acesita (Aperam South America formerly known as "ArcelorMittal Inox Brasil")

Acesita was founded in 1944 and commenced operations as a cold roller of flat stainless steel in 1977 and as a cold roller of electrical steels in 1979. In 1980, its steckel mill became fully operational. In 1992, Acesita was privatized and in 1998, Usinor acquired 27.83% of its shares. Usinor subsequently increased its stake to 40.12% in 2005 and 57.30% in 2006. Following the merger of Arcelor with Mittal Steel in 2006, ArcelorMittal completed the acquisition of 100% of the share capital of Acesita (which was renamed

ArcelorMittal Inox Brasil afterward Aperam South America) in 2008 and Aperam South America was subsequently delisted from the São Paulo Stock Exchange ("**Bovespa**").

Imphy S.A. (Aperam Alloys Imphy formerly known as ArcelorMittal Stainless and Nickel Alloys)

Imphy S.A.'s core operations are located in Imphy, France, where the Forge d'Imphy commenced operations in the early seventeenth century. Imphy S.A. has been a pioneer in the development of iron-nickel grades, particularly through the discovery of the 36% iron-nickel alloy, known as Invar[®], which has been a registered trademark of Imphy S.A. since 1904. Since then, Imphy S.A.'s focus has been on specialty steels. In 1961, Imphy S.A. diversified into electrical components manufacturing through the creation of Mécanique de Montargis Co., which has been renamed as ArcelorMittal Stainless and Nickel Alloys Components. Imphy S.A. was part of the Creusot-Loire group until it became part of Sacilor S.A. in 1983. Following the merger of Sacilor S.A. and Usinor S.A. in 1986, Usinor-Sacilor was subsequently privatized in 1995 and then reorganized as Usinor in 1997.

Imphy S.A. completed the construction of an electrical arc furnace meltshop in 1982 and the revamping of its wire rolling mill in 1995. In 2008, ArcelorMittal Stainless and Nickel Alloys acquired Rescal S.A., which owns a wire drawing mill located outside Paris.

Formation of Ugine & ALZ (U&A)

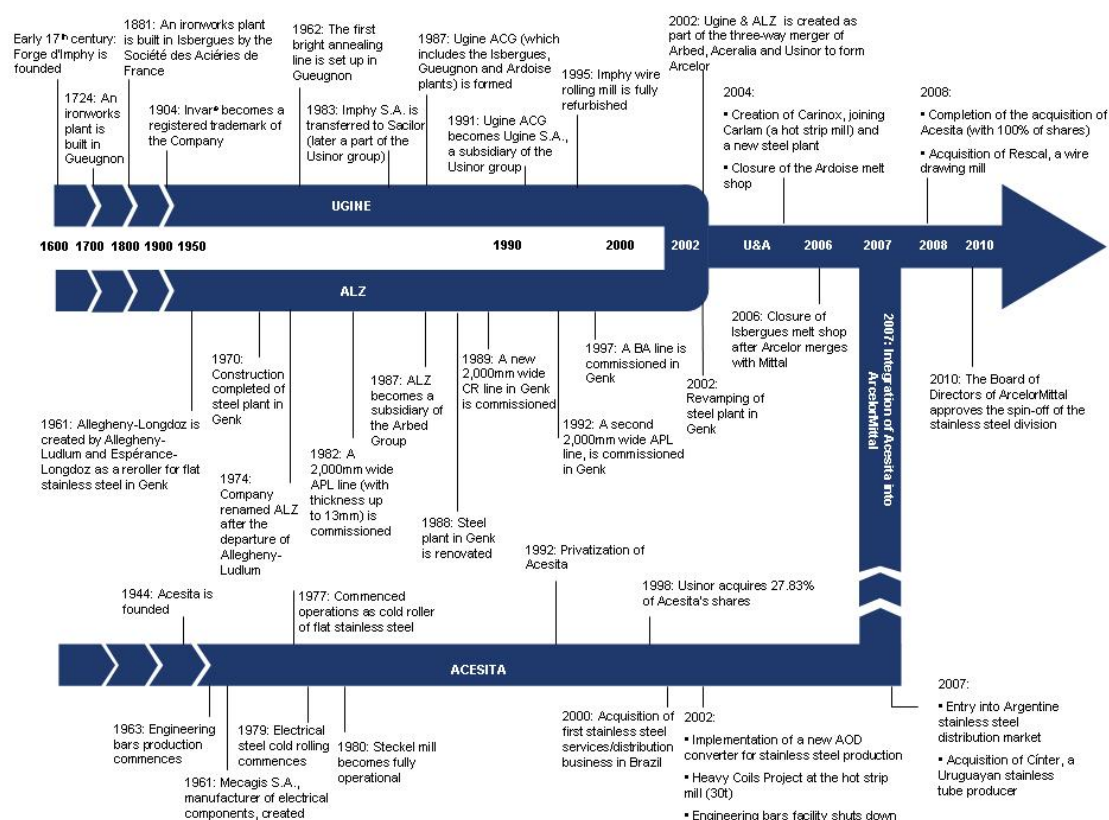
Ugine & ALZ ("**U&A**") was formed in 2002 as part of the three-way merger of Usinor, the Arbed Group and Aceralia, a Spanish steel company which had a strategic alliance with the Arbed Group. Following the merger of Arcelor S.A. and Mittal Steel, Ugine & ALZ was renamed ArcelorMittal Stainless Europe.

In 2005, U&A completed the construction of Carinox, a state-of-the-art meltshop, which replaced the L'Ardoise and Isbergues meltshops.

Expansion of the Company's Distribution Network

In the late 1990s, the stainless steel division of ArcelorMittal began to build its distribution network when it acquired independent distributors in Italy, Germany and Spain. From 2000 onwards, its distribution network was upgraded in order to improve the competitiveness of these distributors and increase the volumes handled by them. The Company also acquired Amorim, its first distributor in Brazil, in 2000. In 2005, it established Steel Service Centers in Poland, China and Vietnam, as well as a new tube making unit in Usti, Czech Republic. Recently, the Company has focused on expanding its distribution network in South America, and during 2007 and 2008, it acquired ArcelorMittal Montevideo (formerly Cínter), a tube manufacturer in Uruguay, M.T. Majdalani y Cia., the leading stainless steel distributor in Argentina, and Inox Tubos, a Brazilian tube mill.

Certain of the key milestones in the Company's history are outlined in the chart below:



Capital Expenditure

Capital expenditures for the years ended December 31, 2011, 2010 and 2009 were \$158 million, \$101 million and \$115 million, respectively. Capital expenditures for 2011 related primarily to our Leadership Journey with investments at Gueugnon, Imphy and Campinas as well as maintenance investments in our facilities in Brazil, France and Belgium. Capital expenditure for 2010 and 2009 related primarily to the Timóteo facility with the conversion of our second blast furnace from coke to charcoal (biomass) and to switch from LPG to natural gas as well as to the maintenance of our facilities in Brazil, Belgium and France.

We have budgeted less than \$ 200 million for capital expenditure projects in 2012, relating primarily to our leadership journey and the maintenance of our facilities in Brazil, Belgium and France. We will remain cautious on capital expenditures whilst enabling adjustments based upon market conditions.

Divestitures

On July 1, 2009, ArcelorMittal Energética Jequitinhonha, a wholly owned subsidiary of Aperam South America (formerly known as ArcelorMittal Inox Brasil), acquired ArcelorMittal Florestas, a wholly owned subsidiary of ArcelorMittal Brasil, and contributed this entity to BioEnergia, a joint venture with ArcelorMittal, in return for a 34% interest in the joint venture. During 2010, this interest was increased to 36.5% through a capital increase. Other than its contribution of assets to the BioEnergia joint venture, the Company has not made any significant divestitures over the past three years. On November 1, 2010, ArcelorMittal Inox Brasil entered into a letter of intent with ArcelorMittal to segregate BioEnergia's charcoal activities supporting ArcelorMittal's long steel business from its charcoal activities supporting the Company's stainless steel business through a demerger of the assets and liabilities related to BioEnergia's charcoal activities supporting ArcelorMittal's long steel business. This was proposed to be accomplished by the creation of a wholly owned subsidiary of BioEnergia, to which the assets and liabilities associated with ArcelorMittal's long steel business would be contributed. ArcelorMittal would then redeem its shares in BioEnergia and receive all of the shares of the newly created subsidiary. As a result, Aperam South America would become the sole shareholder of BioEnergia. On June 7, 2011, Aperam announced that its biomass operations in Brazil had been separated from ArcelorMittal's biomass operations and would be renamed Aperam BioEnergia. The legal steps of the demerger were completed in the third quarter and since then the results of Aperam BioEnergia are fully consolidated into those of the Company. Aperam's biomass operations constitute a leading company in the

sector of biomass production for the steel industry with state-of-the-art forest management, harvesting machinery and carbonization kilns.

B. Business overview

Our Competitive Strengths

Management believes that the following are among our key strengths:

Strong Values and a Commitment to Sustainability and Health and Safety

We understand the Company's responsibility to future generations and local communities. In addition to Aperam BioEnergia enabling the use of sustainable biomass technology, the Company created environmentally sustainable production solutions while still meeting the stainless and specialty steel demands of our customers. We seek to capture sustainability opportunities by making targeted investments, such as developing highly energy efficient production processes, launching new products to reduce CO₂ emissions and conserve energy, and investing in recycling and durability products. For example, in Europe, the Company produces stainless steel using recycled scrap material in electric arc furnaces, which use less energy and generate fewer CO₂ emissions than traditional blast furnaces. In Brazil, the Timóteo plant is fully operating both of its blast furnaces with charcoal (biomass) since July 2011. The Company has also made a strong commitment to the community through educational, cultural, environmental and social investments. Management is confident that these initiatives have had, and will continue to have, a positive impact on the environment and the communities in which we operate, while improving our operational efficiency.

With a strong focus on health and safety, Aperam has ended the year 2011 with a Lost Time Injury frequency rate, our main indicator in this field, at an average 0.7 per million of hours worked at the end of the fourth quarter against 2.0 a year earlier. This achievement makes Aperam a reference in the stainless steel industry.

Leading Global Stainless and Specialty Steel Producer with modern production facilities

We are a leading global stainless and specialty steel producer, with an international footprint, a strong market position in South America and Europe, leading technology and production facilities located in Brazil, and modern production facilities close to key customers in Belgium and France. We offer a wide range of stainless and electrical steel products, including high value-added niche products, to a diversified customer base in both emerging and developed markets.

South America

We are the only producer of flat stainless and electrical steel in South America with fully integrated production and distribution facilities. Management believes our position in South America has contributed to our global leadership in the stainless and electrical steel industry. Further, management believes that we are a cost efficient producer of stainless and electrical steel and are well equipped to continue to serve the growing South American market as a result of our modern production and distribution facilities and Aperam BioEnergia (fully consolidated in the accounts of the Company since the third quarter 2011) which uses an advanced biomass technology to produce charcoal (biomass) that we use to fuel our blast furnaces. Management does not believe that South America suffers from the same overcapacity present in other markets and expects that South American demand for stainless and specialty steels will continue to grow in the near-term, driven in part by key upcoming events, such as the 2014 World Cup in Brazil and the 2016 Olympic Games in Rio de Janeiro, as well as an expected increase in energy and infrastructure spending.

Europe

We have a strong presence in the European stainless steel market. Management believes that our position is primarily due to our large industrial footprint, developed sales and distribution network and highly skilled employees. Our modern production facilities in Belgium and France are strategically located close to our major customers and have consistently maintained high performance standards through the optimization of production volumes, inventory and costs. We also have a highly integrated and technically advanced distribution network that is effective at maintaining direct contact with end users through our strong sales and marketing capabilities. We benefit from our employees' significant knowhow, which aids us in implementing best practices across our European operations. Our reputation as a quality European steel producer is also supported by our broad product portfolio, as well as our capacity for innovation through focused research and development.

Modern Production Facilities in Brazil, Belgium and France

Our modern production facilities in Brazil, Belgium and France allow us to support our customers' stainless and specialty steel requirements with a high level of operational efficiency. Our integrated production facility in Timóteo, Brazil, which produces the full range of our electrical steel products and a wide range of stainless steel products, includes two blast furnaces, a melting shop area, a hot strip mill, a stainless cold rolling shop and an electrical steel cold rolling shop. Our three European production facilities, which are well equipped to produce the full range of our stainless steel products, are capable of both hot and cold rolling and are equipped with a Recyco electric arc furnace (a recycling unit that recycles dust and slugs to retrieve nickel and chromium). Our European facilities also offer a wide range of downstream facilities, including rolling mills, pickle lines, tandem mills, annealing facilities and temper mills. We have invested and will continue to invest in our modern and cost efficient production facilities, and management believes that we are well positioned to benefit from the long-term growth potential of the stainless and specialty steel industry.

Leading Research and Development Capabilities

We have strong research and development capabilities in Timóteo, Brazil and Isbergues and Imphy, France with 131 research and development employees developing high-end applications. Research and development costs expensed (and included in selling, general and administration expenses) for the year ended December 31, 2011 amounted to \$20 million. Most recently, we have worked to develop such innovative products as SolarStyl(R), which is used in photovoltaic panels (solar panels), grade K45 ferritic steel (20% chromium), which can be used in a wide range of industries because of its resistance to corrosion as well as a new offer in duplex grade family (two phase microstructure) which present an exceptional combination of corrosion resistance, high mechanical properties. They are mainly used in Oil & Gas, desalination, chemical plant & water systems. For cryogenic and railroad applications we are also developing a new 201LN, austenitic grade with lower Ni content than the standard 304 austenitic grades. One of our targets in developing ferritics, duplex grades and some 200 series grades is to be less sensitive to Nickel cost fluctuation effects. This significantly contributes to the sustainability of our markets. Besides the building of a new stainless offer, we are strongly involved in the development of steel solutions with our main customers. The second major area of activity of the R&D teams is the development of new, lower cost, energy saving industrial routes. This activity is linked to present and future investment projects.

Our research and development departments interact closely with our operating segments and partner with industrial end users and leading research organizations in order to remain at the forefront of product development. Management believes that our research and development capabilities have contributed to both our leadership in the industry and our development of longstanding and recognizable brands. In addition, we concentrate a significant portion of our research and development budget on higher margin, value-added niche products, such as nickel alloys, which contribute significantly to our profitability.

Effective Profitability and Cash Flow Management

We manage our working capital and leverage our integrated distribution network in order to maintain low inventory levels across our business compared with the industry. We also use derivative instruments, such as forward contracts, swaps and options, to manage our exposure to commodity and energy prices, including nickel prices, which are particularly volatile. We believe that these policies have allowed us to maintain working capital requirements at levels below those of our competitors and protect EBITDA levels during downturns in the economic cycle.

Culture of Continuous Improvement

We have instituted an internal continuous improvement program, which has become part of our corporate culture. As part of this program, we introduced the five-year, \$250 million management gains plan mentioned above, which is aimed at achieving selling, general and administrative expense and headcount reductions, reductions in energy consumption, significant yield improvements and reductions in raw materials costs. Under this plan, we had already achieved approximately \$144 million in sustainable cost reductions by 2010, resulting in significant yield improvements.

With the creation of Aperam, the Company replaced this plan and initiated the "Leadership Journey" with the aim of achieving an additional \$250 million in sustainable cost reductions and revenue enhancement (amount including the approximately \$106 million in cost reductions to be achieved under our management gains plan). On November 2, 2011, the Company announced that in response to the economic uncertainty

and in a continuing effort to improve the Company's cost competitiveness and profitability that the Company targeted an additional \$ 100 million of management gains and profit enhancement. This initiative is in addition to the \$ 250 million Leadership Journey and leads to a new combined target of \$ 350 million of management gains and profit enhancement by 2013. As part of this increase, the Company will focus on further industrial optimization and rationalization in Europe, systematic benchmarking in Brazil and new sourcing initiatives. As of December 31, 2011, the Company achieved \$ 176 million of management gains and profit enhancement under the accelerated Leadership Journey.

Furthermore, the Company is dedicated to improving safety across the business as evidenced by a decline in safety frequency rates (defined as number of loss time accidents divided by total working hours). Management believes that these and other initiatives implemented in recent years will allow the Company to continue to reduce operating costs, improve efficiency and increase profitability while maintaining a safe operating environment.

Highly Diverse Products and End Users

We sell our broad range of stainless and specialty steel products internationally to a diversified customer base in markets around the world that vary in both size and nature. Our stainless steel products are primarily sold to end users in the automotive, building and construction, catering and appliance, energy and chemicals, and transportation industries, while we principally sell our electrical steel products to customers in the electric motors, generators and transformers industries. We sell our nickel alloys and specialties products primarily to customers in the aerospace, automotive, electronics, petrochemical, and oil & gas industries. Since our diverse range of products are sold to customers in such varied markets, no single customer accounted for more than 5% of our sales in 2011 and, in the aggregate, our top 20 customers accounted for less than 50% of our sales over the course of the year. We consequently enjoy greater stability and are able to mitigate some of the risks and cyclicity inherent in certain markets.

A Global, Integrated Distribution Network and Proximity to Customers

Management believes that our global integrated distribution network provides us with a competitive advantage, particularly through our ability to tailor products to address specific customer needs. As discussed above, our Services & Solutions segment is the sales and distribution arm for our products and provides value-added and customized steel solutions. We have one of the largest stainless and specialty steel distribution networks in the world, with a total of 19 Steel Service Centers, 10 transformation facilities and 33 sales offices located on three continents in over 30 countries. We are the only producer of flat stainless and electrical steel in South America with fully integrated production and distribution facilities and we have a highly integrated distribution network in Europe. Our distribution channels are also strategically located in areas of high demand and close to many end users. We work continuously to develop further our distribution network through internal development, partnerships or targeted acquisitions. We normally expand our global distribution network either in response to an identified market opportunity or in response to the express business needs of major customers. Management believes that our strategic approach to the expansion of our distribution network contributes to our ability to maintain market share and capture growth opportunities as they arise.

We are also able to expand our global commercial reach through independent agents and through affiliated agents that are part of the ArcelorMittal Distribution Solutions division, none of which we own.

Production of Stainless and Specialty Steel Products from Low-cost Charcoal (Biomass)

Through Aperam BioEnergia (fully consolidated in the accounts of the Company since the third quarter 2011), we produce low-cost charcoal (biomass), utilizing advanced sustainable technologies. Aperam BioEnergia produces wood and charcoal (biomass) from cultivated eucalyptus forests. In 2011, we produced 318,000 tons of charcoal through Aperam BioEnergia. The substitution of charcoal (biomass) for coke at our Timóteo production facility was completed in June 2011 with the conversion of our second blast furnace from coke to charcoal and enables us to produce stainless and specialty steels in an environmentally and socially responsible manner. In addition, substituting charcoal (biomass) for coke has proven to be cost effective and is a key focus of our Leadership Journey, which is discussed in greater detail elsewhere herein.

Long-term Growth Potential of the Stainless and Specialty Steel Industry

The long-term outlook for the stainless industry is generally considered to be more favorable in terms of expected growth than the carbon steel industry because demand for stainless steel tends to come later in the economic development cycle. Following declines in production in 2008 and 2009, the industry began to

recover in 2010, and management expects global demand for stainless steel to return to pre-crisis growth levels of approximately 5% per annum. Management anticipates this growth to be led by emerging markets and believes that we are well positioned to capture growth in demand in these markets, in particular in South America, where we have a strong market position.

Strong Management Team

We benefit from the experience and industry know-how of our senior management team. The team is led by our Chief Executive Officer, Philippe Darmayan since December 2011. Philippe Darmayan was the CEO of ArcelorMittal's Distribution Solutions Division between January 2005 and November 2011. After joining Arcelor in 2002, as CEO he led the integration and transformation of the newly merged producer of stainless steel, Ugine & ALZ. Earlier, he held leading management positions at Pechiney Group and Franco-Belge de Fabrication de Combustibles, a subsidiary of Framatome. Philippe Darmayan is supported by the other members of our senior management team, including Julien Onillon, our Chief Financial Officer, who previously served as the Head of Global Steel Research at HSBC until 2005 when he joined Mittal Steel as the Head of Investor Relations. We believe that the collective industry knowledge and leadership of our senior management team and their record of accomplishment in responding to challenging economic conditions is a key asset to our business.

Dedicated and Motivated Workforce

We have introduced various initiatives to improve the dedication and motivation of our work force, including development programs, employee self-evaluations, monthly career committee meetings to evaluate opportunities for managers and performance-based bonuses. Management believes that greater accountability among our workforce improves motivation, and that our approach to human resources has contributed to the dedication and motivation of our work force, which management believes enhances our overall performance.

Our Strategy

Our vision as a leading sustainable stainless and specialty steel company is to become the primary source of stainless steel, electrical steel and nickel alloys and specialty steel for all of our customers. Management intends to achieve this vision through a three-pronged strategy comprised of eight key areas of focus:

Efficiency

We believe our strategic focus on improving efficiency will continue to allow us to respond quickly and effectively to ongoing changes in the stainless steel industry and in the macroeconomic environment in which we operate.

Management Gains. Management intends to achieve significant near- to medium-term management gains in the form of cost savings in raw materials as well as certain other fixed and variable costs. Since 2008, we have achieved approximately \$144 million of sustainable cost reductions. At the end of 2010, we launched the "Leadership Journey," a new management gains plan, which is targeting \$250 million of additional sustainable cost reductions (which amount includes approximately \$106 million in cost reductions to be achieved under our initial management gains plan implemented in 2008). Both of these programs involve making reductions in selling, general and administrative expenses and headcount, and reducing energy consumption and raw material costs. On November 2, 2011, we announced that in response to the economic uncertainty and in a continuing effort to improve the Company's cost competitiveness and profitability the Company targeted an additional \$100 million of management gains and profit enhancement. This initiative is in addition to the \$250 million Leadership Journey Programme and leads to a new combined target of \$350 million of management gains and profit enhancement by 2013. As part of this increase, the Company will focus on further industrial optimization and rationalization in Europe, systematic benchmarking in Brazil and new sourcing initiatives.

Resilience. To date, our strategic initiatives aimed at improving efficiency have enabled us to protect EBITDA levels throughout the recent economic crisis. We intend to continue to improve our operating efficiency and flexibility so that we are well placed to capitalize on the economic recovery and growth taking place in some of our major markets, while, at the same time, protecting our profitability in markets that may emerge from the economic crisis more slowly.

Vertical Integration. We are currently expanding our upstream and downstream operations, and improving integration between them in order to improve efficiency. We actively assess upstream and mining opportunities (both individually and in partnership) in order to target secure sources of raw materials and create upstream production synergies. Through Aperam BioEnergia, we maintain a secure source of cost effective and energy efficient charcoal (biomass), which we use to fuel the blast furnaces at our Timóteo production facility. Further, through our 9.09% interest (as of December 31, 2011) in General Moly, we have secured a long-term source of molybdenum. Similarly, we seek to leverage our existing downstream strengths by expanding our distribution network in both developed and emerging markets and by adding value through the provision of transformation services in our Services & Solutions segment. We are also focusing on deepening our relationships with customers in end-user markets, capturing growth opportunities, mitigating market cyclicity and managing our exposure to raw material price volatility.

Growth

Growth in Emerging Markets. Management expects demand for stainless and specialty steels in emerging markets to grow significantly in the medium-term, due to continued industrialization and wealth creation. The growth prospects for Brazil and other South American economies are particularly attractive. Management intends to take advantage of this growth potential by leveraging our upstream and downstream operations in Brazil in order to increase our sales to these emerging markets.

Development of Competitive and Innovative Products and Applications. Our research and development strategy is not capital intensive and involves collaborating with public research centers and other industrial partners to develop innovative products and applications. Recent examples of innovative products and applications include:

- SolarStyl^(R), a unique stainless and specialty steel solution for fully integrated photovoltaic panels (solar panels) on buildings;
- Grade K45 ferritic steel (20% chromium), which can be used in applications in a wide range of industries, and is characterized by strong resistance to pitting corrosion and suitability for exposure in moderately corrosive industrial and urban environments, strong polishability and attractive mechanical properties at high temperatures;
- 201LN, an austenitic grade with low nickel, high manganese and low carbon content, which is used in cryogenic and railroad applications; and
- Duplex 2205, 2304 grades having a two phase microstructure with high Cr and relatively low Ni additions making them the most suitable choice for medium and highly corrosive conditions.
- Steels solutions developed in close relation with our customers as DeNox systems for X-Haust applications, new designs for appliances, extended uses of stainless steels in sugar industry or desalination plants.

Management intends to continue to support the development of our product range by leveraging our strong research and development capabilities and continuing to establish relationships with public research centers and other industrial partners.

Sustainability

Provision of Environmentally Sustainable Processes and Solutions. We have invested and will continue to invest in sustainable development opportunities in order to reduce our environmental impact. In our European production facilities, for instance, our stainless steel is produced using recycled scrap material in electric arc furnaces, which use less energy and generate a lower level of CO₂ emissions than traditional blast furnaces. We also recently constructed a new water treatment unit at our Imphy plant.

In addition, in Brazil, we use charcoal (biomass) produced by Aperam BioEnergia as a substitute for coke at our blast furnaces, enabling us to produce stainless steel and specialty products in a more environmentally sustainable manner.

We are also involved in developing stainless steel and specialty products that are used in energy efficient applications, including:

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

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

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

Business overview

During the period prior to April 2010, the entities which carried out the activities of Aperam were operated as a single segment of ArcelorMittal. In April 2010, we began managing our business according to three operating segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties. The following table sets forth selected financial data by operating segment:

	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others/ Eliminations ⁽¹⁾	Total
Year Ended December 31, 2011					
Sales to external customers.....	3,126	2,505	712	2	6,345
Intersegment sales ⁽²⁾	1,942	98	9	(2,049)	—
Operating income (loss).....	(39)	(18)	64	38	45
Depreciation	259	30	6	12	307
Impairment	1	3	—	—	4
Capital expenditures	110	20	12	16	158
Year Ended December 31, 2010 (Combined)					
Sales to external customers.....	2,862	2,220	522	—	5,604
Intersegment sales ⁽²⁾	1,569	107	7	(1,683)	—
Operating income (loss).....	8	53	36	(4)	93
Depreciation	258	30	5	—	293
Impairment	23	—	1	—	24
Capital expenditures	81	15	5	—	101
Year Ended December 31, 2009 (Combined)					
Sales to external customers.....	2,125	1,677	430	3	4,235
Intersegment sales ⁽²⁾	1,060	81	5	(1,146)	—
Operating loss	(157)	(40)	(1)	(9)	(207)
Depreciation	278	31	6	4	319
Impairment	9	5	—	—	14
Capital expenditures	77	20	13	5	115

Notes:

⁽¹⁾ Others/Eliminations includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with intersegment eliminations and/or non-operational items which are not segmented.

⁽²⁾ Transactions between segments are conducted on the same basis of accounting as transactions with third parties.

For a breakdown of sales by geography, see Note 23 to the consolidated financial statements.

Key Products

Stainless Steel

Stainless steel is a family of steels (which are alloys made of iron and carbon but containing less than 2% carbon) that is characterized by its superior resistance to corrosion. By contrast to plain or carbon steels, stainless steels have a chromium content of at least 10.5%, which increases corrosion resistance, and a carbon content of less than or equal to 1.2%. As a result of their chromium content, stainless steels are protected by a passive layer of chromium oxide, resulting from the natural reaction of chromium atoms with air moisture. This layer automatically heals itself in the event of damage, giving stainless steels their corrosion resistance. Therefore, stainless steels do not require any coating or other corrosion protection to retain their physical properties in the long term.

Various alloys are added to stainless steels to improve their mechanical, physical and anti-corrosive properties. Nickel, molybdenum, titanium and manganese are the most commonly used alloys in addition to chromium. The addition of these elements provides further advantages, such as resistance to corrosion in highly aggressive media, resistance to oxidation at high temperatures, toughness and ductility at very low temperatures, high mechanical strength and formability (including drawing, bending, hydro forming, welding and brazing). Initially used for cutlery, the application of stainless steels in industrial and other applications

has expanded significantly, as it has proved significantly more cost effective than alternative materials across a wide range of applications. Stainless steel's attractive properties, which include a high strength-to-weight ratio, heat tolerance, aesthetic qualities and the ability to be recycled have contributed to the continued development of new products and applications. The Company sells stainless steel products primarily to end users in the catering and appliance, energy and chemicals, building and construction and automotive and transportation industries.

The Company offers one of the most complete ranges of stainless steel flat products available on the market, including:

- austenitic chromium-nickel alloys (300 series), with 8 to 13% nickel content;
- austenitic chromium-nickel-manganese alloys (200 series) with low nickel content (2 to 4%);
- ferritic steels (400 series), which do not contain nickel;
- duplex steels; and
- martensitic steels.

The Company's standard stainless steel products are produced in various shapes (HRAP/HRC or CR, ranging from 0.3 to 13mm thickness (up to 50mm for plates) and up to 2m width), with a variety of surface conditions, including annealed, bright annealed, polished, matte or brushed.

Electrical Steel

Electrical steels are silicon-iron alloys, which enable steel to have specific magnetic properties. Electrical steels are classified as GO steels, which are mainly used to build transformer cores, and NGO steels, which are mainly used to build rotating machines but also to build small transformers. NGO steels are categorized based on their core energy losses, which is a measure of energy efficiency. The Company sells its electrical steel products primarily to end users in the transformers, electric motors and generators industries.

The Company offers one of the most complete ranges of electrical steels available on the market, including:

- GO steels, from regular to M3+ grades (which are among the higher grades); and
- NGO fully processed steels, including:
 - regular grades (M600 and above, having core energy losses of 6W/kg or greater);
 - medium grades (M400 up to M600, having core energy losses from 4W/kg up to 6W/kg);
 - high grades (M300 up to M400, having core energy losses from 3W/kg up to 4W/kg); and
 - ultra-high grades (below M300, having core energy losses of less than 3W/kg).

Alloys & Specialties

The Company specializes in the design, production and transformation of various nickel alloys and certain specific stainless steels. Produced in the form of bars, cold rolled strip, wire rod and plates, and offered in a wide range of grades, these products are intended for high-end applications or applications addressing very specific customer requirements. The Company's nickel alloys and specialties products are utilized by customers across a broad range of industries, including the aerospace, automotive, electronics, petrochemical, oil and gas and other industries.

Nickel alloys generally have a nickel content greater than 30% and contain other alloying elements, such as iron, chromium, molybdenum, copper and cobalt, among others. They are produced in a diverse range of grades which exhibit unique physical properties, including controlled thermal expansion, magnetism, resistance to highly corrosive environments and mechanical resistance.

Distribution Network

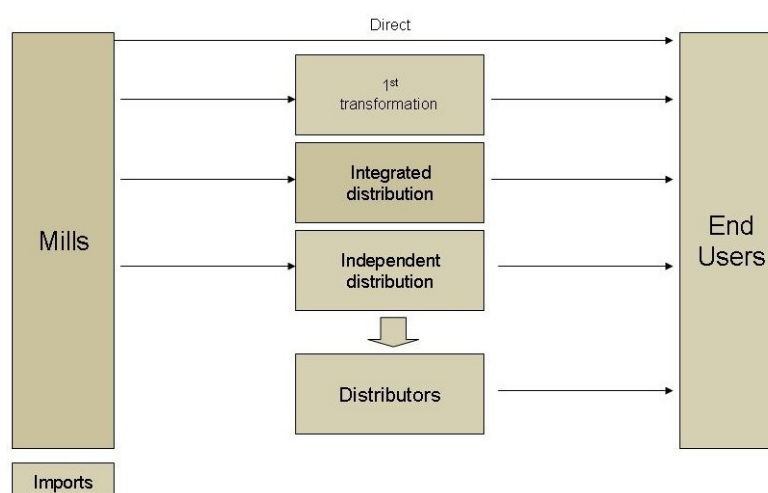
We sell and distribute our products through our Services & Solutions segment. The Services & Solutions segment also provides value-added and customized steel solutions through further processing to

meet specific customer requirements. Through our distribution network, we serve a variety of industries, including the automotive, construction, household appliances, public works, civil engineering and general industries. As of the date of this financial report, our distribution network is comprised of 19 Steel Service Centers, 10 transformation facilities and 33 sales offices located across more than 30 countries. Our largest Steel Service Center in terms of sales are located in Germany, France and Italy. Our transformation facilities include two precision units located in France as well as tube making units located across Europe and South America. We also distribute our products through independent agents and through affiliated agents that are part of the ArcelorMittal Distribution Solutions division, none of which we own.

Our Services & Solutions segment performs three core activities: (i) the management of exclusive, direct sales of stainless steel products from our production facilities, primarily those located in Europe; (ii) distribution of our and, to a much lesser extent, external suppliers' products; and (iii) transformation services, which include the provision of value-added and customized steel solutions through further processing to meet specific customer requirements. We have the only integrated distribution network of stainless steel and specialty steel products in South America and, management believes, one of the most integrated distribution networks in Europe.

Through our integrated distribution network, management believes that we sell and distribute the widest range of stainless steel products in the industry, including flat products, tubes, transformed strips and precision strips. Our Steel Service Centers acquire hot or cold coils from our production facilities or from external suppliers, which they cut, polish or brush and then package for direct delivery to customers. In 2011, our Steel Service Centers accounted for approximately 77% of the Services & Solutions segment's total shipments, while our tube making units and precision units accounted for the remaining 19% and 4%, respectively. Our transformation facilities transform hot or cold coils through forming, welding, pickling, annealing, expanding, cutting and bending and then package and ship them to customers.

The distribution chain for our products is depicted in the chart below:



Our distribution channels are strategically located close to many end users, which enhances our ability to provide customers with immediate availability of the entire range of our products, including flat, long, technical and specialty steel. Management believes that our distribution network also enables us to cover all the major customers in the European market and a significant proportion of customers in the South American market, and provides us with a presence in several key growth regions.

Charcoal (Biomass)

BioEnergia was formed in 2009 as a result of the merger between ArcelorMittal Energética Jequitinhonha Ltda. and ArcelorMittal Florestas Ltda., which created the third largest charcoal producer in the world based on annual production capacity, which is approximately 215 thousand tonnes. Until June 30, 2011, the Company held a 36.5% interest in BioEnergia and ArcelorMittal held the remaining 63.5%. Prior to the formation of BioEnergia, the results of ArcelorMittal Energética Jequitinhonha Ltda. were combined with our operations. Subsequent to the formation of BioEnergia, our 36.5% interest had been accounted for under the equity method.

On November 1, 2010, AMIB entered into a letter of intent with ArcelorMittal to segregate BioEnergia's charcoal activities supporting ArcelorMittal's long steel business from its charcoal activities

supporting our stainless steel business through a demerger of the assets and liabilities related to BioEnergia's charcoal activities supporting ArcelorMittal's long steel business. This was proposed to be accomplished by the creation of a wholly owned subsidiary of BioEnergia, to which the assets and liabilities associated with ArcelorMittal's long steel business would be contributed. ArcelorMittal would then redeem its shares in BioEnergia and receive all of the shares of the newly created subsidiary. As a result, AMIB would become the sole shareholder of BioEnergia. On June 7, 2011, Aperam announced that its biomass operations in Brazil had been separated from ArcelorMittal's biomass operations and would be renamed Aperam BioEnergia. The legal steps of the demerger were completed in the third quarter 2011 and since then the results of Aperam BioEnergia are fully consolidated into those of the Company

Aperam BioEnergia produces wood and charcoal (biomass) for use in the steel industry from cultivated eucalyptus forests and is used at our Timóteo production facility in Brazil. The substitution of charcoal (biomass) for coke at the Timóteo production facility enables us to produce stainless and specialty steels in an environmentally and socially responsible manner in addition to improving our cost efficiency. In 2011, we produced 318,000 tons of charcoal through Aperam BioEnergia.

Aperam BioEnergia owns forests in the Brazilian states of Minas Gerais and Bahia. These forests have a six- to seven-year growing cycle.

BioEnergia's facilities include the following:

- three seedling nurseries, which have a capacity of approximately 12 million seedlings per year. The nursery has a temperature and humidity controlled vegetation house where more than 30 years of research with hybridation programs has been carried out with the aim of improving the productivity and quality of the forest;
- harvesting machinery with the capacity to process 3.5 million cubic meters of wood annually;
- charcoal (biomass) production units using the most advanced carbonization kilns. Each kiln has the capacity to process 700 cubic meters of wood. Aperam BioEnergia's kilns are equipped with automation systems, burning units for the carbonization of gases and a cooling system. Aperam BioEnergia intends to streamline the carbonization cycle from 12 days to 8 days by 2012 through ongoing optimizations.

Certain of Aperam BioEnergia's facilities are located approximately 350 kilometers from our integrated production facility in Timóteo, Brazil. Our second Timóteo facility's blast furnace, which still used coke, has been converted fully from coke to charcoal (biomass) in June 2011. As a consequence Timóteo's two blast furnaces are fully converted to charcoal.

Strategic Participation

We hold a minority interest in General Moly (9.09% as of December 31, 2011), whose primary asset is an 80% interest in the Mt. Hope Project, a U.S. molybdenum property located in Nevada, United States. The Mt. Hope Project has proven and probable molybdenum reserves of 1.3 billion pounds. General Moly also holds a 100% stake in a second significant molybdenum project, the Liberty Property, also located in Nevada. In addition, General Moly owns certain other non-core properties and mineral rights. Production is expected to commence at the Mt. Hope Project in the medium term.

We are party to a molybdenum supply agreement with General Moly (the "General Moly Offtake Agreement") that provides for us to purchase 6.5 million pounds of molybdenum per year, plus or minus 10%, once the Mt. Hope Project commences commercial operations at minimum specified levels. The supply agreement provides for a floor price along with a discount formula based on a published reference price above the floor price and expires five years after the commencement of commercial production at the Mt. Hope Project. Both the floor and threshold levels at which the percentage discounts change are indexed to a producer price index. The General Moly Offtake Agreement is expected to provide us with 32.5 million pounds of molybdenum for the five years following the commencement of production.

The Company and General Moly have also entered into an extension molybdenum supply agreement (the "General Moly Extension Agreement"). The General Moly Extension Agreement provides us with a five-year option to purchase from General Moly 3 million pounds of molybdenum per year for 10 years following the expiration of the General Moly Offtake Agreement. In order for us to exercise this option and make the General Moly Extension Agreement effective, we must beneficially own more than 11,100,000 shares of

General Moly common stock on or prior to April 15, 2015. We are currently General Moly's third largest shareholder and own 8,256,699 shares of common stock following our investment in November 2007.

General Moly entered into an agreement with China Han Long Mining Development Limited ("Han Long Mining"), pursuant to which Han Long Mining has agreed to invest in General Moly. Once this investment has been completed, our percentage interest in General Moly will decrease to approximately 8%.

Raw Materials and Energy

The Company's production facilities use both the traditional blast furnace process as well as the electric arc furnace steelmaking process. In Brazil, the Company predominantly uses the traditional blast furnace production process, which requires, among other materials, iron ore and charcoal (biomass). In Europe, the electric arc furnaces at its Châtelet and Genk production facilities use stainless and carbon steel scrap as key raw material inputs. In addition, the Company uses nickel, ferrochrome and molybdenum, among other materials, in its products.

The Company's raw materials purchasing strategy is focused on two principles: security of supply and flexibility. The needs of its production facilities are determined on the basis of five-year plans and annual budgets, and are largely met through the use of supply contracts which vary in duration from one to five years. In addition to long-term contracts, the Company's purchasing strategy incorporates both short-term contracts and spot market purchases.

The Company's purchasing organization negotiates key raw material purchasing contracts globally with a variety of suppliers to secure its long-term needs. For certain contracts with global or large regional suppliers, however, the Company continues to rely on ArcelorMittal's purchasing and sourcing organization to assist in the negotiation of contracts with suppliers, as contemplated by the Purchasing Services Agreement, the Sourcing Services Agreement and the Brazilian Cost Sharing Agreement. These agreements cover the following key purchasing categories: energy (electricity, natural gas and industrial gas), raw materials (ferro-alloys), operating materials (rolls, electrodes, refractories) and industrial products and services. The Purchasing Services Agreement also permits the Company to avail itself of the services and expertise of ArcelorMittal for certain capital expenditure items not specific to stainless steel production. Under the Sourcing Services Agreement, ArcelorMittal assists the Company in the negotiation of contracts with suppliers relating to ferroniobium and ferrovanadium; and, in turn, the Company assists ArcelorMittal's sourcing organization in the negotiation of contracts with suppliers relating to stainless steel materials, including nickel, chromium and molybdenum.

Raw Materials

Nickel

The Company buys nickel from a variety of global producers, with contracts varying in duration from one to five years. Nickel is bought as pure nickel (cathodes, briquettes) or as ferronickel (materials typically containing 20 to 40% nickel) and prices are based on the official cash or three-month settlement price quoted on the London Metal Exchange (the "**LME**"). For pure nickel, a premium is paid based on the quality of the material.

Ferrochrome

Chromium is mostly supplied in the form of ferrochrome (FeCr) and occasionally as chromium ore. Approximately 40% of worldwide ferrochrome production takes place in South Africa, which holds an estimated 75% of the world's chrome ore reserves. For its European production units, the Company sources most of its ferrochrome from ferrochrome producers in South Africa pursuant to long-term contracts that vary in duration. For its Brazilian operation, most ferrochrome is purchased from a local producer. The Company also sources ferrochrome under short-term contracts with producers in other chrome-producing countries. Although volumes are stipulated in the contracts, the price of ferrochrome is negotiated quarterly between the major South African producers and the major consumers in Europe and Asia. In addition, the Company produces ferrochrome at its Timóteo production facility from purchased chromium ore.

