

Information on the policy of strengthening employees' stake in Vallourec Group results and remuneration of Management Board members in 2011

At its 28 March 2011 meeting, Vallourec's Supervisory Board voted to strengthen the policy implemented by the Management Board to strengthen employees' stake in the Group's results. It also voted on several aspects of the Management Board's remuneration for 2010 and 2011. This information is made public in accordance with the AFEP-MEDEF Code.

A – CONTINUATION OF POLICY ON REMUNERATION AND EMPLOYEES' STAKE IN GROUP RESULTS

At its 28 March 2011 meeting, the Supervisory Board approved the continuation of Vallourec's remuneration policy. The policy aims, first, to enhance all employees' remuneration through schemes to strengthen their stake in the Group's results over the long term; and second, to increase the congruence of management's interests with those of shareholders over the long term by annual allocation of performance shares and/or share subscription options or call options, subject to the achievement of performance targets over several financial years.

As in every year, the Group's French employees will also benefit from the systems of discretionary profit sharing (*intéressement*) and French legal profit sharing (*participation*).

1. Operations in favour of all personnel

At its 28 March 2011 meeting, the Supervisory Board voted to allocate a maximum of six performance shares to all Group personnel (excluding corporate officers) for the third consecutive year, subject to conditions of presence in the Company and performance, up to a maximum of 80,000 shares, representing 0.07% of Vallourec's share capital on the date of issuance of this press release.

In 2008, 2009 and 2010, all Vallourec employees benefited from the "Value" employee shareholding scheme. Renewal of this scheme will be examined at the Supervisory Board's 11 May 2011 meeting.

2. Operations in favour of Group management and executives

On 28 March 2011, the Supervisory Board approved the implementation of a performance share plan to benefit a maximum of 1,205 Group executives, compared with 848 in 2010.

This allocation was made on 30 March 2011, at the same time as the annual performance evaluation of eligible executives.

The maximum number of performance shares to be allocated is 251,250, representing a maximum of 0.21% of Vallourec's share capital on the date of issuance of this press release.

Definitive acquisition is subject to a condition of satisfaction of presence within the company (two years for French tax residents and four years for non-residents) and a performance condition linked to the Group's EBITDA for the 2011 and 2012 financial years.

This allocation is included in the Sixteenth Resolution of the 4 June 2008 Shareholders' Meeting.

3. Allocations to corporate officers

The table below shows, for each member of the Management Board who was in place on 1 January 2011, the maximum number (assuming that the performance condition is satisfied in full) of share subscription options and performance shares allocated in respect of the last three financial years.

	Plan year	Maximum number of performance shares	Options	Exercise date of options	Exercise price of options (EUR)
Philippe Crouzet, <i>Chairman of the Management Board</i>	2010	9,000	33,000	01/09/2014	71.17
	2009	12,000	44,000	01/09/2013	51.67
	2008	None	None	NA	NA
Jean-Pierre Michel, <i>Chief Operating Officer</i>	2010	4,400	15,000	01/09/2014	71.17
	2009	5,600	20,000	01/09/2013	51.67
	2008	1,064	24,000	01/09/2012	91.77
M. Olivier Mallet, <i>Chief Financial Officer</i>	2010	3,600	12,000	01/09/2014	71.17
	2009	5,000	16,000	01/09/2013	51.67
	2008	1,596	46,000	01/09/2012	91.77

At its 28 March 2011 meeting, the Supervisory Board approved, within the framework of the 2011 plan cited in paragraph A (2) above, the allocation to Management Board members of a maximum of 22,700 performance shares under the following conditions:

2011 performance share plan	Maximum number of performance shares	% of total performance shares allocated
Philippe Crouzet <i>Chairman of the Management Board</i>	12,000	4.38%
Jean-Pierre Michel <i>Chief Operating Officer</i>	5,900	2.15%
Olivier Mallet <i>Chief Financial Officer</i>	4,800	1.76%
TOTAL	22,700	8.29%

Definitive allocation of performance shares to Management Board members is subject on the one hand to a condition of satisfaction of presence in the company for two years from the allocation date and on the other hand to quantitative performance criteria applicable to 100% of the performance shares allocated. Performance will be assessed over two consecutive financial years and measured on the basis of the following three quantitative criteria: (1) the growth rate of sales at constant scope; (2) the ratio of consolidated EBITDA to consolidated sales at constant scope for the period; and (3) the Vallourec share's stock market performance on the regulated NYSE Euronext Paris market relative to a reference sample. The Company will disclose the effective percentages for each Management Board member at the expiry of the performance assessment period.

