

Interim Financial Report

Half Year ended June 30, 2014



Table of contents

Interim Management Report	03
Company Overview	03
Message from the CEO	04
Business Overview	05
Recent Developments	24
Corporate Governance	27
Cautionary Statement Regarding Forward-Looking Statements	30
Statement of Responsible Persons	31
Condensed Consolidated Financial Statements for the six months ended June 30, 2014	32
Condensed Consolidated Statement of Financial Position	32
Condensed Consolidated Statement of Operations	34
Condensed Consolidated Statement of Comprehensive (Loss) Income	35
Condensed Consolidated Statement of Changes in Equity	36
Condensed Consolidated Statement of Cash Flows	37
Notes to the Condensed Consolidated Financial Statements	38
Review Report of the <i>Réviseur d'Entreprises Agrée</i> on Condensed Consolidated Financial Statements	51

Interim Management Report

Company Overview

Overview

Aperam is a leading global stainless and specialty steel producer based on an annual production capacity of 2.5 million tonnes. Aperam is the largest stainless and specialty steel producer in South America and the second largest producer in Europe. Aperam is also a leading producer of high value-added specialty products, including grain oriented ("GO") and non-grain oriented ("NGO") electrical steels and nickel alloys. Aperam's production capacity is concentrated in six production facilities located in Brazil, Belgium and France. Aperam's distribution network is comprised of 17 Steel Service Centers ("SSCs"), 8 transformation facilities and 20 sales offices. Aperam sells its products to customers on three continents in over 40 countries, including customers in the aerospace, automotive, catering, construction, household appliances and electrical engineering, industrial processes, medical, and oil and gas industries.

At the end of June 2014, Aperam had approximately 9,600 employees. Aperam commits to operate in a responsible way with respect to health, safety and well-being of its employees, contractors and the communities in which it operates. It is also committed to the sustainable management of the environment and of finite resources.

In 2013, Aperam had sales of \$5.1 billion and shipments of 1.73 million tonnes. For the six months ending June 30, 2014, Aperam had sales of \$2.8 billion and shipments of 0.94 million tonnes.

Contacts

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

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

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

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

Interim Management Report

Message from the CEO

August 1, 2014

Dear Shareholders,

I am honored to present the 2014 Aperam half year report which reflects our performance for the six months ended June 30, 2014 and the key milestones over this period.

We continued to make progress on health and safety, with the lost time injury frequency rate improving to 1.2 in the first six months of 2014 compared to 1.3 in the year 2013. Zero accidents remain our ultimate goal and we continue to work hard to further improve our frequency rate.

The first six months of the year have been a period of progress with demand recovering in our key markets, in particular in Europe. In the first half of 2014 nickel prices increased by more than 35%, primarily a consequence of the enforcement of the Indonesian ban on nickel ores early January 2014. In this environment we continued to make progress on profitability, in strengthening our balance sheet and in improving our operational efficiency.

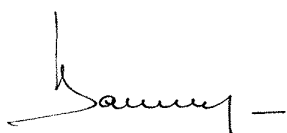
Aperam realized an EBITDA for the first half of 2014 of \$293 million compared to \$146 million for the first half of 2013. Our debt reduction has been a priority and we had a net financial debt of \$663 million at the end of June 2014 compared to \$690 million at the end of December 2013, despite an increased Working Capital Requirement linked to significantly higher activity. We also continued to improve Aperam's operational efficiency with our Leadership Journey® contributing a total amount of \$401 million to EBITDA since the beginning of 2011.

These achievements are the result of our focus on our strategic objectives to i) improve our operational efficiency through our Leadership Journey®, ii) focus on our Top Line strategy and iii) reduce our net debt:

- The Leadership Journey® is an initiative aiming at achieving management gains, fixed and variable cost reductions, and increased productivity. Our journey to efficiency excellence targets to reach a contribution to EBITDA of \$475 million by 2015 since its introduction at the beginning of 2011.
- Our Top Line strategy targets to focus on high margin products and deliver more value-added services to customers. This strategy enables us to optimize the use of our production capacities, to increase the proportion of high margin products while better serving our customers and to offer new stainless steel solutions.
- As part of Aperam's efforts to become a more resilient company capable of responding to the volatile market conditions, we have enhanced our net debt target to be reached by the end of 2014 from \$650 million to \$550 million and are implementing a proactive approach to optimising our debt profile and interest costs. As part of this strategy, we announced at the end of the first half 2014, the successful placing and pricing of net share settled convertible and/or exchangeable bonds of a size of \$300 million.

Looking ahead, we believe that the improvement of the stainless steel market is under way but we remain cautious in view of the economic environment and uncertainty regarding the nickel price evolution and pressure from imports. Overall, we are confident that the ongoing projects related to our Leadership Journey® and Top Line strategy will continue to enhance our operational performance.

Under the leadership of its Board of Directors, Aperam will continue its efforts to become a stronger company and be well prepared to capture growth opportunities and create value for its customers and shareholders.



Philippe Darmayan
Chief Executive Officer

Interim Management Report

Business Overview

History of Aperam

On December 7, 2010, Aperam's Board of Directors and the Board of Directors of ArcelorMittal approved a proposal to spin-off ArcelorMittal's stainless and specialty steels businesses to its shareholders in order to enable it to benefit from better visibility in the markets, and to pursue its growth strategy as an independent company in the emerging markets and in specialty products, including electrical steel. On January 25, 2011, at an extraordinary general meeting, the shareholders of ArcelorMittal voted to approve the spin-off proposal. Since the creation of Aperam, the main shareholder holds 40.8% of the issued share capital and the Luxembourg State holds 2.5% of the issued share capital.

The following discussion and analysis should be read in conjunction with Aperam's annual report as of and for the year ended December 31, 2013 and the condensed consolidated financial statements for the six months ended June 30, 2014 included in this report.

Competitive Strengths

The Company believes that the following are among its key strengths:

Strong values and a commitment to sustainability and health and safety

Aperam understands its responsibility to future generations and local communities. In addition to Aperam BioEnergia enabling the use of sustainable biomass technology, the Company has created environmentally sustainable production solutions while still meeting the stainless and specialty steel demands of its customers. With a strong focus on health and safety, which remains the Company's top priority, the "lost time injury frequency rate", a key indicator of the success of the health and safety procedures measured by the time lost due to injuries per 1,000,000 worked hours, was 1.2 for the six months ended June 2014.

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

Aperam is a leading stainless and specialty steel producer in South America and the second largest producer in Europe. Aperam is well-positioned in both developed and emerging markets, with approximately 69% of the sales derived from developed markets and 31% derived from emerging markets.

In South America, the Company has a leading presence in the flat stainless steel and electrical steel production with fully integrated production and distribution facilities, and its position in South America has contributed to its global leadership in the stainless and electrical steel industry. Aperam is well equipped to continue to serve the growing South American market as a result of its modern production and distribution facilities, and its leading position in the flat stainless and electrical steel production in Brazil and South America provides the Company with a key competitive advantage. Management expects to leverage these facilities going forward in order to capitalize on expected increases in demand for stainless and specialty steels in South America in the near-term.

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

Aperam, through its Alloys & Specialties segment, is the fourth largest producer of nickel alloys in the world. These products are used for high-end applications or addressing very specific customer requirements across a broad range of industries, including the oil and gas, aerospace, automotive, electronics, petrochemical and other industries. Aperam's Alloys & Specialties integrated production facility is located in Imphy, France. Aperam also owns downstream nickel alloy and specialty assets in France, a transformation subsidiary located in China and holds a majority stake in Innovative Clad Solutions, a production facility for industrial clads in Central India.

Interim Management Report

A competitive industrial platform

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

Aperam continues to improve the competitiveness of its industrial base through restructurings and investments launched under the Leadership Journey® programme, which is described in more detail below. The Company has invested and will continue to invest in its modern and cost-efficient production facilities, and management believes that the Company is therefore well positioned to benefit from the long-term growth potential of the stainless and specialty steel industry.

A global integrated distribution network with close proximity to a well-diversified customer base

Aperam has one of the largest integrated stainless and specialty steel sales, distribution and steel services networks in the world, with a total of 17 Steel Service Centers ("SSCs"), 8 transformation facilities and 20 sales offices. The Company is the leading producer of flat stainless and electrical steel in South America with fully integrated production and distribution facilities, and has a highly integrated distribution network in Europe. The Company's distribution channels are strategically located in areas of high demand and close to many end-users. The Company works continuously to further develop its distribution network through internal development, partnerships and targeted acquisitions. Aperam normally expands its global distribution network either in response to an identified market opportunity or in response to the express business needs of major customers. The Company's global distribution network enables to tailor its products to address specific customer needs, thereby facilitating the maintenance of market share and the capture of growth opportunities. The Company's customer base, comprising a number of blue chip clients is well diversified.

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

Aperam offers a wide range of products, including high margin value-added niche products to a diversified customer base in both emerging and developed markets. The Company's products are mainly sold to end-users in the automotive, building and construction, catering and appliance, energy and chemicals, and transportation industries, while electrical steel products are primarily sold to customers in the electric motors, generators and transformers industries. The Company is the fourth largest global producer of nickel alloys, which are sold to customers in the aerospace, automotive, electronics, petrochemical, and oil & gas industries. Aperam's diverse product offering, sold to a wide range of customers across numerous industries, allows the Company to enjoy greater stability and to mitigate some of the risks and cyclicity inherent in certain markets. In addition, Aperam's leading position in nickel alloys, which is a particularly high margin value-added niche product, helps the Company to maintain and improve its margins and profitability.

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

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

Despite challenging market conditions, Aperam generated positive EBITDA in 2013 of \$292 million. For the six months ended June 2014, Aperam benefited from a better market environment and had a positive EBITDA of \$293 million compared to \$146 million for the six months ended June 2013. The Company's profitability is supported by its implementation of the Leadership Journey®, which has contributed at the end of June 2014 to approximately \$401 million to EBITDA since the beginning of 2011. In addition, the Company has been able to generate positive cash-flow from operations over the past three years. As of June 30, 2014, the Company had a net financial debt of \$663 million, representing a gearing of 21%.

Interim Management Report

Strong management team and motivated workforce

Aperam benefits from the experience and industry know-how of its Management Committee. The team is comprised of eight members led by the Chief Executive Officer, Mr. Philippe Darmayan. Mr. Darmayan had been a member of ArcelorMittal's management team since 2002 and brings with him more than 30 years of experience in leading industrial groups in Europe. He is supported by the other members of the Company's senior management team, including Mr. Sandeep Jalan, the Chief Financial Officer ("CFO") since January 2014, who previously served as CFO of ArcelorMittal Long Carbon Europe, responsible for finance and strategy. Mr. Jalan has over twenty years of experience in finance and joined the ArcelorMittal group in 1999. The other members of the Management Committee are Mr. Timóteo Di Maulo, Chief Commercial and Sourcing Officer; Mr. Clenio Guimarães, Chief Operating Officer Stainless & Electrical Steel South America; Mr. Frédéric Mattei, Chief Executive Officer Alloys & Specialties; Ms. Vanisha Mittal Bhatia, Responsible for Strategy; Mr. Jean-Paul Rouffiac, Chief Operating Officer Stainless & Electrical Steel Europe and Ms. Johanna Van Sevenant, Responsible for Sustainability, Human Resources and Communications. The collective industry knowledge and leadership of Aperam's senior management team and their record of accomplishment in responding to challenging economic conditions is a key asset to Aperam's business. The Company has also introduced various initiatives to improve the dedication and motivation of its work force, including development programs, employee self-evaluations, monthly career committee meetings to evaluate opportunities for managers and performance-based bonuses. Greater accountability improves motivation, and the Company's approach to human resources has contributed to the dedication and motivation of its workforce.

