2020 EDITION

vallourec
SMART TUBULAR SOLUTIONS

UNIVERSAL REGISTRATION DOCUMENT

Including the Annual Financial Report

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2020

Universal Registration Document

INCLUDING THE ANNUAL FINANCIAL REPORT

AMF
AUTORITÉ DES MARCHÉS FINANCIERS

The Universal Registration Document has been filed on 29 March 2021 with the French securities regulator (*Autorité des Marchés Financiers*) as the competent regulator under Regulation (EU) 2017/1129, without prior approval in accordance with Article 9 therein. The Universal Registration Document may be used for the purposes of a public offer of financial securities or the admission of financial securities to trading on a regulated market if it is supplemented by a securities note and, where applicable, a summary and any amendments made to the Universal Registration Document. The resulting package is approved by the French securities regulator in accordance with Regulation (EU) 2017/1129.

Copies of this Universal Registration Document are available free of charge from Vallourec, at 27, avenue du Général-Leclerc, 92100, Boulogne-Billancourt, Cedex – France, Vallourec's website (http://www.vallourec.com) and on the website of the French securities regulator (*Autorité des Marchés Financiers*) (http://www.amf-france.org).

This Universal Registration Document includes all the elements of the annual financial report mentioned in Section I of Article L.451-1-2 of the French Code monétaire et financier and Article 222-3 of the General Regulations of the French securities regulator (*Autorité des Marchés Financiers*). A concordance table showing the documents referred to in Article 222-3 of the General Regulations of the French securities regulator and the corresponding sections of this Universal Registration Document is included on page 374.

Vallourec,
our customers' innovative and agile partner of choice for smart and sustainable tubular solutions

THE GROUP

€3.2 bn
in revenue

~17,000
employees

More than **40**
production units

Present in more than **20**
countries

RESEARCH & DEVELOPMENT

€41 m
spent on R&D

430
technicians and engineers

5
research and test centers

A world leader serving 3 markets

OIL & GAS, PETROCHEMICALS

Tubes, connections and premium services for the exploration and operation of oil and gas fields, including the most complex

INDUSTRY AND OTHER

Lightweight and resistant tubes for a wide range of applications

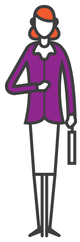
POWER GENERATION

A wide range of tubes for the construction of conventional and nuclear power plants

200
VAM licensees worldwide

A player involved in and committed to social and environmental responsibility

SOCIAL & SOCIETAL



23%
female executives

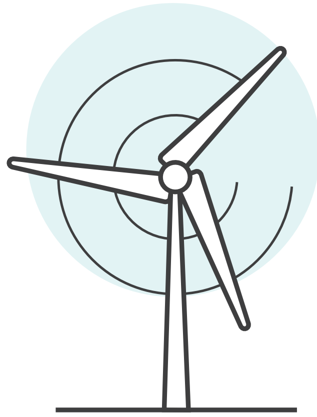
75.5%
of employees satisfied*

€3 million
allocated to actions benefiting local communities

HEALTH & SAFETY

47%
reduction in accidents with (LTIR) and without (TRIR) stoppages between 2015 and 2020

71%
of hazardous substances (CMR**) eradicated



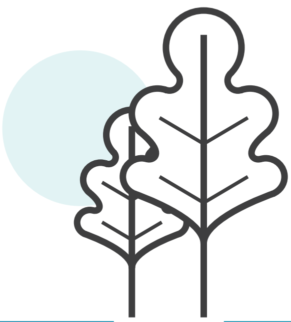
ENERGY

46%
of energy consumed from renewable sources

57%
of production from ISO 50001 certified sites

ENVIRONMENT

8%
of our water requirements supplied by rainwater



RESOURCES EMPLOYED

78%
of consumed resources are from renewable sources

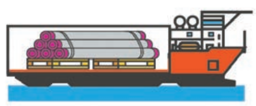
97%
of waste recovered

48%
of steel used from recycled scrap

PURCHASING

1,507
of our suppliers are engaged in the process of evaluating their CSR performance

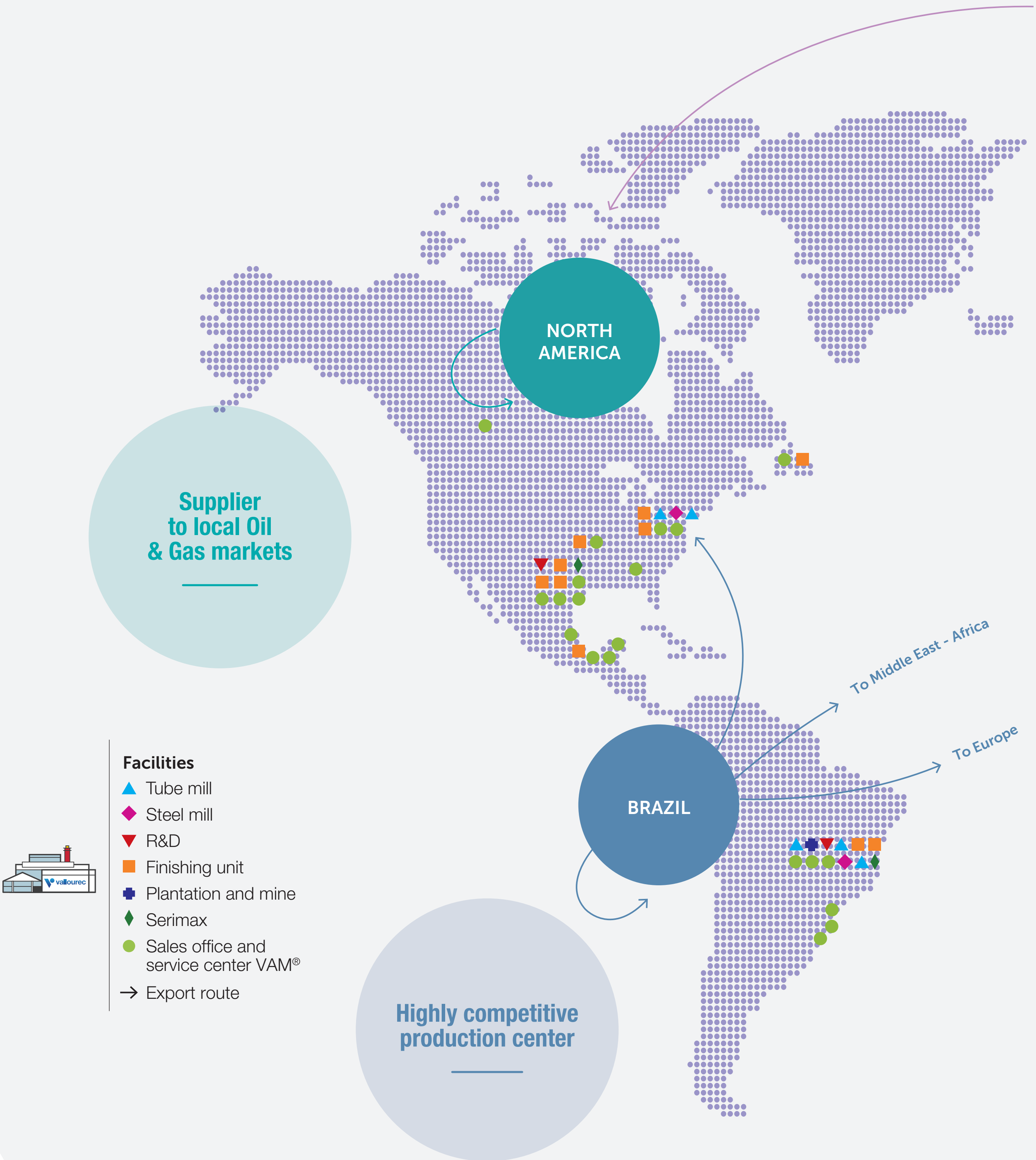
85%
of transportation to customers by sea, rail or inland waterway



* Source: 2020 Social Barometer.
** Carcinogenic Mutagenic Reprotoxic substances.

Vallourec:
a more agile, flexible, sector leading industrial footprint

New highly competitive routes.
Heightened presence alongside Oil & Gas players.




Center of excellence for high premium products
Highly competitive production center
To North America
EUROPE
CHINA
SOUTH EAST ASIA
MIDDLE EAST AFRICA
Primed for major projects

Uniquely positioned
to offer innovative products, solutions and services

VAM® connections are continuously adapted to customers' needs to provide solutions for all Oil & Gas market challenges

VAM® SPRINT-SF

VAM® SPRINT-SF is a semi-integral connection, innovatively designed for shale gas applications in the United States. Its high-tension rating and ultra-high torque capacity make it the ideal connection for casing strings in unconventional wells requiring extended horizontal sections.

► **Rolled out in the United States**

VAM® SPRINT-FJ

VAM® SPRINT-FJ is an integral connection that meets the demands of many shale gas operators with its high clearance capacity. This feature, combined with high tension efficiency, allows operators reach greater depths with their intermediate casing columns.

► **Rolled out in the United States**

VAM® SLIJ-3

VAM® SLIJ-3 is suitable for the most critical applications: high pressures and extreme temperatures. Developed and tested to the most stringent industry standards, this connection offers exceptional performances for deep offshore wells. Owing to optimized design features, VAM® SLIJ-3 pushes the limits by offering a larger performance envelope, higher tension and compression strength and greater torque capacity.

► **Rolled out in the United States in the Gulf of Mexico**

CLEANWELL®

CLEANWELL® is an environmentally friendly multipurpose coating that replaces storage and installation dopes applied to VAM® connections, resulting in improved safety on drilling platforms, reduced installation time and less generated waste. It is also designed to provide exceptional anti-corrosion and lubrication properties.

► **Rolled out in the North Sea, Poland, West Africa and Egypt**

A growing number of digital solutions offering a range of customer benefits

Smartengo E-commerce, Traceability, Inventory, Running Expert and Best Fit

Based on individual tube traceability and digital applications designed for work-site environments, Vallourec's Smartengo solutions help our customers optimize their logistics chains and their operations to reduce their total cost.

Connected equipment

Our Intelligent Drift solution uses sensors to automatically acquire accurate dimensional characteristics for casing geometry. The Intelligent Pipes solution, co-developed with OpenField Technology, includes miniaturized sensors embedded directly in the pipes to record and transmit information about the well's behavior and environment in real time.

New approaches

Remote solutions add value for our customers, while facilitating in-house collaboration. The Group has standardized the use of technologies such as Microsoft Teams, RealWear and Remobot, our in-house solution. HoloLens mixed-reality smart glasses and RealWear intrinsically safe helmets can now be used for customers who would like to inspect plants or platforms remotely.

Smartengo™ E-commerce

Smartengo™ E-commerce, Vallourec's online sales platform, now features shopping carts, a fast order handling process, real-time access to inventories, and more.

Launched in September 2020, the platform has been completely revamped to optimize the customer experience at every stage of the online shopping process and is now available in all languages spoken by our customers.

Vallourec's contribution to a low-carbon future

At Vallourec, we are leveraging our expertise to help achieve the ambitious COP21 goals by providing solutions and services designed to support the energy transition process.

The Group is now positioned in a number of key energy transition sectors

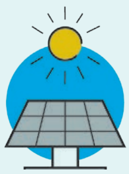
- Already actively involved in geothermal energy and carbon capture and storage, with recognized experience in areas such as corrosion, high-temperature environments, pressurized steam and metallurgy.
- Extensive expertise (steel, tube and connection design) in the transportation and the safe storage of hazardous liquids.
- Development of structured partnerships (academic and industrial).
- A dedicated structure within the Group to drive innovative energy transition-related projects.

GEOTHERMAL

Commercial phase, expanding existing business, partnerships

- Vallourec is adapting its Oil & Gas expertise to geothermal well environments – high temperature/ high pressure and corrosion – with, for example, the next-generation VAM®21 connection and the THERMOCASE® VIT installed as part of the closed-loop geothermal project (Greenloop™) developed by GreenFire Energy.
- In addition, the Group recently signed a contract with PT Geo Dipa Energi for a geothermal project in Indonesia.

SOLAR



Commercial phase, expanding existing business

- Thanks to its high-quality tubes, Vallourec supplies sound structures capable of supporting solar panels, in particular for large-scale structures such as parking lot shade structures and agricultural and industrial hangars. For example, Vallourec recently supplied the French company Vertsun with MSH structural hollow sections which were used with the Preon® box design tool to build agricultural hangars without internal support columns, thereby optimizing its storage space.

CARBON CAPTURE, STORAGE AND UTILIZATION

Commercial phase, participating in R&D projects

- Vallourec's line pipes allow for safe transport of CO_2 and its OCTG products – tubing and casing, VAM® connections, intelligent pipes – are suitable for injecting CO_2 underground.
- Vallourec also offers solutions for monitoring the integrity of CCUS injection wells. Several contracts have already been signed for projects in Qatar and the North Sea, thus paving the way for future CCUS developments.

HYDROGEN

Defining our offering in a high-potential market, participating in R&D projects

- Vallourec has experience in providing tubular solutions for hydrogen projects – transportation, distribution and storage – that require a high level of water tightness and corrosion resistance.
- Our experts are actively involved in a number of R&D projects in Europe and around the world.
- The Group is involved in the HyStorIES project, a European Commission initiative that aims to go beyond salt caverns by exploring alternative subsurface solutions for hydrogen storage.

OFFSHORE WIND

Development Phase

- Vallourec supplies secondary steel structures for wind turbine foundations, as well as tubular structures for jackets and for wind turbine installation vessels and cranes.

Financial and activity indicators

	Unit	2019	2020	Change 2020/2019
Sales volume	kt	2,291	1,599	-30.2%
Revenue	€ million	4,173	3,242	-22.3%
Industrial margin	€ million	738	608	-17.6%
Industrial margin in % of revenue		*17.7%*	*18.8%*	*+1.1 pts*
EBITDA	€ million	347	258	-€89 m
EBITDA margin in % of revenue		*8.3%*	*8.0%*	*-0.3 pts*
Operating income (loss)	€ million	(17)	(1,002)	-€985 million
Net income, Group share	€ million	(338)	(1,206)	-€868 million
Net earnings per share	€	(1)	(105.4)	N/A
Capital expenditure	€ million	(159)	(138)	-€19 million
Free cash flow*	€ million	(41)	(111)	-€70 million
Net debt	€ million	2,031	2,214	+€183 million
Equity	€ million	1,980	134	-€1,846 million
Restated banking covenant ratio		*81%*	*180%*	*+99 pts*
Net financial leverage		*5.9x*	*8.6x*	*N/A*

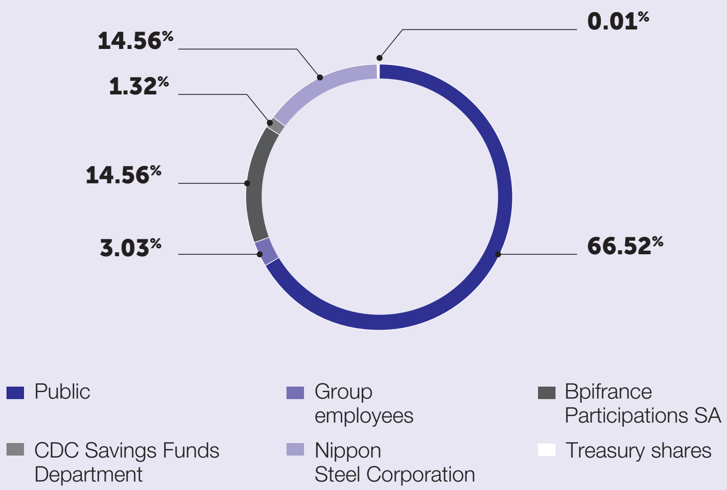
* *Free cash flow (FCF) is a non-GAAP measure and is defined as cash flow from operating activities minus gross capital expenditure and +/- change in operating working capital requirement.*

Shareholding structure as at 31 December 2020

Vallourec is supported by its two main shareholders, Bpifrance Participations SA and Nippon Steel Corporation (NSC), each of which holds nearly 15% of the capital.

As at 31 December 2020, employees held 3.03% of the capital.

The free float percentage was 66.52%.



1

Persons responsible for the Universal Registration Document and financial audit

1.1 Person responsible for the Universal Registration Document

Mr. Édouard Guinotte

Chairman of the Management Board of Vallourec (hereinafter “Vallourec”, “the Company”, or “the Group”)

1.2 Statement by the person responsible for the Universal Registration Document

I certify that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and all consolidated companies, and that the management report, the various headings of which are provided in the concordance table on page 374 of this Universal Registration Document (Section 8.2.3), presents a true and fair view of the business trends, results and financial position of the Company and all consolidated companies, and that it describes the main risks and uncertainties to which they are exposed.

Boulogne-Billancourt, 29 March 2021

Chairman of the Management Board

Édouard Guinotte

1.3 Persons responsible for the financial audit

1.3.1 Statutory Auditors

KPMG SA

Represented by:

Ms. Alexandra Saastamoinen

Tour Eqho – 2, avenue Gambetta
92066 Paris-La Défense Cedex – France

Date of first appointment: 1 June 2006
Date renewed: 25 May 2018

The Ordinary and Extraordinary Shareholders' Meeting of 25 May 2018 reappointed KPMG SA as Statutory Auditor for a term of six (6) fiscal years expiring at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2023.

Deloitte & Associés

Represented by:

Ms. Véronique Laurent

Tour Majunga – 6, place de la Pyramide
92908 Paris-La Défense Cedex – France

Date of first appointment: 1 June 2006
Date renewed: 25 May 2018

The Ordinary and Extraordinary Shareholders' Meeting of 25 May 2018 reappointed Deloitte & Associés as Statutory Auditor for a term of six (6) fiscal years expiring at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2023.

1.4 Person responsible for the Group's legal affairs

Ms. Claire Langelier

Group General Counsel

Vallourec

27, avenue du Général-Leclerc
92660 Boulogne-Billancourt Cedex – France

Tel.: +33 (0)1 49 09 35 25

E-mail: claire.langelier@vallourec.com

Vallourec website: www.vallourec.com

1.5 Person responsible for the communication of financial information

Mr. Jérôme Friboulet

Director of Investor Relations

Vallourec

27, avenue du Général-Leclerc
92660 Boulogne-Billancourt Cedex – France

Tel.: +33 (0)1 49 09 39 77

E-mail: jerome.friboulet@vallourec.com

Vallourec website: www.vallourec.com

2

General information on Vallourec and its capital

2.1 General information on Vallourec

2.1.1 Company name and registered office

Vallourec
27, avenue du Général-Leclerc
92100 Boulogne-Billancourt – France
Tel.: +33 (0)1 49 09 35 00
Website: www.vallourec.com

2.1.2 Legal form – Legislation – Trade and Companies Register

Vallourec is a French corporation (société anonyme) that opted on 14 June 1994 for a governance structure comprising a Management Board and a Supervisory Board. The Company is registered in the Nanterre (Hauts-de-Seine) Trade and Companies Register under no. 552 142 200 and recorded under APE Code (Principal Activity Code) 7010Z. Vallourec's LEI (Legal Entity Identifier) is 969500P2Q1B47H4MCJ34.

Vallourec announced on 3 February 2021 that it had entered into an agreement in principle with its main creditors with a view to rebalancing its financial structure, by reducing its debt and securing the necessary liquidity to enable it to deploy its strategic plan. This agreement, which is now set out in the Safeguard Plan, stipulates that the Company will be converted into a limited company with a Board of Directors following the planned operations (see Sections 3.7 and 7.2 of this Universal Registration Document).

2.1.3 Date of incorporation and term

Vallourec was formed in 1899.

It will be wound up on 17 June 2067, unless its life is extended or it is wound up earlier.

2.1.4 Corporate purpose (Article 3 of the bylaws)

Vallourec's purpose, in any country, acting on its own behalf or for a third party, or directly or indirectly with or through third parties, includes:

- all industrial and commercial transactions relating to all means for the preparation and manufacture, by all processes known or that might be subsequently discovered, of metals and any materials that may replace them in all their applications; and
- in general, all commercial, industrial and financial transactions, and transactions in movable and fixed property, directly or indirectly associated with the above purpose.

2.1.5 Consultation of legal documents

The Company bylaws, minutes of Shareholders' Meetings and other Company documents may be consulted at the registered office.

2.1.6 Fiscal year

The fiscal year is twelve (12) months long. It begins on 1 January and ends on 31 December.

2.1.7 Distribution of profits (Article 15 of the bylaws)

Distributable profit, as defined by law, is allocated by the Shareholders' Meeting.

Unless otherwise required by law, the Shareholders' Meeting decides how net profit is allocated.

The Shareholders' Meeting may also decide to grant each shareholder, for all or part of the dividend to be distributed, the choice of receiving payment of the dividend in cash or in shares [1], in accordance with the laws and regulations in force.

2.1.8 Shareholders' Meetings (Article 12 of the bylaws)

Shareholders' Meetings are convened in accordance with the conditions provided for by law.

A Shareholders' Meeting is open to all shareholders, regardless of the number of shares held.

Each shareholder attending the Shareholders' Meeting has as many votes as shares owned or represented, unless otherwise provided for by law. However, fully paid-up shares duly registered in the name of the same shareholder for four (4) consecutive years carry twice as many voting rights as other shares (Article 12, paragraph 4 of the bylaws).

The Shareholders' Meeting of 19 January 1988 resolved to establish double the voting rights for shares that have been duly registered in the name of the same shareholder for four (4) years. The free registered shares awarded to a shareholder in respect of existing shares for which the shareholder has a double voting right also have a double voting right.

The double voting right ceases for any share that has been converted to bearer shares or transferred, except for any transferred to another registered shareholder by succession or family bequest. The double voting right may be removed by decision of the Extraordinary General Meeting; however, the decision will only be finalized after receiving the approval of the Special Meeting of Shareholders holding shares with double voting rights.

As part of the implementation of the Safeguard Plan, proposals will be put to the Shareholders' Meeting and the Special Meeting of 20 April 2021 to vote in favor of removing double voting rights with effect from the completion date of all operations scheduled for the Safeguard Plan (see Sections 3.7 and 7.2 of this Universal Registration Document). The double voting right may be removed by a decision of the Extraordinary Shareholders' Meeting after ratification by a Special Meeting of the shareholder beneficiaries.

2.1.9 Disclosure of thresholds crossed and identification of shareholders (Article 8 of the bylaws)

Article 8 of the bylaws establishes an additional disclosure obligation in the case of thresholds crossed other than those provided for in the current legal provisions. Consequently:

"In addition to the disclosure of thresholds crossed as expressly provided for in Article L.233-7-I and II of the French Commercial Code (Code de commerce), any individual or legal entity who, directly or indirectly through companies he, she or it controls within the meaning of Article L.233-3 of the French Commercial Code, alone or in concert, acquires a number of bearer shares in the Company equal to or greater than three percent (3%), four percent (4%), six percent (6%), seven percent (7%), eight percent (8%), nine percent (9%) or twelve and a half percent (12.5%) of the total number of shares comprising the share capital shall, within five (5) trading days after crossing said threshold, disclose to the Company the total number of shares thus held, via registered letter with request for acknowledgment of receipt sent to the Company's registered office.

The information mentioned in the previous paragraph shall also be disclosed within the same time frame and under the same conditions when the shareholding falls below the thresholds referred to therein." .

The penalties provided for by law for failure to comply with the legal obligation to disclose thresholds crossed under the French Commercial Code shall also apply in case of non-compliance with the obligation set out in the bylaws to disclose the above threshold crossings at the request of one or more shareholders holding at least 5% of the Company's shares, as recorded in the minutes of the Shareholders' Meeting.

In addition, under current regulations, the Company is entitled to request the identification of holders of securities conferring immediate or future voting rights at its Shareholders' Meetings, as well as quantities held.

(1) This power was introduced by the Shareholders' Meeting of 14 June 1994.

2.2 General information on share capital

2.2.1 Conditions in the bylaws for changes in share capital or rights in the Company

An Extraordinary Shareholders' Meeting may, in accordance with the conditions provided for by law, increase or reduce the share capital or delegate to the Management Board the necessary powers to do so.

However, under the Company's internal structure (Article 9, paragraph 3 of the bylaws), the Management Board may not carry out the following transactions without the prior approval of the Supervisory Board:

- any capital increase in cash or by capitalization of reserves authorized by a Shareholders' Meeting;
- any other issue of marketable securities that could later give access to share capital, authorized by a Shareholders' Meeting.

The shares are freely negotiable and transferable in accordance with applicable laws and regulations.

2.2.2 Share capital

As at 1 January 2020, the start of the 2020 fiscal year, subscribed, fully paid-up share capital amounted to €915,975,520, divided into 457,987,760 shares with a par value of €2.00 each.

On 23 April 2020, Vallourec announced the launch of its share consolidation by way of an exchange of 40 existing shares for 1 new share, which was approved by the Company's shareholders at the Ordinary and Extraordinary Shareholders' Meeting held on 6 April 2020.

Having obtained the approval of its shareholders at the Shareholders' Meeting of 6 April 2020, Vallourec consolidated its shares on 25 May 2020 by exchanging 40 existing shares for 1 new share. As a result of this procedure, the 523,503 shares held by Vallourec were consolidated into 13,086 shares. Following this share consolidation, on 26 May 2020 Vallourec announced that the par value of the Company's shares would be reduced, as authorized by the Company's shareholders at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020, from €80 (nominal value at the end of consolidation operations) to €0.02.

On completion of these transactions on Vallourec's shares, its capital amounted to €228,993.88, now divided into 11,449,694 shares with a par value of €0.02 each.

No capital increases were recorded in 2020; as at 31 December 2020, the subscribed, fully paid-up share capital amounted to €228,993.88, divided into 11,449,694 shares with a par value of €0.02 each.

2.2.3 Authorized capital not issued

2.2.3.1 Financial authorizations to issue shares and marketable securities providing access to the Company's capital valid as at 31 December 2020

Authorizations to issue shares and marketable securities providing access to the Company's capital valid as at 31 December 2020 were as follows:

	Maximum caps on capital increases *(in € or as a percentage of the share capital)* **(After reduction of nominal value on 26 May 2020)**	**Maximum nominal amounts of debt securities** *(in €)*	**Date of Shareholders' Meeting**	**Term of authorization**	**Expiration date**
CAPITAL INCREASES WITH PREFERENTIAL SUBSCRIPTION RIGHTS (PSR)					
Capital increases with PSR (21st resolution of the 2020 Shareholders' Meeting*)	802 million	1.5 billion	6 April 2020	26 months	6 June 2022
Increase in the amount of the initial issue with PSR(20th resolution of the 2019 Shareholders' Meeting**)	15% of the initial issue [(a) (b)]	15% of the initial issue [(d) (e)]	23 May 2019	26 months	23 July 2021
Capital increases through the capitalization of reserves, profits or additional paid-in capital (24th resolution of the 2019 Shareholders' Meeting)	2.75 million [(a)]	N/A	23 May 2019	26 months	23 July 2021
CAPITAL INCREASES WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS (PSR)					
Capital increases without PSR through public offering(s) other than those specified in Article L.411-2 of the French Monetary and Financial Code (Code monétaire et financier) (17th resolution of the 2019 Shareholders' Meeting)	0.92 million [(a)]	1.5 billion	23 May 2019	26 months	July 23, 2021
Capital increases without PSR through public offering(s) specified in Article L.411-2-1 of the French Monetary and Financial Code (Code monétaire et financier) (18th resolution of the 2019 Shareholders' Meeting)	0.92 million [(a) (c)]	1.5 billion	23 May 2019	26 months	July 23, 2021
Capital increases without PSR, carried out under the 17th and/or 18th resolutions of the 2019 Shareholders' Meeting, at a price to be freely set by the Shareholders' Meeting (19th resolution of the 2019 Shareholders' Meeting)	10% of the share capital per year within the limit of 0.92 million over 26 months [(a) (b) (c)]	1.5 billion	23 May 2019	26 months	July 23, 2021
Increase in the amount of the initial issue without PSR (20th resolution of the 2019 Shareholders' Meeting)	15% of the initial issue [(a) (b) (c)]	15% of the initial issue [(d)]	23 May 2019	26 months	July 23, 2021
Capital increases without PSR in consideration for contributions in kind, except in the case of a public exchange offer initiated by the Company (21st resolution of the 2019 Shareholders' Meeting)	10 % of the share capital [(a) (c)]	1.5 billion	23 May 2019	26 months	23 July 2021
Capital increases without PSR in consideration for securities contributed in a public exchange offer initiated by the Company (22nd resolution of the 2019 Shareholders' Meeting)	0.92 million [(a) (c)]	1.5 billion	23 May 2019	26 months	July 23, 2021
Capital increases without PSR, carried out as a result of the issue by the Company's subsidiaries of marketable securities providing access to the Company's share capital (23rd resolution of the 2019 Shareholders' Meeting)	0.92 million [(a) (c)]	N/A	23 May 2019	26 months	July 23, 2021

	Maximum caps on capital increases *(in € or as a percentage of the share capital)* (After reduction of nominal value on 26 May 2020)	Maximum nominal amounts of debt securities *(in €)*	Date of Shareholders' Meeting	Term of authorization	Expiration date
EMPLOYEE SHARE OWNERSHIP PLAN					
Capital increase reserved for members of the Company savings plan as part of an employee share ownership plan (22nd resolution of the 2020 Shareholders' Meeting)	2% of the share capital [(a) (d)]	N/A	6 April 2020	26 months	June 6, 2022
SHARE SUBSCRIPTION OR SHARE PURCHASE OPTIONS AND PERFORMANCE SHARES					
Share subscription or share purchase options granted to employees and corporate officers of the Vallourec Group (26th resolution of the 2019 Shareholders' Meeting)	3 % of share capital [(a)]	N/A	6 April 2020	38 months	June 6, 2023
Performance shares allocated to employees and corporate officers of the Vallourec Group (27th resolution of the 2020 Shareholders' Meeting)	3 % of the share capital [(a) (e)]	N/A	6 April 2020	38 months	June 6, 2023

* *Shareholders' Meeting of 6 April 2020 ("2020 Shareholders' Meeting").*

** *Shareholders' Meeting of 23 May 2019 ("2019 Shareholders' Meeting").*

(a) *This amount or this percentage counts towards the total capital increase cap, maintaining the preferential subscription right, of €802 million.*

(b) *This percentage is limited by the cap on the authorization pursuant to which the initial issue was made.*

(c) *This amount or this percentage counts towards the total capital increase cap without preferential subscription right of €0.92 million (in case of reduction of the nominal value).*

(d) *The aggregate amount of capital increases carried out as part of an employee share ownership offer may not exceed 2% of the share capital.*

(e) *This percentage counts towards the 3% share capital cap at the date of the decision to allot the share subscription or share purchase options.*

2.2.3.2 Financial authorizations to issue shares and marketable securities providing access to the Company's capital as from the Shareholders' Meeting of 20 April 2021

Subject to the adoption by the Shareholders' Meeting of the corresponding resolutions, the authorizations to issue shares and marketable securities giving access to the capital that will be valid as of 20 April 2021 are as follows:

	Maximum caps on capital increases *(in € or as a percentage of the share capital)*	Maximum nominal amounts of debt securities *(in €)*	Date of Shareholders' Meeting	Term of authorization	Expiration date
CAPITAL INCREASES WITH PREFERENTIAL SUBSCRIPTION RIGHTS (PSR)					
Capital increases with PSR (16th resolution of the 2021 Shareholders' Meeting*)	1.06 million [(a)]	N/A	20 April 2021	12 months	April 20, 2022
CAPITAL INCREASES WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS (PSR)					
Capital increase without PSR for creditors under renewable credit agreements entered into by the Company and under bonds issued by the Company (in each case, other than BNP Paribas, Natixis, Banque Fédérative du Crédit Mutuel and CIC), when these are categories of persons meeting specified characteristics (17th resolution of the 2021 Shareholders' Meeting)	3.29 million [(a) (b)]	N/A	20 April 2021	12 months	April 20, 2022
Issue of share subscription warrants without PSR in favor of BNP Paribas, Natixis, Banque Fédérative du Crédit Mutuel and CIC (18th resolution of the 2021 Shareholders' Meeting)	0.61 million [(a) (b)]	N/A	20 April 2021	12 months	April 20, 2022

	Maximum caps on capital increases *(in € or as a percentage of the share capital)*	Maximum nominal amounts of debt securities *(in €)*	Date of Shareholders' Meeting	Term of authorization	Expiration date
EMPLOYEE SHARE OWNERSHIP PLAN					
Capital increase reserved for members of the Company savings plan as part of an employee share ownership plan (19th resolution of the 2021 Shareholders' Meeting)	2% of share capital [(a) (b)]	N/A	20 April 2021	26 months	June 20, 2023
SHARE SUBSCRIPTION OR SHARE PURCHASE OPTIONS AND PERFORMANCE SHARES					
Share subscription or share purchase options granted to employees and corporate officers of the Vallourec Group (26th resolution of the 2020 Shareholders' Meeting** and 21st resolution of the 2021 Shareholders' Meeting)	3% of the share capital [(a) (b) (c) (d)]	N/A	6 April 2020	38 months	June 6, 2023
Performance shares allocated to employees and corporate officers of the Vallourec Group (27th resolution of the 2020 Shareholders' Meeting and 21st resolution of the 2021 Shareholders' Meeting)	3% of the share capital [(a) (b) (c) (d)]	N/A	6 April 2020	38 months	June 6, 2023

* *Shareholders' Meeting of 20 April 2021 ("2021 Shareholders' Meeting").*

** *Shareholders' Meeting of 6 April 2020 ("2020 Shareholders' Meeting").*

(a) *This amount will be applied to the total cap of €5,330,000 provided for under (i) of 21st resolution of the 2021 Shareholders' Meeting applicable to capital increases with and without PSR that may be carried out by virtue of the delegations granted to the Management Board under the 26th and 27th resolutions of the 2020 Shareholders' Meeting and the 16th to 19th resolutions submitted to the 2021 Shareholders' Meeting.*

(b) *This amount counts toward (x) the total cap of €5,330,000 provided for under (i) the 21st resolution of the 2021 Shareholders' Meeting applicable to capital increases with and without PSR that may be carried out under the delegations granted to the Management Board under the 26th and 27th resolutions of the 2020 Shareholders' Meeting and the 16th to 19th resolutions submitted to the 2021 Shareholders' Meeting and (y) toward the total cap of €4,265,000 applicable to capital increases without PSR that may be carried out under the delegations granted to the Management Board under the 26th and 27th resolutions of the 2020 Shareholders' Meeting and the 17th to 19th resolutions submitted to the 2021 Shareholders' Meeting.*

(c) *As at 31 December 2020, the cumulative amount of this delegation used represented 1% of the share capital (see Section 3.1.1.1 of this Universal Registration Document).*

(d) *This percentage counts towards the 3% share capital cap at the date of the decision to allot the share subscription or share purchase options.*

2.2.3.3 Use of financial authorizations to issue shares and marketable securities providing access to the Company's capital as at 31 December 2020

No capital increase has been planned for 2020.

PERFORMANCE SHARES (twenty-sixth resolution of the Shareholders' Meeting of 6 April 2020)

Under the twenty-sixth resolution relating to performance shares, which was adopted by the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020, the Management Board decided on 15 June 2020, in accordance with the Supervisory Board, to allocate, subject to attendance and performance conditions, a target number of 34,090 performance shares, or 0.29% of the share capital as at 31 December 2020, to benefit 517 managers and two members of the Management Board.

The terms and conditions of these plans are set out in Section 7.5.1.2, "Performance share and free share allocation plans" of this Universal Registration Document.

SHARE SUBSCRIPTION OR SHARE PURCHASE OPTIONS (twenty-sixth resolution of the Shareholders' Meeting of 6 April 2020)

Under the twenty-sixth resolution relating to share subscription or share purchase options, which was adopted by the Shareholders' Meeting of 6 April 2020, on 15 June 2020, the Management Board, in agreement with the Supervisory Board, set up a share subscription option plan, subject to continuous service and performance conditions, which provides for the allocation of a target number of 80,407 options, or 0.70% of the share capital as at 31 December 2020, to 111 managers and two members of the Management Board.

The terms of this plan are set out in Section 7.5.1.1, "Share subscription and/or share purchase options" of this Universal Registration Document.

2.2.3.4 Potential dilution as at 31 December 2020

On 27 September 2017, Vallourec issued 36,284,470 Bonds Convertible into New Shares and/or Exchangeable for Existing Shares of the Company with a unit par value of €6.89, or a total par value of €249,999,998.30, with a maturity date of 4 October 2022 (the "October 2022 OCEANEs"). The conversion/exchange ratio of the October 2022 OCEANEs, initially one share per October 2022 OCEANE, was adjusted to 0.025 of a share for 1 October 2022 OCEANE from 25 May 2020, following the capital reduction not due to losses, which was conducted on that date by reducing the par value of each share from €80 to €0.02. Should they exercise their share allocation right, holders of October 2022 OCEANEs will receive new and/or existing Company shares at the Company's discretion. The potential dilution amounts to 7.92% as at 31 December 2020.

Performance share and free share allocation plans (see Section 7.5.1.2 below) are covered by existing shares, so they have no dilutive impact.

Only the award of share subscription options (see Section 7.5.1.1 below) could, if the options came to be exercised, entail a dilution of shareholders. Based on the number of options currently outstanding, net of those canceled or that have lapsed, potential dilution to shareholders as at 31 December 2020 was 1.26%.

2.2.4 Share repurchases

2.2.4.1 Information on transactions under the share buyback program during the 2020 fiscal year

SHARE REPURCHASES

As at 1 January 2020, Vallourec held 523,503 Vallourec shares with a par value of €2.00, or 0.014% of the share capital at that date, all assigned to cover free share or performance share allocation plans.

Having obtained the approval of its shareholders at the Shareholders' Meeting of 6 April 2020, Vallourec consolidated its shares on 25 May 2020 by exchanging 40 existing shares for 1 new share. As a result of this procedure, the 523,503 shares held by Vallourec were consolidated into 13,086 shares. Following this share consolidation, on 26 May 2020 Vallourec announced that the par value of the Company's shares would be reduced, as authorized by the Company's shareholders at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020, from €80 (nominal value at the end of consolidation operations) to €0.02.

From 1 January to 31 December 2020, Vallourec carried out a buyback of 2,500 shares and transferred 14,505 shares under its free share and performance share allocation plans.

Total gross cash flows relating to purchases and disposals/transfers of shares (excluding liquidity contract) from 1 January to 31 December 2020 were as follows:

	Purchases	Transfers/sales
Number of shares	2,500	14,505
Average unit price (in €)	35.5560	82.94480
AGGREGATE AMOUNT (IN €)	**88,890**	**1,203,114**

TREASURY SHARES AS AT 31 DECEMBER 2020

As at 31 December 2020, Vallourec held 1,081 Vallourec shares, or 0.009% of the share capital at that date, all assigned to cover free share or performance share allocation plans. The carrying amount of the portfolio as at 31 December 2020 was €43,659.26, including a par value of €21.62 and a market value on the same date of €28,911.35.

TREASURY SHARES

None.

OPEN DERIVATIVE POSITIONS AS AT 31 DECEMBER 2020

None.

2.2.4.2 Description of the 2020-2021 share buyback program, submitted to the Ordinary and Extraordinary Shareholders' Meeting of 20 April 2021 (15th resolution)

This description of the program's purpose, under Articles 241-1 et seq. of the General Regulations of the French securities regulator (Autorité des Marchés Financiers), is to explain the objectives and the terms and conditions of Vallourec's share buyback program, which will be submitted to the Ordinary and Extraordinary Shareholders' Meeting on 20 April 2021.

ALLOCATION OF VALLOUREC SHARES HELD BY THE COMPANY AS AT 28 FEBRUARY 2021

As at 28 February 2021, Vallourec held 1,081 Vallourec shares, or 0.01% of the share capital at that date, all allocated to cover free share or performance share allocation plans.

OBJECTIVES OF THE SHARE BUYBACK PROGRAM SUBMITTED TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 20 APRIL 2021

In accordance with the provisions of European Regulation No. 596/2014 of 16 April 2014 and the market practices accepted by the French securities regulator, the objectives of the share buyback program submitted for the approval of the Ordinary and Extraordinary Shareholders' Meeting of 20 April 2021 are as follows:

1. to implement any Company share purchase options plan or any similar plan, in accordance with the provisions of Articles L.225-177 et seq. and L. 22-10-56 to L. 22-10-58 of the French Commercial Code;
2. to allocate or transfer shares to employees for their investment in the Company's development and/or to implement any Company or Group savings plan (or similar plan) as provided for by law, in particular Articles L.3332-1 et seq. of the French Labor Code (Code du travail);
3. to allocate shares free of charge or to allocate performance shares under the provisions of articles L.225-197-1 et seq. and L.22-10-59 et seq. of the French Commercial Code;
4. allocation of shares to employees and/or corporate officers of the Group, particularly in the context of international employee share ownership plans or variable compensation;
5. for market making in the secondary market or to increase the liquidity of Vallourec's shares through an investment services provider, under the terms of a liquidity contract that complies with the Code of Conduct (Charte de déontologie) issued by the French Association of Financial Markets (Association Française des Marchés Financiers), approved by the French securities regulator and in accordance with the market practices accepted by it;
6. to hold and subsequently deliver shares (in payment, exchange or otherwise) in connection with any later transactions involving acquisitions, and, in particular, mergers, split-offs or contributions;
7. to deliver shares upon the exercise of rights attached to marketable securities giving access to share capital by means of redemption, conversion, exchange, exercise of a warrant or any other means; or
8. to cancel some or all of the shares so repurchased, provided that the Management Board has a valid authorization from the Extraordinary Shareholders' Meeting allowing it to reduce share capital by canceling shares acquired as part of a share buyback program.

TERMS OF THE SHARE BUYBACK PROGRAM SUBMITTED TO THE SHAREHOLDERS' MEETING ON 20 APRIL 2021

The table below shows the maximum percentage of capital, the maximum number, and the characteristics of the shares that the Company could acquire under its share buyback program as submitted to the Ordinary and Extraordinary Shareholders' Meeting of 20 April 2021, as well as the maximum unit purchase price:

Share characteristics	Maximum percentage of capital	Maximum number of shares [(a)]	Maximum unit purchase price *(per share)*
Ordinary shares	10 %	1,144,969	50 euros [(b)] / 30 euros [(c)]

(a) This number corresponds to the theoretical number of ordinary shares that the Company could acquire, calculated based on the share capital as at 28 February 2021, i.e. €228,993.88, divided into 11,449,694 shares with a par value of €0.02. Based on the number of ordinary shares owned by Vallourec at that date (i.e. 1,081 shares), Vallourec could acquire 1,143,888 of its own shares.

(b) Until the Effective Restructuring Date.

(c) From the Effective Restructuring Date.

TERM OF THE SHARE BUYBACK PROGRAM SUBMITTED TO THE SHAREHOLDERS' MEETING OF 20 APRIL 2021

The authorization given to the Management Board to implement the share buyback program will be granted for a term of 18 months from the date of the Shareholders' Meeting of 20 April 2021, i.e. until 20 November 2022, subject to the program's approval by the Ordinary Shareholders' Meeting.

2.2.5 Changes in share capital over the past five years

Transaction date	Exercise of subscription options	Number of shares subscribed in cash	Total number of shares after transaction	Nominal amount of capital increase *(in €)*	Paid-in capital *(in €)*	Total share capital after transaction *(in €)*
25/06/2015	–	3,090,460	133,688,435	6,180,920	53,774,004	267,376,870
15/12/2015	–	1,999,997	135,688,432	3,999,994	13,647,426	271,376,864
03/05/2016	–	217,101,488	352,789,920	434,202,976	45,591,312	705,579,840
03/05/2016	–	30,282,564	383,072,484	60,565,128	108,737,646	766,144,968
20/06/2016	–	61,565,565	444,638,049	123,131,130	221,067,653	889,276,098
14/12/2016	–	6,599,956	451,238,005	13,199,912	13,118,608	902,476,010
14/12/2017	–	6,749,755	457,987,760	13,499,510	13,486,494	915,975,520
26/05/2020	–	–	11,449,694	–	–	228,993.88

The reverse stock split approved by the Company's shareholders at the Ordinary and Extraordinary Shareholders' Meeting held on 6 April 2020 was completed on 25 May 2020, with 40 ordinary shares with a par value of €2 each for 1 new share with a par value of €80 each. The number of shares derived from the reverse stock split was 11,449,694 ordinary shares with a par value of €80 each.

The Company then carried out, on 26 May 2020, a reduction of capital not due to losses, authorized at the Ordinary and Extraordinary Shareholders' Meeting held on 6 April 2020, by reducing the par value of each share from €80 to €0.02, i.e. a reduction of €79.98 per share, to reduce the total share capital from €915,975,520 to €228,993.88.

As at 31 December 2020, subscribed, fully paid-up share capital amounted to €228,993.88, divided into 11,449,694 shares with a par value of €0.02 each.

2.2.6 Non-equity instruments

No securities exist that would be considered non-equity instruments.

Marketable securities entitling the allocation of debt securities

As at 31 December 2020, the Management Board has not decided to issue any marketable securities entitling their bearers to be allocated debt securities.

Plan to issue negotiable short-term securities

On 12 October 2011, Vallourec established a commercial paper issue program to meet its short-term financing requirements. This program, updated on 31 December 2020, has the following main characteristics:

Maximum cap on the program	€1 billion
Duration	> 1 day < 365 days
Minimum unit amount	€150,000
Currency of issue	Euros (€), US dollars ($)
Paying agent	Crédit Industriel et Commercial
Underwriters	Aurel BGC BNP Paribas BRED Banque Populaire CM – CIC Crédit du Nord GFI Brokers Limited HPC ING Bank NV Kepler Cheuvreux Natixis Newedge Group Société Générale CIB TSAF OTC
Short-term rating (Standard & Poor's)	C

The financial prospectus for the commercial paper issue program and the outstanding amounts of the issues are available on the websites of the Company (www.vallourec.com) and the Banque de France (www.banque-france.fr/en).

Bond issues

Vallourec successfully issued:

- on 30 July 2012, a €55 million fixed-rate bond issue maturing on 2 August 2027 (the "August 2027 Bonds"). The August 2027 Bonds have a unit par value of €100,000 and bear interest at an annual fixed rate of 4.125%, payable in arrears on 2 August each year;
- on 30 September 2014, a €500 million fixed-rate bond issue maturing on 30 September 2024 (the "September 2024 Bonds"). The September 2024 Bonds have a unit par value of €100,000 and are admitted to trading on the Euronext Paris stock market. They bear interest at an annual fixed rate of 2.25%, payable in arrears on 30 September each year, and are rated CC by Standard & Poor's;
- on 27 September 2017, a €250 million fixed-rate bond issue, consisting of Bonds Convertible into New Shares and/or Exchangeable for Existing Shares of the Company ("OCEANEs"), reaching maturity on 4 October 2022 (the "October 2022 OCEANEs"). October 2022 OCEANEs have a unit par value of €6.89, which was raised to €275.60 after the share consolidation on 25 May 2020 and are admitted to trading on the free Euronext Paris stock market ("Euronext Access"). They bear interest at the annual fixed rate of 4.125%, payable semi-annually in arrears on 4 April and 4 October of each year;
- on 11 October 2017, a €400 million fixed-rate bond issue maturing on 15 October 2022, (the "October 2022 Bonds"). The October 2022 Bonds have a unit par value of €100,000 and are admitted to trading on the Euro MTF stock market of the Luxembourg Stock Exchange. They bear interest at an annual fixed rate of 6.625%, payable semi-annually in arrears on 15 April and 15 October of each year, and were rated CC by Standard & Poor's. On 23 October 2017, this bond issue was matched for €150 million under the same conditions;
- on 12 April 2018, a €400 million fixed-rate bond issue maturing on 15 October 2023 (the "October 2023 Bonds"). The October 2023 Bonds have a unit par value of €100,000 and are admitted to trading on the Euro MTF stock market of the Luxembourg Stock Exchange. They bear interest at an annual fixed rate of 6.375%, payable semi-annually in arrears on 15 April and 15 October each year, and are rated CC by Standard & Poor's.

The nominal value and interest on the August 2027 Bonds, September 2024 Bonds, October 2022 Bonds, October 2022 OCEANEs, and the October 2023 Bonds (the "Bonds") represent direct, unconditional, unsubordinated liabilities, not backed by Vallourec assets, ranked pari passu, without preference among them, with the other present and future unsubordinated Vallourec bonds not backed by assets. Throughout the Bonds' maturity period, Vallourec has undertaken not to grant any security or guarantee (mortgage, lien, pledge, real surety, etc.) on its assets, income or rights, present or future, to holders of bonds, warrants or marketable securities listed or traded (or that may be listed or traded) on a regulated market, multilateral trading system, over-the-counter market or any other market, unless the same ranking or same surety or guarantee is granted to the Bonds.

These five bond issues specifically include a change-of-control clause that would trigger the mandatory prepayment of the bonds at the request of each bondholder in the event of a change of control of the Company (in favor of a person or a group of people acting in concert) leading to a downgrade of Vallourec's financial rating.

In addition, prepayment of the Bonds may be requested by the bondholder or the Company, depending on the case, should any of the common default scenarios for this type of transaction arise or in respect of a change in the Company's position or in tax regulations. The October 2022 OCEANEs may be subject to prepayment at the discretion of the Company, at any time as of 20 October 2020, under the conditions described in the terms and conditions of the October 2022 OCEANEs. The October 2022 Bonds and the October 2023 Bonds may be subject to prepayment at the Company's discretion under the conditions described in the document entitled "Offering Memorandum" as of 15 October 2020.

The prospectus for listing the September 2024 Bonds on the Euronext Paris stock market may be consulted on the websites of the Company (www.vallourec.com) and the French securities regulator (www.amf-france.org). The terms and conditions of the October 2022 OCEANEs and the main characteristics of the October 2022 Bonds and the October 2023 Bonds appearing in the document entitled "Offering Memorandum" may be consulted on the Company's website (www.vallourec.com).

On 3 February 2021, the Company signed an agreement in principle with its main creditors (see Section 3.7 of this Universal Registration Document). This agreement meets Vallourec S.A.'s objectives to rebalance its capital structure by reducing its debt and securing the necessary liquidity that will enable it to implement its strategic plan in a volatile market environment. The transactions envisaged by this agreement should take place at the end of the first half of 2021.

In this context, these main creditors have signed an agreement with the Company under which the parties have undertaken to support and take any steps or actions reasonably necessary to implement and consummate the Agreement in Principle and not transfer their securities other than in accordance with the provisions of this agreement.

Accordingly, Vallourec S.A. filed a request with the Commercial Court of Nanterre for the opening of safeguard proceedings with respect to it. The aim of opening this procedure on 4 February 2021 is inter alia, to facilitate the implementation of the financial restructuring set out in the Agreement in Principle. To achieve this, the agreement in principle has been reflected in the Safeguard Plan prepared by the Company, which were approved by the Credit Institutions Committee and similar bodies and the single General Meeting of Bondholders on 29 March 2021 and will be submitted to the Court for approval. In addition to being subject to certain conditions (see Section 3.7 of this Universal Registration Document), the implementation of financial restructuring also requires the approval by the Shareholders' Meeting of the resolutions required for its implementation, before being submitted to the Court for approval.

The Safeguard Plan, which is described more fully in Section 3.7 of this Universal Registration Document, provides that the Company's debts unde the Bondswill be paid partly in cash and partly converted into share capital with the outstanding balance refinanced through the issuance of new senior bonds subscribed by way of set-off of debts. These new bonds will be governed by the law of the State of New York, bearing an interest rate of 8.50% per annum, and will be unsecured. The related terms and conditions will be based on the October 2022 Bonds, subject to certain adjustments.

Rating

As at 1 January 2020, the opening date of the 2020 fiscal year, Vallourec's debt was rated B-/negative/B by Standard & Poor's. On 19 February 2020, this agency gave Vallourec a B-/CreditWatch positive/B rating. On 31 March 2020, this agency downgraded Vallourec's rating to CCC+/CreditWatch developing/C. On 2 September 2020, this agency downgraded Vallourec's rating to CCC-/negative/C. On 24 November 2020, this agency downgraded the Company's rating again to CC/negative/C. Consequently, as at 31 December 2020, Vallourec's debt had a rating of CC/negative/C from Standard & Poor's. On 11 February 2021, this agency revised Vallourec's rating to SD/D.

On 11 February 2021, Standard & Poor's (i) lowered Vallourec's long-term rating from CC to SD insofar as Standard & Poor's considers that the agreement reached by Vallourec with its main creditors (see Vallourec press release dated 3 February 2021) led the latter not to honor the repayments to the value of €1,712 million due in respect of the confirmed credit lines, and (ii) lowered Vallourec's short-term rating from C to D, reflecting the fact that the Company has started a financial restructuring process. Standard & Poor's has indicated that it would assign a new rating post restructure taking into account the Company's performance in the first half of 2021, its new debt structure as well as its expectations for the evolution of the Company's debt over time.

2.3 Distribution of share capital and voting rights

2.3.1 Changes in the distribution of the share capital in the last three fiscal years

FY 2018 (as at 31 December)

Shareholders	Number of shares	% of share capital	Number of theoretical voting rights	% of theoretical voting rights	% of exercisable voting rights at Shareholders' Meetings
Public [(a)]	301,544,617	65.84%	304,017,150	64.65%	64.66%
Group employees [(b)]	16,930,023	3.70%	17,824,140	3.79%	3.79%
Bpifrance Participations SA [(c)]	66,695,708	14.56%	73,654,348	15.66%	15.66%
CDC Savings Funds Department	6,030,658	1.32%	6,030,658	1.28%	1.28%
Group subtotal, CDC [(d)]	**72,726,366**	**15.88%**	**79,685,006**	**16.94%**	**16.95%**
Nippon Steel Corporation [(c)]	66,695,715	14.56%	68,668,849	14.60%	14.60%
Treasury shares [(e)]	91,039	0.02%	91,039	0.02%	0.00%
TOTAL	**457,987,760**	**100.00%**	**470,286,184**	**100.00%**	**100.00%**

(a) *Summary of threshold crossings in 2018 detailed in the table below.*

(b) *The stake of Group employees as at 31 December 2018 includes all of the shares subscribed via company mutual funds under the international employee share ownership plans that have been implemented by the Group since 2007, which include allocated shares at that date. Recall that under the leveraged formula of these plans, the performance multiple on the Vallourec shares is obtained thanks to a transfer of the discount on dividends and other financial rights related to ownership of the shares to the bank structuring the transaction through a swap contract. As at 31 December 2018, 8,045,023 non-allocated shares appeared in the assets of the company mutual funds, an employee stake of 1.76% in capital and 1.90% in voting rights at that date.*

(c) *As from 1 February 2016, Bpifrance Participations on the one hand and Nippon Steel Corporation (NSC, formerly NSSMC) on the other must respect a 15% cap on their voting rights for a 15-year period, subject to certain reservations.*

(d) *In a letter that the AMF received on 30 April 2014, the Caisse des dépôts et consignations (CDC) and Bpifrance Participations SA clarified that they were each acting alone, and the CDC declared that there was no collaboration with Bpifrance Participations SA.*

(e) *Treasury shares include the shares held by the Company on its own account to cover its free share and performance share allocation plans. As a result, the number of treasury shares is subject to change at any time.*

Legal thresholds crossed during the fiscal year 2018

AMF Notice no.	Date threshold crossed	Group	Number of securities after crossing of threshold	% capital after crossing of threshold	% voting rights after crossing of threshold	Comments	Number of shares comprising the capital	Number of voting rights
218C0756	13/04/2018	JP Morgan Securities plc	24,025,598	5.25	5.11	Exceeding the 5% capital and voting rights threshold	457,987,760	469,717,314
218C0771	17/04/2018	JP Morgan Securities plc	21,609,877	4.72	4.6	Dropping below the 5% capital and voting rights threshold	457,987,760	469,717,314
218C0962	24/05/2018	JP Morgan Securities plc	25,106,662	5.48	5.34	Exceeding the 5% capital and voting rights threshold	457,987,760	470,063,032
218C0965	24/05/2018	Crédit Agricole SA	25,874,217	5.65	5.51	Exceeding the 5% capital and voting rights threshold	457,987,760	470,063,032
218C0972	25/05/2018	JP Morgan Securities plc	22,313,337	4.87	4.75	Dropping below the 5% capital and voting rights threshold	457,987,760	470,063,032
218C1037	07/06/2018	JP Morgan Securities plc	23,905,415	5.22	5.09	Exceeding the 5% capital and voting rights threshold	457,987,760	470,062,108
218C1130	21/06/2018	JP Morgan Securities plc	23,268,017	5.08	4.95	Dropping below the 5% capital and voting rights threshold	457,987,760	470,062,108
218C1288	10/07/2018	JP Morgan Securities plc	24,123,728	5.27	5.13	Exceeding the 5% capital and voting rights threshold	457,987,760	470,062,108

AMF Notice no.	Date threshold crossed	Group	Number of securities after crossing of threshold	% capital after crossing of threshold	% voting rights after crossing of threshold	Comments	Number of shares comprising the capital	Number of voting rights
218C1408	02/08/2018	JP Morgan Securities plc	22,188,834	4.84	4.72	Dropping below the 5% capital and voting rights threshold	457,987,760	470,202,926
218C1499	24/08/2018	JPMorgan Chase & Co	23,726,653	5.18	5.05	Exceeding the 5% capital and voting rights threshold	457,987,760	470,202,926
218C1510	28/08/2018	Crédit Agricole SA	21,159,186	4.62	4.5	Dropping below the 5% capital and voting rights threshold	457,987,760	470,202,926
218C1516	30/08/2018	JPMorgan Chase & Co	23,240,716	5.07	4.94	Dropping below the 5% capital and voting rights threshold	457,987,760	470,202,926
218C1519	31/08/2018	JPMorgan Chase & Co	22,883,969	4.99	4.87	Dropping below the 5% capital and voting rights threshold	457,987,760	470,202,926
218C1533	04/09/2018	JPMorgan Chase & Co	23,223,504	5.07	4.94	Exceeding the 5% capital and voting rights threshold	457,987,760	470,204,668
218C1548	10/09/2018	JPMorgan Chase & Co	23,646,149	5.16	5.03	Exceeding the 5% capital and voting rights threshold	457,987,760	470,204,668
218C1574	18/09/2018	JPMorgan Chase & Co	23,429,010	5.12	4.98	Dropping below the 5% capital and voting rights threshold	457,987,760	470,204,668
218C1586	19/09/2018	JPMorgan Chase & Co	23,064,795	5.04	4.91	Dropping below the 5% capital and voting rights threshold	457,987,760	470,204,668
218C1587	20/09/2018	JPMorgan Chase & Co	22,202,606	4.85	4.72	Dropping below the 5% capital and voting rights threshold	457,987,760	470,204,668
218C1710	17/10/2018	JPMorgan Chase & Co	23,850,357	5.21	5.07	Exceeding the 5% capital and voting rights threshold	457,987,760	470,205,298
218C1720	17/10/2018	Crédit Agricole SA	27,852,849	6.08	5.92	Exceeding the 5% capital and voting rights threshold	457,987,760	470,205,298
218C1750	25/10/2018	JPMorgan Chase & Co	27,648,952	6.04	5.88	Exceeding the 5% capital and voting rights threshold	457,987,760	470,205,298
218C1935	29/11/2018	Crédit Agricole Corporate and Investment Bank	22,938,931	5.01	4.88	Dropping below the 5% capital and voting rights threshold	457,987,760	470,207,002
218C1945	30/11/2018	Crédit Agricole SA	1,384,995	0.3	0.29	Dropping below the 5% capital and voting rights threshold	457,987,760	470,207,002
218C1979	10/12/2018	JPMorgan Chase & Co	23,485,630	5.13	4.99	Dropping below the 5% capital and voting rights threshold	457,987,760	470,207,119
218C2037	18/12/2018	JPMorgan Chase & Co	68,003	0.01	0.01	Dropping below the 5% capital and voting rights threshold	457,987,760	470,207,119
218C2059	20/12/2018	JPMorgan Chase & Co	23,175,482	5.06	4.93	Exceeding the 5% capital and voting rights threshold	457,987,760	470,207,119
219C0014	31/12/2018	JPMorgan Chase & Co	123,003	0.03	0.03	Dropping below the 5% capital and voting rights threshold	457,987,760	470,207,119

FY 2019 (as at 31 December)

Shareholders	Number of shares	% of share capital	Number of theoretical voting rights	% of theoretical voting rights	% of exercisable voting rights at Shareholders' Meetings
Public [(a)]	302,921,566	66.15%	304,859,744	64.88%	64.88%
Group employees [(b)]	15,120,610	3.30%	16,175,207	3.44%	3.44%
Bpifrance Participations SA [(c)]	66,695,708	14.56%	73,654,348	15.67%	15.67%
CDC Savings Funds Department	6,030,658	1.32%	6,030,658	1.28%	1.28%
Group subtotal, CDC [(d)]	**72,726,366**	**15.88%**	**79,685,006**	**16.96%**	**16.96%**
Nippon Steel Corporation [(c)]	66,695,715	14.56%	68,668,849	14.61%	14.61%
Treasury shares [(e)]	523,503	0.11%	523,503	0.11%	0.00%
TOTAL	**457,987,760**	**100.00%**	**469,912,309**	**100.00%**	**100.00%**

(a) *Summary of threshold crossings in 2019 detailed in the table below.*

(b) *The stake of Group employees as at 31 December 2019 includes all of the shares subscribed via company mutual funds under the international employee share ownership plans that have been implemented by the Group since 2007, which include allocated shares at that date. Recall that under the leveraged formula of these plans, the performance multiple on the Vallourec shares is obtained thanks to a transfer of the discount on dividends and other financial rights related to ownership of the shares to the bank structuring the transaction through a swap contract.*

(c) *As from 1 February 2016, Bpifrance Participations on the one hand and Nippon Steel Corporation (NSC, formerly NSSMC) on the other must respect a 15% cap on their voting rights for a 15-year period, subject to certain reservations.*

(d) *In a letter that the AMF received on 30 April 2014, the Caisse des dépôts et consignations (CDC) and Bpifrance Participations SA clarified that they were each acting alone, and the CDC declared that there was no collaboration with Bpifrance Participations SA.*

(e) *Treasury shares include the shares held by the Company on its own account to cover its free share and performance share allocation plans. As a result, the number of treasury shares is subject to change at any time.*

Legal thresholds crossed during the fiscal year 2019

AMF Notice no.	Date threshold crossed	Group	Number of securities after crossing of threshold	% capital after crossing of threshold	% voting rights after crossing of threshold	Comments	Number of shares comprising the capital	Number of voting rights
219C0061	03/01/2019	JPMorgan Chase & Co	24,573,800	5.37	5.23	Exceeding the 5% capital and voting rights threshold	457,987,760	470,286,184
219C0077	08/01/2019	JPMorgan Chase & Co	133,403	0.03	0.03	dropping below the 5% capital and voting rights threshold	457,987,760	470,286,184

FY 2020 (as at 31 December)

Shareholders	Number of shares	% of share capital	Number of theoretical voting rights	% of theoretical voting rights	% of exercisable voting rights at Shareholders' Meetings
Public [(a)]	7,616,474	66.52%	7,762,991	65.73%	65.74%
Group employees [(b)]	346,589	3.03%	389,165	3.30%	3.30%
Bpifrance Participations SA [(c)]	1,667,392	14.56%	1,750,269	14.82%	14.82%
CDC Savings Funds Department	150,766	1.32%	150,766	1.28%	1.28%
Group CDC subtotal [(d)]	**1,818,158**	**15.88%**	**1,901,035**	**16.10%**	**16.10%**
Nippon Steel Corporation [(c)]	1,667,392	14.56%	1,756,184	14.87%	14.87%
Treasury shares [(e)]	1,081	0.01%	1,081	0.01%	0.00%
TOTAL	**11,449,694**	**100.00%**	**11,810,456**	**100.00%**	**100.00%**

(a) *The stake of Group employees as at 31 December 2020 includes all of the shares subscribed via company mutual funds under the international employee share ownership plans that have been implemented by the Group since 2007, which include allocated shares at that date. Recall that under the leveraged formula of these plans, the performance multiple on the Vallourec shares is obtained thanks to a transfer of the discount on dividends and other financial rights related to ownership of the shares to the bank structuring the transaction through a swap contract. As at 31 December 2020, 123,589 non-allocated shares appeared in the assets of the company mutual funds, an employee stake of 1.08% in capital and 1.41% in voting rights at that date.*

(b) *Summary of threshold crossings in 2020 detailed in the table below.*

(c) *As from 1 February 2016, Bpifrance Participations on the one hand and Nippon Steel Corporation (NSC, formerly NSSMC) on the other must respect a 15% cap on their voting rights for a 15-year period, subject to certain reservations.*

(d) *In a letter that the AMF received on 30 April 2014, the Caisse des dépôts et consignations (CDC) and Bpifrance Participations SA clarified that they were each acting alone, and the CDC declared that there was no collaboration with Bpifrance Participations SA.*

(e) *Treasury shares include the shares held by the Company on its own account to cover its free share and performance share allocation plans. As a result, the number of treasury shares is subject to change at any time.*

Legal thresholds crossed during the fiscal year 2020

AMF Notice no.	Date threshold crossed	Group	Number of securities after crossing of threshold	% capital after crossing of threshold	% voting rights after crossing of threshold	Comments	Number of shares comprising the capital	Number of voting rights
220C1184	26/03/2020	Bpifrance Participations SA	66,695,708	14.56	14.99	Dropping below the 15% voting rights threshold	457,987,760	470,286,184
220C1185	26/03/2020	Caisse des Dépôts et Consignations (CDC)	6,030,658	1.32	1.29	-	457,987,760	470,286,184
220C1185	**26/03/2020**	**CDC Group**	**72,726,366**	**15.88**	**16.29**	**No threshold crossed**	**457,987,760**	**470,286,184**
220C1541	09/05/2020	Bpifrance Participations SA	66,695,708	14.56	22.01	Exceeding the 15% and 20% voting rights thresholds	457,987,760	470,286,184
220C1535	09/05/2020	Caisse des Dépôts et Consignations (CDC)	6,030,658	1.32	1.18	-	457,987,760	470,286,184
220C1535	**09/05/2020**	**CDC Group**	**72,726,366**	**15.88**	**23.19**	**Exceeding the 20% voting rights threshold**	**457,987,760**	**470,286,184**
220C1541	13/05/2020	Bpifrance Participations SA	66,695,708	14.56	14.98	Dropping below the 20% and 15% voting rights thresholds	457,987,760	470,286,184
220C1535	13/05/2020	Caisse des Dépôts et Consignations (CDC)	6,030,658	1.32	1.29	-	457,987,760	470,286,184
220C1535	**13/05/2020**	**CDC Group**	**72,726,366**	**15.88**	**16.28**	**Dropping below the 20% voting rights threshold**	**457,987,760**	**470,286,184**

As at 31 December 2020, Vallourec's free float percentage was 66.52%.

2.3.2 Absence of control over the Company

No other persons exercise control over Vallourec.

2.3.3 Shareholders' agreements

On 1 February 2016, the Company entered into two shareholders' agreements with Bpifrance and Nippon Steel Corporation (NSC), which were intended to regulate the shareholdings of Bpifrance and NSC. These shareholders' agreements were entered into for a 15-year term beginning on 1 February 2016 and may be extended for successive five-year periods, with each party having the option of terminating the agreement by giving written notice to the other party no less than six months before the expiration date.

A description of the main provisions of these shareholders' agreements appears in the declarations submitted to the French securities regulator regarding the communication of agreements between shareholders, as required by Article L.233-11 of the French Commercial Code (Code de commerce). These declarations are available on the AMF website: http://www.amf-france.org/en_US/.

Upon completion of the financial restructuring set out in the Safeguard Plan (see Section 3.7 of this Universal Registration Document), Bpifrance Participations will hold 2.3% of the share capital (before exercise of the warrants and 2.0% after exercise of the warrants) and NSC will hold 3.4% of the share capital (before exercise of the warrants and 3.0% after exercise of the warrants). As a result, the shareholders' agreement between the Company and NSC and the shareholders' agreement between the Company and Bpifrance Participations will cease.

Furthermore, as part of the implementation of this financial restructuring, the Company will sign separate governance agreements with Apollo and SVPGlobal (see Sections 3.7 and 7.2 of this Universal Registration Document).

2.3.3.1 Shareholders' agreement with Bpifrance

Governance: under the shareholders' agreement, Bpifrance has the right to request the appointment (and, where necessary, the renewal) of a representative to the Company's Supervisory Board, as long as Bpifrance holds more than 5% of the Company's capital and voting rights. Bpifrance has moreover committed to vote, when the Shareholders' Meeting decides on the appointment of an NSC representative to the Company's Supervisory Board, in favor of this appointment.

Commitments relating to ordinary shares: the shareholders' agreement prohibits the transfer of shares to a competitor of the Company and sets out orderly disposal clauses for the sale of shares on the market by Bpifrance or a selected investment service provider. These restrictions are not applicable, subject to certain conditions, in the event of a tender offer or a transfer to an affiliate.

Standstill: the shareholders' agreement is accompanied by a commitment from Bpifrance to limit its stake, individually or in concert, to 15% of the Company's voting rights as from 1 February 2016 and until the expiration date of the shareholders' agreement. Notwithstanding this standstill undertaking, under the shareholders' agreement Bpifrance may continue to benefit, for a four-year period starting on 1 February 2016, from the double voting rights attached to the Company's shares owned by Bpifrance, but it shall not use voting rights in excess of the 15% threshold at any Shareholders' Meeting of the Company. This standstill undertaking shall not apply upon the occurrence of a tender offer or if a third party comes to hold, acting alone or in concert, directly or indirectly, more than 15% of the Company's share capital or voting rights.

Right of first offer: Bpifrance has committed to inform the Company in writing in case it intends to transfer its shares to a third party. The Company will then have the right to purchase (or cause another party to purchase) the shares offered under the same conditions.

2.3.3.2 Shareholders' agreement with Nippon Steel Corporation (NSC)

Governance: under the shareholders' agreement, NSC is entitled to request the appointment of one representative on the Supervisory Board of the Company at the first Shareholders' Meeting following the redemption of the mandatory convertible bonds into ordinary shares, as long as it holds more than 10% of the share capital and voting rights of the Company. The Company has undertaken to present and recommend a resolution at this Shareholders' Meeting to the effect of appointing an NSC representative as a member of the Supervisory Board. This member will be subject to information barriers to prevent the exchange of any competitively sensitive information.

Commitments relating to ordinary shares: the shareholders' agreement prohibits the transfer of shares to a competitor of Vallourec and sets out orderly disposal clauses for the sale of shares on the market by NSC or a selected investment service provider. These restrictions are not applicable, subject to certain conditions, in the event of a tender offer or a transfer to an affiliate.

Standstill: this shareholders' agreement is accompanied by a commitment from NSC to limit its stake, individually or in concert, to 15% of the Company's voting rights as from 1 February 2016 and until the expiration date of the shareholders' agreement. This standstill undertaking shall not apply upon the occurrence of a tender offer or if a third party comes to hold, acting alone or in concert, directly or indirectly, more than 15% of the Company's share capital or voting rights.

Right of first offer: NSC has committed to inform the Company in writing in case it intends to transfer its shares to a third party. The Company will then have the right to purchase (or cause another party to purchase) the shares offered under the same conditions.

Industrial agreements: in the event of a termination of the Joint Venture Agreement (shareholders' agreement) in Brazil, the R&D Contract or the trademark license agreement (entered into on 1 April 2007) signed between the Company and NSC (and/or their respective subsidiaries):

- due to the fault of NSC, the latter shall transfer all the Company's shares it holds within six months of the occurrence of the termination, subject to the contractual transfer restrictions applicable to the transfer of shares. NSC shall not exercise any voting rights relating to its shares during any Shareholders' Meeting held after the occurrence of the termination; and
- due to the fault of the Company, NSC shall either file a tender offer for the securities of the Company (by exception to the standstill undertaking), or transfer its shares without applying the restrictions applicable to transfers of shares (subject only to the prohibition to sell the shares to a competitor, which will remain applicable).

2.4 Market for Vallourec's shares

2.4.1 Stock market

The Company's shares are listed in Sub-Fund B of the Euronext Paris regulated market (ISIN code: FR0013506730-VK). They are a qualifying investment under French laws on equity savings plans (Plan d'Épargne en Actions – PEA) and eligible for the long-only segment of the deferred settlement service (SRD).

The Vallourec share is one of the shares traded on the SBF 120 index.

The September 2024 Bonds are admitted to trading on the Euronext Paris market under the ISIN code FR0012188456. The October 2022 OCEANEs (Bonds Convertible into New Shares and/or Exchangeable for Existing Shares) are admitted to trading on the Euronext Access market in Paris under ISIN code FR0013285046. The October 2022 Bonds are admitted to trading on the Euro MTF stock market of the Luxembourg Stock Exchange under the code XS1700480160. The October 2023 Bonds are admitted to trading on the Euro MTF stock market of the Luxembourg Stock Exchange under the code XS1807435026 (see Section 2.2.6, "Non-equity instruments" above).

2.4.2 Other potential markets

In October 2010, Vallourec set up a sponsored Level 1 American Depositary Receipt (ADR) program *in the United States.* This initiative demonstrates the Group's intention to broaden its investor base by enabling a larger number of US-based investors to participate in its future development.

An ADR is a US-dollar-denominated marketable security representing shares in a non-US company, which allows American investors to hold shares indirectly and to trade them on securities markets in the United States. Vallourec's ADRs may be traded on the US over-the-counter (OTC) market.

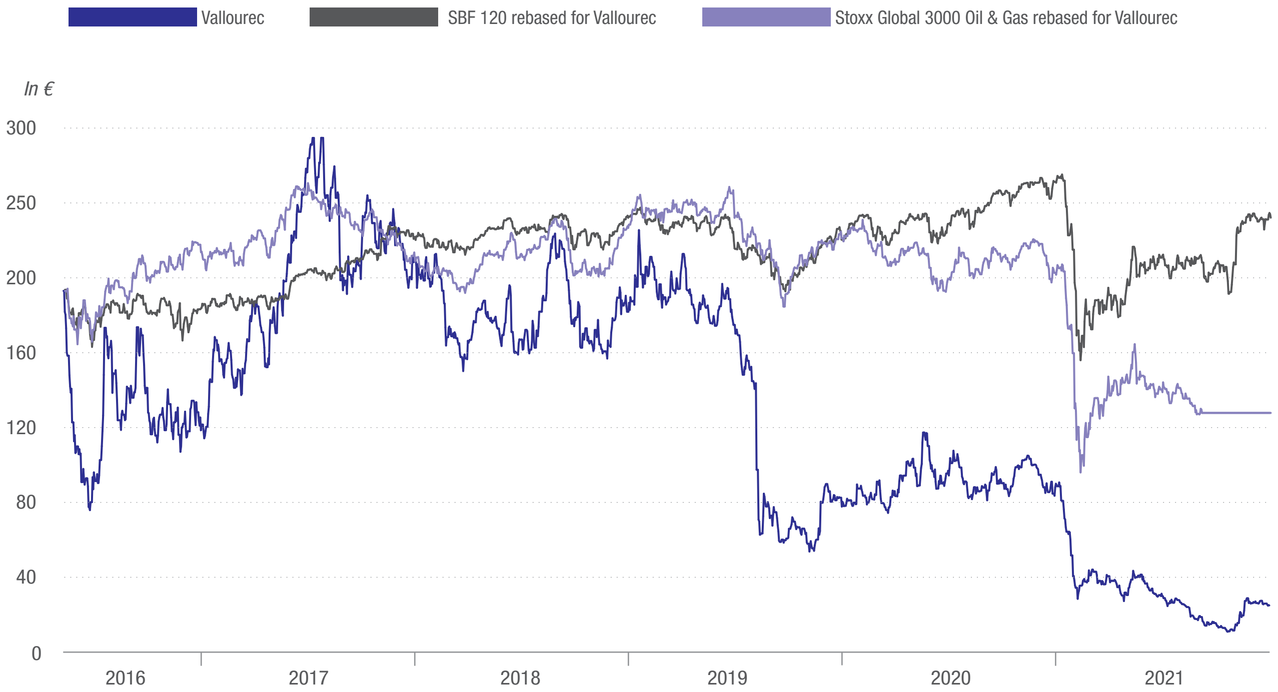
JPMorgan is the custodian bank responsible for administering the ADR program. Technical information about the ADR program is available on the Group's website under the Shares and Dividends heading. For further information, ADR holders may contact JPMorgan services, as follows:

- by phone: (800) 990-1135 (general) or (651) 453-2128 (if calling from outside the USA);
- by email: StockTransfer@equiniti.com, or by mail at the following address:

  JPMorgan Service Center
  JPMorgan Chase & Co.
  P.O. Box 64504
  St Paul, MN 55164-0504
  USA

2.4.3 Movements in the share price and market capitalization in the last five years

Vallourec share price performance in the last five years compared to the SBF 120 index and the Stoxx Global 3000 Oil & Gas



Source: IR Insight.

Note: Share consolidation (1 for 40) with effect from 25 May 2020.

Movements in the share price and market capitalization in the last five years

In euros	2016	2017	2018	2019	2020*
Number of shares outstanding (as at 31 December)	451,238,005	457,987,760	457,987,760	457,987,760	11,449,694
Highest price	6.65	7.47	6.08	3.19	114.68
Lowest price	1.93	4.02	1.56	1.37	11.19
Average (closing) price for the year	3.92	5.40	4.60	2.31	41.35
Year-end price	6.55	5.04	1.63	2.81	26.75
Market capitalization (year-end price)	2,955,608,933	2,305,968,372	744,459,104	1,286,945,606	306,279,314

Source: Euronext.

* *Share consolidation (1 for 40) with effect from 25 May 2020.*

2.5 Dividend policy

Dividend payment policy

Given the negative result in the 2020 fiscal year, it will be proposed at the Shareholders' Meeting of 20 April 2021 (third resolution) not to pay any dividend for the 2020 fiscal year.

Based on the par value of the Vallourec share as at 31 December 2020, the dividends per share paid for the last five fiscal years are as follows:

In euros per share	Gross earnings	Tax credit	Net dividend	Payout ratio [(a)]
2016	0	None	0	-
2017	0	None	0	-
2018	0	None	0	-
2019	0	None	0	-
2020 [(b)]	0	None	0	-

(a) The payout ratio is calculated based on the total number of shares outstanding as at 31 December.
(b) Submitted for the approval of the Shareholders' Meeting of 20 April 2021.

Vallourec's dividend payment policy for fiscal years ending as of 31 December 2021 will take into account Vallourec's results, its financial position and the restrictions applicable to the payment of dividends to which the Company is subject.

Restrictions on the distribution of dividends

The restrictions applicable to the distribution of dividends by the Company under the existing Group's debt instruments, or under the debt instruments the entereing into or issuance is contemplatex under the Safeguard Plan, are described below. For more information about the Group's debt instruments, readers are advised to refer to Section 3.7 of this Universal Registration Document.

October 2022 Bonds and October 2023 Bonds

The documentation applicable to October 2022 Bonds and October 2023 Bonds only allows the distribution of dividends by the Company in certain cases, the three main of which are summarized below. Any amounts actually distributed in such cases may be cumulated if the conditions applicable to the cases concerned are met:

1. Distribution authorized on the basis of total consolidated net income

In this case, the distribution of dividends is authorized if (i) no default or event of default has occurred or is likely to occur following such a distribution; (ii) Vallourec is able to contract at least €1 in additional debt with regard to the consolidated fixed financial expenses coverage ratio (as defined in the terms of the October 2022 Bonds and October 2023 Bonds), which, on a *pro forma* basis, must be greater than 2: 1 and (iii) the proposed total amount of the dividend (combined with the amounts of other payments subject to restrictions) plus the amount distributed since the issue date of these October 2022 Bonds and October 2023 Bonds does not exceed 50% of consolidated net income for the period (treated as an accounting year) from the first quarter following the issue date until the end of the most recent financial quarter completed before the date of payment, and for which financial statements are available (or, for example, if the consolidated net income is negative, after deducting 100% of this deficit), increased by certain amounts corresponding to capital contributions or conversion of securities into capital.

2. Distribution authorized specifically in respect of dividends

In this case, the distribution of dividends is authorized on the conditions that (i) no default occurs and persists or is likely to occur as a result the distribution and (ii) Vallourec securities are still admitted for trading on Euronext Paris, and (iii) the annual amount does not exceed the highest amount between (x) €100 million and (y) 35% of the consolidated net income, Group share.

3. Distribution authorized in view of the leverage ratio

In this case, the distribution of dividends is authorized on the conditions that (i) no default or event of default occurs and persists or is likely to occur as a result of the distribution and (ii) the consolidated net leverage ratio is less than or equal to 2: 1 on a *pro forma* basis (after taking into account the proposed distribution).

Debt instruments under the Safeguard Plan

If the conditions for the implementation of the financial restructuring set out in the Safeguard Plan are met, the restrictions applicable to the distribution of dividends will be those provided for under the various debt instruments of the Group that will be subscribed in this context, i.e., (i) a revolving credit facility of a maximum principal amount of €462 million (the "**New RCF**"), (ii) a state-guaranteed loan with a maximum principal amount of €262 million ("**state-guaranteed loan**") and (iii) *high-yield* bonds with a **maximum principal amount of €1,023 million ("New Bonds", with** New RCF **and state-guaranteed loan, "New Debt Instruments**"). These restrictions will replace those set forth in the documentation relating to October 2022 Bonds and October 2023 Bonds.

Under the terms of the New RCF and the state-guaranteed loan, the Company may not distribute dividends, reserves or premiums during the 2021 fiscal year. In addition, regarding distributions for subsequent years, the documentation relating to New Debt Instruments only allows Vallourec to distribute dividends in certain cases; these main cases are described below.

1. Distribution authorized on the basis of total consolidated net income

In this case, the distribution of dividends is authorized if (i) no default or event of default has occurred or is likely to occur following such a distribution; (ii) Vallourec is able to contract at least €1 in additional debt with regard to the hedging ratio of consolidated fixed financial expenses (as defined in the terms of the New Bonds), which must be greater than 2: 1 on a *pro forma basis* and (iii) the proposed total amount of the dividend (combined with the amounts of other payments subject to restrictions) plus the amount distributed since the issue date of these New Bonds does not exceed 50% of consolidated net income for the period (treated as an accounting year) from the first quarter following the issue date until the end of the most recent financial quarter completed before the date of payment, and for which financial statements are available (or, for example, if the consolidated net income is negative, after deducting 100% of this deficit), increased by certain amounts corresponding to capital contributions or conversion of securities into capital.

2. Distribution authorized specifically in respect of dividends

In this case, the distribution of dividends is authorized on the conditions that (i) no default occurs and persists or is likely to occur as a result of the distribution and (ii) Vallourec securities are still admitted for trading on Euronext Paris, (iii) the annual amount does not exceed 5% of Vallourec's market capitalization, and (iv) the consolidated net leverage ratio is less than or equal to 2.25: 1 on a *pro forma* basis.

3. Distribution authorized in view of the leverage ratio

In this case, the distribution of dividends is authorized on the conditions that (i) no default or event of default occurs and persists or is likely to occur as a result of the distribution and (ii) the consolidated net leverage ratio is less than or equal to 2: 1 on a *pro forma* basis (after taking into account the proposed distribution).

2.6 Financial disclosure policy

The Group's priority is to maintain lasting, trustworthy relations with all its shareholders, whether individual or institutional, French or foreign. The role of the Investor Relations team is to facilitate shareholders' access to accurate and precise information that faithfully reflects the Group's activities, results, outlook and strategic developments.

Accordingly, and with ongoing concern for clarity and transparency, numerous dedicated communications media are available, and regular meetings are arranged throughout the year.

2.6.1 Information available to all shareholders

Financial information and communications media are electronically available to all shareholders on the Group's website (www.vallourec.com) under the Investors heading, which is an authoritative Group financial communications database. This media includes:

- the activity report and letters to shareholders;
- all financial and strategic information issued to the financial markets, including quarterly results, press releases, financing, presentations and audio broadcasts of the annual results, and video broadcasts of the Shareholders' Meeting;
- all the regulated information disclosed under the European Transparency Directive of 15 December 2004 as amended, which specifically comprises:
  - the Universal Registration Document, including the annual financial report, the half-year report and the management report of the Management Board, filed with the French securities regulator (*Autorité des Marchés Financiers*),
  - documents relating to the Shareholders' Meeting (Notice of Meeting, draft resolutions, voting form, meeting brochure);

All Group press releases, presentations and publications are also available under the Media heading.

This information may be sent by mail following a request made on the Group website or addressed to the Investor Relations Department by e-mail, telephone or letter.

Annual Shareholders' Meeting

The 2020 Annual Shareholders' Meeting was held behind closed doors on the Group's premises and was streamed live on the Group's website. This event was an opportunity for discussion between shareholders and the Group's executive management of the Group's performance over the year via a live Q&A session.

The Investor Relations team is available to assist shareholders in their efforts to vote and participate in the Shareholders' Meeting.

Newsfeed

When disseminating its publications, Vallourec provides its shareholders and stakeholders with the possibility of subscribing to a Group newsfeed via the Internet at www.vallourec.com (Investors heading), through a simple online registration process. The newsfeed allows press releases on the Group's financial results and activities to be received electronically, along with notifications of financial publications and letters to shareholders.

2.6.2 Relations with institutional investors and financial analysts

On a regular basis and in accordance with best business practices, the Investor Relations Department organizes, along with various members of the Group's executive management, meetings with institutional investors and financial analysts, including SRI (socially responsible investment) specialists, in France and abroad:

- **each quarter, a conference call is organized** when the financial results are released. Members of the Management Board present the results and answer questions from analysts. The conference call is broadcast live and rebroadcast on the Group's website;
- **each year, when public health conditions allow, a face-to-face meeting is held in Paris,** upon release of the Group's annual results;
- **Vallourec regularly participates in events on socially responsible investment (SRI).** These meetings with investment funds and SRI analysts contribute to the Group's progress in the field of sustainable development;
- **periodically, an Investor Day is organized**, where a presentation is made to the financial community on the Group's strategy, products and operations. Accessible to everyone in the form of a video broadcast that is available on the Group's website, the Investor Day allows investors and analysts to have detailed discussions with the Management Board and the operational supervisors on a wide range of topics, outside of the periods for reporting results.

Moreover, **many events are organized throughout the year between the Group's executive management and the financial community.** In 2020, Vallourec's executive management and the Investor Relations team took part in nearly 100 meetings and conference calls, and devoted some 11 days to roadshows and conferences, mainly in Europe and the United States.

It should be noted that in 2020, the public health situation meant that some of these meetings and conferences were held over videoconference and by telephone.

2.6.3 Relations with individual shareholders

The Group seeks to promote a sustained dialog with its individual shareholders and strengthen the trusting, close relationships it has built with them. This dialog also helps Vallourec better understand the concerns of its individual shareholders, and to meet their expectations.

To that end, and through various additional media, specific communications methods were developed:

- an individual shareholders' section under the Investors heading of the Group's website (www.vallourec.com);
- the posting of financial notices in conformity with the current regulations (release of results, Notice of Shareholders' Meetings);
- specific communications media such as letters to shareholders;
- a dedicated toll-free number for individual shareholders (+33 (0) 805 65 10 10, free from any landline in mainland France), which allows them to access information such as the financial calendar, or to get in touch with the Investor Relations team, or BNP Paribas Securities Services, if the shareholder has registered shares or is interested in acquiring such shares;
- a newsfeed which allows press releases, notifications of financial publications as well as letters to shareholders to be received electronically, simply by registering online at www.vallourec.com (Investors heading);
- depending on the year, a presence at the Actionaria exhibition. The Investor Relations team, along with the business line experts, was thus able to present or reintroduce business lines, know-how and solutions of the Group, and to speak with the individual shareholders;
- a Shareholders' Club allowing members to participate in meetings dedicated to presenting financial results and to having more regular exchanges with Vallourec in order to gain a better knowledge and understanding of its activities. The Shareholders' Club and the conditions for joining and registering are accessible online at www.vallourec.com (Investors/Shareholder corner heading);
- lastly, an Investor Relations team is always available to answer shareholders' questions.

Directly registered shares

Vallourec offers its shareholders direct registration of their shares, which includes the following benefits:

- **free management:** direct registered shareholders are totally exempt from custody fees as well as other fees associated with the routine management of their shares such as:
  - conversion to bearer shares and share transfers,
  - changes to legal status: transfers, gifts, inheritance, etc.,
  - securities transactions (capital increases, share allocations, etc.),
  - dividend payments;
- **brokerage fees** of 0.25% of the amount of the transaction up to €200,000 and 0.15% above €200,000 (with a minimum of €4.10);
- **a guarantee of receiving personalized information:** the direct registered shareholder will receive personalized information on:
  - invitations to Shareholders' Meetings, with systematic sending of the Notice of Meeting, an individual form for postal voting or voting by proxy, and, upon request, the sending of an admission card and legal documentation;
  - securities management (purchase and sale orders, etc.), securities transactions organized by Vallourec, etc. To this effect, as well as for other information, a team of dedicated operators is continuously available to shareholders from 8:45 a.m. to 6:00 p.m. (Paris time), Monday to Friday, on +33 (0)1 40 14 80 17;
- **easy access to the Shareholders' Meeting:** all registered shareholders are automatically invited to Shareholders' Meetings, and are not required to first request a certificate of shareholding to vote;
- **a dedicated website,** Planetshares, can be accessed at: https://planetshares.bnpparibas.com. This site allows you to:
  - manage your assets,
  - issue orders,
  - participate in the Shareholders' Meeting,
  - directly download all communications relating to assets (portfolio trading, transaction notices, etc.).

Further information about direct registration and registration forms may be obtained from BNP Paribas Securities Services:

- by mail at the following address:

  BNP PARIBAS SECURITIES SERVICES

  Corporate Trust Operations
  Relations Actionnaires Vallourec
  9, rue du Débarcadère
  93761 Pantin Cedex – France
- by telephone on: +33 (0)1 40 14 80 17
- by fax on: +33 (0)1 55 77 34 17

2.6.4 Contact for Investor Relations and Financial Communications

Investor Relations Department

- Address: 27, avenue du Général Leclerc – 92100 Boulogne-Billancourt – France
- Telephone: +33 (0)1 49 09 39 76
- E-mail: investor.relations@vallourec.com or actionnaires@vallourec.com

2.6.5 2021 Financial calendar (dates subject to change)

20 April 2021	Ordinary and Extraordinary Shareholders' Meeting
20 May 2021	Release of results for Q1 2021
28 July 2021	Release of results for Q2 and H1 2021
17 November 2021	Release of results for Q3 and 9M 2021

3

Presentation of Vallourec and its Group

3.1 History and development of Vallourec and its Group

The Vallourec Group is over 100 years old, with some Group companies having been established in the last decade of the 19th century. Vallourec originated in two regions of France, both with long manufacturing traditions, where the Group still has a significant presence: the Hauts-de-France region around Valenciennes and the Burgundy region around Montbard, on the Côte-d'Or. Since the end of the 1990s and the creation of the joint venture between Vallourec and Mannesmann, the Group has also been widely established in the Düsseldorf region in North Rhine-Westphalia (Germany) and in the region of Belo Horizonte in the state of Minas Gerais, Brazil. In the first decade of the new millennium it strongly developed its positioning in North America and established itself in Asia. Also present in Africa and the Middle East, Vallourec is now an international group, operating close to its customers.

1886-1930: INVENTION OF THE SEAMLESS STEEL TUBE ROLLING PROCESS

In 1886, the Mannesmann brothers filed a patent that revolutionized the tube industry: thanks to a rolling mill with an oblique cylinder piercer, they were able to produce seamless steel tubes.

In the late 19th century, in France, tube manufacturers began to adopt the seamless tube manufacturing process that had been perfected by the Mannesmann brothers in Germany. The Société Métallurgique de Montbard was created in 1899 to take over Société Française de Fabrication des Corps Creux, which had operated a plant in Montbard since 1895. Listed on the Paris Stock Exchange since its founding in 1899, in 1907 it was renamed Société Métallurgique de Montbard-Aulnoye, which changed to Louvroil-Montbard-Aulnoye in 1937 after the takeover of Louvroil et Recquignies, itself a company resulting from a merger between Société Française pour la Fabrication des Tubes de Louvroil, founded in 1890, and Société des Forges de Recquignies, established in 1907.

1930: BIRTH OF VALLOUREC

The economic crisis prompted French tube manufacturers to join forces. The name Vallourec appeared for the first time as the name of a management company for tube plants in Valenciennes, Denain, Louvroil and Recquignies.

1957: LISTING OF VALLOUREC ON THE PARIS STOCK EXCHANGE

The Société des Tubes de Valenciennes and Société Louvroil-Montbard-Aulnoye merged. This Group became the second biggest manufacturer of steel tubes in France, and was listed on the Paris Stock Exchange under the name Vallourec.

1965: LAUNCH OF THE VAM® CONNECTION

A major innovation, the VAM® connection (named for Vallourec and Alexandre Madrelle, the engineer who developed the connection) revolutionized the oil industry. Thanks to unique mechanical features, it ensures complete sealing of the strings inside the well.

1976: INDUSTRIAL PARTNERSHIP WITH SUMITOMO

The development of the oil market prompted Vallourec to build industrial partnerships in order to meet its customers' demand worldwide. In 1976, Vallourec signed a licensing agreement with the Japanese group Sumitomo (the third largest producer of steel tubes worldwide) and created a joint venture with it in 1984 to produce and market VAM® in America. These agreements were the starting point for an ongoing collaboration.

1997: CREATION OF THE JOINT VENTURE BETWEEN VALLOUREC & MANNESMANN TUBES

Created in 1890, shortly after the Mannesmann brothers' revolutionary discovery of the seamless steel tube rolling process, Mannesmannröhren-Werke AG quickly became a world benchmark. The formation of Vallourec & Mannesmann Tubes, a joint subsidiary of Vallourec (55%) and the German company Mannesmannröhren-Werke (45%), allowed the two companies to offer their customers the widest range of tube sizes in the world.

2000: DEVELOPMENT IN BRAZIL

Vallourec & Mannesmann Tubes acquired the Brazilian subsidiary Mannesmannröhren-Werke, now known as Vallourec Soluções Tubulares do Brasil.

2002: STRENGTHENING OF THE GROUP'S PRESENCE IN THE UNITED STATES

Established since 1984 in the United States, the reference market for tubes for oil and gas well equipment (Oil Country Tubular Goods – OCTG), Vallourec has significantly strengthened its presence in the United States through the acquisition of the seamless steel tube activity of North Star Steel Company (North Star Tubes), which includes an electric steel mill and a tube mill in Youngstown (Ohio), along with a heat treatment and threading unit in Houston (Texas). Now called Vallourec Star, this company is 80.5% controlled by Vallourec Tubes and 19.5% controlled by Sumitomo Corporation.

2005: ACQUISITION BY VALLOUREC OF COMPLETE CONTROL OF VALLOUREC & MANNESMANN TUBES

Vallourec gained full control of Vallourec & Mannesmann Tubes through the acquisition of the 45% stake held by Mannesmannröhren-Werke for €545 million. This major transaction gave Vallourec full control over implementing the strategy of the joint venture.

2005-2006: STRENGTHENING OF THE DRILLING TUBE ACTIVITY

Vallourec acquired the assets of the Omsco Division of ShawCor in the United States (Houston). This acquisition allowed Vallourec to become the second largest drilling tube operator for the Oil & Gas market in the world. This position was strengthened in 2006 with the acquisition of SMFI (Société de Matériel de Forage International) in France. The activities were combined under the name Vallourec Drilling Products.

2006-2011: EXPANSION TO CHINA

In an effort to pursue its growth in the area of tube production for the Power generation market, in 2006 Vallourec opened a subsidiary, Vallourec Changzhou Co., Ltd. (1), which was established in Changzhou, China, specialized in the cold-finishing of large-diameter seamless alloy steel tubes produced in Germany for power plants.

In the same year, VAM Changzhou Oil & Gas Premium Equipments was created to operate a mill in Changzhou for threading tubing to equip oil and gas wells. Production began in mid-2007.

In an effort to further strengthen its presence on the Chinese market, in 2011 the Group acquired 19.5% of Tianda Oil Pipe Company Limited (TOP), a Chinese manufacturer of seamless tubes, listed on the Hong Kong Stock Exchange. Under the terms of a cooperation agreement with TOP, VAM Changzhou Oil & Gas Premium Equipments threads premium tubes manufactured locally by TOP for the Chinese premium OCTG market.

2008: ACQUISITIONS IN THE UNITED STATES

To strengthen its positions in products with high added value, Vallourec acquired Atlas Bradford® Premium Threading & Services, TCA® and Tube-Alloy from Grant Prideco. These companies are specialized, respectively, in the production of premium connections, the heat treatment of high-grade alloy steel tubular products, as well as the production and repair of accessories used inside oil and gas wells, and in complex threading operations. In 2009, Atlas Bradford® Premium Threading & Services and TCA® merged with VAM USA LLC and Vallourec Star respectively.

2009-2010: NEW TUBE PRODUCTION CAPACITIES FOR NUCLEAR POWER PLANTS

Valinox Nucléaire, a Vallourec subsidiary specialized in the manufacturing of steam generator tubes, invested in new production capacities in Montbard (Côte-d'Or, France) and also in a new production unit in Guangzhou, in the southeast of China.

2009-2010: DEVELOPMENT IN THE MIDDLE EAST

In 2009, Vallourec acquired DPAL FZCO, a drill pipe supplier established in Dubai (UAE). This acquisition allowed Vallourec Drilling Products to increase its presence in the Middle East and to supply local and international customers of the Group. In 2010, the Group acquired the Abu Dhabi (UAE)-based Protools, the biggest drill pipe accessories producer in the Middle East, thus enabling it to offer comprehensive solutions for the whole drill string.

2010: CONSOLIDATION OF THE PREMIUM SOLUTIONS OFFER

Vallourec acquired Serimax, the world leader in welding solutions for offshore line pipes. This acquisition supplemented Vallourec's activities in the area of offshore line pipes and allowed the Group to offer its customers integrated solutions.

2011: STRENGTHENING OF THE GROUP'S INDUSTRIAL PRESENCE IN BRAZIL AND THE MIDDLE EAST

In 2011, the new integrated joint industrial site for Vallourec & Sumitomo Tubos do Brasil was commissioned at Jeceaba, in the state of Minas Gerais, Brazil. This premium industrial site includes a steel mill, a tube mill, and a group of heat treatment, threading and finishing lines.

In the same year, Vallourec acquired Saudi Seamless Pipes Factory Company Ltd, the leading processing and finishing company for seamless OCTG tubes in Saudi Arabia. Vallourec thus became the leading player in the OCTG market to have local access to integrated heat treatment and threading facilities, to which it added a new threading line of VAM®connections.

2012: PARTICIPATING IN THE DEVELOPMENT OF UNCONVENTIONAL HYDROCARBONS IN THE UNITED STATES

Vallourec began operating a new premium small-diameter tube mill in Youngstown (Ohio), thereby covering a full range of products and services necessary for the production of all hydrocarbons, especially those relating to shale oil and gas.

2013: VALLOUREC, THE SINGLE BRAND FOR ALL COMPANIES OF THE GROUP

Since the formation of the joint venture Vallourec & Mannesmann Tubes, numerous entities of the Group operated under the V&M brand. In 2013, in an effort to contribute to strengthening its world leadership and assisting its growth strategy, Vallourec combined all of its entities under the same name: Vallourec, attesting to the complete consolidation of the numerous companies the Group has acquired worldwide.

2014: VALLOUREC BOOSTS ITS SALES IN AFRICA

Having established a presence in Angola via a service center since 2007, Vallourec opened a sales office in Nigeria and a premium tube threading plant in 2009. This presence led to the signing in 2014 of three major contracts in Africa for the supply of subsea line pipes and premium tubular solutions for use in highly complex deepwater offshore projects in Ghana,Nigeria and Angola.

2015: VALLOUREC DEPLOYS VALENS, ITS TWO-YEAR COMPETITIVENESS PLAN

At the beginning of 2015, Vallourec announced that it had launched "Valens," a two-year competitiveness plan aimed at cost reduction and cash flow optimization.

In parallel, Vallourec launched a streamlining process for its European steel tube production units.

2016: VALLOUREC ACCELERATES ITS TRANSFORMATION AND ANNOUNCES MAJOR STRATEGIC INITIATIVES

On 1 February 2016, Vallourec announced major strategic initiatives to transform its operational set-up, improve its competitiveness in the short and longer term, and reinforce its financial structure to secure long-term profitable growth and create value for its shareholders. Vallourec is thus streamlining its industrial footprint in Europe and Brazil, acquiring control of Tianda Oil Pipe in China, and has raised nearly €1 billion through a capital increase.

(1) Since 18 August 2017, this company has been called Vallourec (China) Co., Ltd.

2017: VALLOUREC IS CONTINUING ITS TRANSFORMATION

Throughout the period, Vallourec continued its transformation, notably through the establishment of a new organization structured around four regions and two central departments, and the rollout of new production.

2018: DEPLOYMENT OF NEW COMPETITIVE ROUTES

In 2018, the deployment of the new production routes from China and Brazil allowed the Group to win a large number of tenders in all geographic areas. In Brazil, the Group also renewed its long-term contract (three years) with Petrobras for the supply of premium OCTG tubes and services. The disposal of Vallourec Drilling Products, announced in late 2017, was finalized.

2019: LAUNCH OF SMARTENGO™, COMMERCIAL SUCCESS IN EA-MEA AND THE ANNOUNCEMENT OF THE MANAGEMENT BOARD SUCCESSION PLAN

In March 2019, Vallourec launched Smartengo™, its new online sales platform for the Oil & Gas market. On 9 September 2019, Vallourec announced that it had won a contract worth $900 million for the supply of OCTG tubes to the Abu Dhabi National Oil Company (ADNOC) over five years with a two-year extension clause. Vallourec will also be supplying a wide range of services, from plant to wells, developed as part of its new global service range Vallourec.smart.

The Supervisory Board, which met on 17 September 2019 chaired by Vivienne Cox, selected Édouard Guinotte to succeed Philippe Crouzet as member and Chairman of the Management Board after the end of his term on 15 March 2020.

2020: PLANS TO STRENGTHEN THE BALANCE SHEET ABANDONED DUE TO THE COVID-19 CRISIS AND THE FALL OF OIL AND GAS MARKETS, FINANCIAL RESTRUCTURING ANNOUNCED

In February 2020, Vallourec announced plans to strengthen its balance sheet to support its strategy, which comprised of a rights issue of €800 million and a refinancing of its bank facilities. This project was abandoned due to the Covid-19 crisis, which led to a fall in the global Oil & Gas markets. In September 2020, Vallourec announced that it was entering into discussions with its creditors with the aim of significantly reducing its level of debt.

2021: FINANCIAL RESTRUCTURING

On 3 February 2021, Vallourec announced that it had reached a major step in its financial restructuring, with the entering into an agreement in principle with its main creditors. This agreement meets the Group's objectives to rebalance its capital structure by reducing its debt and securing the necessary liquidity that will enable it to implement its strategic plan within a volatile market environment.

On 4 February 2021, the Commercial Court of Nanterre opened a safeguard proceeding (*procédure de sauvegarde*) to the benefit of Vallourec to enable the implementation of the agreement in principle entered into by Vallourec and its main creditors on 3 February 2021 under a secure framework (see Section 3.7 of this Universal Registration Document).

3.2 Description of the Group's business model and activities

3.2.1 Valloure's economic model

3.2.1.1 General introduction to the Group

Vallourec is a world leader in premium tubular solutions, primarily aimed at the Oil & Gas, Industry, and Power generation markets. With nearly 17,000 employees in late 2020, integrated production sites, state-of-the-art Research and Development (R&D) and a presence in over 20 countries, the Group offers its customers innovative global solutions tailored to the energy challenges of the 21st century.

Originally based in France and Germany, Vallourec now has frontline positions in the United States, Brazil, Europe, the Middle East and Asia. With more than 40 production units and finishing lines around the world, Vallourec has integrated sites combining steel mills and tube mills in the United States and Brazil.

The Group provides a wide range of premium tubular solutions – high-performance solutions whose manufacture requires significant technological and industrial expertise – in addition to related specialized services that provide customers with a complete range of innovative solutions to meet their strictest requirements.

The Group's offer includes:

- a range of seamless tubes that is among the most extensive in the world in terms of sizes and proportions (length, diameter, thickness) with a variety of more than 250 grades of steel (high-grade and low-grade carbon steel alloys, stainless steels, nickel alloys, etc.);
- specialty tubes; and
- connections, including VAM® and accessories; and
- innovative and connected services.

The Group offers products and services for the following three markets:

- Oil & Gas: tubes, connections and connected services for exploration and operation of oil and gas fields, including the most complex ones. Vallourec offers a full range, which allows it to make use of all oil extraction options: shale, onshore and offshore;
- Industry (mechanical, automotive, and construction) and other: lightweight and resistant tubes for a wide range of applications, hollow sections, tubes, and hollow bars for the automotive, mechanical or construction markets;
- Iron ore: operation of an iron mine in Brazil, with a part of its production supplying the Jeceaba site and the remainder sold on the local market;
- Power generation: a wide range of tubes needed to build conventional and nuclear power plants [1].

Developments in these markets in 2020, and the outlook for these markets going forward, are presented in Section 3.4 of this Universal Registration Document.

(1) *The closure of the Reisholz site in Germany, dedicated to tubes for the construction of conventional power plants, has been effective as of summer 2020 and in February 2021 Vallourec announced that it had started discussions with a view to sell Valinox Nucléaire SAS.*

AMBITION: TO BE THE INNOVATIVE AND AGILE PARTNER OF CHOICE FOR ITS CUSTOMERS

Vallourec's ambition is to be the innovative and agile partner of choice for smart and sustainable tubular solutions for its customers.

A partner of choice: a world player with leading regional positions, the Group aims to satisfy each customer at the lowest cost, thanks to a differentiated offer of products and services to allow them to both optimize operating costs and provide high value added products for highly sophisticated applications.

Agile: to respond to its customers' needs more and more quickly, Vallourec has reviewed its innovation policy to become more responsive and rapidly offer new solutions that meet market expectations. Furthermore, its regional presence allows it to offer its customers delivery and service time frames that address their concerns as much as possible.

