Annual Report 2011

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Disclaimer – Forward Looking Statements

Disclaimer – forward-looking statements

In this Annual Report Aperam has made certain forward-looking statements with respect to, among other topics, its financial position, business strategy, projected costs, projected savings, and the plans and objectives of our management.

Such statements are identified by the use of forward-looking verbs such as 'anticipate', 'intend', 'expect', 'plan', 'believe', or 'estimate', or words or phrases with similar meanings. Aperam's actual results may differ materially from those implied by such forward-looking statements due to the known and unknown risks and uncertainties to which it is exposed, including, without limitation, the risks described in this Annual Report. Aperam does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved. Please refer to the 'Summary of risks and uncertainties' section of this report page 28 as well as 'Risks related to the company and the stainless and specialty steel industry' page 125.

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

Foreword from the Chairman of the Board of Directors

Dear Shareholders,

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

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

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

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

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

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

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

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

Lakshmi N. Mittal
Chairman of the Board of Directors

Foreword from the Chief Executive Officer

Dear Shareholders,

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

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

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

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

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

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

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

Philippe Darmayan
CEO Aperam

Management Report

The Board of Directors has the pleasure in presenting their report, which constitutes the management report ("Management Report") as defined by Luxembourg Law, together with the audited consolidated financial statements and annual accounts as of 31 December 2011, and for the accounting period then ended. As permitted by Luxembourg Law, the Board of Directors has elected to prepare a single Management Report covering both the Company and the Group

Company Overview

The Spin-off

On December 7, 2010, the Board of Directors of Aperam and the Board of Directors of ArcelorMittal approved a proposal to spin off ArcelorMittal's stainless and specialty steels businesses to its shareholders in order to enable it to benefit from better visibility in the markets, and to pursue its growth strategy as an independent company in the emerging markets and in specialty products, including electrical steel. On January 25, 2011, at an extraordinary general meeting, the shareholders of ArcelorMittal voted to approve the spin-off proposal. ArcelorMittal, as the sole shareholder as of that date also voted to approve the spin-off proposal. In connection with the spin-off, 78,049,730 of our ordinary shares were allocated on a pro rata basis to ArcelorMittal's shareholders at an exchange ratio of one of our ordinary shares for every 20 ordinary shares of ArcelorMittal.

Introduction

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

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

We manage our business according to three operating segments:

- *Stainless & Electrical Steel.* We are one of the largest global producers of stainless steel by production capacity. We produce a wide range of stainless and electrical steels (both GO and NGO steel) and focus on developing new grades of stainless steel and higher grades of electrical steel. We have a broad portfolio of stainless and electrical steel products and we continuously expand our product offerings.

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

- *Alloys & Specialties.* We believe that our Alloys & Specialties segment is the third largest producer of nickel alloys in the world. We specialize in the design, production and transformation of various nickel alloys and certain specific stainless steels. Our products take the form of bars, semis, cold-rolled strips, wire and wire rods, and plates, and are offered in a wide range of grades.

Business portfolio

Stainless & Electrical Steel

Europe

Our European facilities produce the full range of our stainless steel products. Our stainless steel production facilities in Europe produced approximately 1.1 million tonnes of crude steel in 2011.

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

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

South America

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

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

Alloys & Specialties

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

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

Distribution Network

We sell and distribute our products through our Services & Solutions segment. The Services & Solutions segment also provides value-added and customized steel solutions through further processing to meet specific customer requirements. Through our distribution network, we serve a variety of industries, including the automotive, construction, household appliances, public works, civil engineering and general industries. As of the date of this financial report, our distribution network is comprised of 19 Steel Service Centers ("SSCs"), 10 transformation facilities and 33 sales offices located across more than 30 countries. Our largest SSCs in terms of sales are located in Germany, France and Italy. Our transformation facilities include two precision units located in France as well as tube making units located across Europe and South America.

Our distribution channels are strategically located close to many end users, which enhances our ability to provide customers with immediate availability of the entire range of our products, including flat, long, technical and specialty steel.

Charcoal (Biomass)

Aperam BioEnergìa produces wood and charcoal (biomass) from cultivated eucalyptus forests in Brazil. We use the charcoal (biomass) produced by Aperam BioEnergìa as a substitute for coke at our Timóteo production facility in Brazil, enabling us to produce stainless and specialty steel products in a more efficient and sustainable manner. Aperam's biomass operations constitute a leading company in the sector of biomass production for the steel industry with state-of-the-art forest management, harvesting machinery and carbonization kilns. In 2011, they produced 318,000 tonnes of charcoal.

Our key competitive strengths at a glance

Strong values and a commitment to sustainability and health and safety

We understand the Company's responsibility to future generations and local communities. In addition to Aperam BioEnergìa enabling the use of sustainable biomass technology, we have created environmentally sustainable production solutions while still meeting the stainless and specialty steel demands of our customers. With a strong focus on health and safety, Aperam has ended the year 2011 with a Lost Time Injury frequency rate, our main indicator in this field, at an average 0.7 per million of hours worked at the end of the fourth quarter against 2.0 a year earlier. This achievement makes Aperam a reference in the stainless steel industry.

A leading global stainless and specialty steel player

We are a leading global stainless and specialty steel producer, with an international footprint, a strong market position in South America and Europe, leading technology and production facilities located in Brazil, and modern production facilities close to key customers in Belgium and France. We offer a wide range of stainless and electrical steel products, including high value-added niche products, to a diversified customer base in both emerging and developed markets. We consequently enjoy greater stability and are able to mitigate some of the risks and cyclicality inherent in certain markets. Our global integrated distribution network provides us with a competitive advantage, particularly through our ability to tailor products to address specific customer needs.

Leading research and development capabilities

We have strong research and development capabilities in Timóteo, Brazil and in Isbergues and Imphy, France with 131 research and development employees developing high-end applications. Our research and development departments interact closely with our operating segments and partner with industrial end users and leading research organizations in order to remain at the forefront of product development. Our research and development capabilities have contributed to both our leadership in the industry and our development of longstanding and recognizable brands. In addition, we concentrate a significant portion of our research and development budget on higher margin, value-added niche products, such as nickel alloys, which contribute significantly to our profitability.

Effective profitability and cash flow management

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

Culture of Continuous Improvement

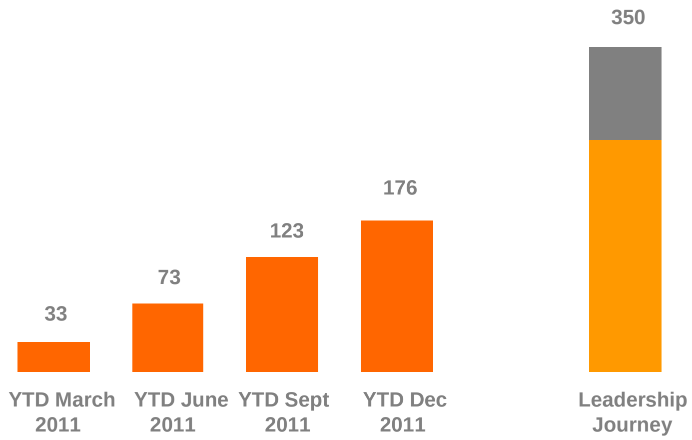
We have instituted an internal continuous improvement program, which has become part of our corporate culture. As part of this program, we target $350 million of management gains and profit enhancement by 2013. The Leadership Journey is described in greater detail below.

Leadership Journey

At the end of 2010, the Company launched an initiative to target $250 million of management gains and fixed cost reductions over the next two years. The program, referred to as the “Leadership Journey”, focuses on fixed and variable cost reductions and increasing productivity.

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

Cumulated gains and target 2013 (USD million)



As of December 31, 2011, the Company achieved $176 million of management gains and profit enhancement under our Leadership Journey. The key projects completed since the beginning of the year 2011 are in Brazil, the switch from LPG to natural gas, the conversion of second blast furnace from coke to biomass and the voluntary separation scheme. The key project completed in Europe is the suspension of the traditional cold roll mill in Isbergues.

Market analysis

Market environment

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

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

Demand for stainless steel flat products increased by approximately 20% over the course of 2010, which management believes was mainly driven by demand recovery in the developed world and sustained demand growth in China. After a sustained recovery during the first half of 2011, demand decreased in the second half of 2011 mainly due to lower nickel prices and an uncertain economic environment, especially given the EU sovereign debt crisis further inducing cautious buying. As a result, management estimates that 2011 demand was only 5% higher than in 2010.

Although the industry has not overproduced compared to demand, structural overcapacity is expected to continue to affect the stainless steel industry. Global utilization rates have declined significantly in recent years, from approximately 88% in 2006 to 62% in 2009. In 2010 and 2011, utilization rates recovered and reached approximately 70%, based on management estimates.

Competition

In 2011, there were seven stainless steel flat producers with slab production capacity in excess of 2.0 million tonnes per year, accounting for approximately half of global capacity, based on management estimates. These seven producers include Inoxum (the stainless steel unit of Thyssen Krupp), Acerinox, Taiyuan Iron & Steel (TISCO), Yieh United Steel (YUSCO), Pohang Iron and Steel Company (POSCO), Outokumpu and Aperam. On January 31, 2012, ThyssenKrupp and Outokumpu confirmed that an agreement in principle had been reached about the combination of Outokumpu and Inoxum to create the world’s largest stainless steel company. The closing of the transaction is expected by the end of 2012.

Stainless steel prices

The market for stainless steel is considered to be a global market. Stainless steel is suitable for transport over longer distances as logistics costs represent a smaller proportion of overall costs. Stainless steel is a steel alloy with a minimum of 10.5% chromium content by mass and a combination of alloys which are added to confer certain specific properties depending upon the application. The cost of alloys used in stainless steel products varies across products and can fluctuate significantly. Prices for stainless steel in Europe and the United States generally include two components:

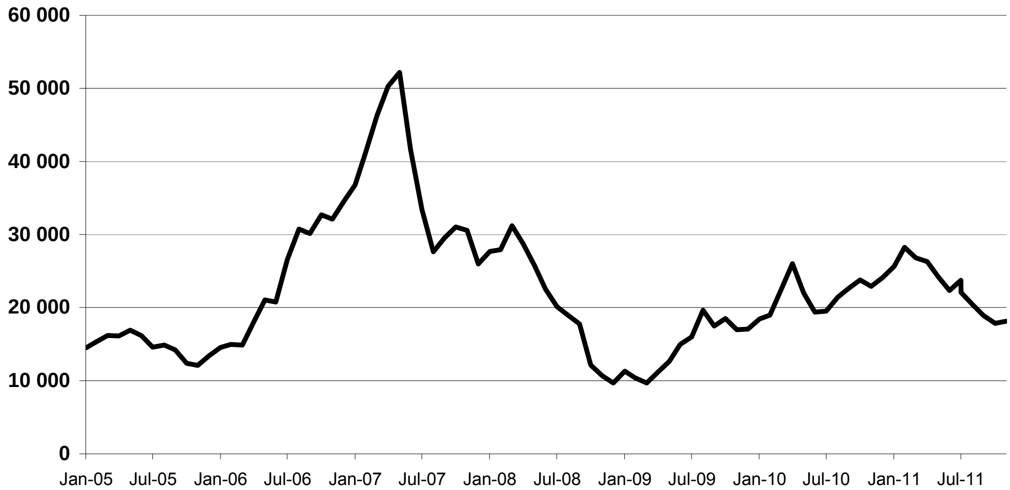
- the “base price”, which is negotiated with customers and depends mainly on market supply and demand; and
- the “alloy surcharge”, which is a supplementary charge added by producers to the selling price of steel and offsets price increases in raw materials, such as nickel, chromium or molybdenum, by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

fluctuations in demand, increasing or decreasing inventory levels, changes in production capacity and speculation by metal traders.

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

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

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



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

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

Stainless steel base prices decreased slightly in 2010 as a result of the low-range volatility of nickel pricing, as well as stainless steel destocking. In contrast, over 2011 base prices decreased by approximately 20% from 2011 April peak down to approximately $1,350 per tonne at year end, driven by lower nickel prices and pressure on demand.

Current and anticipated trends in stainless steel production and prices

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

Raw materials and energy

Raw Materials

The primary raw materials that we use to produce our products include nickel, ferrochrome, molybdenum, stainless and carbon steel scrap, coke, charcoal (biomass) and iron ore. We are exposed to price volatility with respect to each of these raw materials, which we purchase under long-term supply contracts and in the spot market. Prices for these raw materials are strongly correlated with demand for stainless steel and carbon steel and accordingly tend to fluctuate in response to changes in supply and demand dynamics in the industry. In addition, since most of the raw materials we use are finite resources, their prices may also fluctuate in response to any perceived scarcity of reserves and the evolution of the pipeline of new exploration projects to replace depleted reserves.

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

Energy

In Brazil, as part of the Leadership Journey, the Timóteo production facility switched from LPG to natural gas in 2011 and entered into a long-term natural gas supply contract with a Brazilian supplier. In Europe, we purchase most of our natural gas requirements using prevailing pricing systems, where prices are usually linked with oil prices, normalizing for each fuel’s energy content. In most of the countries where we operate, electricity prices have moved in line with other energy commodities. With regard to electricity prices, we benefit from preferred terms in France through the EXELTIUM consortium which began in May 2010. In Belgium, with 5 other electro intensive users within the BLUE SKY consortium, Aperam participates to a co-investment with Electrabel to get access to electricity on preferred terms.

Impact of exchange rate movements

After recovering in 2010 against most currencies in the jurisdictions where Aperam operates (mainly euro and Brazilian real) the U.S. dollar depreciated again significantly to reach a record low in the second quarter of 2011. The U.S. dollar strengthened significantly during the second half of 2011. Because a substantial portion of Aperam’s assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its presentation currency), Aperam has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. In order to minimize its currency exposure, the Company enters into hedging transactions to lock in a set exchange rate, in accordance with its management policies.

Board of Directors

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

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

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

Notes:

(1) Age on December 31, 2011.

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

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

Mr. Lakshmi N. Mittal

Mr. Lakshmi N. Mittal is the Chairman and CEO of ArcelorMittal. Mr. Mittal started his carreer in steel in 1976 by founding Ispat Indo, a company that is still held privately by the Mittal family. He founded Mittal Steel Company (formerly the LNM Group) in 1989 and guided its strategic development, culminating in the merger in 2006 with Arcelor, to form the world's largest steelmaker. He is widely recognized for the leading role he has played in restructuring the steel industry towards a more consolidated and globalized model. Mr. Mittal is an active philanthropist and a member of various boards and trusts, including the boards of Goldman Sachs and European Aeronautic Defence & Space Company (EADS) N.V. He is a member of the Indian Prime Minister's Global Advisory Council, the Foreign Investment Council in Kazakhstan, the Ukrainian President's Domestic and Foreign Investors Advisory Council, the World Economic Forum's International Business Council, the World Steel Association's Executive Committee and the Presidential International Advisory Board of Mozambique. He also sits on the Advisory Board of the Kellogg School of Management and on the Board of Trustees of Cleveland Clinic in the United States. Mr. Mittal began his career working in his family's steelmaking business in India, and has over 35 years of experience working in steel and related industries. In addition to spearheading the steel industry's consolidation, he championed the development of integrated mini-mills and the use of Direct Reduced Iron (DRI) as a scrap substitute for steelmaking. Following the merger of Ispat International and LNM Holdings to form Mittal Steel in December 2004, with the simultaneous acquisition of International Steel Group, he led the formation of the world's then-leading steel producer. In 2006 he merged Mittal Steel and Arcelor to form ArcelorMittal. Mr. Mittal then led a successful integration of two large entities to firmly establish ArcelorMittal as one of the foremost industrial companies in the world. The company continues to be the largest and most global steel manufacturer. More recently, Mr.

Mittal has been leading ArcelorMittal's expansion of its mining business through significant brownfield and greenfield growth. In 1996, Mr. Mittal was awarded 'Steelmaker of the Year' by New Steel in the United States and in 1998 the 'Willy Korf Steel Vision Award' by World Steel Dynamics for outstanding vision, entrepreneurship, leadership and success in global steel development. He was named Fortune magazine's 'European Businessman of the Year 2004'. Mr. Mittal was awarded 'Business Person of 2006' by the Sunday Times, 'International Newsmaker of the Year 2006' by Time Magazine and 'Person of the Year 2006' by the Financial Times for his outstanding business achievements. In January 2007, Mr. Mittal was presented with a Fellowship from King's College London, the college's highest award. He also received in 2007 the Dwight D Eisenhower Global Leadership Award, the Grand Cross of Civil Merit from Spain and was named AIST Steelmaker of the year. In January 2008, Mr. Mittal was awarded the Padma Vibhushan, India's second highest civilian honor, by the President of India. In September 2008, Mr. Mittal was chosen for the third 'Forbes Lifetime Achievement Award', which honors heroes of entrepreneurial capitalism and free enterprise. In October 2010 he was awarded World Steel Association's medal in recognition of his services to the Association as its Chairman and also for his contribution to the sustainable development of the global steel industry. Mr. Mittal was born in Sadulpur in Rajasthan, India on June 15, 1950. He graduated from St Xavier's College in Kolkata, India where he received a Bachelor of Commerce degree. Mr. Mittal is married to Usha Mittal. They have a son, Aditya Mittal, and a daughter, Vanisha Mittal Bhatia. Mr. Mittal is a citizen of India.

Mr. Romain Bausch

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

Mr. David B. Burritt

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

Ms. Kathryn A. Matthews

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

Mr. Aditya Mittal

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

Ms. Laurence Mulliez

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

Mr. Gonzalo Urquijo

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

Senior Management

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

The members of Aperam's Management Committee as of the date of this annual report are set forth below.

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

Note:

(1) Age on December 31, 2011.

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

Mr. Philippe Darmayan is the Company's Chief Executive Officer since December 1, 2011. Since 2007, he has been President of the French Federation for Steel Industry (FFA) and President of the Environmental Committee of MEDEF (French Business Confederation) since January 2011. Mr. Darmayan graduated from the French business school – HEC in Paris. Joining Aperam is Mr. Darmayan's second period in the stainless industry as, from 2002 to 2006, he led the transformation of Ugine and ALZ – the stainless divisions of respectively Usinor and Arbed Groups – into one combined company which later became ArcelorMittal Stainless then Aperam. He has therefore a strong understanding of the stainless business fundamentals which led to heavily restructured Ugine and ALZ melt shop footprint and initiated the move to ferritic grades as a way to mitigate the high Nickel price increase. Besides stainless steel, Mr. Darmayan has had an extensive experience in various metallurgical fields including nuclear fuel, Aluminium and the carbon steel industries. From 2005 to 2011, before joining Aperam, Mr. Darmayan was Executive Vice President of ArcelorMittal, member of ArcelorMittal Management Committee and the CEO of ArcelorMittal Distribution Solutions (AMDS), which activity gathers the ArcelorMittal processing and distribution businesses. Mr. Darmayan was previously in the Aluminium industry and Vice President of Pechiney with various senior management positions as Head of the Foil and bar divisions, followed by the leadership of the Aerospace division, one of Pechiney's core assets with leading market shares at Airbus, Boeing and Embraer. Mr. Darmayan initiated his career in the nuclear fuel activity as plant manager and then managing director of Franco-Belge de Fabrication de Combustibles (FBFC) a subsidiary of Framatome. FBFC is the world largest nuclear fuel manufacturer for pressurized water reactors. As his continuous career vision, Mr. Darmayan has promoted entrepreneurship spirit and participative management, as the best way for large Groups to actively show renewed initiatives and decisions for fast development and value creation. Mr. Darmayan is a citizen of France.