Strategy

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

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

Improving operational efficiency and increasing EBITDA through the Leadership Journey®

The Leadership Journey® is an initiative aimed at achieving management gains, fixed and variable cost reductions, and increased productivity over the near and medium term. The Leadership Journey® is composed of a number of initiatives which can be broadly characterized as restructuring projects, cost reduction projects and continuous improvement initiatives. Restructuring projects under the Leadership Journey® have traditionally focused on the closure of non-competitive capacities and the reduction of fixed costs through process simplification and transformation projects. Cost reduction projects have focused on cost-cutting through improvement of the Company's industrial footprint. Continuous improvement initiatives have typically entailed detailed action plans to streamline sourcing functions, reduce costs in areas such as IT, and generally reduce sales, general and administrative costs.

As at December 31, 2013, the Leadership Journey® had contributed a total amount of \$369 million to EBITDA since the beginning of 2011. The Leadership Journey® continued to progress over the first half of 2014 to reach \$401 million at EBITDA level since the beginning of 2011. Key projects which continued to contribute to the Leadership Journey® achievements in the first 6 months of 2014 include the closure of Firminy (France), the Imphy meltshop enhancement (France), the industrial optimisation and rationalisation in Europe.

Aperam's goal is to achieve \$475 million in gains and profit enhancements by 2015. This includes the previously announced target of \$425 million by the end of 2014. In order to achieve its goals under the Leadership Journey®, the Company will continue to optimize its operations in Europe, while exchanging best practices between its European and Brazilian facilities in order to increase its global industrial performance. In addition, the Company will continue to focus on new sourcing initiatives, yield and quality improvements, organizational simplifications and further product development. On February 6, 2014, as part of the Leadership Journey® and the Top Line strategy, the Board of Directors of Aperam approved an investment of \$10 million in debottlenecking the finishing line of the Imphy Wire Rod mill. On May 7, 2014, the Board of Directors of Aperam approved an investment of \$25 million in productivity improvement of the downstream facilities in Genk (Belgium), Gueugnon (France) and Timoteo (Brazil). On July 31, 2014, as part of the Top Line strategy and the Leadership Journey®, the Board of Directors of Aperam approved an investment of \$17 million aiming at offering High Grain Oriented electrical steel products while at the same time improving the costs competitiveness of Aperam's Brazilian electrical steel operations.

Interim Management Report

Leveraging our unique stainless steel product portfolio

Aperam intends to continue to support the development of its wide range of products, with a focus on high-margin value-added niche products. Because of the specialized nature of these products, Aperam is able to earn higher margins, typically attracting higher prices than its other more commoditized products. In order to grow its sales of high-margin value-added niche products and replace low contribution margin products, Aperam targets to increase the proportion of our research and development expenditure which is dedicated to developing new solutions for customers with specialty steel requirements, while focusing our marketing and advertising efforts on promoting these products more widely.

Driving additional value through the Services & Solutions segment

In a volatile environment, Aperam believes that the development of the Services & Solutions segment and the provision of better services to its customers are key for achieving financial and operational excellence. Value-added services provided to the Company's clients include cutting, polishing, brushing, forming, welding, pickling, annealing or packaging. Aperam believes that the further development of the Services & Solutions segment will drive additional value creation while serving its customers more effectively. As part of this strategy and the Leadership Journey®, Aperam invested \$35 million to create a new service center in Campinas in the Sao Paulo region of Brazil, which started operations by the end of 2012, and enables the Company to better serve customers in the Brazilian market. In particular, the facility's optimized footprint and its location close to high-consumption areas in the Brazilian market are expected to play a role in developing our operational capabilities and growing the Services & Solutions segment.

Growing the Alloys & Specialties segment

The Alloys & Specialties segment specializes in the design, production and transformation of various nickel alloys and certain specific stainless steels. These products are intended for high-end applications or addressing very specific customer requirements across a broad range of industries, including the oil and gas, aerospace, automotive, electronics, petrochemical and other industries. The Company believes that the Alloys & Specialties segment has significant growth potential which could be captured with new investments. As part of this strategy and the Leadership Journey®, Aperam invested \$33 million at its Imphy plant in France to increase revenue and improve competitiveness, with operations started by the end of 2012. In February 2014, the Board of Directors of Aperam further approved an investment of \$10 million in debottlenecking the finishing line of the Imphy wire rod mill.

Reduction of net debt and cost of debt

As part of Aperam's efforts to become a more resilient company capable of responding to the volatile market environment, the Company's shareholders have approved at the annual general meeting held on May 8, 2014 to continue paying no dividend in 2014 in order to accelerate the net debt reduction with a target to reach \$650 million by the end of 2014.

On June 27, 2014 the Company announced the successful placing and pricing of its offering of net share settled convertible and/or exchangeable bonds due 2021 of a size of \$300 million. The net proceeds of the offering will be used for general corporate purposes and the refinancing of existing indebtedness (including senior notes maturing in 2016). The issue of the bonds reflects the proactive approach of the Company to optimising its debt profile and interest costs.

On July 31, 2014, the Company announced a further strengthening of its balance sheet with the enhancement of the net debt reduction program to reach USD 550 million by the end of 2014.

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

Interim Management Report

Aperam's profit driving pillars

The Group's 5 key profit driving pillars based on its strategic priorities can be summarized as follows:

1. Aperam is aiming at being the best in cost with its Leadership Journey® and is targeting a contribution of \$475 million to EBITDA from 2011 to 2015.
2. Aperam is aiming at optimizing its product portfolio and replacing low contribution margin products by high margin products, also leveraging its presence with an extensive distribution and service network reaching end-use customers.
3. Aperam is aiming at seizing opportunities from the growing domestic Brazilian market. With a leading presence in South America in flat stainless steel and electrical steel the Company is well positioned to capture the Brazilian market growth based on its domestic industrial presence. Moreover Aperam has further potential to improve its industrial performance in Brazil and optimize its product mix in the high grain oriented market. In addition, the recent antidumping measures taken in Brazil are expected to create a stable and fair market environment for the next 4 years.
4. Aperam is aiming at growing in its Alloys & Specialties business with a particular focus on high margin products used for LNG tankers, continuously variable transmission belts, moulds for composite aircraft fuselage parts and special welding. Moreover Aperam expects that its recent capex realized in its Alloys & Specialties division will allow the Company to follow these growing segments whilst improving its competitiveness.
5. Finally, the transformations underway in Europe are expected to improve the industry's capacity utilization at the European level.



Project: Castelão Stadium revamped with Aperam Stainless Steel (Fortaleza, CE, Brazil)

Material: 80t of k44

Credits: Ceará State Government

Vigliecca & Associados

Interim Management Report

Key factors affecting results of operations

The following major factors could cause actual results to differ materially from those discussed in the forward-looking statements included throughout this interim financial report.

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

Interim Management Report

Market environment

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

Stainless Steel Pricing

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

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

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

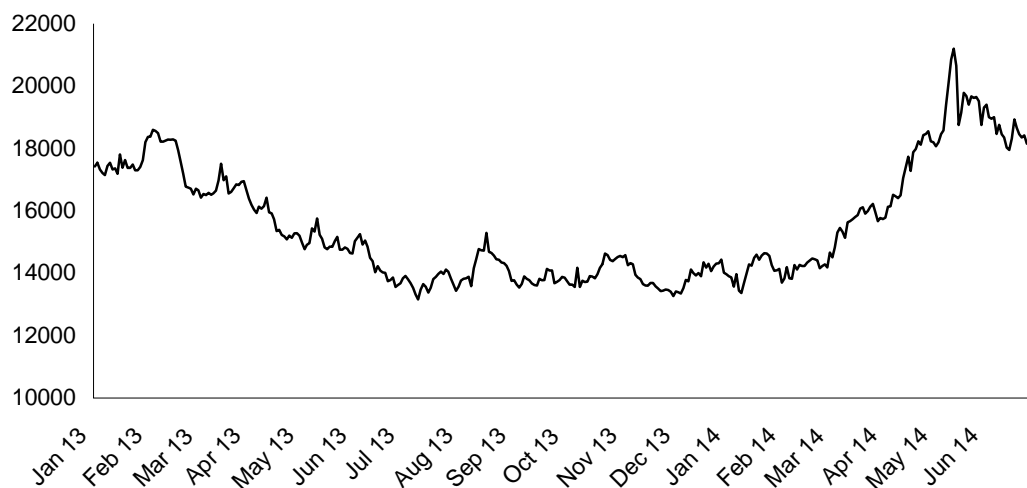
Notwithstanding the application of the "alloy surcharge", the Company is still affected by changes in raw material prices, in particular nickel. In general, when the price of nickel is falling, purchasers of stainless steel products delay their orders to benefit from an expected decline in prices, which has the effect of reducing demand in the short term. By contrast, when nickel prices are rising, purchasers tend to acquire larger quantities of stainless steel in order to avoid having to buy at higher prices.

In 2013, the nickel price decreased from a level of approximately 17,000\$/tonne at the beginning of the year to about \$14,000 per tonne at the end of the year. In the first half of 2014 Nickel prices increased and reached about 19,000\$/tonne at the end of June 2014. This increase is primarily a consequence of the enforcement of the Indonesian ban on nickel ores early January 2014. Looking ahead, the Company believes that the improvement of the stainless steel market is under way but remains cautious in view of the current economic environment and in particular uncertainties regarding the nickel price evolution and pressure from imports.

Interim Management Report

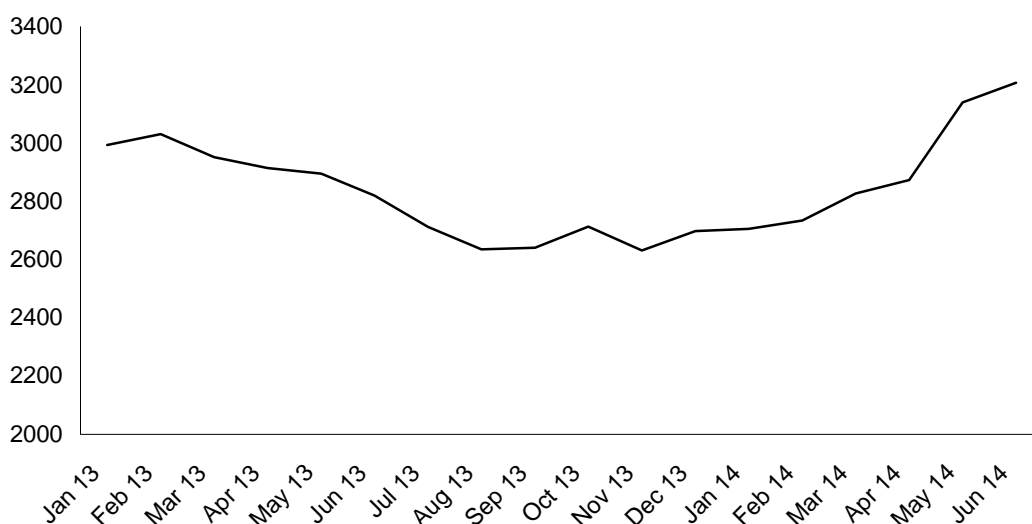
The charts hereafter show the price of nickel on the LME and the European base price for CR304 stainless steel for the period from January 1, 2013 to June 30, 2014:

Nickel Daily - LME (\$/tonne)



Stainless Steel/CR304 2B 2mm

Coil Transaction Price Monthly/Southern Europe Domestic Delivered (\$/tonne)



Source:

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

In 2013, stainless steel transaction prices (based on the price of CR304 2B 2mm transaction base prices/Southern Europe) reached approximately 2,700\$/tonne at year end. In the first half of 2014, stainless steel transaction prices increased to approximately 3,200 \$/tonne at the end of June 2014 as a consequence of the rising nickel prices.