Molybdenum

The Company currently sources molybdenum using a combination of spot market purchases and one-year contracts with three different types of counterparties: miners/producers, independent converters and traders. Molybdenum is mainly purchased as molybdenum oxide and ferromolybdenum and occasionally as molybdenum metal. Management expects that the Company's molybdenum needs will largely be met by the General Moly Offtake Agreement, which provides for it to purchase 6.5 million pounds of molybdenum per year, plus or minus 10%, once General Moly's Mt. Hope Project commences commercial operations at minimum specified levels. The General Moly Offtake Agreement provides for a floor price along with a discount formula based on the published reference price above the floor price. Both the floor and threshold levels at which percentage discounts change are indexed to a producer price index. See "— Upstream and Strategic Participation - General Moly".

Stainless Steel Scrap

On top of primary metals, the Company uses stainless steel scrap as an important source of nickel, chrome and molybdenum for its stainless steel products. The stainless steel scrap market is regional in nature, with specialized suppliers collecting and blending new stainless steel scrap (cuttings and turnings) and demolishing old scrap to produce a mix with consistent quality and composition. In contrast to the Company's other raw materials, stainless steel scrap is purchased on a monthly basis, allowing for adjustments in volume to account for variations in production. Stainless steel scrap pricing is based on its constituting elements (iron, nickel, chromium and, for some grades, molybdenum) and is negotiated monthly.

Charcoal (Biomass)

Aperam BioEnergia (fully consolidated) uses a unique and advanced biomass technology to produce charcoal (biomass), which is used as a substitute for coke at its Timóteo production facility. The Timóteo production facility has successfully totally switched to charcoal in June 2011 with the conversion of our second blast furnace from coke, to charcoal (biomass). Management believes that Aperam BioEnergia will provide an adequately stable supply of charcoal (biomass) to support the Company's operations for the foreseeable future.

Iron Ore

The Company currently has an agreement with Vale pursuant to which Vale supplies its iron ore requirements for the blast furnaces at its Timóteo production facility. This agreement expires in December 2012. While the Company is currently considering its strategy for the supply of iron ore following the expiration of this contract, management believes that there are a sufficient number of suppliers of iron ore in the market such that it will be able to procure an adequately stable supply of iron ore to support its operations for the foreseeable future.

Carbon Steel Scrap

The Company procures the majority of its carbon steel scrap, which it uses in its electric arc furnaces at its European production facilities, locally and regionally in order to optimize transportation costs. The Company typically enters into monthly contracts for its carbon steel scrap requirements.

Energy

Natural Gas

In Brazil, as part of the Leadership Journey, the Timóteo production facility switched in the first quarter 2011 from LPG to natural gas and we entered into a long-term natural gas supply contract with a Brazilian supplier, which will include guaranteed volume provisions.

In Europe, we purchase most of our natural gas requirements using prevailing pricing systems, where prices are usually linked with oil prices. The duration and flexibility of its natural gas contracts, including the possibility of access to the spot markets, can vary.

Electricity

The Company procures its electricity through long-term contracts which vary in duration depending on the supplier. These long-term contracts generally provide volume and tariff guarantees and include contingencies in the event of plant expansions.

With regard to electricity prices, we benefit from preferred terms in France through the EXELTIUM consortium which began in May 2010. Our quantities are proportional to the share of our Eligible sites in the total of historical Eligible sites within ArcelorMittal. In Belgium, with 5 other electro intensive users within the BLUE SKY consortium, Aperam participates to a co-investment with Electrabel to get access to electricity on preferred terms.

Industrial Gases

The Company procures its industrial gas requirements using long-term contracts with various suppliers in different geographical regions.

Research and Development

The Company's research and development activities are closely aligned with the Company's strategy and are focused on product development and process development. The Company's research and development team comprises 131 employees. These employees are based in two centers in Europe, located in Isbergues and Imphy, France, and one center in Timóteo, Brazil. The Isbergues center is dedicated to stainless cold flat products and the Imphy center is dedicated to nickel alloys, including electrical/magnetic nickel alloys, and flat and long products. The Timóteo center is dedicated to plates and cold rolled stainless, GO and NGO electrical steels. Each of these research and development centers is located within the relevant production facility, enabling the Company to coordinate its research and development activities based on demand for its products.

The Company has also entered into an arrangement with ArcelorMittal and top class universities, setting out a framework for future cooperation between the groups and high schools in relation to certain ongoing and future research and development programs.

Product Development

The Company's product development activities include new alloy designs, the reduction of costly and sometimes unnecessary alloying elements in its products and improvements in the sustainability of products. Product development activities including steel solutions are coordinated with the Company's sales and marketing activities in order to optimize material selection and tailor its products to customer demand and specific applications.

Within its product development research, the Company currently focuses on the following products:

Stainless Steel

- alloy design and application, with a special focus on ferritic and duplex stainless steels;
- stainless steel solutions and new applications for the automotive, building, construction and household appliances industries, which includes technical assistance to end users;
- stainless steel for capital goods (industry, transportation, Energy) including advanced corrosion-resistant steels;

Electrical Steels

- development of higher grades of GO steels in order to meet increasing demand for higher efficiency transformers;
- creation of new products designed to meet the challenges presented by the new generation of hybrid and electric cars by proactively anticipating market demand;
- further strengthening the Company's technological leadership in NGO steels, especially for traction; and

Alloys & Specialties

- bespoke products based on nickel, iron, chromium, cobalt and other alloying elements, all of which target the energy, oil and gas, electronics, electrical engineering, household appliances, safety and automotive and transportation industries.

Process Development

The Company's process optimization activities are aimed at achieving more cost effective production processes both through energy savings as well as through breakthrough processes.

Within its process development research, the Company currently focuses on the following areas:

- development and modelling of melting and casting processes (a new furnace has been ordered for Aperam Alloys Imphy);
- hot rolling, cold rolling knowledge and process modelling;
- bright annealing technology; and
- pickling process improvement in accordance with applicable environmental regulations.

Intellectual Property

The Company's patent portfolio consists of approximately 69 patent families, with a total of approximately 650 patent applications or granted patents. From these families of patents, approximately 40% protect grades, 5% protect coatings and 55% protect processes or solutions. Some of these patents are co-owned with other entities, and a small number are used under licenses from third parties. Some proprietary techniques, such as LC2I or the Company's TOP AOD software were developed in partnership. The Company's trademark portfolio consists of about 70 trademark families, predominantly using the prefix "UGI" or the suffix "IMPHY", depending on the subsidiary owning the trademark. Under the Transitional Services Agreement, ArcelorMittal continued in 2011 to manage the administrative aspects of the Company's intellectual property and patent portfolio, and the Company may continue to use the ArcelorMittal brand for a transitional period. The Company is not dependent to a material extent on the patents and trademarks described above.

Sales and Marketing

The Company's Stainless & Electrical Steel and Services & Solutions segments each have their own sales and marketing organization, which are similarly structured and which work closely with each other. The Company's Alloys & Specialties segment also has a separate sales and marketing organization. Though organizationally separate, the sales organization of all of the Company's operating segments work together where required in order to deliver high quality service to customers at the lowest cost to the Company.

Sales Contracts

Our sales contracts generally have terms of one year or less. Sales to customers in the automotive and household appliance industries are typically concluded using one-year contracts. Sales to customers in other industries have a shorter duration, generally one month.

Sales to customers in Europe are typically denominated in euro, while sales to customers in Brazil are typically denominated in Brazilian real. No single customer accounted for more than 5% of our sales in 2011.

Marketing Organization

The Company's marketing activities follow its sales activities closely and are executed at the local level. In practice, this results in a focus on regional marketing competencies.

At the global level, marketing intelligence is shared with each operating segment's marketing and strategy teams in order to refine and update the Company's overall knowledge of the markets in which it operates. This continuous, focused and dynamic exchange of information helps the Company better identify new opportunities, such as new products or applications, new product requirements or new geographical areas of demand. Where a new product opportunity is identified, the Company's research and development unit is involved in developing the appropriate processes and products to enable it to respond to such opportunity.

An important part of the marketing function is the development of short-term outlooks that provide a perspective on the state of market supply and demand. These outlooks are shared with the sales team as part of the process of finalizing the sales strategy for the near term and with senior management when market conditions require adjustments to production volumes.

Competition

In 2011, there were seven stainless steel flat producers with slab production capacity in excess of 2.0 million tonnes per year, accounting for approximately half of global capacity, based on management estimates. These seven producers include Inoxum (the stainless steel unit of Thyssen Krupp), Acerinox, Taiyuan Iron & Steel (TISCO), Yieh United Steel (YUSCO), Pohang Iron and Steel Company (POSCO), Outokumpu and Aperam.

In Europe, we compete primarily with Inoxum and Acerinox, which are global suppliers, as well as Outokumpu, which is purely a European supplier. Based on management estimates, imports have accounted for between 12 and 18% of the European market in recent years. In South America, we face competition primarily from imports from Asia and, to a lesser extent, North America. Nickel alloys are a niche market in which our main competitors are ThyssenKrupp VDM, Carpenter Technologies, Special Metals, Hitachi and Haynes.

On January 31, 2012, ThyssenKrupp and Outokumpu confirmed that an agreement in principle had been reached about the combination of Outokumpu and Inoxum to create the world's largest stainless steel company. The closing of the transaction is expected by the end of 2012. Management believes that the competitive landscape is also changing due to the emergence of China as the most significant geography in terms of demand. To meet increased demand from China, local production facilities of a significant size have been emerging at a rapid pace, and management believes that this will gradually result in lower levels of concentration of global production.

Stainless Steel Distribution

The Company's main competitors in the stainless steel distribution market are independent Steel Service Centers, integrated Steel Service Centers, distributors and traders. Most of the Company's main competitors, like the Company, have integrated distribution networks, including Outokumpu, Acerinox and TKS. The Company also competes with large independent distributors in Europe, who compete primarily by diversifying their product and service offerings. It also faces competition from strong distribution networks in the NAFTA region, although it possesses the only integrated distribution network in South America.

Insurance

Historically, the Company has maintained insurance on its property and equipment in amounts which management believes to be consistent with industry practices. Its insurance policies cover physical loss or damage to its property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of an insured event under these policies.

The Company has also maintained various other types of insurance, such as comprehensive construction and contractor insurance for its major capital expenditure projects, public and products liability insurance, directors and officers liability insurance, credit, commercial crime, transport and charterers' liability insurance, as well as other customary policies such as car insurance, travel assistance and medical insurance.

In addition, each of the Company's operating segments has maintained various local insurance policies that are mandatory at the local level, such as employer liability, workers compensation and auto liability insurance, as well as specific insurance policies covering compliance with local regulations.

The Transitional Services Agreement requires ArcelorMittal to ensure that the insurance policies with third parties that cover entities transferred to the Company in the spin-off remain covered following the spin-off. The Company may also request ArcelorMittal to act as an insurance broker and negotiate insurance policies on its behalf. In general, however, the Company is responsible for entering into new insurance policies once the insurance policies that currently cover it expire.

Environmental Regulation

The Company's operations are subject to a broad range of laws and regulations relating to air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic

materials, waste disposal practices, the remediation of environmental contamination and other aspects of the protection of the environment at its multiple locations and operating subsidiaries. As these laws and regulations continue to become more stringent, management expects that the Company will continue to expend sufficient amounts to achieve or maintain ongoing compliance, as described in further detail in "Financial Information – Legal Proceedings".

In Brazil, the environmental licensing process of a project deemed to have a significant environmental impact requires a minimum investment in preservation areas in order to offset damage to the environment. The Company's Brazilian subsidiaries are required to hold licenses for the operation of their activities, which are usually valid for a period of five years, after which they may be renewed for another five-year period. The renewal of these operation licenses requires the Company's Brazilian subsidiaries to inform the environmental authorities periodically of their compliance with certain environmental standards.

Failure to comply with these regulations and obtain the necessary licenses can have serious adverse consequences for the Company's Brazilian subsidiaries, including criminal as well as administrative penalties, negative publicity and the obligation to remediate damages caused to the environment. The Company has incurred and will continue to incur capital and operating expenditures to continue to comply with these laws and regulations. Additional environmental requirements that may be imposed in the future and the Company's inability to obtain environmental licenses could require it to incur significant additional costs and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

With regard to climate change, the Company's activities in the European Union are subject to the EU Emissions Trading Scheme, and it is likely that requirements relating to greenhouse gas emissions will become more stringent. The post-2012 carbon market is very uncertain, and the Company is closely monitoring international negotiations, regulatory and legislative developments and is endeavoring to reduce its own emissions.

Brazil

The following laws and decrees are applicable to the Company's operations in Brazil:

- Law No. 6,938, of August 31, 1981, which implements the National Environmental Policy, considered one of the main legal statutes on environment;
- Brazilian National Environmental Council (Conselho Nacional do Meio Ambiente, or "CONAMA") Resolution No. 237, of December 19, 1997, which regulates the environmental licensing procedures in Brazil;
- Law No. 9,605, of February 12, 1998, which implements the Environmental Crimes Act;
- Decree No 6,514 of July 22, 2000, and Decree No 6,686 of December 10, 2008, which regulate the Environmental Crimes Act with respect to administrative penalties;
- Decree N° 6848/2008, which implements Law N° 9985/2000 concerning environmental compensation, establishes the percentage of total planned investments that must be devoted to greenfield projects in areas of conservation. Moreover, federal law places certain restrictions on the location of mining projects. The Instituto Brasileiro do Meio Ambiente ("IBAMA") controls licensing over certain types of land, including indigenous lands within 50 kilometers of the border of a neighboring country, environmentally protected areas (referred to locally as conservation units), or lands within or affecting more than one state, such as a railway. All other projects are licensed by the agencies of the state in which the project is located;
- Federal Resolution N° 382/2006, which was published by the Brazilian National Environmental Council (CONAMA), imposes more stringent limitations on dust, sulphur dioxide and nitrogen oxide for new sources in the steel industry. Administrative Order No 259/2009 published by the Ministry of the Environment (MMA) and IBAMA requires that each EIS (Environmental Impact Statement) submitted contain a specific chapter on alternative clean technologies that can reduce the impact on the health of workers and the environment. The principal labor union is involved in the information and consultation process relating to the health, safety and environmental license; and
- Federal Resolution N° 396/2008 published by CONAMA, which defines the guidelines and quality standards for classification of groundwater.

European Union

Significant EU Directives and Regulations are applicable to the Company's production facilities in the European Union, including the following:

- Directive 2008/1/EC of January 15, 2008 concerning integrated pollution prevention and control (the "IPPC Directive"), which applies common rules for permitting and controlling industrial installations. This directive, currently under review by the EU Council and Parliament, is complemented by European Pollutant Release and Transfer Register (E-PRTR) regulation (EC) N° 166/2006 of January 18, 2006 implementing the yearly report on release of pollutants and off-site transfer of waste;
- Directive 2008/105/EC of December 16, 2008, which establishes new water quality standards for priority pollutants in support of Directive 2000/60/EC of October 23, 2000, which established a framework for action in the field of water policy;
- Directive 2008/98/EC of November 19, 2008 which establishes the legislative framework for the handling and management of waste in the EU and Regulation (EC) N° 1013/2006 of June 14, 2006, which regulates the shipment of waste from and to the European Union; and
- Directive 2003/87/EC of October 13, 2003, as amended by Directive 2004/101/EC (the "Emissions Trading Directive"), which establishes a program under which EU member states are allowed to trade greenhouse gas emission allowances within the EU subject to certain conditions.

The following EU Directives are also significant:

- Directive 2008/50/EC of May 21, 2008, which deals with ambient air quality and cleaner air for Europe;
- Directive 2004/107/EC of December 15, 2004, which sets forth limit values and target values for pollutants in ambient air, including thresholds on very fine particulates;
- Directive 2001/81/EC of October 23, 2001, which introduced national emission ceilings for certain pollutants; and
- Directive 96/82/EC of December 9, 1996 and Directive 2003/105/EC of December 16, 2003, which relates to the control of major accidents hazards involving dangerous substances (also known as the "SEVESO Directives").
- Environmental damages and violations of the EU legislation are subject to environmental and criminal liability under Directive 2004/35/EC of April 21, 2004, and Directive 2008/99/EC of November 19, 2008.
- EU Directives applicable to the Company's products include those relating to waste electrical and electronic equipments (Directive 2002/96/EC of January 27, 2003), end-of-life vehicles (Directive 2000/53/EC of September 18, 2000) and packaging and packaging waste (Directive 2004/12/EC of February 11, 2004).
- The Company is also subject to the "REACH" Regulation (EC) N° 1907/2006 for Registration, Evaluation, Authorization and Restriction of Chemicals, adopted on December 18, 2006, which controls the chemical substances manufactured in or imported into the EU in volumes of over one tonne per year and to the "CLP" regulation (EC) N° 1272/2008 of December 16, 2008 on classification, labeling and packaging of substances and mixtures, which implements the United Nations Globally Harmonized System (GHS) of classification and labeling. In June 2007, the entities comprising the Company integrated the task force as well as the platform created by ArcelorMittal at the corporate level in order to coordinate the strategic aspects and technical issues of implementing these regulations. In compliance with the REACH Regulation, the Company's legal entities have pre-registered their imported and manufactured substances in the European Community with the European Chemical Agency (ECHA). As of November 2008, the Company had submitted 37 pre-registration files to ECHA. By November 2010, the Company plans to have submitted four registration files (complete toxicological and ecotoxicological profile as well as the administrative fee) to ECHA. The Company's legal entities will not obtain the required license for continued production of a subject chemical if it fails to (i) submit a registration file for the subject chemical in due time, (ii) submit a complete registration file or (iii) make any required payment in connection with the registration file. In addition, the designation of additional chemicals of "high concern" under the REACH Regulation could increase the costs of compliance with other EU Directives, including those relating to waste and water and the SEVESO Directives.

- Management anticipates that its capital expenditure with respect to environmental matters in the European Union over the next several years will relate primarily to installations of additional air emission controls and to requirements imposed in the course of renewal of permits and authorizations, including those pursuant to the IPPC Directive. In particular, since 2005, its operations in the European Union are subject to the Emissions Trading Directive, the EU's central instrument for achieving the EU Member States' commitments under the Kyoto Protocol by providing a European emissions trading system ("ETS") for carbon dioxide emissions. The ETS covers more than 10,000 installations across the EU, including combustion plants, oil refineries, coke ovens, iron and steel plants and factories making cement, glass, lime, brick, ceramics and pulp and paper. ETS's key provisions relate to the common trading currency of emission allowances. One allowance gives the holder the right to emit one tonne of carbon dioxide. For each trading period under the ETS, EU member states draw up national allocation plans that determine how many emission allowances each installation will receive. Companies that keep their emissions below the level of their allowances can sell their excess allowances. Companies that do not keep their emissions below the level of their allowances must either reduce their emissions, such as by investing in more efficient technology or using less carbon-intensive energy sources, or purchase the extra allowances that they need on the open market.

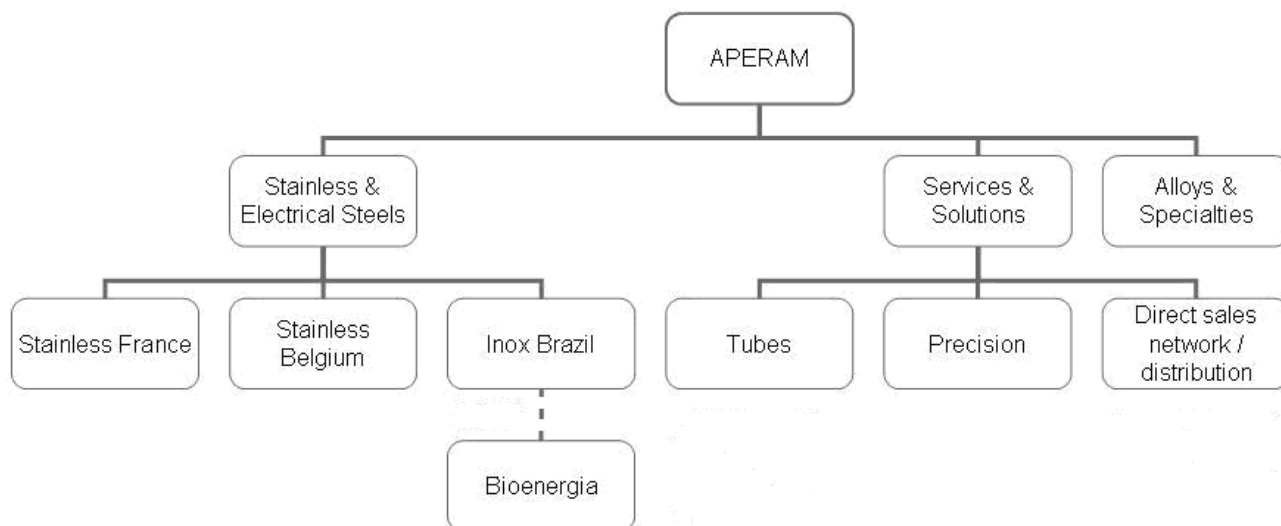
- The second phase of the National Allocation Plans ("NAPs"), which apply for the period from 2008 through 2012, has been finalized in all EU member states. Management believes that the allowances provided for in these NAPs are sufficient for the Company's European operations.

- For the period after 2012, the EU institutions adopted on December 17, 2008 the so-called "EU Climate Change package" which aims to reduce the EU's greenhouse gas ("GHG") emissions by 20% by 2020 compared to 1990 levels, and possibly 30% if other developed countries commit themselves to comparable emission reductions and economically more advanced developing countries contribute adequately according to their responsibilities and capabilities. The package contains in particular the following legislative documents:

- Directive 2009/29/EC of April 23, 2009, which is intended to improve and expand the ETS;
- Decision N° 406/2009/EC of April 23, 2009, which deals with the effort of Member States to reduce their GHG emissions to meet the Community's GHG emission reduction commitments up to 2020; and
- Directive 2009/31/EC of April 23, 2009, which addresses the geological storage of carbon dioxide.
- In particular, the new ETS includes centralized allocation rather than national allocation plans, a cap designed to achieve an overall reduction of greenhouse gases for the industrial sector of 21% in 2020 compared to 2005 emissions and auctioning as the basic principle for allocating emissions allowances, with transitional free allocation in particular for manufacturing industries under risk of "carbon leakage". Many issues that ultimately will determine the impact of the revised ETS scheme need to be further elaborated in implementing legislation. The free allocation granted after 2012 will largely depend on the elaboration of the benchmarks for the sector. Through Commission Decision 2010/2/EU of December 24, 2009, the manufacture of ferro-alloys (including stainless steel) has been recognized to pose a significant risk of carbon leakage.

C. Organizational Structure

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



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

D. Property, Plant and Equipment

The following tables provide an overview of our principal production and downstream facilities, each of which we wholly-own, by operating segment, location, size (in the case of production facilities only), facility type and products:

Production Facilities by Geography

Country	Locations	Size (square kilometers)	Type of Plant	Products
Stainless & Electrical Steel				
Brazil	Timóteo	2.1	Integrated mill/Blast furnace	Stainless/Electrical
Belgium	Châtelet	0.5	Electric arc furnace meltshop/Hot rolling	Stainless flat
Belgium	Genk	0.8	Electric arc furnace/Cold rolling	Stainless flat
France	Gueugnon	0.4	Cold rolling	Stainless flat
France	Isbergues	0.9	Cold rolling (Recyco electric arc furnace)	Stainless flat
Nickel Alloys & Specialties				
France	Amilly	—	Downstream	Electrical components
France	Imphy	0.4	Electric arc furnace meltshop/Hot rolling/Cold rolling/Specialized foundry	Nickel
France	Epone	—	Downstream	Alloys/Stainless
China	Foshan	—	Downstream	Wire drawing Magnetic Cores

Facility Types

Facility ⁽¹⁾	Number of Facilities	Capacity (in millions of tonnes per year) ⁽²⁾	Production in 2011 (in millions of tonnes) ⁽²⁾
Blast furnace	2	0.7	0.5
Electric arc furnace	6	3.0	1.4
Continuous caster—slabs	4	3.0	1.9
Hot rolling mill	4	4.5	1.9
Cold rolling mill (Z mill)	17	2.1	1.4
Annealing & Pickling lines ⁽³⁾	21	4.4	3.6
Skin pass mill	6	1.2	0.7
Continuous bloom/billet caster	1	0.1	0.0

Notes:

⁽¹⁾ Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as an input in the next step in the process. Therefore, the sum of the production numbers does not equal the quantity of saleable finished steel products.

⁽²⁾ Reflects design capacity, and does not take into account other constraints in the production process.

⁽³⁾ Including hot and final annealing & pickling capacities (including batch annealing and LC2i integrated line annealing & pickling capacity)

All of our production facilities are owned directly or indirectly by us and none of them is subject to any material encumbrances.

Stainless & Electrical Steel

Europe

Our European facilities produce the full range of our stainless steel products. Our stainless steel production facilities in Europe produced approximately 1.1 million tonnes of crude steel in 2011. The Genk, Châtelet, Gueugnon and Isbergues production facilities cover an area of approximately 0.8 square kilometers, 0.5 square kilometers, 0.4 square kilometers and 0.9 square kilometers, respectively.

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

Our cold rolling facilities in Europe consist of three cold rolling mill plants, located in Belgium (Genk) and France (Gueugnon and Isbergues). All three plants include annealing and pickling lines (with shot blasting and pickling equipment), cold rolling mills, bright annealing lines (in Gueugnon and Genk), skin-pass and finishing operations equipment. The Isbergues plant also includes a DRAP (Direct Roll Anneal and Pickle) line. The Genk plant is focused on austenitic steel products, the Gueugnon plant on ferritic products and the Isbergues plant on products dedicated to the automotive market (mainly ferritic steels) and industrial market (mainly austenitic steels). We recently set up Recyco, an electric arc furnace recycling unit that recycles dust and slugs to retrieve nickel and chromium, at our Isbergues facility.

South America

We are the only integrated producer of flat stainless and electrical steel in South America. Our integrated production facility in Timóteo, Brazil produces the full range of our electrical steel products, which account for approximately 10% of the Stainless & Electrical Steel operating segment's total shipments, and a wide range of stainless steel products. We also produce relatively small volumes of special carbon steel at our Timóteo production facility. In 2011, we produced 0.7 million tonnes of crude steel at this facility, from which we exported products to more than 41 countries. The Timóteo production facility covers an area of approximately 2.1 square kilometers and has an annual production capacity of 0.9 million tonnes.

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

Alloys & Specialties

The Alloys & Specialties integrated production facility is located in Imphy, France and includes a meltshop, a wire rod facility and a cold rolling facility. The meltshop is designed to produce specialty grades and includes one electric arc furnace with a vacuum oxygen decarburization ladle and a ladle furnace, one vacuum induction melting furnace and one vacuum arc remelting furnace. The meltshop is also equipped with ingot casting facilities and a continuous billet caster. Our wire rod mill specializes in the production of nickel alloys and has the ability to process a wide range of grades, including stainless steel. It comprises a blooming mill, billet grinding, a hot rolling mill, which has a capacity of 30 thousand tonnes, and finishing lines. The Imphy production facility covers an area of approximately 0.4 square kilometers.

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

Raw Materials and Energy

Our production facilities use both the traditional blast furnace process as well as the electric arc furnace steelmaking process. In Brazil, we predominantly use the traditional blast furnace production process, which requires, among other materials, iron ore and charcoal (biomass). In Europe, the electric arc furnaces at our Châtelet and Genk production facilities use stainless and carbon steel scrap as key raw material inputs. In addition, we use nickel, ferrochrome and molybdenum, among other materials, in our products.

Our raw materials purchasing strategy is focused on two principles: security of supply and flexibility. The needs of our production facilities are determined on the basis of five-year plans and annual budgets, and are largely met through the use of supply contracts which vary in duration from one to five years. In addition to long-term contracts, our purchasing strategy incorporates both short-term contracts and spot market purchases.

Our purchasing organization negotiates key raw material purchasing contracts globally with a variety of suppliers to secure our long-term needs. For certain contracts with global or large regional suppliers, however, we continue to rely on ArcelorMittal's purchasing and sourcing organization to assist in the negotiation of contracts with suppliers, as contemplated by the Purchasing Services Agreement, the Sourcing Services Agreement and the Brazilian Cost Sharing Agreement. These agreements cover the following key purchasing categories: energy (electricity, natural gas, industrial gas), raw materials (ferro-alloys), operating materials (rolls, electrodes, refractories) and industrial products and services. The Purchasing Services Agreement also permits us to avail ourselves of the services and expertise of ArcelorMittal for certain capital expenditure items not specific to stainless steel production. Under the Sourcing Services Agreement, ArcelorMittal assists us in the negotiation of contracts with suppliers relating to ferroniobium and ferrovanadium; and, in turn, we will assist ArcelorMittal's sourcing organization in the negotiation of contracts with suppliers relating to stainless steel materials, including nickel, chromium and molybdenum.

Item 3. Management's Discussion and Analysis of Financial Condition and Results of Operation

You should read the following discussion in conjunction with the consolidated financial statements and the unaudited pro forma combined financial information included elsewhere in this financial report.

This discussion includes forward-looking statements which, although based on assumptions we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied herein. See "Forward-looking Statements" and "Risk Factors" for a discussion of the risks, uncertainties and assumptions associated with these statements.

Overview

We are a leading global stainless and specialty steel producer based on our annual production capacity of 2.5 million tonnes in 2011. We are the largest stainless and specialty steel producer in South America and according to the International Stainless Steel Forum (ISSF), we are the third largest producer in Europe. We are also a leading producer of high value-added specialty products, including GO and 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 10,500 employees. Our distribution network is comprised of 19 Steel Service Centers, 10 transformation facilities and 33 sales offices. We sell our products to customers on three continents in over 30 countries, including customers in the aerospace, automotive, catering, construction, household appliances and electrical engineering, industrial processes, medical, and oil & gas industries.

We had sales of \$6.3 billion, \$5.6 billion and \$4.2 billion and shipments of approximately 1.75 million tonnes, 1.74 million tonnes and 1.45 million tonnes for the years ended December 31, 2011, 2010 and 2009, respectively.

Key Factors Affecting Results of Operations

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

Demand for Stainless and Electrical Steel 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" below.

Demand for stainless steel flat products decreased by approximately 7% from 2007 to 2008, based on management estimates. Demand started to decline during the second half of 2007 as a result of the steep decline in nickel prices and, following a partial recovery during the first half of 2008, deteriorated further as a consequence of the global economic crisis. Demand began to recover in the last quarter of 2009 and increased by approximately 20% over the course of 2010, which management believes was mainly driven by demand recovery in the developed world and sustained demand growth in China. After a sustained recovery during the first half of 2011, demand decreased in the second half of 2011 mainly due to lower nickel prices and an uncertain economic environment, especially given the EU sovereign debt crisis further inducing cautious buying. As a result management estimates that 2011 demand was only 5% higher than in 2010.

Stainless steel flat producers, ourselves included, reduced their production significantly from the fourth quarter of 2008. As a result, management estimates that production decreased by approximately 13% from 2006 to 2009. In 2010, however, production began to recover and increased by approximately 20%, followed by a strong growth reduction down to approximately 5% in 2011, driven by the demand recovery and 2011 disruptions as discussed above.

The effect of the global economic crisis had a similar impact on demand for electrical steel. Management estimates that global GO steel demand decreased by approximately 14% from 2007 to 2009 and that this strong decrease in demand in the developed world was partially offset by an increase in demand in Asia of approximately 4.4%. Global demand for NGO steel decreased by 2.8% from 2007 to 2009 based on management estimates. Demand for GO and NGO steel recovered in 2010, and increased from 2009 levels

by approximately 7% and 20%, respectively, driven by the demand recovery discussed above based on management estimates. In 2011, management estimates that GO demand growth rate was further sustained to a similar level, while NGO demand growth rate decreased by half to approximately 8%,

Demand for nickel alloys also decreased as a result of the global economic crisis. In 2008, demand for nickel alloy products was strong, in part as a result of robust demand stemming from the construction of LNG tankers. Management estimates that demand for nickel alloy products decreased by approximately 25% in 2009, in part due to a slowdown in the production of tankers. In 2010 and 2011, demand recovered and increased year-on-year by approximately 10% based on management estimates.

Production Capacity

Structural overcapacity has in the past affected, and in the future is expected to continue to affect, the stainless steel industry. Global utilization rates have declined significantly in recent years, from approximately 88% in 2006 to 62% in 2009. In 2010 and 2011, utilization rates recovered and reached approximately 70%, based on management estimates. However, management expects that global utilization rates will continue to remain low for the foreseeable future compared to 2006 rates.

Stainless Steel Pricing

In contrast to carbon steel, the market for stainless steel is considered to be a global market. Stainless steel is suitable for transport over longer distances as logistics costs represent a smaller proportion of overall costs. As a result, prices for commoditized stainless steel products evolve similarly across regions. However, in general, stainless steel products are not completely fungible due to wide variations in shape, chemical composition, quality, specifications and application, all of which impact sales prices. Accordingly, there is 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 mainly on market supply and demand; and
- the “alloy surcharge”, which is a supplementary charge added by producers to the selling price of steel and offsets price increases in raw materials, such as nickel, chromium or molybdenum, by directly passing these increases on to customers. The concept of the “alloy surcharge”, which is calculated using raw material prices quoted on certain accepted exchanges, such as the London Metals Exchange (“LME”), was introduced in Europe and the United States in response to significant volatility in the price of these materials, which has historically been driven by fluctuations in demand, increasing or decreasing inventory levels, changes in production capacity and speculation by metal traders.

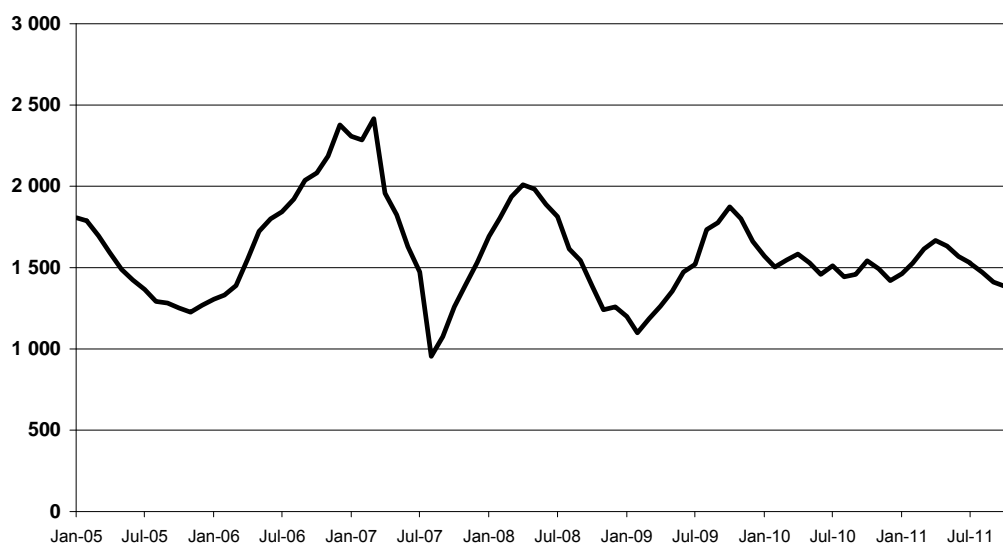
Notwithstanding the application of the “alloy surcharge”, we are still affected by changes in raw material prices, in particular nickel. In general, when the price of nickel is falling, purchasers of stainless steel products delay their orders to benefit from an expected decline in prices, which has the effect of reducing demand in the short term. By contrast, when nickel prices are rising, purchasers tend to acquire larger quantities of stainless steel in order to avoid having to buy at higher prices. Nickel prices on the LME have been extremely volatile during the past few years, declining from a high of approximately \$52,000 per tonne in May 2007 to a low of approximately \$9,700 per tonne in December 2008. In 2009, nickel prices decreased to a low of approximately \$9,700 per tonne at the end of March and subsequently increased to a high of approximately \$20,000 per tonne in August, before ending the year at \$17,000 per tonne. Nickel prices increased throughout 2010, peaking at approximately \$26,000 per tonne in April, before settling at approximately \$24,000 per tonne by the end of the year. In 2011, those prices further grew, reaching a peak at approximately \$28,000 per tonne in February, before falling to approximately \$18,000 per tonne by year end.

The graphs below show the price of nickel on the LME and the European base price for CR304 stainless steel for the period from January 1, 2005 to December 31, 2011:

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



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



Source:

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

Stainless steel base prices began to decline during the second half of 2007 as a result of concerns regarding global economic conditions, which effectively resulted in a freeze on stainless steel orders. Base prices (based on the price of CR 304 2B 2mm coil base prices/Europe) gradually began to recover at the beginning of 2009 in line with rising nickel prices to reach approximately \$1,900 per tonne at the beginning of the third quarter of 2009. After reaching a peak in October 2009, base prices again declined to approximately \$1,700 per tonne at the end of 2009, mainly as a result of falling nickel prices. Stainless steel base prices decreased slightly in 2010 as a result of the low-range volatility of nickel pricing, as well as stainless steel destocking. In contrast, over 2011 base prices decreased by approximately 20% from 2011 April peak down to approximately \$1,350 per tonne at year end, driven by lower nickel prices and pressure on demand as discussed previously.

Electrical Steel Pricing

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

GO steel prices (based on RGO M-0.27 mm) in China decreased from approximately \$5,600 per tonne at the end of 2008 to approximately \$3,200 per tonne at the end of 2009, which represented a decrease of approximately 43%. This decline was primarily due to excess supply in the export market as a result of the financial crisis, which negatively affected the price of GO steel. Throughout 2010, the price of GO steel in China decreased further to approximately \$2,300 per tonne despite signs of recovery in the broader market, as GO pricing tends to lag behind macroeconomic trends. This expected recovery materialized in 2011 with GO prices reaching approximately \$2,800 per tonne.

Prices for NGO steel (based on NGO M470-50A) in China, which accounts for approximately 80% of the global electrical steel market, decreased by approximately 32%, from \$1,400 per tonne at the end of September 2008 to \$950 per tonne at the end of 2009. This decline was also due to excess supply in the export market as a result of the financial crisis. NGO steel prices in China increased to an average of approximately \$1,350 over the fourth quarter of 2010, in line with the price recovery experienced in the carbon steel market. This recovery further continued over 2011 with prices reaching approximately \$1,400 per tonne.

Current and anticipated trends in stainless steel production and prices

Global flat stainless steel demand is expected to increase by about 5% per year on average until 2015 with 1-2% in Europe and 6-7% in South America. Stainless steel base prices are expected to remain under pressure as a consequence of the structural overcapacity.

Raw Materials and Energy

Raw Materials

The primary raw materials that we use to produce our products include nickel, ferrochrome, molybdenum, stainless and carbon steel scrap, coke, charcoal (biomass) and iron ore. We are exposed to price volatility with respect to each of these raw materials, which we purchase under long-term supply contracts and in 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.

As a result of the global economic crisis and the consequent decrease in demand for steel, the prices for most raw materials we use decreased in 2009. Since then, prices have generally recovered to more stable levels, aided in part by continued robust demand from China. In 2011, most raw materials showed a rather balanced supply/demand compared to the previous years. Metals (nickel, molybdenum) were therefore more influenced by the general economic sentiment and as a result prices dropped for most of the year after having peaked in February, reaching a floor in October/November. Ferrochrome and iron ore were fairly stable, with the latter showing a more significant weakness in the fourth quarter.

Energy

In Brazil, as part of the Leadership Journey, the Timóteo production facility switched from LPG to natural gas in 2011 and entered into a long-term natural gas supply contract with a Brazilian supplier. In Europe, we purchase most of our natural gas requirements using prevailing pricing systems, where prices are usually linked with oil prices, normalizing for each fuel's energy content.

In most of the countries where we operate, electricity prices have moved in line with other energy commodities. With regard to electricity prices, we benefit in France from ArcelorMittal's participation in the EXELTIUM consortium, which began in May 2010 to provide its members with electricity on preferred terms. Our quantities are proportional to the share of our eligible sites in the total of historical eligible sites within ArcelorMittal. In Belgium, with 5 other electro intensive users within the BLUE SKY consortium, Aperam participates to a co-investment with Electrabel to get access to electricity on preferred terms.

Initiatives We Have Taken in Response to the Global Financial Crisis

Overview

In the second half of 2008, we implemented several initiatives in response to the deteriorating economic and steel market environment that have had an effect on our results of operations.

- We reduced our output across our production facilities starting in the third quarter of 2008. In the first quarter of 2009, we reduced output further as economic conditions failed to improve. We then gradually increased production, commencing in the second quarter of 2009 and continuing throughout 2010. We also adapted to the deteriorating economic and steel market environment by introducing flexible industrial configurations, which allow for greater flexibility in production planning and improve the management of inventory to reduce carrying costs. These measures allowed us to contain our cost of sales to a certain degree.
- We launched a sustainable cost reduction plan and had achieved approximately \$144 million in sustainable management gains by December 2010, primarily due to:
 - selling, general and administrative expense, and headcount reductions achieved through voluntary separation and retirement plans, natural attrition and target rationalization; and
 - significant yield improvements and reductions in raw material costs resulting from targeted investments, including investments in process optimization and the implementation of best practices across the Company.

