

INFORMATION ON THE MANAGEMENT BOARD'S COMPENSATION IN 2015 AND 2016

The Supervisory Board of Vallourec, during its meeting of 17 February 2016, ruled on the 2015 and 2016 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 March 2016, with a view to the advisory vote by shareholders as they gather at the General Meeting on 6 April 2016 on compensation owed or awarded for the financial year ending 31 December 2015 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

2015 FINANCIAL YEAR

On the basis of the financial statements for the 2015 financial year, the Supervisory Board has fixed the variable portion of Management Board members' monetary compensation for that financial year.

For the financial year 2015, 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 2015 target variable portion for Mr Philippe Crouzet was based on financial performance of 60% relating to EBITDA, consolidated net income Group share, cost reduction and net cash flow; and based on operational performance objectives of 40% in terms of safety, waste recovery, and areas of improvement. These percentages are set at 45% and 30% respectively for Mr Jean-Pierre Michel and Mr Olivier Mallet.

The amounts of Management Board members' variable portions for the financial year 2015 are set out in the schedule below.

Firstly, it should be stated that Mr. Philippe CROUZET has made the decision to voluntarily waive:

- the variable portion of his 2015 remuneration –
- his allocation of performance shares and options to subscribe for shares allocated in 2015.

The Supervisory Board has taken formal note of this decision at its meeting on 17 February 2016.

	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
Variable remuneration as a percent of target	83%	69%	78%
Variable remuneration as a percent of fixed remuneration	83%	52%	58%
Total calculated for 2015 variable remuneration in Euros	€661,778	€232,239	€245,107
Total variable remuneration actually paid	0€	€232,239	€245,107

2016 FINANCIAL YEAR

At its meeting on 17 February 2016, the Supervisory Board renewed principles of remuneration for members of the Management Board on identical terms relating to those relating to the fixed and variable remuneration and the allocation of performance shares and options to subscribe for shares. For 2016, this resulted in the Supervisory Board setting fixed and variable monetary remuneration 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
Fixed portion in euros	798,000	450,000	420,000
Target variable portion as a % of the fixed portion	100 %	75 %	75 %
Maximum variable portion as a % of the fixed portion	135 %	100 %	100 %

In order to allow for the company's short term restructuring issues in the context of an exceptional oil crisis, the Supervisory Board has decided to make the variable portions of Management Board Members' remuneration dependent on three factors which are fundamental to the group:

Objectives for the variable portion 2016	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)
1. THE GROUP RESTRUCTURING PLAN Reduction in costs, RBE, Implementing restructuring plan	WEIGHTING:45 %	WEIGHTING:33.75 %	WEIGHTING:33.75 %
2. THE FINANCING PLAN Increasing share capital, Net debt	WEIGHTING:45 %	WEIGHTING:33.75 %	WEIGHTING:33.75 %
3. ENVIRONMENT HEALTH & SAFETY	Weighting: 10 %	Weighting:7.5 %	Weighting:7.5%

B – ALLOCATION OF PERFORMANCE SHARES AND STOCK OPTIONS

During its meeting of 17 February 2016, 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:

2016 plans	Performance shares ¹	Options ²
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
TOTAL	26,730	35,100
Potential percentage of capital awarded ³	0.02 %	0.026 %
Potential percentage of dilution	None ⁴	0.026 %

Allocations 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.

¹Based on target coefficient fixed at 1, the maximum performance coefficient being 1.33

²Based on target coefficient fixed at 1, the maximum performance coefficient being 1.33

³On the basis of share capital at 31 December 2015, represented by 135 688 432 shares.

⁴The allocation of performance shares will be covered by existing shares.

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 (2016-2018) 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 (2016-2019) 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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