Interim Management Report

Demand for Stainless Steel

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

In 2013, global demand for stainless steel flat products grew by 9% compared to previous year, primarily led by emerging markets (China accounting for 70% of the increase). In the first half of 2014, demand for stainless steel flat products increased by 10% compared to the first half of 2013. This increase was primarily due to strong growth recorded in all major markets for stainless.

Current and anticipated trends in stainless steel demand

Global demand for stainless steel flat products is expected to increase by approximately 5% per annum from 2014 until 2018, with annual growth rates of approximately 1% and 3% expected for Europe and South America, respectively.

Production and global utilization rates

In 2013, there was a 9% global growth in stainless production compared to previous year, driven primarily by increased production in China. In the first half of 2014, stainless production increased by 11% compared to same period in 2013.

Global sector utilization rates reached approximately 68% in 2013 and further increased to 72% in the first half of 2014 based on management estimates. Global utilization rates are expected to gradually improve until 2018 primarily as a consequence of the demand growth as described in greater detail above under “—Demand for Stainless and Electrical Steel”.

Competition

At the end of the first half of 2014, the stainless steel flat producers with slab production capacity in excess of 2.0 million tonnes per year, were Aperam, Outokumpu, Acerinox, Baosteel, Pohang Iron and Steel Company (“POSCO”), Yieh United Steel (“YUSCO”), Taiyuan Iron & Steel (“TISCO”) and Tsingshan. These producers accounted for approximately half of the global capacity, based on management estimates.

In Europe, Aperam competes primarily with Outokumpu, Acerinox and to a growing extent with importers. In South America, Aperam faces competition primarily from imports from Asia, South Africa and India. Nickel alloys are a niche market in which the Company’s main competitors are ThyssenKrupp VDM, Carpenter Technologies, Special Metals, Allegheny Technologies ATI and Haynes.

Major anti-dumping developments

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

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.

Interim Management Report

Leadership Journey®

The Leadership Journey® is an initiative aimed at achieving management gains, fixed and variable cost reductions, and increased productivity over the near and medium term.

As at December 31, 2013, the Leadership Journey® had contributed a total amount of \$369 million to EBITDA since the beginning of 2011. The Leadership Journey® continued to progress over the first half of 2014 to reach \$401 million at EBITDA level since the beginning of 2011. Key projects which continued to contribute to the Leadership Journey® achievements in the first 6 months of 2014 include the closure of Firminy (France), the Imphy meltshop enhancement (France), the industrial optimisation and rationalisation in Europe.

The Leadership Journey® is described in greater detail above under “—Strategy, Improving operational efficiency and increasing EBITDA through the Leadership Journey®”.

Impact of exchange rate movements

The section below described the evolution of the currencies of the major jurisdictions where Aperam operates (mainly Euro and Brazilian real).

In 2013, the U.S. dollar depreciated by 4.3% against the Euro to reach 0.7251 Euro/U.S. dollar at year end. In 2013, the U.S. dollar appreciated by 14.6% against the Brazilian real to reach 2.3426 Brazilian real/U.S. dollar at year end. In the first half of 2014, the U.S. dollar appreciated by 1.0% against the Euro to reach 0.7322 Euro/U.S. dollar at the end of June. In the first half of 2014, the U.S. dollar depreciated by 6.0% against the Brazilian real to reach 2.2025 Brazilian real/U.S. dollar at the end of June.

Because a substantial portion of Aperam's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its presentation currency), Aperam has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. In order to minimize its currency exposure, the Company enters into hedging transactions to lock in a set exchange rate, in accordance with its management policies.

Operating results

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

Key Indicators

The key performance indicators that Aperam's management uses to analyze operations are sales, average steel selling prices, steel shipments and operating result. Management's analysis of liquidity and capital resources is driven by operating cash flows.

Interim Management Report

Six months ended June 30, 2014 as compared to six months ended June 30, 2013

Sales, Steel Shipments and Average Steel Selling Prices

Sales increased by 7.7% to \$2,838 million for the six months ended June 30, 2014 from \$2,635 million for the six months ended June 30, 2013. The increase in sales was due to higher shipments, which increased by 10.6% to approximately 941 thousand tons for the six months ended June 30, 2014 from 851 thousand tons for the six months ended June 30, 2013, partly offset by lower average steel selling price, which decreased by 3.9% to \$2,846 per ton for the six months ended June 30, 2014 from \$2,963 per ton for the six months ended June 30, 2013.

The following table provides a summary of sales at Aperam by reportable segment for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013:

Reportable Segment	Sales for the Six Months Ended June 30, ⁽¹⁾		Steel Shipments for the Six Months Ended June 30, ⁽²⁾		Average Selling Price for the Six Months Ended June 30,		Changes in		
	2014	2013	2014	2013	2014	2013	Sales	Steel Shipments	Average Steel Selling Price
	<i>(in millions of U.S. dollars)</i>		<i>(in thousands of tons)</i>		<i>(in U.S. dollars/ton)</i>		<i>(%)</i>		
Stainless & Electrical Steel ^{(3), (4)}	2,266	2,088	902	817	2,370	2,450	8.5	10.4	(3.3)
Services & Solutions.....	1,253	1,138	385	345	3,096	3,130	10.1	11.6	(1.1)
Alloys & Specialties	312	333	18	20	16,582	16,601	(6.3)	(10.0)	(0.1)

Notes:

- (1) Amounts are shown prior to intra-group eliminations. For additional information, see Note 9 to the Condensed Consolidated Financial Statements.
- (2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 364 thousand tons and 331 thousand tons in the six months ended June 30, 2014 and 2013, respectively.
- (3) Includes shipments of special carbon steel from the Company's Timóteo production facility.
- (4) Due to the transfer of the entity Aperam Bioenergia from the segment "Other" to the segment "Stainless & Electrical Steel" as at January 1, 2014, figures for the six months ended June 30, 2013 have been restated accordingly.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment increased by 8.5% to \$2,266 million for the six months ended June 30, 2014 from \$2,088 million for the six months ended June 30, 2013, mainly as a result of higher shipment volumes, partly offset by decreased average steel selling price. The average steel selling price for the Stainless & Electrical Steel segment decreased by 3.3%, to \$2,370 per ton for the six months ended June 30, 2014 from \$2,450 per ton for the six months ended June 30, 2013. Sales to external customers in the Stainless & Electrical Steel segment were \$1,317 million for the six months ended June 30, 2014, representing 46.4% of total sales, an increase of 9.4% as compared to sales to external customers of \$1,204 million for the six months ended June 30, 2013, or 45.7% of total sales. Steel shipments for this segment (including intersegment shipments) increased to 902 thousand tons for the six months ended June 30, 2014 (of which 314 thousand tons were attributable to our operations in South America and 588 thousand tons were attributable to our operations in Europe) from 817 thousand tons for the six months ended June 30, 2013 (of which 300 thousand tons were attributable to our operations in South America and 517 thousand tons were attributable to our operations in Europe), which represented an increase of

Interim Management Report

10.4%. Higher shipments were due to real demand recovery since the beginning of 2014 as well as customers restocking effect in Europe.

Services & Solutions

Sales in the Services & Solutions segment increased by 10.1% to \$1,253 million for the six months ended June 30, 2014 from \$1,138 million for the six months ended June 30, 2013. The increase was due to higher shipment volumes, partly offset by lower average stainless steel selling price. The average steel selling price for the Services & Solutions segment decreased by 1.1%, to \$3,096 per ton for the six months ended June 30, 2014 from \$3,130 per ton for the six months ended June 30, 2013. Sales to external customers in the Services & Solutions segment were \$1,209 million for the six months ended June 30, 2014, representing 42.6% of total sales, an increase of 9.8% as compared to sales of \$1,101 million for the six months ended June 30, 2013, or 41.8% of total sales. Steel shipments for this segment increased to 385 thousand tons for the six months ended June 30, 2014 from 345 thousand tons for the six months ended June 30, 2013, which represented an increase of 11.6%.

Alloys & Specialties

Sales in the Alloys & Specialties segment decreased by 6.3% to \$312 million for the six months ended June 30, 2014 from \$333 million for the six months ended June 30, 2013. The decrease was primarily due to lower shipment volumes and product mix effects. The average steel selling price for the Alloys & Specialties segment stable at \$16,582 per ton for the six months ended June 30, 2014 compared to \$16,601 per ton for the six months ended June 30, 2013. Sales to external customers in the Alloys & Specialties segment were \$310 million for the six months ended June 30, 2014, representing 10.9% of total sales, a decrease of 6.1% as compared to sales to external customers of \$330 million for the six months ended June 30, 2013, or 12.5% of total sales. Steel shipments for this segment were 18 thousand tons for the six months ended June 30, 2014, which is a 10.0% decrease compared to the 20 thousand tons for the six months ended June 30, 2013.

Operating Income (Loss)

Operating income for the six months ended June 30, 2014 was \$161 million, compared to an operating loss of \$6 million for the six months ended June 30, 2013. The return to operating profit in the six months ended June 30, 2014 is mainly driven by the very good performance of the Leadership Journey® and the Top Line strategy as well as higher activity, in particular in Europe. Operating income for the six months ended June 30, 2014 also includes \$21 million positive effect of a lower depreciation charge due to the revision of estimated residual useful lives of key plant and equipment as from January 1, 2014 (please refer to Note 1 to the Condensed Consolidated Financial Statements).

The following table summarizes the operating income / (loss) and the operating margin of the three reportable segments for the six months ended June 30, 2014 as compared with the six months ended June 30, 2013:

Operating Segment	Operating Income/(Loss) for the Six Months Ended June 30,		Operating Margin for the Six Months Ended June 30,	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
	(in millions of U.S. dollars)		(%)	
Stainless & Electrical Steel.....	110	(1)	4.9	(0.0)
Services & Solutions	41	(14)	3.3	(1.2)
Alloys & Specialties	30	21	9.6	6.3
Total ⁽²⁾	161	(6)	5.7	(0.2)

(1) Due to the transfer of the entity Aperam Bioenergia from the segment "Other" to the segment "Stainless & Electrical Steel" as at January 1, 2014, figures for the six months ended June 30, 2013 have been restated accordingly.

(2) Amounts shown include eliminations of \$(20) million and \$(12) million for the six months ended June 30, 2014 and 2013, respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with intersegment eliminations and/or non-operational items which are not segmented.

Interim Management Report

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was \$110 million for the six months ended June 30, 2014 (of which operating income of \$59 million and \$51 million were attributable to our operations in Europe and South America, respectively), compared to an operating loss of \$1 million for the six months ended June 30, 2013 (of which operating loss of \$10 million was attributable to our operations in Europe and operating income of \$9 million was attributable to our operations in South America). The operating result for the six months ended June 30, 2014 increased compared to the six months ended June 30, 2013 in the Stainless & Electrical Steel segment mainly as a result of Aperam's value strategy and a higher activity including customers restocking effect. During the second quarter of 2013, USD 8 million income of insurance indemnification was recognized in relation to the capital expenditures linked to the rebuilding of the new annealing and pickling line in Gueugnon, France.

Services & Solutions

The operating income for the Services & Solutions segment was \$41 million for the six months ended June 30, 2014 compared to an operating loss of \$14 million for the six months ended June 30, 2013. This improved operational result primarily resulted from an increase in volumes, the positive contribution of the Leadership Journey® and the positive stock effect. In addition, USD 7 million of restructuring provision and USD 3 million of impairment loss on tangible assets have been recorded in relation to Firminy (Aperam Stainless Services & Solutions Precision) upcoming closure during the second quarter of 2013.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was \$30 million for the six months ended June 30, 2014, compared to operating income of \$21 million for the six months ended June 30, 2013. This increase of USD 9 million was primarily due to product mix improvement and continuous progress in the Leadership Journey®.