The “Leadership Journey” Cost Reduction Plan

At the end of 2010, we replaced our sustainable cost reduction plan launched in 2008 with an initiative to target an additional \$250 million of management gains and fixed cost reductions over the next two years. The program, which we refer to as the “Leadership Journey” focuses on fixed and variable cost reductions and increasing productivity.

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

Impact of Exchange Rate Movements

Our results of operations can be affected by fluctuations in exchange rates as follows:

- Transactions in currencies other than the U.S. dollar are initially recorded at the exchange rate prevailing on the date of the transaction. Any movements in exchange rates will result in a gain or loss being reflected on our consolidated statements of operations.
- Because the functional currency of the majority of our subsidiaries is a currency other than the U.S. dollar, the income statement and balance sheet of each of those subsidiaries must be translated for purposes of preparing our consolidated financial statements. At the end of each reporting period, any assets or liabilities recorded on the balance sheet of a subsidiary whose functional currency is other than the U.S. dollar are translated at the closing rate on the last day of the relevant period. Items recorded on any such subsidiary’s income statement are translated at the average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income through the foreign currency translation reserve.

In order to minimize our currency exposure, we enter into hedging transactions to lock in a set exchange rate, in accordance with our risk management policies, which are described in further detail in section G “Quantitative and Qualitative Disclosures about Market Risk”.

Spin-off from ArcelorMittal

The historical combined financial statements have been prepared on a “carve-out” basis from the ArcelorMittal combined financial statements using the historical results of operations, assets and liabilities attributable to ArcelorMittal’s stainless steel and nickel alloys business and certain other entities except for the effects of the first-time adoption of IFRS under IFRS 1. In addition, the historical combined financial statements include allocations of expenses from ArcelorMittal, which management believes to be reasonable. Prior to the spin-off, ArcelorMittal provided purchasing, corporate communications, human resources and benefit management, treasury and finance, investor relations, corporate controller, internal audit, legal and tax advice, compliance regarding internal controls and information technology functions to us. The total cost of these allocations from ArcelorMittal was \$12 million in 2009 and \$11 million in 2010. As an independent, publicly traded company, we have assumed responsibility for the costs for these functions, effective as of our separation from ArcelorMittal. Accordingly, our historical combined results of operations discussed herein are not necessarily indicative of our future performance and do not reflect what our financial performance would have been had we been an independent publicly traded company during the periods presented. Management expects, subject to the finalization of our plans, that the total annual costs for the abovementioned functions will be in the range of \$13 million to \$14 million in 2011 (representing incremental expenses in the range of \$2 million to \$3 million). However, management expects that, having completed our separation from ArcelorMittal, we will benefit from certain rationalizations, including the renegotiation of contracts, which should offset these incremental expenses.

Other Agreements with ArcelorMittal

Prior to the completion of the spin-off, we and ArcelorMittal entered into certain other agreements, including the transitional services agreement (the “Transitional Services Agreement”), the purchasing services agreement for Europe (the “Purchasing Services Agreement”), the sourcing services agreement for Europe (the “Sourcing Services Agreement”), certain commitments relating to the Brazilian Cost Sharing Agreement (the “Brazilian Cost Sharing Agreement”) and certain ancillary arrangements governing the relationship between the Company and ArcelorMittal following the spin-off. The durations of these agreements vary from one to three years.

In 2011, the Agreements were implemented in accordance with their respective terms and reviewed by the Transition Committee of the Board of Directors.

As both the Purchasing Services Agreement and the Sourcing Services Agreement will expire on January 24, 2013, the Company’s management will determine during 2012 if the agreements should be terminated or extended, in whole or partially, in accordance with their respective terms, taking into consideration the benefits and costs to the Company of these agreements.

The term of the Transitional Services Agreement was one year from the spin-off date with the possibility to renew some of the services for one more year. Aperam started to internalize its corporate services in 2011 and gradually completed the staffing of its own departments such as Consolidation, Human Resources, IS/IT, Legal, Tax and Treasury.

An addendum to this Transitional Services Agreement is about to be concluded to define the final scope of services to be provided in 2012 only.

Critical Accounting Policies and Use of Judgments and Estimates

Management’s discussion and analysis of our results of operations and financial condition is based on the consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS recognition and measurement principles and, in particular, making the critical accounting judgments summarized below, require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

For a summary of all of our significant accounting policies, see Note 2 to the consolidated financial statements.

Deferred Tax Assets

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

Note 17 to the consolidated financial statements describes the total deferred tax assets recognized in the consolidated statements of financial position.

Deferred Employee Benefits

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

- **Discount Rates.** The discount rate is based on several high quality corporate bond indexes in the appropriate jurisdictions (rated AA or higher by a recognized rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates.
- **Rate of Compensation Increase.** The rate of compensation increase reflects actual experience and our long-term outlook, including contractually agreed upon wage rate increases for represented hourly employees.
- **Expected Return on Plan Assets.** The expected return on plan assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plans' asset mix.
- **Mortality and Retirement Rates.** Mortality and retirement rates are based on actual and projected plan experience.

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

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

Legal, Environmental and Other Contingencies

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

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

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

Impairment of Tangible and Intangible Assets

Tangible and Intangible Assets

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

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

In the case of permanently idled assets, the impairment is measured at the individual asset level on the basis of salvage value. Otherwise, it is not possible to estimate the recoverable amount of the individual asset because the cash flows are not independent from that of the cash generating unit to which it belongs. Accordingly, our assets are measured for impairment at the cash generating unit level. In certain instances, the cash generating unit is an integrated manufacturing facility which may also be an operating subsidiary. Further, a manufacturing facility may be operated in concert with another facility, with neither facility generating cash flows that are largely independent from the cash flows of the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2011, we had determined we have six cash generating units.

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

Goodwill

With respect to goodwill, the recoverable amounts of the groups of cash generating units are determined from the higher of its net selling price (fair value reduced by selling costs) or its value in use calculations, as described above. See Note 2 to the consolidated financial statements for further information on our definition of our groups of cash generating units. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

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

Derivative Financial Instruments

We have historically entered into derivative transactions with ArcelorMittal Treasury, which, in turn, enter into offsetting positions with counterparties external to ArcelorMittal. We enter into derivative financial instruments principally to manage the Company's exposure to fluctuation in exchange rates and prices of raw materials and energy. Derivative financial instruments are classified as current assets or liabilities based on their maturity dates and are accounted for at trade date. Embedded derivatives are separated from the host contract and accounted for separately if required by IAS 39, "Financial Instruments: Recognition and Measurement". We measure all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. See Note 14 to the consolidated financial statements for analysis of the Company's sensitivity to changes in certain of these inputs. Gains or losses arising from changes in the fair value of derivatives are recognized in the statement of operations, except for derivatives that are highly effective and qualify for treatment as a cash flow hedge. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in equity. Amounts deferred in equity are recorded in the statement of operations in the periods when the hedged item is recognized in the statement of operations and within the same line item.

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

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

A. Operating Results

We have three operating segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties.

Key Indicators

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

Year Ended December 31, 2011 compared to Year Ended December 31, 2010

Sales, Steel Shipments and Average Steel Selling Prices

The following table provides our sales, steel shipments and average selling prices by operating segment for the year ended December 31, 2011, as compared to the year ended December 31, 2010:

Operating Segment	Sales for the Year Ended December 31, ⁽¹⁾		Steel Shipments for the Year Ended December 31, ⁽²⁾		Average Selling Price for the Year Ended December 31,		Changes in		
	2011	2010 Combined	2011	2010 Combined	2011	2010 Combined	Sales	Steel Shipments	Average Steel Selling Price
	(in million of U.S. dollars)		(thousands of tonnes)		(in U.S. dollars/tonne)			(%)	
Stainless & Electrical Steel ⁽³⁾	5,068	4,431	1,675	1,638	2,903	2,591	14.4	2.3	12.0
Services & Solutions	2,603	2,327	662	652	3,764	3,397	11.9	1.5	10.8
Alloys & Specialties	721	529	37	33	18,805	15,368	36.3	12.1	22.4
Total (before intragroup eliminations)	8,392	7,287	2,374	2,323			15.2	2.2	
Total (after intragroup eliminations)	6,345	5,604	1,749	1,741			13.2	0.5	

Notes:

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

(2) Steel shipments amounts are shown prior to intersegment shipments of 625 thousand tonnes and 582 thousand tonnes in 2011 and 2010, respectively.

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

The Company had sales of \$6,345 million for the year ended December 31, 2011 representing an increase of 13.2% compared to sales of \$5,604 million for the year ended December 31, 2010. The increase in sales was primarily due to the higher average selling price, which increased from \$3,066 per tonne in 2010 to \$3,475 per tonne in 2011. Steel shipments amounted to approximately 1,749 thousand tonnes for the year ended December 31, 2011, remaining stable compared to shipments of 1,741 thousand tonnes for the year ended December 31, 2010.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) were \$5,068 million for the year ended December 31, 2011. Sales to external customers in the Stainless & Electrical Steel segment were \$3,126 million, representing 49.3% of total sales in 2011, an increase of 9.2% as compared to sales to external customers of \$2,862 million for the year ended December 31, 2010, or 51.1% of total sales in 2010. Steel shipments for this segment (including intersegment shipments) increased to 1,675 thousand tonnes for the year ended December 31, 2011 (of which 647 thousand tonnes were attributable to our operations in South America and 1,028 thousand tonnes were attributable to our operations in Europe, including intersegment shipments) from 1,638 thousand tonnes for the year ended December 31, 2010 (of which 622 thousand tonnes were attributable to our operations in South America and 1,016 thousand tonnes

were attributable to our operations in Europe, including intersegment shipments), which represented an increase of 2.3%.

Despite relatively flat volumes in 2011 compared to 2010, sales in the Stainless & Electrical Steel segment increased by 14.4%, from \$4,431 million in 2010 to \$5,068 million in 2011, mainly as a result of a higher average selling price. The average selling price for the Stainless & Electrical Steel segment increased by 12.0% in 2011.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) were \$2,603 million for the year ended December 31, 2011. Sales to external customers in the Services & Solutions segment were \$2,505 million, representing 39.5% of total sales in 2011, an increase of 12.8% as compared to sales of \$2,220 million for the year ended December 31, 2010, or 39.6% of total sales in 2010. Steel shipments for this segment increased to 662 thousand tonnes for the year ended December 31, 2011 from 652 thousand tonnes for the year ended December 31, 2010, which represented an increase of 1.5%. Sales in the Services & Solutions segment increased from \$2,327 million in 2010 to \$2,603 million in 2011, a 11.9% increase year-over-year. The main reason for this increase in sales is the higher average selling price for the segment in 2011 compared to 2010. The average selling price for the Services & Solutions segment increased by 10.8%, from \$3,397 per tonne in 2010 to \$3,764 per tonne in 2011.

Alloys & Specialties

Sales in the Alloys & Specialties segment (including intersegment sales) were \$721 million for the year ended December 31, 2011. Sales to external customers in the Alloys & Specialties segment were \$712 million, representing 11.2% of total sales in 2011. There was an increase in sales of 36.3% from \$529 million in 2010 to \$721 million in 2011. This significant increase in sales in 2011 was the result of a combination of increased shipments and higher average selling prices. Steel shipments for this segment increased to 37 thousand tonnes for the year ended December 31, 2011 from 33 thousand tonnes for the year ended December 31, 2010, which represented an increase of 12.1%. The average selling price for the Alloys & Specialties segment increased by 22.4%, from \$15,368 per tonne in 2010 to \$18,805 per tonne in 2011.

Operating Income

The following table provides our operating income/(loss) and operating margin for the year ended December 31, 2011, as compared to the year ended December 31, 2010:

Operating Segment	Operating Income Year Ended December 31,		Operating Margin Year Ended December 31,	
	2010	2010	2010	2010
	2011	Combined	2011	Combined
	(in million of U.S. dollars)		2010	
				(%)
Stainless & Electrical Steel.....	(39)	8	(0.8)	0.2
Services & Solutions.....	(18)	53	(0.7)	2.3
Alloys & Specialties	64	36	8.9	6.8
Total ⁽¹⁾	45	93	0.7	1.7

Note:

- (1) Amounts shown include eliminations of 38 and (4) for the years ended December 31, 2011 and 2010, respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with intersegment eliminations and/or nonoperational items which are not segmented.

The Company's operating income for the year ended December 31, 2011 was \$45 million, compared to \$93 million for the year ended December 31, 2010. The decrease in 2011 operating income was mainly due to the combination of the net pricing squeeze and stock effect that occurred in 2011. Even though average selling prices for 2011 increased compared to 2010, base prices were under pressure throughout the year. Additionally, in 2011, nickel prices fell compared to 2010, resulting in a negative stock effect in 2011. The Company was, however, able to significantly offset the difficult market conditions with the progress made in 2011 with the management gains and profit enhancement initiative known as the Leadership Journey.

Stainless & Electrical Steel

The operating loss for the Stainless & Electrical Steel segment was \$39 million for the year ended December 31, 2011 (of which an operating loss of \$10 million and \$29 million was attributable to our operations in South America and Europe, respectively), compared to operating income of \$8 million for the year ended December 31, 2010 (of which operating income of \$99 million was attributable to our operations in South America and an operating loss of \$91 million was attributable to our operations in Europe). Despite a higher average selling price in 2011, the operating result in 2011 decreased compared to 2010 in the Stainless & Electrical Steel segment mainly as a result of the net pricing squeeze. Once again, this negative impact was significantly offset by the progress made on the Leadership Journey in 2011.

Services & Solutions

The operating loss for the Services & Solutions segment was \$18 million for the year ended December 31, 2011 compared to an operating income of \$53 million in the year ended December 31, 2010. The operating result in 2011 in the Services & Solutions segment was significantly impacted by a negative stock effect resulting mainly from the decline in nickel prices compared to a positive stock effect in 2010 resulting mainly from the rise in nickel prices. .

Alloys & Specialties

The operating income for the Alloys & Specialties segment improved from \$36 million for the year ended December 31, 2010, to \$64 million for the year ended December 31, 2011. The operating income in 2011 improved as a result of the increased level of shipments and higher average selling prices.

Income from Other Investments

We recorded an income of \$2 million from other investments for the year ended December 31, 2011, compared to \$9 million for the year ended December 31, 2010. The income from other investments was attributable to dividends received from a minority stake we held in Gerdau.

Interest Income

Interest income decreased to \$3 million for the year ended December 31, 2011, compared to \$9 million for the year ended December 31, 2010.

Interest Expense and Other Net Financing Costs

Interest expense and other net financing costs include interest expense, revaluation of financial instruments, net foreign exchange income/expense and other financing costs. Interest expense and other net financing costs increased to \$127 million for the year ended December 31, 2011, compared to \$18 million for the year ended December 31, 2010. The 2010 interest expense and other net financing costs include a realized gain of \$120 million in relation to the exchange of Aços Villares shares against Gerdau shares, which we do not consider as strategic. Additionally, following the spin-off in the first quarter of 2011 we put in place a new financing structure appropriate for a stand-alone entity. Prior to this in 2010, a significant majority of the debt held by the Company was in the form of intercompany financing with ArcelorMittal.

Net interest expense and other financing costs in 2011 relating to the service of debt and other financing facilities was \$86 million.

Unrealized Foreign Exchange and Derivative Losses/Gains

Unrealized results on foreign exchange and derivative instruments decreased in 2011 as compared to 2010. We had unrealized losses on foreign exchange and derivative instruments of \$30 million for the year ended December 31, 2011, compared to unrealized gains of \$9 million for the year ended December 31, 2010. These unrealized gains and losses primarily related to instruments we entered into to hedge our exposure to nickel prices which do not qualify for hedge accounting treatment under IAS 39 and the accounting revaluation of US dollar denominated external debt held in subsidiaries.

Income Tax

We recorded an income tax benefit of \$48 million for the year ended December 31, 2011, compared to an income tax benefit of \$3 million for the year ended December 31, 2010. Our income tax benefit in 2011 was primarily due to negative operational results in several countries with high tax rates

Non-controlling Interests

Net income attributable to non-controlling interests was \$1 million for the year ended December 31, 2011, remaining stable compared to the year ended December 31, 2010.

Net Loss / Income

Our net result was a loss of \$60 million for the year ended December 31, 2011, compared to a net income of \$104 million for the year ended December 31, 2010. This was primarily due to the net pricing squeeze and negative stock effect that occurred in 2011.

Year Ended December 31, 2010 compared to Year Ended December 31, 2009

Sales, Steel Shipments and Average Steel Selling Prices

The following table provides our sales, steel shipments and average selling prices by operating segment for the year ended December 31, 2010, as compared to the year ended December 31, 2009:

Operating Segment	Sales for the Year Ended December 31, ⁽¹⁾		Steel Shipments for the Year Ended December 31, ⁽²⁾		Average Selling Price for the Year Ended December 31,		Changes in		
	2010 Combined	2009 Combined	2010 Combined	2009 Combined	2010 Combined	2009 Combined	Sales	Steel Shipments	Average Steel Selling Price
	(in million of U.S. dollars)		(thousands of tonnes)		(in U.S. dollars/tonne)			(%)	
Stainless & Electrical Steel ⁽³⁾	4,431	3,185	1,638	1,374	2,591	2,230	39.1	19.2	16.1
Services & Solutions	2,327	1,758	652	575	3,397	2,868	32.4	13.4	18.4
Alloys & Specialties	529	435	33	27	15,368	14,732	21.6	22.2	4.3
Total (before intragroup eliminations)	7,287	5,378	2,323	1,976			35.5	17.6	
Total (after intragroup eliminations)	5,604	4,235	1,741	1,447			32.3	20.3	

Notes:

⁽¹⁾ Amounts are shown prior to intragroup eliminations. For additional information, see Note 24 to the consolidated financial statements.

⁽²⁾ Steel shipments amounts are shown prior to intersegment shipments of 582 thousand tonnes and 529 thousand tonnes in 2010 and 2009, respectively.

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

We had sales of \$5,604 million for the year ended December 31, 2010 representing an increase of 32.3% from sales of \$4,235 million for the year ended December 31, 2009. The increase in sales was

primarily due to the significant recovery in shipments and prices as a result of the improvement in general economic conditions. Our steel shipments amounted to approximately 1,741 thousand tonnes for the year ended December 31, 2010, representing a 20.3% increase from steel shipments of approximately 1,447 thousand tonnes for the year ended December 31, 2009.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) were \$4,431 million for the year ended December 31, 2010. Sales to external customers in the Stainless & Electrical Steel segment were \$2,862 million, representing 51.1% of total sales in 2010, an increase of 34.7% as compared to sales to external customers of \$2,125 million for the year ended December 31, 2009, or 50.2% of total sales in 2009. Steel shipments for this segment (including intersegment shipments) increased to approximately 1,638 thousand tonnes for the year ended December 31, 2010 (of which 622 thousand tonnes were attributable to our operations in South America and 1,016 thousand tonnes were attributable to our operations in Europe, including intersegment shipments) from 1,374 thousand tonnes for the year ended December 31, 2009 (of which 515 thousand tonnes were attributable to our operations in South America and 859 thousand tonnes were attributable to our operations in Europe, including intersegment shipments), which represented an increase of 19.2%. We experienced a recovery in shipments in both Europe and South America, with stainless steel and electrical steel shipments increasing by approximately the same proportion.

The average selling price for the Stainless & Electrical Steel segment increased by 16.2% in 2010. The increase in the average selling price was due to increases in selling prices for stainless steel, which were partially offset by the continuing decline in selling prices for electrical steel, which were affected in the first half of 2010 by capacity expansions in North America. While selling prices for electrical steel have begun to stabilize, the effect of such capacity expansions may continue to impact our results in future periods.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) were \$2,327 million for the year ended December 31, 2010. Sales to external customers in the Services & Solutions segment were \$2,220 million, representing 39.6% of total sales in 2010, an increase of 32% as compared to sales of \$1,677 million for the year ended December 31, 2009, or 39.6% of total sales in 2009. Steel shipments for this segment increased to 652 thousand tonnes for the year ended December 31, 2010 from 575 thousand tonnes for the year ended December 31, 2009, which represented an increase of 13.3%.

The average selling price for the Services & Solutions segment increased by 18% in 2010. The increases in shipments and average selling prices were due to the recovery of demand and prices for stainless steel, which were, in turn, due to the improvement in general economic conditions.

Alloys & Specialties

Sales in the Alloys & Specialties segment (including intersegment sales) were \$529 million for the year ended December 31, 2010. Sales to external customers in the Alloys & Specialties segment were \$522 million, representing 9.3% of total sales in 2010, an increase of 21% as compared to sales of \$430 million for the year ended December 31, 2009, or 10.2% of total sales in 2009. Steel shipments for this segment increased to 33 thousand tonnes for the year ended December 31, 2010 from 27 thousand tonnes for the year ended December 31, 2009, which represented an increase of 22.2%.

The average selling price for the Alloys & Specialties segment increased slightly by 4.3% in 2010. The increase in shipments was due to the recovery of demand as well as strong sales in wire products.

Operating Income/(Loss)

The following table provides our operating income/(loss) and operating margin for the year ended December 31, 2010, as compared to the year ended December 31, 2009:

Operating Segment	Operating Income/(Loss) Year Ended December 31,		Operating Margin Year Ended December 31,	
	2010 Combined	2009 Combined	2010 Combined	2009 Combined
	(in million of U.S. dollars)		(%)	
Stainless & Electrical Steel.....	8	(157)	0.2	(4.9)
Services & Solutions.....	53	(40)	2.3	(2.3)
Alloys & Specialties.....	36	(1)	6.8	(0.2)
Total ⁽¹⁾	93	(207)	1.7	(4.9)

Note:

⁽¹⁾ Amounts shown include eliminations of (4) and (9) for the years ended December 31, 2010 and 2009, respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with intersegment eliminations and/or nonoperational items which are not segmented.

Our operating income for the year ended December 31, 2010 was \$93 million, compared to an operating loss of \$207 million for the year ended December 31, 2009. The operating income in 2010 was mainly due to the strong recovery in shipments and the increase in the average selling price as compared to 2009, which was, in turn, primarily due to the improvement in general economic conditions as discussed above.

The operating loss for the year ended December 31, 2009 reflected reduced absorption of fixed costs as a result of lower production volumes and shipments, which was, in turn, due to the global economic crisis as discussed above. In addition, we recorded \$100 million of pre-tax expenses during the first half of 2009 that resulted from the ongoing effects of the global economic crisis and consequent weak steel market conditions, which contributed to the operating loss for 2009. The \$100 million in pre-tax expenses consisted of \$90 million of inventory write-downs and \$10 million of provisions relating to workforce reductions, including voluntary separation schemes.

The inventory write-downs recorded during the first half of 2009 were due to the rapid and sharp decline in prices of, and demand for, steel products, which led to the net realizable value of certain inventories of finished steel products, production in process and raw materials, in particular inventories of iron ore and coking coal, decreasing.

We recorded a \$10 million provision relating to workforce reductions, including voluntary separation schemes, during the first half of 2009, which related to an expansion of the voluntary separation schemes introduced in 2008 and 2009 in response to the effects of the global economic crisis and the deterioration of conditions in the steel market.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was \$8 million for the year ended December 31, 2010 (of which operating income of \$99 million was attributable to our operations in South America and an operating loss of \$91 million was attributable to our operations in Europe), compared to operating loss of \$157 million for the year ended December 31, 2009 (of which \$88 million of operating income was attributable to our operations in South America and \$245 million of operating loss was attributable to our operations in Europe). The operating income in 2010 reflected the strong recovery in shipments and the increase in the average selling price as compared to 2009, which was, in turn, due to the improvement in general economic conditions, as discussed above. We experienced a recovery in shipments in both Europe and South America, but the recovery was stronger in South America, where our market share increased. The increase in the average selling price was due to increases in selling prices for stainless steel, which were partially offset by the continuing decline in selling prices for GO electrical steel, as discussed above.

The operating loss in 2009 reflected reduced absorption of fixed costs, particularly in Europe, as a result of lower production volumes and shipments, which was, in turn, due to the global economic crisis. In

addition, we recorded inventory write-downs and provisions in respect of workforce reductions during the first half of 2009 of \$64 million and \$8 million, respectively, which contributed to the operating loss for the year.

Services & Solutions

The operating loss for the Services & Solutions segment improved from a loss \$40 million in the year ended December 31, 2009 to an operating income of \$53 million in the year ended December 31, 2010. The operating income in 2010 reflected the strong recovery in shipments and the increase in the average selling price as compared to 2009, which were, in turn, due to the improvement in general economic conditions.

The operating loss in 2009 was mainly due to lower shipments and average selling prices as a result of the global economic crisis. In addition, we recorded \$15 million of inventory write-downs and \$2 million of provisions in respect of workforce reductions during the first half of 2009 which contributed to the operating loss for the year.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was \$36 million for the year ended December 31, 2010, compared to operating loss of \$1 million for the year ended December 31, 2009. The operating income in 2010 reflected the recovery in shipments, which was, in turn, due to the recovery of demand, as well as strong sales in wire products, as discussed above.

The operating loss in 2009 reflected lower average selling prices and shipments as a result of the global economic crisis, in particular lower demand resulting from LNG tanker construction. In addition, we recorded \$11 million and nil of inventory write-downs and provisions in respect of workforce reductions, respectively, during the first half of 2009, which contributed to the operating loss for the year.

Income from Other Investments

We recorded income of \$9 million from other investments for the year ended December 31, 2010, compared to \$2 million for the year ended December 31, 2009. The income from other investments was attributable to dividends received from a minority stake we held in a Brazilian rolls supplier.

Interest Income

Interest income decreased to \$9 million for the year ended December 31, 2010, compared to \$10 million for the year ended December 31, 2009.

Interest Expense and Other Net Financing Costs

Interest expense and other net financing costs include interest expense, revaluation of financial instruments, net foreign exchange income/expense (i.e., the net effects of transactions in a foreign currency other than the functional currency of a subsidiary) and other financing costs. Interest expense decreased to \$116 million for the year ended December 31, 2010, compared to \$119 million for the year ended December 31, 2009.

Unrealized gains on derivative instruments also decreased in 2010 as compared to 2009. We had unrealized gains on derivative instruments of \$2 million for the year ended December 31, 2010, compared to unrealized gains of \$70 million for the year ended December 31, 2009. These unrealized gains and losses related to instruments we entered into to hedge our exposure to nickel prices which do not qualify for hedge accounting treatment under IAS 39. This resulted in a \$68 million increase in interest expense and other net finance costs in 2010 as compared to 2009. However, this was offset by a realized gain of \$120 million for the year ended December 31, 2010 in relation to the exchange of 21,837,295 Aco Villares shares for 9,076,554 Gerdau shares, which we do not consider strategic.

Net foreign exchange and other net financing costs (which include bank fees, interest on pensions and impairments of financial instruments) were \$15 million for the year ended December 31, 2010, compared to a gain of \$38 million for the year ended December 31, 2009.

Expenses due to impairment of financial assets decreased to \$0.3 for the year ended December 31, 2010 from an expense of \$3 million for the year ended December 31, 2009.

Income Tax

We recorded an income tax benefit of \$3 million for the year ended December 31, 2010, compared to an income tax benefit of \$57 million for the year ended December 31, 2009. Our income tax benefit in 2010 was primarily due to a change in the measurement of our deferred tax assets, while our tax benefit in 2009 was primarily due to our operating loss for that year. For additional information related to our income taxes, see Note 18 to the consolidated financial statements.

Non-controlling Interests

Net income attributable to non-controlling interests was \$1 million for the year ended December 31, 2010, compared to a negligible net loss attributable to non-controlling interests for the year ended December 31, 2009.

Net (Loss)/Income Attributable to ArcelorMittal's Net Investment

Our net income attributable to ArcelorMittal's net investment was \$104 million for the year ended December 31, 2010, compared to net loss of \$150 million for the year ended December 31, 2009. This was primarily due to the recovery in shipments and average selling prices, as discussed above.

B. Liquidity and Capital Resources

Liquidity and Capital Resources

Our principal sources of liquidity are cash generated from our operations, our borrowing base facility and our credit facilities at the level of our operating subsidiaries. Management believes that the cash generated from our operations and our credit facilities are sufficient to meet our present requirements.

Because we are a holding company, we are dependent upon the earnings and cash flows of, and dividends and distributions from, our operating subsidiaries to pay expenses and meet our debt service obligations.

Our cash and cash equivalents amounted to \$247 million, \$120 million and \$118 million as of December 31, 2011, 2010 and 2009, respectively.

Our total debt, which includes long-term debt and short-term debt was \$1,125 million, \$1,832 million and \$1,881 million as of December 31, 2011, 2010 and 2009, respectively. Net debt (defined as long-term and short-term debt less cash and cash equivalents) was \$878 million as of December 31, 2011, compared to \$1,712 million and \$1,763 at December 31, 2010 and 2009, respectively. Gearing (defined as net debt divided by total equity) was 25% as of December 31, 2011.

Prior to the spin-off, our principal sources of financing consisted of loans from ArcelorMittal entities to us at the level of Aperam South America (formerly ArcelorMittal Inox Brasil), which holds our assets in Brazil, and Aperam Stainless Belgium (formerly ArcelorMittal Stainless Belgium), which holds our assets in Belgium. Simultaneously with the spin-off, we entered into a \$900 million bridge loan with ArcelorMittal to replace these loans. On March 15, 2011, we entered into a \$800 million borrowing base facility with third party lenders and subsequently drew \$400 million under the facility to partially repay the ArcelorMittal bridge loan. The borrowing base facility may be repaid and redrawn from time to time until its final maturity in March 2014.

On March 28, 2011, the Company announced the pricing of two series of US dollar denominated notes, consisting of USD 250,000,000 aggregate principal amount of its 7.375% Notes due 2016 and USD 250,000,000 aggregate principal amount of its 7.75% Notes due 2018, in a private placement in the international capital markets.

As of December 31, 2011, the Company had drawn \$400 million of the borrowing base facility, which has a total size of \$800 million, leaving a committed credit line of \$400 million under the facility. The borrowing base facility may be increased from \$800 million to \$1 billion upon our request and subject to approval by the lenders. In addition, as of December 31, 2011, we had \$211 million of debt outstanding at the subsidiary level, of which the Company had granted security over \$68 million of indebtedness.

As of December 31, 2011, the Company had total liquidity of \$647 million, consisting of cash and cash

equivalents (including short term investments) of \$247 million and committed credit lines of \$400 million.

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

True Sales of Receivables Program

We have historically participated in a program for sales without recourse of trade accounts receivable to financial institutions, referred to as our true sales of receivables ("TSR") program. The total amount that we may borrow under the TSR program at any one time was originally €250 million but was decreased to €200 million as of the end of 2011 at the request of the Company. Through the TSR program, we and certain of our operating subsidiaries surrender the control, risks and benefits associated with the accounts receivable sold, allowing us to record the amount of receivables sold as a sale of financial assets and remove the accounts receivable from our statement of financial position at the time of the sale. The amount of receivables we sold under the TSR program and derecognized in accordance with IAS 39 for the years ended December 31, 2011, 2010 and 2009 was \$1.7 billion, \$1.7 billion and \$1.3 billion, respectively. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognized in the statement of operations as financing costs and amounted to \$19 million, \$11 million and \$8 million in the years ended December 31, 2011, 2010 and 2009, respectively. See Note 5 for further information.

Earnings distribution

A general meeting of the Company held on January 21, 2011 approved in principle the payment of a dividend of \$0.75 per Company share, in four equal quarterly installments of \$0.1875 (gross) per share which took place on March 30, 2011, June 14, 2011, September 12, 2011 and December 12, 2011.

On February 6, 2012, Aperam announced that the Board of Directors will submit to a shareholder's vote, at the next annual general meeting, a proposal to maintain the quarterly dividend payment at \$0.1875 per share. The dividend payments would occur on a quarterly basis for the full year 2012 on March 13, 2012, June 14, 2012, September 10, 2012 and December 10, 2012 taking into account that the first quarterly dividend payment to be paid on March 13, 2012 shall be an interim dividend.

Sources and Uses of Cash

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

The following table presents a summary of our cash flow for the year ended December 31, 2011, as compared to the year ended December 31, 2010:

	Year Ended December 31,	
	2011	2010 Combined
	(in million of U.S. dollars)	
Net cash provided by operating activities	189	362
Net cash (used in) provided by investing activities	498	(404)
Net cash (used in) provided by financing activities	(552)	42

Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased to \$189 million for the year ended December 31, 2011, compared to \$362 million for the year ended December 31, 2010. Despite decreased working capital requirements, cash generated from operating activities decreased by \$173 million due to the net loss in the year as a result of the net pricing squeeze and negative stock effect that occurred in 2011. Working capital (defined for purposes of this financial report as consisting of inventories plus accounts receivable less accounts payable) for the year ended December 31, 2011 decreased by \$34 million due to an increased focus on inventory management by the Company, lower material prices and lower demand at the end of the year.

Net Cash (Used in)/ Provided Investing Activities

Net cash provided by investing activities amounted to \$498 million for the year ended December 31, 2011, compared to net cash used in investing activities of \$404 million for the year ended December 31, 2010. The net cash provided by investing activities in 2011 was mainly related to the cash pooling arrangements in place with ArcelorMittal prior to the completion of the spin-off process. Capital expenditures were \$158 million for the year ended December 31, 2011, compared to \$101 million for the year ended December 31, 2010.

Net Cash (Used in)/ Provided by Financing Activities

Net cash used in financing activities was \$552 million for the year ended December 31, 2011, compared to net cash provided by financing activities of \$42 million for the year ended December 31, 2010. Cash used in financing activities increased primarily as a result of the cash pooling arrangements in place with ArcelorMittal prior to the completion of the spin-off process.

Equity

Equity attributable to the equity holders of the parent decreased to \$3,437 million at December 31, 2011, as compared to \$3,649 at December 31, 2010, primarily due to foreign currency translation differences.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

The following table presents a summary of our cash flow for the year ended December 31, 2010, as compared to the year ended December 31, 2009:

	Year Ended December 31,	
	2010	2009
	Combined	Combined
	(in million of U.S. dollars)	
Net cash provided by operating activities	362	214
Net cash (used in) provided by investing activities	(404)	90
Net cash (used in) provided by financing activities	42	(339)

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased to \$362 million for the year ended December 31, 2010, compared to \$214 million for the year ended December 31, 2009. Despite increased working capital requirements, cash generated from operating activities increased by \$148 million due to a tax indemnification of \$265 million received from ArcelorMittal France. Working capital (defined for purposes of this financial report as consisting of inventories plus accounts receivable less accounts payable) for the year ended December 31, 2010 increased by \$211 million as compared to the year ended December 31, 2009 due to the recovery in demand and higher raw material prices. Inventories increased by \$489 million, accounts receivable increased by \$93 million and accounts payable increased by \$371 million in 2010 as compared to 2009.

Net Cash (Used in)/Provided by Investing Activities

Net cash used in investing activities amounted to \$404 million for the year ended December 31, 2010, compared to net cash provided by investing activities of \$90 million for the year ended December 31, 2009. The net cash used in investing activities in 2010 was mainly related to excess cash received from ArcelorMittal France from a \$265 million tax indemnity. Capital expenditure was \$101 million for the year ended December 31, 2010, compared to \$115 million for the year ended December 31, 2009.

Net Cash (Used in)/Provided by Financing Activities

Net cash provided by financing activities was \$42 million for the year ended December 31, 2010, compared to net cash used in financing activities of \$339 million for the year ended December 31, 2009. Cash provided by financing activities increased primarily as a result of capital increases in 2010 of \$73 million and \$25 million at ArcelorMittal Stainless Tubes Europe and ArcelorMittal Precision Europe, respectively.

Equity

Equity attributable to the equity holders of the parent increased to \$3,649 million as of December 31, 2010, primarily due to net income for the year of \$104 million and capital transactions with ArcelorMittal of \$55 million, which were partially offset by the decrease in the foreign currency translation adjustments of \$78 million as a result of the decrease of net assets of European operations following the depreciation of the euro against the U.S. dollar.

Capital Expenditure

Capital expenditures for the years ended December 31, 2011, 2010 and 2009 were \$158 million, \$101 million and \$115 million, respectively. Capital expenditures for 2011 related primarily to our Leadership Journey with investments at Gueugnon, Imphy and Campinas as well as maintenance investments in our facilities in Brazil, France and Belgium. Capital expenditure for 2010 and 2009 related primarily to the Timóteo facility with the conversion of our second blast furnace from coke to charcoal (biomass) and to switch from LPG to natural gas as well as to the maintenance of our facilities in Brazil, Belgium and France.

We have budgeted less than \$200 million for capital expenditure projects in 2012, relating primarily to our leadership journey and the maintenance of our facilities in Brazil, Belgium and France. We will remain cautious on capital expenditures whilst enabling adjustments based upon market conditions.

C. Research and Development, Patents and Licenses

Costs relating to research and development, patents and licenses were not significant as a percentage of sales. Research and development costs expensed (and included in selling, general and administration expenses) for the years ended December 31, 2011, 2010 and 2009 amounted to \$20 million, \$21 million and \$14 million, respectively.

D. Trend information

On 6 February 2012, Aperam published its fourth quarter 2011 results. EBITDA was \$ 53 million in the fourth of 2011 compared to EBITDA in the third quarter of 2011 of \$ 62 million. The decrease in EBITDA quarter versus quarter was primarily driven by lower activity resulting from the seasonal slowdown in South America and a decrease in base and transaction prices. These factors impacting EBITDA were partially offset by the continuing progress of the “Leadership Journey”, which has contributed USD 176 million to EBITDA since the beginning of the year 2011.

EBITDA in the first quarter 2012 is expected to improve compared to Q4 2011 due to stainless steel market rebound and the continuing progress of the Leadership Journey. Net debt is expected to increase in the first quarter 2012 compared to the fourth quarter 2011 due to increased activity.

The Q4 2011 results press release is available on www.aperam.com under Investors & Shareholders, Earnings.

E. Off-balance Sheet Arrangements

We have no uncombined special purpose financing or partnership entities. As discussed above, however, we participate in a TSR program for sales without recourse of trade accounts receivable programs with financial institutions. For additional information, see “—Liquidity and Capital Resources—True Sale of Receivables Program.”

F. Tabular Disclosure of Contractual Obligations

We have various purchase commitments for materials, supplies and items of permanent investment incidental to the ordinary course of business. As of December 31, 2011, management believes that these commitments are not in excess of current market prices and reflect normal business operations.

As of December 31, 2011, we had outstanding various long-term obligations. These various purchase commitments and long-term obligations will have an effect on our future liquidity and capital resources. The table below shows, by major category of commitment and obligations outstanding as of December 31, 2011, management’s current estimate of their annual maturities (undiscounted except for environmental and asset retirement obligations).

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	(in million of U.S. dollars)				
Long-term debt obligations— scheduled repayments— Note 13 to the consolidated financial statements	607	35	70	245	257
Operating lease obligations— Note 21 to the consolidated financial statements	24	4	4	1	15
Capital lease obligations.....	20	5	10	1	4
Environment commitments ⁽¹⁾ — Note 19 to the consolidated financial statements	34	7	13	3	11
Purchase obligations—Note 21 to the consolidated financial statements.....	1,686	308	544	257	577
Funding contribution to the pension and post-employment plans ⁽²⁾	11	11	—	—	—
Scheduled interest payments ⁽³⁾	214	50	79	66	19
Other long-term liabilities	3	—	—	—	3
Total	2,599	420	720	573	886

Notes:

⁽¹⁾ We may be subject to additional environmental liabilities not included in the table above.

⁽²⁾ The funding contributions to the pension and post-retirement plans are presented for the following year and to the extent known.

⁽³⁾ In determining the future interest payments on our variable interest debt we used the interest rates applicable as of December 31, 2010.

We had \$503 million, \$568 million and \$377 million of short-term debt (excluding current portion of long-term debt) as of December 31, 2011, 2010 and 2009, respectively. Short-term debt includes short-term loans, which are payable within one year, and overdrafts with ArcelorMittal, which are payable on demand.

G. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a number of different market risks arising from our normal business activities. Market risk is the possibility that changes in raw materials prices, foreign currency exchange rates, interest rates, base metal prices and energy prices (oil, natural gas and electricity) will adversely affect the value of our financial assets, liabilities or expected future cash flows.

The fair value information presented below is based on the information available to management as of the date of the statement of financial position.

Risk Management

Financial market risks are transferred from operating subsidiaries to Group treasury. They are managed centrally and according to Aperam's policies and procedures by a group specializing in foreign exchange, interest rate, commodity, internal and external funding and cash and liquidity management.

Derivative Instruments

We use derivative instruments to manage our exposure to movements in interest rates, foreign exchange rates, commodity prices and emissions rights allowances arising from operating, financing and investment activities. Changes in the fair value of derivative instruments were recognized in the statement of operations until June 30, 2010, as we did not apply hedge accounting treatment under IAS 39 until that date. From July 1, 2010 on, we have applied hedge accounting treatment under IAS 39 on some eligible contracts, and, as a consequence, changes in the fair value of these derivative instruments are recognized in other comprehensive income (while derivative instruments not qualifying for hedge accounting were still recognized in the statement of operations).

