

# Explanatory Presentation

Leadership Team Performance Share Unit Plan  
submitted to shareholder approval  
at the Annual General Meeting of May 5, 2020

apream

# Agenda



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# Background: Aperam a solid performer even in challenging times

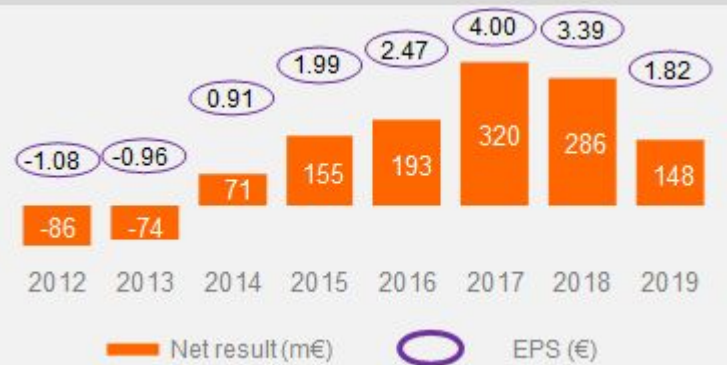


“Since the creation of Aperam, several initiatives have been undertaken to transform Aperam into a more resilient Company, one that is able to operate successfully in all market conditions. Despite challenging market conditions, this has been successfully achieved by a strong focus on operational excellence, product and service innovation and financial discipline”. The evolution of key financial metrics is highlighted below:

**Solid operating performance despite market headwind**



**Transformation yields a positive net income even in a recessionary market environment**



**A strong balance sheet is corporate policy**



**2019 volumes reflect soft real demand in both EU and Brazil and trade war induced imports**



## Leadership Team Performance Share Unit Plan

### The Leadership Team Performance Share Unit Plan

- The Leadership Team Performance Share Unit Plan (the “LT PSU Plan”) is designed to enhance the long-term performance of the Company and align the members of our Leadership Team (“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 2019 Annual Report pages 85 to 86 (Link to 2019 Annual Report: [Link](#))
- 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 recommendation to the Board of Directors. The vesting criteria of the PSUs are also monitored by the Remuneration, Nomination and Corporate Governance Committee.

### Regular reporting to shareholders of the progress reached at yearly anniversary grant dates

- The Company is reporting 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.
- The progress of the performance criteria of the previous plans and applicable peer group are described in detail in the 2019 Annual Report pages 94 to 97:
  - Plan 2016: **Vesting 0%** (plan completed)
  - Plan 2017: **Vesting 133%** (theoretical result after 2 years ; vesting occurs after a 3 year period)
  - Plan 2018: **Vesting 82%** (theoretical result after 1 year, vesting occurs after a 3 year period)
  - Plan 2019: N/A (no anniversary grant date yet reached)

### Below LT level

- As part of the resolution submitted to shareholder approval, the shareholders are also requested to adopt any rules or measures to implement the LT PSU Plan and other performance based grants below the level of the LT Members that the Board of Directors may at its discretion consider appropriate, while fully remaining under the global 2020 Cap of 150,000 shares.

# Technical Highlights

## Snapshot



*The key technical highlights of the Leadership Team Performance Share Unit Plan (LT PSU Plan) submitted to shareholder approval on May 5, 2020 are described below:*

- ✓ Key metrics are **relative EPS and TSR evolution** considering index and peer
- ✓ **Relative Index performance** to capture Aperam's performance in the most relevant geographical regions from a commercial perspective : France (SBF120 index) and Germany (DAX index)
- ✓ **Peer group constituents** include the direct stainless steel competitors (2 peers) and the most relevant steel players (4 peers)
- ✓ The **long term orientation of the plan** is 3 years in line with best practices
- ✓ The **maximum number of shares allocated to the plan is** 150,000 shares
- ✓ **Grant based on value** represents 80% of the base salary for the CEO and 50% for other Members of the Leadership Team

# Technical Highlights



## Leadership Team Performance Share Unit Plan in detail

### Only PSUs for Leadership Team members based on clear and identifiable performance criteria :

- **TSR vs. Index based:** 50% of the criteria to be met is based on the development of Total Shareholder Return (“TSR”) for Aperam compared to two representative indexes (25% weight: SBF 120 index ; 25% weight DAX index) over a three year period
- **EPS and TSR vs. Peer Group based:** 50% of the criteria to be met is based on the development of
  - Earnings Per Share (“EPS”) for 25% compared to a peer group over a three year period.
  - Total Shareholder Return (“TSR”) for 25% compared to a peer group over a three year period.

