



Boulogne, 10th August 2009

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 of stock option and performance shares to the members of the Management Board for 2009

In a decision dated May 13, 2009, Vallourec's Supervisory Board approved the Management Board policy aimed at strengthening employees' corporate attachment to the Vallourec Group results.

This policy and the underlying principles have been implemented with respect to 2009 grants during the Supervisory Board's meetings of June 3 (regarding the employee share ownership plan and the allocation of free shares in favour of the entire personnel) and July 30, 2009 (regarding the performance share allocation plan and the stock option plan). The Supervisory Board has also concurrently approved the compensation policy relating to the allocation of stock options and performance shares to the members of the Management Board.

The information contained in this document are made public in accordance with the AFEP-MEDEF Code of Corporate Governance of December 2008 and supplement the information relating to the corporate officers' compensation posted on the company's website on April 9, 2009.

A. - VALLOUREC COMPENSATION AND INCENTIVE POLICY:

Vallourec has implemented and is developing an incentive policy aimed at, firstly, supplementing the compensation of its personnel through the implementation of various schemes designed to allow them to benefit from the evolution of the Group's results in the long term. This policy also aims at developing gradually a significant employee share ownership, in line with the development goals of Vallourec. This policy is progressively extended to all categories of personnel and all countries where Vallourec operates, subject to and in accordance with local legislation and regulations:

- thus, all Vallourec Group employees were offered the opportunity to participate to an employee share ownership plan in 2008 (the "Value offer"). This plan is being renewed in 2009 (See *Press Release of July 31, 2009*) under the name of "Value 09";
- additionally, in 2009 and for the first time, free shares will be allocated to all Group employees subject to the satisfaction of presence and performance conditions;
- the French employees of the Group also benefit from mandatory and negotiated profit-sharing plans (*participation* and *intéressement*).

The compensation policy of Vallourec aims secondly at strengthening the alignment of the interests of Vallourec's management with those of its shareholders with a long-term perspective, through the annual allocation of stock options and/or of performance shares subject to the satisfaction of performance criteria over several years. These allocations are progressively extended to a growing number of managers of the Group.

These allocations are subject to:

- a condition of presence ;
- pre-defined and objective performance conditions.

Hence, the beneficiaries are bearing the risk of a decrease or a loss of their gains if Vallourec does not achieve its objectives over a period of several years. They are also asked to undertake not to enter into arrangements allowing them to reduce or to cancel this risk (hedging instruments).

From a corporate governance point of view, Vallourec has adopted a consistent approach in the allocation of stock options. In order to avoid any windfall, the allocations take place every year in the beginning of September, on the basis of an exercise price equal to the average of the opening listing prices of the Vallourec share during the twenty trading days preceding the Management Board's decision to implement the plan. Stock options are allocated at a non-discounted exercise price.

Thanks to the implementation of these various plans, Vallourec aims at increasing the employee share ownership percentage to 5% of its share capital.

B – GRANTS OF SHARES WITHIN THE FRAMEWORK OF THE VALUE 09 OFFER, GRANTS OF FREE SHARES AND PERFORMANCE SHARES AND STOCK OPTIONS GRANTS IN 2009:

(i) Plans benefiting all employees:

The "Value 09" employee share ownership plan may raise the percentage of the share capital held by Group employees to around 3.5% of the Vallourec share capital (including the shares held by the structuring bank).

In addition, the Management Board agreed on July 31, 2009 on the principle of the allocation of three free shares to all employees of the Group (excluding corporate officers). The maximum number of shares to be allocated pursuant to this decision is 54,000 shares. The formal allocation decision will take place at the end of the year on the completion date of the capital increase carried out within the framework of the "Value 09" offer. The effective allocation of these shares will be subject to an employment condition and to a performance condition depending on the Group's profits during the fiscal years 2010 and 2011.

(ii) Allocations benefiting the Group's managers and executives:

Within the framework of the performance share allocation plan decided in 2007, 321 managers of the Group received 57,090 performance shares for the year 2009.

On July 31, 2009, the Management Board also decided to grant to 50 newly hired or recently promoted managers a maximum number of 7,189 performance shares. The final allocation of these performance shares is subject to an employment condition (2 years for French tax resident employees and 4 years for non-French tax resident employees) and to a performance condition depending on the Group's operating profits for the year 2010.

The Supervisory Board also approved the implementation of a stock option plan benefiting, subject to certain conditions, to 321 managers (excluding the Management Board's members). The maximum number of stock options that can be allocated shall not exceed 253,000, excluding the allocation to the Management Board's members. The stock options will be allocated at a non-discounted price. The exercise price will be equal to the average of the opening listing prices of the Vallourec share during the twenty trading days preceding the Management Board's decision that is expected to take place on September 1, 2009.