Derivatives used are over-the-counter derivatives such as over-the-counter swaps, options and forward contracts.

Our portfolio of derivatives currently consists of transactions of subsidiaries with Aperam Treasury, which in turn enters into offsetting positions with counterparties external to Aperam.

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

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

Currency Exposure

Because a substantial portion of our assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (our reporting currency), we are exposed to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro and the Brazilian real, as well as fluctuations in the currencies of the other countries in which we have significant operations and/or sales, could have a material impact on our results of operations.

We face transaction risk, where our businesses generate sales in one currency but incur costs relating to that revenue in a different currency. For example, we may purchase raw materials in U.S. dollars, but may sell finished steel products in other currencies. Consequently, an appreciation of the U.S. dollar will increase the cost of raw materials, thereby negatively impacting our operating margins.

We also face translation risk, which arises when we translate the statement of operations of our subsidiaries, our corporate net debt and other items denominated in currencies other than the U.S. dollar for inclusion in the consolidated financial statements.

We hedge our net exposure to exchange rates through spot and derivative transactions.

The following table details our sensitivity as it relates to derivative financial instruments to a 10% variation in the value of the U.S. dollar against the other currencies to which we are exposed. This sensitivity analysis does not include non-derivative foreign currency-denominated monetary items. A positive number indicates an increase in profit or loss, while a negative number indicates a decrease in profit or loss and other equity:

	Year Ended December 31,		
	2010	2009	
	2011	Combined	Combined
	(in million of U.S. dollars)		
10% appreciation in U.S. dollar	(2)	7	(8)
10% depreciation in U.S. dollar	2	(7)	8

Interest Rate Exposure

Short-term Interest Rate Exposure and Cash

Cash balances, which are primarily denominated in euro and U.S. dollars, are managed according to the short-term (up to one year) guidelines established by senior management on the basis of a daily interest rate benchmark.

Interest Rate Risk on Debt

Our policy consists of incurring debt at fixed and floating interest rates, primarily in U.S. dollars and euro according to general corporate needs.

We monitor the fixed/floating mix and may use interest rate derivatives if needed (mainly interest rate swaps) to manage our exposure to fluctuations in interest rates.

The carrying amount and fair value of our interest bearing financial instruments as of December 31, 2011, 2010 and 2009 was as follows:

	December 31,					
	2011		2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in million of U.S. dollars)					
Instruments payable bearing interest at fixed rates.	525	447	789	1,014	814	649
Instruments payable bearing interest at variable rates	102	101	480	504	694	658

The following table details our sensitivity to a change of 1% variation in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant:

	December 31, 2011		
	Rate Instrument	Interest Rate Swaps/ Forward Rate Agreements	Cash Flow Sensitivity (net)
	(in million of U.S. dollars)		
1% rise	(4)	—	(4)
1% fall	4	—	4

Commodity Exposure

We use derivative instruments such as forwards, swaps and options to manage our exposure to commodity prices.

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

	Year Ended December 31,		
	2011	2010 Combined	2009 Combined
	(in million of U.S. dollars)		
Base metals.....	(2)	12	11
Energy (oil).....	—	—	—
Total	(2)	12	11
Assets associated with raw materials and energy	4	14	18
Liabilities associated with raw materials and energy	(6)	(2)	(7)
Total	(2)	12	11

We consume large amounts of commodities (mainly nickel), the price of which is linked to the London Metals Exchange price index. As a general matter, we are exposed to price volatility in respect of our purchases in the spot market and under our long term supply contracts.

The following table details our income sensitivity to a 10% variation in the prices of base metals. The sensitivity analysis include only outstanding base metal derivative instruments both held for trading at fair value through the statement of operations and those designated as eligible for hedge accounting treatment.

	Year Ended December 31,					
	2011		2010 Combined		2009 Combined	
	Income	Other Equity Cash Flow Hedging Reserves	Income	Other Equity Cash Flow Hedging Reserves	Income	Other Equity Cash Flow Hedging Reserves
	(in million of U.S. dollars)					
+10% in prices base metals.....	7	6	6	7	7	—
−10% in prices base metals.....	(7)	(6)	(6)	(7)	(7)	—

Item 4. Directors, Senior Management and Employees

A. Directors and Senior Management

We place a strong emphasis on corporate governance. Our board of directors (the “Board of Directors”) is composed of seven members, four of whom are independent. See “Item 4.C. - Board Practices/Corporate Governance”. The Board of Directors has four committees: the Audit and Risk Management Committee, the Remuneration, Nomination and Corporate Governance Committee, the Sustainability, Performance and Strategy Committee and the Transition Committee. See “Item 4.C. - Board Practices/Corporate Governance - Committees of the Board of Directors”.

Board of Directors

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

Name	Age⁽¹⁾	Position within the Company⁽³⁾	Date joined Board	Term Expires
Mr. Lakshmi N. Mittal	61	Chairman, Non-independent member of the Board of Directors	December 2010	May 2013
Mr. Romain Bausch	58	Independent member of the Board of Directors (Lead Independent Director)	January 2011	May 2013
Mr. David B. Burritt.....	56	Independent member of the Board of Directors	December 2010	May 2013
Ms. Kathryn A. Matthews ..	52	Independent member of the Board of Directors	December 2010	May 2013
Mr. Aditya Mittal	35	Non-independent member of the Board of Directors	December 2010	May 2013
Ms. Laurence Mulliez ⁽²⁾	45	Independent member of the Board of Directors	May 2011	May 2014
Mr. Gonzalo Urquijo	50	Non-independent member of the Board of Directors	December 2010	May 2013

Notes:

(1) Age on December 31, 2011.

(2) On May 9, 2011 the Board of Directors decided to co-opt Ms. Laurence Mulliez as member of the Board of Directors as from May 10, 2011 to fill the vacancy created by Ms. Sylvie Ouziel's resignation which was effective May 10, 2011. The general meeting of shareholders of July 12, 2011 approved the election of Ms. Laurence Mulliez as member of the Board of Directors of the Company.

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

Our Board of Directors has a majority of independent directors, with four members of the Board of Directors being independent and the remaining three members being non-independent. None of the members of the Board of Directors has entered into service contracts with the Company or any of its affiliates that provide for benefits upon the termination of their service.

The business address of Mr. Lakshmi N. Mittal, Mr. Aditya Mittal and Mr. Gonzalo Urquijo is 19, Avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg. The business address of the other members of the Board of Directors is our registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg.

Mr. Lakshmi N. Mittal

Mr. Lakshmi N. Mittal is the Chairman and CEO of ArcelorMittal. Mr. Mittal started his career in steel in 1976 by founding Ispat Indo, a company that is still held privately by the Mittal family. He founded Mittal

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

Mr. Romain Bausch

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

Mr. David B. Burritt

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

Accountant (CPA), a member of the American Institute of Certified Public Accountants (AICPA), a certified management accountant and a member of the Institute of Management Accountants (IMA). Mr. Burritt is a citizen of the United States of America.

Ms. Kathryn A. Matthews

Ms. Kathryn Matthews has over thirty years of experience in the financial sector, with a focus on asset management, and has held senior management roles with Fidelity International Ltd, AXA Investment Managers, Santander Global Advisors Inc. and Baring Asset Management. Currently, Ms. Matthews is a non-executive director of Hermes Fund Managers Ltd, Rathbone Brothers Plc, Religare Enterprises Limited, JPMorgan Chinese Investment Trust Plc, Montanaro UK Smaller Companies Investment Trust (MUSCIT), Conversus Capital LP and Fidelity Asian Values Plc. Ms. Matthews holds a Bachelor of Science degree in Economics from Bristol University in Bristol, England. Ms. Matthews is a citizen of the United Kingdom.

Mr. Aditya Mittal

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

Ms. Laurence Mulliez

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

Mr. Gonzalo Urquijo

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

Senior Management

The members of the Company's senior management as of the date of this financial report are set forth below.

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

Name	Age ⁽¹⁾	Function
Mr. Philippe Darmayan	59	Chief Executive Officer; Member of the Management Committee
Mr. Julien Burdeau.....	40	Member of the Management Committee; Responsible for Alloys & Specialties; Responsible for Raw Materials Efficiency
Mr. Timóteo Di Maulo	52	Member of the Management Committee; Responsible for Services & Solutions; Responsible for Service and Industry Integration Efficiency
Mr. Clenio Guimarães.....	54	Member of the Management Committee; Responsible for Stainless & Electrical Steel South America; Responsible for Operational Excellence
Mr. Julien Onillon	41	Chief Financial Officer; Member of the Management Committee
Mr. Jean-Paul Rouffiac	59	Member of the Management Committee; Responsible for Stainless & Electrical Steel Europe; Responsible for Commercial Excellence
Ms. Johanna Van Sevenant	43	Member of the Management Committee; Responsible for Sustainability, Human Resources and Communications

Note:

(1) Age on December 31, 2011.

Mr. Philippe Darmayan was appointed as the Company's new Chief Executive Officer by the Board of Directors on September 19, 2011 with effective date December 1, 2011 for an unlimited term of office. This decision follows the resignation of Mr. Bernard Fontana, appointed as Chief Executive Officer in 2010. The other members of the Management Committee were appointed by the Board of Directors on December 7, 2010 for an unlimited term of office.

The business address of each member of senior management is the Company's registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, except that the business address of Mr. Clenio Guimarães is Av. Carandai, 1115, 23rd floor - Funcionários, 30130 915 - Belo Horizonte - MG, Brazil.

Mr. Philippe Darmayan, Chief Executive Officer, Member of the Management Committee

Mr. Philippe Darmayan is the Company's Chief Executive Officer since December 1, 2011. Since 2007, he has been President of the French Federation for Steel Industry (FFA) and President of the Environmental Committee of MEDEF (French Business Confederation) since January 2011. Mr. Darmayan graduated from the French business school – HEC in Paris. Joining Aperam is Mr. Darmayan's second period in the stainless industry as, from 2002 to 2006, he led the transformation of Ugine and ALZ – the stainless divisions of respectively Usinor and Arbed Groups – into one combined company which later became ArcelorMittal Stainless then Aperam. He has therefore a strong understanding of the stainless business fundamentals which led to heavily restructured Ugine and ALZ melt shop footprint and initiated the move to ferritic grades as a way to mitigate the high Nickel price increase. Besides stainless steel, Mr. Darmayan has had an extensive experience in various metallurgical fields including nuclear fuel, Aluminium and the carbon steel industries. From 2005 to 2011, before joining Aperam, Mr. Darmayan was Executive Vice President of ArcelorMittal, member of ArcelorMittal Management Committee and the CEO of ArcelorMittal Distribution Solutions (AMDS), which activity gathers the ArcelorMittal processing and distribution businesses. Mr. Darmayan was previously in the Aluminium industry and Vice President of Pechiney with various senior management positions as Head of the Foil and bar divisions, followed by the leadership of the Aerospace division, one of Pechiney's core assets with leading market shares at Airbus, Boeing and Embraer. Mr.

Darmayan initiated his career in the nuclear fuel activity as plant manager and then managing director of Franco-Belge de Fabrication de Combustibles (FBFC) a subsidiary of Framatome. FBFC is the world largest nuclear fuel manufacturer for pressurized water reactors. As his continuous career vision, Mr. Darmayan has promoted entrepreneurship spirit and participative management, as the best way for large Groups to actively show renewed initiatives and decisions for fast development and value creation. Mr. Darmayan is a citizen of France.

Mr. Julien Burdeau, Member of the Management Committee, Responsible for Alloys & Specialties, Responsible for Raw Materials Efficiency

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

Mr. Timóteo Di Maulo, Member of the Management Committee, Responsible for Services & Solutions, Responsible for Service and Industry Integration Efficiency

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

Mr. Clenio Guimarães, Member of the Management Committee, Responsible for Stainless & Electrical Steel South America, Responsible for Operational Excellence

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

Mr. Julien Onillon, Chief Financial Officer, Member of the Management Committee, Responsible for Strategy and Mergers and Acquisitions

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

Mr. Jean-Paul Rouffiac, Member of the Management Committee, Responsible for Stainless & Electrical Steel Europe, Responsible for Commercial Excellence

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

Ms. Johanna Van Sevenant, Member of the Management Committee Responsible for Sustainability, Human Resources and Communications

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

B. Compensation

Board of Directors

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

The shareholders have approved at the extraordinary general meeting of July 12, 2011, based upon a proposal of the Board of Directors, the amount of the directors' compensation to be allocated to the directors in relation to the period starting with the composition of the Board of Directors on December 6, 2010 until the end of the financial period on January 25, 2011 of USD 67,159.

The table below shows the directors compensation paid in 2011 for the financial period ending January 25, 2011. The directors' compensation for the period from January 26 2011 to December 31, 2011 will be submitted to shareholders' approval at the next general meeting of shareholders to be held on May 8, 2012 (Amounts in USD).

Name	2011⁽¹⁾
Mr. Lakshmi N. Mittal	\$13,118
Mr. Romain Bausch	\$1,215
Mr. David B. Burritt.....	\$12,763
Ms. Kathryn A. Matthews	\$12,763
Mr. Aditya Mittal	\$13,118
Ms. Sylvie Ouziel ⁽²⁾	—
Mr. Gonzalo Urquijo	\$13,118
Total	\$66,095

Notes:

⁽¹⁾ The Compensation with respect to the financial period ending January 25, 2011 (paid after shareholders' approval at the extraordinary general meeting held on July 12, 2011) is included in the 2011 column. Compensation with respect to the period from January 26 to December 31, 2011 will be paid in 2012 and is not included in the 2011 column.

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

See “—Board of Directors and Senior Management Compensation Policy” below for details of our compensation policies.

We do not have any outstanding loans or advances to members of the Board of Directors or any guarantees for the benefit of any member of its Board of Directors. None of the members of the Board of Directors benefit from an Aperam pension plan.

Senior Management

The total compensation paid in 2011 to the persons comprising the Company's Management Committee members was \$2.89 million in base salary (including certain allowances paid in cash) and \$1.11 million in short-term performance related variable pay (consisting of a bonus linked to the 2010 results). As of December 31, 2011, approximately \$236,000 was accrued to provide pension benefits to such persons.

Certain members of the Company's senior management also participated in share-based compensation plans sponsored by Aperam. During 2011, members of the Company's senior management were granted 59,750 restricted share units under the Aperam Restricted Share Unit Plan (28 employees, including the 7 members of the Management Committee).

The allocation of Performance Share Units is expected to take place in March 2012.

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

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

The extraordinary general meeting held on July 12, 2011 authorized the Board of Directors to:

- (i) issue (a) up to 70,000 (seventy thousand) RSUs corresponding to up to 70,000 of the Company's fully paid-up ordinary shares (the “2011 RSU Cap”) under the RSU Plan, and (b) up to 20,000 (twenty thousand) PSUs corresponding to up to 40,000 (forty thousand) of the Company's fully paid-up ordinary shares (the “2011 PSU Cap”) under the PSU Plan, which may in each case be newly issued shares or shares held in treasury, such authorisation to be valid from July 12, 2011 until the annual general meeting of shareholders to be held in 2012,
- (ii) adopt any necessary rules to implement the RSU Plan and the PSU Plan, including specific performance targets per business unit and any administrative measures and conditions for specific situations, as the Board of Directors may consider appropriate,

- (iii) decide and implement any increase in the 2011 RSU Cap and the 2011 PSU Cap by the additional number necessary to preserve the rights of the holders of RSU or PSU in the event of a transaction impacting the Company's share capital, and
- (iv) do or cause to be done all such further acts and things as the Board of Directors may determine to be necessary or advisable in order to implement the content and purpose of this authorization.

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

Board of Directors and Senior Management Compensation Policy

Philosophy

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

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

Compensation Framework

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

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

Fixed Annual Salary

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

Short-term Incentives: Performance-Related Bonus

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

and the relevant employee's overall performance and potential. Performance-related bonuses are paid only if certain minimum performance thresholds are met by the Company as a whole and/or the relevant segment.

The calculation of Aperam's 2011 performance bonus is aligned with Aperam's strategic objectives of improving health and safety performance and our overall competitiveness.

The following three levels of achievement apply:

- 80% achievement: the threshold or minimum level of achievement. The performance bonus is not paid out if the level of achievement of the business plan target is below this threshold;
- 100% achievement: the business plan target has been fully reached;
- 120% achievement: the maximum or ceiling for over-achievement of the business plan.

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

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

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

For the Chief Executive Officer and the Members of the Management Committee, the 2011 bonus formula is based on:

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

EBITDA operating as a "circuit breaker" for financial measures means that the 80% threshold described above must be met for EBITDA in order to trigger any bonus payment with respect to the EBITDA and OFCF performance measures.

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

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

The shareholders have approved at the extraordinary general meeting of July 12, 2011 the implementation of a Restricted Share Unit Plan and a Performance Share Unit Plan to enhance the long-term performance of the Company and to retain key employees. The two Plans are intended to promote the

alignment of interests between the Company's shareholders and eligible employees by allowing them to participate in the success of the Company.

Restricted Share Unit (RSU) Plan

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

For the period from the extraordinary general meeting of July 12, 2011 to the annual general meeting of shareholders to be held in 2012 a maximum of seventy thousand (70,000) Restricted Share Units (each, a "RSU") of the Company may be allocated to qualifying employees under the 2011 RSU Plan. The RSU Plan is targeted at the 30 most senior managers across the Aperam group. In November and December 2011, a total of 59,750 shares under the RSU Plan were granted to a total of 28 employees (including the 7 members of the Management Committee).

Performance Share Unit (PSU) Plan

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

For the period from the extraordinary general meeting of July 12, 2011 to the annual general meeting of shareholders to be held in 2012, a maximum of 20,000 Performance Share Units (each, a "PSU") of the Company may be potentially allocated to qualifying employees under the PSU Plan (the "2011 PSU Cap"). Each PSU may give right to up to two (2) shares of the Company.

The allocation of PSUs is expected to take place in March 2012.

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

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

Other Benefits

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

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

Employee Share Purchase Plan (ESPP)

Upon the recommendation of the Board of Directors' Remuneration, Nomination & Corporate Governance Committee, the Board has decided not to implement an Aperam employee share purchase plan in 2011.

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

- the spin-off was to be deemed an early exit event for the participants who were employees of one of the entities that was to be exclusively controlled by Aperam, except in certain jurisdictions where termination of employment was not an early exit event; and
- the Aperam shares received by ESPP participants would be blocked in line with the lock-up period applicable to the ArcelorMittal shares in relation to which the Aperam shares were allocated based on a ratio of one Aperam share for 20 ArcelorMittal shares.

As at 31 December 2011, 5,294 Aperam employees were holding 27,311 Aperam shares under the ArcelorMittal ESPP 2008, 2009 and 2010 Plans.

Stock option plan

For historical reasons, certain of the Company's employees participate in stock-based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. Given that the Company's employees directly benefit from participation in these plans, the expense incurred by ArcelorMittal for options granted to its employees has been reflected in the Company's consolidated statements of operations. The compensation expense recognized for stock option plans was 3, 4 and 5 for each of the years ended December 31, 2011, 2010 and 2009, respectively.

During the year 2010 and 2011, certain employees were transferred from ArcelorMittal to the Company. These beneficiaries increased the number of options outstanding.

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

Option activity with respect to ArcelorMittal shares is summarized below as of and for each of the years ended December 31, 2011, 2010 and 2009:

	Number of Options	Range of Exercise Prices* (per option)	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2008	613,941	\$41.93 – \$82.57	\$66.31
Granted.....	149,300	\$38.30	\$38.30
Exercised	—	—	—
Cancelled.....	(98,679)	\$43.40 – \$82.57	\$66.41
Expired	(74,094)	\$64.30 – \$82.57	\$69.73
Outstanding, December 31, 2009	590,468	\$38.30 – \$82.57	\$59.17
Granted.....	209,400	\$32.27	\$32.27
Exercised	—	—	—
Cancelled.....	(43,646)	\$32.27 – \$82.57	\$42.07
Expired	(45,715)	\$40.25	\$40.25
Transferred	185,572	\$28.75 – \$82.57	\$52.54
Outstanding, December 31, 2010	896,079	\$28.75 – \$82.57	\$52.86
Granted.....	—	—	—
Exercised	—	—	—
Cancelled.....	(39,166)	\$30.66 – \$78.44	\$37.64
Expired	(44,832)	\$36.38 – \$78.44	\$63.98
Transferred	31,600	\$30.66 – \$78.44	\$46.76
Outstanding, December 31, 2011	843,681	\$27.31 – \$78.44	\$50.08
Exercisable, December 31, 2011	684,604	\$27.31 – \$78.44	\$54.18
Exercisable, December 31, 2010	523,805	\$28.75 – \$82.57	\$60.48
Exercisable, December 31, 2009	213,934	\$43.40 – \$82.57	\$69.23

* Upon spin-off of the stainless steel business into Aperam, shareholders of ArcelorMittal received one Aperam share for every twenty ArcelorMittal shares held on the record date. Consequently, ArcelorMittal stock options exercise prices were reduced by 5% starting January 25, 2011.

The following table summarizes information about ArcelorMittal stock options held by the Company employees and outstanding as of December 31, 2011:

Options Outstanding			
Exercise Prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)
\$78.44	220,900	6.6	220,900
\$61.09	138,050	5.6	138,050
\$38.24	91,431	1.5	91,431
\$36.38	169,900	7.6	121,424
\$32.07	18,750	4.6	18,750
\$30.66	185,900	8.6	75,299
\$27.31	18,750	3.6	18,750
\$27.31–\$78.44.....	843,681		684,604

C. Board Practices/Corporate Governance

Board of Directors

The Board of Directors is in charge of the overall management of the Company. It is responsible for the performance of all acts of administration necessary or useful to implement the corporate purpose of the Company as described in the Articles of Association, except for matters expressly reserved by Luxembourg law or the Articles of Association to the general meeting of shareholders. The Articles of Association provide that the Board of Directors must be composed of a minimum of three members. None of the members of the

Board of Directors may hold an executive position or executive mandate within the Company or any entity controlled by the Company.

As of the date of this financial report, the Board of Directors is composed of seven members. Mr. Lakshmi N. Mittal was elected Chairman of the Board of Directors in December 2010.

The Board of Directors has a majority of independent directors, with four members of the Board of Directors being independent and the remaining three members being non-independent. A member of the Board of Directors is considered as “independent”, if (i) he or she is independent within the meaning of the NASDAQ Listing Rules, as amended from time to time, or any successor manual or provisions, subject to the exemptions available for foreign private issuers, if (ii) he or she is unaffiliated with any shareholder owning or controlling more than two percent (2%) of the total issued share capital of the Company and (iii) the Board of Directors makes an affirmative determination to this effect. For the purposes of this article, a person is deemed affiliated to a shareholder if he or she is an executive officer, or a director who is also employed by the shareholder, a general partner, a managing member, or a controlling shareholder of such shareholder. The 10 Principles of Governance of the Luxembourg Stock Exchange, which constitute Aperam’s domestic corporate governance code, require Aperam to define the independence criteria that apply to its directors.

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

The Articles of Association provide that directors are elected and removed by the general meeting of shareholders by a simple majority of votes cast. Directors are appointed for a maximum term of three years and are automatically eligible for reappointment at the end of such period. The term of office of the directors holding office is described under Item 4. A. Directors and Senior Management – Board of Directors. Any director may be removed with or without cause by a simple majority vote at any general meeting of shareholders. In the event that a vacancy arises on the Board of Directors for any reason, the remaining members of the Board of Directors may, by a simple majority, elect a new director to fulfill temporarily the duties attaching to the vacant post until the next general meeting of shareholders.

None of the members of the Board of Directors have entered into service contracts with Aperam or any of its subsidiaries that provide for any form of remuneration or for benefits upon the termination of their term. The remuneration of the members of the Board of Directors is determined on a yearly basis by the annual general meeting of shareholders.

Operation of the Board of Directors

General

Luxembourg law permits the Board of Directors to engage the services of external experts or advisers, as well as to take all actions necessary or useful to implement the Company’s corporate purpose (*objet social*). The Board of Directors may, but need not, elect a Vice-Chairman from among its members.

Meetings

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

The Board of Directors held six meetings in 2011. The average attendance rate of the directors at the Board of Directors’ meetings held in 2011 was 90.5%.

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

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

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

Lead Independent Director

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

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

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

Separate Meetings of Independent Members of the Board of Directors

The independent members of the Board of Directors may hold meetings outside the presence of non-independent directors. There are no specific rules regarding the conduct of these meetings under Luxembourg law. Matters discussed at such meetings will generally be reported to the Board of Directors but there are no specific rules regarding such reporting and the timing and scope of reporting is in the discretion of the Lead Independent Director.

The Chairman of the Board of Directors and the Lead Independent Director held 5 executive sessions in 2011 enabling to provide feedback on the executive sessions of the independent directors outside the presence of the management and the non-independent directors.

Board of Directors Self-evaluation and Continuing Education Program

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

The Company's first Board of Directors' self-evaluation was conducted early 2012 after a full yearly cycle of Board and Committee meetings had been completed. The findings will be discussed at the next meeting of the Board of Directors and its findings disclosed in the next Financial Report.

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

Committees of the Board of Directors

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

Committee Composition

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

As of the date of this financial report, the Board of Directors' Committees composition is described in the table below.

Name	Position within Aperam	Independent/ Non Independent Status	Audit and Risk Management Committee	Remuneration, Nomination and Corporate Governance Committee	Sustainability, Performance and Strategy Committee	Transition Committee
Romain Bausch.....	Member of Board of Directors	Lead Independent Director	X	X (Chairman)		
David Burritt	Member of Board of Directors	Independent	X (Chairman)	X		X
Kathryn Matthews	Member of Board of Directors	Independent		X	X	X (Chairman)
Laurence Mulliez (1).....	Member of Board of Directors	Independent	X		X	X
Gonzalo Urquijo	Member of Board of Directors	Non Independent			X (Chairman)	

Note:

- (1) The Board of Directors' Committees composition reflects the decision taken by the Board following the stepping down of Ms. Sylvie Ouziel from the Board for personal considerations effective May 10, 2011. On May 9, 2011 the Board of Directors decided to co-opt Ms. Laurence Mulliez as member of the Board of Directors as from May 10, 2011 to fill the vacancy created by Ms. Sylvie Ouziel's resignation which was effective on May 10, 2011. The general meeting of shareholders of July 12, 2011 approved the election of Ms. Laurence Mulliez as member of the Board of Directors of the Company.

Audit and Risk Management Committee

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

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

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

The Audit and Risk Management Committee's primary duties and responsibilities relating to this function are to:

- be an independent and objective party to monitor our financial reporting process and internal controls system;
- approve the appointment and fees of our independent auditors;

- obtain, at least once a year, a written statement from our independent auditors to the effect that their independence has not been impaired;
- review and assess the performance of our independent auditors and the internal audit department;
- provide an open avenue of communication among our independent auditors, the internal finance department and senior management, the internal audit department, and the Board of Directors;
- monitor the independence of our independent auditors; and
- communicate the Audit and Risk Management Committee's duties and responsibilities to the appropriate levels of management within the Company.

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

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

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

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

According to its charter, the Audit Committee is required to meet at least four times a year. During 2011, the Audit Committee met four times. The average attendance rate of the directors at the Audit Committee meetings held in 2011 was 83.3%.

As part of the annual self-evaluation interviews, the Audit and Risk Committee performed an evaluation, which was completed in February 2012 with respect to performance in 2011.

Remuneration, Nomination and Corporate Governance Committee

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

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

- review and approve objectives relevant to the remuneration of the Management Committee and other members of senior management and to evaluate their performance in light of these and other objectives;
- make recommendations to the Board of Directors with respect to incentive compensation plans and equity-based incentive plans;
- produce a report on executive compensation to be included in our financial report;
- identify candidates qualified to serve as members of the Board of Directors and the Management Committee;
- recommend candidates to the Board of Directors for appointment by the general meeting of shareholders or, to the extent permitted by law, for appointment by the Board of Directors to fulfill interim Board of Directors vacancies;
- develop, monitor and review corporate governance principles applicable to us;
- facilitate the evaluation of the Board of Directors; and
- review the succession plan and the executive development program for the Management Committee.

In fulfilling its duties, the Remuneration, Nomination and Corporate Governance Committee may seek the advice of outside experts.

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

The Remuneration, Nomination and Corporate Governance Committee is required to meet at least twice a year. During 2011, this committee met 5 times. The average attendance rate at the Remuneration, Nomination and Corporate Governance Committee meetings held in 2011 was 100.0%.

As part of the annual self-evaluation interviews, the Remuneration, Nomination and Corporate Governance Committee performs an evaluation, which was completed in February 2012 with respect to performance in 2011.

Sustainability, Performance and Strategy Committee

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

The primary function of the Sustainability, Performance and Strategy Committee is to review on a regular basis our sustainability, performance and strategy. With respect to sustainability related matters, the primary function of the Sustainability, Performance and Strategy Committee is to assist the Board of Directors by developing recommendations regarding oversight, development and implementation of the overall sustainability approach for the Company and its operating segments, in particular from the perspective of value creation, the use of green energy and, more generally, the environmental impact of production cycles and expansion projects.

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

During 2011, this committee met 6 times. The average attendance rate at the Sustainability, Performance and Strategy Committee meetings held in 2011 was 88.9%.

As part of the annual self-evaluation interviews the Sustainability, Performance and Strategy Committee performs a self-evaluation, which was completed in February 2012 with respect to performance in 2011.

Transition Committee

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

The primary function of the Transition Committee is to review the transactions and the contracts between us and ArcelorMittal in order to avoid any potential conflict of interest following the spin-off. The Transition Committee has been initially set up for a term of up to three years, which may be extended. It may be dissolved at any time within the three-year period if the Board considers the support services to be sufficient during that period.

The three members of the Transition Committee are Ms. Kathryn Matthews, Ms. Laurence Mulliez and Mr. David Burritt. Ms. Kathryn Matthews is the Chairman of the Committee. Each of these members is an independent director in accordance with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

During 2011, this committee met 2 times. The average attendance rate at the Transition Committee meetings held in 2011 was 83.3%.

As part of the annual self evaluation interviews the Transition Committee performs a self-evaluation, which was completed in February 2012 with respect to performance in 2011.

Management Committee

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

Succession Planning

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

Other Corporate Governance Practices

We are committed to adopting best practice corporate governance standards. We will continuously monitor legal requirements and best practices in order to make adjustments to our corporate governance controls and procedures where necessary. We comply with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

Ethics and Conflicts of Interest

Ethics and conflicts of interest are governed by Aperam's Code of Business Conduct, which establishes the standards for ethical behavior that are to be followed by all employees and directors of

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

Combined Assurance

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

Independent Auditors

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

Audit fees in 2011 were \$3.4 million for the audits of financial statements.

Measures to Prevent Insider Dealing and Market Manipulation

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

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

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

D. Employees

We had 10,533 employees as of December 31, 2011. The increase from 2010 to 2011 is linked to Aperam BioEnergia, fully consolidated in the accounts of Aperam since the third quarter 2011.

The table below sets forth the total number of employees by operating segment as of December 31, 2011, 2010 and 2009:

Operating Segment	2011 ⁽¹⁾	2010 ⁽¹⁾	2009 ⁽¹⁾
Stainless & Electrical Steel	5,642	6,176	6,207
Services & Solutions	2,617	2,784	2,759
Alloys & Specialties	989	944	950
Other ⁽²⁾	1,285	—	—
Total ⁽³⁾	10,533	9,904	9,916

Notes:

- (1) The number of employees is presented on a full-time equivalent basis, including only employees who have standard permanent and fixed-term contracts. In 2011, the total number of employees included 278 part-time employees, of which 196 were employed by the Stainless & Electrical Steel operating segment, 56 were employed by the Services & Solutions operating segment, 25 were employed by the Alloys & Specialties operating segment and 1 was employed by Other. In 2010, the total number of employees included 305 part-time employees, of which 202 were employed by the Stainless & Electrical Steel operating segment, 70 were employed by the Services & Solutions operating segment and 33 were employed by the Alloys & Specialties operating segment. In 2009, the total number of employees included 271 part-time employees, of which 135 were employed by the Stainless & Electrical Steel operating segment, 101 were employed by the Services & Solutions operating segment and 35 were employed by the Alloys & Specialties operating segment.
- (2) Includes employees of Aperam BioEnergia.
- (3) The total number of employees includes 131 employees based in our research and development unit and 48 employees based in our head office as of December 31, 2011.

We have a long track record of promoting social dialogue with employee representatives in each of the jurisdictions in which we operate. Our employees in various parts of the world are represented by trade unions, and we are a party to collective labor agreements with employee organizations in certain locations. We entered into new collective labor agreements in Brazil, Belgium and France in 2011. Management believes that the terms of these agreements are consistent with industry practice in these regions.

During 2011, we introduced a voluntary separation scheme in Brazil focused on reducing staff to benchmark levels in order to improve productivity and competitiveness and achieving selling, general and administrative expense reductions. We also negotiated with Trade Unions a plan to reduce staff in France pursuant to the long term suspension of a unit in our site in France in view of better optimize cost competitiveness of Stainless Europe cold rolling mill capacities taking into account market demand. A change of working regime was also negotiated in Belgium to improve further competitiveness of our melt shops, and early retirement schemes were used as the main social tool to realize the working time change. All the schemes were implemented in accordance with applicable labor laws and practices in the respective countries involved. We also introduced a workforce planning process across the organization in order to ensure that our employees have adequate skills to achieve our future objectives.

E. Share Ownership

As of December 31, 2011, the aggregate beneficial share ownership of Aperam directors and senior management totaled 7,542 shares. Aperam shares (excluding shares owned by Aperam's Significant shareholder). Other than the Significant shareholder, each director and member of senior management beneficially owns less than 1% of Aperam's shares. See definition of Significant shareholder in Share Capital table on next page.

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

See "Item 4.B.- Compensation" for a description of the Remuneration framework of Aperam.

Item 5. Major shareholders and related party transactions

A. Major Shareholders

As of December 31, 2011, the Company's authorized share capital, including the issued share capital, consisted of 85,854,303 shares without nominal value. The Company's issued share capital was represented by 78,049,730 fully paid up shares without nominal value. The following table sets forth information as of December 31, 2011 with respect to the beneficial ownership and voting rights in the Company by each person who is known to be the beneficial owner of 2.5% or more of the Company's issued share capital.

	Shares	% of Issued Shares	% of Voting Rights
Significant shareholder ⁽¹⁾	31,880,243	40.85%	40.85%
Other public shareholders	46,169,487	59.15%	59.15%
<i>of which is held by the Luxembourg State</i> ⁽²⁾	1,948,226	2.50%	2.50%
Total issued shares.....	78,049,730	100.00%	100.00%
Directors and Senior Management ^{(3) (4)}	7,542	0.01%	0.01%

Notes:

- (1) Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, have direct ownership of Aperam common shares and indirect ownership of holding companies that own Aperam common shares. Nuavam Investments S.à.r.l. a limited liability company organized under the laws of Luxembourg, is the owner of 5,616,913 Aperam common shares. Lumen Investments S.à r.l., a limited liability company organized under the laws of Luxembourg, is the owner of 26,250,000 Aperam common shares. Mr. Mittal is the direct owner of 11,080 Aperam common shares. Mrs. Mittal is the direct owner of 2,250 Aperam common shares. Mr. Mittal, Mrs. Mittal and the Significant shareholder share indirect beneficial ownership of 100% of each of Nuavam Investments S.à r.l. and Lumen Investments S.à r.l. Accordingly, Mr. Mittal is the beneficial owner of 31,877,993 Aperam common, Mrs. Mittal is the beneficial owner of 31,869,163 common shares and the Significant shareholder is the beneficial owner of 31,880,243 common shares.
- (2) According to the Company's Articles of Association, a shareholder owning 2.5% or more of the share capital must notify the Company. The only registered shareholder owning 2.5% or more but less than 5% of the share capital of the Company at December 31, 2011 is the Luxembourg State, with 1,948,226 shares, representing 2.5% of the total issued share capital.
- (3) Includes shares beneficially owned by directors and members of senior management listed in the sections "Board of Directors" and "Senior Management"; Excludes shares beneficially owned by Mr. Mittal.
- (4) These 7,542 Aperam common shares are included in the shares owned by Other public shareholders in the table above.

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

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

At December 31, 2011, there were 2,413 shareholders other than the Significant shareholder holding an aggregate of 2,666,227 Aperam common shares registered in Aperam's shareholder register, representing approximately 3.42% of the common shares issued.

At December 31, 2011, there were 110 U.S. shareholders holding an aggregate of 1,217,796 New York Registry Shares. Aperam's knowledge of the number of New York Registry Shares held by U.S. holders is based solely on the records of Citibank.

At December 31, 2011, there were 42,298,794 Aperam common shares being held through the Euroclear clearing system in The Netherlands, France and Luxembourg.

Voting Rights

None of the shareholders have voting rights different from any other shareholders.

Public Takeover Offers

No public takeover offers by third parties have been made in respect of the shares or by the Company in respect of other companies' shares during the last and current financial year.

B. Related Party Transactions

We engage in certain commercial and financial transactions with related parties. Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources", "Business—Relationship with ArcelorMittal" and Note 13 to the consolidated financial statements for further details.

Item 6. Financial Information

A. Consolidated Statements and Other Financial Information

Export Sales

Because Aperam has no significant operations in its home country of Luxembourg, all of its sales are considered to be export sales. Annual sales to a single customer did not exceed 5% of sales in any of the periods presented.

Legal Proceedings

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

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

In the cases in which quantifiable fines and penalties have been assessed, we have 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, we are able to make a reasonable estimate of the expected loss or range of possible loss and have accrued a provision for such loss, but management believes that publication of this information on a case-by-case basis would seriously prejudice our position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, we have disclosed information with respect to the nature of the contingency, but have not disclosed our 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. Our 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, we could, in the future, incur judgments that have a material adverse effect on our results of operations in any particular period.

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

Environmental Liabilities

We are subject to a broad range of environmental laws and regulations. As of December 31, 2011, we had established reserves of \$34 million for environmental and remedial activities and liabilities.

Belgium

In Belgium, there is an environmental provision of \$12 million, of which the most significant elements are legal obligations linked to soil treatment and removal of slag and fines.

France

In France, there is an environmental provision of \$22 million, which relates to (i) the demolition and clean-up of the Company's Ardoise facility after operations ceased at the site, (ii) asbestos removal at, and the subsequent demolition and clean-up of, the Company's Isbergues facility, and (iii) soil remediation and asbestos removal at the Company's Gueugnon facility.

Brazil

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

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

Tax Claims

The Company is party to various tax claims, the most significant of which are set out below. As of December 31, 2011, the Company has established reserves in the aggregate of approximately \$12 million for those of the claims as to which the criteria for provisioning were met.

- On December 27, 2011, Aperam South America received a tax assessment from the State of Minas Gerais regarding ICMS (VAT) tax credit used by the Company related to the purchasing of scraps from a supplier which the State considered as not being authorized to issue invoices. The total amount claimed is \$8 million. The case is in first administrative instance.
- On December 16, 2011 Aperam Services and Solutions Brazil has been assessed by the Tax authorities aiming at collecting \$36 million (including interest on late payments and penalties) related to Value Added Tax (ICMS). Tax authorities claimed that the Company has not collected to the State of Sao Paulo the ICMS imposed on importation of products performed by a trading company located in the State of Espirito Santo and disregarded the ICMS credit recognized by the Company at the time of acquisition of the goods from the trading company. The case is currently in the first administrative instance where the Company presented its defense.
- In December 2011, Aperam South America received a tax assessment from the State of Minas Gerais that disregarded the ICMS (VAT) tax credit the Company has used in 2006 related to products from the State of Goias. The total claim amounts to \$13 million. The case is currently in the first administrative instance where the Company presented its defense.
- In December 2011, the Federal Revenue issued four tax assessments against Aperam South America for a total amount of \$26 million considering that the Company did not pay several social contributions due on payments made to employees under the Profit Sharing Program. These cases are at the first administrative instance.
- On May 26, 2011 Aperam South America received a tax assessment from the Federal Revenue Service for a total amount of \$18 million related to sales by Aperam South America to Acesita Imports & Exports (Madeira Island). The tax authorities require that the profits of Acesita Imports & Exports be added by to Aperam South America's tax basis. On November 2011, the Company obtained a partial favorable decision and it presented its appeal for the remaining amount in dispute.
- On March 29, 2011, Aperam South America received a tax assessment related to drawback tax benefit. Federal revenue states that the Company did not respect the conditions to use the benefit and demand to pay taxes related to importation & fees. The total amount claimed is \$9 million. The Company presented its appeal at the first administrative level.
- On December 2, 2010, Aperam South America received a tax assessment in the total amount of \$42 million. The Minas Gerais State Revenue claims that the Company should have paid VAT (ICMS) related to the distribution of electric power between 2005 and 2009. The Company believes that this charge should not prevail since the distribution of electrical power should not be

considered as a good or transportation and therefore it should not be subject to VAT (ICMS). On May 5, 2011 the Company received a partial favorable decision. Minas Gerais State Revenue concluded that the Company has to pay ICMS but stated that the amount for late payments & penalties were wrong. The Company will bring the case before the judicial courts upon notification of the decision by the administrative Council.

