



Corporate Governance

This document is prepared in accordance with legal obligations.
It is an extract of the Registered Document 2009.

Contents

6. <u>CORPORATE GOVERNANCE</u>	p.4
6.1 COMPOSITION AND OPERATION OF THE ADMINISTRATION, MANAGEMENT SUPERVISORY BODIES	p.4
6.1.1- <u>COMPOSITION OF THE ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES AT 31 DECEMBER 2009</u>	p.4
6.1.1.1 Management Board	p.4
6.1.1.2 Supervisory Board	p.10
6.1.1.3 Executive Committee.....	p.22
6.1.2- <u>OPERATION OF ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES</u>	p.22
6.1.2.1 Internal regulations of the Supervisory Board.....	p.22
6.1.2.2 Meetings of the Supervisory Board during the year ended 31 December 2009.....	p.23
6.1.2.3 Independent members and members associated with the Company.....	p.23
6.1.2.4 Committees set up within the Supervisory Board.....	p.24
6.1.2.5 Censeurs (non-voting Board members)	p.27
6.1.3- <u>DECLARATIONS CONCERNING ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES</u>	p.27
6.1.4- <u>LOANS AND GUARANTEES</u>	p.28
6.1.5- <u>SERVICE AGREEMENTS PROVIDING FOR THE GRANTING OF BENEFITS</u>	p.28
6.2 COMPENSATION AND BENEFITS	p.28
6.2.1- <u>COMPENSATION AND BENEFITS OF ALL KINDS PAID TO EXECUTIVE CORPORATE OFFICERS</u> ...	p.28
6.2.1.1 Tables of Executive Corporate Officers' compensation	p.28
6.2.1.2 Attendance fees received by the members of the Supervisory Board.....	p.32
6.2.2- <u>COMPENSATION AND PENSION BENEFITS OF THE GROUP'S SENIOR MANAGEMENT</u>	p.33
6.2.2.1 Compensation and pension benefits of the Group's senior management.....	p.33
6.2.2.2 Pension commitments.....	p.34
6.3 MANAGERS' INTERESTS AND EMPLOYEE PROFIT SHARING	p.34
6.3.1- <u>OPTIONS AND PERFORMANCE SHARES</u>	p.34
6.3.1.1 Share subscription and/or purchase options.....	p.35
6.3.1.2 Performance shares	p.36
6.3.2- <u>PROFIT SHARING, INCENTIVE AND SAVINGS PLANS</u>	p.37
6.3.3- <u>EMPLOYEE SHAREHOLDING</u>	p.38

Other parts included in the Reference Document:

8. <u>SPECIFIC DOCUMENTS FOR THE ORDINARY SHAREHOLDERS' MEETING OF 31 MAY 2010</u>	p.39
8.1 MANAGEMENT BOARD REPORTS	p.39
8.1.1- <u>MANAGEMENT REPORT OF THE MANAGEMENT BOARD TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 31 MAY 2010</u>	p.39
8.1.1.11 Remuneration of Corporate Officers.....	p.39
8.1.1.12 Information on the breakdown of capital.....	p.42
8.2 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON THE CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE SUPERVISORY BOARD'S WORK AND THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY VALLOUREC	p.42
A- <u>Conditions governing the preparation and organization of the Supervisory Board's work</u>	p.43
B- <u>Shareholder participation in Vallourec's Shareholders' Meetings</u>	p.44
C- <u>Internal control and risk management procedures</u>	p.45
D- <u>Principles and rules for determining the remuneration of Corporate Officers</u>	p.51
8.3 REPORT OF THE MANAGEMENT BOARD ON THE DRAFT RESOLUTIONS	p.53
8.3.1- <u>RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY SHAREHOLDERS' MEETING</u>	p.53
8.3.1.2- Approval of agreements subject to Article L.225-86 of the French <i>Code de commerce</i>	p.53
8.3.1.3- Composition of the Supervisory Board	p.53
8.3.1.4- Adjustment of the compensation of the members and the Censors of the Supervisory Board	p.54
8.4 SUPERVISORY BOARD REPORT	p.54
8.6 STATUTORY AUDITORS' REPORTS	p.56
8.6.2- <u>STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS</u>	p.56
8.6.4- <u>STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF FRENCH CODE DE COMMERCE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF VALLOUREC</u>	p.58

6. Corporate governance

6.1 Composition and operation of the administration, management and supervisory bodies

The Ordinary and Extraordinary Shareholders' Meeting held on 14 June 1994 approved the adoption of a management structure with a Management Board and a Supervisory Board.

This legal structure facilitates a clear separation between the functions of the Management Board, which is responsible for management and administration, and those of the Supervisory Board, which is responsible for supervising said management and administration, and is the representative body of the shareholders:

- the Management Board, which is a collegial body, manages the Group using the powers conferred on it by legislation, regulations and the Group's by-laws; and
- the Supervisory Board is responsible for ongoing control of said management. It receives the necessary information to enable it to fulfil its duties.

6.1.1 Composition of the administration, management and supervisory bodies at 31 December 2009

6.1.1.1 MANAGEMENT BOARD

	Year of birth	Date of first appointment to Management Board	Date appointment most recently renewed	Date term of office expires
Chairman				
Philippe Crouzet ^(*)	1956	01/04/2009	–	15/03/2012
Members				
Jean-Pierre Michel – Chief Operating Officer ^(*)	1955	01/04/2006	04/06/2008	15/03/2012
Olivier Mallet	1956	30/09/2008	–	15/03/2012

(*) At its meeting on 25 February 2009, the Supervisory Board appointed Mr Philippe Crouzet as Chairman of the Management Board as from 1 April 2009, thereby succeeding Mr Pierre Verluca for the remainder of his term of office.

The Board also appointed Mr Jean-Pierre Michel as Chief Operating Officer as from 25 February 2009.

As from 1 April 2009, Vallourec's Management Board is therefore composed of Messrs Philippe Crouzet, Chairman, Jean-Pierre Michel, Chief Operating Officer, and Olivier Mallet, Chief Financial Officer: Finance, Legal and External Communication.

List of positions held by members of the Management Board at 31 December 2009

Philippe CROUZET ⁽¹⁾

Date of first appointment: 1 April 2009

Date appointment most recently renewed: not applicable

Date on which appointment ceases: 15 March 2012

Date of birth: 18 October 1956

Business address:

Vallourec

27, avenue du Général Leclerc

92100 Boulogne-Billancourt

Expertise and managerial experience

- Graduate of *École Nationale d'Administration*;
- Counsel (*Maître des requêtes*) to the *Conseil d'État*;
- Twenty-three years experience with the Saint-Gobain group;
- Chairman of the Management Board of Vallourec since 1 April 2009.

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	<p>Positions held in French companies</p> <ul style="list-style-type: none"> • Chairman of the Management Board of Vallourec (since 01/04/2009) • Chairman of Vallourec & Mannesmann Tubes (since 01/04/2009) • Chairman of the Supervisory Board of V & M France (since 01/04/2009) • Director of VMOG France (since 01/05/2009) <p>Positions held in foreign companies</p> <ul style="list-style-type: none"> • Director of V & M do Brasil (Brazil) (since 31/07/2009) • Director of Finalourec (Luxembourg) (since 01/04/2009) 	<p>Positions held in French companies</p> <ul style="list-style-type: none"> • Director of Electricité de France
Positions expired within the last five years	<p>Positions held in French companies</p> <ul style="list-style-type: none"> • Member of the Supervisory Board of Vallourec (up to 31/03/2009) 	<p>Positions held in French companies</p> <ul style="list-style-type: none"> • Chairman of Saint-Gobain Distribution Bâtiment (up to March 2009) • Chairman of the Supervisory Board of Point P (up to March 2009) • Chairman of the Supervisory Board of Lapeyre (up to March 2009) • Chairman of Aquamondo (up to March 2009) • Chairman of Partidis (up to March 2009) • Chairman of Projeo (up to March 2009) <p>Positions held in foreign companies</p> <ul style="list-style-type: none"> • Chairman of Saint-Gobain Distribution (Switzerland) (up to March 2009) • Chairman of Saint-Gobain Distribution Nordic (Sweden) (up to March 2009) • Chairman of the Board of Directors of Dahl International (Sweden) (up to March 2009) • Member of the Supervisory Board of Raab Karcher Baustoffe (Germany) (up to March 2009) • Director of Saint-Gobain Cristaleria (Spain) (up to March 2009) • Director of Norandex Distribution (United States) (up to March 2009) • Director of Saint-Gobain Building Distribution (United Kingdom)

⁽¹⁾ Since the Supervisory Board, at its meeting on 25 February 2009, appointed Mr Philippe Crouzet as Chairman of the Management Board as from 1 April 2009, thereby succeeding Mr Pierre Verluca for the remainder of his term of office, Mr Philippe Crouzet resigned from his position as a member of the Supervisory Board with effect from 31 March 2009.

- (up to March 2009)
- Director of Jewson (United Kingdom)
(up to March 2009)
- Director of Meyer Overseas Investment (United Kingdom)
(up to March 2009)

Jean-Pierre MICHEL

Date of first appointment: 7 March 2006

Date appointment most recently renewed: 4 June 2008 ⁽¹⁾

Date on which appointment ceases: 15 March 2012 ⁽¹⁾

Date of birth: 17 May 1955

Business address:

Vallourec

27, avenue du Général Leclerc

92100 Boulogne-Billancourt

Expertise and managerial experience

- Former pupil of the *École Polytechnique* and *Institut Français de Gestion*;
- Nearly 30 years with the Vallourec Group (plant management, management control and Chairman of various divisions);
- Member of the Management Board, Chairman of the Oil & Gas and Speciality Products activities and of V & M do Brasil;
- COO of Vallourec (2009) ⁽²⁾.

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	<p>Positions held in French companies</p> <ul style="list-style-type: none"> • Member of the Management Board and Chief Operating Officer of Vallourec (since 07/03/2006 and 25/02/2009, respectively) • Director and CEO of Vallourec & Mannesmann Tubes (since 15/03/2006 and 07/11/2006, respectively) • Member of the Supervisory Board of V & M France (since 21/06/2005) • Director of VMOG France (since 13/11/2002) • Director of Valtimet (since 29/12/2006) • Director of Valti (since 30/04/2007) • Director of Interfit (since 28/05/2004) • Director of V & M Services (since 28/04/2006) • Director of Valinox Asia (since 18/06/2004) • Director of Valinox Nucléaire (since 28/05/2004) • Director of VAM Drilling France (since 14/02/2007) • Manager of V & M One (since 02/06/2004) <p>Positions held in foreign companies</p> <ul style="list-style-type: none"> • Chairman of the Supervisory Board of V & M do Brasil (Brazil) (since 31/10/2008) • Director of V & M do Brasil (Brazil) (since 30/04/2008) • Director of Vallourec & Sumitomo Tubos do Brasil (Brazil) (since 19/07/2007) • Chairman of the Board of Directors of Vallourec Industries Inc. (United States) (since 01/07/2001) • Director of V & M Holdings (United States) (since 10/06/2004) • Member of the Supervisory Board of VAM USA (United States) (since 01/01/2001) 	None

⁽¹⁾ At its meeting on 3 June 2008, the Supervisory Board renewed Jean-Pierre Michel's term of office with effect from the end of the Ordinary and Extraordinary Shareholders' Meeting of 4 June 2008. His term of office will expire on 15 March 2012.

⁽²⁾ The Supervisory Board appointed Mr Jean-Pierre Michel as Chief Operating Officer of Vallourec as from 25 February 2009.

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
	<ul style="list-style-type: none"> Member of the Executive Committee of V & M Two (United States) (since 31/12/2009) Member of the Executive Committee of V & M Star (United States) (since 28/06/2002) Director of V & M USA Corp. (United States) (since 03/05/2000) Director of Vallourec Inc. (United States) (since 21/03/2007) Director of VAM Drilling USA (United States) (since 15/09/2005) Chairman of the Board of Directors and Director of Finalourec (Luxembourg) (since 06/06/2008) Director of VMOG UK (United Kingdom) (since 29/06/2000) 	
Positions expired within the last five years	<p>Positions held in French companies</p> <ul style="list-style-type: none"> Chairman of Valtimet (up to 22/04/2008) Director of VCAV (up to 16/11/2007) Director of VPS (up to 16/11/2007) Director of VPE (up to 02/07/2007) Director of ValTubes (up to 29/12/2006) <p>Positions held in foreign companies</p> <ul style="list-style-type: none"> Chairman of the Board of Directors of V & M do Brasil (Brazil) (up to 31/07/2009) Chairman of the Board of Directors of Vallourec Industries Inc. (United States) (up to 31/03/2009) Director of V & M Atlas Bradford (United States) (up to 27/02/2009) Director of V & M TCA (United States) (up to 24/02/2009) Member of the Supervisory Board of V & M Deutschland (Germany) (up to 31/03/2009) 	<p>Positions held in French companies</p> <ul style="list-style-type: none"> Director of Akantis S.A. (up to December 2005)

Olivier MALLET

Date of first appointment: 30 September 2008

Date appointment most recently renewed: not applicable

Date on which appointment ceases: 15 March 2012⁽¹⁾

Date of birth: 14 July 1956

Business address:

Vallourec

27, avenue du Général Leclerc

92100 Boulogne-Billancourt

Expertise and managerial experience

- Former pupil of the *École Nationale d'Administration* – General Inspectorate of Finance (1981);
- Technical advisor within several cabinet offices, including that of the Prime Minister (1988-1993);
- CFO and member of the Executive Committee with responsibility for finance at Thomson Multimédia (1993-2001);
- CFO and member of the Executive Committee of Pechiney (2001-2004);
- At Areva: Deputy CFO (2004-2006) and Senior Executive Vice-President of the Mining, Chemistry and Enrichment sector (2006-2008);

At Vallourec: member of the Management Board and CFO Finance, Legal and External Communication.

Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
---	--

⁽¹⁾ At its meeting on 29 September 2008, the Supervisory Board appointed Olivier Mallet as a member of the Company's Management Board with effect from 30 September 2008 for a term expiring on 15 March 2012.

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	<p>Positions held in French companies</p> <ul style="list-style-type: none"> Member of the Management Board of Vallourec (since 30/09/2008) Chairman and CEO of V & M Services (since 30/09/2008) CEO and Director of Vallourec & Mannesmann Tubes (since 29/07/2008) Member of the Supervisory Board of V & M France (since 29/10/2008) Director of Vallourec Mannesmann Director of Oil & Gas France (since 30/09/2008) Director of Interfit (since 30/09/2008) Director of Valti (since 30/09/2008) Director of Valtimet (since 12/12/2008) <p>Positions held in foreign companies</p> <ul style="list-style-type: none"> Chairman of Vallourec Industries Inc. (United States) (since 01/04/2009) Chairman of V & M Holdings (United States) (since 01/04/2009) Member of the Supervisory Board of V & M Deutschland (Germany) (since 23/07/2008) 	None
Positions currently held	<ul style="list-style-type: none"> Director of V & M do Brasil (Brazil) (since 31/10/2008) Director of Vallourec Tubes Canada (Canada) (since 30/09/2008) Director of V & M Holdings (since 30/09/2008) Director of V & M USA Corp. (since 29/09/2008) Director of V & M Tube Alloy™ (since 30/09/2008) Director of Vallourec Industries Inc. (since 30/09/2008) Director of VAM Drilling USA (United States) (since 29/09/2008) Member of the Executive Committee of V & M Two (since 31 December 2009) Member of the Executive Committee of VAM USA (since 27/02/2009) Member of the Executive Committee of V & M Star (United States) (since 29/09/2008) Director of Finalourec (Luxembourg) (since 30/09/2008) 	None
Positions expired within the last five years	<p>Positions held in foreign companies</p> <ul style="list-style-type: none"> Director of V & M Atlas Bradford® (United States) (up to 27/02/2009) Director of V & M TCA (United States) (up to 24/02/2009) 	<p>Positions held in French companies</p> <ul style="list-style-type: none"> Chairman and CEO of CFMM (up to May 2008) Chairman and CEO of CMM (up to March 2008) Chairman of ANC Expansion 1 (up to June 2008) Chairman of SET (up to March 2008) Member of the Supervisory Board of Eurodif (up to June 2008) Permanent representative of Areva NC on the Boards of Directors of Comurhex and Sofidif (up to September 2008) Director of SGN, TN International (up to June 2008) Chairman of CFMM Développement (up to October 2007) <p>Positions held in foreign companies</p> <ul style="list-style-type: none"> Director of Songai Mining Corp. (South Africa) (up to May 2008) Chairman of the Board of Directors of UG GmbH (Germany) (up to September 2008) Director of Cogema Deutschland (Germany) (up to September 2007) Director of Areva NC Australia (Australia) (up to May 2008) Director of La Mancha Ressources (Canada) (up to June 2008) Director of Areva Ressources Canada (Canada) (up to May 2008)

Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
	<ul style="list-style-type: none"> <li data-bbox="914 165 1331 226">• Chairman of the Board of Directors of PMC Inc. and of Comin (United States) (up to June 2008) <li data-bbox="914 232 1278 293">• Director of Areva NC Inc. (United States) (up to August 2008) <li data-bbox="914 300 1385 327">• Director of CRI USA (United States) (up to June 2008) <li data-bbox="914 333 1337 360">• Director of Katco (Kazakhstan) (up to July 2008) <li data-bbox="914 367 1394 450">• Vice-Chairman, permanent representative of Areva NC on the Board of Directors of Cominak (Nigeria) (up to June 2008) <li data-bbox="914 456 1430 537">• Chairman of the Board of Directors, permanent representative of Areva NC on the Board of Directors of Somair (Nigeria) (up to June 2008)

6.1.1.2 SUPERVISORY BOARD

	Year of birth	Date of first appointment to the Supervisory Board	Date appointment most recently renewed	Date on which appointment ceases	Other main positions held
Chairman					
Jean-Paul Parayre	1937	13/06/1989	Ordinary Shareholders' Meeting (OSM) 01/06/2006	2011 OSM to approve financial statements for year ended 31/12/2010	Member of the Supervisory Board of Peugeot, Chairman of the Supervisory Board of Stena Maritime
Vice-Chairman					
Patrick Boissier	1950	15/06/2000	OSM 01/06/2006	2011 OSM to approve financial statements for year ended 31/12/2010	Chairman and CEO of DCNS
Members					
Jean-François Cirelli ^(*)	1958	13/05/2009	–	2012 OSM to approve financial statements for year ended 31/12/2011	Vice-Chairman and Chief Operating Officer of GDF SUEZ
Michel de Fabiani	1945	10/06/2004	–	2010 OSM to approve financial statements for year ended 31/12/2009	Director of BP France and Rhodia
Denis Gautier-Sauvagnac	1943	07/02/1997	OSM 01/06/2006	2011 OSM to approve financial statements for year ended 31/12/2010	
François Henrot	1949	08/06/1999	OSM 07/06/2005	2011 OSM to approve financial statements for year ended 31/12/2010	Managing Partner of Rothschild & Cie
Edward G. Krubasik	1944	06/03/2007	OSM 04/06/2008	2012 OSM to approve financial statements for year ended 31/12/2011	Vice-Chairman of the Federation of German Industries
Jean-Claude Verdière	1938	01/07/2001	OSM 06/06/2007	2010 OSM to approve financial statements for year ended 31/12/2009	Member of the Management Board of Vallourec up to 30 June 2001
Bolloré represented by Thierry Marraud	1942	13/11/2008	–	2010 OSM to approve financial statements for year ended 31/12/2009	CFO of Bolloré group
Censeurs					
Arnaud Leenhardt Honorary Chairman	1929	–	–	2010 OSM to approve financial statements for year ended 31/12/2009	Chairman of the Board of Directors of Vallourec from 1981 to 1994, then of the Supervisory Board from 1994 to 2000
Luiz-Olavo Baptista	1938	04/06/2008	–	2012 OSM to approve financial statements for year ended 31/12/2011	Lawyer and Professor of International Law

(*) At its meeting on 13 May 2009, the Supervisory Board appointed Mr Jean-François Cirelli as a member of the Supervisory Board to replace Mr Philippe Crouzet, who had resigned, for the remainder of his term of office, i.e. until the OSM called to approve the financial statements for the year ended 31 December 2011. This appointment was ratified by the Ordinary and Extraordinary Shareholders' Meeting of 4 June 2009 as required by the law and regulations.

