

## **Explanatory Presentation**

**Leadership Team Performance Share Unit Plan  
submitted to shareholder approval  
at the General Meeting of May 5, 2015**

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# Leadership Team Performance Share Unit Plan

## Agenda



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# Leadership Team Performance Share Unit Plan

Background Plan submitted to shareholders' approval May 5, 2015



## **The Leadership Team Performance Share Unit Plan**

The Leadership Team Performance Share Unit Plan<sup>1</sup> (the “LT PSU Plan”) is designed to enhance the long-term performance of the Company and align the members of our Leadership Team<sup>2</sup> (“LT”) to the Company’s objectives.

The LT PSU Plan complements Aperam’s existing program of annual performance-related bonuses which is the Company’s reward system for short-term performance and achievements. The short term incentives are described in detail in the 2014 Annual Report page 68 onward.

The main objective of the LT PSU Plan is to be an effective performance-enhancing scheme for LT members based on the achievement of Aperam’s strategy aimed at creating measurable long-term shareholder value.

## **The Remuneration, Nomination and Corporate Governance Committee**

The allocation of PSUs to eligible Leadership Team members is reviewed by the Remuneration, Nomination and Corporate Governance Committee of the Board of Directors, which is comprised of three independent directors, and which makes a proposal and recommendation to the full Board of Directors. The vesting criteria of the PSUs are also monitored by the Remuneration, Nomination and Corporate Governance Committee.

## **Regular reporting to shareholders**

The Company will report in its Annual Reports on the progress of meeting the vesting criteria on each grant anniversary date as well as on the applicable peer group.

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<sup>1</sup> Formerly named Management Committee Performance Share Unit plan (“MC PSU Plan”)

<sup>2</sup> Formerly named Management Committee

# Leadership Team Performance Share Unit Plan



Key highlights Plan submitted to shareholders' approval May 5, 2015

- Only PSUs for Leadership Team members based on clear and identifiable performance criteria
- Criteria:
  - 50% of the criteria to be met is based on the development of Total Shareholder Return (“TSR”) compared to a peer group over a three year period
  - 50% of the criteria to be met is based on the development of Earnings Per Share (“EPS”) compared to a peer group over a three year period.
  - TSR and EPS are defined on slide #5.

- Grant based on value: (share price at the date of issue)

- CEO and other Leadership Team members : 45% of base salary

- Vesting:

- Cliff vesting after 3 years
- Vesting criteria:

|                    | Threshold  | Target | Stretch      |
|--------------------|------------|--------|--------------|
| TSR/EPS            | 80% median | median | >120% median |
| Percentage vesting | 50%        | 100%   | 150%         |

- The LT PSU Plan provides for cliff vesting on the third year anniversary of the grant date, under the condition that the relevant LT member continues to be actively employed by the Aperam group on that date. If the LT member is retired on that date or in case of an early retirement by mutual consent, the relevant LT member will not automatically forfeit PSUs and pro rata vesting will be considered at the end of the vesting period at the sole discretion of the Remuneration, Nomination and Corporate Governance Committee of the Board of Directors.

# Leadership Team Performance Share Unit Plan



## Criteria review

50% of the criteria to be met is based on the development of TSR.  
50% of the criteria to be met is based on the development of EPS.



### Total Shareholder Return (“TSR”)

50% of the criteria is based on Total Shareholder Return (“TSR”) compared to a peer group over a three year period:

- $$\frac{\text{Share price end of period} - \text{Share price start of period} + \text{Dividends paid}}{\text{Share price start of period}}$$

### Earnings per Share (“EPS”)

50% of the criteria is based on Earning per Share (“EPS”) compared to a peer group over a three year period:

- EPS is defined as the amount of earnings per each outstanding share

### Potential Dilution

- The current request of 220,000 shares could lead to a potential dilution of less than 0.26% on a diluted basis and less than 0.29% of the Company’s issued share capital (net of treasury shares) on an outstanding basis.