The possibility of exercising the stock options will be subject to the satisfaction of presence and performance conditions. A minimum 4-year period of employment with the company will be required (except for customary exceptions). The performance condition is based on an average of the 2009, 2010 and 2011 Group's operating profits. The stock options may be exercised during a 6-year period following a 4-year lock-up period that will run as from the date of the implementation of the plan, which is expected to be on September 1, 2009.

(iii) Allocation of shares to corporate officers

The following chart details the maximum number (based on the assumption that the performance condition is fully met) of stock options / performance and free shares allocated during the last three fiscal years and still subject to a lock-up on July 30, 2009, to each member of the Management Board in office on January 1, 2009.

	Allocation in Year	Performance shares	Stock options	Exercise date	Exercise price
Mr Pierre Verluca ⁽¹⁾ <i>Chairman of the Management Board</i>	2008	532	14,000	09/01/2012	183.54
	2007	532	13,000	09/03/2011	190.60
	2006	9,615	0	-	-
Mr Jean-Pierre Michel <i>Chief Operating Officer</i>	2008	532	12,000	09/01/2012	183.54
	2007	532	11,000	09/03/2011	190.60
	2006	6,410	0	-	-
Mr Olivier Mallet ⁽²⁾ <i>Chief Financial Officer</i>	2008	798	23,000	09/01/2012	183.54

(1) Pierre Verluca left the company on March 31, 2009.

(2) Olivier Mallet joined the Company on July 15, 2008.

During its meeting held on July 30, 2009, the Supervisory Board decided to grant stock options and performance shares to the members of the Management Board in office on July 30, 2009, as detailed in the table below, within the framework of the plan detailed in paragraph B(ii) above (as far as stock options are concerned, subject to the effective implementation of the plan).

	Stock options	Performance shares
Mr Philippe Crouzet <i>Chairman of the Board</i>	22,000	6,000
Mr Jean-Pierre Michel, <i>Chief Operating Officer</i>	10,000	2,800
Mr Olivier Mallet <i>Chief Financial Officer</i>	8,000	2,500

(1) Philippe Crouzet took office on April, 1, 2009.

The performance conditions, the exercise price and the lock-up and exercise periods of the stock options allocated to the members of the Management Board are identical to those applicable to the stock options allocated to the eligible Group managers in 2009. Presence and performance conditions applicable to the performance shares allocated to the Management Board's members are identical to those applicable to the performance shares allocated to the eligible Group managers in 2009.

Furthermore, in accordance with applicable law and regulations and the AFEP-MEDEF corporate governance principles, and pursuant to the Supervisory Board's decision of July, 31, 2007, the members of the Management Board must hold until they leave office: (i) one fourth of the performance shares allocated pursuant to a given allocation plan and (ii) the equivalent in Vallourec shares of one fourth of the gross capital gain recognized on the date of the sale of Vallourec shares resulting from the exercise of the stock options. The members of the Management Board also undertake not to use hedging instruments in connection with the exercise of the stock options, the sale of shares held upon the exercise of the stock options or the sale of performance shares.

In accordance with point 7 of the twenty-first resolution approved during the General Meeting of June 4, 2009, the number of stock options granted to corporate officers pursuant to this plan will not represent more than 20 % of the total number of stock options allocated pursuant to the 2009 plan.

The following chart details for each Management Board member the maximum number of performance shares and stock options allocated for the year 2009, the exercise price of the latter, and the ratio of each allocation to the total number of shares and stock options allocated to Group employees:

Shares/Stock options allocation in 2009	Number of Performance shares	Percentage of total performance shares	Stock options	Exercise price (in euros)	Percentage of the total number of allocated stock options
Mr Philippe Crouzet <i>Chairman of the Board</i>	6,000	4.6 %	22,000	(*)	7.5 %
Mr Jean-Pierre Michel <i>Chief Operating Officer</i>	2,800	2.2 %	10,000	(*)	3.4 %
Mr Olivier Mallet <i>Chief Financial Officer</i>	2,500	1.9 %	8,000	(*)	2.7 %
Total	11,300	8.7 %	40,000		13.6 %

(*)The exercise price will correspond to the average of the opening listing prices of the Vallourec share during the twenty trading days preceding the Management Board's decision, which is expected to take place on September 1, 2009. No discount will be granted.

The 2008 Reference Document (*Document de Référence*) which has been filed with the AMF on April 30, 2009 is available on Vallourec's website.

http://www.vallourec.fr/fr/actionnaires/information_reglementee.asp contains more details on the compensation of the members of the Management Board (please see section 6.2 "Compensation and Benefits" ("*Rémunération et Avantages*").

This document is available on Vallourec's website :
<http://www.vallourec.fr/fr/news/publications.asp>