

INFORMATION ON THE MANAGEMENT BOARD'S REMUNERATION IN 2018 AND 2019

The Supervisory Board of Vallourec, during its meeting on the 19th of February 2019, ruled on the 2018 and 2019 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

2018 FINANCIAL YEAR

On the basis of the financial statements for the 2018 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 2018, 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 Olivier Mallet, the variable portion may vary from 0 to 75% of his fixed portion to the target (315,000 euros) and reach 100% if maximum objectives are achieved (420,000 euros).

The Supervisory Board decided in February 2018 to make the Management Board's variable portions dependent on the same fundamental components that were used for 2017, adding the criterion of Quality into Operating Performance, which is of major interest to the Group:

	Philippe Crouzet (target variable portion: 100% of the fixed portion)	Olivier Mallet (target variable portion: 75% of the fixed portion)
Financial performance Competitiveness plan, EBITDA, PRI*	Weighting: 60%	Weighting: 45%
Operational Performance Follow-up of the deployment of the new organisation and quality	Weighting: 25%	Weighting: 18.75%
CSR Safety, Environment	Weighting: 15%	Weighting: 11.25%

* Payables, Receivables, Inventories, control of working capital requirements

The financial performance metrics achievements were measured according to budget exchange rates.

The amounts of the variable portion for the Management Board's Members for the financial year 2018 are outlined in the chart below.

	Philippe Crouzet Chairman of the Management Board	Olivier Mallet, Member of the Management Board
The percentage of the variable portion compared to the target variable portion	76 %	56.9%
Percentage of the variable portion compared to the fixed portion of the remuneration	76 %	75.9%
Amount of the variable portion 2018	€ 606,480	€ 238,980

2019 FINANCIAL YEAR

At its meeting on the 19th of February 2019, the Supervisory Board took the following decisions for 2019:

- 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 2019, the Supervisory Board decided to make the Management Board's variable portions dependent on the same fundamental components, by retaining the group's major objectives in terms of financial performance, free cash flow, net debt and Ebitda, to meet the expectations of investors and shareholders:

Objectives for the variable portion 2019	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 Free Cash Flow, Ebitda, net debt	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 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.

On the recommendation of the NRGC, the Supervisory Board decided that for the allocation of performance shares and stock options to the Management Board it would gradually return to a

value that represents approximately one third of the total of the three target components of compensation and benefits (fixed portion, variable portion and long-term incentive instruments).

As such, the Supervisory Board, based on the CNRG’s proposal, decided that for 2017 the volume of performance shares and stock options allocated to the Management Board would represent a target of 22% of the total of those three components of compensation and benefits for target performance. For 2018, in accordance with the gradual application of this policy, the Supervisory Board, at the NRCG’s proposal, set the volume for allocating performance shares and options to the Management Board at 25% of all three components of compensation and benefits for target performance

At its meeting on the 19th of February 2019, due to the significant decrease of the share price and to prevent any risk of deadweight, the Supervisory Board, on the proposal of the NRCG, decided that the number of LTI granted would be equal to the 2018 grant.

	Target number of share grants	Target number of stock option grants
Philippe Crouzet	85,260	122,020
Olivier Mallet	39,270	56,200

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 by the General Meeting of Shareholders approved on the annual general assembly of the 12th of May 2017, performance of performance shares will be assessed over three consecutive financial years (2019-2021) and measured based on fulfilment of both of the following quantitative criteria:

- One internal criterion: cost reductions in the years 2019, 2020 and 2021 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 2019 and 2021 compared to a panel of comparable companies (50% weighting);

According to the related resolution by the General Meeting of Shareholders approved on the annual general assembly on the 12th of May 2017, performance of stock options will be assessed over four consecutive financial years (2019-2022) and measured based on achievement of the following objectives:

- One internal criterion: accumulated net free cash flow for the financial years 2019, 2020, 2021 and 2022 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 2019, 2020, 2021 and 2022 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.

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