Innovative: innovation is at the core of the Group's DNA, and is marked by the development of the most advanced products and connections. In order to continue to best respond to the expectations of its customers and markets, Vallourec's innovation strategy was expanded beyond the development of traditional products to the development of new products, services, as well as new business models. Developing digital in commercial offers is a key axis, marked by the launch of the smart services offering, Vallourec.smart, in 2018. This offering brings together the Group's physical and digital services.

A DIVERSIFIED PRODUCT AND SERVICES OFFER AND A GEOGRAPHICAL FOOTPRINT THAT SERVE ITS CUSTOMERS

In order to be as close as possible to its customers and assist them in all of their development projects, in 2017 Vallourec established a regional organization around four main hubs: Europe/Africa, Middle East/Asia, North America, and South America.

The Group has a diversified customer portfolio and a global presence that allows growth opportunities to be achieved in each of its markets. Vallourec benefits from a balanced distribution of its revenue. The Group's top ten customers represented 26% of total revenue in 2020 and the balanced geographical distribution of the revenue demonstrates the Group's strong positions in its strategic markets. The distribution of revenue by market is presented in Section 3.2.2.1 of this Universal Registration Document.

INNOVATION AT THE CORE OF THE GROUP'S DNA

Vallourec benefits from patented technology that gives it a strong competitive advantage: the VAM® connection, which ensures perfect sealing for tube columns in the equipment areas, makes the Group a leading manufacturer of seamless tubes.

Vallourec intends to maintain its technological progress, which allows it to anticipate its customers' needs. Innovation is at the heart of its growth strategy:

- Vallourec's customers want assistance in optimizing and securing their facilities. Vallourec responds to their expectations with full offers that have high added value, which integrate connected tubes and services;
- the Group innovates in the following areas: manufacturing processes, the development of new products, and the improvement of the performance of existing products, as well as rolling out new customer solutions and services.

The digital revolution has resulted in new possibilities for optimizing operations and making them more efficient, for the entire value chain, and in an increased demand from Vallourec's customers in all sectors for smart solutions of this type. Vallourec has already proposed connected solutions and is working to develop this offer to address its customers' concerns as closely as possible.

Vallourec is moreover preparing for energy transition by exploring how its products can be used in this context. Some of its products have already been incorporated into concrete applications, for example for geothermal plants, which require tubes with very demanding properties (corrosion, extreme heat conditions), storage of supercritical carbon dioxide (low temperatures), hydrogen storage, and various structural applications (solar, offshore wind).

A RESPONSIBLE PLAYER

Vallourec has always integrated the highest standards of responsibility and requirements into its strategy, in terms of safety, quality, and social and environmental policy: its process and the corporate social responsibility objectives it has set for itself are formalized in the Sustainable Development Charter and are described in the consolidated statement of non-financial performance, which is included in Chapter 4 of this Universal Registration Document.

Vallourec is regularly assessed by the main non-financial agencies or specialized SRI funds such as Vigeo-Eiris, MSCI, Sustainalytics, Ecovadis.

The Vallourec Group intends to play a part in energy transition and support its customers in their transformation. Vallourec's products and services are already in numerous applications for energy transition, and the Group participates in research on onshore and offshore wind, and the transport and storage of carbon and hydrogen, in addition to its current offering in solar energy.

The Group is studying development opportunities to meet the future needs of rapidly changing markets and has launched a structure dedicated to this activity, which targets four key areas: geothermal energy (in order to grow this activity which is already part of Vallourec's offering); offshore wind (notably focused on a wind turbine anchor solution, which is currently in the prototype stage, related jacket structures, lattice structures for jackets and vessels for the installation of off-shore wind turbines); the capture, storage and utilization of carbon (CCUS); and hydrogen. The latter two areas draw on the Group's vast expertise and probably represents the highest potential, albeit within a slightly longer time frame.

3.2.1.2 Products and services for the Oil & Gas market

Vallourec has expanded its offer to serve its customers thanks to the combination of standard and highest-performing products, enabling it to meet both the requirements of the least demanding environments as well as those of the most sophisticated applications in terms of pressure, temperature, and corrosion. The Group is developing a service offer associated with these products to improve operators' costs, ease product implementation, and increase the lifetime of assets and facilities.

PRODUCTS FOR THE OIL & GAS MARKET

Vallourec offers a line of tubular solutions to the oil and gas industry that satisfies the strictest requirements and covers the entire chain of production, from exploration to production and transport of oil and gas.

The standard product ranges meet international standards (API, DNV, IOGP, Shell DEP, etc.) and contribute, thanks to Vallourec's competitive offer, to reducing operators' costs.

The Group's premium product lines are adapted to the most challenging extreme and increasingly complex environments, such as:

- deep wells;
- corrosive environments;
- deviated and horizontal wells; and
- HP/HT (high pressure/high temperature).

The Group's products and services cover the entire production chain of the Oil & Gas sector: exploration, development and production, transport and processing:

- **OCTG:** Vallourec OCTG (Oil Country Tubular Goods) products are seamless tubes with a threaded connector that are found in a large number of oil and gas wells throughout the world (casing and tubing). The tubes are generally connected using premium threaded VAM® connections, which are trademarked by Vallourec;
- **Transport and processing:** gas and oil are transported from the well to the processing units, whether offshore or onshore, using Vallourec tubes and accessories. Its stainless steel, super duplex welded tubes for umbilical applications connect seabed equipment to the control station at the surface.

Tubes and accessories for the Oil & Gas market

For production phases, the Group offers OCTG products, which are threaded tubes designed for oil and gas well equipment. The OCTG products produced by the Group include casing, which consists of tubes that are assembled using sealed connections to form a column supporting the walls of an oil or gas well. The Group also offers tubing, consisting of steel tubes, smaller in diameter, assembled using leak-tight connections to form a production string used to lift the fluids produced from the bottom of the well towards the surface.

The sealed assembly of OCTG premium tubes relies on VAM® connections offered by the Group (described below in the section on VAM® Connections). These connections have technical characteristics that enable them to withstand the strong forces that the OCTG products are subjected to under extreme conditions.

OCTG activities are being developed in Europe, Africa, the Middle East and Asia, as well as in North America and South America. Each region integrates tube rolling, heat treatment and threading facilities.

The Group is also a major player in the Accessories market, providing both finished and semi-finished products, as well as brackets for connecting complex equipment (wellheads, safety valves, etc.) to OCTG tubes.

VAM connections®

VAM® connections, used for Oil & Gas activities for more than 55 years, are premium threaded connections invented and patented by Vallourec. They provide tubes with connections that are resistant to all the mechanical constraints that are present in wells, such as pressure and compression, and ensure perfect sealing for tube columns.

The development of the VAM® connections is a joint activity of Vallourec and Nippon Steel Corporation (NSC, formerly NSSMC). This cooperation, which has allowed the VAM® brand to become a world leader on the OCTG market, is still as dynamic as ever and allows it to offer solutions that are best adapted to oil and gas operators' needs.

Since the first VAM® patent, which Vallourec filed in 1965, more than 30 VAM® product lines have been put on the market; specific developments have been added, which meet the most varied requirements. This offer particularly includes:

- VAM® 21: available in diameters of 3 $^1/_2$ to 16 inches, this innovative connection has become the new leading product. As resistant as the tube itself, it was the first to offer performance meeting the CAL IV standard defined in the most recent changes to ISO 13679 and API RP 5C5, two technical specifications required by our customers. The product line is constantly being supplemented by other versions that meet operators' specific needs: higher torque capacity, development of thick tubes, etc.;
- VAM® SLIJ-3 covers the high-performance integral connection segment. Compared to the previous generation VAM® SLIJ-II, the new VAM® SLIJ-3 connection, with a diameter of 14 inches, offers an additional 21% of traction capacity, 38% of compression capacity, and nearly 50% of torque capacity. Already certified in accordance with the strictest standard currently applicable (API CAL IV: 2017), in several sizes from 7 $^5/_8$ to 16 ¼ inches, it is primarily aimed at "deepwater offshore" applications. In 2020, an offshore project in the Gulf of Mexico was made possible by using more than 2,000 7 $^5/_8$-inch tubes equipped with the VAM® SLIJ-3 connection. The product's installation speed was particularly appreciated, demonstrating an additional advantage of this integral connection, the Group's best-performing connection to date;
- In 2020, the Group pursued an ambitious research and industrialization program on CLEANWELL®, a dry coating applied to VAM® connections, which provides grease-free lubrication and protects the threading from corrosion during transport and storage. An increasing number of oil and gas operators are convinced by the value of CLEANWELL®; beyond the clear environmental benefits, the in-factory application of the dry coating means that VAM® connections delivered with CLEANWELL® coating can be used immediately on work sites. As a result, safety conditions are improved and the speed of operations is also increased. In November 2020, a customer operating in the North Sea set a new productivity record with an average running of more than 34 tubes of 9 $^5/_8$-inch equipped with the VAM® 21 CLEANWELL® connection per hour. This performance is all the more remarkable as the most optimistic target was 30 tubes per hour. All the connections used in this descent were produced at the Aulnoye-Aymeries threading plants and the preparation services and operations for the platform were carried out by the Vallourec Norge teams. This reinforces the position of CLEANWELL® as the perfect addition for getting the best value from VAM® connections;

- VAM® HTTC (High Torque Threaded and Coupled): designed for highly deviated wells with long horizontal sections, this premium connection for *casing* and *tubing* withstands extreme torque and compressive stress when the column is being installed and maintains a perfect seal during production. Available in various dimensions, VAM®HTTC is a high-added-value product that allows the most complex horizontal drilling to be carried out safely. Having certified this product in 2019 for our customer ADNOC, in 2020 the Group produced a unique combination: this VAM® HTTC connection with our CLEANWELL® coating. Vallourec has proved its ability to produce this particularly tough premium connection, to add its own surface treatment, and to offer it alongside its SMARTENGO Inventory service;
- VAM® BOLT-II is a premium integral connection for large-diameter casing. Its mechanical integrity and sealability make it especially well-suited to high-pressure, high-temperature deepwater offshore wells, which are common in the Gulf of Mexico, off the Brazilian coast and in the Gulf of Guinea, as well as in North Africa and the Asia Pacific region;
- VAM® EDGE SF and the VAM® SPRINT product range: the Group supports all non-conventional oil and gas producers in the United States, and has developed connections to meet these very specific needs. VAM® EDGE SF is a premium connection designed for long horizontal sections (up to 10,000 feet). Its technical characteristics are perfectly tailored to this type of drilling, in particular boasting better resistance to traction and torsion, as well as gas tightness in compliance with the strictest ISO standards. VAM® SPRINT-SF and VAM® SPRINT-FJ are two integral connection product lines developed in 2019 and 2020 to supplement the specific range on offer for non-conventional wells, with a more economical solution for applications that are less demanding when it comes to sealing, but require high performance in terms of assembly and traction. As soon as they went on the market, these VAM® SPRINT connections were immediately successful with oil and gas operators. By meeting the requirement to offer a range of very high torque threaded products, that are priced competitively and which provide unequalled traction resistance for integral connections, Vallourec has once again pushed the boundaries of connection design;
- VAM® EPIC is a premium integral connection using an "upset" or extruded tube (produced using a dedicated process tool). Validated and certified in 2019, it combines increased performance compared to a standard integral connection with a finer profile and a transition zone with the tube. This is more progressive than of a threaded sleeved connection. This product notably allows a better quality of cementing to guarantee the integrity of the well, and makes it possible to execute projects involving wells with difficult pressure conditions, particularly in the Gulf of Mexico;

In order to confirm the continued position of the VAM® range as market leader in premium joints, Vallourec's coordination of its Research and Development Departments is concentrated under Vallourec Oil & Gas France, with R&D branches close to the major OCTG markets in the United States (VAM USA in Houston) and Brazil (VSB in Belo Horizonte). Support for the VAM® product lines worldwide is provided by a broad network of local licensees close to customers' operations.

The Group also continued to develop its site services network, which provides worldwide coverage from service centers based in Scotland, the United States, Mexico, Singapore, China, Angola, Nigeria and the Middle East. Since 2008, Vallourec has also produced petroleum accessories related to the VAM® joint through its subsidiary Vallourec Tube-Alloy, LLC (USA). This expertise is deployed in Mexico, Brazil, France, Singapore and Indonesia to provide, as a complement to its network of licensed partners, global coverage for accessory requirements to meet customer needs for the VAM® joint.

The teams of experts at Vallourec Research Center Connections are working to validate VAM® threaded connections for energy transition applications, such as Carbon Capture Usage and Storage (CCUS), applications for hydrogen storage, and geothermal wells to guarantee that Group customers obtain the best possible performance from our products under these specific operating conditions.

Development of high-performance steels for OCTGs

To combat corrosion in oil and gas wells, major research programs are underway to create high-tensile carbon steels resistant to H_2S (hydrogen sulfide) corrosion or to CO_2 (Carbon Dioxyde) and to market them.

Tubes and accessories for transportation of Oil & Gas

The Group's product line for transportation includes the following:

- rigid subsea line pipes (production and injection lines known as flowlines, which are pipes that rest on the seabed for the transport of production or injection fluids, and risers, which bring fluids up from the wellhead to the surface and then connect them to processing units);
- onshore rigid line pipes;
- specialized tubes for umbilicals, through its subsidiary Vallourec Umbilicals – France, which manufactures and sells super duplex welded (stainless steel) tubes for umbilicals, which are structures comprising tubes, cables and/or optical fibers that are used to connect seabed equipment to a control station at the surface for applications in the offshore oil industry; and
- process tubes for the chemical, petrochemical, and liquid products processing industries, etc.

Each of these products is developed in various grades of steel to meet our customers' specific requirements in terms of mechanical properties and corrosion resistance.

Various types of anticorrosion or thermal insulation coatings can be applied in our plants or with the help of our subcontractors.

Tubes for the processing of industrial fluids and hydrocarbons

The Group offers a wide range of carbon steel and steel alloy tubes, as well as hollow bars (semi-finished tubes for later processing into a product that meets the needs of a specific market) and connections adapted to the needs of each project.

In particular, for petrochemicals, the Group is a supplier of seamless tubes for refineries, petrochemical facilities, floating liquefied natural gas (LNG) plants, and production, storage and offloading units (FPSO).

SERVICES FOR THE OIL & GAS MARKET

To respond to the needs of its customers (operators, engineering firms, and distributors) in terms of efficiency, cost and integrity, Vallourec services has increased its offerings to include innovative solutions tailored to specific project needs, such as on-site offshore and onshore welding,coating, bending, and complex project management.

As a result, Vallourec offers a series of services to its customers through "Vallourec Global Solutions", which assists customers and provides them with the benefit of Vallourec's know-how throughout the lifetime of the facility. They include:

- the VAM® Field Service, which includes more than 167 technicians and engineers in 17 locations around the world, available 24 hours per day at the well site to assist customers in lowering tubes, inspecting connections, and supervising assembly. Furthermore, the Group has set and manages a network of more than 200 licensees to repair Vallourec products and thread tubes with VAM® on all oil accessories;
- inventory management, in which Vallourec's logistics engineers can manage, at the customer's request, their tubular product inventory and coordinate the preparation of tubes to be sent to the platform;
- advisory services in which Vallourec provides guidance including with respect to well design. Vallourec experts recommend the best tailored tubing and casing (in terms of sizing and steel grade) to customers and the connections that best respond to the requirements of the well;
- training sessions in which "Tubular Essentials" are provided by the Group's experts to teach operators best practices for optimal use of tubes and connections, handling, and inventory management.

The Group also offers a series of tailored services grouped within the Vallourec.smart offering adapted to the customer's needs, including tube inspection, maintenance and repair, on-site services, preparation for drilling operations, and well coordination and supply based on customers' drilling programs. For example, Vallourec has delivered deepwater offshore projects in which it managed execution of all of the tube production, coating, welding, and manufacture of the line pipe to be installed in the water.

The Group also offers specific integrated solutions for the subsea line pipe market, including welding, coating, insulation, logistics and service agreements that may be specifically entered into depending on the customer's needs. In partnership with a thermal insulation specialist, Vallourec provides line pipes using pipe-in-pipe technology, in which the line pipe is covered with an insulating, high-performance material and then inserted into another tube. This technology keeps oil and gas at the proper temperature to ensure that it flows properly during transport from the wellhead to the production platform.

In addition, the Group offers tube coating and welding services on site, primarily through the following subsidiaries:

- Serimax – France, a global leader in integrated welding solutions for offshore line pipes, with an international presence consisting of service units close to project sites. Serimax relies on its new welding research centers in order to develop joint research programs with its customers and to respond to projects' increasing technical requirements;
- Serimax Field Joint Coating – UK, which carries out coating activities on the end-to-end welded section of line pipes both onshore and offshore on installation vessels, complementing the welding solutions offered by Serimax.

3.2.1.3 Products and services for other markets

The Group offers complete solutions for the Power generation market and for the industrial market (mechanical, automotive and construction).

PRODUCTS AND SERVICES FOR THE POWER GENERATION MARKET

Vallourec's tube portfolio for the Power generation market is one of the largest in the world. For conventional thermal power plants, new generation "ultra-supercritical" coal-fired powered plants, or nuclear power plants, Vallourec responds to the different needs of power producers.

The Group offers its customers seamless tubes for boilers and steam generators, in all sizes and all grades, from carbon steel to nickel alloy, through high alloy steel. The tubes cover all the carbon steel grades required in power plants and the entire size range, from small diameters for boiler tubes to very large diameters for steam pipes.

Vallourec's products respond to the challenges of power producers, and the Group's services support their performance, from logistics to risk assessment and customer-specific training.

The reduction in the number of coal-fired thermal power plants under development in Asia since 2018 has led to a drop in the demand for tubes for these applications. The increased customs tariffs applied by the Chinese authorities since June 2019 on a significant portion of the steel tubes produced in Germany for the Chinese conventional powergen market made the divestiture of this business unlikely. In the first quarter of 2020, the decision was made to close the plant in Reisholz (Germany), which specializes in tubes for conventional power plants. The plant was actually closed in the summer of 2020.

On 17 February 2021, Vallourec announced that it had initiated discussions regarding the sale of Valinox Nucléaire SAS. This transaction could take place during the first half of 2021 and is submitted to consultation of work's council.

PRODUCTS AND SERVICES FOR THE INDUSTRIAL MARKET

Products offered to customers in the industrial market are designed for highly varied mechanical, automotive and construction uses. The Group produces tubes, hollow bars (semi-finished tubes for subsequent processing into products meeting the needs of a specific market), and sections (circular, square, rectangular or octagonal sections for a vast array of applications), in all sizes and grades of steel. Its offerings respond to the needs of the most varied and demanding industrial applications with special grades of steel.

Vallourec's premium tubular solutions are found in much infrastructure construction: bridges, stadiums, industrial and logistics buildings, airports and other ambitious architectural projects. The mechanical industry uses Vallourec's tubes and rings to manufacture cranes, construction machinery, agricultural machinery, and hydraulic cylinders. Automotive manufacturers equip their heavy-weight and light-weight vehicles with the tubes and axles produced by the Group.

IRON ORE

In Brazil, the Group extracts iron ore in its Pau Branco mine, in Minas Gerais State, 30 kilometers south of Belo Horizonte. The mine supplies the blast furnaces and the pellet plant of its affiliates located at Jeceaba, in the Minas Gerais, and also markets its production locally.

In the second quarter of 2019, Vallourec was granted the required license from the Minas Gerais authorities to extend production capacity by building a new processing unit which should make it possible to reach a total production capacity of around 8.7 million metric tons in 2022. The production volume achieved in 2020 was 7.9 million metric tons. Iron ore production should stay at a similar level until implementation of the extension project. The expansion of the mine's production capacity is expected to be completed by the end of 2021. The prices of the iron ore delivered to our customers are expected to be higher than in 2020, although gradually decreasing along the year.

PRODUCTS AND SERVICES FOR THE RENEWABLE ENERGY MARKET

Vallourec also participates in various innovation projects concerning renewable energies, such as, for example, onshore and offshore wind, solar, and the transport and storage of carbon and hydrogen.

Vallourec has already identified numerous opportunities and is now looking to accelerate its expansion into these new markets. Our know-how allows us to offer tubular solutions that meet the challenges of implementing the infrastructure linked to these different types of renewable energy.

Through public and private partnerships and the acquisition of new skills, Vallourec is aiming to consolidate its position as a true partner and expert within the global community of companies that emit the least CO_2.

We also seek to contribute to turnkey renewable energy development projects throughout the world.

3.2.2 Markets and customers

3.2.2.1 Vallourec's markets

The Group's principal market is the Oil & Gas and Petrochemicals market, representing 72.9% and 68.1% of the Group's revenue in 2019 and 2020 respectively. The table below shows the breakdown of the Group's revenue by market in 2019 and 2020.

In € million	2019	% of revenue	2020	% of revenue
Oil & Gas	2,752	65.9%	2,007	61.9%
Petrochemicals	290	7.0%	200	6.2%
TOTAL OIL & GAS AND PETROCHEMICALS	**3,042**	**72.9%**	**2,207**	**68.1%**
Mechanicals	368	8.8%	296	9.1%
Automotive	115	2.8%	59	1.8%
Construction & other	456	10.9%	471	14.5%
Industry	**939**	**22.5%**	**826**	**25.5%**
Power generation	**192**	**4.6%**	**210**	**6.5%**
TOTAL	**4,173**	**100.0%**	**3,242**	**100.0%**

Due to rounding, the numbers given in the table above may not add up precisely to the totals provided and the percentages may not precisely reflect the absolute figures.

For an analysis of changes in the market, see Section 3.4 "Market environment" and for an analysis of the variation in the Group's revenue by market, see Section 3.8, "Results of operations" of this Universal Registration Document.

A breakdown of revenue by geographic region in 2020 is presented in Section 3.8 "Results of operations" of this Universal Registration Document.

3.2.2.2 Principal customers

The Group's largest customers include:

- in the Oil & Gas market, international oil companies (such as Total and Shell), national companies (such as Adnoc and Petrobras), private independent companies, American distributors, oil service companies, as well as engineering and construction companies (such as TechnipFMC);
- in the Industry market, European and international distributors and manufacturers of industrial equipment.

In certain geographical markets, and in particular in the United States and in Germany, the Group's principal customers are distributors. In the rest of the world, the Group's customers are end-users.

In 2020, the Group's 10 largest customers represented 26% of consolidated revenue, and the five largest customers represented 17% of consolidated revenue.

3.2.3 Competitive position

The information below is broken down into the various markets in which Vallourec participates. It is based on the Group's internal analyses and constitutes its own estimates.

See paragraph "Risks related to competition" of Section 5.1.1 of this Universal Registration Document.

3.2.3.1 Oil & Gas

Vallourec operates in two markets: threaded seamless tubes for the equipment of oil and gas wells used for exploration and production (OCTG), and the offshore and onshore line pipes for oil and gas transportation:

- in the OCTG market, Vallourec is among the world's leading suppliers of premium products in terms of volumes delivered:
  - in the market for premium connections that satisfy demanding technical performance criteria, the VAM® range produced in cooperation with Nippon Steel Corporation (NSC, formerly NSSMC), is the world leader,
  - the Group's main competitors in the OCTG market are Tenaris, NSC, JFE, US Steel Tubulars, TMK, TPCO and Voest Alpine Tubulars;
- Vallourec is one of the three major players in the offshore line pipe market for premium seamless tubes, with Tenaris and NSC:
  - the Group has a strong position in deep water (over 500 meters) projects, which require high-tech products,
  - Vallourec also has a presence on the onshore line pipe segment,
  - through its subsidiary Serimax, Vallourec has also positioned itself as the world leader in welding and coating solutions for both offshore and onshore line pipes,
  - moreover, Vallourec is offering a premium line of welded super duplex steel tubes that can be fitted into umbilicals at offshore oil and gas fields. The first tubes were successfully assembled in 2016 for a project in the North sea (Glenlivet project, Scotland). In 2018, tubes were delivered for a project along the Angola coast (project Block 15/06, Angola), in the Okhotsk sea (Kirinskoye project, Russia) and in the Gulf of Mexico (Who Dat project, United States).

3.2.3.2 Petrochemicals

Vallourec is a supplier for several applications: seamless tubes for refineries, petrochemical facilities, floating liquefied natural gas plants, and production, storage and offloading units: Vallourec is a significant market player, its main competitors being Tenaris, ArcelorMittal, NSC (formerly NSSMC) and Chinese groups.

3.2.3.3 Power generation

Traditionally, Vallourec offered a large range of tubes, product sizes and steel grades (including patented grades) for the Power generation market, mainly for thermal power plants. However, at the beginning of 2020, the Group decided to close the Reisholz specialized site in Germany and only continue its repair and maintenance activity in Europe and North America, as well as activities related to biomass in Brazil, to certain tube applications in China, and to certain applications for the nuclear market.

3.2.3.4 Industry and Other

ENGINEERING

Vallourec is one of the European leaders in seamless tubes for mechanical engineering applications. This market is characterized by:

- a wide range of applications: tubes for hydraulic cylinders, construction and civil engineering cranes, agricultural machinery, construction and mine exploitation machinery, industrial building frames, public facilities, and oil rigs, etc.;
- competition from numerous technical alternatives: welded tubes, drilled steel bars, cold-drawn tubes, forged and formed tubes, etc.

AUTOMOTIVE

Vallourec provides a wide range of products for the automotive industry, such as axle tubes and gearbox applications. Thanks to its subsidiary Vallourec Bearing Tubes (Montbard), Vallourec is a leader in the European market for ball-bearing rings manufactured from seamless tubes.

In Brazil, Vallourec Soluções Tubulares do Brasil is the market leader for seamless hot-rolled, cold-formed, forged or drawn tube manufacturing. The products from Vallourec Soluções Tubulares do Brasil have numerous industrial applications for various market segments such as light and heavy vehicles, and two-wheel vehicles, primarily for transmission and steering systems, as well as for construction and agricultural equipment and machinery.

CONSTRUCTION

Vallourec is an important supplier of seamless and streamlined tubes for construction projects. It provides solutions for civil constructions such as concourses, stadiums, museums, or other infrastructure such as bridges, as well as solutions for offshore projects, in particular offshore oil and gas platforms.

In Brazil, Vallourec Soluções Tubulares do Brasil also offers standard or formed seamless tubes for the construction of bridges, stadiums, airports, power lines, foundations for walkways, and other infrastructure projects.

3.2.4 The Group's facilities

The teams and production of premium Vallourec solutions are positioned where the customers are. The Group thus has more than 40 production units throughout the world. As at 31 December 2020, its facilities included:

- three steel mills, including one in Germany, Hüttenwerke Krupp Mannesmann (HKM), 20% held by the Group, one in the United States and one in Brazil;
- 12 tube mills in Europe, the United States, Brazil and Asia;
- five Research and Development centers, described in Section 3.3 below;
- 26 finishing units;
- numerous sales offices and service centers located near our customers; and
- a group of forest assets and an iron mine in Brazil.

The Group benefits from rolled tube production capacities of nearly 3 million metric tons, relatively balanced across its four operating regions:

Rolled tube production capacities by region

Europe	~25%
North America	~25%
Brazil	~30%
China	~20%

3.2.5 Procurement

3.2.5.1 Raw materials and purchasing

The Group's purchases for production activities are broken down as follows:

- raw materials (Scrap metal, Ferroalloys, electrodes, refractories, etc.);
- pre material (roundbars, flat products, etc.);
- manufacturing consumables and supplies (mechanical and electrical supplies, cutting tools, lubricants, thread protectors, etc.);
- maintenance (services and spare parts); and
- energy (electricity, natural gas, etc.).

Purchases consumed for the production in fiscal years 2019 and 2020 included the following:

In € thousand	As at 31/12/2019	As at 31/12/2020
Scrap metal and Ferroalloys	466,464	274,838
Rounds/billets	763,064	521,761
Flat products	-	31
Tubes	80,803	69,752
Miscellaneous [(a)]	221,543	238,951
TOTAL	**1,531,874**	**1,105,334**

(a) Including change in inventories.

The purchase of rounds and billets represented 47% of the Group's consumed purchases in 2020, and the purchase of tubes represented 6%.

Other purchases include the following purchases:

- non-production:
  - external services (engineering, temporary labor, waste treatment, industrial cleaning, etc.),
  - IT (software, hardware, network, professional services, etc.), and
  - logistics (sea, air, road, rail, warehousing, etc.);
- solutions:
  - major equipment infrastructure and investments, and
  - customer-specific solutions.

For a description of the risks related to changes in the prices of raw materials, see Chapter 5, "Risk and risk management" of this Universal Registration Document.

3.2.5.2 Sourcing policy

The Group has implemented a structured, consistent purchasing strategy providing a balance between central management and local guidance:

- use and continued improvement of effective, formalized purchasing processes to optimize the Group's performance in terms of quality, cost, and delivery times;
- together with the Group's internal customers, selection of the best suppliers on the basis of business line needs, purchasing strategies by area, supplier risk analysis and criteria approved before the calls for tender are launched;

- sharing a solid contractual approach with all of the Vallourec entities that takes local characteristics into account to limit risks, ensure compliance with global directives and improve visibility;
- sharing a common and global approach and monitoring suppliers to continuously improve the Group's performance in terms of quality, cost and delivery times, as well as social and environmental responsibility;
- identifying and minimizing the supplier risks borne by the Group under its ongoing responsible purchasing policy;
- the purchasing function is centralized regionally or globally according to purchasing family, whenever pertinent. Supply is primarily managed locally and has gradually merged into the regional shared services centers.

3.2.6 Organization of the Group

3.2.6.1 Vallourec Group legal organization chart as at 31 December 2020 (1)

VALLOUREC

100%

VALLOUREC TUBES

EUROPE / AFRICA (EA)

FRANCE

100%	Vallourec Bearing Tubes
100%	Vallourec Oil and Gas France
100%	Vallourec Tubes France
51%	Vallourec Umbilicals
80%	Serimax Holdings

REST OF EUROPE

100%	Vallourec Deutschland GmbH (Germany)
100%	Vallourec Oil & Gas UK (United Kingdom)
100%	Vallourec RUS (Russia)
50.1%	Vallourec Niko Tube Holding GmbH (Germany)
20%	Hüttenwerke Krupp Mannesmann (Germany)

AFRICA

100%	VAM Field Service Angola, LDA (Angola)
100%	Vallourec Nigeria Limited (Nigeria)
100%	Vallourec Oil & Gas Egypt LLC (Egypt)
100 %	Vallourec Oil and Gas Kenya Limited (Kenya)
49%	Vallourec O & G Nigeria Limited (Nigeria)
100%	Vallourec Oil and Gas Uganda (Uganda)

MIDDLE EAST / ASIA (MEA)

MIDDLE EAST

75%	Vallourec Al Qahtani LLC (Saudi Arabia)
100%	Vallourec Middle East FZE (United Arab Emirates)
80%	Vallourec Saudi Arabia LLC (Saudi Arabia)
49%	Vallourec Tubular Services LLC (United Arab Emirates)

CHINA

99.7%	Vallourec Tianda (Anhui) Co., Ltd.
100%	Vallourec (Beijing) Co., Ltd.
100%	Vallourec (China) Co., Ltd.
100%	Vallourec Oil & Gas (China) Co., Ltd.

REST OF ASIA

81.7%	PT Citra Tubindo Tbk (Indonesia)
100%	Vallourec Asia Pacific Corp. Pte Ltd. (Singapore)
51%	VAM Far East (Singapore)

SPECIALTY TUBES

100%	Valinox Nucléaire (France) (2)
100%	Valinox Nucléaire Tubes Guangzhou Co., Ltd.

NORTH AMERICA (NA)

OCTG

100%	Vallourec Canada Inc. (Canada) (3)
100%	Vallourec Oil & Gas Mexico, SA de CV (Mexico)
80.5%	Vallourec Star, LP (United States)
100%	Vallourec Tube-Alloy, LLC (United States)
51%	VAM USA LLC (United States)

MARKETING COMPANIES

100%	Vallourec Canada Inc. (Canada) (3)
100%	Vallourec USA Corp. (United States)

SOUTH AMERICA (SA)

BRAZIL

84.6%	Vallourec Soluções Tubulares do Brasil S.A.	
100%	Vallourec Tubos do Brasil Ltda	
	100%	Tubos Soldados Atlântico Ltda
	100%	Vallourec Florestal Ltda
	100%	Vallourec Transportes e Serviços Ltda

OTHERS

100%	Vallourec Trading South America (Uruguay)
100%	Vallourec Soluciones Tubulares Argentina (Argentina)

(1) In terms of direct or indirect holding percentage of share capital and voting rights.
(2) Valinox Nucléaire is associated with the Middle East/Asia Region.
(3) Vallourec Canada Inc. performs both OCTG and marketing activities.

3.2.6.2 Organization of Group activities

Following the establishment of its Transformation Plan and to best serve its customers worldwide, since April 2017 the Group has adopted and deployed a new organization with two central departments – Development & Innovation (D&I) and Technology & Industry (T&I) – and with four main Regions: Europe/Africa (EA), Middle East/Asia (MEA), North America, and South America:

- the Regions are responsible for all of the sales and industrial operations located within their geographic scope;
- the Development & Innovation Department (D&I) is responsible for defining and implementing the development strategy for product lines. It is also responsible for innovation and R&D;
- the Technology & Industry (T&I) Department is responsible for defining the Group's industrial strategy, with the aim of continuing to improve its cost base. It is in charge of technology and manages the Group's supplies, as well as central planning.

The goal of this organization is to strengthen the Group's local presence and proximity to its customers, to optimize overall use of its resources, and stimulate its development.

In addition to its operating entities, the Group also includes holding and marketing companies.

TECHNOLOGY & INDUSTRY

The Technology and Industry Department (T&I) includes the various Industrial core fields of expertise through departments in charge of the Group's strategy and performance with respect to safety, quality, customer service, know-how and performance in key technologies, production cost optimization, procurement and logistics. T&I is in charge of the Group's industrial strategy determines changes in its industrial system in liaison with Regions. It manages the investment portfolio and makes sure investments are properly carried out from a technical standpoint, within prescribed time horizons and economic conditions.

It is structured in eight "core fields" departments that interact with one another and coordinate the activities of the Regions defined in the industrial plan:

- the **"Safety/Quality/Industrialization" Department** defines the policies, objectives and methodologies of the Group aiming at improving safety performance (total recordable frequency rate), quality perceived by customers (number and processing of claims), approval/certifications, and regulatory requirements. It is also responsible for the control of the industrialization of new products;
- the **Industrial Excellence Department** coordinates the competitiveness improvement plans for the Regions through the "CAP20" Group initiative, prepares and deploys the Group's Operational Excellence guidelines, relying on lean management methodologies. It is also in charge of the Group's industrial maintenance policy and the associated improvement processes, as well as the knowledge management (KM);
- the **Industrial Master Planning Department** conducts strategic studies that are associated with the Group's industrial plan, along with the transformation studies of the industrial system. It is also in charge of defining and deploying the industrial digital plan ("Industry 4.0");
- the **"CAPEX/Projects/Engineering" Department** manages the investment portfolio along with the strategic plan and the annual budget processes, and is in charge of the process of qualifying and authorizing investment projects. It is also in charge of project and engineering management methods for the Group as a whole, as well as for the development of know-how in automation technology. It takes part to major investment and M&A projects;
- the **Sourcing Department** is in charge of all of the Group's purchasing. It defines, coordinates and executes purchase policies through operational teams based in the Regions;
- the **Supply Chain Department** is in charge of the medium-term production, allocations of orders and management of production capacities at Group level (Sales & Operation planning). It defines the policies, objectives and methodologies for improving delivery performance (On time delivery, lead times) and logistics (service, costs);
- the **Technology & Performance Upstream Department** is in charge of monitoring and improving the technical performance of production tools, and of their technological development (Research and Development on processes) in the areas of steel manufacturing, rolling, heat treatment and non-destructive testing.
- the **Technology & Performance Downstream Department** is in charge of monitoring and improving the technical performance of production tools, and of their technological development (Research and Development on processes) in the areas of tube finishing, threading and "Dopefree" (CLEANWELL®) technologies applied to VAM® connections. It is in charge of the industrialization of VAM® products for all of the Group's threading sites.

DEVELOPMENT AND INNOVATION

The Development and Innovation Department (D&I) comprises the Group's various Product Line Departments, the Departments responsible for diversifying into Services and Energy Transformation and the various businesses serving to develop them: marketing, sales, technical promotion and innovation, Research and Development, industrial property.

D&I is in charge of the strategy of developing product lines and defines the Group's objectives with the regions for developing new markets, optimizing the product portfolio, the customer portfolio and in particular major accounts, Research and Development, innovation to expand Vallourec's cornerstones for differentiating itself and creating value in customer solutions (including digital).

D&I manages the product development and services portfolio and makes sure they are put on the market within the time limits and at the performance levels expected to successfully create the expected value in all regions.

D&I is also responsible for the Group's diversification in support of energy transition, particularly in Geothermal Energy, Hydrogen, Carbon Capture, and Offshore Wind.

D&I's organizational structure comprises three Product Lines, one Service Line Department, and one Energy Transition Department, supported by the Innovation and Research and Development Department. D&I's organizational structure interacts with the regions and coordinates development activity at Group level, by means of action plans that are determined with the regions.

The Product Line Departments cover all of the Group's markets, i.e.:

I. OCTG and Accessories

- **OCTG** (Oil Country Tubular Goods), which comprises the casing and production tubes used to construct onshore or offshore oil or gas production wells. This segment includes the VAM® range of joints, as well as the entire VAM® system, which includes: the network of approximately 200 VAM® licensees, audited annually, who provide maintenance and repair services for VAM® joints worldwide as close as possible to the operating areas, supported by VAM® Field Services International, and customer supply chain optimization and well design services.
- **Accessories** comprise all products, mainly Oil & Gas, that are designed and manufactured by Vallourec, integrated into the production strings and necessaryfor optimizing the production of oil or gas wells.

II. Line Pipe Project

- The **Line Pipe Project** linked to EPCI (Engineering, Procurement and Construction, and Installation) markets comprises the tubes, expertise and integrated solutions used to connect all of the offshore and onshore facilities of an oil field from the wellhead to the platform or production vessel, as well as the tubes needed to connect these production facilities to the onshore refining and treatment facilities.
- The **Line Pipe Process** comprises the tubular products in which the hydrocarbons are transported or transformed, both in offshore operations (FPSO: Floating Production Storage and Offloading/ FLNG: Floating Liquefied Natural Gas, and onshore operations (Hydrocarbon processing: LNG or Liquefied Natural Gas, refining, petrochemical).

III. Industry

- **Industry** comprises a wide variety of industrial applications: agricultural machinery, cylinders, cranes, construction (offshore, Wind Turbine Installation Vessels, bridges, stadiums, etc.), mechanical industries.

IV. Nuclear

- The **thermal power plant market using nuclear energy** concerns tubes of steam generators for the primary circuit, as well as the tubes for supplying steam to the turbines.

V. Services

- The **Service Line** focuses on the **Vallourec.smart** brand and the Group's ambition to use service as a differentiating factor for its historical product lines and to diversify by developing new Services supported by digital technology and the **Smartengo™** brand. It brings together the physical services we offer our customers: teams of on-site engineers, customer supply chain optimization services, through to the execution of service contracts and the incubation and development of a complementary and stand-alone digital offering.

VI. Energy Transition

- A team is dedicated to identifying and developing growth opportunities in four **Energy Transition** sectors: Geothermal Energy, Hydrogen, Carbon Capture, and Offshore Wind.

Support functions for these Departments include:

- the **Marketing Strategy Department**, which is in charge of anticipating the development of our markets to help the Group's Product and Services Departments adapt their offers and evaluate opportunities to diversify;
- the **Key Accounts Department**, which is in charge of optimizing the commercial development of the Group's key accounts for all of the regions and all of the product lines;
- the **Research and Development Department,** which includes all of the Group's resources and laboratories in France, Brazil and the United States. It is in charge of developing the high-performing products and processes needed to develop Vallourec's customer offerings within the prescribed time limits and budgets. It takes steps to capitalize on the Group's know-how in Research and Development of internal skills. It also develops partnerships with companies or universities that are able to provide us additional expertise and participates in numerous Joint Industry Programs (JIPs) to develop adapted solutions with our customers;
- the **Innovation Department,** which is in charge of accelerating the diversification of Vallourec's offer by helping the Product and Services Departments to expand their value proposal, thanks to the evaluation of new business models. It is in charge of identifying and activating any potential catalysts for growth beyond the Group's current core business, activating open-innovation;
- the **Industrial Property Department,** which is in charge of technical oversight, the filing of patents, and defending the industrial property of the Group. In 2020, the Group filed 20 patents.

EUROPE/AFRICA REGION

The historical and technological cradle of the Group, the Europe/ Africa Region serves all of Vallourec's markets from its production and service units. The industrial activity includes the rolling mills, heat treatment plants, finishing and specialties units.

The business activities of the Europe/Africa Region aim to ensure the satisfaction of its customers by providing them with a wide range of products that meet their expectations at a competitive price. The Region also supplies Vallourec's other Regions and can sell their products in its own geographic area to help develop the Group's global activities in its various markets.

The business relies among other things on the complementarity between Vallourec Tubes France – France (100%), which operates heat treatment plants in Déville-lès-Rouen (Seine-Maritime), Saint-Saulve (Hauts-de-France) and a forge in Aulnoye-Aymeries (Hauts-de-France), and Vallourec Deutschland GmbH – Germany (100%), which operates three tube mills in Mülheim, Düsseldorf-Rath. The tube mills are equipped with continuous-process, plug and pilger rolling mills, allowing them to manufacture, with the Aulnoye-Aymeries forge and the Montbard (Côte-d'Or) rolling mill, products with one of the world's widest range of diameters, thicknesses and grades of steel, in addition to offering finishing operations.

All of the European rolling mills are primarily supplied with raw materials from European steel mills, and in particular, as concerns ordinary steels, by the Huckingen mill operated by Hüttenwerke Krupp Mannesmann (HKM), in which Vallourec Tubes has a 20% stake in the capital.

In addition to continuing to implement the Group's Transformation Plan launched in 2016, for which one of the major components was streamlining production capacities in the Europe/Africa Region, at the end of 2018 Vallourec began a major savings plan to restore the competitiveness and profitability of its German activities. The new program includes a significant reduction in staff, a reduction in costs (raw materials, industrial, administrative and sales) and the optimization of production flows.

The streamlining of European industrial assets in France and Germany is reflected in the decrease in the number of Group sites. Europe is now positioning itself as a center of excellence for the production of premium products, supporting local markets while offering a flexible production route that facilitates short lead times for export.

In particular, the Düsseldorf-Reisholz plant (North Rhine-Westphalia), which specializes in tubes for conventional power plants, was closed in 2020 and the Déville-lès-Rouen (Hauts-de-France) plant is to be closed in 2021 as part of the restructuring project announced in November 2020.

See Section 3.6 "Implementation of the Transformation Plan – Strategic Vision" below.

Oil Country Tubular Goods (OCTG)

Coordinated globally at the Region level, the industrial and commercial activities of OCTG Europe/Africa are carried out through the following subsidiaries:

- Vallourec Oil and Gas France (VOGF) – France (100%), which produces standard threaded connections and the full range of premium VAM® products. It has a production unit in Aulnoye-Aymeries, which includes several Oil and Gas tube threading lines that allow all of the dimensions and connections of the VAM® product line to be made as well as a line to apply the multifunctional CLEANWELL® coating on certain products, which was especially designed for VAM® connections as a substitute for storage and assembly greases;
- Vallourec Deutschland GmbH – Germany (100%) has threading and finishing lines for the production of standard joints and all premium VAM® products at its Düsseldorf-Rath industrial site;
- Vallourec Oil & Gas UK Ltd – United Kingdom (100%) combines facilities specializing in threading, in Clydesdale Bellshill (Scotland), and service bases in Scotland and Norway to satisfy the demands of the North Sea market;
- Vallourec Nigeria Ltd – Nigeria (100%); operates a tube threading and finishing plant for line pipes located in the Onne free-trade zone at Port Harcourt (Rivers State, Nigeria). In operation since December 2009, it supplies the local market.

Line Pipe/Process

The Onshore Line Pipe business is dedicated to the transportation needs of the Oil & Gas market, with a dual strategic position in the production sectors (upstream oil) and in downstream activities. It groups together all the products and services used by engineering and oil companies, from the wellhead to the refineries, petrochemical and gas treatment plants.

The Line Pipe Project activities are exercised through Vallourec Tubes France and Vallourec Deutschland GmbH, through strong synergies with the Group's Services subsidiaries, such as Serimax – France (80%) for welding, and with Serimax Field Joint Coating – United Kingdom (a 100%-held subsidiary of Serimax) for coating.

Powergen/ST&P

Given the fact that the markets accessible from Europe for Vallourec in the coal-fired thermal power plant segment have shrunk sharply and that energy policies are increasingly favoring the development of renewable energies, the Group has decided to close the finishing line for small-diameter boiler tubes at the Saint-Saulve tube mill (2018) as well as the Reisholz (Germany) plant, which specializes in tubes intended for conventional power plants (effective closure occurred during the summer of 2020).

Industry

The Group markets hollow sections, tubes and bars manufactured in its European industrial units for mechanical markets (cranes, hydraulic cylinders, agricultural machines, OCTG mechanical parts, etc.), automotive markets (bearing tubes, bars to be drawn, etc.) and construction (bridges, stadiums, offshore jack-up platforms, airport terminals, exhibition halls, etc.). The Industry sales and industrial activities are carried out through Vallourec Tubes France, Vallourec Deutschland GmbH, and Vallourec Bearing Tubes.

Vallourec and Interpipe, a Ukrainian producer of seamless tubes, created a joint venture, Vallourec Niko Tube – Ukraine (50.1%) to cooperatively produce non-OCTG carbon seamless tubes for the European market. These products, mostly for mechanical applications, are rolled by Interpipe before being conditioned and controlled in a common finishing unit, which is managed by Vallourec and located in Nikopol (Ukraine). These tubes have been sold in Europe since late 2018 under the Vallourec brand.

Specialty Activities

Vallourec Bearing Tubes – France (100%), a historical European leader in seamless tubes and rings for the manufacture of bearings. In addition to the bearing tube activities, Vallourec Bearing Tubes produces and supplies made-to-measure tubes for Mechanicals and tubular hollow bars for the Oil & Gas markets. Vallourec Bearing Tubes has a plant in Montbard (Côte-d'Or), which is equipped with heat treatment and a hot rolling mill.

Vallourec Umbilicals – France (100%), located in Venarey-les-Laumes (Côte-d'Or, France), manufactures welded stainless steel super duplex tubes for umbilicals for the offshore Oil & Gas market.

MIDDLE EAST/ASIA REGION

Oil Country Tubular Goods (OCTG)

The activities of OCTG Middle East/Asia are carried out through the following subsidiaries:

- Vallourec Oil & Gas (China) Co., Ltd – China (100%), created in April 2010. The company sells Vallourec premium OCTG products on the Chinese domestic market, Vallourec Tianda (Anhui) Co., Ltd. (formerly Tianda Oil Pipe Company Limited (TOP)) "API" product exports, along with Line Pipe, Process and OCTG products from factories outside China, and provides technical support and quality control services;
- Vallourec Asia Pacific Corp. Pte Ltd. – Singapore (100%) operates in the OCTG tubes and accessories marketin the Asia-Pacific region;

- PT Citra Tubindo TBK – Indonesia (81.7% held directly or indirectly by the Group), which has carried out heat treatment on tubes and threading of API, NS® and VAM® joints since 1985;
- Vallourec Tianda (Anhui) Co., Ltd. (formerly Tianda Oil Pipe Company Limited (TOP)) – China (99.727%). This company operates in particular a PQF® continuous rolling mill to produce seamless tubes for the Oil & Gas market. Since 2011, Vallourec has owned 19.5% of Vallourec Tianda (Anhui) Co., Ltd. At the end of 2016, Vallourec acquired 79.6% of the domestic shares of this company, then went on to purchase shares from individual shareholders from 2017 onwards. This acquisition allows Vallourec to develop an expanded offer of highly competitive solutions that combine the VAM® connections with the Vallourec Tianda tubes. On 1 January 2020, VAM Changzhou Oil & Gas Premium Equipments Co., Ltd., created in September 2006 for the operation of a premium connection threading plant for oil and gas well equipment, became a branch of Vallourec Tianda (Anhui) Co., Ltd;
- Vallourec Middle East FZE. – United Arab Emirates (100%). Launched in March 2011, this company sells OCTG, Line Pipe & Process tubes and accessories, and logistical services for the Middle Eastern market;
- Vallourec Saudi Arabia LLC – Saudi Arabia (80%). In November 2011, the Group acquired Saudi Seamless Pipes Factory Company Ltd., a processing and finishing company for seamless OCTG tubes located in Dammam, Saudi Arabia, from the Zamil group. This acquisition brought Vallourec heat treatment and premium threading facilities; The company Abdel Hadi Abdullah Al-Qahtani & Sons Co. holds a 20% stake;
- Vallourec Al Qahtani LLC. – Saudi Arabia (75% held directly or indirectly by the Group). Launched in February 2010, the organization sells OCTG tubes and accessories on the Saudi market. This is the outcome of the joint venture between Vallourec and Abdel Hadi Abdullah Al-Qahtani & Sons Co., a partner that holds a 25% stake;
- Vallourec Tubular Services LLC. – United Arab Emirates (49%), in association with Abu Dhabi Oilfield Services LLC (ADOS) (51%). Since January 2020, this company has been operating a logistics platform in Abu Dhabi for the local market.

Powergen/ST&P

Powergen's activities are notably exercised through Vallourec (China) Co., Ltd, formerly known as Vallourec (Changzhou) Co., Ltd (China).

Vallourec (Changzhou) Co., Ltd was created in 2005 in order to increase the Group's machining capacity for large-diameter hot-rolled tubes produced in Europe for the Chinese power generation market. The plant at Changzhou, in the province of Jiangsu, began production in July 2006. On 13 September 2012, a new hot-forging and heat treatment unit was inaugurated that enables manufacturing operations for seamless large-diameter pipes to be integrated locally.

As indicated above, the Group decided in 2018 to begin the search for a strategic partner to take over its Reisholz (Germany) and Changzhou (China) plants, which specialize in the production of large-diameter tubes for boilers. In 2020, the Reisholz plant stopped production but production at the plant at Changzhou (China) continues.

Specialty Tubes ("Specialty Products")

The Specialty Products activity brings together companies specialized in the manufacture and processing of seamless tubes in stainless steel and special alloys, primarily for the nuclear energy markets.

The Specialty Products Division principally involves the following companies:

- Valinox Nucléaire – France (100%) specializes in nuclear island tubes. The production unit in Montbard (Côte-d'Or, France) is the original site of Valinox Nucléaire. On 17 February 2021, Vallourec announced that it had initiated discussions regarding the sale of Valinox Nucléaire SAS. This transaction might occur during the first half of 2021 and is subject to the information and consultation of staff representative bodies.
- Valinox Nucléaire Tubes Guangzhou Co., Ltd. – China (100%), specialized in nuclear island tubes, was formed in November 2010 in Guangdong Province, China, and opened on 6 June 2013.

NORTH AMERICA REGION

Oil & Gas

The activities in North America are carried out through the following subsidiaries:

- Vallourec Star, LP – United States (80.5% held directly or indirectly by the Group) is an integrated manufacturer of seamless tubes for the oil and gas industry. Its facilities include an electric steel mill, two rolling mills equipped with the latest technology and heat treatment and threading units. It dedicates 90% of its production range to the OCTG market. Sumitomo Corporation is a partner, with a 19.5% stake in Vallourec Star, LP.

  The company's production units are located in Youngstown (Ohio), Houston (Texas) and Muskogee (Oklahoma);
- VAM USA LLC – United States (51% held directly or indirectly by the Group). Partnering with NSC with a 34% stake, and Sumitomo Corporation with a 15% stake, this company works in the threading of premium VAM® joints and the provision of services.

  The VAM® and Atlas Bradford® brands complement Vallourec's product offering, providing significant expertise in the field of flush connections for the industry's most demanding applications;
- Vallourec Oil & Gas Mexico SA de CV – Mexico (100%), which specializes in the threading of premium VAM® connections and provides the Mexican Oil & Gas industry with the complete range of VAM® products;
- Vallourec Canada Inc. – Canada (100%) has production units in St. John's (Newfoundland), as well as sales offices in Calgary (Alberta);
- Vallourec Tube-Alloy, LLC – United States (100% directly held by the Group), produces and repairs accessories used inside oil and gas wells. It specializes in complex threading operations and in machining bespoke parts for both oil operators and component manufacturers. Its production units are located in Houma (Louisiana) and Houston (Texas).

SOUTH AMERICA REGION

Brazil

In 2020, Brazil continued to roll out its Transformation Plan, aiming to improve even more its competitiveness. In the sequence of the industrial reorganization occurred in 2018, with the shutdown of Barreiro's steel plant and blast furnace, a new organizational structure was put in place in 2020 with the objective to reduce administrative layers, gain agility, improve efficiency and results. Still under the Transformation Plan, the majority of activities are geared toward exports to foreign markets.

The activities of the South America Region are carried out through the following companies, which are held by Vallourec Tubos do Brasil S.A. (VBR) (100%), a holding company for the Brazilian entities since 1 October 2016. From March 2020 on, VBR legal entity also encompasses the Shared Services Center activities and both mining and forestry business units:

- Vallourec Soluções Tubulares do Brasil S.A. (VSB) (VBR, 100%). On 3 February 2021, in the context of its financial restructuring plan announcement, the Group highlighted that the appointment of an ad hoc representative had triggered the option for Nippon Steel Corporation to sell its 15.4% holding [(1)] in VSB to the Vallourec group. Nippon Steel decided to exercise this option. This sale was completed on 26 March 2021. The subsequent termination of the joint venture will result in the termination of the supply agreement between Nippon Steel and VSB for a volume of 300,000 metric tons of pipes manufactured at the Jeceaba site in Brazil, which will gradually decrease until mid-2022. VSB combines the Jeceaba, Barreiro (Minas Gerais state) and Serra (Espirito Santo state) industrial sites:
  - the Jeceaba industrial site is located 120 kilometers south of Belo Horizonte. It consists of a premium rolling mill and also includes a pellet unit whose pellets are used by the Jeceaba blast furnaces and the local Brazilian market; a steel mill (with a blast furnace and electrical furnace), which supplies steel bars for the Barreiro and for the Jeceaba plants production; an innovative rolling mill; and finishing lines. The Jeceaba site performs all types of API and premium threading types, in particular the VAM® product range,
  - the Barreiro site has been located in the Belo Horizonte district for more than 60 years and occupies an area of more than 300 hectares. This integrated unit combines production equipment and hot rolling equipment for the tube finishing lines. The Barreiro site in particular provides tubular products for ultra-deep water projects, notably the pre-salt reservoirs. Since 2015, the site has housed the Vallourec Research Connections Center Brazil (VRCC Brazil), which tests that all the new exclusive threaded connections comply with industry standards, and guarantees the level of performance needed for difficult pre-salt environments,
  - VSB also participates as an industrial supplier of all Vallourec entities, primarily for the international Oil & Gas markets. Semi-finished products are exported to Vallourec's finishing plants throughout the world,
  - the seamless tubes of VSB are intended for the following applications:
    - the Oil & Gas market, delivering seamless steel tubes for oil production and exploration (casing, tubing, accessories, and premium VAM® connections) and the transport of oil and gas (line pipes, risers columns, flow lines, etc.). The VSB tubes offer not only resistance to high pressures and high temperatures, but also resistance to corrosion by carbon dioxide and sulfates,
    - the Industry market (Petrochemicals, Power generation, Mechanicals, etc.), a market that is mainly served by authorized distributors working closely with VSB to guarantee quality and technical assistance,
    - the automotive industry (light vehicles, trucks and agricultural equipment), with precision parts like tubes for diesel injectors, bearing rings and forged parts such as transmission shafts and axles, and
    - the civil engineering and construction sector: tubes for infrastructure and industrial foundations, structural tubes for commercial assets, capital goods, ancillary machines and materials;
- Vallourec Florestal Ltda. – Brazil (100%) plants and operates eucalyptus forests for the production of charcoal from wood. Charcoal is one of the principal necessary components in the production of liquid crude iron by blast furnaces. Vallourec Florestal Ltda. owns 225,000 hectares of agricultural land in the north of the State of Minas Gerais and currently has approximately 62,000 hectares of eucalyptus forest, which are managed/ operated by the VBR's forestry business unit, which is responsible for whole charcoal. The production process can be broken down into the following activities: forest planting, forest harvesting, charcoal production, and delivery on a just-in-time basis for the blast furnace of VSB;
- VBR Mining Unit (former legal entity Vallourec Mineração Ltda.) has been extracting iron ore at its Pau Branco mine since the early 1980s. The mine is located in the city of Brumadinho in the State of Minas Gerais, 30 kilometres south of Belo Horizonte. In the second quarter of 2019, Vallourec obtained the required license to extend production capacity by building a new processing unit (ITM 2), which will enable a total production capacity of 8.7 million metric tons from 2022 on. The production volume achieved 7.9 metric tons in 2020 (6.2 metric tons in 2019) thanks to improvements and capacity increase of ITM 1 (+0.6 metric tons/y) and higher production volumes through portable screenings. The mine supplies the blast furnace and the pellet plant of VSB in Jeceaba site. It also sells its production on the local markets;
- Tubos Soldados Atlântico Ltda. (TSA) – Brazil (100%), provides anticorrosion coatings (triple-layer polypropylene, or polyethylene) applied to seamless, welded tubes;
- Vallourec Transportes & Serviços Ltda. – Brazil (100%) offers tube inspection and repair services, premium accessories for the Oil & Gas market, as well as a vast array of operational assistance services for the same sector.

(1) The 15.4% stake in the Brazilian joint venture Vallourec Soluções Tubulares do Brasil (VSB) sold to the Vallourec group includes a 15% stake held by Nippon Steel Corporation group and a 0.4% stake held by the Sumitomo Corporation and which is subject to the put option.

Uruguay

- Vallourec Uruguay SA. – Uruguay (100%) was formed on 13 July 2017 to market the tubes produced by the Group for OCTG and process applications in South America.

ACTIVITIES OF THE HOLDING COMPANIES

Vallourec is a holding company that:

- manages its shareholdings. Its income is mainly financial, including dividends, interest on long-term loans to subsidiaries and investment income from cash and cash equivalents. It also bears the cost of its debt;
- owns its trademark and the Group image, of which it entrusted management to Vallourec Tubes in 2014;
- has no industrial activity.

Vallourec Tubes is a sub-holding company, wholly owned by Vallourec, that manages its shareholdings and has no industrial activities. Its income is mainly financial, including dividends, interest on long-term loans to subsidiaries, provisions for subsidiaries and investment income from cash and cash equivalents.

MARKETING COMPANIES

In the United States, Vallourec USA Corporation (100% held American subsidiary) markets all of the tubular goods produced by Vallourec Tubes' various subsidiaries. It also carries a stock of tubes intended for US oil and gas distributors, which usually thread the tubes themselves according to the end-customer's requirements. Its offices are located in Houston, Texas, and Pittsburgh, Pennsylvania.

In addition, sales and marketing companies reporting to Vallourec Tubes are established in:

- Canada;
- Egypt;
- Uruguay;
- Russia;
- Dubai;
- Singapore;
- Italy; and
- Sweden.

3.3 Innovation, Research and Development

A key factor for competition and growth, innovation has always been at the heart of Vallourec's strategy, and has largely contributed to its leading position in premium tubular solutions. In a very competitive global environment, the Group intends to continue to detect and foresee the technological challenges faced by its customers. It must respond to the radical and rapid evolution of their needs by offering them tailored solutions that are simultaneously safe, reliable and environmentally friendly, and that create value, in line with its premium position.

3.3.1 Organization of innovation and Research and Development

3.3.1.1 Information and key figures

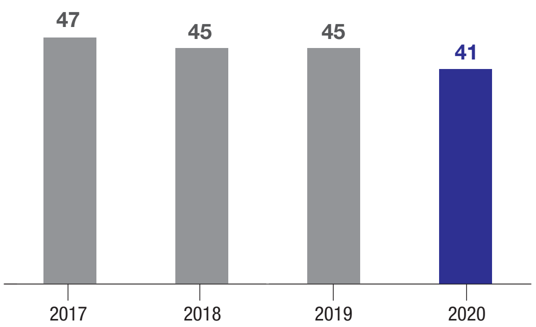
Research and Innovation are at the heart of the Group's business focus. Innovation is a key priority for the Group in maintaining its technological leadership and anticipating its customers' needs.

The three cornerstones of the Group's research are:

- manufacturing processes;
- new products and improving the performance of existing products; and
- services and solutions.

In 2020, Research and Development (R&D) expenses totaled €41 million. The following chart shows R&D expenses in recent years. The Group maintained a significant effort with respect to the development of new products and new solutions dedicated to innovation.

In € million



Since April 2017, Vallourec's expertise in R&D, Marketing and Innovation have been coordinated within a new department: the Development & Innovation (D&I) Department. This central department also includes the product lines. Thanks to this structure, the R&D and Innovation teams have been established in close proximity to the markets. A total of some 430 researchers and technicians were involved in research and development in the Group in 2020.

The Group's key technological challenges include the following:

- for the Oil & Gas market, the Group must address the growing complexity of the fields and the transport of oil and gas (onshore and offshore) and assist the EPCI (Engineering, Procurement, Construction and Installation) operators in finding solutions to reduce their Total Cost of Ownership (TCO); the Group is developing digital solutions across the entire life cycle of its products (from the design of facilities, to covering the traceability, implementation and even integrity monitoring during use) to support its customers in this regard;
- for the renewable energy market, the Group must measure the contribution of characteristics from its range of products and solutions for power generation, as well as the storage of energy and mobility, to assist in energy transition; All these initiatives are united under the responsibility of a single product line named the Energy Transition Opportunities (ETO);
- for the Industry market, the Group has to reduce the weight of mechanical engines, by designing lighter structures and increasing the useful load of the existing designs.

3.3.1.2 Centers of research and expertise: a global presence

Vallourec has five research centers throughout the world specializing in specific products, processes or technologies.

In Aulnoye-Aymeries, France:

- the Group's historic research complex, the Vallourec Research Center France, specializes in metallurgy, non-destructive testing, corrosion resistance, surface treatments, data science, process and product digital simulations, particularly for Oil & Gas applications. It also provides technical assistance to the Group's plants and departments. New skills have recently been developed such as in the field of metal deposition additive manufacturing processes, and in the transport and storage of CO_2 or H_2 to support the Group's new areas of growth;
- the Vallourec Research Center Connections develops and validates the range of VAM threaded connections. For more than 50 years, its team of experts have developed the range of threaded connections and assisted with their commercial production throughout the worldwide network of licensees. Whatever the needs of the oil and gas company operators, the performance of the solution developed is validated through tests on real-sized samples. These tests, which are conducted at one of Vallourec's three test laboratories worldwide, aim to subject our products to all operating constraints (make-and-break operations initially, followed by combined loads simulation at various temperatures). The expertise of the Vallourec Research Center Connections has expanded along two lines in recent years: the CLEANWELL® solution and digital solutions, which has resulted in the creation of the VAM DATA department to provide better support to our customers during on-site product implementation phases.

In Düsseldorf and Riesa, Germany:

- The Vallourec Research Center Germany's steel design activities for power plants were halted, as were the associated specific tests for high-temperature creep resistance (over 400°C), following the discontinuation of product development for coal-fired power plants. Activities related to mechanical infrastructure and oil and gas pipelines were taken over by the Vallourec Research Center France, as were activities related to other weldable materials;

- the Vallourec Research Rolling Technology is in charge of research on hot forming for seamless steel tube production. This long-established center had made innovations in Vallourec's core processes by relying on the expertise of external partners, including universities. It operates alongside the Vallourec Competence Center Riesa, a laboratory containing the most modern equipment, which allows Vallourec to increase the pace of development of innovations in process methodologies and equipment. Its versatile piercing, rolling and forging facilities will push back the current limits of steel and alloy hot-forming within the Group. They are also used as training tools and pilot units for the Industry 4.0 developments.

In Belo Horizonte and Rio de Janeiro, Brazil:

- the Vallourec Research Center Brazil research units have teams of experts and test laboratories, adapting the Group's solutions to the specific needs of its Brazilian customers, as well as developing new solutions. Vallourec Competence Center Rio is located in the Industrial Park of the University of Rio de Janeiro in close proximity to CENPES, the Petrobras research center, and academic laboratories. It takes part in technical partnerships that use the mature technologies of today and tomorrow.

Lastly, Vallourec Florestal, Vallourec's subsidiary, which operates the Group's eucalyptus forest in Brazil, conducts research work on forestry, the transformation of wood into charcoal and the preservation of the environment. This work helps to optimize the operation of forests for charcoal use in steel-making by reducing consumption and emissions in compliance with environmental standards.

In Houston, Texas (USA):

- the VAM USA Research Center Connections coordinating with the Vallourec Research Center Connections in Aulnoye-Aymeries, is dedicated to specific developments in VAM® for the American market. Its design and testing capacities have allowed it to market connections for the exploitation of shale deposits (VAM® SG, VAM® EDGE SF, VAM® 21 HT, VAM® SPRINT) and for *Deep Offshore* wells (VAM® BOLT-II, VAM® HP, VAM® SLIJ-3).

As concerns the threading of connections, the VAM Threading Competence Center industrializes all production methods of the VAM® connections and provides assistance to the operations at the Group's plants. It provides plants with the equipment standards to invest in, tools, as well as with critical maintenance and operating methods. This competence center has a dedicated production line to optimize threading operations and test solutions industrially before the R&D developments phase.

The Group also performs R&D activities in other regions of the world, notably in Indonesia, through its subsidiary PT Citra Tubindo, and in Japan, with its longstanding partner Nippon Steel Corporation (NSC).

3.3.1.3 A collaborative approach to innovation with customers and markets

Innovation is at the source of numerous advances, which allow Vallourec's customers to push back technological borders, tap into unused resources until then unexplored, and improve the performance of their facilities. As Innovation is a process of ongoing dialog with customers, the Group works in close collaboration with some of these customers to develop solutions that meet their operational needs.

With Petrobras, the Group develops innovative tubular solutions for exploration and production in hard-to-access oil and gas deposits (ultra-deep water, pre-salt fields, corrosive environments with H_2S and CO_2). The Group supports Petrobras and new oil players (ExxonMobil, Total, Equinor) in the development of the complex and highly corrosive pre-salt fields (Deep Offshore) After two years of joint development with OpenField Technology, a start-up specializing in microsensors, Vallourec launched its Intelligent Pipes solution, a high-performing technology for monitoring wells. This solution, which consists of integrating high-tech pressure and temperature microsensors directly into the tube, makes it possible to anticipate integrity problems that customers may encounter throughout the life of their wells, from commissioning, through operation, to dismantling.

In 2020, the Group delivered the VAM® HTTC with the innovative CLEANWELL® solution for its customer ADNOC in the Middle East. Thanks to its optimized design of interlocking, dovetail threading, it combines operational reliability with ultra-high torque capacity and a wide margin for bending, while guaranteeing the best sealing performance.

For Chevron, the Group certified the VAM® SLIJ-3, the latest generation of VAM® integral connections for the ultra-deep offshore environments of the Gulf of Mexico. This connection has a higher torque and compression capacity for a superior overall performance. Its optimized design makes it easier to assemble and delivers higher performance in high-pressure and high-temperature operations. The robustness of this product has been tested with the most recent and most rigorous testing protocols, thereby ensuring the reliability of critical operations.

In November 2020, our customer informed us of its new hourly record for running joints from its drilling platform in the North Sea. This performance was achieved with 9 5/8-inch 53.50# P110 VAM® 21 connections equipped with our CLEANWELL® coating. This solution demonstrates the advantages that our customers recognize: less waste and increased implementation speed, while also providing greater safety on the platforms and better protection of the environment.

In terms of the production of renewable energy, after more than 1,000 control and welding tests, Vallourec has obtained approval from the American Bureau of Shipping for its X100-grade steel structural tubes manufactured at its Düsseldorf plant in Germany. The X100 grade steel extends Vallourec's Oceanfit® offering with its range of products specifically intended for demanding offshore applications. The X100 demonstrates strong mechanical strength and high resilience, combined with exceptional weldability. These tubes are an effective solution in the construction of jack-up oil platforms and wind turbine installation vessels (WTIV) for offshore wind farms.

Valloure is providing VERTSUN, a French company specialized in photovoltaics, with tubular solutions for the construction of agricultural PV hangars. This is the first time that the Group has supplied tubes for the solar industry. In this sector, where welded tubes and open profiles predominate, Vallourec's MSH structural hollow sections, combined with our Preon® box design tool, have made the difference. The first solar PV agricultural hangar is currently under construction. Another 20 will follow shortly and many more are already planned in the longer term. This is considered as a real first step in this fast-growing market. With new customers from renewable energy, the Group is continuing its innovation processes to explore new opportunities together.

The contract signed with PT Geo Dipa Energi (GDE), Indonesia's state-owned enterprise, which focuses on geothermal exploration, development and power generation, is to deliver 8,000 metric tons of casing for the development of the Dieng Unit 2 and Patuha Unit 2 geothermal power plants in Central and West Java, Indonesia. The project is sponsored and approved by the Asian Development Bank (ADB). The investment will increase GDE installed geothermal capacity by 110 MW and it's a part of Indonesia's national target to reach 7,000 MW installed geothermal capacity by 2030. The tubes will be primarily threaded with VAM® 21 connections in order to meet the technical challenges of the geothermal environment. This project will be completed in 2021.

The Group is also developing R&D programs in all countries where it is established, in association with institutions with leading positions in their field. This is the case with NSC in particular, with which a collaboration has been in place since 1976 in the area of VAM® connections for the Oil & Gas market.

The Group also participates in the most essential research work with numerous university laboratories in Europe and around the world.

3.3.2 A strengthened culture of innovation

The Group's innovation strategy is to differentiate ourselves with our premium product range, while developing new solutions linked to the use of our products as well as opening new markets. In line with this strategy, the Development & Innovation Department (D&I) is strengthening the innovation expertise and capacities of the Group's teams, both by developing deeper knowledge and sharing it on our markets, and by establishing agile and efficient innovation methods.

3.3.2.1 Innovation methods and culture

In order to optimize the generation and selection of ideas that will be the innovations of tomorrow, D&I organizes workshops to better understand its customers' needs and generate ideas, called front-end innovation workshops.

These workshops enable the Group to deploy and share a common language of innovation, to reinforce and disseminate market knowledge to the teams contributing to innovation, and to successfully use Vallourec-specific creativity tools. All departments that take part in innovation participate in these workshops: Marketing, R&D, as well as Sales, Industrialization and Production.

This process, based on collaboration and collective intelligence, applied to both the sharing of knowledge and experiences and the generation of ideas in groups, allows effective results to be achieved while strengthening the Group's culture of innovation.

Since 2017, these workshops have also been organized directly with our customers. They allow us to discuss any issues they have had using our products, so that we can better understand their needs, and respond more effectively. Customer feedback shows that these measures strengthen Vallourec's image as a partner and provider of innovative solutions beyond premium products.

Vallourec has extended its innovative approach to all of its employees by launching an internal innovation platform. This cross-divisional and international tool aims to bring employees' innovative ideas to the market. The objective is to generate ideas for which the chances of technical and commercial success are high, in order to propose new value offers to our customers. This platform has placed innovation at the heart of the company and drives the creativity of its teams.

In 2020, Vallourec launched the third edition of its "Open Innovation Challenge". Like its predecessors, this initiative is open worldwide to start-ups, laboratories and companies that can offer and develop such solutions tailored to the Group's markets. The Group has already initiated win-win partnerships with start-ups, as demonstrated by its four-year Big Data cooperation with Saagie or the collaboration with OpenField that aims to integrate microsensors into tubes to measure and record pressure and temperature data in hard-to-access areas. Other promising projects are underway to develop new functions for our tubes, including the ability to transmit data. Finally, the Group is also working with start-ups in the field of additive manufacturing.

In 2020, the challenge focused on finding solutions to reduce our customers' carbon emissions. Several dozen proposals were submitted in just a few weeks. This issue is a primary concern for the Group, as it has been actively reducing its CO_2 emissions for more than ten years and already has low-carbon solutions in place thanks to the manufacturing processes implemented in its steel mills.

Due to the Covid-19 pandemic, presentations of the various pre-selected ideas were made to a camera. These presentations covered the best ideas put forward by both employees and start-ups. The event was broadcast live, and it was watched remotely by 700 of our employees around the world. Alongside six employees, there were four start-ups, selected from among more than 30 companies that submitted a project for collaboration, who presented their ideas to a jury made up of the Group's key executives, as well as some external partners.

The ideas presented had been selected from among the 313 ideas submitted via the Group's internal platform by nearly 150 Vallourec employees. Several pre-selection rounds were organized within regions and product lines, and six ideas were ultimately selected and given the opportunity to present their respective proposals.

The partnerships launched with the start-ups selected through these initiatives allow Vallourec to integrate the most recent and innovative technologies, accelerate development projects and deepen discussions between teams, providing a win-win for both the Group and its external partners.

Alongside these idea-generating initiatives, for projects already in development, D&I supports the project teams to ensure their efficient execution so that products are brought to market as rapidly as possible. Execution is managed based on various criteria, including customer value, technical feasibility, turnaround times, as well as related risks. These factors are reviewed at various milestones by a validation committee.

To ensure the rapid development of new solutions, "Boosters", which are execution tools, have been introduced in recent years. These are driven by a Business Manager – Product Manager working pair who aim to develop our new technology-based solutions as quickly as possible while also improving the new associated skills. For example, the Group has one Booster for digital solutions and another for solutions related to additive manufacturing.

Lastly, to ensure the value of developments is properly analyzed and the best decisions reached, the portfolio of innovative projects for the product lines is reviewed by a dedicated committee that comprises all of the company's functions. This means that decisions are made and projects prioritized both within a given product line and between the different product lines.

The experts, the process communities, project teams and R&D teams are developing and participating in online collaborative spaces and tools, which allow them to share information across the Group.

3.3.2.2 The Expert Career program

Vallourec established the Expert Career program which covers 14 areas of expertise including the production of steel, rolling, heat treatment, non-destructive testing, threading, digital modeling, materials science and product applications. Specially designed to develop and recognize employees with sought-after technical skills, the program provides a career development path and provides our technical minds with the best-possible resources to continue to develop their skills. There are currently more than 250 expert employees following one of the four levels of the program. Links between management responsibilities and technical expertise were established under the coordination of the Human Resources Department, guaranteeing the same level of recognition.

3.3.3 State-of-the-art manufacturing processes

3.3.3.1 Forest and blast furnaces

In Brazil, Vallourec operates eucalyptus forests to produce charcoal to fuel its blast furnaces. The Group is pursuing its efforts to improve performance in this area. The main thrusts of this research include: scientific tree selection, improving forest nutrition programs and industrializing the continuous charcoal-making process, and optimizing steel production.

3.3.3.2 Steel production

The development and production of steels using continuous-casting processes forms the basis of the Group's range of high-tech solutions, and is the purpose of much of its work. Research on the cleanliness of steel is a cornerstone of research on the manufacture of premium products. Innovations made in continuous casting processes also allow the capacity and quality of the steel to be improved, thereby strengthening the Group's autonomy in terms of premium steel supply.

3.3.3.3 Hot-process seamless tube production

The hot-process production of seamless steel tubes, invented in 1886 by the Mannesmann brothers, is a fundamental technology for Vallourec, and is constantly being improved thanks to research. Vallourec offers a wide range of steel, containing up to 13% chrome.

The Group has developed other processes, including the Premium Forged Pipes (PFP®) patented process to produce very wide, thick tubes, in particular for the mechanical and energy sectors. It has been used industrially in Europe since 2008, and in China since 2012.

Developments are underway for the most modern hot-rolling processes (PQF, FQM, etc.).

3.3.3.4 Heat treatment

A large share of the Group's premium products is heat-treated to reach exceptional levels of performance. The heat treatment process is continually being improved, in order to meet the needs of the Group's customers, in particular in terms of respect for the environment, deformation resistance or breaking strength, corrosion resistance and tube weldability.

3.3.3.5 Non-destructive testing

Non-destructive tests, which enable the assessment of the integrity of structures or materials with no degradation at various stages of life, are being developed to ensure that the Group's products are extremely reliable. Innovations in this sector are major differentiating factors. Cutting edge non-destructive test benches, capable of detecting imperfections independently of direction, are used on a daily basis to inspect premium products.

3.3.3.6 Process communities

Process communities rolled out within the Group allow rapid and ongoing progress to be achieved, through the sharing of best practices and available technologies for the main processes of the Group: production and continuous casting of steel, heating rounds, hot rolling, forging, heat treatment, non-destructive testing, threading and tube finishing (coating, marking, machining, etc.). Benchmarks are regularly reviewed to ensure that Vallourec's practices and technologies remain compliant with best practices and best available technologies. We continually improve our processes through the significant internal efforts in Research and Development. The SHALYN Industry 4.0 internal platform was established to manage and control manufacturing processes. The cutting edge level 2 systems and applications are connected to continuously improve the performance of our products and services.

3.3.4 Standards applicable to the Group's projects

3.3.4.1 Standards applied by the Group

The Group complies with regulations, standards and certifications in the countries in which it markets its products. These standards vary by geographic region, by product and by its use. The Group also carried out a monitoring process to ensure that its products comply with applicable regulations, standards and certifications.

The Group is subject to two types of standards: the mandatory standards set by law, and the non-mandatory standards that the Group voluntarily chose to apply in response to customer demand.

Mandatory standards generally require certification by laboratories and/or independent organizations, and are provided by the government. Their principal purpose is to protect user health and safety by demonstrating that the product complies with regulatory requirements. They relate principally to the properties of fire resistance and slip resistance and to limits on toxic emissions. Non-mandatory standards are required by the Group's customers, who include compliance with these standards in their specifications.

3.3.4.2 Standards organizations and the standards applied in different geographical regions

Standards organizations define the technical characteristics and performance required of a product, as well as the tests to be used. At the international level, the main organization that promulgates standards applicable to the Group is the International Standardization Organization ("ISO"). ISO standards, which are established based on principles of the World Trade Organization, are in theory voluntary, but compliance is often required by the Group's customers.

The Group relies on the Vallourec Management System (the VMS), whose fundamental objective is to improve the Group's performance in the fields of quality, health, safety, the environment and logistics, which are grouped under an ambitious program known as Index and run by one of the Management Board's members. This system ensures that the requirements for managing quality (ISO 9001, ISO/TS 16949, API, ASTM and ASME), health and safety (ISO 45001), the environment (ISO 14001) and energy (ISO 50001) are taken into account.

3.3.5 Industrial property

The strengthening of the Group's organization in the area of industrial property continued in 2020 with the monitoring of major Research and Development projects and the holding of sessions to heighten industrial property awareness among the various Research and Development teams, in France and abroad, and the development of expertise in the Group's new areas of innovation.

The Group's patent filing activity remained high in 2020. The Group thus filed 20 new patent applications for 20 new inventions and proceeded with more than 550 geographical extensions of patent applications, an increase of 10% compared with 2019. Patent protection was maintained at a high level with more than 4,300 patents worldwide, representing an increase of 5%. We noticed a fall in offensive and defensive opposition due to the pandemic and the decline in activities of the European Patent Office. The Group's budget for intellectual property underwent a slight increase of 5% in relation to geographical coverage.

In 2020, Vallourec also continued its efforts to protect its trademarks, through renewals, and opposition procedures. More specifically, the Smartengo™ and Vallourec® services brands are in the process of being registered.

3.4 Market environment

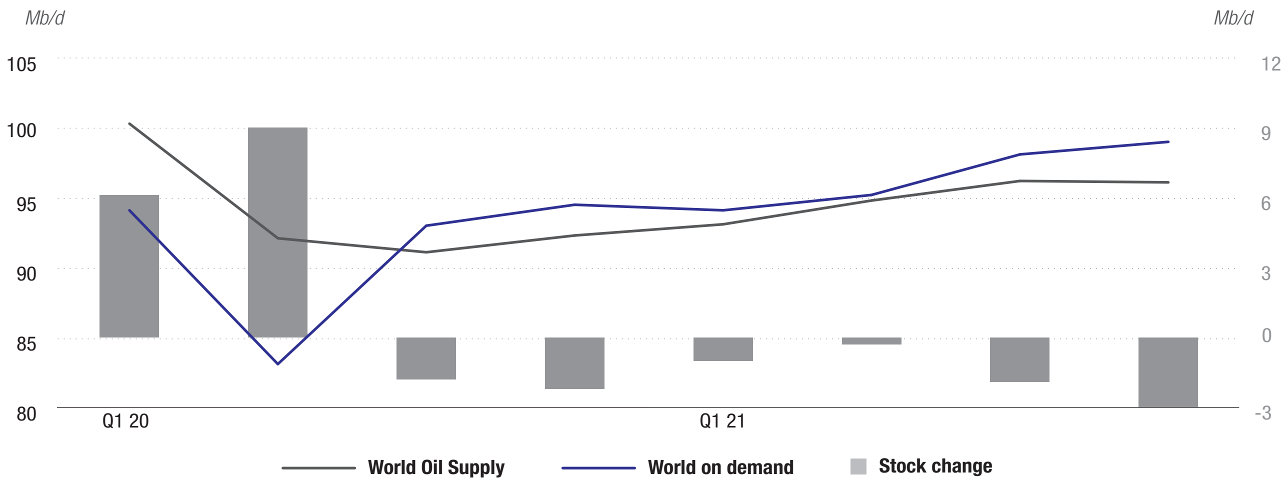
3.4.1 Oil & Gas

3.4.1.1 GLOBAL OIL & GAS MARKET

The following section presents information regarding the Oil and Gas market, including in particular forecasts of a possible market recovery following 2020, which was significantly impacted by the public health crisis. These forecasts are taken from reports published by sources from outside the Group and are identified below. They represent estimates and are based on assumptions made by the bodies in question, which may prove to be inaccurate. Due to uncertainties related notably to the Covid-19 pandemic, it is not possible to predict the timing with any certainty, nor the scale of any recovery. Investors are invited to read this section with caution, and to consider the possibility that the recovery may be slower and/or weaker than that established by the sources cited below. See Chapter 5 "Risk factors" of this Universal Registration Document.

ANTICIPATED OIL & GAS DEMAND AND SUPPLY ARE THE MAIN DRIVERS FOR THE EVOLUTION OF CAPITAL EXPENDITURES

The graphic below shows the evolution of the balance of supply and demand in oil and gas per the IEA [(1)] January 2021 Oil Market Report, expressed in millions of barrels per day (mb/d).



Source: IEA Oil Market Report – January 2021.

In 2020, the global oil demand collapsed by a record 8.8 mb/d year-on-year at 91.2 mb/d with a trough achieved during the second quarter of the year (-16.2 mb/d year-on-year). Due to the resurgence of Covid-19 cases and the reestablishment of local lockdown measures mainly in Europe, Q4 2020 demand is now estimated to be down by 6.4 mb/d y-o-y at 94.5 mb/d.

In 2021, IEA forecasts a significant oil demand recovery of 5.5 mb/d at 96.6 mb/d, which would still be 3.4 mb/d below 2019 level. The resurgence of the pandemic may slow the rebound, but economy is expected to pick up in the second half of the year in line with a massive vaccination effort and the positive impact of fiscal and monetary support packages. Global oil demand is expected to increase gradually to reach 99 mb/d in Q4 2021.

In 2020, global oil supply was down 6.6 mb/d after OPEC+ forged a historic output deal in April 2020 to cut production by 9.7 mb/d over May, June and July. Over August to end of 2020, the OPEC+ compliance to the 7.7 mb/d output reduction agreement set for this period was 100%.

The OPEC+ agreement stipulated production cut of 5.8 mb/d starting from January 2021 to April 2022. During January 2021 meeting, Saudi Arabia announced additional voluntary oil output cuts of 1 mb/d in February and March. Remaining OPEC+ members would globally maintain their output unchanged.

In 2021, global oil production is forecasted to show a modest recovery of 1.2 mb/d assuming OPEC+ reduction agreements and the expected level of members compliance.

(1) *International Energy Agency.*

In 2020, Non-OPEC output declined in average by 2.6 mb/d y-o-y at 63 mb/d (-4.6 mb/d y-o-y in Q4 2020) while 2021 would show a modest recovery by +0.6 mb/d to 63.6 mb/d. IEA forecasts the steepest increase in Non-OPEC production occurring in Q3 and Q4 2021.

Overall US oil supply is expected to decrease by 0.3 mb/d in 2021, following an average 1 mb/d fall in 2020, impacted by a strong capital discipline from major operators.

GRADUAL REDUCTION OF OIL INVENTORIES

The oil demand/supply unbalance naturally led in Q1 and Q2 2020 to a situation of oversupply, as the response from OPEC+ combined with production shut in in North America was not enough to absorb the oil demand shock.

Based on the IEA January 2021 data [1], average oversupply amounted to 2.8 mb/d in 2020 after a peak at 9 mb/d in Q2 2020.The oil output cuts adopted by OPEC+ in April 2020 led the oil market to be undersupplied as from H2 2020. Nevertheless, in a very uncertain sanitary and economic environment, and despite a gradual reduction of oil inventories, the oil market should stay under pressure until H2 2021, when the Covid-19 vaccine, lower oil inventories and economic recovery should enable a full recovery.

DEMAND FOR SEAMLESS TUBES DEPENDS ON THE LEVEL OF CAPITAL EXPENDITURES FOR EXPLORATION AND PRODUCTION (E&P)

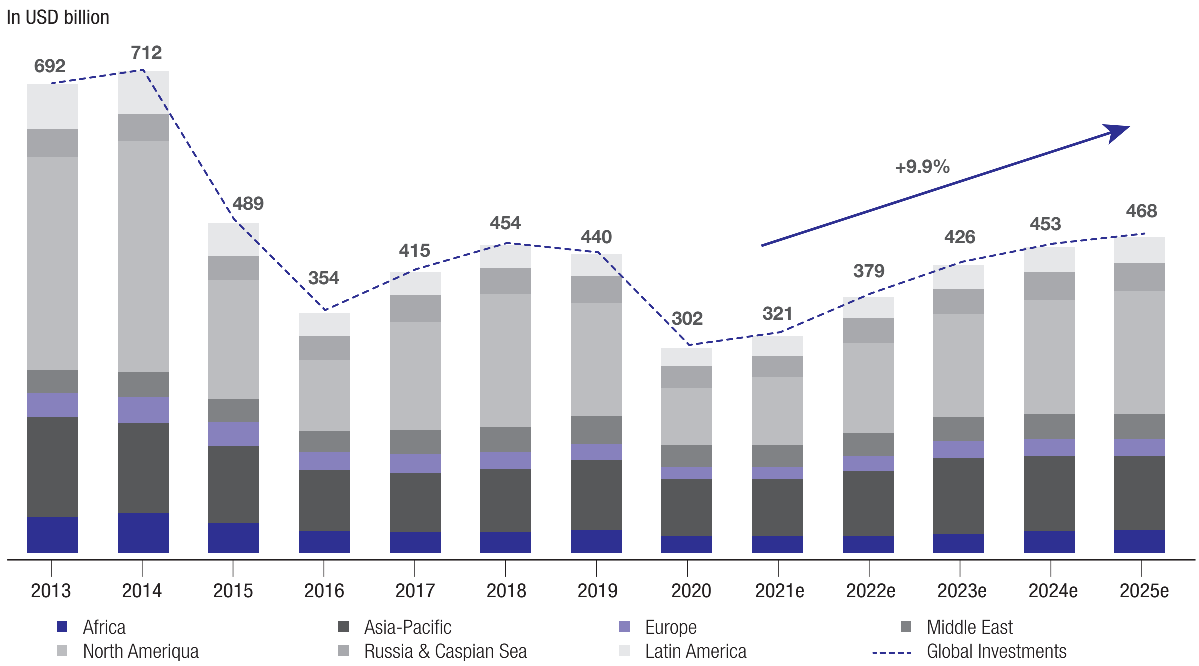
The forecast level of upstream capital expenditures for exploration and production by region is shown in the graph below.

IHS Markit December 2020 estimates show a significant upstream capex decline by 31% in 2020 to USD 302 bn comparing to 2019. Among all regions, North America is the most affected by capex reduction with USD 84 bn capex spending forecast in 2020 compared to USD 167 bn in 2019 (a 50% decline year-on-year). The capex reduction is the response to the Covid-19 impact on oil demand and price.

IHS Markit estimates that global capex spending will gradually recover as from 2021, with a 6% growth in 2021 and a 2021-2025 Compound Annual Growth Rate forecast to reach 9.9%. Nevertheless, capex spending would not reach 2019 level before 2024 (around USD 450 bn).

North America is expected to become again the main contributor to global E&P capex spending as from 2021. Hence the region is forecast to be the main driver of the recovery with a Compound Annual Growth Rate of 16.1% over the period 2021-2025.

Evolution of capital expenditure for exploration and production by geographical area



Source: IHS Markit – Global Upstream Spending – December 2020.

In terms of breakdown of global upstream E&P capex, unconventional onshore capex, mostly related to the US activities, are the most affected by the Covid-19 crisis in 2020 (-49% y-o-y to USD 54 bn) and represent only 18% of the total Upstream E&P capex, when they accounted for 27% of total Upstream E&P capex in 2018 (USD 121 bn). Unconventional onshore capex are expected to steadily recover as from 2021 to reach 2019 level in 2024 (around USD 110 bn).

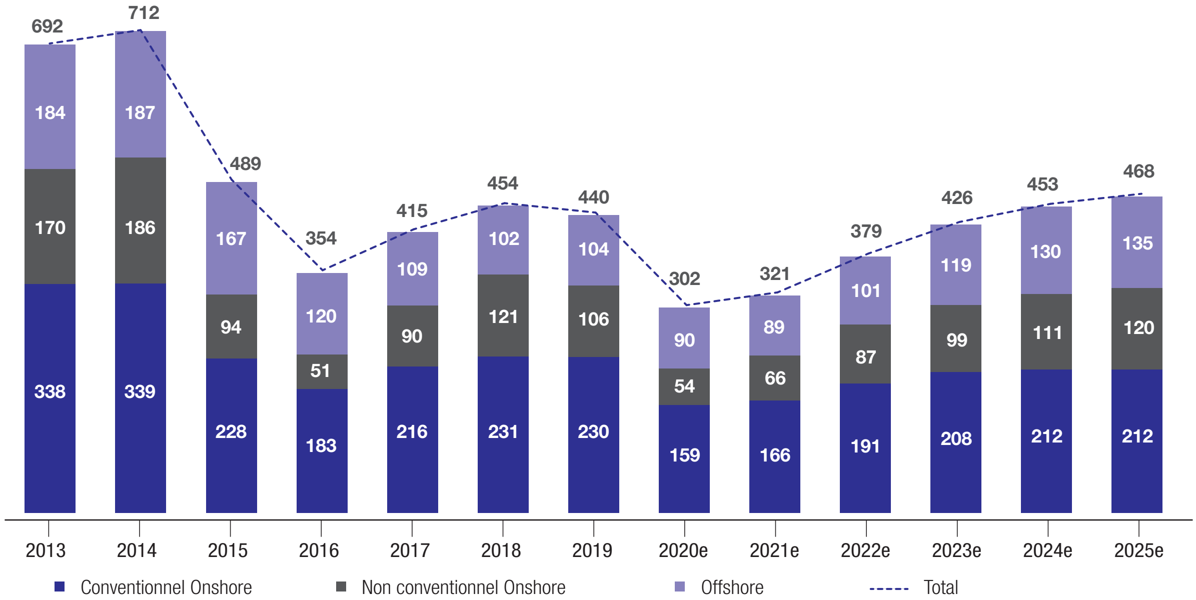
(1) IEA uses many sources for its assessments: the IEA' Monthly Oil Data Service (MODS) for OECD countries, Kayrros which analyses satellite images of storage tanks and JODI-Oil mainly for non-OECD countries.

Following a 31% decline in 2020 to USD 159 bn, conventional onshore capex are expected to steadily increase as from 2021. The compound annual growth rate over the period 2021-2025 is estimated at 6.4% according to IHS Markit.

The offshore E&P activity has been less severely affected by the Covid-19 pandemic with a capex reduction of 13.7% y-o-y to USD 90 bn in 2020 (30% of global spending). IHS Markit forecasts a steady capex growth over the period 2021-2025, with a compound annual growth rate of 11.2% to reach USD 135 bn in 2025.

Capital expenditure for exploration and production driven by offshore activities

In USD billion



Source: IHS Markit – Global Upstream Spending – December 2020.

FIELD DEPLETION IS A KEY DRIVER OF DRILLING ACTIVITY AND DEMAND FOR OIL AND GAS TUBULAR SOLUTIONS

Over time, oil fields begin to produce less and less oil, until their production declines to a point where they are no longer profitable. The Group's customers must accordingly develop new exploration and production projects to replace lost volumes from older oil wells as their production volumes fall, thereby creating demand for the Group's oil and gas tubular solutions.

"Observed Decline Rate" is the annual decline in production if only investments to enhance already producing fields output are made, no new field is brought on. The Observed Decline Rate is forecasted to stand at around 3.5% per year.

"Natural Decline Rate" is the production evolution if no investment is made, either to bring new field onstream or to enhance already producing field output. According to the IEA estimates in 2020 World Energy Outlook (WEO), Natural Decline Rate reaches 8% - 9% per year.

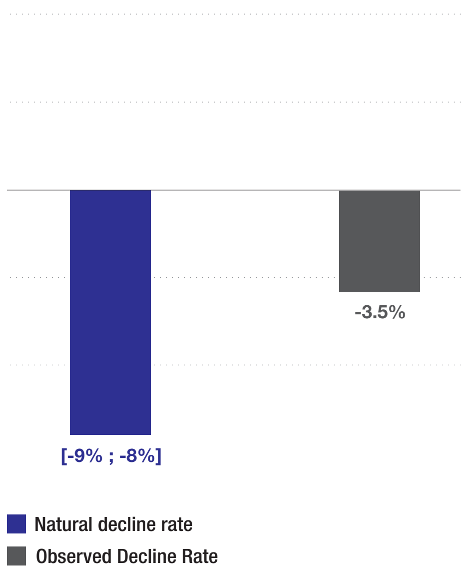
The graphics below show estimated annual decline rates as well as annual growth rates of oil demand until 2040 (source IEA). They are good indicators to illustrate how future supply, and therefore upstream E&P investment, should evolve in order to (i) compensate the production decline and (ii) meet demand growth for Oil & Gas.

The "Stated Policies Scenario" reflects progress with the implementation of corporate sustainability commitments, particularly regarding industrial energy use and emissions, and in the prospects for renewable electricity.

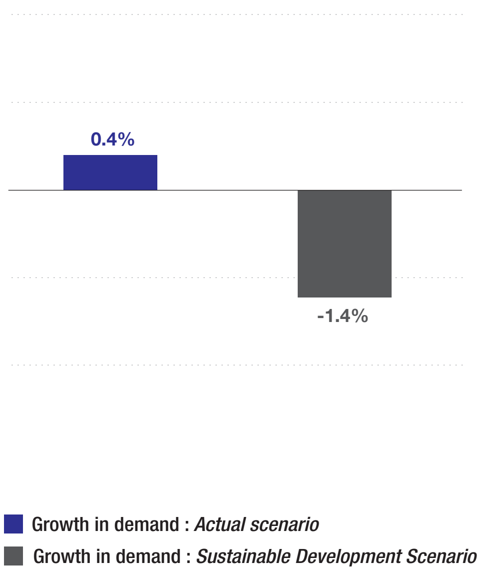
The "Sustainable Development Scenario" has been introduced by IEA in its WEO 2020 and considers that the most ambitious targets set by governments and their full implementation would lead the most advanced economies to reach net-zero emissions by 2050.

According to IEA Stated policies scenario, global energy demand is expected to recover its pre-crisis level in 2023; however if the Covid-19 pandemic is prolonged, IEA delays this recovery to 2025. Based on IEA projections before the pandemic impacts, global energy demand was estimated to increase by 12% between 2019 and 2030. Due to the Covid-19 pandemic, the growth estimate in the Stated policies scenario was revised downward to 9% during the same period. Finally, IEA argues that energy demand would arise from the emerging countries, especially India, while the advanced economies' energy demand is expected to decline in line with the measures taken to reduce CO_2 emissions.

Production decline rates

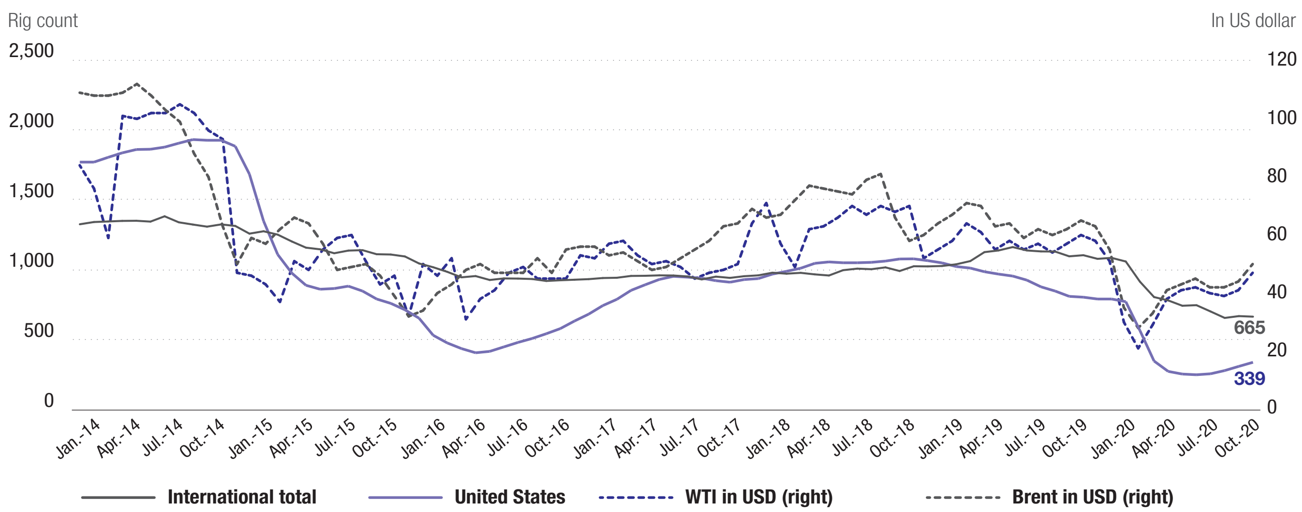


Annual growth in oil demand: 2019-2040



Source: International Energy Agency, "World Energy Outlook" – October 2020.

DRILLING ACTIVITY AND OIL PRICES



Sources: Baker Hughes and Nasdaq December 2020.

As illustrated in the graph above, in FY 2020, average WTI price [(1)] stood at USD 40/b compared to USD 57/b in FY 2019, declining thus by 30% year-on-year, reflecting the economic crisis caused by the global COVID-19 pandemic.

Following the same trend, average Brent price [(2)] in FY 2020 stood at USD 43/b compared to USD 64/b in FY 2019, declining by 32% year-on-year.

The average gas price [(3)] in FY 2020 stood at USD 2.16/Mbtu declining by 14% compared to FY 2019 average price of USD 2.52/Mbtu.

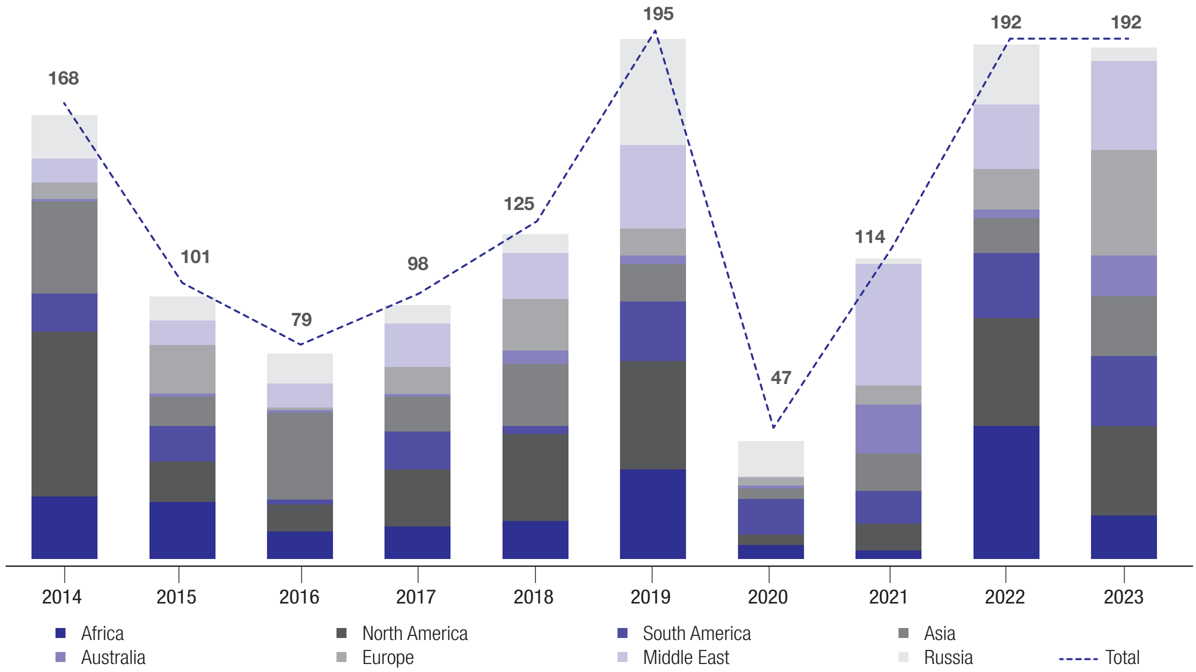
(1) Price of WTI: Nasdaq – data collected in December 2020.
(2) Price of Brent: Nasdaq – data collected in December 2020.
(3) Price of gas (Henry Hub): Nasdaq – data collected in December 2020.

3.4.1.2 Final Investment Decisions

According to Rystad January 2021 report, worldwide sanctioned Final Investment Decisions (FID) capex reached a low point in 2020 at USD 47.1 bn, with a major part dedicated to offshore activities (USD 31.8 bn) and more specifically to offshore deep-water activities (USD 24 bn).

For 2021, Rystad is forecasting a recovery with FID capex to be approved for USD 114 bn, driven by offshore activities representing USD 75.9 bn. According to Rystad, worldwide FID capex would not reach 2019 level before 2022, then stabilizing around USD 190 bn in 2023.

In USD billion



Sources: Rystad – January 2021.

3.4.1.3 Drilling activity in the United States

In the United States, average rig count appears to have troughed, after an impressive fall in Q2 and Q3 2020.

Since December 2019 (804 rigs in average), the significant oil demand drop due to Covid-19 pandemic resulted in a sharp oil prices fall. Consequently, most of US producers started to reduce their drilling activities, anticipating an unprofitable output with WTI prices below USD 40-50/b. In December 2020, average rig count was 339 units, a 58% decline versus the average of December 2019, with the sharpest rigs removal taking place between March (monthly average of 772 rigs) and August (monthly average of 250 rigs). The rig count has been recovering since the trough reached in August; at the end of December 2020, Baker Hughes notified 351 active rigs, ie around 100 rigs more than the low point of the year, even if this remains well below the rig count level of the beginning of 2020.

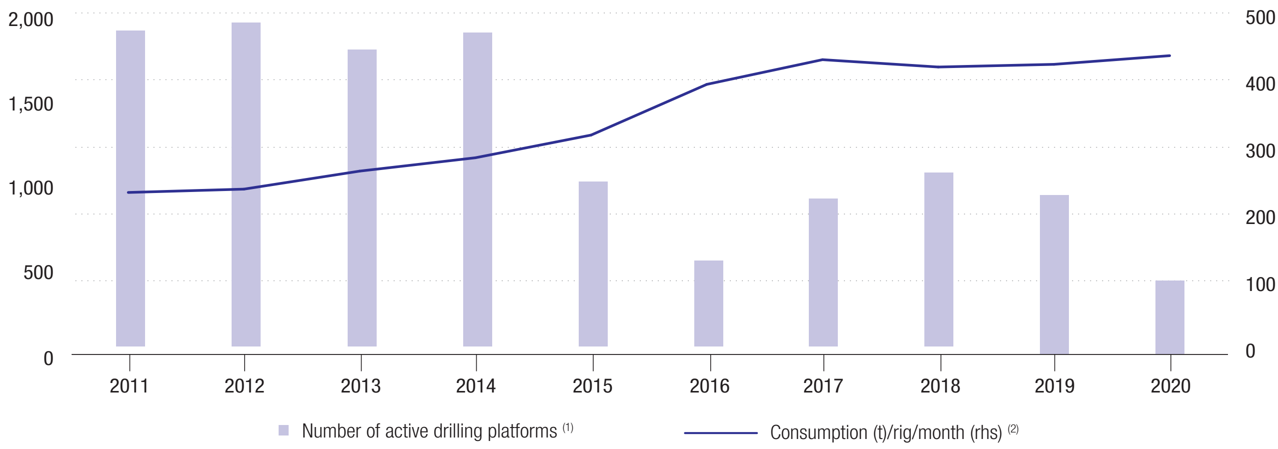
The number of DUC [(1)] wells in the seven [(2)] USA oil-dominant regions has increased significantly since December 2017 (6,066 units) to reach a peak in September 2019 (8,381 units). Cash constraints led operators to focus on margins instead of growth and the pandemic crisis forced US operators to shut existing wells and to focus on the completion of existing wells instead of new drillings, thus limiting their capex spend. Accordingly, the number of DUC wells has been continuously decreasing since September 2019 peak: at the end of December 2020, DUC wells count totaled 7,298 units representing a decline of 13% versus September 2019.

In the Gulf of Mexico, the number of active drilling platforms started to decline since March 2020 (23 units), reaching a trough at end of November with 12 units. Since then, the recovery of Oil & Gas active drilling platforms has been gradual with 17 units [(3)] at the end of December 2020.

(1) Drilled but Uncompleted.
(2) Anadarko, Appalachia, Bakken, Eagle Ford, Haynesville, Niobrara and the Permian.
(3) Baker Hughes - December 2020.