The peer group is composed of 6 companies, with i) 2 representatives of the most direct stainless steel players and ii) 4 representatives of the general steel industry. The EPS and TSR developments compared to the peer group are measured separately against the most direct stainless steel players and against the general industry players.

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

- CEO: 80% of base salary ; Other Leadership Team members : 50% of base salary

### Vesting:

- Cliff vesting after 3 years.
- Vesting criteria:

Weight	KPI	Below Threshold (0% vesting - for the relevant component)	Threshold (50% vesting)	Target (100% vesting)	Overperformance - vesting at 150%	Overperformance - vesting at 200% (capped)
25%	TSR evolution based on SBF 120	Below 80% of Index Performance	80% of Index Performance	100% of Index Performance	120% of Index Performance	140% of Index Performance
25%	TSR evolution based on DAX	Below 80% of Index Performance	80% of Index Performance	100% of Index Performance	120% of Index Performance	140% of Index Performance
25%	EPS evolution based on peer group (6)	Below 80% of median	80% of median	median	120% of median	140% of median
25%	TSR evolution based on peer group (6)	Below 80% of median	80% of median	median	120% of median	140% of median

### Potential Dilution

- The current request of 150,000 shares could lead to a potential dilution of less than 0.19% on a diluted basis and less than 0.19% of the Company’s issued share capital (net of treasury shares) on an outstanding basis.

# Technical Highlights

## Leadership Team Performance Share Unit Plan in detail



### Vesting Retirement:

- 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.

# Definitions and Peer Group

## Leadership Team Performance Share Unit Plan



### Total Shareholder Return (“TSR”) is defined as

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

### Earnings per Share (“EPS”)

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

### Peer Group Determination based on industry, size and correlation

#### Peer Group

		Market Capitalisation *	Correlation**
Stainless Steel peer group (weight inside peer group 50%)	Acerinox	2,718	0,75
	Outokumpu	1,168	0,87
Carbon Steel peer group (weight inside peer group 50%)	Thyssenkrupp	7,495	0,83
	Salzgitter	1,188	0,86
	ArcelorMittal	15,985	0,74
	Voestalpine	4,439	0,88

\* Source: Bloomberg, at January 1, 2020, in m EUR

\*\* Source Bloomberg, over period : January 1, 2015 to January 1, 2020



# Fictive example <sup>(1)</sup>



## LT PSU Plan submitted to shareholder approval May 5, 2020

### Leadership Team Member:

- Base salary: EUR 250,000
- Grant March 2020: Share price EUR 19 <sup>(1)</sup>
- Value = 50% i.e.  $(250,000/19) \times 0.50 = 6,578$  PSUs (Example for a member of the LT, for the CEO Value = 80%)
- Vesting will only occur if the LT member is still employed by the Group as follows
  - **50% vesting is linked to TSR evolution compared to SBF120 index and DAX index over a three year period : 3,289 PSUs**
    - *Application of vesting criteria*
      - 25% of vesting is linked to TSR evolution compared to **SBF120 index** over a three year period: The percentage of PSUs vesting will be 50% for achievement of 80% of Index Performance, 100% for achieving Index Performance, 150% for achieving 120% of Index Performance and 200% for achieving 140% of Index Performance
      - 25% of vesting is linked to TSR evolution compared to **DAX index** over a three year period: The percentage of PSUs vesting will be 50% for achievement of 80% of Index Performance, 100% for achieving Index Performance, 150% for achieving 120% of Index Performance and 200% for achieving 140% of Index Performance
    - **50% vesting is linked to EPS and TSR evolution compared to a peer group over a three year period : 3,289 PSUs**
      - *Application of vesting criteria*
        - 25% of vesting is linked to EPS evolution compared to a peer group over a three year period:
          - 12.5% of vesting is linked to EPS evolution compared to the **stainless steel peer group**. The percentage of PSUs vesting will be 50% for achievement of 80% of median EPS, 100% for achieving median EPS, 150% for achieving 120% of median EPS, 200% for achieving 140% of median EPS.
          - 12.5% of vesting is linked to EPS evolution compared to the **carbon steel peer group**. The percentage of PSUs vesting will be 50% for achievement of 80% of median EPS, 100% for achieving median EPS, 150% for achieving 120% of median EPS, 200% for achieving 140% of median EPS.
        - 25% of vesting is linked to TSR evolution compared to a peer group over a three year period:
          - 12.5% of vesting is linked to TSR evolution compared to the **stainless steel peer group**. The percentage of PSUs vesting will be 50% for achievement of 80% of median TSR, 100% for achieving median TSR, 150% for achieving 120% of median TSR, 200% for achieving 140% of median TSR.
          - 12.5% of vesting is linked to TSR evolution compared to the **carbon steel peer group**. The percentage of PSUs vesting will be 50% for achievement of 80% of median TSR, 100% for achieving median TSR, 150% for achieving 120% of median TSR, 200% for achieving 140% of median TSR.