Positions held by members of the Supervisory Board at 31 December 2009

Jean-Paul PARAYRE

Date of first appointment: 13 June 1989 (at which time Vallourec was managed by a Board of Directors)

Date appointment most recently renewed: 1 June 2006

Date of appointment as Chairman of the Supervisory Board: 15 June 2000

Date on which appointment ceases: Shareholders' Meeting called to approve the financial statements for the financial year 2010

Chairman of the Appointments and Remuneration Committee within the Supervisory Board

Date of birth: 5 July 1937

Business address:

None

Expertise and managerial experience

- Chairman of the Management Board of PSA Peugeot-Citroën (1977-1984);
- COO then Chairman of the Management Board of Dumez (1984-1990);
- Vice-President and COO of Lyonnaise des Eaux Dumez (1990-1992);
- Vice-President and COO of Bolloré (1994-1999);

CEO of Saga (1996-1999).

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	Positions held in French companies <ul style="list-style-type: none">• Chairman of the Supervisory Board of Vallourec• Permanent representative of Vallourec on the Board of Directors of Vallourec & Mannesmann Tubes	Positions held in French companies <ul style="list-style-type: none">• Chairman of the Supervisory Board of Stena Maritime ^(*)• Member of the Supervisory Board of Peugeot• Director of Bolloré• Director of Société Financière du Planier Positions held in foreign companies <ul style="list-style-type: none">• Manager B of Stena International Sarl (Luxembourg) ^(*)
Positions expired within the last five years	Positions held in French companies <ul style="list-style-type: none">• Permanent representative of Vallourec on the Board of Directors of ValTubes (up to 29/12/2006) Positions held in foreign companies <ul style="list-style-type: none">• Member of the Advisory Board of V & M do Brasil (up to 06/10/2006)	Positions held in foreign companies <ul style="list-style-type: none">• Director of SNEF (up to June 2009)• Director of Stena International BV (Netherlands) (up to October 2006)• Director of SDV Cameroun (up to October 2005)• Director of Stena Line (Sweden) (up to June 2005)

(*) *Position held within the Stena group.*

Patrick BOISSIER

Date of first appointment: 15 June 2000

Date appointment most recently renewed: 1 June 2006

Date of appointment as Vice-Chairman of the Supervisory Board: 18 April 2005

Date on which appointment ceases: Shareholders' Meeting called to approve the financial statements for the financial year 2010

Member of the Appointments and Remuneration Committee within the Supervisory Board

Date of birth: 18 February 1950

Business address:

DCNS

2, rue Sextius-Michel

75732 Paris Cedex 15

Expertise and managerial experience

- Former pupil of *École Polytechnique*;
- 21 years' managerial experience with industrial companies in the iron and steel, capital goods, shipbuilding and services sectors.

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	Positions held in French companies <ul style="list-style-type: none">• Vice-Chairman of the Supervisory Board of Vallourec	Positions held in French companies <ul style="list-style-type: none">• Chairman and CEO of DCNS• Director of Institut Français de la mer• Member of the Supervisory Board of Steria

Positions expired None
within the last
five years

Positions held in French companies

- CEO of Cegelec (up to 31/12/2008)
- Chairman and CEO of Chantiers de l'Atlantique (up to March 2008)
- Chairman of Chambre syndicale des Constructeurs de navires (up to July 2006)
- Chairman and CEO of Ateliers de Montoir (up to 2005)
- Director of Sperian Protection (up to June 2009)
- Director of Aker Yard (up to 2006)
- Director of École des Mines de Nantes (up to 2006)
- Director of Société Nationale de Sauvetage en Mer (SNSM) (up to 2005)

Jean-François CIRELLI ⁽¹⁾

Date of first appointment: 13 May 2009

Date appointment most recently renewed: not applicable

Date on which appointment ceases: Shareholders' Meeting called to approve the financial statements for the financial year 2011

Date of birth: 9 July 1958

Business address:

GDF Suez

22, rue du docteur Lancereaux

75392 Paris Cedex 08

Expertise and managerial experience

- Former pupil of *École Nationale d'Administration*, law degree;
- Various positions within the French Ministry for Economy and Finance's Treasury department (1985-1995);
- Technical advisor to the French Presidency (1995-1997);
- Economic advisor to the French Presidency (1997-2002);
- Deputy Director of the Prime Minister's office (2002-2004);
- Chairman and CEO of Gaz de France (2004-2008);

Vice-Chairman and Chief Operating Officer of GDF SUEZ since July 2008.

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	<p>Positions held in French companies</p> <ul style="list-style-type: none">• Member of the Supervisory Board of Vallourec	<p>Positions held in French companies</p> <ul style="list-style-type: none">• Vice-Chairman and Chief Operating Officer of GDF SUEZ ⁽¹⁾• Director of GDF Suez Énergie Services ⁽¹⁾• Director of Suez Environnement Company <p>Positions held in foreign companies</p> <ul style="list-style-type: none">• Chairman of the Board of Directors of Electrabel (Belgium) ⁽¹⁾• Director of Suez-Tractebel (Belgium) ⁽¹⁾
Positions expired within the last five years	None	<p>Positions held in French companies</p> <ul style="list-style-type: none">• Chairman and CEO of Gaz de France (up to July 2008)• Chairman of Fondation d'entreprise Gaz de France (up to December 2009)• Director of Neuf Cegetel (up to March 2009)• Member of the Supervisory Board of Atos Origin (up to February 2009)

^(*) Position held within the GDF-Suez group.

⁽¹⁾ At its meeting on 13 May 2009, the Supervisory Board appointed Mr Jean-François Cirelli as a member of the Supervisory Board to replace Mr Philippe Crouzet, who had resigned, for the remainder of his term of office, i.e. until the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011. This appointment was ratified by the Ordinary and Extraordinary Shareholders' Meeting of 4 June 2009 as required by the law and regulations.

Michel de FABIANI**Date of first appointment:** 10 June 2004**Date appointment most recently renewed:** not applicable**Date on which appointment ceases:** Shareholders' Meeting called to approve the financial statements for the financial year 2009⁽¹⁾*Member of the Appointments and Remuneration Committee within the Supervisory Board*

Date of birth: 17 June 1945

Business address:

Chambre de Commerce Franco Britannique

31, rue Boissy d'Anglas

75008 Paris

Expertise and managerial experience

- CFO BP Europe (1991-1994);
- CEO of BP Mobil Europe joint-venture (1997-2001);
- Vice-Chairman of BP Europe (1997-2004);

Chairman of BP France (1995-2004).

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	Positions held in French companies <ul style="list-style-type: none"> • Member of the Supervisory Board of Vallourec 	Positions held in French companies <ul style="list-style-type: none"> • Director of BP France • Director of Rhodia • Director of Valeo • Chairman of the Franco-British Chamber of Commerce Positions held in foreign companies <ul style="list-style-type: none"> • Director of EBtrans (Luxembourg) • Chairman of Hertford British Hospital Corporation (United Kingdom)
Positions expired within the last five years	None	Positions held in French companies <ul style="list-style-type: none"> • Director of Institut Français du Pétrole (up to March 2005) Positions held in foreign companies <ul style="list-style-type: none"> • Director of Star Oil (Mali) (up to September 2009) • Director of SEMS (Morocco) (up to May 2009)

⁽¹⁾ The Ordinary and Extraordinary Shareholders' Meeting of 31 May 2010 is asked to renew, in accordance with Article 10.1 of the Company's by-laws, the appointment of Mr Michel de Fabiani as a member of the Supervisory Board for a term of four (4) years to expire at the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2013. Mr Michel de Fabiani is deemed an independent member in accordance with the criteria set forth in Article 8 of the AFEP-MEDEF Code.

Denis GAUTIER-SAUVAGNAC**Date of first appointment:** 7 February 1997**Date appointment most recently renewed:** 1 June 2006**Date on which appointment ceases:** Shareholders' Meeting called to approve the financial statements for the financial year 2010

Date of birth: 28 May 1943

*Business address:**Conseil Économique, Social et Environnemental*

1, place d'Iéna

75116 Paris

Expertise and managerial experience

- Graduate of *École Nationale d'Administration* (1967) and General Inspector of Finance;
- CEO of an agri-food group (1979-1985);
- Chairman and CEO of the French subsidiary of a UK merchant bank (1990-1993).

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	Positions held in French companies <ul style="list-style-type: none"> • Member of the Supervisory Board of Vallourec 	Positions held in French companies <ul style="list-style-type: none"> • Chairman and CEO of Capitol Europe • Member of the Economic, Social and Environmental Council • Chairman and CEO of Accor Sciences
Positions expired within the last five years	None	Positions held in French companies <ul style="list-style-type: none"> • President and Managing Director of UIMM (up to November 2007) • Vice-President and Managing Director of UIMM (up to March 2006) • Managing Director of UIMM (up to March 2008) • Chairman of the Board of Directors of UNEDIC (up to December 2005) • Vice-Chairman of the Board of Directors of UNEDIC (up to January 2008) • Member of the Executive Board of MEDEF (up to December 2007) • Chairman of the MEDEF Commission Relations du Travail (up to November 2007) • Member of the Supervisory Board of France Convention (up to 2005)

François HENROT

Date of first appointment: 8 June 1999

Date appointment most recently renewed: 7 June 2005

Date on which appointment ceases: Shareholders' Meeting called to approve the financial statements for the financial year 2010

Member of the Strategy Committee within the Supervisory Board

Date of birth: 3 July 1949

Business address:

Banque Rothschild & Cie

23 bis, avenue de Messine

75008 Paris

Expertise and managerial experience

- COO, then Chairman of the Management Board of Compagnie Bancaire (1985-1995);
- Member of the Supervisory Board of Paribas and Chairman of the Supervisory Board of Crédit du Nord (1995-1997).

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	Positions held in French companies <ul style="list-style-type: none">• Member of the Supervisory Board of Vallourec	Positions held in French companies <ul style="list-style-type: none">• Managing Partner of Rothschild & Cie Banque ⁽¹⁾• Managing Partner of Rothschild & Cie ⁽¹⁾• Member of the Supervisory Board of 3 Suisses Positions held in foreign companies <ul style="list-style-type: none">• Member of the Supervisory Board of Yam Invest N.V. (Netherlands)
Positions expired within the last five years	None	Positions held in French companies <ul style="list-style-type: none">• Member of the Supervisory Board of Cogedim (up to 2007)• Director of Eramet (up to 07/03/2007)

(1) Position held within the Rothschild group.

Edward-Georg KRUBASIK

Date of first appointment: 6 March 2007

Date appointment most recently renewed: not applicable

Date on which appointment ceases: Shareholders' Meeting called to approve the financial statements for the financial year 2011

Chairman of the Strategy Committee within the Supervisory Board

Member of the Finance and Audit Committee within the Supervisory Board

Date of birth: 19 January 1944

Business address:

Maximilian Strasse 35 A

D – 80539 Munich (Germany)

Expertise and managerial experience

- Doctor of nuclear physics (Karlsruhe), researcher at Stanford University, MBA from INSEAD at Fontainebleau, Honorary professor at Munich University;
- Consultant at McKinsey & Company, Inc. for 23 years (1973-1996);
- Member of the Executive Committee of Siemens AG (1997-2006), Vice-Chairman of the Federation of German Industries since 2004 and Chairman of the Federation of the Electrical and Electronics Industry (2004-2007), Chairman of Orgalime (2006-2007).

Positions held within Vallorec (France and abroad)		Positions held outside Vallorec (France and abroad)
Positions currently held	Positions held in French companies <ul style="list-style-type: none">• Member of the Supervisory Board of Vallorec	Positions held in French companies None Positions held in foreign companies <ul style="list-style-type: none">• Member of the Federal Government Commission for Innovation and Growth• Chairman of the Supervisory Board of Honsel AG (Germany)• Member of the Central Advisory Board of Commerzbank (Germany)• Industrial Partner of Ripplewood Holdings J.I. (Belgium)• Member of the Supervisory Board of Asahi Tec (Japan)
Positions expired within the last five years	None	Positions held in French companies <ul style="list-style-type: none">• Chairman of the Board of Directors of Siemens France SA (up to October 2006) Positions held in foreign companies <ul style="list-style-type: none">• Chairman of the Federal Committee of the Economic, Development and Innovation Council (Germany) (up to September 2008)• Chairman of the Federation of the Electrical and Electronics Industry (Germany) (up to November 2008)• Vice-Chairman of the Federation of German Industries (Germany) (up to September 2006)• Member of the Supervisory Board of Dresdner Bank (Germany) (up to December 2008)• Chairman of Orgalime (European association) (up to November 2007)• Chairman of the Supervisory Board of Siemens VDO (up to September 2006)

BOLLORÉ ⁽¹⁾ represented by **Thierry MARRAUD****Date of first appointment:** 13 November 2008**Date appointment most recently renewed:** not applicable**Date on which appointment ceases:** Shareholders' Meeting called to approve the financial statements for the financial year 2009 ⁽²⁾*Business address:*

Tour Bolloré

31-32, quai de Dion Bouton

92811 Puteaux

	Positions held within Vallorec (France and abroad)	Positions held outside Vallorec (France and abroad)
Positions currently held	Positions held in French companies <ul style="list-style-type: none"> Member of the Supervisory Board of Vallorec 	Positions held in French companies <ul style="list-style-type: none"> Chairman of Compagnie Saint-Gabriel ^(*) Director of Bolloré Média ^(*), Direct Soir ^(*), Havas, IER ^(*), SFDM ^(*), Société de Culture des Tabacs et Plantations Industrielles ^(*), Financière Moncey ^(*), Société Française de Production, Direct 8 ^(*), Financière de Cézembre ^(*), MP 42 ^(*), Saga ^(*), Transisud ^(*), BatScap ^(*), Fred & Farid Member of the Supervisory Board of CSA TMO Holding ^(*) Positions held in foreign companies <ul style="list-style-type: none"> Director of S.E.T.V. (Ivory Coast) ^(*)
Positions expired within the last five years	None	Positions held in French companies <ul style="list-style-type: none"> Director of Video Communication France (up to 28/11/2007) Director of Euro Media Télévision (up to 28/09/2007) Director of SFP Holding (up to 29/06/2005) Positions held in foreign companies <ul style="list-style-type: none"> Director of Comarine (Morocco) (up to 31/07/2007)

() Position held within the Bolloré group.***Thierry MARRAUD****Date of first appointment:** 10 June 2004**Date appointment most recently renewed:** not applicable**Date on which appointment ceases:** Shareholders' Meeting called to approve the financial statements for the financial year 2009 ⁽³⁾*Member of the Finance and Audit Committee within the Supervisory Board*

Date of birth: 30 April 1942

Business address:

Tour Bolloré

31-32, quai de Dion Bouton 92811 Puteaux

⁽¹⁾ At its meeting on 13 November 2008, the Supervisory Board appointed Bolloré as a member of the Supervisory Board to replace Financière de Sainte-Marine (Bolloré group), which resigned, for the duration of the remainder of the term of office of its predecessor, i.e. to the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2009. This appointment was, in accordance with the legislation and regulations, ratified by the Ordinary and Extraordinary Shareholders' Meeting of 4 June 2009. Mr Thierry Marraud is acting as Bolloré's permanent representative until a further decision is taken.

⁽²⁾ The Ordinary and Extraordinary Shareholders' Meeting of 31 May 2010 is asked to renew, in accordance with Article 10.1 of the Company's by-laws, the appointment of Bolloré as a member of the Supervisory Board for a term of four (4) years to expire at the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2013. Bolloré is deemed an independent member in compliance with the criteria set forth in Article 8 of the AFEP-MEDEF Code.

⁽³⁾ Mr Thierry Marraud sits on the Board as the permanent representative of Bolloré until decided otherwise. The Ordinary and Extraordinary Shareholders' Meeting of 31 May 2010 is asked to renew, in accordance with Article 10.1 of the Company's by-laws, the appointment of Bolloré as a member of the Supervisory Board for a term of four (4) years to expire at the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2013.

Expertise and managerial experience

- 31 years at the Saint-Gobain group: group CFO and COO of the Mechanical Paper and Packaging division;
- 5 years as a member of the Executive Committee of Crédit Lyonnais (1995-2000), CEO of Marsh MacLennan France (2001-2002) and CFO of Bolloré group (2003-2008), Central Director of the head office since 2008.

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	<p>Positions held in French companies</p> <ul style="list-style-type: none"> • Permanent representative of Bolloré on Vallourec's Supervisory Board 	<p>Positions held in French companies</p> <ul style="list-style-type: none"> • Chairman, CEO and Director of SAFA ^(*) • Chairman of the Management Board of Compagnie du Cambodge ^(*) • Member of the Supervisory Board of Euro Média group • Chairman of Domaine de la Croix ^(*), Compagnie des Glénans ^(*), Compagnie de Lanmeur ^(*), Financière de l'Argol ^(*), Compagnie de Broceliande ^(*), Compagnie de Dinan ^(*) and Financière de l'Île Tudy ^(*) • Director of BGF I International • Permanent representative of Bolloré ^(*) on the Board of Financière de Cézembre ^(*) • Representative of Compagnie du Cambodge ^(*) on the Boards of IER ^(*), Société Bordelaise Africaine ^(*) and Société Industrielle et Financière de l'Artois ^(*) • Permanent representative of Financière de l'Odet on the Boards of Saga ^(*) and SFDM ^(*) • Permanent representative of Financière V ^(*) on the Board of Bolloré • Permanent representative of MP 42 ^(*) on the Board of Société de Culture des Tabacs et Plantations Industrielles ^(*) <p>Positions held in foreign companies</p> <ul style="list-style-type: none"> • Chairman of Plantations des Terres Rouges SA ^(*), Babcock Redlands Corporation ^(*), Cook Redlands Corporation ^(*) and of PTR Finances ^(*) • Vice-Chairman of Redlands Farm Holdings ^(*) • Director of African Investment Company ^(*), Madison Investissements SA ^(*), Sorebol SA ^(*), Renwick Invest SA ^(*), Dumbarton Invest SA ^(*), Morisson Investissements SA ^(*), Latham Invest SA ^(*), Montrose Invest SA ^(*), Plantations des Terres Rouges ^(*), Swann Investissements SA ^(*), JSA Holding BV ^(*), Financière de Kéréon ^(*), S.F.A SA ^(*) and BB group ^(*) • Permanent representative of S.F.A SA on the Boards of Dumbarton Invest SA, Latham Invest SA, Morisson Investissements SA, Madison Investissements SA, Montrose Invest SA, Peachtree Invest SA, Renwick Invest SA, Elycar Investissements SA, Cormoran Participations SA and Arlington Investissements SA
Positions expired within the last five years	<p>Positions held in French companies</p> <ul style="list-style-type: none"> • Permanent representative of Financière de Sainte-Marine on Vallourec's Supervisory Board (up to 13/11/2008) 	<p>Positions held in French companies</p> <ul style="list-style-type: none"> • Chairman and CEO of Compagnie des Glénans (up to 11/06/2009) • Chairman of Financière de Sainte-Marine (up to 31/12/2008) • Chairman of Financière de Douarnenez (up to 18/02/2008) • Director of Compagnie des Glénans (up to 11/06/2009) • Director of Havas (up to 05/03/2008) • Permanent representative of Financière de l'Odet on the Board of Directors of Société Française de Production (up to 07/12/2007) • Permanent representative of Bolloré on the Board of Directors of SFDM (up to 25/10/2006) • Member of the Supervisory Board of Emin Leydier (up to 25/05/2007) then Director (up to 30/07/2009) <p>Positions held in foreign companies</p> <ul style="list-style-type: none"> • Director of Forestière Équatoriale (up to 03/04/2009)

(*) Position held within the Bolloré group.

Jean-Claude VERDIÈRE

Date of first appointment: 1 July 2001

Date appointment most recently renewed: 6 June 2007

Date on which appointment ceases: Shareholders' Meeting called to approve the financial statements for the financial year 2009 ⁽¹⁾

Chairman of the Finance and Audit Committee within the Supervisory Board

Member of the Strategy Committee within the Supervisory Board

Member of the Appointments and Remuneration Committee within the Supervisory Board

Date of birth: 11 April 1938

Business address:

None

Expertise and managerial experience

- Former pupil of the *École Polytechnique*;
- 40 years with the Vallourec Group, mainly in finance/management control;

Member of the Management Board and COO of Vallourec from 1994 to 2001.

