

INFORMATION

ON THE MANAGEMENT BOARD'S REMUNERATION IN 2017 AND 2018

The Supervisory Board of Vallourec, during its meeting on the 20th of February 2018, ruled on the 2017 and 2018 remuneration of the Management Board. This information is published in accordance with the AFEP-MEDEF Code.

A – MONETARY COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD

2017 FINANCIAL YEAR

On the basis of the financial statements for the 2017 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 2017, 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 continue taking into account the Company's short-term restructuring issues in a context which is still uncertain, the Supervisory Board decided in February 2017 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 (target variable portion: 75% of the fixed portion pro-rated until the 31st of March 2017)	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%

The amounts of the variable portion for the Management Board's Members for the financial year 2017 are outlined in the chart below.

	Philippe Crouzet Chairman of the Management Board	Jean-Pierre Michel, Member of the Management Board (until the 31st of march 2017)	Olivier Mallet, Member of the Management Board
The percentage of the variable portion compared to the target variable portion	98,5 %	97,8 %	97,8 %
Percentage of the variable portion compared to the fixed portion of the remuneration	98,5 %	73,3 %	73,3 %
Amount of the variable portion 2017	€ 786,084	€ 82,492	€ 307,970

2018 FINANCIAL YEAR

At its meeting on the 20th of February 2018, the Supervisory Board took the following decisions for 2018:

- 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	Olivier Mallet, Member of the Management Board
Fixed portion in euros	798,000	420,000
Target variable portion as a % of the fixed portion	100%	75%
Maximum variable portion as a % of the fixed portion	135%	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 2018, the Supervisory Board decided to make the Management Board's variable portions dependent on the same factors that are fundamental to the Group but adding in the operational performance portion a new metric of major importance for the company: Quality:

Objectives for the variable portion 2018	Members of the Management Board	
	Philippe Crouzet (target variable portion: 100% 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%
2. OPERATIONAL PERFORMANCE Follow-up of the deployment of the new organisation and quality	WEIGHTING: 25%	WEIGHTING: 18.75%
3. CSR Safety, Environment	WEIGHTING: 15%	WEIGHTING: 11.25%

The financial performance metrics achievements will be measured according to budget exchange rates

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 the 20th of February 2018, the Board, on the recommendation of the NRGC and as a continuation of its 2017 policy, 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 2018 financial year, the volume of performance shares and stock options granted to the Management Board will represent to 25% (vs 22% in 2017) 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	€ 401,250	€ 133,750	€ 535,000
Olivier Mallet	€ 183,750	€ 61,250	€ 245,000

*within 5%

The grants are part of the resolutions which were approved at the 2017 General Meeting on the 12th of 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.

According to the related resolution approved by the General Meeting of Shareholders of 12th of May 2017, performance of performance shares will be assessed over three consecutive financial years (2018-2020) and measured based on fulfilment of both of the following quantitative criteria:

- One internal criterion: cost reductions in the years 2018, 2019 and 2020 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 2018 and 2020 compared to a panel of comparable companies (50% weighting);

According to the related resolution approved by the General Meeting of Shareholders of 12th of May 2017, performance of stock options will be assessed over four consecutive financial years (2018-2021) and measured based on achievement of the following objectives:

- One internal criterion: accumulated net free cash flow for the financial years 2018, 2019, 2020 and 2021 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 2018, 2019, 2020 and 2021 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.