Loss from Other Investments and Associates

There was a loss from other investments of \$28 million for the six months ended June 30, 2014, which consisted in an impairment loss of \$29 million recorded on our minority stake in Gerdau, a Brazilian steelmaker, according to the prolonged decline of the share price of that investment compared to its acquisition cost. This loss was partly offset by dividends received from Gerdau for \$1 million. There was no income from other investments for the six months ended June 30, 2013.

Interest Income

Interest income was \$3 million for the six months ended June 30, 2014, compared to \$2 million recorded for the six months ended June 30, 2013.

Interest Expense and Other Net Financing Costs

Interest expense and other net financing costs include interest expense, net foreign exchange and derivative results and other net financing costs. Interest expense and other net financing costs decreased to \$65 million for the six months ended June 30, 2014, compared to \$67 million for the six months ended June 30, 2013.

Excluding foreign exchange and derivative result described below, interest expense and other financing costs for the six months ended June 30, 2014 were \$62 million, primarily related to financing costs of \$41 million, compared to interest expense and other financing costs of \$59 million for the six months ended June 30, 2013, primarily related to financing costs of \$42 million. Financing costs relate to interests and other expenses related to the service of debt and other financing facilities.

Interim Management Report

Realized and unrealized foreign exchange and derivative losses were \$3 million for the six months ended June 30, 2014, compared to realized and unrealized foreign exchange and derivative losses of \$8 million for the six months ended June 30, 2013. Foreign exchange results primarily relate to the accounting revaluation of U.S. dollar denominated external debt held in subsidiaries and results on derivatives primarily relate to results on financial instruments we entered into, to hedge our exposure to nickel prices which do not qualify for hedge accounting treatment under IAS 39.

Income Tax Expense (Benefit)

We recorded an income tax expense of \$16 million for the six months ended June 30, 2014, compared to an income tax benefit of \$32 million for the six months ended June 30, 2013. The income tax expense was primarily due to positive operational results in several countries.

Net Income (Loss) Attributable to Equity Holders of the Parent

Our net result was a profit of \$55 million for the six months ended June 30, 2014, compared to a loss of \$39 million for the six months ended June 30, 2013.

Related Party Transactions

Aperam is engaged in certain commercial and financial transactions with related parties. Please refer to the Condensed Consolidated Statement of Operations for the six months ended June 30, 2014 and to Note 12 to the Consolidated Financial statements as of December 31, 2013 for further details.

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

On September 19, 2013, Aperam announced the successful placing and pricing of its offering of convertible and/or exchangeable bonds for \$200 million (the “bonds” hereafter). The bonds are convertible into new or existing ordinary shares of the Company. The Significant Shareholder¹, subscribed for \$81.8 million of bonds, equal to its 40.8% stake in the Company's share capital.

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

The bonds and the Share Lending Agreement are described in greater detail below under “—Convertible bonds”.

¹ The term “Significant shareholder” means the trust (HSBC Trust (C.I.) Limited, as trustee) of which Mr Lakshmi N. Mittal, Mrs Usha Mittal and their children are the beneficiaries, holding Aperam shares through the following two companies: Nuavam Investments Sarl and Lumen Investments Sarl.

Interim Management Report

Liquidity

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash generated from its operations, its senior credit facility and credit facilities at the level of its operating subsidiaries. Management believes that the cash generated from the Company's operations and credit facilities are sufficient to meet the Company's present requirements. Aperam S.A., the parent company of the Group, is dependent upon the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses and meet its debt service obligations since it is a holding company.

Total debt, which includes long-term debt and short-term debt, was \$834 million as of June 30, 2014 and total debt was \$982 million as of December 31, 2013. Net debt (defined as long-term plus short-term debt less cash and cash equivalents (including short term investments) and restricted cash) was \$663 million as of June 30, 2014, compared to \$690 million at December 31, 2013. Gearing (defined as net debt divided by total equity) was 21% as of June 30, 2014 compared to 23% as of December 31, 2013.

As of June 30, 2014, the Company had drawn \$70 million of the Borrowing Base Facility, leaving a committed credit line of \$530 million under the facility subject to eligible collateral being available. In addition, as of June 30, 2014, Aperam had \$103 million of debt outstanding at the subsidiary level, of which the Company had granted security over \$44 million of indebtedness. As of December 31, 2013, the Company had drawn \$163 million of the Borrowing Base Facility, leaving a committed credit line of \$506 million under the facility subject to eligible collateral being available. In addition, as of December 31, 2013, the Company had \$115 million of debt outstanding at the subsidiary level, of which the Company had granted security over \$44 million of indebtedness.

As of June 30, 2014, the Company had total liquidity of \$701 million, consisting of cash and cash equivalents (including short term investments) of \$171 million and committed credit lines (subject to availability of eligible collateral) of \$530 million. As of December 31, 2013, the Company had total liquidity of \$797 million, consisting of cash and cash equivalents (including short term investments) of \$291 million and committed credit lines (subject to availability of eligible collateral) of \$506 million.

These facilities, which include debt held at the subsidiary level, together with other forms of financing, including the notes, represent an aggregate amount of approximately \$1.4 billion, with borrowing capacity of \$530 million. In management's opinion, such financing will be sufficient for the Company's future requirements.

Financing

Borrowing Base Facility

On March 15, 2011, Aperam entered into a \$800 million secured borrowing base revolving credit facility (the "Borrowing Base Facility").

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

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

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

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

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

Interim Management Report

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

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

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

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

On June 30, 2014, these financial covenants were fully met.

Notes

On March 28, 2011, Aperam issued two series of U.S. dollar denominated notes, consisting of \$250 million aggregate principal amount of its 7^{3/8}% notes due 2016 and \$250 million aggregate principal amount of its 7^{3/4}% notes due 2018, in a private placement in the international capital markets.

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

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

Please refer to section "Net share settled convertible and/or exchangeable bonds due 2021" below for the refinancing of existing indebtedness (including senior notes maturing in 2016).

Convertible Bonds

Convertible and/or exchangeable bonds due 2020

On September 19, 2013, Aperam announced the successful placing and pricing of its offering of convertible and/or exchangeable bonds for \$200 million with the objective to use the net proceeds of the offering for general corporate purposes, including the refinancing of existing indebtedness.

The bonds are convertible into new or existing ordinary shares of the Company. The Significant Shareholder, subscribed for \$81.8 million of bonds, equal to its 40.8% stake in the Company's share capital. The bonds are senior and unsecured, and ranking equally in right of payment with all other existing and future senior unsecured indebtedness and senior in right of payment to all existing and future subordinated indebtedness. They have an annual coupon of 2.625% payable semi-annually in arrear and an initial conversion price of \$21.96. The bonds were issued and will be redeemed at 100% of their principal amount and will, unless previously redeemed, converted, purchased and cancelled under certain conditions, mature on September 30, 2020. The Company will have the option to redeem the bonds at their principal amount plus accrued interest on or after October 15, 2017, if the parity value (translated into USD at the prevailing exchange rate), shall have exceeded 130% of the bonds' principal amount.

Interim Management Report

Bondholders will be entitled to have their bonds redeemed at their principal amount plus accrued interest on September 30, 2017.

Unless previously redeemed, or purchased and cancelled, each bond will be convertible and / or exchangeable into shares at the option of the bondholder during the conversion period. The delivery of new and / or existing shares is at Aperam's absolute discretion, subject to the limits and conditions set out below. Should the number of new shares to be issued be in excess of the number of new shares which Aperam is authorized to issue, Aperam will deliver existing shares.

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

As at the closing date on September 30, 2013, Aperam had the authority to issue up to 7,804,573 new shares, representing 10% of the issued capital. On the basis of the current conversion ratio convertible, the issuance of up to 9,107,468 new shares would be required to deliver the necessary new shares upon conversion of the bonds. As a consequence, prior to the closing of the offering, the Company entered into a share lending agreement with Lumen Investments Sarl, Luxembourg, pursuant to which Lumen Investments Sarl, Luxembourg will agree to make available for borrowing by the Company, at any time and from time to time while any convertible and/or exchangeable bond due 2020 is outstanding, existing shares up to, in the aggregate, a maximum amount of approximately 2.6 million such shares. On May 8, 2014, the shareholders approved at an Extraordinary General Meeting to increase the Company's authorised shares by 10,362,482 ordinary shares without nominal value based on the need of the convertible and/or exchangeable bonds due 2020 and for the Company to have adequate flexibility going forward. The resolutions passed at the General Meetings of May 8, 2014 are described in greater detail below under "— Corporate Governance".

Net share settled convertible and/or exchangeable bonds due 2021

On June 27, 2014 Aperam announced the successful placing and pricing of its offering of net share settled convertible and/or exchangeable bonds due 2021 for \$300 million with the objective to use the net proceeds for general corporate purposes and the refinancing of existing indebtedness (including senior notes maturing in 2016). The issue of the bonds reflects the proactive approach of the Company to optimising its debt profile and interest costs.

The bonds have an annual coupon of 0.625% payable semi-annually in arrear and an initial conversion price of USD43.92. The bonds have been issued and redeemed at 100% of their principal amount and will mature on July 8, 2021 (7 years), unless previously redeemed, converted, exchanged or purchased and cancelled. The Company will have the option to redeem the bonds at their principal amount plus accrued interest on or after July 23, 2018 (4 years plus 15 days), if the parity value (translated into USD at the prevailing exchange rate), shall have exceeded 130% of the bonds' principal amount. Bondholders will be entitled to have their bonds redeemed at their principal amount plus accrued interest on January 8, 2019 (4.5 years). In case of exercise of their conversion right, bondholders shall receive, unless the Company elects otherwise, an amount in cash corresponding to the outstanding principal amount and, as the case may be, a number of new and/or existing Aperam shares corresponding to the value in excess thereof. The Company also has the option to elect to deliver new and/or existing shares only. If the Company is unable to satisfy the conversion right in whole or in part through the issue or delivery of shares, the Company will pay an equivalent cash amount.

Other credit facilities

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

True Sales of Receivables Program

Following the spin-off, the Company obtained liquidity from the sale of receivables through a true sale of receivables ("TSR") program. As of the end of June 2012, the program was subsequently split into two programs under similar terms and conditions to the existing program, and the maximum combined amount of the programs that could be utilized as of June 30, 2014 was EUR 250 million. Through the TSR program, the Company and certain of its operating subsidiaries surrender the control, risks and benefits associated with the accounts receivable sold, allowing

Interim Management Report

it to record the amount of receivables sold as a sale of financial assets and remove the accounts receivable from its statement of financial position at the time of the sale.

The amount of receivables the Company sold under the TSR program and derecognized in accordance with IAS 39 for the year ended December 31, 2013 was \$1.7 billion, and was \$0.9 billion for the six months ended June 30, 2014. 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 \$13 million in the year ended December 31, 2013, and \$7 million for the six months ended June 30, 2014.

As of June 30, 2014, the Company had \$329 million outstanding under the TSR program.

Equity

Equity attributable to the equity holders of the parent increased by \$191 million to \$3,144 million at June 30, 2014, as compared to \$2,953 million at December 31, 2013, primarily due to foreign currency translation differences of \$68 million, net income for the period of \$55 million, option premiums (net of tax) on equity derivatives of \$37 million, change in reserves for unrealized result on derivative financial instruments and available for sale securities of \$26 million and \$3 million, respectively, change in recognized actuarial gains of \$1 million and recognition of share-based payments of \$1 million.