OCTG CONSUMPTION

The graphic below shows that US OCTG consumption per rig remained broadly stable since 2016. While consumption per rig was flat during the 2017-2019 period at around 430-440 tons per rig, it slightly increased in 2020 to an average of 445 tons per rig.

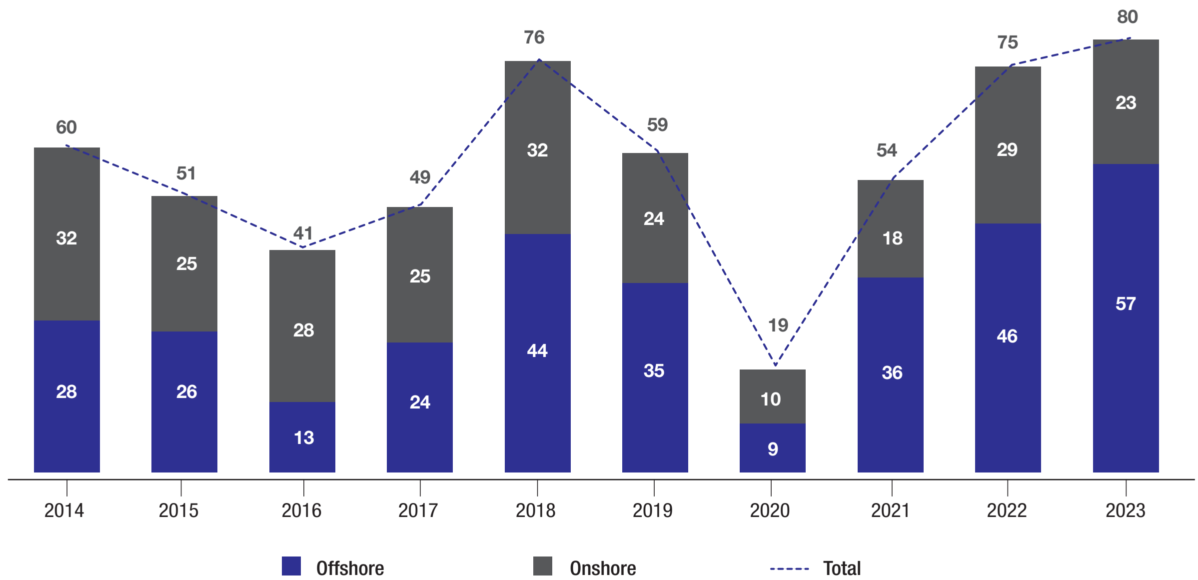


Sources: (1) Baker Hughes (January 2021).
(2) Preston US OCTG consumption (January 2021).

3.4.1.4 Oil & Gas market in the EA-MEA regions

According to Rystad January 2021 estimates, the number of FID projects approved in EA-MEA regions (Europe - Africa - Middle East - Asia) reached a low point in 2016 (41 FIDs sanctioned, mostly onshore) before increasing to 76 FIDs in 2018. Due to the Covid-19 pandemic, only 19 FIDs projects were sanctioned in 2020. Rystad anticipates a continuous upward trend starting from 2021 (54 projects to be approved), where offshore projects would mainly drive the growth.

Final Investment Decisions with reserves > 30mboe



Source: Rystad - January 2021.

3.4.1.5 Oil & Gas market in Brazil

Deep offshore (mainly pre salt) will drive Brazil oil production growth. The Oil & Gas Brazilian market is still dependent on Petrobras' capital expenditure plans, although International Oil Companies are increasing their presence in the country.

According to IEA January 2021 Oil Market Report, the Brazilian oil production during the first semester 2020 overperformed 2019 level, and thus despite the decline in output during the second quarter of the year. By the end of 2020, production has fallen to ~2.85 mb/d due to maintenance activities in several fields. IEA forecasts 2021 Brazilian oil supply to stabilize above 3 mb/d.

Petrobras was one of the leading players in the nine offshore bidding rounds since 2017: the company acquired several high potential deep-water blocks representing approximately USD 18 billion "signature bonuses". Additionally, International Oil Companies acquired in those bidding rounds 45 offshore blocks representing USD 9 billion, confirming their high interest for Brazil.

Initial Petrobras capex program for the period 2020-2024 with total investments of USD 75.7 billion, out of which USD 64 billion (85%) for Exploration & Production, has been revised due to the pandemic effects. In April 2020, Petrobras launched a Resilience Plan, with new measures that comprised reduction of oil production, postponement of cash disbursement and reduction of operational costs. The Group announced capex cut of 29% for FY 2020 (E&P capex reduction of 27%) from USD 12 billion to USD 8.5 billion. Nevertheless, Petrobras informed that it would continue to prioritize pre-salt production development activities.

Subsequently, in September 2020 Petrobras has launched a review for its Exploration and Production capex program, with a higher focus on deep and ultra-deep water assets, priority for projects with Brent price breakeven not exceeding USD 35 per barrel and also an optimization of exploratory investments. This update was confirmed and detailed in December 2020, when Petrobras released its 2021-2025 Strategic Plan. The Group E&P capex plan was set at USD 46.5 billion for the period 2021-2025, which represents 84% of total capex of USD 55 billion (compared to USD 64 billion in the previous 2020-2024 plan). Pre-salt will represent 70% of total E&P capex. Buzios pre field has gained more relevance in Petrobras portfolio and investment plan, as this field will account for 35% of E&P capex. This downward revision is mainly motivated by the impact of the Covid-19 pandemic, and the devaluation of the Brazilian Real.

International Oil Companies "IOCs" have also launched short-term cost reduction measures but are still keeping a high level of commitment in the country.

With regard to the number of projects to reach FID, three new deep-water projects have been approved in 2019, all from Petrobras in pre-salt: Mero 2, Buzios 5 and Sepia projects. In 2020, two offshore deepwater FID projects (to be operated by Petrobras) for total capex of USD 6.7 billion have been approved according to Rystad January 2021 estimates. For 2021, Rystad forecasts two offshore deepwated FID projects to be sanctioned (Buzios VI and Bacalhau) for total capex amounting to USD 11.5 billion.

Vallourec is very well positioned in Brazil. In July 2020, the Group announced the extension of its long-term contracts until mid-2023 to supply products and services to Petrobras. Vallourec also provides innovative digital services designed to improve reliability and operational performance. These include tubular management (inspection, repair, rig preparation and return), VAM® Field Service (on-site assistance), as well as storage and transportation services. Finally, Vallourec.smart digital solutions support the planning, management and execution of services, granting the full product traceability from the mill to the running.

Regarding IOCs, the Group has signed multi-year comprehensive agreements (pipes, accessories and services) with the key Majors currently operating in the country. Brazil's recent bid rounds (mainly for pre salt) have attracted these companies which now all have assets in the country. Exxon, Total and Shell are currently focused on exploratory activities in the recent acquired areas in Santos and Campos basin while Equinor is progressing with the development plan of the pre salt Bacalhau field.

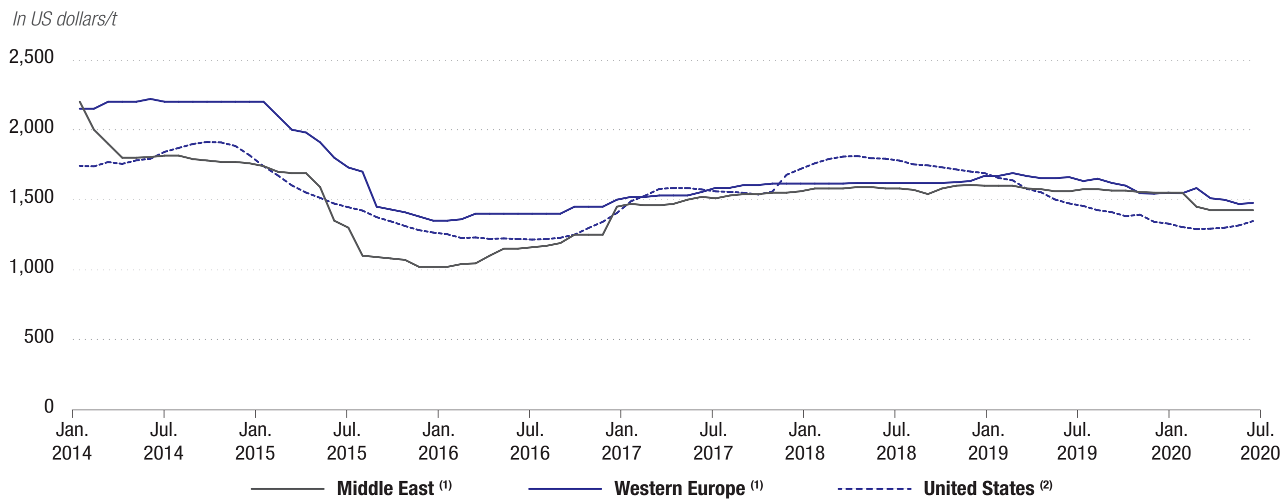
3.4.1.6 OCTG pricing evolution for Oil & Gas market

The graph below shows the price evolution of OCTG in the Middle East, the US and Western Europe.

In the MEA region, average prices were broadly stable around USD 1,550-1,600 since July 2019 but started to decrease in August 2020 to stand at USD 1,425 in December.

In Western Europe, OCTG prices showed a steady upward trend in 2019 to reach a peak of USD 1,690 at end of July 2019, before starting to decrease. At end of December 2020, OCTG prices stood at USD 1,477 (~13% below July 2019 level).

In the US, after a peak reached in August 2018 (at USD 1,812), OCTG prices have been continuously decreasing to a trough at USD 1,290 in August 2020. In December 2020 US OCTG prices stand at USD 1,347, representing a 5.5% decline since the beginning of the year. In 2021, any gradual recovery in the market should be accompanied by a positive price trend.



Sources: (1) Fastmarkets (OCTG casing L80 premium connection) – December 2020.
(2) Pipe Logix (average Seamless pipes) – December 2020.

3.4.2 Industry and other markets

Demand for industrial applications is dependent upon the growth or decline of sectors, such as automotive, agriculture, construction or industrial manufacturing. Such growth is driven by numerous factors, but overall bears a broad correlation to GDP growth.

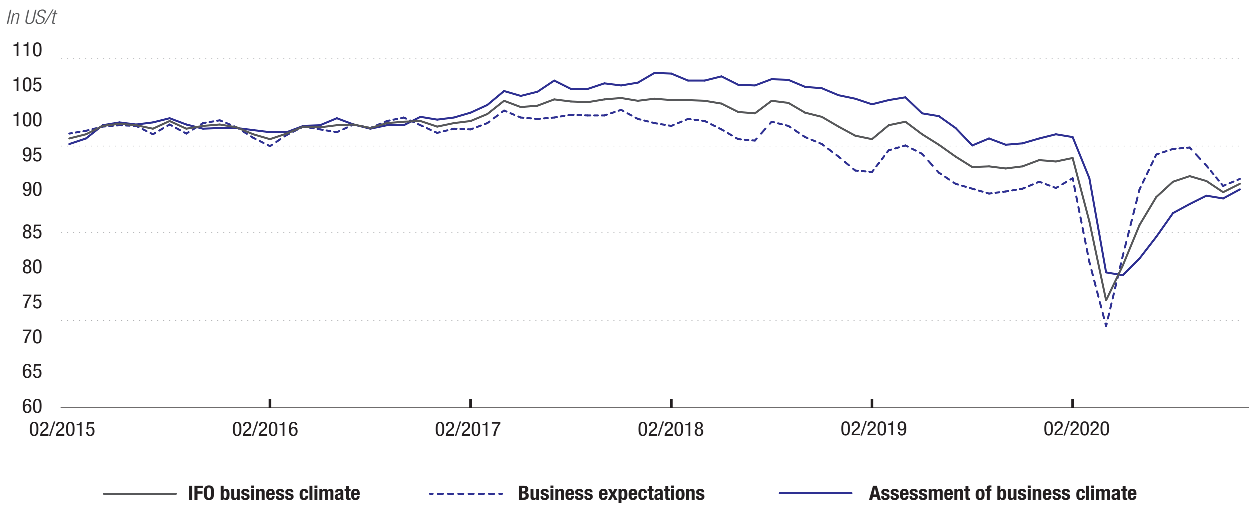
General economic outlook is impacted by the Covid-19 pandemic that quickly disseminated across Europe, the US and South America since February 2020. From the supply point of view, global economy has been paralyzed with several plant closures and logistic line disturbances. The lockdown measures adopted by many countries also affected global demand even if a certain recovery was noticed since Q3 2020. Consequently, the international economic institutions are expecting the European, the US and more globally the worldwide GDP to be strongly negatively impacted in 2020 before a recovery in 2021.

Europe (Germany)

The ifo Business Climate index sharp decline since March 2020 reflects the impact of Covid-19 on the German economy. The ifo Business Climate Index collapsed from 95.8 points in February to 75.4 points in April, the steepest fall and the lowest value ever recorded. Since April 2020, the index has been recovering gradually to reach 93.2 in September 2020. Despite new lockdown measures adopted in Q4 2020, the German economy is showing resilience.

The manufacturing sector Business Climate index fell to its lowest level in April 2020 (-41.9) due to the collapse in industrial products demand and the decline in all branches of industry as several companies announced plans to curtail production. According to ifo December 2020 update, the manufacturing sector -in particular the chemical industry and mechanical engineering- is recovering. Companies appear to be more optimistic regarding their current situation (highest level since January 2020) and expect a further recovery in the coming six months.

Following the trough observed in April 2020 at 71.7, the ifo Business expectations index improved to 97.3 in September 2020, before declining gradually to 92.8 in December, due to the tightening of the lockdown and the related impact on many sectors (services, construction).



Source: IFO Institute – December 2020.

Brazil

The GDP growth in FY 2020 was -4.4% (1), reflecting the deep crisis caused by Covid-19, impacting all activities and especially Services. Agriculture is the only sector that was presenting a growth this year. Industry was impacted, especially the Automotive segment in Q2 and Q3 2020. Mining and Construction segments were more resilient, presenting a sharp recovery along the second semester of the year.

For 2021, GDP is forecast to increase by 3.5% (2). An overall recovery is expected, mainly driven by the Industrial sector, including the Automotive. Agriculture should continue to play an important role in Brazil's economy, with activity expected to increase in 2021.

In Brazil, the Group extracts iron ore in its Pau Branco mine, in Minas Gerais State, 30 kilometers south of Belo Horizonte. The mine supplies the blast furnaces and the pellet plant of its affiliates located at Jeceaba, in the Minas Gerais, and also markets its production locally.

In the second quarter of 2019, Vallourec was granted the required license from the Minas Gerais authorities to extend production capacity by building a new processing unit which should make it possible to reach a total production capacity of around 8.7 million metric tons in 2022. The production volume achieved in 2020 was 7.9 million metric tons. Iron ore production should stay at a similar level until implementation of the extension project.

(1) Based on Brazil Central Bank / Focus report, January 8th, 2021.
(2) Based on Brazil Central Bank / Focus report, January 25th, 2021.

3.4.3 Power Generation

Demand for seamless tubes in the Power Generation market depends on the construction or maintenance of conventional or nuclear power plants.

3.4.3.1 Conventional energy

Demand for conventional power plants is declining worldwide.

Given this long-term evolution, the Group announced on February 2020 that it had initiated a plan to divest this activity. The closure of the Reisholz mill (Germany), specialized in tubes for conventional power plants, is effective since summer 2020.

3.4.3.2 Nuclear energy

The development of nuclear power is slowing down due to a combination of several factors: difficulties of funding, more demanding requirements regarding safety, as well as the political reluctance of some countries towards nuclear energy.

In February 2021, Vallourec announced it had initiated discussions in connection with a disposal of Valinox Nucléaire SAS. This transaction could take place during the first half of 2021 and is submitted to consultation of the work's councils.

3.4.4 Renewables and Energy transition

In the wake of COP21 and Paris agreement, there is a strong push from public authorities as well as private sector for the development of Renewables Energies to pave the way for Energy Transition toward a decarbonized and sustainable living.

Vallourec is involved in different projects to enable the group to seize new opportunities linked to energy transition. Demand for tubular solutions could be enriched by:

- Geothermal energy for power generation. It represents today approximately ~1% of total installed renewable energy generation capacities, concentrated mostly on the volcanic hot spots (Western US, Indonesia, East Africa…). Capacity is expected to grow by 5% annually up to 2040.
- Wind energy represents nearly half of renewable energy installed capacity with steady growth rates of approximately 10% per year in the last years. Inside this segment, offshore wind is still a relatively small segment, essentially in the North Sea, but is expected to continue to grow strongly in the coming decades.
- Carbon Capture Utilization and Storage (CCUS): CCUS is still an emerging technology which needs to go through demonstration phases before reaching commercial scale-up. Emissions targets would require to capture, store or re-use some 850 million tons of carbon dioxide annually by 2030, according to the IEA. Recent increase of carbon prices in EU, the launching of a carbon market in China in 2017, and 45Q tax credit reform in the US (granting $50 in tax credit for every ton of CO_2 captured and stored) are signs that new perspectives are opening.
- The production of "blue" (linked with carbon capture) and "green" Hydrogen (produced through electrolysis) could be a competitive solution with high opportunities. Development of Hydrogen applications would be facilitated by reductions in the cost of electrolysis coming from scale effect, as well as the recent state/public support to ease the deployment of the infrastructure needed (refueling stations, hydrogen products).

Solar is the lowest cost energy with widespread growing presence. It shows a vast array of projects, from very large surface solar farms with sole power production purpose to more elaborated designs to accommodate difficult weather conditions, spaces with constraints or other purposes (agriculture, shelter, etc…).

3.4.5 Raw materials

Scrap

Raw material prices impact the Group as a result of the use of scrap metal in its US and Brazilian facilities.

The Group's US-based steel plant is equipped with an electric arc furnace fed with scrap metal. In the United States, average scrap metal prices [1] for the full year 2020 stood at USD 278/LT compared to USD 289/LT in FY 2019, declining thus by 3.9% year-on-year. Scrap metal price was high at the beginning of the year (USD 305/LT) pursuing an upward trend that started in October 2019. The impact of the pandemic crisis on the manufacturing sector led to a significant scrap metal price decline in April (USD 235/LT, or -18% comparing to March 2020). Nevertheless, since July 2020 (USD 235/LT), scrap metal price started to increase and reached USD 370/LT in December 2020, supported by a higher demand.

Steel production in Brazil is now concentrated at the Jeceaba steel mill, a modern site that is equipped with an electric arc furnace using scrap and Vallourec's blast furnace using iron ore supplied by the Group's mine located in Minas Gerais.

Iron ore

In 2020, iron ore average international price [2] increased to USD 109/t, compared with 2019 average price of USD 93/t. After the decline observed in April 2020 (monthly average of USD 83.8/t) due to the pandemic crisis, iron ore international prices soared to USD 155.8/t on average during December 2020 (including a peak reached in December 21st at USD 176.9/t).

(1) CRU – Shredded Pittsburgh – $/LT.
(2) Platts SBB – IODEX Iron ore fines 62% CFR North China $/T.

3.4.6 Currencies

The Group is sensitive to volatility in foreign currencies (notably Brazilian real, US dollar).

The translation effect is the impact of the changing value of the financial statements of subsidiaries whose functional currency is not the euro on the Group's consolidated financial statements. When subsidiaries generate profits, the effect is positive when the currency rises against the euro and negative when it falls against the euro.

The transaction effect represents the gain or loss in revenue (or costs) when contracts are invoiced in a currency which is different from the entity's functional currency. The transaction effect is expressed in the functional currency of the entity. It is positive when the functional currency declines and negative when it rises, with a delay resulting from hedges in place.

3.5 Significant events in 2020 and early 2021

3.5.1 Fiscal year 2020

Governance

At its meeting on 18 February 2020, the Supervisory Board, in accordance with the succession plan announced on 17 September 2019, appointed Edouard Guinotte as a member and Chairman of the Management Board for a four-year term commencing 15 March 2020. Olivier Mallet was reappointed as a member of the Management Board and Chief Financial Officer of the Group and will serve until the end of the 2023 Ordinary Shareholders' Meeting.

On 23 June 2020, the Supervisory Board decided to co-opt Ms. Virginie Banet and Mr. Antoine Cahuzac as Supervisory Board members, to replace Ms. Alexandra Schaapveld and Mr. Philippe Altuzarra, respectively, who resigned.

Virginie Banet and Antoine Cahuzac were appointed as members of the Finance and Audit Committee. Antoine Cahuzac has also joined the Appointments, Compensation and Governance Committee. Corine de Bilbao was appointed as a member of the Strategy Committee and member of the CSR Committee.

On 15 July 2020, Claire Langelier was appointed Group General Counsel. She is part of the Executive Committee and Secretary of the Supervisory Board. Claire is responsible for Legal and Sustainable Development.

On 30 September 2020, in accordance with the legal provisions in force, the European Works Council appointed Mr. Ayhan Üstün, a German national, as the second employee representative on the Supervisory Board of Vallourec SA, for a term of four years.

On 22 October 2020, the Group announced the appointment of Naïla Giovanni as Chief Digital & Information Systems Officer. She joined the Group's Executive Committee. As the head of a global department, composed of an international team bringing together various centers of expertise, Naïla Giovanni will coordinate and implement the Group's digital strategy.

Proposed rights issue, abandoned during the year

Vallourec announced plans on 19 February 2020 to launch a rights issue for an amount of approximately €800 million, to significantly reduce the Group's debt, decrease its financial expenses and provide the increased flexibility needed for the successful implementation of its strategy. This project was abandoned due to the Covid-19 crisis, which led to a fall in the global Oil & Gas markets.

New measures to face the depressed market environment

In 2020, Vallourec launched cost reduction measures across the Group to face the depressed market situation.

In North America, the workforce was reduced by more than one third (more than 900 positions) in all plants and support functions.

In Europe, the Group is pursuing its cost saving initiatives:

- in France, the Group announced a reduction of approximately 350 positions in production facilities and support functions, including the closure of Déville heat treatment facility. The implementation of these measures is subject to consultation with staff representative bodies in the first half of 2021;
- in Germany, the Group has launched additional measures including further headcount reduction with c.200 positions over 2021-2022 and intensive use of short time work before implementation of working time reduction.
- In Brazil, a comprehensive action plan resulted, in particular, in a reduction of c.500 positions in support functions in 2020.

Opening of a *mandat ad hoc* proceeding and beginning of discussions relating to the proposed financial restructuring

In September 2020, Vallourec announced its intention to extend discussions with some of its banks to its main creditors to secure financial restructuring to allow it to deal with its upcoming maturities and rebalance its financial structure, taking into account the consequences of the Covid-19 and oil markets crises on its activity.

To facilitate these discussions and protect the best interests of all stakeholders, the President of the Commercial Court of Nanterre appointed a *mandataire ad hoc* on 23 September 2020. Before this date, Vallourec had received the requisite consents to allow this appointment.

On 17 November 2020, Vallourec confirmed that it had approached its creditors to restructure its debt amounting to €3.5 bn as of 30 September 2020, of which €1.7 bn will mature in February 2021, by way of a debt-to-equity conversion of more than half of the principal amount of its debt.

Commercial successes

On 13 May 2020, Vallourec announced that its contract with Equinor in Brazil had been recently been extended to March 2024. The scope of the contract has been expanded to include new products in the line of seamless steel tubes and OCTG accessories used for Equinor operations in Brazil, as well as storage, maintenance, rig preparation, collaborative planning, rig return, inspection and repair services.

On 29 July 2020, Vallourec announced the extension of its contracts to supply products and services to Petrobras until 2023. Since the initial signing of these contracts in 2018, Vallourec has been supplying Petrobras with OCTG products, including seamless steel tubes, premium connections and accessories, as well as associated services such as offshore inspection, repair, and supervision, amongst others, which are supported by its Vallourec.smart digital offer.

On 18 November 2020, Vallourec announced the extension of its frame agreement with Total for a period of five years.

ESG: a commitment recognized by non-financial rating agencies

The Group's Sustainable Development policy is regularly recognized by non-financial rating agencies. Our performances, in particular in the three main areas of energy, water and waste management, underline Vallourec's contribution as a responsible market player.

In June 2019, MSCI ESG Rating upgraded its rating of Vallourec from "A" to "AA", highlighting the numerous changes introduced. In its November 2020 review, the non-financial rating agency announced that it maintains its "AA" rating.

On 25 June 2020, Vallourec announced its ambition to reduce its direct and indirect carbon emissions by 2025, taking 2017 as a reference year. These objectives were approved by the Science-Based Targets initiative (SBTi), and Vallourec became the first in the Oil & Gas sector to obtain this recognition [1]. The Group, which is already a low emitter of greenhouse gases, is committed to:

- reducing its direct emissions by 20% (scopes 1 and 2);
- reducing both direct and indirect emissions by 25% (scopes 1, 2 and 3).

On October 14, 2020, Vallourec Star, a Vallourec subsidiary based in Youngstown (Ohio), was awarded the first Encouraging Environmental Excellence award by the Environmental Protection Agency of the State of Ohio for its environmental program and activities as a whole, which go beyond regulatory compliance requirements in terms of waste reduction and improving environmental performance. The Encouraging Environmental Excellence program, also known as the E3 Program, recognizes organizations for their achievements in the area of environmental management and for their commitment to environmental excellence.

3.5.2 First quarter 2021

Financial restructuring

On 3 February 2021, Vallourec announced that it had reached a major step in its financial restructuring, with the entering into an agreement in principle with its main creditors. This agreement meets the Group's objectives to rebalance its capital structure by reducing its debt and securing the necessary liquidity that will enable it to implement its strategic plan within a volatile market environment. The agreement in principle provides in particular for a significant €1,800 million debt reduction through capital increases and a debt write-off, as well as the refinancing of residual debt over a five-year period by implementing a revolving credit facility, a state-guaranteed loan and issuance of new senior notes.

On 4 February 2021, the Commercial Court of Nanterre opened a safeguard proceeding (*procédure de sauvegarde*) to the benefit of Vallourec to implement this financial restructuring (see Section 3.7 of this Universal Registration Document).

Proposed sale of Valinox Nucléaire SAS

On 17 February 2021, Vallourec announced that it had initiated discussions regarding the sale of Valinox Nucléaire SAS. This transaction could take place during the first half of 2021 and is submitted to consultation of work's council.

Cost savings objective for 2021-2025

Vallourec also announced a gross cost savings target of €400 million over the 2021-2025 period. The Group's competitiveness will be strengthened through transversal sources of savings that rely on the continuous improvement of production processes through the deployment of Industry 4.0, the intensification of lean initiatives, and data analysis, as well as through the reduction of purchasing costs, and regional initiatives in North America, Europe and Brazil. The announced target of €400 million for the period 2021 to 2025 concerns both the Group's fixed and variable costs.

(1) *It should be noted that SBTi classified Vallourec as belonging to the "Mining – Iron, Aluminum, Other Metals" sector for assessing its targets. However, given that the Group's revenue mainly comes from the Oil & Gas sector, the Company compared itself to SBTi's "Oil & Gas" sector; no company in this sector has obtained validation from SBTi for its targets.*

3.6 Implementation of the Transformation Plan – Strategic Vision and transposition into the Business Plan

3.6.1 A successfully implemented Transformation Plan, a Group that is now more agile and more competitive

3.6.1.1 Cost reduction objectives overachieved and streamlining of Group assets

Under the Transformation Plan, which was launched in early 2016, the Group had announced an objective of €400 million in gross savings over a four-year period (2016-2020). With €165 million in cost savings achieved in 2020, Vallourec has significantly exceeded its initial target for the year of €130 million, reaching a total of €751 million over the 2016-2020 period.

The streamlining of the Group's European industrial assets in France and Germany is reflected in the decrease in the number of Group sites. Europe is now positioning itself as a center of excellence for the production of premium products, supporting local markets while offering a flexible production route that facilitates short lead times for export.

In summer 2020 the Group closed the plant in Reisholz (Germany), which was specialized in tubes for conventional power plants.

In 2020, the Group also announced a plan to close the heat treatment facilities in Déville (France) [1].

3.6.1.2 Successful deployment of new production routes

New production routes have been rolled out from the highly competitive plants in Brazil and Asia, the use of which the Group continues to maximize. These new routes allow the Group to meet the majority of expected growth in demand for premium Oil & Gas products in the EA-MEA regions.

The utilization rate of these new routes [2] for premium Oil & Gas product demand in the EA-MEA regions increased from 19% in 2015 to 62% in 2020.

3.6.2 A strategic vision based on clearly identified value drivers

3.6.2.1 Further initiatives to strengthen competitiveness

MAXIMIZING THE USE OF THE MOST COMPETITIVE ROUTES: VSB AND TIANDA

Brazilian activities have been streamlined and major savings made. Exports account for approximately 60% of total production at VSB, which is qualified by Majors for premium OCTG products and launched in 2020 a Project Line Pipe "Best-in-class" project.

Tianda, acquired at the end of 2016, has been fully integrated within Vallourec's global network. Tianda is now qualified by Majors and national oil companies for conventional premium, and targets premium production representing 45% of its total production by 2025, compared to 23% in 2020.

The Group is targeting a utilization rate of new routes [2] for premium Oil & Gas demand in the EA-MEA regions of approximately 74% in 2025.

€400 MILLION IN ADDITIONAL COST SAVINGS TARGETED FOR 2021-2025

The Group's competitiveness will be strengthened through transversal sources of savings that rely on the continuous improvement of production processes through the deployment of Industry 4.0, the intensification of lean initiatives, and data analysis, as well as through the reduction of purchasing costs and regional initiatives.

Thus, in North America, in order to increase flexibility, the Group is improving its operations by debottlenecking its most competitive routes and optimizing its finishing capacity.

In Europe, the Group aims, through its ongoing adjustment efforts, to ensure that production units are properly calibrated to avoid the effects of under-adaptation.

In Brazil, the Group is focusing its efforts on internalizing certain subcontracted functions, optimizing the cost of steel production, redesigning sales and operations planning and maintenance processes, as well as further streamlining the Barreiro site.

(1) *This transaction could take place during the first half of 2021 and is submitted to consultation of work's council.*
(2) *Percentage of premium OCTG and PLP products rolled at VSB or Tianda, compared to total swing order deliveries, i.e., orders that may be served interchangeably from Europe, Brazil or Asia.*

3.6.2.2 Confirmed market fundamentals

The energy sector is transitioning, but Oil and Gas activity is still needed in the medium term. After the sharp fall in 2020, there is consensus that oil demand will recover in the short and medium term.

Investment in exploration and production is needed to supply this level of demand while offsetting annual well depletion (5% on average per year). This level of demand requires the contribution of all the producing regions.

The recovery of demand combined with the control of supply by OPEC+ could bring the oil price to the level required to allow investment in exploration and production to meet demand.

The market shares of the production areas will be different to pre-crisis levels: the Middle East and offshore Brazil will be the winning regions, while US non-conventional is expected to remain below the 2018-2019 levels of activity.

NORTH AMERICA: FLEXIBILITY OF OPERATIONS IN THE MOST VOLATILE MARKET

Drilling activity is expected to restart gradually over the next few years, but will not return to 2019 levels.

The market should see a consolidation of competition and distribution, and the reduction in welded tube capacity should have a positive impact on the market share of seamless tubes. The North American market also benefits from trade protections.

In this market, Vallourec is a fully integrated domestic player benefiting from a highly flexible operations allowing to adapt to a volatile market, as demonstrated early 2020. Furthermore, Vallourec's market positioning will benefit from new connections launched in 2020 (VAM® SPRINT) and the rollout of Vallourec.smart solutions.

EA-MEA: STRONG POSITIONS IN ATTRACTIVE MARKETS

The EA-MEA markets will continue to be strongly impacted by the crisis in 2021. Market recovery in volume could take place as from 2022, particularly in the winning regions (Middle East and East Africa). However, the intensity of competition should keep pressure on prices accross EA-MEA regions.

In these markets, Vallourec has a reshaped and agile industrial footprint as reflected in restored competitiveness and flexible and complementary production routes: Europe, Brazil and China. Vallourec will also rely on its proximity to its customers thanks to its local presence and a comprehensive offering of products and services, with leading positions on premium markets.

BRAZIL: IDEALLY POSITIONNED TO TAKE ADVANTAGE OF EXPECTED GROWTH

Petrobras focuses its exploration and production capex on the development of its core pre-salt projects. The market in this area is primarily high-end due to the nature of offshore pre-salt fields. The market trend is also positive for PLP offshore projects.

Vallourec is the only local producer of seamless tubes in Brazil and benefits from state-of-the-art operations supplying both local and international markets and from a unique offering of local services. The frame-agreement with Petrobras highlights a long-standing commercial relationship and the integration of Vallourec into Petrobras' supply chain. Vallourec is also recognized as a supplier of choice by international oil companies in Brazil.

INDUSTRY AND IRON ORE

In Europe, the industrial market collapsed in 2020 and the recovery could be progressive, reaching potentially just around 90% of the pre-crisis level by 2024. However, the pace of the recovery will be different depending on segments. Vallourec will protect its market shares by leveraging its improved competitiveness, the development of its offering to end users and access to new products.

Brazilian industry is expected to recover moderately, with long-term growth at a lower pace than pre-crisis expectations.

The expansion of the iron mine production capacity in Brazil for an investment of around €60 million is in progress, with a start-up by the end of 2021. This will lead to a total production of 8.7 Mt/year in 2022. The mine has a very competitive cost structure and high profitability.

3.6.2.3 Building on the Group's technological differentiation and brand recognition to develop new products and solutions

The Group also intends to increase its revenue by building on its technological differentiation and brand recognition to develop new products and solutions.

New digital solutions, including the Smartengo™ offer, are already available on the market and contribute to differentiating Vallourec's sales offering.

3.6.2.4 Leverage core capabilities to capture emerging opportunities from energy transition

The Group is preparing for the future by developing sustainable solutions around energy transition opportunities in the following areas: solar power, geothermal, offshore wind, carbon capture utilization and storage (CCUS) and hydrogen.

Vallourec will draw on its industrial expertise, its innovation capacities, as well as its relationship with customers committed to the energy transition to take advantage of these opportunities. Vallourec has introduced a dedicated structure to conduct innovative projects and expects to generate significant revenue from these opportunities by 2025.

3.6.3 Transposition into the Business Plan

In October 2020, for the purposes of negotiating the potential financial restructuring, which is described in greater detail in Section 3.7 “Presentation of the Safeguard Plan” of this Universal Registration Document, the Company prepared and communicated a business plan to certain creditors (subject to confidentiality provisions) to identify any needs for new liquidity and the outlook for some of the Group’s financial indicators taken from said business plan.

In a press release dated 3 February 2021, relating to the entering into an Agreement in Principle with its main creditors as part of its financial restructuring, the Group presented certain financial indicators for 2021, 2022 and 2025 to restore equivalence of information.

The Company believed that the indicators provided for the 2021 fiscal year resulting from works carried out in October 2020 were no longer representative of the outlook for the 2021 fiscal year due to the evolution of the environment that had occurred since then, and that it was in a position to publish targets for the 2021 fiscal year. It published these targets in a press release dated 17 February 2021. These are the subject of the description set out in Section 3.9.1 “Outlook – forecasts” of the Universal Registration Document.

For 2022 and 2025, the following indicators were published in the press release dated 3 February 2021. These indicators, which were prepared in October 2020 as part of discussions relating to the financial restructuring, tranlate the Group’s strategic vision set out in Section 3.6.2 “A strategic vision based on clearly-identified value drivers” of this Universal Registration Document, and do not constitute guidance or forecasts of any kind.

In € million	**2022**	**2025**
Revenue	3,591	4,473
EBITDA	422	690
EBITDA margin	11.8%	15.4%
Net interest expenses	- 105	- 109
Gross capital expenditures	- 180	- 190
Free cash flow (1)	- 139	185
Net leverage ratio (2)	2.5x	1.2x

(1) Free cash-flow (FCF) is defined as cash flow from operating activities minus gross capital expenditure and plus/minus change in operating working capital requirement.

(2) Net leverage: net debt divided by EBITDA.

These indicators were included in the 3 February 2021 press release and presented in this Universal Registration Document solely for the purpose of providing equivalence of information. For this reason and in view of the time horizon in question, the volatility of the environment in which the Group operates, and the uncertainties relating to the Covid-19 pandemic, they must not and cannot be considered as forecasts or estimates within the meaning of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019.

3.7 Presentation of the Safeguard Plan

3.7.1 Negotiations with stakeholders

3.7.1.1 Conduct of negotiations and opening of a *mandat ad hoc* proceeding

In early 2020, Vallourec announced plans to launch a rights issue for an amount of approximately €800 million, to significantly reduce the Group's debt, reduce its financial cost and provide the increased flexibility needed for the successful implementation of its strategy. At the same time, Vallourec had also reached an agreement on the refinancing its credit facilities, with its main commercial banks providing new credit facilities totaling €800 million, subject to the completion of the rights issue. These new credit lines were intended to provide Vallourec with a source of long-term liquidity thanks to a four-year maturity, i.e. until 2024, that may have been extended, if necessary, for one additional year.

The unprecedented drop in oil demand caused by the Covid-19 crisis (approximately 20% lower in Q2 2020 vs. 2019) was not immediately offset by reductions in oil supply from OPEC+ and non-OPEC+ countries. As a result, oil prices collapsed and Oil & Gas companies sharply reduced their capital expenditure (reductions of approximately 50% in 2020 for the US onshore sector, 25% for international oil companies and listed companies, and less of a reduction for national oil companies), with an impact on Vallourec's operations.

Given the new environment and deteriorated market conditions in the context of the Covid-19 crisis as detailed above, the €800-million rights issue of Vallourec, approved by the Shareholders' Meeting of 6 April 2020 and the refinancing of the RCFs could not be carried out.

During the summer of 2020, Vallourec continued to discuss with, in particular, its reference shareholders and its banks in order to define an alternative refinancing arrangement that would take into account the consequences of the Covid-19 and oil markets crises on its activity and enable it to deal with its upcoming debt maturities and rebalance its financial structure. These discussions did not lead to a successful outcome.

In this context, the Company announced on 1 September 2020 its intention to extend the discussions engaged with some of its banks to its main creditors with a view to achieve a financial restructuring that would enable it to deal with its upcoming debt maturities and rebalance its financial structure, taking into account the consequences of the Covid-19 and oil markets crises on its operations.

After having obtained the necessary consents from its bank and bonds creditors to do so, the Company requested and obtained on 23 September 2020, the appointment of a *mandataire ad hoc* to assist it in such negotiations.

The discussions initiated by the Company were pursued under the aegis of a *mandataire ad hoc*, mainly with:

- certain of its commercial banks, i.e. as BNP Paribas, Natixis and Banque Fédérative du Crédit Mutuel, representing 38.8% of the principal amount of the revolving credit facilities made available to the Company under (a) the facility agreement governed by French law and entered into by the Company on 12 February 2014, (b) the facility agreement governed by French law and entered into by the Company on 2 May 2016, (c) the facility agreement governed by French law and entered into by the Company on 21 September 2015 and (d) the facility agreement governed by French law and entered into by the Company on 25 June 2015, in each case, as amended from time to time as applicable (the "**RCF**");
- investment funds holding Notes issued by the Company or interests in the RCFs (through sub-participations, including pending trades); and
- Bpifrance Participations and Nippon Steel Corporation, the Company's reference shareholders.

In this context, each of the relevant creditors entered into a non-disclosure agreement with the Company providing for a mechanism for the cleansing of insider information (this is the mechanism whereby the issuer releases the inside information provided under the non-disclosure undertakings, so that the parties to such undertakings may acquire or dispose of securities of the issuer without being in breach of the market abuse regulation). In accordance with this cleansing mechanism, the Company published the press release dated 3 February 2021.

At the same time, an *ad hoc* committee, composed exclusively of independent members of the Supervisory Board, was set up to follow up the discussions relating to the financial restructuring.

3.7.1.2 Conclusion of an Agreement in Principle and a Lock-up Agreement

The negotiations pursued by the Company under the aegis of the *mandataire ad hoc* with certain of its creditors led to the entering into an agreement in principle on 3 February 2021 with the commercial banks (*i.e.* BNP Paribas, Natixis and Banque Fédérative du Crédit Mutuel), representing 38.8% of the principal amount of the RCF and investment funds holding Notes and interests under the RCF representing approximately 50.5% of the principal amount of the RCF (through sub-participations including pending trades) and 41.4% of the principal amount of the Notes of the Company (the **"Ad Hoc Group"**) (the "**Agreement in Principle**").

This agreement meets the Company's objectives to rebalance its capital structure by reducing its debt and securing the necessary liquidity that will enable the Company to implement its strategic plan in a volatile market environment. Bpifrance Participations and Nippon Steel Corporation, the reference shareholders of the Company, have confirmed their support to this Agreement in Principle.

In this context, the commercial banks (*i.e.* BNP Paribas, Natixis and Banque Fédérative du Crédit Mutuel), the members of the Ad Hoc Group and the Company entered into a lock-up agreement pursuant to which the parties committed to support and take all steps and actions reasonably necessary to implement and consummate the Agreement in Principle and not to transfer their securities other than in accordance with the provisions of this agreement (the "**Lock-Up Agreement**").

The terms and conditions of the Lock-Up Agreement are relatively customary and include a requirement for creditors to give relevant vote instructions in favor of the implementation of the Agreement in Principle, to provide various waivers, to enter into the required documentation to effect the restructuring plan and not to dispose of their instruments unless the transferee accedes to the Lock-Up Agreement or is already a signatory (and is therefore already bound by such terms). In consideration of their undertaking to restrict the transfer of their instruments until the completion of the transactions, the Company undertook to pay to the creditors which are parties to the agreement a fee for a total amount of 16 million euros to be paid on the completion date. The commercial banks, Apollo and SVPGlobal undertook not to dispose of their RCF holdings (including through sub-participations, including pending trades) and their Notes, including to a signatory or a person who would accede to the Lock-Up Agreement, until the completion date of the transactions provided for by the Agreement in Principle (subject to transfer to affiliates). The Lock-Up Agreement has since received the support of creditors representing 100% of the RCF and 90.5% of the Notes.

The conditions precedent applicable to the implementation of the financial restructuring as provided for by the Lock-Up Agreement are customary terms and conditions and are detailed below in section 3.7.2 "Description of the Safeguard Plan" of this Universal registration document.

To date, the Lock-Up Agreement terminates at the latest on the completion date of the financial restructuring transactions or 31 July 2021 (unless extended in accordance with the Safeguard Plan and the Lock-Up Agreement), whichever occurs first. The Lock-Up Agreement may be terminated (i) by a majority of the members of the Ad Hoc Group and a majority of the Commercial Banks, in certain cases (failure to meet the milestones of the restructuring as contractually agreed, prohibition or impediment of the Safeguard Plan by a final decision of a governmental or judicial authority or body of competent jurisdiction, certain insolvency events contractually defined, material breach by the Company of its undertakings) or (ii) by the Company in the event of prohibition or impediment of the Safeguard Plan by a final decision of a governmental or judicial authority or body of competent jurisdiction, provided that the Company has made commercially reasonable efforts to obtain its cancellation or a decision authorizing the Safeguard Plan or (iii) by mutual agreement.

In the context of the discussions held with the governmental authorities in parallel with the negotiations with the creditors, Vallourec has undertaken to ensure that the future development of its industrial activities, as provided for in the Group's current business plan, will aim at consolidating its centers of excellence and its industrial footprint in France and at preserving the location of the Group's registered office and its R&D activities there. The Company has also undertaken to preserve the Group's activities that are of strategic importance to French interests.

3.7.1.3 Opening of a safeguard proceeding

On 4 February 2021, the Commercial court of Nanterre opened a safeguard proceeding (*procédure de sauvegarde*) to the benefit of the Company with a six-month maximum observation period. In that context, the Court appointed SELARL FHB, acting through Hélène Bourbouloux, as judicial administrator with the mission to monitor Vallourec, as well as SCP BTSG, acting through Marc Sénéchal, as creditors' representatives. This proceeding is limited to the Company and therefore does not concern the Group's operational activities.

The proceeding aims at, inter alia, allowing the implementation of the financial restructuring as provided for in the Agreement in Principle. To that end, the financial restructuring has been reflected in a draft safeguard plan prepared by the Company on 12 March 2021, which was approved by the credit institution committee (*comité des établissements de crédit et assimilés*) and the bondholders' single general meeting (*assemblée générale unique des obligataires*) of the Company on 29 March 2021 and shall be submitted for approval to the Commercial Court of Nanterre (the "**Safeguard Plan**"). The proceeding also suspended the payment obligations of the Company under the RCF which were due as from 9 February 2021 and the Notes.

3.7.2 Description of the Safeguard Plan

The Safeguard Plan contemplates mainly:

(i) a major deleveraging of Vallourec, representing approximately €1,800 million, i.e. more than half of the principal amount of its debt, through:

- a rights issue in the amount of €300 million for the benefit of Vallourec shareholders at a subscription price of €5.66 per share, fully backstopped by the creditors under the RCF and the Notes at the Reference Date (defined as the last day of the subscription period of the rights issue, the "Reference **Date**") other than the Commercial Banks (the "**Converted Creditors**") by way of set-off up against a portion of their claims under the RCF and the Notes; the proceeds of such rights issue will be used to partially repay their claims;
- the equitization of the claims under the RCF and the Notes held by the Converted Creditors in the amount of approximately €1,331 million, through a share capital increase reserved for the Converted Creditors at a subscription price of €8.09 per new share; and
- a debt write-off granted by the Commercial Banks in the amount of €169 million, combined with a better fortunes instrument (instrument de retour à meilleure fortune) in the form of warrants (the terms and conditions of which are further described below),

(ii) the refinancing of the residual debt and the securing of significant liquidity and operational financing through:

- a reinstated revolving credit facility of €462 million by the BNP Paribas, Natixis and Banque Fédérative du Crédit Mutuel (or CIC if Banque Fédérative du Crédit Mutuel has transferred its claim under the RCF to it, prior to the Reference Date) (the "**Commercial Banks**") and bearing an annual interest rate of Euribor +5.00%, together with a new senior notes issuance of €1,023 million bearing an interest rate of 8.50% per annum subscribed by the Converted Creditors (by way of set-off against a portion of their claims under the RCF and the Notes) over a period of 5 years;
- State-guaranteed loans (*prêts garantis par l'Etat*) for a total principal amount of €262 million by the Commercial Banks and whose initial maturity of one year may be extended, at Vallourec's discretion, for five additional years and bearing interest at an annual rate of 0% and, if the option to extend the maturity is exercised, at an annual rate of 0.50%;
- bonding lines of €178 million provided by the Commercial Banks over a period of 5 years,

(iii) interest accrued and unpaid on the RCF and the Notes up to 1 February 2021 representing approximately €52 million will be paid in cash on the Effective Restructuring Date; interest which will accrue from 2 February 2021 until 30 June 2021 on the RCF and the Notes representing approximately €80 million (the "**Restructured Interest**") will be partly reimbursed, partly converted into capital and partly refinanced and are included in the above-mentioned amounts of debt and equitization.

"**Effective Restructuring Date**" means the date on which all steps and actions are completed to implement and consummate the financial restructuring provided for by the Safeguard Plan, including the settlement and delivery of all debt instruments and securities and entry into force of the credit facilities contemplated therein, and the satisfaction of (or the waiver of or amendment to) the conditions precedent set forth in the Safeguard Plan (which shall not include, for the avoidance of doubt, expiry of any applicable remedy or challenge period(s)), as such date will be acknowledged by the Management Board (or the chairman of the Management Board, upon delegation by the Management Board).

In the context of the Safeguard Plan, the Company has undertaken to seek the prior authorization of the Commercial Court of Nanterre in the event of a project to sell significant assets held by the Vallourec group within two (2) years of the date of the judgment of the Commercial Court of Nanterre approving the Safeguard Plan, provided that such a sale is likely to result in a substantial change in the objectives and means of the Safeguard Plan, in accordance with Article L. 626-26 of the French Commercial Code.

The terms and conditions of the Safeguard Plan are further described below.

3.7.2.1 Treatment of the claims held by the Commercial Banks

More precisely, the Safeguard Plan provides that Commercial Banks:

(i) grant Vallourec State-guaranteed loans for a total principal amount of €262 million and whose initial maturity of one year may be extended, at Vallourec's discretion, for five additional years and bearing interest at an annual rate of 0% and, if the option to extend the maturity is exercised, at an annual rate of 0.50%; and

(ii) provide Vallourec Tubes and certain of its subsidiaries market bonding lines (in particular bid bonds and performance bonds) in the total amount of €178 million, for a period of five years.

In consideration of these commitments and in light of the historical relationships of the Commercial Banks with the Group, the amount of the claims of the Commercial Banks under the RCF will be treated differently from the amount of the claims held by Converted Creditors, and will be subject to the following treatment:

(i) partial repayment of the claims under the RCF (in principal amount, interest and default interest accrued and unpaid between 2 February 2021 and 30 June 2021 and utilization fee, at the Reference Date) and the Notes (in principal amount, interest and default interest accrued and unpaid between 2 February 2021 and 30 June 2021, at the Reference Date) (together the "**Restructured Claims**") of the Commercial Banks up to their share in the amount of €262 million in proportion of their Restructured Claims in relation to the total amount of Restructured Claims;

(ii) refinancing in the amount of €462 million through a revolving credit facility (unsecured) in the same amount granted by the Commercial Banks in proportion of their Restructured Claims to the Company for a period of five years from the Effective Restructuring Date (bullet repayment) and bearing an annual interest rate of Euribor +5.00%; this revolving credit facility will be subject to a financial gearing covenant, similar to that applicable under the existing RCF, that will be tested for the first time on 31 December 2023 (the "**New RCF**");

(iii) debt write-off by the Commercial Banks with respect to the RCF for the balance of their claims under the RCF, i.e. an amount of €169 million (the "**Debt Write-Off**"); together with the issuance to the benefit of the Commercial Banks of a better fortunes instrument in the form of warrants, in proportion of their Restructured Claims (the "**Warrants**"), entitling their holders to subscribe to 11.7% of the share capital (on a diluted basis after the issuances provided for by the Safeguard Plan, including the exercise of the Warrants) at the exercise price is €10.11 per Warrant, one Warrant giving right to subscribe to one new share of the Company (representing a premium of 25% over the subscription price of the share capital increase reserved for Converted Creditors, as such term is defined hereinafter). The exercise period of the Warrants will be five years from the Effective Restructuring Date. The Warrants will be listed on the Euronext Paris market;

(iv) interest accrued and unpaid on the RCF up to 1 February 2021 to the Commercial Banks, representing approximately €10 million, will be paid in cash on the Effective Restructuring Date.

3.7.2.2 Treatment of Converted Creditors' Restructured Claims

The Converted Creditors' Restructured Claims will be treated as follows:

(i) part of the Restructured Claims of the Converted Creditors will be repaid in the amount of their pro rata share of €262 million in proportion of the Restructured Claims in relation to the total amount of the Restructured Claims;

(ii) the Restructured Claims less the amounts referred to in (i) and the amounts corresponding to the restructuring of the Restructured Claims of the Commercial Banks referred to in the previous section (the "**Residual Restructured Claims**") will be reimbursed up to the amount of the subscription proceeds received in cash from the rights issue in the amount of €300 million (including premium) for the benefit of Vallourec shareholders (the "**Rights Issue**"), at the subscription price of €5.66 per share to be subscribed in full in cash; the Rights Issue will be fully backstopped by the Converted Creditors by way of set-off with the same amount of the Residual Restructured Claims (in proportion of their Residual Restructured Claims), which will become, in accordance with the Safeguard Plan, due and payable (*créances certaines liquides et exigibles*) on the Effective Restructuring Date up to the necessary amount for the sole purpose of allowing the full payment of this subscription;

(iii) conversion into share capital of a portion of the Residential Restructured Claims for a principal amount of €1,331 million (including issuance premium) through a share capital increase reserved for the Converted Creditors, with removal of the preferential subscription right, at the subscription price of €8.09 per share, entirely subscribed by the Converted Creditors by way of set-off with the same amount of the Residual Restructured Claims in proportion of their holdings, which will become, in accordance with the Safeguard Plan, due and payable (*créances certaines liquides et exigibles*) on the Effective Restructuring Date up to the necessary amount for the sole purpose of allowing the full payment of this subscription (the "**Reserved Share Capital Increase**"); and

(iv) the balance of the Residual Restructured Claims after completion of the above transactions (i.e. approximately €1,023 million), will be refinanced through new senior notes (subscribed by the Converted Creditors by way of set-off against the balance of the Residual Restructured Claims, it being specified that these claims will become, in accordance with the Safeguard Plan, due and payable (*créances certaines liquides et exigibles*) on the Effective Restructuring Date), issued by the Company and governed by the laws of the State of New York, bearing an interest rate of 8.50% per annum, with a 2-year non-call period (i.e. in case of early repayment of the New Notes before the second anniversary of the Effective Restructuring Date, the Company shall pay the amount equal of the interests that would have been received by noteholders for the period between the repayment date and this second anniversary (make-whole)), which will be unsecured, the terms and conditions of which will be aligned on the 2022 Senior Notes, subject to some adjustments (the "**New Notes**"). These New Notes will be listed on the Euro MTF market in Luxembourg.

Accrued and unpaid interest in respect of the RCF and the Notes until 1 February 2021 (included) due to the Converted Creditors (representing approximately €42 million) will be paid in cash on the Effective Restructuring Date.

3.7.2.3 Changes in the shareholding structure of Vallourec

Following the completion of the Reserved Share Capital Increase and the Rights Issue, the Converted Creditors would become shareholders of the Company.

For illustrative purposes, the impact of the issue of the new shares in connection with the Rights Issue and the Reserved Share Capital Increase and the exercise of all of the Warrants, taking into account the equity interest of a shareholder holding 1% of the Company's share capital prior to these issues (calculations based on the number of 11,449,694 shares comprising the Company's share capital as at 28 February 2021) depending on its participation in the Rights Issue, is as follows:

	No exercise of its preferential subscription rights by the shareholder	Exercise of 50% of its preferential subscription rights by the shareholder	Exercise of all of the shareholder's preferential subscription rights
Share of capital (as a %)	**Non-diluted basis**	**Non-diluted basis**	**Non-diluted basis**
Prior to the issue of the new shares in connection with the Rights Issue and the Reserved Share Capital Increase and the exercise of the Warrants	1.00%	1.00%	1.00%
After the issue of the new shares in connection with the Rights Issue and the Reserved Share Capital Increase, but prior to the exercise of the Warrants	0.05%	0.17%	0.28%
After the issue of the new shares in connection with the Rights Issue and the Reserved Share Capital Increase and of the new shares issued upon exercise of all the Warrants	0.04%	0.15%	0.25%

Based on the number of shares comprising the Company's share capital as at 28 February 2021 (11,449,694), the presentation is made on a non-diluted basis only, as the dilution resulting from the stock options, whether exercisable or not, has no impact on the above percentages.

For illustrative purposes, after completion of the Rights Issue and the Reserved Share Capital Increase, the breakdown of the share capital would be as follows, depending on the participation of existing shareholders in the Rights Issue and whether or not the Warrants are exercised in full:

Shareholders	**Existing shareholders do not subscribe to the Rights Issue**		**Only NSC and Bpifrance Participations are participating in the Rights Issue (up to the amount of their commitments)**		**Existing shareholders fully subscribing to the Rights Issue (NSC and Bpifrance Participations subscribing up to the amount of their commitments)**	
	% of share capital (prior Warrant exercise) (1)	**% of share capital (post Warrant exercise) (1)**	**% of share capital (prior Warrant exercise) (1)**	**% of share capital (post Warrant exercise) (1)**	**% of share capital (prior Warrant exercise) (1)**	**% of share capital (post Warrant exercise) (1)**
Apollo	30.70%	27.11%	29.33%	25.90%	23.22%	20.51%
SVPGlobal	15.77%	13.93%	15.07%	13.31%	11.93%	10.54%
BNP Paribas	-	5.07%	-	5.07%	-	5.07%
Natixis	-	5.06%	-	5.06%	-	5.06%
BFCM/CIC	-	1.57%	-	1.57%	-	1.57%
Nippon Steel Corporation	0.73%	0.64%	3.43%	3.03%	3.43%	3.03%
Bpifrance Participations S.A.	0.73%	0.64%	2.27%	2.01%	2.27%	2.01%
Group employees	0.15%	0.13%	0.15%	0.13%	0.84%	0.74%
Treasury shares	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total public	51.92%	45.84%	49.75%	43.93%	58.30%	51.48%
Existing public	*3.40%*	*3.00%*	*3.40%*	*3.00%*	*21.59%*	*19.07%*
Creditors other than Apollo and SVPGlobal	*48.52%*	*42.85%*	*46.36%*	*40.93%*	*36.71%*	*32.41%*
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Based on the number of shares comprising the Company's share capital as at 28 February 2021 (11,449,694), this presentation is made on a non-diluted basis only, the dilution resulting from the exercise of all the stock options, whether exercisable or not, has no impact on the above percentages.

It is reminded that it is proposed to the general meeting of shareholders of 20 April 2021 to cancel the double voting rights subject to the authorization of the special meeting of holders of double voting rights. If such approvals are obtained, the number of voting rights and the percentage they represent will be the same as those indicated for the shares.

Given the significant dilution resulting from the transactions contemplated by the Agreement in Principle, the Company's Supervisory Board decided on 16 February 2021 to appoint the firm Finexsi as an independent expert, on a voluntary basis pursuant to Article 261-3 of the AMF General Regulations. The independent expert will assess the financial conditions of the financial restructuring from the perspective of existing shareholders and issue a report containing a fairness opinion, which will be made available to shareholders at least 15 days prior to the date of the combined general meeting of shareholders to be held on April 20, 2021 to approve the resolutions necessary to implement the Safeguard Plan.

3.7.2.4 Support and commitments of reference shareholders

Bpifrance Participations and Nippon Steel Corporation, the Company's reference shareholders, confirmed on 3 February 2021, their support for the restructuring transactions described in the Agreement in Principle and reflected in the Safeguard Plan.

(i) **Nippon Steel**

Nippon Steel Corporation (which currently holds 14.56% of the share capital and 14.87% of the voting rights) undertook under customary conditions, (i) to vote in favor of the resolutions required for the implementation of the financial restructuring, (ii) to subscribe to new shares of Vallourec by exercising its preferential subscription rights on a non-reducible basis (*à titre irréductible)* in the amount of €35 million in the context of the Rights Issue. In addition, Nippon Steel undertook not to sell any of its shares in the Company for a period of six months as from the Effective Restructuring Date subject to the exceptions contractually agreed. Following the completion of the financial restructuring, Nippon Steel Corporation will hold 3.4% of the share capital (before exercise of the Warrants and 3.0% after exercise of the Warrants). As a result, the shareholders' agreement between the Company and Nippon Steel Corporation will terminate and Nippon Steel Corporation will lose its right to propose the appointment of a member of the board. Nippon Steel Corporation also waived its right under the agreement entered into with the Company on 1 February 2016, to submit to the general meeting of shareholders called to approve the financial statements for financial year 2020, a proposal to appoint a member of the Supervisory Board.

In addition, the appointment of a *mandataire ad hoc* triggered the option for Nippon Steel to sell the 15.4% stake held [(1)] in the Brazilian joint venture Vallourec Soluções Tubulares do Brasil (VSB) to the Vallourec group. Nippon Steel decided to exercise this option for a price of €7.1 million (45 million of Brazilian Reals). Such sale was completed on 26 March 2021. Such sale was completed on 26 March 2021. The subsequent termination of the joint venture will result in the termination of the supply agreement between Nippon Steel and VSB for a volume of 300,000 tons of pipes manufactured at the Jeceaba site in Brazil, which will gradually decrease until mid-2022.

(ii) **Bpifrance Participations**

Bpifrance Participations (which currently holds 14.56% of the share capital and 14.82% of the voting rights) undertook under customary conditions (i) to vote in favor of the resolutions required for the implementation of the financial restructuring and (ii) to subscribe to new shares of Vallourec on a non-reducible basis (*à titre irréductible)* in the amount of €20 million in the context of the Rights Issue. Following the completion of the financial restructuring, Bpifrance Participations will hold 2.3% of the share capital (before exercise of the Warrants and 2.0% after exercise of the Warrants). As a result, the shareholders' agreement between the Company and Bpifrance Participations will terminate and Bpifrance Participations will not be able to propose the appointment of a member of the Supervisory Board.

3.7.2.5 Change in the Company's governance

Following the completion of the transactions provided for in the Safeguard Plan, Apollo and SVPGlobal would become the two shareholders with the largest shareholdings.

As part of the Lock-Up Agreement, it is provided that two separate governance agreements will be entered into by the Company, for a term of 15 years (unless early terminated, if the relevant shareholder no longer holds any share in the Company), one with Apollo and the other with SVPGlobal. These agreements do not constitute an action in concert with the Company or between Apollo and SVPGlobal vis-à-vis the Company. These agreements, which will become effective as from the Effective Restructuring Date (the "**Shareholder Governance Agreements**"), are intended to set forth certain rights and obligations with respect to corporate governance as well as the transfer of the Company's securities by Apollo and SVPGlobal respectively.

The description of the rules relating to corporate governance as well as the changes to be submitted to the General Meeting of 20 April 2021 are set out in section 7.2 of this Universal registration document.

Transfer restrictions:

- Lock-up: Each of Apollo and SVPGlobal undertakes to keep its shares in the Company for a period of six months from the Restructuring Effective Date (subject to certain exceptions, including transfer to affiliates, tendering of shares in a public offer or transfer in the event of a public offer, or in the event of a merger or demerger).
- Restrictions on the sale of shares: Each of Apollo and SVPGlobal undertakes not to sell, on any trading day, a number of Company's shares exceeding 25% of the average daily number of Company's shares traded during the 30 days preceding the date of the contemplated sale (subject to the same exceptions as mentioned above, as well as in the event of an off-market transfer).
- Right of first offer: Each of Apollo and SVPGlobal undertakes to inform the Company in the event of a proposed sale of shares to a competitor of the Company. The Company then has the right to make an offer to purchase the shares offered for sale at a price set by the Company. If the Company exercises its right of first offer, Apollo and SVPGlobal may not sell the relevant shares to the third party competitor unless the price paid by the third party is higher than the price set by the Company in its offer and the sale is completed within six months.
- Apollo and SVPGlobal undertake not to solicit or facilitate the launch by a competitor of a tender offer on the Company

Concert:

Apollo and SVPGlobal have declared that they do not intend to act in concert and will not act in concert with respect to the Company or with the Company on the Effective Restructuring Date.

Double voting rights:

Cancellation of double voting rights.

Registered office:

The registered office shall remain in France.

(1) *The 15.4% stake in the Brazilian joint venture Vallourec Soluções Tubulares do Brasil (VSB) sold to the Vallourec group includes a 15.0% stake held by Nippon Steel Corporation group and a 0.4% stake held by the Sumitomo Corporation and which is subject to the put option.*

3.7.3 Implementation of the Safeguard Plan

The implementation of the Safeguard Plan is subject to several customary conditions precedent, including the approval of the required resolutions by the combined general meeting to be held on 20 April 2021 and obtaining the required level of creditors' support in the context of the safeguard proceeding.

The mains conditions precedent of the Safeguard Plan are the following:

(i) the approval of the Safeguard Plan by the credit institution committee (*comité des établissements de crédit et assimilés*) and the bondholders' single general meeting (*assemblée générale unique des obligataires*) of the Company:

- the credit institution committee and the bondholders' single general meeting approved the Safeguard Plan by a majority of 100% of the votes cast on 29 March 2021.

(ii) obtaining a fairness opinion from the independent expert appointed by the Company's Supervisory Board confirming the fairness of the restructuring transactions provided for under the Safeguard Plan:

- this fairness opinion is expected to occur, according to the indicative timetable, on 30 March 2021.

(iii) Obtaining by Apollo of the waiver from the AMF to the obligation to launch a mandatory tender offer on the shares of the Company as a result of the financial restructuring pursuant to Article 234-9 2° of the AMF General Regulation:

- this waiver could be obtained before the end of April 2021.

(iv) the visa of the AMF on the securities note relating to the Reserved Share Capital Increase and the issuance of Warrants:

- this visa could be granted, according to the indicative timetable, on 29 March 2021 and no later than 15 days prior to the General Meeting of 20 April 2021.

(v) the approval of the resolutions necessary to the implementation of the Safeguard Plan by the General Meeting of shareholders (it being specified that the relevant resolutions shall be regarded as a whole and are interdependent):

- the General Meeting is convened to that end on 20 April 2021, according to the indicative timetable.

(vi) obtaining the required antitrust clearances and foreign investment clearances from the competent authorities necessary for the implementation of the Safeguard Plan:

- according to the indicative timetable, this condition could be satisfied before 11 May 2021.

(vii) the approval of the Safeguard Plan of the Company by the Commercial court of Nanterre:

- this approval could occur on 25 May 2021, according to the indicative timetable.

(viii) the visa of the AMF on the securities note relating to the Rights Issue:

- this visa could be granted on 1 June 2021, according to the indicative timetable.

(ix) the settlement of the New Notes and of the shares resulting from the Rights Issue and the entry into force of the credit lines provided for in the Safeguard Plan, which shall be completed concomitantly:

- this condition would occur on 30 June 2021, according to the indicative timetable.

It is reminded that in the event that all conditions are fulfilled or waived, the implementation of the Safeguard Plan should occur on 30 June 2021, according to the indicative timetable, and no later than 31 July 2021 or such later date as may be agreed in accordance with the Lock-Up Agreement and the Safeguard Plan.

3.7.4 Main characteristics of the New RCF, the New Notes and the State-guaranteed loans (*prêts garantis par l'État*)

The main characteristics of the New RCF will be as follows:

(i) New RCF

PRINCIPAL AMOUNT, MATURITY, INTEREST AND FEES

The New RCF of €462 million will be granted by the Commercial Banks for a period of five years from the Effective Restructuring Date. The interest rate applicable to each loan will be equal to the sum of (i) 5.00% for loans in euros and (ii) Euribor. The default interest applicable to any amount due and unpaid is equal to the interest rate plus 1% per annum.

As from the Effective Restructuring Date, the Company shall pay to each lender a commitment fee equal to 40.00% of the margin applicable to loans in euros applied to the total amount of the undrawn commitments of such lender, as well as an annual agency fee payable to the agent.

REPAYMENT

Each loan under the New RCF shall be repaid in full on the last day of its interest period. Amounts so repaid may be re-borrowed during the period of availability of the New RCF.

In addition, a change of control of the Company (to the benefit of a person or a group of persons acting in concert), a cross-default or breach of the gearing ratio covenant described hereafter leads or may lead to early repayment of the New RCF.

SECURITY INTEREST AND RANKING

The New RCF will be unsecured and will be treated *pari passu* with the State-guaranteed loans and the New Notes.

FINANCIAL COVENANT

The Company will undertake to maintain its ratio of consolidated net debt to consolidated equity, known as the "gearing" ratio, at a maximum level of 100%. This ratio is the ratio between (a) the Group's consolidated net debt (restated in particular for items that should not be considered as financial leases in accordance with the accounting principles applicable to the preparation of the Company's consolidated financial statements prior to the entry into force of IFRS 16) and (b) the Group's equity, restated for gains and losses on derivatives and translation reserves (*écarts d'évaluation (gains et pertes sur les filiales consolidées en devises)*). Compliance with this gearing ratio will be tested as of 31 December of each year for the preceding 12-month period, and for the first time on 31 December 2023.

APPLICABLE LAW

The New RCF will be governed by to French law.

(ii) New Notes

The main characteristics of the New Notes will be as follows:

PRINCIPAL AMOUNT, MATURITY AND INTEREST

The New Notes, having a principal amount of €1,023 million, will be subject to an indenture between the Company and BNY Mellon Corporate Trustee Services Limited, as trustee, and will be issued on the Effective Restructuring Date by way of set-off against the same amount of the Residual Restructured Claims. New Notes will bear interest at a rate of 8.50% per annum, payable semi-annually in cash, in arrears on 15 April and 15 October, as from 15 October 2021.

REDEMPTION

The New Notes will mature on the fifth anniversary of their issue date and will be subject to a bullet redemption at maturity.

In addition, until the second anniversary of the issue date, the Company may redeem all or part of the New Notes at par, increased by a premium corresponding (subject to certain exceptions) to the amount of interest that would have been due for the period between the redemption date and the second anniversary of the issue date ("make-whole premium"), as well as any interest accrued and unpaid as at the redemption date. As from the second anniversary of the issue date, the Company may redeem all or part of the New Notes, at par value, (without additional cost), increased by any accrued and unpaid interest as at the redemption date.

In the event of a change of control (to the benefit of a person or a group of persons acting in concert), each noteholder may require the Company to redeem some or all of the New Notes at a price equal to 101% of the principal amount of the New Notes so redeemed, increased by the accrued and unpaid interest as of the redemption date.

In addition, breach of the gearing ratio covenant under the New RCF and certain cross-default may lead to early redemption of the New Notes.

SECURITY INTEREST AND RANKING OF THE NEW NOTES

The New Notes will be unsecured and will be treated *pari passu* with the State-guaranteed loans and the New RCF.

ADMISSION AND LISTING

New Bonds will be listed on the Euro MTF market of the Luxembourg Stock Exchange.

APPLICABLE LAW

The indenture and the New Notes will be governed by the laws of the State of New York.

(iii) French State Guaranteed Loans (*Prêts Garantis par l'État*)

The main characteristics of the French State-guaranteed loans (the "**PGE**") are the following:

PRINCIPAL AMOUNT, MATURITY, INTEREST AND FEES

The PGE, having a total principal amount of €262 million, will be granted by the Commercial Banks for an initial maturity of one year as from the date they are made available, such availability occurring on the Effective Restructuring Date at the lastest, with an option enabling the Company to extend the maturity for up-to five additional years (such extension being at the Company's sole discretion).

The interest rate applicable to the PGE is equal to 0% the first year and then, if the maturity extension option is exercised, equal to 0.50% per annum. The default interest applicable to any amount due and unpaid is equal to the interest rate increased by (i) Enhanced €STR and (ii) 1% per annum.

As from the first anniversary of the date on which PGE are made available, the Company shall pay to each lender a guarantee fee equal to 0.50% for the first year and then, depending on whether the maturity extension option has been exercised by the Company and the chosen repayment schedule, 1% for the second and third year and 2% for the fourth, the fifth and the sixth year, as well as an annual agency fee payable to the agent.

REPAYMENT

Each PGE shall be repaid in full at the latest one year after the date on which it has been made available, unless the Company exercises the maturity extension option. In such a case, all the PGE shall be repaid in full at the extended maturity date , i.e. six years after the date on which PGE have been made available at the latest.

In addition, a change of control of the Company (to the benefit of a person or a group of persons acting in concert), a cross-default, breach of the conditions to benefit from the guarantee of the State under the PGE or the impairment of one of the State guarantees under any of the PGE may lead to early repayment of the PGE.

SECURITY INTEREST AND RANKING

The PGE will be guaranteed by the State for up to 90% of the principal amount, interest, and incidental amounts to the benefit of each lender under each PGE pursuant to and in accordance with the criteria established by the regulation relating to the PGE.

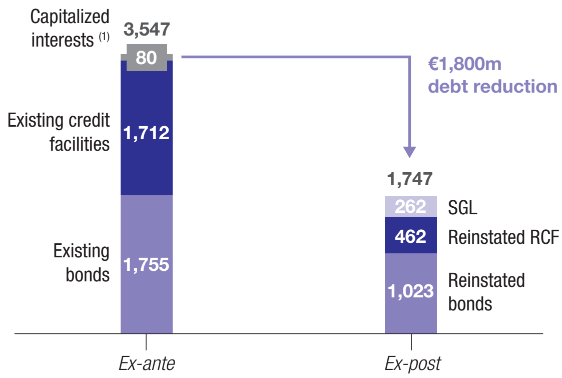
The PGE will be treated *pari passu* with the New Notes and the New RCF.

APPLICABLE LAW

PGE will be governed by French law.

3.7.5 Main post-restructuring impacts

The impact of the financial restructuring set out in the Safeguard Plan on Vallourec's financial indebtedness would be as follows:



(1) *Interest accrued from the opening of the safeguard proceeding until 30 June 2021 will be capitalized and processed in accordance with the description of the key principles of the transaction; interest accrued prior to the opening of the safeguard proceeding will be paid in cash on the financial restructuring completion date; interest beyond 30 June 2021 will be subject to a debt write-off.*

These elements are taken from the press release published on 3 February 2021.

3.8 Results of operations

3.8.1 Consolidated Group results

3.8.1.1 Income statement

Comparison of FY 2020 with FY 2019

Consolidated data *in millions of euros*	2019	2020	Change
Production shipped *(in thousands of metric tons)*	**2,291**	**1,599**	**-30.2%**
Revenue	**4,173**	**3,242**	**-22.3%**
Industrial costs of products sold [a]	(3,435)	(2,634)	-23.3%
Industrial margin	**738**	**608**	**-17.6%**
(as a % of revenue)	*17.7%*	*18.8%*	*+1.1pt*
Selling, general and administrative expenses (SG&A) [a]	**(378)**	**(325)**	**-14.0%**
(as a % of revenue)	*9.1%*	*10.0%*	*+0.9pt*
Other	(13)	(25)	N/A
EBITDA	**347**	**258**	**-€89m**
(as a % of revenue)	*8.3%*	*8.0%*	*-0.3pt*
Depreciation of industrial assets	(249)	(213)	-14.5%
Depreciation and amortization, restructuring and other	(85)	(197)	N/A
Impairment of assets and goodwill	(30)	(850)	N/A
Operating income (loss)	**(17)**	**(1,002)**	**-€985m**
NET INCOME, GROUP SHARE	**(338)**	**(1,206)**	**-€868M**

(a) *Before depreciation and amortization.*

3.8.1.2 Manufacturing

The diversity of the Group's products and the absence of appropriate units of measurement, other than financial units, prevent the provision of meaningful information on production volumes. However, the following table provides a summary of production output, which corresponds to the volumes produced in Vallourec rolling mills, expressed in metric tons of hot-rolled seamless tubes:

In thousands of metric tons	2019	2020	Change
Q1	571	450	-21.2%
Q2	605	422	-30.2%
Q3	595	319	-46.4%
Q4	520	408	-21.5%
TOTAL	**2,291**	**1,599**	**-30.2%**

The 30.2% decrease in 2020 compared to 2019 is mainly due to the slowdown in the Oil & Gas market in North America and EA-MEA regions.

3.8.1.3 Revenue

The data presented "at constant exchange rates" is calculated by eliminating the translation effect into euros of the revenues of the Group's subsidiaries whose functional currency is not the euro. The translation effect is eliminated by applying 2019 exchange rates to these subsidiaries' 2020 revenue. However, the transaction effect – resulting from commercial exposure from sales and purchases entered into by certain of the Group's subsidiaries in currencies other than their functional currency – has not been eliminated.

CONSOLIDATED REVENUE

Consolidated revenue amounted to €3,242 million in 2020, down 22.3%. At constant exchange rates, the annual change was -14.7%. This reflects the combination of a -30.2% volume effect, and a price/mix effect of +15.5%.

REVENUE BY GEOGRAPHICAL MARKET

The following table shows the change in consolidated revenue by geographic region in which products were sold between 2019 and 2020:

In € million	2019	% of revenue	2020	% of revenue	2020/2019 change at current exchange rates	2020/2019 change at constant exchange rates
France	88	2.1%	83	2.6%	-5.7%	-5.7%
Germany	242	5.8%	212	6.5%	-12.4%	-12.4%
Other EU countries [(a)]	265	6.4%	239	7.4%	-9.8%	-9.4%
Total Europe	**595**	**14.3%**	**533**	**16.4%**	**-10.4%**	**-10.3%**
North America	**1,215**	**29.1%**	**719**	**22.2%**	**-40.8%**	**-39.3%**
Brazil	685	16.4%	743	22.9%	+8.5%	+44.5%
Other Central & South America	17	0.4%	14	0.4%	-17.6%	-5.9%
Total South America	**702**	**16.8%**	**756**	**23.3%**	**+7.7%**	**+43.3%**
China	279	6.7%	224	6.9%	-19.7%	-18.6%
Other Asia and Middle East	943	22.6%	676	20.9%	-28.3%	-24.1%
Total Asia and Middle East	**1,222**	**29.3%**	**900**	**27.8%**	**-26.4%**	**-22.8%**
CIS	39	0.9%	35	1.1%	-10.3%	-7.7%
Rest of the world	400	9.6%	299	9.2%	-25.3%	-24.0%
Total Rest of the world	**439**	**10.5%**	**334**	**10.3%**	**-23.9%**	**-22.6%**
TOTAL REVENUE	**4,173**	**100.0%**	**3,242**	**100.0%**	**-22.3%**	**-14.7%**

(a) Other European Union countries, excluding Germany and France.
Due to rounding, numbers presented throughout the following table may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

In Europe, the Oil & Gas and Industry activities were strongly impacted by the slowdown in the market.

In North America, revenue decreased sharply from 2019, reflecting the lower deliveries due to the unprecedented decrease in rig count, as well as to lower prices.

In South America, revenue benefited from the increase in mine activity and the increase in deliveries of OCTG products for offshore pre-salt, as well as a favorable price/mix effect, partially offset by an unfavorable currency translation effect.

In Asia and the Middle East, and in the rest of the world, the fall in revenue reflects the slowdown in the Oil & Gas market.

REVENUE BY ACTIVITY

In 2020, the consolidated revenue for Oil & Gas, Petrochemicals and Industry & Other activities fell, while revenue for Power generation activities was up. The following table shows the breakdown of the Group's revenue by activity in 2019 and 2020:

In € million	2019	2020	% change at current exchange rates	% change at constant exchange rates [(a)]
Oil & Gas	2,752	2,007	-27.1%	-22.2%
Petrochemicals	290	200	-31.0%	-26.2%
Oil & Gas and Petrochemicals	**3,042**	**2,207**	**-27.4%**	**-22.6%**
Power generation	**192**	**210**	**+9.4%**	**+11.5%**
Mechanicals	368	296	-19.6%	-13.6%
Automotive	115	59	-48.7%	-38.3%
Construction & other	456	471	+3.3%	+32.4%
Industry & other [(b)]	**939**	**826**	**-12.0%**	**+5.6%**
TOTAL	**4,173**	**3,242**	**-22.3%**	**-14.7%**

(a) *The change at constant exchange rates is defined as the change in revenue between two periods obtained by translating the revenues of consolidated subsidiaries whose functional currency is not the euro at the average cumulative rate of the prior period. It does not include foreign currency impacts on sales entered into by certain subsidiaries in currencies other than their functional currency. Rather, that impact is built into price/mix effects.*

(b) *Including sales of iron ore.*

Oil & Gas, Petrochemicals (68% of consolidated revenue)

In 2020, Oil & Gas revenue was €2,007 million, down 27.1% from 2019 (-22.2% at constant exchange rates):

- In North America, the revenue decrease was driven by lower deliveries due to the unprecedented decrease in rig count, as well as to lower prices;
- In the EA-MEA regions, the fall in revenue reflected a decrease in volumes, while high alloy deliveries had a favorable price/mix effect;
- In South America, the sharp increase in revenue reflects, as expected, an increase in deliveries of premium OCTG products for offshore pre-salt as well as a favorable price/mix effect, partially offset by an unfavorable translation effect.

In 2020, Petrochemicals revenue totaled €200 million, down 31.0% compared to 2019 (-26.2% at constant exchange rates), due to a decrease in line pipe deliveries in North America and pressure on prices.

Industry & Other (25% of consolidated revenue)

In 2020, Industry & other revenue amounted to €826 million, down 12.0% from 2019 (+5.6% at constant exchange rates):

- In Europe, Industry revenue was down year on year reflecting lower volumes and prices;
- In South America, revenue increased due to the increase in mine revenue reflecting both higher volumes (+26% compared to 2019) and higher prices, and the overall stability of sales to Industry markets before the unfavorable currency translation effect.

Power generation (6% of consolidated revenue)

In 2020, Power Generation revenue totaled €210 million, an increase of 9.4% compared to 2019 (+11.5% at constant exchange rates), reflecting the project delivery schedule.

REVENUE BY QUARTER

In € million	Q1	Q2	Q3	Q4	Fiscal year
2019	1,025	1,084	1,060	1,004	4,173
2020	853	843	716	830	3,242
% change, compared to the previous year	-16.8%	-22.2%	-32.5%	-17.3%	-22.3%
volume effect	*-21%*	*-30%*	*-46%*	*-22%*	*-30%*
translation effect	*-2%*	*-6%*	*-11%*	*-13%*	*-8%*
other effects (price, mix, etc.)	*+6%*	*+14%*	*+25%*	*+17%*	*+16%*

During the first quarter of 2020, Vallourec recorded revenue of €853 million, down 17% compared with the first quarter of 2019 (-15% at constant exchange rates), with a negative volume impact of -21%, a positive price/mix effect of 6% and a negative currency impact of -2%.

During the second quarter of 2020, revenue came to €843 million, down 22% compared with the second quarter of 2019 (-17% at constant exchange rates), with a negative volume impact of -30%, a positive price/mix effect of 14% and a negative currency impact of -6%.

During the third quarter of 2020, revenue came to €716 million, down 32% compared with the third quarter of 2019 (-22% at constant exchange rates), with a negative volume impact of -46%, a positive price/mix effect of 25% and a negative currency impact of -11%.

During the fourth quarter of 2020, Vallourec recorded revenue of €830 million, down 17% compared with the fourth quarter of 2019 (-5% at constant exchange rates), with a negative volume impact of -22%, a positive price/mix effect of 17% and a negative currency impact of -13%.

3.8.1.4 EBITDA

For the 2020 fiscal year, gross operating income was €258 million, down €89 million compared to 2019, a margin of 8.0% of revenue, more or less stable compared to the 2019 margin of 8.3%.

The following table shows the changes in the principal components of EBITDA in 2019 and 2020.

In € million	2019	2020	Change
Revenue	**4,173**	**3,242**	**-22.3%**
Cost of sales	(3,435)	(2,634)	-23.3%
Industrial margin	**738**	**608**	**-17.6%**
(as a % of revenue)	*17.7%*	*18.8%*	*+1.1pt*
Selling, general and administrative expenses (SG&A) [(a)]	(378)	(325)	-14.0%
Other	(13)	(25)	N/A
EBITDA	**347**	**258**	**-€89.0M**
(as a % of revenue)	*8.3%*	*8.0%*	*-0.3pt*

(a) Before depreciation and amortization

INDUSTRIAL MARGIN

Industrial margin is defined as the difference between revenue and cost of sales (excluding amortization).

In 2020, the industrial margin was €608 million, down €130 million compared to 2019, and up 1.1 percentage points of revenue to 18.8%, resulting from lower activity mainly in the Oil & Gas sector in North America and, to a lesser extent, in Industry in Europe. This fall was partially offset by (i) cost reductions, (ii) a stronger contribution from the mine and (iii) a positive contribution from the Oil and Gas sector in South America, while the impact of the fall in Oil & Gas volumes in the EA-MEA regions was more than offset by deliveries of special steel products.

The following table shows the breakdown of cost of sales (excluding amortization) in 2019 and 2020:

In € million	2019	2020	Change
Direct cost of sales	238	183	-23.1%
Cost of raw materials consumed	1,441	1,092	-24.2%
Labor costs	742	580	-21.8%
Other manufacturing costs [(a)]	939	709	-24.5%
Change in non-raw material inventories	75	70	N/A
TOTAL	**3,435**	**2,634**	**-23.3%**

(a) "Other manufacturing costs" mainly include the costs of energy and consumables, and the costs of outsourcing, maintenance and provisions.

SALES, GENERAL AND ADMINISTRATIVE COSTS

Sales, general and administrative costs (SG&A) were reduced by 14.0% to €325 million in 2020, reflecting significant cost reductions.

The following table shows the breakdown of SG&A (excluding amortization) in 2019 and 2020:

In € million	2019	2020	Change
Research and Development expenses	44	41	-6.8%
Selling and marketing costs	76	62	-18.4%
General and administrative expenses	258	222	-14.0%
TOTAL	**378**	**325**	**-14.0%**

PERSONNEL EXPENSES

Labor costs are divided among cost of sales, SG&A, and other operating expenses.

In 2020, total labor costs were €764 million compared to €956 million in 2019, with:

- a 20% fall in wages and salaries and an 18% fall in social security costs due to site restructuring and cost reduction measures implemented, particularly in North America, Germany and France;
- a decrease in profit sharing.

Personnel expenses are broken down as follows:

In € million	31/12/2019	31/12/2020	Change
Wages and salaries	(738)	(594)	+144
Employee profit sharing and bonuses	(32)	(17)	+15
Expenses related to share subscription and share purchase options and performance shares	(2)	(3)	-1
Social security costs	(184)	(150)	+34
TOTAL	**(956)**	**(764)**	**+192**

Group headcount as at 31 December 2020 was 15,962 people [(1)], compared to 18,100 people as at 31 December 2019:

Closing headcount of consolidated companies	31/12/2019	31/12/2020	Change
Managers	3,130	2,902	-228
Technical and supervisory staff	2,595	2,303	-292
Production staff	12,375	10,757	-1,618
TOTAL	**18,100**	**15,962**	**-2,138**

For more detail on the workforce, see Section 4.2.2.1 "Group workforce" of this Universal Registration Document.

3.8.1.5 Operating income (loss)

Operating profit represented a loss of €1,002 million, compared to a loss of €17 million in 2019.

This decrease of €985 million is primarily the result of impairment charges recorded in the Q2 and Q4 2020 in the amount of €850 million.

DEPRECIATION OF INDUSTRIAL ASSETS

The depreciation of industrial assets decreased, amounting to €213 million in 2020, compared to €249 million in 2019.

AMORTIZATION, RESTRUCTURING AND ASSET IMPAIRMENT

The depreciation of other, non-industrial assets was stable at €54 million, compared to €58 million in 2019.

Restructuring costs increased by €116 million in 2020, including provisions in Europe (mainly in France and Germany) as well as adaptation plans in North America and Brazil.

Asset impairment can be broken down as follows:

Impairment charges were recorded in the Q2 ad Q4 2020 in the amount of €850 million. These impairment charges mainly affected goodwill on North American operations as well as the tangible assets of the Europe CGU. They are due to an increase in discount rates as well as a fall in the long-term growth rate and a downward revision of the long-term growth prospects for Oil & Gas activities in North America, and in the EA-MEA regions for Oil & Gas and Industry activities.

In € million	2019	2020
Impairment of property, plant and equipment	(30)	(442)
Other impairment of assets	-	(408)
TOTAL	**(30)**	**(850)**

3.8.1.6 Financial income (loss)

The financial result was a loss of €227 million, lower than in 2019 (€244 million loss), reflecting higher interest expenses, more than offset by other financial income, primarily the positive resolution of a dispute in Brazil in Q1 2020 for €22 million and a favorable ruling on another dispute in Brazil in Q4 2020 for €15 million.

Financial income/(loss) is broken down as follows:

In € million	2019	2020	Change
Financial income	14	4	-71.4%
Interest expenses	(188)	(201)	+6.9%
Net interest expenses	**(174)**	**(196)**	**+12.6%**
Other financial income and expenses	**(24)**	**4**	**N/A**
Interest expenses on leases	**(35)**	**(30)**	**-14.3%**
Other discounting expenses	**(11)**	**(5)**	**-54.5%**
FINANCIAL INCOME (LOSS)	**(244)**	**(227)**	**+€17M**

(1) Note that this number only includes the workforce from the Group's consolidated companies.

3.8.1.7 Income tax

Income tax expense was €96 million in 2020 compared to €75 million in 2019, mainly due to the higher tax expense in Brazil.

The 8% rate mainly reflects the items detailed below:

- The impact of tax loss carryforwards and timing differences mainly concerns the non-recognition of deferred tax assets (DTAs) for the year in France, Germany, China, and the United States;
- Deferred taxes on the impairment of assets recognized during the fiscal year in countries where deferred taxes on losses were not recognized were also written down;
- The permanent differences are explained by the reintegration of financial expenses primarily in France;
- Differences in taxation mainly reflect the range of tax rates applied in each country (Germany 31.6%, United States 21%, Brazil 34%, China 25%, and Saudi Arabia 20%);
- The fall in the corporation tax rate in France has no impact on the deferred taxes of the Group in France due to the non-recognition of deferred taxes on tax losses and temporary differences.

3.8.1.8 Net income

The share of non-controlling interests totaled -€122 million in 2020, compared with -€2 million in 2019. This deterioration was mainly due to the impairment losses recognized over the fiscal year.

Net income, Group share was a loss of €1,206 million, compared to a loss of €338 million in 2019.

The Group's net income, Group share on a per-share basis was a loss of -€105.4 per share, compared to a loss of -€0.7 per share in 2019.

3.8.2 Liquidity and capital resources

3.8.2.1 Overview

In 2020, the free cash flow (as defined in Section 3.8.2.4 "Free cash flow" below) was negative at -€111 million, compared to -€41 million in 2019. This deterioration is explained by EBITDA being hit by the Covid-19 crisis and its impact on business, and by an increase in taxes paid, partially offset by a fall in the working capital requirement and lower investments than in 2019. Net debt increased from €2,031 million at the beginning of 2020 to €2,214 million at 31 December 2020.

As at 31 December 2020, gross consolidated financial debt totaled €3,604 million, including €1,751 million in medium- and long-term financial debt and €1,853 million in current financial debt. As at that date, the Group had €1,390 million in cash and cash equivalents, and had undrawn credit lines in the amount of €12 million.

The Group's equity fell to €134 million in 2020 (€1,980 million at 31 December 2019), due in particular to negative consolidated net income following impairment of assets recognized as a result of the impact of Covid-19 and the negative impact of translation reserves.

3.8.2.2 Cash flow

Simplified statement of cash flows

In € million	2019	2020
Cash flow from operating activities	(6)	(146)
Change in operating working capital requirement (+ decrease/(increase))	124	173
Net cash flow from operating activities (1)	**118**	**27**
Net cash flow from investing activities (2)	**(139)**	**(128)**
Cash flow from financing activities (3)	**1,085**	**(217)**
Impact of changes in exchange rates (4)	(8)	(90)
CHANGE IN CASH (1 + 2 + 3 + 4)	**1,056**	**(407)**

NET CASH FLOW FROM OPERATING ACTIVITIES

Net cash flow from operating activities was €27 million in 2020, compared to €118 million in 2019.

Cash flow from operating activities amounted to -€146 million in 2020, compared to -€6 million in 2019.

The operating working capital requirement had a positive impact of €173 million, compared to a positive impact of €124 million in 2019. The net working capital requirement expressed in days of revenue fell to an unprecedented level of 78 days, reflecting major progress in the management of working capital. As a reminder, working capital requirement days are subject to the seasonality of activity: the highest level is generally recorded in the first quarter and the lowest in the fourth quarter.

The change in working capital requirement is broken down as follows:

Gross values	31/12/2019	Foreign currency translation reserve	Change	Reclassification and other	Items held for sale	31/12/2020
Inventories	1,122,361	(100,533)	(225,875)	15,016	(42,957)	768,012
Trade receivables	644,071	(69,460)	(67,430)	(17,344)	(15,486)	474,351
Trade payables	(579,739)	37,811	89,623	294	25,914	(426,097)
Working capital requirements	**1,186,693**	**(132,182)**	**(203,682)**	**(2,034)**	**(32,529)**	**816,266**
Other receivables and payables	5,091	(21,795)	19,091	42,706	4,110	49,203
Operating working capital requirement	**1,191,784**	**(153,977)**	**(184,591)**	**40,672**	**(28,419)**	**865,469**
Impact of hedging instruments			**11,778**			
TOTAL			**(172,813)**			
Change in operating working capital requirements under the cash flow statement			**172,813**			

NET CASH FLOW FROM INVESTMENT ACTIVITIES

Capital expenditure was €138 million in 2020, compared to €159 million in 2019.

Net cash flow from investment activities was -€128 million in 2020, compared to -€139 million in 2019. See Section 3.8.2.3 "Industrial capital expenditure" below for a description of the main investments in 2019 and 2020.

NET CASH FLOW FROM FINANCING ACTIVITIES

Net cash flow from financing activities was -€217 million in 2020, compared to +€1,085 million in 2019. The net outflow in 2020 is mainly due to the repayment of borrowings.

3.8.2.3 Industrial capital expenditure

INVESTMENT DECISIONS

Investment decisions are a central pillar of the Group's strategy, addressing the following requirements:

- innovation for new products or services, digitalization;
- keeping personnel and facilities safe and complying with legal obligations, such as those relating to safety and the environment;
- developing Vallourec's activities through organic and external growth;
- optimizing production units' economic performance and enhancing the quality of Group products; and
- maintaining facilities and replacing them when obsolete.

In all its investment projects, the Group attaches great importance to ensuring that environmental impact and energy savings receive special focus.

Investment decisions are made through a dedicated process that systematically includes an economic study and risk assessment to ensure that the selected projects will support long-term growth and deliver an acceptable return on investment.

For projects with an amount higher than €1 million, the investment authorization process is strengthened by implementing the following actions:

- systematic preparation for each project through three front-end loading phases;
- qualification of each of the three phases by a Qualification Committee bringing together the Group's experts. During this process, the essential aspects of the projects (market assumptions, technical choices, budget, planning and risks), are systematically examined and fleshed out; and
- an authorization at each of the three phases by a committee including the Corporate Controlling Director and the Director of Investments, Projects and Engineering for projects of over €1 million. The members of the Management Board are part of this committee for projects of over €5 million. During these Committee meetings, the projects are verified in terms of alignment with strategy, that they meet profitability requirements while also complying with the Group's budget.

MAIN INVESTMENTS DURING THE 2019-2020 PERIOD

In recent years, industrial capital expenditure programs have been directed mainly toward streamlining production facilities, improving quality and process control, adapting product lines to reflect customers' changing requirements, expanding premium product finishing capacity and reducing production costs.

Over the past two fiscal years, investments have been made as follows:

Industrial capital expenditure excluding changes in scope (property, plant and equipment, intangible and biological assets)

In € million	31/12/2019	31/12/2020
Europe	57.3	39.9
North America	35.1	28.0
Central & South America	60.6 [a]	60.9 [b]
Asia	14.1	11.7
Other	0.2	0.3
TOTAL INDUSTRIAL CAPITAL EXPENDITURE [b]	**167.3 [c]**	**140.8 [c]**
Capital expenditure payments during the fiscal year	158.7	138.2

(a) Including €9.7 million in biological assets.
(b) Including €5.8 million in biological assets.
(c) The difference between capital expenditure payments made during the fiscal year and the total industrial capital expenditure corresponds to the change in amounts payable on fixed assets.

The largest investment programs carried out in 2019 and 2020 are outlined below:

In 2019

Capital expenditure increased in 2019 (+30% compared to 2018).

Programs initiated in previous years accounted for 28% of expenditure in 2019.

The main new investments in 2019 were as follows:

- the launch of a project to reuse blast furnace gas at the Jeceaba steel mill;
- the launch of a project to renew saws for cutting billets at the Barreiro rolling mill;
- the commissioning of the pipe upsetter installed at the Düsseldorf-Rath rolling mill;
- several projects aimed at improving productivity and costs to support the Group's Transformation Plan;
- numerous projects to digitize, maintain and restore installations, as well as improve the safety of people and facilities.

In 2020

Capital expenditure decreased in 2020 (-15% compared to 2019).

Programs initiated in previous years accounted for 47% of expenditure in 2020.

The main new investments in 2020 were as follows:

- the continuation of a project to renew saws for cutting billets at the Barreiro rolling mill;
- the launch of a project to extend the capacity and lifetime of the iron ore mine in Brazil;
- the launch of a project to modernize non-destructive testing facilities at the Youngstown rolling mill, which are aimed at improving quality, cost, time frames and capacities;
- numerous projects aimed at improving productivity and costs to support the Group's transformation;
- numerous projects to digitize, maintain and restore installations, as well as improve the safety of people and facilities.

MAIN INVESTMENTS PLANNED FOR 2021

The capital expenditure target for 2021 is set at €160 million.

The 2021 program provides for a volume of new investments that is higher than the previous year, in particular:

- the completion of a project to renew saws for cutting billets at the Barreiro rolling mill;
- the continuation of a project to extend the capacity and lifetime of the iron ore mine in Brazil;
- several projects to modernize non-destructive testing facilities, which are aimed at improving quality, cost and time frames, as well as capacity;
- numerous projects aimed at improving productivity and costs to support the Group's transformation;
- numerous projects to digitize, maintain and restore installations, as well as improve the safety of people and facilities.

3.8.2.4 Free cash flow

In 2020, free cash flow totaled -€111 million, compared to free cash flow of -€41 million in 2019. Free cash flow is defined as net cash flow from operating activities minus gross capital expenditures. The following table shows the calculation of free cash flow in 2019 and 2020:

In € million	**2019**	**2020**
Cash flow from operating activities	(6)	(146)
Change in operating WCR + decrease, (increase)	124	173
Net cash flow from operating activities	118	27
Gross capital expenditures	(159)	(138)
FREE CASH FLOW	**(41)**	**(111)**

3.8.2.5 Liquidity and Indebtedness

As at 31 December 2020, gross consolidated financial debt totaled €3,604 million, including €1,751 million in medium and long-term financial debt and €1,853 million in current financial debt. As at that date, the Group had €1,390 million in cash and cash equivalents. Net debt thus totaled €2,214 million at the end of 2020, an increase of €183 million compared to €2,031 million as at 31 December 2019.

At 31 December 2020, no material repayment deadline has been planned prior to December 2021, excluding the drawings on the bank facilities (for €1,712.2 million as at 31 December 2020), as well as various lines of financing (€102.2 million as at 31 December 2020) within the Chinese and Brazilian subsidiaries.

The Group's financial resources are composed of bank financing and market financing.

The majority of bank financing has been put in place in Europe through Vallourec SA and, to a lesser extent, the subsidiaries in Brazil. Market financing is arranged exclusively by Vallourec SA.

The following table shows the Group's principal financial indebtedness as at 31 December 2020:

In € million	**As at 31 December 2020**
Private placement – maturing in August 2027	54
Bond issue – maturing in September 2024	499
Non-convertible bond issue – maturing in October 2022	547
Convertible bond issue – maturing in October 2022	239
Bond issue – maturing in October 2023	397
RCF drawings	1,712
ACC ACE	101
Other	55
TOTAL GROSS FINANCIAL INDEBTEDNESS	**3,604**

All of these bank facilities (confirmed credit facility of €1.1 billion maturing in February 2019, extended once for €1,078 million maturing in February 2020, and a second time for €1,034 million maturing in February 2021, a confirmed credit facility of €400 million maturing in July 2020, extended by €300 million from July 2020 to February 2021, a confirmed credit facility of €450 million maturing in February 2020, extended by €300 million from February 2020 to February 2021 and a confirmed bilateral facility of €90 million maturing in February 2021) provide for Vallourec's compliance with a consolidated net debt-to-equity ratio ("banking covenant") that is less than or equal to 100%, calculated on 31 December of each year. The Group's consolidated debt to equity ratio was 180% as at 31 December 2020, as calculated under the banking covenant.

However, it should be noted that subsequent following the end of the fiscal year, as a result of the opening of a safeguard proceeding to the benefit of the Company on 4 February 2021 (see Section 3.7 of this Universal Registration Document), in practice, the breach of this covenant will not oblige the Company to repay its creditors in February 2021. The implementation of the Safeguard Plan will allow the Company to rebalance its capital structure so it can meet its repayment obligations or refinance its debt at maturity. However, in the event of a very significant and unexpected decrease in the level of expenses incurred by its customers in the Oil & Gas sector for the exploration and/or production, from which the Group derives the majority of its revenue, the room for maneuver resulting from the implementation of the Safeguard Plan may prove insufficient and lead the Company to seek additional sources of financing.

As defined in the financing agreements, the banking covenant ratio is the ratio between the Group's net consolidated debt (including financial lease debt and the shareholder loan in Brazil) and the Group's equity, restated for gains and losses on derivatives and valuation differences (gains and losses on the consolidated subsidiaries in foreign currencies), as provided in the table below:

Banking covenant	31/12/2019	31/12/2020
Net debt (excluding financial lease debt)	2,030,539	2,213,978
Financial lease debt	50,042	30,233
Net debt	**2,080,581**	**2,244,211**
Shareholder loan	20,560	8,613
Restated net debt (1)	**2,101,141**	**2,252,824**
Equity	1,980,045	133,677
Foreign currency translation reserve – Group share [(a)]	608,335	1,144,517
Reserves – changes in fair value of financial instruments [(a)]	(3,893)	(23,522)
Equity restated (2)	**2,584,487**	**1,254,672**
RATIO OF BANKING COVENANT RESTATED (1)/(2)	**81%**	**180%**

(a) Including minority interests.

A change in control of Vallourec could trigger repayment of all or part of the debt, as decided by each participating bank. It is also stipulated that the entire debt will be immediately due and payable if the Group defaults on one of its debt obligations (cross default), or in case of a major event with consequences for the Group's business or financial position and its ability to repay its debt.

The opening of a safeguard proceeding to the benefit of Vallourec on 4 February 2021 automatically prohibits the Company from paying any debts that arose prior to the decision to open this proceeding. The Agreement in Principle signed on 3 February 2021 by Vallourec with its main creditors provides for the refinancing of a five-year (unsecured) revolving credit facility in the amount of €462 million (see Section 3.7 of this Universal Registration Document).

The following table shows the repayment schedule for the Group's medium- and long-term debt as at 31 December 2020:

	2019	2020
> 1 year	1,723	786,709
> 2 years	781,368	399,755
> 3 years	399,722	501,690
> 4 years	502,211	2,344
5 years and more	62,037	60,029
TOTAL	**1,747,061**	**1,750,527**

3.8.2.6 Equity

The Group's equity totaled €134 million at 31 December 2020, compared to €1,980 million at 31 December 2019. This drop can be explained by the following main factors:

- comprehensive net income for 2020 was a loss of €1,328 million (including a Group share loss of €1,206 million);
- the change in translation reserves, corresponding to changes in the exchange rates (BRL and USD primarily) used for the translation of the equity of subsidiaries outside the eurozone, amounted to -€537 million over 2020.

3.9 Outlook

3.9.1 Forecasts

3.9.1.1 Group forecasts for the 2021 fiscal year

In October 2020, for the purposes of negotiating the proposed financial restructuring, which is described in greater detail in Section 3.7 of this Universal Registration Document, the Company prepared and communicated a business plan to certain creditors (subject to confidentiality provisions) to identify any needs for new liquidity and the outlook for some of the Group's financial indicators taken from said business plan. In a press release dated 3 February 2021, relating to the entering into an Agreement in Principle with its main creditors as part of its financial restructuring, the Group presented certain financial indicators for 2021. The Company believed that the indicators provided for the 2021 fiscal year resulting from work carried out in October 2020 were no longer representative of the outlook for fiscal year 2021.

In its 17 February 2021 press release for the publication of 2020 results, the Group announced the following targets for the 2021 fiscal year:

- EBITDA between €250 million and €300 million;
- Free cash flow [1] between -€380 million and -€300 million (including the costs related to the financial restructuring). These are based on:
  - The initiatives implemented as part of the savings measures that will enable the Group to continue to lower its cost base.
  - A maintained strict cash control, with a capital expenditure envelope of approximately €160 million.

These targets are considered as forecasts within the meaning of EU Prospectus Regulation 2017/1129.

These forecasts for the fiscal year ending 31 December 2021, and their underlying assumptions, were established in accordance with the provisions of Commission Delegated Regulation (EU) 2019/980 and ESMA recommendations relating to forecasts. These forecasts were presented by the Management Board to the Supervisory Board on 16 February 2021.

Looking at the indicators reported on 3 February 2021 for the 2021 fiscal year resulting from work carried out in October 2020, the change from EBITDA of €212 million to a targeted EBITDA of between €250 million and €300 million is mainly correlated with a favorable trend in the price of iron ore. The change from free cash flow of -€273 million to a free cash flow targeted between -€380 million and -€300 million was due firstly to the fact that the mine's largest contribution to EBITDA is not fully reflected in cash flow since its income is taxed at almost 34%; secondly to the fact that Working Capital Requirement will increase with business recovery in the second half of the year; and lastly because there are costs and other items involved in the financial restructuring (costs and other items related to financial restructuring were not included in the free cash flow presented in the press release of 3 February 2021).

The forecasts presented above are based on data, assumptions and estimates considered reasonable by the Group on the date of this Universal Registration Document. These data, assumptions and estimates are subject to change or modification due to uncertainties relating in particular to the economic, financial, competitive, tax or regulatory environment. The occurrence of one or more of the risks described in Chapter 5 "Risk factors" of this Universal Registration Document, and in particular the most significant risks which are marked with an asterisk, could have an impact on the Group's business, financial position, results or outlook and may therefore affect its ability to meet its objectives and forecasts. The Group does not, therefore, make any commitments or provide any guarantees that the forecasts set out above will be achieved.

3.9.1.2 Main assumptions

The forecasts for the fiscal year ending 31 December 2021 presented above were established on a comparable basis to the historical financial data and in accordance with the accounting methods applied to the Group' Consolidated financial statements for the fiscal year ended 31 December 2020.

These forecasts for 2021 are mainly based on the following assumptions:

1. In the Oil & Gas market:
   - in North America, the gradual recovery of the OCTG market is expected to continue throughout the year and be accompanied by a positive trend in prices, although the start of the year being impacted by the strong increase of raw materials cost;
   - in the EA-MEA regions, the overall activity will continue to be significantly impacted and prices will remain under pressure. The sharp decline in high alloy deliveries will also negatively impact revenue and margin. Nevertheless, a resuming tendering activity is expected in 2021;
   - in Brazil, Oil & Gas deliveries are expected to increase compared with 2020, both to Petrobras and international oil companies.
2. On the Industry market:
   - in Europe, demand from Industry is expected to be still impacted by the Covid-19 crisis while showing first signs of recovery;
   - in Brazil, the overall level of activity should continue to improve.
3. Volumes of iron ore produced in Brazil should be comparable to production in 2020. The expansion of the mine's production capacity is expected to be completed by the end of 2021. The prices of the iron ore delivered to our customers are expected to be higher than in 2020, although gradually decreasing along the year.
4. An assumption of a moderate increase in the annual average price of raw materials, more pronounced for Scrap in the United States.
5. Inflation assumptions excluding raw materials slightly higher than those for 2020; reflecting an increase in expected inflation in Europe and the United States.
6. For the 2021 fiscal year, the Group expects a slight average appreciation over the year of the EUR against the USD and compared with the BRL and relative stability compared with the CNY.