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	Positions held in French companies <ul style="list-style-type: none">• Member of the Supervisory Board of Vallourec• Director of Vallourec & Mannesmann Tubes	None
Positions expired within the last five years	Positions held in French companies <ul style="list-style-type: none">• Director of ValTubes (up to 29/12/2006)	None

⁽¹⁾ *The Ordinary and Extraordinary Shareholders' Meeting of 31 May 2010 is asked to renew, in accordance with Article 10.1 of the Company's by-laws, the appointment of Mr Jean-Claude Verdière as a member of the Supervisory Board for a term of two (2) years to expire at the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011. Having reached the statutory age limit of 70 years, Mr Jean-Claude Verdière can be re-appointed once, for a maximum term of two years, in accordance with Article 10-1 of the Company's by-laws. Mr Jean-Claude Verdière is deemed an independent member in compliance with the criteria set forth in Article 8 of the AFEP-MEDEF Code.*

Censeurs (non-voting members)

Arnaud LEENHARDT

Censeur

Date of first appointment: 1 June 2006

Date appointment most recently renewed: not applicable

Date on which appointment ceases: Shareholders' Meeting called to approve the financial statements for the financial year 2009⁽²⁾

Honorary Chairman of the Supervisory Board since 15 June 2000

Date of birth: 16 April 1929

Business address:

None

Expertise and managerial experience

- Former pupil of *École Polytechnique*;
- 40 years with the Vallourec Group, mainly in plant and general management;
- Chairman and CEO of Vallourec (1981-1994);

Chairman of the Supervisory Board of Vallourec (1994-2000).

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	Positions held in French companies <ul style="list-style-type: none">• Honorary Chairman• Censeur of the Supervisory Board of Vallourec	Positions held in French companies <ul style="list-style-type: none">• Honorary Chairman of UIMM• Member of the Supervisory Board of Fives (ex Fives-Lille)
Positions expired within the last five years	None	Positions held in French companies <ul style="list-style-type: none">• Member of the Supervisory Board of ODDO et Cie (up to June 2009)• Director of AON France (up to 01/01/2009)

⁽²⁾ *Mr Arnaud Leenhardt's term of office as a censeur expires at the end of this Shareholders' Meeting. Mr Leenhardt spent his entire career with the Vallourec Group of which he was Chairman from 1981 to 2000. Mr Leenhardt was behind many of the key decisions that have ensured the Group's development and the success of its products.*

Luiz-Olavo BAPTISTA

Censeur

Date of first appointment: 4 June 2008

Date appointment most recently renewed: not applicable

Date on which appointment ceases: Shareholders' Meeting called to approve the financial statements for the financial year 2011

Date of birth: 24 July 1938

Business address:

Avenue Paulista 1294, 8° Andar

01310-915 São Paulo SP (Brazil)

Expertise and managerial experience

- Professor of International Law, Barrister at the São Paulo Bar and International Arbitrator (WTO, ICSID, UNCC and ICC), Doctor of International Law at the *Université de Paris I*, Visiting Professor at the University of Michigan, the *Université de Paris I* and the *Université de Paris X*, Professor of Law and International Trade at the Faculty of São Paulo;
- Has published more than 20 books on international law and commercial law;
- Company Director;

Arbitrator in international trade matters.

	Positions held within Vallourec (France and abroad)	Positions held outside Vallourec (France and abroad)
Positions currently held	Positions held in French companies <ul style="list-style-type: none">• Censeur of the Supervisory Board of Vallourec Positions held in foreign companies <ul style="list-style-type: none">• Member of the Advisory Board of V & M do Brasil	Positions held in foreign companies <ul style="list-style-type: none">• Director of De La Ronce (Luxembourg)• Director of Vale do Mogi (Brazil)• Member of the Management Board of Opacco Holding (Luxembourg)• Member of the Management Board of Tote Investments Holding (Luxembourg)• Member of the Management Board of Taro (Luxembourg)• Member of the Management Board of Phipe Holding SA (Luxembourg)• Member of the Management Board of Salorix Holding SA (Luxembourg)• Member of the Board of Directors of Guala Closures do Brasil (Brazil)• Member of the Board of Directors of LPS Brasil – Consultoria de Imóveis (Brazil)• Member of the Board of Directors of São Martinho (Brazil)• Member of the Board of Directors of Fundação Instituto de Administração (Brazil)
Positions expired within the last five years	Positions held in French companies <ul style="list-style-type: none">• Member of the Supervisory Board of Vallourec (up to 10/04/2008)	Positions held in foreign companies <ul style="list-style-type: none">• Member of the Management Board of Bedford Investor C/V (Netherlands) (up to December 2006)• Member of the Management Board of VDM Trading Limited (Ometto group) (BVI) (up to September 2006)• Chairman of the Board of Directors of Oxon Participações (Brazil) (up to October 2005)• Legal officer of Eagle River Holdings (BVI) (up to 16/03/2009)

6.1.1.3 EXECUTIVE COMMITTEE

At 31 December 2009, Vallourec's Executive Committee was composed of the following members:

• Philippe Crouzet	Chairman of the Management Board
• Flavio de Azevedo	Chief Executive Officer of V & M do Brasil
• Pierre Frentzel	Managing Director of the Oil & Gas division
• Jean-Yves Le Cuziat	Managing Director of the Energy & Industry division
• Olivier Mallet	Member of the Management Board, CFO: Finance, Legal and External Communication
• Jean-Pierre Michel	Member of the Management Board, Chief Operating Officer
• Philippe Roch	Chief Performance Officer, Vice-President, Controlling and Quality, Marketing and Purchasing

The Executive Committee meets each week.

Following the changes in the Group's internal organization implemented in the first quarter of 2010, the following people were appointed to the Executive Committee:

- with effect from 1 March 2010:
 - Didier Hornet, appointed Managing Director of the OCTG division,
 - Dirk Bissel, appointed Managing Director of the Drilling Products division,
 - Alexandre Lyra, Chief Executive Officer of V & M do Brasil ;
- with effect from 1 May 2010:
 - François Curie, who has joined Vallourec as Corporate Vice-President Human Resources,
 - Hedi Ben Brahim, who has joined Vallourec as Plan Director. He will take responsibility for the Executive Committee's secretariat.

6.1.2 Operation of administration, management and supervisory bodies

6.1.2.1 INTERNAL REGULATIONS OF THE SUPERVISORY BOARD

At its meeting on 17 April 2003, the Vallourec Supervisory Board drew up internal regulations designed to formalize its operating rules and working methods. These regulations are strictly internal and are not intended to and do not replace the Company by-laws or the laws and regulations governing commercial companies. These regulations may be amended or added to at any time as a result of a decision taken by the Supervisory Board. They were updated on 12 November 2009, with the aim in particular of bringing the terms and conditions of these regulations into line with the applicable legal and regulatory provisions.

The Supervisory Board meets at least four times a year.

In addition to the restrictions on the powers of the Management Board as stipulated in Article 9, Section 3 of the by-laws (see 2.2.1 above), it is also stipulated that the following actions must receive the prior approval of the Supervisory Board:

- the repurchase by the Company of its own shares;
- the allocation to directors and/or Group employees of options to subscribe for or purchase the Company's shares, the allocation of performance shares, or any other granting of benefits of a similar nature under the terms of authorizations granted by the Shareholders' Meeting;
- any significant transaction such that could substantially modify the scope of activity or financial structure of the Company or of the Group that it controls or the nature of the risks incurred.

Once a quarter, the Management Board, in accordance with the provisions of Section 4 of Article L.225-68 of the French *Code de commerce*, submits a report to the Supervisory Board describing as comprehensively as possible the Group's current performance.

The Management Board consults the Supervisory Board about the dividend to be proposed to the Shareholders' Meeting. At the end of the year, it submits the budget, forecast capital expenditure programme and financing plan for the following year.

In the performance of its duties, the Supervisory Board is regularly informed by the Management Board of any significant event concerning the Group's performance. It ensures that the latter keeps it informed of all matters that it deems useful and necessary in the exercise

of its supervisory role. In order to ensure the process operates correctly, the Chairman of the Supervisory Board, assisted by all members of the Board, gathers said information. The specific information required by each of the Committees of the Supervisory Board for the performance of its duties is gathered by the Chairman of each Committee in collaboration with the Management Board.

In addition, each member of the Supervisory Board is required to:

- attend, unless specifically prevented, Board meetings and the meetings, if relevant, of the Committee to which he/she belongs;
- comply with the legal and regulatory obligations arising from his position and, in particular, to comply with the law relating to the plurality of offices;
- behave as a representative of all the shareholders and act in the Company's interest at all times;
- inform the Supervisory Board of any conflict of interests situation, even potential, and to refrain from voting on any issue examined by the Board with regard to which he would be in a situation of conflict of interests;
- convert into registered form all of the Vallourec shares he holds. The minimum holding requirement, as stipulated by the by-laws, is fifty (50) shares;
- regard himself as being in possession of insider knowledge, given the confidential information obtained in the course of his duties, and as such, in particular, to respect the provisions laid down by the Board concerning the periods during which members in possession of insider knowledge may not buy, sell or take positions in the Company's shares or in any other financial instrument linked to the Vallourec share (options, warrants, etc.), i.e. the three weeks preceding each of the four earnings releases (annual, first half, first quarter and third quarter) as required by the applicable laws and regulations;
- comply with the general regulation of the French securities regulator (*Autorité des Marchés Financiers*, AMF) as regards the obligation to disclose transactions carried out by Corporate Officers on financial instruments issued by the Company and in particular to inform the Company of all the purchases and sales of Vallourec shares made during each half-year period, in accordance with the decision approved unanimously by the Board at its meeting on 24 April 2002;
- comply with the rules of deontology of Article 17 of the December 2008 AFEP-MEDEF corporate governance Code of listed corporations.

Once a year, the Supervisory Board carries out a formalized assessment of the Supervisory Board's operation and that of the Management Board. It reports on this assessment in the minutes of the meeting during which the assessment is made.

6.1.2.2 MEETINGS OF THE SUPERVISORY BOARD DURING THE YEAR ENDED 31 DECEMBER 2009

The Supervisory Board met seven times in 2009. The attendance rate was very high and members who were not able to attend a meeting always appointed a proxy to represent them (see 8.2 below – Report of the Chairman of the Supervisory Board, prepared in accordance with the provisions of Article L.225-68 of the French *Code de commerce*). The average duration of meetings was about three hours.

6.1.2.3 INDEPENDENT MEMBERS AND MEMBERS ASSOCIATED WITH THE COMPANY

The Supervisory Board has examined, on an individual basis, the position of each of its members with regard to the independence criteria set forth in the December 2008 AFEP-MEDEF corporate governance Code for listed companies resulting from the consolidation of the October 2003 AFEP and MEDEF report and their January 2007 and October 2008 recommendations concerning the compensation of executive directors of listed companies. It based its examination on the recommendations made by the Appointments and Remuneration Committee (see 6.1.2.4 below).

As in preceding years, all the necessary steps have been taken to ensure that the Board comprises independent members to assure shareholders and the market that its duties are fulfilled with the necessary independence and objectivity, and to prevent the risk of conflicts of interest with the Company and its management.

At 31 December 2009, in the light of the aforementioned AFEP-MEDEF Code:

- can be deemed independent members: Messrs Patrick Boissier, Jean-François Cirelli⁽¹⁾, Michel de Fabiani, Denis Gautier-Sauvagnac, Edward G. Krubasik and Jean-Claude Verdière, and Bolloré, represented by Mr Thierry Marraud;
- can be considered associated with the Company:

⁽¹⁾ The only change relative to 2008 concerns Mr Jean-François Cirelli who was appointed as a member of the Supervisory Board at the Supervisory Board meeting of 13 May 2009 to replace Mr Philippe Crouzet, who had resigned, for the remainder of his term of office, i.e. until the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011. This appointment was ratified by the Ordinary and Extraordinary Shareholders' Meeting of 4 June 2009 as required by the law and regulations.

- Mr François Henrot, after taking account of the assistance agreement entered into by the Management Board with Rothschild & Cie ⁽²⁾ (see 8.3.2. below – Auditors' Special report on Regulated Agreements),
- Mr Jean-Paul Parayre, who was first appointed as a Director more than 12 years ago, on 13 June 1989.

At 31 December 2009, seven out of the nine members of the Supervisory Board were independent. The Supervisory Board therefore comprised a greater number of independent members than that recommended by the AFEP-MEDEF Code of corporate governance, which requires that, in the case of widely-held corporations without controlling shareholders, one half of the members of the Board must be independent.

6.1.2.4 COMMITTEES SET UP WITHIN THE SUPERVISORY BOARD

The Supervisory Board has set up three Committees:

- the Finance and Audit Committee;
- the Appointments and Remuneration Committee;
- the Strategy Committee.

The role of these Committees is to provide advice and to prepare the necessary information for the Board's deliberations. They issue proposals, make recommendations and provide advice in their areas of expertise.

The term of office of the members of each of the Committees is the same as that as a member of the Supervisory Board. The appointment to the Committee may be renewed at the same time as that as a member of the Supervisory Board.

The Supervisory Board appoints a Chairman for each Committee for a term identical to that of his term of office.

A Committee's composition may be changed at any time by decision of the Supervisory Board .

Finance and Audit Committee

At its meeting of 30 July 2009, the Supervisory Board decided that this Committee (created on 5 March 2002 as the Audit Committee and subsequently renamed the Finance Committee) would be renamed the Finance and Audit Committee. At the same meeting the Supervisory Board revised the Committee's internal regulations (initially approved by the Supervisory Board meeting of 17 April 2003) to bring them into line with the provisions of Order No. 2008-1278 of 8 December 2008. These regulations define the Committee's role, composition and operating rules. Their scope is strictly internal and they do not in any way replace the Company's by-laws nor the laws applicable to companies.

In application of the legal and regulatory provisions, the Finance and Audit Committee oversees:

- the process of preparation of financial information.

In this respect, the Committee is presented with:

- the retrospective and forward-looking financial data each quarter,
- at its request, any accounting matters that could have a material impact on the preparation of the financial statements, such as information relating to subsidiaries in special situations.

Also in this respect, annual meetings are organized between the Committee and the Chief Financial Officer on the one hand, and the Statutory Auditors on the other.

Draft financial releases are presented to the Committee for its opinion;

- the effectiveness of the internal control and risk management systems.

In this respect, each year the Committee is presented with:

- the internal audit plan,
- the assignment reports and main findings of the audits,
- a summary of the actions taken in the area of risk management.

Also in this respect, annual meetings are held between the Committee, the head of internal audit and the head of risk management;

- the legal audit of the Company and consolidated financial statements.

In this regard, the Statutory Auditors present their audit findings to the Committee every six months.

⁽²⁾ Vallourec and Rothschild & Cie jointly decided to terminate, with effect from 31 December 2009, the assistance agreement entered into in 2006.

The Committee gives the Supervisory Board its opinion as to the relevance and consistency of the accounting methods used to prepare the Company and consolidated financial statements;

- the independence of the Statutory Auditors.

In this regard, the Committee oversees the procedure for selecting the auditors, issues a recommendation prior to the proposal submitted to the Shareholders' Meeting, receives the Auditors' statement of independence and receives an annual summary of all the services provided to the Vallourec Group by the auditors and their networks.

In addition to the above duties, the Supervisory Board or its Chairman may decide to refer to the Finance and Audit Committee any issue requiring the Board's prior approval (transactions affecting the share capital, the issue of convertible bonds, loans, etc.).

Also, the Supervisory Board or its Chairman may request it to examine a specific matter in order to determine the financial implications.

More generally, the Finance and Audit Committee reviews the various elements of the Group's financial strategy.

The Committee, which has no decision-making powers, formulates its opinions and recommendations to the Supervisory Board, reports to it regularly on its work and findings and informs it of any difficulties encountered in the course of its duties.

As at 31 December 2009, the Finance and Audit Committee was composed of Messrs Jean-Claude Verdière⁽¹⁾ (Chairman), Edward G. Krubasik and Thierry Marraud, i.e. three independent members out of a total of three.

The Finance and Audit Committee met six times in 2009 with an average effective attendance rate of 94%. One of its main duties was to review the financial statements for the year ended 31 December 2008, the half year ended 30 June 2009 and the quarters ended 31 March and 30 September 2009. The Committee also met on 19 February 2010 to review the financial statements for the year ended 31 December 2009.

The Statutory Auditors attended five Finance and Audit Committee meetings (preparatory meetings concerning the annual, half-year and quarterly financial statements) in respect of the financial year 2009. They submitted a report to the Supervisory Board on the work performed in the context of their assignment.

Among the important subjects examined in 2009, the Finance and Audit Committee in particular reviewed and issued opinions on:

- the 2009 forecast figures and outlook for 2010;
- the Group's financial communication policy;
- the quarterly cash situation and the medium and long-term financing plan;
- the results of the "Cap Ten" costs savings plan;
- the results of the Liquidity Agreement;
- the main areas for improvement in the Finance department's organization, in particular so as to enhance the process for analysing Group earnings and forecasts;
- the structure, organization and activities of the Audit department and the audit programme scheduled for 2009 and 2010; and
- significant acquisition and capital expenditure projects such as:
 - the "Tomahawk" rolling mill project for small-diameter tubes to be installed in Youngstown (Ohio),
 - the takeover of P.T. Citra Tubindo in Indonesia.

The Finance and Audit Committee also examined the implementation of the plan to strengthen internal control, in particular by (i) implementing several Group procedures, (ii) rolling out a risk management module in the Group's information systems, and (iii) assessing the internal accounting and financial control process.

Appointments and Remuneration Committee

The Remuneration Committee, set up in 1994 when Vallourec adopted a management structure with a Management Board and a Supervisory Board, was renamed the Appointments and Remuneration Committee on 17 April 2003. At 31 December 2009, the Appointments and Remuneration Committee was composed of Messrs Jean-Paul Parayre (Chairman), Patrick Boissier, Michel de Fabiani and Jean-Claude Verdière (who replaced Mr Denis Gautier-Sauvagnac), i.e. three independent members out of a total of four.

⁽¹⁾ As the Company considers that the expiry of Mr Jean-Claude Verdière's term of office at the end of the Ordinary and Extraordinary Shareholders' Meeting of 31 May 2010 is prejudicial to the quality of the Supervisory Board's work and that of the Finance and Audit Committee, of which he is a qualified member with particular expertise in financial and accounting matters, the Shareholders' Meeting is asked to renew Mr Jean-Claude Verdière's appointment as a member of the Supervisory Board for a term of two (2) years, in accordance with Article 10-1 of the Company's by-laws, i.e. until the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended 31 December 2011.

The regulations of the Appointments and Remuneration Committee were approved by the Supervisory Board during its meeting on 17 April 2003. They were updated on 3 May 2007.

The duties of the Appointments and Remuneration Committee are as follows:

- **Appointments**

- preparation of the procedure used to select members of the Supervisory Board and Management Board and determination of the criteria to be used,
- drawing up proposals for appointments and re-appointment.

The Committee's choice of candidates for appointment as members of the Board must be guided by the interests of the Company and all its shareholders. It must take into account, in particular, the desired balance of the composition of the Board in view of the composition of, and changes in, the Company's shareholder base.

- **Remuneration**

- proposals concerning the amounts and allocation of attendance fees paid to Board members as well as the remuneration of members of the Committees,
- proposals concerning the remuneration of the Chairman of the Supervisory Board,
- remuneration of members of the Management Board: the Committee is responsible for recommending to the Board the structure and level of the remuneration paid to each member of the Management Board (fixed part, variable part and benefits in kind),
- share subscription and share purchase options or allocations of performance shares granted to the members of the Management Board. In addition, the Committee issues a recommendation on the policy for granting share subscription and share purchase options and performance shares and reviews each plan that the Management Board envisages implementing for the benefit of Group managers and/or employees.