# Leadership Team Performance Share Unit Plan

## Peer group determination



### Determination of peer group based on correlation and Market capitalization

#### How?

1. On industry classification;
2. On size (limited to companies not smaller than approximately one quarter of Aperam's market capitalisation);
3. On correlation of TSR performance

#### Regular reporting to the shareholders:

The Company will report in its annual reports on the applicable peer group.

# Leadership Team Performance Share Unit Plan

## Peer group determination



### Determination of peer group based on correlation and Market capitalization<sup>(2)</sup>

| Company             | Industry                            | Market Capitalization <sup>(1)</sup> | Correlation <sup>(2)</sup> |
|---------------------|-------------------------------------|--------------------------------------|----------------------------|
| <b>Aperam</b>       | <b>Stainless Steel</b>              | <b>2 346</b>                         | <b>n/a</b>                 |
| ArcelorMittal       | Steel                               | 17 910                               | 0.69                       |
| Acerinox            | Stainless steel                     | 3 962                                | 0.65                       |
| Outokumpu           | Stainless steel                     | 2 474                                | 0.61                       |
| ThyssenKrupp        | Steel, Stainless steel & downstream | 14 291                               | 0.61                       |
| Voestalpine         | Steel                               | 6 841                                | 0.59                       |
| Salzgitter          | Steel                               | 1 503                                | 0.65                       |
| SSAB <sup>(3)</sup> | Steel                               | 3 175                                | 0.59                       |
| AK Steel            | Stainless steel                     | 1 270                                | 0.43                       |
| Eramet              | Mining                              | 2 508                                | 0.62                       |

Notes:

Source: Bloomberg, Aperam

(1) At January 1, 2015, in USD million.

(2) Correlation calculated from 01/01/2012 to 01/01/2015 on the basis of the evolution of the respective shares prices

(3) As of 29/07/2014, Rautaruukki is part of SSAB. Rautaruukki's shares were delisted from NASDAQ OMX Helsinki Ltd's official list on 20 November 2014.

# Leadership Team Performance Share Unit Plan

Fictive example under LT PSU Plan submitted to shareholders' approval on May 5, 2015<sup>(1)</sup>



## Leadership Team Committee Member:

- Base salary: USD 250,000
- Grant December 2011: Share price USD 14.09 <sup>(1)</sup>
  
- Value = 45% i.e.  $(250,000/14.09) \times 0.45 = 7,984$  PSUs
  
- Vesting will only occur if the LT member is still employed by the Group as follows:
  - 50% vesting linked to TSR: 3,992 PSUs
    - Aperam performance TSR vs. peer group over a three year period
    - Application of vesting criteria -> The percentage of PSUs vesting will be 50% for achievement of 80% of the median TSR, 100% for achieving the median TSR and up to 150% for achieving 120% of the median TSR*
  
  - 50% vesting linked to EPS: 3,992 PSUs
    - Aperam EPS vs. peer group over a three year period
    - Application of vesting criteria -> The percentage of PSUs vesting will be 50% for achievement of 80% of the median EPS, 100% for achieving the median EPS and up to 150% for achieving 120% of the median EPS*

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## Notes:

- (1) The presented fictive example is provided for information purposes only since the LT PSU Plan submitted to shareholder approval on May 5, 2015 will be based on a three year period going forward.