(1) Free cash flow is defined as cash flow generated by activities less gross capital expenditure and plus/less the changes in operating working capital requirement.

7. The completion of the financial restructuring set out in the Agreement in Principle.
8. A stable political, regulatory and fiscal environment.
9. The implementation of saving measures which will enable the Group to continue to lower its cost base, as well as a maintained strict cash control, with a capital expenditure envelope of approximately €160 million.
10. In terms of change in scope, the closure of the Déville-Lès-Rouen site and the disposal of Valinox Nucléaire SAS in France during the first half of 2021, assets recognized as assets held for sale at 31 December 2020.

Among the above-mentioned assumptions, assumptions three, nine and ten correspond to factors which may have an impact on members of management bodies.

3.10 Parent company results

Vallourec posted an operating loss of €14.8 million for the 2020 fiscal year, an improvement compared to 2019, which showed a loss of €17.0 million. The loss stems from the costs incurred by the holding company (personnel expenses, legal and communications fees, loan issue expenses and changes in provisions).

Financial income represented a loss of €3,076.8 million as at 31 December 2020, compared to a loss of €47.3 million in 2019. This change can be explained by a provision for impairment of securities of €3,002 million, a decrease in net financial income (€115.9 million in 2020 compared to €116.6 million in 2019), and by an increase in interest expenses (€187.1 million in 2020 compared to €159.3 million in 2019). The net financial cost consists of expenses and interest on bond issues and commercial paper, commissions from medium-term bank facilities, and income from financial interests Vallourec granted to its subsidiary Vallourec Tubes.

Corporate income tax was a gain of €0.1 million.

The net income for the fiscal year was a loss of €3,093.5 million, compared with a loss of €63.6 million at end-2019.

Subscribed capital, fully paid up, totaled €228,994, divided into 11,449,694 shares, each with a nominal value of €0.02.

Equity dropped by €3,094 million and was €978 million as at 31 December 2020, compared to €4,071 million as at 31 December 2019.

Financial liabilities totaled €3,503 million, down €105.4 million compared with 2019. This change results from the non-renewal of commercial paper having matured in the amount of €110 million and the fall in accrued interest on loans of €6 million, partially offset by the €10.6 million drawdown on credit facilities.

To the Company's knowledge, fiscal year 2020 did not generate any of the expenses referred to in Article 39-4 of the French General Tax Code (CGI).

In accordance with Article D.441-4 of the French Commercial Code, the following tables provide a breakdown of the balance of trade payables and receivables by time past due as at 31 December 2020.

Time past due (D = 31/12/2020) *In € thousand*	**Trade receivables outstanding**	**0 to 30 days past due**	**31 to 60 days past due**	**61 to 90 days past due**	**91+ days past due**	**Total past due**
Total amount of invoices concerned, all taxes included	276	157	31	-	68	256
Number of invoices concerned	28	4	2	-	13	19
Percentage of the amount of purchases, all taxes included	2.42%	1.38%	0.27%	0.00%	0.60%	2.24%
Invoices excluded, all taxes included	345					
Suppliers price difference, all taxes included	-					
TOTAL	**621**	**157**	**31**	**-**	**68**	**256**

Time past due (D = 31/12/2020) *In € thousand*	**Trade receivables outstanding**	**0 to 30 days past due**	**31 to 60 days past due**	**61 to 90 days past due**	**91+ days past due**	**Total past due**
Total amount of invoices concerned, all taxes included	564	-	-	-	-	-
Number of invoices concerned	10	-	-	-	-	-
Percentage of the amount of sales, all taxes included	15.14%	0.00%	0.00%	0.00%	0.00%	0.00%
Invoices excluded, all taxes included	-					
Customers price difference, all taxes included	-					
TOTAL	**564**	**-**	**-**	**-**	**-**	**-**

3.11 Location of main facilities

3.11.1 Property, plant and equipment

The Group's registered office is located at 27, avenue du Général Leclerc – 92100 Boulogne-Billancourt – France. The premises are occupied under the terms of a nine-year lease with effect from 1 October 2015. The properties occupied by the Company and its subsidiaries are not owned by any of the Company's corporate officers.

As at 31 December 2020, the Group operated some 40 production facilities, almost all of which were owned on a freehold basis. These plants are located mainly in France, Germany, Brazil, China and the United States, reflecting Vallourec's international character (see Section 3.2.4 "The Group's facilities" of this Universal Registration Document). The Group considers these plants an essential resource for conducting its various activities and a primary concern in its manufacturing resource planning.

The Group's property, plant and equipment (including assets held under leases) and biological assets held by consolidated companies had a net carrying amount of €1,748.5 million at the end of 2020 (€2,704.6 million at the end of 2019). Property, plant and equipment mainly consists of property assets and industrial equipment:

- the Group's property assets mainly include factory buildings and administrative offices; and
- industrial equipment consists of steel-making and tube-manufacturing facilities.

The following items are described in the Notes to the Consolidated Financial Statements in Chapter 6, Section 6.1.7 of this Universal Registration Document:

- analysis of property, plant and equipment (including rights of use) by type and flow in Note 4.4;
- geographical distribution of industrial property, plant and equipment and intangible assets for the fiscal year (excluding changes in consolidation scope) in Note 2.1.

Details of capital investments made in 2020, which extended the Company's property, plant and equipment base, are provided above (see Section 3.7.2.3 "Industrial capital expenditure" of this Universal Registration Document).

3.11.2 Environmental considerations relating to the Company's property assets

3.11.2.1 Operational facilities and environmental regulation

The Group's French facilities are subject to environmental protection regulations under a classified facilities system (ICPE), which imposes certain obligations according to the type of activity conducted at the site and the environmental hazards and nuisances concerned. These facilities comply with the following requirements:

- five facilities are subject to authorization and are therefore run in accordance with specific operating requirements issued via prefectural order, following the submission of an operating license application, consultations with various organizations and a public inquiry; as at 31 December 2020, all of these facilities held valid prefectural orders;
- one facility is subject to a register regime, i.e., operated in compliance with standard operating obligations.

Vallourec's facilities in other countries are subject to similar local regulation, requiring specific permits in various areas relating to the environment, including water, air, waste and noise. All of the Group's foreign facilities have the prescribed permits, which are regularly renewed pursuant to local regulations.

3.11.2.2 Environmental situation of former industrial sites

Following its closure, the Anzin plant in northern France was sold to the Valenciennes urban community on 17 November 2004. A file containing soil studies was produced at that time, and decontamination work stipulated by the authorities was carried out; the quality of the groundwater at the site continues to be monitored using piezometric sensors.

All of the other sites sold (VPE, VPS, VCAV, CEREC, Spécitubes, Valti Krefeld plants, VHET Les Laumes, VDFR Aulnoye, VDFR Tarbes, VDFR Cosne, and the Saint-Saulve steel mill), underwent complete environmental investigations. The VDFR Cosne site also underwent groundwater monitoring and rehabilitation.

The situation of operational sites with regard to soil pollution is described in Chapter 4 "Corporate social responsibility" of this Universal Registration Document.

The environmental constraints that may impact the Group's utilization of its tangible assets are described in Section 4.2.4 "Environmental commitment" and in the "Industrial and environmental risks" paragraph in Section 5.1.2 "Operational risks" of this Universal Registration Document.

3.11.3 Changes in scope

For the 2020 and 2019 fiscal years, the changes in scope were not significant (mainly internal mergers).

In previous fiscal years, the main changes in scope were as follows:

- on 18 April 2018, Vallourec began a partnership with Interpipe, a Ukrainian manufacturer of seamless tubes, to cooperatively produce non-OCTG carbon seamless tubes for the European market;
- on 25 April 2018, Vallourec finalized the sale of its Drilling Products business with the American oil services group National Oilwell Varco (NOV). The sale concerned Vallourec's industrial Drilling Products business in North America, the Middle East, the Netherlands, and France (one plant in Aulnoye-Aymeries);
- on 26 April 2018, the Group sold Vallourec Fittings, a subsidiary that produces fittings in France (plant in Maubeuge) to Allied Group;
- on 2 July 2018, Vallourec finalized the sale of Vallourec Drilling Products France (plants in Cosne-Cours-sur-Loire and Tarbes), a French entity, to Altifort;
- since 16 November 2018, Vallourec has exercised joint control over Vallourec Umbilicals following the capital increase subscribed by Banque Publique d'Investissement (BPI) intended to finance its industrial development project. Vallourec and BPI hold 51% and 49% of the company respectively following the operation.

On 26 January 2017, Vallourec and Asco Industries finalized the latter's acquisition of a majority interest in the Saint-Saulve steel mill, which appeared in the statement of financial position as at 31 December 2016 under assets and liabilities held for sale. 60% held by Asco Industries and 40% by Vallourec Tubes France, Ascoval S.A.S. has been consolidated under the equity method since the transaction date. The assets of the Ascoval steel mill were the subject of a bid by the Altifort Group. The takeover plan was approved by a court decision dated 19 December 2018, effective 1 February 2019. It was then canceled by a subsequent decision on 27 February 2019. The company Ascoval is currently awaiting the outcome of the insolvency procedure.

3.12 Related party transactions

Transactions with related parties are described in Note 5.3 to the consolidated financial statements, "Information on related parties" in Chapter 6 of this Universal Registration Document.

3.13 Legal and arbitration proceedings

On 4 February 2021, the Commercial Court of Nanterre opened a safeguard proceeding (*procédure de sauvegarde*) to the benefit of Vallourec SA with a six-month maximum observation period. In this context, the court appointed SELARL FHB, acting through Maître Hélène Bourbouloux, as judicial administrator with the mission to monitor Vallourec, as well as SCP BTSG, acting through Maître Marc Sénéchal, as creditors' representative.

To the best of the Company's knowledge, at the date of approval of the Universal Registration Document, there are no other administrative, legal or arbitration proceedings, which could have or have had material effects on the financial position or profitability of the Company over the past 12 months

4

Corporate Social Responsibility information

Introduction

STRATEGIC GUIDELINES

The Vallourec Group has long taken a proactive approach to corporate social responsibility issues, in an effort to act responsibly. Vallourec's approach to these social issues is formalized in the Group's Sustainable Development Charter, which is available at www.vallourec.com.

Over the past decade, the Group has made strong commitments in these areas, in particular with the 2008 signing, along with a global employee representation organization, of its "principles of responsibility" and by becoming a signatory to the United Nations Global Compact in 2010. It has also signed several commitments to promote climate action and the circular economy, under joint initiatives with the AFEP, the MEDEF and the Cercle de l'Industrie, as well as the Sustainable Development Charter of the International Steel Federation. Lastly, in 2018 the Group adopted a "carbon policy" to mobilize the Company on the many facets of these issues.

At the end of 2018, the Supervisory Board decided to create a special committee in charge of assisting it in issues involving a Corporate Social Responsibility strategy. This committee is responsible for ensuring that the Group best anticipates the challenges, opportunities and non-financial risks associated with its business in order to promote long-term and harmonious value creation.

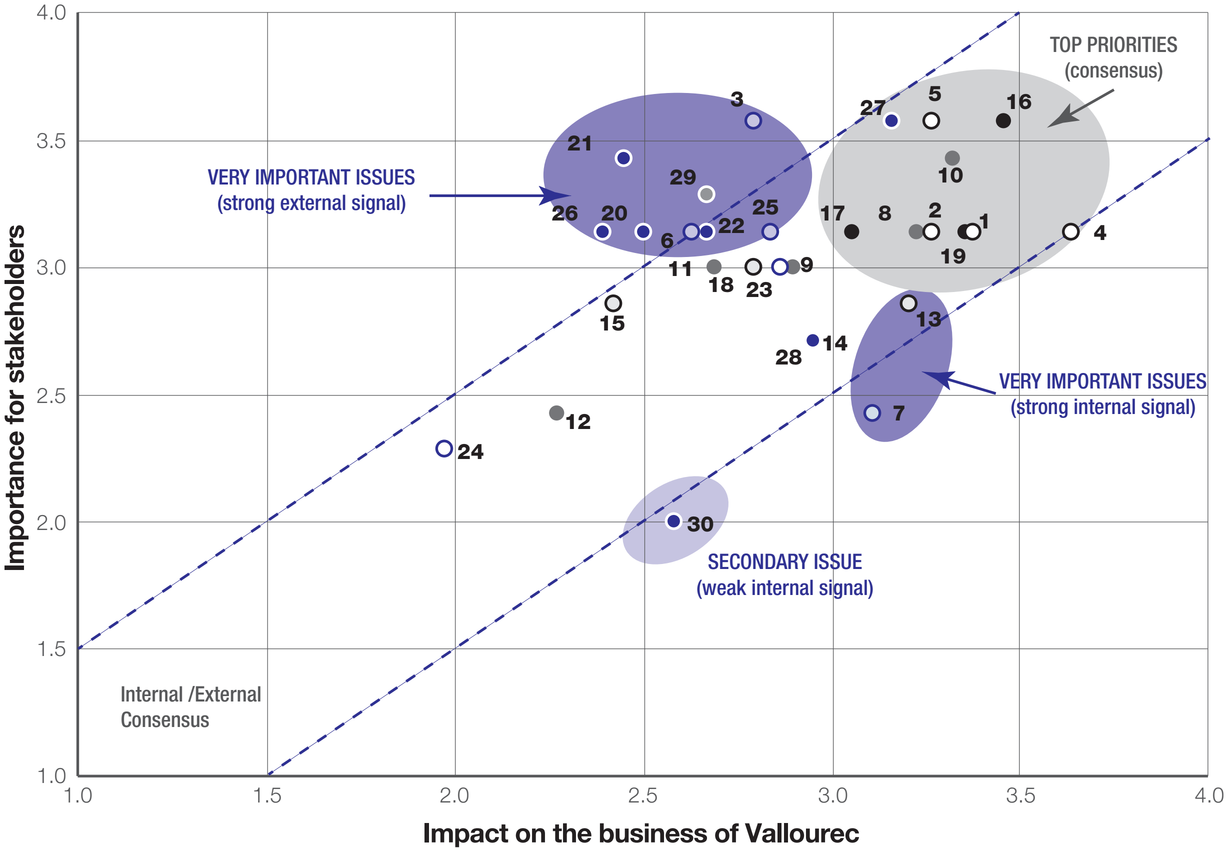
Since 2014, the Sustainable Development Department has been implementing a strategic plan for Sustainable Development and Corporate Social Responsibility (CSR). This plan has been incorporated into the medium- to long-term guidelines of the Group and is updated annually. It relies on the following seven cornerstones:

- strengthening governance in Sustainable Development and CSR;
- setting medium-term objectives;
- increasing consideration of Sustainable Development issues in the Group's business model;
- involving more employees in their daily actions to promote CSR;
- developing the Group's social commitments;
- strengthening ongoing actions for progress; and
- obtaining institutional recognition of the efforts made.

Actions necessary for the implementation of this plan are subject to the approval of the Executive Committee whenever necessary.

To better appreciate the relevance of these choices, the Group prepared in 2016, with the aid of a specialized consultancy firm, its "materiality analysis" in an effort to identify the issues it faced, both from the perspective of its management and that of its stakeholders. The analysis, which was conducted using proven methodology, allowed the Group to get the opinion of our main stakeholders on the 30 issues that had been identified as important and specific to the Company's particularities. The opinion gathering process was based on questionnaires and interviews, with senior executives, employees, investors, customers, suppliers, NGOs and the media. In all, 200 questionnaires were sent with a total response rate of nearly 60%. The results of this analysis are as follows:

Materiality Matrix: results



Legend

1 Energy transition	11 Stakeholder dialogue	21 Non-renewable resources consumption and circular economy
2 Resilience of the business model	12 Transparent and fair tax strategy	22 Air pollutions
3 Sustainable product design	13 Quality of social dialogue in all economic circumstances	23 Water footprint and water pollution
4 Customer Relationships / Satisfaction	14 Fair compensation and benefits	24 Biodiversity
5 Innovation strategy and sustainability	15 Diversity	25 Eco-design of processes and industrial equipments
6 Climate change adaptation	16 Occupational safety	26 Sustainable logistics
7 Trade barriers	17 Occupational health	27 Respect of Human Rights
8 Corporate governance	18 Noise	28 Local socio-economic development & local content
9 Accountability and transparency	19 Employees' skills and development	29 Responsible procurement standards and supplier relations
10 Respect for ethics	20 Energy use & own GHG emissions	30 Corporate citizenship

Through this analysis, Vallourec was able to confirm that the issues identified were pertinent, and that the importance given to them by the Company was in line with the perspectives of its stakeholders. It also demonstrated that the strategic plan actions were generally addressing the needs, while at the same time highlighting that some matters could have been taken into further consideration. This is why several actions have been undertaken since, particularly with regard to the sustainability of the economic model.

The overhaul of this analysis was launched in 2020 to take into account the new outlook for the Group's business lines, its new industrial footprint and the changing expectations of its stakeholders. The list of challenges has been updated and the contributors' base significantly expanded to ensure that the information used is as robust as possible. The results will be known in Q1 2021 and made public subsequently.

The conclusions of this study will contribute to the definition in 2021 of a new sustainable development strategy for the next five years.

The Group formalized its commitments to the Sustainable Development Goals that the UN defined in 2015 and defined four goals, for which it selected a key performance index.

Thus the Group selected:

- Goal 5: equality between the sexes to achieve gender equality and empower women and girls;
- Goal 7: clean energy at an affordable price, to ensure access to clean energy, including cleaner fossil energy, and promote energy efficiency. This goal refers in particular to the ETO plan (see chapter 3);
- Goal 8: decent work and economic growth, by confirming its commitment to respect labor rights and offer safe working conditions for all categories of workers;
- Goal 12: responsible consumption and production, to promote sustainable production methods by significantly limiting the need for natural resources.

Without prejudice to its future commitments, in 2020, the Group published five objectives for 2025 covering five essential themes, namely:

Reference to the Sustainable Development Charter	Corresponding Key Indicator	2018 Benchmark Value	2020 Actual	2025 Target
Satisfy our shareholders over the long term	Average rating of a panel of non-financial rating agencies	B+	A-	A
Train and motivate our employees through skills development, recognition of expertise, talent promotion and career development	% of women in management role	22	23	25
Ensure the safety and protect the health of our employees; offer each employee good working conditions	TRIR index for employees and temporary staff	3	1.67	≤1
Improve the energy efficiency of our equipment and reduce carbon emissions from our manufacturing processes	Ratio of non-biogenic carbon emissions, i.e., from our manufacturing processes and the carbon content of the electricity used, to production shipped. Forest emissions and sequestration are not taken into account.	0.57	0.555	0.36
Respect our environment and protect biodiversity by preventing all types of pollution, reducing water consumption, recovering waste products and reducing nuisances	Tonnage of industrial waste in thousands of metric tons sent to landfill	33	16.5	15

METHODOLOGY

Most of the indicators presented were constructed in reference to the Global Reporting Initiative (GRI), which aims to facilitate the measurement of companies' economic, environmental and social reporting indicators on a global basis. This information provides a factual demonstration of the Group's commitment to Corporate Social Responsibility and highlights the results of its key actions.

The way that this information was gathered by Vallourec and the limitations of this type of data collection are described in the methodological notes found in Appendix 3 to this Chapter. One of the Company's Statutory Auditors conducted audits with a moderate level of assurance as to all of the information presented in the consolidated statement of non-financial performance, and issued an opinion with reasonable assurance on selected indicators, which resulted in the report that appears in Appendix 1 to this Chapter. The indicators verified with a reasonable level of assurance are preceded in the text and appendices by the symbol ☑.

ASSESSMENT

This information forms the basis for the periodic evaluations of the main non-financial agencies or specialized SRI funds such as Vigeo Eiris, MSCI, Sustainalytics, Ecovadis, etc. Even though each of these bodies uses its own methodology, experts have summarized the result of these evaluations as representing an "A-" rating, on a scale ranging from A to D. This represents real progress compared to 2018 despite a tendency to apply more stringent evaluation grids and stabilization in 2020 compared to 2019.

This assessment is consistent with the Group's achievement of the Advanced level of the "Communication on Progress" in the Global Compact obtained five years ago. It should also be noted that the Group has attained the "Leadership" level of the Carbon Disclosure Project, marking its commitment to a low-carbon economy. The result was "A" at the beginning of 2020 and "A-" at the beginning of 2021, however, this slight drop was also reported by many companies evaluated by the Carbon Disclosure Project in 2021.

However, the Group is no longer included in the Euronext Vigeo and FTSE4Good indices, not because of an insufficient commitment to CSR, but because these bodies still considered its capitalization to be too low in 2019.

4.1 Oversight plan

In an effort to continue the commitments mentioned above, Vallourec established, both for itself and for all of the subsidiaries it controls, a vigilance plan in application of Law 2017-399 of 27 March 2017 on the duty of vigilance of parent companies and contracting companies. This law requires establishing a plan containing reasonable vigilance measures specific to identifying risks and preventing serious violations of human rights and fundamental freedoms, the health and safety of individuals and the environment, resulting from the activities of the Company and all of the subsidiaries it controls, as well as those of subcontractors or suppliers with which it has maintained an existing commercial relationship, when these activities are related to such relationship.

This process is consistent with the priorities that the Group has set for itself, the pertinence of which has been confirmed by the results of the materiality analysis presented above. In fact, four issues among the 10 deemed to have absolute priority, both by our external stakeholders and by corporate management, form an integral part of the points covered by the oversight plan. As concerns environmental issues, the materiality analysis classifies them as being very important. Vallourec's oversight plan thus fits in perfectly with a continuous improvement process, in conformity with Vallourec's proactive approach in areas of corporate social responsibility.

A working group comprised of representatives from the Sustainable Development Department, the Legal Department, the Human Resources Department, the Purchasing Department and the Internal Control and Risk Management Department was created for the purpose of establishing the plan.

4.1.1 Identification and evaluation of risks

Generally, the Head of Risk Management identifies the main risks to which its operational and functional departments expose the Group, analyzes them and creates a risk map. Risk mapping is done for each of the major entities, regions, and for the Group as a whole. Each map incorporates the main risks, along with their impact, probability of occurrence, and current level of control. The mapping process was adapted to incorporate the requirements of the Sapin II Law of 9 December 2016.

Priorities are determined not only according to probability of occurrence and/or consequences of risks and control level, but also according to the control improvements made, including the benchmark practices in the subject area.

As concerns risks to human rights and fundamental freedoms, the health and safety of individuals as well as the environment, which result from the activities of the Company and from all of the subsidiaries it controls, as well as from the top subcontractors or suppliers, with which it maintains an established business relationship, Vallourec has particularly identified the following risks, which specifically result from the Group's activities:

1. the Group is exposed to pandemics (such as Covid-19), which require it to make adjustments in its plants and offices, use remote working if possible, and purchase protective equipment (masks, gel);
2. The Group conducts a significant part of its business in developing countries, in particular because of its strategy of being located close to its customers in these countries. The risks of serious violations of human rights and fundamental freedoms and to the health and safety of individuals and the environment, associated with activities carried out in these countries, whether directly or through subcontracted companies, may result among other things from political, economic and social instability (nationalization and expropriation of assets, uncertainty as to applicable law and the application of laws, impact of sanctions, accidents, terrorism, etc.);
3. the importance of the industrial labor force to the Group's business makes it essential to manage employees' health and safety. Health and safety management is a priority for the Group and a fundamental value for Vallourec. The Group's Health and Safety policy was also strengthened at the end of 2016;
4. The very nature of the Group's industrial activity carries environmental risks. Due to their nature, the Group's activities are the source of noise pollution, require the use of hazardous chemical products and substances, generate waste that is classified as hazardous, may quantitatively or qualitatively impact local water resources, result in soil pollution, give rise to harmful air emissions, and have a negative impact on biodiversity.

Just like any other organization, the Group has been faced with the risk of non-compliance with its core values under the Code of Ethics, supplemented by the Anti-Corruption Code and the Group's internal rules and policies.

4.1.2 Management of identified risks

Management of identified risks simultaneously includes preventive or mitigating measures and a system for monitoring and evaluating the efficiency of the measures implemented.

In general, Vallourec relies on a risk management policy. The Audit, Internal Control and Risk Management Department is responsible for implementing this policy, and also for ensuring it is consistent and all-encompassing. Risk management is controlled by committees that meet once a year, for each entity and region concerned, comprised of the Head of Risk Management or their representative, the Director of the entity or region in question, their main aides and the functional managers concerned by the specific risks, where applicable.

Each committee meeting handles the following matters:

- validation of analysis and follow-up of action plans;
- validation of the key risk indicators.

The Group's Head of Risk Management organizes centralized risk management reporting, in cooperation with the Risk Managers from the main entities, to monitor the progress of action plans and ensure they are consistent with the priority guidelines at the Group level. Additional information appears in Section 5.2 "Risk management and internal control system" of this Universal Registration Document.

In order to progress and reduce the risks in question, the Group relies on the Vallourec Management System (VMS), whose fundamental objective is to improve the Group's performance in all of its operating processes, and which thus serves to develop risk prevention, control process variability and improve their efficiency. It uses numerous specific tools such as Lean Management and the Six Sigma methodology, and strives to strengthen project management methods. It also ensures that initiatives are consistent with the strategic plan and that they deliver continuous progress. It also ensures that the requirements for managing quality (ISO 9001, IATF 16949, API and ASME), health and safety (OHSAS 18001 and ISO 45001), the environment (ISO 14001) and energy (ISO 50001) are taken into account.

The specific risks to human rights and fundamental freedoms, the health and safety of individuals, and the environment, resulting from the Group's activities, as well as from its leading subcontractors or suppliers, with which it maintains an established business relationship, are managed thanks to the structure and measures described below.

Risk management in human rights and fundamental freedom issues

STRUCTURE

Risk management in human rights and fundamental freedom issues is the joint responsibility of the Human Resources Department, as concerns the Group's employees, and the Purchasing Department, as concerns the subcontractors or suppliers, with which it maintains an established business relationship (see the "Risk Management linked to the Supply Chain" paragraph below), in close cooperation with the Ethics and Compliance Officer.

MEASURES

As an international company, Vallourec has taken on significant corporate social responsibility commitments, in particular with regard to respect for human rights and universal fundamental principles that protect the dignity, respect and freedom of employees.

Therefore, Vallourec strongly condemns:

- all forms of forced or compulsory labor;
- child labor;
- any difference in treatment between individuals that is based on criteria other than their skills or aptitudes; and
- any act of physical or mental violence, or the threat of such acts.

Conversely, it notably promotes:

- a safe and healthy work environment that ensures physical and mental integrity; and
- the employees' freedom of association and collective bargaining.

In 2008, Vallourec officially undertook to comply with the fundamental principles enacted by the international conventions of the International Labour Organization, in the "Agreement on the principles of responsibility applicable in the Vallourec Group", which was approved by the European Committee, forming an integral part of the Code of Ethics. Vallourec has also been a signatory to the UN Global Compact since 2010.

By way of example, wherever the Group operates, it has made employer–employee dialog a priority. This is organized in each country, in accordance with local regulations. To date, at least 78% of the workforce are covered by industry- or company-wide collective agreements. The Group's actions in terms of employer-employee dialog are more extensively described in Section 4.2.2.3 "Social relations" in this Universal Registration Document.

Vallourec affirms its commitment to diversity and to combating discrimination in the workplace through the Code of Ethics.

Respect of men and women, their dignity, their diversity and the variety of their cultures is at the heart of the commitment of Vallourec's teams. Under the rollout of the Code of Ethics, a program to educate all employees on the issue of discrimination was completed using examples from daily life.

In terms of gender equality, the Group's policy is defined around strengthening women's presence in operational business lines, in particular those of production and in increasing women's access to leadership roles.

- Three key actions have been put in place: achieving the same percentage of women and men at all management levels, for which multi-year objectives have been defined, creating working conditions appropriate to the career development of women, and ensuring that men and women receive equal pay for equal work.
- In early 2019, four priority actions were identified: relaunch and develop mentorship by senior Group executives; systematically suggest female candidates for positions open internally; adapt the work environment; and develop women's participation in decision-making processes. These actions are more extensively described in Section 4.2.2.6 "Diversity and equal opportunities" of this Universal Registration Document.
- Indicators are in place to ensure follow-up and accountability in the actions led by the Group.
- For example, compensation surveys have shown, on average, a very small gender gap, although there are some geographical differences.
- In 2017, the Group launched Women@Vallourec, a network of women and men dedicated to debating and discussing equality and the place of women within the Group, which aims to reveal genuine proposals for action. More precisely, Women@Vallourec's mission is to improve diversity, starting with gender diversity, and thus to assist the Group in its transformation by improving performance and innovation.
- On 8 March 2018, Vallourec signed in the Middle East the United Nations World Charter on "Women's Empowerment Principles" (WEP), thereby committing to make every effort to offer women and men the same possibilities to fully realize their potential. The principles of the Charter in particular concern education, training, and professional development of women, along with the commitment to equality at the highest levels of business.

In terms of equal opportunities, the Group strives to promote the continued employment of workers with disabilities. These actions are more extensively described in Section 4.2.2.6 "Diversity and equal opportunities" of this Universal Registration Document.

Vallourec sees to it that these rights and principles are respected within the Group and at its subcontractors by incorporating it into its regular evaluations. The actions taken with respect to subcontractors are more extensively described below.

The Group's responsibility does not stop at the doors of its offices and plants, but extends way beyond, through its influence in the community. As an engaged partner, concerned for respecting a balanced development model, Vallourec ascribes major importance to the communities that surround it and strives to establish relationships of mutual understanding and trust with them. The Group undertakes actions that support education, health care and local development. Very active in Brazil, the Group has multiplied its initiatives there, including transforming the *Cine Theatro* building in Belo Horizonte into a cultural center dedicated to artistic production.

Valourec also strives to prevent specific risks in terms of compliance with competition and anti-corruption rules. The implementation of the Group's oversight plan and actions in ethics and compliance matters are more extensively described in Section 4.2.1 "Business Ethics and Compliance" of this Universal Registration Document.

Risk management linked to the supply chain

STRUCTURE

Vallourec's Purchasing Department is centrally structured to have a general view of the suppliers and supply chain, by using standardized processes between the Regions and appropriate information systems. A particular process of overseeing supplier risks is deployed at each of the Regions and centralized purchasing departments to identify, analyze and rank these risks. Ongoing monitoring of the action plans to mitigate or eliminate these risks is conducted on a quarterly basis. Moreover, Vallourec's policy is to establish sustainable contracts as much as possible with its suppliers, which are not only limited to structuring the commercial transaction but also provide accountability over time for external stakeholders on performance and requirements that are linked to Vallourec's values.

MEASURES

Within the context of this responsible purchasing policy, Vallourec has established numerous tools and processes aimed at better controlling suppliers and directly considering social and environmental responsibility criteria, and sustainable development, ethics and safety issues. In application of this policy, Vallourec is leading formal and regular evaluation campaigns of its suppliers on social and environmental responsibility, along with progress action plans. All suppliers with significant activity (greater than €1 million per year) are subject to a request for formal evaluation on the criteria of social and environmental responsibility, namely the environment, ethics, respect of human rights and labor rights, and control of their own suppliers and subcontractors. The results of these evaluations are systematically taken into account in Vallourec's decisions and guidelines with regard to its suppliers and subcontractors.

In accordance with US law and European directives, Vallourec has also committed to prohibiting its suppliers' use of potential "conflict minerals" originating from certain African countries.

The implementation of the oversight plan and the actions pertaining to relations with subcontractors and suppliers are described in Section 4.2.3 "Relations with stakeholders" of this Universal Registration Document.

Risk management in health and safety issues

STRUCTURE

The Health and Safety policy that was updated in 2020 entails a strengthened health section. Entities thus aim to further investigate the health risks specific to the processes, while defining the means designed to eliminate or attenuate them. There are numerous issues, in particular concerning our processes, which cover chemical risk, noise, air quality and ergonomics at workstations.

MEASURES

Safety is the Group's main priority and it aims to become a benchmark and a model for success in this area.

In 2020 more than half of the Vallourec sites are certified ISO 45001. The other sites are still certified OHSAS 18001 [(1)]. All of these establishments represent 100% of the production in metric tons.

For 2020 and onwards the management of the Coronavirus pandemic became essential to maintaining the health of employees and business continuity, and therefore to delivering on our commitment to customers. Management tools were implemented in all facilities in order to define and deploy appropriate rules (social distancing – wearing masks – hygiene rules etc.) to protect people and to comply with local/national rules and standards that have been defined by governments or other official bodies. A strict weekly/biweekly management routine has been set up in order to manage the quickly changing circumstances. In these times working at home became a relevant measure to reduce presence in offices wherever possible.

Each year Vallourec renews its "CAPTEN+ Safe" safety improvement program, which is particularly focused on the major risks that could lead to a fatal accident and, since 2016, has included subcontractors.

In order to prevent the occurrence or limit the impact of risks linked to the Group's activities in emerging countries, the Group implements systematic evaluation procedures for security and health risks, as well as emergency protection procedures, which are systematic for each of the high-risk countries where the Group frequently deploys its personnel. It also implements specific procedures for other countries, with the support of recognized external providers in all cases.

The Group respects all regulations, standards and certifications in the countries where it markets its products which primarily aim to ensure the safety and protect the health of users by demonstrating the product's compliance with the regulatory requirements. They relate principally to the properties of fire resistance and slip resistance and to limits on toxic emissions.

The use of chemical products and substances is secure thanks to the rollout of the CHEMSAFE program, which identifies products and assesses risks in order to establish the appropriate means of prevention.

Hazardous waste is specifically managed: handling and storage are subject to strict safety rules to preserve the environment and health of the staff handling them.

The implementation of the Group's oversight plan and its actions in health and safety matters are more extensively described in Section 4.2.2.2 "Safety and health" of this Universal Registration Document.

Risk management in environmental issues

STRUCTURE

In accordance with Group rules and guidelines, the Director of each site is responsible for setting up an effective environmental management system that is tailored to the local context and the site's activity. The Director appoints an Environment Manager who heads up all actions in this area and functionally reports to the HSE Director of each region.

(1) *OHSAS 18001: International guidelines relating to occupational health and safety, published in 2001 under the authority of the International Labour Organization.*

The Environment Department, reporting to the Sustainable Development Department, is tasked with preparing the Group's environmental policies, monitoring their applications, and coordinating actions. It is supported by the HSE Managers of the Regions and production sites, who are responsible for implementing these policies.

The objective of this organization consists of structuring the organizations by Region or country in order to better take into account the specific national regulations.

MEASURES

Vallourec notably aims to minimize the impact of its activities on the environment. This commitment is clearly explained in the Sustainable Development Charter published by the Group in 2011, and in the Group's Environmental Policy, which was signed by the Chairman of the Management Board and published in 2014. In early 2018, the Group also laid down a carbon policy to cover all of the corresponding issues.

Risk assessments have led to the establishment of measures designed to reduce the likelihood of accidents and limit their consequences and environmental impact. These measures relate to the design of the facilities, strengthening of protective measures, organizations to be put in place and compensation for any environmental impact if it seems inevitable.

Vallourec seeks to limit the industrial and environmental risk inherent to its activities by setting up efficient organizational structures and quality, safety and environmental management systems, obtaining certification or assessing its management systems, performing stringent inspections and audits, training staff and heightening the awareness of all parties involved, as well as by implementing a policy of environmentally friendly investments that reduce industrial risks. Each investment project undergoes a mandatory, formal evaluation. A multidisciplinary committee meets monthly to examine the various characteristics, evaluating impacts and determining whether to approve them.

In 2018, the Group published for the first time its medium-term objective for emissions. In 2019, Vallourec decided to join the Science-Based Targets initiative (SBTi) with the aim of reducing its direct and indirect carbon emissions by 2025 in order to contribute to limiting global warming to below 2°C. In March 2020, Vallourec proposed four reduction targets covering the emissions from its processes and also those related to its supplies and products. In May 2020, these objectives were validated by the SBTi, making Vallourec the first company in the Oil & Gas sector to have a trajectory aligned with the Paris Agreement.

Total provisions and guarantees for environmental risks are presented in Note 9 to the consolidated financial statements. This provision covers the cost of treating industrial land and cleaning up the mine once resources have been exhausted. The management of industrial and environmental risks is presented in general terms under Section 5.1.2, paragraph "Industrial and environmental risks".

The Group's commitments in environmental matters and the results of policies implemented are more extensively described in Section 4.2.4 "Environmental commitments" of this Universal Registration Document.

4.1.3 Whistleblowing and reporting systems

The Code of Ethics and Anti-Corruption Code of Conduct provide that the Group's employees may report behaviors that violate the values and principles of both of these Codes by contacting their line manager, their human resources manager, the Group Compliance Officer, or one of the local ethics contacts. Moreover, a dedicated email address is provided to employees on the Group intranet under "Ethics and Compliance". This allows behaviors that violate the Code of Ethics, the Anti-Corruption Code of Conduct or internal procedures to be directly reported to the Group Compliance Officer.

In North America, a telephone line has long been provided to employees who wish to provide information anonymously on non-compliance with ethics and compliance rules.

In addition to these traditional notification methods, the Vallourec Integrity Line whistleblowing system was rolled out within all the Group's entities in 2018. This system is accessible in eight languages to employees and external and occasional associates of the Group, but also to customers, suppliers, service providers and other external stakeholders through a secure website hosted by an independent company. The rollout of this whistleblowing system was widely communicated across many channels within the Group, and communication activities are regularly carried out with Group employees via Vallourec's intranet, the business ethics newsletter and targeted e-mails. A link to the dedicated site is available from Vallourec's website.

The scope of the whistleblowing system is broad, and includes behavior contrary to the Code of Ethics, the Anti-Corruption Code of Conduct, and internal rules and policies. It notably includes allegations of anti-competitive practices, corruption, fraud, conflicts of interest, discrimination and harassment at work, as well as irregularities that could affect Vallourec's activity or reputation that are linked to human rights and fundamental freedoms, the health and safety of people, or the environment. The system allows behavior to be reported anonymously.

An internal policy specifies the terms of use for the whistleblowing system and the rules that apply to data protection and processing and confirms that any reporting is covered by the principle of confidentiality. It also specifies that the whistleblower may benefit from specific protection under the conditions specified by the French law of 9 December 2016 relating to transparency, the fight against corruption and the modernization of financial life and that whistleblowers will not be subject to any discriminatory measures or disciplinary sanctions.

Reports are processed in accordance with the internal procedure relating to investigations.

The rollout of the Vallourec Integrity Line since 2018 has led to an increase in the number of reports made. As in previous years, the reports primarily came from Brazil. In 2020, 84% percent pertained to human resources issues, with the remaining 16% concerning allegations of fraud, conflicts of interest or property damage. None of these reports proved to be confirmed violations: 20% of cases led to overall measures, including dismissals (4%). None of these cases had a significant impact on the Group.

These items are presented regularly by the Group Compliance Officer to the Compliance Committee and, annually, to the Finance and Audit Committee.

4.2 Consolidated statement of non-financial performance

In accordance with Article L.22-10-36 of the French Commercial Code, the consolidated statement of non-financial performance describes how the Group takes into account the consequences of its corporate social responsibility activities, as concerns respect of human rights and combating corruption and tax evasion. It describes the main risks relating to the business and, where relevant and proportionate, the risks created by the Group's business relationships, products or services. It also describes the policies applied, including any due diligence procedures implemented to prevent, identify, and mitigate the occurrence of risks, and the results of these policies, including key performance indicators.

The results of the general risk mapping have been crossed with the results of the materiality analysis in order to determine the Group's main non-financial risk exposure. The material nature of the risk has been assessed based on the probability of occurrence, the significance of the impact and of the exposure. The list thus created was presented to the CSR Committee at its meeting of 25 January 2019, and was then approved by the Management Board when preparing its management report.

In 2020, the Covid-19 pandemic did not change the list of main non-financial risks, but amplified the significant nature of certain risks.

Non-financial information category	Definition of risk (or of opportunity)	Policy applied	Key performance indicators
Consequences of global reactions to climate change	• Business model risk • Image risk • Customer risk	• Sustainable Development Charter • Carbon policy • Energy Transition Opportunities (ETO)	• Carbon analysis • Deployment of the ETO plan
Adaptation to the consequences of climate change	• Risks of flooding, heat waves and prolonged drought, disturbance of water resources, hurricanes	• Update of the prospective study on the impacts of climate change on sites • Adaptation plan by site • Follow-up on insurance recommendations • Capex verification	• % of sites with an approved and internally controlled adaptation plan (KPI to be created)
Sustainable use of resources/circular economy	• Increase of regulatory constraints and of costs • Opportunity for economic (customer service) and image enhancement	• Sustainable Development Charter • Environmental Policy • Public commitment	• Raw materials footprint • % of steel used, made from scrap
Energy efficiency	• Energy costs	• Energy Policy • "GreenHouse" program for energy savings	• Energy consumption in kWh/metric ton processed • % of non-carbon/renewable energy and electricity • Amount of corresponding investments • % of production by ISO 50001 certified plants
Water management	• Shortage risk • Pollution risk	• Sustainable Development Charter • Environmental Policy	• Volumes and types of water intake and water discharged • *Water Impact Index* • HSE investments amount
Waste management	• Pollution risks • Health risks • Hazardous waste risks	• Sustainable Development Charter • Commitment to responsible performance • "By-product" approach	• Tonnage of waste put into landfill • % hazardous waste • HSE investments amount
Air quality	• Air pollution risks: steam, gas and particle emissions	• Sustainable Development Charter	• Measurement of air pollutant emissions • HSE investments amount
Respect of ethics (excluding corruption)	• Non-compliance with the Code of Ethics • Image risk	• Code of Ethics • Compliance program • E-learning • Responsible purchasing policy	• Number and type of internal/external alerts • Number and type of sanctions applied
Diversity	• Gender equality	• Code of Ethics • Mentoring for women • Presence of women in succession plans • Short- and medium-term objectives	• Ratio of women managers and executives • Ratio of women senior executives • Wage disparity rate

Non-financial information category	Definition of risk (or of opportunity)	Policy applied	Key performance indicators
Occupational health	• Health risks linked to the use of chemical products and substances • Health risks linked to noise pollution exposure • Occupational illnesses • Risks associated with the Covid-19 pandemic	• Health Policy • Evaluation of health risks in certain countries • CMR classified product substitute plans • Whistleblowing and reporting systems • Action plan to prevent noise pollution • Workstation ergonomics • Review of operating procedures, circulation in the premises, provision of protective equipment	• CMR products replacement rate • HSE investments amount • Mapping of employees' exposure to noise • Noise measurement on site outskirts • Number of confirmed occupational illnesses • Number of people infected with Covid-19
Occupational safety	• Accident risks	• Capten+Safe Plan • Particular focus on fatal accidents and subcontractors • Evaluation of security risks in certain countries • Whistleblowing and reporting systems	• LTIR, TRIR • OHSAS 18001 and ISO 45001 certification rates • HSE investments amount
Employees' skills and development	• Key personnel departure risk • Loss of skills and expertise risk • Risk of isolation and disengagement	• *People review* • Succession plans • "Expert" program • Vallourec University • Training Policy • Agreement on the principles of responsibility of the ILO conventions • Raising awareness and training for managers, setting up psychological support by expert firms	• Turnover rate and reasons for termination of employment • Social Barometer (response rate/satisfaction rate) • Number of training hours
Employee relations	• Risk of deterioration in the social climate and employees' commitment	• Employer–employee dialog • Agreement on the principles of responsibility of the ILO conventions	• "Social Barometer" • Percentage of the workforce covered by business line or company collective agreements
Quality of products and services/ customer relations	• Claim risk • Image risk • Opportunity to strengthen customer relations	• Commercial Excellence Program	• Number of claims • Severity of claims • Claims processing time
Corruption	• Public markets access risk • Conviction risk • Image risk	• Code of Ethics • Anti-Corruption Code of Conduct • Responsible purchasing policy • Internal procedures: supervisors/ gifts/sponsorship	• % of the quantity of purchases from suppliers involved in the formal CSR appraisal process
Equal opportunity/ discrimination risk	• Non-compliance with the Code of Ethics • Inappropriate compensation • Image risk	• Code of Ethics • Compliance program • Agreement on the principles of responsibility of the ILO conventions • E-learning • Responsible purchasing policy • Whistleblowing and reporting systems	• Number and type of internal/external alerts

The consolidated statement of non-financial performance also contains social, environmental and societal information, information on the fight against corruption and tax evasion, information on human rights initiatives mentioned in Article R.225-105-1 of the French Commercial Code, where relevant to the aforementioned main risks or policies, on a worldwide scope. Unless otherwise specified in the text, all information contained in this chapter refers to Vallourec, all of its subsidiaries as defined by Article L.233-1 of the French Commercial Code, and the companies Vallourec controls as defined by Article L.233-3 of the French Commercial Code.

A concordance table showing the information required under the aforementioned article and the information presented in this chapter appear in Appendix 3 hereto.

4.2.1 Business Ethics and Compliance

4.2.1.1 Structure

Risks relating to business ethics and corruption are presented in Section 4.1 "Oversight Plan" and in Section 5.1.3 "Legal and tax risks" of this Universal Registration Document.

In 2020, business ethics and compliance, previously the responsibility of the Group's Legal Department, was transferred to a new Compliance Department led by the Group Compliance Officer. The Group Compliance Officer leads and works with the Compliance Committee to implement and apply the internal compliance policies and, in particular, the system for detecting and preventing corruption. The Group Compliance Officer reports to the Group's CFO, who is a member of the Management Board. They make annual presentations to the Finance and Audit Committee regarding the action taken by the Group with regard to matters involving business ethics.

The Compliance Committee comprises representatives from functional departments (Legal, Purchasing, Human Resources, etc.) and operating divisions. It must hold meetings at least once per quarter in order to determine, at the initiative of the Group Compliance Officer, the compliance guidelines and ensure they are effectively rolled out. Members of General Management attend the Compliance Committee twice a year.

The Group Compliance Officer relies on a global network of 11 local ethics correspondents who are organized by geographic areas, as well as on the legal managers from the Regions. The local ethics correspondents are tasked with disseminating the values and principles of the Group's Code of Ethics in entities worldwide, rolling out training and making sure that internal procedures are properly applied. A meeting of the network of local ethical correspondents is organized and facilitated by the Group's Compliance Department each month. These meetings cover topics such as internal procedures, the fight against corruption, regulatory updates and competition rules.

A business ethics and compliance newsletter is circulated monthly to the main senior executives of the Group, to Compliance Committee members, to local ethics correspondents, and to the legal managers of Regions or divisions. The newsletter is also posted online on the Ethics and Compliance page of the Intranet and on the Group's social network.

4.2.1.2 Code of Ethics and Anti-Corruption Code of Conduct

The Group's ethical standards are presented in a seminal document, the Code of Ethics.

The Code of Ethics is a set of core values that includes integrity and transparency, excellence and professionalism, performance and responsiveness, respect for others and mutual commitment.

It provides a framework for each employee's day-to-day activities through behavioral guidelines based on these values. The guidelines reflect how Vallourec seeks to manage its relationships with all of its partners and stakeholders, including its employees, customers, shareholders and suppliers, and constitute the Group's benchmark in implementing its sustainable development and corporate social responsibility plans.

In 2016, an amended version of the Code of Ethics was adopted and rolled out within the Group to reinforce Vallourec's commitments in the fight against corruption and respect for the rules of competition, while maintaining the values and principles of action with regard to its employees, partners, customers, suppliers and stakeholders. The amended version includes the guidelines already contained in the Global Legal Compliance Program and the procedures published in 2015.

Vallourec's Code of Ethics applies to all Group consolidated companies. Each employee is personally responsible for implementing its values and principles and for complying with the rules it sets out.

The Group's various reporting lines ensure that it is communicated to all Group employees. To that end, it has been translated into eight languages (French, English, Portuguese, German, Chinese, Spanish, Arabic, and Indonesian; the latter two languages were added in 2018). It has also been published on the Company's intranet and website to affirm the Group's values with regard to third parties.

The Code of Ethics is the seminal document with which a certain number of directives and recommendations are associated, which guide Group employees in applying the Code. In an effort to help implement the Code of Ethics with all employees, notably managers, the Group Compliance Officer has the following duties:

- assisting Group companies in communicating the Code of Ethics;
- coordinating actions to educate new employees on the Code of Ethics;
- helping to define the procedures for implementing the Code of Ethics;
- ascertaining any difficulties in interpreting or applying the Code of Ethics that are raised by staff; to that end, the Officer receives any information relating to breaches of the principles of responsibility; and
- submitting cases of non-compliance with the Ethical Charter to the Compliance Committee and the Finance and Audit Committee.

In addition to the Code of Ethics and the existing internal procedures, and in conformity with the current regulations, Vallourec now has an Anti-Corruption Code of Conduct. This document constitutes the Vallourec Group's anti-corruption policy. It is intended for all employees, as well as Vallourec's industrial and commercial partners. The Anti-Corruption Code of Conduct recalls Vallourec's commitment in the fight against corruption. It contains definitions and practical examples of prohibited conduct that could constitute acts of corruption or influence peddling. In particular, it covers the way in which Vallourec manages its relations with commercial partners, corporate gifts and invitations, facilitating payments, conflicts of interest, representatives of interests, and the funding of political parties. Lastly, it recalls the various reporting methods available to employees and stakeholders who wish to report non-compliance with the Code of Ethics or the Code of Conduct.

The Anti-Corruption Code of Conduct, available in eight languages (French, English, Portuguese, German, Chinese, Spanish, Arabic, and Indonesian) is distributed to all the employees of the Group and to third parties. It is posted online on the Group's intranet site and on the Company's website.

4.2.1.3 Compliance program

In coherence with the principles set out in the Code of Ethics and the commitments of the Global Compact of the United Nations that the Group signed on to in 2010, Vallourec seeks to prevent specific risks of non-compliance with legislation and regulations, particularly in relation to competition and anti-corruption, within the framework of a Global Legal Compliance Program rolled out in all of the Group's companies.

The Group's Global Compliance Program, including the system for detecting and preventing corruption, is designed and rolled out by the Compliance Department and focuses primarily on the following:

- the governing body's commitment as set out in the Code of Ethics and the Anti-Corruption Code of Conduct and on the new ethics and compliance page on the Group's website. This commitment is also reflected in presentations given at internal events and by ad hoc communications campaigns;
- a group risk map that incorporates the risk of corruption;
- prevention measures and procedures:
  - the Anti-Corruption Code of Conduct, which applies both to employees and to third parties, supplemented by internal procedures relating to the use of sales agents, gifts and invitations, and philanthropy and sponsorship, local partners, lobbying and political life. These procedures are reviewed on a regular basis,
  - awareness-raising and training initiatives for all Group employees aimed at addressing the risks to which these employees may be exposed in their activities by means of detailed, informative and practical recommendations that can be understood by all. The training program, delivered with the assistance of Vallourec University, includes face-to-face training for managers, which took place in 2020 in France, Nigeria, Mexico and Asia (China, Indonesia, and Singapore). More targeted training for those in posts that are considered to be more exposed, such as purchasing, was also provided. Initiatives to raise awareness of ethics were also rolled out in the Group's plants. Training is provided by teams from the Group's Compliance Department or by the local ethics correspondents.

    In addition, since 2014, a mandatory e-learning program has been rolled out in an effort to educate all technical and supervisory staff, and managers of the Group, about the laws and regulations on competition, anti-corruption and environmental protection.

    In an effort to strengthen the internal communication of the main procedures, in 2017 the Group launched the "Welcome Package". This is a module disseminated via the Learning Management System (LMS) of Vallourec University to all new employees, so that they are aware of the Company's values and workplace rules from the time of their arrival into the Group,
  - an internal whistleblowing system, as described in section 4.1.3 "Whistleblowing and reporting systems",
  - assessment of the integrity of third parties. In 2020, the Group continued and strengthened the preliminary checks carried out when recruiting sales agents and introduced more rigorous checks on suppliers.

Non-compliance with anti-corruption laws and regulations, or with competition rules, exposes the Group's employees to disciplinary sanctions and even dismissal.

In 2018, the Vallourec Group obtained ETHIC Intelligence Program anti-corruption certification for the design of its corruption detection and prevention program. This certification confirms that the program addresses the Group's fraud and corruption risks, and corresponds to the best practices and regulations applicable in the fight against corruption. The certification also allows it to promote and strengthen the Group's values in terms of integrity and ethics with outside commercial partners and stakeholders.

The anti-corruption system is monitored by the operational functions and the Compliance Department as part of the application of internal procedures, as well as by the Audit and Internal Control Department as part of its audits, which incorporate compliance.

4.2.1.4 Tax policies applied – Combating tax evasion

The Group's tax, accounting and/or legal teams (calling on external experts and advisors where necessary) work at a central and local level to ensure:

- implementation of accounting principles, the transfer price policy and suitable procedures to ensure that tax is calculated correctly and paid timely in the countries where it is due;
- identification and request within the legal time frames of tax relief likely to benefit the Group;
- regular monitoring of the change in legal and regulatory requirements applicable to Group entities, and daily advice and aid to Group employees to ensure proper compliance with the applicable laws and regulations, particularly to combat tax evasion; and
- adequate personnel and/or external advisors to monitor tax audits so that they run smoothly and to enable them to be completed as quickly as possible.

This policy applies to all tax due at all levels of jurisdiction (local, regional, and national).

The Group's entities are regularly audited by the tax authorities to which they are subject.

As at 31 December 2020, no Group entity was involved in a dispute over tax evasion.

4.2.2 Social policy

The social indicator scope includes companies within the tax consolidation scope. Staff at sales offices are likewise included in this report.

4.2.2.1 Group workforce

Changes and distribution

BREAKDOWN OF WORKFORCE BY AGE, GENDER AND GEOGRAPHICAL AREA

As at 31 December 2020, ☑ 16,636 employees worked at more than 50 production or service sites under contracts with Vallourec (short-term or permanent contracts), compared to 18,827 employees in 2019. In 2020, Vallourec continued to implement its transformation plan, particularly in Europe involving France and Germany, with an adjustment of the workforce.

Distribution by geographical area

	Number of employees	
Country	**2019**	**2020**
Brazil	6,827	6,476
France	2,891	2,695
Germany	3,011	2,686
United States	2,011	1,337
China	1,595	1,279
Indonesia	813	727
United Kingdom	420	356
Mexico	386	336
Saudi Arabia	177	177
United Arab Emirates	87	98
Malaysia	377	225
Other regions	232	244

Workforce as at 31 December (short-term and permanent contracts)	2019	2020	Change 2018/2019	2019 Breakdown	2020 Breakdown
Europe	6,360	5,780	-9.1%	35%	35%
Brazil	6,827	6,476	-5.1%	35%	39%
Asia	2,894	2,349	-18.8%	15%	14%
NAFTA (United States, Canada, Mexico)	2,423	1,696	-30.0%	12%	10%
Middle East	265	277	4.5%	1%	2%
Africa	58	58	0%	N.S.	N.S.
TOTAL	**18,827**	**16,636**	**-11.6%**	**100%**	**100%**

Breakdown by gender

As at 31 December 2020, the Group had 2,040 women (1,916 with permanent contracts), which represents 12.3% of the total permanent workforce. Marginally present in the category of production staff, women mainly hold administrative and commercial positions. They represent 32% of the Group's technical and supervisory staff (administrative personnel, technicians or field supervisors), and 23% of its managers. The proportion of women remained unchanged for the 2019–2020 period by area, for the Group as a whole.

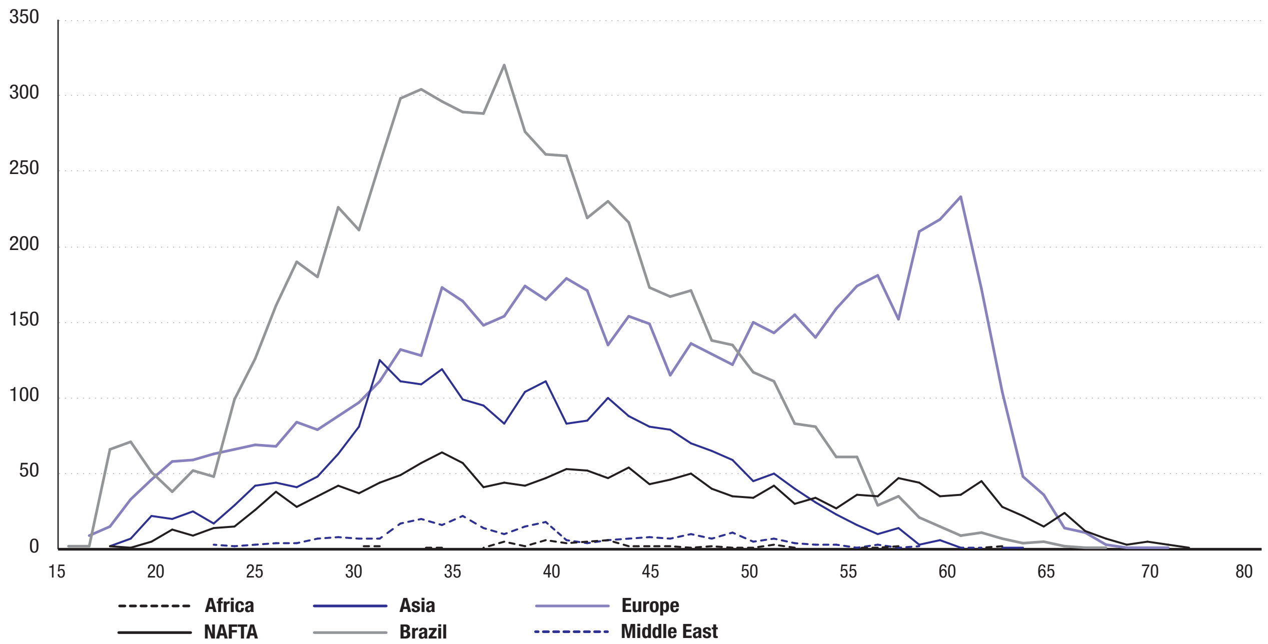
% of women (permanent)	Production staff		Technical and supervisory staff		Managers		Total	
	2019	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Europe	2%	2%	31%	32%	22%	23%	12%	12%
Brazil	6%	6%	30%	34%	25%	25%	10%	11%
Asia	12%	12%	28%	29%	16%	16%	16%	17%
NAFTA (United States, Canada, Mexico)	1%	1%	27%	28%	22%	22%	10%	11%
Middle East	-	1%	19%	22%	16%	17%	9%	11%
Africa	12%	4%	11%	14%	-	-	10%	9%
WORLD	**5%**	**5%**	**29%**	**31%**	**22%**	**23%**	**12%**	**12%**

Breakdown by age

The age pyramids show significant disparities in terms of geographical areas.

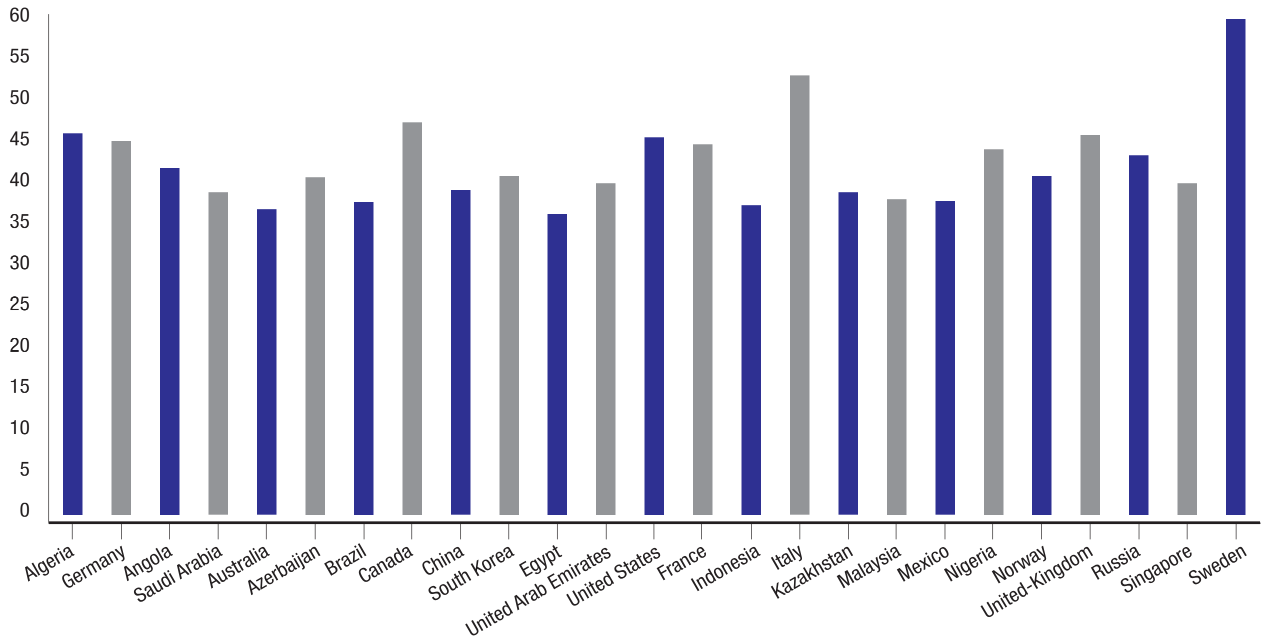
The Brazilian employee population is young, with a strong concentration in the 25- to 40-year-old segment. In the NAFTA region, the distribution of the population among the various age categories is well balanced. Asia has practically no employees older than 55. Conversely, Europe remains marked by a large number of employees over age 50 (approximately 37% of the European population). The staff breakdown by age range has not changed in comparison to the previous year.

Breakdown of the workforce by age ☑



These disparities are also reflected in the average age of employees in the main countries where the Group is established.

Average age by country



BREAKDOWN OF THE WORKFORCE BY PROFESSIONAL CATEGORY AND TYPE OF CONTRACT

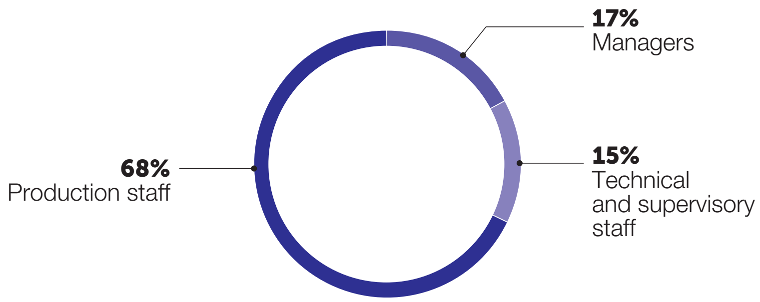
Breakdown by professional category

Production staff represents two thirds of the workforce.

Technical and supervisory staff includes administrative personnel, technicians and field supervisors, who account for 15% of the workforce. Managers represent 17% of the workforce.

Breakdown of workforce by category in 2020

In 2020, the proportion of executives and technical and supervisory staff remained unchanged from 2019.



Group's registered workforce by professional category	2019	2020
Managers	3,152	2,915
Technical and supervisory staff	2,795	2,485
Production staff	12,880	11,236
TOTAL	**18,827**	**16,636**

	Production staff		Technical and supervisory staff		Managers		Total	
Breakdown of registered workforce	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Europe	20%	21%	7%	7%	7%	8%	35%	35%
Brazil	28%	31%	2%	2%	5%	6%	35%	39%
Asia	11%	9%	3%	3%	1%	1%	15%	14%
NAFTA (United States, Canada, Mexico)	8%	6%	2%	2%	3%	2%	13%	10%
Middle East	1%	1%	<1%	<1%	<1%	<1%	<1%	<1%
Africa	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
WORLD	**68%**	**68%**	**15%**	**15%**	**17%**	**18%**	**100%**	**100%**

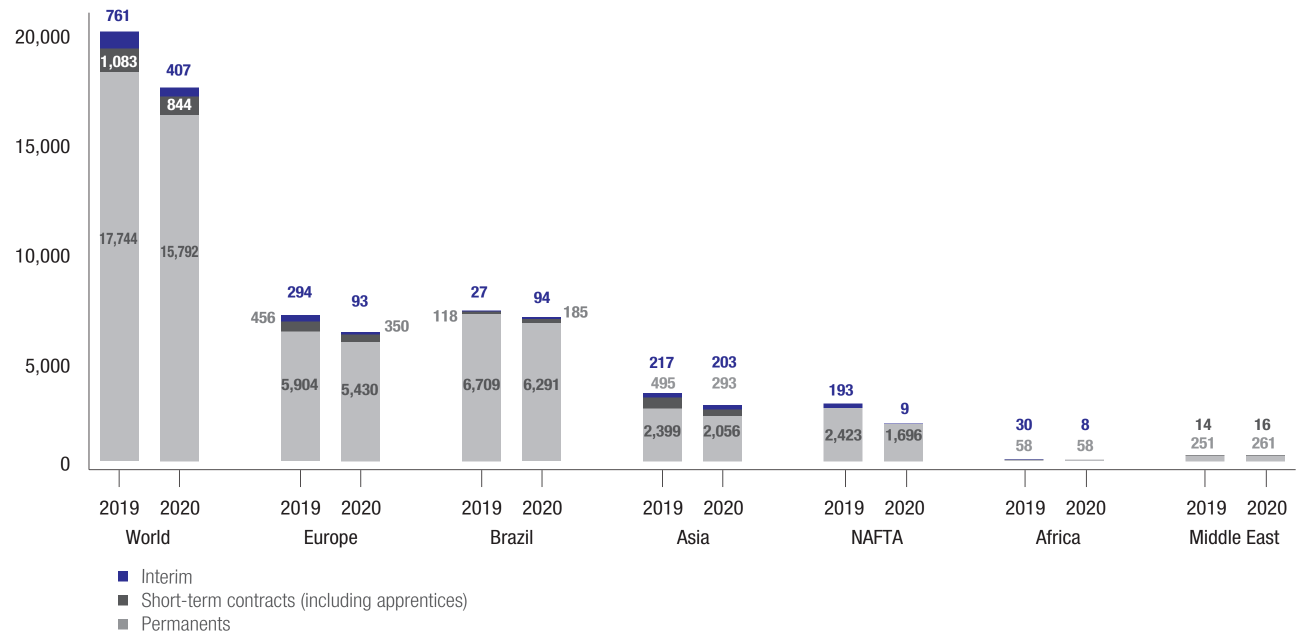
Nearly 50% of production staff are still located in Europe and Brazil, while 22% of managers and technical and supervisory staff are located in this same area.

In 2020, the production staff population still accounted for approximately 68% of the Group's total workforce, which is consistent with previous years.

Breakdown by type of contract

Due to the highly cyclical nature of its markets, Vallourec has to be able to adapt rapidly to changes in activity. As a matter of policy, it maintains a permanent workforce (via permanent contracts), which allows it to meet the needs of its ongoing operations, and temporary workers (under short-term and temporary contracts) to cope with surges in activity. For planning purposes, the permanent staff is managed on the basis of a model workforce involved in a standard activity for three to five years. Changes in peak or low point activity are handled via flexible local solutions (e.g., loans between plants, working time adjustments in Europe, temporary staff and short-term contracts).

Breakdown between permanent, short-term (fixed-term contracts and apprentices) and temporary workforce



In 2020, there were 15,792 permanent workers worldwide, compared to 17,744 at the end of 2019.

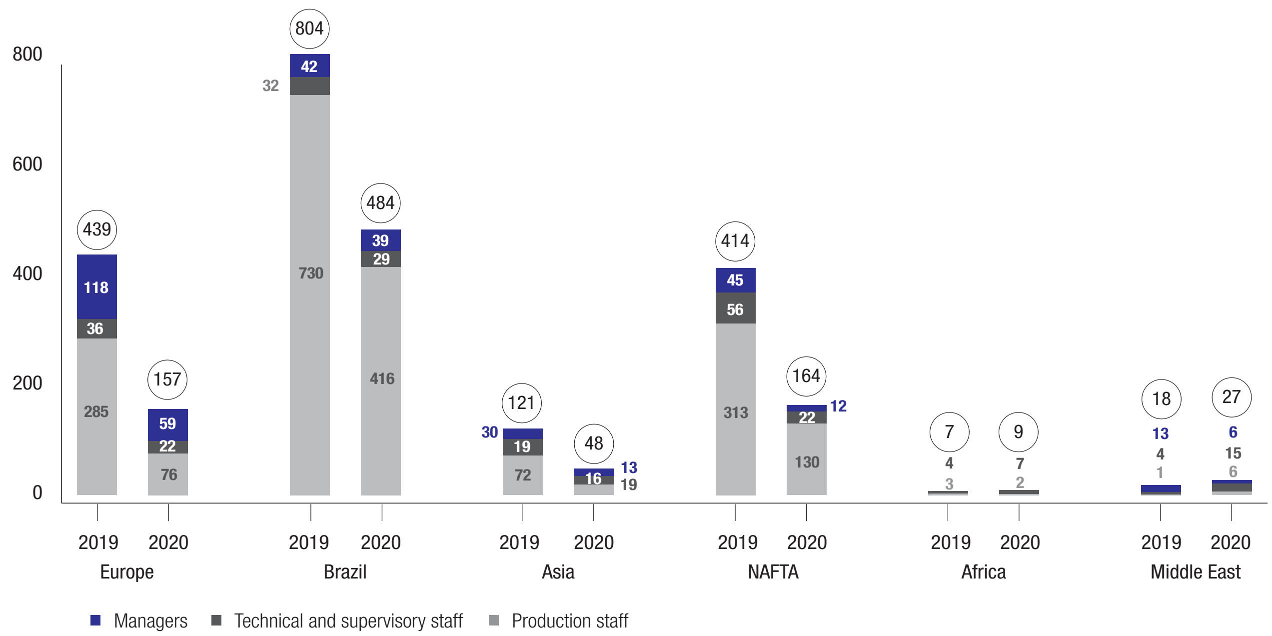
Entries and departures

NEW HIRES AND TRANSFERS

The total number of hires of permanent staff in 2020 continued to fall compared to previous years. In 2020, the number of new hires in Brazil amounted to only 60% of the number of hires in 2019, while in Europe, new hires represented only 35% of those carried out in 2019. Due to the company's economic environment, accentuated by the health crisis, the number of employees decreased in all the NAFTA, Asia, Brazil and Europe areas. There were many departures for which replacements were not hired in 2020. As a result, the permanent workforce fell sharply across all areas in 2020.

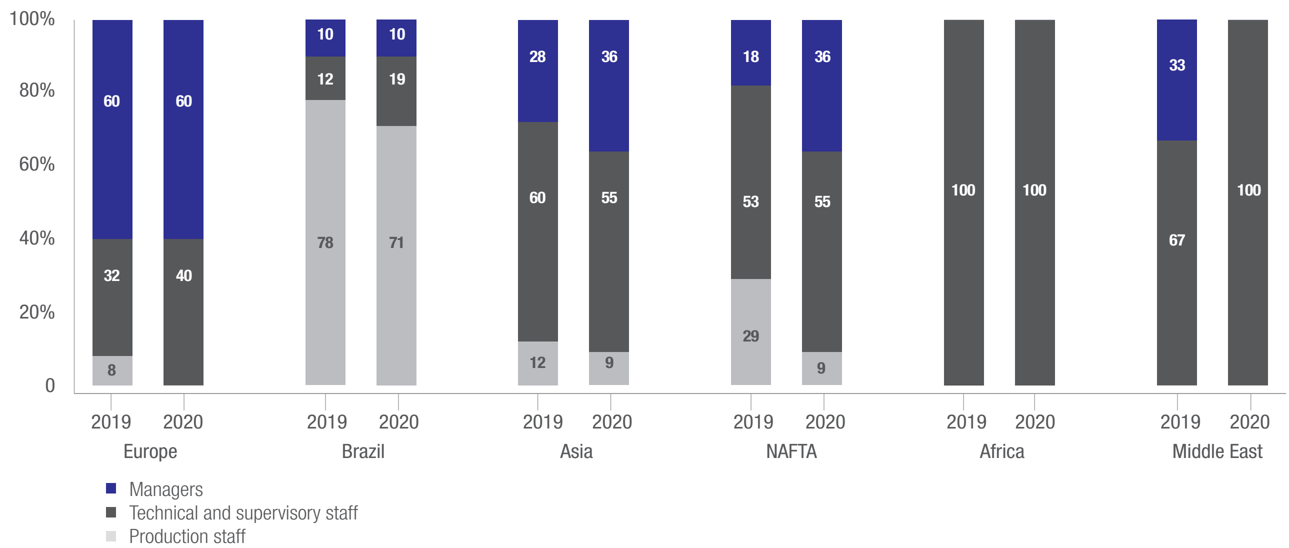
The breakdown of new hires by professional category and geographical area is as follows:

Breakdown of new hires by professional category



In 2020, we simultaneously recorded nearly 887 departures in the NAFTA area, 903 in Brazil, 403 in the Asia area, and 704 in the Europe area.

Breakdown of new hires of women by professional category



For all areas except Brazil, female employees were primarily hired in the professional categories of technical and supervisory staff, and managers. Female new hires in the production staff category remain significant in Brazil. The proportion of women in the Group remained unchanged at 12%. The Group's policy, as defined by the Management Board in 2016, focuses on two objectives, which are increasing the number of women in operations-related positions, and improving women's access to leadership roles.

DEPARTURES

In 2020, the Group's permanent workforce decreased by 11% and the Group's non-permanent staff decreased by 40%.

Turnover rate by area

Turnover rate *(permanent workforce)*	**2019**	**2020**
Africa	9%	14%
NAFTA (United States, Canada, Mexico)	17%	22%
Asia	8%	9%
Brazil	11%	10%
Europe	10%	7%
Middle East	8%	9%
World	**11%**	**11%**

The turnover rate includes departures and arrivals for the year in question and is defined as follows:

(number of departures + number of arrivals for the year) × 2 × 100/(workforce as of 31 December of the preceding year).

This takes into account departures, arrivals and transfers within areas.

Reasons for termination of employment contract by area

	Retirement benefits		Resignation		Dismissal		Other reasons	
	2019	2020	2019	2020	2019	2020	2019	2020
Europe	29%	34%	23%	17%	20%	25%	28%	24%
Brazil	0%	0%	5%	7%	88%	91%	7%	2%
NAFTA	5%	4%	46%	8%	45%	86%	4%	2%
Asia	14%	7%	61%	45%	15%	45%	10%	3%
Middle East				67%		6%		28%
Africa				14%		71%		14%

In Brazil, given the employment regulations, dismissal is the method by which contracts are typically terminated. In line with the restructuring plan, the use of dismissals continues to be significant in 2020, at a rate of 91%, with a ratio that is higher than that of 2019.

In the NAFTA area, the number of dismissals accounted for 86% of departures, while the number of voluntary departures remained stable at 45%. In Asia, the number of voluntary departures fell sharply, in keeping with the number of forced departures, which had tripled. In Europe, 34% of contract terminations were retirements (compared to 29% in 2019) and 17% were voluntary departures (compared to 23% in 2019), which can be explained by a larger number of dismissals in 2020.

Organization of working time

RATE OF WORK

The Group's policy is designed to provide flexibility and responsiveness in order to adapt to customer demand.

Working patterns enable the Group to adjust plant operations to production requirements. Most production sites have adopted a system of continuous shift work (24 hours a day), five or six days per week using three, four or five rotating teams.

In order to minimize the arduous nature of working patterns, research is being done in conjunction with occupational physicians and employees into the structuring of working patterns to coincide with physiological rhythms. This research is then followed by trials.

Innovative solutions have been implemented, which depend heavily on cultural factors and applicable national laws.

In order for the Group to meet the need to adapt to economic conditions, whenever possible, hourly cycles were reduced (2 × 8 from 3 × 8, or to 3 × 8 from 5 × 8, etc.).

WORK TIME

The following table shows the number of hours worked and the average number of overtime hours worked in the last two years. It is based, for each area, on the number of hours worked by the registered workforce.

	Average number of hours worked per employee		Including average number of overtime hours worked per employee during the year	
	2019	2020	2019	2020
Europe	1,452	1,355	53	36
Brazil	1,943	1,852	124	81
NAFTA	2,268	2,123	353	279
Asia	2,285	2,157	358	255
Middle East	2,174	2,151	446	362
Africa	1,875	1,754	303	149

Average number of hours worked per employee	2019	2020
China	2,430	2,178
United States	2,256	2,050
Indonesia	2,332	2,257
Mexico	2,378	2,476
Saudi Arabia	2,315	2,158
United Arab Emirates	1,864	2,144
Singapore	1,977	1,985
Nigeria	1,869	1,769
Brazil	1,943	1,852
Azerbaijan	1,899	2,032
Egypt	1,904	1,644
Malaysia	1,626	1,819
Algeria	1,904	1,984
South Korea	1,920	1,845
United Kingdom	1,967	1,848
Canada	1,718	1,717
Angola	1,906	1,689
Australia	1,871	2,550
France	1,459	1,373
Germany	1,369	1,252
Norway	1,743	1,484
Russia	1,770	2,825
Italy	320	1,562
Vietnam	1,976	500

Although overtime hours do not apply to managers, the average number of overtime hours has been calculated for the entire permanent workforce (registered workforce), including managers.

INDIVIDUAL WORKING ARRANGEMENTS AND PART-TIME WORK (FRANCE)

In France, nearly all technical and supervisory staff benefit from individual working arrangements, enabling them to set their arrival and departure times based on personal needs and the requirements of their department.

Furthermore, in France, a company agreement signed by all social partners in 2019 paved the way for telecommuting to be implemented at Vallourec.

The aim of this approach is to develop the autonomy of teams, to empower and place greater trust in them, as well as to simplify operating methods, in order to enhance the quality of life at work and achieve a better work-life balance.

The expected benefits of telecommuting were very quickly confirmed by initial feedback from employees and managers.

In the very first year, 2019, more than 500 employees tried telecommuting, both in industrial and service sites.

This testing period enabled the lockdowns associated with the Covid-19 crisis to be managed smoothly. All service employees worked remotely under the conditions set out in the existing agreement and with the office resources that had already been put in place during the testing period.

The success of telecommuting in France, along with widespread lockdowns throughout the world, encouraged Vallourec to adopt a global policy that aims to promote and regulate home working.

ABSENTEEISM

The rate of absenteeism is calculated by comparing the aggregate of all paid leave (including for illness, maternity, workplace accidents or commuting accidents) with the total number of hours actually worked. In every country, it is in the low average of the rates of comparable industries.

In 2020, the rate of absenteeism at Group level was 4.66% compared with 3.8% in 2019.

Rate of absenteeism	2019	2020
Europe	6.7%	8.6%
Brazil	3.1%	3.7%
NAFTA	2.6%	2.4%
Asia	1.4%	2.2%
Middle East	0.8%	2.0%
Africa	2.0%	4.4%
TOTAL	**3.8%**	☑ **4.7%**

4.2.2.2 Health and safety

The health and safety risks are presented in Section 5.1.2. "Operational risks" of this Universal Registration Document.

Safety

Commitment to responsible performance

Ensure the safety and protect the health of our employees
Offer each employee good working conditions

INDICATOR

The frequency rate of accidents with or without lost time (Total Lost Time Injury Rate or LTIR, and the Total Recordable Injury Rate or TRIR): number of accidents reported per million hours worked, including subcontractors.

2020 OBJECTIVES

To achieve an LTIR of <0.75 and a TRIR of <1.90 (including the performance of subcontractors).

ACHIEVEMENT OF THE 2020 OBJECTIVE

The Group achieved an LTIR of 0.76 and a TRIR of 1.67.

2021 OBJECTIVE

To continue our efforts to achieve an LTIR of well below 1 and a TRIR of less than 1.40 with a mid-term target of <1 by 2023 at the latest.

Safety is the Group's main priority and it aims to become a benchmark and a model for success in this area. At the end of 2020, nearly all Vallourec sites were OHSAS or already ISO 45001 certified [1] and represented 100% of production in metric tons.

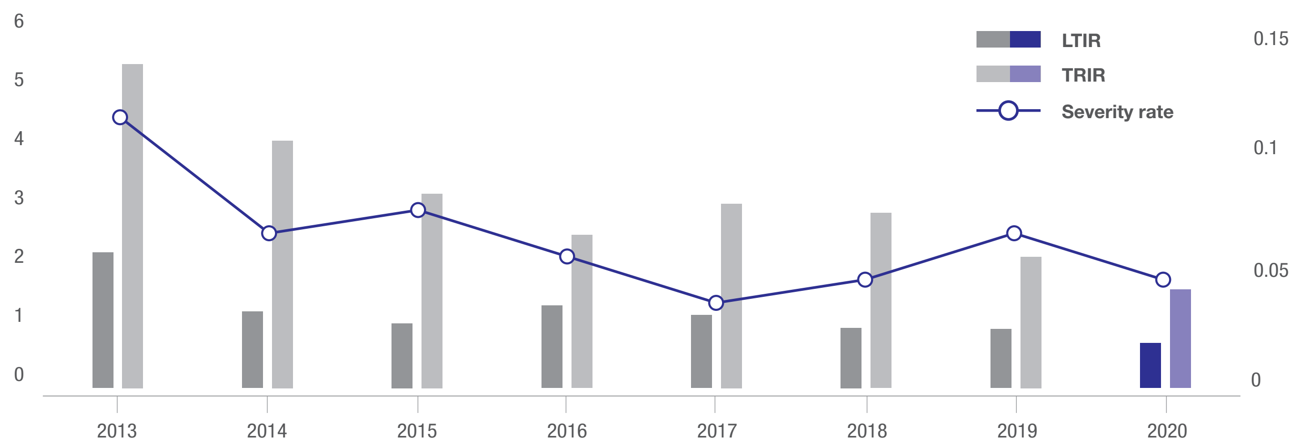
Vallourec has been committed to its "CAPTEN+ Safe" safety improvement program for several years. The program has been renewed each year with a particular focus on the major risks that could lead to a fatal accident and, starting in 2016, a specific focus on subcontractors.

Since 2016 the performance indicators have incorporated Vallourec staff, temporary workers and subcontractors.

At the end of 2020 the LTIR [2] was ☑ 0.76 and the TRIR [2] was ☑ 1.67. After five years absence of any fatal accidents, the Group faced one fatal accident in February 2020. This triggered additional attention on risk assessment, awareness and evaluation and training on leadership regarding safety management.

In 2020, the Severity Rate (SR) of the Lost Time Injury Rate was 0.052.

Change in safety indicators



(1) *OHSAS 18001: International guidelines relating to occupational health and safety, published in 2001 under the authority of the International Labour Organization.*
(2) *Considering the Group's employees, temporary staff and subcontractors.*

Whenever an accident involving lost time or a potentially serious incident occurs, the Group Executive Committee is informed immediately.

The safety improvement program includes the following measures at all Group sites:

- safety management committees at all levels of the Company (Vallourec);
- ongoing risk assessment for safety concerns, as well as a program to reduce the highest risks;
- more targeted action to reduce risks that could lead to a fatal accident (maintaining loads, working at heights, lockout-tagout of equipment, confined spaces);
- safety inspections;
- continuous improvement teams (CITs) on safety issues and especially on "hands free";
- systematic communications at workstations concerning safety issues;
- strong involvement of the entire managerial line to report and address safety issues including leadership skills;
- strong employee involvement to stop and report any situation involving risk;
- eight golden rules, which are grouped into eight chapters/themes: "my attitude to safety," flow of machines and pedestrians, lifting, manual tools, working at height, confined spaces, energies and lockout-tagout procedures (LOTO) and health protection. An e-learning tool focusing on these eight golden rules, translated into the languages used within the Group, is available to all employees.

As from 2017, each reported accident is analyzed for actual and potential severity, relying on an internal scale (level 1: minor accident, level 8: fatal or potentially fatal accident). Beyond merely calculating days lost, this approach provides depth to the analysis of root causes and allows corrective actions to be taken at the Group and regional levels.

In 2020, accidents were primarily to the hands (47%), feet (10%), back/spine (8%) and body (7%).

For the total accidents and near-misses reported, the golden rules infringed mainly relate to safety attitude (40%), lifting/crane handling (22%) and traffic with vehicles and pedestrians (13%).

Education and training about safety rules is mandatory for all new employees of the Group, in particular for managers at all levels, and includes frequent follow-up. The programs for temporary staff have been extended to subcontracting companies just as for the permanent workforce.

Each year a day is devoted to safety in all of the Group's sites. This is the time to raise awareness about safety issues in multiple ways among all employees, in particular through specific workshops (risks to hands, load handling, driving forklifts, working at heights, evacuation exercises, etc.) during which production is suspended. A great number of top managers make special trips to sites for this event or – as a consequence of the Corona crisis – participate remotely by modern communication tools. The site recording the best progress in safety performance also receives a specific honor on that day.

Staying on course to control or eliminate dangerous operations that could lead to fatal accidents, strengthening the risk assessment methodology to better understand unusual or unplanned situations, developing the leadership skills of the management line and employee interdependence are priorities for 2021.

In an effort to signal its commitment to safety issues, the Supervisory Board has included safety objectives for several years in the variable portion of the Management Board members' compensation, as well as in that of the main managers in charge of supervising staff at the sites, i.e., nearly 2,000 managers.

Health

HEALTH POLICY

The Group did not sign any collective agreements regarding occupational health and safety. However, the Health and Safety policy that was updated in 2016 contains a more robust health section. Entities thus aim to gain further knowledge about the health risks specific to their processes, and determine the means to eliminate or attenuate them locally.

At the end of 2018, the Executive Committee decided to ensure that all health risks were sufficiently taken into account and implement such considerations on a group level by setting up a Health Committee. There are indeed various issues that relate to the health of Vallourec's employees. As concerns our process, chemical risk (see below), noise, air quality and the ergonomics of workstations have been the subject of structured adaptation plans for several years. The issues also concern medical follow-up of employees, the risks of psychosocial risks to which they could be exposed, and the ability to offer them adapted health coverage. Lastly, the Group's health policy must also ensure that the products used for its customers' operations are safe.

PREVENTION OF CHEMICAL RISK

The safe use of chemical products and substances is of critical concern to Vallourec, which has had a dedicated plan in this regard for numerous years. The database containing their details is regularly updated to ensure rigorous monitoring of developments and thus prevent the risks of harmful effects. Three points should be emphasized:

a) In 2016, this database was optimized to better assist the HSE teams in determining the danger of products, and thus establish adequate means of prevention. The application also evolved to take into account the new globally referenced classification system (GHS) as well as all of the new regulations resulting therefrom. The new functionalities were first rolled out at French sites. The rollout is continuing at all sites. Regular training sessions for the HSE teams ensure the sustainability of the initiative on all sites following the various reorganizations and the changes in the tool's functionalities.

This tool also evolved to integrate the evaluation of chemical risk at the workstation. The method was tested at a few pilot sites. This new functionality was gradually extended to other sites in the Group and its rollout will be continued in 2021. The objective is to evaluate each product at the primary workstation and eliminate the existing Excel tracking files;

b) All products or substances entering production sites are monitored and authorized by local HSE managers. Medical services are regularly called in to provide a full risk assessment. Legally required checks on the atmosphere in the work environment are conducted, and this information is included in risk assessments. In 2019, Vallourec developed an application to formalize these validations and connect them to the Group's database;

c) the impact of chemical risk is likewise studied from the initial stage of investment and R&D projects in an effort to take all prevention criteria that should be associated with them into account. Several R&D investment projects were thus validated at the corporate level from a chemical risk perspective. The most at-risk projects are monitored and validated at each stage, through to industrialization on site. This process is the result of close collaboration with process communities and purchasing teams. For example, the development of the next generation of grease-free coating for our connections (Cleanwell Dry 2) has allowed us to define and establish use of CMR products via closed-cup systems, and thereby guarantee zero contact to ensure maximum staff protection. These highly secure processes were then monitored by local HSE teams;

d) Lastly, audits of high-risk chemical processes are conducted to guarantee good practices and protection levels. Some audits are also conducted at Vallourec's subcontractors for the same reasons. Oversight plans have been established and monitored by the local teams.

PRODUCT SUBSTITUTE PLANS

Changes in legislation and improved knowledge about the toxicity of substances increase the number of products that are identified as CMR each year. Plans to substitute critical products have been defined and, in conjunction with R&D and the suppliers, the HSE teams have devised test and qualification programs for substitute products. These programs can sometimes take a long time and, in some cases require the manufacturing processes to be adapted or adjusted.

At the end of 2020, 70.9% [(1)] of the 671 plant items identified as CMR [(2)] were replaced [(3)] Consideration of changes in the Group's industrial scope, as well as the rollout of the new GHS classification system, resulted in an additional list of products that had not yet been identified as CMR, and in new substitution actions being undertaken. In addition, the training of teams in the United States and the rollout of on-site inventories at all sites in North America identified a large number of products that had not been taken into account until now. Initial substitution actions have already been carried out in order to change usages.

As mentioned above, there are still 19 industrial uses of distinct CMR products that have however remained identified as non-substitutable due to technical problems or a lack of substitute on the market; four CMR categories are integrated into machines or structures and do not present a risk of exposure (from insulation materials or elsewhere) and 17 other uses are linked to compartmentalized laboratory testing techniques. Their uses are therefore monitored by the HSE teams and the Environment Department.

The specific action plans rolled out at the Group level continue to develop, and concern, in particular:

a) refractory ceramic fibers: Vallourec has written and circulated a single set of instructions for all countries. The materials containing this type of fiber present in furnaces are progressively dropped off during maintenance operations when an alternative solution is available;

b) lead dope: tests and qualifications allowed us to list the substitution greases to use on the threading that is not subjected to high temperature according to the type of connections and environments of use. Leaded grease nevertheless is still not substitutable under certain extreme conditions. It is currently only used when operating conditions do not allow for any other options. In 2020, the sites used 171.6 metric tons of grease, including 13.4% leaded grease. It should be noted that the use of leaded grease is limited to running operations and it is no longer used as protection for threads during storage as other non-CMR greases have been validated for this purpose;

c) nickel phosphates: in 2017, the competent process community, known as VAM, rolled out a test program with the three suppliers concerned, to validate three Ni-free solutions. This collaborative work with these three suppliers has enabled worldwide supply coverage, and has also allowed the process parameters to be optimized to ensure gains on energy consumption, processing time and waste production. The three solutions were approved and presented by this process community at the plants at a specific meeting. In 2018, the Group gave the "Vallourec Environment Award" to this same community for its work on substituting nickel salts in phosphating processes. The substitution programs began to be rolled out site by site, with the support of the community. Certain modifications to the process lines made it possible to quickly implement the substitution for some sites (53%). Investments have continued since then to complete substitutions on all phosphating lines.

Other programs are conducted jointly with R&D, the plants and the suppliers in an effort to reduce CMR use. The use of borax, for example, is a common subject at several sites, which was taken up by another process community. After numerous tests, some products have been qualified in the laboratory. A boron-free substitute product has been partially qualified at the Brazilian site, and these qualifications will continue in 2021 to cover the entire manufacturing range. A second substitute product is being tested at our research center in Germany, and testing will also continue in 2021.

4.2.2.3 Employee relations

Employer–employee dialog

Wherever the Group is established, it has made employer–employee dialog a priority. This is organized in each country, in accordance with local regulations. To date, at least 78% of the workforce are covered by industry- or company-wide collective agreements.

- At the Group level, there are two employee representatives on the Supervisory Board. The French representative was appointed by the Group Committee and the German representative by the European Committee.
- In Europe, the dialog occurs at several levels:
  - a European Committee, comprised of 30 French, German and British representatives, meets at least once a year, alternating between France and Germany. It meets with Management, which provides information about changes in the Group's activities, results and strategy;

(1) *Note that the products identified as non-substitutable are considered as substituted and included in the percentage calculated.*
(2) *Chemicals or preparations may have various adverse effects on human health. These are classified into "CMR" categories. Within the meaning of Article R.231-51 of the French Labor Code, substances or preparations are considered CMR agents when they are carcinogenic (C), mutagenic (M) and/or toxic for reproduction (R).*
(3) *Some sites reported their inventory. New substances have also been officially classified as CMR.*

- A European Committee office is also in session five times a year, and regularly meets with Management to discuss the Group's future, along with other European issues. In 2020, regular and special meetings allowed office members to really understand the economic and industrial issues impacting the Group's competitiveness, along with the action plans linked to the Group's transformation, in particular the adaptations made in Europe;
- Additionally, European employee shareholders are represented by a Supervisory Board for employee shareholding funds. They meet with Management twice a year. An employee representative is chosen from among them, who then serves on Vallourec's Supervisory Board.

- In France:

  In 2020, numerous meetings were held with employee representatives. In addition to the regular meetings of the various local bodies and the Group, the three most important topics were:

  - information about and negotiation over the Covid-19 crisis and its implications in terms of lockdowns and partial activity;
  - the launching of a consultation procedure related to the proposed restructuring of French plants and entities;
  - annual negotiations about salaries and working time;
  - the negotiation of a new health care plan.

- In Germany:

  In 2020, Vallourec Deutschland's recovery plan continued with the June closure of the Reisholz plant and the implementation of the redundancy plan, which provided for the transfer of a large number of employees to Vallourec's other plants in Germany.

- In the United Kingdom:

  Employees are represented through two trade unions (Community Union and Unite Union) which represent production, administrative and technical workforce. Negotiations in 2020 focused on wage policy, time off and a voluntary departure plan.

- In North America:

  In Mexico, the union mainly represents production staff and is represented by a collective bargaining agreement. The union, for which dues and membership are mandatory, can propose candidates for promotions among these employees, a list of whom is drawn up in accordance with the agreements. Negotiations concern salaries and benefits in kind.

  In the United States, as required by law, employees can choose to be represented by a union and a collective bargaining agreement; so far, employees have consistently voted against union representation. The last formal union election was held in 2014 in Vallourec Star sites, in Youngstown (Ohio, USA).

  The year 2020 was marked by a sharp reduction in headcount (around 33%) that affected all professional categories and all sites. This was managed in accordance with the Group's values and took into account the interests of the employees affected.

  Covid-19 and the associated lockdown measures were also a topic of discussion with employees.

  In addition, Vallourec continued to encourage employee engagement through the continued communication plan that was launched in 2016. The plan includes Town Hall style meetings, which are open dialog with the workforce, intended to discuss any item that workers bring up with a short business update. The meetings are open to all employees, which allows them to gather to know more on the state of business and major projects or change initiatives with a short time allowance for Q&A from the workforce. Round-table discussions with the President/Plant Management and HR Manager and with a small panel of the randomly selected workforce allow a discussion on their likes and dislikes and other items the participants would like to discuss.

  The region continues to benefit from "The Big Opportunity" program that was launched in 2018. After having successfully generated enthusiasm and commitment, the program is now focusing its efforts on sustainability and has been renamed "Winning as One" (WaO). The program has once again made it possible for more than 1,000 members of the team to voluntarily commit, in an innovative manner, to supporting our customers, streamlining our processes and improving our activities. By combining our employees' enthusiasm with available opportunities, we have strengthened our commitment to Vallourec's values of transparency, performance and responsiveness, respect for people and joint commitment.

  All these efforts are only a small number of the activities that have led our workforce to believe Vallourec is a great place to work. The Group is proud that its North America region was awarded "The Great Place to Work" certification again in November 2020.

- In South America:

  In Brazil, employees are represented by trade unions, which are formed by employees not only from Vallourec, but also from other companies covered by their territorial base.

  There are legal criteria that establish the obligation of a union representation, according to the territorial location of the Company and its preponderant activity. Thus, for each unit in Brazil there is a different union representing the employees.

  These unions are responsible for bargaining salary and benefits increases as well as the work conditions.

  Moreover, the employees are also represented by the Conselho Representativo dos Empregados (Employee Representative Council – CRE), which has been a legal obligation since November 2017 for all plants with 2,000 or more employees. This Council provides employee representation internally and facilitates discussions on specific daily matters such as catering, transportation, restrooms, etc. The CRE cannot be involved in matters that are negotiated by the trade union. It plays a complementary role.

  As in other regions, employee relations in 2020 focused mainly on the management of Covid-19 and the adaptation measures that led Vallourec Brazil to simplify its organizational structure and reduce its workforce.

- In China:

  Trade union or employee representatives exist in some entities, and the employer has regular communications with those representatives. In all cases, Vallourec encourages employees to have representatives. In the entities without trade union or employee representatives, employer-employee dialog occurs through direct contact between the production staff and management via internal communication meetings. Should employees request it, the setup of a trade union will have to be planned.

Group internal communications

Internal communication has a major role in Vallourec's operations. It allows employees to be connected worldwide and to create a true sense of belonging to the Group. The goal of internal communications is to engage Vallourec's employees and have them adopt a common vision, plan and values and to support change. Vallourec maintains dialog with its employees and provides information through various channels:

- for almost a year, the Group has broadcast a series of bimonthly webcasts called "On Air" with the management team, to share all the communications headlines with the entirety of the Group's 17,000 employees. The webcast may also replace conferences with regional online conferences;
- in 2020, the Group launched a new intranet called My Vallourec, which is used by approximately 8,000 employees in around 20 countries. My Vallourec was designed to combine the Group's various intranet sites into a single platform, giving employees simplified access to local and corporate information. It offers an environment based on Office 365, which is more ergonomic, consistent, modern, and above all more open. The information provided on My Vallourec allows you learn more about the strategy, objectives, results and success of teams worldwide. A bi-monthly e-newsletter also presents site news;
- My Vallourec is supplemented by the business social networking site, which allows employees to have discussions, share knowledge and best practices via dedicated communities, and by Teams, a hub designed to promote teamwork;
- specific communication on certain projects that educates employees about key issues in the Group – safety, digital, major HR projects, ethics and values, the environment – or involves them in important matters (Innovation Challenge, major projects impacting Group life, etc.); and

The Group's internal communications are also based on local resources in the countries and subsidiaries, which relay messages, provide feedback from the field and raise topics of interest within their own channels (magazines, intranets, etc.).

4.2.2.4 Compensation and benefits

Payroll

In 2020, Group payroll, excluding temporary workers, totaled €764 million:

- €594 million in salaries;
- €17 million in employee profit sharing;
- €3 million in expenses associated with share subscription or share purchase options and performance shares;
- €150 million in social security costs.

Breakdown of payroll costs by country:

Breakdown of total payroll costs	2019	2020
Germany	21%	22%
Brazil	22%	20%
China	3%	3%
United States	23%	21%
France	23%	24%
Mexico	1%	1%
United Kingdom	3%	4%
Other	4%	5%
TOTAL	**100%**	**100%**

Employee profit sharing and bonuses

Profit sharing plans are designed to associate employees with the Company's performance. In 2020, this amounted to €17 million.

In France, a Company savings plan (PEE) and retirement savings plan (PERCO) allow employees to invest the money they receive from profit sharing in order to build up savings with a favorable tax status and to benefit from employer contributions.

Employee share ownership

The Group did not continue the Value employee shareholding plan in 2020.

Shares held by employees represented 3.03% of Vallourec's share capital as at 31 December 2020, compared to 3.30% as at 31 December 2019.

Other benefits

In almost all countries, except in African and Middle East countries, employees benefit from a healthcare coverage system for themselves and their families. During business travel, a medical service guarantees they will be cared for under the best conditions.

Multiple activities of a social, sporting or cultural nature are organized within the subsidiaries. They take on different forms according to the structures: company orchestras or choirs, organization of tourist trips, sporting competitions or parties and the funding of vacation camps for children. The goal of these activities is to bring people together outside of a strictly professional framework, to support and strengthen connections among employees.

4.2.2.5 Employee development

The aim of the Talent Management process is to ensure that Vallourec has the right employees to ensure its success today and also to anticipate the future of the Group.

At Vallourec a standardized system is used for the assessment and development of employees. This *Talent Management* system assesses which skills need to be developed for each employee in their current position, and also prepares for their future development.

This includes defining and organizing annual interviews, reviewing Talents and succession plans.

For each employee the process implies the establishment of an individual development plan (on-the-job training, coaching, mentoring and classroom or distance training).

In practice and in practical terms, Vallourec's *Talent Management* system therefore pursues two objectives:

- to ensure the necessary skills or expertise for the development of the Group;
- to optimize levers of employee engagement.

This twofold objective is key to the competitiveness of the Group.

Vallourec therefore assists its employees throughout their careers, revealing and cultivating their talents thanks to several programs and initiatives that are rolled out within the Group.

STAFF ASSESSMENTS

Annual interviews

The talent management information system, known as Talent 360, used throughout the Group, is one of the tools used to evaluate skills, manage objectives and assess the potential of the population of managers. Implementation of this tool, supported by the strong involvement of all managers, enabled performance reviews to be standardized and systematically structured on an annual basis.

The annual interview was totally overhauled two years ago in an effort to further incorporate feedback from peers or employees when evaluating overall performance. This tool is also accessible to technical and supervisory staff in certain countries, in particular France.

In 2020, the interview form was reworked slightly to improve the "individual development plan" section.

In countries where the tool is in place, the rate of completion of annual performance interviews among managers in 2020 was 98%.

Talent review

The talent review, run by the Human Resources Department in collaboration with the sites and Regions, is an indispensable process for ensuring that the Group has the talent needed to implement its strategy. It also allows employee potential to be identified and developed, helping staff to evolve within the organization over the short, medium and long terms.

In 2020, these reviews focused particularly on young talent and their development plans, so as to better plan for the future of the Group. Also, as they did last year, this year's talent reviews focused specifically on the female population in order to integrate the provisions of the Women@Vallourec program.

Succession plans

Vallourec has generalized succession plans to ensure that replacements for key positions are being prepared.

Internal survey on employee satisfaction ("Social Barometer")

Vallourec conducts a survey at regular intervals (one session approximately every nine months) with all of its employees worldwide to find out their perception, expectations and concerns. The survey is used to measure the level of satisfaction, motivation and commitment of employees.

It ensures that employees' responses will be kept completely confidential.

The last survey conducted in March 2020 yielded a high satisfaction score of 7.55/10, a steady increase since the first survey, despite challenging circumstances.

The development of new skills, the high level of autonomy left to employees and the working atmosphere appeared to be the main motivators amongst employees.

Following the survey, action plans were begun or extended to respond to employees' expectations concerning the standards of excellence defined at the Group level.

DEVELOPMENT OF SKILLS

Adaptation of Group's reference framework for skills

In view of the transformation of the Group and its business lines, the updating of the reference frameworks for business skills is ongoing.

Following the revision of the *Project Management*, *Process Communities* and VPA (Vallourec Performance Analysis) skills reference frameworks, or the creation of new ones in 2019, the *Sourcing* skills reference framework was set up for the Purchasing community in 2020.

Expert Program

The Expert Program encourages and values individual career paths in these areas, and allows Vallourec to develop its competitiveness to satisfy increasingly demanding markets. To date, this program allows more than 303 experts to be recognized through the Group.

Training

In an evolving and competitive market, Vallourec has a growing need for trained and motivated staff who are able to adapt to the changing businesses and markets. The Group strives to reconcile its need for change with the individual aspirations of its employees, allowing them to grow in their careers, while developing their skills.

In addition to training programs that are offered and delivered as determined by the Group Training Department, each entity prepares its training plan each year, in accordance with the Group's strategy and educational guidelines. Specific training programs are thus established to locally address the regulatory or market requirements.

Vallourec University

Vallourec University is the corporate training entity of Vallourec. Its remit is to create a common culture of learning, develop the leadership and business skills of all employees and support the strategy and transformation of the Group by developing "*training paths*" for each function.

Vallourec University offers training programs for Group employees worldwide. These training programs may be given locally through Vallourec University in the main countries, centrally as part of international programs, or via e-learning through a dedicated training platform, the Learning Management System (LMS).

To achieve these objectives, Vallourec University has developed four principles: experiment, share, learn and apply, as the basis of all its training. Participants have the opportunity to discuss their experiences and gain new knowledge by alternating theoretical and practical modules and applying and adapting the methods they have learned to their specific needs. Training is systematically related to the strategic objectives of the Group, Regions and its teams.

More than ever, the Group must develop skills to accelerate its transformation and respond to the challenges of the strategic plan driven by the Group's vision.

Vallourec University offers customized training and seeks to develop skills across the Group to fit with the Group's strategy. Its learning center is based on three key pillars:

- Fundamentals and Culture, which includes the Group's induction program, cultural change and mandatory training (ethics, compliance, safety, etc.);
- Leadership and Soft Skills, which prepares for handling the specific challenges encountered in management and leadership roles;
- Business Expertise and Skills, which provides expertise in processes and technologies and business lines (sales, purchasing, project management, etc.), with a view to contributing to the performance of the company.

Programs at Vallourec University operate in partnership with the Vallourec business experts as well as with carefully selected service providers.

Vallourec University's activities are structured around two areas: the Learning Center and the External Stakeholders. The Learning Center is the main area and covers all training initiatives. Its modules are implemented at national and international levels, and are aimed at the continuous development and improvement of employee skills to meet the specific requirements of each level of responsibility and in the various geographical areas. They systematically incorporate the priorities of the Group.

Activities geared toward External Stakeholders aim to improve the brand's image among customers and suppliers by offering them courses such as Tubular Essentials. Such measures also help to attract new talent and enhance Vallourec's employer brand.

Vallourec University adopted a Learning Management System (LMS), a training management tool that offers employees more direct access to training. Intended to improve training management and access, the LMS has been gradually rolled out in the Group since May 2012. The tool offers monitoring of training, enables employees to see what training is available in the Group, allows them to enroll in courses directly and review training histories for themselves and the employees reporting to them, and give them direct access to the platform's digital content (e-learning, languages, MOOCs, videos, podcasts, etc.).

This tool allows Vallourec University to offer customized or standard training, which can be deployed quickly at the Group's various sites for all employees connected to the LMS. These offers are part of a blended learning strategy, in which live or virtual training is prepared for or reinforced by e-learning sessions, leading to better understanding of the lessons and reducing time spent in the classroom.

Digital transformation is at the heart of Vallourec's vision and growth objectives. Leveraging digital technology is now more essential than ever, both to support performance and as well as to underpin the way teams work together. Digital transformation requires cultural change and changes in practices, and this came very quickly in 2020 in the context of the public health crisis.

Digital learning enriches the range of training opportunities available within the Group.

LMS, the Vallourec University platform that is open to all employees with a computer, enhances its offering. With nearly 4,300 different types of content available online, free of charge and at any time, it allows everyone to follow an individualized and appropriate development path.