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

Mr. Julien Burdeau has served as Chief Executive Officer—Alloys & Specialties since July 2009. Mr. Burdeau started his career in 1997, working with the French Ministry of Economy, Finance and Industry. He joined the Arcelor Group in 2002 as Director of Strategy for the Stainless Steel division. From 2005 to

2009, Mr. Burdeau held several operational positions within ArcelorMittal Stainless Europe, which included serving as a SSC manager in Italy and as Head of the Finishing Department in Gueugnon. He subsequently became Head of Operations at the Gueugnon production facility and Chief Executive Officer of ArcelorMittal Stainless and Nickel Alloys in July 2009. Mr. Burdeau is a graduate of Ecole Normale Supérieure and Ecole des Mines, both located in Paris, France, and holds a Ph.D. in Mathematics. Mr. Burdeau is a citizen of France.

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

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

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

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

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

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

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

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

ArcelorMittal Stainless Steel—Europe in 2007. Mr. Rouffiac is a graduate of Sciences Po in Paris, France and Paris 1 Panthéon-Sorbonne Law University. Mr. Rouffiac is a citizen of France.

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

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

Corporate responsibility

On January 23, 2012, Aperam joined the United Nations Global Compact, the world's largest corporate responsibility initiative with over 8,000 business and non-business participants in 135 countries.

Provision of Environmentally Sustainable Processes and Solutions

We have invested and will continue to invest in sustainable development opportunities in order to reduce our environmental impact. In our European production facilities, for instance, our stainless steel is produced using recycled scrap material in electric arc furnaces, which use less energy and generate a lower level of CO_2 emissions than traditional blast furnaces. We also recently constructed a new water treatment unit at our Imphy plant. In addition, in Brazil, we use charcoal (biomass) produced by Aperam BioEnergìa as a substitute for coke at our blast furnaces, enabling us to produce stainless steel and specialty products in a more environmentally sustainable manner.

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

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

Personnel Development

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

Social dialogue and employee relations

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

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

Community Engagement

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

Operational review

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

The information in this section relates to the year ended December 31, 2011, compared to the year ended December 31, 2010. The key performance indicators that we use to analyze operations are sales, steel shipments, average steel selling prices and operating income.

Sales, Steel Shipments and Average Steel Selling Prices

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

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

Notes:

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

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

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

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

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) were $5,068 million for the year ended December 31, 2011. Sales to external customers in the Stainless & Electrical Steel segment were $3,126 million, representing 49.3% of total sales in 2011, an increase of 9.2% as compared to sales to external customers of $2,862 million for the year ended December 31, 2010, or 51.1% of total sales in 2010. Steel shipments for this segment (including intersegment shipments) increased to 1,675 thousand tonnes for the year ended December 31, 2011 (of which 647 thousand tonnes were attributable to our operations in South America and 1,028 thousand tonnes were attributable to our operations in Europe, including intersegment shipments) from 1,638 thousand tonnes for the year ended December 31, 2010 (of which 622 thousand tonnes were attributable to our operations in South America and 1,016 thousand tonnes were attributable to our operations in Europe, including intersegment shipments), which represented an increase of 2.3%.

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

Services & Solutions

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

Alloys & Specialties

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

Operating Income

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

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

Note:

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

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

Stainless & Electrical Steel

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

Services & Solutions

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

Alloys & Specialties

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

Income from Other Investments

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

Interest Income

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

Interest Expense and Other Net Financing Costs

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

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

Unrealized Foreign Exchange and Derivative Losses/Gains

Unrealized results on foreign exchange and derivative instruments decreased in 2011 as compared to2010. We had unrealized losses on foreign exchange and derivative instruments of $30 million for the year ended December 31, 2011, compared to unrealized gains of $9 million for the year ended December 31, 2010. These unrealized gains and losses primarily related to instruments we entered into to hedge our exposure to nickel prices which do not qualify for hedge accounting treatment under IAS 39 and the accounting revaluation of US dollar denominated external debt held in subsidiaries.

Income Tax

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

Non-controlling Interests

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

Net Loss / Income

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

Trend Information

All of the statements in this "Trend Information" section are subject to and qualified by the information set forth under the "Disclaimer - Forward-Looking Statements". See also "Risks related to the company and the stainless and specialty steel industry" page 125.

Outlook

On February 6, 2012, Aperam published its fourth quarter 2011 results with its outlook for the first quarter 2012.

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

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

Liquidity

Liquidity and Capital Resources

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

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

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

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

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

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

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

As of December 31, 2011, the Company had total liquidity of $647 million, consisting of cash and cash equivalents (including short term investments) of $247 million and committed credit lines of $400 million.

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

True Sales of Receivables Program

We have historically participated in a program for sales without recourse of trade accounts receivable to financial institutions, referred to as our true sales of receivables ("TSR") program. The total amount that we may borrow under the TSR program at any one time was originally €250 million but was decreased to €200 million as of the end of 2011 at the request of the Company. Through the TSR program, we and certain of our operating subsidiaries surrender the control, risks and benefits associated with the accounts receivable sold, allowing us to record the amount of receivables sold as a sale of financial assets and remove the accounts receivable from our statement of financial position at the time of the sale. The amount of receivables we sold under the TSR program and derecognized in accordance with IAS 39 for the years ended December 31, 2011 and 2010 was $1.7 billion and $1.7 billion, respectively. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognized in the statement of operations as financing costs and amounted to $19 million and $11 million in the years ended December 31, 2011 and 2010, respectively. See Note 3 to the Consolidated Financial Statements for further information.

Earnings distribution

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

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

Sources and Uses of Cash

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

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

Net Cash Provided by Operating Activities

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

Net Cash Provided by / (Used in) Investing Activities

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

Net Cash (Used in) / Provided by Financing Activities

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

Equity

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

Capital Expenditure

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

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

Summary of risks and uncertainties

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

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

These factors are discussed in more details in this annual report, on page 125.

Corporate Governance

This section provides a summary of the corporate governance practices of Aperam. The 10 Principles of Corporate Governance of the Luxembourg Stock Exchange constitute Aperam's domestic corporate governance code.

Board of Directors, Management Committee

Aperam is governed by a Board of Directors and a Management Committee.

Board of Directors

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

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

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

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

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

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

Operation of the Board of Directors

General

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

Meetings

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

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

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

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

Votes

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

Lead Independent Director

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

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

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

Separate Meetings of Independent Members of the Board of Directors

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

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

Board of Directors Self-evaluation and Continuing Education Program

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

Suggestions for improvement of the Board of Directors' process based on the prior year's performance and functioning are implemented during the following year.

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

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

Committees of the Board of Directors

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

Committee Composition

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

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

Note:

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

Audit and Risk Management Committee

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

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

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

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

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

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

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

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

The three members of the Audit and Risk Management Committee are Messrs. David Burritt and Romain Bausch and Ms. Laurence Mulliez. Mr. Dave Burritt is the Chairman of the Audit and Risk

Management Committee. Each of these members is an independent director according to the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

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

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

Remuneration, Nomination and Corporate Governance Committee

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

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

- review and approve objectives relevant to the remuneration of the Management Committee and other members of senior management and to evaluate their performance in light of these and other objectives;

- make recommendations to the Board of Directors with respect to incentive compensation plans and equity-based incentive plans;

- produce a report on executive compensation to be included in our annual report;

- identify candidates qualified to serve as members of the Board of Directors and the Management Committee;

- recommend candidates to the Board of Directors for appointment by the general meeting of shareholders or, to the extent permitted by law, for appointment by the Board of Directors to fulfill interim Board of Directors vacancies;

- develop, monitor and review corporate governance principles applicable to us;

- facilitate the evaluation of the Board of Directors; and

- review the succession plan and the executive development program for the Management Committee.

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

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

The Remuneration, Nomination and Corporate Governance Committee is required to meet at least twice a year. During 2011, this committee met 5 times. The average attendance rate at the Remuneration, Nomination and Corporate Governance Committee meetings held in 2011 was 100%.

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

Sustainability, Performance and Strategy Committee

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

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

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

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

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

Transition Committee

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

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

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

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

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

Management Committee

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

Succession Planning

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

Other Corporate Governance Practices

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

Ethics and Conflicts of Interest

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

Combined Assurance

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

Independent Auditors

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

Audit fees in 2011 were $3.1 million for the audits of financial statements.

Measures to Prevent Insider Dealing and Market Manipulation

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

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

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

Compensation

As of December 31, 2011 and 2010, Aperam did not have outstanding any loans or advances to members of its Board of Directors and, as of December 31, 2011, Aperam had not given any guarantees for the benefit of any member of its Board of Directors.

Board of Directors

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

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

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

(Amounts in USD):

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

Notes:

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

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

Senior Management

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

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

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

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

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

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

(i) issue (a) up to 70,000 (seventy thousand) RSUs corresponding to up to 70,000 of the Company's fully paid-up ordinary shares (the "2011 RSU Cap") under the RSU Plan, and (b) up to 20,000 (twenty thousand) PSUs corresponding to up to 40,000 (forty thousand) of the Company's fully paid-up ordinary shares (the "2011 PSU Cap") under the PSU Plan, which may in each case be newly issued shares or shares held in treasury, such authorisation to be valid from July 12, 2011 until the annual general meeting of shareholders to be held in 2012,

(ii) adopt any necessary rules to implement the RSU Plan and the PSU Plan, including specific performance targets per business unit and any administrative measures and conditions for specific situations, as the Board of Directors may consider appropriate,

(iii) decide and implement any increase in the 2011 RSU Cap and the 2011 PSU Cap by the additional number necessary to preserve the rights of the holders of RSU or PSU in the event of a transaction impacting the Company's share capital, and

(iv) do or cause to be done all such further acts and things as the Board of Directors may determine to be necessary or advisable in order to implement the content and purpose of this authorization.

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

Board of Directors and Senior Management Compensation Policy

Philosophy

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

- provide total compensation competitive with executive compensation levels of industrial companies of a similar size and scope;

- promote internal equity and market median base pay levels for executives, combined with "pay for performance";

- motivate managers towards the achievement of group-wide and personal goals, including efficiency and growth; and

- retain individuals who consistently perform at expected levels and contribute to the success of the organization.

Compensation Framework

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

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

Fixed Annual Salary

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

Short-term Incentives: Performance-Related Bonus

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

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

The following three levels of achievement apply:

• 80% achievement: the threshold or minimum level of achievement. The performance bonus is not paid out if the level of achievement of the business plan target is below this threshold;

• 100% achievement: the business plan target has been fully reached;

• 120% achievement: the maximum or ceiling for over-achievement of the business plan.

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

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

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

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

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

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

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

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

The shareholders have approved at the extraordinary general meeting of July 12, 2011 the implementation of a Restricted Share Unit Plan and a Performance Share Unit Plan to enhance the long-term performance of the Company and to retain key employees. The two Plans are intended to promote the alignment of interests between the Company’s shareholders and eligible employees by allowing them to participate in the success of the Company.

Restricted Share Unit (RSU) Plan

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

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

Performance Share Unit (PSU) Plan

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

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

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

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

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

Other Benefits

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

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

Employee Share Purchase Plan (ESPP)

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

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

- the spin-off was to be deemed an early exit event for the participants who were employees of one of the entities that was to be exclusively controlled by Aperam, except in certain jurisdictions where termination of employment was not an early exit event; and

- the Aperam shares received by ESPP participants would be blocked in line with the lock-up period applicable to the ArcelorMittal shares in relation to which the Aperam shares were allocated based on a ratio of one Aperam share for 20 ArcelorMittal shares.

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

Stock option plan

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

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

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

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

	Number of Options	Range of Exercise Prices [1] (per option)	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2009	590,468	$38.30 – $82.57	$59.17
Granted	209,400	$32.27	$32.27
Exercised	—	—	—
Cancelled	(43,646)	$32.27 – $82.57	$42.07
Expired	(45,715)	$40.25	$40.25
Transferred	185,572	$28.75 – $82.57	$52.54
Outstanding, December 31, 2010	896,079	$28.75 – $82.57	$52.86
Granted	—	—	—
Exercised	—	—	—
Cancelled	(39,166)	$30.66 – $78.44	$37.64
Expired	(44,832)	$36.38 – $78.44	$63.98
Transferred	31,600	$30.66 – $78.44	$46.76
Outstanding, December 31, 2011	843,681	$27.31 – $78.44	$50.08
Exercisable, December 31, 2011	684,604	$27.31 – $78.44	$54.18
Exercisable, December 31, 2010	523,805	$28.75 – $82.57	$60.48

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

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

Options Outstanding			
Exercise Prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)
$78.44	220,900	6,6	220,900
$61.09	138,050	5,6	138,050
$38.24	91,431	1,5	91,431
$36.38	169,900	7,6	121,424
$32.07	18,750	4,6	18,750
$30.66	185,900	8,6	75,299
$27.31	18,750	3,6	18,750
$27.31 – $78.44	843,681		684,604

Share ownership

As of December 31, 2011, the aggregate beneficial share ownership of Aperam directors and senior management totaled 7,542 shares. Aperam shares (excluding shares owned by Aperam's Significant shareholder). Other than the Significant shareholder, each director and member of senior management beneficially owns less than 1% of Aperam's shares. See definition of Significant shareholder in Share Capital table page 41.

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

Share capital

As of December 31, 2011, the Company's authorized share capital, including the issued share capital, consisted of 85,854,303 shares without nominal value. The Company's issued share capital was represented by 78,049,730 fully paid up shares without nominal value.

The following table sets forth information as of December 31, 2011 with respect to the beneficial ownership and voting rights in the Company by each person who is known to be the beneficial owner of 2.5% or more of the Company's issued share capital.

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

Notes:

(1) Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, have direct ownership of Aperam common shares and indirect ownership of holding companies that own Aperam common shares. Nuavam Investments S.à.r.l., a limited liability company organized under the laws of Luxembourg is the owner of 5,616,913 Aperam common shares. Lumen Investments S.à r.l., a limited liability company organized under the laws of Luxembourg, is the owner of 26,250,000 Aperam common shares. Mr. Mittal is the direct owner of 11,080 Aperam common shares. Mrs. Mittal is the direct owner of 2,250 Aperam common shares. Mr. Mittal, Mrs. Mittal and the Significant shareholder share indirect beneficial ownership of 100% of each of Nuavam Investments S.à r.l. and Lumen Investments S.à r.l. Accordingly, Mr. Mittal is the beneficial owner of 31,877,993 Aperam common shares, Mrs. Mittal is the beneficial owner of 31,869,163 common shares and the Significant shareholder is the beneficial owner of 31,880,243 common shares.

(2) According to the Company's Articles of Association, a shareholder owning 2.5% or more of the share capital must notify the Company. The only registered shareholder owning 2.5% or more but less than 5% of the share capital of the Company at December 31, 2011 is the Luxembourg State, with 1,948,226 shares, representing 2.5% of the total issued share capital.

(3) Includes shares beneficially owned by directors and members of senior management listed in the sections "Board of Directors" and "Senior Management"; Excludes shares beneficially owned by Mr. Mittal.

(4) These 7,542 Aperam common shares are included in the shares owned by Other public shareholders in the table above.

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

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

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

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

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

Related Party Transactions

We engage in certain commercial and financial transactions with related parties. Please refer to Note 12 to the consolidated financial statements for further details.

Agreements with ArcelorMittal

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

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

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

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

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

Financing Arrangements with ArcelorMittal

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

Shareholder information

The company

The Company is a Luxembourg public limited liability company (*société anonyme*) incorporated on September 9, 2010 to hold the assets which comprise the stainless and specialty steels businesses of ArcelorMittal. The Company has its registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under the number B-155.908.

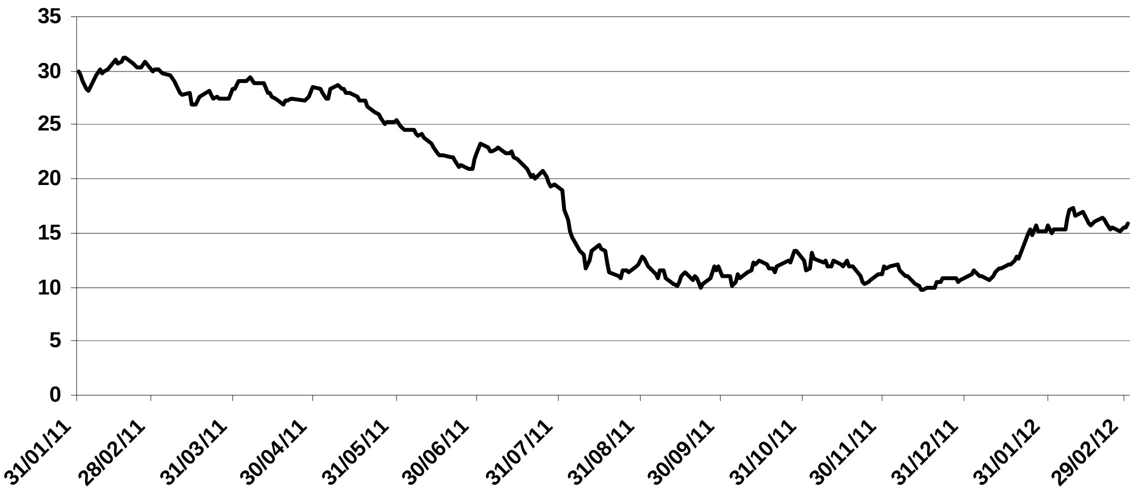
Listing and Indexes

The Company's ordinary shares are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange (symbol "APAM") and are traded on the NYSE Euronext Single Order Book with Amsterdam as the Market of Reference (symbol "APAM" and Euronext code NSCNL00APAM5). The ordinary shares were admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange, Euronext Amsterdam and Euronext Paris on January 31, 2011.The ordinary shares of the Company are accepted for clearance through Euroclear and Clearstream Luxembourg under common code number 056997440. The ISIN code of the ordinary shares of the Company is LU0569974404.