- On December 5, 2007, the Federal Revenue Service challenged IPI (Tax on Industrialized Products (similar to Federal VAT) tax credits registered by Aperam South America from January 2003 to December 2006 related to the acquisition of certain materials. The claim alleges that the products acquired are either not related to the final product or not integrally consumed during operations. In December 2010, there was a partial favourable decision and the Company filed an Appeal in February 2011 at the second administrative level for the remaining non favorable part of the decision obtained at the first administrative level. The amount in dispute is approximately \$7 million.
- On June 26, 2007, after a final unfavorable decision at the administrative level, Aperam South America brought an annulment action at Judicial level to void a tax assessment issued by the Brazilian Federal Revenue Service due to alleged underpayment of payroll taxes between 1998 and 2002 related to certain payments made to its employees under collective agreements. The Company is awaiting a decision in the first judicial instance. The amount under dispute is approximately \$8 million.
- On December 21, 2005, Aperam South America has been assessed by the Federal Revenue Service in relation to its calculation of social contributions on revenue (PIS and COFINS) due to (i) unconditional discounts given to clients, (ii) the value of tax incentives granted by federal legislation (specifically, credits to be offset with IPI) and (iii) revenues derived from exchange rate variations. The amount in dispute is approximately \$32 million, and the Company is currently awaiting a second instance administrative decision from the Special Court.
- On December 21, 2005, the Brazilian Federal Revenue Service assessed ArcelorMittal Inox Brasil for taxes related to intra-group credit transactions. The amount in dispute of 6 is currently on appeal before the Federal Administrative Council of Appeals.
- On March 15 and March 18, 2005, Aperam South America has been assessed by the INSS (the Brazilian Social Securities Institute) for the non-collection of certain payroll taxes between 1999 and 2004 related to the special retirement of employees exposed to unhealthy working conditions. The amount in dispute is \$28 million as of December 31, 2011. The Company has received an unfavorable decision at the first administrative instance and presented an appeal to the administrative court. brought the case before the judicial court.
- On October 13, 1998, the Federal Revenue Service filed a tax foreclosure action against the Company in relation to the alleged underpayment of payroll taxes in the period of January 1987 to July 1997. After the Company initially prevailed in the Federal Court, the Brazilian Federal Revenue Service filed an appeal with the Federal Court of Appeals. The amount in dispute is approximately 6.

Labor and Other Claims

We are presently involved in a number of labor disputes, the most significant of which are set out below. As of December 31, 2011, we have established reserves in the aggregate of approximately \$42 million for those of the claims as to which the criteria for provisioning were met.

Brazil

- The Union claimed against Aperam South America to get the payment of 7 minutes and 30 seconds as overtime, disregarding the 50% of regular work hour paid by the Company as Nightshift premium (NSP) in strict compliance with Collective Agreement. Despite amicable discussions between the Company and the Union, the later maintained its claim which is currently before the judicial court of appeal. The lower court decision was favorable to the company. The total amount claimed is \$10 million.
- On April 1, 2004, a sanctioning administrative process with the Central Bank was brought against Aperam South America based on alleged irregular exchange operations utilized by it in the

purchase and sale of treasury bills. On March 22, 2007, Aperam South America has been assessed with a fine of \$10 million plus interest. The Company brought the case before the Judicial court in 2012.

Item 7. Listing

Nature of the trading market

The Company's ordinary shares are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange (symbol "APAM") and are traded on the NYSE Euronext Single Order Book with Amsterdam as the Market of Reference (symbol "APAM" and Euronext code NSCNL00APAM5).

The ordinary shares were admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange, Euronext Amsterdam and Euronext Paris on January 31, 2011.

The ordinary shares of the Company are accepted for clearance through Euroclear and Clearstream Luxembourg under common code number 056997440. The ISIN code of the ordinary shares of the Company is LU0569974404.

Item 8. Additional Information

A. Share Capital

As of December 31, 2011, the issued share capital amounts to four hundred and eight million eight hundred and thirty-one thousand Euro (EUR 408,831,000). It is represented by seventy-eight million forty-nine thousand seven hundred and thirty (78,049,730) fully paid up shares without nominal value.

The Company's authorized share capital, including the issued capital, amounts to four hundred fifty million thirty-one thousand Euro (EUR 450,031,000) represented by eighty-five million eight hundred fifty-four thousand three hundred three (85,854,303) ordinary shares without nominal value.

B. Articles of Association

Set out below is a summary description of the Articles of Association. For a full description, please see the Articles of Association, the full text of which is available at <http://www.aperam.com> in the section Corporate Governance.

Corporate Purpose of the Company

The corporate purpose of the Company, as stated in Article 3 (Corporate Purpose) of the Articles of Association as follows:

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

The Company may perform and carry out its corporate purpose either directly or through the creation of companies, the acquisition, holding or acquisition of interests in any companies or partnerships, membership in any associations, consortia and joint ventures.

In general, the Company's corporate purpose comprises the participation, in any form, in companies and partnerships, and the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or in any other manner of shares, bonds, debt securities, warrants and other securities and instruments of any kind.

The Company may grant assistance of any kind (including financial assistance) to any affiliated company and take any measure for the control and supervision of such companies.

In general, it may carry out any commercial, financial or industrial activity, operation or transaction which it considers to be directly or indirectly necessary or useful in order to achieve or further its corporate purpose."

Form and Transfer of Shares

The Company's issued share capital consists of 78,049,730 ordinary shares that each carry the right to one vote. The ordinary shares are issued in registered form only and are freely transferable. Luxembourg law does not impose any limitations on the rights of Luxembourg or non-Luxembourg residents to hold or vote the Company's ordinary shares.

Under Luxembourg law, the ownership of registered shares is evidenced by the inscription of the name of the shareholder, the number of shares and the amount paid up on each share in the Shareholders' Register, which is kept by the Company at its corporate headquarters. Each transfer of shares is made by a written declaration of transfer recorded in the Shareholders' Register, such declaration to be dated and signed by the transferor and the transferee or by their duly appointed agent. The Company may accept and enter into the Shareholders' Register any transfer made on the basis of an agreement between the transferor and the transferee provided a true and complete copy of the agreement is provided to the Company. The Company

uses the services of BNP Paribas Securities Services to assist it with certain administrative tasks relating to the day-to-day management of the Shareholders' Register.

The Articles of Association provide that its ordinary shares may be held through a securities settlement system or a professional depository of securities. Shares held in this manner have the same rights and obligations as the registered shares. Shares held through a securities settlement system or a professional depository of securities may be transferred in accordance with customary procedures for the transfer of securities in book-entry form.

The shares may consist of:

- New York Registry Shares, which are registered in the New York Register kept on the Company's behalf by Citibank; or
- European Shares, which are registered in the European Register kept by the Company, in relation to which BNP Paribas Securities Services provides certain administrative services.

A draft bill of law, currently expected to come into effect during the course of 2012, will allow Luxembourg issuers to opt for the full dematerialization of shares. If Aperam were to opt for full dematerialization in the future, shareholders would be required to hold their shares in a securities account at a bank or other financial intermediary, which would in turn hold the shares via an account with a securities depository such as Clearstream or Euroclear. Dematerialized securities would be solely represented by account entries with the securities depository and would therefore exist only in electronic form. If Aperam were to opt for the full dematerialization of its shares, it would no longer be possible for shareholders to hold shares through a direct, nominative registration in the Company's register of shareholders as is currently still the case.

Issuance of Shares

The issuance of ordinary shares in the Company requires an amendment to the Articles of Association approved by an extraordinary general meeting of shareholders, which may not validly deliberate unless at least half of the issued share capital is represented upon the first call and the agenda indicates the proposed amendments to the Articles of Association. If the first of these conditions is not satisfied, a second meeting may be called by means of two notices published at 15-day intervals and at least 15 days prior to the meeting in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations*) and in two Luxembourg newspapers. The second meeting will deliberate irrespective of the proportion of share capital represented. At both meetings, resolutions, in order to be adopted, must be approved by at least two-thirds of the votes cast. Votes cast do not include votes attaching to ordinary shares with respect to which the shareholder has not taken part in the vote, has abstained or has returned a blank or invalid vote.

The shareholders may, within certain limits, grant the Board of the Directors the power to issue new shares.

The Articles of Association authorize the Board of Directors, during a period ending on the fifth (5th) anniversary of the date of publication in the Luxembourg legal gazette of these articles of association, without prejudice to any renewals, to increase the issued share capital on one or more occasions up to the maximum amount of the authorized share capital in connection with the issue and the exercise of subordinated or non-subordinated bonds, notes or debentures, convertible into, or repayable by or exchangeable for, shares, or following the issue of bonds, notes or debentures with warrants or other rights to subscribe for shares attached, or through the issue of standalone warrants or any other instrument carrying an entitlement to, or the right to subscribe for, shares.

The Board of Directors has the power to determine the conditions for all share issues within the limits of the authorized share capital, including the payment in cash or in kind for such shares.

Pre-emptive Rights

Unless limited or cancelled by the Board of Directors as described below, holders of the Company's ordinary shares have a pro rata pre-emptive right to subscribe for newly issued shares, except for shares issued for consideration other than cash (i.e., in kind).

The Articles of Association provide that pre-emptive rights may be limited or cancelled by the Board of Directors in the event of an increase of the issued share capital decided by the Board of Directors within the limits of the authorized share capital.

Repurchase of Shares

The Company is prohibited by Luxembourg law from subscribing for its own shares.

The Company may, however, repurchase its ordinary shares or have another person repurchase its ordinary shares on its behalf, subject to the following conditions:

- a prior authorization of the general meeting of shareholders, which sets out the terms and conditions of the proposed repurchase, including at a minimum the maximum number of shares to be repurchased, the duration of the period for which the authorization is given (which may not exceed five years) and, in the case of repurchase for consideration, the minimum and maximum consideration per share;
- the repurchase may not reduce the net assets of the Company on a non-combined basis to a level below the aggregate of the issued share capital and the reserves that the Company must maintain pursuant to Luxembourg law or the Articles of Association; and
- only fully paid up shares may be repurchased.

In addition, Luxembourg law allows the Board of Directors to approve the repurchase of the Company's ordinary shares without the prior approval of the general meeting of shareholders if necessary to prevent serious and imminent harm to the Company. In such a case, the next general meeting of shareholders must be informed by the Board of Directors of the reasons for and the purpose of the acquisitions made, the number and nominal values, or in the absence thereof, the accounting value of the shares acquired, the proportion of the issued share capital which they represent and the consideration paid for them.

A general meeting of the Company held on January 21, 2011 adopted a resolution (which became effective upon the effectiveness under Luxembourg law of the spin-off of ArcelorMittal's stainless and specialty steels assets into the Company) whereby the general meeting authorizes the Company to acquire and to own Company shares, including through off-market and over-the-counter transactions, and through derivative financial instruments on any of the stock exchanges on which the Company is listed, for a period of five years or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration of the five-year period, provided that (a) the maximum number of own shares the Company may hold at any time directly or indirectly may not exceed 10% of its issued share capital and may not have the effect of reducing the Company's net assets ("actif net") below the amount mentioned in the relevant provisions of the Luxembourg law on commercial companies of 10 August 1915, as amended (Article 72-1), and (b) the purchase price per share to be paid may not represent more than 105% of the trading price of the Company shares on the stock exchanges where the Company is listed, and no less than one cent. For off-market transactions, the maximum purchase price will be 105% of the Company share price on Euronext. The reference price will be deemed to be the average of the final listing prices per share on the relevant stock exchange during 30 consecutive days on which the relevant stock exchange is open for trading preceding the three trading days prior to the date of purchase. The total amount allocated for the Company's share repurchase program may not in any event exceed the amount of the Company's then available equity.

Any acquisitions, disposals, exchanges, contributions or transfers of shares by the Company or other companies in the Aperam group must be in accordance with Luxembourg laws transposing Directive 2003/6/EC regarding insider dealing and market manipulation (the "Market Abuse Directive") and EC Regulation 2273/2003 regarding exemptions for buy-back programmes and stabilisation of financial instruments. Such transactions may be carried out by all means, on or off-market, including by a public offer to buy-back shares, or by the use of derivatives or option strategies. The fraction of the capital acquired or transferred in the form of a block of shares may amount to the entire program. Such transactions may be carried out at any time, including during a tender offer period.

Capital Reduction

The Articles of Association provide that the issued share capital of the Company may be reduced subject to the approval of at least two-thirds of the votes cast at an extraordinary general meeting of shareholders where at first call at least 50% of the issued share capital is required to be represented. No

quorum is required at a reconvened meeting but the resolution must carry two-thirds of the votes at such reconvened meeting.

General meeting of shareholders

Directive 2007/36/EC of the European Parliament and of the Council of July 11, 2007 on the exercise of certain rights of shareholders in listed companies of July 14, 2007 (the "Shareholders' Rights Directive") was transposed into Luxembourg law effective July 1, 2011.

There are no restrictions on the rights of Luxembourg or non-Luxembourg residents to vote Aperam shares. Each Aperam share entitles the shareholder to attend a general meeting of shareholders in person or by proxy, to address the general meeting of shareholders and to vote. Each Aperam share entitles the holder to one vote at the general meeting of shareholders. There is no minimum shareholding (beyond owning a single share or representing the owner of a single share) required to be able to attend or vote at a general meeting of shareholders.

Shareholders are entitled to vote by correspondence, by means of a form providing for a positive or negative vote or an abstention on each agenda item. The conditions for voting by correspondence are set out in the Articles of Association and in the convening notice.

The Board of Directors may decide to authorize the shareholders' participation in the general meeting by videoconference or by other live telecommunications means provided they allow the identification of the participating shareholders.

A shareholder may act at any general meeting of shareholders by appointing another person (who need not be a shareholder) as his or her attorney by means of a written proxy using the form made available on the website of the Company. The completed and signed proxy must be sent to the Company in accordance with the instructions in the convening notice.

General meetings of shareholders are convened by the publication of a notice at least 30 days before the meeting date in a Luxembourg newspaper, in the Luxembourg Mémorial, *Recueil des Sociétés et Associations*, and by way of press release sent to the major news agencies. Ordinary general meetings are not subject to any minimum shareholder participation level. Extraordinary general meetings, however, are subject to a minimum quorum of 50% of the share capital. In the event the 50% quorum is not met upon first call, the meeting may be reconvened by way of convening notice published in the same manner as the first notice, at least 17 days before the meeting date. No quorum is required upon the second call.

Shareholders whose share ownership is directly registered in the shareholders' register of the Company must receive the convening notice by regular mail, unless they have accepted to receive it through other means (i.e., electronically). In addition, all materials relating to a general meeting of shareholders must be made available on the website of Aperam from the date of the first publication of the convening notice.

The annual general meeting of shareholders of the Company is held each year at 3:00 p.m. on the second Tuesday of the month of May in the city of Luxembourg. If that day is a legal or banking holiday, the meeting will be held on the immediately preceding banking day.

Luxembourg law requires the Board of Directors to convene a general meeting of shareholders if shareholders representing in the aggregate 10% of the issued share capital so require in writing with an indication of the agenda. In that case, the general meeting of shareholders must be held within one month of the request. If the requested general meeting of shareholders is not so convened, the relevant shareholder or group of shareholders may petition the competent court in Luxembourg to have a court appointee convene the general meeting.

Shareholders holding at least 5% (five percent) of the Company's share capital may request the addition of one or more items to the agenda of the general shareholders' meeting or table draft resolutions for items included or to be included on the agenda. The Company must have received the request at the latest on the twenty-second (22nd) day prior to the general shareholders' meeting.

The Shareholders' Rights Directive, as transposed into Luxembourg law, provides that a company's articles of association may provide that shareholders are allowed to ask questions prior to the general meeting which will be answered by management during the general meeting's questions and answers session prior to the vote on the agenda items.

Voting Rights

Each ordinary share of the Company entitles the shareholder to one vote at a general meeting of shareholders.

Luxembourg law distinguishes between ordinary general meetings of shareholders and extraordinary general meetings of shareholders. Extraordinary general meetings of shareholders are convened to vote on any amendment of the Articles of Association and certain other matters described below and are subject to the quorum and majority requirements described below. All other general meetings of shareholders are ordinary general meetings of shareholders.

Ordinary general meetings of shareholders: at an ordinary general meeting of shareholders there is no quorum requirement and resolutions are adopted by a simple majority, irrespective of the number of shares represented.

Extraordinary general meetings of shareholders: an extraordinary general meeting of shareholders convened for any of the following purposes must have a quorum of at least 50% of the issued share capital:

- an increase or decrease of the authorized or the issued share capital;
- a limitation or exclusion of pre-emptive rights;
- an approval of the acquisition by any person of 25% or more of the issued share capital of the Company;
- approving a legal merger; or
- an amendment of the Articles of Association.

If the above quorum is not reached, the extraordinary general meeting of shareholders may be reconvened to a later date, subject to appropriate notification procedures with no quorum requirement.

Irrespective of whether the proposed amendment is subject to a vote at the first or at a subsequent extraordinary general meeting of shareholders, the amendment is subject to the approval of at least two-thirds of the votes cast, except as described hereafter.

Election and Removal of Directors

Members of the Board of Directors are elected by simple majority of the represented shareholders at any general meeting of shareholders. Except in the event of the replacement of a member of the Board of Directors during his or her mandate, their respective terms will expire at the third annual general meeting of shareholders following the date of their appointment. Any director may be removed with or without cause by a simple majority vote at any general meeting of shareholders.

The Articles of Association provide that the Significant shareholder holds a right of proportional representation. If the Significant shareholder exercises this right, the general meeting of shareholders shall elect the candidates nominated by the Significant shareholder as members of the Board of Directors such that the representation of candidates nominated by the Significant shareholder on the Board of Directors is in proportion to the Significant shareholder's holding of ordinary shares in the Company. This right of proportional representation does not limit the rights that the Significant shareholder may otherwise have to nominate and vote in favor of candidates for the Board of Directors by virtue of its general rights as a shareholder in the Company.

Amendment of the Articles of Association

Any resolutions to amend the Articles of Association other than those described below must be adopted in accordance with the rules applicable to an extraordinary general meeting of shareholders and before a Luxembourg notary, followed by the publications required by Luxembourg law.

An extraordinary general meeting of shareholders convened for the purpose of amending the Articles of Association must have a quorum of at least 50% of the issued capital of the Company. If the quorum is not reached, the extraordinary general meeting of shareholders may be reconvened with no quorum being required. Irrespective of whether the proposed amendment is subject to a vote at the first or a subsequent

extraordinary general meeting of shareholders, the amendment is subject to the approval of at least two-thirds of the votes cast at the extraordinary general meeting of shareholders, except as described below.

In order to be adopted, amendments of the Articles of Association relating to the size and the requisite minimum number of independent and non-executive directors of the Board of Directors, the composition of the committees, and the nomination rights to the Board of Directors of the Significant shareholders require a majority of votes representing two-thirds of the voting rights attached to the shares in the Company. The same majority rule would apply to amendments of the provisions of the Articles of Association setting out the foregoing rule.

Annual Accounts

Each year the Board of Directors must prepare parent company accounts for the Company, consisting of an inventory of its assets and liabilities together with a statement of financial position and a profit and loss account. The Board of Directors must also prepare annually combined accounts of the Company. The Board of Directors must also prepare annual management reports on each of the standalone audited annual accounts and the combined accounts. For each of these sets of accounts a report must be issued by the independent auditors.

The annual accounts, the combined accounts, the management report and the auditor's reports will be available on request and on the Company's website from the date of publication of the convening notice for the annual ordinary general meeting of shareholders.

The parent company accounts and the combined accounts, after approval by the annual general meeting of shareholders, are filed with the Luxembourg Register of Commerce and Companies.

Dividends

Subject to certain limitations set out by Luxembourg law, each ordinary share of the Company is entitled to participate equally in dividends when and if declared by the annual general meeting of shareholders out of funds legally available for such purposes. The Articles of Association provide that the annual general meeting of shareholders may declare a dividend and the Board of Directors may declare interim dividends within the limits set by Luxembourg law.

Declared and unpaid dividends held by the Company for the account of its shareholders do not bear interest. Under Luxembourg law, claims for dividends lapse in favor of the Company five years after the date on which the dividends have been declared.

Neither the Articles of Association nor Luxembourg law contain any restrictions on the payment of dividends specifically applicable to non-Luxembourg resident holders of ordinary shares.

Dividend 2011

A general meeting of the Company held on January 21, 2011 approved in principle the payment of a dividend of \$0.75 per Company share, in four equal quarterly installments of \$0.1875 (gross) per share which took place on March 30, June 14, September 12 and December 12, 2011.

Dividend 2012

On February 6, 2012, Aperam announced that the Board of Directors will submit to a shareholder's vote, at the next annual general meeting, a proposal to maintain the quarterly dividend payment at USD 0.1875 per share. The dividend payments would occur on a quarterly basis for the full year 2012 on March 13, 2012, June 14, 2012, September 10, 2012 and December 10, 2012 taking into account that the first quarterly dividend payment to be paid on March 13, 2012 shall be an interim dividend

Merger and Division

A merger by absorption whereby one Luxembourg company after its dissolution without liquidation transfers to another Luxembourg company all of its assets and liabilities in exchange for the issuance to the shareholders of the company being acquired of shares in the acquiring company, or a merger effected by transfer of assets to a newly incorporated company, must be approved by an extraordinary general meeting of shareholders of each company held before a notary. A merger requires the approval of at least two-thirds of

the votes cast at a general meeting of shareholders where at least 50% of the issued share capital is represented upon the first call, with no such quorum being required at a reconvened meeting.

Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, the assets remaining after allowing for the payment of all liabilities will be paid out to the shareholders pro rata to their respective shareholdings. The decision to liquidate, dissolve or wind-up requires the approval of at least two-thirds of the votes cast at an extraordinary general meeting of shareholders where at first call at least 50% of the issued share capital is represented, with no quorum being required at a reconvened meeting. Irrespective of whether the liquidation is subject to a vote at the first or a subsequent extraordinary general meeting of shareholders, it requires the approval of at least two-thirds of the votes cast at the extraordinary general meeting of shareholders.

Mandatory Bids, Squeeze-out Rights and Sell-out Rights

Mandatory Bids

The Luxembourg law of May 19, 2006 implementing Directive 2004/25/EC of the European Parliament and the Council of April 21, 2004 on takeover bids (the “**Luxembourg Takeover Law**”) provides that if a person, acting alone or in concert, acquires securities of the Company which, when added to any existing holdings of the Company’s securities, give such person voting rights representing 33 1/3% of all of the voting rights attached to the issued shares in the Company, this person is obliged to make an offer for the remaining shares in the Company. In a mandatory bid situation the “fair price” is considered to be the highest price paid for the securities during the 12-month period preceding the mandatory bid.

The Articles of Association provide that any person who acquires shares in the Company giving such person 25% or more of the total voting rights of the Company must make or cause to be made in each country where the Company’s securities are admitted to trading on a regulated or other market and in each of the countries in which the Company has made a public offering of its shares, an unconditional public offer to acquire to all shareholders for all of their shares and also to all holders of securities giving access to capital or linked to capital or whose rights are dependent on the profits of the Company. The price offered in such public offerings must be fair and equitable and must be based on a report drawn up by a leading international financial institution or other internationally recognized expert.

Squeeze-out Rights

The Luxembourg Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of the Company and after such offer the offeror holds 95% of the securities carrying voting rights and 95% of the voting rights, the offeror may require the holders of the remaining securities to sell those securities (of the same class) to the offeror. The price offered for such securities must be a “fair price”. The price offered in a voluntary offer would be considered a “fair price” in the squeeze-out proceedings if 90% of the ordinary shares of the Company carrying voting rights were acquired in such voluntary offer. The price paid in a mandatory offer is deemed a “fair price”. The consideration paid in the squeeze-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate squeeze-out proceedings must be exercised within three months following the expiration of the offer.

Sell-out Rights

The Luxembourg Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of the Company and if after such offer the offeror holds 90% of the securities carrying voting rights and 90% of the voting rights, the remaining security holders may require that the offeror purchase the remaining securities of the same class. The price offered in a voluntary offer would be considered “fair” in the sell-out proceedings if 90% of the ordinary shares of the Company carrying voting rights were acquired in such voluntary offer. The price paid in a mandatory offer is deemed a “fair price”. The consideration paid in the sell-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate sell-out proceedings must be exercised within three months following the expiration of the offer.

Disclosure of Significant Ownership in the Company's Shares

Holders of the Company's ordinary shares and derivatives or other financial instruments linked to the Company's ordinary shares may be subject to notification obligations pursuant to the Luxembourg law of January 11, 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market (the "**Luxembourg Transparency Law**"). The following description summarizes these obligations. The Company's shareholders are advised to consult with their own legal advisers to determine whether the notification obligations apply to them.

The Luxembourg Transparency Law provides that, if a person acquires or disposes of a shareholding in the Company, and if following the acquisition or disposal the proportion of voting rights held by the person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, $33\frac{1}{3}\%$, 50% or $66\frac{2}{3}\%$ of the total voting rights existing when the situation giving rise to a declaration occurs, such person must simultaneously notify the Company and the CSSF of the proportion of voting rights held by it further to such event.

A person must also notify the Company of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below the abovementioned thresholds as a result of events changing the breakdown of voting rights.

The Articles of Association provide that the above disclosure obligations also apply:

- to any acquisition or disposal of shares resulting in the threshold of 2.5% of voting rights in the Company being crossed upwards or downwards;
- to any acquisition or disposal of shares resulting in the threshold of 3.0% of voting rights in the Company being crossed upwards or downwards; and
- over and above 3.0% of voting rights in the Company, to any acquisition or disposal of shares resulting in successive thresholds of 1% of voting rights in the Company being crossed upwards or downwards.

Any person who acquires shares giving him or her 5% or more or a multiple of 5% or more of the voting rights in the Company must inform the Company within 10 Luxembourg Stock Exchange trading days following the date on which the threshold was crossed by registered letter with return receipt requested as to whether he or she intends to acquire or dispose of shares in the Company within the next 12 months or intends to seek to obtain control over the Company or to appoint a member to the Company's Board of Directors.

For the purposes of calculating the percentage of a shareholder's voting rights in the Company, the following will be taken into account:

- voting rights held by a third party with whom that person or entity has concluded an agreement and which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the Company;
- voting rights held by a third-party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;
- voting rights attaching to shares pledged as collateral with that person or entity, provided the person or entity controls the voting rights and declares its intention to exercise them;
- voting rights attaching to shares in which a person or entity holds an interest for the duration of the life of such person or entity;
- voting rights which are held or may be exercised within the meaning of the four foregoing points by an undertaking controlled by that person or entity;
- voting rights attaching to shares deposited with that person or entity which the person or entity may exercise at its discretion in the absence of specific instructions from the shareholders;
- voting rights held by a third-party in its own name on behalf of that person or entity; and
- voting rights which that person or entity may exercise as a proxy where the person or entity may exercise the voting rights in its sole discretion.

Disclosure of Insider Transactions

Members of the Board of Directors and the Management Committee and other executives fulfilling senior management responsibilities ("Persons Discharging Senior Managerial Responsibilities", as defined

below) within the Company and persons closely associated with them must disclose to the CSSF and to the Company all transactions relating to shares of the Company or derivatives or other financial instruments linked to shares of the Company conducted by them or for their account.

“Persons Discharging Senior Managerial Responsibilities” within the Company are the members of the Board of Directors and the Management Committee and executives who, while occupying a high level management position, are not members of the above corporate bodies, but who have regular access to non-public material information relating, directly or indirectly, to the Company and have the authority to make management decisions about the future development of the Company and its business strategy.

Information on trading in the Company’s ordinary shares by “Persons Discharging Senior Managerial Responsibilities” will be available on the Company’s website. The Company’s Insider Dealing Regulations can be found on the following website: www.aperam.com, About, Investors & Shareholders, Corporate Governance.

Disclosure to the public of “regulated information” (within the meaning of the Luxembourg Transparency Law) concerning the Company will be made by the Company by publishing the information via the centralized document storage system managed by the Luxembourg Stock Exchange. This information is accessible on the Luxembourg Stock Exchange’s website, <http://www.bourse.lu> in addition to the Company’s website: www.aperam.com, About, Investors & Shareholders, Corporate Governance.

Limitation of Directors’ Liability/Indemnification of Officers and Directors

The Articles of Association provide that the Company will, to the extent permitted by law, indemnify every member of the Board of Directors and the Management Committee as well as every former member of the Board of Directors or the Management Committee for fees, costs and expenses reasonably incurred in the defense or resolution (including a settlement) of any legal actions or proceedings, whether civil, criminal or administrative, he or she has been involved in his or her role as former or current member of the Board of Directors or the Management Committee.

The right to indemnification does not exist in the case of gross negligence, fraud, fraudulent inducement, dishonesty or for a criminal offense, or if it is ultimately determined that the member of the Board of Directors or the Management Committee has not acted honestly, in good faith and with the reasonable belief that he or she was acting in the best interests of the Company.

C. Material Contracts

The following are material contracts not entered into in the ordinary course of business that were entered into, novated or amended by the Company during the past two years:

Transitional Services Agreement, Purchasing Services Agreement, Sourcing Services Agreement and Brazilian Cost Sharing Agreement

In connection with the spin-off, the Company and ArcelorMittal entered into a Transitional Services Agreement, a Purchasing Services Agreement and a Sourcing Services Agreement, and also amended the existing Brazilian Cost Sharing Agreement.

Financing Arrangements with ArcelorMittal

The Company’s principal sources of financing until the end of March 2011 included loans from ArcelorMittal entities at the level of Aperam South America (formerly known as “ArcelorMittal Inox Brasil”), which holds the Company’s assets in Brazil, and Aperam Stainless Belgium (formerly known as “ArcelorMittal Stainless Belgium”), which holds its assets in Belgium. These facilities are described in detail in “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Liquidity and Capital Resources.” In March 2011, Management entered into facilities and other forms of financing, including the issuance of bonds in the capital markets, in the aggregate amount of \$1.3 billion, with available borrowing capacity at any one time of approximately \$400 million. Facilities entered into with ArcelorMittal entities have been fully reimbursed in March 2011.

D. Exchange Controls

There are no other legal provisions currently in force in Luxembourg or arising under the Articles of Association that restrict the payment of dividends to holders of the Company’s ordinary shares not resident in Luxembourg, except for regulations restricting the remittance of dividends and other payments in compliance with United Nations and European Union sanctions. There are no limitations, either under the laws of

Luxembourg or in the Articles of Association, on the right of non Luxembourg nationals to hold or vote the Company's ordinary shares.

E. Taxation

The spin off having occurred in 2011 this section provides an overview of the tax treatment in the relevant jurisdictions considering the ArcelorMittal and Aperam listings.

Material Luxembourg Tax Considerations

This section describes the material Luxembourg tax implications for investors in respect of the acquisition, ownership and disposition of the Company's ordinary shares.

This summary does not cover all aspects of Luxembourg taxation which may be relevant to, or the actual tax effect that any of the matters described herein will have on, a decision by particular investors to purchase, own or dispose of the Company's ordinary shares. This summary does not address foreign tax laws. It is based on the laws in force in Luxembourg as at the date of this financial report and subject to any change in law that might take effect after such date. Investors should be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Moreover, a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate shareholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of a professional or business undertaking, municipal business tax may apply as well.

Luxembourg Tax Consequences of the Holding of the Ordinary Shares

Tax Residence

A holder of ordinary shares will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the ordinary shares, or the execution, performance, delivery and/or enforcement of the ordinary shares.

Withholding Tax

Under current Luxembourg tax law, dividends distributed by the Company to its shareholders will be subject to a 15% withholding tax computed on the gross amount of the dividends distributed.

This rate could be reduced pursuant to double taxation treaties concluded between Luxembourg and the country of residence of the non-resident shareholders. Withholding tax is usually reduced by refunding to the shareholder the excess of the total amount withheld over the withholding tax actually owed under the pertinent double taxation treaty upon the shareholder's application for a refund to the Luxembourg tax authorities (Administration des Contributions Directes, Division 5 – Relations Internationales, 45, boulevard Roosevelt, L-2982 Luxembourg). Forms for the refund request can be obtained from the Luxembourg tax authorities.

No withholding tax is levied if the dividends are paid (i) to a joint-stock company which is a fully taxable Luxembourg resident company, (ii) to a company resident in a Member State of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990 as amended or to its permanent establishment located in Luxembourg, (iii) to a company resident in a country with which Luxembourg has concluded a double taxation treaty and which is fully liable to a tax corresponding to Luxembourg corporate income tax or its permanent establishment located in Luxembourg, (iv) to a Swiss joint-stock company subject to the Swiss income tax regime, (v) to a joint-stock company or a cooperative company resident in a Member State of the European Economic Area ("EEA") and which is fully liable to a tax corresponding to Luxembourg corporate income tax, or to its permanent establishment located in Luxembourg, provided that, at the date of the payment, the shareholder holds or commits to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10% in the share capital of the Company or a participation with an acquisition price of at least EUR 1.2 million.

No Luxembourg withholding tax will be levied on liquidation proceeds distributed by the Company without any conditions. The redemption by the Company of all the ordinary shares belonging to one shareholder or of all the ordinary shares belonging to the same class of ordinary shares, followed by the cancellation of such ordinary shares, will be treated as a partial liquidation for Luxembourg tax purposes and will consequently not be subject to Luxembourg withholding tax.

Income Tax

Taxation of Dividends

(i) Luxembourg non-resident holders of ordinary shares

Dividends received by non-resident individuals or non-resident companies which do not have a permanent establishment in Luxembourg are not subject to any tax in Luxembourg, apart from the dividend withholding tax, if applicable.

(ii) Luxembourg resident holders of ordinary shares

According to the Luxembourg participation exemption regime, dividends and liquidation proceeds received from the Company by (i) a joint-stock company which is a fully taxable Luxembourg resident company, (ii) a permanent establishment located in Luxembourg of a company resident in a Member State of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990 as amended, (iii) a permanent establishment located in Luxembourg of a company resident in a country which has concluded a double taxation treaty with Luxembourg, or (iv) a permanent establishment located in Luxembourg of a joint-stock company or of a cooperative company resident in a Member State of the EEA, will be exempt from income tax in Luxembourg provided that, at the date of the distribution, the shareholder holds or commits to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10% in the share capital of the Company or a participation with an acquisition price of at least EUR 1.2 million. Ordinary shares held through a tax transparent entity are considered as a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Dividends received from the Company by a Luxembourg resident company, or by a permanent establishment located in Luxembourg, which do not fall within the scope of the Luxembourg participation exemption regime, will be subject to Luxembourg corporate income tax (including the solidarity surcharge and the municipal business tax) at the ordinary rate. Dividends received by a Luxembourg resident individual shareholder will be subject to Luxembourg income tax (including the solidarity surcharge) at the ordinary progressive rate. Half of the dividends received from the Company will, however, be excluded from the taxable basis of the Luxembourg resident (individual or corporate) shareholder.

Upon their income tax assessment, resident shareholders and non-resident shareholders holding the ordinary shares via a permanent establishment (including a permanent representative) or fixed base in Luxembourg, may credit the dividend withholding tax against their final income tax liability.

(iii) Luxembourg companies benefitting from a special tax regime

Luxembourg companies, which benefit from a special tax regime under (i) the laws of 20 December 2002 and 13 February 2007 on undertakings for collective investment or (ii) the law of 11 May 2007 on family estate management companies, are not subject to tax on dividends received from the Company.

Taxation of Capital Gains

(i) Luxembourg non-resident holders of Ordinary Shares

No Luxembourg income tax will be payable as a result of a disposal of the ordinary shares by a non-resident (individual or corporate) shareholder, unless the participation directly or indirectly held by the shareholder, together with his/her close relatives, represents more than 10% of the share capital of the Company, and the relevant shareholder (i) was a Luxembourg resident taxpayer for more than 15 years and has become a non-resident taxpayer less than five years before the sale of the ordinary shares, or (ii) has held the ordinary shares for less than six months at the time of the sale. These conditions could be relaxed by double taxation treaties concluded between Luxembourg and the country of residence of the shareholders.

(ii) Luxembourg resident holders of Ordinary Shares

Capital gains realized on the disposal of ordinary shares (including their sale, exchange, contribution or any other kind of alienation) by resident individuals acting in the course of their private wealth are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation.

Capital gains are deemed to be speculative and are subject to income tax at ordinary rates if the ordinary shares are disposed of within 6 months of their acquisition or if the disposal precedes the acquisition of the ordinary shares.

A participation is considered substantial where a resident individual has held, alone or together with his/her close relatives, directly or indirectly, at any time within the five years preceding the disposal, more than 10% of the share capital of the Company. A shareholder is also deemed to alienate a substantial participation if, within the five years preceding the transfer, he acquired, free of charge, a participation constituting a substantial participation in the hands of the alienator (or the alienators in case of several successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six months after the acquisition are subject to income tax according to the half-global rate method (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation).

Capital gains realized on the disposal of ordinary shares by resident individual shareholders, acting in the course of their professional/business activity, are subject to income tax at ordinary rates.

Capital gains realized upon the disposal of the ordinary shares by a Luxembourg resident company, or by a permanent establishment located in Luxembourg, will be fully subject to corporate income tax (including the solidarity surcharge and the municipal business tax) in Luxembourg, except if the Luxembourg participation regime is applicable.

According to the Luxembourg participation exemption regime, capital gains realized upon the disposal of ordinary shares by (i) a joint-stock company which is a fully taxable Luxembourg resident company, or (ii) a permanent establishment located in Luxembourg of a company resident in a Member State of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990 as amended, or (iii) a permanent establishment located in Luxembourg of a company resident in a country which has concluded a double taxation treaty with Luxembourg, or (iv) a permanent establishment located in Luxembourg of a joint-stock company or of a cooperative company resident in a Member State of the EEA, will be exempt from income tax in Luxembourg provided that, at the date of the distribution, the shareholder holds or commits to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10% in the share capital of the Company or a participation with an acquisition price of at least EUR 6 million. ordinary shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Taxable gains are determined as being the difference between the price for which the ordinary shares have been disposed of and the lower of their cost or book value.

(iii) Luxembourg companies benefitting from a special tax regime

Luxembourg companies, which benefit from a special tax regime under (i) the laws of 20 December 2002 and 13 February 2007 on undertakings for collective investment or (ii) the law of 11 May 2007 on family estate management companies, are not subject to tax on capital gains realized on the disposal of ordinary shares.

Net Wealth Tax

Luxembourg resident companies, which do not benefit from a special tax regime under (i) the laws of 20 December 2002 and 13 February 2007 on undertakings for collective investment, (ii) the law of 22 March 2004 on securitization, (iii) the law of 15 June 2004 on venture capital vehicles, or (iv) the law of 11 May 2007 on family estate management companies, are subject to net wealth tax on their net assets. However, ordinary shares held by fully taxable Luxembourg resident companies will be excluded from their taxable basis for net wealth tax purposes, provided the conditions of the participation exemption regime (which are the same as for dividends, except that the twelve months holding period is not required) are met.

Non-resident companies will be subject to net wealth tax on their assets which are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment, except as otherwise provided for by a tax treaty concluded by Luxembourg and the country of residence of the non-resident company.

Other Taxes

No Luxembourg registration tax, stamp duty or any other similar tax or duty will be due by the shareholders as a consequence of the issuance of the ordinary shares, nor will any of these taxes become payable as a consequence of a subsequent transfer, exchange or redemption of the ordinary shares.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the ordinary shares or in respect of the payment of dividends or principal under the ordinary shares or the transfer of the ordinary shares.

No Luxembourg estate or inheritance taxes are levied on the transfer of the ordinary shares upon the death of a shareholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. No Luxembourg gift tax is levied on the transfer of the ordinary shares by way of a gift, unless the gift is recorded in a Luxembourg notarized deed or otherwise registered in Luxembourg.

Certain Belgian Income Tax Considerations

The following is a general description of the principal Belgian tax consequences of the spin-off and the holding and disposal of the Company's shares ("**Shares**") and does not purport to be a comprehensive description of all the tax considerations that may be relevant to the holding and disposal of the Shares. This general description is based on the tax laws and practice of the Kingdom of Belgium in effect on the date of this financial report, which are subject to change, potentially with retroactive effect. Belgian holders of Shares should consult their own tax advisers as to the Belgian and other tax consequences prior to the receipt, holding or disposal of the Shares, including, in particular, the effect of any state or local tax laws.

In this general description Belgian legal and fiscal terms and concepts are expressed and described in English equivalent terms and concepts. These terms therefore should be construed and interpreted in accordance with their meaning under Belgian law.

THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED AS BEING LEGAL OR TAX ADVICE. SHAREHOLDERS OR PROSPECTIVE SHAREHOLDERS ARE THEREFORE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISERS REGARDING THE TAX CONSEQUENCES OF THE RECEIPT, ANY PURCHASE, OWNERSHIP OR DISPOSAL OF THE SHARES. THE SPECIFIC TAX SITUATION OF EACH SHAREHOLDER CAN ONLY BE ADEQUATELY ADDRESSED BY INDIVIDUAL TAX ADVICE.

Belgian tax regime of the holding and disposal of Shares

Dividends paid by the Company to Belgian holders of Shares

Belgian individuals

Where the dividend is paid or made available through a professional intermediary in Belgium, the intermediary will withhold, and remit to the Belgian tax authorities, the Belgian dividend withholding tax calculated at the rate of 25% on the net amount of the dividend (i.e., after deduction of the amount of the applicable Luxembourg withholding tax).