Finally, as regards members of the Executive Committee, the Committee is informed of their appointment, remuneration and succession arrangements.

The Committee met six times in 2009 with an average effective attendance rate of 92%. In particular, it reviewed the following subjects:

- the trend in the fixed and variable monetary remuneration of Management Board members,
- the determination of the entire remuneration package of its new Chairman and the conditions for payment of compensation in the event of the Chairman's departure,
- Vallourec's policy with regard to the remuneration of employees and their involvement in the Group's results, particularly with regard to the provisions of Law No. 2008-1258 of 3 December 2008 in favour of work-related revenues,
- the overall budgets and the number of performance shares and share subscription options allocated to each member of the Management Board, and requirements for such members to retain a portion of the shares and options allocated,
- payment of attendance fees to the members of the Supervisory Board, the members of the Committees and the *Censeurs* (non-voting Board members),
- composition of the Supervisory Board following the appointment of Mr Philippe Crouzet as Chairman of the Management Board with effect from 1 April 2009 to replace Mr Pierre Verluca,
- the search for new members, resulting in the provisional appointment on 13 May 2009 of Mr Jean-François Cirelli as a member of the Supervisory Board, and the proposal to appoint Vivienne Cox and Alexandra Schaapveld made at the meeting of 23 February 2010.

Strategy Committee

The Strategy Committee set up in 2000 and disbanded in 2002 was reformed on 3 May 2007 since the Board felt that it was important to undertake preliminary reviews of proposals for significant acquisitions and capital expenditure. At its meeting of 23 February 2010, the Supervisory Board decided to draw up a set of internal regulations to formalize the Strategy Committee's duties.

The Strategy Committee is responsible for preparing the Supervisory Board's deliberations with regard to the Group's strategic directions and long-term future. To this end, it issues opinions, proposals and recommendations in its area of expertise. It acts under the authority of the Supervisory Board, to which it reports whenever necessary and which it does not replace.

In the course of its duties, the Strategy Committee reviews:

- each year, the Group strategy plan presented by the Management Board and any changes as well as the assumptions on which it is based;

- any projected merger agreement or partial transfer of assets, all industrial and commercial agreements with other companies that could affect the Company's future and, more generally, any major transaction that could materially alter the business scope or financial structure of the Company and of its Group or the type of risks it incurs;
- based on the Management Board's report, any major acquisition, disposal or capital expenditure.

The Committee may carry out any other duties, regular or occasional, assigned to it by the Supervisory Board in its area of competence. It may suggest that the Supervisory Board refer to it on any particular point with regard to which it considers such referral necessary or relevant.

At 31 December 2009, the Committee was composed of Messrs Edward G. Krubasik (Chairman), François Henrot and Jean-Claude Verdière, i.e. two independent members out of a total of three.

The Committee met four times in 2009 with an average effective attendance rate of 75%. In particular, it examined and issued an opinion on the following:

- the various strategic product lines and analysis of growth rates, global competitive positions and Research and Development issues to be addressed;
- the potential of the various business and geographic markets, and any possible opportunities for external expansion;
- strategic investment projects, including:
 - the "Tomahawk" rolling mill project for small-diameter tubes to be installed in Youngstown (Ohio),
 - DPAL FZCO located in Dubai,
 - the creation of three new tube production lines in France and the United States catering for nuclear power stations,
 - the takeover of P.T. Citra Tubindo in Indonesia.

6.1.2.5 CENSEURS (NON-VOTING BOARD MEMBERS)

The Extraordinary Shareholders' Meeting of 1 June 2006 (*Sixth resolution*) decided to create the position of *Censeur* (non-voting Board member), thereby enabling the Supervisory Board to benefit, where relevant, from the skills and experience of people who, for whatever reason, cannot or do not wish to be appointed members of the Supervisory Board.

There may not be more than two *Censeurs*. The main role of the *Censeurs* is to ensure the strict application of the by-laws. They attend meetings of the Supervisory Board and take part in discussions in an advisory capacity.

Since the appointment by the Ordinary and Extraordinary Shareholders' Meeting of 4 June 2008 of Mr Luiz-Olavo Baptista (who was a member of the Supervisory Board from 11 June 2002 until 10 April 2008) as a *Censeur* for a term of four years, the Supervisory Board is assisted by two *Censeurs*, the other being Mr Arnaud Leenhardt⁽¹⁾.

6.1.3 Declarations concerning administration, management and supervisory bodies

To the Company's knowledge:

- no member of the Management Board or Supervisory Board has been convicted of fraud during the past five years;
- no member of the Management Board or Supervisory Board has been involved, during the past five years, with a bankruptcy, receivership or liquidation as a member of an administration, management or supervisory body;
- no member of the Management Board or Supervisory Board has been charged, during the past five years, with an offence or been the subject of disciplinary action on the part of the statutory or regulatory authorities (including designated professional bodies);
- no member of the Management Board or Supervisory Board has been prevented, during the past five years, by a court from acting as a member of an administration, management or supervisory body of an issuer or being involved in the management or conduct of the business of an issuer;
- no Supervisory Board member has a current or potential conflict of interest between his duties to Vallourec and his private interests and/or other duties.

⁽¹⁾ Mr Arnaud Leenhardt's term of office as *censeur* expires at the end of this Shareholders' Meeting.

Note that, under current legislation and regulations, only the Shareholders' Meeting is competent to remove from office a member of the Supervisory Board. Members of the Management Board may be removed from office, under the terms of the Company's by-laws, by the Supervisory Board and, in accordance with current legislation and regulations, the Shareholders' Meeting.

6.1.4 Loans and guarantees

No loans or guarantees have been granted by the Company or by a Group company to any member of the Management Board or Supervisory Board.

6.1.5 Service agreements providing for the granting of benefits

To the Company's knowledge, there is no service agreement between any member of the Management Board or Supervisory Board providing for the granting of benefits.

6.2 Compensation and benefits

Details are provided below of the compensation and benefits of all types paid to Vallourec's Executive Corporate Officers by the Company and companies controlled by the Company within the meaning of Article L.233-16 of the French *Code de commerce*, in accordance with the presentation defined by the AFEP-MEDEF Code, as laid down by the Recommendation of 22 December 2008 of the French securities regulator (*Autorité des Marchés Financiers* – AMF).

6.2.1 Compensation and benefits of all kinds paid to Executive Corporate Officers

The general principles and rules for determining Management Board compensation are detailed in the report of the Chairman of the Supervisory Board, drawn up in accordance with the provisions of Article L.225-68 of the French *Code de commerce* (see 8.2.D below).

6.2.1.1 TABLES OF EXECUTIVE CORPORATE OFFICERS' COMPENSATION

The following tables show the compensation paid to members of the Management Board as at 31 December 2009.

TABLE 1: TABLE SUMMARIZING THE COMPENSATION, OPTIONS AND SHARES AWARDED TO EACH EXECUTIVE CORPORATE OFFICER

<i>In €</i>	Year ended 31 December 2008	Year ended 31 December 2009
Philippe Crouzet, Chairman of the Management Board^(*)		
Compensation due in respect of the financial year (detailed in Table 2)	–	987,255 ^(****)
Valuation of options awarded during the financial year (detailed in Table 3) ^(**)	–	752,620
Valuation of performance shares awarded during the financial year (detailed in Table 5) ^(***)	–	447,734
TOTAL	–	2,187,609
Jean-Pierre Michel, Chief Operating Officer		
Compensation due in respect of the financial year (detailed in Table 2)	581,394	698,890
Valuation of options awarded during the financial year (detailed in Table 3) ^(**)	780,746	342,100
Valuation of performance shares awarded during the financial year (detailed in Table 5) ^(***)	–	169,228
TOTAL	1,362,140	1,210,218
Olivier Mallet, Chief Financial Officer		
Compensation due in respect of the financial year (detailed in Table 2)	144,376 ^(*)	620,000
Valuation of options awarded during the financial year (detailed in Table 3) ^(**)	1,480,016	273,680

Valuation of performance shares awarded during the financial year (detailed in Table 5) ^(***)	201,726	127,045
TOTAL	1,826,118	1,020,725

(*) Prorata as from his appointment to the Management Board.

(**) A significant portion of the share subscription options awarded to members of the Management Board in 2008 and all of those awarded in 2009 were subject to performance requirements. The valuation of the options shown in the table is theoretical and results from the application of the binomial model used for the consolidated financial statements. The actual valuation is zero if the share price is equal to or less than € 183.54 for the options awarded in 2008 and € 103.34 for those awarded in 2009.

(***) Note that the 2007 plan performance shares were awarded in three tranches, available in 2009, 2010 and 2011, respectively, and transferable in 2011, 2012 and 2013 respectively. The performance shares allocated in 2008 and 2009 were allocated in respect of an additional allocation under the 2007 plan. The recipients therefore benefited in 2008 from the aforementioned three tranches of the last two and in 2009 from the last. The acquisition of performance shares is subject to performance requirements.

(****) Including an attendance fee of € 4,000 received in his capacity as a member of the Supervisory Board in respect of the first quarter of 2009.

The above table summarizes the compensation due in respect of the year ended 31 December 2009 and the valuation of the share subscription options and performance shares awarded during the financial year.

TABLE 2: TABLE SUMMARIZING THE COMPENSATION PAID TO EACH EXECUTIVE CORPORATE OFFICER

In €	Year ended 31/12/2008		Year ended 31/12/2009	
	Amounts due in respect of the financial year	Amounts paid during the financial year	Amounts due in respect of the financial year	Amounts paid during the financial year
Philippe Crouzet, Chairman of the Management Board				
Fixed compensation	–	–	569,997 ^(*)	569,997 ^(*)
Variable compensation	–	–	410,000	190,585
Extraordinary compensation	–	–	–	–
Attendance fees	17,500 ^(**)	17,500 ^(**)	4,000 ^(***)	4,000 ^(***)
Benefits in kind	–	–	3,258	3,258
TOTAL	–	17,500	987,255	767,840
Jean-Pierre Michel, Chief Operating Officer				
Fixed compensation	350,000	350,000	429,996	429,996
Variable compensation	227,500	219,862	265,000	226,266
Extraordinary compensation	–	–	–	–
Attendance fees	–	–	–	–
Benefits in kind	3,894	3,894	3,894	3,894
TOTAL	581,394	573,756	698,890	660,156
Olivier Mallet, Chief Financial Officer				
Fixed compensation	87,501 ^(*)	87,501 ^(*)	375,000	375,000
Variable compensation	56,875 ^(*)	27,307 ^(*)	245,000	148,918
Extraordinary compensation	–	–	–	–
Attendance fees	–	–	–	–
Benefits in kind	–	–	–	–
TOTAL	144,376	114,808	620,000	523,918

(*) Prorata as from his appointment to the Management Board.

(**) Attendance fee in his capacity as a member of the Supervisory Board in respect of 2008 for the period from 7 May to 31 December 2008.

(***) Attendance fee in his capacity as a member of the Supervisory Board in respect of the first quarter of 2009.

TABLE 3: SUBSCRIPTION OR PURCHASE OPTIONS AWARDED DURING THE FINANCIAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY VALLOUREC AND EACH GROUP COMPANY

In €							
Name of Executive Corporate Officer	No. and date of plan	Type of options (purchase or subscription)	Valuation ^(*) of options according to the method used for the consolidated financial statements	Number of options awarded during the financial year	Exercise price	Exercise period	Performance requirements ^(**)
Philippe Crouzet	2009 plan 01/09/2009	Subscription options	752,620	22,000 ^(***)	103.34	01/09/2013 to 01/09/2019	Yes
Jean-Pierre Michel	2009 plan 01/09/2009	Subscription options	342,100	10,000 ^(***)	103.34	01/09/2013 to 01/09/2019	Yes
Olivier Mallet	2009 plan 01/09/2009	Subscription options	273,680	8,000 ^(***)	103.34	01/09/2013 to 01/09/2019	Yes

(*) The valuation of the options shown in the table is theoretical and results from the application of the binomial model used for the consolidated financial statements. The actual valuation is zero if the share price is equal to or less than €103.34 for the options awarded in 2009.

(**) Note that the awarding of share subscription options is subject to performance requirements based on the Group's consolidated EBITDA/sales ratios for the financial years 2009, 2010 and 2011.

(***) The totality is subject to performance requirements.

TABLE 4: SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH EXECUTIVE CORPORATE OFFICER

No Management Board members exercised share subscription or share purchase options during the year ended 31 December 2009.

TABLE 5: PERFORMANCE SHARES AWARDED DURING THE FINANCIAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY VALLOUREC AND BY EACH GROUP COMPANY

Name of Executive Corporate Officer	No. and date of plan	Number of shares awarded during the financial year	Valuation of shares according to the method used for the consolidated financial statements	Acquisition date	Availability date	Performance requirements
Philippe Crouzet	2009 plan 31/07/2009	4,511	447,734	31/07/2011	31/07/2013	Yes ^(*)
Jean-Pierre Michel	2009 plan 31/07/2009	1,705	169,228	31/07/2011	31/07/2013	Yes ^(*)
Olivier Mallet	2009 plan 31/07/2009	1,280	127,045	31/07/2011	31/07/2013	Yes ^(*)
TOTAL		7,496	744,007			

^(*) Note that the awarding of performance shares is, in all cases, subject to performance requirements based on the achievement of specified Group consolidated EBITDA/sales ratios in 2009 and 2010.

TABLE 6: PERFORMANCE SHARES THAT HAVE BECOME AVAILABLE DURING THE FINANCIAL YEAR FOR EACH EXECUTIVE CORPORATE OFFICER

None of the performance shares awarded since 2006 to each of the members of the Management Board became available during the year ended 31 December 2009.

TABLE 7: RECORD OF ALLOCATIONS OF SHARE SUBSCRIPTION AND SHARE PURCHASE OPTIONS

Information about share subscription and share purchase options

	Plan No. 1	Plan No. 2	Plan No. 3	Plan No. 4
Date of authorization by Shareholders' Meeting	15 June 2000	6 June 2007	6 June 2007	4 June 2009
Date of Plan	11 June 2003	3 September 2007	1 September 2008	1 September 2009
Total number of shares that can be subscribed for or purchased, of which the number that can be subscribed for or purchased by:	979,480	147,300	71,800	289,400
Philippe Crouzet	–	–	–	22,000
Jean-Pierre Michel	–	11,000	12,000	10,000
Olivier Mallet	–	–	23,000	8,000
Date from which options may be exercised	11 June 2007	3 September 2011	1 September 2012	1 September 2013
Expiry date	10 June 2010	3 September 2014	1 September 2015	1 September 2019
Subscription or purchase price	10.57	190.60	183.54	103.34
Exercise procedures	–	–	–	–
Number of shares subscribed	948,586	–	–	–
Accumulated number of share subscription or purchase options that have been cancelled or become null and void	13,750	8,500	–	–
Shares subscription or purchase options remaining at the end of the financial year	17,144	–	–	–

TABLE 8: SHARE SUBSCRIPTION AND SHARE PURCHASE OPTIONS AWARDED TO THE TEN EMPLOYEES WHO RECEIVED THE MOST OPTIONS AND ARE NOT CORPORATE OFFICERS, AND OPTIONS EXERCISED BY THEM

	Total number of options awarded/shares subscribed or purchased	Weighted average exercise price	Share subscription or share purchase option plans
Options awarded during the year to the ten Group employees to whom the largest number of options was awarded	24,000	–	1 September 2009 plan
Options exercised during the year by the ten Group employees who purchased or subscribed for the largest number of shares in this way	–	–	–

TABLE 9: BREAKDOWN OF COMPENSATION OF MANAGEMENT BOARD MEMBERS

	Contract of employment	Complementary retirement scheme	Payments or benefits due or likely to become due in respect of termination of office or change of position	Payment relating to a non-competition clause
Philippe Crouzet				
Chairman of the Management Board				
Date of first appointment: 1 April 2009				
Date of appointment as Chairman of the Management Board: 1 April 2009				
Date appointment ceases: 15 March 2012 ^(*)	No	Yes	Yes	None
Jean-Pierre Michel				
Member of the Management Board				
Date of first appointment: 7 March 2006				
Date appointment renewed: 4 June 2008 ^(**)				
Date appointment ceases: 15 March 2012 ^(**)	Yes ^(****)	Yes ^(****)	None	None
Olivier Mallet				
Member of the Management Board				
Date of first appointment: 30 September 2008 ^(***)				
Date appointment ceases: 15 March 2012 ^(***)	Yes ^(****)	Yes ^(****)	None	None

(*) At its meeting on 25 February 2009, the Supervisory Board appointed Mr Philippe Crouzet as Chairman of the Management Board as from 1 April 2009, thereby succeeding Mr Pierre Verluca for the remainder of his term of office.

(**) Jean-Pierre Michel's term of office was renewed by the Supervisory Board at its meeting on 3 June 2008, with effect from the end of the Ordinary and Extraordinary Shareholders' Meeting of 4 June 2008. It will expire on 15 March 2012.

(***) At its meeting on 29 September 2008, the Supervisory Board appointed Mr Olivier Mallet as a member of the Company's Management Board with effect from 30 September 2008 until 15 March 2012.

(****) The contracts are suspended during their respective terms of office.

(*****) In respect of their contracts of employment.

6.2.1.2 ATTENDANCE FEES RECEIVED BY THE MEMBERS OF THE SUPERVISORY BOARD

Compensation of Supervisory Board members

The maximum annual attendance fees for allocation by the Supervisory Board, as it sees fit, to its members were increased to €400,000 by the Shareholders' Meeting of 1 June 2006 (*Fifteenth resolution*).

Since 2007, each Board member and each *Censeur* has received attendance fees set at €28,000 per year. Up to 2008 these were reduced pro rata in the case of an appointment or termination of an appointment during the year.

To ensure compliance with Article 18 of the AFEP-MEDEF Code of corporate governance and to bring its practice into line with that of the majority of companies in the CAC 40 index, the Supervisory Board, following the recommendation made by the Appointments and Remuneration Committee, decided to adopt a new system of compensation for Supervisory Board members and of allocation of atten-

dance fees consisting of two equal parts, one of which is paid in all circumstances, the other being allocated based on attendance. This new rule applies as from 1 July 2009.

In addition to the attendance fees allocated to him, the Chairman of the Supervisory Board receives compensation, the amount of which was increased by the Supervisory Board, as recommended by the Appointments and Remuneration Committee, to €250,000 per year with effect from 1 January 2006. The Chairman and the other members of the Supervisory Board are not awarded any share options, performance shares or termination payments of any kind.

Compensation of Committee members

Members of the Committees (Finance and Audit Committee, Appointments and Remuneration Committee and Strategy Committee), with the exception of Mr Jean-Paul Parayre in his capacity as Chairman of the Appointments and Remuneration Committee, receive as part of the aforementioned €400,000 annual budget, additional attendance fees based on their actual attendance at meetings of said Committees. For each meeting, the Chairman of a Committee receives attendance fees of €3,500 and the other members receive €2,500.

Compensation of the Censeurs

Compensation of the *Censeurs*, which is described above in the Section relating to compensation of Supervisory Board members, comes within the annual budget for attendance fees allocated to the Supervisory Board.

TABLE 10: ATTENDANCE FEES RECEIVED BY THE MEMBERS OF THE SUPERVISORY BOARD

<i>In €</i>		
Members of the Supervisory Board	Amounts paid in 2008	Amounts paid in 2009
MM. Jean-Paul Parayre	28,000	28,000
Patrick Boissier	40,500	40,500
Philippe Crouzet (*)	17,500	4,000
Jean-François Cirelli (**)	–	17,500
Michel de Fabiani	40,500	40,500
Denis Gautier-Sauvagnac	16,500	7,000
François Henrot	35,500	25,833
Edward G. Krubasik	54,500	52,166
Jean-Claude Verdière	65,500	74,000
Thierry Marraud (Bolloré)	40,500	43,000
Arnaud Leenhardt (Censeur)	28,000	28,000
Luiz-Olavo Baptista (Censeur)	28,000	25,666
TOTAL	395,000	386,165

(*) *Since the Supervisory Board, at its meeting on 25 February 2009, appointed Mr Philippe Crouzet as Chairman of the Management Board as from 1 April 2009, thereby succeeding Mr Pierre Verluca for the remainder of his term of office, Mr Philippe Crouzet resigned from his position as a member of the Supervisory Board with effect from 31 March 2009.*

(**) *At its meeting on 13 May 2009, the Supervisory Board appointed Mr Jean-François Cirelli as a member of the Supervisory Board to replace Mr Philippe Crouzet, who had resigned, for the remainder of his term of office, i.e. until the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011. This appointment was ratified by the Ordinary and Extraordinary Shareholders' Meeting of 4 June 2009 as required by the law and regulations.*

6.2.2 Compensation and pension benefits of the Group's senior management

6.2.2.1 COMPENSATION OF THE GROUP'S SENIOR MANAGEMENT

The total amount of direct and indirect compensation of all kinds paid in 2009 by the Group's French and foreign companies in respect of all the Group's senior managers (i.e. the seven members of the Group's Executive Committee at 31 December 2009) amounted to €3,436,000. The variable portion represented 30.31% of the total.