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

Share performance since creation

The Graph below shows the share price performance of Aperam from January 31, 2011 to February 28, 2012 on Euronext (share price in EUR):



Financial Calendar

Earnings calendar

- February 6, 2012*: Earnings for 4th quarter 2011 and 12 months 2011
- May 9, 2012*: Earnings for 1st quarter 2012
- July 24, 2012*: Earnings for 2nd quarter 2012 and 6 months 2012
- October 30, 2012*: Earnings for 3rd quarter 2012 and 9 months 2012

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

General meeting of shareholders

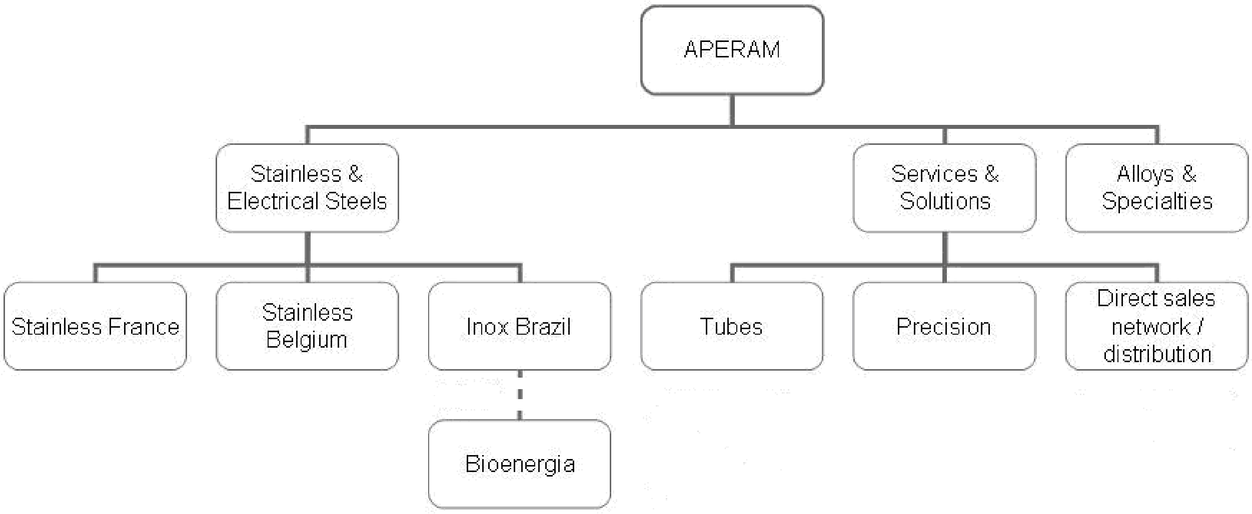
- May 8, 2012: Annual general meeting of shareholders, Luxembourg

Dividend payment schedule

- March 13, 2012 1st quarterly payment of base dividend (interim dividend)
- June 14, 2012 2nd quarterly payment of base dividend
- September 10, 2012 3rd quarterly payment of base dividend
- December 10, 2012 4th quarterly payment of base dividend

Organizational Structure

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



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

Contacts

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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.

Annual Report 2011
Financial Information

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Chief Executive Officer and Chief Financial Officer's Responsibility Statement

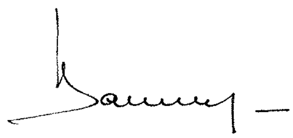
We confirm to the best of our knowledge that:

1. the consolidated financial statements of Aperam presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the assets, liabilities, financial position and results of Aperam and the undertakings included within the consolidation taken as a whole; and

2. the annual accounts of Aperam presented in this Annual Report and established in conformity with the Luxembourg legal and regulatory requirements relating to the preparation of annual accounts give a true and fair view of the assets, liabilities, financial position and results of the Company; and

3. the management report includes a fair review of the development and performance of the business and position of Aperam and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board of Directors



Chief Executive Officer

Philippe Darmayan

March 15, 2012

Chief Financial Officer

Julien Onillon

March 15, 2012

Aperam

Consolidated Statements of Financial Position

(millions of U.S. dollars)

	December 31,	
	2011	2010 Combined
ASSETS		
Current assets:		
Cash and cash equivalents	247	120
Trade accounts receivable (note 3)	391	405
Inventories (note 4)	1,262	1,496
Prepaid expenses and other current assets (note 5)	145	826
Total current assets	2,045	2,847
Non-current assets:		
Goodwill and intangible assets (note 6)	904	989
Biological assets (note 7)	145	—
Property, plant and equipment (note 8)	2,659	2,917
Investments in associates (note 9)	2	152
Other investments (note 10)	98	181
Deferred tax assets (note 17)	249	183
Other assets (note 11)	99	66
Total non-current assets	4,156	4,488
Total assets	6,201	7,335

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

Aperam

Consolidated Statements of Financial Position

(millions of U.S. dollars)

	December 31,	
	2011	2010 Combined
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt (note 13)	538	900
Trade accounts payable	846	942
Short-term provisions (note 18)	41	39
Accrued expenses and other liabilities (note 19)	309	426
Income tax liabilities (note 17)	4	11
Total current liabilities	1,738	2,318
Non-current liabilities:		
Long-term debt, net of current portion (note 13)	587	932
Deferred tax liabilities (note 17)	173	116
Deferred employee benefits (note 21)	174	181
Long-term provisions (note 18)	80	123
Other long-term obligations	6	11
Total non-current liabilities	1,020	1,363
Total liabilities	2,758	3,681
Commitments and contingencies (note 20 and note 22)		
Equity (note 15):		
Common shares (no par value, 85,854,303 and 85,854,303 authorized, 78,049,730 and 4,000 shares issued and outstanding at December 31, 2011 and 2010, respectively)	547	—
Additional paid-in capital	1,600	—
Retained earnings	1,133	3,143
Foreign currency translation adjustments	176	457
Unrealized (loss) gain on available-for-sale securities	(15)	44
Unrealized (loss) gain on derivative financial instruments	(4)	5
Equity attributable to the equity holders of the parent	3,437	3,649
Non-controlling interests	6	5
Total equity	3,443	3,654
Total liabilities and equity	6,201	7,335

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

Aperam

Consolidated Statements of Operations

(millions of U.S. dollars)

	Year Ended December 31, 2011	Year Ended December 31, 2010 Combined
Sales	6,345	5,604
(including 180 and 194 of sales to related parties in 2011 and 2010, respectively)		
Cost of sales	6,039	5,254
(including depreciation and impairment of 311 and 317, and purchases from related parties of 269 and 1,165 in 2011 and 2010, respectively)		
Gross margin	306	350
Selling, general and administrative	261	257
Operating income	45	93
Income from other investments	2	9
Interest income (note 16)	3	9
Interest expense and other net financing costs (note 16)	(157)	(9)
(Loss) income before taxes	(107)	102
Income tax benefit (note 17)	(48)	(3)
Net (loss) income (including non-controlling interests)	(59)	105
Net (loss) income attributable to		
Equity holders of the parent	(60)	104
Non-controlling interests	1	1
Net (loss) income (including non-controlling interests)	(59)	105
Earnings per common share (in U.S. dollars):		
Basic common shares	(0.76)	1.34
Diluted common shares	(0.76)	1.34
Weighted average common shares outstanding (in thousands)		
Basic common shares	78,050	78,050
Diluted common shares	78,050	78,050

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

Aperam

Consolidated Statements of Comprehensive (Loss) Income

(millions of U.S. dollars)

	Year Ended December 31,			
	2011		2010 Combined	
Net (loss) income (including non-controlling interests)		**(59)**		**105**
Available-for-sale investments:				
Gain (loss) arising during the period, net of tax benefit (expense) of 16 and (13) for 2011 and 2010, respectively	(59)		70	
Reclassification adjustments for gain included in the statement of operations, net of tax expense of nil and 41 for 2011 and 2010, respectively	—		(79)	
	(59)		(9)	
Cash flow hedges:				
Gain (loss) arising during the period, net of tax benefit (expense) of 6 and (5) for 2011 and 2010, respectively	(12)		12	
Reclassification adjustments for (gain) loss included in the statement of operations, net of tax (benefit) expense of (1) and 2 for 2011 and 2010, respectively	3		(7)	
	(9)		5	
Exchange differences arising on translation of foreign operations, net of tax benefit (expense) of 36 and (12) for 2011 and 2010, respectively	(281)		(80)	
Share of other comprehensive income related to associates	—		2	
Total other comprehensive loss	**(349)**		**(82)**	
Total other comprehensive loss attributable to:				
Equity holders of the parent	(349)		(82)	
Non-controlling interests	—		—	
		(349)		(82)
Net comprehensive (loss) income		**(408)**		**23**
Net comprehensive (loss) income attributable to:				
Equity holders of the parent		(409)		22
Non-controlling interests		1		1
Net comprehensive (loss) income		**(408)**		**23**

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

Aperam

Consolidated Statements of Changes in Equity

(millions of U.S. dollars)

	Shares[1]	Share capital	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Derivatives Financial Instruments	Unrealized Gains (Losses) On Available for Sale Securities	Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2009 (Combined)..........	**—**	**—**	**—**	**2,995**	**535**	**—**	**53**	**3,583**	**6**	**3,589**
Net income	—	—	—	104	—	—	—	104	1	105
Other comprehensive income (loss)	—	—	—	—	(78)	5	(9)	(82)	—	(82)
Total comprehensive income (loss)	—	—	—	104	(78)	5	(9)	22	1	23
Recognition of share-based payments	—	—	—	4	—	—	—	4	—	4
Incorporation of Aperam S.A.	4	—	—	—	—	—	—	—	—	—
Capital transactions with ArcelorMittal (note 15) ...	—	—	—	55	—	—	—	55	—	55
Dividends......................	—	—	—	(15)	—	—	—	(15)	(2)	(17)
Balance at December 31, 2010 (Combined)..........	**4**	**—**	**—**	**3,143**	**457**	**5**	**44**	**3,649**	**5**	**3,654**
Net income (loss)..........	—	—	—	(60)	—	—	—	(60)	1	(59)
Other comprehensive loss	—	—	—	—	(281)	(9)	(59)	(349)	—	(349)
Total comprehensive income (loss)	—	—	—	(60)	(281)	(9)	(59)	(409)	1	(408)
Recognition of share-based payments	—	—	—	3	—	—	—	3	—	3
Capital transactions with ArcelorMittal (note 15) ...	—	—	—	33	—	—	—	33	—	33
Capital increase and Spin-off	78,046	547	1,600	(1,927)	—	—	—	220	—	220
Dividends......................	—	—	—	(59)	—	—	—	(59)	(1)	(60)
Other movements	—	—	—	—	—	—	—	—	1	1
Balance at December 31, 2011	**78,050**	**547**	**1,600**	**1,133**	**176**	**(4)**	**(15)**	**3,437**	**6**	**3,443**

(1) Number of shares denominated in thousands.

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

Aperam

Consolidated Statements of Cash Flows

(millions of U.S. dollars)

	Year Ended December 31,	
	2011	2010 Combined
Operating activities:		
Net income (loss)	(59)	105
Adjustments to reconcile net income (loss) to net cash provided by operations and payments:		
Depreciation	307	293
Impairment	4	24
Interest expense	74	116
Income tax benefit	(48)	(3)
Write-downs of inventories to net realizable value and expense related to onerous supply contracts (*)	35	39
Labor agreements and separation plans	21	18
Impairment of financial assets	1	—
Unrealized (gains) losses on derivative instruments	7	(2)
Realized gain on exchange of shares Aços Villares/Gerdau	—	(120)
Unrealized foreign exchange effects, provisions and other non-cash operating expenses (net)	(8)	(47)
Changes in operating assets, liabilities and provisions, net of effects from acquisitions:		
Trade accounts receivable	7	(93)
Inventories	176	(489)
Interest paid (net)	(70)	(114)
Income taxes (paid) refund	(17)	5
Trade accounts payable	(149)	371
Cash paid for separation plans	(17)	(7)
Cash received for tax indemnification	—	265
Other working capital and provisions movements	(75)	1
Net cash provided by operating activities	189	362
Investing activities:		
Purchase of property, plant and equipment	(158)	(101)
Loans under cash pooling arrangements (net)	647	(317)
Other investing activities (net)	9	14
Net cash provided by (used in) investing activities	498	(404)
Financing activities:		
Proceeds from short-term debt	704	25
Proceeds from long-term debt	518	11
Payments of short-term debt	(1,165)	(116)
Payments of long -term debt	(2)	(99)
Borrowings under cash pooling arrangements (net)	(540)	197
Dividends paid to ArcelorMittal	(1)	(69)
Dividends paid to shareholders	(60)	(2)
Change in ArcelorMittal's net investment (**)	—	98
Other financing activities (net)	(6)	(3)
Net cash (used in) provided by financing activities	(552)	42
Effect of exchange rate changes on cash	(8)	2
Net increase in cash and cash equivalents	127	2
Cash and cash equivalents:		
At the beginning of the year	120	118
At the end of the year	247	120

(*) Refer to Note 4 for more information on inventory write-downs.

(**) Includes cash flows resulting from legal reorganizations between Aperam and ArcelorMittal. Refer to Note 15 for more information on changes in ArcelorMittal's net investment.

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

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

Nature of business

Aperam Société Anonyme (the "Company" or "Aperam") was incorporated in Luxembourg on September 9, 2010 to hold the assets which comprise the stainless and specialty steels businesses of ArcelorMittal ("ArcelorMittal"). This business was transferred to the Company prior to the distribution of all its outstanding common shares to shareholders of ArcelorMittal on January 26, 2011. The Company's shares have been trading on the European stock exchanges of Amsterdam, Paris (Euronext) and Luxembourg since January 31, 2011.

These consolidated financial statements were authorized for issuance on March 15, 2012 by Aperam's Board of Directors.

Aperam is a global stainless steel producer with an annual capacity of 2.5 million tonnes in 2011. The Company's production activities are concentrated in six main plants in Brazil, Belgium and France. Its worldwide- integrated distribution network is comprised of 19 service centers, 10 transformation facilities, and 33 sales offices including customer support.

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

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

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for available for sale financial assets, derivative financial instruments and biological assets which are measured at fair value, and inventories, which are measured at the lower of net realizable value or cost. The consolidated financial statements as at and for the year ended December 31, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data.

Prior to its ownership of ArcelorMittal's stainless steel and nickel alloys business, the Company did not have any other operations. Consequently, in the context of the listing of the Company's shares, combined financial statements have been prepared as of and for the year ended December 31, 2010, in accordance with IFRS as adopted in the European Union.

The amounts presented as comparative figures in these consolidated financial statements are those which were presented in the combined financial statements of the Company as of December 31, 2010 and for the year then ended.

Adoption of new IFRS standards, amendments and interpretations applicable in 2011

Unless otherwise indicated below, the following new standards, amended standards, or interpretations were adopted by the Company on January 1, 2011 and did not have a material impact on the consolidated financial statements of Aperam.

- IAS 24, "Related Party Disclosures" (revised 2009)
- IAS 32, "Financial Instruments—Presentation"
- Amendments to IFRIC 14, "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"
- Improvements to IFRSs 2010:
    - Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards Accounting"
    - Amendments to IFRS 3, "Business Combinations"
    - Amendments to IFRS 7, "Financial Instruments: Disclosures"
    - Amendments to IAS 1, "Presentation of Financial Statements"
    - Transition requirements for amendments arising as a result of IAS 27, "Consolidated and Separate Financial Statements" (as amended in 2008)
    - Amendments to IAS 34, "Interim Financial Reporting"
    - Amendments to IFRIC 13, "Customer Loyalty Programs"

New IFRS standards and interpretations applicable from 2012 onward

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

- Amendments to IFRS 7, "Financial Instruments: Disclosures"

  On October 7, 2010, the IASB issued amendments to IFRS 7 "Financial Instruments: Disclosures" as part of its comprehensive review of off-balance sheet activities. The amendments are intended to provide users of financial statements additional information regarding financial assets (for example, securitizations), including the possible effects of risks that remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. These amendments are to be applied for annual periods beginning on or after July 1, 2011, with earlier application permitted.

- IFRS 9, "Financial Instruments"

  In November 2009, the IASB issued IFRS 9 "Financial Instruments" as the first step in its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial instruments, including:

- The replacement of the multiple classification and measurement models in IAS 39, "Financial Instruments: Recognition and Measurement" with a single model that has only two classification categories: amortized cost and fair value.

- The replacement of the requirement to separate embedded derivatives from financial asset hosts with a requirement to classify a hybrid contract in its entirety at either amortized cost or fair value.

- The replacement of the cost exemption for unquoted equities and derivatives on unquoted equities with guidance on when cost may be an appropriate estimate of fair value.

This standard is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company is in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption.

- Amendments to IAS 12, "Income Taxes"

The amendments, published in December 2010, introduce an exception to the general measurement requirements of IAS 12 "Income Taxes" in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. These amendments are to be applied for annual periods beginning on or after January 1, 2012, with earlier application permitted.

- Amendments to IAS 1, "Presentation of Financial Statements"

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1 "Presentation of Financial Statements"), issued on June 16, 2011, introduces changes to the presentation of items of other comprehensive income. The amendments:

- Require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;

- Do not change the existing option to present profit or loss and other comprehensive income in two statements; and

- Change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

These amendments are to be applied for annual periods beginning on or after July 1, 2012, with earlier application permitted.

- IFRS 10, "Consolidated Financial Statements"

IFRS 10 "Consolidated Financial Statements", published by the IASB in May 2011, uses control as the single basis for consolidation, irrespective of the nature of the investee, thus eliminating the risks and rewards approach included in SIC-12. IFRS 10 identifies the following three elements of control:

- power over the investee,

- exposure, or rights, to variable returns from involvement with the investee, and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Standard also contains guidance on additional issues that needs to be considered when determining who has control. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption.

- IFRS 11, "Joint Arrangements"

IFRS 11 "Joint Arrangements", published by the IASB in May 2011, establishes two types of joint arrangements: joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. IFRS 11 provides guidance on determining the type of joint arrangement.

A joint operator recognizes its share of the assets, liabilities, revenues and expenses in accordance with applicable IFRSs, while a joint venturer would account for its interest using the equity method of accounting under IAS 28 (revised 2011) "Investments in Associates and Joint Ventures", thus eliminating the option of proportionate consolidation for interests in joint ventures.

This standard is effective for annual periods beginning on or after January 1, 2013.

- IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard. Many of the disclosure requirements were previously included in IAS 27, IAS 31 or IAS 28, whilst others are new. This standard is effective for annual periods beginning on or after January 1, 2013.

- IAS 27, "Separate financial statements"

IAS 27 has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements. Amendments are to be applied for annual periods beginning on or after January 1, 2013.

- IAS 28, "Investments in Associates and Joint Ventures"

IAS 28 has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11. Amendments are to be applied for annual periods beginning on or after January 1, 2013.

- IFRS 13, "Fair Value Measurement"

IFRS 13 "Fair Value Measurement", published by the IASB in May 2011, replaces existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair value and disclosures about fair value measurements. This standard is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

- Amendments to IAS 19, "Employee benefits"

In June 2011, the IASB issued the amended version of IAS 19 "Employee benefits" which includes the following requirements:

- Actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and

- Expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

This standard is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption.

- IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine"

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" was issued on October 19, 2011 and will be applicable for years beginning on ar after January 1, 2013, with early adoption permitted.

Basis of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries, and its respective interest in associated companies. Subsidiaries are consolidated from the date of acquisition, which is considered the date the Company obtains control until the date control ceases. Control is defined as the power to govern the financial and operating policies of an entity, so as to obtain benefits derived from its activities. Generally, control is presumed to exist when the Company holds more than half of the voting rights.

Associated companies are those companies over which the Company has the ability to exercise significant influence on the financial and operating policy decisions, which are not operating subsidiaries. Generally, significant influence is presumed to exist when the Company holds more than 20% of the voting rights. In addition, jointly controlled entities are companies over whose activities the Company has joint control under a contractual agreement. The financial statements include the Company's share of the total recognized gains and losses of associates and jointly controlled entities on an equity accounted basis from the date that significant influence commences until the date significant influence ceases, adjusted for any impairment loss. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the investee arising from changes in the investee's equity that have not been recognized in the investee's profit or loss. The Company's share of those changes is recognized directly in equity.

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

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

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

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

Reverse acquisition

The spin-off of the stainless steel and nickel alloys business of ArcelorMittal on January 25, 2011 resulted in the transfer to the Company of the assets and liabilities pertaining to the business.