Sources and Uses of Cash

Summary of Cash Flows	
Six months ended June 30,	
2014	2013
<i>(in millions of U.S. dollars)</i>	

Net cash provided by operating activities	67	44
Net cash used in investing activities	(33)	(74)
Net cash (used in) / provided by financing activities	(159)	50

Net cash provided by Operating Activities

Net cash provided by operating activities increased to \$67 million for the six months ended June 30, 2014, compared to \$44 million for the six months ended June 30, 2013. The increase was due to better operational result and higher utilization of TSR programs, partly offset by increase in working capital requirements. Working capital (defined for purposes of the condensed consolidated financial statements as consisting of inventories plus trade accounts receivable less trade accounts payable) for the six months ended June 30, 2014, increased by \$117 million from December 31, 2013.

Net cash used in Investing Activities

Net cash used in investing activities amounted to \$33 million for the six months ended June 30, 2014, compared to \$74 million for the six months ended June 30, 2013. The net cash used in investing activities for the six months ended June 30, 2014 was mainly related to capital expenditures for \$41 million, partly offset by proceeds received from the sale of tangible assets in Brazil in 2013. Net cash used in investing activities for the six months ended June 30, 2013 was mainly related to capital expenditures for \$67 million and transfer into restricted cash of deposits related to credit arrangements for \$10 million.

Interim Management Report

Net Cash (used in) provided by Financing Activities

Net cash used in financing activities was \$159 million for the six months ended June 30, 2014, compared to net cash provided by financing activities of \$50 million for the six months ended June 30, 2013. Net cash used in financing activities for the six months ended June 30, 2014 was primarily due to net payments to banks of \$157 million, of which \$93 million net reimbursements on the Borrowing Base Facility and the early reimbursement of a \$50 million secured bank loan maturing in October 2015. Net cash provided by financing activities for the six months ended June 30, 2013 was primarily due to payables to banks that amounted to net proceeds of \$52 million, mainly resulting from drawings on the Borrowing Base Facility for \$55 million.

Earnings Distributions

On February 6, 2014, the Company announced that the Board of Directors will submit to a shareholders' vote, at the next annual general meeting on May 8, 2014, a proposal to continue not paying a dividend in 2014 in order to support the previously announced net debt reduction programme. This proposal was approved by a shareholders' vote at the annual general meeting of May 8, 2014.

Research and Developments, Patents and Licenses

Research and development costs expensed (and included in selling, general and administration expenses) for the six months ended June 30, 2014 amounted to \$11 million, compared to \$10 million for the six months ended June 30, 2013.

Trend Information

All of the statements in this "Trend Information" section are subject to and qualified by the information set forth under the "Cautionary Statement Regarding Forward-Looking Statements". See also above "—Key factors affecting results of operations".

On July 31, 2014, the Company released its second quarter 2014 results which are available on the Company's website www.aperam.com, section "Investors & shareholders". As part of its prospects, the Company announced that EBITDA in the third quarter of 2014 is expected to be lower compared to EBITDA in second quarter of 2014 due, in particular, to the traditional seasonal effect. Net financial debt is expected to decrease in the third quarter of 2014 compared to the second quarter of 2014. On July 31, 2014, the Company also announced a further strengthening of its balance sheet with the enhancement of the net debt reduction program to reach USD 550 million by the end of 2014.

Interim Management Report

Recent Developments

- On February 6, 2014, Aperam announced that the Board of Directors decided to submit to the shareholders' vote, at the Company's next annual general meeting on May 8, 2014, a proposal to continue paying no dividend in 2014 in order to support the previously announced net debt reduction program.
- On February 6, 2014, Aperam announced that in order to continuously enhance its costs competitiveness, the company will expand the Leadership Journey® to a new target of \$475 million by 2015. This includes the previously announced target of \$425 million by the end of 2014.
- On February 6, 2014, the Board of Directors of Aperam approved an investment of \$10 million in debottlenecking the finishing line of the Imphy Wire Rod mill. This follows the completion of the Imphy meltshop enhancement and aims at further improving competitiveness and increasing revenue in the Alloys & Specialties segment.
- On February 6, 2014, Aperam announced that it obtained a new in-principle refinancing commitment to extend Tranche B portion of \$600 million Borrowing Base Facility from March 2015 until March 2016.
- On March 6, 2014, Aperam announced the publication of its 2013 Annual Report. The report is available on www.aperam.com under "Investors & shareholders" > "Aperam Financial Reports".
- On March 17, 2014, Aperam announced the appointment of Mr. Frédéric Mattei as the new Chief Executive Officer of its Alloys and Specialties division and member of Aperam's Management Committee as of June 1, 2014. He reports to the CEO of Aperam, Mr. Philippe Darmayan.
- On April 7, 2014, Standard & Poor's Ratings Services revised Aperam's outlook to positive on strong performance and potential for market recovery and affirmed Aperam's long-term corporate credit rating of 'B+'.
- On April 30, 2014, Aperam exercised its option of early termination and repayment of its USD 50 million loan, which was secured with Gerdau shares.
- On May 7, 2014, Aperam announced that as part of the Leadership Journey® and the Top Line strategy, the Board of Directors of Aperam approved an investment of \$25 million in productivity improvement of the downstream facilities in Genk, Gueugnon and Timoteo.
- On May 8, 2014, the Annual and Extraordinary General Meetings of Shareholders of Aperam held in Luxembourg approved all resolutions on the agenda by a large majority. 50,764,058 shares, or 65.04% of the Company's share capital, were present or represented at the meetings. In particular, the shareholders approved the consolidated financial statements as of and for the fiscal year ended 31 December 2013. The shareholders also re-elected Ms. Laurence Mulliez and elected Mr. Joseph Greenwell as directors of Aperam for a term of three years each. In addition, the shareholders approved grants under the Performance Share Unit Plan in relation to 2014. Finally, the shareholders approved an increase in the Company's authorised share capital by an amount equal to 23.3% of its current issued share capital, both to be able to fulfill existing commitments under the Convertible and/or Exchangeable Bonds due 2020 and for the Company to have adequate flexibility going forward.
- On May 8, 2014, Aperam announced the publication of its made for life report, which constitutes Aperam's sustainability performance report for 2013. Built on stakeholder inclusiveness and materiality, Aperam's made for life report follows the Global Reporting Initiative's recently launched G4 framework. It has been assured by an external audit firm as compliant with this protocol, including the reporting of material environmental performance data such as energy intensity, water withdrawal by source, CO2 intensity and air emissions.
- On May 15, 2014, Moody's improved its outlook from negative to positive.
- On June 27, 2014 the Company announced the successful placing and pricing of its offering of net share settled convertible and/or exchangeable bonds due 2021 for \$300 million with the objective to use the net proceeds for general corporate purposes and the refinancing of existing indebtedness (including senior notes maturing in 2016). The bonds are described in greater detail above under "— Financing".
- On July 31, 2014, Aperam announced the enhancement of the net debt reduction program to reach \$550 million by the end of 2014, aiming to further strengthen its balance sheet.
- On July 31, 2014, Aperam announced the reduction of its commitment under the Borrowing Base Facility by \$200 million from \$600 million to \$400 million.
- On July 31, 2014, as part of the Top Line strategy and the Leadership Journey, the Board of Directors of Aperam approved an investment of USD 17 million aiming at offering High Grain Oriented electrical steel products while at the same time improving the costs competitiveness of Aperam's Brazilian electrical steel operations.

Interim Management Report

Recent Developments in Legal Proceedings

Tax Claims in Brazil

- On June 26, 2014, Aperam South America received a tax assessment from the State of Minas Gerais for a total consideration of \$12 million related to VAT (ICMS) credit taken by the company as the result of the acquisition in 2011 of Aperam Stainless Services & Solutions Tubes Brazil's branch in Timóteo ("CETUBOS"). Tax authorities understood that Aperam South America has not continued the activity of producing tubes in Timóteo (despite contrary evidence provided) and, as a consequence, it could not use the VAT credits of the acquired branch. The Company is preparing its defense.
- On June 24, 2014, Aperam Bioenergia received a tax assessment from the Federal Revenue Service in the total amount of \$31 million related to corporate income tax ("IRPJ" and "CSLL") due to disallowance of previous tax losses compensation made by the company in 2011. Tax authorities understood that Aperam Bioenergia didn't have sufficient tax losses to offset the taxable profits created at spin-off in 2011 mainly as consequence of previous tax assessments for the period 2002-2007 regarding accelerated exhaustion benefit used by Aperam Bioenergia. Despite the fact that the previous tax assessments are still under administrative court discussion (and therefore are not yet legally definitive and binding) tax authorities sustain that Aperam Bioenergia should have adjusted its books to reduce its fiscal losses for the period 2002-2007, lately utilized to offset the 2011 taxable result. The Company is preparing its defense.
- On December 20, 2013, Aperam South America received a tax assessment from Federal Revenue in the total amount of \$129 million. This assessment contains 2 parts for the years 2008 and 2009:
 - Madeira Island Tax planning (the tax authorities required that the profits of Acesita Imports & Exports (Madeira Island) be added to Aperam South America's tax basis,
 - The tax authorities disregarded the goodwill generated by the acquisition by Arcelor Aços Especiais do Brasil ("AAEB") of the minority shareholding of Aperam South America at the time of its delisting in 2008.

Aperam South America presented its defense at the first administrative level in January 2014.

- In December 2011, the Federal Revenue issued four tax assessments against Aperam South America for a total amount of \$28 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 where the Company presented its defense. On April 28, 2014, the Company obtained an unfavorable decision from the first instance and presented its voluntary appeal.
- On December 27, 2011, Aperam South America received a tax assessment from the State of Minas Gerais regarding VAT tax credit ("ICMS") used by the Company related to the purchasing of scraps from a supplier which the State considered as not being authorized to issue invoices with VAT. The total amount claimed is \$9 million. The Company presented its defense in first administrative instance in 2012. On May 7, 2014 the later gave an unfavorable decision against the Company. The Company presented a revision appeal on June 9, 2014.
- On December 16, 2011, Aperam Stainless Services and Solutions Brazil has been assessed by the Tax authorities aiming at collecting \$35 million (including interest on late payments and penalties) related to VAT ("ICMS"). Tax authorities claimed that the Company has not collected to the State of Sao Paulo the ICMS imposed on importation of products performed by a trading company located in the State of Espirito Santo and disregarded the ICMS credit recognized by the Company at the time of acquisition of the goods from the trading company. The Company obtained a partial favorable decision at the first administrative level, confirmed by the Superior court in October 2013. On May 16, 2014 the Company provided all the documents needed to adhere to the Amnesty program offered by the State of Sao Paulo (recognition of payments of VAT made to the State of Espirito Santo). Such request for adhesion to Amnesty is under investigation by the State of Sao Paulo.
- On December 2, 2010, Aperam South America received a tax assessment in the total amount of \$35 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

Interim Management Report

charge should not prevail since the distribution of electrical power should not be considered as a good or transportation and therefore it should not be subject to VAT ("ICMS"). On May 5, 2011 the Company received a partial favorable decision. Minas Gerais State Revenue concluded that the Company has to pay ICMS but stated that the amount for late payments and penalties was wrong. In March 2012, the Company has brought the case before the judicial court that confirmed the favorable decision obtained by the administrative court. The Company's position was comforted by the court of Appeal in August 2013 but there are still some pending discussions at second level of judicial court. The Company and the state presented requests for clarification, but the clarifications were denied by the Court. On December 18, 2013 the Company presented a special appeal to discuss lawyer's fees. On January 15, 2014, the State presented its extraordinary and special appeals.

Labor and Other Claims in Brazil

- On April 1, 2004, a sanctioning administrative process with the Central Bank was brought against Aperam South America based on alleged irregular exchange operations utilized by it in the purchase and sale of treasury bills. On March 22, 2007, Aperam South America has been assessed with a fine of \$18 million. The Company brought the case before the judicial court in 2012. On February 16, 2014 the first judicial instance was not favorable to the Company that filed an appeal.