The charge in respect of the share subscription options and performance shares granted to the Group's senior management during the year and recognized in the income statement for the year ended 31 December 2009 was €1,455,000.

6.2.2 PENSION COMMITMENTS

As regards pension provision, Management Board members, like the entire Group's senior management, are covered by a supplementary pension scheme that complies with the AFEP-MEDEF Code of corporate governance for listed companies. The terms and conditions applicable to this supplementary pension scheme are detailed in the Section of the management report dealing with regulated agreements. Moreover, beneficiaries may retain their benefits under the scheme if they are dismissed on or after their 55th birthday and are unable to find alternative employment.

This scheme, which does not give any specific benefits to Management Board members over and above those applicable generally to the Group's senior management, appears reasonable since the supplementary pension is capped at 20% of the average base salary, excluding the variable portion, for the last three years and limited to four times the annual social security ceiling.

Details of the pension commitments in respect of members of the Executive Committee are provided in Note 19 of sub-section 5.1 of Section 5.

6.3 Managers' interests and employee profit sharing

At its meeting of 13 May 2009, the Supervisory Board approved the policy for involving employees in the Group's results presented by the Management Board.

This policy and its underlying principles were implemented at the Supervisory Board's meetings of 3 June (employee share ownership plan and allocation of bonus shares to all employees) and 30 July 2009 (performance shares and share subscription options) as regards the allocations to be made in 2009. In this context, the Supervisory Board has also determined the principles of compensation of Management Board members in the form of options and performance shares.

This information was published in accordance with the AFEP-MEDEF Code *via* a notice on the Company's website <http://www.vallourec.com> thereby supplementing the information relating to Corporate Officers' compensation posted on the Company's website on 9 April 2009 – www.vallourec.com.

Vallourec has thus developed and adopted a policy aimed, above all, at supplementing the compensation paid to its employees with various schemes designed to involve them in the Group's performance over the long-term. This policy is also designed to gradually build a significant level of employee share ownership, in line with Vallourec's development ambitions. The policy will gradually be extended to all categories of staff and to all the countries where Vallourec operates, subject to and in accordance with local legislation and regulations:

- all Vallourec Group employees benefited in 2008 and 2009 from an employee share ownership plan (the "Value" plan);
- also, in 2009 and for the first time, shares were allocated to all Group employees subject to presence and performance requirements;
- the Group's French employees also benefit from profit-sharing and incentive schemes.

The second aim of Vallourec's compensation policy is to achieve closer convergence between the interests of Vallourec's management and those of its shareholders over the long term through the annual allocation of options and/or performance shares subject to the achievement of performance targets over several financial years.

These allocations will be gradually extended to a growing number of Group managers.

They are conditional upon:

- continuing employment within the company;
- the fulfilment of objective and predefined performance requirements.

Beneficiaries therefore run the risk of a reduction in or the loss of their gains if Vallourec does not achieve its objectives over a period of several years.

6.3.1 Options and performance shares

The Supervisory Board is responsible for deciding the number of share subscription or share purchase options and performance shares awarded to Management Board members as well as the conditions for awarding such options and shares.

It is also responsible for approving the number of beneficiaries and the number of share subscription or share purchase options and performance shares that the Management Board proposes to allocate to Group employees under the terms of a plan.

The Management Board is responsible for determining the conditions for implementing any award of share subscription or share purchase options and performance shares, including the identification of beneficiaries of such plans and, in the case of share subscription or share purchase options, the reference price. It is also responsible for ensuring the proper implementation of each plan and reports to the Supervisory Board, in the context of its control function.

6.3.1.1 SHARE SUBSCRIPTION AND/OR PURCHASE OPTIONS

(The figures in the following tables have been recalculated, where necessary, to take into account the rights offering in July 2005 and/or the division by five of the nominal value of Vallourec's shares, effective as from 18 July 2006).

Share purchase options: 15 June 2003 plan	
Date of Shareholders' Meeting	15 June 2000
Date of Management Board meeting	11 June 2003
Number of option holders when plan implemented	148
Total number of options granted at the outset	979,480
• of which options granted to members of the Management Board (as at 15 June 2003)	228,405
• number of senior managers concerned	3
• exercise price ^(*)	€10.73
• exercise price adjusted for rights offering of 13/07/2005	€10.57
Impact on dilution	none
Date from which options may be exercised	11 June 2007
Expiry date of exercise period	10 June 2010
Number of shares purchased at 31/12/2009	948,586
Number of options cancelled since their allocation (option holders who have left the Group)	13,750
Number of options that could be exercised at 31/12/2009 (1 option = 1 share)	17,144
<i>(*) Average of the last twenty prices for the twenty trading sessions preceding the grant date.</i>	

Share subscription options: 3 September 2007 plan	
Date of Shareholders' Meeting	6 June 2007
Date of Management Board meeting	3 September 2007
Number of option holders when plan implemented	65
Total number of options granted	147,300
• of which total number of options granted to members of the Management Board (as at 3 September 2007)	46,000
• number of senior managers concerned	4
Total number of options awarded to the ten employees that are not Corporate Officers and to whom the largest number of options was awarded	32,000
Potential dilution	0.26% ^(**)
Exercise price ^(*)	€190.60
Date from which options may be exercised	3 September 2011
Expiry date of exercise period	3 September 2014
Number of options cancelled since their allocation (option holders who have left the Group)	8,500
<i>(*) Average of the last twenty prices for the twenty trading sessions preceding the grant date.</i>	
<i>(**) On the basis of the 57,280,789 shares that made up the Company's share capital at 31 December 2009.</i>	

Share subscription options: 1 September 2008 plan	
Date of Shareholders' Meeting	6 June 2007
Date of Management Board meeting	1 September 2008
Number of option holders when plan implemented	9
Total number of options granted	71,800
• of which options granted to members of the Management Board (as at 1 September 2008)	49,000

• number of senior managers concerned	3
Total number of options awarded to the ten Group employees that are not Corporate Officers and to whom the largest number of options was awarded	22,800
Potential dilution	0.13% (**)
Exercise price (*)	€183.54
Date from which options may be exercised	1 September 2012
Expiry date of exercise period	1 September 2015
Number of options cancelled since their allocation (option holders who have left the Group)	–
(*) Average of the last twenty prices for the twenty trading sessions preceding the grant date	
(**) On the basis of the 57,280,789 shares that made up the Company's share capital at 31 December 2009.	

Share subscription options: 1 September 2009 plan

Date of Shareholders' Meeting	4 June 2009
Date of Management Board meeting	1 September 2009
Number of option holders when plan implemented	303
Total number of options granted	289,400
• of which options granted to members of the Management Board (as at 1 September 2009)	40,000
• number of senior managers concerned	3
Total number of options awarded to the ten Group employees that are not Corporate Officers and to whom the largest number of options was awarded	24,000
Potential dilution	0.51% (**)
Exercise price (*)	€103.34
Date from which options may be exercised	1 September 2013
Expiry date of exercise period	1 September 2019
Number of options cancelled since their allocation (option holders who have left the Group)	–
(*) Average of the last twenty prices for the twenty trading sessions preceding the grant date.	
(**) On the basis of the 57,280,789 shares that made up the Company's share capital at 31 December 2009.	

6.3.1.2 PERFORMANCE SHARES

Special report of the Management Board on allocations of performance shares – financial year 2009

	2006 plan (*)	2007 plan (**)	2008 plan (***)	“Value” 08 plan	2009 plan (****)	“Value 09” plan	“123” plan (*****)
Allocation date	16/01/2006	03/05/2007	01/09/2008	16/12/2008	31/07/2009	17/11/2009	17/12/2009
Acquisition period	2 years	2, 3 and 4 years	2 and 3 years	4.5 years	2 years (French residents) or 4 years (non-French residents)	4.6 years	2 years (French residents) or 4 years (non-French residents)
Holding period	2 years	2 years	2 years	-	2 years (French residents) or none (non-French residents)	-	2 years (French residents) or none (non-French residents)
Number of beneficiaries at outset	199	280	41	8,697	53	8,097	17,067
Theoretical number of shares allocated	148,000	111,000	11,590	33,856	13,334	34,700	51,201

(*) The definitive attribution, in terms of number of shares, will be based on the Vallourec Group's performance in terms of consolidated EBITDA in 2006 and 2007. It will be calculated by applying a performance factor, calculated for each of the years concerned, to the theoretical number of shares allocated. The factor can range from 0 to 1.33.

(**) The definitive attribution, in terms of number of shares, will be allocated in thirds in 2009, 2010 and 2011 and each third will be based on the Vallourec Group's performance in terms of consolidated EBITDA in 2008, 2009 and 2010. It will be calculated by applying a performance factor, calculated for each of the years concerned, to the theoretical number of shares allocated. The factor can range from 0 to 1.33.

- (***) The definitive attribution, in terms of number of shares, will be allocated in halves in 2010 and 2011 and each half will be based on the Vallourec Group's performance in terms of consolidated EBITDA in 2009 and 2010. It will be calculated by applying a performance factor, calculated for each of the years concerned, to the theoretical number of shares allocated. The factor can range from 0 to 1.33.
- (****) The definitive attribution, in terms of number of shares, will be allocated in 2011 in the case of French residents and in 2013 in the case of non-French residents and will be based on the Vallourec Group's performance in terms of consolidated EBITDA in 2009 and 2010. It will be calculated by applying a performance factor, calculated for the two years concerned, to the theoretical number of shares allocated. The factor can range from 0 to 1.33.
- (*****) The definitive attribution, in terms of number of shares, will be allocated in 2011 in the case of French residents and in 2013 in the case of non-French residents and will be based on the Vallourec Group's performance in terms of consolidated EBITDA for the period from 1 January 2010 to 30 September 2011. The number of shares actually acquired by each beneficiary at the end of the acquisition period can range from 0 to 3.

A description of the performance share plans is also provided in Notes 17 and 19 of the notes to the consolidated financial statements, i.e. on pages 115 to 127 and 128 to 130 respectively of this Registered Document.

6.3.2 Profit sharing, incentive and savings plans

PROFIT SHARING

The amounts paid in respect of special reserves for profit sharing during the last five financial years are as follows:

<i>In € million</i>	2005	2006	2007	2008	2009
	11.28	19.27	21.62	12.30	4.70

INCENTIVE SCHEMES

Most Group companies have put in place incentive and profit sharing schemes that involve the employees in the company's business performance, based on the EBITDA/sales ratio.

The amounts paid in respect of special reserves for incentive schemes during the last five financial years are as follows:

<i>In € million</i>	2005	2006	2007	2008	2009
	44.25	38.07	39.80	46.58	36.60

COMPANY SAVINGS PLAN

In France, in 1989, the Group formed a Company savings plan (*Plan d'Épargne d'Entreprise* – PEE) to help employees build up capital over the medium and long term. Since 2005, these arrangements have been supplemented by the implementation, by agreement, of a group retirement savings plan (*Plan d'Épargne Retraite Collectif* – PERCO).

Employees' voluntary payments are topped up by the Company in accordance with a scale updated each year in relation to the Group's performance.

The amounts paid by way of Company contributions over the last five financial years were as follows:

<i>In € million</i>	2005		2006		2007		2008		2009	
	PEE	PERCO	PEE	PERCO	PEE	PERCO	PEE	PERCO	PEE	PERCO
	0.56	0.93	1.45	1.53	1.20	1.50	2.19 ^(*)	1.37 ^(*)	2.95 ^(**)	1.04 ^(**)

(*) Including €823,000 in respect of the "Value 08" employee share ownership scheme.

(**) Including €907,847 in respect of the "Value 09" employee share ownership scheme.

6.3.3 Employee shareholding

An employee share ownership plan introduced in July 2001 reached maturity after five years in July 2006. Taking into account movements in the Vallourec share price, performance has been remarkable, with subscribers' investments having been multiplied by 27.6 on average.

A new five-year plan was proposed, which was implemented on 13 July 2006. This plan was intended for all French and German employees with at least three months' service. The plan was not introduced in other countries due to the complex problems, particularly regulatory and tax problems, which would have needed to be overcome in view of the amounts involved. The investment, the capital of which was guaranteed, was capped at €1,000 per person with a target of 4,000 subscribers. The operation was a real success since the number of employees subscribing totalled 4,956, i.e. 1,054 more than in 2001, of whom 2,397 were in France and 2,559 in Germany, for a total of €4.4 million, which was invested in Vallourec shares acquired on the market. There was therefore no dilution.

In 2008 all the Group's employees benefited from an employee share ownership plan known as Value 08. On 16 December 2008, the Group carried out a capital increase on the Paris Stock Exchange of 749,996 new shares with a subscription price of €65.99 per share (i.e. a total capital increase of €49.5 million) in accordance with the authorizations granted to the Management Board by the Shareholders' Meeting of 4 June 2008 (*Twelfth, thirteenth and fourteenth resolutions*). Nearly 12,200 employees in eight countries, i.e. 68% of eligible employees, chose to subscribe to the proposed share offering. The shares owned as a result of the offering represented 1.53% of Vallourec's share capital at 31 December 2008 compared with 0.16% at 31 December 2007.

The Value plan was continued for the second year running in 2009 under the Value 09 scheme. On 17 December 2009, the Group carried out a capital increase on the Paris Stock Exchange of 708,589 new shares with a subscription price of €91.74 per share (i.e. a total capital increase of €65 million, share premium included) in accordance with the authorizations granted to the Management Board by the Shareholders' Meeting of 4 June 2009 (*Seventeenth, Eighteenth and Nineteenth resolutions*). Nearly 11,146 employees in eight countries, i.e. 62% of eligible employees, chose to subscribe to the proposed share offering. The shares owned as a result of the offering represented 2.60% of Vallourec's share capital at 31 December 2009 compared with 1.53% at 31 December 2008.

Under the Value 09 scheme, the Management Board has also put in place a plan for the allocation of existing shares, relating to 34,700 shares, i.e. 0.06% of the share capital, in favour of employees who are not French tax residents and who are employed by Group companies whose registered offices are located in Germany, Brazil, Canada, United States, Mexico and the United Kingdom.

The "Value 08" and "Value 09" plans have been a great success, all the more so in that they took place during an international financial crisis. By subscribing massively, employees have demonstrated their loyalty to their company, as well as their confidence in Vallourec's strategy and future.

They have also enabled the Group to achieve the three objectives it had set for each of these operations:

- to involve as many employees as possible in the Group's performance;
- to strengthen the "Group spirit", the cornerstone of its culture;
- to develop a long-term relationship with employees that will help Vallourec to maintain a stable shareholder base.

Details of the terms and conditions of the Value 08 and Value 09 arrangements are provided in Note 24 of paragraph 5.1 of Section 5.

8. Specific documents for the Ordinary and Extraordinary Shareholders' Meeting of 31 May 2010

8.1 Management Board reports

8.1.1 Management report of the Management Board to the Ordinary and Extraordinary Shareholders' Meeting of 31 May 2010

8.1.1.11 REMUNERATION OF CORPORATE OFFICERS

In order to comply with the requirements of Article L.225-102-1 of the French *Code de commerce*, we hereby inform you that the amounts of remuneration and benefits of any kind paid during the year to each employee who was a member of the Supervisory Board or Management Board as at 31 December 2009, directly or indirectly, by Vallourec or by any Group company, were as follows:

A - Supervisory Board

The maximum annual attendance fees for allocation by the Supervisory Board to its members were increased to €400,000 by the Ordinary Shareholders' Meeting of 1 June 2006 (*Fifteenth resolution*).

From 2007 until 2008, each Board member and each *Censeur* received attendance fees set at €28,000 per year, reduced pro rata in the case of an appointment or termination of an appointment during the year.

To ensure that it complies with the provisions of Article 18 of the AFEP-MEDEF Code and the practice of most CAC 40 companies, which allocate all or part of their attendance fees on the basis of members' attendance at meetings, the Supervisory Board, in accordance with the recommendation made to it by the Appointments and Remuneration Committee, decided to adopt a new procedure as regards the remuneration of Board members: the aforementioned €28,000 total is now divided into two halves, one of which will be paid in full and the other allocated on the basis of members' attendance at meetings. This new rule has been applied since 1 July 2009.

The Chairman of the Supervisory Board receives remuneration, the amount of which was increased by the Supervisory Board, as recommended by the Appointments and Remuneration Committee, to €250,000 per year with effect from 1 January 2006. He also receives attendance fees of €28,000. The Chairman and members of the Supervisory Board were not awarded any share options, performance shares or termination payments of any kind.

Members of the Committees (Finance and Audit Committee, Appointments and Remuneration Committee and Strategy Committee) receive, as part of the aforementioned €400,000 annual budget, additional attendance fees based on their actual attendance at meetings of said Committees, at the rate of €2,500 per meeting. Committee Chairmen receive €3,500 per meeting, with the exception of the Chairman of the Appointments and Remuneration Committee, who has waived his right to receive remuneration in his capacity as Chairman of said Committee.

Remuneration of the *Censeurs* comes within the annual budget for attendance fees allocated to the Supervisory Board.

ATTENDANCE FEES RECEIVED BY THE MEMBERS OF THE SUPERVISORY BOARD

In €

Members of the Supervisory Board	Amounts paid in 2008	Amounts paid in 2009
Messrs Jean-Paul Parayre	28,000	28,000
Patrick Boissier	40,500	40,500

Philippe Crouzet (*)	17,500	4,000
Jean-François Cirelli (**)	–	17,500
Michel de Fabiani	40,500	40,500
Denis Gautier-Sauvagnac	16,500	7,000
François Henrot	35,500	25,833
Edward G. Krubasik	54,500	52,166
Jean-Claude Verdière	65,500	74,000
Thierry Marraud (Bolloré)	40,500	43,000
Arnaud Leenhardt (Censeur)	28,000	28,000
Luiz-Olavo Baptista (Censeur)	28,000	25,666
TOTAL	395,000	386,165

(*) Due to the fact that the Supervisory Board, at its meeting on 25 February 2009, appointed Mr Philippe Crouzet as Chairman of the Management Board as from 1 April 2009, thereby succeeding Mr Pierre Verluca for the remainder of his term of office, Mr Crouzet resigned from his position as a member of the Supervisory Board with effect from 31 March 2009.

(**) Mr Jean-François Cirelli was appointed by the Supervisory Board at its meeting on 13 May 2009 as a member of the Supervisory Board to replace Mr Philippe Crouzet, who had resigned, for the remainder of his predecessor's term of office, i.e. until the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011. This appointment was ratified by the Ordinary and Extraordinary Shareholders' Meeting of 4 June 2009 in accordance with the legislation and regulations.