The transaction has been accounted for as a reverse acquisition. The effect of the accounting treatment, as a result of the reverse acquisition, is that even though the consolidated financial statements are issued under the name of Aperam, they represent a continuation of the stainless steel and nickel alloys business of ArcelorMittal.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Translation of financial statements denominated in foreign currency

The functional currency of each of the major operating subsidiaries is the local currency. Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are re-measured at the rates of exchange prevailing at the statement of financial position date and the related transaction gains and losses are reported in the consolidated statement of operations. Non-monetary items that are carried at cost are translated using the rate of exchange prevailing at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate prevailing when the fair value was determined and the related transaction gains and losses are reported in the consolidated statement of comprehensive income.

Upon consolidation, the results of operations of the Company's subsidiaries and associates whose functional currency is other than the U.S. dollar are translated into the U.S. dollar at the monthly average exchange rates and assets and liabilities are translated at the year-end exchange rates. Translation adjustments are recognized directly in other comprehensive income and are reclassified in income or loss in the statement of operations only upon sale or liquidation of the underlying foreign subsidiary or associate.

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

Cash and cash equivalents

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

Trade accounts receivable

Trade accounts receivable are initially recorded at their fair value and do not bear interest. The Company maintains an allowance for doubtful accounts at an amount that it considers to be a sufficient estimate of losses resulting from the inability of its customers to make required payments. An allowance is recorded and charged to expense when an account is deemed to be uncollectible. In judging the adequacy of the allowance for doubtful accounts, the Company considers multiple factors including historical bad debt experience, the current economic environment and the aging of the receivables. Recoveries of trade receivables previously reserved in the allowance for doubtful accounts are recorded as gains in the statement of operations.

The Company's policy is to provide for all receivables outstanding over 180 days, because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable. Trade receivables between 60 days and 180 days are provided for based on estimated unrecoverable amounts from the sale of goods and/or services, determined by reference to past default experience.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method or average cost method. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labor and an allocation of fixed and variable production overheads. Raw materials and spare parts are valued at cost inclusive of freight and shipping and handling costs. Net realizable value represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution. Costs incurred when production levels are abnormally low are partially capitalized as inventories and partially recorded as a component of cost of sales in the statement of operations.

Goodwill and bargain purchase

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

Goodwill is allocated to those groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose and in all cases is at the operating segment level which represents the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested annually at the level of the groups of cash generating units which correspond to operating segments as of November 30 or whenever changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the cash generating units comprising the operating segments are tested for impairment at the same time as goodwill, the cash generating units are tested first and any impairment of the assets is recorded prior to the testing of goodwill. The recoverable amounts of the cash generating units are determined from the higher of fair value less cost to sell or value in use calculations, as described below in the "Impairment of Tangible and Intangible Assets" section. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on the Company's growth forecasts which are in line with industry trends. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

Cash flow forecasts are derived from the most recent financial forecasts for the next five years. Beyond the specifically forecasted period, the Company extrapolates cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognized, impairment losses recognized for goodwill are not reversed. On disposal of a subsidiary, any residual amount of goodwill is included in the determination of the profit or loss on disposal.

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

Intangible assets

Intangible assets recorded by the Company include certain intangible assets acquired in connection with the acquisition of Arcelor by Mittal Steel on August 1, 2006. Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to the Company and the cost can be reliably measured. Intangible assets acquired separately by Aperam are initially recorded at cost and those acquired in a business combination are recorded at fair value. These primarily include the cost of technology and licenses purchased from third parties. Intangible assets are amortized on a straight-line basis over their estimated economic useful lives which typically are not to exceed five years. Amortization is included in the statement of operations as part of depreciation.

Biological assets

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

Biological assets are measured at fair value less cost to sell, with any change therein recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Cost includes professional fees and, for assets constructed by the Company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. Property, plant and equipment except land are depreciated using the straight-line method over the useful lives of the related assets which are presented in the table below. The Company reviews the residual value, the useful lives and the depreciation method of its property, plant and equipment at least annually.

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

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

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

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

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

Investment in associates and other entities

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

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

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

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

Deferred employee benefits

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

Defined benefit plans are those plans that provide guaranteed benefits to certain categories of employees, either by way of contractual obligations or through a collective agreement. For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Actuarial gains and losses that exceed ten per cent of the greater of the present value of the Company's defined benefit obligation and the fair value of plan assets at the end of the prior year are amortized over the expected average remaining working lives of the participating employees.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Voluntary retirement plans primarily correspond to the practical implementation of social plans or are linked to collective agreements signed with certain categories of employees. Early retirement plans are those plans that primarily correspond to terminating an employee's contract before the normal retirement date. Early retirement plans are considered effective when the affected employees have formally been informed and when liabilities have been determined using an appropriate actuarial calculation. Liabilities relating to the early retirement plans are calculated annually on the basis of the effective number of employees likely to take early retirement and are discounted using an interest rate which corresponds to that of highly-rated bonds that have maturity dates similar to the terms of the Company's early retirement obligations. Termination benefits are provided in connection with voluntary separation plans. The Company recognizes a liability and expense when it has a detailed formal plan which is without realistic possibility of withdrawal and the plan has been communicated to employees or their representatives.

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

Provisions and accruals

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

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

Environmental costs

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

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the statement of financial position date.

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

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

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

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

During a portion of the periods presented, certain Aperam entities did not file separate income tax returns as these entities were included in a tax consolidation along with other ArcelorMittal entities within the pertinent tax jurisdiction. The income tax provision included in the combined financial statements was calculated on a separate return basis as if the Company was a separate taxpayer except for tax operating losses surrendered to the lead entity in the tax consolidation and not indemnified for which no benefit has been recorded. See additional discussion in Note 17.

Financial instruments

Derivative financial instruments

See critical accounting judgments.

Non-derivative financial instruments

Non-derivative financial instruments include cash and cash equivalents, trade and other receivables, investments in equity securities, trade and other payables and debt and other liabilities. These instruments are recognized initially at fair value when the Company becomes a party to the contractual provisions of the instrument. They are derecognized if the Company's contractual rights to the cash flows from the financial instruments expire or if the Company transfers the financial instruments to another party without retaining control or substantially all risks and rewards of the instruments.

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

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

Impairment of financial assets

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

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

Emission rights

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

Revenue recognition

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

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

Shipping and handling costs

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

Financing costs

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

Stock option plan/share-based payments

ArcelorMittal issued equity-settled share-based payments to certain Aperam employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Segment reporting

Operating segments are components of the Company that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), for which discrete financial information is available and whose operating results are evaluated regularly by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance.

Historically, the majority of the Company's operations were managed as a single operating and reportable segment corresponding to the Stainless Steel segment of ArcelorMittal and the CODM was the ArcelorMittal Group Management Board. In conjunction with the spin-off, Aperam management identified the Chief Executive Officer and Chief Financial Officer of the Company as its CODM, which is the individual or body of individuals responsible for the allocation of resources and assessment of performance of the operating segments. The newly identified CODM began managing the business according to three operating segments: Stainless & Electrical Steel, Alloys & Specialties and Services & Solutions.

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

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

Critical accounting judgments

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

Deferred Tax Assets

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

Note 17 describes the total deferred tax assets recognized in the consolidated statements of financial position. As of December 31, 2011, the amount of future income required to recover the Company's deferred tax assets was approximately 746 at certain operating subsidiaries.

Deferred Employee Benefits

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

- Discount rates. The discount rate is based on several high quality corporate bond indexes in the appropriate jurisdictions (rated AA or higher by a recognized rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates.

- Rate of compensation increase. The rate of compensation increase reflects actual experience and the Company's long-term outlook, including contractually agreed upon wage rate increases for represented hourly employees.

- Expected return on plan assets. The expected return on plan assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plans' asset mix.

- Mortality and retirement rates. Mortality and retirement rates are based on actual and projected plan experience.

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

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

Legal, Environmental and Other Contingencies

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

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

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

Impairment of Tangible and Intangible Assets

Tangible and Intangible Assets

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

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

In the case of permanently idled assets, the impairment is measured at the individual asset level on the basis of salvage value. Otherwise, it is not possible to estimate the recoverable amount of the individual asset because the cash flows are not independent from that of the cash generating unit to which it belongs. Accordingly, the Company's assets are measured for impairment at the cash generating unit level. In certain instances, the cash generating unit is an integrated manufacturing facility which may also be an operating subsidiary. Further, a manufacturing facility may be operated in concert with another facility with neither facility generating cash flows that are largely independent from the cash flows of the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2011, the Company had determined it has 6 cash generating units.

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

Goodwill

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

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

Derivative financial instruments

The Company enters into derivative financial instruments principally to manage its exposure to fluctuation in exchange rates and prices of raw materials and energy. Derivative financial instruments are classified as current assets or liabilities based on their maturity dates and are accounted for at trade date. Embedded derivatives are separated from the host contract and accounted for separately if required by

IAS 39, “Financial Instruments: Recognition and Measurement”. The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. See Note 14 for analysis of the Company’s sensitivity to changes in certain of these inputs. Gains or losses arising from changes in the fair value of derivatives are recognized in the statement of operations, except for derivatives that are highly effective and qualify for cash flow hedge accounting.

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

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

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

Use of estimates

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

(millions of U.S. dollars)

NOTE 3: TRADE ACCOUNTS RECEIVABLE

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

	December 31, 2011	December 31, 2010 Combined
Gross amount	405	420
Allowance for doubtful accounts	(14)	(15)
Total	391	405

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

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

Included in the Company's trade accounts receivable balance are debtors with a carrying amount of 331 and 377 as of December 31, 2011 and 2010, respectively, which were not past due at the reporting date.

Exposure to credit risk by operating segment

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

	December 31, 2011	December 31, 2010 Combined
Stainless & Electrical Steel	171	191
Alloys & Specialties	47	42
Services & Solutions	172	172
Others	1	—
Total	391	405

Exposure to credit risk by geography

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

	December 31, 2011	December 31, 2010 Combined
Europe	245	254
North America	27	22
South America	115	126
Asia	4	3
Total	391	405

(millions of U.S. dollars)

Aging of trade accounts receivable

The aging of trade accounts receivable is as follows:

	December 31,			
	2011		2010 Combined	
	Gross	Allowance	Gross	Allowance
Not past due	331	(1)	377	(1)
Past due 0-30 days	51	—	24	—
Past due 31-60 days	7	—	2	—
Past due 61-90 days	1	—	1	—
Past due 91-180 days	1	—	3	(1)
More than 180 days	14	(13)	13	(13)
Total	405	(14)	420	(15)

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

Balance as of December 31, 2009 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2010 Combined
25	3	(13)	—	15

Balance as of December 31, 2010 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2011
15	5	(5)	(1)	14

The Company has established sales without recourse of trade accounts receivable program with financial institutions, referred to as True Sales of Receivables (“TSR”). The amount of the Aperam facility available for the Company represented €200 million and €250 million as of December 31, 2011 and 2010, respectively. Through the TSR program, certain operating subsidiaries of Aperam surrender control, risks and the benefits associated with the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the statement of financial position at the moment of sale. The totals of receivables sold under the TSR program and derecognized in accordance with IAS 39 for the years ended December 31, 2011 and 2010 were $1.7 billion and $1.7 billion, respectively. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognized in the consolidated statement of operations as financing costs and amounted to 19 and 11 in 2011 and 2010, respectively.

(millions of U.S. dollars)

NOTE 4: INVENTORIES

Inventory, net of allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence of 139 and 140 as of December 31, 2011 and 2010, respectively, is comprised of the following (there are no inventories which are carried at fair value less cost to sell):

	December 31, 2011	December 31, 2010 Combined
Finished products	505	543
Production in process	435	620
Raw materials	182	193
Manufacturing supplies, spare parts and other	140	140
Total	1,262	1,496

The amount of inventory pledged as collateral was 639 and 27 as of December 31, 2011 and 2010, respectively. Increase in pledges mainly relates to mortgages entered into by the Company related to its external debt financing described in Note 13.

The movement in the allowance for obsolescence is as follows:

Balance as of December 31, 2009 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2010 Combined
149	79	(80)	(8)	140

Balance as of December 31, 2010 Combined	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2011
140	63	(56)	(8)	139

The amount of write-down of inventories to net realizable value recognized as an expense was 63 and 79 in 2011 and 2010, respectively, and was reduced by 56 and 80 in 2011 and 2010, respectively, due to normal inventory consumption.

NOTE 5: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2011	December 31, 2010 Combined
Amounts receivable under cash pooling arrangements with ArcelorMittal	—	646
Value-added tax (VAT) and other amount receivable from tax authorities	76	114
Income tax receivable	12	10
Other	57	56
Total	145	826

(millions of U.S. dollars)

NOTE 6: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	Goodwill on acquisition	Concessions, patents and licenses	Customer relationships, trade marks & technology	Total
Cost				
At December 31, 2009 (Combined)	852	101	283	1,236
Acquisitions	—	2	—	2
Foreign exchange differences	(27)	—	(4)	(31)
Transfers and other movements	—	1	1	2
At December 31, 2010 (Combined)	825	104	280	1,209
Accumulated amortization and impairment losses				
At December 31, 2009 (Combined)	—	86	105	191
Disposals	—	1	—	1
Amortization charge	—	5	24	29
Foreign exchange differences	—	1	(2)	(1)
At December 31, 2010 (Combined)	—	93	127	220
Carrying amount				
At December 31, 2010 (Combined)	825	11	153	989
Cost				
At December 31, 2010 (Combined)	825	104	280	1,209
Acquisitions	—	3	—	3
Foreign exchange differences	(59)	(10)	(19)	(88)
Transfers and other movements	—	16	(1)	15
At December 31, 2011	766	113	260	1,139
Accumulated amortization and impairment losses				
At December 31, 2010 (Combined)	—	93	127	220
Amortization charge	—	7	26	33
Impairment	—	—	3	3
Foreign exchange differences	—	(11)	(10)	(21)
At December 31, 2011	—	89	146	235
Carrying amount				
At December 31, 2011	766	24	114	904

As a result of the acquisition of Arcelor by Mittal Steel on August 1, 2006, associated goodwill, intangible assets, and certain fair value adjustments were recorded.

(millions of U.S. dollars)

In April 2010, the Company identified three operating segments. As a result, goodwill acquired in business combinations was allocated to these operating segments based on the relative fair values of the operating segments. Goodwill is allocated as follows to each of the Company's operating segments:

	Net value December 31, 2010 (Combined)	Foreign exchange differences	Net value December 31, 2011
Stainless & Electrical Steel	710	(56)	654
Alloys & Specialties	27	(1)	26
Services & Solutions	88	(2)	86
TOTAL	**825**	**(59)**	**766**

For 2010 and 2011, goodwill was tested at the Group of Cash Generating Units ("GCGU") level for impairment, as of November 30. The GCGU is at the operating segment level of Aperam. The recoverable amounts of the GCGUs are determined based on their value in use. The Company determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the GCGUs as the carrying value of the GCGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates and expected changes to average selling prices, shipments and direct costs during the period.

These impairment tests did not result in an impairment for any periods presented in these consolidated financial statements.

The value in use of the GCGU was determined by estimating cash flows for a period of five years. Assumptions for average selling prices and shipments were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial plans approved by management.

Beyond the specifically forecasted period of five years, the Company extrapolated cash flows for the remaining years based on an estimated constant growth rate of 2%. This rate did not exceed the average long-term growth rate for the relevant markets.

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

	Stainless & Electrical Steel	Alloys & Specialties	Services & Solutions
GCGU weighted average pre-tax discount rate used in 2010 (in %).........................	13.0	12.6	13.3
GCGU weighted average pre-tax discount rate used in 2011 (in %).........................	13.1	11.4	13.3

When estimating average selling price for the GCGU for purposes of the annual 2011 impairment test, the Company used a range (Stainless Base Price 304 Germany) of assumptions between €1,240 per ton in 2011 to a maximum of €1,290 per ton in 2016.

The results of the goodwill impairment test as of November 30, 2010 and 2011 for each GCGU did not result in an impairment of goodwill as the value in use exceeded the carrying value of the GCGU.

In validating the value in use determined for the GCGU, key assumptions used in the discounted cash-flow model (such as discount rates, raw material margins, shipments and terminal growth rate) were sensitized to test the resilience of value in use. A decrease in shipments or raw material margin would cause an impairment loss to be recognized in respect of Services and Solutions.

(millions of U.S. dollars)

The following changes in key assumptions used in the impairment review, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal the respective carrying value;

	Services & Solutions
Excess of recoverable amount over carrying amount	138
Decrease in shipments (change in%)	4.10
Decrease in raw material margin (change in%)	4.10

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

Research and development costs not meeting the criteria for capitalization are expensed and included in selling, general and administrative expenses within the consolidated statement of operations. These costs amounted to 18 and 21 in the years ended December 31, 2011 and 2010 respectively. There were no research and development costs capitalized during any of the periods presented.

NOTE 7: BIOLOGICAL ASSETS

Biological assets movements are summarized as follows:

Balance at January 1, 2011………………………………	—
Full consolidation of Aperam BioEnergìa (note 9)………	157
Additions………………………………………………….	7
Change in fair value………………………………………	37
Harvested trees……………………………………………	(26)
Foreign exchange differences ………………….……….	(30)
Balance at December 31, 2011……………………………………	145

Forest reserves

The total area of 126 thousand hectares is composed of eucalyptus forest reserves in Brazil. These areas are managed by Aperam BioEnergìa that provides planting, lumber harvesting and coal production services.

Biological assets

The Company's biological assets comprise the cultivation and planting of eucalyptus forests in order to supply raw materials for the production of charcoal. As of December 31, 2011, the Company had 25,943 hectares of planted areas, not considering the permanent preservation areas and legal reserve to be maintained to comply with the Brazilian environmental law.

The Company recognizes its biological assets at fair value in accordance with the following assumptions:

- Eucalyptus forests are recorded at historical cost through their sixth year, based on the Management's understanding that during this period the historical cost of biological assets approximates their fair values. The cutting plan of the forests maintained by the Company varies between 6 and 7 years;

- After the sixth year, eucalyptus forests are measured at fair value, which reflects the sales price of the agricultural produce less costs required to make a product saleable or consumable;

(millions of U.S. dollars)

- The prices of biological assets, denominated in R$/cubic meter, are obtained through market price surveys.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Total
Cost				
At December 31, 2009 (Combined)	992	2,957	93	4,042
Additions	2	30	76	108
Foreign exchange differences	(34)	(110)	(1)	(145)
Disposals	(10)	—	—	(10)
Other movements	7	52	(51)	8
At December 31, 2010 (Combined)	957	2,929	117	4,003
Accumulated depreciation and impairment				
At December 31, 2009 (Combined)	93	756	—	849
Depreciation charge for the year	49	215	—	264
Impairment	—	24	—	24
Disposals	(2)	—	—	(2)
Foreign exchange differences	(7)	(46)	—	(53)
Other movements	—	4	—	4
At December 31, 2010 (Combined)	133	953	—	1,086
Carrying amount				
At December 31, 2010 (Combined)	824	1,976	117	2,917
Cost				
At December 31, 2010 (Combined)	957	2,929	117	4,003
Full consolidation of Aperam BioEnergìa (note 9)	9	54	15	78
Additions	2	32	121	155
Foreign exchange differences	(61)	(173)	(17)	(251)
Disposals	(2)	(35)	—	(37)
Other movements	25	57	(72)	10
At December 31, 2011	930	2,864	164	3,958
Accumulated depreciation and impairment				
At December 31, 2010 (Combined)	133	953	—	1,086
Full consolidation of Aperam BioEnergìa (note 9)	4	27	—	31
Depreciation charge for the year	51	215	—	266
Impairment	—	1	—	1
Disposals	—	(19)	—	(19)
Foreign exchange differences	(11)	(55)	—	(66)
Other movements	2	(2)	—	—
At December 31, 2011	179	1,120	—	1,299
Carrying amount				
At December 31, 2011	751	1,744	164	2,659

Other movements represent mostly transfers between the categories and changes in the consolidation scope.