In 2020, over 135,000 hours were spent on professional training for employees. This data collected via the unique LMS training management system includes, for classroom and digital training, data delivered at a Group level and data from the main location countries: Germany, Brazil, the United States, France, the Middle East and progressively Asia, represent a 50% decrease in volume compared to 2019.

Employees who trained at least two hours in the classroom, or who completed at least one e-learning training session

	Production staff		Technical and supervisory staff		Managers		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
GROUP TOTAL*	**59%**	**57%**	**89%**	**79%**	**100%**	**87%**	**72%**	**66%**

* *% of employees who trained at least two hours in the classroom, or who completed at least one e-learning training session by socio-professional category.*

In 2020, each Group employee completed an average of 11 hours of training, compared to 14 hours in 2019. Shorter-format distance training, which has been developing for several years, allows for rapid access to a larger number of employees. Distance training represents 24% of total training hours, an increase compared to 9% in 2019.

Type of training provided

	Total number of training hours in 2020	%	Total number of training hours in 2019	%	Change
Fundamentals & Culture	3,226	2%	7,092	3%	-55%
Leadership & Soft Skills	12,291	9%	42,327	16%	-71%
Business Expertise & Skills	119,564	89%	220,732	82%	-46%
including HSE	*54,656*	*40%*	*13,759*	*5%*	*297%*
including Languages	*8,125*	*6%*	*4,179*	*2%*	*94%*
TOTAL	**135,080**	**100%**	**270,151**	**100%**	**-50%**

The year 2020 was marked by the health crisis, which impacted all countries and led to a sharp reduction in face-to-face training hours. The reduction in headcount in the United States and smaller regional training budgets are also behind this fall. Therefore, although it should be noted that training related to operational excellence, which is at the core of Vallourec's industrial strategy, is still predominant, this training has declined sharply in line with the fall in production and industrial activity.

E-learning, digital content and virtual classes via Teams were the favored options, which fundamentally transformed usage and teaching practices. These much shorter formats are the preferred option, particularly for mandatory modules.

Therefore, 2020 marked a more mature phase in distance learning, in which new learning practices were adopted.

Digital content was enriched with input from our partners (soft skills, languages, MOOCs, videos, podcasts) and new e-learning modules were completed (induction program, management and the lifting of lockdown, incoterms, individual performance).

A digital language platform linked to one-to-one telephone courses helped to double the number of training hours.

A feedback training course was delivered via virtual classroom.

Finally, the Sourcing School, a business course dedicated to Purchasing was launched, with a skills assessment phase, a course construction phase, and an e-learning phase.

The number of training hours provided remotely was 32,282 hours in 2020, i.e., 24% of the total training hours.

Apprenticeship and work-study vocational training

To ensure the transfer and enhancement of know-how in the context of Europe's demographic imbalance, and to attract more young talent with a training program geared to the needs of its activities, the Group operates a dynamic apprenticeship program:

- in Germany with an average of 117 apprentices in 2020;
- in France where an average of 114 work/study trainees took their training course in 2020;
- in Brazil with an average of 183 apprentices in 2020;
- in the United Kingdom with an average of 20 apprentices in 2020.

4.2.2.6 Diversity and equal opportunities

Under the rollout of the Code of Ethics (see above, Section 4.2.1 "Business Ethics and Compliance"), a program to educate all employees on the issue of discrimination was completed using examples from daily life.

In France, training for managers includes a specific module on this topic.

Diversity

The Group considers that diversity drives innovation and performance, and thus constitutes an opportunity for further development. The Group's actions aimed at promoting diversity and combating discrimination are described below.

GENDER EQUALITY

Women represent 23% of Group managers and executives overall, with a higher percentage in the lower leadership positions (30%) and a much lower one at the senior management level (6%).

Since the start of 2019, a steering committee has been set up to relaunch the Women@Vallourec program. Its members meet regularly to identify the most relevant actions in order to encourage the engagement of women and develop their self-confidence, and to progress this initiative rapidly by adopting a far more operational approach.

A vision has been defined: "At Vallourec, we are convinced that diversity is key to improving innovation, performance and the quality of service to customers".

In 2020, we continued and stepped up the action taken in relation to this program, so as to meet the three priorities we set:

- attaining the same percentage of women and men at all hierarchical levels;
- providing the conditions for women to succeed;
- guaranteeing equal pay for men and women (the same pay for the same job).

The three-year plan, endorsed by the Executive Committee, is broken down into five major actions:

- develop Vallourec's pool of female talent by taking action to raise awareness and deliver training and overhauling mobility policies and processes;
- ensure that women are represented on management and steering committees;
- boost the mentoring of women (54 high-potential women mentored as of the end of 2020);
- set up flexible working conditions (by country);
- guarantee equal pay.

In 2020, a study of compensation was carried out to analyze potential disparities in pay within the Group. Representing more than 80% of the Group's workforce, Germany, Brazil, the United States and France were the countries used to calculate the wage disparity rate. The calculations were made on compensation levels as at 30 June 2020 and were based on samples of more than 20 employees for each grade in the Hay classification system. The results of this study are generally satisfactory, as they showed a Group-wide wage disparity rate of 2.5% between men and women, in favor of men. Apart from certain exceptional cases that will be corrected, the low wage disparities observed are mainly due to seniority or the role performed.

In addition, numerous regional initiatives aimed mainly at structuring a path for the promotion of women in the region at all sites were relaunched.

For 2021, Senior VPs in each Region, as well as Senior VPs in the D&I, T&I and HR departments, will have a quantified objective for gender diversity among their five individual Bonus-related objectives.

CULTURAL DIVERSITY

As an international group, Vallourec enjoys a great cultural diversity. To ensure the conditions for a harmonious and rewarding collaboration, managers involved in working with multicultural teams benefit from an appropriate training program.

Furthermore, an average of 110 employees of diverse origins have the benefit of working internationally, for a variable duration of one to three years, and in some 20 different countries.

Equal opportunities

DISABILITIES

- In Germany and in France, priority is given to keeping employees with disabilities in service by adapting positions or work hours.
- In Brazil, in partnership with the government, Vallourec Tubos do Brasil conducts a rehabilitation program to allow employees with disabilities to continue their professional activities.

4.2.3 Relations with stakeholders

4.2.3.1 Relations with employees

Commitment to responsible performance

Train and motivate our employees through skills development, recognition of expertise, talent promotion and career development

INDICATOR	2020 RESULTS
Result of the Social Barometer internal survey (employee satisfaction rate). This survey is conducted every nine months.	Based on the **75.5% satisfaction rate** that was expressed during the survey conducted in June 2020, action plans were initiated and extended both centrally and locally to meet the stated expectations.

The social policy is presented in full in Section 4.2.2 “Social policy” of this Universal Registration Document.

4.2.3.2 Relations with customers

Customer profile

The Group has an extensive customer portfolio.

- As concerns the Oil & Gas markets, its customers are:
  - national oil companies such as ADNOC, Petrobras and Saudi Aramco, international companies like ExxonMobil and Total, and independents;
  - engineering and construction oil service companies such as Petrofac, Subsea7 or TechnipFMC;
  - American distributors such as MRC Global, Pipeco, Premier Pipe and Pyramid Tubular;
  - service companies such as Baker Hugues, Halliburton, Schlumberger and Weatherford.
- On the Industry market:
  - manufacturers of industrial equipment and distributors such as Hoberg & Driesch, Klöckner, Salzgitter, ThyssenKrupp and Van Leeuwen, as well as end-users such as Horsch, Huisman, Schaeffler and Liebherr.

In 2020, the five largest customers accounted for 17% of the Group's consolidated revenue.

It should be noted that a growing number of customers are asking the Group about its level of commitment to CSR in the form of a structured questionnaire.

The Commercial Excellence program and customer satisfaction

As part of its Commercial Excellence program, the Group tries to continuously strengthen its closeness to its customers.

One of the cornerstones of this program is the management of Vallourec's strategic customers: the Key Accounts. The dedicated Key Account Managers are specifically trained and certified to create a special relationship at all levels of the customer's organization. They detect their needs and contribute to differentiated sales. The community of Key Account Managers meets quarterly to exchange views and share best practices.

Another initiative of the Commercial Excellence program is the preparation of "Value Propositions". For its different offers and on its various markets, Vallourec demonstrates the value created throughout the value chain of its customers' activities through "Value Propositions".

Sales Force Management is also a driver of this program, which allows commercial functions to be professionalized at all managerial levels of the Group, through suitable training programs.

Customer satisfaction is at the heart of Vallourec's concerns. Regular surveys are taken at our customers by the Product Lines or by the Regional sales offices in order to develop detailed knowledge of the customers' experience. During these surveys, the satisfaction rate of the customers is measured according to several criteria (response time to a request for quotation, quality of technical support, quality of products and services, offer range, and lead times). When a gap between expectations and Group performance is detected, actions are taken to improve satisfaction or, where applicable, to remedy dissatisfaction.

This approach is inseparable from the Group's efforts to raise the level of quality of its products as well as that of the associated services. Claims are systematically and fully processed.

4.2.3.3 Relations with subcontractors and suppliers

In order to prevent, identify, and mitigate the risks created by business relationships in corporate social responsibility issues (including the risk of corruption) described in Section 4.1 "Oversight plan" and in Section 5.1 "Risks factors" of this Universal Registration Document, the Group has developed and is implementing a responsible purchasing policy.

Commitment to responsible performance

Establish a network of reliable and responsible suppliers

INDICATOR 2021

% of the quantity of purchases from suppliers involved in the formal CSR appraisal process.

2020 RESULTS

As at 31 December 2020, **more than 1,507 suppliers** were involved in Vallourec's CSR evaluation process. The number of suppliers, with expenditure in 2020, having undergone a CSR report rose by 25%, increasing from 590 to 737, with a continued focus on emerging countries and recent regions for Vallourec (such as Asia and the Middle East and certain categories of suppliers in Brazil). The quantity of 2020 purchases from these 737 suppliers represents 58% of Vallourec's total expenditure. As at 31 December 2020, 61% of suppliers with revenue of over €1 million and deemed to be "critical", i.e. directly impacting Vallourec's output or its production process, conducted a formal CSR assessment.

2021 OBJECTIVE

Ensure a minimum of 60% of Vallourec's purchasing continues to be covered by suppliers with a formal CSR evaluation, by making sure that priority is given **to suppliers considered as "at risk"** in the following categories: monopoly/dependency status, financial health, capacity, quality, human rights, environment, corruption, and those that qualify as sole suppliers. Suppliers having undergone a CSR evaluation more than three years ago or suppliers having obtained a low score will be specifically monitored.

In 2020, the Group's purchases totaled €2,191 million, i.e. a 22% decrease compared to 2019. They break down geographically as follows: 43% in Europe/Africa, 16% in North America, 30% in South America and 11% in the Middle East/Asia. The significant proportion of purchases in Europe/Africa is due to a sharp fall in activity in North America and the Middle East/Asia, as well as by an exchange rate impact in South America.

National purchases

Vallourec ascribes specific importance to the local, economic and social impact of its activities on the neighboring and national populations.

National purchases, which totaled an estimated amount of nearly €1.860 billion in 2020, represented approximately 84% of purchases and directly contributed to supporting the national economy.

Subcontracting purchases for operations and maintenance represented an amount in the order of €138 million. These concerned either industrial finishing or control services, or services needed for proper operation. Subcontracting purchases were for the most part local, given the quality and responsiveness requirements that providers must satisfy. Services correspond to a significant number of highly qualified jobs that helped strengthen the local industrial fabric, although it is not easy to evaluate their number. A significant part of local subcontractors was taken into account in the CSR evaluation of Vallourec's suppliers.

Responsible purchasing policy

Vallourec's Purchasing function is organized for optimal supplier management, consistent and centralized governance, and shared deployment of tools and processes to all Group entities. This structure, which supports the line management teams and clarifies processes, is based on an analysis by type of purchase to facilitate the implementation of synergies.

Within this framework, a Supplier Quality and Performance Department established several tools and processes in recent years which aim to best monitor suppliers, their selection and their performance: creating purchasing strategies by category, a formal contracting process, management of supplier quality, measurement of supplier performance, and supplier risk analysis. All of these new processes directly emphasize criteria such as Corporate Social Responsibility (CSR), sustainable development, ethical conduct, anti-corruption and safety.

In 2020, pursuant to this policy, Vallourec:

- conducted fewer audits at all of its sites, due to the public health climate associated with Covid-19, and maintained the level of supplier risk analyses carried out. This work will be continued in 2021, insofar as health restrictions permit. Vallourec will use improved audit guidelines, still very significantly integrating the criteria on sustainable development, ethics and safety;
- continued the formal and systematic evaluation of suppliers based on CSR criteria, still with the assistance of the same specialized firm. As at 31 December 2020, 737 suppliers representing more than 58% of Vallourec's expenditure conducted a complete assessment, along with progress action plans. The assessment showed that 45% of the suppliers evaluated already publish a formal report on their energy consumption and greenhouse gas emissions, 42% publish a report on their health, safety and environment (HSE) indicators, and 32% are ISO 14001 certified;
- continued and perfected a specific innovative process to anticipate supplier risks. A scorecard on the subject matter is continually updated and reviewed quarterly by the Group's Purchasing Department Committee. In 2020, this monitoring allowed the risks identified for the Group's global suppliers to be addressed or eliminated. Furthermore, several e-learning training modules are available to train buyers and their internal customers in all aspects of supplier risk;
- used the full power of its unique and central Purchasing information system, which facilitates integrated management of purchases and suppliers, with visibility at all levels, from local to global. This system contains in particular a specific data sheet for each supplier in which sustainable development and safety criteria feature strongly. It also allows supplier development and improvement action plans to be managed.

Vallourec's requirements regarding sustainable development, ethics and safety are always one of the main messages delivered to the Group's largest suppliers.

In accordance with US law and European directives, Vallourec has also committed to monitoring any potential conflict minerals originating from certain African countries, which may be used by its suppliers. The Group's policy consists (i) of making sure, in accordance with the Group's Code of Ethics, the Sustainable Development Charter and the Environmental Policy, as well as the Anti-Corruption Code of Conduct, that none of these minerals is used directly or indirectly and (ii) where certain cases are detected, that solutions are found to replace them. This oversight campaign was more targeted and its response rate increased from 36% to 53%. These suppliers were all subject to this survey's analytical matrix. The summary of responses to the questionnaires sent out and analyzed using special software enabled us to identify that some of our suppliers indicated that they were working with at-risk foundries, and an action plan is in progress. Monitoring will be strengthened further in 2021.

Anti-corruption actions

All suppliers are aware of and have access to the Group's Code of Ethics and Anti-Corruption Code of Conduct, particularly through Vallourec's website. Furthermore, by accepting the general purchasing conditions, the suppliers formally promise to manage their activities in conformity with the values and principles of the Code of Ethics. Vallourec's systematic evaluation of suppliers based on CSR criteria, initiated in 2013 (see above), showed that 50% of Vallourec suppliers already evaluated (compared to 48% in 2019) have also formally put in place an Anti-Corruption Code of Conduct, and 39% are putting in place an active whistleblower system.

Moreover, as concerns relations with local stakeholders and suppliers, in 2020, there were no comments or complaints related to respect for the values set out in the Group's Code of Ethics.

Vallourec's Anti-Corruption Code of Conduct reminds its employees, including buyers, of the conduct to maintain when interacting with suppliers, the rules to be respected in terms of corporate gifts and invitations, and the rules concerning conflicts of interest. All members of the Purchasing structure have undergone training on the Anti-Corruption Code of Conduct and associated risks, and this code has also been sent to all Vallourec suppliers. Vallourec Integrity Line, a whistleblowing system that can be accessed in eight languages through a secure Internet platform is available to employees and stakeholders, including service providers and suppliers.

4.2.3.4 Support of the local socioeconomic fabric

Socioeconomic impact of the Group's activity

In an effort to better determine the global impact of its activity, in 2017 the Group finalized a study, based on 2016 data, with a specialized provider to assess the Company's socioeconomic footprint, meaning to measure our contributions to the regional economies through the amount of our supplier orders, the expenses of our employees, and the taxes and duties paid. The Local Footprint® model used, with 20% precision, is based on national accounting methods. The main results concerned direct jobs (full-time equivalent) in the Company, the indirect jobs created in its supply chain based on the analysis of the purchasing volume, and those ultimately created in the regional economies. The study also highlighted the total GDP created in the main countries where the Group is present.

Data was collected in the main countries where Vallourec has operations, namely Germany, France, the United States, Brazil, China, Mexico, the United Kingdom, Indonesia, Saudi Arabia and Mexico. This study thus allowed us to consider approximately 90% of the Group's economic scope. For the 2016 scope, the payroll was €949 million and purchases were €2,207 million. The study examined these purchases according to 13 categories, because the effects obtained differed from one to the next. In short, the Group, which employed 18,000 people, thus supported more than 160,000 other jobs globally, i.e., a job creation factor of 9, which is in the high range, precisely given the quality of those jobs. The GDP created worldwide reached €6 billion for added value of nearly €860 million, i.e., a multiplying factor of nearly 6. For example, the Group made the most purchases in Brazil and Germany and it was in these two countries that the Group generated the most jobs, i.e., 63,000 and 21,000 respectively.

Vallourec can thus claim to create significant value benefiting its stakeholders. It can also be considered that the Group's socioeconomic impact in 2020 was slightly greater than what is noted above, since 2016, which was used as the reference, was also a year of low activity as in 2020, although the industrial footprint has since changed. It will thus be desirable to conduct the study in question in the upcoming years.

Local community support policy

Valourec has initiated numerous relationships with local stakeholders in its activities, such as professional organizations and local authorities, residents' associations and groups with a social or environmental objective related to its sites' activity. Although no overall systematic evaluation of the quality of relations between our sites and the local communities has yet been performed, relationships are considered to be good and no conflicts have arisen. Social actions to benefit local stakeholders are mainly conducted in countries such as Brazil and Indonesia where the expectations of the local residents are strongest and where social systems are less developed than in Western countries. With the exception of these two countries, the Group receives few requests for support, even from China.

In accordance with issued recommendations, the local level has until now had the autonomy to determine the actions to be taken, with the approval of management and focusing on the following guidelines, which are included in simple recommendations at the Group level.

It should be mentioned that the five-year strategic plan to promote sustainable development provided for establishing a more formal framework for social actions. With the aim of furthering discussion on the subject, an exhaustive list of actions taken at all sites was made in 2015 and 2016. After internal consultation and based on the recommendations of a specialized consultant, in 2017 the Group prepared a new action policy to support local communities, which was approved by the Executive Committee and began to be rolled out in 2018. This new policy includes three cornerstones established by the Group: education (and, in particular, the subjects of science, digital and essential knowledge), support for initiatives to preserve the environment, and encouragement of employee volunteer involvement. Therefore, volunteer employees may take time off to get specifically involved in an initiative supported by the entity or even lead such initiatives. Each site must aim to construct a medium-term project associated with a budget, to be validated by the managerial chain, and must encourage volunteers to get involved. Its practices must converge toward the cornerstones set by the Group in a certain number of years and it must ensure that they respect the specific prohibitions identified. Lastly, governance of these actions will be formalized at the level of each site, or even at the level of site groups that operate close to one another.

At the Group level, a specialized committee will evaluate the actions conducted and to be completed once a year and will disseminate a specific guide on best practices.

Actions taken in favor of local communities

In 2020, resources devoted to financing various partnerships were approximately €3 million, a slight reduction compared to 2019 (€3.2 million), given that exchange rates were generally stable, with the exception of Brazil, where the real fell by 31%. This reduction is directly linked to the Covid-19 health crisis, which has impacted all countries. The vast majority of employees continued their activities remotely, which did not allow them to become as involved in working alongside local communities as in years past.

The survey on employee engagement was conducted in conformity with the new principles outlined above. The employees volunteering for some of the initiatives numbered 446, a sharp drop compared to the 1,600 employees involved in 2019 given the constraints related to the health crisis and lockdown. The volunteer employees were primarily located in the United States and Brazil, with the rate of employee engagement decreasing from 8.6% in 2019 to 2.7% of the workforce in 2020. It should also be noted that some employees took part in several initiatives.

The analysis of all initiatives showed a number of actions that are worth highlighting:

a) In Brazil, due to historic, cultural and regulatory reasons, and because the Barreiro site is located in the middle of a very urbanized district in Belo Horizonte, relations with local stakeholders, particularly low-income populations, have for several years followed a structured monitoring process in close collaboration with local authorities. These actions benefited from tax incentives. The very numerous actions include economic development, cultural, sporting and health programs. In 2018, Brazil was the country where the involvement of local stakeholders was by far the strongest, and actions were carried out at all active sites taking local characteristics into account. For example, discussions with the local residents of the Brumadinho mine (Mineração) area were conducted, thus allowing any environmental concerns to be clarified and the implications for the local economy to be explained.

We can list among the 31 reported actions whose influence is quite remarkable:

- the outstanding effort over the past several years to restore a historic movie theater in the city center has allowed the Belo Horizonte metropolis to become a major cultural center; the *Cine Theatro Brasil Vallourec* has become incredibly successful and has welcomed nearly 240,000 visitors in 2018 for arts activities including exhibitions, and dance, music and theater shows. As in 2017, support for the operation of this establishment is the most important action that was carried out in Brazil;
- financial support to several hospitals and donations of equipment for protection against the Covid-19 epidemic;
- the specific *Comunidade viva* school support program: this program, running since 2005, has demonstrated its effectiveness: during the 2011–2015 period, nearly 6,000 young people directly benefited from the programs, and more than 10,000 benefited indirectly, in particular the families of employees. The practical results are longer schooling and an increased rate of integration into the workplace, accompanied by a very considerable increase in family income;
- "Education volunteers", who provide educational support directly to nearly 700 young children, in particular for basic knowledge;
- numerous ongoing social and educational projects and support for encouraging young people to do sports, such as theater and circus workshops;
- the mobilization for support of the elderly;
- the financing of an educational program to raise awareness of the environment and biodiversity.

b) In the United States, there were almost 44 initiatives of very diverse amounts mainly oriented toward supporting local initiatives for education (program for the development of engineering studies for women, career advancement), health (blood donations) and disadvantaged people (food banks, clothing donations).

c) In Europe, given the level of development of social infrastructures, corporate initiatives are for limited amounts and tend, in general, to support university, cultural and sports initiatives, to finance social and charitable causes, restore cultural centers, and support the local economic fabric.

- In the region of Valenciennes and Aulnoye-Aymeries in France, Vallourec is investing alongside the *Capital Filles* association to encourage young women to take up industrial studies. At the instigation of employees, 22 female employees at Valenciennes and 26 (including two men) in Aulnoye have committed to becoming sponsors within the *Capital Filles* program. For each sponsor the aim is to support a female high-school student from a partner establishment over the course of one year, to help her choose a plan for the future that she can call her own and in which she can develop, while also showing her the world of work.
- In the Montbard basin in France, the Group renewed its participation in the actions of the "Metal Valley Rural Excellence Division" program, which focuses on education for professionals.
- In Scotland, Vallourec participated in information campaigns for safety in schools and in an association that helps disabled people. Employees have also worked in schools to guide students in the use of computers and digital tools.
- In the Düsseldorf region of Germany, Vallourec supports cultural and sports associations.

d) In Indonesia, the subsidiary PT Citra Tubindo Tbk has been committed for many years to educational, medical, social and athletic support programs for the population, which in particular benefit children and some orphanages. P.T. Citra Tubindo Tbk has also developed and financed a program known as "VALERIE", which is designed to develop the pedagogical competence of schools that provide professional training, from which the underprivileged children of the Nongsa district most often benefit. Environmental projects such as tree and plant flattening were financed. Donations of equipment to protect against Covid-19 (thermometers, masks, protective screens and tests) were also made.

e) In Africa, in Nigeria, the Group participated in the support of patients in palliative care and patients with Covid-19.

4.2.3.5 Relations with shareholders and investors

The Group's priority is to maintain lasting, trustworthy relations with all its shareholders, whether individual or institutional, French or foreign. It strives to give them access to exact, precise and accurate information, particularly with regard to its activities, results, outlook and strategic developments. Accordingly, and with ongoing concern for clarity and transparency, numerous dedicated communications media are available, and regular meetings are arranged throughout the year. For example, the Group annually presents its actions on a certain number of jointly identified topics to Bpifrance Participations.

In 2020, the Group participated in 100 meetings and telephone conferences with institutional investors and financial analysts. Each year, it also meets with SRI (Socially Responsible Investment) funds and analysts. This approach contributes to the Group's improvement in the area of sustainable development.

The Group maintains an ongoing dialog with its individual shareholders through various communications media and channels. Accordingly, Vallourec's Shareholders' Club notably allows them to participate in information meetings to deepen their knowledge and understanding of the Group's activities. However, no physical meetings of the Shareholders' Club took place in 2020, due to the health crisis.

The entire scheme used by the Group for shareholders and investors is presented in Sections 2.6.2 "Relations with institutional investors and financial analysts" and 2.6.3 "Relations with individual shareholders" of this Universal Registration Document.

4.2.4 Environmental commitment

The main environmental risks are described in Section 5.1.2 "Operational risks" of this Universal Registration Document.

This chapter contains a description of the Group's commitment and its policy from an environmental perspective. It then presents four key issues, i.e., environmental footprint and the use of resources for production purposes, including water and energy, the environment impacts from the Group's activities including waste management, the problem of climate change, and biodiversity.

The environmental data included in the environmental reporting for 2020 concerns all of the subsidiaries controlled by the Group.

At the level of each production site, the majority of the ratios are established using metric tons processed (steel or tubes), in other words the sum of production from the various units, which are considered independent production workshops. This concept better accounts for the level of activity of the production units than metric tons shipped for two reasons: on the one hand, it is more representative of the flows and stages of production, and on the other, it is less affected by changes in inventory. At a Group level, ratios are expressed mainly in metric tons of tubes shipped (sold) in order to avoid multiple counts.

As has been the case since 2018, the Group chose to consider Vallourec's activity to consist of several business lines that all contribute to achieving the objective of manufacturing seamless steel tubes, and providing the associated services. This "sector-specific" approach is found in the structure of the Carbon Disclosure Project (CDP) "Climate" questionnaire, to which Vallourec responds every year, and in the "Science-Based Targets" approach Vallourec has adopted.

Accordingly, the Group's "Metal Processing" business line requires mastery of the following four activities:

- "Mine": extraction of iron ore from the Vallourec Mineração mine to supply the Brazilian steel mills (the Pau Branco mine is located in the State of Minas Gerais. It has a total area of 1,373 hectares, of which 32% is industrial area, 20% is an environmental protection region, and 48% is unused space);
- "Forest": operation of a eucalyptus forest in Brazil (Florestal) and manufacturing of charcoal to supply Brazilian blast furnaces and the Jeceaba pelletization unit;

- "Iron and steel":
  - manufacture of iron ore "pellets" to supply the Jeceaba steel mill. Vallourec operates a pelletization unit there to improve the yield of the blast furnaces. This facility, which operates at nominal capacity, also supplies other Brazilian steel manufacturers,
  - production of steel in the United States and Brazil to supply steel billets to the rolling mills;
- "Tubes": manufacture of seamless steel tubes and their accessories (connections, etc.) in rolling mills, heat treatment units, finishing units, and the associated services provided to customers.

On a like-for-like basis, the Group's production expressed in metric tons processed fell from 5,027 kilotons (steel and tubes) in 2019 (a figure revised downwards compared with the one published in 2020 following the correction of double counting at Vallourec Star Youngstown's finishing workshops) to 3,519 kilotons in 2020, or by 30.0%, which can be explained by the economic and health crisis (Covid-19). During the same time, the tube sales volume went from 2,291 kilotons in 2019 to 1,599 kilotons in 2020, which represents a 30.2% drop.

4.2.4.1 General environmental policy

Vallourec's manufacturing policy is to minimize the impact of its activities on the environment. This commitment is clearly explained in the Sustainable Development Charter published by the Group in 2011, and in the Group's Environmental Policy, which was signed by the Chairman of the Management Board and published in 2014. Vallourec strengthened its commitment to the climate by cosigning in mid-2019, along with 98 other French businesses, a new version of the "French Business Climate Pledge", to contribute to a low-carbon economy. It also published its carbon policy in early 2018 (see below).

In 2013, Vallourec created a multi-year environmental roadmap for the sites of each of its industrial divisions. These roadmaps constitute a strategic environmental plan and identify targeted environmental projects (energy, water, waste, chemical hazards and noise) whose purpose is to minimize the Group's environmental footprint. They focus on defining objectives, determining the necessary resources (including capital expenditures to be made), promoting progress and cost savings, and setting priorities. They are monitored regularly and updated each year.

Environmental management

In accordance with Group rules and guidelines, the Director of each site is responsible for setting up an effective environmental management system that is tailored to the local context and the site's activity. The Director appoints an Environment Manager who heads up all actions in this area and functionally reports to the HSE Director of each region. The "Corporate" Environment procedures are regularly updated and may be accessed at all plants on a dedicated portal.

The Environment Department, reporting to the Sustainable Development Department, coordinates all environmental initiatives. It is supported by the Environment Managers of the regions and production sites, who are responsible for implementing Vallourec's policies through:

- uniform management of environmental performance, risks, projects, communications and sharing among all Group entities;
- incentives for entities to improve their environmental performance; and
- development of environmental competencies.

These structures exist in all of the countries. The objective of this department consists of structuring the organizations by region or country in order to better take into account the specific national regulations. Under the Transformation Plan, the global workforce now totals approximately 50 full-time equivalent people for the Group as a whole, grouping together the management of the environment, energy and chemical products.

Exchanges among the countries are continuing to develop, fostering significant progress thanks to the benchmarking of performances and solutions, particularly during regional environmental conferences.

The Environment Department is also responsible for coordinating and monitoring these actions to share best internal practices, and in particular for gathering and consolidating all of the Group's environmental data. The results are consolidated and communicated monthly to the sites, the management line, and to the Executive Committee members, in the form of a report that is specific to each Region and entity.

Since 2016, the Group has been using a new IT application to manage safety and environmental *data*. This application simplifies the collection and verification of data and offers new features to the sites that help them with their own local reporting.

In view of facilitating communications between environmental managers and promoting the sharing of best practices, the Environment Department has rolled out a specific application based on a social networking service.

I – AUDITS AND CERTIFICATIONS

Internal environmental audits are regularly organized in each country to assess compliance with regulations. Specifically, the Performance & Risk audit evaluates performance and risk levels for each environmental concern as well as the energy and environmental management systems (EEMS) in place. The results are used to identify priorities and corresponding action plans. These audits are part of the process of preparing for certification audits, which are now comprehensive, in other words, simultaneously concerning environmental, energy, quality and safety procedures at the regional level. At the end of 2020, 91% of all of the Group's sites were ISO 14001 certified, which represents more than 96% of production.

In this context, support is provided to conform to the new ISO 14001-2015 standards as concerns aspects of stakeholder mapping and product life cycle analysis.

Each year since 2011, the Group has identified a site deserving of the "Environment Award".

In 2020, the human and economic consequences related to the health crisis (Covid-19) did not permit us to organize this event and also forced us to postpone many commitments such as some audits, field visits and optimization projects.

On 30 September 2020, Vallourec Star LP, a Vallourec subsidiary based in Youngstown (Ohio), was awarded the first Encouraging Environmental Excellence award by the Environmental Protection Agency (EPA) of the State of Ohio for its environmental program and activities as a whole, which go beyond regulatory compliance requirements in terms of waste reduction and improving environmental performance.

The environmental authorities highlighted the remarkable achievements of the site, in particular:

- a waste recycling rate of over 90%;
- by-product reuse and minimization of landfilling equivalent to over 40,000 metric tons since 2018;
- efforts to reuse more than 95% of water on site, efficiency of wastewater treatment and reduction of consumption;
- continuous progress as a fundamental value.

In addition, the agency placed particular emphasis on Vallourec Star's Carbon-FreePower certificate, which guarantees that 100% of the electricity the company buys from EnergyHarbor will be low-carbon during the period from 1 January 2020 to 31 December 2024, thus helping to reduce the carbon footprint of the tubes produced by Vallourec Star.

II – LEGAL COMPLIANCE

Regular audits are performed by outside specialists to assess compliance of the production sites' activities with statutory and regulatory requirements, on top of the periodic checks carried out by the environmental authorities.

In 2020, the Group recorded two formal notices across all of its sites from local authorities:

- in France, at Vallourec Oil and Gas, due to non-compliance with respect to fire protection;
- in China, at VAM Changzhou, due to a concentration of phosphorus in their waste water exceeding the authorized limit in April 2020.

The sites in question have lifted these injunctions through the following actions:

- France: installation of new fire hydrants;
- China: repair of the water treatment plant and implementation of a weekly cleaning routine to prevent reoccurrence of the incident.

Through the regular and systematic review of regulatory developments, actions implemented in the context of continuous improvement, new investments or organizational changes can be developed or updated. In France, an environmental regulatory watch has been in place for several years on a dedicated intranet portal, accessible by all production sites. This portal facilitates access to useful information. Equally, the Group shares its procedures, which are also updated periodically.

III – TRAINING AND EDUCATION

Employee training and education on the environment, sustainable development and energy efficiency are carried out in the plants through poster campaigns, periodic publications, briefings and compliance programs, among other measures. The Global Legal Compliance Program, developed and coordinated by the Group's Legal Department, has an educational component on compliance with environmental regulations (see above Section 4.2.1 "Business Ethics and Compliance").

In 2020, the total number of training hours in the field of health, safety and the environment listed in the LMS system (including classroom training at the Group level and those in the main location countries: Germany, Brazil, United States, France, Middle East and China) totaled 54,656 hours, compared to 13,759 hours in 2019. They represented 40% of the total training time (135,080 hours).

IV – INVESTMENTS

The Group systematically incorporates sustainable development concerns in designing its projects. In particular, a health, safety and environment (HSE) analysis is conducted upstream to assess the potential impacts and anticipate environmental risks.

A procedure on eco-design rules has been in place since 2015 as part of the overhaul of major project governance and was updated in 2018. Since 2019, it has been extended to R&D projects. It is intended to verify the best practices and techniques available for design that meets HSE challenges in the following main areas:

- regulatory compliance and impacts on administrative authorizations;
- water management through recycling and recovery of rainwater using storage basins, and better quality through more efficient wastewater treatment plants, along with a reduction in the volumes of water discharged;
- waste management through improvements in collection, sorting and recycling;
- reduction of atmospheric emissions via continuous improvement of capture systems, as well as carbon emissions. To that end, since early 2017 the most important projects are required to apply a single global price to carbon emissions of €40/metric ton in order to evaluate the sensitivity of these projects' profitability to the existence of carbon pricing systems, which are likely to develop at world level under the latest COP recommendations. This allows the final decision to be influenced, above all if the project is structured and falls within the medium/long-term activities development policy;
- the optimization of energy consumption through the establishment of best practices, smart metering tools, in a structured process of ongoing improvement;
- potential impacts on biodiversity and consideration of the consequences of climate change;
- reduction of noise inside and outside the plants by emphasis on cutting noise emissions at source;
- safe use of chemical products with the goal of restricting the use of the most hazardous products;
- preventing the risks of occupational illnesses and improving the ergonomics at workstations.

In the context of R&D projects, special attention is paid to the supply chain and to the use of the future products.

In addition to confirming that the general principles above have been applied, some projects are clearly aimed at improving work conditions or reducing environmental impact. They concern:

- improvement in working conditions (ergonomics, noise reduction, lighting and heating, etc.);
- ensuring environmental compliance of work equipment (filtering, fume extraction, water and gas networks, fire protection systems and product storage, etc.);
- reduction in energy consumption (furnaces and heat treatment, lighting, insulation, etc.);
- improved water management (recovery and recycling, purification plants, etc.);
- forest management operated by Vallourec Florestal (reforestation, carbonization furnaces, etc.);
- decreased use of hazardous chemical substances (partitioning, extraction, substitution, etc.);
- limiting atmospheric emissions;
- layout and safety of plants in terms of roofing, roads and parking.

In 2020, HSE investments reached €44.2 million, i.e., approximately 31% of the Group's total investments, compared to 22% in 2019. They therefore represent a significantly higher amount than last year.

The 2020 health and economic crisis hindered the development of new major projects. However, we benefited fully from the improvements initiated in 2019 in the pelletization unit in Jeceaba, Brazil (partial substitution of natural gas with charcoal dust) and the tempering furnace at our Muskogee site in Oklahoma (change of gas burners, new regulation, change in the design of the heating area).

The teams in our plants have also worked on optimizing production schedules and processes to adapt to periods of under-activity to the extent possible in order to limit the number of shutdowns/restarts and reduce the fixed share of energy consumption (electricity, natural gas and compressed air) as much as possible.

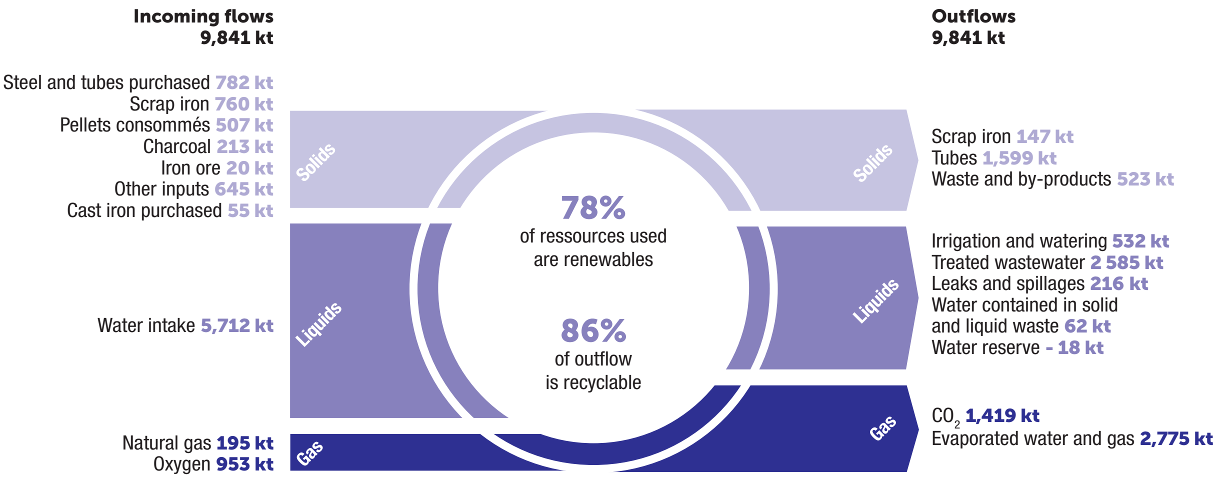
By way of example, we cite a few major accomplishments:

- in Brazil: optimization of the activity between the two VSB Barreiro and VSB Jeceaba sites;
- in Indonesia (PTCT): updating of the thermal balance of the tempering furnace;
- in Youngstown (USA): installation of LED lighting in the halls of the FQM rolling mill, optimization of the operation of facilities to reduce energy consumption, reinforcement of the program to combat compressed air leaks, and new settings for the fans on the dust removal filters to reduce electricity consumption;
- at the tube mill in Saint-Saulve (France): adjustment of the tempering furnace burners, which reduced instantaneous natural gas consumption by 15%.

4.2.4.2 Environmental footprint

I – RAW MATERIALS FOOTPRINT

Since 2013, the Group has conducted an analysis of all mass flows necessary for tube production at all its industrial sites. The activities of Vallourec Mineração Ltda (iron mine), of the Jeceaba pelletization unit and of Vallourec Florestal (forest) are thus recorded in proportion to the iron ore and carbon productions used for Vallourec's internal steel production in Brazil and appear as *inputs.*



In 2020, the sales volume of 1,599 kilotons of tubes required the consumption of 9.84 million metric tons of different kinds of inputs, down 16% compared to 2019 (11.7 million metric tons). In relative terms, this represented a decrease from 5.1 metric tons of inputs per ton of tubes shipped in 2019 to 6.2 metric tons in 2020.

Water intake represented approximately 58% of total resources (54.6% in 2019). This observation demonstrates the importance of managing the water resource correctly. By 2025, Vallourec has set itself the goal of reducing its water intake by 10% compared to 2017, particularly through the use of rainwater (see examples), and the recycling and reuse of wastewater.

It should also be emphasized in this regard that:

- 78% of the resources consumed are renewable (scrap, charcoal, water and oxygen), demonstrating the limited nature of the Group's net environmental footprint. This figure was 81% in 2019. This deterioration can be explained by the increase in the share of purchased steels (10% to 14%) in Europe and China, steels manufactured overwhelmingly (82%) by the cast iron industry with blast furnaces that consume iron ore and fossil fuels. In 2020, the extraction of non-renewable resources represented 138% of the sales volume (this figure was 94% in 2019);
- 86% of production-linked outputs (tubes, scrap metal, waste, water) could be considered recyclable. This rate was 86% in 2019.

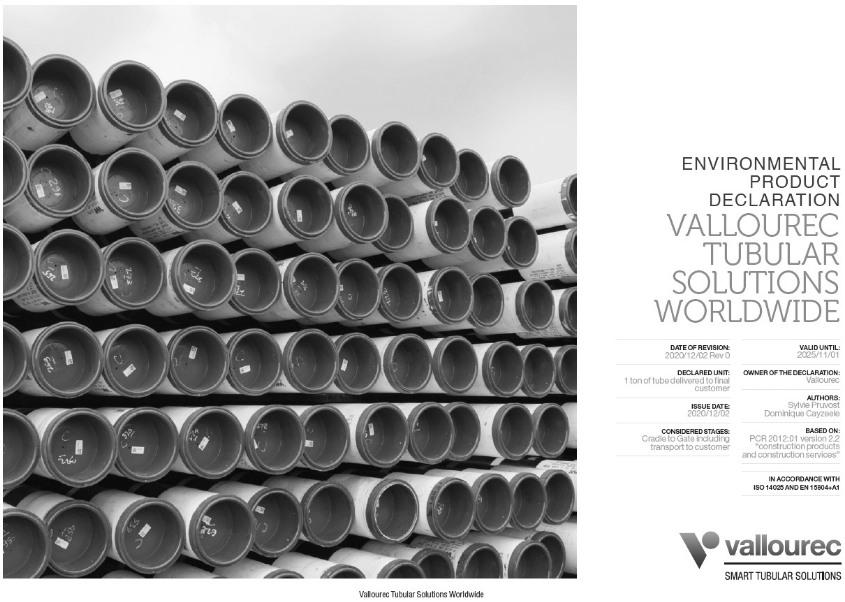
Record of the raw materials footprint

	2016	2017	2018	2019	2020
Input/output *(kt)*	8,988	10,786	12,843	11,739	9,841
Production shipped *(kt)*	**1,281**	**2,256**	**2,364**	**2,291**	**1,599**
% renewable resources	86	85	80	81	78
% ratio of shipments/input *(%)*	14	21	18	20	16

II – LIFE CYCLE ANALYSES

In 2013, the Group also performed a life cycle analysis of two typical products in the Oil & Gas activity (tubing and casing) in cooperation with an important end customer. The 10 key impacts evaluated (including carbon, energy, water, resource depletion, toxicity, eutrophication) demonstrated the weak relative impact of the Group's products. The goal is to continue these analyses on other products, in cooperation with other customers, when they so request. To this end, with the aid of an outside consultancy firm, since 2017 the Group has developed a specific IT tool designed to perform these types of analyses for products that are already available on the market or that are being created through R&D programs. This software program has also been successfully used by several production sites to refine the life cycle analyses of their main production as part of their 2015 ISO 14001 certifications. Since 2019, this "eco-design" approach has been systematically used to evaluate R&D projects.

In 2020, Vallourec studied of the life cycles of its products in greater depth, from the cradle to the customer's door ("cradle to gate") and chose to publish the results in the form of an Environmental Product Declaration (EPD) in accordance with ISO 14025 and EN 15804+A1. This work will continue in 2021 with the preparation and publication of new EPDs specific to certain product lines, including the Oil & Gas markets with OCTGs and PLPs.



III – ENVIRONMENTAL IMPACT INDEX

In 2019, the Environment Department introduced a composite indicator, the Environmental Impact Index, to monitor the Group's performance and the progress achieved in the following three areas:

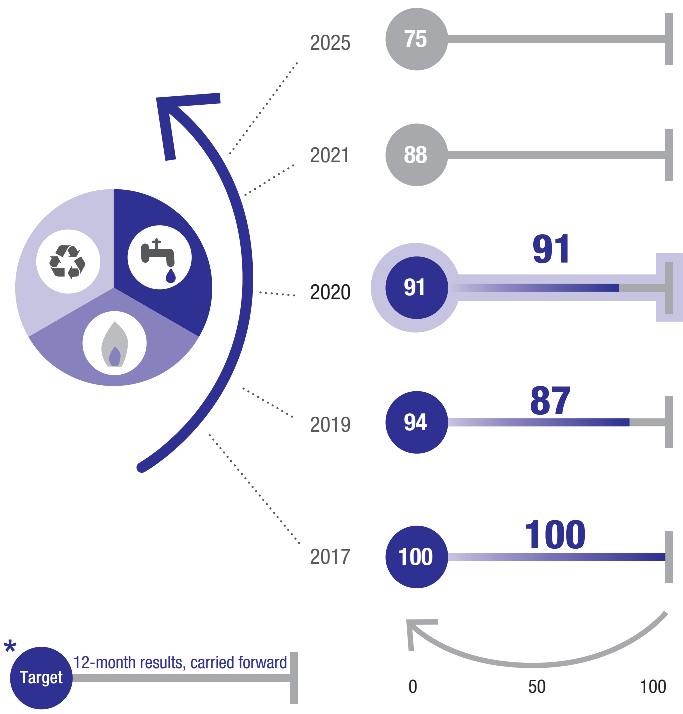
- gas and electricity consumption and the corresponding CO_2 emissions;
- water intake;
- waste recovery.

This index was set at 100 in 2017, which was selected as a baseline. Vallourec has set itself the goal of reducing this index to below 75 by the end of 2025, by reducing its specific consumption of gas and electricity, purchasing less carbon electricity, reducing its water intake and improving its waste recycling.

For 2020, the Environmental Impact Index was calculated at 91%, in line with the 91% target set, despite the deterioration in energy performance due to the sharp drop in activity at our plants (-30% on average).

The target for 2021 is 88%.

Environmental Impact Index (%)*



4.2.4.3 Use of resources

I – CONSUMPTION OF RAW MATERIALS

The steel used by Vallourec to manufacture tubes is prepared in part by the Group's steel mills, and in part by outside purchases of steel ingots and bars.

Internally, two processes are used: the blast furnace process in Jeceaba (Brazil) and the electric process in Jeceaba and in Youngstown (United States). Thanks to these internal processes, the Group is on the one hand promoting the use of charcoal produced from its Brazilian eucalyptus forest and, on the other, recycling scrap.

To increase the efficiency of these processes, the steel mills are trying to precisely document their internal manufacturing rules and their requirements so as to obtain different steel grades while maximizing the furnaces' energy efficiency.

Internal production and steel purchases in 2020

	Inputs for blast furnaces			
Plant *(tons)*	**Iron ore**	**Pellets**	**Charcoal**	**Cast iron produced**
VSB Barreiro	-	-	-	-
VSB Jeceaba	20,144	506,691	212,754	288,675
TOTAL	**20,144**	**506,691**	**212,754**	**288,675**

	Inputs for electric steel mills			
Plant *(tons)*	**Cast iron purchased**	**Scrap iron**	**of which % of internal recycling**	**Scrap and cast iron used**
VSB Jeceaba	45,434	408,286	26	742,395
Youngstown	9,484	351,275	11	360,759
TOTAL	**54,918**	**759,561**	**19**	**1,103,155**

As a reminder, the blast furnace and steel mill in Barreiro, Brazil, finally shut down on 15 July 2018. Steel production has now been transferred to the Jeceaba site, which has restarted its own blast furnace.

In 2020, the total internal recycling rate for scrap was 19%, compared with 17% in 2019.

The electric process (Youngstown and Jeceaba steel mills) accounted for 69% of Vallourec's internal steel production this year, compared with 71% in 2019, a stable figure that contributes to the reduction in the use of natural raw materials due to the recycling of scrap metal.

In Brazil, the share of scrap metal supplied to the electric arc furnace rose from 53% in 2019 to 55% in 2020, due mainly to the shutdown of the Jeceaba blast furnace in June 2020.

As for steel purchased in 2020 in Europe and China, the "blast furnace" process's share was 82%.

All kinds of steel combined, both produced and purchased, the electric process's share rose from 43% in 2019 to 48% in 2020.

II – WATER INTAKE

The Group considers water management to be one of its major challenges due to its importance to the well-being of populations, the risks of competing usages, shortage, and because water quantitatively represents the main resource needed for the Group's production processes.

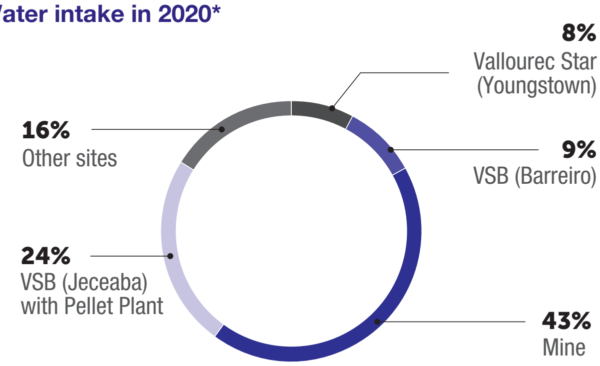
In 2019, this commitment was shown by Vallourec's decision to respond for the first time to the "Water questionnaire" of the Carbon Disclosure Project (CDP). In 2020, we renewed our commitment and obtained a B rating, which reflects the quality of our management in this area.

Water was mainly used for:

- operation of the Florestal eucalyptus forest (Brazil);
- extraction of iron ore from the Vallourec Mineração iron mine and manufacturing pellets in Jeceaba;
- cooling hot machinery (steel manufacturing and rolling tubes);
- cooling tubes after heat treatment;
- solidifying liquid steel (continuous cast);
- surface treatments, hydraulic operations, non-destructive tube tests and cooling of other tools in the manufacturing process;
- emptying of dissolved or undissolved process substances;
- sanitary uses of personnel employed at the sites.

In 2020, all of the water used for the Group's entire scope totals nearly 10.7 million m^3, of which 0.9 million comes from rainwater recovery. In 2019, this volume was 9.9 million m^3, rainwater included. Of this amount, 40% concerns the mine, for which the recorded water comes from pumping in groundwater extraction wells, and this water is mainly immediately released back into the natural environment.

Water intake in 2020*



* *Excluding rainwater.*

a) The mine

The Vallourec Mineração "Pau Branco" iron mine is located on the territory of the cities of Nova Lima and Brumadinho, in the State of Minas Gerais (Brazil). It has a total area of 1,373 hectares, of which 32% is industrial area, 20% is an environmental protection region, and 48% is unused space.

At this stage, it is interesting to note that the developments in mining processes have led water usage to be significantly reduced, as follows:

Water intake needed for the "Vallourec Mineração" mine processes

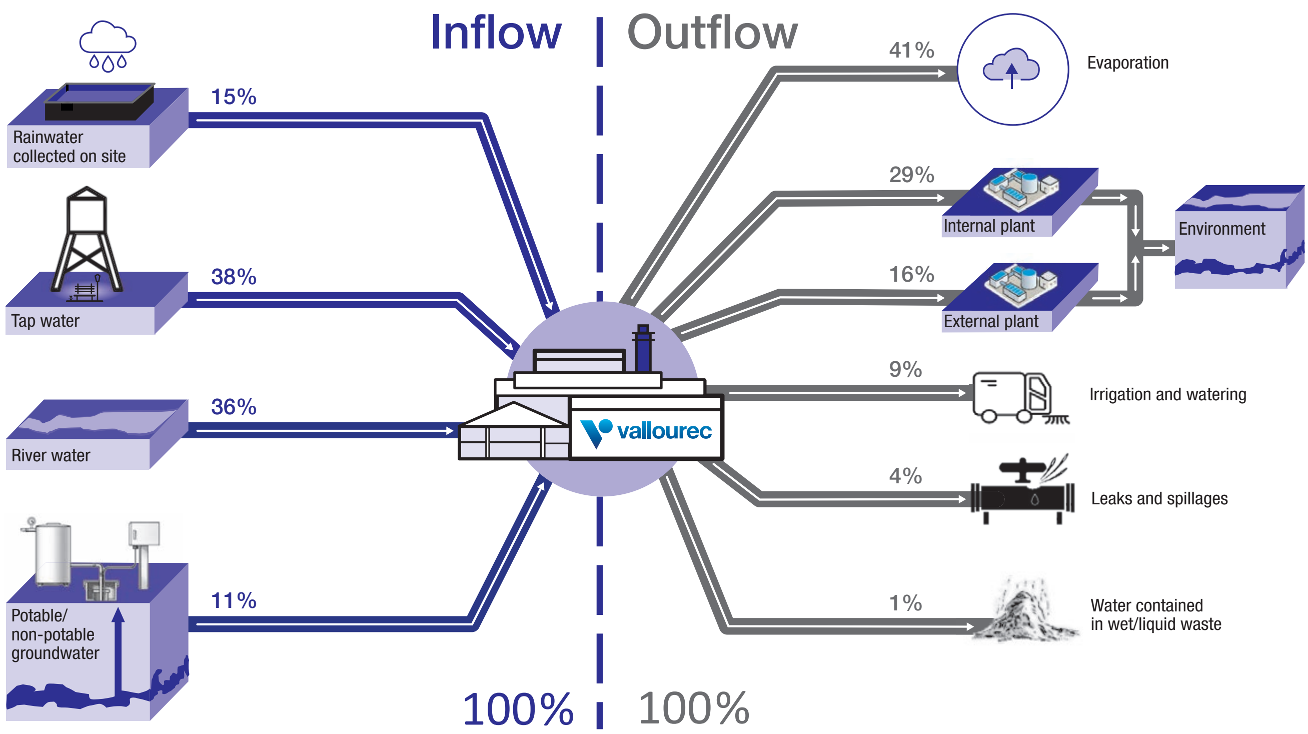
Year	2016	2017	2018	2019	2020
Iron ore production *(metric tons)*	4,002,306	4,394,245	4,693,317	6,269,028	7,904,437
Total water intake *(m^3)*	3,304,122	2,967,715	3,097,651	2,862,980	4,222,303
m^3/metric tons of iron ore	0.83	0.68	0.66	0.46	0.53

The implementation of the extension project enabled the mine to increase its production by 26.1% compared to the previous year, mainly in the second half of the year. However, this work, combined with a very dry season, had an impact on its water intake, which increased by 47.5% due to increased traffic, more frequent watering of roads and regulated cleaning of machinery and trucks. This resulted in a temporary increase in the ratio per metric ton during the period.

A new iron ore treatment process has been used since 2015. This process consists of filtering the mine water/waste mixture (called "tailings") resulting from the process, instead of spreading it (as was done previously) into a 3 million meters cubed hydraulic disposal site, retained by a dam. This allowed the humidity rate of the mixture to be reduced from 70% to 15%, and to establish "dry" storage on the mine site, which eliminates any risk to the stability of the dam, which is now out of service, while the water collected is reused. This process is an industry reference, and in 2017 the Vallourec mine received the Group's annual "Environment" trophy.

b) Tube and steel manufacturing

In 2019, we continued our discussions with the plants to improve our understanding of the range of water uses via steel mills, rolling mills and finishing units and help us gain a better understanding of how to reduce consumption. Thus, the portion of "other waters discharged", which is required to complete the "water assessment" of the Group, was 37% in 2019. Our ambition for 2020 was to complete the Group's "water assessment" by identifying all unchanneled discharges. This gave us the following diagram:



It should be noted that the water reuse rate in the circuits of the integrated plants (steel mill and tube mill) total approximately 98%, which allows for limiting the intake of water, which is still the primary resource used in our processes.

c) Numerical assessment of water used

In recent years, water intake has decreased, primarily thanks to the establishment of tools that allow the rate of reuse to increase and rainwater to be collected. Water intake from our steel mills, rolling mills and finishing plants dropped from 6.4 million cubic meters in 2019 to 5.7 million cubic meters in 2020 (i.e., -11%), a decrease mainly due to the drop in production linked to the economic and health crisis.

Specific water intake (rainwater included) in cubic meters per metric ton processed has continued to improve, going from 1.36 in 2017 to 1.21 in 2019. However, in 2020, the brutal economic and health crisis caused this ratio to increase to 1.62, due mainly to the disrupted operation of plants in connection with periods of under-activity and repeated shutdowns/restarts, as well as the continued operation of certain units. Rainwater collection and reuse developed strongly at certain major industrial sites, which allows surface water and groundwater intake to be reduced. In 2020, Vallourec recovered and used more than 878,000 m^3 of rainwater compared to 830,000 m^3 in 2019.

In 2020, several achievements can be cited as examples of best practices to reduce water consumption.

In Brazil

- Barreiro: the site installed a 1,500 m^3 buffer tank to store excess process water and rainwater for later use. This reservoir has allowed us to reduce our use of tap water.

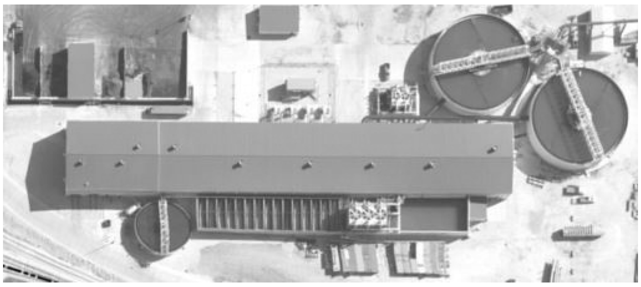
- Jeceaba: waterproofing of the water treatment reservoirs has also helped to prevent water loss.
- Florestal (forest): the company is working to reduce water consumption in the regions where the plots of land are located. Most of this consumption is recorded at the seedling nursery, so we have invested in improving soil sealing and in a water storage tank. As a result of these actions, more than 27,000 m^3 of water did not have to be taken from the natural environment, reducing the nursery's water consumption by nearly 25%.

In the United States

Since the beginning of 2020, VSTAR Youngstown's FQM rolling mill has been collecting rainwater to reduce its drinking water consumption.

The rainwater downpipes connected to the roof of the 8,000 m^2 water treatment plant were diverted to the treatment facilities, allowing rainwater to be reinjected into the plant's water circuits.

As a result, nearly 11,000 m^3 were saved over the whole year.



Finally, in 2020, rainwater accounted for 72% of the volume of water intake at our French sites, mainly at Aulnoye-Aymeries and 25% of the volumes of our German sites (Rath). As explained above, these best practices were implemented in Brazil and the United States.

Water intake*

Year	Total water intake *(m^3)*	Water intake per metric ton processed *(m^3/metric ton)*
2015	5,630,516	1.99
2016	5,672,035	1.85
2017	6,179,371	1.36
2018	6,889,346	1.25
2019	6,412,443	1.21
2020	**5,711,575**	**1.62 (1.38)**

* *For steel mills, tube mills, finishing lines, and related services. The number in parentheses corresponds to water intake but does not take into account rainwater recovery.*

d) New methodology

The Group now considers that except for the mine and for the reasons mentioned above, it is desirable to integrate all of the production units into its reports, i.e., to also take the forest and pelletization unit into account.

On this basis, in 2020, water intake for the entire Vallourec scope, with the exception of the mine, came out at 6.5 million m³ compared to 7.0 million in 2019. The corresponding ratios (without and with rainwater) were respectively 1.38 m³/metric ton (1.05 in 2019) and 1.62 m³/metric ton (1.21 in 2019).

III – ANALYSIS OF "WATER FOOTPRINT"

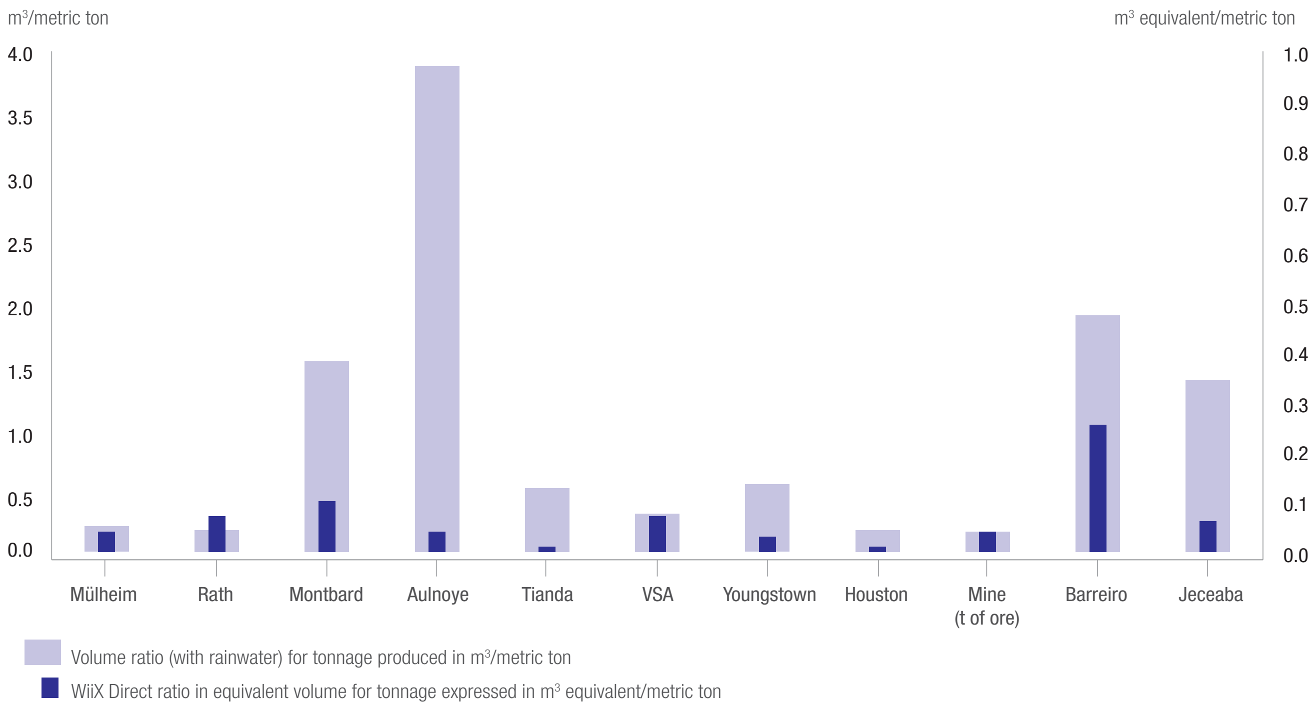
Water management is not limited to measuring intake in natural environments or municipal networks, or to monitoring the quantity and quality of waste. The materiality analysis mentioned above showed that the stakeholders devoted increased attention to water management. That is why the Group is tracking and analyzing its "water footprint" thanks to an indicator known as the "Water Impact Index" (WIIX). This indicator takes into account the volumes abstracted and discharged, the quality of the abstracted and discharged water, and stress factors (water scarcity and the hydrological context). Expressed in equivalent meters cubed as related to the site's production, it synthetically measures the impact of each site with regard to the available water resources in the basin to which it belongs.

The summary graph below calls for the following comments:

Launched in 2011, this study was repeated in 2015 and again in 2018 (based on 2017 data) for the 11 most important sites, considering the new industrial scope of Vallourec: in Germany (Mülheim, Rath), in France (Montbard, Aulnoye-Aymeries), in China (Tianda), in Saudi Arabia (VSA), in the United States (Youngstown, Houston) and in Brazil (Pau Branco iron mine, Barreiro and Jeceaba). In order to take into account the latest developments in the conditions of catchment areas, a more precise stress factor was used in the study: the AWARE indicator, which was developed in 2016 as part of the WULCA (Water Use in Life Cycle Analysis) university project.

Several sites from the study use recovered rainwater (Rath, Aulnoye-Aymeries and Montbard). Jeceaba pumps river water and is beginning to collect rainwater. Youngstown gets its supply through the municipality from two dams that store rainwater. The Saudi Arabia site is supplied by desalinated ocean water. Each site thus adapts to its immediate environment to reduce its own footprint.

The WIIX measures the impact of water intake and returns in the basin concerned. It appears from the analysis that only the Barreiro site merits particular follow-up.



- Mülheim and Rath have strong production, and therefore a low water usage ratio. Water is in large part returned to the natural environment, through purification plants, which results in a low WIIX.
- The two Montbard plants produce special low-tonnage tubes. One of them uses 100% rainwater, and the other 25%. The WIIX thus remains low despite it being a very fragile basin.
- The Aulnoye-Aymeries site contains several very different workshops and primarily uses rainwater collected on its site. The use of this large volume with regard to metric tons produced thus has little impact, despite it being a very fragile basin.
- Tianda is similar to Mülheim: its tap water consumption is a bit high, but the WIIX remains low since it is a region with many rivers and lakes.
- Vallourec Saudi Arabia uses desalinated seawater. Its impact is thus low despite being in a desert region.
- Youngstown is an integrated site that has an electric steel mill and two rolling mills. Its water consumption is thus higher, although the Ohio region has numerous dams and rivers that provide good quality water. The WIIX is thus very low.

- Houston has several finishing workshops. The water consumption is controlled and the WIIX low.
- The Pau Branco mine, in Brazil, pumps very large quantities of water to be able to access the iron ore but, in 2019, 78% of this water returned to the natural environment (watering and river).
- Barreiro is undergoing a full restructuring after the shutdown of its blast furnace mid-2018. Its water intake should be able to continue to drop. This site is in a growing urban area. The tap water used is thus in competition with the needs of the population.
- Jeceaba is resuming the Barreiro steel production with a blast furnace and electric steel mill, as well as a rolling mill. Water is abstracted from a river and in large part returned.

The general conclusion is that the impact from water intake in the Group's sites is very reasonable, as a result of the management efforts taken. Indeed, the average WIIX is around 0.07 m^3 equivalent per metric ton with a maximum of 0.25 for the Barreiro site. These figures are comparable to the WIIX of major integrated European steel sites, which are between 0.20 and more than 0.30. The Vallourec Group can therefore demonstrate very responsible water resource management.

4.2.4.4 Energy

I – ENERGY CONSUMPTION

Commitment to responsible performance

Improve the energy efficiency of our equipment and reduce carbon emissions from our manufacturing processes

INDICATOR

Energy consumption (Natural Gas + Electricity)in kWh/metric ton processed.

Corresponding CO_2e emissions in metric ton/metric ton processed.

2020 OBJECTIVES

Energy consumption: <920 kWh/metric ton processed.

CO_2e emissions: <153 metric ton/metric ton processed.

2020 ASSESSMENT

In 2020, energy consumption was ☑ 2,384 GWh for natural gas, or 678 kWh per metric ton, and ☑ 1,438 GWh for electricity, i.e., 409 kWh per metric ton.

In total, absolute energy consumption was 3,822 GWh in 2020 compared to 4,998 GWh in 2019, representing a decrease of 23.5%, which can be explained by the very significant reduction in our steel and tube production (-30.4%).

In terms of intensity, energy consumption rose from 994 kWh/metric ton in 2019* to 1,086 kWh/metric ton in 2020, an increase of 9.2%. This deterioration can be explained by the disrupted operation of our plants, which were affected by periods of under-activity and shutdowns/restarts, leading to over-consumption of gas (furnaces) and electricity and a higher proportion of fixed electricity consumption by utilities.

This deterioration in specific consumption was limited to 3.8% for natural gas thanks to the effective action of employees, but it was more difficult for electricity (an increase of nearly 20%).

In 2020, the corresponding carbon emissions were 561,488 metric tons, i.e., 160 kg per metric ton processed, the same as in 2019; specific emissions were 190 kg per metric ton in 2018. This sharp improvement can be explained by the total decarbonization of the electricity supplied to our plants in Rath (Germany) and Youngstown (United States) and by the decrease in the carbon intensity of electricity in certain countries such as Mexico, Canada, the United Kingdom, Ukraine and Germany.

2021 OBJECTIVES

Energy consumption: <920 kWh/metric ton processed.

CO_2e emissions: <153 metric ton/metric ton processed.

GOALS FOR 2025

Vallourec is committed to reducing its specific energy consumption by 10% and the corresponding CO_2e emissions by at least 25% (2017 baseline).

* *In 2020, we adjusted the reported 2019 production figures downward for some finishing lines in the United States.*

Since 2018, Vallourec's energy assessment has covered all industrial sites, including the iron mine and the pelletization unit in Brazil. It includes the consumption of electricity, natural gas and fuels (gasoline, diesel, propane and bioethanol).

In 2020, energy consumption (gas and electricity) represented an expense of €169 million, compared to €220 million in 2019, a decrease of 23%, mainly due to the decline in activity at our plants.

The Group also uses biomass as a source of energy for its pelletization unit and blast furnaces in Brazil. It owns 230,000 hectares of eucalyptus plantations and forests, for the production of charcoal, which is used to process the iron ore into pig iron in the blast furnace.

The table below shows the energy sources used by the Group:

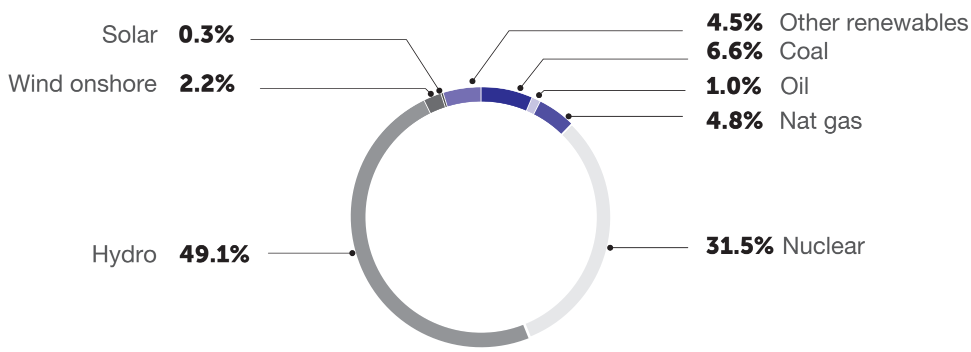
Energy source	Unit	Renewable Energy	Non-renewable Energy	Total
Electricity purchased	GWh	806	632	1,438
Natural gas		0	2,384	2,384
Fuel oil [(a)]		0.2	237	237
Charcoal		2,007	0	2,007
TOTAL	**GWH**	**2,814**	**3,253**	**6,067**
Energy consumed	%	46%	54%	100%

(a) Including since 2015, the fuel needed to produce electricity at certain sites, such as PT Citra Tubindo.

In 2020, renewables accounted for nearly 46% of the energy consumed on a Group scale. This figure was 39% in 2019. This significant improvement is mainly due to the greening of electricity purchased. It should be noted that for fuels, we now account for the consumption of bioethanol.

As concerns electricity, since 2017, the Group has also been basing itself on information from its providers, "market-based" data, and on "location-based" national energy mix data. This allowed the Group to better measure the impact of its choice of energy supply sources and to better manage them to reduce the Vallourec Group's carbon footprint.

The average "energy mix" is summarized by the graph below:



In 2020, the share of renewable electricity represented 56% of the total compared to 51% in 2019. The share of low-carbon electricity (nuclear + renewable) has also increased, from 81% in 2019 to nearly 88% in 2020. This remarkable performance can be explained by the total decarbonization of the electricity delivered to our plants in Rath (Germany) and Youngstown (Ohio, United States) and by the improved carbon intensity of electricity in several countries (Canada, Mexico, Germany, United Kingdom, Ukraine).

The Rath site is supplied by electricity produced from gases recycled by our partner steel mill HKM. In the United States, Vallourec Star LP has entered into a contract with its supplier Energy Harbor to supply 100% nuclear-generated electricity over the period 2020-2024 (four years).

We should also mention that our Brazilian plants receive electricity that is produced largely by hydroelectric dams and that our French sites consume 88% nuclear-generated electricity.

II – ENERGY SAVINGS PROGRAM

In an effort to significantly reduce energy consumption, starting in 2009, the Group established an energy savings program, the GreenHouse program, which aimed to reduce total gas and power consumption by 20% by 2020, for an equivalent scope, product mix and level of activity, using 2008 as the reference year. With this project, Vallourec is also acting to promote a "low-carbon" economy, contributing to reducing greenhouse gas emissions. This commitment was further affirmed in January 2018 with the publication of the Group's Carbon Policy, which was signed by the Chairman of the Management Board.

This program is rigorous in its approach and is supported by Vallourec Management System tools and methodologies. It is one of the levers of the Group's Energy and Carbon policies and centers around the following main elements:

- sharing of best practices, led by Practice Communities, which include energy and industrial process experts in all energy-related areas (thermal, electrical, compressed air, and steam production processes) and the organization of numerous continuous improvement groups acting exclusively in the energy sector to improve the Group's performance. Seven objectives on the different aspects of energy efficiency have been drafted and issued as a working document for the continuous improvement groups;
- numerous "quick wins" as a specific result of the actions in question;
- the introduction of thermal balances and energy audits:
  - to date, thermal balances have been carried out in respect of over 80% of the Group's furnaces. The furnace performance analysis helps to identify areas for improvement and to propose investments to increase energy efficiency, such as the installation of regenerative burners, steam heat recovery systems and better insulation,
  - energy audits at the Group's major sites identify the equipment or workshops that use the most energy, and prioritize future actions;
- a self-assessment system for sites controlled by the project leaders.

The Group's industrial footprint was significantly modified in 2017 and has since stabilized. The Group has therefore decided to measure its energy performance in relation to this reference year. New internal objectives, to be attained by 2025, were also set using this same baseline. They relate to the specific consumption of gas and electricity in relation to the metric tons processed (steel and tubes) on a like-for-like basis as well as the related CO_2e emissions:

Year	2017	2018	2019	2020
Natural gas *(kWh/metric ton)*	635	619	653	678
Electricity *(kWh/metric ton)*	320	309	342	409
CO_2e *(kg/metric ton)*	202	190	160	160

Thus, based on the 2017 performance, the Group is aiming to reduce its specific gas and electricity consumption by at least 10% by 2025, and the corresponding CO_2 emissions by at least 25%.

In 2019, with a figure of 160 kg CO_2 per metric ton, we had reached and even exceeded (-20.8%) the target set for reducing carbon intensity. This course was maintained in 2020, despite the sharp reduction in plant activity, thanks to the decarbonization of purchased electricity. However, the very significant drop in production (-30%) led to a deterioration in specific energy consumption: +7% for gas and +28% for electricity compared to the reference year 2017.

III – ENERGY MANAGEMENT SYSTEM

To take this to the next level and incorporate sustainable energy management into industrial processes, the Group developed the *Vallourec Energy Management System* based on the methodology of the *GreenHouse* program and international energy efficiency standard ISO 50001.

As mentioned in its Energy policy, Vallourec is committed to having its primary production facilities ISO 50001-certified. The certification has been obtained for the Barreiro and Jeceaba (Brazil), Vallourec Oil & Gas UK (United Kingdom), Vallourec Tubes France (Saint-Saulve and Aulnoye-Aymeries sites), Vallourec Deutschland (Germany), Valinox Nucléaire (France) and Vallourec China (VCHA) sites. The production at these sites thus represents 57% of the total production for 2020. In 2019, the integrated Vallourec Star Youngstown site launched its own energy management system that uses ISO 50001 as its frame of reference.

The success of the certification and the sustainability of results depend on:

- energy efficiency training: several hundreds of operators were trained in dedicated energy efficiency sessions in France, Brazil and Scotland, with experts from each site and the assistance of specialized organizations. The training is given in various technical disciplines, such as compressed air, thermal combustion, industrial cooling, lighting, mechanization and renewable energy;
- real-time metering systems, known as "Advanced Metering Management," at the largest sites in Brazil, France, Germany and the United States.

IV – EXPANSION OF ENERGY PERFORMANCE RESEARCH

Vallourec Florestal, which manages the Brazilian forest, is also seeking to improve energy performance. Its teams developed a more efficient carbonization process that improves the mass transformation rate of wood into charcoal from 29% to nearly 35%. The procedure is applied to investments in new furnaces. This has led to (i) a decreased need for wood and cultivated areas for production of cast iron, (ii) a very considerable reduction in methane emissions as compared with a cubic meter of charcoal, as well as (iii) a reduction in the heat dispersed into the atmosphere.

The Carboval pilot unit and its highly innovative method produce high-quality charcoal at a 40% yield, and with no methane emissions. In 2020, its production accounted for around 1% of the total supplied by Florestal.

4.2.4.5 Impacts and emissions

I – WATER

Over these past few years, the quality of plant waste has improved.

Process water can be discharged into municipal networks (most sites) or into the natural environment after being treated at internal purification plants. The Group aims to reduce the quantity of discharged wastewater by increasing internal reuse. The sites monitor their polluting discharges and the Group reports annually on its total discharges into the natural environment, expressed in metric tons. The 2020 assessment provided the following figures:

Year	2017	2018	2019	2020
SPM (suspended particulate matter) *(metric tons)*	15.7	17.1	37.5	91.5
COD (chemical oxygen demand) *(metric tons)*	63.6	77.2	125.0	71.1
BOD (biochemical oxygen demand) *(metric tons)*	9.7	18.0	30.6	15.4
TH (total hydrocarbons) *(metric tons)*	0.40	0.35	0.15	0.11
Heavy metals* *(metric tons)*	0.75	0.46	0.46	3.57

* *As, Cd, Cr, Cu, Hg, Mn, Mo, Ni, Pb, Zn.*

Compared to 2019, this shows a significant increase in the emission of suspended particulate matter, the majority of which comes from our Jeceaba site. This can be explained by a strengthening of measures and by the impact of the seasons (heavy rains, then drought). As for heavy metals, the strong increase is attributable to the Jeceaba site, which includes a pelletization unit, a steel mill and a tube mill. However, its annual discharges remain below regulatory limits. Hydrocarbon discharges decreased by 25% while COD and BOD discharges decreased by 43% and 50% respectively.

In Brazil, the Barreiro site worked on the quality of its effluents so that it could discharge directly into the waterways and thus reduce the burden on the city's water treatment plant. Thanks to the reduction of its effluents, the site can therefore focus on the treatment of other water effluents and increase the availability of drinking water to local populations. This initiative has been approved by the environmental authorities of Minas Gerais.

The Jeceaba site has automated the dosing system for effluent treatment chemicals, bringing greater reliability to the treatment process.

II – AIR

To preserve the quality of the air surrounding its plants, the Group systematically measures the levels of atmospheric emissions and implements appropriate solutions to limit each type of emission. The emissions produced by plants are gas compounds and particles.

a) Gas compounds

- Nitrogen oxide (NO_x) and sulfur dioxide (SO_2) emissions come from furnaces for steel billets and from the heat treatment of tubes. To limit these emissions, all furnaces are fed by natural gas, which is low in emissions, and every year some of the older burners are replaced by more efficient or "low-NO_x" burners that meet the highest technical specifications for this type of emission.
- Emissions of volatile organic compounds (VOCs) come from our facilities for tube lubrication, lacquering and painting, and for degreasing and cleaning tubes and machinery parts. They also come from oily vapors from rolling or cold-forming facilities and machine tools. Actions are put in place every year to reduce VOC emissions at the source, by coordinating with product suppliers and the process community and, if that is not possible, channeling and treating emissions. As concerns vapors from surface treatments, facilities are equipped with a retention and treatment system in compliance with applicable regulations.

b) Particles

- The main potential sources of particulate emissions are steel mill furnaces and hot rolling. Every year, retention systems are improved to continuously reduce the corresponding emissions.
- The conditions for replacing refractories in electric arc furnaces and ladle furnaces were also modified to avoid the generation of dust. In Youngstown, since the installation of the dust extractors, the working environment has considerably improved. Particle retention is very efficient and sampling shows that the heavy metal content released (chrome, lead, nickel, etc.) is well below the authorized limits.
- Tube mills and finishing plants also produce dust from facilities for hot rolling, grinding and polishing tubes. Processes for sealing, aspiration and filtering are incorporated into the machinery to collect dust at source. Where necessary, these systems can be supplemented by extraction devices and filters on the roof to capture diffused emissions.
- Trucks, cars and other handling equipment circulating outside the buildings are also a source of dust emissions. To ensure that personnel and neighbors are not inconvenienced by dust clouds, the road surfaces are coated with concrete or macadam. They may also be watered during a dry period to limit re-entrainment.

c) Annual assessment of emissions

Atmospheric emissions *(metric tons per year)*	2015	2016	2017	2018	2019	2020
VOCs	429	319	260	535	481	420
NO_x*	511	492	633	719	691	514
SO_2*	4.6	4.4	5.9	6.4	4.4	4.0
Particles	N/A	N/A	N/A	487	571	1,134

* *In 2020, the data calculated using gas consumption represented 90% of the data published.*

In 2020, combustion-gas emissions (NO_x and SO_2) fell by 26% and 9% respectively due to a drop in production. Particle emissions increased sharply at the Jeceaba (Brazil) tube mill due to technical problems, while still complying with local regulatory requirements. Nominal VOC emissions, i.e., before uptake and filtration, dropped by 13% between 2019 and 2020.

To improve the quality of its monitoring of atmospheric emissions of gas and particulate matter, the Tianda Chuzhou (China) rolling mill fitted gas analyzers onto the chimneys of its furnaces. This action provided continuous measurements in 2019.

In 2020, we worked to reduce particulate and volatile organic compound (VOC) emissions from the finishing plant at our Tianda Chuzhou (China) site. As a result, we set up a system for the capture and filtration of metallic dusts emitted by the grinding of tubes, a sound-insulated facility.

At the threading facilities, we improved the collection and extraction of VOCs and installed activated carbon filters to trap them.

III – SOIL

a) French facilities

Because of sites being old, all soil studies have been completed at the Group's initiative without being required by the authorities. The results of these investigations prompted some facilities to introduce piezometric sensor-based monitoring of underground water, after obtaining permission from the relevant authorities. The list of monitored sites is included in an official database known as BASOL.

The Cosne-sur-Loire site, which stopped its activities in 2017, continued its treatment of soil and groundwater pollution after the transfer of the machinery to the Villechaud site. In 2017, eight new piezometric tubes for monitoring groundwater were put into service, in addition to the seven already in existence, and the site was completely cleaned. In 2018, with the continued stoppage of activity and in agreement with the DREAL (French regional Directorate for the Environment, Land Planning and Housing), a rehabilitation project was prepared. At least 77 samples were taken to investigate the soil.

In 2019 and 2020, as part of the rehabilitation project, studies were conducted to determine potential technical solutions for managing the main traces of historical pollution. Specialized companies have allowed us gain an understanding of the size of the budget required to restore the site. Given the amounts involved, the Vallourec Group intends to consider a multi-year plan to deal with pollution at the site.

In Aulnoye-Aymeries, underground investigations were conducted on an old disposal site for miscellaneous materials. The site remains under close monitoring. In the long term, it is expected that it will be confined and monitored following another prefectural order.

In Montbard, underground investigations were conducted on an old disposal site, following a 2002 prefectural order.

b) Other entities

After analyses, and with permission from the local authorities, groundwater monitoring systems were set up at two facilities in Germany. As far as the Group is aware, there is no contamination at the other sites.

In Brazil, the only potential risks relate to the Barreiro plant in areas of the site previously used to store waste. A depot formerly used to store slag (a metallurgical by-product of the cast iron process) and a former sludge depot were made compliant. They underwent landscaping and the quality of the groundwater is being periodically monitored by a piezometric system. A program to make a former solid industrial waste storage site (wood, plastic, scrap, etc.) compliant with legislation, which began in 2004, is now being completed: the polluted soil has been removed and the land rehabilitated, allowing it to be considered for reuse for industrial or logistical activities.

In the United States, the industrial land is leased. Soil analyses were conducted at the majority of the sites prior to Vallourec's starting operations, in order to establish a baseline. Many of those sites are located in areas that have been industrial for many years. To the Company's knowledge, there is no record of any significant incident resulting from Vallourec's tube and steel production activities that has led to soil pollution.

IV – WASTE AND BY-PRODUCTS

Commitment to responsible performance

Respect our environment by recovering our waste

INDICATOR

Percentage of waste recovered.

2020 OBJECTIVE

Waste recovery rate: 96%.

2020 RESULTS

The recovered waste rate reached ☑ **97.0%**, up from 2019 (95.8%). In 2020, 16,469 metric tons of waste could not be recovered, 11,709 metric tons less than in 2019.

GOAL FOR 2025

Vallourec is aiming for 98% recovery by halving the amount of waste sent to landfill compared to 2019, for 15,000 metric tons of non-recovered waste.

2021 OBJECTIVE

Given this ambition as well as the exceptional nature of 2020, the 2021 objective has been set at 97%, but with the aim of remaining below 20,000 metric tons of non-recovered waste.

As is the case with all industrial activities, the Group generates significant quantities of various types of waste. In 2020, 551 kilotons of waste were produced, which includes the mine and the pelletization unit (669 kilotons in 2019), 2.8% of which was hazardous waste (3.9% in 2019).

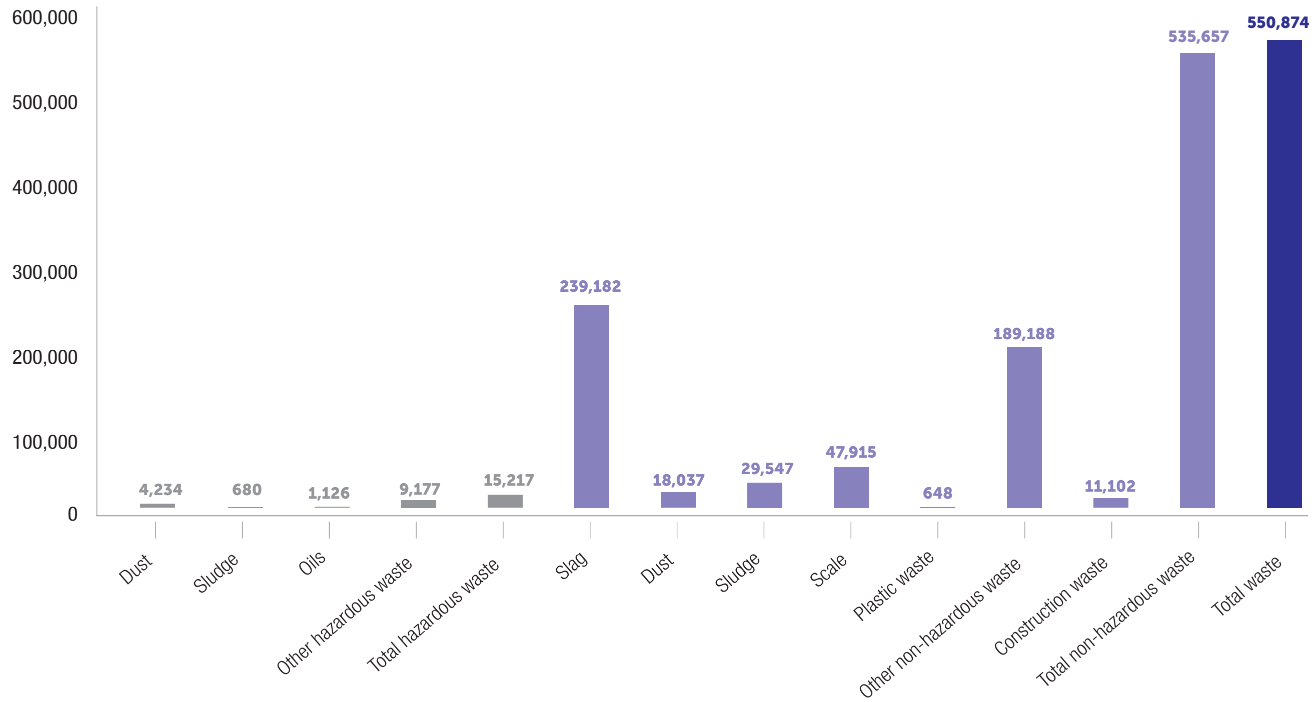
The key indicators for their management are as follows:

	2016	2017	2018	2019	2020
Waste *(in thousands of metric tons)*	459	697	731	669	551
Waste/production processed *(%)*	15	13	13	13	15.7
% hazardous waste	6.0	3.5	3.3	3.9	2.8
% recovery	94.4	94.0	95.5	95.8	97.0

In 2019, the shutdown of the Barreiro blast furnace and the start-up of the Jeceaba furnace did not impact the Group's recovery rate. The Mineração iron mine and the Jeceaba pelletization unit also generate a lot of recovered waste. Since 2019, some sites have been fine-tuning their waste sorting process to increase the recovery rate. In this way, Valinox Montbard increased its energy recovery rate and the Houston basin also increased the amount of waste it recovers. At Jeceaba, the blast furnace and pelletization site use secondary raw materials from the tube mill such as dust, metal waste, iron ore fines, etc.

A breakdown of the waste produced appears below:

Sensitive to the issue of polluting plastics, in 2020, Vallourec decided to establish a targeted reporting system for plastic waste to study possible avenues for improvement but also to promote its recovery. The results show that the share of plastic waste is extremely low in relation to total industrial waste and accounts for less than 0.2%. However, it may be noted that 90% of that industrial plastic waste is recycled or reused.



To mark its commitment to the environmental issues represented by waste management, starting in 2013, the Supervisory Board, at the recommendation of the Appointments, Compensation and Governance Committee, introduced a waste recovery target into the variable portion of Management Board members' compensation.

In this same spirit, the Group joined the AFEP initiative to promote the circular economy, which became public in February 2017 and was updated in 2020.

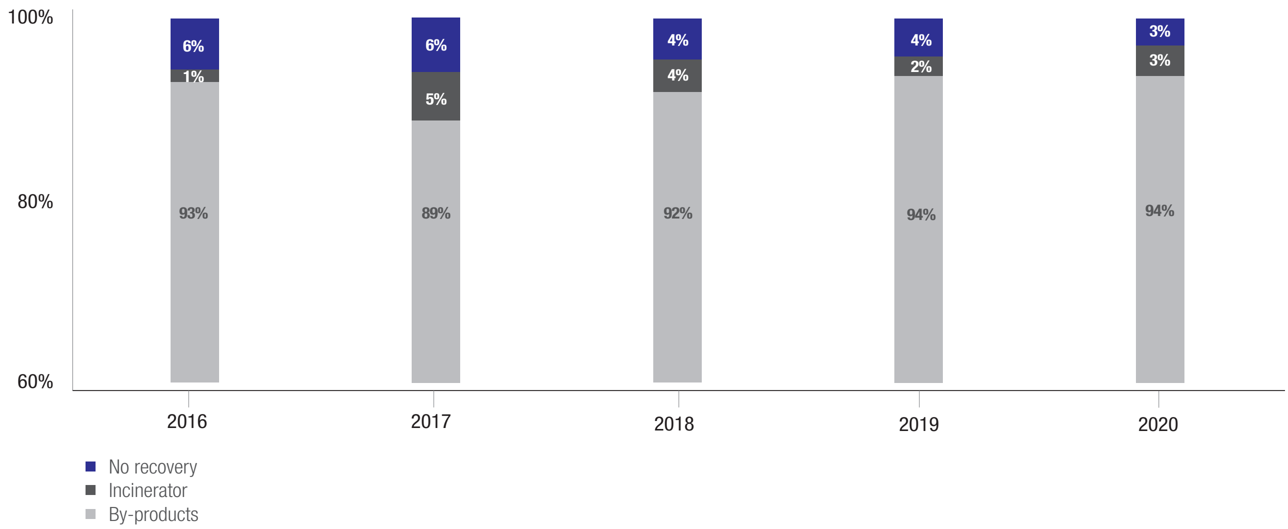
a) The "By-products" program

Waste management is a major economic and environmental concern for the Group, which considers that most of such waste should now be treated as value-added *by-products* and generate operating revenue. This is the objective of the "By-products" project.

Waste is now considered a resource to be exploited rather than an unavoidable consequence of production. Depending on its origin and type, it is managed and treated differently in accordance with local regulations, with maximum emphasis on recycling of materials or energy recovery.

In a spirit of continuous improvement, all waste categories are monitored monthly by each site with the aim of reducing volumes. The percentage of recycled waste in the form of material (by-products) was 93.7%, of waste incinerated to produce energy 3.3%, and of landfill waste 3%. The recycling of materials remained at the same level as in 2019, due in large part to the recycling of metal waste but also due to the rollout of a more finely tuned waste sorting process at certain sites. The drop in production had the impact of generating less waste tonnage but also of reducing the proportion of waste going to landfill. Some sites have also implemented specific actions to reduce landfilling or incineration.

Waste by end use



Based on the 3Rs principle, namely “Reduce, reuse, recycle”, the main levers of progress under the “By-products” project are as follows:

- Reduce: Various actions are carried out at the sites to reduce waste volumes, and above all the share of hazardous waste connected with the decrease in chemical risk.

  For example, an R&D study is underway to reduce the use of plastics in the manufacture of protectors by using biobased plastics and thus limiting our impact. Our Rio site has set up a working group to improve the sorting and reduce the share of hazardous waste. In the United States, the pH of liquid waste containing phosphate is neutralized to reduce the level of toxicity and allow the use of evaporator/concentrator systems.

  The VAM Houston site installed an elementary neutralization unit (ENU) that allowed the site to neutralize all wastewater considered to be corrosive and therefore classified as hazardous waste according to environmental regulatory requirements. This corrosive water was either transported off-site to be injected into a deep well or treated and discharged. The neutralization unit that guarantees the non-hazardous nature of the waste allows the wastewater to evaporate. Thanks to the installation of this system and the use of wastewater evaporators, the site has been able to reduce its wastewater discharges by nearly 95%, thereby saving on disposal costs and minimizing its environmental footprint. This practice was deployed at all sites in the region that had that type of waste.

  The North America region worked with the procurement department to standardize contracts and identify suppliers that contribute to on-site waste. This standardization takes into account such things as the recovery of waste generated by subcontractors in an appropriate container and the reduction of plastic waste produced.

- Reuse: Some waste may be re-introduced or reused in our processes or externally, either as a result of a specific treatment or after undergoing cleaning or filtration.

  Our VTS site in Brazil has set up a management system to recover protectors from customers. These used protectors are inspected, cleaned, and reconditioned for reuse. Many sites are also equipped with devices for filtering waste oils for internal reuse. In Indonesia, the site reuses 50% of its cutting fluids after applying filtration, which has allowed it to reuse the product and thus make savings on raw materials and also the cost of waste treatment.

  Vallourec Soluções Tubulares do Brasil (VSB) uses blast furnace sludge as a source of soil enrichment for eucalyptus forests and as a raw material for the ceramics industry.

- Recycle: Recycling is the most important method of recovering value from our various types of waste. The recovery of materials makes up the vast majority of our recycling. However, for some types of waste, recovering energy remains the best solution available.

  It should be noted that all sites recycle metallic waste from machining as a result of the manufacturing processes (turnings, chips, etc.) and then send this waste to channels external to the Group.

  In Mexico, the unit that manufactures protectors has organized a recovery circuit for non-compliant and unused protectors that reintroduces them into manufacturing process after a grinding operation. This recycling accounts for 28% of the raw material used.

Several sites have set up working groups to optimize flows of sludge from the processes (rolling and surface treatment), metallic residues, scale and dust.

In Brazil, the Purchasing Department has worked on identifying the best channels for recycling slag sold to the cement industry. Some mining waste is used as raw materials to manufacture interlocking paving stones, which are then used as road surfaces on the site.

Additionally, the local teams opened new waste management channels and generated additional revenue by implementing initiatives such as:

- the renegotiation of certain contracts;
- in Youngstown (United States), "bad" scale, which was previously sent to the landfill, now continues to be mixed with "good" scale. The resulting combination is sold to companies in the cement sector. This new business opportunity has allowed the amount landfilled to be reduced, and has decreased treatment costs. Vallourec Star Youngstown also changed its sludge dehydration practices. The addition of sawdust allowed it to reduce the amounts of sludge that are sent for treatment;
- coordinating neighboring sites to collect identical waste such as sludge to reduce transportation costs;
- in Brazil, numerous trial programs launched since 2017 to reuse certain waste internally through the steel mill, mine or pellet plant (sludge, dust) have been implemented to allow the use of the waste as a secondary raw material.

b) Treatment of hazardous waste

Posing a risk to health and the environment, hazardous waste (classified as such due to the hazardous substances it contains) is subject to special treatment. The percentage relating to all waste, i.e., 2.8% in 2020, decreased from 2019 (3.9%).

Hazardous waste requires specific management: handling and storage are subject to strict safety rules to preserve the environment and health of the staff handling them. Furthermore, this waste is generally not very recoverable as is, and treatment costs are significant. For this reason, Vallourec is trying to either reduce the portion of hazardous substances at source or apply a pretreatment to reduce the toxicity.

For example, the water treatment station at the Youngstown site was able to improve the separation of mill scale particles and oil, which is responsible for its hazardous classification. Non-oily mill scale, which is not classified as hazardous, may thus be recovered for its material. The establishment of small waste oil treatment units allowed for a corresponding decrease in the generation of this waste, which is reused internally after treatment.

In Youngstown too, a change in operation for neutralizing the used phosphate and stripping baths allowed these baths to be sent to the evapo-concentrator and thus to reduce the amount of hazardous waste sent for treatment, thereby reducing costs. This solution has since been rolled out at other sites, which in some cases has also made it possible to reuse part of the water in the industrial process.

In the Houston basin, the installation of wastewater neutralization units (ENUs) has significantly reduced the amount of hazardous waste at the sites.

V – NOISE POLLUTION

Among actions to continue preventing noise pollution, in January 2012 the Sustainable Development Committee defined a noise action plan. This approach is part of the discussion conducted by the Group in accordance with the Sustainable Development strategic five-year plan to increase attention paid to employee health. The Health and Safety policy published in 2016 clearly mentions this.

The Group's activities inevitably generate noise.

The noise arises from various sources: steel mill furnaces, the cutting and storage of steel bars, the impact between bars and tubes, and the steel-rolling process. Several types of action are in place to limit noise, reduce it as far as possible or eliminate it entirely. The most effective actions are those that allow noise to be reduced at its source. For example, some plants replace pneumatic movement control by hydraulic movement control or incorporate rubber between tubes to avoid a much noisier direct impact. Similarly, the tubes are cleaned with Venturi-type nozzles instead of standard nozzles.

The Group wants to best protect its employees and local residents from the noise emitted by the machines (steel mills, rolling mills, cutting) from moving products (impact between bars or tubes) and by transporters (trains, trucks).

To determine noise levels, the sources of noise are measured and analyzed. Depending on local constraints, these measurements are taken internally, at the edge of the site, or at neighboring properties, if the plant is situated close to a residential area. At certain sites, very elaborate systems have been installed. They allow noise to be measured at very precise locations and to determine its source. Simulation software is often used to assess the reduction of noise levels that various insulating systems might provide.

To that end, the following actions have been recommended since 2012:

- establishing noise maps on the most critical and representative sites of sound levels in different workshops and staff exposure based on their number and the length of time spent working in the areas concerned;
- analyzing and improving the behaviors of employees and providers in the workshops;
- implementing best practices for new investments and refittings;
- reducing nuisances at the property limits and thus for local residents by relying on regular measurement campaigns;
- favoring group protection over individual protection measures;
- reducing noise at the source.

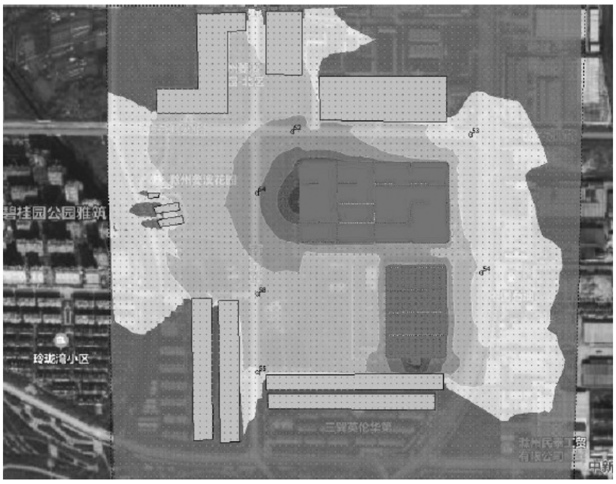
Indicators are in place to ensure that these recommendations are respected by the plants.

The prevention and limitation of noise pollution in workshops and in the environment are criteria used for evaluating investment projects subject to validation, and this from the early stages of their eco-design.

Sound level measurements before and after the completion of work are most often requested.

Among our achievements in 2020, we can cite the actions carried out in the finishing plant at our Tianda Chuzhou site in China, following on from the actions performed in 2019 in the main plant, which includes the rolling mills.

As a result, after a noise study to measure noise levels at the property limits and in the facilities, we initiated a program to treat the noise sources identified by an expert firm. More specifically, this meant reinforcing the sound insulation of the buildings (see photos).



4.2.4.6 Climate change

I – OUR COMMITMENTS

The Group published its carbon policy in January 2018; this policy is currently being revised. Vallourec is committed to:

- continuing to better understand all of its emissions;
- reducing its direct and indirect greenhouse gas emissions;
- positioning the Group in the dynamic of commitments of the Paris Agreement;
- integrating a €40 carbon price into its decision-making processes;
- pursuing the development of environmentally friendly products;
- making sure its industrial assets will resist the future impacts of climate change.

Further to the commitments made in 2015 as part of the preparation for COP 21 and to the adhesion to the “Business Proposals In View Of A 2015 International Climate Change Agreement at COP 21 in Paris” initiative launched by 80 international companies, in mid-2019 Vallourec, with 98 other French companies, signed a new version of the French Business Climate Pledge in order to contribute jointly to a new low-carbon economy thanks to a significant effort to finance R&D projects and ad hoc investments.

Since 2013, each year Vallourec has been improving its public responses to the CDP “Climate” questionnaire. Its assessment in terms of transparency and performance has continued to improve, gradually moving from “D” in 2012, to “A” in 2019 and finally “A-” in 2020. Since 2016 Vallourec has been one of the companies rewarded by the CDP for their leadership in climate matters. Vallourec aims to return to the CDP’s “A List” in 2021 thanks to a strengthening of its commitments to a low-carbon economy.

In 2020, Vallourec was also rewarded by the CDP for its leadership vis-à-vis its suppliers, by obtaining a rating of “A”; only 7% of companies that complete the CDP Climate questionnaire received such an award.

CDP
SUPPLIER ENGAGEMENT LEADER
2020

As part of these ongoing improvement efforts, in 2018 Vallourec examined, with the assistance of specialists, whether its emissions pathway could fit within the “Science-Based Targets”approach by 2025, which aims to assess the compatibility of companies’ efforts with the provisions of the 2015 Paris Agreement.

Considering the result of this analysis, the Group's Management decided to join the Science-Based Targets Initiative (SBTi) at the end of 2018 and to have a CO_2 emissions reduction trajectory compatible with limiting global warming to well below 2°C, using 2017 as the reference year.

The first submission of our file in the second quarter of 2019 enabled us to verify our ambitions to reduce our direct emissions (scopes 1 and 2).

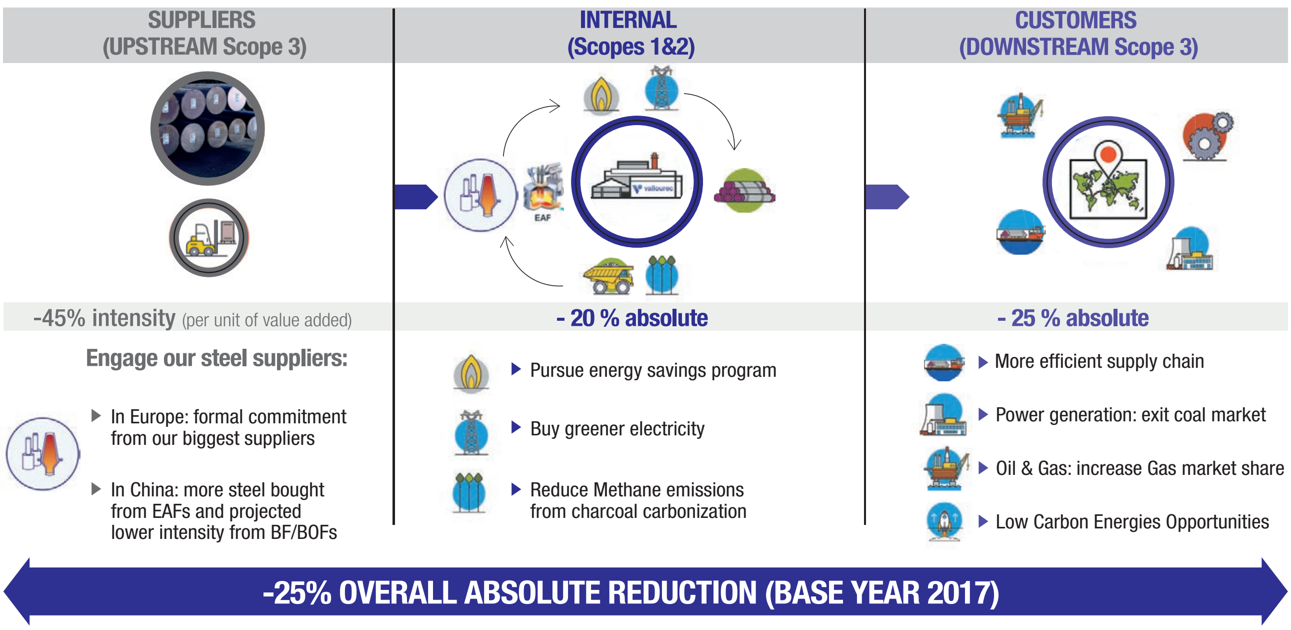
In March 2020, we strengthened our ambitions for scope 3 upstream, obtaining commitments from our largest steel suppliers. Our file was resubmitted to the SBTi with the proposal of four objectives to reduce our carbon footprint, three of which are absolute.

Our application was formally validated ("targets set") by the Science-Based Targets Initiative in May 2020, making Vallourec the first company in the oil/para-petroleum industry to obtain this recognition.

Our approved targets for 2025 are (reference year 2017):

- to reduce the fossil and biogenic carbon footprint of our industrial activities (scopes 1 and 2) by 20% in absolute terms;
- to reduce our value chain from the purchase of raw materials (including steel) to the use and end of life of our products (scopes 1, 2 and 3) by 25% in absolute terms;
- to reduce the intensity (tons of CO_2 per million euros of added value) of our purchases of raw materials, including steel, by 45%; and
- to reduce our scope 3 indirect emissions by 25% in absolute terms, including our transportation and the use/end-of-life of our products in various markets.