For Belgian individuals who hold Shares as a private investment, this Belgian dividend withholding tax is a final tax and any dividends that have been subject to it need not be reported in such person's annual personal income tax return. They may nevertheless elect to report the dividends in their annual personal income tax return, in which case such dividends will normally be taxed at a special tax rate of 25% plus additional local taxes (or, if more favourable, the applicable ordinary progressive income tax rates taking into account the taxpayer's other declared income). If the dividends are reported, the Belgian dividend withholding tax retained at source is creditable against the income tax due and any excess credit is reimbursable, provided that the dividend distribution does not result in a reduction in value of or a capital loss on the Shares. This condition is not applicable if the Belgian individual can demonstrate that he has owned the Shares for an uninterrupted period of 12 months preceeding the date upon which the dividends are attributed. Under current Belgian tax legislation there is no tax credit for any Luxembourg dividend withholding tax.

If no Belgian dividend withholding tax has been levied in Belgium (i.e., in case the dividend was received outside of Belgium without the intervention of a professional intermediary in Belgium), the net amount (i.e., after deduction of the amount of the applicable Luxembourg withholding tax) of such dividends must be reported in the Belgian individual's annual personal income tax return. The reported dividend amount is then taxable at the separate rate of 25% plus additional local taxes (or, if more favourable, the applicable ordinary progressive income tax rates taking into account the taxpayer's other declared income).

On 1 July 2010 the European Court of Justice ruled that the imposition of additional local taxes on dividends from investments in an EU Member State other than Belgium, as opposed to dividends from investments made in Belgium, constitutes an unfavourable tax treatment which is inconsistent with the free movement of capital (C-233/09). The Belgian legislator has to date not yet adjusted its tax legislation.

For Belgian individuals who hold the Shares for professional purposes, the Belgian dividend withholding tax retained does not fully discharge their income tax liability. Dividends received must be reported by the Belgian individual in his annual personal income tax return and will be taxed at the applicable normal progressive personal income tax rates. The Belgian dividend withholding tax retained is creditable against the personal income tax due and the excess credit is reimbursable, subject to two conditions: (1) the taxpayer must have the full legal ownership over the Shares at the time the dividends are made available for payment or attributed and (2) the dividend distribution must not result in a reduction in value of or a capital loss on the Shares. Condition (2) is not applicable if the individual investor can demonstrate that he has owned the Shares for an uninterrupted period of 12 months preceding the date on which the dividends are made available for payment or attributed. Under current Belgian tax legislation there is no tax credit for any Luxembourg dividend withholding tax.

Belgian companies

Dividends on Shares paid to a Belgian company benefit from an exemption from the obligation to retain the Belgian dividend withholding tax subject to certain affidavit formalities to be respected where the dividends are paid or made available through a professional intermediary in Belgium.

The net amount (i.e., after deduction of the amount of the applicable Luxembourg withholding tax) of dividends paid on Shares will, as a rule, be included in the tax base subject to Belgian corporate income tax. The ordinary Belgian corporate income tax rate is 33.99%. However, Belgian companies will be able, pursuant to the dividend received deduction regime, to deduct from their taxable base (other than certain disallowed expenses and other specific taxable items) up to 95% of the dividends received if, at the date the dividends are paid or attributed, (i) they held a shareholding in the Company of at least 10% or with an acquisition value of at least €2.5 million, (ii) they held the Shares in full legal ownership, (iii) the Shares held qualify as financial fixed assets within the meaning of Belgian accounting law, and (iv) the Shares will be or have been held uninterruptedly for at least one year. For the computation of the one-year period in the particular case of a tax neutral partial spin-off operation, Article 202, §2, paragraph 3 ITC provides that the period may be determined as if the partial spin-off had not taken place. In order for the dividends-received-deduction regime to apply the dividends must also meet the 'subject to tax' conditions provided for by Article 203 ITC.

No tax credit will be granted for any Luxembourg withholding tax on dividends distributed by the Company.

Dividends on Shares paid to an Organization for Financing Pensions ("OFP") will, as a rule, be unconditionally exempted from Belgian corporate income tax. The net amount (i.e., after deduction of the amount of the applicable Luxembourg withholding tax) of the dividends will be subject to Belgian dividend withholding tax at the rate of 25%, when paid or made available through a financial intermediary in Belgium. If Belgian dividend withholding tax is deducted at source, it may be credited against corporate income tax due (if any) and any excess credit is reimbursable, subject to two conditions: (1) the OFP must own the Shares at the time the dividends are made available for payment or attributed and (2) the dividend distribution must not give rise to a reduction in value of or a capital loss on the Shares.

Belgian legal entities

The net amount (i.e., after deduction of the amount of the applicable Luxembourg withholding tax) of dividends paid on Shares will be subject to Belgian dividend withholding tax at the rate of 25%, when paid or made available through a financial intermediary in Belgium.

Where the Belgian holder is a Belgian legal entity and no dividend withholding tax has been retained in Belgium (i.e., in case the dividend was received outside of Belgium without the intervention of a professional intermediary in Belgium), the Belgian legal entity is itself liable to pay the 25% Belgian withholding tax.

Capital gains and losses

Belgian individuals

Belgian individuals holding Shares as a private investment will, as a rule, not be subject to tax on any capital gains arising out of a disposal of Shares. Losses will, as a rule, not be deductible in Belgium. Belgian individuals may, however, be subject to income tax in Belgium at the rate of 33% plus additional local taxes (or, if more favourable, at the applicable ordinary progressive income tax rates taking into account the taxpayer's other declared income) if they realise a capital gain on Shares which is deemed to be speculative or to be otherwise realised outside the scope of normal management of one's own private estate. Capital losses realised on Shares which are deemed to be speculative or to be otherwise realised outside the scope of normal management of one's own private estate, are deductible from gains or income of the same nature to the extent they were incurred during the five preceding income years.

Individuals holding their Shares for professional purposes are taxed at the applicable progressive tax rates on professional income for all capital gains realised on the sale of the Shares, except with respect to the Shares they have been holding for more than five years (which are subject to a special rate of 16.5%, plus additional local taxes (if that special rate is more favourable than the applicable ordinary progressive income tax rates)). Capital losses on Shares realised by Belgian Individuals holding the Shares in the context of their professional activities are deductible from their professional income.

Belgian companies

Capital gains realised on a disposal of Shares by Belgian companies will, as a rule, be fully exempt from Belgian corporate income tax, provided that the 'subject to tax' conditions of Article 203 ITC are met. The conditions pertaining to the minimum size, minimum holding period, full legal ownership and accounting characterization which are imposed in order for dividends distributed on the Shares to qualify for the dividends-received-deduction regime, do not have to be met for the purposes of this capital gains tax exemption. However, the budget 2012 measures introduce as of 1 January 2012 an additional condition (holding period requirement of 1 year) to obtain 100% tax exemption. Capital gains realized after 2011 and which relate to shares with a holding period of less than 1 year will be taxed at a rate of 25%. Capital losses on Shares realised by Belgian companies will in general not be deductible.

Capital gains realised on the disposal of Shares by OFP's will, as a rule, be unconditionally and fully exempt from Belgian corporate income tax.

Belgian legal entities

Capital gains realised on the disposal of Shares by Belgian legal entities will, as a rule, be unconditionally and fully exempt from Belgian legal entities tax. Losses on such disposal of their Shares will not be deductible.

Tax on stock exchange transactions

A tax on stock exchange transactions (*taxe sur les opérations de bourse/taks op de beursverrichtingen*) at the rate of 0.17 per cent. (subject to a maximum of €500 per party and per transaction) will be due upon the sale and purchase or any other acquisition or transfer for consideration of Shares entered into or settled in Belgium in which a professional intermediary acts for either party. However, the budget 2012 measures introduce as of 1 January 2012 an increase to 0.22 per cent of the stock exchange tax (subject to maximum €650 per party and per transaction). A separate tax is due from each of the seller and the purchaser, both collected by the professional intermediary. The tax does not apply to primary market transactions.

However, the tax on stock exchange transactions is not payable by exempt persons acting for their own account, including investors who are non-Belgian residents (subject to certain identification formalities) and certain Belgian institutional investors as defined in Article 126.1, 2° of the Code of various duties and taxes.

Tax on the physical delivery of bearer shares

The physical delivery of bearer securities acquired on the secondary market for consideration through a professional intermediary in Belgium is subject to the Belgian tax on the physical delivery of bearer securities. The tax payable is equal to 0.6% of the purchase price. The tax is also due upon the physical delivery of securities in Belgium pursuant to the withdrawal of the securities from open custody. The tax payable is 0.6% on the sales value of the securities as estimated by the custodian in case of a withdrawal from open custody.

The physical delivery of bearer securities to recognised professional intermediaries (such as credit institutions), acting for their own account, is exempt from the above tax.

Certain Dutch Income Tax Considerations

The following summary does not purport to be a comprehensive description of all Dutch tax considerations.

This summary is intended as general information only. This summary is based on Dutch tax legislation and published case law in force as of the date of this document. It does not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect.

Regardless of whether or not a holder of Aperam shares ("**Shares**") is, or is treated as being, a resident of the Netherlands, this summary does not address the Dutch tax consequences for such a holder:

- having a substantial interest (*aanmerkelijk belang*) in the Company (such a substantial interest is generally present if an equity stake of at least 5% in a company, or a right to acquire such a stake in a company, is held, in each case by reference to the company's total issued share capital, or the issued capital of a certain class of shares);
- who is a private individual and may be taxed for the purposes of Dutch income tax (*inkomstenbelasting*) as an entrepreneur (*ondernemer*) having an enterprise (*onderneming*) to which the Shares are attributable, or who may otherwise be taxed with respect to benefits derived from the Shares being treated as income derived from work and home (*werk en woning*);
- which is a corporate entity, and for the purposes of Dutch corporate income tax (*vennootschapsbelasting*) has, or is deemed to have, a participation (*deelneming*) in the Company (such a participation in a company is generally present in the case of an interest of at least 5% of a company's nominal paid-in capital);
- which is a corporate entity and an exempt investment institution (*vrijgestelde beleggingsinstelling*) or investment institution (*beleggingsinstelling*) for the purposes of Dutch corporate income tax, a pension fund, or otherwise not a taxpayer or exempt for tax purposes; or
- which is not considered the beneficial owner (*uiteindelijk gerechtigde*) of the Shares and/or the benefits derived from the Shares.

THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED AS BEING LEGAL OR TAX ADVICE. SHAREHOLDERS OR PROSPECTIVE SHAREHOLDERS ARE THEREFORE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISERS REGARDING THE TAX CONSEQUENCES OF THE RECEIPT, ANY PURCHASE, OWNERSHIP OR DISPOSAL OF THE SHARES. THE SPECIFIC TAX SITUATION OF EACH SHAREHOLDER CAN ONLY BE ADEQUATELY ADDRESSED BY INDIVIDUAL TAX ADVICE.

Dutch tax regime of the holding and disposal of Shares

Dividend tax

The Company is not required to withhold Dutch dividend tax in respect of distributions made on the Shares.

Income tax

Resident holders: A holder who is a private individual and a resident, or treated as being a resident of the Netherlands for the purposes of Dutch income tax, must record the Shares as assets that are held in box 3. Taxable income with regard to the Shares is then determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return is fixed at a rate of 4% of the holder's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the yield basis exceeds a certain threshold. Such yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Shares, less the fair market value of certain qualifying liabilities at the beginning of the calendar year. The fair market value of the Shares will be included as an asset in the holder's yield basis. The deemed return on income from savings and investments is taxed at a rate of 30%.

Luxembourg dividend tax which is withheld with respect to proceeds from the Shares will generally be creditable for Dutch income tax purposes.

Non-resident holders: A holder who is a private individual and neither a resident, nor treated as being a resident of the Netherlands for the purposes of Dutch income tax, will not be subject to such tax in respect of benefits derived from the Shares.

Corporate income tax

Resident holders or holders having a Dutch permanent establishment: A holder which is a corporate entity and for the purposes of Dutch corporate income tax a resident (or treated as being a resident) of the Netherlands, or a non-resident having (or treated as having) a permanent establishment in the Netherlands to

which the Shares are attributable, is taxed in respect of benefits derived from the Shares at rates of up to 25%.

Luxembourg dividend tax which is withheld with respect to proceeds from the Shares will generally be creditable for Dutch corporate income tax purposes.

Non-resident holders: A holder which is a corporate entity and for the purposes of Dutch corporate income tax neither a resident, nor treated as being a resident, of the Netherlands, having no permanent establishment in the Netherlands (and not treated as having such a permanent establishment), will not be subject to such tax in respect of benefits derived from the Shares.

Gift and inheritance tax

Resident holders: Dutch gift tax or inheritance tax (*schenk- of erfbelasting*) will arise in respect of an acquisition (or deemed acquisition) of Shares by way of a gift by, or on the death of, a holder of Shares who is a resident, or treated as being a resident, of the Netherlands for the purposes of Dutch gift and inheritance tax.

Non-resident holders: No Dutch gift tax or inheritance tax will arise in respect of an acquisition (or deemed acquisition) of Shares by way of a gift by, or on the death of, a holder of Shares who is neither a resident, nor treated as being a resident, of the Netherlands for the purposes of Dutch gift and inheritance tax.

Other taxes

No Dutch registration tax, capital tax, transfer tax or stamp duty (nor any other similar tax or duty) will be payable in connection with the holding or disposal of the Shares.

Certain French Income Tax Considerations

The following is a summary of certain material French tax consequences that are likely to be relevant to French resident investors in respect of their investment in the Company's shares.

This summary is of general nature only and does not purport to be a comprehensive description of all the French material tax considerations which may be relevant to the receipt of the Company's shares, nor to the decision to purchase, hold or dispose of the Company's shares. It is based on the laws, regulations, practice and applicable tax treaties in force in France as at the date of this financial report, all of which are subject to change, possibly with retroactive effect. More particularly, the following summary takes into account the tax measures included in several Finance Act enacted in 2011.

This summary does not take into account the specific circumstances of particular investors some of which may be subject to special tax rules. French holders of Company's shares should consult their own tax advisors as to the particular French tax consequences of the receipt of the Company's shares and/or of the holding or disposal of the Company's shares.

As used herein, a **"French individual"** is an individual who is a resident of France for tax purposes, is subject to personal income tax (*impôt sur le revenu*) and owns the Company's shares as private assets (otherwise than through a fixed base outside France) and a **"French legal entity"** is a legal entity which is a French tax resident subject to corporate income tax (*impôt sur les sociétés*) which does not own its interests in the Company through a permanent establishment outside France, and which does not hold an interest in the Company that would qualify as participation shares (*titres de participation*) or other interest representing more than 5% of the Company's share capital and benefit from a taxation at a reduced rate. **"French holders"** shall mean all these holders collectively.

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French tax regime of the holding and disposal of Company's shares

Taxation of dividends

Pursuant to Article 19-3-b of the tax treaty dated April 1, 1958 between France and Luxembourg (the **"Treaty"**), France grants a tax credit for the withholding tax levied in Luxembourg on dividends. The amount of

such tax credit is equal to the withholding tax as reduced by the Treaty that is, generally, 15/85 of the net amount of the dividends, capped at the amount of the French tax due with respect to such dividends.

French individuals

Dividends received by French individuals are generally included in their taxable income of the relevant tax year and subject to personal income tax either:

(i) at a progressive rate (with a marginal rate of 41%), under the following regime:

If the conditions set out in Article 158-3-2° of the *Code général des impôts* are satisfied with respect to such dividends, and provided that no election has been made for the 21% flat-rate tax on other distributions received during the same tax year (see below), an allowance of 40% (the “**40% Allowance**”) is first applied to the gross amount of the dividends, including the attached tax credit determined for the Luxembourg withholding tax.

Subject to the same condition and on the aggregate amount of dividends received during the same tax year after deduction of the 40% Allowance and of deductible expenses, an additional allowance is applied for an amount of (i) €3,050 for married couples subject to joint taxation as well as for signatories of a *pacte civil de solidarité* as defined under Article 515-1 of the *Code civil* (“**PACS**”) who are subject to joint taxation or (ii) €1,525 for single people, widows and widowers, divorcees or married people who file their tax returns separately.

(ii) upon election by the taxpayer, at a 21% flat-rate if the conditions set out in Article 117 *quater* of the *Code général des impôts* are satisfied in respect of such dividends.

If dividends are paid by a French paying agent, the election for the 21% flat-rate tax shall be made by the taxpayer with the paying agent prior to the receipt of the dividends and the 21% tax is withheld at the time of payment by the French paying agent who then will report and pay on behalf of the French taxpayer, the 21% tax to the French tax authorities.

If dividends are paid by a foreign paying agent, the 21% tax is either (i) paid to the French tax authorities by the French taxpayer within the first fifteen days of the month following the month of payment or (ii) if the paying agent is established in a country within the EEA (to the exclusion of Liechtenstein), and upon written authorization from the French taxpayer, withheld at the time of payment by the paying agent who will report and pay on behalf of the French taxpayer the 21% flat-rate tax to the French tax authorities.

Dividends are further subject to the following social security contributions: the general social contribution (*contribution sociale généralisée* – CSG) at the rate of 8.2% (of which 5.8% is deductible from the aggregate taxable income of the taxpayer, in the absence of election for the 21% flat-rate on the relevant dividends), the social levy (*prélèvement social*) at the rate of 3.4%, the contribution for the repayment of the social debt (*contribution au remboursement de la dette sociale* – CRDS) at the rate of 0.5% and the contributions payable in addition to the social levy at the respective rates of 0.3% and 1.1%, giving a global rate of 13.5% of social security contributions. These social security contributions are recovered under similar rules as those applicable to the 21% flat-rate tax when the dividend is paid by a French paying agent.

The tax credit granted by France in respect of the Luxembourg withholding tax can be set off against the personal income tax; any excess may neither be refunded nor carried forward.

Specific tax treatment applicable to Company's shares held in Share Savings Plans (*plan d'épargne en actions* – PEA)

Company's shares are eligible to be held in a PEA.

Under certain conditions, a PEA confers the right (i) during the duration of the PEA, to an exemption from income tax and social related contributions on the net proceeds and net capital gains resulting from investments made through a PEA, provided that these proceeds and capital gains are kept in the PEA and (ii) upon closure of the PEA (if it takes place more than five years after the opening of the PEA) or after a partial withdrawal (if it takes place more than eight years after the opening of the PEA), to an income tax exemption on the net gain realised since the opening of the PEA. These proceeds and capital gains remain nevertheless subject to social related contributions (currently at a total rate of 13.5% but the effective rate of such contributions depends on the date when such gain will be realised). Specific rules apply to the use of capital losses realised within a PEA; investors are invited to consult their tax advisor on this issue.

A withdrawal from a PEA in the form of a life annuity is subject to a specific tax regime not described herein.

Individuals owning Company's shares in a PEA will not be able to use the tax credit granted by France in respect of the Luxembourg withholding tax.

French legal entities

Gross dividends (including the Luxembourg withholding tax) received by French legal entities will be subject to corporate income tax at the current standard rate of 33 1/3% (or, as the case may be, at the reduced rate of 15% within the limit of €38,120 of taxable income per twelve-month period for companies that meet the conditions of Article 219 I-b of the *Code général des impôts*, that is, which have a yearly turnover net of tax of less than €7,630,000 and with a fully paid up share capital of which at least 75% is held by individuals or by companies which themselves satisfy the conditions relating to turnover and share capital ownership), increased, as the case may be, by the social related contribution of 3.3% assessed on the corporate income tax due, after deduction of an allowance that may not exceed €763,000 per twelve-month period (Article 235 *ter* ZC of the *Code général des impôts*) and, as the case may be, by the exceptional contribution of 5% assessed on the corporate income tax due for 2011 and 2012.

The tax credit granted by France in respect of the Luxembourg withholding tax is in principle offsettable against the corporate income tax; any excess may neither be refunded nor carried forward.

Taxation of capital gains

The capital gains, if any, realised by French holders on the disposal of their Company's shares held may be subject to tax in France but not in Luxembourg in accordance with Article 18 of the tax treaty dated April 1, 1958 between France and Luxembourg.

French individuals

Pursuant to Article 150-0 A of the *Code général des impôts*, capital gains realised by French individuals on the sale of Company's shares will be subject to personal income tax at the proportional rate of 19% from the first euro, irrespective of the total amount of transfers of securities realized by their household. Capital gains are also subject to social related contributions at the current total rate of 13.5% from the first euro, irrespective of the total amount of transfers of securities realised during the calendar year.

Under Article 150-0 D 11 of the *Code général des impôts*, capital losses incurred during a fiscal year may offset capital gains of the same nature realised over the same year or the ten following years.

Specific tax treatment applicable to Company's shares held in a PEA

See further the paragraph "Taxation of dividends – French individuals".

French legal entities

Capital gains realised upon the transfer of Company's shares will be, in principle, subject to corporate income tax under the same conditions as mentioned in the paragraph "Taxation of dividends – Legal entities".

Capital losses incurred as a result of the transfer of Company's shares will, in principle, be deductible from the taxable income subject to corporate income tax.

Wealth tax

Company's shares held by French individuals among their private assets will have to be included in their taxable estate and subject to, if applicable, French wealth tax (*Impôt de solidarité sur la fortune*).

Inheritance and gift tax

Company's shares acquired by French individuals through inheritance or as a gift will be subject to inheritance tax or gift tax.

Transfer tax

Disposals of Company's shares are as a rule not subject to registration taxes in France, provided that they are not recorded in an agreement entered into in France.

Certain Spanish Income Tax Considerations

The following is a summary of certain material Spanish tax consequences that are likely to be relevant to Spanish resident investors in respect of their investment in the Shares.

This summary is of general nature only and does not purport to be a comprehensive description of all the Spanish material tax considerations which may be relevant to the receipt of the Shares, nor to the decision to purchase, hold or dispose of the Shares. It is based on the laws, regulations, practice and applicable tax treaties in force in Spain as at the date of this financial report, all of which are subject to change, possibly with retroactive effect.

This summary does not take into account the specific circumstances of particular investors some of which may be subject to special tax rules. Spanish holders of Shares should consult their own tax advisors as to the particular Spanish tax consequences of the receipt of the Shares and/or of the holding or disposal of the Shares.

As used herein, a **“Spanish individual”** is an individual who is a resident of Spain for tax purposes, is subject to personal income tax (*Impuesto sobre la Renta de las Personas Físicas*) and owns the Shares as private assets, and a **“Spanish legal entity”** is a legal entity which is a Spanish tax resident subject to corporate income tax (*Impuesto sobre Sociedades*) which does not own its interests in the Company through a permanent establishment outside Spain. **“Spanish holders”** shall mean all these holders collectively.

This information has been prepared in accordance with the following Spanish tax legislation in force as of the date of this financial report:

- for Spanish individuals which are subject to the personal income tax (**“PIT”**), Law 35/2006, dated November 28, 2006, on personal income tax and partial amendment to corporate tax law and non-residents income tax law, as amended by Law 26/2009, of December 23, 2009, promulgating the General State Budget for 2010, and Royal Decree 439/2007, dated March 30, 2007, enacting the personal income tax regulations, along with Law 29/1987, dated December 18, 1987 on inheritance and gift tax; and
- for Spanish legal entities which are subject to the corporate income tax (**“CIT”**), Royal Legislative Decree 4/2004, dated March 5, 2004 promulgating the consolidated text of the corporate income tax law, as amended by Law 26/2009, of December 23, 2009 promulgating the General State Budget for 2010, and Royal Decree 1777/2004, dated July 30, 2004 promulgating the corporate income tax regulations.

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Spanish tax regime of the holding and disposal of Shares

Taxation of dividends

Spanish individual: Dividends received in 2011 will be considered as financial income subject to PIT and will be subject to the following tax rates: (i) income up to € 6,000 will be taxed at the rate of 19% and (ii) the excess over such amount will be subject to a rate of 21%. For dividend received in 2012, tax rates will be as follows : (i) income up to € 6,000 will be taxed at the rate of 21%, (ii) income between € 6,000 and € 18,000 will be taxed at the rate of 25 % and (iii) the excess over such amount will be subject to a rate of 27 %. However, the first €1,500 of any dividends received annually by an individual deriving from shares (such as the Shares) will be exempt from PIT, unless the relevant ordinary shares are acquired within the two-month period preceding the distribution date if within the two-month period following that date the holders transfer homogenous securities. If the Shares are not listed in a stock exchange mentioned in Directive 2004/39/CE, the abovementioned two-month period would be increased up to a one year term.

Expenses related to the management and deposit of the ordinary shares will be deductible, excluding those pertaining to discretionary or individual portfolio management.

Spanish legal entity: Dividends derived from the Shares obtained by legal entities which are resident in Spain for tax purposes will be subject to CIT. The general CIT rate is 30%. Special rates apply in respect of certain types of entities.

Dividends would be exempt from CIT if (i) the holder holds, directly or indirectly, an interest of at least 5% of the share capital of the Company for at least one year as of the relevant distribution date or it commits to hold the Shares for the time needed to complete such one-year holding period; (ii) the Company has been subject to an corporate income tax in its country of tax residency of an identical or analogous nature of that of CIT; and (iii) dividends distributed derived from the development of economic activities outside Spain as defined in the Spanish CIT regulations.

In case the abovementioned exemption do not apply, withholding tax charged (if any) on the country of tax residency of the Company could be credited against the taxpayers' final CIT liability up to the tax liability that such dividend income would have had according to CIT regulations. In addition, the CIT taxpayer obtaining a non-exempt dividend could benefit from a tax credit if it holds, directly or indirectly, an interest of at least 5% of the share capital of the Company for at least one year as of the relevant distribution date or it commits to hold the Shares for the time needed to complete such one-year holding period. The withholding tax credit and the tax credit cannot exceed, jointly, the total CIT liability derived from that dividend income.

Taxation of capital gains

Spanish individual: Upon the disposal of the Shares, Spanish tax-resident individuals will realise a capital gain or loss in an amount equal to the difference between the transfer value and the acquisition value of their ordinary shares calculated in accordance with the provisions set out in the Spanish PIT Law. Costs and expenses effectively borne on the acquisition and/or disposal of the ordinary shares may be taken into account for this calculation, as long as they can be duly satisfied.

Capital gains realised by Spanish resident individuals are taxable in Spain. The capital gains in 2011 will be subject to the following tax rates: (i) income up to €6,000 will be taxed at the rate of 19% and (ii) any excess above such amount will be subject to a rate of 21%, regardless of the period during which such individuals held the ordinary shares. The capital in 2012 will be subject to the following tax rates: (i) income up to €6,000 will be taxed at a rate of 21%, (ii) income between €6,000 and €18,000 will be taxed at a rate of 25%, and (iii) the excess over such amount will be subject to a rate of 27%, regardless of the period during which such individuals held the ordinary shares. The ordinary shares which were first acquired will be deemed to be those sold first (FIFO method).

Capital losses resulting from the disposal of the Shares, when similar securities are acquired within the two months preceding or following their disposal, will not be considered for tax purposes until such similar securities are transferred.

Spanish legal entity: Spanish-resident legal entities will realise a capital gain or loss in an amount equal to the difference between the transfer value and the acquisition value of the transferred ordinary shares. Capital gains will be subject to CIT at a rate of, generally, 30%.

Capital gains derived from the transfer of the Shares could be exempt from CIT if (i) the holder holds, directly or indirectly, an interest of at least 5% of the share capital of the Company for at least one year as of the date of the transfer; (ii) the Company has been subject to a corporate income tax in its country of tax residency of an identical or analogous nature to that of CIT; and (iii) income obtained by the Company in each and every year of tenancy of the Shares generating the capital gain must derive from the development of economic activities outside Spain as defined in the Spanish CIT regulations. This notwithstanding, please note that CIT Law provides for certain restrictions on the application of the abovementioned CIT exemption which should be carefully analyzed and, thus, each Spanish legal entity should seek its own tax advice.

Wealth tax

Spanish individual: Law 4/2008, effective as of January 1, 2008, effectively stated a 100% wealth tax deduction for all taxpayers, and, consequently, no wealth tax is due as from fiscal year 2008.

Nevertheless, "Real Decreto Ley 13/2011" eliminates this exemption for years 2011 and 2012, includes a minimum amount exempted (€700,000) and if the wealth is higher than this amount, the tax is calculated according to a scale. Nevertheless, the exemption of the first €700,000 can be higher in some regions, and even could maintain the total exemption of the tax (is a tax regulated by the different regions). The shares of Aperam should be valued, for the purposes of this rate, at the media of the price of the shares in the Public Market, during the last quarter of each year.

Spanish legal entity: Spanish tax resident legal entities are not subject to Spanish wealth tax.

Inheritance and gift tax

Spanish individual: Individuals resident in Spain for tax purposes who acquire ownership of ordinary shares by inheritance, gift or legacy will be subject to the Spanish inheritance and gift tax in accordance with the applicable Spanish regional and state rules. The applicable tax rates range between 0% and 81.6%, depending on the relevant circumstances.

Spanish legal entity: Spanish tax resident legal entities are neither subject to Spanish inheritance and gift tax. However, Spanish legal entities which are resident in Spain for tax purposes should include the market value of the ordinary shares received for free in the taxable income of their CIT.

Transfer tax

Regardless of the nature and residence of the holder, the acquisition and transfer of the Shares will be exempt from indirect taxes in Spain (i.e., exempt from transfer tax and stamp duty) in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, dated September 24, 1993 and exempt from value added tax, in accordance with Law 37/1992, dated December 28, 1992 regulating such tax.

Material U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS FINANCIAL REPORT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

This summary assumes that U.S. Holders hold the Shares, as capital assets. The summary does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Shares by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10% or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that currently hold the Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Shares by the partnership.

The summary assumes that the Company is not a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes, which the Company believes to be the case. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, and existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS OF COMPANY SHARES SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Ownership and disposition of Shares

Dividends

General. Distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Luxembourg withholding tax paid by the Company with respect thereto, will generally be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as capital gain. However, the Company does not expect to maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to its Shares will constitute ordinary dividend income. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

Foreign currency dividends. Dividends paid in euros will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the euros are converted into U.S. dollars at that time. If dividends received in euros are converted into U.S. dollars on the day they are received by the U.S. Holder, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

Effect of Luxembourg withholding taxes. Under current law payments of dividends by the Company to foreign investors are subject to Luxembourg withholding tax. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Luxembourg taxes withheld by the Company, and as then having paid over the withheld taxes to the Luxembourg taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the payment.

A U.S. Holder will generally be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Luxembourg income taxes withheld by the Company. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets", and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Dividends paid by the Company generally will constitute foreign source income in the "passive income" basket. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on a dividend if the U.S. Holder has not held the Shares for at least 16 days in the 31-day period beginning 15 days before the ex dividend date.

U.S. Holders that are accrual basis taxpayers, and who do not otherwise elect, must translate Luxembourg taxes into U.S. dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all U.S. Holders must translate taxable dividend income into U.S. dollars at the spot rate on the date received. This difference in exchange rates may reduce the U.S. dollar value of the credits for Luxembourg taxes relative to the U.S. Holder's U.S. federal income tax liability attributable to a dividend. However, cash basis and electing accrual basis U.S. Holders may translate Luxembourg taxes into U.S. dollars using the exchange rate in effect on the day the taxes were paid. Any such election by an accrual basis U.S. Holder will apply for the taxable year in which it is made and all subsequent taxable years, unless revoked with the consent of the IRS.

Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of Luxembourg taxes.

Sale or other disposition

Upon a sale or other disposition of Shares, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year. Any gain or loss will generally be U.S. source.

The amount realized on a sale or other disposition of Shares for an amount in euros will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Shares traded on an

established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Disposition of foreign currency

Foreign currency received on the sale or other disposition of a Share will have a tax basis equal to its U.S. dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Shares or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup withholding and information reporting

Payments of dividends and other proceeds with respect to Shares by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

New legislation

Recently enacted legislation imposes new reporting requirements on the holding of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds \$50,000. The Shares are expected to constitute foreign financial assets subject to these requirements unless the Shares are held in an account at a domestic financial institution. U.S. Holders should consult their tax advisors regarding the application of this legislation.

F. Dividends and Paying Agent

The paying agent for European Shares (which are listed on the official list of the Luxembourg Stock Exchange, Euronext Amsterdam and Euronext Paris) is BNP Paribas Securities Services.

The paying agent for the New York Registry Shares (which are not listed on any U.S. exchange, but are eligible for trading on the OTC market) is Citibank.

Item 9.

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Aperam
Consolidated Statements of Financial Position
(millions of U.S. dollars)

	December 31,		
	2011	2010 Combined	2009 Combined
ASSETS			
Current assets:			
Cash and cash equivalents	247	120	118
Trade accounts receivable (note 3)	391	405	324
Inventories (note 4)	1,262	1,496	1,089
Prepaid expenses and other current assets (note 5)	145	826	579
Total current assets	<u>2,045</u>	<u>2,847</u>	<u>2,110</u>
Non-current assets:			
Goodwill and intangible assets (note 6)	904	989	1,045
Biological assets (note 7)	145	—	—
Property, plant and equipment (note 8)	2,659	2,917	3,193
Investments in associates (note 9)	2	152	132
Other investments (note 10)	98	181	103
Deferred tax assets (note 17)	249	183	173
Other assets (note 11)	99	66	377
Total non-current assets	<u>4,156</u>	<u>4,488</u>	<u>5,023</u>
Total assets	<u>6,201</u>	<u>7,335</u>	<u>7,133</u>

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

Aperam
Consolidated Statements of Financial Position
(millions of U.S. dollars)

	December 31,		
	2011	2010 Combined	2009 Combined
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term debt and current portion of long-term debt (note 13)	538	900	506
Trade accounts payable	846	942	608
Short-term provisions (note 18)	41	39	39
Accrued expenses and other liabilities (note 19)	309	426	488
Income tax liabilities (note 17)	4	11	2
Total current liabilities	<u>1,738</u>	<u>2,318</u>	<u>1,643</u>
Non-current liabilities:			
Long-term debt, net of current portion (note 13)	587	932	1,375
Deferred tax liabilities (note 17)	173	116	178
Deferred employee benefits (note 21)	174	181	193
Long-term provisions (note 18)	80	123	136
Other long-term obligations	6	11	19
Total non-current liabilities	<u>1,020</u>	<u>1,363</u>	<u>1,901</u>
Total liabilities	<u>2,758</u>	<u>3,681</u>	<u>3,544</u>
Commitments and contingencies (note 20 and note 22)			
Equity (note 15):			
Common shares (no par value, 85,854,303, 85,854,303 and nil shares authorized, 78,049,730, 4,000 and nil shares issued and outstanding at December 31, 2011, 2010 and 2009, respectively)	547	—	—
Additional paid-in capital	1,600	—	—
Retained earnings	1,133	3,143	2,995
Foreign currency translation adjustments	176	457	535
Unrealized (loss) gain on available-for-sale securities	(15)	44	53
Unrealized (loss) gain on derivative financial instruments	(4)	5	—
Equity attributable to the equity holders of the parent	3,437	3,649	3,583
Non-controlling interests	6	5	6
Total equity	<u>3,443</u>	<u>3,654</u>	<u>3,589</u>
Total liabilities and equity	<u>6,201</u>	<u>7,335</u>	<u>7,133</u>

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

Aperam
Consolidated Statements of Operations
(millions of U.S. dollars)

	Year Ended December 31,		
	2011	2010 Combined	2009 Combined
Sales	6,345	5,604	4,235
(including 180, 194 and 146 of sales to related parties in 2011, 2010 and 2009, respectively)			
Cost of sales	6,039	5,254	4,145
(including depreciation and impairment of 311, 317 and 333, and purchases from related parties of 254, 1,165 and 625 in 2011, 2010 and 2009, respectively)			
Gross margin.....	306	350	90
Selling, general and administrative	261	257	297
Operating income (loss)	45	93	(207)
Income from other investments.....	2	9	2
Interest income (note 16)	3	9	10
Interest expense and other net financing costs (note 16).....	(157)	(9)	(12)
(Loss) income before taxes.....	(107)	102	(207)
Income tax benefit (note 17)	(48)	(3)	(57)
Net (loss) income (including non-controlling interests).....	(59)	105	(150)
Net (loss) income attributable to			
Equity holders of the parent.....	(60)	104	(150)
Non-controlling interests	1	1	—
Net (loss) income (including non-controlling interests).....	(59)	105	(150)
Earnings per common share (in U.S. dollars):			
Basic common shares	(0.76)	1.34	(1.92)
Diluted common shares	(0.76)	1.34	(1.92)
Weighted average common shares outstanding (in thousands)			
Basic common shares	78,050	78,050	78,050
Diluted common shares	78,050	78,050	78,050

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

Aperam
Consolidated Statements of Comprehensive (Loss) Income
(millions of U.S. dollars)

	Year Ended December 31,		
	2011	2010 Combined	2009 Combined
Net (loss) income (including non-controlling interests).....	(59)	105	(150)
Available-for-sale investments:			
Gain (loss) arising during the period, net of tax benefit (expense) of 16, (13) and (13) for 2011, 2010 and 2009, respectively.....	(59)	70	31
Reclassification adjustments for gain included in the statement of operations, net of tax expense of nil, 41 and nil for 2011, 2010 and 2009, respectively	—	(79)	—
	(59)	(9)	31
Cash flow hedges:			
Gain (loss) arising during the period, net of tax benefit (expense) of 6, (5) and nil for 2011, 2010 and 2009, respectively.....	(12)	12	—
Reclassification adjustments for (gain) loss included in the statement of operations, net of tax (benefit) expense of (1), 2 and nil for 2011, 2010 and 2009, respectively	3	(7)	—
	(9)	5	—
Exchange differences arising on translation of foreign operations, net of tax benefit (expense) of 36, (12) and (82) for 2011, 2010 and 2009, respectively.....	(281)	(80)	510
Share of other comprehensive income related to associates ..	—	2	12
Total other comprehensive (loss) income	(349)	(82)	553
Total other comprehensive (loss) income attributable to:			
Equity holders of the parent.....	(349)	(82)	554
Non-controlling interests	—	—	(1)
	(349)	(82)	553
Net comprehensive (loss) income	(408)	23	403
Net comprehensive (loss) income attributable to:			
Equity holders of the parent.....	(409)	22	404
Non-controlling interests	1	1	(1)
Net comprehensive (loss) income	(408)	23	403

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

Aperam

Consolidated Statements of Changes in Equity

(millions of U.S. dollars)

	Shares ⁽¹⁾	Share capital	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Derivatives Financial Instruments	Unrealized Gains (Losses) On Available for Sale Securities	Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2008 (Combined)	—	—	—	3,233	12	—	22	3,267	12	3,279
Net loss	—	—	—	(150)	—	—	—	(150)	—	(150)
Other comprehensive income (loss).....	—	—	—	—	523	—	31	554	(1)	553
Total comprehensive income (loss).....	—	—	—	(150)	523	—	31	404	(1)	403
Recognition of share-based payments.....	—	—	—	5	—	—	—	5	—	5
Capital transactions with ArcelorMittal (note 15).....	—	—	—	113	—	—	—	113	—	113
Dividends.....	—	—	—	(206)	—	—	—	(206)	(5)	(211)
Balance at December 31, 2009 (Combined)	—	—	—	2,995	535	—	53	3,583	6	3,589
Net income	—	—	—	104	—	—	—	104	1	105
Other comprehensive income (loss).....	—	—	—	—	(78)	5	(9)	(82)	—	(82)
Total comprehensive income (loss).....	—	—	—	104	(78)	5	(9)	22	1	23
Recognition of share-based payments.....	—	—	—	4	—	—	—	4	—	4
Incorporation of Aperam S.A.	4	—	—	—	—	—	—	—	—	—
Capital transactions with ArcelorMittal (note 15).....	—	—	—	55	—	—	—	55	—	55
Dividends.....	—	—	—	(15)	—	—	—	(15)	(2)	(17)
Balance at December 31, 2010 (Combined)	4	—	—	3,143	457	5	44	3,649	5	3,654
Net income (loss)	—	—	—	(60)	—	—	—	(60)	1	(59)
Other comprehensive loss..	—	—	—	—	(281)	(9)	(59)	(349)	—	(349)
Total comprehensive income (loss).....	—	—	—	(60)	(281)	(9)	(59)	(409)	1	(408)
Recognition of share-based payments.....	—	—	—	3	—	—	—	3	—	3
Capital transactions with ArcelorMittal (note 15).....	—	—	—	33	—	—	—	33	—	33
Capital increase and Spin-off	78,046	547	1,600	(1,927)	—	—	—	220	—	220
Dividends.....	—	—	—	(59)	—	—	—	(59)	(1)	(60)
Other movements.....	—	—	—	—	—	—	—	—	1	1
Balance at December 31, 2011	78,050	547	1,600	1,133	176	(4)	(15)	3,437	6	3,443

(1) Number of shares denominated in thousands.