In 2011 and 2010, various idle assets were written down to their salvage value as a decision was made to cease all future use. Accordingly, an impairment loss of 1 and 24 was recognized as an expense as part of operating income (loss) in the consolidated statement of operations for the years ended December 31, 2011 and 2010, respectively. The carrying amount of these assets was nil and nil at December 31, 2011 and

(millions of U.S. dollars)

2010, respectively. The impairment loss of 1 and 24 recorded in 2011 and 2010 respectively consisted primarily of the Company's facilities in Aperam Stainless France. Aperam Stainless France is included in the Stainless & Electrical Steel segment. As of December 31, 2011 and 2010, temporarily idle assets included in the Stainless & Electrical Steel segment were 18 and 28 respectively. There were no temporarily idle assets included in the other segments as of any of the periods presented.

During the year ended December 31, 2011 and in conjunction with its testing of goodwill for impairment, the Company analyzed the recoverable amount of its property, plant, and equipment. Property, plant, and equipment were tested at the Cash Generating Unit ("CGU") level. In certain instances, the CGU is an integrated manufacturing facility which may also be an operating subsidiary. Further, a manufacturing facility may be operated in concert with another facility, with neither facility generating cash flows that are largely independent from the cash flows in the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2011, the Company had determined it has 6 CGUs. The recoverable amounts of the CGUs are determined based on value in use calculation and follow similar assumptions as those used for the test on impairment for goodwill.

The Company estimated discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of Aperam's assets. Aside from the impairments described above where a decision was made to cease all future use, no impairment of property, plant and equipment was recorded for any of the years ended December 31, 2011 and 2010.

The carrying amount of property, plant and equipment includes 20 and 25 of finance leases as of December 31, 2011 and 2010, respectively. The carrying amount of these finance leases is included in machinery and equipment.

These finance lease arrangements are mainly related to equipment in Brazil for a carrying amount of 6 and which can be purchased at the end of the remaining leasing period of 2 years for an amount of 4 and to equipment related to the scrap and slab yard in Belgium for a carrying amount of 14 which can be purchased for their book value at the end of the remaining leasing period.

No property, plant and equipment was pledged in 2010 and 2011.

NOTE 9: INVESTMENTS IN ASSOCIATES

The Company had the following investments in associates:

Investee	Location	Ownership % at December 31, 2011	Net asset value at December 31, 2011	Net asset value at December 31, 2010 Combined
BlueSky Amercoeur[1]………	Belgium	18.5%	2	—
ArcelorMittal BioEnergìa[2]…	Brazil	—	—	152
Total………………………….			2	152

(1) Aperam with five other electricity intensive users in Belgium has developed a solution with Electrabel to cover part of their energy supply within the BlueSky consortium. On November 4, 2011, the consortium members incorporated BlueSky Amercoeur as a cooperative company under Belgian law.

(2) On November 1, 2010, the Company and ArcelorMittal Brasil signed a letter of intent under which the parties agreed to distribute to ArcelorMittal Brasil the assets and liabilities of ArcelorMittal BioEnergìa related to the operations supporting ArcelorMittal Brasil in exchange for shares of ArcelorMittal BioEnergìa held by ArcelorMittal Brasil. On July 1, 2011, this transaction was completed and Aperam BioEnergìa (previously ArcelorMittal BioEnergìa) became a wholly-owned consolidated subsidiary of the Company.

(millions of U.S. dollars)

NOTE 10: OTHER INVESTMENTS

The Company holds the following other investments:

	Location	Ownership % at December 31, 2011	Fair value December 31, 2011	Fair value December 31, 2010 Combined
Available-for-sale securities				
General Moly Inc.	U.S.	9.09%	26	54
Gerdau S.A.	Brazil	0.53%	70	123
Investments accounted for at cost			2	4
Total			98	181

The change in fair value of available-for-sale financial assets for the period was recorded directly in other comprehensive income as an unrealized result of (59) and (9) for the years ended December 31, 2011 and 2010, respectively, net of income tax.

On December 30, 2010, Gerdau, the controlling shareholder of Aços Villares, in which Aperam, through its subsidiary Aperam South America, held a 4.41% stake, completed a squeeze-out for the remaining non-controlling interest and absorbed its subsidiary. The revaluation reserve relating to Aços Villares amounting to 120 was recycled to the statement of operations in 2010.

NOTE 11: OTHER ASSETS

Other assets consist of the following:

	December 31, 2011	December 31, 2010 Combined
Cash guarantees and deposits	48	48
Tax indemnification from ArcelorMittal Bioflorestas	22	—
Long-term receivables from sale of tangible assets	9	—
Long-term VAT receivables	9	7
Other financial assets	11	11
Total	99	66

NOTE 12: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	Sales		Included in Trade accounts receivable		Purchases of raw material & others		Included in Trade accounts payable	
	Year ended December 31,		December 31,		Year ended December 31,		December 31,	
Transactions	2011	2010 Combined	2011	2010 Combined	2011	2010 Combined	2011	2010 Combined
ArcelorMittal Group	180	194	17	23	269	1,165	28	179

The above tables include transactions with entities qualifying as related parties, primarily with entities which are subsidiaries of ArcelorMittal.

(millions of U.S. dollars)

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

	Year Ended December 31,	
	2011	2010 Combined
Raw materials	214	889
Energy supply contracts	10	172

As detailed in the table below, the costs primarily associated with certain corporate functions performed by ArcelorMittal amounted to nil and 11 for the years ended December 31, 2011 and 2010, respectively. These amounts include nil and 3 attributable to key management personnel (see Note 24).

	Year Ended December 31,	
	2011	2010 Combined
Finance	—	4
Board of Directors/General management	—	3
Information Technology	—	1
Internal assurance	—	1
Corporate Communication	—	1
Human Resources	—	1
Total	**—**	**11**

Transactions with related parties also include the following:

	December 31,	
	2011	2010 Combined
Tax indemnification from ArcelorMittal Bioflorestas (current and non current)	27	—
Prepaid expenses and other current assets	4	—
Receivables from cash pooling arrangements (note 5)	—	646
Payables from cash pooling arrangements	—	538
Derivative financial instruments—assets (note 14)	4	22
Derivative financial instruments—liabilities (note 14)	6	9
Short term debt (note 13)	—	300
Long term debt (note 13)	—	812
Cash and cash equivalents*	133	—
Accrued interest payable to ArcelorMittal subsidiaries	—	8
Amounts payable to ArcelorMittal subsidiaries for research and development services	—	5
Selling, General and Administrative	11	—
Interest expense	22	100
Interest income	1	1

* Part of the Company's cash is still held with ArcelorMittal Treasury. This cash is available on demand.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. Refer to Note 24 for disclosure of transactions with key management personnel.

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

(millions of U.S. dollars)

NOTE 13: SHORT-TERM AND LONG-TERM DEBT

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

	December 31, 2011	December 31, 2010 Combined
Short-term bank loans and other credit facilities	498	563
Current portion of long-term debt	35	332
Lease obligations	5	5
Total	**538**	**900**

800 secured borrowing base revolving credit facility

On March 15, 2011, the Company entered into an 800 secured borrowing base revolving credit facility with a group of lenders. The facility is structured as a 3-year revolving credit facility. It is used for liquidity and working capital purposes including the repayment of part of the financing provided by ArcelorMittal.

As of December 31, 2011, short-term debt mainly includes the outstanding amounts under this facility.

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

	Year of maturity	Type of Interest	Interest rate[(1)]	2011	2010 Combined
250 unsecured bonds	2016	Fixed	7.375%	246	—
250 unsecured bonds	2018	Fixed	7.750%	245	—
Loans in Brazil Fixed/Floating	2013-2019	Fixed/Floating	4.50%-8.80%	89	133
€ 17 million loan	2013	Floating	5.182%	23	—
Other loans	2012-2014	Fixed	13.25%	4	—
Loans from governmental institutions	—	Nil	—	—	6
900 credit facility	—	Fixed	—	—	777
€200 million loan	—	Floating	—	—	267
€100 million credit facility	—	Floating	—	—	27
ArcelorMittal Treasury Loans	—	Floating	—	—	33
Total				**607**	**1,243**
Less current portion of long-term debt				35	332
Total long-term debt (excluding lease obligations)				572	911
Lease obligations [(2)]				15	21
Total long-term debt, net of current portion				**587**	**932**

(1) Rates applicable to balances outstanding at December 31, 2011.
(2) Net of current portion of 5 and 5 on December 31, 2011 and 2010, respectively.

Unsecured Bonds

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

The net proceeds of this offering have been used to repay part of outstanding amounts under the company's 900 bridge loan facility with ArcelorMittal.

(millions of U.S. dollars)

€17 million loan

On September 27, 2011, Aperam signed a EUR 17 million bilateral credit facility agreement with Banco Itau. The facility is due on September 2013.

900 credit facility, €200 million loan, €100 million credit facility and ArcelorMittal Treasury loans

On January 25, 2011, as part of the spin-off, the outstanding amounts under the following loan agreements with ArcelorMittal have been assigned to Aperam: 900 credit facility (777), €200 million loan (267), €100 million credit facility (27) and ArcelorMittal Treasury loans of PLN 100 million (33). As part of the spin-off, these facilities have been replaced by a 900 364-days bridge loan from ArcelorMittal. This 900 bridge loan with ArcelorMittal was reimbursed with the proceeds of the 500 unsecured bonds described above and 400 drawn from the 800 secured borrowing base revolving credit facility.

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

	December 31, 2011
2012	40
2013	48
2014	5
2015	27
2016	246
Subsequent years	261
Total	627

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

		In USD equivalent as of December 31, 2011			
	Total USD	EUR	USD	BRL	Other
Short-term debt and current portion of long-term debt	538	9	483	41	5
Long-term debt	587	23	518	32	14
Cash	247	156	42	49	—

		In USD equivalent as of December 31, 2010 Combined			
	Total USD	EUR	USD	BRL	Other
Short-term debt and current portion of long-term debt	900	800	30	29	41
Long-term debt	932	15	817	64	36
Cash	120	38	51	28	3

As a part of the Company's overall risk and cash management strategies, several loan agreements have been swapped from their original currencies to other foreign currencies.

(millions of U.S. dollars)

At the reporting date, the carrying amount and fair value of the Company's interest-bearing financial instruments was:

	December 31,			
	2011		2010 Combined	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Instruments payable bearing interest at fixed rates	525	447	789	1,014
Instruments payable bearing interest at variable rates	102	101	480	504

NOTE 14: FINANCIAL INSTRUMENTS AND CREDIT RISK

The Company utilizes financial derivative instruments to manage its exposure to fluctuations in exchange rates, commodity prices, and energy arising from operating, financing and investment activities.

Fair values versus carrying amounts

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

Cash and cash equivalents, restricted cash, short term investments and trade receivables are included in the "Loans and receivables" category, which is measured at amortized cost. Prepaid expenses and other current assets include derivative instruments of 4 and 22 as of December 31, 2011 and 2010, respectively. These derivatives instruments are classified as "Financial assets at fair value through profit or loss". Other investments are classified as "Available-for-sale" with gains or losses arising from changes in fair value recognized in other comprehensive income. Other assets are classified as "Financial assets at fair value through profit or loss".

Except for derivative financial instruments, which are classified as "Financial liabilities at fair value through profit or loss", financial liabilities are classified as "Financial liabilities measured at amortized cost" Accrued expenses and other liabilities include derivative financial instruments amounting to (6) and (9) as of December 31, 2011 and 2010, respectively. Other long-term obligations include derivative financial instruments amounting to (2) and nil as of December 31, 2011 and 2010, respectively.

Net gains and losses recognized in the statement of operations on derivative instruments amounted to (7) and 30 for the years ended December 31, 2011 and 2010, respectively. Unrealized gains (losses), which are included in financial income and expense, were (7) and 2 (see Note 16) for the years ended December 31, 2011 and 2010, respectively. Realized gains (losses), which are included in operating income were nil and 28 for the years ended December 31, 2011 and 2010, respectively.

The Company's short and long-term debt consists of debt instruments which bear interest at fixed rates and variable rates tied to market indicators. The fair value of fixed rate debt is based on estimated future cash flows, which are discounted using current market rates for debt with similar remaining maturities and credit spreads. See Note 13 for disclosures of the carrying amount and fair value of the Company's variable rate debt.

The following table summarizes the bases used to measure certain assets and liabilities at their fair value as of December 31, 2011. Assets and liabilities carried at fair value have been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

(millions of U.S. dollars)

The levels are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets. The Company did not have any assets or liabilities classified as Level 3.

	Level 1	Level 2	Total
Assets at fair value:			
Available-for-sale financial assets	96	—	96
Derivative financial assets	—	4	4
Total assets at fair value	96	4	100
Liabilities at fair value			
Derivative financial liabilities	—	8	8
Total liabilities at fair value	—	8	8

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

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

Portfolio of Derivatives

The Company's portfolio of derivatives consists of transactions with Aperam Treasury (ArcelorMittal Treasury until January 25, 2011), which in turn enters into offsetting positions with counterparties external to Aperam. Aperam manages the counterparty risk associated with its instruments by centralizing its commitments and by applying procedures which specify, for each type of transaction exposure limits based on the risk characteristics of the counterparty.

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

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

(millions of U.S. dollars)

The portfolio associated with derivative financial instruments as of December 31, 2010 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase contracts	168	5	176	(3)
Forward sale contracts	147	3	117	(4)
Total foreign exchange rate instruments		8		(7)
Raw materials (base metal)				
Term contracts sales	2	—	28	(2)
Term contracts purchases	136	14	14	—
Total raw materials (base metal)		14		(2)
Total		22		(9)

Exchange rate risk

The Company is exposed to fluctuations in foreign exchange rates due to a substantial portion of the Company's assets, liabilities, sales and earnings being denominated in currencies other than the U.S. dollar (its presentation currency). These currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the Euro, Brazilian real, as well as fluctuations in the other countries' currencies in which the Company has significant operations and/or sales, could have a material impact on its results of operations.

Following its Treasury and Financial Risk Management Policy, the Company hedges its net exposure to exchange rates through spot and derivative transactions.

Liquidity Risk

The Company's principal sources of liquidity are cash generated from its operations, bank credit lines and various working capital credit lines at its operating subsidiaries. The levels of cash, credit lines and debt are closely monitored and appropriate actions are taken in order to manage the maturity profile and currency mix.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	December 31, 2011					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over 100	(891)	(1,091)	(442)	(37)	(353)	(259)
Trade and other payables	(846)	(846)	(846)	—	—	—
Other non-derivative financial liabilities	(234)	(247)	(144)	(64)	(35)	(4)
Total	(1,971)	(2,184)	(1,432)	(101)	(388)	(263)
Derivative financial liabilities						
Foreign exchange contracts	(2)	(2)	(1)	(1)	—	—
Other commodities contracts	(6)	(6)	(5)	(1)	—	—
Total	(8)	(8)	(6)	(2)	—	—

(millions of U.S. dollars)

	December 31, 2010 (Combined)					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Debt over 100	(1,044)	(1,447)	(335)	(78)	(586)	(448)
Trade and other payables	(942)	(942)	(942)	—	—	—
Other non-derivative financial liabilities	(788)	(825)	(649)	(74)	(90)	(12)
Total	(2,774)	(3,214)	(1,926)	(152)	(676)	(460)
Derivative financial liabilities						
Foreign exchange contracts	(7)	(7)	(6)	(1)	—	—
Other commodities contracts	(2)	(2)	(2)	—	—	—
Total	(9)	(9)	(8)	(1)	—	—

Cash flow hedges

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

	December 31, 2011					
		(outflows)/inflows				
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	6	4	—	—	1	1
Total	6	4	—	—	1	1

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

	December 31, 2011					
		(expense)/income				
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	6	4	—	—	1	1
Total	6	4	—	—	1	1

Raw materials and energy

The Company utilizes derivative instruments such as forwards, swaps and options to manage its exposure to commodity and energy prices both through the purchase of commodities and energy and through sales contracts.

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

	At December 31,	
	2011	2010 Combined
Base metals	(2)	12
Energy (oil)	—	—
Total	(2)	12
Assets associated with raw material and energy	4	14
Liabilities associated with raw material and energy	(6)	(2)
Total	(2)	12

(millions of U.S. dollars)

The Company consumes large amounts of commodities (mainly nickel), the price of which is related to the London Metals Exchange price index and energy (the prices of which are related to the New York Mercantile Exchange index, the Intercontinental Exchange index and the Powernext index). The Company is exposed to price volatility in respect of its purchases in the spot market and under its long-term supply contracts.

Sensitivity analysis

Foreign currency sensitivity

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

	December 31, 2011	December 31, 2010 Combined
10% appreciation in U.S. dollar	(2)	7
10% depreciation in U.S. dollar	2	(7)

Cash flow sensitivity analysis for variable rate instruments

The following table details the Company's sensitivity to a change of 100 basis points ("bp") variation in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	December 31, 2011		
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(4)	—	(4)
100 bp decrease	4	—	4

	December 31, 2010 (Combined)		
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(9)	—	(9)
100 bp decrease	9	—	9

Base metals

The following table details the Company's sensitivity to a 10% variation in the prices of base metals. The sensitivity analysis includes un-matured base metal derivative instruments.

	December 31, 2011		December 31, 2010 Combined	
	Income	Other Equity Cash Flow Hedging Reserves	Income	Other Equity Cash Flow Hedging Reserves
+10% in prices Base Metals	7	6	6	7
−10% in prices Base Metals	(7)	(6)	(6)	(7)

NOTE 15: EQUITY

On September 9, 2010, the Company's subscribed share capital was fixed in the sum of USD 40,000 represented by 4,000 shares without par value.

On December 6, 2010, the Company's subscribed share capital was converted from USD into EUR (EUR 31,000). The Company's authorized share capital, including the issued capital, was increased to EUR 450,031,000 represented by 85,854,303 shares without nominal value.

The Company allotted the 78,045,730 newly issued shares without par value as fully paid up to the shareholders of ArcelorMittal S.A. in proportion of their holding of ArcelorMittal S.A. shares based on the exchange ratio set out in the spin-off proposal.

Capital transactions with ArcelorMittal

Capital transactions with ArcelorMittal amounted to 33 in 2011 and mainly included the reversal of amounts payables related to allocations of expenses from ArcelorMittal.

The change in ArcelorMittal's net investment in the consolidated statements of cash flows amounted to nil in 2011.

Capital transactions with ArcelorMittal amounted to 55 in 2010 and mainly included the contribution by ArcelorMittal of 98 with respect to the capital increase of 73 in Aperam Stainless Services & Solutions Tubes Europe and 25 in Aperam Stainless Services & Solutions Precision.

