

INFORMATION ON

THE MANAGEMENT BOARD'S REMUNERATION IN 2016 AND 2017

The Supervisory Board of Vallourec, during its meeting of 21 February 2017, ruled on the 2016 and 2017 remuneration of the Management Board. This information is published in accordance with the AFEF-MEDEF Code.

A detailed report explaining the remuneration due or awarded to Mr Philippe Crouzet, Chairman of the Management Board, Mr Jean-Pierre Michel and Mr Oliver Mallet, members of the Management Board for the financial year ending 31 December 2016 will be published in March 2017 with a view to the mandatory vote by shareholders at the General Meeting to be held on 12 May 2017 in accordance with AFEF-MEDEF Code.

A – MONETARY COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD

2016 FINANCIAL YEAR

On the basis of the financial statements for the 2016 financial year, the Supervisory Board has fixed the variable portion of the monetary compensation for the Management Board members for that financial year.

For the financial year 2016, 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).

In order to allow for the Company's short-term restructuring issues in the context of an exceptional oil crisis, the Supervisory Board decided in February 2016 to make the Management Board's variable portions dependent on three factors that 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 the 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 AND SAFETY | Weighting: 10% | Weighting: 7.5% | Weighting: 7.5% |

The operational performance objectives were 20% of the target variable portion and the quantifiable objectives (financial and safety objectives) were 80% of the target variable portion for Mr Philippe Crouzet, Mr Jean-Pierre Michel and Mr Olivier Mallet:

- The portion of the financial performance objectives increased to 70% of the target variable portion (compared to 60% in 2014 and 2015).
- The portion of the societal performance objectives was kept at 10% of the target variable portion (as in 2014 and 2015).

The amounts of the variable portion for the Management Board's Members for the financial year 2016 are outlined in the chart below.

| | Philippe Crouzet Chairman of the Management Board | Jean-Pierre Michel, Member of the Management Board | Olivier Mallet, Member of the Management Board |
|---|--|---|---|
| The percentage of the variable portion compared to the target variable portion | 85% | 85% | 85% |
| Percentage of the variable portion compared to the fixed portion of the remuneration | 85% | 63% | 63% |
| Amount of the variable portion 2016 | €679,257 | €285,615 | €266,574 |

2017 FINANCIAL YEAR

At its meeting on 21 February 2017, the Supervisory Board took the following decisions for 2017:

- The fixed monetary remuneration of the Management Board's Members shall remain unchanged;
- The target and maximum variable monetary remuneration of the Management Board's Members shall remain unchanged.

| | Philippe Crouzet Chairman of the Management Board | Jean-Pierre Michel, Member of the Management Board (Until 31/03/2017) | 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% |

The objectives taken into account when determining the variable portion are defined each year based on the Group's key financial and operational indicators in line with the nature of its operations, its strategy, its values and the issues it must face.

For 2017, in order to allow for the issues, the Supervisory Board decided to make the Management Board's variable portions dependent on three factors that are fundamental to the Group:

| Objectives for the variable portion 2017 | Members of the Management Board | | |
|--|--|---|---|
| | Philippe Crouzet (target variable portion: 100% of the fixed portion) | Jean-Pierre Michel (Until 31/03/2017) (target variable portion: 75% of the fixed portion) | Olivier Mallet (target variable portion: 75% of the fixed portion) |
| 1. FINANCIAL PERFORMANCE Competitiveness plan, EBITDA, PRI | WEIGHTING: 60% | WEIGHTING: 45% | WEIGHTING: 45% |
| 2. OPERATIONAL PERFORMANCE Deployment of the new organisation and adaptation | WEIGHTING: 25% | WEIGHTING: 18.75% | WEIGHTING: 18.75% |
| 3. CSR Safety, Environment | WEIGHTING: 15% | WEIGHTING: 11.25% | WEIGHTING: 11.25% |

B – ALLOCATION OF PERFORMANCE SHARES AND STOCK OPTIONS

In order to determine the number of performance shares and options awarded to the Management Board, the Nomination, Remuneration and Governance Committee (NRGC) reviews the fair value of said instruments and then determines a grant amount that ensures a balance between remunerations and benefits of all types in their three components (fixed portion, variable portion and long-term incentive instruments). However, in recent years, due to unfavourable developments in the fair value of instruments awarded, this balance could not be achieved.

At its meeting on 21 February 2017, the Board, on the recommendation of the NRGC, decided to gradually return to a Management Board performance share and stock option grant value equivalent to one third of all three components of remunerations and benefits of all types (fixed portion, variable portion and long-term incentive instruments). In this respect, the Board, on the proposal of the NRGC, decided that, for the 2017 financial year, the volume of performance shares and stock options granted to the Management Board will represent to 22% of all three of these components based on the IFRS value assessed on the day of the grant.

In this respect, about $\frac{1}{4}$ of the value would relate to the target stock option grant and the remaining $\frac{3}{4}$ would relate to the target performance share grant.

| | Target value in IFRS value of share grants* | Target value in IFRS value of stock option grants* | Total Target value in IFRS value of performance share and stock option grants |
|------------------|---|--|--|
| Philippe Crouzet | €353,000 | €97,000 | €450,000 |
| Olivier Mallet | €163,000 | €45,000 | €208,000 |

*within 5%

It should be noted that Jean-Pierre Michel has resigned as a member of the Management Board with effect from 31 March 2017. He will no longer be a recipient of performance shares and stock options awarded to the Management Board.

The grants will be part of the resolutions to be presented at the General Meeting scheduled for 12 May 2017. In accordance with the AFEP-MEDEF Code, 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 the recipient's presence in the Group 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.

Subject to the adoption of the related resolution by the General Meeting of Shareholders scheduled for 12 May 2017, performance of performance shares will be assessed over three consecutive financial years (2017-2019) and measured based on fulfilment of both of the following quantitative criteria:

- One internal criterion: cost reductions in the years 2017, 2018 and 2019 compared to projected performance as per the Group's mid-term plan over the same period (50% weighting);
- One external criterion: increase of gross operating margin rate between 2017 and 2019 compared to a panel of comparable companies; (50% weighting);

Subject to the adoption of the related resolution by the General Meeting of Shareholders scheduled for 12 May 2017, performance of stock options will be assessed over four consecutive financial years (2017-2020) and measured based on achievement of the following objectives:

- One internal criterion: accumulated net free cash flow for the financial years 2017, 2018, 2019 and 2020 compared to the projected performance as per the Group's mid-term plan over the same period (50% weighting);
- One external criterion: the Total Shareholder Return (TSR) for the financial years 2017, 2018, 2019 and 2020 compared to a panel of comparable companies; (50% weighting);

For the purposes of the relevant criterion, the panel of comparable companies shall consist of the following companies from the "Oil and Gas", "Energy" and "Steel" sectors: Hunting Plc, United States Steel Corp, Nippon Steel & Sumitomo Metal Corp., Tubacex SA, Tenaris SA, Voestalpine AG, Seah Steel Corp, Tubos Reunidos SA, TimkenSteel Corp, Salzgitter AG, ArcelorMittal SA, TMK and NOV.

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

The members of the Management Board must retain, until they have ceased to hold office, 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.