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

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

	Year Ended December 31,		
	2011	2010	2009
		Combined	Combined
Operating activities:			
Net income (loss)	(59)	105	(150)
Adjustments to reconcile net income (loss) to net cash provided by operations and payments:			
Depreciation	307	293	319
Impairment	4	24	14
Interest expense	74	116	119
Income tax benefit	(48)	(3)	(57)
Write-downs of inventories to net realizable value and expense related to onerous supply contracts (*)	35	39	70
Labor agreements and separation plans	21	18	—
Impairment of financial assets	1	—	3
Unrealized (gains) losses on derivative instruments	7	(2)	(70)
Realized gain on exchange of shares Aços Villares/Gerdau	—	(120)	—
Unrealized foreign exchange effects, provisions and other non-cash operating expenses (net)	(8)	(47)	(67)
Changes in operating assets, liabilities and provisions, net of effects from acquisitions:			
Trade accounts receivable	7	(93)	238
Inventories	176	(489)	200
Interest paid (net)	(70)	(114)	(94)
Income taxes (paid) refund	(17)	5	(17)
Trade accounts payable	(149)	371	(161)
Cash paid for separation plans	(17)	(7)	(46)
Cash received for tax indemnification	—	265	—
Other working capital and provisions movements	(75)	1	(87)
Net cash provided by operating activities	189	362	214
Investing activities:			
Purchase of property, plant and equipment	(158)	(101)	(115)
Loans under cash pooling arrangements (net)	647	(317)	192
Other investing activities (net)	9	14	13
Net cash provided by (used in) investing activities	498	(404)	90
Financing activities:			
Proceeds from short-term debt	704	25	49
Proceeds from long-term debt	518	11	57
Payments of short-term debt	(1,165)	(116)	(280)
Payments of long-term debt	(2)	(99)	(46)
Borrowings under cash pooling arrangements (net)	(540)	197	(10)
Dividends paid to ArcelorMittal	(1)	(69)	(151)
Dividends paid to shareholders	(60)	(2)	(5)
Change in ArcelorMittal's net investment (**).	—	98	55
Other financing activities (net)	(6)	(3)	(8)
Net cash (used in) provided by financing activities	(552)	42	(339)
Effect of exchange rate changes on cash	(8)	2	27
Net increase (decrease) in cash and cash equivalents	127	2	(8)
Cash and cash equivalents:			
At the beginning of the year	120	118	126
At the end of the year	247	120	118

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

** Includes cash flows resulting from legal reorganizations between Aperam and ArcelorMittal. Refer to Note 15 for more information on changes in ArcelorMittal's net investment.

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

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

Nature of business

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

These consolidated financial statements were authorized for issuance on March 15, 2012 by Aperam’s Board of Directors.

Aperam is a global stainless steel producer with an annual capacity of 2.5 million tonnes in 2011. The Company’s production activities are concentrated in six main plants in Brazil, Belgium and France. Its worldwide- integrated distribution network is comprised of 19 service centers, 10 transformation facilities, and 33 sales offices including customer support.

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

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

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for available for sale financial assets, derivative financial instruments and biological assets which are measured at fair value, and inventories, which are measured at the lower of net realizable value or cost. The consolidated financial statements as at and for year ended December 31, 2011 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted in the European Union and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data.

Prior to its ownership of ArcelorMittal’s stainless steel and nickel alloys business, the Company did not have any other operations. Consequently, in the context of the listing of the Company’s shares, combined financial statements have been prepared as of and for the year ended December 31, 2010 and 2009, in accordance with IFRS as adopted in the European Union.

The amounts presented as comparative figures in these consolidated financial statements are those which were presented in the combined financial statements of the Company as of December 31, 2010 and for the year then ended.

Adoption of new IFRS standards, amendments and interpretations applicable in 2011

Unless otherwise indicated below, the following new standards, amended standards, or interpretations were adopted by the Company on January 1, 2011 and did not have a material impact on the consolidated financial statements of Aperam.

- IAS 24, “Related Party Disclosures” (revised 2009)
- IAS 32, “Financial Instruments — Presentation”
- Amendments to IFRIC 14, “IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”
- IFRIC 19, “Extinguishing Financial Liabilities with Equity Instruments”
- Improvements to IFRSs 2010:

- Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards Accounting"
- Amendments to IFRS 3, "Business Combinations"
- Amendments to IFRS 7, "Financial Instruments: Disclosures"
- Amendments to IAS 1, "Presentation of Financial Statements"
- Transition requirements for amendments arising as a result of IAS 27, "Consolidated and Separate Financial Statements" (as amended in 2008)
- Amendments to IAS 34, "Interim Financial Reporting"
- Amendments to IFRIC 13, "Customer Loyalty Programs"

New IFRS standards and interpretations applicable from 2012 onward

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

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

On October 7, 2010, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off-balance sheet activities. The amendments are intended to provide users of financial statements additional information regarding financial assets (for example, securitizations), including the possible effects of risks that remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. These amendments are to be applied for annual periods beginning on or after July 1, 2011, with earlier application permitted.

- IFRS 9, "Financial Instruments"

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

- The replacement of the multiple classification and measurement models in IAS 39, "Financial Instruments: Recognition and Measurement" with a single model that has only two classification categories: amortized cost and fair value
- The replacement of the requirement to separate embedded derivatives from financial asset hosts with a requirement to classify a hybrid contract in its entirety at either amortized cost or fair value
- The replacement of the cost exemption for unquoted equities and derivatives on unquoted equities with guidance on when cost may be an appropriate estimate of fair value.

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

- Amendments to IAS 12, "Income Taxes"

The amendments, published in December 2010, introduce an exception to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited

circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. These amendments are to be applied for annual periods beginning on or after January 1, 2012, with earlier application permitted.

- Amendments to IAS 1, "Presentation of Financial Statements"

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

- Require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
- Do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- Change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

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

- IFRS 10, "Consolidated Financial Statements"

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

- power over the investee,
- exposure, or rights, to variable returns from involvement with the investee, and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Standard also contains guidance on additional issues that needs to be considered when determining who has control. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption.

- IFRS 11, "Joint Arrangements"

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

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

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

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

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard.

Many of the disclosure requirements were previously included in IAS 27, IAS 31 or IAS 28, whilst others are new. This standard is effective for annual periods beginning on or after January 1, 2013.

- IAS 27, "Separate financial statements"

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

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

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

- IFRS 13, "Fair Value Measurement"

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

- Amendments to IAS 19, "Employee benefits"

In June 2011, the IASB issued the amended version of IAS 19 "Employee benefits" which includes the following requirements:

- Actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and
- Expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

This standard is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption.

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

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

Basis of consolidation

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

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

investee's profit or loss. The Company's share of those changes is recognized directly in equity.

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

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

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

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

Reverse acquisition

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Translation of financial statements denominated in foreign currency

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

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

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

Cash and cash equivalents

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

Trade accounts receivable

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

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

Inventories

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

Goodwill and bargain purchase

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

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

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

In a business combination in which the fair value of the identifiable net assets acquired exceeds the cost of the acquired business, the Company reassesses the fair value of the assets acquired. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and

contingent liabilities exceeds the cost of the business combination, the excess (bargain purchase) is recognized immediately in the statement of operations.

Intangible assets

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

Biological assets

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

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

Property, plant and equipment

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

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

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

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

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

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

Investment in associates and other entities

Investments in associates, in which the Company has the ability to exercise significant influence, are accounted for under the equity method. The investment is carried at the cost at the date of acquisition,

adjusted for the Company's share in undistributed earnings or losses since acquisition, less dividends received and impairment.

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

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

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

Deferred employee benefits

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

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

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

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

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

Provisions and accruals

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

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

Environmental costs

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

Income taxes

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax

liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

During a portion of the periods presented, certain Aperam entities did not file separate income tax returns as these entities were included in a tax consolidation along with other ArcelorMittal entities within the pertinent tax jurisdiction. The income tax provision included in the combined financial statements was calculated on a separate return basis as if the Company was a separate taxpayer except for tax operating losses surrendered to the lead entity in the tax consolidation and not indemnified for which no benefit has been recorded. See additional discussion in Note 17. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Financial instruments

Derivative financial instruments

See critical accounting judgments.

Non-derivative financial instruments

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

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

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

Impairment of financial assets

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

If objective evidence indicates that cost-method investments need to be tested for impairment, calculations are based on information derived from business plans and other information available for estimating their value in use. Any impairment loss is charged to the statement of operations. An impairment loss related to financial assets is reversed if and to the extent there has been a change in the estimates used

to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. Reversals of impairment are recognized in net income except for reversals of impairment of available-for-sale equity securities, which are recognized in other comprehensive income.

Emission rights

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

Revenue recognition

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

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

Shipping and handling costs

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

Financing costs

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

Stock option plan/share-based payments

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

Segment reporting

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

Historically, the majority of the Company's operations were managed as a single operating and reportable segment corresponding to the Stainless Steel segment of ArcelorMittal and the CODM was the ArcelorMittal Group Management Board. In conjunction with the spin-off, Aperam management identified the Chief Executive Officer and Chief Financial Officer of the Company as its CODM, which is the individual or body of individuals responsible for the allocation of resources and assessment of performance of the operating segments. The newly identified CODM began managing the business according to three operating segments: Stainless & Electrical Steel, Alloys & Specialties and Services & Solutions.

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

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

Critical accounting judgments

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

Deferred Tax Assets

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

Note 17 describes the total deferred tax assets recognized in the consolidated statements of financial position. As of December 31, 2011, the amount of future income required to recover the Company's deferred tax assets was approximately 746 at certain operating subsidiaries.

Deferred Employee Benefits

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

- Discount rates. The discount rate is based on several high quality corporate bond indexes in the appropriate jurisdictions (rated AA or higher by a recognized rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates.
- Rate of compensation increase. The rate of compensation increase reflects actual experience and the Company's long-term outlook, including contractually agreed upon wage rate increases for represented hourly employees.
- Expected return on plan assets. The expected return on plan assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plans' asset mix.
- Mortality and retirement rates. Mortality and retirement rates are based on actual and projected plan experience.

In accordance with IFRS, actuarial gains or losses resulting from experience and changes in assumptions are recognized in the Company's statement of operations only if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation at that date and 10% of the fair value of any plan

asset at that date. The fraction exceeding 10% is then recognized over the expected average remaining working lives of the employees participating in the plans.

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

Legal, Environmental and Other Contingencies

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

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

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

Impairment of Tangible and Intangible Assets

Tangible and Intangible Assets

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

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

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

generating cash flows that are largely independent from the cash flows of the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2011, the Company had determined it has 6 cash generating units.

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

Goodwill

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

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

Derivative financial instruments

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

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

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

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

Use of estimates

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

NOTE 3: TRADE ACCOUNTS RECEIVABLE

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

	December 31,		
	2011	2010 Combined	2009 Combined
Gross amount	405	420	349
Allowance for doubtful accounts	(14)	(15)	(25)
Total	391	405	324

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

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

Included in the Company's trade accounts receivable balance are debtors with a carrying amount of 331, 377 and 287 as of December 31, 2011, 2010 and 2009, respectively, which were not past due at the reporting date.

Exposure to credit risk by operating segment

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

	December 31,		
	2011	2010 Combined	2009 Combined
Stainless & Electrical Steel	171	191	165
Alloys & Specialties	47	42	38
Services & Solutions	172	172	121
Others	1	—	—
Total	391	405	324

Exposure to credit risk by geography

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

	December 31,		
	2011	2010 Combined	2009 Combined
Europe	245	254	209
North America	27	22	5
South America	115	126	107
Asia	4	3	3
Total	391	405	324

Aging of trade accounts receivable

The aging of trade accounts receivable is as follows:

	December 31,					
	2011		2010		2009	
	Gross	Allowance	Gross	Allowance	Gross	Allowance
Not past due	331	(1)	377	(1)	287	(8)
Past due 0-30 days.....	51	—	24	—	35	—
Past due 31-60 days.....	7	—	2	—	3	—
Past due 61-90 days.....	1	—	1	—	1	—
Past due 91-180 days.....	1	—	3	(1)	4	(1)
More than 180 days.....	14	(13)	13	(13)	19	(16)
Total	405	(14)	420	(15)	349	(25)

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

Balance as of December 31, 2008 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2009 Combined
18	11	(7)	3	25
Balance as of December 31, 2009 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2010 Combined
25	3	(13)	—	15
Balance as of December 31, 2010 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2011 Combined
15	5	(5)	(1)	14

The Company has established sales without recourse of trade accounts receivable program with financial institutions, referred to as True Sales of Receivables ("TSR"). The amount of the Aperam facility available for the Company represented €200 million, €250 million and €250 million as of December 31, 2011, 2010 and 2009, respectively. Through the TSR program, certain operating subsidiaries of Aperam surrender control, risks and the benefits associated with the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the statement of financial position at the moment of sale. The totals of receivables sold under the TSR program and derecognized in accordance with IAS 39 for the years ended December 31, 2011, 2010 and 2009 were \$1.7 billion, \$1.7 billion and \$1.3 billion, respectively. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognized in the consolidated statement of operations as financing costs and amounted to 19, 11 and 8 in 2011, 2010 and 2009, respectively.

NOTE 4: INVENTORIES

Inventory, net of allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence of 139, 140, and 149 as of December 31, 2011, 2010 and 2009, respectively, is comprised of the following (there are no inventories which are carried at fair value less cost to sell):

	December 31,		
	2011	2010 Combined	2009 Combined
Finished products	505	543	387
Production in process	435	620	427
Raw materials	182	193	133
Manufacturing supplies, spare parts and other	140	140	142
Total	1,262	1,496	1,089

The amount of inventory pledged as collateral was 639, 27 and 67 as of December 31, 2011, 2010 and 2009, respectively. Increase in pledges mainly relates to mortgages entered into by the Company related to its external debt financing described in Note 13.

The movement in the allowance for obsolescence is as follows:

Balance as of December 31, 2008 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2009 Combined
292	140	(284)	1	149
Balance as of December 31, 2009 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2010 Combined
149	79	(80)	(8)	140
Balance as of December 31, 2010 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2011 Combined
140	63	(56)	(8)	139

The amount of write-down of inventories to net realizable value recognized as an expense was 63, 79 and 140 in 2011, 2010 and 2009, respectively, and was reduced by 56, 80 and 284 in 2011, 2010 and 2009, respectively, due to normal inventory consumption.

NOTE 5: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31,		
	2011	2010 Combined	2009 Combined
Amounts receivable under cash pooling arrangements with ArcelorMittal	—	646	344
Value-added tax (VAT) and other amount receivable from tax authorities	76	114	110
Income tax receivable	12	10	43
Other	57	56	82
Total	145	826	579

NOTE 6: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	Goodwill on acquisition	Concessions, patents and licenses	Customer relationships, trade marks & technology	Total
Cost				
At December 31, 2008 (Combined).....	770	80	246	1,096
Acquisitions.....	—	4	—	4
Foreign exchange differences	82	17	37	136
At December 31, 2009 (Combined).....	852	101	283	1,236
Accumulated amortization and impairment losses				
At December 31, 2008 (Combined).....	—	62	61	123
Amortization charge.....	—	9	33	42
Foreign exchange differences	—	15	11	26
At December 31, 2009 (Combined).....	—	86	105	191
Carrying amount				
At December 31, 2009 (Combined).....	852	15	178	1,045
Cost				
At December 31, 2009 (Combined).....	852	101	283	1,236
Acquisitions	—	2	—	2
Foreign exchange differences	(27)	—	(4)	(31)
Transfers and other movements	—	1	1	2
At December 31, 2010 (Combined).....	825	104	280	1,209
Accumulated amortization and impairment losses				
At December 31, 2009 (Combined).....	—	86	105	191
Disposals	—	1	—	1
Amortization charge.....	—	5	24	29
Foreign exchange differences	—	1	(2)	(1)
At December 31, 2010 (Combined).....	—	93	127	220
Carrying amount				
At December 31, 2010 (Combined).....	825	11	153	989
Cost				
At December 31, 2010 (Combined).....	825	104	280	1,209
Acquisitions	—	3	—	3
Foreign exchange differences	(59)	(10)	(19)	(88)
Transfers and other movements	—	16	(1)	15
At December 31, 2011.....	766	113	260	1,139
Accumulated amortization and impairment losses				
At December 31, 2010 (Combined).....	—	93	127	220
Amortization charge.....	—	7	26	33
Impairment.....	—	—	3	3
Foreign exchange differences	—	(11)	(10)	(21)
At December 31, 2011.....	—	89	146	235
Carrying amount				
At December 31, 2011.....	766	24	114	904

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

In April 2010, the Company identified three operating segments. As a result, goodwill acquired in business combinations was allocated to these operating segments based on the relative fair values of the operating segments. Goodwill is allocated as follows to each of the Company's operating segments:

	Net value December 31, 2010 (Combined)	Foreign exchange differences	Net value December 31, 2011
Stainless & Electrical Steel	710	(56)	654
Alloys & Specialties	27	(1)	26
Services & Solutions	88	(2)	86
TOTAL	825	(59)	766

For 2009, the goodwill was tested for impairment annually as one group of cash-generating units ("GCGU") which corresponded to the operating segment level of ArcelorMittal.

For 2010 and 2011, goodwill was tested at the Group of Cash Generating Units ("GCGU") level for impairment, as of November 30. The GCGU is at the operating segment level of Aperam. The recoverable amounts of the GCGUs are determined based on their value in use. The Company determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the GCGUs as the carrying value of the GCGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates and expected changes to average selling prices, shipments and direct costs during the period.

These impairment tests did not result in an impairment for any periods presented in these consolidated financial statements.

The value in use of the GCGU was determined by estimating cash flows for a period of five years. Assumptions for average selling prices and shipments were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial plans approved by management.

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

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

	Stainless & Electrical Steel	Alloys & Specialties	Services & Solutions
GCGU weighted average pre-tax discount rate used in 2010 (in %)	13.0	12.6	13.3
GCGU weighted average pre-tax discount rate used in 2011 (in %)	13.1	11.4	13.3

The weighted average pre-tax discount rate used for the November 30, 2009 impairment tests was 14.8%.

When estimating average selling price for the GCGU for purposes of the annual 2011 impairment test, the Company used a range (Stainless Base Price 304 Germany) of assumptions between €1,240 per ton in 2011 to a maximum of €1,290 per ton in 2016.

The results of the goodwill impairment test as of November 30, 2010 and 2011 for each GCGU did not result in an impairment of goodwill as the value in use exceeded the carrying value of the GCGU.

In validating the value in use determined for the GCGU, key assumptions used in the discounted cash-flow model (such as discount rates, raw material margins, shipments and terminal growth rate) were sensitized to test the resilience of value in use. A decrease in shipments or raw material margin would cause an impairment loss to be recognized in respect of Services and Solutions.

The following changes in key assumptions used in the impairment review, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal the respective carrying value;

	<u>Services & Solutions</u>
Excess of recoverable amount over carrying amount	138
Decrease in shipments (change in%)	4.10
Decrease in raw material margin (change in%)	4.10

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

Research and development costs not meeting the criteria for capitalization are expensed and included in selling, general and administrative expenses within the consolidated statement of operations. These costs amounted to 18, 21 and 14 in the years ended December 31, 2011, 2010 and 2009, respectively. There were no research and development costs capitalized during any of the periods presented.

NOTE 7: BIOLOGICAL ASSETS

Biological assets movements are summarized as follows:

Balance at January 1, 2009 (Combined).....	78
Additions.....	5
Change in fair value.....	4
Harvested trees.....	(3)
Foreign exchange differences	20
Other movements*	(104)
At December 31, 2009 (Combined).....	<u>—</u>
Balance at January 1, 2010 (Combined).....	—
Additions.....	—
Change in fair value.....	—
Harvested trees.....	—
Foreign exchange differences	—
At December 31, 2010 (Combined).....	<u>—</u>
Balance at January 1, 2011.....	—
Full consolidation of Aperam BioEnergia (note 9).....	157
Additions.....	7
Change in fair value.....	37
Harvested trees.....	(26)
Foreign exchange differences	(30)
At December 31, 2011.....	<u>145</u>

* Other movements represent changes in the combination scope, in particular the deconsolidation of the assets held in ArcelorMittal Jequitinhonha following the merger with ArcelorMittal Florestas in 2009 (see Note 9).

Forest reserves

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

Biological assets

The Company's biological assets comprise the cultivation and planting of eucalyptus forests in order to supply raw materials for the production of charcoal. As of December 31, 2011, the Company had 25,943

hectares of planted areas, not considering the permanent preservation areas and legal reserve to be maintained to comply with the Brazilian environmental law.

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

- i) Eucalyptus forests are recorded at historical cost through their sixth year, based on the Management's understanding that during this period the historical cost of biological assets approximates their fair values. The cutting plan of the forests maintained by the Company varies between 6 and 7 years;
- ii) After the sixth year, eucalyptus forests are measured at fair value, which reflects the sales price of the agricultural produce less costs required to make a product saleable or consumable;
- iii) The prices of biological assets, denominated in R\$/cubic meter, are obtained through market price surveys.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Total
Cost				
At December 31, 2008 (Combined).....	890	2,592	137	3,619
Additions	2	32	64	98
Foreign exchange differences	105	284	11	400
Disposals	(1)	(25)	—	(26)
Other movements	(4)	74	(119)	(49)
At December 31, 2009 (Combined).....	992	2,957	93	4,042
Accumulated depreciation and impairment				
At December 31, 2008 (Combined).....	55	536	—	591
Depreciation charge for the year	49	225	—	274
Impairment	—	14	—	14
Disposals	—	(24)	—	(24)
Foreign exchange differences	(3)	15	—	12
Other movements	(8)	(10)	—	(18)
At December 31, 2009 (Combined).....	93	756	—	849
Carrying amount				
At December 31, 2009 (Combined).....	899	2,201	93	3,193
Cost				
At December 31, 2009 (Combined).....	992	2,957	93	4,042
Additions	2	30	76	108
Foreign exchange differences	(34)	(110)	(1)	(145)
Disposals	(10)	—	—	(10)
Other movements	7	52	(51)	8
At December 31, 2010 (Combined).....	957	2,929	117	4,003
Accumulated depreciation and impairment				
At December 31, 2009 (Combined).....	93	756	—	849
Depreciation charge for the year	49	215	—	264
Impairment	—	24	—	24
Disposals	(2)	—	—	(2)
Foreign exchange differences	(7)	(46)	—	(53)
Other movements	—	4	—	4
At December 31, 2010 (Combined).....	133	953	—	1,086
Carrying amount				
At December 31, 2010 (Combined).....	824	1,976	117	2,917
Cost				
At December 31, 2010 (Combined).....	957	2,929	117	4,003
Full consolidation of Aperam BioEnergia (note 9).....	9	54	15	78
Additions	2	32	121	155
Foreign exchange differences	(61)	(173)	(17)	(251)
Disposals	(2)	(35)	—	(37)
Other movements	25	57	(72)	10
At December 31, 2011	930	2,864	164	3,958
Accumulated depreciation and impairment				
At December 31, 2010 (Combined).....	133	953	—	1,086
Full consolidation of Aperam BioEnergia (note 9).....	4	27	—	31
Depreciation charge for the year	51	215	—	266
Impairment	—	1	—	1
Disposals	—	(19)	—	(19)
Foreign exchange differences	(11)	(55)	—	(66)
Other movements	2	(2)	—	—
At December 31, 2011	179	1,120	—	1,299
Carrying amount				
At December 31, 2011	751	1,744	164	2,659

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

In 2011, 2010 and 2009, various idle assets were written down to their salvage value as a decision was made to cease all future use. Accordingly, an impairment loss of 1, 24 and 14 was recognized as an expense as part of operating income (loss) in the consolidated statement of operations for the years ended December 31, 2011, 2010 and 2009, respectively. The carrying amount of these assets was nil, nil and nil at December 31, 2011, 2010 and 2009, respectively. The impairment loss of 1 and 24 recorded in 2011 and 2010 respectively consisted primarily of the Company's facilities in Aperam Stainless France. The impairment loss of 14 recorded in 2009 consisted primarily of the Company's facilities in Aperam Stainless Services & Solutions Precision and Aperam South America. Aperam Stainless France, Aperam South America and Aperam Stainless Belgium are included in the Stainless & Electrical Steel segment. Aperam Stainless Services & Solutions Precision is included in the Services & Solutions segment. As of December 31, 2011, 2010 and 2009, temporarily idle assets included in the Stainless & Electrical Steel segment were 18, 28 and 94, respectively. There were no temporarily idle assets included in the other segments as of any of the periods presented.

During the year ended December 31, 2011 and in conjunction with its testing of goodwill for impairment, the Company analyzed the recoverable amount of its property, plant, and equipment. Property, plant, and equipment were tested at the Cash Generating Unit ("CGU") level. In certain instances, the CGU is an integrated manufacturing facility which may also be an operating subsidiary. Further, a manufacturing facility may be operated in concert with another facility, with neither facility generating cash flows that are largely independent from the cash flows in the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2011, the Company had determined it has 6 CGUs. The recoverable amounts of the CGUs are determined based on value in use calculation and follow similar assumptions as those used for the test on impairment for goodwill.

The Company estimated discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of Aperam's assets. Aside from the impairments described above where a decision was made to cease all future use, no impairment of property, plant and equipment was recorded for any of the years ended December 31, 2011, 2010 and 2009.

The carrying amount of property, plant and equipment includes 20, 25 and 32 of finance leases as of December 31, 2011, 2010 and 2009, respectively. The carrying amount of these finance leases is included in machinery and equipment.

These finance lease arrangements are mainly related to equipment in Brazil for a carrying amount of 6 and which can be purchased at the end of the remaining leasing period of 2 years for an amount of 4 and to equipment related to the scrap and slab yard in Belgium for a carrying amount of 14 which can be purchased for their book value at the end of the remaining leasing period.

No property, plant and equipment was pledged in 2009, 2010 and 2011.

NOTE 9: INVESTMENTS IN ASSOCIATES

The Company had the following investments in associates:

Investee	Location	Ownership % at December 31, 2011	Net asset value at December 31, 2011	Net asset value at December 31, 2010 Combined	Net asset value at December 31, 2009 Combined
BlueSky Amercoeur ⁽⁴⁾	Belgium	18.5%	2	—	—
ArcelorMittal BioEnergia ⁽⁵⁾	Brazil	—	—	152	132
Total			<u>2</u>	<u>152</u>	<u>132</u>

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

² On November 1, 2010, the Company and ArcelorMittal Brasil signed a letter of intent under which the parties agreed to distribute to ArcelorMittal Brasil the assets and liabilities of ArcelorMittal BioEnergia related to the operations supporting ArcelorMittal Brasil in exchange for shares of ArcelorMittal BioEnergia held by ArcelorMittal Brasil. On July 1, 2011, this transaction was completed and Aperam BioEnergia (previously ArcelorMittal BioEnergia) became a wholly-owned consolidated subsidiary of the Company.

NOTE 10: OTHER INVESTMENTS

The Company holds the following other investments:

	Location	Ownership % at December 31, 2011	Fair value December 31,		
			2011	2010 Combined	2009 Combined
Available-for-sale securities					
General Moly Inc.....	U.S.	9.09%	26	54	17
Aços Villares S.A.	Brazil	—	—	—	81
Gerdau S.A.	Brazil	0.53%	70	123	—
Investments accounted for at cost.....			<u>2</u>	<u>4</u>	<u>5</u>
Total			<u>98</u>	<u>181</u>	<u>103</u>

The change in fair value of available-for-sale financial assets for the period was recorded directly in other comprehensive income as an unrealized result of (59), (9) and 31 for the years ended December 31, 2011, 2010 and 2009, respectively, net of income tax.

On December 30, 2010, Gerdau, the controlling shareholder of Aços Villares, in which Aperam, through its subsidiary Aperam South America, held a 4.41% stake, completed a squeeze-out for the remaining non-controlling interest and absorbed its subsidiary. The revaluation reserve relating to Aços Villares amounting to 120 was recycled to the statement of operations in 2010.

NOTE 11: OTHER ASSETS

Other assets consist of the following:

	December 31,		
	2011	2010 Combined	2009 Combined
Cash guarantees and deposits	48	48	56
Income tax indemnification from ArcelorMittal France	—	—	288
Tax indemnification from ArcelorMittal Bioflorestas.....	22	—	—
Long-term receivables from sale of tangible assets.....	9	—	—
Long-term VAT receivables	9	7	10
Other financial assets	11	11	23
Total	99	66	377

NOTE 12: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	Year Ended December 31,			December 31,		
	2011	2010 Combined	2009 Combined	2011	2010 Combined	2009 Combined
Transactions		Sales			Included in Trade accounts receivable	
ArcelorMittal Group.....	180	194	146	17	23	30

	Year Ended December 31,			December 31,		
	2011	2010 Combined	2009 Combined	2011	2010 Combined	2009 Combined
Transactions		Purchases of raw material & others			Included in Trade accounts payable	
ArcelorMittal Group.....	269	1,165	625	28	179	132

The above tables include transactions with entities qualifying as related parties, primarily with entities which are subsidiaries of ArcelorMittal.

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

	Year Ended December 31,		
	2011	2010 Combined	2009 Combined
Raw materials	214	889	476
Energy supply contracts	10	172	45

As detailed in the table below, the costs primarily associated with certain corporate functions performed by ArcelorMittal amounted to nil, 11 and 12 for the years ended December 31, 2011, 2010 and 2009, respectively. These amounts include nil, 3 and 2 attributable to key management personnel (see Note 24).

	Year Ended December 31,		
	2011	2010 Combined	2009 Combined
Finance	—	4	4
Board of Directors/General management.....	—	3	2
Information Technology	—	1	2
Internal assurance	—	1	2
Corporate Communication.....	—	1	1
Human Resources	—	1	1
Legal	—	—	—
Total	—	11	12

Transactions with related parties also include the following:

	December 31,		
	2011	2010 Combined	2009 Combined
Tax indemnification from ArcelorMittal Bioflorestas (current and non current)	27	—	—
Prepaid expenses and other current assets	4	—	—
Receivables from cash pooling arrangements (note 5).....	—	646	344
Payables from cash pooling arrangements	—	538	356
Derivative financial instruments—assets (note 14)	4	22	22
Derivative financial instruments—liabilities (note 14)	6	9	13
Short term debt (note 13)	—	300	88
Long term debt (note 13)	—	812	1,226
Cash and cash equivalents*	133	—	—
Accrued interest payable to ArcelorMittal subsidiaries.....	—	8	14
Income tax indemnification from ArcelorMittal France	—	—	288
Amounts payable to ArcelorMittal subsidiaries for research and development services	—	5	12
Selling, General and administrative	11	—	—
Interest expense	22	100	104
Interest income	1	1	2

*Part of the Company's cash is still held with ArcelorMittal Treasury. This cash is available on demand.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. Refer to Note 24 for disclosure of transactions with key management personnel.

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

NOTE 13: SHORT-TERM AND LONG-TERM DEBT

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

	December 31,		
	2011	2010 Combined	2009 Combined
Short-term bank loans and other credit facilities	498	563	373
Current portion of long-term debt.....	35	332	129
Lease obligations	5	5	4
Total	538	900	506

800 secured borrowing base revolving credit facility

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

As of December 31, 2011, short-term debt mainly includes the outstanding amounts under this facility.

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

	Year of maturity	Type of Interest	Interest rate ⁽¹⁾	2011	2010 Combined	2009 Combined
250 unsecured bonds	2016	Fixed	7.375%	246	—	—
250 unsecured bonds	2018	Fixed	7.750%	245	—	—
Loans in Brazil	2013-	Fixed/Floating	4.50%-	89	133	156
Fixed/Floating	2019		8.80%			
€17 million loan	2013	Floating	5.182%	23	—	—
	2012-					
Other loans	2014	Fixed	13.25%	4	—	—
Loans from governmental institutions	—	Nil	—	—	6	27
900 credit facility	—	Fixed	—	—	777	777
€200 million loan	—	Floating	—	—	267	288
€125 million credit facility	—	Floating	—	—	—	135
€100 million credit facility	—	Floating	—	—	27	58
ArcelorMittal Treasury Loans	—	Floating	—	—	33	35
Total				607	1,243	1,476
Less current portion of long-term debt				35	332	129
Total long-term debt (excluding lease obligations)				572	911	1,347
Lease obligations ⁽²⁾				15	21	28
Total long-term debt, net of current portion				587	932	1,375

(1) Rates applicable to balances outstanding at December 31, 2011.

(2) Net of current portion of 5, 5 and 4 on December 31, 2011, 2010 and 2009, respectively.

Unsecured Bonds

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

The net proceeds of this offering have been used to repay part of outstanding amounts under the company's 900 bridge loan facility with ArcelorMittal.

€17 million loan

On September 27, 2011, Aperam signed a EUR 17 million bilateral credit facility agreement. The facility is due on September 2013.

900 credit facility, €200 million loan, €100 million credit facility and ArcelorMittal Treasury loans

On January 25, 2011, as part of the spin-off, the outstanding amounts under the following loan agreements with ArcelorMittal have been assigned to Aperam: 900 credit facility (777), €200 million loan (267), €100 million credit facility (27) and ArcelorMittal Treasury loans of PLN 100 million (33). As part of the spin-off, these facilities have been replaced by a 900 364-days bridge loan from ArcelorMittal. This 900 bridge loan with ArcelorMittal was reimbursed with the proceeds of the 500 unsecured bonds described above and 400 drawn from the 800 secured borrowing base revolving credit facility.

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

	December 31, 2011
2012.....	40
2013.....	48
2014.....	5
2015.....	27
2016.....	246
Subsequent years.....	261
Total.....	627

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

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

	Total USD	In USD equivalent as of December 31, 2010 Combined			
		EUR	USD	BRL	Other
Short-term debt and current portion of long-term debt.....	900	800	30	29	41
Long-term debt	932	15	817	64	36
Cash	120	38	51	28	3

	Total USD	In USD equivalent as of December 31, 2009 Combined			
		EUR	USD	BRL	Other
Short-term debt and current portion of long-term debt.....	506	407	21	26	52
Long-term debt	1,375	455	828	75	17
Cash	118	20	21	62	15

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

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

	December 31,					
	2011		2010 Combined		2009 Combined	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Instruments payable bearing interest at fixed rates...	521	518	789	1,014	814	649
Instruments payable bearing interest at variable rates	106	106	480	504	694	658

NOTE 14: FINANCIAL INSTRUMENTS AND CREDIT RISK

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

Fair values versus carrying amounts

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

Cash and cash equivalents, restricted cash, short term investments and trade receivables are included in the "Loans and receivables" category, which is measured at amortized cost. Prepaid expenses and other current assets include derivative instruments of 4, 22 and 21 as of December 31, 2011, 2010 and 2009, respectively. Other assets include derivative instruments of nil, nil and 1 as of December 31, 2011, 2010 and 2009, respectively. These derivatives instruments are classified as "Financial assets at fair value through profit or loss". Other investments are classified as "Available-for-sale" with gains or losses arising from changes in fair value recognized in other comprehensive income. Other assets are classified as "Financial assets at fair value through profit or loss".

Except for derivative financial instruments, which are classified as "Financial liabilities at fair value through profit or loss", financial liabilities are classified as "Financial liabilities measured at amortized cost".

Accrued expenses and other liabilities include derivative financial instruments amounting to (6), (9) and (11) as of December 31, 2011, 2010 and 2009, respectively. Other long-term obligations include derivative financial instruments amounting to (2), nil and (2) as of December 31, 2011, 2010 and 2009, respectively.

Net gains and losses recognized in the statement of operations on derivative instruments amounted to (7), 30 and 68 for the years ended December 31, 2011, 2010 and 2009, respectively. Unrealized gains (losses), which are included in financial income and expense, were (7), 2 and 70 (see Note 16) for the years ended December 31, 2011, 2010 and 2009, respectively. Realized gains (losses), which are included in operating income were nil, 28 and (2) for the years ended December 31, 2011, 2010 and 2009, respectively.

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

The following table summarizes the bases used to measure certain assets and liabilities at their fair value as of December 31, 2011. Assets and liabilities carried at fair value have been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The levels are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets. The Company did not have any assets or liabilities classified as Level 3.

	Level 1	Level 2	Total
Assets at fair value:			
Available-for-sale financial assets	96	—	96
Derivative financial assets	—	4	4
Total assets at fair value	<u>96</u>	<u>4</u>	<u>100</u>
Liabilities at fair value			
Derivative financial liabilities	—	8	8
Total liabilities at fair value	<u>—</u>	<u>8</u>	<u>8</u>

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

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

Portfolio of Derivatives

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

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

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

The portfolio associated with derivative financial instruments as of December 31, 2010 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	168	5	176	(3)
Forward sale contracts	147	3	117	(4)
Total foreign exchange rate instruments		8		(7)
Raw materials (base metal)				
Term contracts sales	2	—	28	(2)
Term contracts purchases	136	14	14	—
Total raw materials (base metal)		14		(2)
Total		22		(9)

The portfolio associated with derivative financial instruments as of December 31, 2009 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	85	2	47	(2)
Forward sale contracts	55	2	156	(4)
Total foreign exchange rate instruments		4		(6)
Raw materials (base metal), energy				
Term contracts sales metals	3	—	31	(4)
Term contracts purchases metals	77	18	23	(3)
Total raw materials (base metal), energy		18		(7)
Total		22		(13)

Exchange rate risk

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

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

Liquidity Risk

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

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

		December 31, 2011				
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over 100	(891)	(1,091)	(442)	(37)	(353)	(259)
Trade and other payables	(846)	(846)	(846)	—	—	—
Other non-derivative financial liabilities	(234)	(247)	(144)	(64)	(35)	(4)
Total	<u>(1,971)</u>	<u>(2,184)</u>	<u>(1,432)</u>	<u>(101)</u>	<u>(388)</u>	<u>(263)</u>
Derivative financial liabilities						
Foreign exchange contracts	(2)	(2)	(1)	(1)	—	—
Other commodities contracts	(6)	(6)	(5)	(1)	—	—
Total.....	<u>(8)</u>	<u>(8)</u>	<u>(6)</u>	<u>(2)</u>	<u>—</u>	<u>—</u>
		December 31, 2010				
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over 100	(1,044)	(1,447)	(335)	(78)	(586)	(448)
Trade and other payables	(942)	(942)	(942)	—	—	—
Other non-derivative financial liabilities	(788)	(825)	(649)	(74)	(90)	(12)
Total	<u>(2,774)</u>	<u>(3,214)</u>	<u>(1,926)</u>	<u>(152)</u>	<u>(676)</u>	<u>(460)</u>
Derivative financial liabilities						
Foreign exchange contracts	(7)	(7)	(6)	(1)	—	—
Other commodities contracts	(2)	(2)	(2)	—	—	—
Total.....	<u>(9)</u>	<u>(9)</u>	<u>(8)</u>	<u>(1)</u>	<u>—</u>	<u>—</u>
		December 31, 2009				
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over 100	(1,173)	(1,572)	(109)	(392)	(521)	(550)
Trade and other payables	(608)	(608)	(608)	—	—	—
Other non-derivative financial liabilities	(708)	(758)	(504)	(87)	(136)	(31)
Total	<u>(2,489)</u>	<u>(2,938)</u>	<u>(1,221)</u>	<u>(479)</u>	<u>(657)</u>	<u>(581)</u>
Derivative financial liabilities						
Foreign exchange contracts	(6)	(6)	(6)	—	—	—
Other commodities contracts	(7)	(7)	(6)	(1)	—	—
Total.....	<u>(13)</u>	<u>(13)</u>	<u>(12)</u>	<u>(1)</u>	<u>—</u>	<u>—</u>

Cash flow hedges

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

	December 31, 2011					
	(outflows)/inflows					
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities.....	6	4	—	—	1	1
Total	6	4	—	—	1	1

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

	December 31, 2011					
	(expense)/income					
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities.....	6	4	—	—	1	1
Total	6	4	—	—	1	1

Raw materials and energy

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

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

	At December 31,		
	2011	2010 Combined	2009 Combined
Base metals	(2)	12	11
Energy (oil)	—	—	—
Total	(2)	12	11
Assets associated with raw material and energy	4	14	18
Liabilities associated with raw material and energy	(6)	(2)	(7)
Total	(2)	12	11

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

Sensitivity analysis

Foreign currency sensitivity

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

	December 31, 2011	December 31, 2010 Combined	December 31, 2009 Combined
10% appreciation in U.S. dollar	(2)	7	(8)
10% depreciation in U.S. dollar	2	(7)	8

Cash flow sensitivity analysis for variable rate instruments

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

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

December 31, 2010 (Combined)			
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(9)	—	(9)
100 bp decrease	9	—	9

December 31, 2009 (Combined)			
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(5)	—	(5)
100 bp decrease	5	—	5

Base metals

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

	December 31, 2011		December 31, 2010 Combined		December 31, 2009 Combined	
	Income	Other Equity Cash Flow Hedging Reserves	Income	Other Equity Cash Flow Hedging Reserves	Income	Other Equity Cash Flow Hedging Reserves
+10% in prices Base Metals	7	6	6	7	7	—
-10% in prices Base Metals	(7)	(6)	(6)	(7)	(7)	—

NOTE 15: EQUITY

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

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

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

Capital transactions with ArcelorMittal

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

The change in ArcelorMittal's net investment in the consolidated statements of cash flows amounted to nil in 2011.

Capital transactions with ArcelorMittal amounted to 55 in 2010 and mainly included the contribution by ArcelorMittal of 98 with respect to the capital increase of 73 in Aperam Stainless Services & Solutions Tubes Europe and 25 in Aperam Stainless Services & Solutions Precision.