The change in ArcelorMittal's net investment in the combined statements of cash flows amounted to 98 in 2010 and included the cash inflow of 73 and 25 on the capital increase of Aperam Stainless Services & Solutions Tubes Europe and Aperam Stainless Services & Solutions Precision as mentioned above.

Dividends

Certain entities within the scope of the Company's consolidated financial statements historically owned by ArcelorMittal entities which are not in scope of the Company's consolidated financial statements paid dividends between January 1, 2010 and December 31, 2011. These dividend payments have been maintained in the consolidated financial statements and treated as distributions by the Company.

On January 21, 2011, the Company announced that subject to legal and regulatory requirements being met, Aperam's dividend payment of USD 0.75 per share will be applicable after the spin-off. As at December 31, 2011, dividend payments of 14, 16, 13 and 16 ($0.1875 per share per quarter) were made on March 30, 2011, June 14, 2011, September 12, 2011 and December 12, 2011 respectively.

The Board of Directors will submit to a shareholder's vote, at the next annual general meeting, a proposal to maintain the quarterly dividend payment at USD 0.1875 per share. The dividend payments would occur on a quarterly basis for the full year 2012 on March 13, 2012, June 14, 2012, September 10, 2012 and December 10, 2012.

Stock Option Plans

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

(millions of U.S. dollars)

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

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

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

	Number of Options	Range of Exercise Prices* (per option)	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2009 (Combined)	590,468	$38.30 – $82.57	$59.17
Granted	209,400	$32.27	$32.27
Exercised	—	—	—
Cancelled	(43,646)	$32.27 – $82.57	$42.07
Expired	(45,715)	$40.25	$40.25
Transferred	185,572	$28.75 – $82.57	$52.54
Outstanding, December 31, 2010 (Combined)	896,079	$28.75 – $82.57	$52.86
Granted	—	—	—
Exercised	—	—	—
Cancelled	(39,166)	$30.66 – $78.44	$37.64
Expired	(44,832)	$36.38 – $78.44	$63.98
Transferred	31,600	$30.66 – $78.44	$46.76
Outstanding, December 31, 2011	843,681	$27.31 – $78.44	$50.08
Exercisable, December 31, 2011	684,604	$27.31 – $78.44	$54.18
Exercisable, December 31, 2010 (Combined)	523,805	$28.75 – $82.57	$60.48

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

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

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

(millions of U.S. dollars)

Share Unit Plan

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

The aim of the RSU Plan is to provide a retention incentive to eligible employees. RSUs shall vest in full on the three year anniversary of the date on which the award was granted contingent upon the continued active employment of the employee within the Group. The RSUs are an integral part of the Company's remuneration framework in which it is serves the specific objective of medium-term and long-term retention.

The maximum number of RSUs and PSUs available for grant during any given year is subject to the prior approval of the Company's shareholders at the annual general meeting.

For the period from the July 2011 general shareholders' meeting to the annual general meeting of shareholders to be held in May 2012 a maximum of 70,000 RSUs may be allocated to qualifying employees under the RSU Plan. In November 2011, a total of 59,750 shares under the RSU Plan were granted to a total of 28 employees.

The fair value for the shares allocated to the beneficiaries is recorded as en expense in the consolidated statements of operations over the relevant vesting or service periods. The compensation expense recognized for the restricted stock units was below 1 for the year ended December 31, 2011.

NOTE 16: FINANCIAL INCOME AND EXPENSE

Financial income and expense recognized in the years ended December 31, 2011 and 2010 is as follows:

	2011	2010 Combined
Recognized in the statement of operations		
Interest income	3	9
Interest expense	(73)	(116)
Result on disposal of financial assets	(1)	120
Unrealized gains (losses) on derivative instruments	(7)	2
Impairment of financial assets	(1)	—
Net foreign exchange result	(30)	6
Others	(45)	(21)
Total interest expense and other net financing costs	**(157)**	**(9)**
Recognized in the statement of comprehensive income (Company share)		
Net change in fair value of available-for-sale financial assets	(59)	(9)
Effective portion of changes in fair value of cash flow hedge	(9)	5
Foreign currency translation differences for foreign operations	(281)	(78)
Total	**(349)**	**(82)**

The result on disposal of financial assets of 120 in 2010 includes the exchange of 217,837,295 Aços Villares shares into 9,076,554 Gerdau shares on December 30, 2010.

Others include mainly financing costs.

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

(millions of U.S. dollars)

NOTE 17: INCOME TAX

Income tax benefit

The breakdown of the income tax benefit for each of the years ended December 31, 2011 and 2010, respectively, is summarized as follows:

	Year Ended December 31, 2011	2010 Combined
Total current income tax expense	7	13
Total deferred tax benefit	(55)	(16)
Total income tax benefit	(48)	(3)

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

	Year Ended December 31, 2011	2010 Combined
Net (loss) income:	(60)	104
Non-controlling interest	1	1
Income tax benefit	(48)	(3)
(Loss) income before tax:	**(107)**	**102**
Tax expense (benefit) at domestic rates applicable to countries where income (loss) was generated	(62)	32
Tax exempt revenues	(3)	(5)
Net change in measurement of deferred tax assets	40	(31)
Deductible interest on net equity	(1)	—
Non-deductible stock option charge	1	1
Other permanent difference	(23)	—
Income tax benefit	**(48)**	**(3)**

The weighted average statutory tax expense (benefit) was (62) and 32 in 2011 and 2010 respectively. The increase of the tax benefit from 2010 to 2011 was mainly due to negative result in Belgium, Brazil, France and distribution entities in countries with high tax rate.

Tax exempt revenues mainly relate to tax exempt results from companies held by Luxembourg entities and Aperam South America for (1) and (1) in 2011 and 2010, respectively and tax exempt dividends in Aperam South America for (1) and (3) in 2011 and 2010.

Net change in measurement of deferred tax assets of 40 in 2011 mainly relates to de-recognition of deferred tax assets for previous tax losses (5), de-recognition of deferred tax assets for other temporary differences (5) and not capitalization of 2011 losses (6) in Brazil, de-recognition of deferred tax assets on previous tax losses in France (8) and interest expense recapture in Luxembourg Tax Consolidation (9).

Net change in measurement of deferred tax assets of (31) in 2010 relates to previously unrecognized deferred tax assets on non-operating losses recognized by Aperam South America of (27) and utilization of previously unrecognized tax losses by Aperam Stainless Services & Solutions Luxembourg (2) and Aperam Stainless Services & Solutions Iberica (2).

Other permanent difference in 2011 consists of entities with certain special agreements (like rulings and tax holidays) that provide reduced tax rates, effect of foreign currency translation and equity method benefits, taxation on dividends and adjustments for tax deductible and non deductible items.

(millions of U.S. dollars)

The net deferred tax benefit recorded directly to equity was 40 and 34 as of December 31, 2011 and 2010, respectively. There was no current tax booked directly in equity in 2011 and 2010.

The amount of (17) and 21 recognized in capital employed in 2011 and 2010, respectively, relates primarily to the capital transactions described in Note 15.

Income tax recognized directly in equity

	2011	2010 Combined
Deferred tax		
Recognized in other comprehensive income:		
Unrealized loss on available-for-sale securities	16	28
Unrealized gain (loss) on derivatives financial instruments	5	(3)
Foreign currency translation adjustments	36	(12)
Recognized in capital employed	(17)	21
	40	34

The origin of deferred tax assets and liabilities is as follows:

	Assets		Liabilities		Net	
	December 31,		December 31,		December 31,	
	2011	2010 Combined	2011	2010 Combined	2011	2010 Combined
Intangible assets	69	136	(21)	(27)	48	109
Property, plant and equipment	4	6	(377)	(410)	(373)	(404)
Biological assets	—	—	(50)	—	(50)	—
Inventories	30	33	(6)	(3)	24	30
Available-for-sale financial assets	13	—	—	—	13	—
Financial instruments	7	2	(3)	(6)	4	(4)
Other assets	16	14	(4)	(2)	12	12
Provisions	60	79	(60)	(86)	—	(7)
Other liabilities	15	40	(5)	—	10	40
Tax losses carried forward	380	282	—	—	380	282
Tax credits	8	9	—	—	8	9
Deferred tax assets/(liabilities)	602	601	(526)	(534)	76	67
Deferred tax assets					249	183
Deferred tax liabilities					(173)	(116)

Deferred tax assets not recognized by the Company as of December 31, 2011 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	1,230	411	380	31
Tax credits and other tax benefits	51	18	8	10
Other temporary differences	631	214	214	—
Total		643	602	41

(millions of U.S. dollars)

Deferred tax assets not recognized by the Company as of December 31, 2010 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	886	296	282	14
Tax credits and other tax benefits	38	13	9	4
Other temporary differences	913	310	310	—
Total		619	601	18

The Company has unrecognized deferred tax assets relating to tax loss carry forwards, tax credits and other tax benefits amounting to 41 and 18 as of December 31, 2011 and 2010, respectively. As of December 31, 2011, the deferred tax assets not recognized relate to tax loss carry forwards attributable to subsidiaries located in Brazil (11), France (8), Spain (5), Luxembourg (4), Czech Republic (2) and Italy (1) with different statutory tax rates. Therefore, the amount of the total deferred tax assets is the aggregate amount of the various deferred tax assets recognized and unrecognized at the various subsidiaries and not the result of a computation with a blended rate. Unrecognized tax losses have no expiration date in Brazil, France, Italy and Luxembourg and an expiration date of 18 years in Spain and 5 years in Czech Republic. The utilization of tax loss carry forwards is restricted to the taxable income of the subsidiary.

At December 31, 2011, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Company will realize the benefits of an amount of deferred tax assets recognized for 249. The amount of future taxable income required to be generated by the Company's operating subsidiaries to utilize the total deferred tax assets is approximately 746. Historically, the Company has been able to generate taxable income in sufficient amounts to permit it to utilize tax benefits associated with net operating loss carry forwards and other deferred tax assets that have been recognized in its consolidated financial statements. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

The Company has not recorded any deferred income tax liabilities on the undistributed earnings of its foreign subsidiaries for income tax due if these earnings would be distributed. Investments in the Company's subsidiaries are not expected to reverse in the foreseeable future and therefore dividends, withholding taxes and/or capital gains triggering subject income taxes are not anticipated. The aggregate amount of deferred tax liabilities relating to investments in subsidiaries, branches and associates, and investments that is not recognized due to the fact that its undistributed earnings, are permanently reinvested amounts to is nil.

Tax loss carry forwards

At December 31, 2011, the Company had total estimated net tax loss carry forwards of 1,230.

Such amount includes net operating losses of 19 and 11 related to Aperam Stainless Services & Solutions Iberica S.L. in Spain and Aperam Stainless Services & Solutions Tubes Czech Republic s.r.o. in Czech Republic which expire as follows:

Year expiring	Amount
2012	—
2013	6
2014	5
2015	—
2016	—
2017–2029	19
Total	30

The remaining tax loss carry forwards of 1,200 are indefinite and attributable to the Company's operations in Belgium, Brazil, France, Germany, Italy and Luxembourg.

(millions of U.S. dollars)

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

NOTE 18: PROVISIONS

The movements by provision were as follows:

	Balance at December 31, 2009 (Combined)	Additions	Deductions—Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2010 (Combined)
Environmental (note 22)	43	1	(4)	(2)	38
Restructuring	5	—	(3)	(1)	1
Litigation (note 22)	49	8	(9)	46	94
Voluntary separation plans	58	13	(15)	(44)	12
Other	20	10	(11)	(2)	17
	175	32	(42)	(3)	162
Short-term provisions	39				39
Long-term provisions	136				123
	175				162

	Balance at December 31, 2010 (Combined)	Additions	Deductions—Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2011
Environmental (note 22)	38	3	(6)	(1)	34
Restructuring	1	—	(1)	—	—
Litigation (note 22)	94	9	(49)	—	54
Voluntary separation plans	12	40	(31)	(1)	20
Other	17	14	(11)	(7)	13
	162	66	(98)	(9)	121
Short-term provisions	39				41
Long-term provisions	123				80
	162				121

There are uncertainties regarding the timing and amount of the provisions above. Changes in underlying facts and circumstances for each provision could result in differences in the amounts above and the actual outflows. Due to the uncertainties regarding the timing of the provisions or the short period of their expected use, they are presented on a non-discounted basis.

As of December 31, 2011, the outstanding provision for voluntary separation plans relates to plans primarily in France which are expected to be settled in a period of one to three years.

Provisions for litigation related to probable losses that have been incurred due to a present legal or constructive obligation are expected to be settled in a period of one to four years.

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

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

(millions of U.S. dollars)

NOTE 19: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses were comprised of the following:

	December 31, 2011	December 31, 2010 Combined
Accrued payroll and employee related expenses	153	162
VAT and other amounts due to public authorities	45	58
Cash collected from sold trade receivables	26	42
Payable from acquisition of intangible & tangible assets	20	16
Accrued interests	13	9
Revaluation of derivative instruments	6	9
Unearned revenue and accrued payables	4	6
Dividends payable to ArcelorMittal and non-controlling interests	—	2
Other creditors	42	122
Total	309	426

NOTE 20: COMMITMENTS

The Company's commitments consist of three main categories:

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

Commitments given

	December 31, 2011	December 31, 2010 Combined
Purchase commitments	1,686	1,376
Guarantees, pledges and other collateral	879	130
Operating leases	24	19
Other commitments	2	10
Total	**2,591**	**1,535**

Purchase commitments

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

Guarantees, property and other collateral

Property pledges and guarantees mainly relate to mortgages entered into by the Company's operating subsidiaries and guarantees issued related to external debt financing. Guarantees consist of guarantees of financial loans and credit lines first demand and documentary guarantees. Other collateral and guarantees include documentary credits, letters of credit and sureties.

Increase in pledges mainly relates to mortgages entered into by the Company related to its external debt financing described in Note 13.

Operating leases

Commitments for operating leases primarily related to one contract for land in Belgium. This lease expires in 2064. Future payments required under operating leases that have initial or remaining non-cancellable terms as of December 31, 2011 according to maturity periods are as follows:

Less than 1 year	4
1-3 years	4
4-5 years	1
More than 5 years	15
Total	24

NOTE 21: DEFERRED EMPLOYEE BENEFITS

The Company's operating subsidiaries have different types of pension plans for its employees. Also, some of the operating subsidiaries offer other post-employment benefits, principally retirement indemnities. Limited health care benefits are also offered to some employees in Belgium. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the statements of financial position are based on a number of assumptions and factors such as the discount rate, expected compensation increases, expected return on plan assets and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect the statement of operations and the recorded obligation in future periods. The total accumulated unrecognized actuarial gains amounted to 4 for pensions and 8 for other post retirement benefits as of December 31, 2011.

Pension Plans

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

Brazil

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

Europe

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

(millions of U.S. dollars)

Plan Assets

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

	December 31	
	2011	**2010 Combined**
Equity Securities	6%	7%
Fixed Income (including cash)	90%	92%
Real Estate	1%	1%
Other	3%	—
Total	**100%**	**100%**

The assets related to the funded defined benefit pension plans in Europe represented 1 and 1 as of December 31, 2011 and 2010, respectively, and were invested in guaranteed insurance contracts.

These assets do not include any direct investment in Aperam or in property or other assets occupied or used by Aperam. This does not exclude Aperam shares included in mutual fund investments. The invested assets produced an actual return of 21 and 14 in 2011 and 2010, respectively.

The Remuneration Committee of the Board of Directors for the respective operating subsidiaries has general supervisory authority over the respective trust funds. This committee has established the following asset allocation targets. These targets are considered benchmarks and are not mandatory.

	BRAZIL	**EUROPE**
Equity Securities	6%	—
Fixed Income (including cash)	93%	—
Real Estate	—	—
Other	1%	100%
Total	100%	100%

(millions of U.S. dollars)

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

	Year Ended December 31, 2011		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	188	103	85
Service cost	1	1	—
Interest cost	17	12	5
Actuarial loss (gain)	8	6	2
Benefits paid	(16)	(10)	(6)
Foreign currency exchange rate differences and other movements	—	4	(4)
Benefit obligation at end of the period	198	116	82
Change in plan assets			
Fair value of plan assets at beginning of the period	188	187	1
Expected return on plan assets	20	20	—
Actuarial gain (loss)	1	1	—
Benefits paid	(10)	(10)	—
Foreign currency exchange rate differences and other movements	(7)	(7)	—
Fair value of plan assets at end of the period	192	191	1
Present value of wholly or partly funded obligation	(117)	(116)	(1)
Fair value of plan assets	192	191	1
Net present value of wholly or partly funded obligation	75	75	—
Present value of unfunded obligation	(81)	—	(81)
Unrecognized net actuarial (gain) loss	(4)	(6)	2
Prepaid due to unrecoverable surpluses	(69)	(69)	—
Recognized liabilities	(79)	—	(79)

	Year Ended December 31, 2010 (Combined)		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	185	90	95
Service cost	1	1	—
Interest cost	14	10	4
Actuarial loss (gain)	(6)	(4)	(2)
Benefits paid	(12)	(7)	(5)
Foreign currency exchange rate differences and other movements	6	13	(7)
Benefit obligation at end of the period	188	103	85
Change in plan assets			
Fair value of plan assets at beginning of the period	163	162	1
Expected return on plan assets	18	18	—
Actuarial gain (loss)	(4)	(4)	—
Benefits paid	(7)	(7)	—
Foreign currency exchange rate differences and other movements	18	18	—
Fair value of plan assets at end of the period	188	187	1
Present value of wholly or partly funded obligation	(104)	(103)	(1)
Fair value of plan assets	188	187	1
Net present value of wholly or partly funded obligation	84	84	—
Present value of unfunded obligation	(84)	—	(84)
Unrecognized net actuarial (gain) loss	(12)	(13)	1
Prepaid due to unrecoverable surpluses	(71)	(71)	—
Recognized liabilities	(83)	—	(83)

(millions of U.S. dollars)

Asset Ceiling

In accordance with IFRS, assets recognized for a defined benefit plan are limited to the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan. The amount not recognized in the fair value of plan assets due to the asset ceiling was 69 and 71 at December 31, 2011 and 2010, respectively.

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

	Year Ended December 31, 2011		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost (benefit)			
Service cost	1	1	—
Interest cost	17	12	5
Expected return on plan assets	(20)	(20)	—
Charges due to unrecoverable surpluses	7	7	—
Total	5	—	5

	Year Ended December 31, 2010 (Combined)		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost (benefit)			
Service cost	1	1	—
Interest cost	14	10	4
Expected return on plan assets	(18)	(18)	—
Charges due to unrecoverable surpluses	9	9	—
Amortization of unrecognized actuarial (gain) loss	(2)	(2)	—
Total	4	—	4

Other post-employment benefits

The Company's principal operating subsidiaries provide Other Post-Employment Benefits ("OPEB"), including life insurance benefits, to retirees.