## Peer group TSR data<sup>(1)</sup>

### Fictive example using historical data



| Company             | Industry                            | TSR growth <sup>(2)</sup> | Market capitalisation <sup>(3)</sup> |
|---------------------|-------------------------------------|---------------------------|--------------------------------------|
| <b>Aperam</b>       | <b>Stainless Steel</b>              | <b>113%</b>               | <b>2 346</b>                         |
| ArcelorMittal       | Steel                               | -47%                      | 17 910                               |
| Acerinox            | Stainless steel                     | 27%                       | 3 962                                |
| Outokumpu           | Stainless steel                     | -63%                      | 2 474                                |
| ThyssenKrupp        | Steel, Stainless steel & downstream | 8%                        | 14 291                               |
| Voestalpine         | Steel                               | 48%                       | 6 841                                |
| Salzgitter          | Steel                               | -43%                      | 1 503                                |
| SSAB <sup>(4)</sup> | Steel                               | -33%                      | 3 175                                |
| AK Steel            | Stainless steel                     | -29%                      | 1 270                                |
| Eramet              | Mining                              | -23%                      | 2 508                                |

|                                   |             |
|-----------------------------------|-------------|
| Median Peer TSR                   | -29%        |
| Threshold level: 80% of Median    | -35%        |
| Target level: 100% of Median      | -29%        |
| Stretch level: 120% of Median     | -23%        |
| <b>Aperam TSR</b>                 | <b>113%</b> |
| <b>Vesting under this tranche</b> | <b>150%</b> |

*The percentage of PSUs vesting will be 50% for achievement of 80% of the median TSR, 100% for achieving the median TSR and up to 150% for achieving 120% of the median TSR.*

Notes:

Source: Bloomberg, Aperam Computation

- (1) The presented TSR data is provided for information purposes only since the LT PSU Plan submitted to shareholder approval on May 5, 2015 will be based on a three year period going forward.
- (2) Calculated from 01/01/2012 to 01/01/2015 in USD.
- (3) As of 01/01/2015, in USD million.
- (4) As of 29/07/2014, Rautaruukki is part of SSAB. Rautaruukki's shares were delisted from NASDAQ OMX Helsinki Ltd's official list on 20 November 2014.

## Peer group EPS data<sup>(1)</sup>

### Fictive example using historical data



| Company             | Industry                            | EPS growth <sup>(2)</sup> | Market capitalisation <sup>(3)</sup> |
|---------------------|-------------------------------------|---------------------------|--------------------------------------|
| <b>Aperam</b>       | <b>Stainless Steel</b>              | <b>259%</b>               | <b>2 346</b>                         |
| ArcelorMittal       | Steel                               | -152%                     | 17 910                               |
| Acerinox            | Stainless steel                     | 67%                       | 3 962                                |
| Outokumpu           | Stainless steel                     | 15%                       | 2 474                                |
| ThyssenKrupp        | Steel, Stainless steel & downstream | -84%                      | 14 291                               |
| Voestalpine         | Steel                               | -3%                       | 6 841                                |
| Salzgitter          | Steel                               | -114%                     | 1 503                                |
| SSAB <sup>(4)</sup> | Steel                               | -166%                     | 3 175                                |
| AK Steel            | Stainless steel                     | 54%                       | 1 270                                |
| Eramet              | Mining                              | -178%                     | 2 508                                |

|                                   |             |
|-----------------------------------|-------------|
| Median Peer EPS                   | -43%        |
| Threshold level: 80% of Median    | -52%        |
| Target level: 100% of Median      | -43%        |
| Stretch level: 120% of Median     | -35%        |
| <b>Aperam EPS</b>                 | <b>259%</b> |
| <b>Vesting under this tranche</b> | <b>150%</b> |

→ The percentage of PSUs vesting will be 50% for achievement of 80% of the median TSR, 100% for achieving the median TSR and up to 150% for achieving 120% of the median TSR.

Notes:

Source: Bloomberg, Aperam Computation

- (1) The presented EPS data is provided for information purposes only since the LT PSU Plan submitted to shareholder approval on May 5, 2015 will be based on a three year period going forward.
- (2) Calculated using annual EPS over 2011 to 2014.
- (3) As of 01/01/2015, in USD million.
- (4) As of 29/07/2014, Rautaruukki is part of SSAB. Rautaruukki's shares were delisted from NASDAQ OMX Helsinki Ltd's official list on 20 November 2014.