#### Notes:

- (1) The presented fictive example is provided for information purposes only since the LT PSU Plan submitted to shareholder approval on May 5, 2020 will be based on a three year period going forward.

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

## Fictive example using historical data



Company	Industry	TSR growth <sup>(2)</sup>	Market capitalisation <sup>(3)</sup>
Aperam	Stainless Steel	32.9%	2,386

SBF120 Index	Index	29.2%	NA
DAX Index	Index	25.5%	NA

Outokumpu	Stainless steel	-8.0%	1,168
Acerinox	Stainless steel	-23.1%	2,718

ArcelorMittal	Carbon steel	-12.8%	15,985
ThyssenKrupp	Carbon steel	-18.9%	7,495
Voestalpine	Carbon Steel	-0.4%	4,439
Salzgitter	Carbon Steel	-21.0%	1,188

### Index

SBF120	29.2%
Threshold level: 80% SBF120	23.4%
Target level: SBF120	29.2%
120% SBF 120	35.0%
140% SBF120	40.9%
Aperam TSR	32.9%
Performance under this tranche	132%
Result: Weighted Performance under this tranche	25% x 132% = 33%

### Index

DAX	25.5%
Threshold level: 80% DAX	20.4%
Target level: DAX	25.5%
120% DAX	30.6%
140% DAX	35.7%
Aperam TSR	32.9%
Performance under this tranche	172%
Result: Weighted Performance under this tranche	25% x 172% = 43%

### Stainless Steel Peer Group

Median Peer TSR	7.6%
Threshold level: 80% of Median	6.0%
Target level: 100% of Median	7.6%
120% of Median	9.1%
140% of Median	10.6%
Aperam TSR	32.9%
Performance under this tranche	200%
Result: Weighted Performance under this tranche	12.5% x 200% = 25%

### Carbon Steel Peer Group

Median Peer TSR	-15.9%
Threshold level: 80% of Median	-19.0%
Target level: 100% of Median	-15.9%
120% of Median	-12.7%
140% of Median	-9.5%
Aperam TSR	32.9%
Performance under this tranche	200%
Result: Weighted Performance under this tranche	12.5% x 200% = 25%

⇒ Result: 76% vesting under TSR performance vs. index

⇒ Result: 50% vesting under TSR performance vs. peer group

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, 2020 will be based on a three year period going forward
- (2) Calculated from 01/01/2019 to 01/01/2020 in EUR
- (3) As of 01/01/2020, in EUR million

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

## Fictive example using historical data



Company	Industry	EPS growth <sup>(2)</sup>	Market capitalisation <sup>(3)</sup>
Aperam	Stainless Steel	-46.3%	2,386
Outokumpu	Stainless steel	-156.2%	1,168
Acerinox	Stainless steel	-125.6%	2,718
ArcelorMittal	Carbon steel	-147.7%	15,985
ThyssenKrupp	Carbon steel	-390.0%	7,495
Voestalpine	Carbon Steel	-47.5%	4,439
Salzgitter	Carbon Steel	-188.1%	1,188

### Stainless Steel Peer Group

Median Peer EPS	-140.9%
Threshold level: 80% of Median	-169.1%
Target level:100% of Median	-140.9%
120% of Median	-112.7%
140% of Median	-84.5%
<b>Aperam EPS</b>	<b>-46.3%</b>
<b>Performance under this tranche</b>	<b>200%</b>
<b>Result: Weighted Performance under this tranche</b>	<b>12.5% x 200% = 25%</b>

### Carbon Steel Peer Group

Median Peer EPS	-167.9%
Threshold level: 80% of Median	-201.5%
Target level:100% of Median	-167.9%
120% of Median	-134.3%
140% of Median	-100.8%
<b>Aperam EPS</b>	<b>-46.3%</b>
<b>Performance under this tranche</b>	<b>200%</b>
<b>Result: Weighted Performance under this tranche</b>	<b>12.5% x 200%=25%</b>

⇒ Result: 50% vesting under EPS performance vs. peer group

Overall theoretical performance of the plan = 176%  
(33% on TSR vs SBF 120, 43% on TSR vs. DAX ; 50% on TSR vs. Peer Group; 50% on EPS vs Peer Group ; )

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, 2020 will be based on a three year period going forward
- (2) Calculated from 01/01/2019 to 01/01/2010 in EUR
- (3) As of 01/01/2020, in EUR million