Interim Management Report

Corporate Governance

Please refer to the “Corporate Governance” section of Aperam’s Annual Report 2013 for a complete overview. Aperam’s Annual Report is available on www.aperam.com under “Investors & shareholders” > “Aperam Financial Reports”. The purpose of the present section is solely to describe the events and changes affecting the corporate governance of Aperam between December 31, 2013 and June 30, 2014.

Re-election of members of the Board of Directors

On May 8, 2014, the Annual General Meeting of Shareholders approved the re-election of Ms. Laurence Mulliez and the election of Mr. Joseph Greenwell as directors of Aperam for a term of three years each.

Authorisation of grants of share based incentives

On May 8, 2014, the Annual General Meeting of Shareholders authorized the Board of Directors to issue up to 220,000 of the Company’s fully paid-up ordinary shares to Management Committee members under the Management Committee Performance Share Unit Plan (the “MC PSU Plan”). These shares can be newly issued shares or treasury shares. The Board of Directors may consider appropriate rules to implement the MC PSU Plan, including other retention based grants below the level of the Management Committee. Awards under the MC PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant (development of Total Shareholder Return and Earnings Per Share compared to a peer group of companies over a three year period). The details of the MC PSU Plan are described in the convening notice as well as in an explanatory presentation available on www.aperam.com, section “Investors & shareholders”, “Shareholders’ Meetings”, 8 May 2014 - Annual and Extraordinary General Meetings of Shareholders.

In June 2014, a total of 41,440 PSUs were allocated to Members of the Management Committee under the May 8, 2014 shareholder meeting authorization.

Amendments to the Articles of Association

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

In addition, the authority of the Board of Directors to issue additional shares in the Company within the limit of the new authorised share capital was renewed for five years from the date of the Extraordinary General Meeting of Shareholders to the fifth anniversary of the date of publication in the Luxembourg official gazette (Mémorial C) of the minutes of this Extraordinary General Meeting.

The Board of Directors was also granted the right to limit or cancel the preferential subscription rights of existing shareholders in the event of any increase in the issued share capital up to and including the authorized share capital set out above.

As of June 30, 2014, 18,167,055 ordinary shares remained available for issuance under the Company’s authorized share capital. The Extraordinary General Meeting approved the amendment of articles 5.2 and 5.5 of the articles of association accordingly as set out in the amended version of the articles of association available on www.aperam.com, section “Investors & shareholders”, “Corporate Governance”.

Share buy-back

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,

Interim Management Report

including through off-market and over-the-counter transactions, and through derivative financial instruments on any of the stock exchanges on which the Company is listed, for a period of five years or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration of the five-year period, provided that (a) the maximum number of own shares the Company may hold at any time directly or indirectly may not exceed 10% of its issued share capital and may not have the effect of reducing the Company's net assets ("actif net") below the amount mentioned in the relevant provisions of the Luxembourg law on commercial companies of August 10, 1915, as amended (Article 72-1), and (b) the purchase price per share to be paid may not represent more than 105% of the trading price of the Company shares on the stock exchanges where the Company is listed, and may also not be less than one euro cent. For off-market transactions, the maximum purchase price will be 105% of the Company share price on Euronext. The reference price will be deemed to be the average of the final listing prices per share on the relevant stock exchange during 30 consecutive days on which the relevant stock exchange is open for trading preceding the three trading days prior to the date of purchase. The total amount allocated for the Company's share repurchase program may not in any event exceed the amount of the Company's then available equity.

New appointment to the Management Committee

Mr. Frédéric Mattei was appointed Chief Executive Officer of Aperam's Alloys and Specialties division and member of Aperam's Management Committee as of June 1, 2014. He reports to the Chief Executive Officer of Aperam, Mr. Philippe Darmayan.

Board of Directors and Committee composition

The members of the Board of Directors as of the date of this interim financial report are set forth below.

Name	Age ⁽¹⁾	Position within the Company	Date joined Board	Term Expires
Mr. Lakshmi N. Mittal	63	Chairman, Non-independent member of the Board of Directors	December 2010	May 2016
Mr. Romain Bausch ^{(2) (3)}	60	Lead Independent Director, Independent member of the Board of Directors	January 2011	May 2016
Mr. Joseph Greenwell ^{(2) (3)}	62	Independent member of the Board of Directors	May 2013	May 2017
Ms. Kathryn A. Matthews ^{(3) (4)}	54	Independent member of the Board of Directors	December 2010	May 2016
Mr. Aditya Mittal	37	Non-independent member of the Board of Directors	December 2010	May 2016
Ms. Laurence Mulliez ^{(2) (4)}	47	Independent member of the Board of Directors	May 2011	May 2017
Mr. Gonzalo Urquijo ⁽⁴⁾	52	Non-independent member of the Board of Directors	December 2010	May 2016

Notes:

Company Secretary: Mr. Laurent Beauloye

⁽¹⁾ Age on December 31, 2013.

⁽²⁾ Member of the Audit and Risk Management Committee.

⁽³⁾ Member of the Remuneration, Nomination and Corporate Governance Committee.

⁽⁴⁾ Member of the Sustainability, Performance and Strategy Committee.

Interim Management Report

Management Committee composition

The composition of the Company's Management Committee as of the date of this interim financial report is set forth below.

Name	Age ⁽¹⁾	Function
Mr. Philippe Darmayan	61	Chief Executive Officer; Member of the Management Committee
Mr. Sandeep Jalan.....	46	Chief Financial Officer; Member of the Management Committee
Mr. Timóteo Di Maulo	54	Chief Commercial and Sourcing Officer; Member of the Management Committee
Mr. Clenio Guimarães.....	56	Chief Operating Officer Stainless & Electrical Steel South America; Member of the Management Committee
Ms. Vanisha Mittal Bhatia.....	33	Responsible for Strategy; Member of the Management Committee
Mr. Jean-Paul Rouffiac	61	Chief Operating Officer Stainless & Electrical Steel Europe; Member of the Management Committee
Ms. Johanna Van Sevenant.....	45	Responsible for Sustainability, Human Resources and Communications; Member of the Management Committee
Mr. Frédéric Mattei.....	40	Chief Executive Officer Alloys & Specialties; Member of the Management Committee

Note:

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

⁽¹⁾ Age on December 31, 2013.



Project: Desalination, (Al Zour North, Kuwait)
Material: 3.000 tons of duplex
Contractor: Kuwait's Ministry of Electricity&Water
Credits Courtesy of Sidem

Interim Management Report

Cautionary Statement Regarding Forward-Looking Statements

This document may contain forward-looking information and statements about Aperam and its subsidiaries. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements may be identified by the words “believe,” “expect,” “anticipate,” “target” or similar expressions. Although Aperam’s management believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Aperam’s securities are cautioned that forward-looking information and statements are subject to numerous risks and uncertainties, many of which are difficult to predict and generally beyond the control of Aperam, that could cause actual results and developments to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the filings with the Luxembourg financial and stock market regulator (*Commission de Surveillance du Secteur Financier*). Aperam undertakes no obligation to publicly update its forward looking statements, whether as a result of new information, future events, or otherwise.

Interim Management Report

Statement of Responsible Persons

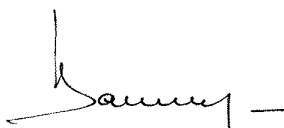
August 1, 2014

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

1. the Condensed Consolidated Financial Statements of Aperam presented in this Half Year Report 2014, prepared in conformity with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss of the Company and significant off balance sheet arrangements.
2. the interim management report includes a fair review of the material events that occurred in the first six months of the financial year 2014 and their impact on the Condensed Consolidated Financial Statements, of the main related party transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.



Member of the Board of Directors
Gonzalo Urquijo



Chief Executive Officer
Mr. Philippe Darmayan



Chief Financial Officer
Mr. Sandeep Jalan

Condensed Consolidated Financial Statements
As of and for the six months ended June 30, 2014

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

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	171	291
Restricted cash	—	1
Trade accounts receivable	389	284
Inventories (note 2)	1,439	1,213
Prepaid expenses and other current assets (note 3)	204	116
Income tax receivable	13	13
Total current assets	2,216	1,918
Non-current assets:		
Goodwill and intangible assets	812	808
Biological assets	123	119
Property, plant and equipment	2,228	2,269
Other investments (note 4)	70	89
Deferred tax assets	325	333
Other assets	158	91
Total non-current assets	3,716	3,709
Total assets	5,932	5,627

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

Condensed Consolidated Financial Statements
As of and for the six months ended June 30, 2014

Aperam

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

	June 30, 2014	December 31, 2013
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt (note 7)	120	209
Trade accounts payable	1,150	934
Short-term provisions	31	30
Accrued expenses and other liabilities	311	299
Income tax liabilities	13	4
Total current liabilities	1,625	1,476
Non-current liabilities:		
Long-term debt, net of current portion (note 7)	714	773
Deferred tax liabilities	138	117
Deferred employee benefits	218	220
Long-term provisions	76	71
Other long-term obligations	12	12
Total non-current liabilities	1,158	1,193
Total liabilities	2,783	2,669
Equity (note 5):		
Common shares (no par value, 96,216,785 and 85,854,303 shares authorized, 78,049,730, and 78,049,730 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively)	547	547
Additional paid-in capital	1,600	1,600
Retained earnings	978	885
Reserves	19	(79)
Equity attributable to the equity holders of the parent	3,144	2,953
Non-controlling interests	5	5
Total equity	3,149	2,958
Total liabilities and equity	5,932	5,627

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

Condensed Consolidated Financial Statements
As of and for the six months ended June 30, 2014

Aperam

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

	Six months ended June 30,	
	2014	2013
Sales		
(including 82 and 58 of sales to related parties for 2014 and 2013, respectively)	2,838	2,635
Cost of sales		
(including depreciation and impairment of 132 and 152 and purchases from related parties of 94 and 94 for 2014 and 2013, respectively)	2,553	2,524
Gross margin	285	111
Selling, general and administrative	124	117
Operating income (loss)	161	(6)
Loss from other investments and associates	(28)	—
Interest income	3	2
Interest expense and other net financing costs	(65)	(67)
Income (Loss) before taxes	71	(71)
Income tax (expense) benefit (note 6)	(16)	32
Net income (loss)	55	(39)
Net income (loss) attributable to:		
Equity holders of the parent	55	(39)
Earnings (loss) per common share (in U.S. dollars):		
Basic	0.70	(0.51)
Diluted	0.70	(0.51)
Weighted average common shares outstanding (in thousands)		
Basic	78,050	78,050
Diluted	85,990	78,050

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

Condensed Consolidated Financial Statements
As of and for the six months ended June 30, 2014

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

	Six months ended June 30,	
	2014	2013
Net income (loss)	55	(39)
Items that cannot be recycled to the consolidated statement of operations:		
Re-measurement of defined benefit obligation during the period, net of tax expense benefit of nil and nil for 2014 and 2013, respectively	1	1
Items that can be recycled to the consolidated statement of operations:		
Available-for-sale investments:		
Loss arising during the period, net of tax benefit of 7 and 8 for 2014 and 2013, respectively.....	(16)	(33)
Reclassification adjustments for loss included in the statement of operations, net of tax benefit of 10 and nil for 2014 and 2013, respectively	19	—
	<u>3</u>	<u>(33)</u>
Cash flow hedges:		
Gain (Loss) arising during the period, net of tax (expense) benefit of (16) and 9 for 2014 and 2013, respectively.....	30	(17)
Reclassification adjustments for (gain) loss included in the statement of operations, net of tax expense (benefit) of 2 and (2) for 2014 and 2013, respectively	(4)	4
	<u>26</u>	<u>(13)</u>
Exchange differences arising on translation of foreign operations, net of tax (expense) benefit of (10) and 20 for 2014 and 2013, respectively	68	(143)
Total other comprehensive income (loss)	98	(188)
Total other comprehensive income (loss) attributable to:		
Equity holders of the parent	98	(188)
Net comprehensive income (loss)	153	(227)
Net comprehensive income (loss) attributable to:		
Equity holders of the parent	153	(227)

