

## **INFORMATION ON THE MANAGEMENT BOARD'S COMPENSATION IN 2014 AND 2015**

The Supervisory Board of Vallourec, during its meeting of 23 February 2015, ruled on the 2014 and 2015 compensation of the Management Board. This information is published in accordance with the AFEP-MEDEF Code.

A detailed report explaining the compensation policy for members of the Management Board will be published in April 2015, with a view to the advisory vote by shareholders as they gather at the General Meeting on 28 May 2015 on compensation owed or awarded for the financial year ending 31 December 2014 to Mr Philippe Crouzet, Chairman of the Management Board, and Mr Jean-Pierre Michel and Mr Oliver Mallet, members of the Management Board.

### **A – MONETARY COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD**

#### **2014 FINANCIAL YEAR**

On the basis of the financial statements for the 2014 financial year, the Supervisory Board has fixed the variable portion of Management Board members' monetary compensation for that financial year.

For the financial year 2014, the variable portion for Mr Philippe Crouzet may vary from 0 to 100% of his fixed portion to the target (798,000 euros) and reach 135% of this same fixed portion if maximum objectives are achieved (1,077,300 euros). For Mr Jean-Pierre Michel and Mr Olivier Mallet, the variable portions may vary from 0 to 75% of their fixed portions to the target (337,500 euros and 315,000 euros respectively) and reach 100% if maximum objectives are achieved (450,000 euros and 420,000 euros respectively).

The 2014 target variable portion for Mr Philippe Crouzet was based on financial performance of 60% relating to EBITDA, consolidated net income Group share, managing financial indebtedness, managing inventory, accounts receivable and accounts payable and net cash flow; and based on operational performance objectives of 40% in terms of safety, the environment, and areas of improvement. These percentages are set at 45% and 30% respectively for Mr Jean-Pierre Michel and Mr Olivier Mallet.

In this context, the amounts of Management Board members' variable portions for the financial year 2014 have been set as follows:

	Mr Philippe Crouzet Chairman of the Management Board	Mr Jean-Pierre Michel, Member of the Management Board	Mr Olivier Mallet, Member of the Management Board
<b>Amount of variable portion 2014 in absolute terms</b>	€613,346	€236,763	€267,704
<b>The percentage of fixed variable portion paid to Mr Olivier Mallet compared to the target variable</b>	76.86%	70.15 %	84.98 %

## 2015 FINANCIAL YEAR

For 2015, the Supervisory Board has renewed the fixed portions and the principles for determining the variable portions used in 2014. As a consequence, the fixed and variable financial remunerations are approved as follows:

	Mr Philippe Crouzet Chairman of the Management Board	Mr Jean-Pierre Michel, Member of the Management Board	Mr Olivier Mallet, Member of the Management Board
<b>Fixed portion in euros</b>	798,000	450 000	420,000
<b>Target variable portion as a % of the fixed portion</b>	100%	75%	75%
<b>Maximum variable portion as a % of the fixed portion</b>	135%	100%	100%

The variable portions for 2015 of members of the Management Board will be set on the basis of the following objectives:

Objectives for the variable portion 2015	Members of the Management Board		
	Philippe Crouzet (target variable portion: 100% of the fixed portion)	Jean-Pierre Michel (target variable portion: 75% of the fixed portion)	Olivier Mallet (target variable portion: 75% of the fixed portion)
<b>1. FINANCIAL PERFORMANCE OBJECTIVES</b> EBITDA, cost reductions and net cash flow	<b>WEIGHTING: 60%</b>	<b>WEIGHTING: 45%</b>	<b>WEIGHTING: 45%</b>
<b>2. OPERATIONAL PERFORMANCE OBJECTIVES</b>	<b>WEIGHTING: 40%</b>	<b>WEIGHTING: 30%</b>	<b>WEIGHTING: 30%</b>
<b>2.1 Social, environmental and societal responsibility</b> Safety and recovery of waste	<b>Weighting: 10%</b>	<b>Weighting: 7.5%</b>	<b>Weighting: 7.5%</b>
<b>2.2 Areas of improvement</b>	<b>Weighting: 30%</b> Competitiveness and international growth	<b>Weighting: 22.5%</b> Optimisation of purchasing, improving the quality and productivity of industrial tools	<b>Weighting: 22.5%</b> Cost reductions and optimising the structure of the financial function
<b>Target variable portion total</b>	<b>100%</b>	<b>75%</b>	<b>75%</b>

## B – ALLOCATION OF PERFORMANCE SHARES AND STOCK OPTIONS

During its meeting of 23 February 2015, the Supervisory Board also decided on the award of performance shares and stock options to the members of the Management Board on the following terms:

2015 plans	Performance shares <sup>1</sup>	Options <sup>2</sup>
Mr Philippe Crouzet, <i>Chairman of the Management Board</i>	13,770	18,100
Mr Jean-Pierre Michel, <i>Member of the Management Board</i>	6,480	8,500
Mr Olivier Mallet, <i>Member of the Management Board</i>	6,480	8,500
<b>TOTAL</b>	<b>26,730</b>	<b>35,100</b>
Potential percentage of capital awarded <sup>3</sup>	0.020 %	0.027%
Potential percentage of dilution	None <sup>4</sup>	0.027%

<sup>1</sup> Based on target coefficient fixed at 1.

<sup>2</sup> Based on target coefficient fixed at 1.

<sup>3</sup> Based on the share capital at 31 December 2014.

<sup>4</sup> The allocation of performance shares will be covered by existing shares.

Allocations will take place on 15 April 2015. They will be implemented as part of the 19th (options) and 20th (performance shares) resolutions adopted by the General Assembly of 28 May 2014. The price of the options will be determined with reference to the average opening price of the Vallourec share during the 20 trading days prior to the decision to award options by the Management Board, with no discount applied.

The definitive award of these long-term incentive instruments is subject on the one hand to an employee's presence in the business for three years in relation to performance shares and four years in relation to stock options, and on the other hand to quantified performance criteria covering 100% of the performance shares and stock options awarded.

Performance will be assessed over three consecutive company financial years (2015-2017) and measured based on achievement of the following objectives:

- for 50% of the performance shares awarded, the *Return of Capital Employed - ROCE* on a consolidated like-for-like basis,
- for 50% of the performance shares awarded, the *Total Shareholder Return - TSR* compared to those of a panel of comparable companies.

Performance will be assessed over four consecutive company financial years (2015-2018) and measured based on achievement of the following objectives:

- for 50% of the options granted, the EBITDA on a consolidated like-for-like basis,
- for 50% of the options awarded, the consolidated EBITDA margin compared to those of a panel of comparable companies.

For the purposes of the relevant criterion, the panel of comparable companies shall consist of the following 14 companies from the "Oil and Gas", "Energy" and "Steel" sectors: Technip, Tenaris, Schlumberger, TMK, Baker Hughes, Halliburton, NOV, Areva, Alstom, Arcelor Mittal, Thyssen Krupp, US Steel, Salzgitter AG and NSSMC.

At the end of the performance assessment period, Vallourec will publish, for the objectives criteria, the minimum and maximum thresholds between which a linear progression will have been applied.

The members of the Management Board must retain, until the termination of their functions, one quarter of the performance shares purchased and one quarter the equivalent in Vallourec shares to one quarter of the gross capital gain realised upon sale of shares acquired by exercising their stock options. Furthermore, the members of the Management Board formally undertake not to make use of hedging instruments relating to their performance shares, stock options or shares acquired by exercising their stock options.

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