Summary of changes in the other post employment benefit obligation and the change in plan assets:

	Year Ended December 31, 2011		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation	66	4	62
Benefit obligation at beginning of period	2	—	2
Service cost	3	—	3
Interest cost	(5)	—	(5)
Actuarial loss (gain)	(4)	(1)	(3)
Benefits paid	1	—	1
Plan amendments	(4)	—	(4)
Benefits obligation at end of period	59	3	56
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	(59)	(3)	(56)
Unrecognized net actuarial loss (gain)	(8)	—	(8)
Unrecognized past service cost (non vested benefits)	10	—	10
Net amount recognized	**(57)**	**(3)**	**(54)**

(millions of U.S. dollars)

	Year Ended December 31, 2010 (Combined)		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation			
Benefit obligation at beginning of period	59	5	54
Service cost	2	—	2
Interest cost	3	—	3
Actuarial loss (gain)	(1)	—	(1)
Benefits paid	(6)	(1)	(5)
Plan amendments	13	—	13
Foreign currency exchange rate changes and other movements	(4)	—	(4)
Benefits obligation at end of period	66	4	62
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	(66)	(4)	(62)
Unrecognized net actuarial loss (gain)	(5)	1	(6)
Unrecognized past service cost (non vested benefits)	13	—	13
Net amount recognized	**(58)**	**(3)**	**(55)**

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

	Year Ended December 31, 2011		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB benefit			
Service cost	2	—	2
Interest cost	3	—	3
Curtailments and settlements	(3)	—	(3)
Amortization of unrecognized actuarial (gain) loss	1	—	1
Total	3	—	3

	Year Ended December 31, 2010 (Combined)		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB benefit			
Service cost	2	—	2
Interest cost	3	—	3
Curtailments and settlements	—	—	—
Amortization of unrecognized actuarial (gain) loss	1	—	1
Total	6	—	6

Weighted-average assumptions used to determine benefit obligations:

	Pension Plans		Other Post-employment Benefits	
	December 31,		December 31,	
	2011	2010 Combined	2011	2010 Combined
Discount rate	4.75% -10.46%	4.75% -10.77%	4.75% -10.46%	4.75% -10.77%
Rate of compensation increase	2% - 6.55%	2% - 6.32%	3.25%-6.55%	3.08%-6.32%
Expected long-term rate of return on plan assets	4% - 10.91%	4% - 10.52%	5.00%	5.00%

(millions of U.S. dollars)

Cash Contributions

In 2012, the Company expects its cash contributions to amount to 6 for pension plans, 3 for other post employment benefits plans and 11 for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were 11 and 10 in 2011 and 2010, respectively.

Statement of Financial Position

Together with plans and obligations that do not constitute pension or other post-employment benefits, the total deferred employee benefits are as follows:

	December 31, 2011	December 31, 2010 Combined
Pension plan benefits	79	83
Other post-employment benefits	57	58
Early retirement benefits	37	40
Other long-term employee benefits	1	—
Total	174	181

Sensitivity analysis

The following information illustrates the sensitivity to a change in certain assumptions related to the Company's operating subsidiaries' pension plans (as of December 31, 2011, the defined benefit obligation ("DBO") for pension plans was 198):

Change in assumption	Effect on 2012 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2011 DBO	Effect on 2011 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2010 DBO	Effect on 2010 Pre-Tax Pension Expense (sum of service cost and interest cost)
100 basis point decrease in discount rate	1	27	1	27	1
100 basis point increase in discount rate	—	(22)	—	(21)	(1)
100 basis point decrease in rate of compensation	—	(2)	—	(3)	(1)
100 basis point increase in rate of compensation	—	(2)	—	3	1
100 basis point decrease in expected return on plan assets	(2)	—	(2)	—	(2)
100 basis point increase in expected return on plan assets	2	—	2	—	2

(millions of U.S. dollars)

The following table illustrates the sensitivity to a change in the discount rate assumption related to the Company's operating subsidiaries' OPEB plans (as of December 31, 2011 the DBO for post-employment benefit plans was 59):

	Effect on 2012 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2011 DBO	Effect on 2011 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2010 DBO	Effect on 2010 Pre-Tax OPEB Expense (sum of Service cost and interest cost)
Change in assumption					
100 basis point decrease in discount rate……………………..	—	5	—	6	—
100 basis point increase in discount rate……………………..	—	(5)	—	(5)	—

The above sensitivities reflect the effect of changing one assumption at a time. Actual economic factors and conditions often affect multiple assumptions simultaneously, and the effects of changes in key assumptions are not necessarily linear.

Experience adjustments

The four-year history of the present value of the defined benefit obligations, the fair value of the plan assets and the surplus or the deficit in the pension plans is as follows:

	At December 31,			
	2011	2010 Combined	2009 Combined	2008 Combined
Present value of the defined benefit obligations...	198	188	185	144
Fair value of the plan assets..	192	188	163	98
Deficit..	(6)	—	(22)	(46)
Experience adjustments: (increase)/decrease plan liabilities.............................	(2)	7	(2)	(7)
Experience adjustments: increase/(decrease) plan assets................................	1	(4)	10	(7)

This table illustrates the present value of the defined benefit obligations, the fair value of the plan assets and the surplus or the deficit for the OPEB plans:

	At December 31,			
	2011	2010 Combined	2009 Combined	2008 Combined
Present value of the defined benefit obligations	59	66	59	60
Fair value of the plan assets	—	—	—	—
Deficit	(59)	(66)	(59)	(60)
Experience adjustments: (increase)/decrease plan liabilities	5	2	1	1
Experience adjustments: increase/(decrease) plan assets	—	—	—	—

NOTE 22: CONTINGENCIES

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

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

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

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

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

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

Environmental Liabilities

The Company is subject to a broad range of environmental laws and regulations. As of December 31, 2011, the Company had established reserves of 34 for environmental and remedial activities and liabilities.

Belgium

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

France

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

Brazil

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

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

Tax Claims

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

- On December 27, 2011, Aperam South America received a tax assessment from the State of Minas Gerais regarding ICMS (VAT) tax credit used by the Company related to the purchasing of scraps from a supplier which the State considered as not being authorized to issue invoices with VAT. The total amount claimed is 8. The case is in first administrative instance.

- On December 16, 2011, Aperam Services and Solutions Brazil has been assessed by the Tax authorities aiming at collecting 36 (including interest on late payments and penalties) related to Value Added Tax (ICMS). Tax authorities claimed that the Company has not collected to the State of Sao Paulo the ICMS imposed on importation of products performed by a trading company located in the State of Espirito Santo and disregarded the ICMS credit recognized by the Company at the time of acquisition of the goods from the trading company. The case is currently in the first administrative instance where the Company presented its defense.

- In December 2011, Aperam South America received a tax assessment from the State of Minas Gerais that disregarded the ICMS (VAT) tax credit the Company has used in 2006 related to products from the State of Goias. The total claim amounts to 13. The case is currently in the first administrative instance where the Company presented its defense.

- In December 2011, the Federal Revenue issued four tax assessments against Aperam South America for a total amount of 26 considering that the Company did not pay several social contributions due on payments made to employees under the Profit Sharing Program. These cases are at the first administrative instance.

- On May 26, 2011, Aperam South America received a tax assessment from the Federal Revenue Service for a total amount of 18 related to sales by Aperam South America to Acesita Imports & Exports (Madeira Island). The tax authorities require that the profits of Acesita Imports & Exports be added by to Aperam South America's tax basis. On November 2011, the Company obtained a partial favorable decision and it presented its appeal for the remaining amount in dispute.

- On March 29, 2011, Aperam South America received a tax assessment related to drawback tax benefit. Federal revenue states that the Company did not respect the conditions to use the benefit and demand to pay taxes related to importation & fees. The total amount claimed is 9. The Company presented its appeal at the first administrative level.

- On December 2, 2010, Aperam South America received a tax assessment in the total amount of 42. The Minas Gerais State Revenue claims that the Company should have paid VAT (ICMS) related to the distribution of electric power between 2005 and 2009. The Company believes that this charge should not prevail since the distribution of electrical power should not be considered as a good or transportation and therefore it should not be subject to VAT (ICMS). On May 5, 2011, the Company received a partial favorable decision. Minas Gerais State Revenue concluded that the Company has to pay ICMS but stated that the amount for late payments & penalties was wrong. The Company will bring the case before the judicial court upon notification of the decision by the administrative council.

- On December 5, 2007, the Federal Revenue Service challenged IPI (Tax on Industrialized Products, similar to Federal VAT) tax credits registered by Aperam South America from January 2003 to December 2006 related to the acquisition of certain materials. The claim alleges that the products acquired are either not related to the final product or not integrally consumed during operations. In December 2010, there was a partial favorable decision and the Company filed an appeal in February 2011 at the second administrative level for the remaining non favorable part of the decision obtained at the first administrative level. The amount in dispute is approximately 7.

- On June 26, 2007, after a final unfavorable decision at the administrative level, Aperam South America brought an annulment action at judicial level to void a tax assessment issued by the Brazilian Federal Revenue Service due to alleged underpayment of payroll taxes between 1998 and 2002 related to certain payments made to its employees under collective agreements. The Company is awaiting a decision in the first judicial instance. The amount under dispute is approximately 8.

- On December 21, 2005, Aperam South America has been assessed by the Federal Revenue Service in relation to its calculation of social contributions on revenue (PIS and COFINS) due to (i) unconditional discounts given to clients, (ii) the value of tax incentives granted by federal legislation (specifically, credits to be offset with IPI) and (iii) revenues derived from exchange rate variations. The amount in dispute is approximately 32, and the Company is currently awaiting a second instance administrative decision from the special court.

- On December 21, 2005, the Brazilian Federal Revenue Service assessed ArcelorMittal Inox Brasil for taxes related to intra-group credit transactions. The amount in dispute of 6 is currently on appeal before the Federal Administrative Council of Appeals.

- On March 15 and March 18, 2005, Aperam South America has been assessed by the INSS (the Brazilian Social Securities Institute) for the non-collection of certain payroll taxes between 1999 and 2004 related to the special retirement of employees exposed to unhealthy working conditions. The amount in dispute is 28 as of December 31, 2011. The Company has received an unfavorable decision at the first administrative instance and presented an appeal to the administrative court.brought the case before the judicial court.

- On October 13, 1998, the Federal Revenue Service filed a tax foreclosure action against the Company in relation to the alleged underpayment of payroll taxes in the period of January 1987 to July 1997. After the Company initially prevailed in the Federal Court, the Brazilian Federal Revenue Service filed an appeal with the Federal Court of Appeals. The amount in dispute is approximately 6.

Labor and Other Claims

The Company is presently involved in a number of labor disputes, the most significant of which are set out below. As of December 31, 2011, the Company has established reserves in the aggregate of approximately 42 for those of the claims as to which the criteria for provisioning were met.

Brazil

- The Union claimed against Aperam South America to get the payment of 7 minutes and 30 seconds as overtime, disregarding the 50% of regular work hour paid by the Company as Nightshift premium (NSP) in strict compliance with Collective Agreement. Despite amicable discussions between the Company and the Union, the later maintained its claim which is currently before the judicial court of appeal. The lower court decision was favorable to the company. The total amount claimed is 10.

- On April 1, 2004, a sanctioning administrative process with the Central Bank was brought against Aperam South America based on alleged irregular exchange operations utilized by it in the purchase and sale of treasury bills. On March 22, 2007, Aperam South America has been assessed with a fine of 10 plus interest. The Company brought the case before the judicial court in 2012.

(millions of U.S. dollars)

NOTE 23: SEGMENT AND GEOGRAPHIC INFORMATION

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

- Stainless & Electrical Steel operates upstream and downstream facilities located in France and Belgium as well as an integrated plant in Brazil. Aperam is the only integrated producer of flat stainless and silicon steel in South America;

- Alloys & Specialties is specialized in the design, production and transformation of nickel and cobalt alloys and certain specific stainless steels. Its facilities are mainly located in France with ownership interests in China and central India;

- Services & Solutions represents the trading and distribution arm of Aperam. It also provides value-added and customized steel solutions through further steel processing to meet specific customer requirements including stainless precision strips and welded tubes.

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

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

(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.

(millions of U.S. dollars)

Effective with the adoption of the improvements of IFRSs published in April 2009 and applicable from January 1, 2010 onwards, the requirement to present assets for each reportable segment, if such information is not regularly provided to the CODM, has been removed. As the Company does not regularly provide such information, it has not presented assets by segment in the table above. The table which follows presents the reconciliation of segment assets to total assets as required by IFRS 8.

	Year Ended December 31,	
	2011	2010 Combined
Assets allocated to segments	5,507	6,138
Cash and cash equivalents	247	120
Amounts receivable under cash pooling arrangements with ArcelorMittal	—	646
Other investments	98	181
Deferred tax assets	249	183
Other unallocated assets	100	67
Total assets	**6,201**	**7,335**

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

	Year Ended December 31,	
	2011	2010 Combined
Operating income	45	93
Income from other investments	2	9
Interest income	3	9
Interest expense and other net financing costs	(157)	(9)
Income (loss) before taxes	(107)	102
Income tax benefit	(48)	(3)
Net income (loss) (including non-controlling interests)	(59)	105

(millions of U.S. dollars)

Geographical information

Sales (by destination)

	Year Ended December 31, 2011	Year Ended December 31, 2010 Combined
Americas		
Brazil	1,335	1,287
United States	341	244
Others	260	262
Total Americas	1,936	1,793
Europe		
Germany	1,313	1,143
Italy	592	576
France	581	444
Poland	151	126
Belgium	209	172
Spain	131	133
Others	932	841
Total Europe	3,909	3,435
Asia & Africa		
South Korea	80	80
China	105	62
Others	315	234
Total Asia & Africa	500	376
Total	6,345	5,604

Non-current assets [1] per significant country

	As of December 31, 2011	As of December 31, 2010 Combined
Americas		
Brazil	1,199	1,283
Others	28	28
Total Americas	1,227	1,311
Europe		
Belgium	973	1,104
France	503	545
Italy	23	25
Germany	23	22
Czech Republic	21	23
Poland	19	24
Others	25	20
Total Europe	1,587	1,763
Asia & Africa		
China	6	6
Others	10	2
Total Africa & Asia	16	8
Unallocated assets	1,326	1,406
Total	4,156	4,488

[1] Non-current assets do not include goodwill (as it is not allocated to the geographic regions), deferred tax assets, other investments or receivables and other non-current financial assets. Such assets are presented under the caption "Unallocated assets".

(millions of U.S. dollars)

NOTE 24: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

The total annual compensation of Aperam's employees paid in 2011 and 2010 was as follows:

	Year Ended December 31,	
	2011	2010 Combined
Employee Information		
Wages and salaries	654	607
Pension cost	17	19
Other staff costs	90	83
Total	761	709

As of December 31, 2011 and 2010, Aperam employed approximately 10,533 and 9,904 persons, respectively.

The total annual compensation of Aperam's key management personnel, including its Board of Directors, paid in 2011 was as follows:

	Year Ended December 31, 2011
Base salary and/or directors fees	3
Short-term performance-related bonus	1
Post-employments benefits	—
Share based compensation	—

In addition to the information in the table above, as disclosed in Notes 1 and 12, costs associated with certain corporate functions provided by ArcelorMittal have been allocated to the Company in 2010. The total annual compensation, including base salary and/or director fees, short-term performance-related bonuses, post-employment benefits and share based compensations of ArcelorMittal's key management personnel, including its Board of Directors, allocated to the Company based on sales, amounted to 3 for the year ended December 31, 2010.

The fair value of ArcelorMittal's stock options granted to the Company's key management personnel is recorded as an expense in the consolidated financial statement of operations over the relevant vesting periods. The Company determines the fair value of the options at the date of the grant using the Black-Scholes model.

As of December 31, 2011, the Company did not have any outstanding loans or advances to members of Aperam's Board of Directors or key management personnel and had not given any guarantees for the benefit of any member of Aperam's Board of Directors or key management personnel.

As of December 31, 2010, the Company did not have any outstanding loans or advances to members of ArcelorMittal's Board of Directors or key management personnel and had not given any guarantees for the benefit of any member of ArcelorMittal's Board of Directors or key management personnel.

(millions of U.S. dollars)

NOTE 25: LIST OF SIGNIFICANT SUBSIDIARIES AT DECEMBER 31, 2011

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

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

Name of subsidiary	Country of incorporation	% Interest
Stainless & Electrical Steel		
Aperam Stainless Belgium	Belgium	100%
Aperam South America	Brazil	100%
Aperam Stainless Europe	France	100%
Aperam Stainless France	France	100%
Alloys & Specialties		
Aperam Alloys Imphy	France	100%
Innovative Clad Solutions Private LTD	India	70.6%
Aperam Alloys USA	USA	100%
Services & Solutions		
Aperam Stainless Services & Solutions Argentina	Argentina	100%
Aperam Stainless Services & Solutions Brazil	Brazil	100%
Aperam Stainless Services & Solutions Tubes Brazil	Brazil	100%
Aperam BioEnergìa	Brazil	100%
Aperam Stainless Services & Solutions Changzhou	China	100%
Aperam Stainless Services & Solutions Tubes Czech Republic	Czech Republic	100%
Aperam Stainless Services & Solutions France	France	100%
Aperam Stainless Services & Solutions Precision	France	100%
Aperam Stainless Services & Solutions Tubes Europe	France	100%
Aperam Stainless Services & Solutions Germany	Germany	100%
Aperam Stainless Services & Solutions Italy	Italy	100%
Aperam Stainless Services & Solutions Luxembourg	Luxembourg	100%
Aperam Sourcing	Luxembourg	100%
Aperam Stainless Services & Solutions Poland	Poland	100%
Aperam Stainless Services & Solutions Iberica	Spain	100%
Aperam Paslanmaz Celik	Turkey	100%
Aperam Stainless Services & Solutions Tubes Uruguay	Uruguay	100%
Aperam Stainless Services & Solutions USA	USA	100%

NOTE 26: SUBSEQUENT EVENTS

There were no subsequent events after December 31, 2011.