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

Condensed Consolidated Financial Statements
As of and for the six months ended June 30, 2014

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

	Shares ⁽¹⁾	Share Capital	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Reserves			Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
						Unrealized Gains (Losses) on Derivatives Financial Instruments	Unrealized Gains (Losses) on Available for Sale Securities	Recognized Actuarial Gains (Losses)			
Balance at December 31, 2012	78,050	547	1,600	967	73	(4)	3	—	3,186	4	3,190
Impact of adoption of IAS 19 revised	—	—	—	(10)	—	—	—	(18)	(28)	—	(28)
Balance at January 1, 2013	78,050	547	1,600	957	73	(4)	3	(18)	3,158	4	3,162
Net loss	—	—	—	(39)	—	—	—	—	(39)	—	(39)
Other comprehensive income (loss)	—	—	—	—	(143)	(13)	(33)	1	(188)	—	(188)
Total comprehensive income (loss)	—	—	—	(39)	(143)	(13)	(33)	1	(227)	—	(227)
Balance at June 30, 2013	78,050	547	1,600	918	(70)	(17)	(30)	(17)	2,931	4	2,935
Balance at December 31, 2013	78,050	547	1,600	885	(44)	(5)	(20)	(10)	2,953	5	2,958
Net income	—	—	—	55	—	—	—	—	55	—	55
Other comprehensive income	—	—	—	—	68	26	3	1	98	—	98
Total comprehensive income	—	—	—	55	68	26	3	1	153	—	153
Derivative instruments on Aperam shares, net of tax	—	—	—	37	—	—	—	—	37	—	37
Recognition of share based payments	—	—	—	1	—	—	—	—	1	—	1
Balance at June 30, 2014	78,050	547	1,600	978	24	21	(17)	(9)	3,144	5	3,149

⁽¹⁾ In thousands of shares

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

Condensed Consolidated Financial Statements
As of and for the six months ended June 30, 2014

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

	Six months ended June 30,	
	2014	2013
Operating activities:		
Net income (loss)	55	(39)
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation	132	146
Impairment	—	6
Net interest expense	43	40
Income tax expense (benefit) (note 6)	16	(32)
Net write-downs of inventories to net realizable value (note 2)	17	25
Unrealized losses on derivative instruments	—	(4)
Impairment of financial assets (note 4)	29	—
Labor agreements and separation plans	3	10
Unrealized foreign exchange effects, other provisions and non-cash operating expenses (net)	14	52
Changes in working capital:		
Trade accounts receivable	(99)	(70)
Inventories	(233)	(134)
Interest paid (net)	(45)	(41)
Income taxes paid	(15)	(7)
Trade accounts payable	215	207
Cash paid for separation plans	(1)	(2)
Other working capital movements	(64)	(113)
Net cash provided by operating activities	67	44
Investing activities:		
Purchase of property, plant and equipment	(41)	(67)
Other investing activities (net)	8	(7)
Net cash used in investing activities	(33)	(74)
Financing activities:		
Proceeds from short-term debt	—	91
Proceeds from long-term debt, net of debt issuance costs	2	30
Payments of short-term debt	(109)	(69)
Payments of long-term debt	(50)	—
Other financing activities (net)	(2)	(2)
Net cash (used in) provided by financing activities	(159)	50
Effect of exchange rate changes on cash	5	(13)
Net (decrease) increase in cash and cash equivalents	(120)	7
Cash and cash equivalents:		
At the beginning of the period	291	226
At the end of the period	171	233

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

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2014

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

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

Nature of business

Aperam Société Anonyme (the “Company” or “Aperam”) was incorporated on September 9, 2010 to own certain operating subsidiaries of ArcelorMittal S.A. (“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.

Basis of presentation

The Condensed Consolidated Financial Statements of Aperam as of and for the six months ended June 30, 2014 (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) No. 34, “Interim Financial Reporting”. They should be read in conjunction with the annual consolidated financial statements and the notes thereto in the Company’s annual report for the year ended December 31, 2013 which have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”).

Accounting policies

The Interim Financial Statements have been prepared on a historical cost basis, except for available for sale financial assets, derivative financial instruments and biological assets, which are measured at fair value, and inventories which are measured at the lower of net realizable value or cost. The accounting policies used to prepare the Interim Financial Statements are similar to those described in Note 2 to the consolidated financial statements as of and for the year ended December 31, 2013.

The Company adopted a number of new standards, amendments to standards or interpretations effective January 1, 2014 which are described in Note 1 to the consolidated financial statements as of and for the year ended December 31, 2013.

There were no significant effects on the Interim Financial Statements as a result of the adoption of any of the aforementioned standards or interpretations.

According to the critical accounting judgments described in Note 2 to the consolidated financial statements referred above, 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. The Company revised the estimated residual useful lives of certain property plant and equipment with effect from January 1, 2014. The review of useful lives of the remaining assets is expected to be completed by December 31, 2014. The revisions were accounted for prospectively as a change in accounting estimate and as a result, the depreciation charges of the Group for the six month period ended June 30, 2014 decreased by 21.

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

**Notes to the Condensed Consolidated Financial Statements
for the six months ended June 30, 2014**

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

NOTE 2 – INVENTORIES

Inventories, net of the allowance for slow-moving inventories, excess of cost over net realizable value and obsolescence of 129 and 134 as of June 30, 2014 and December 31, 2013, respectively, are comprised of the following:

	June 30, 2014	December 31, 2013
Finished products	572	519
Production in process	520	396
Raw materials	179	142
Manufacturing supplies, spare parts and other	168	156
Total	1,439	1,213

The amount of write-downs of inventories to net realizable value recognized as an expense was 19 and 27 during the six months ended June 30, 2014 and 2013, respectively. During the six months ended June 30, 2014 and 2013, utilization of existing write-downs due to normal inventory consumption was 23 and 20, respectively.

The amount of inventories recognized as an expense (due to normal inventory consumption) was 1,666 and 1,635 during the six months ended June 30, 2014 and 2013, respectively.

NOTE 3 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	June 30, 2014	December 31, 2013
Prepaid expenses and accrued receivables	72	18
VAT and other amount receivable from tax authorities	41	66
Cash receivable from sold trade receivables	29	-
Derivative financial assets	28	1
Other	34	31
Total	204	116

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2014

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

NOTE 4 – OTHER INVESTMENTS

The Company holds the following other investments:

			Fair value	
	Ownership %		June 30,	December 31,
	at June 30,		2014	2013
	2014			
Location				
Available-for-sale securities (at fair value)				
General Moly Inc.	U.S.	9.00%	10	11
Gerdau S.A.	Brazil	0.53%	53	71
Investments accounted for at cost				
Exeltium S.A.S.	France	2.05%	5	5
Other			2	2
Total			70	89

The fair value of Aperam's stake in Gerdau amounted to 53 and 71 as of June 30, 2014 and December 31, 2013, respectively. The Company reviewed the investment in Gerdau for impairment and recognized an impairment loss of 29 as a loss from other investments in the statement of operations for the six months ended June 30, 2014. The Company considers a significant or prolonged decline in fair value as objective evidence of impairment. The decline is considered as significant if it exceeds 50% of cost or as prolonged if it continues for eighteen months or more.

NOTE 5 – EQUITY

Authorized share capital and authorized shares

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

Dividends

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

On February 6, 2014, the Company announced that the Board of Directors will submit to a shareholder's vote, at the next annual general meeting, a proposal to continue paying no dividend in 2014 in order to support the previously announced net debt reduction program. On May 8, 2014, the annual general meeting of shareholders approved acknowledged the decision not to pay a dividend in 2014 to accelerate the net debt reduction.

Management of share capital

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

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2014

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

NOTE 6 – INCOME TAX

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

Income tax was an expense of 16 and a benefit of 32 for the six months ended June 30, 2014 and 2013, respectively. The income tax expense is a result of an improvement in the level of the estimated results of the Company's operating entities for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013.

NOTE 7 – SHORT-TERM AND LONG-TERM DEBT

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

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Short-term bank loans and other credit facilities	88	173
Current portion of long-term debt	29	32
Lease obligations	3	4
Total	<u>120</u>	<u>209</u>

800 secured borrowing base revolving credit facility

On March 15, 2013, the Company amended the Borrowing Base Facility to extend the maturity of \$600 million (tranche B) of the \$800 million Borrowing Base Facility from March 2014 to March 2015. The remaining \$200 million (tranche A) of the Borrowing Base Facility matures in March 2014. Following the issuance of convertible and/or exchangeable bonds in September 2013, available commitments under Tranche A of the Borrowing Base Facility have been cancelled for an amount of \$131 million, representing 2/3rd of the convertible bonds net proceeds.

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

As of June 30, 2014, 70 was outstanding under this facility.

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2014

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

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

	Year of maturity	Type of Interest	Interest rate ⁽¹⁾	June 30, 2014	December 31, 2013
250 unsecured bonds	2016	Fixed	7.375%	248	248
250 unsecured bonds	2018	Fixed	7.750%	247	247
200 convertible bonds	2017/2020 ⁽²⁾	Fixed	2.625%	165	160
Loans in Brazil	2015-2021	Fixed/Floating	2.50%-8.70%	73	91
50 secured bank loan	—	—	—	—	50
Other loans	2015	Fixed	3.00%-13.25%	3	1
Total				736	797
Less current portion of long-term debt				29	32
Total long-term debt (excluding lease obligations)				707	765
Lease obligations ⁽³⁾				7	8
Total long-term debt, net of current portion				714	773

⁽¹⁾ Rates applicable to balances outstanding at June 30, 2014.

⁽²⁾ Convertible bonds maturity is on September 30, 2020 but bonds are puttable by the bondholders on September 30, 2017.

⁽³⁾ Net of current portion of \$3 million and \$4 million as of June 30, 2014 and December 31, 2013 respectively.

Unsecured Bonds

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

Convertible Bonds

On September 19, 2013, Aperam issued a \$200 million convertible and/or exchangeable debt instrument with a contractual maturity of 7 years. These bonds bear interest at 2.625% per annum payable semi-annually on March 30 and September 30 of each year, commencing on March 30, 2014. The bonds are puttable by the bondholders on September 30, 2017 at the principal amount (plus accrued interests).

At inception, the Company determined the bonds met the definition of a compound financial instrument in accordance with IFRS. As such, the Company determined the fair value of the financial liability component of the bonds was 158 on the date of issuance.