B - Management Board

TABLE SUMMARIZING THE REMUNERATION, OPTIONS AND SHARES AWARDED TO EACH EXECUTIVE CORPORATE OFFICER

<i>In euros</i>	Year ended 31/12/2008	Year ended 31/12/2009
Philippe Crouzet, Chairman of the Management Board^(*)		
Remuneration due in respect of the financial year	–	1,011,255 ^(****)
Valuation of options awarded during the financial year ^(**)	–	752,620
Valuation of performance shares awarded during the financial year ^(***)	–	447,734
TOTAL	–	2,221,609
Jean-Pierre Michel, member of the Management Board		
Remuneration due in respect of the financial year	581,394	698,890
Valuation of options awarded during the financial year ^(**)	780,746	342,100
Valuation of performance shares awarded during the financial year ^(***)	–	169,228
TOTAL	1,362,140	1,210,218
Olivier Mallet, Chief Financial Officer		
Remuneration due in respect of the financial year	144,376 ^(*)	620,000
Valuation of options awarded during the financial year ^(**)	1,480,016	273,680
Valuation of performance shares awarded during the financial year ^(***)	201,726	127,045
TOTAL	1,826,118	1,020,725

(*) *Pro-rata as from his appointment to the Management Board.*

(**) *A significant portion of the share subscription options awarded in 2008, and all those awarded in 2009, to Management Board members are subject to performance requirements. The valuation of the options shown in the table is theoretical and results from the application of the binomial model used for the consolidated financial statements. The actual valuation is zero if the share price is equal to or less than € 183.54 in the case of options awarded in 2008 and € 103.34 in the case of those awarded in 2009.*

(***) *It should be noted that the 2007 plan performance shares were awarded in three tranches. They are available in 2009, 2010 and 2011 respectively and transferable in 2011, 2012 and 2013 respectively. In 2008 and 2009, the performance shares were awarded as a complement to the 2007 plan. In 2008 the beneficiaries were awarded the last two tranches and in 2009 the last tranche. The awarded performance shares are subject to performance requirements.*

(****) *Including an attendance fee of € 4,000 received in his capacity as a member of the Supervisory Board for the first quarter of 2009.*

The above table summarizes the remuneration due in respect of the year ended 31 December 2009 and the valuation of the share subscription options and performance shares awarded during the financial year.

The method used to calculate the variable portion is explained in Section 8.2 (D – Principles and rules for determining the remuneration of Corporate Officers) of this Registered Document.

Details of the share purchase and share subscription options and performance shares awarded during the financial year by Vallourec to each Corporate Officer and Group company are provided in Section 6, paragraph 6.2.1 “Compensation and benefits of all kinds paid to executive Corporate Officers”.

Full details of the conditions for allocation and exercise applicable to these two plans are provided in the Special report of the Management Board on options (8.1.2) and in the Special report of the Management Board on allocations of performance shares (8.1.3).

As regards pension provision, there is no specific pension scheme for members of the Management Board who are, instead, covered by the supplementary pension scheme for the senior management of Vallourec and V & M Tubes approved by the Supervisory Board at its meeting on 14 September 2005. In addition, at its meeting on 7 May 2008, the Supervisory Board authorized an amendment to the supplementary pension scheme of 15 September 2005 applicable to the Group’s senior management (membership at 31 December 2009: 29 employees), including the members of the Management Board.

The aim of the amendment was to enable Vallourec’s senior managers who have left the Company when aged over 55 at the employer’s initiative to retain their rights under Vallourec’s supplementary pension scheme, provided that they do not subsequently take up alternative employment. It is intended that this provision will also apply to Management Board members, who would not benefit from any particular advantages above and beyond those enjoyed by other senior managers.

The terms and conditions applicable to these supplementary pension commitments are detailed below in the section of the management report dealing with regulated agreements and commitments.

The Chairman of the Management Board, whose term of office commenced on 1 April 2009, does not have an employment contract with the Group. He is entitled to a termination payment in the event that his departure is imposed on him, or is due to a significant change in the Group's capital structure, a merger or change of strategy initiated by the Supervisory Board or the Company's shareholders. In accordance with Article L.225-90-1 of the French *Code de commerce* and the AFEP-MEDEF Code of corporate governance for listed companies, the receipt of such payments would be conditional upon performance requirements. The amount of such payments may not exceed twice the gross annual monetary remuneration. Were the Chairman of the Management Board to leave the Company under the same circumstances and before exercising the share subscription or share purchase options granted to him, he would still be entitled to them, subject to performance requirements.

The other members of the Management Board are not entitled to any termination payments if they are dismissed by the Company. Those who had an employment contract with Vallourec & Mannesmann Tubes before they were appointed as members of the Company's Management Board, application of which is suspended during their term of office, are entitled to a redundancy payment in the event that they are dismissed by Vallourec & Mannesmann Tubes. The amount of such redundancy payment is equal to two years' gross fixed remuneration in respect of said contract of employment, increased by a lump sum variable amount of 12.5%.

The information on the Management Board laid down in Article L.225-102-1 of the French *Code de commerce* is provided in Section 6 on corporate governance and, in particular, in Section 6.2 dealing with compensation and benefits in kind and Section 8.2 of this Reference Document, of which this management report forms an integral part. The information on the Management Board laid down in Article L.225-100-3 of the French *Code de commerce* is provided in Section 6 on corporate governance of this Reference Document, of which this management report forms an integral part, and, in particular, in Section 6.1 dealing with the composition and operation of the administration, management and supervisory bodies.

8.1.1.12 INFORMATION ON THE BREAKDOWN OF CAPITAL

At 31 December 2009, the shareholders and their respective shareholdings were as follows:

Shareholders	Number of shares	% of shares	Number of voting rights (gross)	% of voting rights (gross)
Bolloré group	2,990,588	5.22%	2,990,588	5.22%
Sumitomo Metal Industries	986,567	1.72%	986,567	1.72%
Free float	51,561,306	90.02%	51,871,935	90.46%
Group employees (*)	1,487,614	2.60%	1,489,024	2.60%
Own shares directly held by Vallourec (**)	254,714	0.44%	–	0.00%
TOTAL	57,280,789	100%	57,338,114	100%

(*) Under the terms of the employee share ownership plan (see 6.3.4 above).

(**) Own shares held directly by Vallourec include those held under the liquidity contract, which totalled 32,500 shares at 31 December 2009. This contract, by its nature, results in a monthly change which is the subject of ad hoc declarations on Vallourec's website (www.vallourec.com), under the heading "Regulated information".

Information of a general nature concerning the Company's capital is provided in Section 2.2 and information concerning the breakdown of the share capital and voting rights is provided in Section 2.3 of this Registered Document, of which this management report forms an integral part.

8.2 Report of the chairman of the supervisory board on the conditions governing the preparation and organization of the supervisory board's work and the internal control and risk management procedures implemented by Vallourec

In accordance with the provisions of Article L.225-68 of the French *Code de commerce*, the Chairman of Vallourec's Supervisory Board presents this report to the shareholders, detailing the conditions governing the preparation and organization of the Supervisory Board's work and the internal control and risk management procedures implemented by the Company.

In application of the law of 3 July 2008 incorporating EC directive 2006/46/EC of 14 June 2006, the AFEP-MEDEF corporate governance Code for listed companies of December 2008, resulting from the consolidation of the AFEP and MEDEF reports of October 2003 and their recommendations of January 2007 and October 2008 on the compensation of executive Corporate Officers of listed compa-

nies, is the Code with which Vallourec has decided to comply in the drawing up of the report provided for under Article L.225-68 of the French *Code de commerce*.

At its meeting on 6 April 2009, the Supervisory Board verified that the rules regarding remuneration and pensions applied by the Company to Management Board members complied with the AFEP-MEDEF Code. It approved, in particular, the terms of the contract appointing Philippe Crouzet as Chairman of the Management Board, having satisfied itself that said contract complies with the AFEP-MEDEF Code. These rules were, in accordance with the AFEP-MEDEF Code, published on Vallourec's website on 9 April 2009. The rules were supplemented on 10 August 2009 by an information document in connection with the incentive policy aimed at strengthening employees' stake in the results of the Vallourec Group and with the compensation policy relating to the allocation for 2009 of share options and performance shares to Management Board members.

This report was approved by the Supervisory Board at its meeting on 23 February 2010.

A – CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE SUPERVISORY BOARD'S WORK

The internal regulations of the Supervisory Board, the situation of Board members as regards the principles resulting from the AFEP-MEDEF Code and the composition and operation of the three Committees (Finance and Audit Committee, Appointments and Remuneration Committee and Strategy Committee) set up within the Supervisory Board are detailed in Section 6 of the Registered Document for the year ended 31 December 2009 dealing with corporate governance, which is an integral part of this report.

The number of meetings of the Board is normally set at four per year but additional meetings may be organized where circumstances so require. The Board met seven times in 2009. The average length of Board meetings is about three hours.

In order to ensure that Board members are able to attend meetings, the timetable of regular meetings is prepared very far in advance. The meetings timetable for 2009 was prepared at the Board meeting held on 31 July 2008. The meetings timetable for 2010, a preliminary version of which was presented to the Board at its meeting on 13 May 2009, was adopted by the Board at its meeting on 30 September 2009.

The effective attendance rate of Board members at meetings was higher than 80% on average for all the meetings held in 2009.

Dates of Board meetings (Financial year 2009)	Attendance rate
25 February	7/9 (78%)
6 April	7/8 (88%)
13 May	7/8 (88%)
3 June	7/9 (78%)
30 July	6/9 (67%)
30 September	7/9 (78%)
12 November	8/9 (89%)

Members who were unable to attend were, however, represented at all meetings, whether regular or exceptional. The members of the Management Board attended all meetings.

The arrangements for the meetings are confirmed on average a week in advance by means of a notice of the meeting to which is attached the agenda and the draft minutes of the previous meeting. Board members are invited to submit any comments they have in advance of Board meetings.

The Management Board circulates documents, in particular those of a financial nature, a few days in advance of Board Meetings, thereby enabling members to familiarize themselves with such documents before meetings. At meetings, a complete file incorporating the supporting documentation in respect of items on the agenda is given to each participant. This file also contains, in the case of meetings at which quarterly results are reviewed, the Management Board's quarterly report to the Supervisory Board on the Company's performance, prepared in accordance with the provisions of Article L.225-68, Section 4, of the French *Code de commerce*. Where necessary, the Board relies on preliminary work carried out by the Committees.

Meetings are chaired by the Supervisory Board Chairman who ensures, in particular, that each member expresses his opinion on the most important matters. In the unusual case of a Board member having a personal interest in one of the matters under consideration as specified in Article L.225-86 of the French *Code de commerce*, he will be required to leave the meeting while the matter concerned is being discussed.

In 2009, Vallourec's Statutory Auditors attended those Supervisory Board Meetings at which the annual and half-year financial statements were reviewed.

After the assessments of the operation of the Board carried out in 2003, 2006 and 2008, a further assessment was carried out in 2009 based on an updated version of the same questionnaire, which comprised six assessment topics. An analysis of the results, which was sent to Board members and discussed at a Board Meeting, shows a high level of satisfaction among all members. In the light of this summary, it was recommended and agreed that the composition of the Board be enlarged and that, where necessary, it be enlarged up to the statutory limit of 12 members to allow for, in particular, members who are women and/or have international stature or experience, or who may be of foreign nationality. The length of Board meetings, which increased during 2009, in accordance with the recommendation resulting from the assessment carried out in 2008, to allow for matters to be discussed in greater depth, appears to be appropriate overall, although some believe that three hours is a minimum. The quality of discussions was also assessed. The documentation presented as background information for these meetings is judged to be sufficiently detailed and constantly improving. Finally, Board members have expressed their support for continuing to visit employees on site once a year.

For the purposes of assessing the Group's performance, in 2009 the Supervisory Board focussed mainly on reviewing the annual and first half financial statements, the Group's activity, the results of the Cap Ten competitiveness plan, the strategic issues facing the Group and the projects and negotiations currently in progress.

As regards corporate governance, the Supervisory Board examined the following subjects in particular:

- the setting of the remuneration of the members of the Management Board and of its new Chairman;
- Vallourec's policy as regards remuneration and its incentive policy aimed at strengthening employees' stake in the results of the Vallourec Group, in particular as regards the measures adopted by the Management Board to ensure compliance with the provisions of law no. 2008-1258 of 3 December 2008 relating to employment income;
- the overall budgets and the number of performance shares and share subscription options allocated to each member of the Management Board, and the requirement for such members to retain a portion of the shares and options allocated;
- the payment of attendance fees to Supervisory Board members, Committee members and the Censeurs;
- the composition of the Supervisory Board following the appointment of Mr Philippe Crouzet as Chairman of the Management Board as from 1 April 2009 to replace Mr Pierre Verluca, and the resulting provisional appointment on 13 May 2009 of Mr Jean-François Cirelli as a member of the Supervisory Board.

B – SHAREHOLDER PARTICIPATION IN VALLOUREC'S SHAREHOLDERS' MEETINGS

Any shareholder is entitled to participate in the Company's Shareholders' Meetings in accordance with applicable laws and regulations and regardless of the number of shares held. Article 13 of the by-laws – which are available on the Company's website http://www.vallourec.com/download.asp?url=pub/assemblee_generale_fr/155_A.pdf and at the registered office – relating to Shareholders' Meetings does not stipulate any specific procedures for participation, it being specified, however, that "Holders of shares with regard to which not all payments due have been paid within 30 days as from formal notice being given by the Company shall not be allowed to attend Shareholders' Meetings. These shares shall be deducted in the calculation of the quorum".

Since Vallourec places great importance on the attention paid to its shareholders, it endeavours, whenever it can, to improve shareholder participation at its Shareholders' Meetings, by making shareholders aware of such Meetings in advance, by publishing information over and above that required by law in specialist newspapers and by sending a shareholders' letter to all of them in the weeks preceding each Annual Shareholders' Meeting.

The list of attendees at the Ordinary and Extraordinary Shareholders' Meeting held on 4 June 2009 shows that 1,677 shareholders were present, represented or voted by correspondence; they owned 26,293,488 shares out of a total of 53,788,716 (48.88%) and 26,339,066 voting rights out of a total of 53,495,793 (49.23%), resulting in a quorum increased by 5%. The attendees included the Bolloré group, which owned 2,990,534 shares representing the same number of voting rights, i.e. 5.56% of the capital represented and 5.55% of the voting rights exercised.

Vallourec's policy as regards shareholder information and information concerning the structure of the Company's capital and the factors likely to have an impact in the event of a takeover bid are detailed in Section 2 of the 2009 Registered Document, as required under the provisions of Article L.225-100-3 of the French *Code de commerce*.

C – INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

1. Objectives of internal control

The Group's internal control system was developed and implemented with significant involvement from the Group's staff. It aims to provide reasonable assurance that the following four objectives may be achieved:

- compliance with laws and regulations in force;
- proper application of the instructions issued and compliance with the policies laid down by the Management Board;
- proper operation of internal processes (in particular those relating to the safeguarding of assets); and
- accuracy of financial information.

In contributing to the effectiveness of its operations, the efficient use of its resources and the control of risk, this internal control system plays a key role in the management and supervision of the Group's various activities. As is the case with any control system, the Group's internal control system cannot provide an absolute guarantee that the Group's objectives will be achieved and that all risk of error or fraud is fully eliminated or controlled

2. Components of internal control

To guarantee the consistency of day-to-day procedures carried out worldwide in the Group's name, in 2009 Vallourec implemented a group of procedures which constitute the basis of the internal rules applicable to all its staff and departments.

Situated at the heart of Vallourec's internal control system, these procedures provide a framework for the actions of each employee. They relate, in particular, to ethics, the delegation of authority, the confidentiality of information, the prevention of insider trading, external communication and financial communication.

The Code of Ethics

The Group's ethical standards have, since 2009, been set out in a single document: the Code of Ethics.

The Code of Ethics is based on a set of fundamental values, such as integrity and transparency, standards and professionalism, performance and responsiveness, respect for men and women and joint commitment.

It provides a frame of reference for the proper conduct of the day-to-day activities of each employee by means of principles for action, which are based on the aforementioned values. These principles for action reflect the way in which Vallourec means to conduct its relations with all partners and other parties, such as employees, its customers, shareholders and suppliers and constitute a benchmark for the Group, especially in implementing its sustainable, responsible development plans.

The Code of Ethics also prescribes rules of conduct on a variety of subjects, such as conflicts of interests, relations with third parties and the conservation of assets in such a way as to protect, under all circumstances, the Group's reputation and image.

Vallourec's Code of Ethics applies to all Group consolidated companies. Each employee is personally responsible for implementing its values and principles and complying with rules Vallourec publishes.

Management makes the Code of Ethics known to all Group personnel. It has been translated into five languages. It has also been published on the Company's website http://www.vallourec.com/download.asp?url=pub/publication_uk/39_P.pdf – to affirm the Group's values with regard to third parties.

In order to support implementation of the Code of Ethics by all Vallourec personnel, in particular managers, a Code of Ethics officer has been appointed for the Group, whose duties are:

- to assist Group companies in disseminating the Code of Ethics;
- to coordinate actions to make new employees aware of the Code of Ethics;
- to participate in setting procedures for applying the Code;
- to ascertain any difficulties in interpreting or applying the Code of Ethics that are raised by staff; to that end, the officer receives any information relative to breaches of the principles of responsibility;
- to produce an annual report on implementation of the Code of Ethics for the Chairman of the Management Board.

The Code of Ethics officer reports to the Management Board and relies on a network of local contacts.

Delegated authority procedure

The level of authority given to each manager within the Group must remain compatible with the maintenance of an overall level of control, the Group's strategy and the application of rules common to all Group entities.

To better meet these requirements, the aim, at Group level, of the delegated authority procedure implemented in 2009 is to define clearly the approval levels which must be complied with before commitments can be entered into by any Group entity. It may not constitute a departure from the prevailing legislation and regulations.

Confidentiality Charter

Against a backdrop of intense competition, the Group has needed to make all staff aware of their obligations as regards confidentiality. Vallourec therefore drew up a confidentiality charter with the aim, on the one hand, of enabling it to carry out its business in better conditions when faced with such competition and, on the other hand, of protecting people working for Vallourec by informing them as accurately as possible of the duty of confidentiality with which they must comply.

The Code of good practice on transactions in Vallourec shares

Vallourec has a Code of good practice on the prevention of insider trading that could occur in connection with transactions in its shares.

This Code concerns not only all the members of its management and control bodies, but also all senior managers and employees of Vallourec and all its subsidiaries. It is sent to all employees who come into possession of insider knowledge, of whom the Companies maintains an up-to-date list.

Its objective is to ensure compliance with the precautionary principle in order to (i) protect staff at all levels by making them aware of stock exchange regulations and applicable penalties, so as to enable them to avoid being the subject of legal proceedings, (ii) protect Vallourec and its Group, in particular from the risks of damage to its image and reputation and a fall in the value of its shares, and (iii) retain the confidence of investors and maintain equality between shareholders.

External communication procedure

Vallourec has drawn up an external communication procedure, the aim of which is to ensure the consistency of information provided to the outside world (oral and written), which may affect Vallourec's reputation (social, environmental, etc.).

Any information communicated outside the Group relating, in particular, to the order book, new contracts, capital expenditure, planned acquisitions or more generally the Group's past or future activity must be the subject of an internal approval process.

The financial communication procedure

In 2009, Vallourec drew up a financial communication procedure, the aim of which is to ensure that the Group's system of providing financial information to the public complies with the prevailing legislation and regulations.

Annual and half-year financial reports and quarterly financial information is thus the subject of an internal approval process prior to its release and filing with the French securities regulator (*Autorité des Marchés Financiers – AMF*).

3. Description of internal control procedures

3.1 INTERNAL CONTROL PROCEDURES ADAPTED TO THE SPECIFIC CHARACTERISTICS OF VALLOUREC

Responsibility for implementing appropriate internal control procedures governing risk management, financial control and compliance with legislation is delegated to the managers of each Group company.

To ensure the consistency of Group procedures worldwide, senior management relies on the functional departments to draw up the procedures necessary for the proper operation of controls, issue instructions regarding their implementation and ensure compliance with said instructions.

In accordance with Article L.823-19 of the French *Code de commerce*, the Finance and Audit Committee monitors the financial information preparation process and the effectiveness of the internal control and risk management systems.

The Group's key operations and the control procedures applicable to them are as follows.

3.2 INTERNAL CONTROL PROCEDURES IN RESPECT OF FINANCIAL AND ACCOUNTING INFORMATION

3.2.1 Financial and accounting reporting

Financial and accounting information is prepared centrally on the basis of the subsidiaries' financial statements, adjusted to comply with Group standards. The necessary data is collected and processed by means of a reporting and consolidation software application that is used by all consolidated subsidiaries and is compatible with the IFRS accounting standards that Vallourec adopted on 1 January 2005.