An action plan has been devised to achieve these targets. It was approved by the Vallourec Executive Committee:



II – ASSESSMENT OF GHG EMISSIONS

See detailed table in Appendix 4.

Reducing greenhouse gases and, first and foremost, being aware of its emission level, is a goal for Vallourec.

a) Sequestration of CO_2 by our Brazilian forest

It should be noted that in 2015 a detailed analysis of the carbon cycle for the forest operated in Brazil was completed with the help of university and institutional experts.

The study, which took place over several years, aimed to provide evidence that the Company had managed this forest responsibly from a carbon emissions standpoint, that it had a sound methodological basis that would allow it to estimate the emissions with sufficient precision, and, correspondingly, to set a medium-term emissions objective.

The 230,000-hectare forest area operated by Vallourec Soluções Tubulares do Brasil (VSB) within its Florestal subsidiary consists of a so-called native forest, which represents approximately one third of the surface area. It is kept as is, while the other portion is cultivated. Every year, about one seventh of the cultivated forest is cut down for the production of charcoal, and that area is then immediately replanted. As they grow, trees absorb CO_2. The trunks of harvested trees are transformed into charcoal, with a high carbon content, in furnaces designed for that purpose. The charcoal then enters the cast iron manufacturing process needed to manufacture steel in addition to iron ore. This process, which leads to the combustion of charcoal, results in CO_2 emissions. Until now, the generally accepted assumption of the profession in Brazil was that this CO_2 was gradually reabsorbed by the forest during its growth through photosynthesis.

The study in question provided specifics, over a long period, about the quantity of carbon put into play from the twofold perspective of measuring stock and measuring the flows of carbon and greenhouse gas, taking into account initial deforestation operations. It was conducted by VSB's Sustainable Development Department, with the assistance of the University of Lavras, Professor Caetano of the University of Viçoza, and with the participation of Professor Sampaio as an expert consultant from the SR office of the GeoConsult consultancy firm, all under the methodological control of the National Forests Office, in France.

The study considered the scientific research and data that have been available for the past 30 years, and in particular used the public aerial surveys, which allowed the scope and nature of the native or exploited forest to be reconstituted over this period.

Particular care was taken, firstly in calculating the emissions at each stage in the processes of exploiting the forest and carbonization, using the scientifically recognized methods, and secondly, with regard to analyzing the phenomena of carbon sequestration in the atmospheric and underground biomass. The study lastly concerned the role of soil from the viewpoint of carbon retention, thanks in particular to on-site measurement initiatives on various kinds of soil, and around stumps and roots of trees at various stages of growth.

In essence it shows that, in the 1983-2013 period, i.e., in 30 years, the forest sequestered 29.6 million metric tons of CO_2 equivalent, after taking into account the particular power of methane as a greenhouse gas emitted during carbonization. It also shows that, after considering the CO_2 emissions during the cast iron manufacturing process in the blast furnaces, the net sequestration over this period is 7.4 million metric tons per year, or on average 250 thousand metric tons per year, whereas until now, due to the conservative assumptions adopted, the estimated annual analysis was an emissions level of approximately 300 thousand metric tons.

Based on this information, it was thus possible to redefine a method for calculating the carbon analysis of the forest/blast furnace system that was used to establish the Group's annual carbon analysis since 2015 on more precise bases.

Given the methodological changes, in 2021, Vallourec plans to update the method used to calculate carbon sequestration by its Brazilian forest, with the help of its Vallourec Soluções Tubulares do Brasil teams and a specialized firm.

b) Calculation of emissions

Emissions were calculated using the *GHG protocol* methodology, which distinguishes between direct, fossil and biogenic emissions (scope 1), indirect emissions from electricity consumption (scope 2), and indirect emissions from other sources of emissions based on the Group's full scope (scope 3). Since the 2019 assessment, Vallourec has extended the range of scope 3 by calculating the emissions associated with the use and end of life of our products. This item was taken into account retroactively in the assessments relating to 2017 and 2018.

Vallourec decided to fix the start date of recording our emissions as 2017, given that this was the year used as the baseline for calculating the reduction of the carbon footprint of Vallourec by 2025.

In short, the full simplified carbon analysis is as follows (the detailed analysis is commented on in Appendix 4):

Simplified carbon footprint (CO_2e and CH_4 equivalent)

Type of emissions	2015	2016	2017 [(a)]	2018 [(a)]	2019 [(a)]	2020 [(a)]
Non-biogenic direct emissions (scope 1) *(CO_2e in thousands of metric tons)*	580	551	763	927	890	767
Specific emissions *(in kg per metric ton processed)*	205	180	169	168	168	218
Specific emissions *(in kg per metric ton shipped)*	411	430	338	392	389	480
Biogenic direct emissions (scope 1) *(CO_2b and CH_4b in thousands of metric tons)*	2,322	2,121	2,348	2,626	2,106	1,968
Specific emissions *(in kg per metric ton processed)*	821	691	519	475	398	559
Specific emissions *(in kg per metric ton shipped)*	1,646	1,655	1,041	1,111	919	1,231
Total biogenic sequestration (scope 1) *(CO_2b in thousands of metric tons)*	(3,276)	(3,141)	(3,079)	(3,132)	(2,844)	(2,728)
Specific emissions *(in kg per metric ton processed)*	(1,159)	(1,024)	(680)	(567)	(537)	(775)
Specific emissions *(in kg per metric ton shipped)*	(2,322)	(2,451)	(1,365)	(1,325)	(1,241)	(1,707)
TOTAL DIRECT EMISSIONS (SCOPE 1) *(CO_2e in thousands of metric tons)*	**(374)**	**(469)**	**33**	**421**	**152**	**6**
Specific emissions *(in kg per metric ton processed)*	(132)	(153)	7	76	29	2
Specific emissions *(in kg per metric ton shipped)*	(265)	(366)	15	178	66	4
INDIRECT EMISSIONS (SCOPE 2) *(CO_2e in thousands of metric tons)*	**423**	**518**	**510**	**436**	**240**	**121**
Specific emissions *(in kg per metric ton processed)*	150	169	113	79	45	34
Specific emissions *(in kg per metric ton shipped)*	300	404	226	185	105	76
UPSTREAM INDIRECT EMISSIONS (SCOPE 3) [(b)] *(CO_2e in thousands of metric tons)*	**1,783**	**1,811**	**3,199**	**3,453**	**3,216**	**2,178**
Specific emissions *(in kg per metric ton processed)*	631	590	707	625	607	619
Specific emissions *(in kg per metric ton shipped)*	1,264	1,413	1,418	1,461	1,404	1,362
DOWNSTREAM INDIRECT EMISSIONS (SCOPE 3) [(b)] *(CO_2e in thousands of metric tons)*			**8,480**	**6,444**	**5,345**	**4,808**
Specific emissions *(in kg per metric ton processed)*			1,874	1,167	1,009	1,366
Specific emissions *(in kg per metric ton shipped)*			3,759	2,726	2,333	4,370
TOTAL EMISSIONS *(in thousands of metric tons)*	**1,832**	**1,861**	**12,222**	**10,755**	**8,953**	**7,113**
Specific emissions *(in kg per metric ton processed)*	648	606	2,701	1,947	1,691	2,022
Specific emissions *(in kg per metric ton shipped)*	1,299	1,452	5,417	4,550	3,908	4,449

(a) Including the emissions from Vallourec Mineração (the mine), the Jeceaba pelletization unit and the Tianda site.

(b) The items appearing under this entry are those over which the Company has a direct effect or direct influence, and for which data is available. To date, emissions pertaining to client processes are neither known nor taken into account. For the purpose of improving the knowledge of scope 3 due to its significance, starting in 2019, the Group defined, with the assistance of a specialized consultant, the methodology to be used to determine the carbon emissions of downstream items connected to the use and end of life of the products used by its customers. The calculation of these emissions was carried out retroactively, for 2017 and 2018.

With regard to the sequestration of CO_2 by our Brazilian forest, the calculation for the 2020 assessment once again showed a very high level, with 2,728 kilotons compared to 2,840 kilotons in 2019. This good figure is explained by the fact that production by our subsidiary Florestal was down only 4% compared to last year, despite the economic crisis.

Vallourec believes that this sequestered carbon enters into the calculation of scope 1 biogenic emissions as a "negative" emission, with the forest acting as a carbon sink.

Scope 1

As concerns the so-called non-biogenic scope 1, the first observation is that direct ordinary emissions (non-biogenic) fell from 890 kilotons of CO_2e in 2019 to 766.6 kilotons in 2020, a drop of 13.9% or 124 kilotons. This difference is broken down as follows:

- -165.5 kt CO_2 for the "natural gas" item: -10.9 kt through the implementation of savings projects (1.7 kt in Muskogee following work on the furnace, 6.9 kt in Jeceaba thanks to the use of charcoal as a partial substitute for natural gas and 2.3 kt through the optimization of the Brazilian steel plant), and -154.6 kt, which can be explained by the -30% drop in production (the potential gain was 195.3 kt but the disrupted operation of the plants led to over-consumption of gas equivalent to +40.7 kt CO_2);
- -12 kt CO_2 for the "fuel consumption" item, which can be explained by the drop in activity in the plants (-4.4 kt) and by the 20% reduction in consumption at the Brazilian mine despite the 26% increase in production (-7.6 kt CO_2), as this item covers internal handling but also deliveries of ore by truck to customers;
- +54.1 kt CO_2 for the "Blast furnace and steel mills" item: this increase is explained by the improvement in the iron ore/pellets sold assessment for the Jeceaba pelletization unit (+103 kt), which was offset by the reduction in activity at our two steel mills (Brazil and United States), representing a decrease in emissions of 48.9 kt CO_2.

As concerns the so-called biogenic scope 1, emissions decreased by 2,106 kilotons of CO_2e in 2019 to 1,968 kilotons in 2020, i.e., -138 kilotons (-6.5%). This is explained by:

- -38.5 kt CO_2: attributable to the reduction in charcoal production by Vallourec Florestal. This resulted in a reduction of CO_2 emissions due to the processing of eucalyptus wood into charcoal;
- +3.5 kt CO_2e: attributable to the degradation of the gravimetric carbonization yield. This resulted in an increase in methane (CH_4) emissions due to the processing of eucalyptus wood into charcoal;
- -132.5 kt CO_2: attributable to the decrease in charcoal consumption by the Jeceaba blast furnace and steel mill due to a reduction in activity;
- +29.5 kt CO_2: attributable to the increase in charcoal consumption in the Brazilian pelletization unit due to the increase in its production (+6.5%) and the growing use of biomass as a substitute for natural gas;
- +288 kt CO_2: the amount of CO_2 captured and sequestered by the forest decreased proportionally.

We must also keep in mind that:

- the Youngstown (United States) electric steel plant used the "scrap" method to manufacture its steel. The process, which consists of melting scrap and recycled steel in its electric arc furnace, emits low levels of CO_2. This industrial feature, which limits the use of fossil carbon in comparison to the cast iron process and its blast furnaces, is one of the reasons why Vallourec's direct emissions have remained moderate;
- in Jeceaba, Brazil, the blast furnace uses charcoal as the main source of carbon. The cast iron it produces supplies a continuous arc furnace that it also able to operate with scrap and recycled steel;
- taking the sequestration of the eucalyptus forest into account means that, in 2020 as in 2019, the direct biogenic emissions (CO_2 and CH_4) of the Vallourec Group, which are connected to wood carbonization and the burning of charcoal, are negative: -761 kilotons of CO_2e in 2020, very close to the 2019 figure (-738 kilotons).

Scope 2

As concerns scope 2, indirect emissions resulting from electrical energy consumption purchased have dropped by 119 kilotons of CO_2e compared to 2019, after having fallen by 196 kilotons between 2018 and 2019. Vallourec is therefore actively pursuing the decarbonization of the electricity it purchases. The very sharp decrease recorded in 2020 can be explained by:

- -39 kt attributable to a reduction in the electricity consumption of Vallourec in absolute terms (-16%);
- -80 kt due to a decrease in the carbon content of our electricity: the average emission factor decreased from 141 kg CO_2 per MWh in 2019 to 85 kg in 2020, a reduction of 40%. This can be explained by the total decarbonization of the electricity delivered to our plants in Rath (Germany) and Youngstown (Ohio, United States) and by the improvement in the carbon intensity of electricity in several countries (Canada, Mexico, Germany, the United Kingdom and Ukraine).

As since 2017, this assessment has been established based on emission factors (kg CO_2 equivalent/kWh consumed) of Vallourec's local electricity suppliers whenever information was available from them, in particular in France, Germany, Brazil and in the United States (Ohio and Texas).

Upstream scope 3

In 2020, indirect upstream emissions (scope 3) represented 2,178 kilotons of CO_2e compared to 3,216 kilotons in 2019, a decrease of 32.3% consistent with the 30.4% reduction in our manufactured steel and tube production. In greater detail, this decrease of 1,038 kilotons is attributed to:

- -878 kt: our external steel purchases decreased by 41% between 2019 and 2020;
- -84 kt: the transportation of goods from the four regions (North and South America, Europe/Africa, Middle East and Asia) fell by 27% due to the sharp reduction in sales of our tubes;
- -41 kt: attributable to the reduction in energy consumption;
- -22 kt: for the asset depreciation item;
- -9 kt: for the business travel and employee transportation item due to health and economic restrictions;
- -4 kt: due to reducing our waste production primarily but also by improving the recovery process.

It should be noted that in 2020, we have continued the work begun in previous years to measure the carbon impact of freight transportation in a more complete and accurate way. Accordingly, based on data provided by the plants and logistics departments of our four regions (Europe/Africa, Middle East/Asia, North America and South America), we have calculated the emissions resulting from upstream transportation (deliveries of raw materials including purchased steel), transportation between plants (steel mills, rolling mills and finishing) and downstream transportation (deliveries to customers).

Downstream scope 3

For the purpose of improving the knowledge of scope 3 in light of its importance, the Group drafted in 2019, with the assistance of a specialized consultant, a methodology to determine carbon emissions of downstream items relating to the use and end of life of products used by its customers.

As in 2019, but also retroactively for 2017 and 2018, we have made this calculation, which is relevant albeit approximate.

In 2020, these emissions amounted to:

- use of our products by customers: 4,756 kt, compared to 5,270 kt in 2019 (-10%), or 68% of our total indirect emissions. This item has the greatest impact, followed by steel purchases (23%). Such emissions fell by 43% compared to reference year 2017 (8,405 kt), primarily due to Vallourec's gradual move away from conventional power plants (revenue was halved);
- end of life of our products: 52.8 kilotons, i.e., less than 1% of all our scope 3. These emissions are down very sharply (-29%) compared with 2017's due to the decline in our sales.

Summary

The carbon footprint of Vallourec in 2020 is summarized per metric ton of tubes sold:

Emissions item	Metric tons *(metric tons CO_2e)*	Intensity *(kg CO_2e/metric ton)*
Direct fossil fuel emissions (scope 1)	766,619	480
Biogenic direct emissions	1,967,647	1,231
Sequestration by our forest	(2,728,314)	(1,707)
TOTAL DIRECT EMISSIONS (SCOPE 1)	**5,952**	**4**
Electricity purchases (scope 2)	121,185	76
TOTAL EMISSIONS (SCOPES 1 + 2)	**127,137**	**80**
Upstream indirect emissions	2,177,789	1,362
Downstream indirect emissions	4,808,445	3,008
TOTAL INDIRECT EMISSIONS (SCOPE 3)	**7,113,371**	**4,449**

In 2020, thanks to carbon sequestration by the Brazilian forest, the direct carbon footprint (scope 1) of tubes sold by Vallourec is only 4 kg per metric ton (80 kg including electricity purchased, scope 2).

In relation to the revenue of Vallourec in 2020 (€3,242 million), the carbon intensity (scopes 1 and 2) was 0.04 kg of CO_2e per euro, compared to 0.094 kg in 2019, 0.22 in 2018 and 0.09 in 2017. This result is very low in terms of industrial standards.

Vallourec continues to be considered a low-emissions entity.

c) Monitoring our emission reduction commitments by 2025

The Group's new industrial footprint has been effective since 2017. Forecasts of activities between now and 2025 made in 2019 before the oil and health crisis of 2020 have to be reviewed. It has become more difficult to assess what our emissions will be on this horizon given current and future uncertainties.

In any event, it is Vallourec's ambition to reduce its carbon footprint by 2025 by a very significant level compatible with limiting global warming to well below the 2°C threshold. Our emission reduction targets compared to 2017 for scopes 1, 2 and 3, were submitted in March 2020 to the SBTi (Science-Based Targets Initiative); in May 2020, we obtained formal validation of four quantified targets covering the entire Vallourec value chain (suppliers, plants and customers).

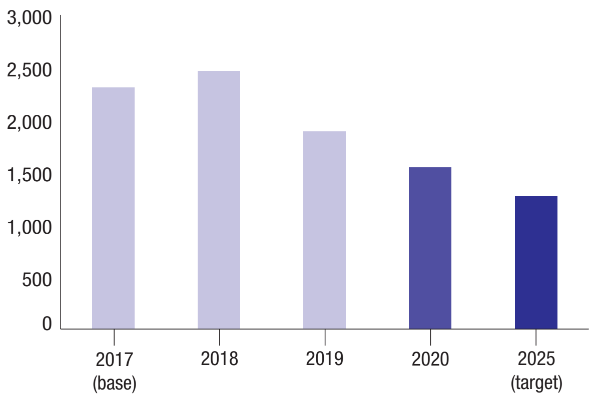
In order to succeed, several improvement actions have been defined and validated by Vallourec's Executive Committee. These include:

- continuing to improve the energy efficiency of our processes;
- reducing biogenic methane emissions during charcoal carbonization;
- using low-carbon electrical energy;
- reducing the carbon load of the steels we buy by engaging our main suppliers;
- continuing Vallourec's transformation toward less carbon-intensive markets.

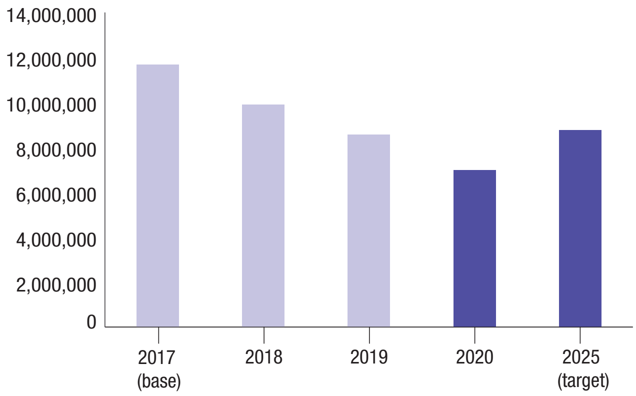
The levels of achievement in 2020 of our four objectives set for 2025 are summarized in the following table:

Target	2017 (base)	2018	2019	2020	2025 (target)
Reduce the fossil and biogenic carbon footprint of our industrial activities (scopes 1 and 2) by 20% in absolute terms	1,634,253	1,758,321	1,452,593	**1,213,363**	1,307,402
% achieved	***0%***	***-38%***	***56%***	***129%***	***100%***
Reduce the intensity (tons of CO_2 per million euros of added value) of our purchases of raw materials and services by 45%	2,308	2,465	1,885	**1,543**	1,269
% achieved	***0%***	***-15%***	***41%***	***74%***	***100%***
Reduce our scope 3 indirect emissions by 25% in absolute terms, including our transportation and the use/end-of-life of our products in various markets	11,678,215	9,897,561	8,561,323	**6,986,234**	8,758,661
% achieved	***0%***	***61%***	***107%***	***161%***	***100%***
Reduce our value chain from the purchase of raw materials (including steel) to the use and end of life of our products (scopes 1, 2 and 3) by 25% in absolute terms	13,312,468	11,655,882	10,013,916	**8,199,597**	9,984,351
% achieved	***0%***	***50%***	***99%***	***154%***	***100%***

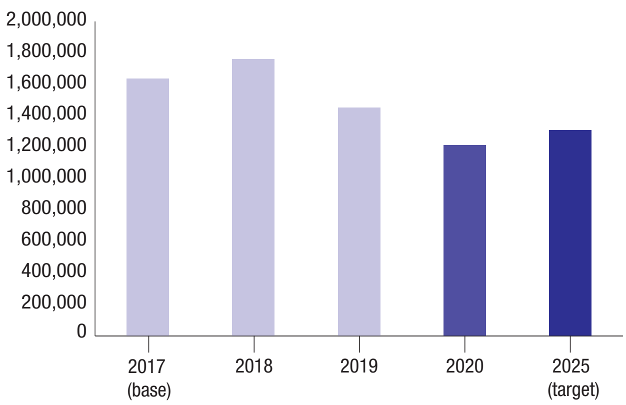
CO_2e emissions (metric tons/€ million Value Added) - scope 3 upstream (purchases of raw materials and services)



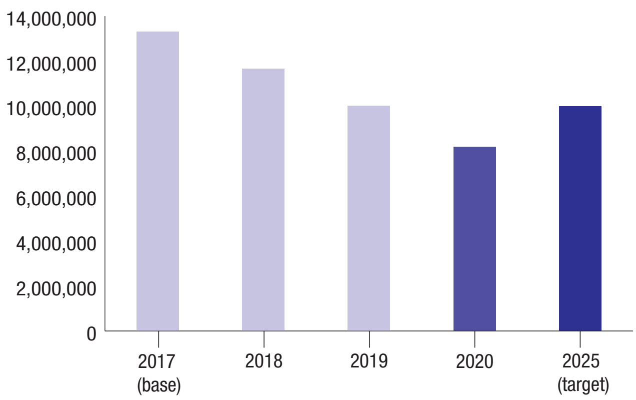
CO_2e emissions (metric tons) - scope 3 downstream (use and end of life of products sold)



CO_2e emissions (metric tons) - total scopes 1 + 2



CO_2e emissions (metric tons) - total scopes 1 + 2 + 3



By reducing our industrial activities and sales by more than 30%, in 2020, we will be able to meet and exceed the three absolute targets for reducing our direct (scopes 1 and 2) and indirect (scope 3) emissions set for 2025.

In terms of reducing the footprint of our purchases of raw materials, expressed in terms of intensity (metric tons of CO_2 emitted per million euros of value added), in 2020, we achieved 74% of the 2025 target.

Compared to 2019, the intensity decreased by 18% (and by 33% compared to 2017); this good performance is explained by the sharp drop in our steel purchases (-41%) and consequently in their carbon footprint (-36%); between 2019 and 2020, value added decreased by 22%.

d) Emissions Regulation Systems

Since 2013, both French and German tube mills have fallen within the scope of Directive No. 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing the European Community Emissions Trading Scheme for the third period. It is appropriate to note that the considerable reduction in Vallourec's activity and industrial footprint in France and Germany had the result of reducing the amount of free allocations compared to which the Group could benefit from to date.

In 2020, the quotas allocated to the sites concerned (five in Germany and four in France) stood at:

- 155,833 metric tons for Germany, compared with 159,115 in 2019, i.e., a decrease of 2.1%, which can be explained by the annual contraction factor applied;
- 40,586 metric tons for France, compared with 41,439 in 2019, i.e., a drop of 2.1%.

As a result of the sharp drop in activity recorded in 2020 with the health and economic crisis, our plants have met their quotas. Vallourec should also still benefit from an excess of direct allocations of about 63,000 metric tons, a figure that will be confirmed once all regulatory verifications of the annual greenhouse gas emission declarations of our European plants affected have been carried out in the first half of 2021.

It should be noted that our site in Reisholz (Germany) fully ceased its production in August 2020 and that our site in Déville-lès-Rouen (France) should also close in 2021 after having strongly reduced its activity from the second half of 2020.

In 2019, in order to best prepare for start of the fourth period (2021-2030) of the EU Emissions Trading Scheme for the allocation and trading of greenhouse gas emission quotas, all of the sites concerned sent the regulatory files required to benefit from free allocations for the years 2021 to 2025 within the deadline. Temporary allocations have been set for each site. The authorities are to define their final amounts during the first half of 2021.

The impact of the mechanism on the Group's activity is not limited to consideration of its own emissions. European electricity suppliers are obligated to fully cover their CO_2 emissions with emission rights, although it is not easy to measure the corresponding impact in the price of electricity supplied. Furthermore, steel suppliers and, in particular HKM, which uses the cast iron coke-ore process, are working to reduce their emissions in order to limit purchases of emission quotas in the coming years.

The full impact of the provisions of the ETS system on the operating costs of the Vallourec Group remained very moderate in 2020.

The impact on the Group of Phase 4 of ETS is still being evaluated, given its own seamless steel tubes production, as well as the activity of its European steel suppliers, including HKM.

III – ADAPTATION TO THE IMPACT OF CLIMATE CHANGE

In 2014, the Group conducted a study of the risks related to the consequences of climate change, distinguishing among eight regions with distinct climate characteristics, namely Hauts-de-France, Burgundy, Rhine-Westphalia, Minas Gerais, Ohio, Texas, Batam Island in Indonesia, and the Shanghai region. The conclusions of this study were presented.

The study was updated in 2019, given the Group's new industrial footprint (especially in terms of the integration of the Chinese Tianda site in Chuzhou), the risk trends, recent climate events, and the greater precision of the simulation methods.

- The climate scenario selected is "RCP 8.5" *(Business-As-Usual or Worst-case Scenario)*: this scenario predicts a doubling of CO_2 concentrations in the atmosphere by 2050, with a 1.5° to 2.2°C rise in temperature.
- For the analysis of physical risks, this scenario makes it possible to anticipate the most extreme effects and set up a "no regrets" adaptation strategy.

The main conclusions are presented in terms of possible Impacts (I) and Probability of occurrence (P):

	1. Mühlheim, Germany		2. Rath Pilger, Germany		3. Montbard, France		4. Aulnoye, France		5. Chuzhou, China		6. Montbard (nuclear), France		7. Houston (Hardy Road), United States	
	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability
Increase of average temperature	3	3	3	3	1	3	1	3	3	3	1	3	3	3
Heat waves	2	3	2	3	3	3	2	3	3	3	3	3	4	3
Drought	1	1	2	1	3	1	3	1	1	1	2	1	1	1
Depletion of water resources	1	1	2	1	1	1	3	3	1	1	1	1	3	3
Heavy rain and flooding	3	1	4	1	3	1	3	1	3	1	3	1	3	1
Cyclones	3	1	3	1	1	1	1	1	2	1	1	1	4	3
Snowfall	Decrease	3	Decrease	3	N/A	N/A	N/A	N/A	Decrease	3	Decrease	3	Decrease	3
Drop in levels of water ways	4	2	4	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1	2	3	4	5	1	2	3	N/A	Decrease	N/A
low impact				*very strong/ costly impact*	*uncertain*	*probable*	*very probable*	*data unavailable*	*reduced frequency/ intensity*	

	8. Houston (Miller Road), United States		9. VAM Youngstown, United States		10. Houston (VSTAR), United States		11. Youngstown Fine Quality and Pipe Mill and steel plant, United States		12. Forest, Brazil		13. Barreiro, Brazil		14. Jeceaba, Brazil		15. Mine, Brazil	
	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability	Impact	Probability
Increase of average temperature	3	3	2	3	3	3	3	3	3	3	4	3	4	3	2	3
Heat waves	4	3	2	3	4	3	3	3	2	3	3	3	3	3	3	3
Drought	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1
Depletion of water resources	3	3	2	2	3	3	3	2	1	1	2	1	3	1	3	1
Heavy rain and flooding	3	1	5	1	3	1	5	1	3	1	4	1	4	1	4	1
Cyclones	4	3	3	3	4	3	2	1	2	1	3	1	3	1	1	1
Snowfall	Decrease	3	Potential increase	3	Potential increase	3	Decrease	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Drop in levels of waterways	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1	2	3	4	5	1	2	3	N/A	Decrease	N/A
low impact				*very strong/ costly impact*	*uncertain*	*probable*	*very probable*	*data unavailable*	*reduced frequency/ intensity*	

After an in-depth examination of public documents and national adaptation plans, the main phenomena identified at all the sites analyzed were the rise in mean temperatures and heat waves, which could be particularly severe in Houston and Brazil (Barreiro and Jeceaba). This could have an impact on operations at our facilities and on the working conditions of our staff.

Specific risks have been identified at several sites:

- the Houston site is the highest priority due to the risk of cyclones and the depletion of water resources; in addition, floods as an aftermath of cyclones could prevent access to our sites, stop staff from reaching their worksite, and halt the delivery of our products;
- Youngstown is the second highest priority site due to the risk of the depletion of water resources and heavy rains and snowfall with possible flooding;
- Chuzhou is the third highest priority site with a risk of heavy rains and floods;
- Brazilian sites, including the forest, may suffer from a lack of water and heavy rainfall with floods (the torrential rains observed at the end of January 2020 in the State of Minas Gerais are one such example);
- our German sites could suffer from a lowering of the level of waterways, including the Rhine, which could result in disruptions to the supply chain for raw materials including steel bars.

This study concludes by making numerous recommendations for adaptation actions specific to each of the sites studied.

To summarize, it appears that not all of our sites would be uniformly impacted and that the updated risk has not worsened overall compared to the 2014 conclusions, despite the use of a more refined methodology. Lastly, a benchmark of the practices of other major groups in this field has shown that our approach is consistent and comprehensive.

The findings of this study and its conclusions were presented in 2020 to each of the regional directorates as well as to those at the sites concerned. They will need to further examine, on a local level, the risks identified and design an appropriate adaptation plan that is in line with the emergency plans required by the local authorities.

This process starts with a general approach and focuses on the situations that would be deemed most critical, and falls within the mapping of major risks that the Company keeps updated, with the support of the Risks Department and the internal control teams. It also relies on the expertise of the insurance companies and takes their recommendations into account.

Our mining site in Pau Branco, Brazil, can be cited as an example with the securing of the Santa Barbara and Lisa earth dams. These dams serve to retain runoff waters. The environmental authorities in the State of Minas Gerais recently decided that this type of dam should now be sized to absorb potential rainwater for 10,000 years instead of 100 years. These two dams were therefore equipped with emergency overflow weirs.

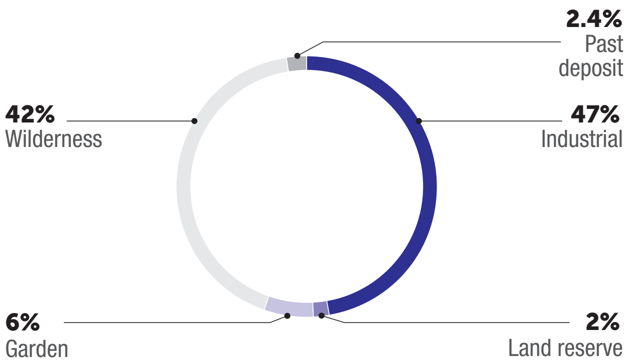
In addition, the Vallourec Mineração teams have implemented a system to continuously monitor the structural soundness of these dams, linked to an alert system. Emergency exercises are organized internally and for the local populations concerned.

4.2.4.7 Biodiversity

Studies have been conducted over the last few years at the main Vallourec sites to evaluate the impact of activities at our plants on biodiversity. No major risk has been identified.

In 2019, a study was conducted on identifying and measuring the surface area of existing "green areas" at our sites. The study related to managed green areas (gardens, lawns, etc.) and areas where local biodiversity was allowed to develop freely.

The findings of this survey conducted by the Environment Managers at each site are summarized in the graph below (this data will be updated regularly):



Excluding the Brazilian forest, which represents a significant portion of the biodiversity areas (48%), "green areas" account for 48% of the surface areas, of which a majority (42%) are for the development of biodiversity.

Measures to preserve biodiversity have been put in place for several years, primarily in Brazil and Indonesia:

- species present in these zones have been counted and listed and the awareness of employees (as well as residents adjacent to each site) has been increased;
- the Group ensures that the various sites do not negatively impact the biodiversity present at the sites by implementing preventive measures for its protection;
- certain specific activities of the Group have a direct link to biodiversity, therefore Vallourec ensures that it is respected. In this respect, it is worth mentioning Florestal, a Brazilian entity involved in forestry activities to produce charcoal that is then used as a source of energy.

The Vallourec Group invests on a long-term basis to preserve the areas of biodiversity around its industrial facilities.

In Brazil

The Barreiro site, located in the city of Belo Horizonte, runs an environmental education center at the edge of the city. This 20-hectare center includes three ecosystems: the *cerrado* (savanna), the transitional vegetation, and the *mata atlantica* (Atlantic forest). In 2019, this site developed an environmental recovery project on 2.4 hectares along the edge of the plant.

The Jeceaba site created a reference center on the "Atlantic forest" over a surface area of 660 hectares, with the goal of replanting this area with approximately 400 native species of the region. This space includes the legal reserve as well as the "green belt" and "forest belt". A surveillance system for monitoring wildlife has been established. Numerous specimens have been detected, including protected species, which is an indicator of biodiversity and helps protect regional ecosystems.

In 2019, to celebrate International Biodiversity Day, the Jeceaba environment team produced a photographic collection of the fauna found in the monitored areas, showing the various species observed in the region. This was presented to the employees at the plant so they could discover more about local biodiversity. The team also presented the environmental conservation actions implemented at the Jeceaba plant.

The Vallourec Florestal subsidiary operates eucalyptus plantations, which serve to produce the charcoal needed to operate the Jeceaba blast furnace. Approximately half of the areas are preserved in their natural state and distributed so as to create corridors for wildlife to circulate. This subsidiary regularly participates in plant and wildlife study projects with Brazilian administrations (Regional Forest Institute), universities (Federation of Universities of Minas Gerais) or international NGOs.

The Vallourec Mineração subsidiary is located some 50 kilometers from the Jeceaba site, which it supplies with iron ore. As exploitation of this open-pit mine gradually continues, the resulting waste rock is pressed, dried, then put in landfills. The ground is in the end reforested with local species at the rate of six hectares per year. Accordingly, 1,600 replanted hectares have already been returned to nature. Additionally, 200 hectares are allocated for an "Atlantic forest" type natural reserve. A biodiversity study has allowed 176 wild species of mammals, reptiles, fish, and birds to be identified. In particular, endangered species were observed, such as the "Leopardus guttulus" (wild cat), the "Puma concolor" (puma or cougar), and the "Chrysocyon brachyurus" (maned wolf). 154 species of "Atlantic forest" type native plants were inventoried. Moreover, 45 caves were monitored; their specific wildlife (bats) and plants are currently being studied.

In Aulnoye-Aymeries, France

To improve knowledge of biodiversity on this site, an impact study of the Aulnoye-Aymeries area was launched in 2017 with a specialized provider in and around the site, which has several plants and is located close to classified natural spaces, a space belonging to the Natura 2000 network, and listed natural heritage areas. The study, which concerned Vallourec's land holdings, the immediate periphery of Vallourec's industrial site, and a study area that was expanded to a radius of 10 kilometers, concerned unusual and invasive species.

This study, which was finalized in 2018, has shown that the same plants and wildlife exist within the site, in the fallow ground, outside, in the immediate proximity, and in the various ecosystems that comprise the Sambre basin, the marshland and flood zones bordering it, as well as in the surrounding fields and pastures.

These habitats and species pertain to conservation issues that fall primarily outside of Vallourec's holdings. However, the diversity noted within the site remains remarkable for a major industrial site such as Vallourec's. Indeed, protected species have been observed on land where there is less human activity, such as the majority of the fallow land, the heap on the road to the plant, and even the stormwater basin.

This observation is thus encouraging in terms of the low impact of the Group's activities on biodiversity, and shows that it is also possible for an industrial company to help protect and develop plant wildlife.

Indonesia

For several years, PT Citra Tubindo, in association with Batam Botanical Garden (BBG), has been planting trees, specifically fruit trees, and has maintained a mangrove close to the facilities. These actions slow coastal erosion, halt the penetration of saltwater toward the interior, and protect the shores from storms, as well as enabling carbon to be retained, and the toxic products contained in the water to be absorbed. These actions are supported by the local populations, academic institutions and students. Accordingly, in 2018, more than 300 trees were placed on the site and more than 100 in the botanical garden.

In 2019, PT Citra Tubindo, in collaboration with the BBG, began the construction of a green space and continues to plant more trees. In 2020, planting actions continued with more than 1,000 flowers and 2,000 herbaceous plants.

Appendix

Appendix 1 - Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated non-financial statement

For the year ended 31 December 2020

To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the “entity”) appointed as an independent third party, and accredited by the French Accreditation Committee (Comité Français d’Accréditation or COFRAC) under number 3-1049 (1) and, as a member firm of the KPMG International network, one of your statutory auditors, we hereby report to you on the consolidated non-financial statement for the fiscal year ended 31 December 2020 (hereinafter the “Statement”), included in the group management report pursuant to the requirements of Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code (Code de commerce).

RESPONSIBILITY OF THE ENTITY

The Management Board is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity’s procedures (hereinafter the “Guidelines”), the main elements of which are presented in the Statement and available upon request at the entity’s head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the requirements of Article L.822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

RESPONSIBILITY OF THE STATUTORY AUDITOR APPOINTED AS INDEPENDENT THIRD PARTY

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of Article R.225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with paragraph 3 of part I and part II of Article R.225-105 of the French Commercial Code, i.e., the outcomes of policies, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the “Information”).

Our responsibility is also to provide a report expressing, at the request of the entity and outside of the scope of accreditation, a reasonable assurance conclusion that information selected by the entity, presented in the Appendix and identified with the symbol √ in Chapter “4. Corporate Social Responsibility information” of the management report has been prepared, in all material respects, in accordance with the Guidelines.

However, it is not our responsibility to comment on the entity’s compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation, nor on the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Article A.225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes, or CNCC) applicable to such engagements and with ISAE 3000 (2)

- We obtained an understanding of all the consolidated entities’ activities, and the description of the associated principal risks;
- We assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in Article L.225-102-1 III as well as information set out in the 2nd paragraph of Article L.22-10-36 regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- We verified that the Statement provides the information required under Article R.225-105 II of the French Commercial Code, where relevant, with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under Article L.225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities’ activities, including, where relevant and proportionate, the risks associated with their business relationships, products or services, as well as its their policies, measures and the outcomes thereof, including key performance indicators associated with the principal risks;

(1) Cofrac Inspection accreditation, no. 3-1049, available at www.cofrac.fr
(2) ISAE 3000: international standard on assurance engagements other than audits or reviews of historical financial information.

- We referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented;
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix. Concerning certain risks [(1)], our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities [(2)].
- We verified that the Statement covers the scope of consolidation, i.e., all the consolidated entities in accordance with Article L.233-16 of the French Commercial Code, within the limitations set out in the Statement;
- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities [(2)] and covers between 23% and 100% of the consolidated data selected for these tests;
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of seven people between October 2020 and March 2021 and took a total of approximately ten weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted around twenty interviews with people responsible for preparing the Statement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Reasonable assurance report on a selection of non-financial information

Nature and scope of our work

With regard to the information selected by the entity presented in the Appendix and identified with the symbol √ in Chapter “4. Corporate Social Responsibility information” of the management report, we conducted the same procedures as those described in the paragraph “Nature and scope of our work” (for the most important non-financial information). However, these procedures were more in-depth, particularly regarding the number of tests.

Consequently, the selected sample represents between 47% and 100% of the information identified with the symbol √.

We believe that these procedures enable us to express reasonable assurance regarding the information selected by the entity and identified with the symbol √.

Conclusion

In our opinion, the information selected by the entity and identified with the symbol √ in Chapter “4. Corporate Social Responsibility information” of the management report has been prepared, in all material respects, in accordance with the Guidelines.

Paris-La Défense, March 25, 2021

KPMG S.A.

Fanny Houlliot	Alexandra Saastamoinen
Partner *Sustainability Services*	*Partner*

(1) Diversity, Corruption, Respect of ethics (excluding corruption), Equal opportunity/discrimination risk; Quality of products and services/customer relations, Consequences of global reactions to climate change; Adaptation to the consequences of climate change.

(2) Vallourec S.A.(France); Vallourec Soluções Tubulares do Brasil Barreiro, Vallourec Soluções Tubulares do Brasil Jeceaba, Vallourec Florestal (Brazil), Vallourec Deutschland GmbH, VAD Mülheim, VAD Rath Plug Mill, VAD Rath Pilger Mill (Germany); Vallourec Oil and Gas France Aulnoye (France); P.T. Citra Tubindo (Indonesia); VSTAR Youngstown, VAM Houston (Miller Road & Hardy Road), VTA Houston (Richey Road) and VTA Houma (United States).

Appendix A –

Qualitative information (actions and results) considered most important
Actions implemented for diversity, including gender diversity
Measures undertaken to safeguard the health and safety of employees
Proportion of workforce covered by collective agreements
Anti-corruption mechanisms
Code of Ethics and associated measures undertaken
Employee development policy
Anti-discrimination mechanisms
Measures undertaken to preserve the social climate
Mechanisms implemented to develop customer relations
Actions and commitments undertaken to mitigate and adapt to the consequences of climate change
Actions implemented to preserve green spaces and biodiversity
Actions implemented for better use of water resources
Waste management and waste reduction policies
Mechanisms to reduce pollutant discharges
Actions undertaken for the circular economy

Appendix B –

Labor key performance indicators and outcomes	Level of assurance
Workforce as of 31 December and breakdown by age, gender, category and geographic area	Reasonable
Rate of absenteeism	
Lost time injury rate (LTIR)	
Frequency rate of accidents with or without lost time (Total Recordable Injury Rate – TRIR)	
Number of training hours	Limited
Severity rate	
Participation rate and satisfaction score of the Social Barometer	
Wage disparity rate	
Environmental key performance indicators and outcomes	**Level of assurance**
Electricity consumption	Reasonable
Natural gas consumption	
Water intakes (per source)	
Volume of hazardous waste	
Volume of non-hazardous waste	
Percentage of waste recovered (including recycled)	
CO_2 emissions – scopes 1 and 2	
CO_2 emissions – scope 3, linked to losses during extraction, storage and transport of energies	
CO_2 emissions – scope 3, linked to purchases of materials, goods and services	
CO_2 emissions – scope 3, linked to the use of sold products	
% of steel used, made from scrap	
Water discharged	Limited
Amount of metals released	
VOC emissions	
NOx emissions	
Consumption of raw materials – Ore, pellets and scrap metal, charcoal and purchased cast iron	
CMR products replacement rate	
Social key performance indicators and outcomes	**Level of assurance**
Share of the quantity of purchases from suppliers involved in the formal CSR appraisal process.	Limited

Appendix 2 - Methodological note

Chapter 4 of the Universal Registration Document, designed to inform shareholders and the greater public about the actions taken by Vallourec to promote sustainable development, complies with the Grenelle II Law of 12 July 2010, and in particular with Articles L.22-10-36, R.22-10-29 and R.225-105 of the French Commercial Code. The information contained herein is derived from database systems deployed worldwide, at each site concerned.

All of the CSR information published in Chapter 4 of the Universal Registration Document was verified by an independent third party body, whose report appears on page 157 of this document.

These assertions clearly explain the Group's CSR strategy, as well as its actions in these areas.

GUIDELINE INDICATORS

Vallourec defined its guidelines by reproducing the list of CSR information that appears in Articles L.22-10-36 and R.225-105 of the French Commercial Code (see concordance table below). Other indicators were constructed based on those published by the Global Reporting Initiative (GRI), which proposes CSR reporting indicators for global companies.

Environmental and safety indicators have been drawn from the CR 360 reporting system since late 2016, which has allowed for monthly monitoring and consolidation. They are included in a project definition worksheet provided by the Sustainable Development Department to its network of local contacts in the Group's four working languages (French, English, German and Portuguese).

Social indicators are also the subject of a precise and standardized Group-wide definition, and covered by a detailed procedure.

- Indicators related to workforce and hours.

  The data is automatically collected by the GatheringTools system, and then sent to several HR information management system tools, including Qbik (consolidating and management of social data). The Human Resources Department collects this data, which goes through an on-site correspondent.

- Training-related indicators.

  The data is collected in the LMS (Learning Management System). Calculation and consolidation are completed by the Group Training Department: the Vallourec University Department.

HSE SCOPE OF CONSOLIDATION

The scope of consolidation is determined according to rules established by Vallourec's Sustainable Development Department and include:

1. industrial sites. The following are thus excluded from environmental scope: the Shared Services Center in Valenciennes, the administrative offices and headquarters, and all sales offices. Research centers are also excluded, with the exception of *Vallourec Research Center* France, whose activity is more varied;
2. as concerns the consolidation of safety indicators, all sites are incorporated, including the registered offices in Boulogne and Rath, except for the small sales offices (less than 20 people), which represents 0.6% of the Group's workforce;
3. sites belonging to Vallourec for more than six months. This rule is to be considered when a disposal or acquisition occurs;
4. sites with active industrial operations during the year. This excludes construction sites that have not been in operation for more than six months;
5. sites for which Vallourec owns more than 50% of the voting rights. Conversely, the sites for which Vallourec is a minority shareholder are not consolidated (for example, this is the case for the HKM steel mill in Germany).

The scope of social consolidation includes companies entering the accounting consolidation scope, with the exception of Vallourec Niko Tube LLC (VNTU), created in 2018. The latter has been incorporated into the scope of the environmental report since 2019.

CONSOLIDATION PRINCIPLES

1. The companies and sites included in the reporting scope in accordance with the rules described above are not accounted for using the equity method, but are treated equally in the reporting consolidation – that is, as wholly owned by the Group.
2. Precautionary principle: consolidation is established on the basis of prudent assessments to avoid transfer risk and reputational risk.
3. Accrual principle: all fiscal years are independent from one another.

Consolidation and auditing

Environmental indicators are consolidated and audited monthly by the Sustainable Development Department (timeliness, fairness, completeness). In case of doubt or inconsistency, the Regions and sites involved are questioned and must provide sufficient explanation to clarify the given indicators, as well as the achievement or shortfall of the targets set for the year. This step is essential to ensure the quality of the reports and the integrity of the indicator monitoring system within a continuous improvement process. In addition, to verify and compare the data, the Sustainable Development Department issues a quarterly summary to General Management and to all sites.

Safety indicators are issued monthly, after verification, to General Management, the Regions and divisions, and all sites.

PRODUCTION CALCULATIONS

By "metric ton processed", Vallourec means metric ton produced in each plant (number of units of work produced in the plant), whether of steel, hot-rolled tubes or cold-finished tubes. The production of each plant is added together to calculate the total production in metric tons processed or work units.

For consolidated sites, such as Vallourec Star in Youngstown (United States), and Vallourec Soluções Tubulares do Brasil (VSB) in Barreiro and Jeceaba (Brazil), the total production is the sum of the steel and tubes produced.

Production of iron ore by Vallourec Mineração, the manufacture of pellets in Jeceaba, as well as the production of charcoal by Vallourec Florestal are, however, not included in the Group's total production.

By "metric ton shipped" or "sold" Vallourec means metric tons of tubes and accessories shipped to customers during the year. This production indicator is published in the Group's results.

Environmental data are routinely expressed in absolute and relative terms, in both graphs and tables of quantified results.

Relative values are divided either by production, expressed as metric tons of tubes processed (which allows different sites to be compared) or metric tons of tubes shipped, expressed as metric tons of tubes (which helps in estimating the environmental footprint of tubes shipped to customers).

VERIFICATION OF CSR INFORMATION

All of the CSR information published in Chapter 4 of the Universal Registration Document was verified by an independent third party. A selection of indicators identified by the symbol R were checked more thoroughly, to a reasonable level of assurance. For each piece of information presented, Vallourec has prepared a file to demonstrate a complete and rigorous implementation of its policy.

METHODOLOGICAL LIMITATIONS AND SPECIAL CASES

The following table lists some exceptions or special rules.

Issue	Plant concerned	Description
Atmospheric emissions of NO_x and SO_2	All those consuming natural gas	In the absence of measures performed by the site on the quality of the gases emitted from its combustion facilities, the NO_x and SO_2 emissions are calculated by multiplying its natural gas consumption (in kWh) for the following emissions factors: 0.0001944 for NO_x and $1.73913*10^{-6}$ for SO_2 (EF source: suppliers of gas in France).
Wastewater quality	Vallourec Tubes France (tube mills in Saint-Saulve, Déville-lès-Rouen and Aulnoye-Aymeries), Vallourec Deutschland Rath, Vallourec Star Houston, PT Citra Tubindo, VSB Jeceaba	Indicators for monitoring wastewater quality (SPM, COD, TH and 10 metals) are only consolidated for sites that discharge wastewater directly into the environment after internal processing at their effluent treatment plants. These indicators are calculated based on the weighted average concentration per flows of discharged wastewater. This data is based on a list of metals established by the Group, with the knowledge that the data reported by the sites only concerns the analyses imposed by the local regulations.
Waste	All plants	"Historical" waste (hazardous/non-hazardous) produced prior to the reporting period and stored on site is not counted in the total tonnage of consolidated waste. Waste is classified as hazardous or non-hazardous according to the local regulations.
Sludge from blast furnaces and steel mills	VSB	In Brazil, sludge generated by blast furnaces is classified as non-hazardous waste, and is a totally different type of waste from tube mill sludge.
Dust from blast furnaces and steel mills	VSB	In Brazil, dust generated by blast furnaces is classified as non-hazardous waste, and is a totally different type of waste from the other types of dust produced by the other steel mills.
Methane	Vallourec Florestal	When estimating methane emissions, the calculations are based on the statistical study in Appendices 5 and 6 of the "Project Design Document Form (CDM PDD) – Version 03" registered as a CDM 8606 project at UNFCCC: "Carbonization Project – Mitigation of Methane Emissions in the Charcoal Production of V & M Florestal, Minas Gerais, Brazil ", which is available at: https://cdm.unfccc.int/Projects/DB/BVQI1354824411.24/view According to that study, process methane emissions depend on the gravimetric yield of wood carbonization in furnaces (Appendix 5), or the ratio between the final mass of dry charcoal (after combustion) and the initial mass of wood (Appendix 6). Since 2019, we differentiate charcoal tonnage produced according to the type of carbonization furnaces: conventional furnaces, furnaces equipped with chimney burners, and the Carboval unit. Methane emissions are calculated for each type based on relevant emission factors.
Sequestration of Florestal	Vallourec Florestal	The method for calculating amounts of CO_2 sequestered by the forest during the reference year is as follows. It derives from information drawn from the study conducted in cooperation with numerous scientific authorities (See 4.5.4.1). Annual sequestration is estimated when the tree is cut to be processed into charcoal. The reference value is thus the annual charcoal production. The reference study allowed a 30-year observation period to be identified, considering the amount of charcoal produced, the amount of carbon absorbed by the tree trunk and the amount absorbed by the roots and stumps in the soil. It was thus possible to calculate the ratios of carbon sequestered by the roots in relation to the tonnage of charcoal produced and ultimately consumed in the blast furnaces, and the ratio of carbon absorbed by the tree trunk, also in relation to the charcoal produced. These ratios are then used to calculate the amounts of carbon sequestered annually. The amounts of carbon emitted during carbonization of the trunks and the amounts of methane emitted during the carbonization process in the ad hoc furnaces are also in proportion to the charcoal produced.
Indirect CO_2e emissions linked to electricity purchases (scope 2)	All plants	The CO_2 emissions of all sites that consume purchased electricity are calculated based on emission factors provided by the suppliers themselves, either directly or calculated based on their energy mixes. These emissions are referred to as "Market-based". We also calculate "Location based" emissions using national or regional emission factors (e.g., states in the United States) provided in public databases (e.g., ADEME).
Indirect CO_2e emissions linked to external steel purchases (scope 3 upstream)	Steel suppliers	Emissions relating to our steel purchases are calculated by multiplying, for each steel mill, the tonnage purchased by an emission factor (kg CO_2 per metric ton of steel) which is provided by the supplier itself or, failing this, taken from internal databases which include the manufacturing process (blast furnaces or electric arc furnaces).
% of steel used, made from scrap	Vallourec steel mills in Jeceaba (Brazil) and Youngstown (United States)	This indicator is calculated based on the metric tons of scrap used during the year (internally purchased and recycled) divided by the total amount of inputs (quantities of cast iron purchased or produced internally and scrap purchased and recycled internally).

<table>
<tr><th>Issue</th><th>Plant concerned</th><th>Description</th></tr>
<tr><td>Scope 3 emissions related to upstream and downstream external transport ordered by the Company</td><td>All plants</td><td>The calculation method was expanded in 2020 to cover the three transport phases (supply of raw materials for steel mills, transport of semi-finished products between plants and transport of finished products to customers), transport methods (truck, train, barge and freight) and distances traveled between each point of departure and arrival.</td></tr>
<tr><td>Indirect CO_2e emissions linked to the use of products sold (scope 3 downstream)</td><td>All plants</td><td>The calculation method was developed with the support of the Carbone 4 consulting firm.
We started from the amounts of Vallourec's annual revenue (in € million) for each of its six main markets: Oil & Gas; Petrochemicals; Power Generation; Mechanicals; Automotive; Construction & Other.
Calculation principles: each revenue amount is multiplied by a carbon intensity (metric tons of CO_2 per € million of revenue) specific to each of these markets. These intensities were calculated using recognized sources (ADEME, ATEE, IEA, Ecoinvent). So for example, for the oil market, the calculation was based on the barrel, its price and its energy content.
For the Oil & Gas market, we took into account emissions relating to extraction and processes in place, but did not include upstream emissions relating to transport and the combustion of products. The breakdown (as a %) of revenue between oil and gas is a factor, as is the breakdown (as a %) between coal, nuclear and "renewables" for the Power Generation market.
Carbon intensities used for each market:
<table>
<tr><th>Market</th><th>Carbon intensity (metric tons of CO_2 per € million of revenue)</th></tr>
<tr><td>Oil & Gas</td><td>Oil: 440, Gas: 285</td></tr>
<tr><td>Petrochemicals</td><td>1,747</td></tr>
<tr><td>Power generation</td><td>Coal: 18,844, Nuclear: 133, Renewables: 2,444</td></tr>
<tr><td>Mechanicals</td><td>150</td></tr>
<tr><td>Automotive</td><td>35</td></tr>
<tr><td>Construction & other</td><td>1,494</td></tr>
</table></td></tr>
<tr><td>Indirect CO_2e emissions linked to the end of life of products sold (scope 3 downstream)</td><td>All plants</td><td>We calculate these emissions based on the annual tonnage of tubes and accessories sold by the Group, multiplied by the ADEME's standard emission factor which corresponds to the average end of life of "mineral waste".</td></tr>
<tr><td>Water consumption</td><td>Vallourec Mineração</td><td>The water consumption of the site only corresponds to the part used for the extraction and land watering process, and not to the mine water that is sent directly into the river like rainwater.</td></tr>
<tr><td>Raw materials</td><td>All plants</td><td>Indicators of raw materials (iron ore, iron ore pellets, charcoal, charcoal dust, scrap, cast iron) correspond to the amounts used for steel production.
Scrap is considered by Vallourec as a by-product and is not included in either the waste or the recovery rate indicator.</td></tr>
<tr><td>Compensation</td><td>All</td><td>The "Compensation" indicator is calculated as the sum of staff compensation, social security charges and pension expenses.
(number of departures + number of arrivals for the year)/2 × 100/(workforce as of 31 December of the preceding year)
This takes into account departures, arrivals and transfers within areas.
The reasons for departure included are: retirement, resignation, dismissal, and other (death, change of category, contract termination, termination after trial period).</td></tr>
<tr><td>Turnover</td><td>All</td><td>the turnover rate includes departures and arrivals for the year in question and is defined as follows:
(number of departures + number of arrivals for the year)/2 × 100/(workforce as of 31 December of the preceding year)
This takes into account departures, arrivals and transfers within areas.
The reasons for departure included are: retirement, resignation, dismissal, and other (death, change of category, contract termination, termination after trial period).</td></tr>
<tr><td>Method of accounting for lost days following a workplace accident in the United States and Germany</td><td>All</td><td>In the United States, lost days for workplace accidents are not counted beyond the 180th day in accordance with applicable OHSA regulations.
This accounting method is specific to the United States and differs from the rule recommended by the Group for accounting for lost days.
However, this method of counting shutdown days also applies to the Vallourec Deutschland GmbH entity in Germany.</td></tr>
</table>

Issue	Plant concerned	Description
Number of training hours	All	The data relating to the number of training hours published covers classroom-based learning that exceeds two hours and e-learning. The percentage of employees trained is calculated in relation to the number of employees that have had access to training during the fiscal year and not to the workforce at the end of the period. Classroom-based learning of less than two hours is excluded from this data.
Number of hours worked	Vallourec Tianda	Hours worked do not include the hours of truck drivers who deliver the billets, provide internal transportation between the workshops, and load the products for delivery to a port of destination or to customers. The estimated impact represents less than 0.4% for the Vallourec Group as a whole in 2020.

Appendix 3 -Concordance table between the information required under Articles L.22-10-36 and R.225-105-1 of the French Commercial Code and the information in this chapter

1°	**GROUP BUSINESS MODEL**	Profile (p. 2) / 3.2 / 3.6 / 3.8 (p. 38 / 69 / 80)
2°	**DESCRIPTION OF THE MAIN RISKS**	
a)	**Environmental issues**	4.1.1 / 4.1.2 / 4.2 Introduction / 5.1.1 / 5.1.2 (p. 99 / 99 / 103 / 172 / 175)
b)	**Social issues**	4.1.1 / 4.1.2 / 4.2 Introduction / 5.1.2 (p. 99 / 99 / 103 / 175)
c)	**Corruption and tax evasion issues**	4.1.3 / 4.2 Introduction / 5.1.3 (p. 102 / 103 / 176)
d)	**Human rights issues**	4.1.1 / 4.1.2 / 4.2 Introduction / 5.1.2 / 5.1.3 (p. 99 / 99 / 103 / 175 / 176)
3°	**DESCRIPTION OF THE POLICIES APPLIED AND THEIR RESULTS**	
a)	**Environmental issues**	4.2.4 (p. 126)
b)	**Social issues**	4.2.2 (p. 107)
c)	**Corruption and tax evasion issues**	4.2.1 (p. 105)
d)	**Human rights issues**	4.2.1 / 4.2.2.2 / 4.2.2.3 / 4.2.2.6 (p. 105 / 114 / 116 / 121)
4°	**SOCIAL INFORMATION**	
a)	**Employment**	
1.	Total number and breakdown of employees by gender, age and geographical area	4.2.2.1 (p. 107)
2.	New hires and dismissals	4.2.2.1 (p. 107)
3.	Compensation and compensation trends	4.2.2.4 (p. 118)
b)	**Organization of work**	
4.	Organization of working time	4.2.2.1 (p. 107)
5.	Absenteeism	4.2.2.1 (p. 107)
c)	**Health and safety**	
6.	Health and safety conditions at work	4.2.2.2 (p. 114)
7.	Workplace accidents, including their frequency and severity, and occupational illnesses	4.2.2.2 (p. 114)
d)	**Employee relations**	
8.	Dialog between employers and employees, including procedures for informing, consulting and negotiating with staff	4.2.2.3 (p. 116)
9.	Review of collective bargaining agreements	4.2.2.3 (p. 116)
e)	**Training**	
10.	Training policies implemented, particularly for environmental protection	4.2.2.5 (p. 119)
11.	Total number of training hours	4.2.2.5 (p. 119)
f)	**Equal opportunity**	
12.	Measures taken to promote gender equality	4.2.2.6 (p. 121)
13.	Measures taken to promote the employment and integration of the disabled	4.2.2.6 (p. 121)
14.	Anti-discrimination policy	4.1.3 / 4.2.2.6 (p. 102 / 121)
5°	**ENVIRONMENTAL INFORMATION**	
a)	**General environmental policy**	
15.	Organization of the Company to take environmental issues and, where appropriate, environmental assessment or certification efforts into account	4.2.4.1 (p. 127)
16.	Resources devoted to the prevention of environmental risks and pollution	4.2.4.1 and 5.1.2 (p. 127 / 175)
17.	The amount of provisions and guarantees for environmental risks, provided that such information is not likely to cause serious harm to the Company in an ongoing dispute	4.2.4.1 (p. 127) and Note 9 to the financial statements (p. 248)

b)	**Pollution**	
18.	Measures to prevent, reduce or remediate discharges into the air, water and soil which seriously impact the environment	4.2.4.5 (p. 139)
19.	Consideration of all forms of pollution specific to a business, particularly noise and light pollution	4.2.4.5 (p. 139)
c)	**Circular economy**	
	Waste prevention and management	
20.	• waste prevention, recycling, reuse, other forms of recovery and elimination measures	4.2.4.5 (p. 139)
21.	• actions to combat food waste	N/A
	Sustainable use of resources	
22.	• water consumption and water supply according to local constraints	4.2.4.3 (p. 132)
23.	• consumption of raw materials and measures to improve efficiency in their use	4.2.4.3 (p. 132)
24.	• energy consumption, measures to improve energy efficiency and use of renewable energy	4.2.4.4 (p. 136)
25.	• land use	4.2.4.5 (p. 139)
d)	**Climate change**	
26.	Significant items for greenhouse gas emissions generated from the Company's activity, particularly through use of goods and services that it produces	4.2.4.6 (p. 145)
27.	Measures taken for adaptation to the consequences of climate change	4.2.4.6 (p. 145)
28.	The medium- and long-term reduction objectives set voluntarily for the reduction of greenhouse gas emissions and the means implemented to this end	4.2.4.6 (p. 145)
e)	**Biodiversity protection**	
29.	Measures taken to preserve or enhance biodiversity	4.2.4.7 (p. 155)
6°	**SOCIETAL INFORMATION**	
a)	**Societal commitments to support sustainable development**	
30.	Impact of the Company's business on employment and local development	4.2.3.3 / 4.2.3.4 (p. 123 / 124)
31.	Impact of the Company's activity on neighbors or local populations	4.2.3.3 / 4.2.3.4 (p. 123 / 124)
32.	Relations maintained with the Company's stakeholders and dialog with them	4.2.3 (p. 122)
33.	Partnership or sponsorship actions	4.2.3.4 (p. 124)
b)	**Subcontracting and suppliers**	
34.	Consideration of social and environmental issues in the purchasing policy	4.2.3.3 (p. 123)
35.	Consideration of relations with suppliers and subcontractors and their CSR responsibility	4.2.3.3 (p. 123)
c)	**Fair practices**	
36.	Measures for consumer health and safety	4.2.3.2 (p. 122)
7°	**ANTI-CORRUPTION INFORMATION**	
37.	Actions to prevent corruption	4.2.1 / 4.2.3.3 (p. 105 / 123)
8°	**INFORMATION ON ACTIONS THAT SUPPORT HUMAN RIGHTS**	
	Promotion of and respect for the fundamental conventions of the International Labour Organization in relation to	
38.	• respect for freedom of association and the right to collective bargaining	4.1.2 (p. 99)
39.	• elimination of discrimination in respect of employment and occupation	4.1.2 (p. 99)
40.	• elimination of forced or compulsory labor	4.1.2 (p. 99)
41.	• effective abolition of child labor	4.1.2 (p. 99)
9°	**ADDITIONAL INFORMATION**	
42.	The consequences of the Company's activity on climate change and the use of goods and services that it produces	4.2.4.4 (p. 136)
43.	Societal commitments to support sustainable development	4.2.3.3 / 4.2.3.4 (p. 123 / 124)
44.	Societal commitments to support the circular economy	4.2.4.3 / 4.2.4.5 (p. 132 / 139)
45.	Societal commitments to combat food waste	See below

46.	Societal commitments to combat food insecurity	See below
47.	Societal commitments to support respect of animal welfare	See below
48.	Societal commitments to support responsible, equitable, and sustainable food	See below
49.	Collective agreements reached within the Company and their impact on the Company's economic performance as well as on employees' working conditions	4.2.2.3 (p. 116)
50.	Actions to combat discrimination and promote diversity	4.1.3 / 4.2.2.6 (p. 102 / 121)

In light of the Group's activities, the Company considers that it is not relevant to report on its commitments regarding combating food waste, combating food insecurity, promoting respect of animal welfare, and responsible, equitable, and sustainable food.

Appendix 4 - Summary of workforce-related and environmental indicators

Social indicators

	2015	2016	2017	2018	2019	2020
Workforce	23,709	20,964	18,325	20,093	18,827	☑ 16,636
Turnover *(%)*	17	9	13	14	11	11

	2015	2016	2017	2018	2019	2020
Safety						
LTIR [(a)]	1.24	1.41	1.24	1.00	1.01	0.760
TRIR [(b)]	4.23	3.25	2.61	3.13	2.23	☑ 1.670
Severity rate	0.06	0.07	0.06	0.045	0.058	0.052
Training						
Number of employees having participated in a training session	14,579	13,779	13,615	13,990	13,550	10,980
Number of training hours	473,009	506,459	282,542	303,588	270,551	135,080

(a) *LTIR* (lost time injury rate)*: number of accidents with lost time per million hours worked.*
(b) *TRIR* (total recordable injury rate)*: number of accidents declared per million hours worked.*

% of women (permanent employees)

	Production staff		Technical and supervisory staff		Managers		Total	
	2019	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Europe	2%	2%	31%	32%	22%	23%	12%	12%
Brazil	6%	6%	30%	34%	25%	25%	10%	11%
NAFTA	1%	1%	27%	28%	22%	22%	10%	11%
Asia	12%	12%	28%	29%	16%	16%	16%	17%
Middle East	-	1%	19%	22%	16%	17%	9%	11%
Africa	12%	4%	11%	14%	-	-	10%	9%
WORLD	**5%**	**5%**	**29%**	**31%**	**22%**	**23%**	**12%**	**12%**

Breakdown between permanent and non-permanent contract staff

	Permanent		Fixed-term contract (including apprentices)		Temporary	
	2019	2020	2019	2020	2019	2020
Europe	5,904	5,430	456	350	294	90
Brazil	6,709	6,291	118	185	27	94
Asia	2,399	2,056	495	293	217	203
NAFTA	2,423	1,696	0	0	193	9
Middle East	251	261	14	16	0	0
Africa	58	58	0	0	30	8

Environmental indicators*

Indicators	Units	2015	2016	2017	2018	2019	2020
Manufacturing	**Metric tons "processed"**	**2,826,499**	**3,068,607**	**5,245,292**	**5,523,792**	**5,295,678**	**3,518,835**
	Metric tons shipped	1,410,865	1,281,500	2,256,100	2,364,000	2,290,900	1,598,725
Water intake	**m^3/year**	**5,630,516**	**5,672,035**	**6,483,189**	**6,889,346**	**6,412,486**	**5,711,575**
	m^3/metric ton "processed"	1.99	1.85	1.24	1.25	1.21	1.62
	m^3/metric ton shipped	3.99	4.43	2.87	2.91	2.80	3.57
Water discharged	**m^3/year**	**3,616,090**	**3,179,631**	**3,202,705**	**3,220,811**	**2,920,223**	**2,583,513**
	m^3/metric ton "processed"	1.28	1.04	0.61	0.58	0.55	0.73
	m^3/metric ton shipped	2.56	2.48	1.42	1.36	1.27	1.62
Waste							
Non-hazardous waste	Metric tons/year	438,266	430,980	693,674	706,711	642,584	535,657
Hazardous waste	Metric tons/year	28,549	27,670	26,095	24,777	26,090	15,217
% recovered waste	%	94.8	94.38	94	95.5	95.8	97
Total waste	Metric tons/year	466,815	458,650	719,769	731,488	668,674	550,874
	kg/metric ton "processed"	165	149	137	132	126	157
	kg/metric ton shipped	331	358	319	309	292	345
Energy							
Natural gas	GWh/year	2,498	2,531	3,526	3,680	3,280	2,384
	kWh/metric ton "processed"	884	825	779	666	619	678
	kWh/metric ton shipped	1,771	1,975	1,563	1,557	1,432	1,491
Electricity	**GWh/year**	**1,205**	**1,376**	**1,797**	**1,881**	**1,717**	**1,438**
	kWh/metric ton "processed"	426	448	343	341	324	409
	kWh/metric ton shipped	854	1,074	796	796	749	899
CO_2 [(a)]							
Total direct emissions (scope 1) [(a)]	Metric tons/year	(373,538)	(468,853)	33,332	421,397	151,728	5,952
	kg CO_2e/metric ton "processed"	(132)	(153)	6	76	29	2
	kg CO_2e/metric ton shipped	(265)	(366)	15	178	66	4

Analysis of greenhouse gas emissions 2020

Summary of emissions in metric tons of CO_2 equivalent

Scope	Businesses	Mine	Forest	Production of iron and steel	Rolling and heat treatments of tubes	Finishings & Services	Sub-total (Metric tons CO_2e)	% sub-subtotal	% subtotal	% total
Scope 1 Non-biogenic direct CO_2 emissions	Natural gas combustion			22,557	325,924	91,822	440,303	57		
	Fuels for internal transportation	29,395	17,454	1,262	3,438	4,458	56,007	7		
	Production of iron and steel			270,309			270,309	35		
	Total – Scope 1 non-biogenic	**29,395**	**17,454**	**294,128**	**329,362**	**96,280**	**766,619**	**100**	**36**	
Scope 1 Biogenic direct CO_2 emissions	Carbonization of charcoal		934,010				934,010	21		
	Atmospheric and underground sequestration		(2,728,314)				(2,728,314)	62		
	Combustion of charcoal			708,079			708,079	16		
	Total – CO_2 Scope 1 biogenic	**0**	**(1,794,304)**	**708,079**	**0**	**0**	**(1,086,226)**	**100**	**50**	
Scope 1 Biogenic direct CH_4 emissions	**Carbonization of charcoal**		**325,559**				**325,559**	**100**	**15**	
Scope 1 Non-biogenic and biogenic direct emissions	**Total – Scope 1**	**29,395**	**(1,451,291)**	**1,002,207**	**329,362**	**96,280**	**5,952**	**100**	**100**	**0**
Scope 2 "Supplier base" indirect emissions	**Electricity purchased**	**315**	**21**	**2,975**	**78,083**	**39,791**	**121,185**	**100**	**100**	**2**
	Total – Scope 2									
Scope 3 [(a)] Other indirect emissions	Upstream and downstream external transport ordered by the Company						223,780	3		
	Waste treatment						90,992	1		
	Employee transportation and travel						30,487	0		
	Purchases of materials, goods and services						1,576,605	23		
	Emissions related to the carbon content of industrial equipment proportionate to amortization and depreciation						140,723	2		
	Emissions linked to losses during extraction, storage and transportation of energies [(b)]						115,202	2		
	Total upstream – Scope 3						**2,177,789**	**100**	**100**	**30**
Scope 3 [(a)] Other downstream emissions, indirect	Use of sold products						4,755,687	99		
	End of life of sold products						52,758	1		
	Total downstream – Scope 3						**4,808,445**	**100**	**100**	**68**
TOTAL ACROSS ALL COMPONENTS		**29,710**	**(1,451,270)**	**1,005,182**	**407,445**	**136,071**	**7,113,371**	**100**	**100**	**100**

(a) The items appearing under this entry are those over which the Company has a direct effect or direct influence, and for which data is available. To date, emissions pertaining to client processes are neither known nor taken into account. For the purpose of improving the knowledge of scope 3 in light of its importance, the Group drafted in 2019, with the assistance of a specialized consultant, a methodology to determine carbon emissions of downstream items relating to the use and end of life of products used by its customers. The calculation of these emissions was carried out for 2019 and 2020, but also, retroactively, for 2017 and 2018.

(b) Energies = electricity, natural gas, gasoline, gas oil, propane, bioethanol.

5

Risks and risk management

5.1 Risk factors

The Group operates in a rapidly changing environment that generates numerous risks, some of which are outside its control.

The Group has evaluated the importance of the specific risks to which it considers itself to be exposed due to the probability of their occurrence and the estimated size of their negative impact after the action plans in place are factored in. These risks are presented below and are organized by categories according to their type. In each category, the most important risk factors according to the aforementioned evaluation are indicated first and noted with an asterisk.

The risks described below have been assessed as major risks for the Company as at the date of this Universal Registration Document, i.e., these are the risks that could have the greatest negative material impact on activities or results (or the Company's ability to achieve its objectives), and/or for which there is a significant likelihood of occurrence.

The Group's wide-ranging geographical presence, the diversity of its markets and product lines, and the nature of its development mean that the Group is exposed to various types of risk. The Group operates in environments undergoing rapid change, and this could cause exogenous risks with an impact on the risk profiles monitored by the Group.

Investors should note that other risks may exist or could arise that the Group is not currently aware of or has not considered at the date of this Universal Registration Document, and these could have a material adverse impact on the Group, its activities, its financial position, results or outlook. The Group has assessed the risk factors as at the date of this Universal Registration Document and may change its assessment of the significance of the risks at any time, particularly in the light of any new internal or external developments.

5.1.1 Risks related to the Group's strategy and activities

Risks related to the Group's dependence on customers in the oil sector*

The Group's activity is highly dependent on the level of investments by Oil & Gas companies for exploration, production and the development of oil and natural gas reserves. In 2020, 62% of the Group's consolidated revenue was earned in the Oil & Gas sector, excluding Petrochemicals. According to the Group's internal estimates, the share of tube consumption in a complex and integrated offshore project is generally around 2% of the total project cost, although this proportion varies according to the complexities and types of drilling. This share may reach up to 8% of the total cost of the project for unconventional onshore drilling in the United States. The level of exploration and production investments thus had a direct impact on the consumption of tubes and on the Group's results.

Since 2015, spending by Oil & Gas companies has been significantly impacted by the sharp drop in world oil prices, which began in late 2014 (from a peak price per barrel of Brent of USD 115 in June 2014 to an average price of USD 54 in 2015) due to the overproduction of oil in relation to demand, in particular coming from the United States (shale oil), and the consistent production levels of the OPEC countries. This considerable drop in world oil prices led Oil & Gas companies to cut back on the number of their exploration and production projects and intensify cost control. This significantly reduced their expenses and optimized their inventory levels, which had a material impact on demand for tubes and put pressure on prices.

In 2017, OPEC agreements to limit oil production initially allowed oil prices to stabilize and then to recover steadily, reaching a high of USD 86 per barrel of Brent in October 2018. Oil company expenses increased by 17% between 2016 and 2017 and by 9% between 2017 and 2018.

Starting in November 2018, the combined increase of production, crude stocks, as well as commercial reserves, particularly American reserves, led to a correction in oil prices, with Brent at USD 54 per barrel as at 31 December 2018. In 2019, exploration and production investments stabilized, in an uncertain macroeconomic and geopolitical climate (with Brent price ranging from USD 54 to USD 75 per barrel).

In 2020, the spread of Covid-19 and the associated restrictive measures led to a sharp reduction in global oil demand; this reached a low point in the second quarter of 2020 (approximately -20% compared to the second quarter of 2019). The oil price fell to a low of USD 19.3 per barrel of Brent (before ending 2020 at USD 51.8) and oil companies significantly reduced their spending to an historically low level of USD 302 billion (compared with USD 440 billion in 2019). The number of drilling rigs was immediately reduced by operators in North America, reaching an average of just 436 units over 2020 (in August 2020, there were on average only 250 drilling rigs). Despite the gradual recovery seen since September 2020, the rig count was 351 units as at the end of December, a record low. Internationally, the average rig count increased to 825 units in 2020, down nearly 25% compared to 2019.

These market trends had a considerable impact on Group volumes, revenue and operating income.

Investments by Oil & Gas companies could be subject to other negative factors such as changes in applicable laws and regulations, changes in the political situation or weather conditions. These factors could consequently have a negative impact on the Group's activity, results and outlook.

Risks related to the cyclical nature of the tube market*

The tube market is traditionally subject to cyclical trends which result both from economic changes in the Oil & Gas sector as described above, and from macroeconomic conditions which have an impact on the Group's other business sectors, including Mechanicals, Automotive, Construction and Power Generation which, together with iron ore production, accounted for 32% of Group consolidated revenue in 2020. These sectors have important business cycles which follow the trends in the economic climate and which are likewise influenced by other factors, such as the growth outlook.

Deterioration in the global economic climate and the financial markets, such as that seen in 2020 as a result of the Covid-19 pandemic, would have a significant adverse effect on the Group's revenue, income, cash flow and outlook.

For example, in its annual impairment tests related to long-lived assets, the Group considered the following perpetuity growth rates to calculate the terminal value: Vallourec Europe CGU 1.4%, Vallourec North America CGU 1.3%, Vallourec do Brasil CGU 3.1%, consistent with the currency in which the weighted average cost of capital (WACC) and the future cash flows were calculated.

The sensitivity analyses of the Vallourec do Brasil CGU were carried out considering as a reasonably feasible variation a 10% increase or a decrease in EBITDA over the duration of the plan or a variation of +/- 50 bp of the WACC. The cumulative result of these two variations would not lead the Group to recognize an impairment for the fiscal year.

Risks related to dependence on particular customers

In 2020, the Group earned 17% of its consolidated revenue from its five largest customers and 26% of its consolidated revenue from its ten largest customers (see Section 3.2.2.2 "Principal customers" of this Universal Registration Document). No customer accounted for more than 10% of the Group's consolidated revenue in 2020. The Group has a customer base in all regions of the world, thereby diluting exposure to a specific geographic market.

Nevertheless, most customers are not required to purchase a fixed amount of products or services over a given period and could decide to terminate their contracts or to stagger their orders over a longer period of time, not renew their contracts, or renew them on terms that are less favorable for the Group, particularly with respect to pricing. This could have a significant adverse effect on the Group's business, financial position and results.

The Group is also exposed to risk in respect of outstanding customer receivables, particularly from those customers weakened by the recent crisis in the oil market as a result of the Covid-19 pandemic. As a result, it has established specific credit committees to systematically evaluate the financial risks assumed with its customers. However, in a deteriorating world economic environment, to which the Oil & Gas sector is by no means immune, the risk that a worsening of its customers' financial position will expose the Group to the risk of payment default cannot be ruled out.

Risks associated with the achievement of the Company's objectives

For the purposes of its operational organization and resource allocation, Vallourec has set a number of objectives for 2021 and for the medium term, particularly in terms of generating free cash flow and EBITDA (see Section 3.9 "Outlook" of this Universal Registration Document).

The medium-term objectives are based on data, assumptions and estimates considered reasonable by Vallourec at the time of the announcement on 17 February 2021 and depend in particular on the main assumptions listed in Section 3.9 of this Universal Registration Document.

These data, assumptions and estimates are likely to change or be modified because of uncertainties related to the economic environment and especially to the investments of the main players in the Oil & Gas sector, from which the Group derives the majority of its revenue. In addition, given the changes in the sectors in which the Group operates, it is difficult to assess its outlook or forecast its needs, particularly in terms of operational capacity and resources, technological needs and product volumes. Lastly, they assume that the financial restructuring provided for by the Safeguard Plan (see Section 3.7 of this Universal Registration Document) would occur at the end of the first half of 2021.

Any change affecting the assumptions set out in Chapter 3 of this Universal Registration Document, particularly if the financial restructuring has not taken place or if the timescale for it has slipped, and any unpredictability could impact the Group's ability to achieve its objectives and therefore have a negative impact on the price of the Company's shares on the Euronext Paris market, and on the price of its bonds.

Risks associated with the competitive environment

The Group operates in a highly competitive international environment, with varying degrees of intensity in its different sectors of activity:

- in the Oil & Gas sector, the Group's main differentiating element is premium connections, for OCTG tubes in particular. These patented connections ensure perfect sealing for tube columns, thereby meeting customers' safety, environmental and performance requirements. However, strong competition in the OCTG commodity tubes market brings downward pressure to bear on prices throughout the market, including the prices of premium connections and tubes. Oil companies, particularly International Oil Companies (IOCs), are seeking to develop a strategy of qualifying low-cost suppliers, particularly Chinese suppliers, for increasingly high-end products, as low-cost players have progressed technically and developed premium connections for the least differentiated categories. This has also had the effect of increasing pressure on the prices of established operators, who have significantly reduced their prices in an effort to be able to win tenders. This new competition has particularly impacted the Europe/Africa (EA) and Middle East/Asia (MEA) regions. The intensification of the competitive landscape in an increasingly globalized seamless tube market could cause losses in market share and impact the Group's volumes, revenue and profitability. In addition, in the US market, the Group is facing competitive pressure from historical actors who are redesigning their business model and creating new production capabilities;
- in the Group's other sectors of activity:
  - in the power generation sector, premium solutions contain high-alloy steel capable of withstanding extreme temperatures and pressure, requiring top-level metallurgical skills and state-of-the-art technology. The Group has noted increased competition since 2009, in particular in the Chinese market, due to the decision of some customers to give preference to local manufacturers who have entered the market for higher grade products, potentially at the expense of the stringency of the customers' technical requirements. Furthermore, the increase in customs duties imposed by China on certain high-end products from Europe has contributed to reducing the competitiveness of our European sites and one site in Germany in particular, where the decision was made to close the Reisholz factory focused on coal-fired conventional power plants;
  - in the petrochemical, mechanicals, automotive and construction sectors, the Group faces stronger competition as customer requirements are less sophisticated.

The Group's competitive position may be negatively impacted by the safeguard proceeding (*procédure de sauvegarde*) opened to the benefit of Vallourec on 4 February 2021 (see Section 3.7.1.3 of this Universal Registration Document). Indeed, the perception of the Group's situation as a result of the existence of this proceeding could affect the willingness of new or existing customers to enter into or continue contracts and business relationships.

Risks related to maintaining advanced technology on key products

The tubes market is subject to technological change. It is not possible at this point in time to foresee how such change could affect the Group's activities in the future.

Third-party technological innovations could affect the competitiveness of the Group's existing products and services and have a negative impact on the value of existing patents and the revenue generated by the Group's licenses. The Group's financial results and outlook could be affected and the Group might find itself at a competitive disadvantage if it were unable to develop or access (either alone or through partnerships) new technology, products or services ahead of its competitors, or if its new technology, products or services were not to have the success counted on in the market. The Group continues to invest in Research and Development to maintain its technological leadership and anticipate its customers' needs.

Risks related to the Group's activities in emerging countries

The Group conducts a significant part of its business in emerging countries, in particular because its strategy of being located close to its customers in these countries enables it to improve its responsiveness and to develop appropriate products and services in these countries. The risks associated with doing business in emerging countries may include political, economic and social instability (for example, the nationalization and expropriation of assets, uncertainty as to applicable law and inconsistent application of laws, and the impact of international sanctions, etc.), as well as financial instability and an increased exchange rate risk. There are also risks for personnel deployed on assignment or permanently (with a heightened risk of events such as industrial accidents or terrorism). Despite the Oversight plan in place (see Section 4.1) and its insurance cover (see Section 5.3), the Group may not be in a position to protect itself or hedge against all of these risks, and may also encounter problems in carrying on business in such countries, which could have an impact on its employees and/or results, growth or outlook.

Risks associated with political and macroeconomic instability

The Group is faced with an upsurge in geopolitical disputes involving the countries where it does business, such as the trade war between the United States and China, for example, and an increase in the reprisal measures and protectionist regulations that are an indirect result of this conflict.

This trend is being reflected in a proliferation of commercial defense procedures in Europe, the United States, China, and the Persian Gulf states in the Middle East. These procedures – anti-dumping, safeguarding or other protection mechanisms based on a national security threat, as is the case with the US measures based on Section 232 of the US Trade Expansion Act – impose customs duties or quotas in the steel sector.

These measures are likely to have a negative impact on the Group's commercial flows at global level and, therefore, on its results and outlook.

5.1.2 Operational risks

Risks associated with manufacturing or service defects*

The Group's positioning in the market for premium tubular solutions requires the implementation of a demanding quality management system to guarantee product and service quality. However, despite the emphasis on manufacturing quality, some of the Group's products or services may have production or manufacturing defects which could potentially cause damage to property, personnel or installations attached to the tubes, lead to business interruption for customers or third parties, or cause environmental damage. Defects in the Group's products or services may result in compensation from the Group or a fall in demand for its products and services, or adversely affect their reputation for safety and quality. This may in turn have a significant impact on the financial position, results and image of Company (Vallourec) and Group activities. A major accident caused by defects in the products or services of players other than the Group might adversely affect the image of the entire Oil & Gas sector.

Risks related to an industry that consumes raw materials and energy

Tube production consumes raw materials such as iron ore, coal, coke and scrap. The Group has some in-house sources of supply and diversifies its external sources of supply whenever possible.

All of the European rolling mills are primarily supplied with raw materials from European steel mills, and in particular, as concerns ordinary steels, by the Huckingen mill operated by Hüttenwerke Krupp Mannesmann (HKM), in which Vallourec Tubes has a 20% stake in the capital. HKM produces steel rounds intended exclusively for its shareholders, who are committed to certain volumes. As the business outlook of the strategic plan did not permit Vallourec to absorb the volumes to which it is entitled, an impairment loss was recognized in the 2020 financial statements for HKM in excess of its industrial assets, for €81 million.

More generally, raw materials and energy represent a significant expense for the Group.

An increase in the price of raw materials and energy leads to a corresponding increase in the production cost of the Group's finished products. Uncertainty surrounding economic trends along with a highly competitive environment in the international market for tubes means that the Group's ability to effect any increases in raw materials and energy prices in its orders is uncertain. This could reduce Group margins and have a negative impact on earnings.

Energy or commodity consumption could also be affected by measures imposed by the authorities to address climate change and reduce companies' environmental footprint (see below the environmental risks and risks inherent to climate change).

Industrial and environmental risks

The industrial nature of the Group's activity creates risks to the environment, safety and health. The Group's manufacturing processes involve working with molten materials at very high temperatures using heavy machinery and equipment. The risks this poses include industrial accidents, explosions, fires, and environmental hazards such as accidental discharge of polluting or dangerous products, and could lead to unforeseen interruptions to its business, total or partial destruction of facilities, pollution or even personal injury and death.

Such events may involve the Group in legal proceedings for damages against it and/or lead to the application of penalties, and may have an adverse effect on the Group's activity, reputation, results and outlook.

The Group's production activities in the various countries where it has a presence are subject to numerous and wide-ranging environmental, public health and safety regulations which are constantly being updated. These regulations concern, in particular, the prevention of major accidents, use of chemicals, disposal of wastewater, disposal of hazardous industrial waste, and noise pollution. Their purpose is to ensure that the Group is in control of the various environmental risks inherent in its activity, including atmospheric, aquatic and soil pollution, and the risk of damage to biodiversity.

The Group's activities also require numerous permits and authorizations in areas such as the environment, safety, and public health. These include operating licenses, wastewater discharge permits, water withdrawal permits, and permits for the transport or landfill of hazardous waste products, all of which may be renewed, modified, suspended or potentially revoked by administrative and government authorities. Due to changes in their industrial activities related to the Group's transformation and in accordance with the legal provisions, only four plants in France still require authorization to operate and only the Valinox nuclear facility in Montbard is covered by "Seveso 3", with a "lower tier" classification.

The Group strives to observe strict compliance with these authorizations and, more generally, with the laws and regulations applicable in environmental matters. Maintaining compliance with existing regulations and standards results in costs and expenses that could increase significantly in the future if new regulations or stricter standards were to be adopted.

In addition, the authorities and courts might require the Group to carry out investigations and cleanup operations, or even restrict its activities or close its facilities temporarily or permanently, and/or require it to pay fines. As regards its former activities, the Group could be held responsible in the event of damage to persons or property, which could adversely affect its results. Under the regulations, the cost of cleanup of the French sites concerned in the event of cessation of their activities was estimated at €0.9 million.

Risks inherent in climate change

The Group is exposed to the risks inherent in climate change (including, for example, drought, flooding, heat waves or cold spells, standing water and high winds). A study was conducted in 2019 with the assistance of a consultancy firm for the purposes of the Group's carbon policy. Based on the new scope of the Company, it identified risks for all ten of the Group's major industrial areas and estimated their probability of occurrence and severity based on the IPCC's (Intergovernmental Panel on Climate Change) RCP 8.5 scenario, which is more pessimistic than the assessment resulting from compliance with the Paris agreements. This illustrates the difference in the impacts on our sites depending on the risk concerned and their geographical locations, and shows that the updated risk is still significant (see section 4.2.4.6 "Adaptation to the consequences of climate change" of this Universal Registration Document). Any adaptation plans will be defined with the plants.

Measures to combat the effects of climate change may also be imposed by various authorities. For example, the Brazilian authorities determined that the exceptional rain risk for a 100-year period should be substantially increased in relation to the dikes protecting the dam intended to collect water originating from the Group's operation of the mine. The corresponding work was therefore defined in consultation with the competent environmental authority and implemented.

The Group's supply chain is also subject to climate risks. The Purchasing Department is responsible for working with the suppliers who are most affected to examine the measures to be adopted under the supplier risk assessment plan.

Risks related to Group equipment failures

The Group's success in meeting orders depends on a high level of asset reliability. The Group could nevertheless suffer breakdowns of equipment or unavailability for other reasons such as damage, fire, explosion or a computer virus. Such failures could cause delays in the delivery of orders in progress or subsequent orders for which these assets were to be used. Although the Group follows a regular maintenance and prevention program to keep all of its assets in good working order, breakdowns could nevertheless occur. Equipment failures may lead to dissatisfaction on the part of the Group's customers, have an impact on the cost of orders and, therefore, significantly affect the financial position, results and image of the Company or the Group.

Risks related to information systems

The Group uses complex information systems (in particular to manage its sales, logistics, accounting and reporting), which are essential for conducting its commercial and industrial activity. Despite a policy to strengthen the emergency programs of its information systems, of its infrastructure (including providing access to service providers and partners), as well as of its clients, a failure of one of them could have a material adverse impact on the activity, financial position, results or outlook of the Group.

The Group's launch of an ambitious strategy to digitize its production tools and the creation of new services for customers could increase the risk of theft or loss of information, including personal information.

Despite a certain number of proactive measures that have already been deployed, the Group could fall victim to complex targeted attacks of its IT networks. A growing number of companies have indeed recently been the victims of intrusions or attempted intrusions in their information systems. The techniques implemented to hack, disrupt, degrade the quality of or sabotage information systems are constantly evolving; they are often complex and not listed and it is sometimes impossible to identify them before an attack is launched. Despite all of the precautions taken and its multiple means of defense, the Group might potentially be unable to protect itself against such hacking techniques or to prevent them having any impact. Any breakdown or interruption in the Group's IT services that is linked to such intrusions or to other factors could have a material adverse effect on the activity, financial position, results or outlook of the Group. The Group cannot guarantee that it will not suffer an uninsured loss.

5.1.3 Legal and tax risks

Early termination clauses and sale or purchase options stipulated in certain industrial cooperative agreements linking Vallourec to Nippon Steel Corporation and Sumitomo Corporation*

Some industrial cooperation agreements linking the Group to Nippon Steel Corporation (NSC) and Sumitomo Corporation include disposal clauses.

In the event losses by Vallourec Star, LP exceed a certain threshold over one or more fiscal years in a row, Sumitomo Corporation can then ask its partner subsidiary of Vallourec to acquire its 19.5% stake in Vallourec Star, LP in the United States. Given the drop in activity in the United States in 2020, which impacted operating income, and the impairment of goodwill in North America, Vallourec expects that the certified accounts of Vallourec Star, LP as at 31 December 2020 will show a loss in an amount allowing Sumitomo Corporation to exercise its put option. Pursuant to the provisions of the agreement, the parties will meet once Vallourec Star, LP's certified accounts will be available, to decide, within 90 days as from that date, whether or not they continue their cooperation within this entity. At the end of this period, if Sumitomo Corporation does not wish to continue its cooperation with Vallourec Star, LP, it will have 30 days to notify Vallourec of the exercise of its put option, which would then be completed on the basis of a fair market value, determined by an expert. At the date of thisUniversal Registration Document, Sumitomo Corporation has not disclosed its intentions.

Similarly, with respect to VAM USA LLC, if losses by VAM USA LLC exceed a certain threshold over one or more fiscal years in a row, each party (NSC and Sumitomo Corporation on the one hand and Vallourec on the other hand) has the option to propose to the other parties to sell its shareholding to them or acquire their own shareholding at the price determined by the party that initiates the implementation of this option (buy or sell offer). Given the drop in activity in the United States in 2020, which impacted operating income, and the impairment of goodwill in North America, Vallourec expects that the certified accounts of VAM USA LLC as at 31 December 2020 will show a loss in an amount allowing Sumitomo Corporation (which owns 15% of VAM USA LLC) and NSC (which owns 34% of VAM USA LLC) to exercise this option together. Pursuant to the provisions of the agreement, the parties will meet once VAM USA LLC's certified accounts will be available to decide, within 90 days as from that date, whether or not they continue their cooperation within this entity. At the end of this period, and if one party does not wish to continue its cooperation within VAM USA LLC, it will have 60 days to notify the other parties of the exercise of the option. At the date of thisUniversal Registration Document, Sumitomo Corporation and NSC have not disclosed their intentions.

In addition, certain industrial cooperative agreements linking the Group to NSC and Sumitomo Corporation contain reciprocal change of control clauses under which each party has, subject to certain conditions, a call option over the other party's interest or a right of termination, as applicable, in the event of a change of control of the other party (or of the entity that controls it). Under these agreements, control means the holding (alone or together with concert parties, as applicable) of more than 50% of the shares or voting rights (as the case may be) comprising the share capital of the entity in question. On the basis of the information provided to the Company with respect to the creditors' holdings in the RCFs and the Bonds, the implementation of the Safeguard Plan does not trigger the change of control clauses.

NSC and/or Sumitomo Corporation therefore have, in the event of a change of control of Vallourec Tubes or of Vallourec, the right to acquire the shares held by the Group in the capital of VAM USA LLC, at a price determined by an expert in case the parties do not agree on the price. In the event of a change of control of Vallourec Tubes or of Vallourec, Sumitomo Corporation also has the option to terminate the cooperation agreement within Vallourec Star, LP and to liquidate Vallourec Star, LP.

Moreover, in the event of a change of control of Vallourec Oil & Gas France (VOGFR), Vallourec Tubes, or Vallourec, NSC has the right to cancel the Research and Development contract entered into by VOGFR and NSC on 1 April 2007, while retaining the right to use the research and development results jointly obtained and to enable any licensees to benefit from such results, as VOGFR benefits from the same rights in the event of a change of control of NSC. If NSC exercises its right of cancellation, it will also be entitled to continue to use the VAM® trademarks for six years from the date of such cancellation.

Risks associated with business ethics and corruption

Vallourec operates in the Oil & Gas sector, a sector which is considered by the NGO Transparency International as greatly exposed to the risk of corruption, has recourse to sales agents to sell its products and services, and operates in countries in which the risk of corruption may be perceived as high (according to Transparency International's ranking).

Vallourec has a presence in more than 20 countries, mostly with anti-corruption and competition laws. Infringement of such laws, even as a one-off occurrence, may lead to criminal, civil, and administrative sanctions, including heavy fines, as well as harming Vallourec's image and reputation.

The risk of corruption is included in the Group's risk map.

As part of its global compliance program, Vallourec has introduced a number of internal procedures relating to the use of sales agents, gifts and invitations, and commercial sponsorship based on the principles and fundamental values of the Group's Code of Ethics and Anti-Corruption Code of Conduct. Vallourec has also rolled out a professional whistleblowing system, which is accessible to all employees and third parties. Training continued in 2020 and internal communication was strengthened. This prevention scheme was certified by ETHIC Intelligence in 2018 for a period of three years.

It cannot be ruled out, however, that the Group could be impacted by infringements of legislation that could lead to significant civil and/or criminal sanctions and might have an adverse effect on its financial position or its image.

Risks related to intellectual property

Risks related to intellectual property primarily stem from:

- disputes brought by third parties against the Group;
- the appropriation of its technologies by competitors; and
- fraudulent use by third parties of its trademarks.

The Group has an Intellectual Property Department and a Legal Department staffed by qualified and experienced personnel who are responsible for (i) taking the necessary measures to protect and enforce its intellectual property rights, while ensuring the rights of third parties are respected, and (ii) educating Group employees on the importance of better protecting and defending its intangible assets. However, the laws and regulations, as well as the legal system in some countries in which the Group operates do not necessarily provide such extensive and effective protection for intellectual property rights, and/or the means to combat counterfeiting at this time as in countries such as France, Germany or the United States.

Risks related to counterfeiting

Like other tubular products and accessories manufacturers, the Group has had to contend with the existence of counterfeit products for sale in the market, which use the trademarks of Vallourec and its subsidiaries, and are sometimes even accompanied by false certificates. Counterfeiting activities aim to confuse customers in terms of the source of products, thereby allowing the counterfeiters to unfairly derive a profit from the Group's investments and reputation. There are thus multiple risks involved: in addition to the risk of losing customers drawn to cheaper products, there is a material risk of accidents if the counterfeit products have problems with quality and do not comply with the applicable standards. These risks could have an impact on the Group's image, and, indirectly on its financial results.

In 2015, the Group created a Counterfeiting Committee and increased its campaigns to raise awareness among the public authorities and market players concerned.

If, despite all of the measures taken, the Group was unable to successfully protect, maintain and defend its intellectual property, it would risk losing a portion of its technological edge, customers and income sources; this could have a significant adverse effect on its activities, results and image.

Furthermore, the risk that competitors may access some of the Group's manufacturing secrets or certain innovations that are not yet patented or that are not eligible to be patented cannot be entirely ruled out. The procedures established by the Group's Security Department and IT Department, as well as the signing of confidentiality agreements, can limit this risk, although it cannot be completely eliminated. The Group's results and outlook could therefore be affected.

Tax and tax evasion risks

The Group's entities conduct sales, industrial and/or financial activities in various countries and have the necessary personnel, equipment, and assets there for that purpose. The contracts entered into by the Group's entities, with one another or with third parties, formalize these activities. As an international group that carries out its activities in numerous countries, Vallourec has structured its sales, industrial and financial activities, as well as its contracts, in compliance with the various regulatory and legal requirements to which it is subject, and according to its sales, industrial and financial objectives. Through this structure, as well as with the regular monitoring of changes in these legal and regulatory requirements, the Group particularly aims to limits potential tax risks (including any tax evasion risks).

To the extent that the laws and regulations of the various countries in which the Group's entities are located or operate do not establish clear or definitive guidelines, the tax regime that is applied to its activities, transactions or intragroup restructurings (whether past or future), is or may sometimes be based on interpretations of French or foreign tax regulations and laws. The Group cannot guarantee that these interpretations will not be challenged by the competent tax administrations in the jurisdictions concerned. More generally, any breach of the current tax laws and regulations in the countries in which the Group or Group's entities are located or operate could result in reassessments of taxes owed, or the payment of late interest, fines and penalties. Furthermore, the tax laws and regulations could change or be modified through their interpretation and application by the jurisdictions or tax administrations concerned, in particular in the context of joint initiatives occurring on an international or community scale (OECD, G20, European Union).

Each of the preceding factors could result in an increase in the Group's tax burden, and have a material adverse impact on its financial position and results.

The Group has been and may in the future be subject to recovery proceedings and tax disputes in some countries in which the Group entities are located or operate. When the Group considers that a loss relating to the tax disputes is probable, a provision is made according to the best estimate of foreseeable expenses. The outcome of the ongoing tax proceedings might, however, differ from the Group's forecasts and positions, or from the amount that may be provisioned in the consolidated financial statements. The Group cannot provide assurance that these provisions will be sufficient to cover the amounts to be actually disbursed at the end of these proceedings.

The Group's future results, the French and foreign tax rules, and tax controls or disputes could limit the Group's capacity to use its tax deficits, and thus impact its financial position.

The Group has significant tax losses (for which the accounting impacts are described in Note 3 of the notes to the consolidated financial statements for the fiscal year ended 31 December 2020, which appear in Section 6.1 of this Universal Registration Document).

The Group's ability to effectively use these losses will depend on a number of factors, including (i) the ability to achieve tax benefits and the extent to which such benefits cover losses, (ii) the limits applicable to any tax losses imposed by the French and foreign laws and regulations, (iii) the consequences of current or future tax audits or disputes, and (iv) any changes in the applicable laws and regulations.

The impact of these factors could increase the tax pressure to which the Group is subject, and thus have an adverse effect on its effective tax rate, financial position and results.

5.1.4 Financial and market risks

Given its financial structure, the Group is exposed to (i) liquidity risks and (ii) market risks, including interest rate, foreign exchange, credit and equity risks.

A description of market and liquidity risks is provided in Note 7 to the consolidated financial statements in Section 6.1.7 of this Universal Registration Document.

Liquidity risk*

As at 31 December 2020, the maturities of current bank loans and other borrowings totaled €1,852,984 thousand; the maturities of non-current bank loans and other borrowings totaling €1,750,527 thousand are shown in the table below:

Breakdown by maturity of non-current loans and other borrowings (> 1 year)

(in € thousand)	> 1 year	> 2 years	> 3 years	> 4 years	5 years and more	Total
As at 31/12/2019	**1,723**	**781,368**	**399,722**	**502,211**	**62,037**	**1,747,061**
Non-current borrowings	786,709	399,755	501,690	2,344	60,029	1,750,527
AS AT 31/12/2020	**786,709**	**399,755**	**501,690**	**2,344**	**60,029**	**1,750,527**

The Group's financial resources are composed of bank financing and market financing.

The majority of bank financing has been put in place in Europe through Vallourec and, to a lesser extent, the subsidiaries in Brazil. The Vallourec credit lines (€1,724 million) do not benefit from any security or guarantee.

Market financing is arranged exclusively by Vallourec and is not covered by any security or guarantee.

BANK FINANCING

As at 31 December 2020, the Group had confirmed bank credit facilities of €1,724 million, including €12 million unused, and cash of €1,390 million. The Group therefore had liquid assets of €1,402 million at its disposal.

As mentioned in Note 7.1.5 of the notes to the consolidated financial statements for the Group fiscal year ended 31 December 2020, set out in Section 6.1 of this Universal Registration Document, credit lines of €1,724 million will expire in February 2021.

In February 2014, Vallourec established a confirmed credit line for the amount of €1.1 billion, maturing in February 2019, plus two one-year extension options. In addition to the first one-year extension obtained for €1.078 billion, the second extension was granted in July 2016 for the sum of €989 million, which was then raised to €1,034 million in July 2017. The new maturity date is in February 2021. This credit line is available for the Group's general funding purposes. As at 31 December 2020, €1,029 million had been drawn on this line.

In June 2015, Vallourec agreed to a confirmed bilateral line of €90 million until February 2019 with two one-year extension options, which were granted in July 2016. As at 31 December 2020, €89 million had been drawn on this line.

In September 2015, Vallourec established a confirmed credit line for the amount of €400 million, maturing in July 2019. An initial one-year extension (until July 2020) was granted in July 2016 for the full amount. A second extension was granted in February 2019, extending this financing from July 2020 to February 2021 in the amount of €300 million. As at 31 December 2020, €297 million had been drawn on this line.

In May 2016, Vallourec established a confirmed credit line for €450 million maturing in February 2020. An extension of one additional year was granted in February 2019, allowing this financing to be extended from February 2020 to February 2021 in the amount of €300 million. As at 31 December 2020, €297 million had been drawn on this line.

Each of these bank facilities requires the Group to maintain its consolidated net debt-to-equity ratio ("banking covenant") at less than or equal to 100%, calculated as at 31 December each year. As defined in the bank loan agreements, the banking covenant ratio is the ratio of the Group's consolidated net debt (including the financial lease debt and the shareholder's loan in Brazil) to the Group's equity, restated for gains and losses on derivatives and for foreign currency translation reserves (gains and losses of consolidated subsidiaries in foreign currency).

As at 31 December 2020, the restated indebtedness ratio ("banking covenant") as defined in the bank loan agreements was 180%. However, it should be noted that following the end of the fiscal year, as a result of the opening of a safeguard proceeding (*procédure de sauvegarde*) on 4 February 2021, in practice, the breach of this covenant will not oblige the Company to repay its creditors in February 2021. The implementation of the Safeguard Plan is designed to enable the Company to rebalance its capital structure, allowing it to meet its obligations to repay or refinance its debt at maturity. However, in the event of a very significant and unexpected decrease in the level of expenses incurred by its customers in the Oil & Gas sector for the exploration and/or production, from which the Group derives the majority of its revenue, the room for maneuver resulting from the implementation of the Safeguard Plan could prove insufficient and lead the Company to seek additional sources of financing.

A change in control of Vallourec could trigger repayment of all or part of the debt, as decided by each participating bank. It is also stipulated that the entire debt will be immediately due and payable if the Group defaults on one of its debt obligations (cross default), or in case of a major event with consequences for the Group's business or financial position and its ability to repay its debt. Implementation of the Safeguard Plan would render these clauses null, since the Safeguard Plan is in particular designed to restructure the debt owed under these bank facilities; the terms and conditions of these facilities agreements would therefore be null and void and replaced by those of the new debt instruments, and in particular the New RCF (see section 3.7 of this Universal Registration Document).

MARKET FINANCING

In addition to this bank financing, the Group aims to diversify its sources of financing on the markets. For example, Vallourec launched a commercial paper program on 12 October 2011 to meet its short-term needs. The program has a €1 billion ceiling. As at 31 December 2020, Vallourec had no outstanding commercial paper. This commercial paper program is rated C by Standard & Poor's.

Vallourec also issued a long-term (15-year) private bond in August 2012 for an amount of €55 million, with an annual coupon of 4.125%.

On 30 September 2014, Vallourec issued a €500 million bond, maturing in September 2024, with a fixed annual coupon of 2.25%.

On 27 September 2017, Vallourec issued a €250 million bond, consisting of bonds convertible into new shares and/or exchangeable for existing shares, maturing in October 2022, with a fixed annual coupon of 4.125%, a 37.5% conversion premium and a unit par value of €6.89 rising to €275.60 following the 1:40 consolidation of Vallourec's shares on 25 May 2020.

On 11 October 2017, Vallourec issued a €400 million bond, which received a matching contribution on 23 October 2017 in the amount of €150 million (i.e., €550 million in total) maturing in October 2022 with a fixed annual coupon of 6.625%. This bond is callable pursuant to the contractual terms as from 15 October 2020.

On 12 April 2018, Vallourec issued a €400 million bond, maturing in October 2023, with a fixed annual coupon of 6.375%. This bond is callable pursuant to the contractual terms as from 15 October 2020.