50 secured bank loan

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

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2014

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

NOTE 8: FINANCIAL INSTRUMENTS

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

	Carrying amount in statements of financial position	Non- financial assets and liabilities	Loan and receivables	Liabilities at amortized cost	Fair value recognized in profit and loss	Available for sale assets	Derivatives
ASSETS							
Current assets:							
Cash and cash equivalents	171	—	171	—	—	—	—
Trade accounts receivable	389	—	389	—	—	—	—
Inventories	1,439	1,439	—	—	—	—	—
Prepaid expenses and other current assets	204	41	135	—	—	—	28
Income tax receivable	13	13	—	—	—	—	—
Total current assets	2,216	1,493	695	—	—	—	28
Non-current assets:							
Goodwill and intangible assets	812	812	—	—	—	—	—
Biological assets	123	—	—	—	123	—	—
Property, plant and equipment	2,228	2,228	—	—	—	—	—
Other investments	70	7	—	—	—	63	—
Deferred tax assets	325	325	—	—	—	—	—
Other assets	158	34	63	—	—	—	61
Total non-current assets	3,716	3,406	63	—	123	63	61
Total assets	5,932	4,899	758	—	123	63	89
LIABILITIES AND EQUITY							
Current liabilities:							
Short-term debt and current portion of long-term debt	120	—	—	120	—	—	—
Trade accounts payable	1,150	—	—	1,150	—	—	—
Short-term provisions	31	—	—	31	—	—	—
Accrued expenses and other liabilities	311	—	—	309	—	—	2
Income tax liabilities	13	13	—	—	—	—	—
Total current liabilities	1,625	13	—	1,610	—	—	2
Non-current liabilities:							
Long-term debt, net of current portion	714	—	—	714	—	—	—
Deferred tax liabilities	138	138	—	—	—	—	—
Deferred employee benefits	218	218	—	—	—	—	—
Long-term provisions	76	—	—	76	—	—	—
Other long-term obligations	12	—	—	12	—	—	—
Total non-current liabilities	1,158	356	—	802	—	—	—
Equity:							
Equity attributable to the equity holders of the parent	3,144	3,144	—	—	—	—	—
Non-controlling interests	5	5	—	—	—	—	—
Total equity	3,149	3,149	—	—	—	—	—
Total liabilities and equity	5,932	3,518	—	2,412	—	—	2

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2014

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

The following table summarizes the bases used to measure certain assets and liabilities at their fair value as of June 30, 2014. 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.

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Available-for-sale financial assets.....	63	—	—	63
Derivative financial current assets.....	—	28	—	28
Derivative financial non-current assets	—	1	60	61
Total assets at fair value	<u>63</u>	<u>29</u>	<u>60</u>	<u>151</u>
Liabilities at fair value				
Derivative financial liabilities.....	—	2	2	2
Total liabilities at fair value	<u>—</u>	<u>2</u>	<u>2</u>	<u>2</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 foreign exchange rates and commodity prices (base metals). The total fair value is based on the price a dealer would pay or receive for the security or similar securities, adjusted for any terms specific to that asset or liability. Market inputs are obtained from well established and recognized vendors of market data (Bloomberg and Reuters) and the fair value is calculated using standard industry models based on significant observable market inputs such as foreign exchange rates, commodity prices, swap rates, and interest rates.

Derivative financial assets classified as Level 3 refer to the call options bought end of June 2014 by the Company on its own shares which may be exercised at the conversion price of the convertible bonds issued on July 8, 2014. The fair valuation of Level 3 derivative instruments is established at each reporting date in relation to which an analysis is performed in respect of changes in the fair value measurement since the last period. The fair value of these call options was 60 as of June 30, 2014 and no change in fair value was recorded in the statements of operations as they were bought end of June 2014.

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2014

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

Portfolio of Derivatives

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

The portfolio associated with derivative financial instruments classified as Level 2 as of June 30, 2014 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	89	—	91	—
Forward sale contracts	78	—	86	—
Total foreign exchange rate instruments		—		—
Raw materials (base metal)				
Term contracts sales metals	20	1	14	(2)
Term contracts purchases metals	141	28	17	—
Total raw materials (base metal)		29		(2)
Total		29		(2)

**Notes to the Condensed Consolidated Financial Statements
for the six months ended June 30, 2014**

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

NOTE 9 – SEGMENT REPORTING

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

The following table summarizes certain financial data relating to the Company's operations in its different segments:

	Stainless & Electrical Steel	Alloys & Specialties	Services & Solutions	Others / Eliminations⁽¹⁾	Total
Six months ended June 30, 2014					
Sales from external customers	1,317	310	1,209	2	2,838
Intersegment sales ⁽²⁾	949	2	44	(995)	—
Operating (loss) income	110	30	41	(20)	161
Depreciation and impairment	114	5	12	1	132
Capital expenditures	33	4	4	—	41
Six months ended June 30, 2013⁽³⁾					
Sales from external customers	1,204	330	1,101	—	2,635
Intersegment sales ⁽²⁾	884	3	37	(924)	—
Operating (loss) income	(1)	21	(14)	(12)	(6)
Depreciation and impairment	128	6	17	1	152
Capital expenditures	56	5	6	—	67

⁽¹⁾ Others / Eliminations includes all other operations than mentioned above, together with inter-segment elimination, and/or non-operational items which are not segmented.

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

⁽³⁾ Due to the transfer of the entity Aperam Bioenergia from the segment "Others / Eliminations" to the segment "Stainless & Electrical Steel" starting January 1, 2014, segmented figures for the six months ended June 30, 2013 have been restated accordingly.

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

	Six months ended June 30,	
	2014	2013
Operating income (loss)	161	(6)
Loss from other investments	(28)	—
Interest income	3	2
Interest expense and other net financing costs	(65)	(67)
Income (Loss) before taxes	71	(71)
Income tax (expense) benefit	(16)	32
Net income (loss)	55	(39)

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2014

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

NOTE 10 – COMMITMENTS

The Company's commitments consist of three main categories:

- Various purchase and capital expenditure commitments,
- Pledges, guarantees and other collateral instruments given to secure financial debt and credit lines,
- Non-cancellable operating leases and other

The total of commitments by category is as follows:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Purchase commitments	1,591	1,734
Guarantees, pledges and other collateral	1,365	1,104
Operating leases	35	38
Total	<u>2,991</u>	<u>2,876</u>

Pledges mainly relate to mortgages entered into by the Company related to its external debt financing described in note 7.

NOTE 11 – CONTINGENCIES

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

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

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

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

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2014

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

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

The Company is party to various environmental liabilities, labor disputes, tax and other claims, the most significant are described in Note 22 to the consolidated financial statements as of and for the year ended December 31, 2013. Changes in contingencies since December 31, 2013 are described below:

Tax Claims in Brazil

- On June 26, 2014, Aperam South America received a tax assessment from the State of Minas Gerais for a total consideration of 12 related to VAT (ICMS) credit taken by the company as the result of the acquisition in 2011 of Aperam Stainless Services & Solutions Tubes Brazil's branch in Timóteo ("CETUBOS"). Tax authorities understood that Aperam South America has not continued the activity of producing tubes in Timóteo (despite contrary evidence provided) and, as a consequence, it could not use the VAT credits of the acquired branch. The Company is preparing its defense.
- On June 24, 2014, Aperam Bioenergia received a tax assessment from the Federal Revenue Service in the total amount of 31 related to corporate income tax ("IRPJ" and "CSLL") due to disallowance of previous tax losses compensation made by the company in 2011. Tax authorities understood that Aperam Bioenergia didn't have sufficient tax losses to offset the taxable profits created at spin-off in 2011 mainly as consequence of previous tax assessments for the period 2002-2007 regarding accelerated exhaustion benefit used by Aperam Bioenergia. Despite the fact that the previous tax assessments are still under administrative court discussion (and therefore are not yet legally definitive and binding) tax authorities sustain that Aperam Bioenergia should have adjusted its books to reduce its fiscal losses for the period 2002-2007, lately utilized to offset the 2011 taxable result. The Company is preparing its defense.
- On December 20, 2013, Aperam South America received a tax assessment from Federal Revenue in the total amount of 129. This assessment contains 2 parts for the years 2008 and 2009:
 - Madeira Island Tax planning (the tax authorities required that the profits of Acesita Imports & Exports (Madeira Island) be added to Aperam South America's tax basis,
 - The tax authorities disregarded the goodwill generated by the acquisition by Arcelor Aços Especiais do Brasil ("AAEB") of the minority shareholding of Aperam South America at the time of its delisting in 2008.

Aperam South America presented its defense at the first administrative level in January 2014.

- In December 2011, the Federal Revenue issued four tax assessments against Aperam South America for a total amount of 28 considering that the Company did not pay several social contributions due on payments made to employees under the Profit Sharing Program. These cases are at the first administrative instance where the Company presented its defense. On April 28, 2014, the Company obtained an unfavorable decision from the first instance and presented its voluntary appeal.
- On December 27, 2011, Aperam South America received a tax assessment from the State of Minas Gerais regarding VAT tax credit ("ICMS") used by the Company related to the purchasing of scraps from a supplier which the State considered as not being authorized to issue invoices with VAT. The total amount claimed is 9. The Company presented its defense in first

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2014

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

administrative instance in 2012. On May 7, 2014 the later gave an unfavorable decision against the Company. The Company presented a revision appeal on June 9, 2014.

- On December 16, 2011, Aperam Stainless Services and Solutions Brazil has been assessed by the Tax authorities aiming at collecting 35 (including interest on late payments and penalties) related to VAT ("ICMS"). Tax authorities claimed that the Company has not collected to the State of Sao Paulo the ICMS imposed on importation of products performed by a trading company located in the State of Espirito Santo and disregarded the ICMS credit recognized by the Company at the time of acquisition of the goods from the trading company. The Company obtained a partial favorable decision at the first administrative level, confirmed by the Superior court in October 2013. On May 16, 2014 the Company provided all the documents needed to adhere to the Amnesty program offered by the State of Sao Paulo (recognition of payments of VAT made to the State of Espirito Santo). Such request for adhesion to Amnesty is under investigation by the State of Sao Paulo.
- On December 2, 2010, Aperam South America received a tax assessment in the total amount of 35. The Minas Gerais State Revenue claims that the Company should have paid VAT ("ICMS") related to the distribution of electric power between 2005 and 2009. The Company believes that this charge should not prevail since the distribution of electrical power should not be considered as a good or transportation and therefore it should not be subject to VAT ("ICMS"). On May 5, 2011 the Company received a partial favorable decision. Minas Gerais State Revenue concluded that the Company has to pay ICMS but stated that the amount for late payments and penalties was wrong. In March 2012, the Company has brought the case before the judicial court that confirmed the favorable decision obtained by the administrative court. The Company's position was comforted by the court of Appeal in August 2013 but there are still some pending discussions at second level of judicial court. The Company and the state presented requests for clarification, but the clarifications were denied by the Court. On December 18, 2013 the Company presented a special appeal to discuss lawyer's fees. On January 15, 2014, the State presented its extraordinary and special appeals.

Labor and Other Claims in Brazil

- On April 1, 2004, a sanctioning administrative process with the Central Bank was brought against Aperam South America based on alleged irregular exchange operations utilized by it in the purchase and sale of treasury bills. On March 22, 2007, Aperam South America has been assessed with a fine of 18. The Company brought the case before the judicial court in 2012. On February 16, 2014 the first judicial instance was not favorable to the Company that filed an appeal.

NOTE 12 – SUBSEQUENT EVENTS

On June 27, 2014, Aperam announced the successful placing and pricing of its offering of net share settled convertible and/or exchangeable bonds due 2021 for USD 300 million with the objective to use the net proceeds for general corporate purposes and the refinancing of existing indebtedness (including senior notes maturing in 2016). The bonds were issued on July 8, 2014 and have an annual coupon of 0.625% payable semi-annually in arrear and an initial conversion price of USD 43.92.

On July 23, 2014, Aperam South America received a tax assessment from Federal Revenue in the total amount of 77. This assessment relates to the year ended December 31, 2010 and 2011 respectively, whereby tax authorities disregarded the goodwill generated by the acquisition by Arcelor Aços Especiais do

**Notes to the Condensed Consolidated Financial Statements
for the six months ended June 30, 2014**

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

Brasil ("AAEB") of the minority shareholding of Aperam South America at the time of its delisting in 2008. Aperam South America will have to present its defense until August 22, 2014.

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

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

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Aperam as of June 30, 2014 and the related condensed consolidated statements of operations, comprehensive income, changes in equity and cash flows for the six month period then ended and the other explanatory notes, (collectively, the "Interim Financial Statements"). The Board of Directors is responsible for the preparation and fair presentation of the interim financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

Scope of Review

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

Conclusion

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

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

August 1, 2014

Aperam

Luxembourg:

12C, rue Guillaume Kroll, L-1882 Luxembourg

Grand-Duchy of Luxembourg

www.aperam.com