The change in ArcelorMittal's net investment in the combined statements of cash flows amounted to 98 in 2010 and included the cash inflow of 73 and 25 on the capital increase of Aperam Stainless Services & Solutions Tubes Europe and Aperam Stainless Services & Solutions Precision as mentioned above.

Capital transactions with ArcelorMittal amounted to 113 in 2009 and mainly included a contribution by ArcelorMittal of 127 with respect to the sale of a 7% stake in ArcelorMittal Finance & Services Belgium to ArcelorMittal. In 2008, Aperam Stainless Belgium entered into a loan agreement with a subsidiary of ArcelorMittal in the amount of 3,172 and subsequently purchased shares of ArcelorMittal Finance & Services Belgium for 3,172. In 2009, the shares were sold for 150 more than the purchase price. As this transaction was related to internal restructuring rather than the operations of the Company's business, the effect of this transaction, including interest expense and tax effects, have been recorded as a change in ArcelorMittal's net investment. In 2009, this resulted in an increase of ArcelorMittal's net investment of 127 related to the gain on disposal offset by interest expense.

The change in ArcelorMittal's net investment in the combined statements of cash flows amounted to 55 in 2009 and included mainly the cash inflow of 61 net of interest expense related to the disposal of ArcelorMittal Finance & Services Belgium as mentioned above.

Dividends

Certain entities within the scope of the Company's consolidated financial statements historically owned by ArcelorMittal entities which are not in scope of the Company's consolidated financial statements paid dividends between January 1, 2009 and December 31, 2011. These dividend payments have been maintained in the consolidated financial statements and treated as distributions by the Company.

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

Stock Option Plans

Certain of the Company's employees participate in stock-based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. Given that the Company's employees directly benefit from participation in these plans, the expense incurred by ArcelorMittal for options granted to its employees has been reflected in the Company's consolidated statements of operations as selling, general and administrative. The compensation expense recognized for stock option plans was 3, 4 and 5 for each of the years ended December 31, 2011, 2010 and 2009, respectively.

During the year 2010 and 2011, certain employees were transferred from ArcelorMittal to the Company. These beneficiaries increased the number of options outstanding.

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

Option activity with respect to ArcelorMittal shares is summarized below as of and for each of the years ended December 31, 2011, 2010 and 2009:

	Number of Options	Range of Exercise Prices* (per option)	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2008 (Combined)	613,941	\$41.93 – \$82.57	\$66.31
Granted.....	149,300	\$38.30	\$38.30
Exercised.....	—	—	—
Cancelled.....	(98,679)	\$43.40 – \$82.57	\$66.41
Expired.....	(74,094)	\$64.30 – \$82.57	\$69.73
Outstanding, December 31, 2009 (Combined)	590,468	\$38.30 – \$82.57	\$59.17
Granted.....	209,400	\$32.27	\$32.27
Exercised.....	—	—	—
Cancelled.....	(43,646)	\$32.27 – \$82.57	\$42.07
Expired.....	(45,715)	\$40.25	\$40.25
Transferred.....	185,572	\$28.75 – \$82.57	\$52.54
Outstanding, December 31, 2010 (Combined)	896,079	\$28.75 – \$82.57	\$52.86
Granted.....	—	—	—
Exercised.....	—	—	—
Cancelled.....	(39,166)	\$30.66 – \$78.44	\$37.64
Expired.....	(44,832)	\$36.38 – \$78.44	\$63.98
Transferred.....	31,600	\$30.66 – \$78.44	\$46.76
Outstanding, December 31, 2011.....	843,681	\$27.31 – \$78.44	\$50.08
Exercisable, December 31, 2011.....	684,604	\$27.31 – \$78.44	\$54.18
Exercisable, December 31, 2010 (Combined)	523,805	\$28.75 – \$82.57	\$60.48
Exercisable, December 31, 2009 (Combined)	213,934	\$43.40 – \$82.57	\$69.23

* Upon spin-off of the stainless steel business into Aperam, shareholders of ArcelorMittal received one Aperam share for every twenty ArcelorMittal shares held on the record date. Consequently, ArcelorMittal stock options exercise prices were reduced by 5% starting January 25th, 2011.

The following table summarizes information about ArcelorMittal stock options held by the Company employees and outstanding as of December 31, 2011:

Options Outstanding			
Exercise Prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)
\$78.44.....	220,900	6.6	220,900
\$61.09.....	138,050	5.6	138,050
\$38.24.....	91,431	1.5	91,431
\$36.38.....	169,900	7.6	121,424
\$32.07.....	18,750	4.6	18,750
\$30.66.....	185,900	8.6	75,299
\$27.31.....	18,750	3.6	18,750
\$27.31 – \$78.44.....	843,681		684,604

Share Unit Plan

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

The aim of the RSU Plan is to provide a retention incentive to eligible employees. RSUs shall vest in full on the three year anniversary of the date on which the award was granted contingent upon the continued

active employment of the employee within the Group. The RSUs are an integral part of the Company's remuneration framework in which it serves the specific objective of medium-term and long-term retention.

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

For the period from the July 2011 general shareholders' meeting to the annual general meeting of shareholders to be held in May 2012 a maximum of 70,000 RSUs may be allocated to qualifying employees under the RSU Plan. In November 2011, a total of 59,750 shares under the RSU Plan were granted to a total of 28 employees.

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

NOTE 16: FINANCIAL INCOME AND EXPENSE

Financial income and expense recognized in the years ended December 31, 2011, 2010 and 2009 is as follows:

	2011	2010 Combined	2009 Combined
Recognized in the statement of operations			
Interest income	3	9	10
Interest expense	(73)	(116)	(119)
Result on disposal of financial assets	(1)	120	2
Unrealized gains (losses) on derivative instruments	(7)	2	70
Impairment of financial assets	(1)	—	(3)
Net foreign exchange result	(30)	6	25
Others	(45)	(21)	13
Total interest expense and other net financing costs	(157)	(9)	(12)
Recognized in the statement of comprehensive income (Company share)			
Net change in fair value of available-for-sale financial assets	(59)	(9)	31
Effective portion of changes in fair value of cash flow hedge	(9)	5	—
Foreign currency translation differences for foreign operations	(281)	(78)	523
Total	(349)	(82)	554

The result on disposal of financial assets of 120 in 2010 includes the exchange of 217,837,295 Aços Villares shares into 9,076,554 Gerdau shares on December 30, 2010.

Others include mainly financing costs.

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

NOTE 17: INCOME TAX

Income tax benefit

The breakdown of the income tax benefit for each of the years ended December 31, 2011, 2010 and 2009, respectively, is summarized as follows:

	Year ended December 31,		
	2011	2010 Combined	2009 Combined
Total current income tax expense (benefit).....	7	13	(22)
Total deferred tax benefit.....	(55)	(16)	(35)
Total income tax benefit	<u>(48)</u>	<u>(3)</u>	<u>(57)</u>

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

	Year ended December 31,		
	2011	2010 Combined	2009 Combined
Net (loss) income:	(60)	104	(150)
Non-controlling interest.....	1	1	—
Income tax benefit	(48)	(3)	(57)
(Loss) income before tax:	<u>(107)</u>	<u>102</u>	<u>(207)</u>
Tax expense (benefit) at domestic rates applicable to countries where income (loss) was generated	(62)	32	(71)
Tax exempt revenues	(3)	(5)	(2)
Net change in measurement of deferred tax assets.....	40	(31)	(17)
Tax benefits surrendered to ArcelorMittal tax groups, net of indemnification	—	—	55
Deductible interest on net equity	(1)	—	(25)
Non-deductible stock option charge	1	1	2
Other permanent difference.....	(23)	—	1
Income tax benefit	<u>(48)</u>	<u>(3)</u>	<u>(57)</u>

The weighted average statutory tax expense (benefit) was (62), 32 and (71) in 2011, 2010 and 2009 respectively. The increase of the tax benefit from 2010 to 2011 was mainly due to negative result in Belgium, Brazil, France and distribution entities in countries with high tax rate. The increase from 2009 to 2010 was due to a change in the geographical mix of income and an overall increase in profitability, with a greater proportion of operating income in 2010 arising in jurisdictions subject to relatively higher tax rates.

Tax exempt revenues mainly relate to tax exempt results from companies held by Luxembourg entities and Aperam South America for (1), (1) and (1) in 2011, 2010 and 2009, respectively and tax exempt dividends in Aperam South America for (1), (3) and (1) in 2011, 2010 and 2009.

Net change in measurement of deferred tax assets of 40 in 2011 mainly relates to de-recognition of deferred tax assets for previous tax losses (5), de-recognition of deferred tax assets for other temporary differences (5) and not capitalization of 2011 losses (6) in Brazil, de-recognition of deferred tax assets on previous tax losses in France (8) and interest expense recapture in Luxembourg Tax Consolidation (9).

Net change in measurement of deferred tax assets of (31) in 2010 relates to previously unrecognized deferred tax assets on non-operating losses recognized by Aperam South America of (27) and utilization of previously unrecognized tax losses by Aperam Stainless Services & Solutions Luxembourg (2) and Aperam Stainless Services & Solutions Iberica (2).

Net change in measurement of deferred tax assets of (17) in 2009 relates to previously unrecognized deferred tax assets on tax losses recognized by Aperam South America of (18) and deferred tax assets not recognized on tax losses by Aperam Stainless Services & Solutions Tubes Czech Republic of 1.

Other permanent difference in 2011 consists of entities with certain special agreements (like rulings and tax holidays) that provide reduced tax rates, effect of foreign currency translation and equity method benefits, taxation on dividends and adjustments for tax deductible and non deductible items.

Tax benefits surrendered to ArcelorMittal tax groups net of indemnification amounted to nil, nil and 55 in 2011, 2010 and 2009, respectively. The tax benefits surrendered mainly relate to deferred tax assets not recognized in respect of the tax losses incurred by the Company's entities which are members of the tax groups operated by ArcelorMittal in France (93 in 2009) and Italy (1 in 2009). In the event of a change of control, the Company will not be able to utilize the benefit of these losses which were transferred to the ArcelorMittal tax groups. The benefits surrendered were partially offset by amounts to be reimbursed from ArcelorMittal to the Company as follows: France of (38) and Italy of (3) in 2009.

Interest on net equity ("Juros Sobre Capital Próprio" or "JSCP") paid by Aperam South America have been deducted from taxable income decreasing the income tax expense by nil, nil and (25) in 2011, 2010 and 2009, respectively. Corporate taxpayers in Brazil, who distribute a dividend can benefit from a tax deduction corresponding to an amount of interest calculated as a yield on capital (interest on shareholders' equity'). The deduction is determined as the lower of:

- (i) the interest as calculated by application of the Brazilian long term interest rate on the opening balance of capital and reserves; and
- (ii) 50% of the income for the year or accumulated profits from the previous year.

For book purposes, this distribution of interest on capital is regarded as a dividend distribution. For Brazilian tax purposes it is regarded a tax deductible interest.

The net deferred tax benefit (expense) recorded directly to equity was 40, 34 and (25) as of December 31, 2011, 2010 and 2009, respectively. There was no current tax booked directly in equity in 2011, 2010 and 2009.

The amount of (17) and 21 recognized in capital employed in 2011 and 2010, respectively, relates primarily to the capital transactions described in Note 15.

The amount of 70 recognized in capital employed in 2009 relates primarily to Aperam Stainless Belgium's sale of a 7% ownership interest in ArcelorMittal Finance & Services Belgium, as described in Note 15.

Income tax recognized directly in equity

	2011	2010 Combined	2009 Combined
Deferred tax			
Recognized in other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	16	28	(13)
Unrealized gain on derivatives financial instruments	5	(3)	—
Foreign currency translation adjustments	36	(12)	(82)
Recognized in capital employed	(17)	21	70
	<u>40</u>	<u>34</u>	<u>(25)</u>

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

	Assets			Liabilities			Net		
	December 31,			December 31,			December 31,		
	2010	2009		2010	2009		2010	2009	
	2011	Combined	Combined	2011	Combined	Combined	2011	Combined	Combined
Intangible assets.....	69	136	177	(21)	(27)	(32)	48	109	145
Property, plant and equipment.....	4	6	5	(377)	(410)	(441)	(373)	(404)	(436)
Biological assets.....	—	—	—	(50)	—	—	(50)	—	—
Inventories.....	30	33	32	(6)	(3)	(2)	24	30	30
Available-for-sale financial assets ...	13	—	—	—	—	(21)	13	—	(21)
Financial instruments.....	7	2	4	(3)	(6)	(7)	4	(4)	(3)
Other assets	16	14	31	(4)	(2)	(3)	12	12	28
Provisions	60	79	76	(60)	(86)	(73)	—	(7)	3
Other liabilities	15	40	34	(5)	—	(2)	10	40	32
Tax losses carried forward.....	380	282	212	—	—	—	380	282	212
Tax credits	8	9	5	—	—	—	8	9	5
Deferred tax assets/(liabilities).....	<u>602</u>	<u>601</u>	<u>576</u>	<u>(526)</u>	<u>(534)</u>	<u>(581)</u>	<u>76</u>	<u>67</u>	<u>(5)</u>
Deferred tax assets							249	183	173
Deferred tax liabilities							(173)	(116)	(178)

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

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

Deferred tax assets not recognized by the Company as of December 31, 2010 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	886	296	282	14
Tax credits and other tax benefits	38	13	9	4
Other temporary differences	913	310	310	—
Total		<u>619</u>	<u>601</u>	<u>18</u>

Deferred tax assets not recognized by the Company as of December 31, 2009 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	783	261	212	49
Tax credits and other tax benefits	15	5	5	—
Other temporary differences	1,063	359	359	—
Total		<u>625</u>	<u>576</u>	<u>49</u>

The Company has unrecognized deferred tax assets relating to tax loss carry forwards, tax credits and other tax benefits amounting to 41, 18 and 49 as of December 31, 2011, 2010 and 2009, respectively. As of December 31, 2011, the deferred tax assets not recognized relate to tax loss carry forwards attributable to subsidiaries located in Brazil (11), France (8), Spain (5), Luxembourg (4), Czech Republic (2) and Italy (1) with different statutory tax rates. Therefore, the amount of the total deferred tax assets is the aggregate amount of the various deferred tax assets recognized and unrecognized at the various subsidiaries and not the result of a computation with a blended rate. Unrecognized tax losses have no expiration date in Brazil, France, Italy and Luxembourg and an expiration date of 18 years in Spain and 5 years in Czech Republic. The utilization of tax loss carry forwards is restricted to the taxable income of the subsidiary.

At December 31, 2011, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Company will realize the benefits of an amount of deferred tax assets recognized for 249. The amount of future taxable income required to be generated by the Company's operating subsidiaries to utilize the total deferred tax assets is approximately 746. Historically, the Company has been able to generate taxable income in sufficient amounts to permit it to utilize tax benefits associated with net operating loss carry forwards and other deferred tax assets that have been recognized in its consolidated financial statements. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

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

Tax loss carry forwards

At December 31, 2011, the Company had total estimated net tax loss carry forwards of 1,230.

Such amount includes net operating losses of 19 and 11 related to Aperam Stainless Services & Solutions Iberica S.L. in Spain and Aperam Stainless Services & Solutions Tubes Czech Republic s.r.o. in Czech Republic which expire as follows:

Year expiring	Amount
2012	—
2013	6
2014	5
2015	—
2016	—
2017–2029	19
Total.....	30

The remaining tax loss carry forwards of 1,200 are indefinite and attributable to the Company's operations in Belgium, Brazil, France, Germany, Italy and Luxembourg.

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

NOTE 18: PROVISIONS

The movements by provision were as follows:

	Balance at December 31, 2008 Combined	Additions	Deductions— Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2009 Combined
Environmental (note 22)	39	11	(2)	(5)	43
Restructuring	9	—	(5)	1	5
Litigation (note 22)	50	1	(15)	13	49
Onerous contracts	30	—	(28)	(2)	—
Voluntary separation plans	103	28	(84)	11	58
Other	18	15	(18)	5	20
	<u>249</u>	<u>55</u>	<u>(152)</u>	<u>23</u>	<u>175</u>
Short-term provisions	122				39
Long-term provisions	127				136
	<u>249</u>				<u>175</u>

	Balance at December 31, 2009 Combined	Additions	Deductions— Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2010 Combined
Environmental (note 22)	43	1	(4)	(2)	38
Restructuring	5	—	(3)	(1)	1
Litigation (note 22)	49	8	(9)	46	94
Voluntary separation plans	58	13	(15)	(44)	12
Other	20	10	(11)	(2)	17
	<u>175</u>	<u>32</u>	<u>(42)</u>	<u>(3)</u>	<u>162</u>
Short-term provisions	39				39
Long-term provisions	136				123
	<u>175</u>				<u>162</u>

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

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

As of December 31, 2011, the outstanding provision for voluntary separation plans relates to plans primarily in France which are expected to be settled in a period of one to three years.

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

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

Provisions for onerous contracts related to unavoidable costs of meeting obligations exceeding expected economic benefits under certain contracts and any remaining provision was fully utilized during the year ended December 31, 2009.

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

NOTE 19: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses were comprised of the following as of December 31:

	December 31,		
		2010	2009
	2011	Combined	Combined
Accrued payroll and employee related expenses.....	153	162	153
VAT and other amounts due to public authorities.....	45	58	54
Cash collected from sold trade receivables.....	26	42	63
Payable from acquisition of intangible & tangible assets.....	20	16	8
Accrued interests.....	13	9	15
Revaluation of derivative instruments.....	6	9	11
Unearned revenue and accrued payables.....	4	6	10
Dividends payable to ArcelorMittal and non-controlling interests.....	—	2	63
Other creditors	42	122	111
Total	309	426	488

NOTE 20: COMMITMENTS

The Company's commitments consist of three main categories:

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

Commitments given

	December 31,		
		2010	2009
	2011	Combined	Combined
Purchase commitments	1,686	1,376	1,052
Capital expenditure commitments	—	—	11
Guarantees, pledges and other collateral.....	879	130	92
Operating leases.....	24	19	25
Other commitments	2	10	2
Total	2,591	1,535	1,182

Purchase commitments

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

Guarantees, property and other collateral

Property pledges and guarantees mainly relate to mortgages entered into by the Company's operating subsidiaries and guarantees issued related to external debt financing. Guarantees consist of guarantees of financial loans and credit lines first demand and documentary guarantees. Other collateral and guarantees include documentary credits, letters of credit and sureties.

Increase in pledges mainly relate to mortgages entered into by the Company related to its external debt financing described in Note 13.

Operating leases

Commitments for operating leases primarily related to one contract for land in Belgium. This lease expires in 2064. Future payments required under operating leases that have initial or remaining non-cancellable terms as of December 31, 2011 according to maturity periods are as follows:

Less than 1 year	4
1-3 years.....	4
4-5 years.....	1
More than 5 years.....	15
Total	<u>24</u>

NOTE 21: DEFERRED EMPLOYEE BENEFITS

The Company's operating subsidiaries have different types of pension plans for its employees. Also, some of the operating subsidiaries offer other post-employment benefits, principally retirement indemnities. Limited health care benefits are also offered to some employees in Belgium. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the statements of financial position are based on a number of assumptions and factors such as the discount rate, expected compensation increases, expected return on plan assets and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect the statement of operations and the recorded obligation in future periods. The total accumulated unrecognized actuarial gains amounted to 4 for pensions and 8 for other post retirement benefits as of December 31, 2011.

Pension Plans

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

Brazil

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

Europe

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

Plan Assets

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

	December 31		
	2011	2010 Combined	2009 Combined
Equity Securities	6%	7%	3%
Fixed Income (including cash)	90%	92%	96%
Real Estate	1%	1%	1%
Other	3%	—	—
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The assets related to the funded defined benefit pension plans in Europe represented 1, 1 and 1 as of December 31, 2011, 2010 and 2009, respectively, and were invested in guaranteed insurance contracts.

These assets do not include any direct investment in Aperam or in property or other assets occupied or used by Aperam. This does not exclude Aperam shares included in mutual fund investments. The invested assets produced an actual return of 21, 14 and 24 in 2011, 2010 and 2009, respectively.

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

	<u>BRAZIL</u>	<u>EUROPE</u>
Equity Securities.....	6%	—
Fixed Income (including cash).....	93%	—
Real Estate	—	—
Other.....	1%	100%
Total.....	<u>100%</u>	<u>100%</u>

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

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

	Year Ended December 31, 2010		
	Combined		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	185	90	95
Service cost	1	1	—
Interest cost	14	10	4
Actuarial loss (gain)	(6)	(4)	(2)
Benefits paid	(12)	(7)	(5)
Foreign currency exchange rate differences and other movements	6	13	(7)
Benefit obligation at end of the period	188	103	85
Change in plan assets			
Fair value of plan assets at beginning of the period	163	162	1
Expected return on plan assets	18	18	—
Actuarial gain (loss)	(4)	(4)	—
Benefits paid	(7)	(7)	—
Foreign currency exchange rate differences and other movements	18	18	—
Fair value of plan assets at end of the period	188	187	1
Present value of wholly or partly funded obligation	(104)	(103)	1
Fair value of plan assets	188	187	1
Net present value of wholly or partly funded obligation	84	84	—
Present value of unfunded obligation	(84)	—	(84)
Unrecognized net actuarial (gain) loss	(12)	(13)	1
Prepaid due to unrecoverable surpluses	(71)	(71)	—
Recognized liabilities	(83)	—	(83)

	Year Ended December 31, 2009		
	Combined		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	144	55	89
Service cost	1	1	—
Interest cost	13	8	5
Curtailments and settlements	(1)	(1)	—
Actuarial loss	6	2	4
Benefits paid	(11)	(5)	(6)
Foreign currency exchange rate differences and other movements	33	30	3
Benefit obligation at end of the period	185	90	95
Change in plan assets			
Fair value of plan assets at beginning of the period	98	97	1
Expected return on plan assets	14	14	—
Actuarial gain	10	10	—
Benefits paid	(5)	(5)	—
Foreign currency exchange rate differences and other movements	46	46	—
Fair value of plan assets at end of the period	163	162	1
Present value of wholly or partly funded obligation	(91)	(90)	(1)
Fair value of plan assets	163	162	1
Net present value of wholly or partly funded obligation	72	72	—
Present value of unfunded obligation	(94)	—	(94)
Unrecognized net actuarial (gain) loss	(10)	(13)	3
Prepaid due to unrecoverable surpluses	(59)	(59)	—
Recognized liabilities	(91)	—	(91)

Asset Ceiling

In accordance with IFRS, assets recognized for a defined benefit plan are limited to the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan. The amount not recognized in the fair value of plan assets due to the asset ceiling was 69, 71 and 59 at December 31, 2011, 2010 and 2009, respectively.

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

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

	Year Ended December 31, 2010 Combined		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost (benefit)			
Service cost	1	1	—
Interest cost	14	10	4
Expected return on plan assets	(18)	(18)	—
Charges due to unrecoverable surpluses	9	9	—
Amortization of unrecognized actuarial (gain) loss	(2)	(2)	—
Total	<u>4</u>	<u>—</u>	<u>4</u>

	Year Ended December 31, 2009 Combined		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost (benefit)			
Service cost	1	1	—
Interest cost	12	7	5
Expected return on plan assets	(14)	(14)	—
Charges due to unrecoverable surpluses	(6)	(6)	—
Curtailments and settlements	(1)	(1)	—
Amortization of unrecognized actuarial (gain) loss	12	12	—
Total	<u>5</u>	<u>—</u>	<u>5</u>

Other post-employment benefits

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

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

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

	Year Ended December 31, 2010		
	Combined		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation	59	5	54
Benefit obligation at beginning of period	2	—	2
Service cost	3	—	3
Interest cost	(1)	—	(1)
Actuarial loss (gain)	(6)	(1)	(5)
Benefits paid	13	—	13
Plan amendments	(4)	—	(4)
Foreign currency exchange rate changes and other movements	66	4	62
Benefits obligation at end of period	66	4	62
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	(66)	(4)	(62)
Unrecognized net actuarial loss (gain)	(5)	1	(6)
Unrecognized past service cost (non vested benefits)	13	—	13
Net amount recognized	(58)	(3)	(55)

	Year Ended December 31, 2009		
	Combined		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation			
Benefit obligation at beginning of period	60	5	55
Service cost	2	—	2
Interest cost	3	—	3
Actuarial loss (gain)	—	(1)	1
Benefits paid	(6)	—	(6)
Curtailments and settlements	(4)	—	(4)
Foreign currency exchange rate changes and other movements	4	1	3
Benefits obligation at end of period	59	5	54
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	(59)	(5)	(54)
Unrecognized net actuarial loss (gain)	(3)	—	(3)
Net amount recognized	(62)	(5)	(57)

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

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

	Year Ended December 31, 2010		
	Combined		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB benefit			
Service cost	2	—	2
Interest cost	3	—	3
Curtailments and settlements	—	—	—
Amortization of unrecognized actuarial (gain) loss	1	—	1
Total	6	—	6

	Year Ended December 31, 2009		
	Combined		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB benefit			
Service cost	2	—	2
Interest cost	3	—	3
Curtailments and settlements	(5)	—	(5)
Amortization of unrecognized actuarial (gain) loss	(1)	(1)	—
Total	(1)	(1)	—

Weighted-average assumptions used to determine benefit obligations:

	Pension Plans			Other Post-employment Benefits		
	December 31,			December 31,		
	2011	2010 Combined	2009 Combined	2011	2010 Combined	2009 Combined
Discount rate	4.75% - 10.46%	4.75% - 10.77%	5.00% - 10.77%	4.75% - 10.46%	4.75% - 10.77%	5.00% - 10.77%
Rate of compensation increase	2% - 6.55%	2% - 6.32%	1.79% - 7.12%	3.25% - 6.55%	3.08% - 6.32%	3.10% - 7.12%
Expected long-term rate of return on plan assets	4% - 10.91%	4% - 10.52%	4% - 11.23%	5.00%	5.00%	5.00%

Cash Contributions

In 2012, the Company expects its cash contributions to amount to 6 for pension plans, 3 for other post employment benefits plans and 11 for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were 11, 10 and 10 in 2011, 2010 and 2009, respectively.

Statement of Financial Position

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

	December 31,		
	2011	2010 Combined	2009 Combined
Pension plan benefits	79	83	91
Other post-employment benefits	57	58	62
Early retirement benefits	37	40	39
Other long-term employee benefits	1	—	1
Total	174	181	193

Sensitivity analysis

The following information illustrates the sensitivity to a change in certain assumptions related to the Company's operating subsidiaries' pension plans (as of December 31, 2011, the defined benefit obligation ("DBO") for pension plans was 198):

	Effect on 2012 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2011 DBO	Effect on 2011 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2010 DBO	Effect on 2010 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2009 DBO	Effect on 2009 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2008 DBO
Change in assumption								
100 basis point decrease in discount rate	1	27	1	27	1	28	1	22
100 basis point increase in discount rate	—	(22)	—	(21)	(1)	(21)	—	(17)
100 basis point decrease in rate of compensation	—	(2)	—	(3)	(1)	(4)	(1)	(4)
100 basis point increase in rate of compensation	—	(2)	—	3	1	4	1	4
100 basis point decrease in expected return on plan assets ...	(2)	—	(2)	—	(2)	—	(1)	—
100 basis point increase in expected return on plan assets ...	2	—	2	—	2	—	1	—

The following table illustrates the sensitivity to a change in the discount rate assumption related to the Company's operating subsidiaries' OPEB plans (as of December 31, 2011 the DBO for post-employment benefit plans was 59):

	Effect on 2012 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2011 DBO	Effect on 2011 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2010 DBO	Effect on 2010 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2009 DBO	Effect on 2009 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2008 DBO
Change in assumption								
100 basis point decrease in discount rate.....	—	5	—	6	—	4	—	5
100 basis point increase in discount rate.....	—	(5)	—	(5)	—	(4)	—	(4)

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

Experience adjustments

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

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

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

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

NOTE 22: CONTINGENCIES

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

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

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

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

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

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

Environmental Liabilities

The Company is subject to a broad range of environmental laws and regulations. As of December 31, 2011, the Company had established reserves of 34 for environmental and remedial activities and liabilities.

Belgium

In Belgium, there is an environmental provision of 12, of which the most significant elements are legal obligations linked to soil treatment and removal of slag and fines.

France

In France, there is an environmental provision of 22, which relates to (i) the demolition and clean-up of the Company's Ardoise facility after operations ceased at the site, (ii) asbestos removal at, and the subsequent demolition and clean-up of, the Company's Isbergues facility, and (iii) soil remediation and asbestos removal at the Company's Gueugnon facility.

Brazil

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

Therefore, changes in environmental laws or regulations, or in the interpretation thereof, or in the administrative procedures and policies adopted under current environmental laws and regulations, could

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

Tax Claims

The Company is party to various tax claims, the most significant of which are set out below. As of December 31, 2011, the Company has established reserves in the aggregate of approximately 12 for those of the claims as to which the criteria for provisioning were met.

- On December 27, 2011, Aperam South America received a tax assessment from the State of Minas Gerais regarding ICMS (VAT) tax credit used by the Company related to the for purchasing of scraps from a supplier which the State considered as not being authorized to issue invoices with VAT. The total amount claimed is 8. The case is in first administrative instance.
- On December 16, 2011 Aperam Services and Solutions Brazil has been assessed by the Tax authorities aiming at collecting 36 (including interest on late payments and penalties) related to Value Added Tax (ICMS). Tax authorities claimed that the Company has not collected to the State of Sao Paulo the ICMS imposed on importation of products performed by a trading company located in the State of Espirito Santo and disregarded the ICMS credit recognized by the Company at the time of acquisition of the goods from the trading company. The case is currently in the first administrative instance where the Company presented its defense.
- In December 2011, Aperam South America received a tax assessment from the State of Minas Gerais that disregarded the ICMS (VAT) tax credit the Company has used in 2006 related to products from the State of Goias. The total claim amounts to 13. The case is currently in the first administrative instance where the Company presented its defense.
- In December 2011, the Federal Revenue issued four tax assessments against Aperam South America for a total amount of 26 considering that the Company did not pay several social contributions due on payments made to employees under the Profit Sharing Program. These cases are at the first administrative instance.
- On May 26, 2011 Aperam South America received a tax assessment from the Federal Revenue Service for a total amount of 18 related to sales by Aperam South America to Acesita Imports & Exports (Madeira Island). The tax authorities require that the profits of Acesita Imports & Exports be added by to Aperam South America's tax basis. On November 2011, the Company obtained a partial favorable decision and it presented its appeal for the remaining amount in dispute.
- On March 29, 2011, Aperam South America received a tax assessment related to drawback tax benefit. Federal revenue states that the Company did not respect the conditions to use the benefit and demand to pay taxes related to importation & fees. The total amount claimed is 9. The Company presented its appeal at the first administrative level.
- On December 2, 2010, Aperam South America received a tax assessment in the total amount of 42. The Minas Gerais State Revenue claims that the Company should have paid VAT (ICMS) related to the distribution of electric power between 2005 and 2009. The Company believes that this charge should not prevail since the distribution of electrical power should not be considered as a good or transportation and therefore it should not be subject to VAT (ICMS). On May 5, 2011 the Company received a partial favorable decision. Minas Gerais State Revenue concluded that the Company has to pay ICMS but stated that the amount for late payments & penalties was wrong. The Company will bring the case before the judicial court upon notification of the decision by the administrative council.
- On December 5, 2007, the Federal Revenue Service challenged IPI (Tax on Industrialized Products similar to Federal VAT) tax credits registered by Aperam South America from January 2003 to December 2006 related to the acquisition of certain materials. The claim alleges that the products acquired are either not related to the final product or not integrally consumed during

operations. In December 2010, there was a partial favorable decision and the Company filed an appeal in February 2011 at the second administrative level for the remaining non favorable part of the decision obtained at the first administrative level. The amount in dispute is approximately 7.

- On June 26, 2007, after a final unfavorable decision at the administrative level, Aperam South America brought an annulment action at judicial level to void a tax assessment issued by the Brazilian Federal Revenue Service due to alleged underpayment of payroll taxes between 1998 and 2002 related to certain payments made to its employees under collective agreements. The Company is awaiting a decision in the first judicial instance. The amount under dispute is approximately 8.
- On December 21, 2005, Aperam South America has been assessed by the Federal Revenue Service in relation to its calculation of social contributions on revenue (PIS and COFINS) due to (i) unconditional discounts given to clients, (ii) the value of tax incentives granted by federal legislation (specifically, credits to be offset with IPI) and (iii) revenues derived from exchange rate variations. The amount in dispute is approximately 32, and the Company is currently awaiting a second instance administrative decision from the special court.
- On December 21, 2005, the Brazilian Federal Revenue Service assessed ArcelorMittal Inox Brasil for taxes related to intra-group credit transactions. The amount in dispute of 6 is currently on appeal before the Federal Administrative Council of Appeals.
- On March 15 and March 18, 2005, Aperam South America has been assessed by the INSS (the Brazilian Social Securities Institute) for the non-collection of certain payroll taxes between 1999 and 2004 related to the special retirement of employees exposed to unhealthy working conditions. The amount in dispute is 28 as of December 31, 2011. The Company has received an unfavorable decision at the first administrative instance and presented an appeal to the administrative court. brought the case before the judicial court.
- On October 13, 1998, the Federal Revenue Service filed a tax foreclosure action against the Company in relation to the alleged underpayment of payroll taxes in the period of January 1987 to July 1997. After the Company initially prevailed in the Federal Court, the Brazilian Federal Revenue Service filed an appeal with the Federal Court of Appeals. The amount in dispute is approximately 6.

Labor and Other Claims

The Company is presently involved in a number of labor disputes, the most significant of which are set out below. As of December 31, 2011, the Company has established reserves in the aggregate of approximately 42 for those of the claims as to which the criteria for provisioning were met.

Brazil

- The Union claimed against Aperam South America to get the payment of 7 minutes and 30 seconds as overtime, disregarding the 50% of regular work hour paid by the Company as Nightshift premium (NSP) in strict compliance with Collective Agreement. Despite amicable discussions between the Company and the Union, the later maintained its claim which is currently before the judicial court of appeal. The lower court decision was favorable to the company. The total amount claimed is 10.
- On April 1, 2004, a sanctioning administrative process with the Central Bank was brought against Aperam South America based on alleged irregular exchange operations utilized by it in the purchase and sale of treasury bills. On March 22, 2007, Aperam South America has been assessed with a fine of 10 plus interest. The Company brought the case before the judicial court in 2012.

NOTE 23: SEGMENT AND GEOGRAPHIC INFORMATION

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

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

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

	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others/ Eliminations *	Total
Year ended December 31, 2011					
Sales to external customers ...	3,126	2,505	712	2	6,345
Intersegment sales**	1,942	98	9	(2,049)	—
Operating income (loss).....	(39)	(18)	64	38	45
Depreciation.....	259	30	6	12	307
Impairment.....	1	3	—	—	4
Capital expenditures	110	20	12	16	158
Year ended December 31, 2010 (Combined)					
Sales to external customers ...	2,862	2,220	522	—	5,604
Intersegment sales**	1,569	107	7	(1,683)	—
Operating income (loss).....	8	53	36	(4)	93
Depreciation.....	258	30	5	—	293
Impairment.....	23	—	1	—	24
Capital expenditures	81	15	5	—	101
Year ended December 31, 2009 (Combined)					
Sales to external customers ...	2,125	1,677	430	3	4,235
Intersegment sales**	1,060	81	5	(1,146)	—
Operating loss.....	(157)	(40)	(1)	(9)	(207)
Depreciation.....	278	31	6	4	319
Impairment.....	9	5	—	—	14
Capital expenditures	77	20	13	5	115

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

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

Effective with the adoption of the improvements of IFRSs published in April 2009 and applicable from January 1, 2010 onwards, the requirement to present assets for each reportable segment, if such information is not regularly provided to the CODM, has been removed. As the Company does not regularly provide such information it has not presented assets by segment in the table above. The table which follows presents the reconciliation of segment assets to total assets as required by IFRS 8.

	Year Ended December 31,		
	2010		2009
	2011	Combined	Combined
Assets allocated to segments	5,507	6,138	6,002
Cash and cash equivalents.....	247	120	118
Amounts receivable under cash pooling arrangements with ArcelorMittal	—	646	344
Income tax indemnification from ArcelorMittal France.....	—	—	288
Other investments.....	98	181	103
Deferred tax assets.....	249	183	173
Other unallocated assets	100	67	105
Total assets	6,201	7,335	7,133

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

	Year Ended December 31,		
	2010		2009
	2011	Combined	Combined
Operating income (loss).....	45	93	(207)
Income from other investments	2	9	2
Interest income	3	9	10
Interest expense and other net financing costs	(157)	(9)	(12)
Income (loss) before taxes	(107)	102	(207)
Income tax (benefit) expense	(48)	(3)	(57)
Net income (loss) (including non-controlling interests).....	(59)	105	(150)

Geographical information

Sales (by destination)

	Year Ended December 31,		
	2010		2009
	2011	Combined	Combined
Americas			
Brazil	1,335	1,287	931
United States	341	244	161
Others	260	262	173
Total Americas	1,936	1,793	1,265
Europe			
Germany	1,313	1,143	805
Italy	592	576	467
France.....	581	444	327
Poland.....	151	126	117
Belgium	209	172	141
Spain.....	131	133	110
Others	932	841	695
Total Europe	3,909	3,435	2,662
Asia & Africa			
South Korea	80	80	118
China.....	105	62	41
Others	315	234	149
Total Asia & Africa	500	376	308
Total	6,345	5,604	4,235

Non-current assets per significant country*

	As of December 31,		
	2011	2010 Combined	2009 Combined
Americas			
Brazil	1,199	1,283	1,305
Others	28	28	30
Total Americas	1,227	1,311	1,335
Europe			
Belgium	973	1,104	1,273
France	503	545	640
Italy	23	25	31
Germany	23	22	22
Czech Republic	21	23	29
Poland	19	24	26
Others	25	20	22
Total Europe	1,587	1,763	2,043
Asia & Africa			
China	6	6	7
Others	10	2	2
Total Africa & Asia	16	8	9
Unallocated assets	1,326	1,406	1,636
Total	4,156	4,488	5,023

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

NOTE 24: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

The total annual compensation of Aperam's employees paid in 2011, 2010 and 2009 was as follows:

	Year Ended December 31,		
	2011	2010 Combined	2009 Combined
Employee Information			
Wages and salaries	654	607	589
Pension cost	17	19	15
Other staff costs	90	83	78
Total	761	709	682

As of December 31, 2011, 2010 and 2009, Aperam employed approximately 10,533, 9,904 and 9,916 persons, respectively.

The total annual compensation of Aperam's key management personnel, including its Board of Directors, paid in 2011 was as follows:

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

In addition to the information in the table above, as disclosed in Notes 1 and 12, costs associated with certain corporate functions provided by ArcelorMittal have been allocated to the Company in 2010 and 2009. The total annual compensation, including base salary and/or director fees, short-term performance-related bonuses, post-employment benefits and share based compensations of ArcelorMittal's key management

personnel, including its Board of Directors, allocated to the Company based on sales, amounted to 3 and 2 for the years ended December 31, 2010 and 2009, respectively.

The fair value of ArcelorMittal's stock options granted to the Company's key management personnel is recorded as an expense in the consolidated financial statement of operations over the relevant vesting periods. The Company determines the fair value of the options at the date of the grant using the Black-Scholes model.

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

As of December 31, 2010 and 2009, the Company did not have any outstanding loans or advances to members of ArcelorMittal's Board of Directors or key management personnel and had not given any guarantees for the benefit of any member of ArcelorMittal's Board of Directors or key management personnel.

NOTE 25: LIST OF SIGNIFICANT SUBSIDIARIES AT DECEMBER 31, 2011

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

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

Name of subsidiary	Country of incorporation	% Interest
Stainless & Electrical Steel		
Aperam Stainless Belgium	Belgium	100%
Aperam South America	Brazil	100%
Aperam Stainless Europe	France	100%
Aperam Stainless France	France	100%
Alloys & Specialties		
Aperam Alloys Imphy	France	100%
Innovative Clad Solutions Private LTD	India	70.6%
Aperam Alloys USA	USA	100%
Services & Solutions		
Aperam Stainless Services & Solutions Argentina	Argentina	100%
Aperam Stainless Services & Solutions Brazil	Brazil	100%
Aperam Stainless Services & Solutions Tubes Brazil	Brazil	100%
Aperam BioEnergia	Brazil	100%
Aperam Stainless Services & Solutions Changzhou	China	100%
Aperam Stainless Services & Solutions Tubes Czech Republic	Czech Republic	100%
Aperam Stainless Services & Solutions France	France	100%
Aperam Stainless Services & Solutions Precision	France	100%
Aperam Stainless Services & Solutions Tubes Europe	France	100%
Aperam Stainless Services & Solutions Germany	Germany	100%
Aperam Stainless Services & Solutions Italy	Italy	100%
Aperam Stainless Services & Solutions Luxembourg	Luxembourg	100%
Aperam Sourcing	Luxembourg	100%
Aperam Stainless Services & Solutions Poland	Poland	100%
Aperam Stainless Services & Solutions Iberica	Spain	100%
Aperam Paslanmaz Celik	Turkey	100%
Aperam Stainless Services & Solutions Tubes Uruguay	Uruguay	100%
Aperam Stainless Services & Solutions USA	USA	100%

NOTE 26: SUBSEQUENT EVENTS

There were no subsequent events after December 31, 2011.