Reports are produced monthly in the month following the end of the month to which they relate whereas full accounting consolidations are produced quarterly within two months following the end of the quarter to which they relate. The monitoring of off-balance-sheet commitments is an integral part of the quarterly consolidation process.

3.2.2 External financial information

Since 2007, the Company has released quarterly information as at 31 March and 30 September including, in particular, the consolidated balance sheet and income statement. The preparation of the quarterly, half-yearly and annual consolidations is the responsibility of the Management Board. The annual financial statements are audited and the half-year financial statements are reviewed by the Statutory Auditors; quarterly data is neither audited nor reviewed.

3.2.3 Cash position and financing

Responsibility for cash management is delegated to individual companies, by means of well-defined procedures and delegation of authority. Any departure from the general rules requires the prior authorization of the Group Finance department.

The Group Finance department is also responsible for borrowings and investments with a term of more than one year. Responsibility for borrowings and investments with a term of less than one year is delegated to the subsidiaries, which are required to comply with specific Group procedures: quality of the banks involved, risk-free investment and monitoring of financial guarantees given.

Transactions in foreign currencies and foreign exchange hedging are also governed by rules issued by the Group Finance department.

In 2007, the Group centralized the euro and US dollar cash management for its main European companies and the currency hedging operations in respect of its US dollar sales. This system contributed to better cash management and the security of market transactions.

Subsidiaries' borrowings, investments and foreign exchange transactions are monitored on a monthly basis by means of a report produced by the Head of Group Treasury and submitted to the Management Board.

3.2.4 Procedures and instructions

With the objective of producing high-quality financial and accounting information, Vallourec has produced procedures and instructions tailored to the French and foreign subsidiaries. These procedures are classified by topic and deal mainly with accounting, treasury and reporting issues and with the IFRS framework.

Details of the procedures are available on an intranet site that can be consulted by all of the Group's finance staff.

In 2008, all fully-consolidated companies carried out a self-assessment review of their accounting and financial procedures on the basis of a questionnaire comprising 121 questions. The questionnaire was based on the report of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) and complies with the provisions of the application guide for the frame of reference of the French securities regulator (*Autorité des marchés financiers* – AMF) relating to the internal control of financial and accounting information published by issuers.

In 2009, all these companies were the subject of an on-site review by the Internal Audit department on the basis of this questionnaire. The review covered the following financial and accounting cycles: capital expenditure, purchasing, inventories, sales, cash, provisions, staff, taxes and reporting processes. Each company received a summary in 2009 of the points for improvement and prepared an action plan for each weakness identified in respect of which the risk of occurrence and the potential impact on the financial statements was considered to be significant.

3.2.5 Internal audit

The Internal Audit and Financial Control department reports to the Group Finance department. It audits the subsidiaries in accordance with an audit plan designed to assess and improve the accuracy and reliability of accounting and financial information.

In addition to the team based at the Group's head office, Vallourec has an auditor based at V & M Deutschland and a team based at V & M do Brasil. The team's audit plans are validated by the Internal Audit department. Its responsibilities relate mainly to internal control procedures.

External consultants may be used in the case of one-off assignments.

The Internal Audit department also coordinates relations with the Statutory Auditors, who are mainly affiliated with international audit firms.

3.3 OTHER KEY PROCESSES ANALYZED

3.3.1 Industrial investment

The Technology and Investment department, grouped since 1 January 2010 with the Research and Development department within a single department (the Technology, R & D and Innovation department) reports to a member of the Management Board and to an Investments Committee composed of members of the Executive Committee, the Management Control department and the Corporate Investment department.

This Committee meets six times a year. It examines budgets, expenses for the period and, where relevant, deferred expenses. The agenda comprises a review of projects with a forecast cost of more than €5 million or less than this amount when they are strategic in nature. In accordance with the Large Capex Approval procedure, a file is prepared in respect of these projects by the division concerned and a memorandum drawn up by the Management Control department before the projects are submitted for approval to the Management Board, in accordance with the Delegated Authority procedure detailed on page 221.

A posteriori controls are carried out on expenses, expected objectives and the profitability of capital expenditure projects. Such controls are performed by the Technology and Investments department or the Management Control department on projects that are deemed highly representative, which were authorized in earlier years and which involve mass production. In addition, project management audits may be carried out during the project implementation phase by the Group Quality department. The results of these audits are brought to the attention of the divisions and Investments Committee.

3.3.2 Quality – Safety – Environment

The QSE (Quality, Safety and Environment) department defines the systems, methods and tools used in the Group, in accordance with the requirements of quality management (standards ISO 9001 and ISO/TS 16949, API, ASME, etc.), health and safety (OHSAS 18001 standards) and environmental standards (ISO 14001).

These elements form the Vallourec Management System (VMS), which has been implemented in all Group companies. The VMS has been structured around three main components:

- Total Quality Management (TQM) plans, i.e. plans for monitoring the Group's entities, which facilitate the control of processes by identifying operational performance measurement indicators;
- the Continuous Improvement Teams (CIT), which promote the commitment of staff to continuous improvement in accordance with the same operational indicators, by implementing a stringent, standardized method for resolving problems;
- the steering committees, which ensure the commitment of senior management, and the monitoring and support of the continuous improvement approach.

In addition to the control of processes and continuous improvement, the VMS is responsible for ensuring that initiatives are consistent with the aims of the strategic plan.

The QSE department is responsible for the continuous auditing of the VMS in all Group entities, identifying variances and areas with room for improvement, issuing recommendations and ensuring they are taken into account in the action plans. This work is carried out in collaboration with the external certification bodies and with the internal departments involved, in particular the Human Resources department and the Management Control department.

- As regards quality, the QSE department is responsible, in the context of the VMS, for applying specific methods and tools designed for the continuous improvement of the quality of the Group's products and control of its manufacturing processes. It assists with their implementation, sets up the necessary training programmes and oversees the sharing of best practice. By means of the audits it carries out at all Group sites, in addition to those carried out by external certification bodies, it ensures said practices are properly applied to all processes which contribute to customer satisfaction.

The Vallourec Quality approach takes into account the requirements of the most stringent standards, in particular as regards standardization, the control of variations in quality, risk prevention and problem resolution.

- As regards safety, in 2008 the Group launched the Cap Ten Safe project, the aim of which is to significantly enhance our performance in this area. It illustrates the Group's intention to make a complete break with the past and to carry out an extensive overhaul of all safety measures with the aim of achieving continuous, ongoing improvements in the Group's safety culture.

This plan is in line with the VMS and consistent with the following three fundamental principles: the commitment of all senior management, the involvement of all staff and the implementation of appropriate monitoring indicators.

It comprises, in respect of the period 2009-2010, the following main initiatives:

- improving performance at all plants to ensure compliance with Vallourec standards, particularly in the areas of risk evaluation, monitoring, control and updating of safety initiatives and order and cleanliness of the shop floor;
- building a safety management system: Vallourec intends to gain OHSAS 18001 certification for its main industrial sites during the 2009-2010 period;
- fostering a genuine safety culture: at the end of 2008, the Group launched a programme under which all plant staff would receive a safety visit. These visits, which took place throughout 2009, would involve observing an operator at his place of work, followed by dialogue, the aim of which is to make staff aware of safety behaviour. The objective is to carry out two visits per employee per year;
- the Cap Ten Safe project has enabled the Group to achieve significantly improved safety performance as from 2009: the accident frequency rate (or Lost Time Injury Rate – LTIR) decreased, for the entire Group, from 9.2 in 2008 to 5.3 in 2009.
- As regards the environment, the QSE department is responsible for coordinating and directing environmental matters and relies on local environment managers who are responsible for ensuring compliance with regulations and improving Group performance in the field of environmental protection in accordance with the sustainable development charter drawn up by the Group in 2004.

It carries out audits and establishes key indicators that enable the main parameters to be periodically monitored.

The environment report is published annually. It describes the environmental situation and the progress achieved at all Vallourec sites.

Vallourec's main sites, which account for more than 98% of the Group's production, now have certification under ISO 14001. There are a few relatively small sites for which the Group plans to obtain certification in 2010.

The aim of the GreenHouse project, launched in 2009, is to draw up and implement initiatives designed to prepare the Group for the "carbon economy" and thereby to integrate its efforts to combat global warming into its strategic decisions. The objective is to significantly reduce the consumption of energy (gas and electricity) and therefore greenhouse gas emissions. The QSE department is responsible for coordinating these initiatives.

Finally, the Group has continued to make significant investment in the field of environmental protection and safety. In 2009, investment in these fields represented around 7% of the Group's total capital expenditure.

3.3.3 Research and Development

The Research and Development department, which has since 1 January 2010 been grouped with the Technology and Investment department within the Technology, R & D and Innovation department, as described on page 43 above, has drawn up procedures at Group level concerning the management of programmes for developing new products and industrial processes. The processes thus defined are applied in a consistent manner by the entities concerned, particularly as regards intellectual property.

Training and specific assistance by experienced professionals were introduced in respect of certain selected projects. The divisions' project portfolios are monitored on the basis, in particular, of their potential benefit to the Group and the risks that might be incurred.

Each year, audits are also carried out by the Group Quality department in accordance with the VMS.

3.3.4 Purchasing

In 2009, the Purchasing department quickly adapted to the economic crisis by expanding its principal annual objectives for priority action.

The Group focussed on three additional initiatives:

- renegotiating all annual and long-term contracts against a backdrop of falling activity levels;
- ensuring the financial security of and monitoring of the Group's strategic suppliers;
- rapidly adapting volumes purchased on the basis of orders placed by Group employees.

These initiatives enabled the Purchasing department to meet, in 2009, the contribution targets set by the Cap Ten Safe project.

The Group continued in 2009 the actions taken in 2008 to improve the structure of the purchasing function. As a result, the involvement of the Purchasing department in the areas of raw materials and capital expenditure resulted in significant gains for the Group.

3.3.5 Information systems

In 2009, the Group continued to implement the programme of IT security audits initiated in 2008, as a result of which corrective action has been taken. In particular, a contract was entered into for the hosting by a third party of the Saint-Saulve IT centre, housing the French application servers and certain services at Group level. Migration is in progress and will be completed in May 2010. As a result, the Group will be able to eliminate the risk of the IT centre being out of action since these new arrangements will guarantee that it is permanently operational.

Several initiatives were implemented in 2009 to improve the Group's IT security:

- the first phase of the project for the segregation of access rights (segregation of duties) to IT applications was completed (GRC project);
- the Group continued with the deployment of the SAP core model in the United States via VAM USA. The system is scheduled to become fully operational during 2010;
- a global contract was signed with an anti-virus software provider for the use of one single system throughout the Group;
- the architecture was defined for a new distance connection solution for Vallourec's staff and partners, the aim of which is to strengthen the security of communication. It will be deployed gradually as from 2010;
- finally, a project was launched to make uniform and strengthen the management of access to the Group's information system. The new architecture will be deployed in 2010 and early 2011.

3.3.6 Human Resources

In 2009, the Human Resources department introduced an internal control process which audits all its operations: the performance of its duties, training and skills management, the working environment, compliance with the Group's internal regulations and the prevailing national labour regulations, compensation management and the protection of privacy and information regarding the Company and its employees.

Each country with its own Human Resources department carries out a self-assessment review of its operations using a standardized questionnaire. On the basis of the answers received, the Group Human Resources department carries out audits and monitors plans for corrective action or improvements. In 2009, the main countries in which the Group operates completed the self-assessment questionnaire and were audited on the basis of their replies. The countries concerned were Brazil, France, Germany, the United States, China, the United Kingdom, Mexico and the United Arab Emirates.

The same type of assessment is also used in respect of the acquisition and integration of new Group companies.

This approach also enables best practice to be identified and implemented on a Group-wide basis.

As regards the prevention of industrial accidents and sickness, the Group-wide Cap Ten Safe programme (see 3.3.2 above), which was launched in 2008, is enabling the Group, by aiming to obtain OHSAS 18001 certification, to focus on generalized and standardized safety management in all plants. It relies on significant commitment on the part of the Group's senior management and the involvement of all staff.

In 2009, the Group significantly reduced the number of accidents and the resulting number of working days lost.

3.3.7 Customer relations

With the aim of specifying and formalizing certain practices regarding contractual relations with its customers, Vallourec has developed a procedure for managing customer risk through limits in respect of credit and delegation of authority and credit insurance. In the same spirit, general sales terms have been drawn up to be applied by all Group entities, with the aim of making practices consistent throughout the Group and reducing risk exposure.

The Legal department periodically analyzes the legal provisions applicable to sales contracts entered into between the subsidiaries and their customers. General terms, standard documents, sales contracts and bids in response to invitations to tender are reviewed on a regular basis.

3.3.8 Insurance

Industrial risks are covered by two types of Group insurance: general insurance (direct material damage to Group property, not subject to specific exclusions, as well as any costs and resulting losses) and third-party liability insurance (liability arising as a result of injury or loss caused to third parties either resulting from the Group's operations or after delivery of goods or services).

4. Risk management

Risks are managed by the industrial and sales units and by the functional departments (Finance, Human Resources, Legal, Purchasing, Quality, IT, Insurance, etc.). In addition, Vallourec is developing a Group-wide policy to ensure that risk management is consistent, comprehensive and well-monitored.

Vallourec's Risk Manager coordinates a top-down approach, which involves the entity's principal managers evaluating the major risks in order to implement measures to reduce the probability and impact of such risks. The method establishes priorities according to the Group's projects, by taking into account the "potential for improvement" of controls. Therefore, a "major" risk, for which Vallourec already

has a control in place on a par with the best practice in the industry (prevention, protection against the consequences and insurance), will simply remain under surveillance. However, a “high” risk, for which Vallourec has not yet optimized its controls, will result in the drawing up of an action plan.

Risk mapping is in place for each of Vallourec’s divisions and at Group level as regards the provision of information to the Management Board. Each describes the main risks, their scenarios, past occurrences, the controls in place, and, where applicable, the best control practices of other companies. It is therefore these main risks that justify the launching of action plans.

Vallourec’s divisions and Management Board manage their risk mapping by means of a committee that meets each half year. Vallourec’s Risk Manager attends the committee meetings in order to stimulate discussion, guarantee the consistency of the action taken and report to the Management Board. All committee meetings are attended by the division’s manager and his main assistants. The functional managers affected by certain risks are also invited to attend (e.g., R & D and IT). Each committee meeting handles the following matters:

- validation and monitoring of action plans, presented by the owner of each priority risk;
- validation of the key risk indicators which will guarantee the relevance of new controls, after closure of the action plan, and their long-term survival;
- updating of the self-assessment of priority risks.

Therefore, on a regular basis since the establishment of the risk mappings in 2007, control over the priority risks has been increased to the level of the industry’s best practice. Risk Management is being integrated into the Vallourec Management System via its systematic practice of committee meetings and management indicators. The risk management function serves as a supplement to the Group’s internal control and internal audit functions. It collaborates with them and helps to draw up the internal audit programme. It methodically tests the efficacy of the internal control procedures referred to above and then elevates them to the level of best practice. As a result, specific procedures have been implemented to ensure the prevention of:

- physical risk to an employee in the performance of his duties;
- the risk of the disclosure of confidential information ;
- the risk of media attention not under the Group’s control.

Additional cover has been taken out at Group level or by certain subsidiaries against a number of other insurable risks.

In conclusion, risk management is based on internal control that is becoming increasingly comprehensive and tailored to the Group’s specific requirements, with the result that it assists in the development of said internal control by anticipating risks, benchmarking procedures and managing action plans at the highest level within the divisions and Management Board.

Additional information is provided in Section 4, paragraph 4.2 “Risk management”.

D – PRINCIPLES AND RULES FOR DETERMINING THE REMUNERATION OF CORPORATE OFFICERS

1. Remuneration of Management Board members

The general principles of the Management Board remuneration policy and an analysis of the individual position of each of its members are presented to the Supervisory Board by the Appointments and Remuneration Committee, which bases its recommendations on research and advice from a leading international firm specializing in management and Corporate Officer remuneration.

A breakdown of the remuneration of the Group’s Corporate officers is provided in Section 6 of the 2009 Registered Document dealing with Corporate Governance, which is an integral part of this report.

The monetary remuneration of Management Board members is composed of a fixed portion and a variable portion. Their remuneration is compared each year to a reference sample made up of listed French industrial groups, Vallourec’s policy being to maintain the fixed and variable portions at or below the respective medians of this sample.

Two-thirds of the variable portion is based on the Group’s consolidated net profit and one-third is based on the achievement of individual targets set by the Supervisory Board. The variable portion may not exceed 90% of the fixed portion in the case of the Chairman of the Management Board and 75% in the case of other Management Board members. The basis for calculating the Group’s consolidated net profit is verified by the Statutory Auditors.

At its meeting on 23 February 2010, the Board decided that, in 2010, the variable portion of Management Board members' remuneration would be calculated in thirds, the first third being based on the net profit, the second on EBITDA and the third on the achievement of targets set by the Board. The basis for calculating the first two thirds will be verified by the Statutory Auditors.

In order to enable them to obtain an interest in the Group's capital, Management Board members may be granted share subscription or share purchase options and performance shares under the conditions drawn up by the Supervisory Board, based on the recommendations of the Appointments and Remuneration Committee. Since 2006, all allocations of performance shares have been subject to the Group achieving a target EBITDA/sales ratio. The same applies to a significant portion of the share subscription options granted to Management Board members in 2008 and to all option granted to them since 2009.

Since 2007, and in accordance with the AFEP-MEDEF Code, Management Board members have been required to retain until the end of their terms of office, (i) one quarter of the performance shares granted to them under the terms of a plan, and (ii) the equivalent in Vallourec shares of one quarter of the gross capital gain realized on the date of sale of the shares resulting from the exercise of options. Management Board members formally undertake not to use hedging instruments in connection with the exercise of options, the sale of shares resulting from the exercise of options or the sale of performance shares.

As regards pension provision, Management Board members, like all the Group's senior management, are covered by a supplementary pension scheme that complies with the AFEP-MEDEF Code. The terms and conditions applicable to this supplementary pension scheme are detailed in the section of the management report dealing with regulated agreements and commitments. Beneficiaries may retain their benefits under the scheme if they are dismissed on or after their 55th birthday and are unable to find alternative employment.

This scheme, which does not give any specific benefits to Management Board members over and above those applicable generally to the Group's senior management, appears reasonable since the additional pension is capped at 20% of the average base salary, excluding the variable portion, for the last three years and limited to four times the annual social security ceiling. The gross theoretical annuity is equal to the sum of the annual rights calculated in respect of each full financial year in accordance with the following formula: $C = 0.25 \times (B/P) - 1^{(1)}$.

The new Chairman of the Management Board, whose term of office commenced on 1 April 2009, does not have an employment contract with the Group. He is entitled to a termination payment in the event that his departure is imposed on him and in the event of a significant change in the Group's capital structure, a merger or a change of strategy initiated by the Supervisory Board or the Company's shareholders. In accordance with Article L.225-90-1 of the French *Code de commerce* and the AFEP-MEDEF Code, the receipt of such payments would be conditional upon performance requirements. The amount of such payments may not exceed twice the gross annual monetary remuneration. Were he to leave the Company under the same circumstances and before exercising the share subscription or share purchase options granted to him, the Chairman of the Management Board would still be entitled to them, subject to the performance requirements.

The other members of the Management Board are not entitled to any termination payments if they are dismissed by the Company. Those who had employment contracts with Vallourec & Mannesmann Tubes before they were appointed as members of the Company's Management Board, application of which is suspended during their term of office, are entitled to a redundancy payment in the event that they are dismissed by Vallourec & Mannesmann Tubes. The amount of such redundancy payment is equal to two years' gross fixed remuneration in respect of said contract of employment, plus a lump sum variable amount of 12.5%.

2. Remuneration of supervisory board members

The maximum annual attendance fees for allocation by the Supervisory Board to its members were increased to €400,000 by the Ordinary Shareholders' Meeting of 1 June 2006 (*Fifteenth resolution*).

From 2007 until 2008, each Board member and each *Censeur* received attendance fees set at €28,000 per year, reduced pro rata in the case of an appointment or termination of an appointment during the year.