As at 31 December 2020, the market values of these fixed-rate bond issues were €64.3 million, €531.8 million, €557.7 million and €410.5 million, respectively.

These bond issues were intended to diversify and increase the amount and extend the maturity of the financial resources available to the Group.

They specifically include a change of control clause that would trigger the mandatory early redemption of the bonds at the request of each bondholder in the event of a change of control of Vallourec (in favor of a person or a group of people acting jointly) entailing a downgrade in the Company's financial rating.

The bonds may also be redeemed early at the request of the bondholder or Vallourec, depending on the case, in the event of certain standard cases of default for this type of bond issuance or a change in Vallourec's position or in the tax regulations.

As at 31 December 2020, the contractual maturities of the company's bond debt have thus not changed and the Company is not aware of any maturity clause that could be activated by creditors on that date. Implementation of the Safeguard Plan would render these clauses null, since the Safeguard Plan is in particular designed to restructure the debt owed under these bond issuances; the terms and conditions of these bond issuances would therefore be null and void and replaced by those of the new debt instruments, and in particular the New Notes (see section 3.7 of this Universal Registration Document).

FINANCIAL RESTRUCTURING

Having obtained the necessary consents from its bank and bond creditors to do so, in September 2020 the Company requested and obtained the appointment of a *mandataire ad hoc* to assist it in its negotiations with its main creditors with a view to achieve a rebalanced financial structure by reducing its indebtedness and securing the necessary liquidity to enable it to implement its strategic plan in a volatile market environment.

As a result, on 3 February 2021, the Company announced that it had entered into an Agreement in Principle with its main creditors with the aim of reducing Vallourec's indebtedness by €1,800 million (see Section 3.7 of this Universal Registration Document).

In this context, the Commercial Court of Nanterre opened a safeguard proceeding (*procédure de sauvegarde*) to the benefit of Vallourec on 4 February 2021. The proceeding aims at, *inter alia*, allowing the implementation of the financial restructuring of the Company as provided for in the Agreement in Principle as part of a safeguard plan. The proceeding also suspended the Company's payment obligations relating to its debts incurred prior to 4 February 2021, including in particular the bank financing due in February 2021.

Subject to the satisfaction of the conditions precedent for the implementation of the Safeguard Plan (see below the section of this Universal Registration Document entitled "Risks associated with the implementation of the contemplated financial restructuring"), completion of the the restructuring transactions will significantly reduce the Group's liquidity risk. However, in the event of a very significant and unexpected reduction in the level of expenses incurred by its customers in the Oil & Gas sector for theexploration and/or production, from which the Group derives the majority of its revenue, the room for maneuver resulting from the implementation of the Safeguard Plan could prove insufficient and lead the Company to seek additional sources of financing.

Risks associated with the implementation of the contemplated financial restructuring*

The contemplated financial restructuring provided for in the Safeguard Plan is based primarily on:

- a major deleveraging of €1,800 million, through:
  - a rights issue in the amount of €300 million for the benefit of Vallourec shareholders at a subscription price of €5.66 per share, fully backstopped by the creditors under the RCF and the Notes other than BNP Paribas, Natixis, Banque Fédérative du Crédit Mutuel and CIC as applicable (the "**Commercial Banks**") by way of set-off with the same amount of their claims under the RCF and the Notes; the proceeds of such rights issue will be used to partially repay their claims,
  - a reserved share capital increase in the amount of €1,331 million subscribed by the creditors under the RCF and the Notes other than the Commercial Banks by way of set-off against with the same amount of of their claims, at a subscription price of €8.09 per new share,
  - a debt write-off granted by the Commercial Banks in the amount of €169 million, combined with a better fortunes instrument (*instrument de retour à meilleure fortune*) in the form of warrants;
- the refinancing of the residual debt and the securing of significant liquidity and operational financing through:
  - a reinstated revolving credit facility of €462 million by the Commercial Banks;
  - a State-guaranteed loan (*prêt garanti par l'Etat*) in the amount of €262 million by the Commercial Banks;
  - a new senior notes issuance of €1,023 million subscribed by the creditors under the RCF and the Notes other than the Commercial Banks by way of set-off against the balance of their claims under the RCF and the Notes;
  - bonding lines of €178 million provided by the Commercial Banks over a period of 5 years.

The Safeguard Plan was approved by the credit institution committee (*comité des établissements de crédit et assimilés*) and the bondholders' single general meeting (*assemblée générale unique des obligataires*) on 29 March 2021.

The implementation of the financial restructuring provided for in the Safeguard Plan remains subject in particular to the satisfaction of the following conditions precedent:

- the approval of the resolutions necessary to the implementation of the Safeguard Plan by the combined general meeting of shareholders (it being specified that the relevant resolutions shall be regarded as a whole and are interdependent);
- obtaining the required antitrust clearances and foreign investment clearances from the competent authorities;
- the approval by the Commercial court of Nanterre of the Safeguard Plan as approved by the credit institution committee and the bondholders' single general meeting on 29 March 2021;
- the visa of the AMF on the securities note relating to the reserved share capital Increase and the issuance of warrants, scheduled as part of the implementation of the financial restructuring.

The main risks associated with the implementation of the financial restructuring plan are as follows:

- failure to achieve one or more of the aforementioned conditions will prevent the implementation of the financial restructuring as currently provided for by the Safeguard Plan and creditors who are party to or have signed this Lock-up Agreement will be released from their commitments. The Company would then have to initiate further discussions with the various stakeholders to find a solution to its financial difficulties, with no certainty that these negotiations would be successful. Absent such alternative solutions, the Company would not have the consolidated net working capital requiredto cover (i) its operating needs for the next 12 months, until the end of March 2022 and (ii) the repayment of the revolving credit facilities maturing as from 9 February 2021, as well as the payment of interest under the RCF and the Notes until 31 March 2022, and its ability to continue as a going concern would be compromised. Consequently, the safeguard proceeding could be converted into receivership (*redressement judiciaire*) proceeding or, as applicable, into judicial liquidation (*liquidation judiciaire*) proceeding, which could lead to the sale of all or part of the Company's assets. If such proceedings were to be implemented, they could place (i) shareholders in the position of losing their whole investment in the Group, and (ii) creditors in the position of reduced prospects of recovering their claims;
- taking into account the very large number of shares and warrants issued as part of the issuances provided for by the Safeguard Plan, these issuances would be highly dilutive for shareholders and sales of a significant number of the Company's shares or warrants could take place promptly after the date of completion of the share capital increases; or the market might anticipate such sales, which could have an adverse impact on the market price of the shares and/or the market price of the warrants;

- the ongoing financial restructuring and the safeguard proceeding opened to the benefit of Vallourec could have a negative effect on the Company's relationships with its main suppliers, employees and clients. In particular, they could affect the Group's relationships as well as its ability to negotiate on favorable terms with its creditors, customers, suppliers, employees or other counterparties, or affect the ability of the Group companies to maintain normal credit conditions with their suppliers. In addition, the perception of the Group's viability as a result of the financial restructuring and/or the existence of this proceeding could affect, in particular, the willingness of new or existing clients to enter into or pursue contracts and business relationships. Finally, the Group's ability to respond to tender of some of its clients could be affected by the increased difficulty of obtaining market guarantees from its banking partners when required;
- following approval of the Safeguard Plan by the Commercial Court of Nanterre, the following transactions could be subject to the prior authorization of the competent court: (i) the sale of the Company's assets and (ii) the sale of significant assets of the Company's group that may result in a modification of the Safeguard Plan. Consequently, the effects of the ongoing safeguard proceeding, in particular on the operational activities of the Company and its Group, cannot really be anticipated or quantified with certainty.

Market risks

FOREIGN EXCHANGE RISK

Foreign currency translation risk

The assets, liabilities, revenues and expenses of the Group's subsidiaries are expressed in various currencies. The Group's financial statements are presented in euros. The assets, liabilities, revenues and expenses denominated in currencies other than the euro are translated into euros at the applicable rate so that they can be included within the financial statements.

If the euro rises (or falls) against another currency, the value in euros of the various assets, liabilities, revenues and expenses initially recognized in that other currency will fall (or rise). Therefore, changes in the value of the euro may have an impact on the value in euros of the assets, liabilities, revenues and expenses not denominated in euros, even if the value of these items in their original currency has not changed.

In 2020, net income, Group share, was generated to a significant extent by subsidiaries that prepare their financial statements in currencies other than the euro (mainly in US dollars and the Brazilian real). A 10% change in exchange rates would have had an upward or downward impact on net income, Group share of around €39 million. In addition, the Group's sensitivity to long-term foreign exchange rate risk is reflected in the changes that have occurred in recent years in the foreign currency translation reserves booked to equity (-€1,111.5 million as at 31 December 2020) which, in recent years, have been linked mainly to changes in the US dollar and Brazilian real.

Foreign currency translation reserve – Group share

(in € thousand)	**31/12/2019**	**31/12/2020**
USD	277,548	196,633
GBP	(12,294)	(14,821)
BRL	(902,066)	(1,270,157)
CNY	16,710	11,780
Other	(16,639)	(34,947)
TOTAL	**(636,741)**	**(1,111,512)**

As far as the Group is aware, translation risk is unlikely to threaten its financial equilibrium.

Transaction risk

The Group is subject to foreign exchange risks owing to its business exposure linked to sales and purchase transactions entered into by some of its subsidiaries in currencies other than their functional currency.

The main foreign currency involved is the US dollar (USD): a significant portion of the Group's transactions (approximately 41% of Group revenue in 2020) are invoiced in US dollars by companies whose functional currency is not the US dollar. Exchange rate fluctuations between the euro, the Brazilian real and the US dollar may therefore affect the Group's operating margin. Their impact is, however, very difficult to quantify for two reasons:

- there is an adjustment phenomenon on sales prices denominated in US dollars, which is related to market conditions in the various sectors of activity in which Vallourec operates;
- certain sales and purchases, even though they are denominated in euros, are influenced by the level of the US dollar. They are therefore indirectly and at some time in the future affected by movements in the US currency.

The Group actively manages its exposure to foreign exchange risk to reduce the sensitivity of its net profits to currency fluctuations by setting up hedges once the order is placed and sometimes once a quotation is given.

Orders, receivables, payables and operating cash flows are thus hedged with financial instruments, mainly forward purchases and sales.

Order cancellations could therefore result in the cancellation of hedges implemented, leading to the recognition in the consolidated income statement of gains and losses with regard to these canceled hedges.

To be eligible for hedge accounting as defined under IFRS 9, the Vallourec Group has developed its cash management and invoicing systems to facilitate the traceability of hedged transactions throughout the duration of the hedging instruments.

As at 31 December of the last two years, forward foreign exchange contracts to hedge foreign currency denominated purchases and sales amounted to the following:

Hedging contracts with regard to commercial transactions – exchange rate risk

(in € thousand)	31/12/2019	31/12/2020
Forward exchange contracts – forward sales	1,118,676	587,207
Forward exchange contracts – forward purchases	37,729	32,789
Currency options – sales	-	-
Currency options – purchases	-	-
Raw materials and energy – purchases, options	-	-
TOTAL	**1,156,405**	**619,996**

Contract maturities as at 31 December 2020

Contracts on commercial transactions *(in € thousand)*	Total	1 year	1 to 5 years	> 5 years
Exchange contracts: forward sales	587,207	564,971	22,236	-
Exchange contracts: forward purchases	32,789	32,789	-	-
Currency options: sales	-	-	-	-
Currency options: purchases	-	-	-	-
Raw materials and energy – purchases, options	-	-	-	-
TOTAL	**619,996**	**597,760**	**22,236**	**-**

Forward sales (€587 million of the €620 million total) correspond mainly to sales of US dollars. These contracts were transacted at an average forward EUR/USD rate of 1.16 and an average forward USD/BRL rate of 5.39. In 2020, as in 2019, the hedges entered into generally covered an average period of about 10 months and mainly hedged highly probable future transactions and foreign currency receivables.

In addition to hedges on commercial transactions, Vallourec has implemented forward contracts for USD 60.0 million (€48.9 million) and for GBP 15.9 million (€17.6 million) since 2011.

These instruments are intended to hedge the foreign currency loans and checking accounts established by the financial holding company Vallourec Tubes in the currency of the subsidiaries receiving them. The forward purchases and sales mature at various times in 2021, as and when the hedged loans and borrowings mature. However, the Group cannot guarantee that it will be able to systematically hedge all its foreign currency denominated contracts. Lack of hedging of these contracts may have a significant adverse effect on the Group’s results and financial status. Following the initiation of the safeguard proceedings relating to Vallourec on 4 February 2021 (see Section 3.7.1.3 of this Universal Registration Document), the overall foreign exchange hedging policy continued, albeit with a smaller number of bank counterparties and under less favorable economic conditions.

5.2 Risk management and internal control system

5.2.1 Risk management

Risk management and internal control are rolled out in all companies in which Vallourec directly or indirectly holds the majority of share capital and which it controls. Companies whose shares are listed or under joint control have an appropriate system and internal control structure, consistent with current local legislation.

Internal control and internal audit rely on the results of the risk analysis, in order to improve the Group's internal control mechanisms and define its internal audit plan, respectively.

5.2.1.1 Objectives and general principles of risk management

Risk management provides management leverage for the Group, and primarily contributes to:

- securing the Group's decision-making processes and other procedures in order to promote the achievement of its objectives; and
- creating and preserving the Group's value, assets and reputation.

Furthermore, risk management aims to:

- promote consistency between the Group's actions and values; and
- mobilize the Group's employees around a common vision in terms of primary risks and raise their awareness of the risks inherent to their business.

Vallourec adopts a detailed cross-company approach in its "Group Risk Management Policy". The Audit, Internal Control and Risk Management Department provides methodological support for promoting and implementing this policy. This favors the development of internal control by anticipating risks and reviewing the "best practices" for controls.

Risks are managed by the Regions, the industrial and sales units and the functional departments.

The Risk Committees set up within each major entity and Region and the Management Board evaluate the risks and determine the controls and action plans aimed at limiting the impact and/or the probabilities of these risks occurring.

5.2.1.2 Risk management system

Identifying risks consists of determining the main risks the Group faces with its operational and functional departments. In collaboration with the entity in question, the Head of Risk Management analyzes these risks and maps them, an exercise which in particular aims to agree on a list of risks and to determine how to reduce, transfer, eliminate, or accept them. Priorities are determined not only according to probability of occurrence and/or consequences of risks, and control level, but also of the progress of control improvements through benchmark practices in the subject area.

Risk maps are in place for each of the Group's major entities, Regions, and for its Executive Committee. Each map incorporates main risks, along with their likely scenarios, internal and external experiences with such risks, controls in place and "best practices".

Risk management is provided by the Regions and Management Board during the annual committee meetings in which the Head of risk management participates, in order to provide ideas and guarantee that actions are consistent at Group level. Each Committee meeting is attended by the relevant entity manager and their main assistants. Functional managers affected by specific risks may also be invited, in particular managers from the Technology and Industry, Development and Innovation, Human Resources, Purchasing, Information Systems and Sustainable Development Departments. Each Committee meeting handles the following matters:

- validation of diagnosis and follow-up of action plans for each priority risk;
- validation of the key risk indicators, which ensures the relevance of new controls after closure of the action plan, and the ongoing application of said controls.

The Group works collaboratively with its insurers to supplement this work of identifying and mitigating industrial operating risks and to roll out business continuity plans.

5.2.2 Internal control

5.2.2.1 Objectives and general principles of internal control

The Group's internal control system was developed and implemented with significant involvement from the Group's staff. It aims to provide reasonable assurance that the following four objectives can be achieved:

- compliance with laws and regulations in force;
- proper application of the instructions issued and compliance with the policies laid down by the Management Board;
- proper operation of internal processes (in particular those relating to achieving objectives and safeguarding assets); and
- accuracy of accounting and financial information.

The internal control process is constantly evolving in order to adapt to changes in the economic and regulatory environment and the Group's structure and strategy.

In order to ensure the consistency of daily actions led worldwide on behalf of the Group, Vallourec has put in place a set of key internal control procedures. These constitute the basis for the internal rules which apply to all its employees and to its units.

At the heart of Vallourec's internal control system, these procedures provide a framework for the actions of each employee. They relate, in particular, to ethics, compliance with laws and regulations, the delegation of authority, the separation of assignments and tasks, the confidentiality of information, the prevention of insider trading, the procedure for relations with the media and financial communication.

ETHICS AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group's structure and actions in terms of ethics and compliance with laws and regulations are described more extensively in Section 4.2.1 "Business Ethics and Compliance" of this Universal Registration Document.

DELEGATION OF AUTHORITY

The level of authority given to each manager within the Group must remain compatible with the maintenance of an overall level of control, with the Group's strategy, and with the application of rules common to all Group entities.

To meet these requirements, the aim of the delegated authority procedure at Group level is to clearly define the prerequisite approval levels for the main commitments entered into by any Group entity. Delegations of authority may not contravene applicable statutory and regulatory provisions.

This procedure is adapted as often as needed. It is implemented in each Region in the areas for which the subdelegations have been authorized by the Group. The strict application of these delegations of authority is systematically confirmed during the internal audits of the Group's entities.

CONFIDENTIALITY OF INFORMATION

Against a backdrop of intense competition, the Group needed to make all employees aware of their obligations as regards confidentiality. Vallourec therefore drew up a Confidentiality Charter with the aim of enabling it to carry out its business under the best possible conditions in the face of competition and of protecting people working for Vallourec by informing them of the confidentiality obligations with which they must comply.

PREVENTION OF INSIDER TRADING

Vallourec has a Code of Good Conduct on the prevention of insider trading that may occur in connection with transactions in its shares. This Code concerns not only Vallourec's corporate officers, but all of the Group's employees and partners.

Its objective is to ensure compliance with precautions in order to (i) protect staff at all levels by making them aware of stock exchange regulations and applicable penalties, so as to enable them to avoid being the subject of legal proceedings, (ii) protect Vallourec and the Group, in particular from the risks of damage to its image and reputation and a decline in the value of its shares, and (iii) retain the confidence of investors and maintain equality of treatment between shareholders.

The Group's General Counsel performs an ethics function, and is mainly in charge of overseeing compliance with the provisions of the Code of Good Conduct, although each employee involved is ultimately responsible for compliance with the applicable regulations. In particular, the General Counsel updates the insider lists required by current regulations and keeps them available for the French securities regulator (Autorité des Marchés Financiers – AMF).

PROCEDURES FOR RELATIONS WITH THE MEDIA

Vallourec has defined procedures for relations with the media, as well as a set of best practices to be followed on social networking sites, which aim to safeguard the development of the Group's image and the promotion of its activities, while ensuring its messages are consistent and its reputation is protected.

All information for the media, whether provided or requested, and when it concerns in particular a press release, conference, interview or telephone call, is subject to an internal approval process.

Likewise, all activity on social networking sites must be conducted in accordance with the best practices that have been formally adopted by the Communications Department and posted on Vallourec's Intranet.

FINANCIAL COMMUNICATIONS

Vallourec has drawn up a financial communications procedure, which aims to ensure that the Group's system of providing financial information to the public complies with applicable statutory and regulatory provisions.

Annual and interim financial reports and quarterly financial information are the subject of an internal approval process prior to their release and filing with the AMF.

5.2.2.2 Internal control mechanism

The Management Board sets the internal control policy and ensures it is implemented by the executive management of each Group entity.

To ensure the consistency of the Group's procedures worldwide, the Management Board relies on the Regions and the functional departments to draw up procedures, give instructions and ensure compliance with them.

In addition, when conducting their audits, the internal auditors may rely on the responses to self-assessment questionnaires on the level of internal controls that are submitted annually by each Group entity and approved by each subsidiary manager.

INTERNAL CONTROL MECHANISM FOR FINANCIAL AND ACCOUNTING INFORMATION

Financial and accounting reporting

Preparation of financial and accounting information is centralized based on the subsidiaries' financial statements, adjusted to comply with Group standards. The information is collected via reporting and consolidation software at all the consolidated subsidiaries.

The subsidiaries report monthly in the following month. Accounting consolidation is comprehensive and completed quarterly, within the same period of one month. The reporting of off-balance sheet contingent liabilities and commitments is an integral part of the quarterly consolidation process.

External financial information

Vallourec publishes quarterly information as at 31 March and 30 September each year, including, in particular, the consolidated statement of financial position and income statement. The preparation of the quarterly, interim and annual consolidations is the responsibility of the Management Board. The Statutory Auditors conduct an audit of the annual financial statements and a limited review of the interim financial statements. They generally do not audit the quarterly financial information.

Cash management and financing

The Cash Management and Financing Department is in charge of the Group's financing strategy and manages banking liquidity and access to market financing.

The Cash Management and Financing Department ensures that cash flow is optimized and controlled through:

- cash flow forecasts prepared each week by the main Group companies;
- centralizing euro, pound sterling, Chinese yuan and US dollar cash flow of the main European and Middle Eastern companies for Vallourec Tubes;

- centralized cash management in Chinese yuan for the main Chinese companies at Vallourec Tianda (Anhui) Co. Ltd. ;
- centralized cash management in US dollars for some US companies at Vallourec Holding, Inc. and Vallourec Tubes; and
- monthly cash management reports in Brazilian real at the Brazilian companies.

Long-term (more than one year) financing and investment decision are managed by the Cash Management and Financing Department. Financing and investments of less than one year are delegated to subsidiaries according to a specific Group procedure: quality of the banks involved, risk-free investment, and monitoring of the financial guarantees given.

The Cash Management and Financing Department is also responsible for foreign exchange and interest rate risk management strategy.

To this end, currency hedging operations for sales in US dollars, pound sterling, Chinese yuan, Kuwaiti dinars, and Canadian dollars are centralized for the Group's main companies.

Currency and currency hedging operations are governed by rules established by the Group's Cash Management and Financing Department and, more generally, all the cash management operations specific to each company are conducted within the framework of a general cash and risk management policy.

The Cash Management and Financing Department ensures debts, investments and foreign exchange transactions of subsidiaries are tracked. As part of this tracking, it prepares a monthly report, which is sent to the Management Board.

Procedures and instructions for financial and accounting reporting

With the objective of producing high-quality financial and accounting information, Vallourec has established procedures and instructions tailored to its French and foreign subsidiaries. These procedures are classified by topic and deal mainly with accounting, cash and cash equivalents, and reporting issues, and with the IFRS framework.

Details of the procedures are available on an intranet site that can be consulted by all of the Group's finance staff.

To ensure consistency between financial and accounting data on the one hand, and management tools and rules on the other, the Group has drawn up a set of procedures in a Management Manual, summarizing the definitions, principles and rules for management control and for the production of financial information. This document is disseminated among employees who are in charge of preparing and controlling management and financial information. Its purpose is to contribute to the quality and consistency of this information.

OTHER KEY INTERNAL CONTROL MECHANISMS

Industrial capital expenditure

The Management Board reviews the Group's capital expenditure position presented by the Capital Expenditure, Projects and Engineering Department several times per year. It examines budgets, capital expenditure authorizations, and actual and forecast expenses.

According to the procedure "Management of CAPEX projects", projects with an expected cost of over €1 million follow a specific qualification and authorization process through three stages of front-end loading.

The Qualification Committee includes the Group's experts and examines the fundamental aspects of the projects at each of the three stages (market assumptions, technical choices, budget, planning and risks), meeting once a month under the aegis of the Capital Expenditure, Projects and Engineering Department. The Authorization Committee brings together either the Director of Capital Expenditure, Projects and Engineering and the Director of Management Control for projects over €1 million, or the members of the Management Board for projects of more than €5 million. During these committee meetings, the projects are compared in terms of alignment with strategy, profitability and risks, all within the framework of the Group's budget.

The Capital Expenditure, Projects and Engineering Department participates as a member of the steering committees for major industrial projects in progress, in order to implement "best practices" of governance and management. The goal is to reliably complete these projects in line with expected costs, quality and time frames. It also audits certain projects underway, in order to ensure that best project management practices are effectively implemented.

The Capital Expenditure, Projects and Engineering Department carries out a monthly check on compliance with annual objectives and, in conjunction with the Regions concerned, ensures that corrective measures are taken if any discrepancy is noted.

A posteriori controls are carried out on expenses, expected objectives and the profitability of capital expenditure projects at the initiative of the Capital Expenditure, Projects and Engineering Department, and with the support of the Management Control Department. Such controls are performed on projects authorized in earlier years that are in production.

Management system

Vallourec has management systems (Vallourec Management Systems – VMS), which are implemented at all Group companies. VMS has been structured around seven main components:

- the Human Resources management system, including, in particular, the Talent 360 system, on which performance management, annual appraisals and career appraisals depend;
- the CAPTEN+ Safe program, which coordinates all actions to continuously improve work safety;
- programs related to sustainable development, following the commitments of the Group's Sustainable Development Charter;
- management systems contributing to industrial excellence, which specifically comprise the quality management and lean management systems. Lean management aims to improve performance in terms of productivity, level of inventory and time to complete orders;
- systems that include activities related to excellence in sales, including marketing, key account management, and the implementation of valued offers;
- Research and Development management systems, through the innovative project management system; and
- the major projects management system described in the Group's Qualification and Authorization Management Handbook, which coordinates the activities and deliverables required for managing capex.

In addition to the control of processes and continuous improvement, VMS is responsible for ensuring that initiatives are consistent with the aims of the Group's strategic plan.

The functional departments assist the Group's entities in rolling out VMS, sharing and capitalizing on "best practices", and developing managers' expertise.

Quality – safety

The Group's Safety and Quality Departments are in charge of proposing Group guidelines and objectives in terms of quality and safety to General Management, and are also responsible for defining applicable standards on the subject for the Group as a whole.

Under VMS, these standards define the suitable systems, methods and specific tools to be implemented to consistently improve product quality and control of manufacturing processes, on the one hand, and the safety of people and equipment, on the other. They are defined in compliance with quality management standards (ISO 9001 or IATF 16949, API, ASME, etc.) and safety standards (OHSAS 18001, ISO 45001).

The Safety and Quality Departments handle the promotion of these standards, assist with their implementation, set up the necessary training programs and oversee the sharing of best practices. Through the visits they make to all Group sites, in addition to the audits carried out by external certification bodies, they ensure these practices are well understood and properly applied to all processes which contribute to customer satisfaction.

The Vallourec Quality approach takes into account the requirements of the most stringent standards, in particular those relating to standardization, problem resolution, the control of variations in quality and risk prevention.

The safety improvement program, known as CAPTEN+ Safe, relies on the commitment of management as a whole, the involvement of all employees and the establishment of appropriate follow-up indicators.

Sharing the Management Board's concern regarding safety and quality, the Supervisory Board starts each of its meetings with a progress review of the Group's safety and quality performance.

Sustainable development

Sustainable development is managed within Vallourec by the Sustainable Development Department, which reports to the Group's General Counsel, General Secretary and members of the Executive Committee.

The Sustainable Development Department's main role is to mobilize the Regions and functions to make progress in sustainable development and social responsibility, in particular by identifying the expectations of the various stakeholders of the business, as well as the best practices to be developed.

Whenever necessary, the Sustainable Development Department submits the decisions to be implemented by the Divisions and functional departments to the Executive Committee.

The Sustainable Development Department is also directly responsible for environmental actions. It coordinates and leads the initiatives of those responsible for environmental matters in the Regions and business units. They are tasked with the particular duty of ensuring compliance with applicable laws and regulations on operations, and with improving environmental performance pursuant to Vallourec's Sustainable Development Charter and the Group's Environmental Policy, which in particular concerns water, waste, hazardous products, emissions and noise. Annual or bi-annual audits, depending on the importance of the sites, are conducted locally. An environmental performance report is published every quarter for the managers concerned. The Group has an application for the management of environmental and safety data that facilitates the collection and verification of this data as well as the local reporting of sites.

The Sustainable Development Department also supervises the energy performance improvement program led by the sites, with assistance from the Process Communities. The Department adjusts practices and ensures that the operational entities invest in new energy-efficient, "eco-designed" equipment. These actions are also aimed at reducing greenhouse gas emissions.

Innovation, Research and Development

The Development and Innovation Department (D&I), which comprises product lines, the R&D centers, Industrial Property, the Key Account Managers, and the Innovation teams, has established procedures at Group level concerning the management of new business development projects, new products and industrial processes, the project portfolio management for product lines, and the Group's idea generation process (front-end innovation). The defined processes and governance are consistently applied by the entities concerned. These procedures also incorporate aspects of intellectual property.

The product line innovation portfolios include ideas under investigation and projects under development. These portfolios are reviewed regularly for decision making and prioritization of projects, based on the value and associated risks criteria.

Projects under development are selected according to various criteria, including the value they offer both our customers and Vallourec, their technical feasibility, turnaround times, as well as related risks. The Project Steering Committees review the risk analysis. In addition, key strategic projects are reviewed by a Group Committee which, at each crucial milestone, confirms that all the necessary elements are present to ensure the product, service or solution is brought to market at the right time.

The project teams benefit from specific training and assistance actions that are conducted by experienced professionals, to speed up the implementation and to reduce the time to market for solutions.

Furthermore, the Group has developed two new tools to accelerate project execution. The first, Boosters, is an execution tool that enables ideas for new solutions to be implemented with an agile approach to development. To achieve this, projects developed in Boosters are led by a Business Manager and Product Manager working together. The aim of Boosters is both to develop our new technology-based solutions as quickly as possible and to enhance the new skills associated with them. The second tool comprises two innovation platforms, one internally-focused and the second focused externally, to increase our success with Open Innovation. These platforms are run as open challenges on specific themes.

The third edition of the Open Innovation Challenge was devoted to finding solutions to help the Group's customers to reduce their carbon footprint. This initiative was open worldwide to start-ups, laboratories, and companies that can offer and co-develop such solutions tailored to the Group's markets. Many proposals have already been received and are in the process of being evaluated and implemented.

Purchasing

In 2020, the Purchasing Department continued with its continual improvement process for internal control. This process occurs at the stage of the initial purchase (product specification, selection of suppliers and contracts) throughout processing (receipt of the necessary quantities at the price agreed to and under the determined delivery and payment conditions).

As part of the Acceleration project, the "No PO/No Pay" [(1)] initiative was launched with the aim of ensuring that any supply needs are automatically referred to the Purchasing Department.

At the start of the process, the Purchasing Department centralizes the analysis of all purchases in order to have good visibility on the most strategic goods and services among the Group's purchases. It has set up a specific information system to ensure that visibility. On this basis, purchase strategies are determined in cooperation with internal customers and validated by management. Taking commercial practices into account, it focuses on precisely formalizing the contracts and orders to avoid later disputes.

(1) No Payment without a Purchase Order.

In an effort to make competitive, high-quality, and responsible purchases, suppliers are selected based on analytical matrices. These simultaneously consider the financial health of the suppliers, their level of social and environmental responsibility and, of course, the criteria of quality, lead times and overall cost.

At the end of the purchase process, and in addition to checking supplier invoices, a quality control process is likewise conducted for the products or services that require it. Purchase orders, receiving inspections and supplier payments are rigorously carried out by different entities.

A process is in place to systematically assess supplier risk. In addition, quarterly reviews are carried out to ensure that every effort is being made to minimize and then eliminate these risks.

In order to prevent any conflicts of interest and any unethical relations between the Purchasing Department and suppliers, every major purchase has to be approved by both the internal client and the Purchasing Department. This decision is made based on a comparative analysis of offers and suppliers.

In 2020, the Purchasing Department developed a “Sourcing School” program in partnership with Human Resources and Vallourec University. The aim of this new training school is to professionalize the Purchasing function by offering tailored training courses to all its members. To identify training needs, a Training Survey was conducted with the 180 employees of the Purchasing Department (response rate of 98.9%). This anonymous survey was conducted by a third party, a recognized international Purchasing expert. Courses are under being developed, based on the results of the survey. The first e-learning courses began in the fourth quarter. They are available in five languages to encourage sign-up and facilitate comprehension for local teams.

Information systems

In 2020, the Information Systems Department strengthened its capacity to detect attempts at intrusion by putting in place network observation and analysis mechanisms for all sites in all Regions. These mechanisms are monitored 24/7/365.

The IT systems security strategy plan was significantly strengthened, globally harmonized and significant progress has been made in terms of implementation in areas such as the protection of sensitive information, and infrastructure development and support.

IT security in the industrial environment was re-evaluated worldwide and significant progress has been made.

The hard drive encryption solution for laptops has been fully rolled out and access to sensitive resources is carried out using multi-factor authentication.

Actions to educate employees on protecting information and support for major projects related to risk management and internal control included:

- performance and follow-up of the action plan for an internal control campaign for all the Group’s Regions;
- development of a Group IT Charter with the aim of strengthening users’ best practices;
- pooling of CNIL (French data privacy agency) practices with the Legal Department;
- a training program on protecting information, particularly with regard to internal phishing campaigns, in all Regions;
- updating of the guidelines for IT security rules and procedures, which are published under the Group guidelines available on the intranet.

Human Resources

The Human Resources (HR) Department relies on an internal control process for all of its functioning: duties, training and talent management, the working environment, compliance with the Vallourec Group’s internal regulations and the prevailing statutory and regulatory provisions, compensation management and the protection of private data and information in the social and human fields.

Within the context of talent management, the Human Resources Department identifies key positions in the Group, analyzes the risks of misconduct, and consequently prepares development and succession plans. Furthermore, Human Resources management ensures that there is an available group of people who have the necessary expertise and abilities to perform the duties with which they have been entrusted.

Various control activities relating to the Human Resources process are monitored in cooperation with the Group HR Director.

Commercial relations

With the aim of specifying and formalizing certain practices regarding contractual relations with its customers, Vallourec has developed a procedure for managing customer risk (limits regarding credit and delegation of authority, and credit insurance) and drawn up general sales terms to be applied by all Group entities, in order to make practices consistent throughout the Group and reduce risk exposure.

The Group has a tool to evaluate and summarize the legal risk associated with sales. This tool is used to analyze the legal conditions that apply to sales contracts signed by the Group’s subsidiaries with their customers, and allows discrepancies in relation to the Group’s standards to be precisely managed and related statistics to be recovered. The general conditions and standard documents are regularly updated in order to monitor changes in the market and regulations.

Furthermore, the Legal Department works closely with the Audit, Internal Control and Risk Management Department. They provide monitoring in order to identify “best practices” for managing the contractual legal risk, with a view toward ongoing improvement.

Insurance

The main industrial risks are covered by two types of Group insurance:

- a general insurance policy (direct material damage to Group property, not subject to specific exclusions, as well as any resulting costs and consequential losses); and
- a third-party liability insurance policy (liability arising as a result of injury or loss caused to third parties during operations or after delivery or service).

5.2.3 Entities and persons involved in risk management and internal control

5.2.3.1 The Management Board

The Management Board, acting directly or by delegation, is responsible for the quality of the internal control and risk management systems. It designs and implements the internal control and risk management systems, which have been tailored to the Group, its activity and organization, and in particular defines relevant roles and responsibilities within the Group.

It conducts ongoing oversight of internal control and risk management systems with the dual objective of preserving their integrity and improving them, in particular by adapting them to structural changes and the business environment. It initiates any corrective action necessary to correct issues that are identified and stay within the scope of the accepted risks. It ensures that these actions are properly conducted.

The Management Board makes sure that the appropriate information is communicated within the desired period of time to the Supervisory Board and Audit Committee.

5.2.3.2 The Supervisory Board

The Supervisory Board is informed of the basic characteristics of the internal control and risk management mechanisms selected and implemented by the Management Board to manage risks: the organization, roles and duties of the main players, the process, risk reporting structure and operational monitoring of the control mechanisms. It acquires an overall understanding of the procedures relating to the preparation and processing of the accounting and financial information.

The Supervisory Board sees to it that the major risks identified as facing the Group are addressed by its strategies and objectives, and that these major risks are taken into account in the Group's management.

In particular, the Supervisory Board verifies with the Management Board that the mechanism for managing the internal control and risk management systems is sufficient to ensure the reliability of the Group's financial information and provides a true and fair view of its results and financial position.

In October 2020, in connection with the Company's financial restructuring, the Supervisory Board set up an Ad hoc Committee, made up exclusively of independent Board members, to monitor this process more specifically, with the assistance of external legal advice.

5.2.3.3 The Finance and Audit Committee

Pursuant to Article L.823-19 of the French Commercial Code (Code de commerce), the Finance and Audit Committee is responsible for the following:

- monitoring the process of preparation of financial information;
- monitoring the effectiveness of the internal control and risk management systems as well as the internal audit system, regarding the procedures for the preparation and processing of accounting and financial information, without prejudice to its independence;
- issuing a recommendation to the Supervisory Board on the Statutory Auditors proposed for appointment by the Shareholders' Meeting;
- monitoring the Statutory Auditors in the completion of their assignment, particularly the statutory audit of the parent company and consolidated financial statements;
- ensuring compliance with the requirements for the independence of Statutory Auditors and taking the necessary steps to comply with the rules on capping audit fees for services other than certification of the financial statements; and
- approving the provision by the Statutory Auditors of services other than certifying the financial statements, where such services are not prohibited.

The Finance and Audit Committee ensures that the internal control and risk management systems are effectively monitored, based on the information that is communicated to it by the Management Board, or which it requests. It ensures there are internal control and risk management systems, and that they are used, and makes sure that the weaknesses identified are addressed by corrective actions. Conversely, it does not take part in implementing said systems.

In order to carry out its role of monitoring the effectiveness of the internal control and risk management systems, as well as the internal audit system, regarding the procedures for preparation and processing of accounting and financial information, the Finance and Audit Committee takes formal note of the results of the internal audit and external audit work conducted on these subjects, in order to ensure that if any problems are detected, appropriate action plans are put in place and thoroughly implemented.

5.2.3.4 Head of risk management and internal control

The head of risk management and internal control ensures that the overall risk management process, as defined by the Management Board, is rolled out and implemented. In this respect, they run the risk management system and provide methodological support to the Company's operational and functional departments. Vallourec has established an "Internal Control" function for risk management which supports the transition from project mode to permanent structure, to strengthen the culture of internal control within the Group.

5.2.3.5 Internal Audit Department

The Group's Internal Audit Department is an independent and objective entity, which reports to the CFO, who is a member of the Management Board. Its purpose is to handle all topics, without restriction.

The Internal Audit Department, whose duties, powers and responsibilities are formally set out in an internal audit policy, helps the Group achieve its objectives by evaluating the proper implementation of internal control and risk management mechanisms, using a systematic and methodical approach. It identifies the weaknesses of these mechanisms, issues proposals for corrective actions, and makes sure, until they are resolved, that the audit points noted are addressed with proper follow-up.

The Internal Audit Department may also be required to participate in specific engagements, such as operations relating to business acquisitions or disposals, project assistance, or investigations.

In order to draft its annual audit plan, the Internal Audit Department takes into particular consideration the Group's risk mapping, as well as the requests of the Management Board and the Heads of Regions and functional departments. The purpose of the annual audit plan that is prepared using these methods is to audit all of the Group's entities, in which it directly or indirectly holds a majority interest, over a three- or four-year period.

At the end of each audit, the Internal Audit Department issues a report, which leads to recommendations, which are systematically followed up on. It simultaneously reports on its work and findings, as well as on the degree of progress of action plans, by presenting summaries to the Finance and Audit Committee on a semi-annual basis.

The Internal Audit Department is implementing an ongoing improvement process, which aims to improve the internal audit process, in particular by adapting the detailed work programs to the most significant risks.

The Internal Audit Department adapted to the ban on foreign travel imposed during the Covid-19 crisis by conducting its audits remotely. For these audits, the Department may have called upon local external auditors to assist where possible.

5.2.3.6 Employees

Each employee concerned and, in particular, the Heads of offices, Regions and functional departments have the necessary information to operate and oversee internal control and risk management systems, with regard to the responsibilities and objectives assigned to them.

Vallourec's core values also include an ethical component in terms of conduct, the requirements of which are relayed by the Group's Code of Ethics, which applies to all levels of the Company.

5.2.4 Role of the Statutory Auditors

The Statutory Auditors formally examine the internal control and risk management mechanisms, relying on internal audit work to obtain a greater understanding and to formulate, completely independently, an opinion as to their effectiveness.

They certify the financial statements and, within this context, can identify during the fiscal year significant risks and major weaknesses in internal control which could have a significant impact on accounting and financial information.

They present their observations on the internal control procedures which relate to the preparation and treatment of the financial and accounting information, and attest to the preparation of other information required by law.

5.2.5 Limits on risk management and internal control

In contributing to the effectiveness of its operations, the efficient use of its resources and the control of risk, the Group's internal control and risk management system plays a key role in the management and supervision of the Group's various activities. However, like any system of control, it cannot guarantee that the Group's objectives will be achieved or that all risks, particularly of error or fraud, will be totally eliminated or contained.

The Group's international profile requires complex processes at entities with different levels of maturity in terms of internal control, evolving in a variety of legal environments, and running different information systems.

Furthermore, the Covid-19 crisis prevented internal auditors from traveling to the location of the entities being audited in 2020. Therefore, audits had to be carried out remotely from the Group's headquarters in France. As a result, discussions with local teams were more limited and more complicated to organize.

In this context, Vallourec faces risks related to internal control, which could lead to inaccurate and/or inappropriate transactions or operations being carried out. Vallourec could also be the victim of fraud (theft, embezzlement, etc.).

However, Vallourec has developed a structured and formalized process to review its internal control on an ongoing basis. This approach is based on a set of rules and procedures circulated to all subsidiaries. Reviews and regular audits are conducted to make sure they adhere to them. These rules and procedures are regularly updated to ensure they are in line with changes in Vallourec's processes. Vallourec's fundamental values also incorporate an ethical behavior component, the requirements of which are set out in the Group's Code of Ethics, effective since 2009 and widely circulated to all staff. It applies to all Company levels.

5.3 Insurance policy

The Group's policy regarding protection against risks of accident is based on a managerial and operational program of developing, rolling out and managing preventative measures, supplemented by taking out insurance policies. This policy is coordinated by the relevant departments in each field: the Human Resources Department for the life sector (life insurance, mutual health cover), the Quality and Safety Department for the safety of individuals, in particular, and the Risk Management and Insurance Departments for all other aspects.

Industrial risks insured within the Vallourec Group are covered by two main types of insurance taken out with first-rate insurers:

- insurance for property damage;
- civil liability insurance.

The Group's policy with regard to establishing insurance coverage for industrial risks is designed to achieve the following objectives:

- to take out shared insurance policies to ensure, firstly, the consistency of transferred risks and insurance coverage purchased and, secondly, to leverage economies of scale, while taking into account the specific characteristics of the Group's different businesses and contractual or legal constraints;
- to optimize thresholds and means of action in the insurance or reinsurance markets by appropriate deductibles.

The Group's insurance policy consists of defining the overall insurance coverage policy for the Group's activities, using the analysis of the requirements of the subsidiaries to select adequate insurance solutions, with the help of external providers (brokers, consultants, insurers), and to decide whether to maintain the financial consequences of such events within the Group or transfer them to the insurance market.

Implementation of the insurance risk coverage policy takes into particular account the insurability of the risks linked to the Group's activities, the available capacities in the insurance and reinsurance markets, the premiums proposed in light of the coverage offered, and exclusions, limits and sublimits, and deductibles.

The basic principles of Vallourec's insurance policy consist of:

- pursuing an active policy of prevention and protection for industrial sites, aimed at reducing the frequency and scale of accidental risks of fire or explosion, as well as detecting and preventing the impact of other exposures to natural or environmental disasters. To date, more than 95% of the insured values were included in at least one multi-risk audit by the insurers' loss prevention engineers, under the framework of a plan to conduct annual visits to the Group's major industrial sites;
- an active policy for the prevention of contractual risks was established, in particular through the nearly systematic use of the CLEAR formula, which primarily aims to control contractual liability clauses that could have a potential financial impact on the Group's results;
- organizing a mechanism for distributing casualty premiums according to the subsidiary scoring criteria established by the insurer with a system of awarding a bonus/malus depending on the score, in an effort to encourage subsidiaries to fine-tune their objectives for preventing damage from fire/equipment breakdowns/natural disasters;
- communicating detailed information on the Company to the insurance and reinsurance markets.

The Group takes out global insurance coverage for all its subsidiaries for third-party liability and physical loss. The primary insurance contracts that cover all Regions and/or central departments are detailed below.

5.3.1 Insurance for property damage and business interruption

This insurance covers all direct physical loss to the Group's insured property, not subject to exclusions, as well as any costs and consequential losses.

Deductibles are provided for in case of physical loss according to the type and severity of the risk concerned.

Insurance for operating losses and supplementary operating expenses is taken out on a case-by-case basis according to each risk analysis, taking into account the existing business continuity plans (BCPs).

5.3.2 Civil liability insurance

5.3.2.1 General civil liability insurance

This insurance covers the Group for any liability arising as a result of damage caused to third parties, either resulting from the Group's operations or after delivery of goods or services, as well as for professional civil liability.

The indemnity also includes a limit on liability.

In respect of both property and civil liability insurance, contracts are split between a main Group contract and local contracts integrated into the main contract. The Group contract prevails where terms or limits differ from those of local contracts issued by the partners of the lead insurer.

The insured cap for third-party civil liability and products was raised in 2011, 2012, 2014, and 2018 to take account of the increased size of the Group and the prevailing levels of compensation on the market in this area.

5.3.2.2 Assistance-repatriation insurance

An assistance-repatriation insurance policy for employees seconded abroad (travelers, personnel under a site contract (rotators) and expatriates) covers all Vallourec Group subsidiaries.

5.3.2.3 Civil liability of corporate officers

The Group has taken out liability insurance covering corporate officers against the risk of claims made against them that could result in them being held personally, jointly and severally liable for loss suffered by third parties and which could be attributed to a real or alleged professional error committed by them during performance of their duties.

5.3.3 Insurance policy

The insurance policy described above gives a picture of the Group's situation for prior periods at a given moment in time and cannot be considered representative of a permanent situation. The Group's policy with regard to insurance may change at any time according to market conditions, specific opportunities and the Management Board's assessment of the risks incurred and the adequacy of insurance coverage. The Group cannot guarantee that it will not suffer an uninsured loss.

6

Assets, financial position, and results

6.1 Consolidated financial statements

6.1.1 Vallourec Group consolidated income statement

In € thousand	Notes	2019	2020
Revenue		**4,173,047**	**3,242,400**
Industrial costs of products sold [(a)]	*2.3*	(3,435,289)	(2,634,268)
Selling, general and administrative expenses (SG&A) [(a)]	*2.3*	(378,390)	(325,660)
Other	*2.3*	(12,840)	(24,504)
EBITDA	*2.3*	**346,528**	**257,968**
Depreciation and amortization	*2.4*	(307,303)	(268,084)
Impairment of assets and goodwill	*2.5*	(29,920)	(850,280)
Asset disposals, restructuring costs and non-recurring items	*2.6*	(26,250)	(141,936)
Operating income (loss)		**(16,945)**	**(1,002,332)**
Financial income	*7.1.6*	14,441	4,017
Interest expenses	*7.1.6*	(188,232)	(200,514)
Net interest expenses	*7.1.6*	**(173,791)**	**(196,497)**
Other financial income and expenses	*7.1.6*	(70,280)	(30,434)
Financial income (loss)	*7.1.6*	**(244,071)**	**(226,931)**
Pre-tax income (loss)		**(261,016)**	**(1,229,263)**
Income tax	*3.1*	(75,192)	(96,051)
Share in net income/(loss) of equity affiliates	*5*	(3,895)	(3,083)
Net income/(loss) from continuing operations		**(340,103)**	**(1,328,397)**
Net income/(loss) for the consolidated entity		**(340,103)**	**(1,328,397)**
Attributable to non-controlling interests	*6.2*	(2,554)	(122,266)
Group share		**(337,549)**	**(1,206,131)**
Net earnings per share [(b)]	*6.4*	(0.7)	(105.4)
Diluted earnings per share	*6.4*	(0.7)	(105.4)

(a) Before depreciation and amortization.
(b) Before the consolidation of shares (see Note 6.1).

6.1.2 Statement of comprehensive income

In € thousand	2019	2020
NET INCOME/(LOSS) FOR THE CONSOLIDATED ENTITY	**(340,103)**	**(1,328,397)**
Change in actuarial gains and losses on post-employment benefits	(28,364)	5,712
Tax attributable to the change in actuarial gains and losses on post-employment benefits	2,052	(1,480)
Items that will not be reclassified to profit or loss	**(26,312)**	**4,232**
Exchange differences on translating net assets of foreign entities	15,579	(536,736)
Change in fair value of hedging financial instruments	12,745	19,214
Tax attributable to the change in fair value of hedging financial instruments	(612)	373
Items that may be reclassified subsequently to profit or loss	**27,712**	**(517,149)**
OTHER COMPREHENSIVE INCOME/(LOSS) (NET OF TAX)	**1,400**	**(512,917)**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**(338,703)**	**(1,841,314)**
Attributable to non-controlling interests	(401)	(183,693)
Group share	**(338,302)**	**(1,657,621)**

6.1.3 Cash flow statement

In € thousand	Notes	2019	2020
Consolidated net income (including non-controlling interests)		**(340,103)**	**(1,328,397)**
Net amortization, depreciation and provisions	*2.7*	298,634	1,176,005
Unrealized gains and losses linked to changes in fair value		1,874	(3,160)
Capital gains and losses on disposals		2,733	10,200
Share of net income from equity affiliates		3,895	3,083
Dividends reclassified as other flows linked to investing activities		(1,152)	(537)
Cash flow from operating activities after cost of net financial debt and taxes		**(34,119)**	**(142,806)**
Cost of net financial debt	*7.1.6*	173,790	196,497
Tax expense (including deferred taxes)	*3.1*	75,192	96,051
Cash flow from operating activities before cost of net financial debt and taxes		**214,863**	**149,742**
Interest paid		(188,232)	(206,730)
Tax paid		(46,583)	(92,559)
Interest received		14,441	4,017
Cash flow from operating activities		**(5,511)**	**(145,530)**
Change in operating working capital requirements under the cash flow statement	*2.8*	124,321	172,813
Net cash flow from operating activities		**118,810**	**27,283**
Cash outflows for acquisitions of property plant and equipment, intangible and biological assets	*4.6*	(158,677)	(138,245)
Cash inflows from disposals of property, plant and equipment and intangible assets		11,540	6,426
Impact of acquisitions (changes in consolidation scope)		803	-
Impact of disposals (changes in consolidation scope)		5,435	1,815
Cash from subsidiaries sold (changes in consolidation scope)		5	662
Other cash flows from investing activities		1,283	1,178
Net cash from (used in) investing activities		**(139,611)**	**(128,164)**
Repayment of shareholder loan	*7.4*	(9,970)	(7,461)
Increase or decrease in equity		51,705	-
Dividends paid to non-controlling interests		(682)	(307)
Movements in treasury shares		(1,326)	(89)
Proceeds drawn from new borrowings	*7.1.7*	2,631,883	2,654,489
Repayments of borrowings	*7.1.7*	(1,546,011)	(2,807,851)
Repayment of lease debts		(32,757)	(30,782)
Other cash flow from financing activities		(7,397)	(24,614)
Cash flow from financing activities		**1,085,445**	**(216,615)**
Effect of changes in exchange rates		**(8,058)**	**(89,547)**
Impact of reclassification as assets held for sale and discontinued operations		**-**	**(174)**
CHANGE IN CASH		**1,056,586**	**(407,217)**
Opening net cash		**737,049**	**1,793,635**
Closing net cash		**1,793,635**	**1,386,418**
Change		1,056,586	(407,217)

The cash flow statement is drawn up on the basis of the cash in Note 8.1, net of overdrafts and other short-term bank borrowings that have an initial maturity of less than three months.

Reconciliation of cash in the cash flow statement and the statement of financial position – 2020

In € thousand	Notes	31/12/2019	Change	31/12/2020
Cash and cash equivalents (1)	*7.1*	1,793,843	(404,310)	1,389,533
Current bank overdrafts (2)	*7.1*	208	2,907	3,115
CASH (3) = (1) - (2)		**1,793,635**	**(407,217)**	**1,386,418**

Reconciliation of cash in the cash flow statement and the statement of financial position – 2019

In € thousand	Notes	31/12/2018	Change	31/12/2019
Cash and cash equivalents (1)		739,576	1,054,267	1,793,843
Current bank overdrafts (2)		2,527	(2,319)	208
CASH (3) = (1) - (2)		**737,049**	**1,056,586**	**1,793,635**

6.1.4 Vallourec Group statement of financial position

In € thousand	Notes	31/12/2019	31/12/2020
NON-CURRENT ASSETS			
Net intangible assets	*4.3*	63,405	49,515
Goodwill	*4.1*	363,983	24,815
Net property, plant and equipment	*4.4*	2,642,079	1,718,259
Biological assets	*4.5*	62,486	30,236
Equity affiliates	*5*	129,421	41,912
Other non-current financial assets	*7.3*	43,134	54,033
Other non-current assets	*2.8.3*	87,660	74,733
Deferred taxes	*3.2*	248,582	186,571
Total non-current assets		**3,640,750**	**2,180,074**
CURRENT ASSETS			
Inventories	*2.8.1*	987,975	663,891
Trade and other receivables	*2.8.2*	638,120	467,580
Other current financial assets	*7.3*	7,221	45,283
Other current assets	*2.8.3*	237,527	195,404
Cash and cash equivalents	*7.1*	1,793,843	1,389,533
Total current assets		**3,664,686**	**2,761,691**
Assets held for sale and discontinued operations	*10.1*	-	106,523
TOTAL ASSETS		**7,305,436**	**5,048,288**

In € thousand	Notes	31/12/2019	31/12/2020
EQUITY			
Equity – Group share	*6.1*	1,467,337	(187,100)
Non-controlling interests	*6.2*	512,708	320,777
Total equity		**1,980,045**	**133,677**
Shareholder loan	*7.4*	**20,560**	**8,613**
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	*7.1*	1,747,061	1,750,527
Employee benefits	*8*	227,787	202,635
Provisions	*9*	44,579	110,328
Deferred taxes	*3.2*	9,499	19,914
Other non-current financial liabilities	*7.2*	103,560	83,638
Other non-current liabilities	*2.8.3*	16,867	32,057
Total non-current liabilities		**2,149,353**	**2,199,099**
CURRENT LIABILITIES			
Overdraft and other short-term borrowings	*7.1*	2,077,321	1,852,984
Provisions	*9*	120,999	104,272
Trade payables	*2.8.4*	579,739	426,097
Other current financial liabilities	*7.2*	48,119	45,339
Other current liabilities	*2.8.3*	329,300	241,370
Total current liabilities		**3,155,478**	**2,670,062**
Liabilities held for sale and discontinued operations	*10.1*	-	36,837
TOTAL EQUITY AND LIABILITIES		**7,305,436**	**5,048,288**

6.1.5 Statement of changes in equity, Group share

In € thousand	Capital	Additional paid-in capital	Consolidated reserves	Foreign currency translation reserve	Reserves – changes in fair value of financial instruments – net of tax	Treasury shares	Net income (loss) for the period	Total equity, Group share	Total non-controlling interests	Total equity
POSITION AS AT 31/12/2018	**915,976**	**1,417,897**	**630,674**	**(648,459)**	**(9,342)**	**(2,034)**	**(502,455)**	**1,802,257**	**462,019**	**2,264,276**
Change in foreign currency translation reserve	-	-	-	11,796	-	-	-	11,796	3,783	15,579
Financial instruments	-	-	-	-	12,183	-	-	12,183	(50)	12,133
Actuarial gains and losses on retirement commitments	-	-	(24,732)	-	-	-	-	(24,732)	(1,580)	(26,312)
Other comprehensive income (loss)	-	-	*(24,732)*	*11,796*	*12,183*	-	-	*(753)*	*2,153*	*1,400*
Profit/(loss) as at 31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**	**(337,549)**	**(337,549)**	**(2,554)**	**(340,103)**
Comprehensive income	-	-	*(24,732)*	*11,796*	*12,183*	-	*(337,549)*	*(338,302)*	*(401)*	*(338,703)*
Allocation of 2018 net income/(loss)	-	-	(502,455)	-	-	-	502,455	-	-	-
Change in treasury shares	-	-	(2,202)	-	-	876	-	(1,326)	-	(1,326)
Dividends paid	-	-	-	-	-	-	-	-	(682)	(682)
Share-based payments	-	-	2,506	-	-	-	-	2,506	-	2,506
Changes in consolidation scope and other	-	-	2,209	(78)	71	-	-	2,202	51,772	53,974
POSITION AS AT 31/12/2019	**915,976**	**1,417,897**	**106,000**	**(636,741)**	**2,912**	**(1,158)**	**(337,549)**	**1,467,337**	**512,708**	**1,980,045**
Change in foreign currency translation reserve	-	-	-	(475,318)	-	-	-	(475,318)	(61,418)	(536,736)
Financial instruments	-	-	-	-	19,677	-	-	19,677	(90)	19,587
Actuarial gains and losses on retirement commitments	-	-	4,151	-	-	-	-	4,151	81	4,232
Other comprehensive income (loss)	-	-	*4,151*	*(475,318)*	*19,677*	-	-	*(451,490)*	*(61,427)*	*(512,917)*
Profit/(loss) as at 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**	**(1,206,131)**	**(1,206,131)**	**(122,266)**	**(1,328,397)**
Comprehensive income	-	-	*4,151*	*(475,318)*	*19,677*	-	*(1,206,131)*	*(1,657,621)*	*(183,693)*	*(1,841,314)*
Allocation of 2019 net income/(loss)	-	-	(337,549)	-	-	-	337,549	-	-	-
Change in treasury shares	-	-	(1,203)	-	-	1,114	-	(89)	-	(89)
Dividends paid	-	-	-	-	-	-	-	-	(1,160)	(1,160)
Share-based payments	-	-	2,979	-	-	-	-	2,979	-	2,979
Changes in consolidation scope and other [(a)]	(915,747)	915,747	(293)	547	40	-	-	294	(7,078)	(6,784)
POSITION AS AT 31/12/2020	**229**	**2,333,644**	**(225,915)**	**(1,111,512)**	**22,629**	**(44)**	**(1,206,131)**	**(187,100)**	**320,777**	**133,677**

(a) The "Changes in consolidation scope and other" line as at 31 December 2020 corresponds primarily to the reduction of the nominal value of the shares, and the repurchase of non-controlling interests in VSB in Brazil (see Note 6.2).

6.1.6 Statement of changes in non-controlling interests

In € thousand	Consolidated reserves	Foreign currency translation reserve	Reserves – changes in fair value of financial instruments – net of tax	Net income (loss) for the period	Total non-controlling interests
POSITION AS AT 31/12/2018	**434,026**	**24,874**	**1,031**	**2,088**	**462,019**
Change in foreign currency translation reserve	-	3,783	-	-	3,783
Financial instruments	-	-	(50)	-	(50)
Actuarial gains and losses on retirement commitments	(1,580)	-	-	-	(1,580)
Other comprehensive income (loss)	*(1,580)*	*3,783*	*(50)*	-	*2,153*
Profit/(loss) as at 31 December 2019	**-**	**-**	**-**	**(2,554)**	**(2,554)**
Comprehensive income	(1,580)	3,783	(50)	(2,554)	(401)
Appropriation of 2018 net income/(loss)	2,088	-	-	(2,088)	-
Dividends paid	(682)	-	-	-	(682)
Changes in consolidation scope and other	52,023	(251)	-	-	51,772
POSITION AS AT 31/12/2019	**485,875**	**28,406**	**981**	**(2,554)**	**512,708**
Change in foreign currency translation reserve	-	(61,418)	-	-	(61,418)
Financial instruments	-	-	(90)	-	(90)
Actuarial gains and losses on retirement commitments	81	-	-	-	81
Other comprehensive income (loss)	*81*	*(61,418)*	*(90)*	-	*(61,427)*
Profit/(loss) as at 31 December 2020	**-**	**-**	**-**	**(122,266)**	**(122,266)**
Comprehensive income	*81*	*(61,418)*	*(90)*	*(122,266)*	*(183,693)*
Appropriation of 2019 net income/(loss)	(2,554)	-	-	2,554	-
Dividends paid	(1,160)	-	-	-	(1,160)
Changes in consolidation scope and other	(7,087)	7	2	-	(7,078)
POSITION AS AT 31/12/2020	**475,155**	**(33,005)**	**893**	**(122,266)**	**320,777**

6.1.7 Notes to the consolidated financial statements for the year ended 31 December 2020

In € thousand *(€k)* unless stated otherwise.

CONTENTS

Note 1 ● Accounting standards and basis for the preparation of the consolidated financial statements and material events over the period

1.1 Accounting standards

The consolidated financial statements for the year ended 31 December 2020, including the related notes to the consolidated financial statements, were approved by Vallourec's Management Board on 24 March 2021 and will be submitted for approval at the Shareholders' Meeting.

Pursuant to EC Regulation No. 1606/2002 adopted on 19 July 2002 for all listed companies in the European Union, Vallourec has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, using the standards and interpretations applicable as at 31 December 2020. These financial statements are available on the Company's website at www.vallourec.com.

The IFRS framework covers the IFRS standards issued by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and their interpretations as issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The accounting principles and measurement methods have been applied consistently to the periods presented, with the exception of the changes to the standards presented below:

1.1.1 NEW MANDATORY STANDARDS

Main mandatory standards in 2020:

- amendment to IAS 1 and IAS 8: definition of the term "material";
- amendment to IFRS 9, IAS 39, and IFRS 7: Interest Rate Benchmark Reform – Phase 1;
- amendment to IFRS 16: COVID-19-Related Rent Concessions.

These standards have no impact on the Group's financial statements.

1.1.2 NEW STANDARDS NOT APPLIED EARLY

The Group has not opted for early application of any other standards or interpretations that will be mandatory for fiscal years beginning on or after 1 January 2021.

1.2 Measurement basis and presentation of the consolidated financial statements

1.2.1 HISTORICAL COST CONVENTION

The Group's consolidated financial statements are prepared using the historical cost convention, except for biological assets, derivative financial instruments that are measured at fair value, as well as financial assets measured at fair value through profit and loss or equity.

1.2.2 FOREIGN CURRENCY TRANSACTIONS

Translation of the financial statements of subsidiaries whose functional currency is not the euro

The presentation currency of the consolidated financial statements is the euro.

Assets and liabilities of foreign subsidiaries, including goodwill, are translated at the official exchange rates on the reporting date. The income statements of foreign subsidiaries are translated at the average exchange rate for the period.

The ensuing translation differences are recorded in equity. The Group's share of such differences is recorded on the separate line, "Foreign currency translation reserve".

Translation of transactions in foreign currencies

Foreign currency transactions are translated into the functional currency. When the transaction is subject to a hedge, it is translated at the spot rate on the day the hedging instrument is implemented. In the absence of a hedge, foreign currency transactions are translated at the prevailing exchange rates on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rates prevailing on that date. Translation differences resulting from differences between these rates and the rates at which the transactions were initially recorded are included in financial income or loss.

The main exchange rates used (euro/currency) are as follows:

	USD	GBP	BRL	CNY
AS AT 31/12/2019				
Average rate	1.12	0.88	4.41	7.74
Closing rate	1.12	0.85	4.52	7.82
AS AT 31/12/2020				
Average rate	1.14	0.89	5.90	7.87
Closing rate	1.23	0.90	6.37	8.02

1.2.3 CONSOLIDATION PRINCIPLES

Subsidiaries are fully consolidated from the date of acquisition. They cease to be consolidated when control is transferred outside the Group.

Definition

There is control when the Group (i) holds power over an entity, (ii) is exposed to or is entitled to variable returns due to its connections with the entity and (iii) has the capacity to exercise its power over the entity so as to influence the amount of the returns it obtains.

Accounting method

The consolidated financial statements include all of the assets, liabilities and comprehensive income of the subsidiary.

Non-controlling interests represent the share of interest which is not directly or indirectly attributable to the Group. The results and all other components of other items of comprehensive income are divided between the Group and non-controlling interests. The comprehensive income of the subsidiaries is divided between the Group and the non-controlling interests, including when this distribution results in allocating a loss to the non-controlling interests.

Changes in the percentage interest in subsidiaries that do not result in a change of control are considered transactions impacting equity, as they are transactions that are performed with shareholders acting in this capacity.

The effects of these transactions are recorded in equity for the amount net of tax and thus do not have an impact on the Group's consolidated income statement.

Moreover, these transactions are presented in the cash flow statement under financing or investment operations, as applicable.

The results of acquired companies are included in the income statement from their effective acquisition dates. The results of companies sold are included until the date control ceases.

Cash flows on the income statement and statement of financial position relating to intra-Group commercial and financial transactions are eliminated.

The consolidation scope is presented in Note 10.2.

1.2.4 USE OF ESTIMATES AND JUDGMENT

Estimates

The preparation of the financial statements under IFRS leads Vallourec's management to use estimates and formulate assumptions that affect the carrying amount of certain assets and liabilities, income and expenses, and some of the information in the notes to the financial statements.

Such assumptions are inherently uncertain, and actual results could differ from these estimates. The Group regularly reviews its estimates and assumptions in order to take into account past experience and any factors deemed relevant in prevailing economic conditions. In the current economic climate (uncertainty about economic changes, a highly competitive international environment and volatility in the costs of raw materials and energy), the uncertain nature of some estimates may be more pronounced.

Accounts and information subject to significant estimates include the measurement of the following items:

- the recoverable value of goodwill, intangible assets and property, plant and equipment (see Notes 4.1, 4.3, and 4.4);
- provisions for disputes, onerous contracts and for restructuring and contingent liabilities (see Note 9);
- tax loss carryforwards recognized as deferred tax assets (see Note 3.2).

Judgment

The Group must use assumptions and judgments to evaluate the level of control in certain shareholdings, notably to define relevant activities and identify substantive rights, as well as the type of joint arrangement in question for a jointly controlled business. These judgments are revised if facts and circumstances change.

1.3 Key events during the period

1.3.1 COVID-19 CRISIS AND IMPACT ON BUSINESS

The environment in which the Group operates underwent significant changes during fiscal year 2020.

The COVID-19 epidemic led to a material decline in demand for tubes for the Oil & Gas sector after March 2020, due in particular to a fall in oil prices. The Industry sector in Europe also experienced a decline in demand and price pressures in the last three quarters of 2020. This decline in demand has entailed significant changes in the environment in which Vallourec operates, with many unconventional oil and gas operators sharply reducing their drilling plans, with the exception of Brazil. In this context, the Group recorded impairment of €850 million in respect of goodwill and property, plant and equipment, mainly relating to the Vallourec Europe and Vallourec North America CGUs (see Note 4.2).

In addition, the Group implemented industrial adaptation measures to adapt to the new market environment, in particular workforce reduction plans, resulting in a restructuring charge of €125.8 million for fiscal year 2020 (see Note 2.6).

These consolidated financial statements as at 31 December 2020 were prepared on the basis of the information available at that date in the evolving context of the crisis related to COVID-19 and difficulties in assessing its impact and future prospects.

1.3.2 LIQUIDITY RISK AND BUSINESS CONTINUITY

As at 31 December 2020, the Group had confirmed bank credit facilities of €1,724 million, all of which had been drawn down, and €1,712 million scheduled to mature on 9 February 2021, along with cash of €1,390 million. Given the cash position as at 31 December 2020, the Group was not in a position to meet this repayment.

In this context, Vallourec entered discussions with its creditors as early as September 2020 with a view to reaching an agreement on financial restructuring with its main creditors and leading shareholders.

The objective of the financial restructuring is to rebalance the Group's financial structure by reducing by just over 50% the principal amount of Vallourec's debt, standing at €3.5 billion on 31 December 2020, and by securing the liquidity needed to cope with the volatility of the Group's markets.

An agreement in principle ("Agreement in Principle") was signed on 3 February 2021 with Vallourec's main creditors representing 89.3% of the total principal amount of the revolving credit facilities ("RCF") and 41.4% of the total principal amount of Vallourec bonds. It states the following (see Note 11.2):

- a major debt reduction of €1,800 million, through:
  - a reserved capital increase of €1,331 million,
  - a capital increase with preferential subscription rights for €300 million, guaranteed by certain creditors,
  - a €169 million write-off of receivables associated with a financial recovery instrument in the form of share subscription warrants;
- competitive restructured financing, through:
  - €462 million in a revolving credit facility (RCF),
  - €262 million in government-backed loans,
  - €1,023 million in listed bonds,
  - €178 million in market commitments;
- all cash and cash equivalents on the statement of financial position (other than the proceeds of the rights issue) will be maintained.

This Agreement in Principle will be implemented as part of safeguard proceedings initiated on 4 February 2021 by the Commercial Court of Nanterre, and must receive a favorable vote by a two-thirds majority from (i) the Credit Institutions Committee and (ii) the individual General Meeting of Bondholders. It is subject to customary conditions precedent and the Group plans to implement it in June 2021. Vallourec's shareholders will have to approve the financial restructuring plan (two-thirds majority) and vote on the resolutions required to implement this plan at the Extraordinary Shareholders' Meeting to be held in April 2021.

This plan received the backing of the leading shareholders of Vallourec, Nippon Steel Corporation and Bpifrance Participations. Furthermore, as indicated in Note 11.2 as at 12 February 2021, the Agreement in Principle is supported by those creditors having signed a lock-up agreement representing 97% of Vallourec's revolving credit facilities and 86% of the bonds issued by Vallourec, thus in excess of the two-thirds majority required at the meetings of their committees, which are expected to take place in March.

In view of the Agreement in Principle signed with these main creditors, the agreements signed with its leading shareholders, and the analyses conducted with the assistance of its main Advisors, management does not foresee any difficulties in lifting the conditions precedent and implementing the financial restructuring plan.

On this basis, the Management Board approved the financial statements for the 2020 fiscal year in accordance with the going concern principle.

Note 2 ● Operational activities

The Vallourec Group is a world leader in premium tubular solutions, primarily aimed at the Oil & Gas, Industry, and power generation markets. Originally based in France and Germany, Vallourec now has frontline positions in the United States, Brazil, Europe, the Middle East and Asia. The Group provides a wide range of premium tubular solutions – high-performance solutions the manufacturing of which requires significant technological and industrial expertise – in addition to related specialized services that provide customers with a complete range of innovative solutions.

2.1 Segment information

The Group's customer-focused organizational structure is designed to provide a growing number of integrated services for delivery of comprehensive turnkey solutions, and involves analysis of financial information according to a number of areas (markets, regions, sites, and products).

None of these areas taken independently can comprehensively measure results or assets and liabilities for individual segments.

The segments presented according to the Group's internal organization comply with the definition of operating segments identified and grouped according to IFRS 8. This information corresponds to that reviewed by the Executive Committee.

The Group presents its segment information based on the following operating segments:

- Seamless tubes. This segment covers all the entities with production and marketing plants dedicated to the Group's main activity, i.e. the production of hot-rolled seamless carbon and alloy steel tubes, both smooth and threaded, for the oil and gas industry. This activity is characterized by a highly integrated manufacturing process, from production of the steel and hot-rolling to the final stages, facilitating the manufacture of products that are suitable for a variety of markets (including Oil & Gas, Power Generation, Chemicals and Petrochemicals, Automotive and Mechanicals, and others);
- Specialty Products. This segment incorporates a number of activities whose characteristics are very different from those described above, but which are not presented separately due to their relative immateriality. This treatment is authorized by IFRS 8.

The following tables provide information on the income and results for each operating segment, as well as certain information on the assets, liabilities and investments for the 2020 and 2019 fiscal years.

INFORMATION ON RESULTS, ASSETS AND LIABILITIES BY OPERATING SEGMENT

Position as at 31/12/2020	Seamless tubes	Specialty Products	Holdings & miscellaneous	Inter-segment transactions	Total
INCOME STATEMENT					
Revenue [(a)]	3,194,766	47,063	571	-	3,242,400
EBITDA	305,641	(11,837)	(35,836)	-	257,968
Depreciation of industrial assets	(261,249)	(2,255)	(4,580)	-	(268,084)
Impairment of assets and goodwill	(761,086)	(8,510)	(80,684)	-	(850,280)
Asset disposals, restructuring costs and non-recurring items	(146,633)	(1,836)	6,533	-	(141,936)
Operating income (loss)	**(863,327)**	**(24,438)**	**(114,567)**	**-**	**(1,002,332)**
Unallocated income	-	-	-	-	(21,601)
Unallocated expenses	-	-	-	-	(205,330)
Pre-tax income (loss)	-	-	-	-	(1,229,263)
Income tax	-	-	-	-	(96,051)
Share in net income/(loss) of equity affiliates	-	-	-	-	(3,083)
Net income/(loss) for the consolidated entity	-	-	-	-	(1,328,397)
BALANCE SHEET					
Non-current assets	2,217,688	20,921	3,316,083	(3,374,618)	2,180,074
Current assets	1,366,154	98	37,659	(31,753)	1,372,158
Cash and cash equivalents	597,101	86	1,202,730	(410,384)	1,389,533
Assets held for sale and discontinued operations	38,014	68,509	-	-	106,523
TOTAL ASSETS	**4,218,957**	**89,614**	**4,556,472**	**(3,816,755)**	**5,048,288**
CASH FLOWS					
Property, plant and equipment, intangible assets and biological assets	135,061	1,301	4,483	-	140,845

(a) *Sales to external customers.*

Position as at 31/12/2019	Seamless tubes	Specialty Products	Holdings & miscellaneous	Inter-segment transactions	Total
INCOME STATEMENT					
Revenue [(a)]	4,143,131	28,778	1,138	-	4,173,047
EBITDA	372,043	(7,498)	(18,017)	-	346,528
Depreciation of industrial assets	(299,195)	(4,590)	(3,518)	-	(307,303)
Impairment of assets and goodwill	(8,719)	(21,201)	-	-	(29,920)
Asset disposals, restructuring costs and non-recurring items	(6,800)	-	(19,450)	-	(26,250)
Operating income (loss)	**57,329**	**(33,289)**	**(40,985)**	**-**	**(16,945)**
Unallocated income	-	-	-	-	(44,731)
Unallocated expenses	-	-	-	-	(199,339)
Pre-tax income (loss)	-	-	-	-	(261,016)
Income tax	-	-	-	-	(75,192)
Share in net income/(loss) of equity affiliates	-	-	-	-	(3,895)
Net income/(loss) for the consolidated entity	-	-	-	-	(340,103)
BALANCE SHEET					
Non-current assets	3,587,189	63,438	4,643,167	(4,653,044)	3,640,750
Current assets	1,815,154	47,777	45,558	(37,646)	1,870,843
Cash and cash equivalents	565,237	379	1,643,115	(414,888)	1,793,843
TOTAL ASSETS	**5,967,580**	**111,594**	**6,331,840**	**(5,105,578)**	**7,305,436**
CASH FLOWS					
Property, plant and equipment, intangible assets and biological assets	(162,520)	(639)	(4,126)	-	(167,285)

(a) *Sales to external customers.*

GEOGRAPHICAL REGIONS

The following tables provide information by geographical region on revenue (by location of the Group's customers) and capital expenditure as well as certain information on assets (by regions where the companies operate).

2020	Europe	North America	South America	Asia	Rest of the World	Total
REVENUE						
Sales to external customers	533,345	718,779	756,392	899,919	333,965	3,242,400
BALANCE SHEET						
Property, plant and equipment, intangible assets, biological assets and goodwill (net)	216,912	897,158	609,885	98,253	617	1,822,825
CASH FLOWS						
Property, plant and equipment, intangible assets and biological assets	(39,911)	(27,957)	(60,945)	(11,697)	(335)	(140,845)

2019	Europe	North America	South America	Asia	Rest of the World	Total
REVENUE						
Sales to external customers	594,597	1,215,343	702,456	1,222,035	438,616	4,173,047
BALANCE SHEET						
Property, plant and equipment, intangible assets, biological assets and goodwill (net)	558,416	1,379,713	897,456	288,597	7,771	3,131,953
CASH FLOWS						
Property, plant and equipment, intangible assets and biological assets	(57,245)	(35,149)	(60,548)	(14,133)	(210)	(167,285)

2.2 Revenue

Revenue reflects the sale of finished products and services. The Group analyzes the following five stages to determine the principle for recognizing revenue:

1. identification of contract;
2. identification of distinct performance obligations within the contract;
3. evaluation of contract price;
4. allocation of overall price to each performance obligation pro rata of their specific sale prices;
5. recording of revenue when a performance obligation has been satisfied.

Revenue is recorded either a single time, when the Group has fulfilled the performance obligation by transferring control of the asset, or pro rata of the percentage of completion calculated on the basis of committed costs at the closing date.

No revenue is recognized if there are significant uncertainties as to the recovery of the amount due.

Revenue corresponds primarily to tube sales and is recognized once, in full, when the Group has fulfilled the performance obligation by transferring control of the asset; this is determined in most cases by the Incoterms. Long-term contracts that mainly relate to welding activities are recognized using the percentage completion method. A smaller proportion of revenue derives from royalties and sales of iron ore.

A breakdown of revenue by segment and geographical area is shown in Note 2.1.

ORDER BOOK

As required by IFRS 15, the order book reflects fixed revenue contracts with customers for which the services have not yet been delivered or have been partially delivered as at the end of the fiscal year. The Group's order book chiefly reflects revenue deriving from contracts for tube sales.

2.3 EBITDA

EBITDA is an important indicator for the Group, enabling it to measure its performance from continuing operations. It is calculated by taking operating profit before amortization and depreciation and excluding certain operating revenues and expenses that are unusual in nature or occur rarely, such as:

- impairment of goodwill and fixed assets determined in the context of impairment tests in accordance with IAS 36;
- significant restructuring expenses, or those related to adjustments to headcount in respect of major events or decisions;
- capital gains or losses on disposals;
- income and expenses resulting from major litigation, significant roll-out operations or capital transactions (e.g., costs of integrating a new activity).

The income statement format used by the Group employs a classification by function.

EBITDA breaks down as follows:

	2019	2020
Revenue	**4,173,047**	**3,242,400**
Cost of sales	**(3,435,289)**	**(2,634,268)**
of which direct cost of sales	(238,137)	(182,858)
of which cost of raw materials consumed	(1,440,917)	(1,092,340)
of which labor costs	(741,878)	(580,100)
of which other manufacturing costs (a)	(939,377)	(709,466)
of which change in non-raw material inventories	(74,980)	(69,504)
Sales, general and administrative costs	**(378,390)**	**(325,660)**
of which research and development costs	(44,615)	(41,320)
of which selling and marketing costs	(76,027)	(61,886)
of which general and administrative costs	(257,748)	(222,454)
Other	**(12,840)**	**(24,504)**
of which employee profit-sharing, bonuses and others	(27,637)	(15,486)
of which other income and expenses	14,797	(9,018)
Total of gross operating expenses	**(3,826,519)**	**(2,984,432)**
EBITDA	**346,528**	**257,968**

(a) *"Other manufacturing costs" mainly include the costs of energy and consumables, and the costs of outsourcing, maintenance and provisions.*

PERSONNEL EXPENSES

	2019	2020
Wages and salaries	(738,045)	(594,005)
Employee profit-sharing and bonuses	(31,648)	(17,322)
Expenses related to share subscription and share purchase options and performance shares (a)	(2,506)	(2,979)
Social security costs	(183,613)	(149,728)
TOTAL	**(955,812)**	**(764,034)**

(a) *Including an expense of €2.8 million from all share subscription plans, and an expense of €0.1 million for all performance share allocation plans for 2020.*

Note 8 contains information about retirement commitments.

Closing headcount of consolidated companies	2019	2020
Managers	3,130	2,902
Technical and supervisory staff	2,595	2,303
Production staff	12,375	10,757
TOTAL	**18,100**	**15,962**

Group headcount as at 31 December 2020 was 15,962 people, compared with 18,100 people as at 31 December 2019.

2.4 Depreciation and amortization

Depreciation and amortization breaks down as follows:

	2019	2020
Depreciation of industrial assets	(248,868)	(213,769)
Depreciation of rights of use	(30,823)	(28,740)
Depreciation and amortization – Research and Development	(9,773)	(8,094)
Depreciation and amortization – Sales and Marketing Department contracts	(1,194)	(1,110)
Depreciation and amortization – general and administrative expenses	(16,645)	(16,371)
TOTAL DEPRECIATION AND AMORTIZATION	**(307,303)**	**(268,084)**

2.5 Impairment of assets and goodwill

	2019	2020
Impairment of goodwill	-	(324,846)
Impairment of intangible assets	-	(2,397)
Impairment of property, plant and equipment	(29,920)	(393,430)
Impairment of rights of use	-	(36,163)
Impairment of biological assets	-	(1,642)
Impairment loss of equity affiliates	-	(80,685)
Impairment loss of assets held for sale	-	(11,117)
TOTAL	**(29,920)**	**(850,280)**

Impairment tests carried out in 2020 (see Notes 4 and 5) led the Group to recognize asset and goodwill impairment due to the impact of the health crisis on growth prospects in the Oil & Gas and Industries sectors.

The €431 million depreciation of depreciable tangible assets and rights of use mainly concerns the Vallourec Europe CGU (€428 million). Shares in the HKM associate, part of the Vallourec Europe CGU, were fully depreciated, representing an impact of €81 million. The €327 million impairment loss on non-depreciable intangible assets and goodwill relates to the Vallourec North America CGU (€311 million) and the Vallourec Europe CGU (€14 million). A number of industrial assets are shown as held-for-sale or closed assets (see Note 10.1) and have been impaired by €11 million to reduce their carrying amount to their estimated realizable value.

2.6 Asset disposals, restructuring costs and non-recurring items

	2019	2020
Reorganization measures (net of expenses and provisions)	(39,058)	(125,813)
Gains and losses on disposals of non-current assets and other non-recurring items	12,808	(16,123)
TOTAL	**(26,250)**	**(141,936)**

During 2020, reorganization measures (€126 million) are primarily broken down as follows:

- in France, the decision to cut 364 positions announced on 18 November 2020 led to the recognition in the fourth quarter of a provision estimated at €61 million based on negotiations still ongoing at year-end, and the recognition of actual costs of €9 million based on previous plans;
- in Germany, following the decision to close the Reisholz plant announced on 19 February 2020 and the adjustment of assumptions and starting conditions for ongoing plans, the additional measures announced on 18 November 2020 led to a €32 million increase in the provision and the recognition of €32 million in actual costs;
- in the United States, reorganization measures were implemented at the end of the first half of the year (€11 million), the actual costs of which were reported during the year. The residual amount of the provision as at 31 December is zero;
- in Brazil, a new redundancy plan was launched during the first half of the year (€5.5 million), including €2.7 million in costs already paid at the end of the fiscal year.

2.7 Reconciliation of net provisions with the cash flow statement

	Notes	2019	2020
Depreciation and amortization	*2.4*	**(307,303)**	**(268,084)**
Impairment of assets and goodwill	*2.5*	**(29,920)**	**(850,280)**
Provision allowances net of reversal included in EBITDA		21,480	(2,208)
Provision allowances net of reversal included in assets disposals, restructuring costs and non-recurring items		24,760	(51,371)
Provision allowances net of reversal included in financial income/(loss)		(7,651)	(4,062)
TOTAL		**(298,634)**	**(1,176,005)**
Net amortization, depreciation and provisions of the cash flow statement		**298,634**	**1,176,005**

2.8 Working capital requirements

2.8.1 INVENTORIES AND WORK-IN-PROGRESS

Inventories are valued at the lesser of cost or net realizable value, and provisions for impairment are recognized if necessary.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Inventory costs of raw materials, goods for resale and other supplies comprises the purchase price excluding taxes, less discounts, rebates and other payment deductions obtained, plus incidental costs of purchase (transportation, unloading expenses, customs duties, buying commissions, etc.). These inventories are measured at weighted average cost.

The cost of work in progress and intermediate and finished goods consists of the production cost excluding financial expenses. Production costs comprise raw materials, factory supplies and labor, and direct and indirect industrial overheads attributable to processing and production, based on normal capacity. General and administrative expenses are excluded from this measurement.

With the exception of safety reserves recorded in property, plant and equipment, spare parts and consumables are recorded in inventory, including in the event of a consumption forecast beyond one year.

The cost of any underutilized capacity is excluded from the value of inventories. Made-to-order products are impaired, where applicable, for the unaffected portion and valued at scrap prices (if applicable). Inventories are impaired based on their net realizable values.

	31/12/2019			31/12/2020		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Raw materials and merchandise	419,522	(60,508)	359,014	319,808	(54,845)	264,963
Goods in production	347,461	(34,785)	312,676	195,837	(26,482)	169,355
Intermediate and finished goods	355,378	(39,093)	316,285	252,367	(22,794)	229,573
TOTAL	**1,122,361**	**(134,386)**	**987,975**	**768,012**	**(104,121)**	**663,891**
Increase in provisions		(40,020)			(45,890)	
Reversals of provisions		52,639			56,317	

Raw materials and merchandise mainly comprise ferrous alloys, electrodes, refractories, steel rounds/billets, scrap, consumables, and so on. Goods in production are products and services at intermediate stages of processing. Intermediate products are products that have reached a point of completion but require subsequent finishing.

2.8.2 TRADE AND OTHER RECEIVABLES

Receivables are recorded at the transaction price. The Group bases its measurement of expected credit losses on the default rates previously observed by customer, current conditions, and forecasts of future economic conditions.

The Group derecognizes a financial asset when the contractual rights to the cash flows generated by the assets expire, or, in the case of transactions involving receivables without recourse, when the rights to receive contractual cash flows and almost all the risks and benefits inherent in ownership of the financial assets have been transferred.

	31/12/2019			31/12/2020		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Advances and partial payments on orders	27,332	-	27,332	6,566	-	6,566
Trade and other receivables	616,739	(5,951)	610,788	467,785	(6,771)	461,014
TOTAL	**644,071**	**(5,951)**	**638,120**	**474,351**	**(6,771)**	**467,580**
Increase in provisions		(2,322)			(3,947)	
Reversals of provisions		9,347			2,648	

In 2020, the Group completed operations to mobilize receivables without recourse with financial institutions in the amount of €58 million. The amount of the corresponding receivables thus no longer appears in the Group's consolidated balance sheet.

The amount of receivables covered by insurance or a letter of credit as at 31 December 2020 was less than 20% of total customer borrowing: the majority of the Group's business is with operators with high credit quality, namely national or international oil companies or their subcontractors. Lastly, a residual portion of revenue is generated from industrial customers who may have higher risk profiles and for whom credit insurance arrangements are in place.

In the event of country risk, the Group makes specific arrangements to protect itself from any financial loss when the order is placed (for example, it may set up a confirmed letter of credit, or payment in advance).

Unused provisions are not significant at Group level.

The Group does not specifically track the counterparty's historical loss rates by country; consolidated analysis shows a low loss rate, with a five-year average in the order of 0.4% of revenue.

2.8.3 OTHER ASSETS AND LIABILITIES

	31/12/2019				31/12/2020			
	Assets		Liabilities		Assets		Liabilities	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Tax receivables/liabilities	5,684	141,415	7,991	78,848	7,345	117,445	8,335	57,062
Social receivables/liabilities	-	4,243	-	192,219	-	4,176	-	138,125
Other	84,198	99,413	8,876	58,233	71,471	78,016	23,722	46,183
Provisions	(2,222)	(7,544)	-	-	(4,083)	(4,233)	-	-
TOTAL	**87,660**	**237,527**	**16,867**	**329,300**	**74,733**	**195,404**	**32,057**	**241,370**

Other assets (current and non-current) consist primarily of tax receivables in Brazil and the United States, deposits and a surety bond paid in Brazil in respect of tax litigation (see Note 9), and expenses recorded in advance.

2.8.4 RECONCILIATION OF WORKING CAPITAL REQUIREMENT

The change in working capital requirement during fiscal year 2020 was as follows:

Gross amounts in € thousand	31/12/2019	Translation difference	Change	Reclassification and other	Items held for sale	31/12/2020
Inventories	1,122,361	(100,533)	(225,875)	15,016	(42,957)	768,012
Trade receivables and supplier advances	644,071	(69,460)	(67,430)	(17,344)	(15,486)	474,351
Trade payables	(579,739)	37,811	89,623	294	25,914	(426,097)
Working capital requirements	**1,186,693**	**(132,182)**	**(203,682)**	**(2,034)**	**(32,529)**	**816,266**
Other receivables and payables	5,091	(21,795)	19,091	42,706	4,110	49,203
OPERATING WORKING CAPITAL REQUIREMENTS	**1,191,784**	**(153,977)**	**(184,591)**	**40,672**	**(28,419)**	**865,469**
Impact of hedging instruments			11,778			
TOTAL			**(172,813)**			
Change in operating working capital requirements under the cash flow statement			172,813			

The change in working capital requirement during fiscal year 2019 was as follows:

Gross amounts in € thousand	31/12/2018	Translation difference	Change	Reclassification and other	31/12/2019
Inventories	1,274,594	8,917	(167,839)	6,689	1,122,361
Trade receivables	609,838	3,142	37,301	(6,210)	644,071
Trade payables	(582,272)	(5,704)	3,992	4,245	(579,739)
Working capital requirements	**1,302,160**	**6,355**	**(126,546)**	**4,724**	**1,186,393**
Other receivables and payables	2,819	666	(1,723)	3,329	5,091
Operating working capital requirements	1,304,979	7,021	(128,269)	8,053	1,191,484
Impact of hedging instruments			3,948		
TOTAL			**(124,321)**		
Change in operating working capital requirements under the cash flow statement			124,321		

Note 3 • Taxes

Income tax expense comprises current tax and deferred tax.

In accordance with IAS 12, deferred taxes are recognized, using the liability method, for temporary differences existing at the reporting date between the tax bases of assets and liabilities and their carrying amounts, as well as for tax losses, under the conditions set out below.

The main types of deferred tax recognized are:

- long-term deferred tax assets (provisions for French company retirement commitments) which are likely to be recovered in the foreseeable future;
- deferred tax assets for short-term recurring items (provision for paid leave, etc.) or non-recurring items (employee profit-sharing, provisions for liabilities that are not deductible for tax purposes, etc.) when they are likely to be recovered in the foreseeable future;
- deferred tax associated with the adjustments resulting from the transition from statutory financial statements to IFRS financial statements and with consolidation adjustments;
- tax loss carryforwards.

The rates used to calculate deferred taxes are the tax rates expected to apply during the period in which the asset will be realized or the liability settled, based on tax regulations that have been adopted or substantially adopted at the reporting date.

Deferred taxes are not discounted to present value.

Current and deferred tax expenses are recognized as income or expenditure in the income statement unless they relate to a transaction or event that is recognized under other comprehensive income or directly in equity (see hedge accounting in Note 7.5 and actuarial gains and losses on post-employment obligations in Note 8).

Deferred taxes are presented on separate lines in the statement of financial position under non-current assets and non-current liabilities.

Net deferred tax assets are recognized only for those companies and tax groups that, based on a review at each reporting date, appear reasonably likely to recover these assets in the foreseeable future.

3.1 Reconciliation of theoretical and actual tax expense

	2019	2020
Current tax expense	(80,695)	(93,360)
Deferred taxes	5,503	(2,691)
Net expense (-), Net proceeds (+)	**(75,192)**	**(96,051)**
Consolidated net income/(loss)	(336,208)	(1,325,314)
Tax expense	(75,192)	(96,051)
Consolidated net income/(loss) before tax	**(261,016)**	**(1,229,263)**
Statutory tax rate of consolidating company	34.43%	32.02%
Theoretical tax	89,868	393,647
Impact of main tax loss carryforwards	(135,726)	(376,986)
Impact of permanent differences	(40,370)	(58,329)
Other impacts	28,300	(12)
Impact of differences in tax rates	(17,264)	(54,371)
Net expense (-), Net proceeds (+)	**(75,192)**	**(96,051)**
Actual tax rate	**- 29%**	**- 8%**

The 8% rate mainly reflects the items detailed below:

- the impact of tax loss carryforwards and timing differences mainly concerns the non-recognition of deferred tax assets (DTAs) for the year in France, Germany, China, and the United States;
- deferred taxes on the impairment of assets recognized during the fiscal year in countries where deferred taxes on losses were not recognized were also written down;
- the permanent differences are explained by the reintegration of financial expenses primarily in France;
- differences in taxation mainly reflect the range of tax rates applied in each country (Germany 31.6%, United States 21%, Brazil 34.0%, China 25.0%, and Saudi Arabia 20%);
- the fall in the corporation tax rate in France has no impact on the deferred taxes of the Group in France due to the non-recognition of deferred taxes on tax losses and timing differences.

3.2 Deferred tax assets and liabilities

Deferred taxes are recognized using the liability method.

The rates used are the recovery rates known at the reporting date.

	2019	2020
Deferred tax assets	248,582	186,571
Deferred tax liabilities	9,499	19,914
NET DEFERRED TAX ASSETS/(DEFERRED TAX LIABILITIES)	**239,083**	**166,657**

31/12/2020	Assets	Liabilities	Net deferred tax assets/(liabilities)
Non-current assets	-	136,449	-
Other assets and liabilities	16,516	-	-
Inventories	10,231	-	-
Employee benefits	6,649	-	-
Derivatives	436	-	-
Net balance	**33,832**	**136,449**	**(102,617)**
Recognition of tax losses	269,274	-	269,274
TOTAL	**303,136**	**136,449**	**166,657**

31/12/2019	Assets	Liabilities	Net deferred tax assets/(liabilities)
Non-current assets	-	137,820	-
Other assets and liabilities	31,028	-	-
Inventories	15,910	-	-
Employee benefits	5,287	-	-
Derivatives	170	-	-
Net balance	**52,395**	**137,820**	**(85,425)**
Recognition of tax losses	324,508	-	324,508
TOTAL	**376,903**	**137,820**	**239,083**

Deferred taxes (gross values) as at 31 December 2020 and 31 December 2019 are broken down as follows:

31/12/2020	Gross value	Corresponding deferred tax	Recognized deferred tax	Unrecognized deferred tax
Tax loss carryforwards	4,375,024	1,157,420	269,274	888,146
Other tax assets	-	-	(82,703)	274,698
Total tax assets	**-**	**1,157,420**	**186,571**	**(1,162,844)**
Tax liabilities	-	-	(19,914)	-
Total tax liabilities	**-**	**-**	**(19,914)**	**-**
TOTAL	**-**	**-**	**166,657**	**(1,162,844)**

Unrecognized deferred taxes relate primarily to France, Germany and China due to a history of recent losses and the absence of any short-term prospects of recovery.

31/12/2019	Gross value	Corresponding deferred tax	Recognized deferred tax	Unrecognized deferred tax
Tax loss carryforwards	3,827,886	1,017,355	324,508	692,847
Other tax assets	-	-	(75,926)	385,119
Total tax assets	**-**	**1,017,355**	**248,582**	**(1,077,966)**
Tax liabilities	-	-	(9,499)	-
Total tax liabilities	**-**	**-**	**(9,499)**	**-**
TOTAL	**-**	**-**	**239,083**	**(1,077,966)**

Tax loss carryforwards relate mainly to Vallourec Soluções Tubulares do Brasil, the French tax consolidation Group, Vallourec Star, and Vallourec Deutschland.

The deferred tax assets are recognized when there is reasonable assurance of being able to recover these deferred tax assets in the foreseeable future (between 5 and 10 years). When it is estimated that allocating these carryforwards to future taxable profits would be uncertain, no deferred tax asset is recognized and, where applicable, deferred tax assets at the opening date are impaired.

Changes in deferred taxes are broken down as follows:

	2019	2020
As at 1 January	**234,902**	**239,083**
Impact of changes in exchange rates	(2,499)	(58,301)
Recognized in profit or loss	5,503	(2,691)
Recognized in comprehensive income	1,439	(1,108)
Changes in consolidation scope	31	-
Other	(293)	(10,348)
Assets held for sale and discontinued operations	-	22
AT THE END OF THE PERIOD	**239,083**	**166,657**

The amount of the deferred tax recognized in other comprehensive income corresponds mainly to the change in deferred taxes calculated on derivatives, and actuarial gains and losses on retirement commitments and similar employee commitments.

Note 4 • Goodwill, intangible and tangible assets, and biological assets

4.1 Goodwill

Goodwill is measured as the surplus of:

- the total of:
  - the fair value of the consideration transferred,
  - the amount of any non-controlling interests in the acquired entity,
  - in the case of a step acquisition, the fair value at the acquisition date of the acquirer's previously held interest in the acquiree; and
- the fair value at the acquisition date of the identifiable assets acquired and liabilities assumed.

For major acquisitions, fair value measurements are done with the help of independent experts and reflect the best estimates of the management. Non-controlling interests may be valued either at the share of the identifiable net assets of the acquired company, or at fair value.

For transactions with non-controlling interests, the Group recognizes in the equity, Group share, the difference between the price paid and the book value of the share of non-controlling interests acquired or sold in controlled companies. Acquisition costs incurred by the Group in carrying out the business combination, such as referral agents' commissions, legal and due diligence fees and other professional or consultancy fees, are expensed when they are incurred.

Impairment risks: Pursuant to IAS 36 – Impairment of Assets, goodwill is tested for impairment at least once a year, or more frequently if there is an indication of impairment. The testing procedures are designed to ensure that the recoverable amount of the cash-generating unit to which the goodwill is assigned or allocated is at least equal to its net carrying amount (see Note 4.2). If an impairment loss is recognized, an irreversible provision is recorded in operating profit under "Impairment of assets and goodwill".

	31/12/2019			31/12/2020		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Goodwill	560,612	(196,629)	363,983	514,820	(490,005)	24,815

BREAKDOWN OF GOODWILL BY CASH-GENERATING UNITS

	Vallourec do Brasil	Vallourec North America	Vallourec Europe	Total
As at 31/12/2018	**34,305**	**310,562**	**13,549**	**358,416**
Impact of changes in exchange rates	(498)	5,971	94	5,567
Impairment during the fiscal year	-	-	-	-
As at 31/12/2019	**33,807**	**316,533**	**13,643**	**363,983**
Impact of changes in exchange rates	(8,992)	(5,237)	(93)	(14,322)
Impairment during the fiscal year	-	(311,296)	(13,550)	(324,846)
AS AT 31/12/2020	**24,815**	**-**	**-**	**24,815**

4.2 Impairment tests

Impairment of assets

To perform impairment tests, goodwill was allocated to the cash-generating units (CGUs). CGUs are groups of assets whose on-going use generates cash inflows that are largely independent of the cash inflows generated by other groups of assets.

When an asset within a CGU is finalized or put up for sale and no longer contributes to the cash flows of the CGU, it is tested separately.

The recoverable value of an asset or CGU is the higher of the following:

- its value in use, which corresponds to the present value of the forecast future cash flows it generates, without taking into account planned investment into capacity and expected gains in terms of productivity; or
- its fair value less costs of disposal.

The carrying amount of a CGU is comprised of net current and non-current operating assets.

An impairment test is carried out:

- at least once a year for CGUs with indefinite useful lives, a category that, for the Vallourec Group, is limited to goodwill; and
- for the other CGUs, if indications of impairment appear.

A Group stock market value that is less than its consolidated net assets during a business cycle, or a negative outlook associated with the economic, legislative or technological environment or with the business sector constitutes general indications of impairment liable to result in impairment tests on all the Group's CGUs.

When the recoverable amount of the CGU is less than its net carrying amount, an impairment loss is recognized and presented on the impairment of assets and goodwill line under operating income (loss). When a CGU includes goodwill, the impairment loss is first deducted from goodwill and then, where applicable, the CGU's other assets.

CASH-GENERATING UNITS

The Group mainly includes three CGUs, which group together the assets of several subsidiaries that participate in the production cycle of the products sold by these CGUs, and represent 99% of the net assets of the Group and all of the goodwill:

- Vallourec Europe: the CGU groups together the tube mills (France, Germany, and China) and the finishing lines that they supply (in France, Germany, the Middle East, and Asia);
- Vallourec North America: the CGU comprises a steel mill and tube mills in the United States, along with the finishing lines they supply (the United States, Mexico, and Canada);
- Vallourec do Brasil: the CGU in Brazil comprises a steel mill, integrating a mine and forests, which provide the raw material necessary for them to function, tube mills, as well as the finishing lines they supply.

IMPAIRMENT INDICATIONS

The oil and gas industry experienced significant disruptions during 2020, with the decline in global demand for oil caused by the Covid-19 pandemic leading to a significant drop in oil prices. In this context, some Oil & Gas operators, particularly in North America, announced their intention to significantly reduce their investments. In Europe, the Group was also impacted by a decrease in demand in its markets.

As at 31 December 2020, impairment tests were carried out on the CGUs to which goodwill was allocated (Vallourec Europe CGU, Vallourec North America CGU, Vallourec do Brasil CGU) as well as on individual assets for which an indication of impairment was identified (assets of Valinox Nucléaire, the Reisholz plant in Germany and the Déville-lès-Rouen plant in France).

Finally, impairment tests were carried out on individual assets for which an indication of impairment was identified: assets of Valinox Nucléaire, the Reisholz plant in Germany and the Déville plant in France due to the reclassification of these assets as assets held for sale (Note 10.1).

RECOVERABLE VALUE

For each CGU tested, the recoverable value is considered as equal to the value in use, which corresponds to the present value of the forecast future cash flows it generates.

For individual assets, the recoverable value is estimated as the lowest value between fair value less sales costs and the carrying amount.

The forecasts used are those of the five-year strategic plan, which relies on macroeconomic assumptions per market, based on external sources (E&P Oil&Gas investment forecasts by region, price per barrel and gas price, currencies, raw materials, inflation, etc.). In particular, several external sources, such as IEA, IHS and Wood Mackenzie, were taken into account to estimate the volumes of E&P Oil&Gas investments by region. On the basis of these elements, the regions, under the coordination of the central Development and Innovation (D&I) and Technology and Industry (T&I) Departments, establish their sales forecasts (volumes and prices).

It should be noted that the bulk of our revenue comes from the sale of seamless tubes and connections for the oil industry (tubing and casing for oil and gas wells, pipelines, refining tubes and petrochemicals, etc.). The buying patterns of our clients may differ based on their own business model and how they adapt structurally to price trends (cost structure, inventories policy, risk aversion, project portfolio, financing capacity). The experience and know-how of our teams are key elements in the preparation of our forecasts.

All forward-looking information is derived from the budget and forecasts presented to the Supervisory Board and the Audit Committee in December 2020, and used in the context of financial restructuring.

Vallourec considers that the term of the strategic plan should bring a gradual increase in investment by oil companies and benefits from the competitiveness plans and new industrial routes launched by the Group.

In addition to the five-year strategic plan, cash flows are extrapolated over three years to take account of the cyclical effects impacting on oil investments and thus on Vallourec's business. The normative level corresponds to the levels of investment by oil operators consistent with the long-term prospects of the O&G Market (depletion of existing fields and increased demand for oil and gas). They may vary from one year to the next depending on the economic context.

This period also makes it possible to gradually converge the revenue growth rates for the final year of the strategic plan towards the perpetuity growth rate.

The perpetuity growth rates were reviewed on 31 December 2020 in order to make the latter consistent with the currency in which the weighted average cost of capital (WACC) and the future cash flows were calculated. These rates result from long-term inflation forecasts of the currency used for each CGU.

CGUs are tested in the main currency representing future cash flows, namely:

- in EUR for the Vallourec Europe CGU;
- in USD for the Vallourec North America CGU;
- in BRL for the Vallourec do Brasil CGU.

DISCOUNT RATE

The CGU discount rates correspond to their weighted average cost of capital (WACC), which is defined as the weighted average cost of equity and the cost of debt after tax. Discount rates are estimated using the capital asset pricing model (CAPM).

The main components of the cost of equity are:

- a risk-free rate estimated from the 10-year French Treasury Bond (OAT);
- a systematic risk premium is obtained by applying to the share market risk premium of the CGU a beta calculated using stock market data from a sample of listed companies performing a comparable activity;
- a specific risk premium linked to the CGU's country risks.

The cost of the debt after tax of each CGU is calculated by increasing the risk-free rate of a credit spread calculated based on the average data of the listed companies in the sample mentioned above.

Gearing (or debt-to-equity ratio) makes it possible to weight the cost of equity and the cost of debt after tax. It corresponds to the net financial debt/market capitalization median of the companies in the sample of listed companies selected for reference purposes.

The parameters expressed above are calculated over an average period of two years.

The discount rate for each CGU is calculated in the main currency in which future cash flows will be denominated.

The use of this approach results in discount rates of 9.5% for the Vallourec Europe CGU, 9.8% for Vallourec North America, and 11.8% for Vallourec do Brasil.

IMPAIRMENT TEST RESULTS

The impairment tests carried out as at 31 December resulted in the recognition of impairment losses on the Vallourec Europe and Vallourec North America CGUs.

In 2020, the Covid-19 pandemic deeply affected the global economy and the global activity of our customers throughout the world, creating unfavorable market conditions (a sharp drop in oil prices and demand).

Vallourec Europe CGU

The value in use of the Vallourec Europe CGU (€321 million) as at 31 December 2020 is significantly lower than its measurement in December 2019 (€961 million). This change reflects:

- the decrease in tube sales in the O&G and Industry sector expected in 2021 and 2022, as a result of the decrease in demand caused by the COVID-19 pandemic, and a return to pre-crisis levels from 2023 onwards;
- the decrease in terminal value reflects the long-term EBITDA margin rate of the new strategic plan;
- a change of assumption regarding the WACC (+1.1 pts).

Vallourec North America CGU

The value in use of the Vallourec North America CGU at the end of 2020 is estimated at €994 million compared with €1,580 million at the end of 2019. The significant disruptions experienced in the Oil & Gas industry at the beginning of the year led Oil & Gas operators, particularly in North America, to reduce their investments in a material way.

The cash forecast of our strategic plan predicts a long-term demand lower than that estimated before the Covid-19 crisis, with a steady recovery of business from 2021 onwards.

Vallourec do Brasil CGU

For the Vallourec do Brasil CGU, the value in use exceeds the book value and no reasonably feasible change in the test assumptions would result in an impairment as at 31 December 2020.

Individual assets

Impairment losses (€11 million) were also recognized on individual assets tested separately: Valinox Nucléaire, in the process of disposal, and non-strategic biological assets in Brazil.

SENSITIVITY ANALYSES

CGUs with the highest sensitivity to assumptions are Vallourec Europe and Vallourec North America. These sensitivity analyses are presented below.

The sensitivity analyses presented in the table below were calculated by changing a single parameter.