If all of the above conditions are satisfied, the maximum number of performance shares allocated to Management Board members will represent a maximum of 0.019% of Vallourec' share capital on the date of issuance of this press release.

The following table relates the performance shares allocated to each Management Board member (assuming that maximum performance is achieved) on the one hand to share capital, and on the other hand to the total performance share allocation to all Group employees over the last three financial years, based on the authorisation granted by the 4 June 2008 Extraordinary Shareholders' Meeting:

	2009	2010	2011
Philippe Crouzet	12,000	9,000	12,000
% of share capital	0.01%	0.01%	0.01%
% of total allocation	8.0%	4.6%	4.38%
Jean-Pierre Michel	5,600	4,400	5,900
% of share capital	0.005%	0.004%	0.005%
% of total allocation	3.75%	2.26%	2.15%
Olivier Mallet	5,000	3,600	4,800
% of share capital	0.004%	0.003%	0.004%
% of total allocation	3.35%	1.85%	1.76%
Total	22,600	17,000	22,700
% of share capital	0.019%	0.014%	0.019%
% of total allocation	15.14%	8.73%	8.29%

The table below shows, for the performance share plans for which the performance assessment period has reached expiry, the maximum number of performance shares allocated to members of the Management Board as constituted on 31 December 2010, and the number of performance shares acquired by them pursuant to the performance criteria.

Performance shares to Management Board members	2007	2008	2009	Total
Maximum number of performance shares allocated to Management Board members	1,064	2,660	22,600	26,324
Number of performance shares acquired by Management Board members pursuant to the performance criteria	872	1,576	18,321	20,769
Percentage of performance shares acquired relative to maximum number of performance shares initially allocated	82%	59%	81%	79%

In accordance with legal and regulatory provisions, the recommendations of the AFEP-MEDEF Code and the Supervisory Board's 31 July 2007 decision, Management Board members are required to retain until the end of their terms of office one quarter of the performance shares granted to them under the terms of a plan. Management Board members also formally undertake not to use hedging instruments in connection with the sale of their performance shares.

B – REMUNERATION OF CORPORATE OFFICERS

At its meetings on 23 February and 28 March 2011, the Supervisory Board decided to set the determining factors in monetary remuneration of corporate officers as follows:

2010 FINANCIAL YEAR

On the basis of the financial statements for the 2010 financial year, the Board set the variable portion of Management Board members' remuneration for that year.

In 2010, the variable portion will be two-thirds based on the Group's overall performance, as measured by the net profit and by EBITDA, and one-third based on the achievement of individual targets set by the Board. It is limited to 90% of the fixed amount of remuneration for the Chairman of the Management Board and to 75% for the other two members. The basis for calculating the Group's overall performance will be verified by the Statutory Auditors.

On the basis of these principles, the amount of variable remuneration of Management Board members for the 2010 financial year was as follows:

In euros (rounded)

	Philippe Crouzet <i>Chairman of the Management Board</i>	Jean-Pierre Michel <i>Chief Operating Officer</i>	Olivier Mallet <i>Chief Financial Officer</i>
Variable portion	620,000	285,000	250,000
Percentage of fixed portion of remuneration	81%	66%	66%

2011 FINANCIAL YEAR

For 2011, the Supervisory Board a made no changes to the fixed portions of the monetary remuneration of Management Board members. As recommended by the Appointments, Remuneration and Governance Committee, the Supervisory Board modified the calculation of the variable portion of monetary remuneration of Management Board members, distinguishing the target variable portion from the maximum variable portion.

	Philippe Crouzet, Chairman of the Management Board	Jean-Pierre Michel, Chief Operating Officer	Olivier Mallet, Chief Financial Officer
Fixed portion* in euros (rounded)	760,000	430,000	375,000
Target variable portion as percentage of the fixed portion	90%	75%	75%
Maximum variable portion as percentage of the fixed portion	120%	100%	100%

* unchanged from 2010

In 2011, the maximum variable portion of Philippe Crouzet's remuneration will be based 30% on the net profit, 45% on EBITDA and 45% on achievement of objectives set by the Board for Group cost reductions, strategic investments, and international development. These percentages are set respectively at 25%, 37.5% and 37.5% for Jean-Pierre Michel and Olivier Mallet.

This information is available on Vallourec's website:

<http://www.vallourec.fr/en/group/corporate-governance/supervisory-board/>