To ensure that it complies with the provisions of Article 18 of the AFEP-MEDEF Code and the practice of most CAC 40 companies, which allocate all or part of their attendance fees on the basis of members' attendance at meetings, the Supervisory Board, in accordance with the recommendation made to it by the Appointments and Remuneration Committee, decided to adopt a new procedure as regards the remuneration of Board members: the aforementioned €28,000 total is now divided into two equal fractions, one of which will be paid in full and the other allocated on the basis of members' attendance at meetings. This new rule has been applied since 1 July 2009.

The Chairman of the Supervisory Board receives remuneration, the amount of which was increased by the Supervisory Board, as recommended by the Appointments and Remuneration Committee, to €250,000 per year with effect from 1 January 2006. He also receives

⁽¹⁾ $C = \text{Annual rights capped at 2\%}$
 $B = \text{Annual base salary}$
 $P = \text{Annual social security ceiling}$

attendance fees of €28,000. The Chairman and members of the Supervisory Board were not awarded any share options, performance shares or termination payments of any kind.

3. Remuneration of committee members

Members of the Committees (Finance and Audit Committee, Appointments and Remuneration Committee and Strategy Committee) receive, as part of the aforementioned €400,000 annual budget, additional attendance fees based on their actual attendance at meetings of said Committees, at the rate of €2,500 per meeting. Committee Chairmen receive €3,500 per meeting, with the exception of the Chairman of the Appointments and Remuneration Committee, who has waived his right to receive remuneration in his capacity as Chairman of said Committee.

4. Remuneration of the Censeurs

Remuneration of the Censeurs comes within the annual budget for attendance fees allocated to the Supervisory Board.

5. Corporate Governance

The Supervisory Board has decided to adopt the AFEP-MEDEF Code, as amended for application to limited companies managed by a Supervisory Board and a Management Board. The Code may be consulted on the AFEP-MEDEF website.

Vallourec has applied the recommendations of the Code.

In view of the above, Vallourec believes that it complies with the corporate governance regulations currently in force in France.

8.3 Report of the Management Board on the draft resolutions

8.3.1 Resolutions to be submitted to the Ordinary Shareholders' Meeting

8.3.1.2 APPROVAL OF AGREEMENTS SUBJECT TO ARTICLE L.225-86 OF THE FRENCH CODE DE COMMERCE

The Company did not enter into any new so-called "regulated" agreement during the course of the 2009 fiscal year that would not have already been submitted to the Shareholder's Meeting.

Accordingly, and in application of Article L.225-88 of the Commercial Code, no resolution relating to agreements subject to Article L.225-86 of the Commercial Code is submitted, given the lack thereof, to the Shareholder's Meeting.

Regulated agreements and undertakings that were previously concluded, authorized and approved, particularly during prior fiscal years and which remained in effect during the 2009 fiscal year are described in detail in the special report of the Statutory Auditors, which appears on pages 239 and 240 of the 2009 Registered Document.

The report specifies that the Company and Banque Rothschild & Cie mutually agreed to terminate, effective 31 December 2009, the mandate conferred to this bank in 2006 for assignments relating to Vallourec's strategic options, as well as the assistance in the event of a takeover bid. The advice of Banque Rothschild & Cie was significant, in particular for its contribution to the Group's strategic analysis and planning. Since Vallourec has now set up teams and working groups allowing the preparation and approval of its strategic options without the need to receive permanent outside counsel, it no longer appears necessary to continue this mandate in 2010.

8.3.1.3 COMPOSITION OF THE SUPERVISORY BOARD

Resolutions 5 through 9 relate to the composition of the Supervisory Board.

1. Renewal of the mandate of three members of the Supervisory Board

The mandates as a member of the Supervisory Board of Michel de Fabiani and Jean-Claude Verdière as well as Bolloré S.A., the permanent representative of which is Mr Thierry Marraud, expire at the end of this Shareholder's Meeting.

The *filth resolution* relates to the renewal, in accordance with Article 10.1 of the by-laws, of the mandate of Mr Michel de Fabiani as member of the Supervisory Board for a period of four (4) years, i.e. until the end of the Ordinary Shareholder's Meeting called to approve the financial statements for the fiscal year ending on 31 December 2013. Mr Michel de Fabiani is independent under the terms of the AFEP-MEDEF Code.

The *sixth resolution* relates to the renewal, in accordance with Article 10.1 of the by-laws, of the mandate of Bolloré S.A. as member of the Supervisory Board for a period of four (4) years, i.e., until the end of the Ordinary Shareholder's Meeting called to approve the financial statements for the fiscal year ending on 31 December 2013. Bolloré S.A. is independent under the terms of the AFEP-MEDEF Code.

The *seventh resolution* relates to the renewal, in accordance with Article 10.1 of the bylaws, of the mandate of Mr Jean-Claude Verdière ⁽¹⁾ as member of the Supervisory Board for a period of two (2) years, i.e. until the end of the Ordinary Shareholder's Meeting called to approve the financial statements for the fiscal year ending on 31 December 2011 in order to ensure the continuity of the works of the Board, in particular the works of the Financial and Audit Committee, of which he is a qualified member with specific expertise in financial and audit related matters. This postponement will allow the new members of the Board to acquire an in-depth knowledge of the Group. Mr Jean-Claude Verdière is independent under the terms of the AFEP-MEDEF Code.

2. Appointment of two new members to the Supervisory Board

The *eighth resolution* relates to the appointment, in accordance with Article 10.1 of the by-laws, of Mrs Vivienne Cox as member of the Supervisory Board for a period of four (4) years, i.e. until the end of the Ordinary Shareholder's Meeting called to approve the financial statements for the fiscal year ending on 31 December 2013. Mrs Vivienne Cox is independent under the terms of the AFEP-MEDEF Code.

The *ninth resolution* relates to the appointment, in accordance with Article 10.1 of the by-laws, of Mrs Alexandra Schaapveld as member of the Supervisory Board for a period of four (4) years, i.e. until the end of the Ordinary Shareholder's Meeting called to approve the financial statements for the fiscal year ending on 31 December 2013. Mrs Alexandra Schaapveld is independent under the terms of the AFEP-MEDEF Code.

The biographies of Mrs Vivienne Cox and Mrs Alexandra Schaapveld are provided on page 10 of this brochure "Notice of calling".

3. Expiration of the mandate of a Censor

Mr Arnaud Leenhardt's mandate as Censor expires at the end of the Shareholder's Meeting. Having spent his entire career in the industry with the Vallourec Group of which he was the Chairman from 1981 to 2000, Mr Arnaud Leenhardt was the source of pivotal decisions that furthered the Group's international expansion as well as the success of its products and services in the global market.

The Management Board expresses the recognition of his attachment to Vallourec and its profound gratitude for the job he has done.

8.3.1.4 ADJUSTMENT OF THE COMPENSATION OF THE MEMBERS AND THE CENSORS OF THE SUPERVISORY BOARD

The *tenth resolution* sets the maximum annual amount of the attendance fees to be paid to the Supervisory Board at €520,000. This change aims at adapting this amount to the composition of the Board, its international nature and the increased frequency of the meetings of the Supervisory Board and the Committees, also taking into account the practice of European listed companies.

8.4 Supervisory Board report

In 2009, the world economic crisis caused unprecedented falls in Vallourec's sales volumes (-46%). The effect on sales in monetary terms was less severe: at €4,465 million, consolidated sales were 31% lower than in 2008. Net profit attributable to the owners of the Company fell 46% to €518 million but nevertheless represented 12% of sales.

This resilience resulted partly from a favourable price/mix effect due to the delivery during 2009 of orders placed under favourable conditions during the second part of 2008 and early in 2009 in the oil & gas and power generation sectors. Another factor which contributed to this resilience was the Group's ability, when faced with this sudden deterioration in market conditions, to adapt quickly and demon-

⁽¹⁾ Having reached the age limit of 70 years set forth in the bylaws, Mr Jean-Claude Verdière may be reelected one more time, for a maximum period of two years, in accordance with the provisions of Article 10-1 of the bylaws.

strate its flexibility by reducing operating costs, which were 35% lower in 2009 than in 2008 and 46% lower in the fourth quarter of 2009 than in the fourth quarter of 2008. Cash generated by the Group reached the record level of €1,611 million, including €845 million resulting from the sharp, strictly controlled reduction in the working capital requirement.

During the crisis, the Group maintained its capital expenditure at a high level to enable it to meet its customers' requirements and increase efficiency. Examples include the new integrated production site under construction in Brazil, the acquisition of a controlling interest in PTCT in Indonesia, the acquisition of two companies producing drill pipes and accessories in the Middle East, and the building of a new small-diameter tube mill in the United States, which will produce components to be used in unconventional gas production.

The Board would like to thank all Group staff and the Management Board for their hard work and for the results achieved during 2009 in an extremely challenging environment.

In 2010, the Group will continue its efforts to become more flexible and competitive, with the aim of emerging from the crisis an even stronger force.

The Supervisory Board, which met seven times during the financial year 2009, ensured that it was regularly informed of the performance and activity of the Company and the Group, in accordance with the legislation and the Company's by-laws. As part of its supervisory duties, it carried out the verifications and checks it considered necessary and took particular care to ensure that its structure was such as to facilitate good corporate governance.

The Supervisory Board has examined the Management Board's management report and the financial statements for the year ended 31 December 2009 as well as the various documents attached thereto, on which it does not have any specific comments.

The Board has also approved the report of the Chairman of the Supervisory Board on the conditions governing the preparation and organization of the Supervisory Board's work and the internal control and risk management procedures implemented by the Company.

The resolutions presented to you by the Management Board have been approved by the Supervisory Board.

As regards the ordinary resolutions:

- the Board supports the Management Board's proposal to set the dividend for the year ended 31 December 2009 at €3.50 per share and to give each of the Company's shareholders the choice between payment of the dividend in cash or in shares in accordance with the prevailing legislation and regulations.

The pay-out ratio is 38.6% and the average pay-out ratio for the last five financial years is 35.9% ;

- as regards the composition of the Supervisory Board, you are asked to renew for a period of four years the terms of office as members of the Supervisory Board of Mr Michel de Fabiani and Bolloré (for which Mr Thierry Marraud is the permanent representative).

You are also asked to renew the term of office of Mr Jean-Claude Verdière for a period of two years to ensure the continuity of the work of the Board and, in particular, that of the Finance and Audit Committee, to which he contributes significant expertise in the field of finance and accounting. This two-year period will give new Board members the time to acquire an in-depth knowledge of the Group.

You are also asked to appoint Mrs Vivienne Cox and Mrs Alexandra Schaapveld as members of the Supervisory Board for a period of four years.

Mrs Cox and Mrs Schaapveld are regarded as independent according to the criteria of the AFEP-MEDEF Code, as are Mr Jean-Claude Verdière and Bolloré.

Mr Arnaud Leenhardt's term of office as a *Censeur* expires at the close of this Shareholders' Meeting. Having served his entire career within the Vallourec Group, of which he was Chairman from 1981 to 2000, Mr Leenhardt was instrumental in the key decisions which resulted in the Group's exceptional international expansion and the success of its products in the world market.

The Supervisory Board would like to pay tribute to his loyalty to Vallourec and to express its sincere gratitude for the work he has accomplished;

- you are also asked to set at €520,000 the annual attendance fees to be allocated to the Supervisory Board. The amount of the fees needs to be adapted to reflect the composition of the Board, its international nature and the growing number of its meetings and of those of its Committees and to bring it into line with the practice of other listed European companies;
- you are also asked to renew the annual share buy-back authorization. The terms of the authorization are the same as for 2009. It is, however, stipulated that this authorization shall not apply in the event that the Company is the subject of a takeover bid.

As regards the extraordinary resolutions, which can only be applied with the agreement of the Supervisory Board:

- you are asked to approve a division by two of the nominal value of Vallourec's shares to make share ownership more accessible and to improve the liquidity of the shares;
- you are also asked to authorize a change in the by-laws to allow electronic voting at Shareholders' Meetings and to specify the procedures to be adopted, in particular as regards identification. The aim of this change is to facilitate active participation in Shareholders' Meetings;

- in order to enable Vallourec to pursue its strategy of creating long-term value despite the uncertainties of a cyclical market, you are asked to authorize the Management Board, in the event of an unsolicited takeover bid, to issue, free of charge, share warrants enabling holders to subscribe for the Company's shares on preferential terms.

Such action would be initiated by the Management Board under the control of independent members of the Supervisory Board who must take advice from a bank that is likewise independent. The maximum nominal amount of a capital increase that could result in the exercise of warrants issued in this way may not exceed 25% of the share capital in issue at that time. Such an authorization, which would remain in force for a period of 18 months, would come under the category of "statutory reciprocity exception". It could only be implemented against an initiator that cannot, and whose controlling shareholder cannot, be the subject of a takeover bid.

This measure will ensure, in the event of a hostile takeover bid, that a better valuation is placed on the Company and that the interests of its shareholders are safeguarded.

We invite you to approve all the resolutions proposed to you.

8.6 STATUTORY AUDITORS' REPORTS

8.6.2 Statutory Auditors' report on regulated agreements and commitments

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France and it should be understood that the agreements and commitments reported on are only those provided by French Code de commerce and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

Year ended 31 December 2009

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby present to you our report on the regulated agreements and commitments.

We are not required to ascertain whether any other agreements or commitments exist but to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments of which we were notified. It is not our role to determine whether they are beneficial or appropriate. It is your responsibility, under the terms of Article R.225-58 of French *Code de commerce*, to evaluate the benefits arising from these agreements and commitments prior to their approval.

ABSENCE OF AGREEMENTS OR COMMITMENTS ENTERED INTO BY THE COMPANY DURING THE YEAR AND NOT APPROVED BY THE SHAREHOLDERS' MEETING

We inform you that we have not been advised of any agreements or commitments entered into during the year and mentioned in Article L.225-86 of French *Code de commerce* and that has not been approved by the Shareholders' Meeting.

COMMITMENT APPROVED BY THE SHAREHOLDERS' MEETING HELD ON 4 JUNE 2009

In accordance with the French *Code de commerce* we have been advised that the following commitment, approved by the Shareholders' Meeting held on 4 June 2009 on the basis of the Statutory Auditors' report on regulated agreements and commitments dated 23 April 2009, was applicable during the period.

Indemnity for the termination of office of the Chairman of the Management Board

Member of the Management Board concerned: Mr Philippe Crouzet

On 6 April 2009, your Supervisory Board authorized that the Chairman of the Management Board will benefit from an indemnity following his removal from office especially in case of a significant change in the shareholding of the Company, of merger or of a significant change in strategy initiated by the Supervisory Board or by shareholders of the Company. In accordance with Article L.225-90-1 of French Commercial *Code de commerce*, entitlement to this indemnity is subject to achievement of performance conditions.

The indemnity for the termination of office is limited to twice the fixed portion of the remuneration increased by a targeted variable portion as determined by the Supervisory Board and corresponding to 80% of the fixed portion ("the reference remuneration").

The payment of this indemnity depends on performance conditions based on three criteria: (i) the EBITDA expressed in percentage of sales, (ii) the comparison between the actual EBITDA of the financial period ended expressed in euros with the budgeted EBITDA and (iii) the achievement of personal improvement objectives determined by the Supervisory Board for the financial period under examination. These all three criteria expressed in percentage of the fixed portion of the remuneration are limited to 30.

The performance conditions are met if the total of the three criteria determining the Performance Criteria (hereinafter "PC") is in the average over the last three financial periods, equal or higher than the half of the targeted variable portion of the remuneration. Would PC be lower than this threshold then no indemnity has to be paid. Would PC equal the half of the targeted variable portion then the indemnity paid amounts to one and a half times the reference remuneration; it varies on a linear basis between PC=40 and PC=80.

Furthermore, stock-options as well as stocks based on performance conditions are definitively attributed even in case of termination of office under circumstances as described above, if PC is equal or higher than 40 in the average over the last three years.

CONTINUING AGREEMENTS AND COMMITMENTS WHICH WERE ENTERED INTO IN PRIOR YEARS

Moreover, in accordance with the French Commercial Code, we have been informed of the following agreements and commitments, which were approved during previous years and which were applicable during the period.

Agreements signed with Rothschild & Cie

Member of the Supervisory Board concerned: Mr François Henrot

On 7 March 2006 your Supervisory Board authorized the Vallourec Management Board to enter into an agreement with Banque Rothschild & Cie under which the bank has two specific tasks: firstly the analysis, evaluation and definition of Vallourec's strategic and defensive options and secondly assistance with and defense against a takeover bid.

The term of the agreement is 24 months as from the date it took effect, i.e. 1 April 2006, renewable by tacit agreement for periods of six months.

Vallourec and Banque Rothschild & Cie decided not to renew this agreement with effect on 31 December 2009.

An amount of €360,000 excluding VAT has been paid in the financial period ended 31 December 2009.

Additional pension scheme attributed to executive officers

Additional pension scheme attributed to executive officers dated 15 September 2005

Members of the Management Board concerned: Mr Pierre Verluca (resigning on 31 March 2009), Mr Philippe Crouzet (appointed on 1 April 2009), Mr Jean-Pierre Michel and Mr Olivier Mallet.

On 14 September 2005 your Supervisory Board approved the implementation of this agreement and noted that the members of the Vallourec's Management Board are likely to benefit from these rights.

The defined benefit scheme (additional pension scheme) financed by the Group in respect of which the vesting of rights is conditional on the employee finishing his career at Vallourec and/or Vallourec & Mannesmann Tubes, which supplements the income following retirement of the Group's former managerial staff, under acceptable economic, financial and social conditions, was renewed in 2009.

The Company undertakes to pay a lifetime annuity at a predetermined level, directly proportional to the salary and in accordance with the employee's seniority and career development. The annuity is capped at 20% of the average basic salary excluding bonus of the last three years and limited to four times the annual social security ceiling. This scheme is insured with Axa France-Vie. The scheme is established for an indefinite period but may be terminated at any time.

Endorsement to the additional pension scheme attributed to executive officers dated 7 May 2008

On 7 May 2008 your Supervisory Board authorized an endorsement to the additional pension scheme dated 15 September 2005.

The purpose of the endorsement is to allow executive officers, including members of the Management Board, who have left the Company at an age over 55 years old following a decision taken by the employer, to benefit from the rights vested through the additional pension scheme of Vallourec on condition that they are not subsequently in active employment.

All terms and conditions of the additional pension scheme attributed to executive officers are detailed above.

We conducted our work in accordance with professional standards applicable in France; those standards require that we perform the procedures deemed necessary so as to verify that the information provided to us is in agreement with the underlying documentation from which it was extracted.

Paris La Défense and Neuilly-sur-Seine, 16 April 2010

The Statutory Auditors

KPMG Audit

Deloitte & Associés

Department of KPMG SA

Jean-Paul Vellutini

Philippe Grandclerc

Jean-Paul Picard

Jean-Marc Lumet

8.6.4 Statutory Auditors' report, prepared in accordance with Article L.225-235 of French *Code de commerce* on the report prepared by the Chairman of the Supervisory Board of Vallourec

This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with Article L.225-235 of French Code de commerce on the report prepared by the Chairman the Supervisory Board on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

Year ended 31 December 2009

To the Shareholders,

In our capacity as Statutory Auditors of Vallourec and in accordance with Article L.225-235 of French *Code de commerce*, we hereby report on the report prepared by the Chairman of the Supervisory Board of your Company in accordance L.225-68 of French *Code de commerce* for the year ended 31 December 2009.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-68 of French *Code de commerce*, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L.225-68 of French *Code de commerce*, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;

- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L.225-68 of French *Code de commerce*.

OTHER DISCLOSURES

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-68 of French *Code de commerce*.

Paris La Défense and Neuilly-sur-Seine, 16 April 2010

The Statutory Auditors

KPMG Audit

Department of KPMG SA

Jean-Paul Vellutini

Philippe Grandclerc

Deloitte & Associés

Jean-Paul Picard

Jean-Marc Lumet



French limited liability company
(société anonyme)
with Management and
Supervisory Boards
and issued capital of € 229,123,156

Registered Office:

27, avenue du Général Leclerc
92100 Boulogne-Billancourt (France)
552 142 200 RCS Nanterre
tel: +33 (0)1 49 09 39 76
fax: +33 (0)1 49 09 36 94
Internet: www.vallourec.com