Auditor's Report on the Consolidated Statements

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

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

Report on the consolidated financial statements

Following our appointment by the general meeting of the shareholders, we have audited the accompanying consolidated financial statements of Aperam, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the consolidated financial statements

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

Responsibility of the réviseur d'entreprises agréé

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Aperam as of December 31, 2011 and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Report on other legal and regulatory requirements

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

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

March 15, 2012

Balance Sheet

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

Assets		**December 31, 2011**	**January 25, 2011**
B. Formation expenses	Note 3	**2,043**	**2,553**
C. Fixed assets		**5,130,537**	**5,240,191**
I. Intangible assets	Note 4	**9,312**	**9,834**
2.a) Concessions, patents, licences, trademarks and similar rights and assets		9,312	9,834
III. Financial assets	Note 5	**5,121,225**	**5,230,357**
1. Shares in affiliated undertakings		1,821,129	1,679,053
2. Loans to affiliated undertakings		3,300,096	3,551,304
D. Currents assets		**160,354**	**79**
II. Debtors becoming due in one year or less		**160,224**	**79**
2.a) Amounts owed by affiliated undertakings becoming due in one year or less	Note 6	158,813	79
4.a) Other debtors becoming due in one year or less		1,411	—
E. Prepayment and accrued income		**130**	**—**
Total assets		**5,292,934**	**5,242,823**

Liabilities		**December 31, 2011**	**January 25, 2011**
A. Capital and reserves	Note 7	**4,326,283**	**4,336,096**
I. Subscribed capital		**546,652**	**546,652**
II. Share premium account and equivalent premiums		**1,600,321**	**1,600,321**
IV. Reserves		**75,368**	**134,401**
1. Legal reserve		75,368	75,368
2. Reserve for treasury shares		—	59,033
V. Profit brought forward		**2,055,151**	**2,055,164**
VI. Profit (loss) for the financial period		**48,791**	**(442)**
D. Non subordinated debts	Note 8	**966,651**	**906,727**
1.b) Non convertible debenture loans	Note 9	509,453	—
i) Becoming due in one year or less		*9,453*	—
ii) Becoming due in more than one year		*500,000*	—
2. Amounts owed to credit institutions	Note 10	425,271	—
i) Becoming due in one year or less		*401,508*	—
ii) Becoming due in more than one year		*23,763*	—
4.a) Trade payables becoming due in one year or less		5,333	359
6.a) Amounts owed to affiliated undertakings becoming due in one year or less	Note 11	24,305	6,361
8.a) Liabilities for tax and social security becoming due in one year or less		1,751	—
9.a) Other liabilities becoming due in one year or less		538	900,007
Total liabilities		**5,292,934**	**5,242,823**

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

Profit and Loss account

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

		Period from January 26 to December 31, 2011	Period from January 1 to January 25, 2011
A. Charges			
2. Other external charges		52,518	14
3. Staff costs		7,155	—
a) Wages and salaries		*6,172*	—
b) Social security attributable to wages and salaries		*449*	—
c) Supplementary pensions		*419*	—
d) Other social security costs		*115*	—
4.a) Value adjustments in respect of formation expenses and intangible fixed assets		2,451	—
5. Other operating charges		3,336	1
8. Interest payable and other financial charges	Note 12	154,402	427
a) In respect of affiliated undertakings		*190*	*10*
b) Other interest payable and charges		*154,212*	*417*
10. Income tax	Note 13	1,616	—
12. Profit for the financial period		**48,791**	—
Total charges		**270,269**	**442**

		Period from January 26 to December 31, 2011	Period from January 1 to January 25, 2011
B. Income			
5. Other operating income	Note 14	54,807	—
6. Income from financial fixed assets		205,171	—
8. Other interest and other financial income	Note 12	10,291	—
a) Derived from affiliated undertakings		*10,200*	—
b) Other interest receivables and similar income		*91*	—
12. Loss for the financial period		—	**442**
Total income		**270,269**	**442**

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

NOTE 1 – GENERAL INFORMATION

Aperam (hereafter "the Company") was incorporated on September 9, 2010 and is organized under the laws of Luxembourg as a "Société Anonyme" for an unlimited period.

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

The financial year of the Company starts on January 1 and ends on December 31 each year. The preceding accounting period covered the period from January 1, 2011 to January 25, 2011(spin-off date).

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

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

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

On December 10, 2010, the sole shareholder of ArcelorMittal Stainless & Specialty Steels resolved to change the denomination of the Company into Aperam.

The Company owns a branch office located in Zug (Switzerland).

On January 25, 2011, the extraordinary general meeting of shareholders of the Company approved the spin-off of the stainless steel business of ArcelorMittal. As a consequence, ArcelorMittal. transferred on that date the assets and liabilities pertaining to the spun-off business to the Company which recognized an increase in shareholders' equity.

In conformity with the requirements of Luxembourg laws and regulations, the Company publishes consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union. The consolidated financial statements as of and for the year ended December 31, 2011 area available at Aperam Headquarters, 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand-Duchy of Luxembourg.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 – Basis of preparation

These annual accounts of the Company have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg. They comply in particular with the law of December 10, 2010 under the historical cost convention.

The presentation of the annual accounts has been modified when compared to the presentation used in respect of the financial period ended January 25, 2011. As a consequence and in order to ensure adequate comparability across both financial periods, certain comparative figures in respect of the financial period ended January 25, 2011 have been reclassified.

2.2 – Significant accounting policies

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

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

Intangible fixed assets

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

Financial fixed assets

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

Debtors

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

Foreign currency translation

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

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

Liabilities

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

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

NOTE 3 – FORMATION EXPENSES

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

The movements for the period are as follows:

	December 31, 2011	January 25, 2011
Acquisition cost		
Opening balance	2,553	2,553
Closing balance	2,553	2,553
Value Adjustment		
Opening balance	—	—
Changes for the period	(510)	—
Closing balance	(510)	—
Net book value		
Opening balance	2,553	2,553
Closing balance	2,043	2,553

NOTE 4 – INTANGIBLE FIXED ASSETS

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

The movements for the period are as follows:

	December 31, 2011	January 25, 2011
Acquisition cost		
Opening balance	9,834	—
Additions	1,418	9,834
Disposals	—	—
Closing balance	11,252	9,834
Value Adjustment		
Opening balance	—	—
Changes for the period	(1,940)	—
Closing balance	(1,940)	—
Net book value		
Opening balance	9,834	—
Closing balance	9,312	9,834

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

NOTE 5 – FINANCIAL FIXED ASSETS

The movements for the period are as follows:

	Shares in affiliated undertakings	Loans to affiliated undertakings	Total
Acquisition cost			
Opening balance	1,679,053	3,551,304	5,230,357
Additions	142,076	323,835	465,911
Disposals	—	(484,743)	(484,743)
Foreign exchange differences	—	(90,300)	(90,300)
Closing balance	1,821,129	3,300,096	5,121,225
Net book value			
Opening balance	1,679,053	3,551,304	5,230,357
Closing balance	1,821,129	3,300,096	5,121,225

Shares in affiliated undertakings

Name and registered office	Carrying amount	% Capital held	Result for 2011 (1)	Capital and reserves (1)
Aperam Luxco S.à.r.l. *Luxembourg (Luxembourg)*	1,672,780	100.00	(30,017)	1,608,826
Aperam Stainless Services & Solutions Germany Gmbh *Erkrath (Germany)*	6,189	5.10	(3,226)	67,078
Corea S.A. *Senningerberg (Luxembourg)*	11,386	100.00	(1,749)	8,694
Aperam Stainless Belgium *Genk (Belgium)*	130,690	15.32	(21,409)	813,175
Other investments	84			
	1,821,129			

(1) In accordance with the unaudited IFRS reporting packages converted to USD. Result for 2011 is converted at the average exchange rate of the year and capital and reserves at December 31, 2011 exchange rate.

Description of the main changes

On April 1, 2011, the Company acquired a 100% stake in Corea S.A. for an amount of EUR 7,976 thousands (11,386).

On December 28, 2011 the Company contributed in kind part of its loan receivable from Aperam Treasury S.C.A. to Aperam Stainless Belgium's share capital in exchange of 15.32% stake.

The Board of Directors has considered that there has not been any decrease in the value of the shares in associated undertakings that is other than temporary and therefore no value adjustments have been recorded.

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

Loans to affiliated undertakings

Affiliate	Currency	Amount in original currency	December 31, 2011	January 25, 2011
Aperam Treasury S.C.A.	EUR	655,973	848,772	743,392
Aperam Treasury S.C.A.	USD	776,987	776,987	—
Aperam Treasury S.C.A.	PLN	100,000	29,024	—
Aperam Luxco S.à r.l.	EUR	1,271,581	1,645,313	1,700,230
Aperam South America S.A.	USD	776,987	—	776,987
Aperam Stainless Belgium N.V.	EUR	221,591	—	296,289
Aperam Stainless Services & Solutions Poland z.o.o.	PLN	99,600	—	34,406
Total			3,300,096	3,551,304

Description of the main changes

On March 31, June 15 and September 21, 2011 Aperam Stainless Belgium repaid loans to the Company for EUR 20,000 thousands (27,420), EUR 1,591 thousands (2,241) and EUR 200,000 thousands (288,960), respectively.

On July 29 and August 1, 2011 Aperam Stainless Services & Solutions Poland repaid loans to the Company for PLN 64,000 thousands (22,768) and PLN 35,600 thousands (12,664), respectively.

On September 1, 2011, the Company granted credit facilities to Aperam Treasury S.C.A. for amounts of PLN 100,000 thousands (34,835) and EUR 200,000 thousands (289,000).

On December 28, 2011, the Company contributed EUR 100,000 thousands (130,690) of its loan granted to Aperam Treasury S.C.A. as a contribution in kind to Aperam Stainless Belgium's share capital increase.

The Board of Directors has considered that there has not been any decrease in the value of the loans to affiliated undertakings that is other than temporary and therefore no value adjustments have been recorded.

NOTE 6 – AMOUNTS OWED BY AFFILIATED UNDERTAKINGS BECOMING DUE IN ONE YEAR OR LESS

Amounts owed by affiliated undertakings becoming due in one year or less increased by 158,734 during the period. This variance is primarily related to the cash pooling account with Aperam Treasury S.C.A., various services provided by affiliated undertakings, receivables from the tax integration (see Note 13) and accrued interests.

NOTE 7 – CAPITAL AND RESERVES

	Number of shares [(1)]	Subscribed capital	Share premium account and equivalent premiums	Legal reserve	Reserve for treasury shares	Profit brought forward	Profit for the financial period	Total
Balance as at January 26, 2011	**78,049,730**	**546,652**	**1,600,321**	**75,368**	**59,033**	**2,055,164**	**(442)**	**4,336,096**
Allocation of net result	—	—	—	—	—	(442)	442	—
Dividends paid	—	—	—	—	—	(58,538)	—	(58,538)
Directors remuneration	—	—	—	—	—	(66)	—	(66)
Transfer to other reserves	—	—	—	—	(59,033)	59,033	—	—
Profit for the period	—	—	—	—	—	—	48,791	48,791
Balance as at December 31, 2011	**78,049,730**	**546,652**	**1,600,321**	**75,368**	**—**	**2,055,151**	**48,791**	**4,326,283**

(1) Number of shares denominated in units.

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

7.1 – Subscribed capital and share premium

On January 25, 2011, the extraordinary general meeting approved the increase of the issued share capital of the Company by an amount of EUR 408,800,000, from EUR 31,000 to EUR 408,831,000 (546,652), of the share premium by EUR 1,196,848,482 (1,600,321), of the legal reserve by EUR 56,366,250 (75,368), of the reserve for treasury shares by EUR 44,149,688 (59,033) and of the retained earnings by EUR 1,537,089,885 (2,055,164).

The Company allotted the 78,045,730 newly issued shared (without par value as fully paid up) to the shareholders of ArcelorMittal in proportion of their holding of ArcelorMittal shares based on the exchange ratio set out in the spin-off proposal.

To the knowledge of the Board of Directors, the shareholding may be specified as follows:

	December 31, 2011
Lumen Investment S.à r.l.	33.63%
Nuavam Investments S.à r.l.	7.20%
Other shareholders	59.17%
Total	**100.00%**

7.2 – Legal reserve

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to a legal reserve, this requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the subscribed capital. The legal reserve is not available for distribution to the shareholders. As at December 31, 2011 the legal reserve is fully constituted.

7.3 – Reserve for treasury shares

On July 12, 2011, at the ordinary general meeting, the shareholders approved the transfer of the reserve for treasury shares to other reserves.

NOTE 8 – NON SUBORDINATED DEBTS

	December 31, 2011				January 25, 2011	
	Within 1 year	From 1 to 5 years	5 years or more	Total	Within 1 year	Total
Non convertible debenture loans	9,453	250,000	250,000	509,453	—	—
Amount owed to credit institutions	401,508	23,763	—	425,271	—	—
Trade payables	5,333	—	—	5,333	359	359
Amount owed to affiliated undertakings	24,305	—	—	24,305	6,361	6,361
Liabilities for tax and social security	1,751	—	—	1,751	—	—
Other liabilities [(1)]	538	—	—	538	900,007	900,007
Total	**442,888**	**273,763**	**250,000**	**966,651**	**906,727**	**906,727**

[(1)] Other liabilities include the 900,000 credit facility granted by ArcelorMittal Finance S.C.A., at the spin-off date and reimbursed by the Company during the first quarter of 2011.

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

NOTE 9 – NON CONVERTIBLE DEBENTURE LOANS

On March 25, 2011, the Company issued unsecured and unsubordinated notes in two tranches for an aggregate principal amount of 500,000, consisting of 250,000 (issued at 100%) maturing April 1, 2016 and 250,000 (issued at 100%) maturing April 1, 2018 respectively. These notes bear an annual interest at 7.375% and 7.750% respectively, payable semi-annually on October 1 and April 1 of each year commencing on October 1, 2011.

NOTE 10 – AMOUNTS OWED TO CREDIT INSTITUTIONS

On March 15, 2011, the Company entered into an 800,000 secured revolving facility agreement with a group of lenders. The facility is structured as a 3-year revolving credit facility. The facility bears a variable interest rate composed of LIBOR plus 2.10% margin. The utilized amount as at December 31, 2011 is 400,000 and is secured by assets owned by operating subsidiaries of the Aperam Group.

On September 27, 2011, the Company entered into a loan agreement with Banco Itau BBA International S.A., for EUR 17,500 thousands (23,763). The maturity of this loan is on September 28, 2013. The loan bears a variable rate interest (6 months EURIBOR +3.45%), payable semi-annually on March 28 and September 28 of each year, commencing 2012.

NOTE 11 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS BECOMING DUE IN ONE YEAR OR LESS

The increase in amounts owed to affiliated undertakings by 17,944, mainly results from research and development services provided by Aperam Stainless France to the Company.

NOTE 12 – INTEREST PAYABLE/ RECEIVABLE AND SIMILAR (CHARGES)/ INCOME

	Period from January 26 to December 31, 2011		Period from January 1 to January 25, 2011	
	Charges	**Income**	**Charges**	**Income**
Interests in respect of affiliated undertakings	**(190)**	**853**	**(10)**	**—**
Income from tax integration with affiliated undertakings	**—**	**9,347**	**—**	**—**
Interests in respect of credit institutions	(8,819)	91	—	—
Interests in respect of debenture loans	(28,464)	—	—	—
Interests in respect of related parties	(11,500)	—	—	—
Effects of foreign exchange	(89,218)	—	(119)	—
Other interest and similar charges	(16,211)	—	(298)	—
Other interest and similar income (charges)	**(154,212)**	**91**	**(417)**	**—**
Total interest and similar income (charges)	**(154,402)**	**10,291**	**(427)**	**—**

Interest in respect of credit institutions corresponds to the loans contracted by the Company during the year, from Banco Itau BBA International S.A. and to the revolving facility agreement.

Interest expenses on debenture notes relate to the unsecured and unsubordinated notes issued by the Company during the period.

Interests in respect of related parties include the interest charges for the period corresponding to the 900,000 credit facility received from ArcelorMittal Finance S.C.A.

Other interest and similar charges include the issuance costs for the loans contracted by the Company during the year and referred to in Note 10.

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

NOTE 13 – INCOME TAX

The Company is the head of a tax consolidation including other subsidiaries located in Luxembourg and is fully liable for the overall tax liability of the tax group. Each of the entities included in the tax consolidation is paying to the Company the amount of tax determined based on its individual taxable profit. As a consequence of the net tax loss position of the tax group, there is no income tax payable for 2011.

The amount of income tax corresponds to the tax charge of the Company's Swiss Branch and withholding tax on interest income with affiliated undertakings.

NOTE 14 – OTHER OPERATING INCOME

Other operating income corresponds mainly to branding fees and income related to information technology and general services provided to group companies.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Commitments given

	December 31, 2011	January 25, 2011
Guarantees given to the Aperam group companies (1)	27,773	23,268
Other commitments (2)	4,713	11,222
Total	**32,486**	**34,490**

(1) The Company has given guarantees for certain credit facilities contracted by Aperam subsidiaries.

(2) Other commitments refer to guarantees given by the Company on behalf of Aperam subsidiaries for various obligations (other than debt).

The Company is jointly and severally liable for the following entities:

- Aperam Sourcing S.C.A.
- Aperam Treasury S.C.A.

Contingencies

The Company has no contingency as at December 31, 2011.

NOTE 16 – STAFF

The Company's Board of Directors members are entitled to a total remuneration of 675 for the period ended December 31, 2011 (66 for the period ended January 25, 2011).

The company has 35 employees as at December 31, 2011 (3 as of January 25, 2011).

NOTE 17 – SUBSEQUENT EVENTS

There were no subsequent events after December 31, 2011.

Auditor's Report on the Annual Accounts

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

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

Report on the annual accounts

Following our appointment by the general meeting of the Shareholders, we have audited the accompanying annual accounts of Aperam which comprise the balance sheet as at December 31, 2011 and the profit and loss account for the period from January 26, 2011 to December 31, 2011 and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

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

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

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Aperam as of December 31, 2011, and of its financial performance for the period from January 26, 2011 to December 31, 2011 in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirement

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

For Deloitte Audit, Cabinet de révision agréé

John Psaila, *réviseur d'entreprises agréé*
Partner

March 15, 2012

Proposed allocation of the results and dividend distribution for 2011

	In U.S. dollars
Profit for the financial period	48,790,890
Profit brought forward *(Report à nouveau)* [(1)]	2,113,687,936
Dividend of $0.75 (gross) per share distributed in 2011 [(2)]	(58,537,298)
Results to be allocated and distributed	**2,103,941,528**
Dividend of $0.75 (gross) per share to be distributed in 2012 [(3)]	(58,537,298)
Directors' compensation	(675,205)
Profit carried forward	**2,044,729,025**

(1) Profit brought forward *(Report à nouveau)* adjusted for unclaimed directors fees of $1,064.

(2) As approved by the Aperam shareholder meeting of January 21, 2011 before the spin-off of the ArcelorMittal stainless steel business into Aperam.

(3) To be submitted to shareholder approval of May 8, 2012 and related to the financial period ending December 31, 2011. On the basis of 78,049,730 shares in issue. Dividends are paid quarterly, resulting in a total annualized cash dividend per share of $0.75.

Risks Related to the Company and the Stainless and Specialty Steel Industry

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

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

Global economic cycle downturn

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

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

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

Overcapacity

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

China slowdown

A significant factor in the worldwide strengthening of stainless and specialty steel pricing in recent years has been the significant growth in consumption in China, which at times has outpaced its manufacturing capacity. At times, this has resulted in China being a net importer of stainless and specialty steel products, as well as a net importer of raw materials and supplies required for the manufacturing of these products. A reduction in China's economic growth rate with a resulting reduction in stainless and specialty steel consumption, coupled with China's expansion of steel-making capacity, could have the effect of a substantial weakening of both domestic and global stainless and specialty steel demand and pricing.

The risk of Nickel price decrease and raw material price uncertainty

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

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

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

The Company operates and sells its products globally, and a substantial portion of its assets, liabilities, costs, sales and income are denominated in currencies other than the U.S. dollar (the Company's reporting currency). Accordingly, currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro and the Brazilian real, as well as fluctuations in the currencies of the other countries in which the Company has significant operations and/or sales, could have a material impact on its results of operations.

The stainless and specialty steel market is characterized by strong competition

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

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

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

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

A number of lawsuits, claims and proceedings have been and may be asserted against the Company in relation to the conduct of its currently and formerly owned businesses, including those pertaining to product liability, patent infringement, commercial practices, employment, employee benefits, taxes, environmental issues, health and safety and occupational disease. Due to the uncertainties of litigation, no assurance can be given that it will prevail on all claims made against it in the lawsuits that it currently faces or that additional claims will not be made against it in the future. While the outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to the Company, Management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on the Company's financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on its results of operations for that period. Management can also give no assurance that any litigation brought in the future will not have a material effect on its financial condition or results of operations. For a discussion of certain ongoing investigations and litigation matters involving the Company, see Note 22 to the Consolidated Financial Statements.

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

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

Risks of lack of competitiveness of the workforce costs and retention

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

Environmental and health and safety risks

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

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

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

Energy risks

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