Analysis of the CGUs (in € million)		**Vallourec Europe**	**Vallourec North America** [(a)]
Net values			
• current part		70	97
• non-current part		776	1,211
Bases tested as at 31/12/2020		846	1,308
CGU value in use (carrying amount after impairment)		**321**	**994**
Impairment loss		**(525)**	**(314)**
• Of which loss on goodwill		(14)	(311)
• Of which loss on property, plant and equipment		(511)	(3)
Sensitivity analyses of the CGUs (in € million)			
Sensitivity to the discount rate	+0.5 pt	278	925
	-0.5 pt	368	1,071
EBITDA sensitivity	+10% per year	412	1,138
	-10% per year	229	850
EUR/USD foreign exchange rate sensitivity	+5 cts	170	954
	- 5 cts	503	1,044
Perpetuity grow rate sensitivity	+0.5 pt	346	1,040
	-0.5 pt	298	953

(a) Tests conducted in dollars and impairment converted into euros at the closing rate.

The table above shows that CGU flows are sensitive to changes in the value of their export transactions denominated in a currency other than that of the country where they are based (mainly USD).

4.3 Intangible assets

Intangible assets acquired separately are recognized at cost. They are mainly patents and trademarks, which are amortized on a straight-line basis over their useful lives.

Intangible assets acquired as part of a business combination are recorded separately from goodwill if their fair value can be measured during the acquisition phase. Those with a finite life are amortized over their estimated useful lives for the Company.

	31/12/2019			**31/12/2020**		
	Gross value	**Depreciation and impairment**	**Net value**	**Gross value**	**Depreciation and impairment**	**Net value**
Intangible assets	576,645	(513,240)	63,405	333,864	(284,349)	49,515

Intangible assets relate to technology, software, patents and licenses, as well as to the know-how and customer relations acquired mainly in connection with business combinations.

Other than goodwill, there are no intangible assets with indefinite useful lives.

4.4 Property, plant and equipment

Measurement at cost net of depreciation and impairment

Except when acquired as part of a business combination, property, plant and equipment are recorded at their acquisition or production cost. They are not subject to remeasurement. At each reporting date, the acquisition cost is reduced by accumulated depreciation and any provisions for impairment determined in accordance with IAS 36 – Impairment of Assets.

Component approach

The main components of an asset having a useful life different from that of the main asset (furnaces, heavy industrial equipment, etc.) are identified by the technical departments and depreciated over their own useful lives.

Subsequent expenditure on replacement of the component (i.e. the cost of the new component) is capitalized, provided that future economic benefits are still expected to be derived from the main asset.

The component approach is also applied to expenditure on major overhauls that are planned and carried out at intervals of over one year. Such expenditure is identified as a component of the asset's acquisition price, and is depreciated over the period between two overhauls.

Maintenance and repair costs

Recurring maintenance and repair costs that do not meet the criteria for the component approach are expensed when they are incurred.

Property, plant and equipment acquired as part of a business combination

Property, plant and equipment acquired as part of a business combination are measured at fair value on the acquisition date. They are depreciated using the straight-line method over the remaining useful life at the acquisition date.

Right of use

Lease agreements, as defined by IFRS 16 – Leases, are recognized in the statement of financial position, which results in the recognition of:

- an asset that corresponds to the right of use of the leased asset for the term of the lease;
- a debt owed under the obligation to pay.

The Group's leases are primarily for property and industrial equipment used to manufacture and transport products.

The Group uses the following exemptions permitted by the standard:

- exclusion of short-term leases (term of less than 12 months);
- exclusion of leases for which the underlying asset is of low value (unit value when new that is less than USD 5,000);
- exclusion of leases of intangible assets.

The right of use of assets

On the effective date of a lease agreement, the right of use is measured at its cost and includes:

- the initial amount of the debt to which are added, if applicable, the advance payments made to the lessee, net, where appropriate, of benefits received from the lessor;
- where appropriate, the initial direct costs incurred by the lessee in concluding the agreement and estimated refurbishment costs.

The right of use is amortized linearly over the term of the lease.

Depreciation and amortization

Depreciation of property, plant and equipment is calculated on a straight-line basis over the useful lives summarized below. Land is not depreciated.

Main categories of property, plant and equipment	Useful life
BUILDINGS	
Buildings	30-40
Fixtures and fittings	10
TECHNICAL PLANT, EQUIPMENT AND TOOLS	
Industrial plant	20-25
Other (automated equipment, etc.)	5-10
OTHER TANGIBLE ASSETS	
Transportation equipment and office furniture	5-10
Computer equipment	3

Depreciation of new industrial sites in the development stage is calculated according to the production-units method for assets used directly in the production process, and the straight-line depreciation method for other assets.

	31/12/2019			31/12/2020		
	Gross value	Depreciation and impairment	Net value	Gross value	Depreciation and impairment	Net value
Land	137,341	(35,235)	102,106	104,566	(37,853)	66,713
Buildings	901,100	(414,036)	487,064	759,048	(524,392)	234,656
Technical installations, industrial equipment and tools	4,361,899	(2,557,631)	1,804,268	3,742,269	(2,531,473)	1,210,796
Current property, plant and equipment	124,500	(3,356)	121,144	121,509	(2,339)	119,170
Other tangible assets	325,381	(197,884)	127,497	267,704	(180,780)	86,924
TOTAL	**5,850,221**	**(3,208,142)**	**2,642,079**	**4,995,096**	**(3,276,837)**	**1,718,259**

PROPERTY, PLANT AND EQUIPMENT (EXCLUDING RIGHTS OF USE)

	Gross value	Depreciation and impairment	Net value
As at 31/12/2018	**5,608,306**	**(2,917,667)**	**2,690,639**
Acquisitions	157,181	-	157,181
Disposals	(77,620)	61,239	(16,381)
Initial impact of IFRS 16 [(a)]	(106,538)	55,139	(51,399)
Net depreciation expenses for the fiscal year	-	(249,189)	(249,189)
Impairment	-	(29,920)	(29,920)
Impact of changes in exchange rates	31,252	(15,240)	16,012
Reclassification and other changes	31,589	(32,324)	(735)
As at 31/12/2019	**5,644,170**	**(3,127,962)**	**2,516,208**
Acquisitions	133,891	-	133,891
Disposals	(126,500)	116,558	(9,942)
Net depreciation expenses for the fiscal year	-	(226,080)	(226,080)
Impairment	-	(393,430)	(393,430)
Impact of changes in exchange rates	(554,998)	245,299	(309,699)
Reclassification and other changes	(6,331)	(10,844)	(17,175)
Assets held for sale and discontinued operations [(b)]	(276,987)	234,339	(42,647)
AS AT 31/12/2020	**4,813,245**	**(3,162,120)**	**1,651,126**

(a) *Reclassification of property, plant and equipment from finance leases (IAS 17) to right of use as at 1 January 2019.*

(b) *Assets held for sale at the Déville-lès-Rouen (France) and Reisholz (Germany) sites were reclassified on the basis of their net asset value before impairment.*

RIGHTS OF USE

	Gross value	Impairment	Net value
As at 31/12/2018	**-**	**-**	**-**
Acquisitions	19,349	0	19,349
Disposals	(1,751)	958	(793)
Initial impact of IFRS 16	193,151	(55,139)	138,012
Net depreciation expenses for the fiscal year	0	(30,823)	(30,823)
Impairment	0	0	0
Impact of changes in exchange rates	(6,295)	2,986	(3,309)
Other	1,598	1,837	3,435
As at 31/12/2019	**206,052**	**(80,181)**	**125,871**
Acquisitions	24,437	-	24,437
Disposals	(6,034)	5,313	(721)
Initial impact of IFRS 16	14	2	16
Net depreciation expenses for the fiscal year	-	(28,740)	(28,740)
Impairment	-	(36,163)	(36,163)
Impact of changes in exchange rates	(36,328)	19,592	(16,736)
Other	(2,587)	1,909	(678)
Assets held for sale and discontinued operations	(3,704)	3,551	(153)
AS AT 31/12/2020	**181,850**	**(114,717)**	**67,133**

Rights of use include the finance lease signed in 2010 for the construction of water treatment equipment at Vallourec Soluções Tubulares do Brasil, which had a net carrying amount of €28.2 million as at 31 December 2020.

4.5 Biological assets

The Group owns biological assets in Brazil, which mainly consist of eucalyptus plantations cultivated for the Group's coke requirements. They are valued according to the principles defined by IAS 41 – Agriculture. The existence of an active market in Brazil requires the Group to measure these assets at fair value less selling costs upon initial recognition and at each reporting date.

	31/12/2019	31/12/2020
As at 1 January	**59,611**	**62,486**
Investments	9,677	5,772
Valuation at fair value	10,343	8,815
Net depreciation expenses for the period	(8,334)	(4,912)
Impairment	-	(1,642)
Reclassification to inventory	(4,990)	(4,213)
Impact of changes in exchange rates	(1,035)	(17,081)
Other changes	(2,786)	(4,047)
Assets held for sale and discontinued operations	-	(14,942)
AT THE END OF THE PERIOD	**62,486**	**30,236**

The Group's Brazilian subsidiary Vallourec Florestal cultivates eucalyptus plantations mainly to produce the charcoal used in the blast furnaces of Vallourec Soluções Tubulares do Brasil.

As at 31 December 2020, the company was cultivating approximately 108,545 hectares of eucalyptus over a total area of 224,532 hectares.

In 2020, Vallourec Florestal posted revenue of €22.1 million, as compared to €29.1 million in 2019.

4.6 Reconciliation of net cash outflows related to fixed asset acquisitions on the cash flow statement

	2019		2020	
	Intangible assets and property, plant and equipment	Biological	Intangible assets and property, plant and equipment	Biological
Acquisition of intangible assets	427	-	1,182	-
Acquisition of property, plant and equipment	157,181	9,677	133,891	5,772
Total capital expenditures	**157,608**	**9,677**	**135,073**	**5,772**
Changes in fixed asset liabilities and partner contributions	(8,608)	-	(2,600)	-
TOTAL	**149,000**	**9,677**	**132,473**	**5,772**
Statement of cash flows: capital expenditures paid out during the period:	158,677		138,245	

4.7 Operational off-statement commitments

Off-balance sheet commitments received amounted to €10 million as at 31 December 2020, compared with €14 million at 31 December 2019. They primarily corresponded to fixed asset orders.

COMMITMENTS GIVEN BY MATURITY

	31/12/2019	31/12/2020	< 1 year	1 to 5 years	> 5 years
Trade receivables	6,005	5,260	4,203	1,057	-
Other obligations	51,063	32,067	28,189	1,793	2,085
TOTAL	**57,068**	**37,327**	**32,392**	**2,850**	**2,085**

Note 5 • Investments in equity affiliates

Definition

Associates are companies in which the Group exercises significant influence over operating and financial policies without having control.

A joint venture is a joint arrangement whereby the parties that have joint control of the entity have rights to its net assets.

The Group's investments in joint ventures and associates are accounted for using the equity method.

Equity associates

The equity method provides for an investment in an associate being initially recorded at cost, and then subsequently adjusted for the change in the Group's share in the income and other comprehensive income of the associate.

An investment is recorded under the equity method as of the date when the entity becomes an associate or joint venture. When an associate or joint venture is acquired, the difference between the cost of the investment and the Group share in the net fair value of the identifiable assets and liabilities of the entity is recorded under goodwill. In the event that the net fair value of the identifiable assets and liabilities of the entity is higher than the cost of the investment, the difference is recorded under income.

Shares in the net income of associates are incorporated in the net income of the activities pursued, whether or not their activities are an extension of the Group's activities.

Impairment testing

In the event of impairment, the total book value of the investment (including goodwill) undergoes impairment testing according to the provisions prescribed by IAS 36 – Impairment of Assets.

Loss of significant influence or joint control

When the investment no longer constitutes an associate, the equity method is no longer applied. Any retained interest in the former associate that constitutes a financial asset is measured at fair value on the date the interest ceases to be an associate or joint venture.

Acquisition of a joint operation or equity-accounted company

Pursuant to IFRS 3, the previously held equity interests are remeasured at fair value, giving rise to gains and losses on disposals ("Assets disposals, restructuring costs and non-recurring items"), and the assets acquired and liabilities assumed are accounted for at fair value as at the acquisition date.

The Group's main equity affiliates (individual carrying amount greater than €20 million) are listed below.

	HKM	Other	Total associates	Vallourec Umbilicals	Other	Total joint ventures	Total
Activity	Steel mill			Welded tube			
Business location	Germany			France			
As at 31/12/2019	**80,690**	**22,020**	**102,710**	**23,595**	**3,116**	**26,711**	**129,421**
Net income/(loss) for the period	-	(95)	(95)	(2,785)	(203)	(2,988)	(3,083)
Dividends paid	(5)	(637)	(642)	-	-	-	(642)
Impairment	(80,685)	-	(80,685)	-	-	-	(80,685)
Impact of changes in exchange rates	-	(1,748)	(1,748)	-	(665)	(665)	(2,413)
Reclassification and other changes	-	(669)	(669)	(17)	-	(17)	(686)
AS AT 31/12/2020	**-**	**18,871**	**18,871**	**20,793**	**2,248**	**23,041**	**41,912**

HKM is an associate that produces steel rounds exclusively for its shareholders. HKM primarily supplies European tube mills, and is part of the Vallourec Europe CGU. The measurement of its value in use was determined on the same basis as that used to carry out the impairment test (IAS 36) on the Vallourec Europe CGU. As the business outlook of the strategic plan did not permit Vallourec to absorb the volumes to which it is entitled, an impairment loss was recognized in the financial statements for HKM in excess of its industrial assets, for €81 million.

5.1 Data relating to associates

The condensed financial data (100%) for HKM is presented below.

HKM	31/12/2019	31/12/2020
Non-current assets	627,837	653,031
Current assets	662,722	586,236
Non-current liabilities	464,474	368,591
Current liabilities	422,636	467,241
Net assets	**403,449**	**403,435**
Sales	2,503,257	1,989,513
Operating income (loss)	9,652	(3,624)
Total comprehensive income	-	-
Dividends paid to the Group	-	-

The reconciliation of the condensed financial data from the HKM associate with the book value of the Group's interests in this associate is as follows:

HKM	31/12/2019	31/12/2020
Net assets	403,449	403,435
Group's percentage interest in HKM	20%	20%
Value of investments in equity affiliates	80,690	-
HKM net income/(loss)	-	-
Group's percentage interest in HKM	20%	20%
Share of net income	-	-

The Group likewise holds interests in other associates (which, considered individually, are not significant) for an overall book value of €18.9 million as at 31 December 2020, compared with €22 million as at 31 December 2019.

5.2 Data related to joint ventures

The condensed financial data (100%) for Vallourec Umbilicals is presented below.

Vallourec Umbilicals	31/12/2019	31/12/2020
Non-current assets	30,332	45,476
Current assets excluding cash and cash equivalents	3,254	4,460
Cash and cash equivalents	18,069	2,474
Other non-current liabilities	969	4,369
Non-current borrowings	-	
Other current liabilities	4,423	7,271
Current borrowings	-	
Net assets	**46,263**	**40,770**

Vallourec Umbilicals	31/12/2019	31/12/2020
Sales	6,801	6,680
Operating income (loss)	(3,425)	(5,161)
Financial income (loss)	(113)	(277)
Tax expense	-	(24)
Net income/(loss) from continuing operations	(3,538)	(5,462)
Other comprehensive income (loss)	-	
Total comprehensive income	(3,538)	(5,462)
Dividends paid to the Group	-	

The reconciliation of the condensed financial data from the joint venture Vallourec Umbilicals with the book value of the Group's interests in this joint venture is as follows:

Vallourec Umbilicals	31/12/2019	31/12/2020
Net assets	46,263	40,770
Group's percentage interest	51%	51%
Goodwill	-	
Other	-	
Value of investments in equity affiliates	23,595	20,793
Income from Vallourec Umbilicals	(3,538)	(5,462)
Group's percentage interest	51%	51%
Share of net income	(1,804)	(2,785)

5.3 Transactions entered into with related parties

	Associates	Joint-venture
	HKM	Vallourec Umbilicals
Sales to related parties	753	965
Purchases from related parties	207,222	-
Related party receivables	22	2,310
Related party payables	43,704	-

Purchases mainly concern the acquisition of steel rounds from HKM, which are used as raw manufacturing materials by the European rolling mills of Vallourec Deutschland and Vallourec Tubes France.

5.4 Compensation of the management and supervisory boards

The total compensation for members of the Executive Committee, as constituted at 31 December 2020 (12 people in 2020, compared to 10 in 2019), as well as retirement commitments at the reporting date, were as follows:

	2019	2020
Compensation and benefits in kind	6,019	6,755
Share-based payments [(a)]	612	795
Retirement commitments	870	817
Supplementary retirement commitments	6,061	3,071

(a) *Information provided based on the 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, and 2012 share subscription option, performance share and employee share ownership plans.*

As regards retirement commitments for executive management, there is no specific plan. Executive management is covered by the Vallourec Group's supplementary pension plan (a benefit plan introduced in 2005 and closed on 31 December 2015), as well as by plans under Articles 82 and 83 of the French General Tax Code set up on 1 April 2016. These plans do not give rise to any commitments.

As at 31 December 2020, no loans or guarantees had been granted to executive management by the parent company Vallourec or its controlled subsidiaries.

The amount of the attendance fees and other compensation received by members was €1 million in 2020, compared with €0.9 million in 2019.

Note 6 • Equity, share-based payment and earnings per share

6.1 Equity – Group share

CAPITAL

Vallourec's issued capital comprises 11,449,694 ordinary shares with a nominal value of €0.02 per share, fully paid-up. On 23 April 2020, Vallourec announced the launch of its share consolidation by way of an exchange of 40 existing shares for 1 new share, approved by the Company's shareholders at the Ordinary and Extraordinary Shareholders' Meeting held on 6 April 2020. The number of shares decreased from 457,987,760 to 11,449,694 shares.

The final amount of the capital reduction was 915,746,526.12. This amount was allotted to the "Premiums" item, and is not distributable. This technical adjustment has no impact on the value of Vallourec securities held by shareholders and shareholders' equity.

RESERVES, FINANCIAL INSTRUMENTS

These reserves for changes in the fair value of hedging instruments (net of tax) arise primarily from two types of transaction:

- effective currency hedges assigned to the order book and commercial tenders. Changes in the currency impacts at year-end are recognized in equity;
- variable rate borrowings for which interest rate swaps (fixed rate) have been contracted. These are accounted for in accordance with the cash flow hedge method. Changes in the fair value of the swap contracts, linked to interest rate movements, are recognized in equity.

FOREIGN CURRENCY TRANSLATION RESERVE

This reserve arises as a result of the translation of the equity of subsidiaries outside the euro zone. The change in the reserve corresponds to fluctuations in exchange rates used to translate the equity and net profit of these subsidiaries. Components of the reserve are reversed to income only in the case of a partial or total disposal and loss of control of the foreign entity.

	USD	GBP	BRL	CNY	Other	Total
As at 31/12/2018	**251,022**	**(12,031)**	**(880,712)**	**16,192**	**(22,930)**	**(648,459)**
Change	26,526	(263)	(21,354)	518	6,291	11,718
As at 31/12/2019	**277,548**	**(12,294)**	**(902,066)**	**16,710**	**(16,639)**	**(636,741)**
Change	(80,915)	(2,527)	(368,091)	(4,930)	(18,308)	(474,771)
AS AT 31/12/2020	**196,633**	**(14,821)**	**(1,270,157)**	**11,780**	**(34,947)**	**(1,111,512)**

6.2 Non-controlling interests

Non-controlling interests are primarily held by Sumitomo Corp. and Nippon Steel.

CONTRIBUTIONS TO NON-CONTROLLING INTERESTS

	2019	2020
Main American entities (Vallourec Star and VAM USA)	337,314	212,430
Vallourec Soluções Tubulares do Brasil – Brazil	130,757	93,920
Other	44,637	14,427
TOTAL	**512,708**	**320,777**

In 2020, the appointment of an ad hoc representative triggered the option for Nippon Steel to sell its 15.4% holding in the Brazilian joint venture Vallourec Soluções Tubulares do Brasil (VSB) to the Vallourec Group. Nippon Steel resolved to exercise this option, resulting in the recognition as at 31 December of a current financial liability (see Note 7.2) for the exercise price of €7.1 million (BRL 45 million) less interest attributable to non-controlling interests. This sale took place on 26 March 2021.

If losses by Vallourec Star, LP exceed a certain threshold over one or consecutive fiscal years, Sumitomo Corporation can ask its subsidiary partner of Vallourec to redeem its 19.5% stake in Vallourec Star, LP in the United States. Given the drop in activity in the United States in 2020, which impacted operating income and the impairment of goodwill on transactions in North America, Vallourec expects that the certified accounts of Vallourec Star, LP as at 31 December 2020 will show a loss of an amount that allows Sumitomo Corporation to exercise its sale option. In accordance with the clauses of the partnership agreement, the parties shall meet once Vallourec Star, LP's certified accounts are available, to decide, within 90 days of that date, on whether to continue their cooperation within this entity. At the end of this period, if Sumitomo Corporation does not wish to continue its cooperation with Vallourec Star, LP, it will have 30 days to notify Vallourec of the exercise of its sale option, which would then take place based on a market value, determined by an expert.

As at 31 December 2020, Sumitomo Corporation's sell option was not exercisable.

Similarly, for VAM USA LLC, if losses by VAM USA LLC exceed a certain threshold over one or consecutive fiscal years, Sumitomo Corporation (which owns 15% of VAM USA LLC), NSC (which owns 34% of VAM USA LLC) and Vallourec have the option to propose to the others that they sell their shareholding to them or that they redeem their own shareholding at the price determined by the party that initiates the implementation of this option (buy or sell offer). Given the drop in activity in the United States in 2020, which impacted operating income and the impairment of goodwill on transactions in North America, Vallourec expects that the attested accounts of VAM USA LLC as at 31 December 2020 will show a loss of an amount that allows Sumitomo Corporation and NSC to exercise this option. In accordance with the clauses of the partnership agreement, the parties will meet concerning VAM USA LLC's attested accounts to decide, within 90 days of that date, on whether to continue their cooperation within this entity. At the end of this period, and if one party does not wish to continue its cooperation within VAM USA LLC, it will have 60 days to notify the others of the exercise of the option.

In this context, as at 31 December 2020, Sumitomo Corporate and NSC's sell or buy option was not exercisable.

CONTRIBUTIONS TO INCOME/(LOSS)

	2019	2020
Main American entities (Vallourec Star and VAM USA)	4,990	102,606
Vallourec Soluções Tubulares do Brasil – Brazil	1,178	(1,400)
Other	(3,614)	21,060
TOTAL	**2,554**	**122,266**

6.3 Share-based payments (options and performance shares)

IFRS 2 – Share-based Payment, requires the measurement and recognition of the benefits arising from share option and performance share allocation plans that are equivalent to compensation of the beneficiaries: these are recognized as payroll costs spread over the vesting period, with a corresponding increase in equity.

Changes in value after the award date have no impact on the option's initial measurement. The number of options taken into account in measuring the plan is adjusted at each reporting date to reflect the probability of the beneficiaries' continued service at the end of the vesting period.

Some members of executive management and employees benefit from the share subscription or share purchase options that entitle them to purchase an existing share or to subscribe to a capital increase at an agreed price.

Options must be measured using the Black & Scholes model on the date they are awarded.

Some members of executive management and employees benefit from share allocation plans where vesting conditions are related to performance criteria (percentage of consolidated EBITDA). These plans are measured using a binomial model to project share prices.

Vallourec offers employee shareholding plans reserved for its employees. These plans are measured using a binomial model to project share prices.

The impact on the income statement of employee share ownership plans is presented in Note 2.3.

Share subscription plans

CHARACTERISTICS OF THE PLANS

The Vallourec Management Board authorized share subscription plans from 2010 to 2020 for some executive management and corporate officers of the Group.

The characteristics of these plans are as follows (the figures for the 2010 to 2019 plans have been restated to take account of the multiplication by forty of the nominal value of the shares and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020):

	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Plan
Allocation date	01/09/2010	01/09/2011	31/08/2012	02/09/2013	15/04/2014
Maturity date	01/09/2014	01/09/2015	01/03/2017	03/03/2018	15/04/2018
Expiration date	01/09/2020	01/09/2021	30/08/2020	01/09/2021	15/04/2022
Exercise price in euros	1,708.8	1,457.6	888.4	1,108.0	925.20
Number of options granted	12,788	16,952	22,002	24,997	15,482

	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Allocation date	15/04/2015	18/05/2016	18/05/2017	15/06/2018	17/06/2019	15/06/2020
Maturity date	15/04/2019	18/05/2020	18/05/2021	15/06/2022	17/06/2023	15/06/2024
Expiration date	15/04/2023	18/05/2024	18/05/2025	15/06/2026	17/06/2027	15/06/2030
Exercise price in euros	542.80	156.00	240.80	220.00	88.00	37.36
Number of options granted	17,011	13,375	7,312	8,855	8,855	80,407

CHANGE IN NUMBER OF UNEXPIRED OPTIONS

For all of these plans, the change in the number of unexpired options is as follows:

In number of options	2019*	2020
Options outstanding as at 1 January	**149,406**	**137,039**
Options exercised	-	-
Options lapsed	(12,186)	(7,825)
Options canceled	(9,036)	(65,744)
Options distributed	8,856	80,407
OPTIONS OUTSTANDING AS AT 31 DECEMBER	**137,039**	**143,877**
Options available for exercise	44,297	41,056

* *The 2019 figures have been restated to take account of the multiplication by forty of the nominal value of the shares, and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020.*

The reported figures correspond to the number of options, with a performance factor of 1 for plans that were vesting, and to the actual number of shares allocated for plans that had matured.

As at 31 December 2020, the average exercise price was €304.73.

MEASUREMENT OF PLANS (a)

	2019 Plan*	2020 Plan
Share price at allocation date	€89.20	€41.94
Volatility (b)	32%	32%
Risk-free rate (c)	0.10%	0.03%
Exercise price	€88.00	€37.36
Dividend rate (d)	3.00%	3.00%
Fair value of the option (e)	€19.20	€10.30

(a) *The binomial model of projecting share prices has been used to measure the fair value of the options granted.*
(b) *Volatility corresponds to historical volatility observed over a period corresponding to the duration of the plans.*
(c) *The risk-free rate corresponds to the zero-coupon rate (source: French Institute of Actuaries – Institut des Actuaires).*
(d) *The expected dividend rates have been determined on the basis of analysts' expectations and the Group's dividend policy.*
(e) *The fair value for the Management Board and the Operational Committee is €10.30 for the 2020 plan.*
* *The 2019 figures have been restated to take account of the multiplication by forty of the nominal value of the shares, and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020.*

Performance share allocation plans

CHARACTERISTICS OF THE PLANS

The Vallourec Management Board authorized performance share allocation plans from 2016 to 2020 for some employees and corporate officers of the Group.

The characteristics of these plans are as follows (the figures for the 2016 to 2020 plans have been restated to take account of the multiplication by forty of the nominal value of the shares and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020):

Performance share allocation plans	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Allocation date	18/05/2016	18/05/2017	15/06/2018	17/06/2019	15/06/2020
Vesting period	3 years (French residents) or 4 years (non-French residents)	3 years (French residents) or 4 years (non-French residents)	3 years (French residents) or 4 years (non-French residents)	3 years (French residents) or 4 years (non-French residents)	3 years
Holding period	2 years (French residents) or none (non-French residents)	2 years (French residents) or none (non-French residents)	2 years (French residents) or none (non-French residents)	2 years (French residents) or none (non-French residents)	None
Performance conditions	Yes (a)	Yes (b)	Yes (c)	Yes (d)	Yes (e)
Theoretical number of shares allocated	7,958	20,506	21,065	20,898	34,090

(a) *Definitive allocation of shares in 2019 for French residents and members of the Management Board, and in 2020 for non-French residents. For all beneficiaries (excluding Management Board members), it will be based on the ratio of consolidated EBITDA to consolidated revenue achieved by the Vallourec Group in 2016, 2017, and 2018. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 1.25. For members of the Executive Committee, the definitive allocation will depend on the following two criteria, assessed for 2016, 2017 and 2018: the rate of return on capital employed on a consolidated basis (ROCE), compared with the ROCE in the strategic plan, and the Total Shareholder Return (TSR) for 2016, 2017 and 2018. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 1.33. The number of shares allocated, as shown in the above table, corresponds to the application of a performance factor of 1.*

(b) *For all beneficiaries (excluding members of the Management Board and the Executive Committee), this will depend on cost reduction in 2017, 2018 and 2019, in comparison with the planned performance in the Group's medium-term plan for the same period, and on the Group's cumulative Free Cash Flow (FCF) for 2017, 2018 and 2019. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 1.4. For members of the Management Board and the Executive Committee, the final allocation will depend on the following two criteria: cost reduction in 2017, 2018 and 2019, in comparison with the Group's planned performance in the medium-term plan over the same period, and the increase in the EBITDA margin between 2017 and 2019 compared with a panel of comparable companies. The actual number is determined by applying a performance factor, calculated for the two years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2.*

(c) *For all beneficiaries (excluding members of the Management Board and the Executive Committee), this will depend on cost reduction in 2018, 2019 and 2020, in comparison with the planned performance in the Group's medium-term plan for the same period, and on the Group's cumulative Free Cash Flow (FCF) for 2018, 2019 and 2020. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2. For members of the Management Board and the Executive Committee, the final allocation will depend on the following two criteria: cost reduction in 2018, 2019 and 2020, in comparison with the Group's planned performance in the medium-term plan over the same period, and the increase in the EBITDA margin between 2018 and 2020 compared with a panel of comparable companies. The actual number is determined by applying a performance factor, calculated for the two years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2.*

(d) *For all beneficiaries (excluding members of the Management Board and the Executive Committee), this will depend on cost reductions in 2019, 2020 and 2021, in comparison with the planned performance in the Group's medium-term plan for the same period, and on the Group's cumulative Free Cash Flow (FCF) for 2019, 2020 and 2021. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2. For members of the Management Board and the Executive Committee, the final allocation will depend on the following two criteria: cost reduction in 2019, 2020 and 2021, in comparison with the Group's planned performance in the medium-term plan over the same period, and the increase in the EBITDA margin between 2019 and 2021 compared with a panel of comparable companies. The actual number is determined by applying a performance factor, calculated for the two years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2.*

(e) *For all beneficiaries, it will depend on two absolute internal criteria:*

- *Group cost reductions (Gross savings as a % of the N-1 baseline and excluding DCOS) for the 2020, 2021 and 2022 fiscal years;*
- *the ratio of carbon emissions due to Vallourec's industrial processes and the purchase of electricity generated by fossil fuel to sales volume, in metric tons (emissions of non-biogenic carbon) between 2020 and 2022.*

And an external relative criterion: growth of the EBITDA margin between 2020 and 2022 compared to a panel of comparable companies comprised as follows: Hunting Plc, United States Steel Corp., Nippon Steel Corp., Tubacex SA, Tenaris SA, Schlumberger, Halliburton, Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK and NOV.

Free share allocation plans (without performance condition)	Value 15 Plan	Value 16 Plan	Value 17 Plan
Allocation date	15/12/2015	14/12/2016	14/12/2017
Vesting period	4.6 years	4.6 years	4.6 years
Theoretical number of shares allocated [(a)]	68	83	85

(a) The figures for the 2015 to 2017 plans have been restated to take account of the multiplication by forty of the nominal value of the shares, and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020.

In 2020, in order to meet the legal and tax requirements of each country, several different employee share ownership plans (ESOP) were offered:

- leveraged company mutual fund (fonds commun de placement entreprise levier – FCPE levier): employees subscribe via a company mutual fund to a number of Vallourec shares at a price discounted by 15% and receive, at the end of the vesting period, a performance multiple on their Vallourec shares as well as protection of their initial investment, excluding currency impact. The increase in the multiple is achieved through the transfer of the discount, from dividends and other financial rights related to ownership of the shares to the bank structuring the transaction through a swap contract;
- standard company mutual fund (fonds commun de placement entreprise classique – FCPE classique): employees subscribe via a company mutual fund to Vallourec shares at a price discounted by 20% and receive any dividends;
- share and Stock Appreciation Rights (SAR): employees, by buying one share at a price discounted by 15%, receive one SAR (protection on their initial investment, excluding currency impact, and a performance multiple on said share), which will be paid by the employer, in cash, at the end of the holding period. The resulting liability (SAR) is covered by warrants provided to the employer by the bank structuring the transaction. The warrants are issued in consideration of the issue of shares, reserved for the bank, at a price discounted by 15%;
- cash and Stock Appreciation Rights (SAR): employees, by depositing funds in an interest-bearing bank account, receive SARs (performance multiple on the deposit), which will be paid to the employee by the employer, in cash, at the end of the holding period. The resulting liability (SAR) is covered by warrants provided to the employer by the bank structuring the transaction. The warrants are issued in consideration of the issue of shares, reserved for the bank, at a price discounted by 15%.

The IFRS 2 expense resulting from the benefit granted to the employee under the terms of the ESOP is measured on the allocation date. The fair value of the benefit corresponds, in the case of the standard offering, to the value of the economic benefit granted less the cost to the employee of the non-transferability of the share, and, for the leveraged plans, to the estimated present value of the amounts ultimately paid to the employee. In the case of the "share and SAR" plan, the discount on the share held by the employee and the measurement of the option protecting the initial investment are added.

No discounts were granted in 2020 and 2019.

The IFRS 2 expense resulting from the Stock Appreciation Rights (SAR) is measured again at each quarter-end by reference to the fair value corresponding to the estimated present value of the amounts ultimately paid to the employee. The liability to employees resulting from SARs resulted in an expense included in personnel costs of €0.2 million.

In accordance with IFRS 9, the income from warrants is remeasured at each quarter-end by reference to the fair value of the derivative instrument.

The income corresponding to the warrants paid by the bank to the employer was added to the employees' investment and recognized in personnel expenses for €0.017 million in 2020 since it is intended to cover income associated with SARs (see above).

CHANGE IN NUMBER OF SHARES

For all of these plans, the change in the number of shares being vested is as follows:

In number of shares	2019 [(a)]	2020
Number of shares being vested as at 1 January	**55,612**	**64,470**
Shares delivered over the year	(4,453)	(14,451)
Shares canceled	(7,605)	(5,445)
Shares allocated over the year	20,916	34,090
NUMBER OF SHARES BEING VESTED AS AT 31 DECEMBER	**64,470**	**78,664**

(a) The figures for the 2019 fiscal year have been restated to take account of the multiplication by forty of the nominal value of the shares, and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020.

The reported figures correspond to the number of shares, with a performance factor of 1 for plans that were vesting, and to the actual number of shares allocated for plans that had matured.

Measurement of plans [(a)]	2019 Plan*	2020 Plan
Share price at allocation date	€89.20	€41.94
Risk-free rate [(b)]	-0.25% (France), -0.36% (non-French)	-0.52%
Dividend rate [(c)]	3.00%	3.00%
Fair value of the share	€77.2 (French residents) or €78.80 (non-French residents)	€38.28
Number of shares allocated	20,916	34,090

(a) *The binomial model of projecting share prices has been used to measure the fair value of the shares granted. The employee benefit corresponds to the fair value of the shares allocated, taking into account the impossibility of receiving dividends during the vesting period and the cost to the employee of the non-transferability of shares during the holding period.*

(b) *The risk-free rate corresponds to the zero-coupon rate (source: French Institute of Actuaries – Institut des Actuaires).*

(c) *The expected dividend rates were determined based on analysts' expectations (external information) and the Group's dividend policy.*

* *The figures for the 2019 fiscal year have been restated to take account of the multiplication by forty of the nominal value of the shares, and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020.*

6.6 Earnings per share

Basic earnings per share are calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding in the same period.

Diluted earnings per share are calculated by taking into account the maximum impact of the conversion of dilutive instruments into ordinary shares (options, performance shares) and using the "share repurchase" method as defined in IAS 33 "Earnings per Share".

Details of the earnings and numbers of shares used to calculate basic and diluted earnings per share are presented below:

	2019	2020
Net income (loss) attributable to ordinary shareholders for basic earnings per share	**(337,549)**	**(1,206,131)**
Weighted average number of ordinary shares for basic earnings per share	457,987,760	11,449,694
Weighted average number of treasury shares for basic earnings per share	(494,306)	(6,627)
Weighted average number of shares for basic earnings per share	457,493,454	11,443,067
Earnings per share *(in €)*	**(0.7)**	**(105.4)**

Dividends paid during the fiscal year	2019	2020
• for the previous fiscal year *(in €)*	-	-
• interim dividend for the current fiscal year *(in €)*	-	-

Note 7 • Financing and financial instruments

7.1 Net financial debt

"Bank loans and other borrowings" include bank loans which bear interest, bond issues and bonds convertible and/or exchangeable into new or existing shares (OCEANE).

Borrowings are classified as current liabilities for the portion to be repaid within 12 months after the reporting date and as non-current liabilities for payments due in more than 12 months.

Borrowings are initially recorded at fair value less associated transaction costs as soon as they are directly attributable. These costs (loan issue expenses and premiums) are taken into account in the calculation of the amortized cost using the effective interest rate method. They are recognized in financial income or loss on an actuarial basis over the life of the liability.

At each reporting date, financial liabilities are then measured at amortized cost using the effective interest rate method, in addition to the specific procedures associated with hedge accounting (see below).

This item consists of current bank account balances and investment securities (units in short-term cash UCITS and mutual and investment funds) that are immediately available (not pledged), risk-free and have a low volatility level.

	31/12/2019			31/12/2020		
	Total	Non-current	Current	Total	Non-current	Current
Bond issues	1,726,538	1,726,538	-	1,735,860	1,735,860	-
Bank borrowings	1,737,712	20,142	1,717,570	1,727,709	14,364	1,713,345
Other financial liabilities	359,924	381	359,543	136,827	303	136,524
Current bank overdrafts	208	-	208	3,115	-	3,115
Total current and non-current bank loans and other borrowings	**3,824,382**	**1,747,061**	**2,077,321**	**3,603,511**	**1,750,527**	**1,852,984**
Investment securities	925,505	-	925,505	761,597	-	761,597
Cash and cash equivalents	868,338	-	868,338	627,935	-	627,935
Cash and cash equivalents	**1,793,843**	**-**	**1,793,843**	**1,389,533**	**-**	**1,389,533**
NET FINANCIAL DEBT	**2,030,539**	**1,747,061**	**283,478**	**2,213,978**	**1,750,527**	**463,451**

The Agreement in Principle signed by Vallourec with its main creditors on 3 February 2021 provides for a reduction in gross debt of €1,800 million and the implementation of refinancing for the residual debt of €1,747 million.

In this context, bond issues and bank borrowings would be substantially modified, in particular via conversion into equity instruments, and the implementation of new financial instruments (see Note 11.2).

7.1.1 BOND ISSUES

OCEANE are initially recorded by distinguishing between two components as soon as conversion parity is respected: a debt component recorded under amortized cost, calculated using an estimated market interest rate for an equivalent non-convertible bond issue, and a conversion option component, recorded under equity for an amount that is equal to the difference between the OCEANE issue value and the debt component. Issue expenses are allocated between the two components, pro rata of their respective values.

Bond issue *(in € million)*	Nominal amount	Due date	Rate	Market value as at 31 December 2020	Amount in statement of financial position as at 31 December 2020
Bond issue – August 2012	55	Aug. 2027	4.125%	64	54
Bond issue – September 2014	500	Sept. 2024	2.250%	532	499
OCEANE – September 2017	250	Oct. 2022	4.125%, 37.5% conversion premium and 275.60 strike [(b)]	-	239
Bond issue – October 2017 [(a)]	550	Oct. 2022	6.625%	558	547
Bond issue – April 2018 [(a)]	400	Oct. 2023	6.375%	411	397
TOTAL	**1,755**				**1,736**

(a) *Bonds callable pursuant to the contractual terms as from 15 October 2020.*
(b) *The issue conversion price was €6.89; following the 1:40 share consolidation on 25 May 2020, the conversion price was increased to €275.60.*

These bond issues specifically include a change-of-control clause that would trigger the mandatory early repayment of the bonds at the request of each bondholder in the event of a change of control of the Company (in favor of a person or a group of people acting in concert) leading to a downgrade of the Group's financial rating.

In addition, these bonds may be subject to a request for prepayment should any of the common default scenarios for this type of transaction arise. Early redemption may also be requested in some cases by either the Company or the bondholder, particularly in respect of a change in Vallourec's position or tax status.

Prior to the appointment of the ad hoc representative in September 2020, Vallourec requested the agreement of bearers of high yield bonds maturing in October 2022 and October 2023 to irrevocably and definitively waive the activation of the early maturity clause owing to the appointment of an ad hoc representative. It obtained this agreement on 18 September 2020.

As at 31 December 2020, the contractual maturities of the Company's bond debt have thus not changed and the Company is not aware of any maturity clause that could be activated by creditors on that date.

Finally, it should be borne in mind that the Company entered into safeguard proceedings on 4 February 2021 and that the Company benefits from the legal provisions associated with these proceedings with respect to its creditors during this period.

7.1.2 BANK BORROWINGS

Bank borrowings consist primarily of drawdowns on the Vallourec credit facilities (€1,712 million), which are detailed in Note 7.1.5, and borrowings in Brazil amounting to €14 million.

7.1.3 OTHER FINANCIAL LIABILITIES

Other bank loans and other borrowings primarily correspond to ACC ACE in Brazil (€101 million).

In addition, Vallourec & Sumitomo Tubos do Brasil and, to a lesser extent, Vallourec Transportes e Serviços do Brasil benefit from an ACC ACE program to finance their export operating requirements. As at 31 December 2020, ACC ACE amounted to €101 million.

7.1.4 BREAKDOWN BY CURRENCY, INTEREST RATE AND MATURITY OF LOANS AND OTHER FINANCIAL LIABILITIES

Debt by currency

	31/12/2019	%	31/12/2020	%
USD	182,861	5%	54,813	2%
EUR	3,605,087	94%	3,533,132	98%
BRL	20,580	1%	14,405	0%
Other	15,854	0%	1,161	0%
TOTAL	**3,824,382**	**100%**	**3,603,511**	**100%**

Breakdown by maturity of loans and other financial liabilities

	31/12/2019	31/12/2020
< 3 months	1,011,739	1,781,921
> 3 months and < 1 year	1,065,582	71,063
> 1 year	1,723	786,709
> 2 years	781,368	399,755
> 3 years	399,722	501,690
> 4 years	502,211	2,344
5 years and more	62,037	60,029
TOTAL	**3,824,382**	**3,603,511**

Debt by interest rate

	31/12/2019	%	31/12/2020	%
Fixed rate	3,819,201	100%	3,599,405	100%
Variable rate	5,181	0%	4,106	0%
TOTAL	**3,824,382**	**100%**	**3,603,511**	**100%**

7.1.5 CREDIT FACILITIES AND COVENANTS

Credit facilities

Confirmed credit lines *(in € million)*	Amount	Initial due date	Extension due date	Drawdown amount as at 31 December 2020
Line of €1.1 billion – February 2014	1,034	Feb. 2019	Feb. 2021 for €1,034m	1,029
Bilateral of €90 million – June 2015	90	Feb. 2019	Feb. 2021 for €90m	89
Line of €400 million – September 2015	300	Feb. 2019	Feb. 2021 for €300m	297
Line of €450 million – May 2016	300	Feb. 2020	Feb. 2021 for €300m	297
TOTAL	**1,724**			**1,712**

The instigating decision for the Vallourec S.A. safeguard proceedings of 4 February 2021 automatically prohibits Vallourec S.A. from paying any receivables arising before the opening decision. The Agreement in Principle signed by Vallourec with its main creditors on 3 February 2021 provides for the refinancing of a five-year unsecured revolving credit facility in the amount of €462 million.

Covenant

Each of these bank facilities, by credit facility, requires the Group to maintain its consolidated net debt-to-equity ratio ("bank covenant") at less than or equal to 100%, calculated as at 31 December each year. As defined in the bank loan agreements, the banking covenant ratio is the ratio of the Group's consolidated net debt (including the financial lease debt and the shareholder loan in Brazil) to the Group's equity, restated for gains and losses on derivatives and for foreign currency translation reserves (gains and losses of consolidated subsidiaries in foreign currency).

As at 31 December 2020, the restated indebtedness ratio ("banking covenant") as defined in the bank loan agreements was 180%.

However, it should be noted that subsequent to the closing, given the instigation of safeguard proceedings with respect to the Company on 4 February 2021, in practice, the breach of this covenant will not oblige the Company to repay its creditors in February 2021. The purpose of implementing new credit lines and the financial restructuring provided for in the Agreement in Principle signed on 3 February 2021 with its main creditors is to restructure the Company's financial debt (see Note 11.2).

Banking covenant	31/12/2019	31/12/2020
Net debt (excluding financial lease debt)	2,030,539	2,213,978
Financial lease debt	50,042	30,233
Net debt	**2,080,581**	**2,244,211**
Shareholder loan	20,560	8,613
Restated net debt (1)	**2,101,141**	**2,252,824**
Equity	1,980,045	133,677
Foreign currency translation reserve – Group share [(a)]	608,335	1,144,517
Reserves – changes in fair value of financial instruments [(a)]	(3,893)	(23,522)
Equity restated (2)	**2,584,487**	**1,254,672**
Ratio of banking covenant restated (1)/(2)	81%	180%

(a) Including minority interests.

7.1.6 FINANCIAL INCOME (LOSS)

	2019	2020
FINANCIAL INCOME		
Income from investment securities	14,425	5,343
Income from disposals of investment securities	16	(1,326)
Total	**14,441**	**4,017**
Interest expenses	**(188,232)**	**(200,514)**
Net interest expenses	**(173,791)**	**(196,497)**
OTHER FINANCIAL INCOME AND EXPENSES	-	
Income from securities, loans and receivables	3,581	934
Exchange (losses) and gains and changes in premiums/discounts	(36,044)	(24,846)
Provision allowances, net of reversals	1,542	(274)
Other financial income and expenses	6,452	28,263
Total	**(24,469)**	**4,077**
Interest expenses on leases	**(34,704)**	**(29,695)**
OTHER DISCOUNTING EXPENSES	-	
Interest expense discounts on pensions	(9,193)	(3,788)
Financial income from discounted assets and liabilities	(1,914)	(1,028)
Total	**(11,107)**	**(4,816)**
FINANCIAL INCOME (LOSS)	**(244,071)**	**(226,931)**

The "other financial income and expenses" recognized in 2020 mainly concern non-recurring items: option premiums paid as part of the proposed capital increase announced in February 2020 but not completed, financial income in Brazil (corresponding to the discounting of sums obtained in 2020 following the favorable settlement of several claims/disputes pending for several years).

7.1.7 RECONCILIATION OF FINANCIAL LIABILITIES WITH THE CASH FLOW STATEMENT

	31/12/2019	Translation difference	Proceeds drawn from new borrowings	Repayments of borrowings	Current/non-current reclassifications and others	31/12/2020
Non-current financial liabilities	1,747,061	(7,667)	5,799	1,424	3,910	1,750,527
Current financial liabilities	2,077,321	(58,329)	2,648,547	(2,809,275)	(5,280)	1,852,984
Financial liabilities (1)	**3,824,382**	**(65,996)**	**2,654,346**	**(2,807,851)**	**(1,370)**	**3,603,511**
Impact of hedging instruments and others (2)			**143**	**-**		
TOTAL (1) + (2)			**2,654,489**	**(2,807,851)**		
Change in financial liabilities in the statement of cash flows			2,654,489	(2,807,851)		

	31/12/2018	Translation difference	Proceeds drawn from new borrowings	Repayments of borrowings	Current/non-current reclassifications and others	31/12/2019
Non-current financial liabilities	1,796,637	3,281	9,936	(3,455)	(59,338)	1,747,061
Current financial liabilities	1,000,872	1,932	2,613,726	(1,542,556)	3,347	2,077,321
Financial liabilities (1)	**2,797,509**	**5,213**	**2,623,662**	**(1,546,011)**	**(55,991)**	**3,824,382**
Impact of hedging instruments and others (2)	**-**	**-**	**8,221**	**-**	**-**	**-**
TOTAL (1) + (2)	**2,797,509**	**5,213**	**2,631,883**	**(1,546,011)**	**(55,991)**	**3,824,382**
Change in financial liabilities in the statement of cash flows			2,631,883	(1,546,011)		

Net cash inflows and repayments of financial liabilities primarily correspond to drawings and repayments of commercial paper and short-term credit facilities.

7.1.8 FINANCIAL OFF-STATEMENT COMMITMENTS

Financial off-statement commitments received amounted to €14 million as at 31 December 2020, compared with €0.2 million as at 31 December 2019. They mainly correspond to letters of credit received.

	31/12/2019	31/12/2020	< 1 year	1 to 5 years	> 5 years
Market guarantees and letters of credit given	107,475	103,428	54,381	48,081	966
Other securities, mortgages and pledges given	782	2	-	2	-
TOTAL	**108,257**	**103,430**	**54,381**	**48,083**	**966**

7.2 Other financial liabilities

Other financial liabilities consist primarily of lease debts and derivatives (the accounting principles for their recognition are presented in Note 7.5.3).

The lease debt, on the effective date of the agreement, is recognized in an amount equal to the current value of lease payments over the term of the agreement. The amounts taken into account for lease payments in debt measurement are:

- fixed lease payments (including fixed lease payments in substance);
- variable lease payments based on a rate or an index, using the rate or index on the effective date of the agreement;
- payments to be made by the lessee under a residual value guarantee;
- penalties to be paid in the event of the exercising of an option for termination or non-renewal of the lease, if the term of the lease was determined on the assumption that the lessee would exercise it.

Discount rates are calculated individually over the ultimate term of the lease.

Changes in lease debt are as follows:

- it is increased by interest expenses determined by applying the discount rate to the debt, at the start of the period;
- reduced by the amount of the payments made.

	31/12/2019			31/12/2020		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Lease debt	133,684	103,560	30,124	107,798	83,638	24,160
Option to repurchase non-controlling interests	-	-	-	7,100	-	7,100
Derivatives	17,995	-	17,995	14,079	-	14,079
TOTAL	**151,679**	**103,560**	**48,119**	**128,977**	**83,638**	**45,339**

In 2010, Vallourec Soluções Tubulares do Brasil entered into a finance lease with a nominal value of BRL 570 million (€126.2 million) relating to equipment needed to operate the plant at Jeceaba. As at 31 December 2020, the residual amount outstanding on this finance lease was BRL 179.9 million (€28.2 million).

In 2020, the appointment of an ad hoc representative triggered the option for Nippon Steel to sell its 15.4% holding in the Brazilian joint venture Vallourec Soluções Tubulares do Brasil (VSB) to the Vallourec Group. Nippon Steel resolved to exercise this option, resulting in the recognition as at 31 December of a current financial liability for the exercise price of €7.1 million (BRL 45 million) less interest attributable to non-controlling interests (see Note 6.2).

MATURITY SCHEDULE

	> 1 year	> 2 years	> 3 years	> 4 years	5 years and more	Total
Lease debt	20,513	19,298	14,985	9,881	18,961	83,638

7.3 Other financial assets

	31/12/2019			31/12/2020		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Loans	3,311	2,866	445	3,210	2,939	271
Other financial assets	35,943	35,106	837	54,186	46,187	7,999
Derivatives	5,847	-	5,847	36,947	-	36,947
Other financial assets	5,254	5,162	92	4,973	4,907	66
TOTAL	**50,355**	**43,134**	**7,221**	**99,316**	**54,033**	**45,283**

7.4 Shareholder loan

Vallourec Soluções Tubulares do Brasil benefits from a shareholder loan granted by NSSMC. In 2020, it was amortized for the amount of BRL 44 million (approximately €7.5 million). This loan was fully repaid on 26 March 2021 at the same time as the sale to the Vallourec Group of the 15.4% stake in Vallourec Soluções Tubulares do Brasil held [(1)] by Nippon Steel Corporation.

	31/12/2019	31/12/2020
Shareholder loan	20,560	8,613
As at 1 January	**28,892**	**20,560**
Translation difference	(276)	(5,513)
Proceeds drawn from new borrowings	-	-
Repayments of borrowings	(9,970)	(7,461)
Current/non-current reclassifications and others	1,914	1,027
AS AT 31 DECEMBER	**20,560**	**8,613**

(1) *The 15.4% stake in the Brazilian joint venture Vallourec Soluções Tubulares do Brasil (VSB) sold to the Vallourec group includes a 15% stake held by Nippon Steel Corporation group and a 0.4% stake held by the Sumitomo Corporation and which is subject to the put option.*

7.5 Financial instruments

7.5.1 FINANCIAL ASSET AND LIABILITY ACCOUNTING MODEL

Financial assets include:

- non-current financial assets: other equity interests and associated receivables, construction participation loans and guarantees; and
- current financial assets, including accounts receivable and other trade receivables, short-term derivative instruments and cash and cash equivalents (investment securities).

Initial measurement

Non-derivative financial assets are initially measured at fair value on the transaction date, including transaction costs, except for assets measured at fair value through profit or loss.

In most cases, the fair value on the transaction date is the historical cost, (i.e. the acquisition cost of the asset).

Classification and measurement at the end of the reporting period

Financial assets (excluding hedging derivatives) are classified according to IFRS 9 in one of the following three categories:

- financial assets at amortized cost;
- financial assets measured at fair value through other comprehensive income;
- financial assets measured at fair value through profit or loss.

The classification is determined according to the following two parameters:

- the economic model followed by the Group to manage financial assets;
- features of the contractual cash flows of financial assets.

Financial assets at amortized cost

These financial assets meet the following two conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In the Group, this category includes:

- receivables associated with participating interests, long-term loans and construction participation loans;
- accounts receivable and other trade receivables.

The amortized cost of short-term receivables such as trade receivables is usually equal to their historical cost.

Loans to employees are measured using the effective interest rate method applied to estimated future cash flows until the maturity dates of the loans.

Financial assets measured at fair value through other comprehensive income

This concerns the following financial assets:

1. **1.** The instruments resulting in cash flows that correspond solely to payments of principal and interest on the remaining capital due (SPPI instruments) and for which ownership falls within a mixed business model of collection and sales.

   This line item essentially concerns bonds and futures.

   When a financial asset is removed from the balance sheet, the cumulative loss or gain that was previously recorded under other comprehensive income (loss) is reclassified under equity in the income statement.

   The interest calculated according to the amortized cost method and impairments is recorded under income (loss).

2. **2.** Equity instruments are recorded at fair value under other comprehensive income.

   Changes in fair value are recorded directly in equity and may not be reclassified. The interest calculated according to the amortized cost method and impairments is recorded under income (loss).

   In the Group, the main assets in this category are investments in equity instruments. In general, these are:

   - unlisted shares whose fair value cannot be reliably estimated. They are recorded at cost and undergo impairment testing when the consolidated financial statements are prepared;
   - listed shares measured at their fair value at the reporting date. This fair value is determined based on the stock market price at the reporting date.

Financial assets measured at fair value through profit or loss

This category of assets includes financial assets that are not measured at amortized cost, or that are measured at fair value through other comprehensive income.

These are primarily certain cash assets (investment securities, cash and cash equivalents, etc.) and asset derivatives that have not been expressly designated as hedging instruments (security deposits and guarantees).

These cash assets are measured at fair value at the reporting date, and changes in fair value are recognized in financial income/(loss). Therefore, they are not tested for impairment. Fair value is determined mainly by reference to market quotations.

Impairment assessment model for financial assets

Starting from the initial recording, assets measured at amortized cost and assets measured at their fair value through other comprehensive income (debt instruments) are impaired according to the credit losses expected over the life of the asset. At each closing date, it is appropriate to assess whether the credit risk associated with a financial instrument has increased materially since the initial recording. The entity must base its assessment on the change in credit risk over the expected term of the financial instrument.

Vallourec uses several criteria to determine whether the credit risk has increased: rating of the counterparty, assessment of the level of risk.

The amounts recognized in the balance sheet are based on the measurement methods used for each financial instrument.

31/12/2020	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value derivatives	Total	Fair value
ASSETS						
Trade and other receivables	467,785	-	-	-	467,785	467,785
Other current and non-current financial assets	57,321	-	5,049	36,947	99,316	99,316
Other current and non current assets	270,137	-	-	-	270,137	270,137
Cash and cash equivalents	-	1,389,533	-	-	1,389,533	1,389,533
Total financial assets	**795,243**	**1,389,533**	**5,049**	**36,947**	**2,226,771**	**2,226,771**
Total non financial assets	**-**	**-**	**-**	**-**	**2,821,517**	**2,821,517**
TOTAL ASSETS	**-**	**-**	**-**	**-**	**5,048,288**	**5,048,288**
LIABILITIES						
Borrowings	3,603,511	-	-	-	3,603,511	3,674,336
Trade payables	426,097	-	-	-	426,097	426,097
Other current and non-current financial liabilities	114,897	-	-	14,080	128,977	128,977
Other current and non current liabilities	273,426	-	-	-	273,427	273,427
Total financial liabilities	**4,417,931**	**-**	**-**	**14,080**	**4,432,012**	**4,502,837**
Total non financial liabilities	**-**	**-**	**-**	**-**	**616,276**	**616,278**
TOTAL EQUITY AND LIABILITIES	**-**	**-**	**-**	**-**	**5,048,288**	**5,119,115**

31/12/2019	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value derivatives	Total	Fair value
ASSETS						
Trade and other receivables	616,739	-	-	-	616,739	616,739
Other current and non-current financial assets	39,146	-	5,362	5,847	50,355	50,355
Other current and non current assets	325,187	-	-	-	325,187	325,187
Cash and cash equivalents	-	1,793,843	-	-	1,793,843	1,793,843
Total financial assets	**981,072**	**1,793,843**	**5,362**	**5,847**	**2,786,124**	**2,786,124**
Total non financial assets	**-**	**-**	**-**	**-**	**4,519,312**	**4,519,312**
TOTAL ASSETS					**7,305,436**	**7,305,436**
LIABILITIES						
Borrowings	3,824,382	-	-	-	3,824,382	3,893,382
Trade payables	579,739	-	-	-	579,739	579,739
Other current and non-current financial liabilities	133,684	-	-	17,995	151,679	151,679
Other current and non current liabilities	346,166	-	-	-	346,166	346,166
Total financial liabilities	**4,883,971**	**-**	**-**	**17,995**	**4,901,966**	**4,970,966**
Total non financial liabilities	**-**	**-**	**-**	**-**	**2,403,470**	**2,403,470**
TOTAL EQUITY AND LIABILITIES					**7,305,436**	**7,305,436**

7.5.2 FAIR VALUE LEVELS

Financial instruments measured at fair value are classified by category on the basis of their measurement method. Fair value is measured:

- level 1: according to prices quoted on an active market;
- level 2: on the basis of observable methods and data and with reference to the financial markets (yield curve, forward prices, etc.);
- level 3: on the basis of an internal model with unobservable inputs.

	31/12/2019			31/12/2020		
	Accounting value	Fair value	Level	Accounting value	Fair value	Level
ASSETS						
Other current and non-current financial assets (Other equity interests)	5,362	5,362	2	5,049	5,049	2
Other current and non-current financial assets (Derivatives)	5,847	5,847	2	36,947	36,947	2
Cash and cash equivalents	1,793,843	1,793,843	1	1,389,533	1,389,533	1
LIABILITIES						
Other current and non-current financial liabilities (Derivatives)	17,995	17,995	2	14,079	14,079	2

7.5.3 HEDGING ACCOUNTING

The measurement and recognition of financial instruments are governed by IFRS 9.

Group exposure to foreign exchange risk on commercial transactions

In addition to the hedging of certain financial liabilities, the Group enters into hedging contracts mainly to manage its exposure to foreign exchange risks arising from the orders and sales of certain subsidiaries in currencies other than their functional currency. In particular, a significant share of Vallourec's revenue is invoiced by European companies in US dollars. Exchange rate fluctuations between the euro and the dollar may therefore affect the Group's operating margin.

The Group manages its exposure to foreign exchange risk by setting up hedges based on regularly updated forecasts of customer orders. Operating receivables and income that will be generated by the orders are thus hedged by financial instruments, mainly forward currency sales.

To a lesser extent, the Group also enters into forward currency purchases to hedge its foreign currency purchase commitments.

Measurement and presentation of derivatives

Changes in the value of derivatives with respect to their date of implementation are measured at each reporting date.

The fair value of forward currency contracts is calculated on the basis of market data and conditions. Since they hedge commercial transactions, these derivatives are presented on the statement of financial position under current assets and current liabilities.

Hedge accounting

Hedging of commercial transactions falls within the category of cash flow hedges.

The Group applies hedge accounting in strict compliance with the criteria of IFRS 9:

- documentation of the hedging relationship: nature of the underlying hedged item, term of the hedge, hedging instrument used, spot rate of the hedge, forward points, etc.; and
- in the case of cash flow hedges, carrying out an effectiveness test on implementation of the derivative and updating the test at least at each quarter-end.

Hedge accounting within the Group is as follows:

At the reporting date, changes in the hedging instrument with respect to its date of implementation are measured at fair value and recognized on the statement of financial position as derivative assets or liabilities. The following are shown separately:

- the change in the currency impact of the hedging instrument (difference between the spot rate on the date of implementation of the hedge and the spot rate on the measurement date, i.e. the reporting date):
  - if the hedge is effective, and as long as the revenue (or purchase) hedged is not recognized, changes in the currency impact are recognized under other comprehensive income, in accordance with the principles of cash-flow hedge accounting,
  - if the hedging instrument is not effective (a rare occurrence, given the procedures introduced by the Group), the change in the currency impact of the derivative is recognized in financial income or loss;
- the change in the rate impact (premium/discount).

The Group has chosen to recognize this change in financial income or loss, since this component is not included in the hedging relationship.

The revenue (purchase) corresponding to the sales forecasts (purchase orders) hedged is recognized at the spot rate on the date of implementation of the hedging contract. The account receivable (account payable) is initially recognized at the same spot rate.

At the end of each reporting period, hedged foreign currency accounts receivable and accounts payable are measured and recognized at the exchange rate applicable on the reporting date. The difference between that rate and the rate used on initial recognition (spot rate on the date of implementation of the hedge) or the rate applicable on the last reporting date constitutes an exchange gain or loss recognized in financial income or loss for the period.

Once the hedged item (foreign currency receivable or payable) is recorded on the statement of financial position, the change in the currency impact of the hedging instrument previously recognized in equity is recorded in financial income or loss. Changes in the value of the hedging instrument and the receivable or debt hedged then have a symmetrical impact on financial income or loss.

From a net liability position of €12.1 million as at 31 December 2019, hedging assets moved to a net asset position of €22.8 million as at 31 December 2020.

Fluctuations in the euro against the US dollar in 2020 account for most of the +€19.5 million change in the currency impact of hedges of forecast sales and purchases in foreign currencies.

Financial instruments of a speculative nature remain exceptional and arise when a hedging relationship is ineffective under the terms of IFRS 9. Their changes in value do not have a material impact on foreign exchange gains or losses.

	Accounting treatment	OCI reserves [a]	31/12/2020	31/12/2019
Currency forward contracts on commercial transactions	*Cash flow hedge*	19,534	20,885	2,126
Currency forward contracts on commercial transactions	*Fair value hedge*	(9)	1,187	(15,177)
Currency forward contracts on financial transactions	*Fair value hedge*	-	398	497
Hedging instruments set up under employee share ownership plans	*Fair value hedge*	(21)	398	406
Subtotal derivatives		**19,504**	**22,868**	**(12,148)**
Of which derivatives – assets		-	*36,947*	*5,847*
Of which derivatives – liabilities		-	*14,079*	*17,995*
Receivables (payables) used for commercial hedges	*Cash flow hedge*	(1,459)	289	1,747
Receivables (payables) used for commercial hedges	*Fair value hedge*	-	(524)	(1,129)
TOTAL		**18,045**	**22,633**	**(11,530)**

(a) Assets and liabilities offset in this table: + = asset, () = liability.

The change in the fair value of financial instruments hedging foreign exchange risk, which affected equity as at 31 December 2019, was +€2.1 million. In 2020, around 97% of the negative change in fair value attached to the order book and commercial tenders at the end of 2019 was transferred from equity to other comprehensive income, under "Group translation gain/loss". This amount represents the impact of the changes in value of foreign exchange hedges for the order book and commercial tenders as at 31 December 2019, which were fully or partially unwound or converted into receivables during 2020.

This corresponds mainly to the hedges of receivables in US dollars, which represented nearly all the hedges with an impact on equity as at 31 December 2020.

	Accounting treatment	OCI reserves [a]	31/12/2019	31/12/2018
Currency forward contracts on commercial transactions	*Cash flow hedge*	12,490	2,126	(11,495)
Currency forward contracts on commercial transactions	*Fair value hedge*	8	(15,177)	(18,413)
Currency forward contracts on financial transactions	*Fair value hedge*	-	497	380
Hedging instruments set up under employee share ownership plans	*Fair value hedge*	778	406	1,044
Subtotal derivatives		**13,277**	**(12,148)**	**(28,484)**
Of which derivatives – assets		-	*5,847*	*3,347*
Of which derivatives – liabilities		-	*17,995*	*31,831*
Receivables (payables) used for commercial hedges	*Cash flow hedge*	(531)	1,747	2,278
Receivables (payables) used for commercial hedges	*Fair value hedge*	-	(1,129)	(1,644)
TOTAL		**12,746**	**(11,530)**	**(27,850)**

(a) Assets and liabilities offset in this table: + = asset, () = liability.

The change in the fair value of financial instruments hedging foreign exchange risk, which affected equity as at 31 December 2018, was -€11.5 million. In 2019, around 85% of the negative change in fair value attached to the order book and commercial tenders at the end of 2018 was transferred from equity to other comprehensive income, under “Group translation gain/loss”. This amount represents the impact of the changes in value of foreign exchange hedges for the order book and commercial tenders as at 31 December 2018, which were fully or partially unwound or converted into receivables during 2019.

This corresponds mainly to the hedges of receivables in US dollars, which represented nearly all the hedges with an impact on equity as at 31 December 2019.

7.5.4 FINANCIAL RISK MANAGEMENT

Market risk is comprised of interest rate, foreign exchange (conversion and transactions), liquidity, credit and equity risk.

Foreign currency translation risk

The assets, liabilities, revenues and expenses of the Group’s subsidiaries are expressed in various currencies. The Group’s financial statements are presented in euros. The assets, liabilities, revenues and expenses denominated in currencies other than the euro have to be translated into euros at the applicable rate so that they can be consolidated.

If the euro rises (or falls) against another currency, the value in euros of the various assets, liabilities, revenues and expenses initially recognized in that other currency will fall (or rise). Therefore, changes in the value of the euro may have an impact on the value in euros of the assets, liabilities, revenues and expenses not denominated in euros, even if the value of these items in their original currency has not changed.

In 2020, net income, Group share was generated to a significant extent by subsidiaries that prepare their financial statements in currencies other than the euro (mainly in US dollars and Brazilian reals). A 10% change in exchange rates would have had an upward or downward impact on net income, Group share of around €39.3 million.

In addition, the Group’s sensitivity to long-term foreign exchange rate risk is reflected in the changes that have occurred in recent years in the foreign currency translation reserves booked to equity (€-1,111.5 million as at 31 December 2020) which, in recent years, have been linked mainly to changes in the US dollar and Brazilian real.

The conversion reserves are detailed in Note 6.1.

Liquidity risk

The Group’s financial resources are composed of bank financing and market financing.

The majority of long-term and medium-term bank financing has been put in place in Europe via Vallourec S.A. and, to a lesser extent, via the subsidiaries in Brazil.

Vallourec S.A.’s credit facilities (€1,724 million) do not benefit from any security or guarantee.

Market financing is arranged exclusively by Vallourec S.A. and is not secured or guaranteed.

In addition to bank financing, the Group has sought to diversify its funding sources by using market financing. For example, Vallourec SA launched a commercial paper program on 12 October 2011 to meet its short-term needs. The program has a €1 billion ceiling.

As at 31 December 2020, Vallourec S.A. had no outstanding commercial paper. This commercial paper program has a short-term rating of C from Standard & Poor’s.

As at 31 December 2020, the Group had confirmed bank credit facilities of €1,724 million, including €12 million unused, and cash of €1,390 million. The Group therefore had liquid assets of €1,402 million at its disposal. However, as mentioned in Note 7.1.5, all of these credit facilities are due to expire in February 2021.

In order to meet its repayment deadlines, the Group signed an Agreement in Principle with its main creditors on 3 February 2021, which is scheduled to be implemented at the end of the first half of 2021.

This agreement meets Vallourec S.A.’s objectives to rebalance its capital structure by reducing its debt and securing the necessary liquidity that will enable it to implement its strategic plan in a volatile market environment. Accordingly, Vallourec S.A. has filed a request with the Commercial Court of Nanterre for the opening of safeguard proceedings with respect to it. The opening of the proceedings on 4 February 2021 notably aims to enable the implementation of the Agreement in Principle, which will be subject to approval by a two-thirds majority of each of the creditors’ committees (lenders under the RCF on the one hand and Bondholders on the other), as well as the approval of the Extraordinary Shareholders’ Meeting, before it can be submitted to the court for approval (Note 11.2).

Transaction risk

The Group is subject to foreign exchange risks owing to its business exposure linked to sales and purchase transactions entered into by some of its subsidiaries in currencies other than their functional currency.

The main foreign currency involved is the US dollar (USD): a significant portion of the Vallourec Group’s transactions (approximately 41% of Group revenue in 2020) is invoiced in US dollars by companies whose functional currency is not the US dollar.

Exchange rate fluctuations between the euro, the Brazilian real (BRL) and the US dollar may therefore affect the Group’s operating margin. Their impact is, however, very difficult to quantify for two reasons:

1. there is an adjustment phenomenon on sales prices denominated in US dollars, which is related to market conditions in the various sectors of activity in which Vallourec operates;
2. certain sales and purchases, even though they are denominated in euros or Brazilian reals, are influenced by the level of the US dollar. They are therefore indirectly and at some time in the future affected by movements in the US currency.

The Group actively manages its exposure to foreign exchange risk to reduce the sensitivity of its net profits to currency fluctuations by setting up hedges once the order is placed and sometimes once a quotation is given.

Orders, receivables, payables and operating cash flows are thus hedged with financial instruments, mainly forward purchases and sales.

Order cancellations could therefore result in the cancellation of hedges in place, leading to the recognition in the consolidated income statement of gains and losses with regard to these canceled hedges.

We estimate that a 10% rise or fall in the currencies used in all hedges implemented by the Group would result in a €38 million decrease or increase in the currency impact recognized in consolidated equity as at 31 December 2020. Most of these amounts would be due to changes in the US dollar against the euro.

To be eligible for hedge accounting as defined under IFRS 9, the Vallourec Group has developed cash management and invoicing systems to facilitate the traceability of hedged transactions throughout the duration of the hedging instruments.

As at 31 December 2020, the following amounts were outstanding under forward foreign exchange contracts to hedge purchases and sales denominated in foreign currencies:

Hedging contracts with regard to commercial transactions – Foreign exchange risk	31/12/2019	31/12/2020
Forward exchange contract – forward sales	1,118,676	587,207
Forward exchange contract – forward purchases	37,729	32,789
TOTAL	**1,156,405**	**619,996**

Contract maturities as at 31 December 2020

Contracts on commercial transactions	Total	< 1 year	1 to 5 years	> 5 years
Forward exchange contract – forward sales	587,207	564,971	22,236	-
Forward exchange contract – forward purchases	32,789	32,789	-	-
TOTAL	**619,996**	**597,760**	**22,236**	**-**

Forward sales (€587 million of the €620 million total) correspond mainly to sales of US dollars. These contracts were transacted at an average forward EUR/USD rate of 1.16 and an average forward USD/BRL rate of 5.39.

In 2020, as in 2019, the hedges entered into generally covered an average period of about 10 months and mainly hedged highly probable future transactions and foreign currency receivables.

In addition to hedges on commercial transactions, the Vallourec Group has implemented hedging contracts for financial loans and receivables denominated in foreign currencies:

- forward sales for USD 60 million (€48.9 million);
- forward sales of GBP 15.9 million (€17.6 million).

These instruments are intended to hedge either the debt denominated in US dollars, or the foreign currency loans established by the financial holding company Vallourec Tubes in the currency of the subsidiaries receiving them. The forward purchases and sales mature at various times in 2021, as and when the hedged loans and borrowings mature.

Other than its foreign-currency-denominated borrowings, the Vallourec Group does not hedge any of the other foreign currency assets and liabilities in its consolidated statement of financial position (foreign currency translation risks).

Interest rate risk

Management of medium- and long-term financing within the euro zone is centralized at Vallourec S.A. and the sub-holding company Vallourec Tubes.

The allocation of debt between fixed and variable rates is presented in Note 7.1.4.

The amount of loans with fixed rates on the dates granted primarily consists of bonds issued by Vallourec S.A., as described in Note 7.1, and drawings on Vallourec S.A.'s confirmed credit facilities.

Debt contracted at a rate higher than 6% relates to bond issues of €550 million and €400 million.

Debt at a fixed rate of less than 3% on the date granted relates to the €500 million bond issue.

The Group is only slightly exposed to interest rate risk on its variable-rate debt. As at 31 December 2020, financial debt exposed to changes in variable interest rates was €4.1 million (about 0.1% of total gross debt).

Given the Group's interest rate hedge accounting policy, the impact of a 1% rise on short-term rates in the euro zone, on Brazilian and Chinese rates and on UK and US money market rates would result in a €0.04 million increase in the Group's annual financial expenses, based on an assumption of complete stability of the financial liabilities and constant exchange rates, and after taking into account the effects of any hedging instruments. This impact does not take into account the interest rate risk on commercial paper with a maturity of more than one year or on short-term cash investments (with a maturity of no more than three months).

Credit risks

The Vallourec Group is subject to credit risk on financial assets for which no impairment provision has been made and whose non-recovery could affect the Company's results and financial position.

The Group has identified four main types of receivables that have these characteristics:

- 1% building loans granted to Group employees;
- security deposits paid in connection with tax disputes and the tax receivables due to the Group in Brazil;
- trade and other receivables;
- derivatives that have a positive fair value.

1. 1% building loans granted to the Group's employees: these loans do not expose the Group to any credit risk since the full amount of the loan is written off as soon as there is any delay in the collection of the amounts due. It should be noted that these loans are valued using the effective interest rate method applied to the expected cash flows until the maturity date of these loans (contractual interest rates may be lower).
2. Security deposits and tax receivables due to the Group in Brazil: there is no specific risk in respect of these receivables, even if the outcome of the disputes is unfavorable, since the risk has already been assessed and a provision recognized in respect of these receivables, and the funds have already been paid in full or in part.
3. As concerns the derivatives that have a positive fair value, the Group only deals with highly-rated counterparties. The credit risk is considered to be insignificant.
4. The Group's policy on the impairment of trade and other receivables is to recognize a provision when indications of impairment are identified. The impairment is equal to the difference between the carrying amount of the asset and the present value of expected future cash flows, taking into account the position of the counterparty.

   The Group considers that, as at 31 December 2020, there is no reason to assume that there is any risk in respect of receivables for which no provision has been made and which are less than 90 days overdue. Trade receivables more than 90 days past due and not impaired amounted to €46.3 million as at 31 December 2020, or 10% of the Group's total net trade receivables.

The Vallourec Group considers that the risk is limited given its existing customer risk management procedures, which include:

- the use of credit insurance and documentary credits;
- the long-standing nature of the Group's commercial relations with major customers;
- the commercial collection policy.

The Vallourec Group remains subject to country risk, which could impact the payment of some of its receivables.

In addition, as at 31 December 2020, trade receivables not yet due amounted to €359.9 million, or 76% of total net trade receivables.

The maturities of these trade receivables are as follows (in € thousand):

As at 31/12/2020	0 to 30 days	30 to 60 days	60 to 90 days	90 to 180 days	> 180 days	Total
Trade receivables outstanding	280,426	38,439	13,045	20,502	7,520	359,932

Equity risk

Treasury shares held by the Group are recognized at their acquisition cost as a deduction from equity. Proceeds from the sale of these shares are booked directly as an increase in equity so that gains or losses on disposal do not affect consolidated income.

Treasury shares held by the Vallourec Group as at 31 December 2020 include shares allocated to allocation operations for certain members of the staff, executive management or corporate officers of the Group.

In this context, Vallourec SA holds:

- 3 treasury shares acquired in 2011 under the share repurchase plan of 7 June 2011, after the definitive allocation of 27,534 shares in 2012, 86,377 shares in 2013, 91,929 shares in 2014, 108,600 shares in 2015, 30,524 shares in 2016, 54,871 shares in 2017, 10 shares in 2018, and 152 shares in 2020 under the various performance share plans;
- 1,078 treasury shares acquired in 2020 after the definitive allocation of 1,422 shares in 2020 under the various performance share plans.

As at 31 December 2020, Vallourec holds 1,081 treasury shares, all allocated to a performance plan.

The Management Board, in consultation with the Supervisory Board, has decided to allocate these treasury shares to cover the Group's performance share and employee share ownership plans.

To the best of its knowledge, the Group had no other exposure to equity risk as at 31 December 2020.

Note 8 ● Employee benefits

The Group participates in the funding of supplementary retirement plans and other long-term employee benefits, in accordance with constructive or legal requirements. The Group offers these benefits by means of either defined contribution or defined benefit plans.

In the case of defined contribution plans, the Group's only obligation is the payment of premiums. Contributions paid to the plans are recognized as expenses for the period. If applicable, provisions are recognized for outstanding contributions at the reporting date.

Provisions are recognized for retirement commitments and similar obligations arising from defined benefit plans and are measured based on an actuarial calculation performed at least once a year by independent actuaries. The projected unit credit method is applied as follows: each period of service creates an additional unit of benefit entitlement, and each of these units is measured separately to determine the Group's employee benefit obligations.

The calculations take into account the specific features of the various plans and assumptions for the retirement date, career advancement, salary increases, as well as the probability of the employee still being employed by the Group at retirement age (turnover rates, mortality tables, etc.). The obligation is discounted based on the interest rates of long-term bonds of prime issuers.

Retirement commitments and similar obligations mainly relate to the Group's French subsidiaries and its subsidiaries in Germany, the United Kingdom, the United States and Brazil. Other employee benefits and similar for which the Group recognizes provisions are:

- in the case of French and foreign subsidiaries, benefits in connection with long-service awards;
- in the case of certain subsidiaries in the United States and Brazil, coverage of medical expenses. The obligation is presented on the statement of financial position, net of plan assets measured at fair value (if applicable).

	Germany		France		United Kingdom		Other		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Retirement benefits	270,764	271,817	34,865	30,654	115,065	114,597	83,903	80,316	504,597	497,384
Early retirement commitments	57,729	50,558	-	-	-	-	-	-	57,729	50,558
Long-service awards and medical benefits	17,386	16,841	1,611	1,627	-	-	22,256	14,611	41,253	33,079
Present value of the obligation	**345,879**	**339,216**	**36,476**	**32,281**	**115,065**	**114,597**	**106,159**	**94,927**	**603,578**	**581,021**
Fair value of plan assets	(193,392)	(192,835)	(5,518)	(1,903)	(130,317)	(135,951)	(46,564)	(47,697)	(375,791)	(378,386)
NET LIABILITY	**152,487**	**146,381**	**30,958**	**30,378**	**(15,253)**	**(21,354)**	**59,595**	**47,230**	**227,787**	**202,635**

Changes in the obligation	Germany		France		United Kingdom		Other		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
As at 1 January	**321,382**	**345,879**	**32,534**	**36,476**	**106,328**	**115,065**	**93,179**	**106,159**	**553,423**	**603,578**
Current service cost	12,599	10,937	1,288	1,501	641	462	3,031	2,650	17,560	15,550
Interest expenses on the obligation	5,193	2,880	660	270	2,978	2,171	5,614	4,274	14,445	9,596
Employee contributions	-	-	-	-	-	-	28	32	28	32
Remeasurements	-	-	-	-	-	-	-	-	-	-
Experience-related adjustments	5,033	(3,927)	(427)	(3)	(2,420)	1,072	750	(2,659)	2,936	(5,517)
Actuarial gains and losses arising from changes in demographic assumptions	-	-	453	-	(1,450)	595	(4)	(1,487)	(1,001)	(892)
Actuarial gains and losses arising from changes in financial assumptions	28,561	7,907	2,594	899	14,962	8,615	14,716	5,917	60,833	23,338
Acquisitions/ disposals	-	-	-	-	-	-	(0)	-	(0)	-
Benefits payments	(31,799)	(28,109)	(598)	(4,222)	(11,536)	(7,375)	(4,365)	(4,481)	(48,298)	(44,187)
Plan amendments	-	-	-	-	-	-	(8,505)	-	(8,505)	-
Foreign exchange differences	-	-	-	-	5,562	(6,228)	921	(15,319)	6,483	(21,547)
Others [(a)]	4,910	3,649	(28)	(2,640)	-	220	795	(159)	5,676	1,070
AS AT 31 DECEMBER	**345,879**	**339,216**	**36,476**	**32,281**	**115,065**	**114,597**	**106,159**	**94,927**	**603,578**	**581,021**

(a) Primarily consists of the restructurings in Germany (increase in early retirement plan).

The changes in assets associated with these benefits are as follows:

	Germany		France		United Kingdom		Other		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Value of assets	**176,331**	**193,392**	**5,116**	**5,518**	**120,571**	**130,317**	**37,045**	**46,564**	**339,063**	**375,791**
Actual return on assets	15,561	7,619	413	(461)	12,416	16,796	6,865	5,366	35,255	29,320
Contributions	1,500	-	-	-	2,563	3,330	4,080	2,615	8,144	5,945
Benefits paid	-	(8,176)	(11)	(2,889)	(11,536)	(7,375)	(2,040)	(1,931)	(13,587)	(20,371)
Acquisitions, disposals, liquidations	-	-	-	(265)	-	-	-	(89)	-	(354)
Foreign exchange differences	-	-	-	-	6,302	(7,117)	614	(4,828)	6,916	(11,945)
VALUE OF ASSETS	**193,392**	**192,835**	**5,518**	**1,903**	**130,317**	**135,951**	**46,564**	**47,697**	**375,791**	**378,386**

EXPENSES FOR THE FISCAL YEAR

	Germany		France		United Kingdom		Other		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Current service cost	12,599	10,937	1,288	1,501	641	462	3,031	2,650	17,560	15,550
Interest expenses on the obligation	5,193	2,880	660	270	2,978	2,171	5,614	4,274	14,445	9,596
Long-term return on plan assets	(2,997)	(1,451)	(51)	(42)	(3,403)	(2,481)	(1,731)	(1,564)	(8,182)	(5,539)
Net actuarial losses/ (gains) for the year	7,401	(1,992)	141	(13)	-	-	498	(707)	8,040	(2,712)
Cost of past services	-	-	-	-	-	-	(8,505)	-	(8,505)	-
Gains/(losses) from reduction or liquidation	4,909	3,649	-	(245)	-	219	-	(160)	4,909	3,463
NET EXPENSE	**27,105**	**14,023**	**2,038**	**1,471**	**216**	**371**	**(1,092)**	**4,493**	**28,267**	**20,358**
ACTUAL RETURN ON PLAN ASSETS	**15,561**	**7,619**	**413**	**(461)**	**12,416**	**16,796**	**6,865**	**5,366**	**35,255**	**29,320**

Movements during the fiscal year in net liabilities recognized on the statement of financial position were as follows:

	Germany		France		United Kingdom		Other		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Net liability/(asset) at opening	**145,051**	**152,487**	**27,418**	**30,958**	**(14,244)**	**(15,253)**	**56,134**	**59,595**	**214,359**	**227,787**
Total expense for the fiscal year	27,105	14,023	2,038	1,471	216	371	(1,092)	4,493	28,267	20,358
Amount recognized in Other Comprehensive Income – Remeasurement	13,630	(1,016)	2,117	1,131	2,078	(4,031)	10,522	(1,805)	28,347	(5,722)
Benefits or contributions to funds	(33,299)	(19,113)	(587)	(748)	(2,563)	(3,330)	(6,379)	(5,134)	(42,828)	(28,325)
Foreign exchange differences	-	-	-	-	(740)	889	307	(10,491)	(433)	(9,601)
Reclassification as assets/liabilities held for sale	-	-	-	(2,395)	-	-	-	-	-	(2,395)
Changes in scope and other	-	-	(28)	(39)	-	-	103	572	75	533
NET LIABILITY/(ASSET) AT CLOSING	**152,487**	**146,381**	**30,958**	**30,378**	**(15,253)**	**(21,354)**	**59,595**	**47,230**	**227,787**	**202,635**

The main actuarial assumptions used for the measurement of post-employment benefit obligations, taking account of the plans' durations, are as follows:

Main actuarial assumptions	Germany	France	United Kingdom	Other
AS AT 31/12/2019				
Discount rate	0.75%	0.75%	2.00%	from 3.25% to 7.81%
Expected return on plan assets	0.75%	0.75%	2.00%	from 3.25% to 7.81%
Salary increase	2.00%	1.07%	N/A	from 4% to 10%
AS AT 31/12/2020				
Discount rate	0.50%	0.50%	1.40%	from 2.5% to 8.11%
Expected return on plan assets	0.50%	0.50%	1.40%	from 2.5% to 8.11%
Salary increase	2.00%	1.07%	N/A	from 4% to 10%

Commitments are valued by the Group's independent actuaries. The assumptions used take account of the specific characteristics of the plans and companies concerned.

Experience gains and losses in 2020 generated €5.5 million in gains for the Group (€2.9 million in losses in 2019).

In 2021, the Group expects to pay €43.5 million in benefits under defined benefit plans, including €31.9 million in Germany, €3.4 million in the United Kingdom, €3.4 million in France and €1.9 million in Brazil.

Plans that are fully or partially outsourced represented a total obligation of €506 million as at 31 December 2020 for assets of €378 million.

In the euro zone, the discount rate is based on the iBoxx index (AA-rated corporate bonds with a maturity of 10 or more years, estimated on the date the obligations are valued). This index uses a basket of bonds of financial and non-financial companies. The rates have not been restated to reflect credit risk not factored into the selected bond baskets.

Actual returns on plan assets were higher than the estimate of €24 million. In 2020, a general decrease in discount rates resulted in an overall increase in liabilities, generating actuarial losses for the year of €23.3 million.

France

Commitments in France correspond to retirement benefits, supplemental pension plans and long-service award-type benefits.

On 31 December 2020, a sensitivity analysis of the discount rate was performed: a 1% increase of this rate would result in a drop of about €3.4 million in these commitments.

On 14 September 2005, a supplementary pension plan with its own plan assets was set up for executive management. The plan is partially outsourced to an insurance company. Since it is a defined benefit plan, it is valued on an actuarial basis and recognized in accordance with revised IAS 19 in the case of active employees.

The plan was closed and the rights frozen.

As at 31 December 2020, the obligation represents €5.9 million for assets of €1.9 million.

Germany

The Group's employees in Germany benefit from a variety of mechanisms (retirement benefits, deferred compensation, long-service awards and early retirement), which constitute long-term obligations for the Group.

On 31 December 2020, a sensitivity analysis of the discount rate was performed: a 1% increase of this rate would result in a drop of about €29.5 million in these commitments.

United Kingdom

The Group helps fund a defined benefit pension plan for Group employees. The obligations are outsourced and managed by leading institutions in the financial markets.

On 31 December 2020, a sensitivity analysis of the discount rate was performed: a 1% increase of this rate would result in a drop of about €23.5 million in these commitments.

Brazil

In Brazil, the Group is participating in funding retirement benefits, long-service awards and a retirement healthcare expenses plan (closed).

Retirement benefits are partially outsourced in a fund with total assets of €0.9 million in 2020 (€2.3 million in 2019). The Group paid a €0.1 million contribution this year (€0.5 million in 2019).

Mexico/Indonesia/Saudi Arabia

Commitments in Mexico, Indonesia and Saudi Arabia remain insignificant for the Group.

United States

The assumption for increased medical benefits is regressive: from 7% to 4.5% in 2030, then stable.

Other countries

Provisions are made for obligations in other countries in accordance with local standards. They are not considered material at Group level.

Expenses incurred during the year include the additional rights acquired for an additional year of service, the change in existing rights at the beginning of the year due to discounting, past service costs recorded in the period, the expected return on plan assets, the effects of plan reductions or liquidations, and the amortization of actuarial gains and losses. The portion relating to the discounting of rights is recognized in financial income/(loss), and the return on plan assets is recorded in investment income.

Plan assets are broken down as follows:

	United Kingdom		United States		Germany	
	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020
	In share	In share	In share	In share	In share	In share
Equities	21.00%	24.00%	54.52%	54.80%	18.08%	20.67%
Bonds	0.00%	0.00%	37.52%	39.90%	79.34%	79.33%
Real estate	0.00%	0.00%	0.00%	5.30%	0.00%	0.00%
Other	79.00%	76.00%	7.96%	0.00%	2.58%	0.00%

The “Other” item for the United Kingdom relates to Cash & Index Linked Gilts.

In France, 100% of the assets are placed in the general assets of an insurance company.

SENSITIVITY ANALYSIS

Calculating the obligation of a defined benefit plan is sensitive to the above assumptions.

A change of 1 percentage point in the respective assumptions would have the following impacts on the defined benefit obligation at the reporting date:

In € million	One percentage point increase	One percentage point decrease
Discount rate	(68)	85
Salary increase rate	8	(6)
Guaranteed rate of pension increase	39	(30)

The Group also set up defined contribution schemes amounting to €4.1 million as at 31 December 2020, compared to €17.1 million as at 31 December 2019.

This is primarily the employer share of pension and life-insurance contributions at a rate of 47% for Senior Management, managers and technical and supervisory staff, and 53% for workers.

Note 9 • Provisions for risks, charges and contingent liabilities

A provision is recognized when, at the reporting date, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation.

Provisions are discounted to present values if the time impact is material (for example, in the event of provisions for environmental risks or site clean-up costs). The increase in the provisions associated with the passage of time is recognized as a financial expense.

In the case of restructuring, a provision may be recognized only if, at the reporting date, the Company has announced the restructuring and drawn up a detailed plan or started to implement the plan.

Provisions are booked with regard to disputes (technical, guarantees, tax audits, etc.) if the Group has an obligation to a third party at the reporting date. They are determined based on the best estimate of the expense likely to be required to settle the obligation.

	31/12/2019			31/12/2020		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Disputes and commercial commitments	18,264	277	17,987	22,801	8,250	14,551
Unfilled orders – losses on completion	34,060	759	33,301	41,981	74	41,907
Reorganization and restructuring measures	52,378	9,602	42,776	102,222	77,954	24,268
Tax risks (income and other taxes, inspections, etc.)	13,810	13,810	-	9,288	9,288	-
Other	47,066	20,131	26,935	38,308	14,762	23,546
TOTAL	**165,578**	**44,579**	**120,999**	**214,600**	**110,328**	**104,272**
As at 1 January	**176,876**	**40,578**	**136,298**	**165,578**	**44,579**	**120,999**
Allowances	91,467	2,457	89,009	145,609	31,247	114,362
Provisions used	(92,427)	(4,742)	(87,685)	(65,465)	(6,928)	(58,537)
Other reversals	(5,228)	(2,153)	(3,075)	(4,492)	-	(4,492)
Impact of changes in exchange rates	(898)	(489)	(409)	(20,821)	(9,048)	(11,773)
Reclassification and other changes	(4,211)	8,928	(13,139)	(4,940)	50,808	(55,748)
Liabilities held for sale and discontinued operations	-	-	-	(869)	(330)	(539)
AT THE END OF THE PERIOD	**165,578**	**44,579**	**120,999**	**214,600**	**110,328**	**104,272**

PROVISIONS FOR DISPUTES, COMMERCIAL COMMITMENTS AND LOSSES ON UNFILLED ORDERS

Provisions are booked with regard to disputes if the Group has an obligation to a third party at the reporting date. They are determined based on the best estimate of the expense likely to be required to settle the obligation.

PROVISIONS FOR ADAPTATION AND RESTRUCTURING MEASURES

Provisions have been made for the costs of social plans and adaptation measures when these measures have been the subject of a detailed plan and an announcement before the closing date of the accounts or the start of their implementation. They include the following costs:

- redundancy and end-of-contract compensation paid to personnel no longer required by the Company;
- costs of maintaining personnel after the shutdown of operations and until the site closure (compensation for unworked notice periods, for example);
- contract termination compensation paid to suppliers;
- outstanding rents payable after the shutdown of operations until the end of the rental agreement.

In France, the decision to cut 364 positions, announced on 18 November 2020, led to the recognition of a provision estimated at €61 million based on the negotiations in progress on the reporting date.

In Germany, following the decision to close the Reisholz plant announced on 19 February 2020 and the adjustment of assumptions and starting conditions for ongoing plans, the additional measures announced on 18 November 2020 led to a €32 million increase in the provision and the recognition of €32 million in actual costs.

In the United States, reorganization measures were implemented at the end of the first half of the year (€11 million), the actual costs of which were reported during the year. The residual amount of the provision as at 31 December is zero.

In Brazil, a new redundancy plan was launched during the first half of the year (€5.5 million), including €2.7 million in costs already paid at the end of the fiscal year.

PROVISION FOR TAX RISKS

This provision mainly relates to risks in connection with tax disputes in Brazil, some of which are covered by security deposits (see Note 2.8.3).

OTHER CURRENT PROVISIONS

This item comprises various provisions with regard to customer discounts, late payment penalties and other risks identified at the reporting date, with none being individually material.

For 2020 and 2019, actual annual greenhouse gas emissions were lower than the allowance granted by the French government, so no provisions were booked in this regard.

CONTINGENT LIABILITIES

In a press release on 8 December 2018, the Eramet Group indicated that "as part of an internal review of quality processes within its alloys division, conducted under the impetus of the new management set up, Eramet has observed non-compliance in the quality management system within this division".

Vallourec obtains supplies of specialist steels from Aubert and Duval for the manufacture of tubes for steam generators destined for nuclear power plants. Each case of non-compliance identified to date has been analyzed in depth by the technical expert teams at Vallourec.

No situation posing a risk for nuclear safety has appeared up to now throughout the course of the investigations we have carried out with our customers and the Eramet Group. The mechanical resistance of the Vallourec tubes has not been called into question.

Analyses and discussions are continuing with both our customers and the Eramet Group about the consequences of these cases of non-compliance.

Note 10 ● Assets held for sale and consolidation scope

10.1 Assets and liabilities held for sale and discontinued operations

When the Group expects to recover the value of an asset or group of assets by selling rather than using it, that asset is listed separately in the line "Assets held for sale and discontinued operations" of the statement of financial position in accordance with IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations".

Any liabilities relating to that asset are also shown in a separate line of the statement of financial position ("Liabilities related to assets held for sale and discontinued operations").

An asset classified as such is valued at the lower of its carrying amount and its fair value less costs associated with the sale. It is therefore no longer amortized.

	31/12/2019	31/12/2020
Assets held for sale and discontinued operations	-	106,523
Liabilities held for sale and discontinued operations	-	(36,837)
NET ASSETS/(LIABILITIES) HELD FOR SALE AND DISCONTINUED OPERATIONS	**-**	**69,686**

	31/12/2019	31/12/2020
As at 1 January	**-**	**-**
Translation difference	-	(2,677)
Current/non-current reclassifications and others	-	72,363
AS AT 31 DECEMBER	**-**	**69,686**

	31/12/2020		
Net values	**Reclassification**	**Translation difference**	**Closing**
Intangible assets	6	-	6
Property, plant and equipment	42,647	(1,393)	41,254
Rights of use	153	-	153
Biological assets	14,942	(1,116)	13,826
Deferred tax assets	1,831	-	1,831
Other non-current assets	164	-	164
Total non-current assets	**59,743**	**(2,509)**	**57,234**
Total current assets	**49,616**	**(327)**	**49,289**
TOTAL ASSETS HELD FOR SALE	**109,360**	**(2,837)**	**106,523**
Total non-current liabilities	**4,659**	**-**	**4,659**
Total current liabilities	**32,338**	**(160)**	**32,179**
TOTAL LIABILITIES HELD FOR SALE	**36,997**	**(160)**	**36,837**
NET ASSETS/(LIABILITIES) HELD FOR SALE AND DISCONTINUED OPERATIONS	**72,363**	**(2,677)**	**69,686**

As at 31 December, Valinox (France and China), the assets of Deville (France) and Reisholz (Germany), and non-strategic biological and forestry assets in Brazil that are highly likely to be sold or shut down within one year are shown in "assets held for sale". The impairment loss of assets held for sale over the fiscal year is €11.1 million (see Note 2.5).

10.2 Scope

The Group consists of the holding company Vallourec S.A. and its subsidiaries consolidated in accordance with the principles described in Note 1.2.3.

	31/12/2019	31/12/2020
Fully consolidated companies	55	54
Joint ventures	3	3
ASSOCIATES	2	2
TOTAL	**60**	**59**

There are no significant unconsolidated subsidiaries or interests.

The changes in the scope of consolidation in 2020 are not material (internal company mergers).

The list of consolidated companies is as follows:

	Activities	% of interest	Country
FULLY CONSOLIDATED COMPANIES			
Europe			
Serimax Angola Ltd	Services	80.0	United Kingdom
Serimax Field Joint Coating Ltd	Services	80.0	United Kingdom
Serimax Holdings S.A.S.	Services	80.0	France
Serimax Ltd	Services	80.0	United Kingdom
Serimax S.A.S.	Services	80.0	France
Valinox Nucléaire S.A.S.	Manufacturing and sales of products, services	100.0	France
Vallourec Bearing Tubes	Manufacturing and sales of products, services	100.0	France
Vallourec Deutschland GmbH	Manufacturing and sales of products, services	100.0	Germany
Vallourec Oil & Gas France S.A.S.	Manufacturing and sales of products, services	100.0	France
Vallourec Oil & Gas Nederland B.V.	Sales of products, services	100.0	Netherlands
Vallourec Oil & Gas UK Ltd	Manufacturing and sales of products, services	100.0	United Kingdom
Vallourec One S.A.S.	Holding	100.0	France
Vallourec S.A.	Holding	100.0	France
Vallourec Services S.A.	Holding	100.0	France
Vallourec Tubes France S.A.S.	Manufacturing and sales of products, services	100.0	France
Vallourec Tubes S.A.S.	Holding	100.0	France
North America			
Serimax North America LLC	Services	80.0	United States
Vallourec Canada Inc.	Manufacturing and sales of products, services	100.0	Canada
Vallourec Holdings Inc.	Holding	100.0	United States
Vallourec Industries Inc.	Holding	100.0	United States
Vallourec Oil and Gas Mexico SA de CV	Manufacturing and sales of products, services	100.0	Mexico
Vallourec Star, LP	Manufacturing and sales of products, services	80.5	United States
Vallourec Tube-Alloy LP	Manufacturing and sales of products, services	100.0	United States
Vallourec USA Corporation	Sales of products, services	100.0	United States
VAM USA	Manufacturing and sales of products, services	51.0	United States
South America			
Serimax Do Brasil Serviços de Soldagem e Fabricaçao Ltda	Services	80.0	Brazil
Tubos Soldados Atlântico	Manufacturing and sales of products, services	100.0	Brazil
Vallourec Florestal Ltda	Manufacturing and sales of products	100.0	Brazil
Vallourec Soluções Tubulares do Brasil	Manufacturing and sales of products, services	84.6	Brazil
Vallourec Transportes e Serviços do Brasil Ltda	Services	100.0	Brazil
Vallourec Tubos do Brasil S.A.	Manufacturing and sales of products, services	100.0	Brazil
Vallourec Uruguay S.A.	Sales of products, services	100.0	Uruguay
Asia			
Kestrel Wave Investment Ltd	Holding	100.0	Hong Kong
P.T. Citra Tubindo Tbk	Manufacturing and sales of products, services	81.72	Indonesia
Serimax South East Asia Pte Ltd	Services	80.0	Singapore
Serimax Welding Services Malaysia sdn bhd	Services	80.0	Malaysia
Valinox Nucléaire Tubes Guangzhou Co. Ltd	Manufacturing and sales of products, services	100.0	China
Vallourec Al Qahtani Tubes Llc	Sales of products, services	75.0	Saudi Arabia
Vallourec Asia Pacific Corp Pte Ltd	Manufacturing and sales of products, services	100.0	Singapore

	Activities	% of interest	Country
Vallourec Beijing Co. Ltd	Manufacturing and sales of products, services	100.0	China
Vallourec Changzhou Co. Ltd	Manufacturing and sales of products, services	100.0	China
Vallourec Middle East FZE	Sales of products, services	100.0	United Arab Emirates
Vallourec Oil & Gas (China) Co., Ltd	Sales of products, services	100.0	China
Vallourec Saudi Arabia Ltd	Manufacturing	80.0	Saudi Arabia
Vallourec Tianda (Anhui) Co., Ltd.	Manufacturing and sales of products, services	99.73	China
Vallourec Tubular Services AD	Services	49.0	United Arab Emirates
VAM Far East	Services	51.0	Singapore
Rest of the World			
Serimax Australia Pty Ltd	Services	80.0	Australia
Serimax OOO	Services	80.0	Russia
Vallourec Nigeria Ltd	Manufacturing and sales of products, services	100.0	Nigeria
Vallourec Oil and Gas Nigeria Ltd	Sales of products, services	100.0	Nigeria
Vallourec Oil & Gas Kenya Limited	Sales of products, services	100.0	Kenya
Vallourec Russia	Sales of products, services	100.0	Russia
VAM Field Services Angola	Sales of products, services	100.0	Angola
JOINT VENTURES			
Vallourec Umbilicals S.A.S.	Manufacturing and sales of products	51.0	France
Vallourec Niko Tube Holding GmbH	Holding	50.1	Germany
Vallourec Niko Tube Llc	Manufacturing	50.1	Ukraine
ASSOCIATES			
Hüttenwerke Krupp Mannesmann (HKM)	Manufacturing	20.0	Germany
Ascoval	In liquidation	40.0	France

Note 11 • Other information and subsequent events

11.1 Fees paid to Statutory Auditors and members of their networks

	KPMG		Deloitte	
	Amount (excl. tax)		Amount (excl. tax)	
	2019	2020	2019	2020
CERTIFICATION OF PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS				
Issuer	246	246	246	246
%	15%	14%	18%	18%
Fully consolidated subsidiaries	1,027	1,035	764	706
%	62%	60%	57%	53%
Sub-total	**1,273**	**1,281**	**1,010**	**952**
OTHER SERVICES DIRECTLY ASSOCIATED WITH THE STATUTORY AUDIT [(a)]				
Issuer	279	378	205	294
%	17%	22%	15%	22%
Fully consolidated subsidiaries	111	69	117	71
%	7%	4%	9%	6%
Sub-total	**390**	**447**	**322**	**365**
TOTAL	**1,663**	**1,728**	**1,332**	**1,317**

(a) The services provided cover the other services directly associated with the statutory audit that are required by the legal and regulatory texts, as well as those services provided at the Group's request. For Deloitte & Associés, for the 2020 fiscal year, they primarily correspond to the completion of procedures conducted within the framework of (i) work in preparation for the capital increase, (ii) compliance reviews of tax returns for subsidiaries outside the European Union. For KPMG, for the 2020 fiscal year, they primarily correspond to the completion of procedures conducted under the framework of (i) work in preparation for the capital increase, (ii) the engagement of an independent third-party entity in relation to the CSR information in the management report and (iii) compliance reviews of tax returns for subsidiaries outside the European Union.

11.2 Subsequent events

On 3 February 2021 Vallourec announced that it had reached a major milestone in its financial restructuring, with an agreement in principle (the "Agreement in Principle") with its main creditors. This agreement meets the Company's objectives to rebalance its capital structure by reducing its debt and securing the necessary liquidity that will enable it to implement its strategic plan in a volatile market environment. Liquidity available in the statement of financial position (€1,390 million as at 31 December 2020) will not be affected by the repayment of a portion of the debt as set out in the agreement.

The Agreement in Principle was signed with a group of lenders together representing 65.1% of the Company's total financial debt, consisting of some of its commercial banks (the "Commercial Banks") on the one hand, representing 38.8% of the principal amount of the revolving credit facilities ("RCFs"), and investment funds bearing Senior 2022 bonds, Senior 2023 bonds, OCEANE 2022 bonds, 2024 bonds or interests in the RCFs on the other hand, representing approximately 50.5% of the total principal amount of the RCFs and 41.4% of the principal amount of bonds issued by the Company (the "Bonds").

Accordingly, the Company filed a request with the Commercial Court of Nanterre for the opening of safeguard proceedings with respect to it.

The safeguard proceedings [(1)] were initiated on 4 February 2021. They notably aim to enable the implementation of the Agreement in Principle, which will be subject to approval by a two-thirds majority of each of the creditors' committees (lenders under the RCFs on the one hand and Bondholders on the other), as well as the approval of the Extraordinary Shareholders' Meeting, before it can be submitted to the court for approval.

In particular, the terms of the Agreement in Principle provide for:

(i) a major reduction of Vallourec's debt, amounting to €1,800 million, i.e., more than half of the principal amount of its debt, through:

- a capital increase with preferential subscription rights for €300 million (including premium), to be carried out at a subscription price of €5.66 per share to be subscribed entirely in cash, and to be guaranteed in full by RCF and Bond creditors other than the Commercial Banks (pro rata to their holding) by means of debt offsetting. The proceeds of this capital increase with maintenance of the preferential subscription right will be allocated to the partial repayment of these creditors pro rata to their holding;
- a capital conversion of approximately €1,331 million in receivables on RCFs and Bonds, by means of a reserved capital increase at a subscription price of €8.09 per share, subscribed via debt offsetting by RCF and Bond creditors other than the Commercial Banks pro rata to their holding, and
- a €169 million write-off of receivables by the Commercial Banks, associated with a financial recovery instrument in the form of share subscription warrants pro rata to the share of RCF receivables held by each of the Commercial Banks (share subscription warrants), granting an entitlement to 11.7% of the capital and voting rights (on a diluted basis of share issues provided for by the Agreement in Principle, including those resulting from the exercise of share subscription warrants) at an exercise price of €10.11 per Company share. The exercise period of these SSWs will be five years from the completion date (one SSW granting an entitlement to one new share);

(ii) refinancing of residual debt and securing of significant cash and operational financing through:

- the implementation of a revolving credit facility of €462 million by the Commercial Banks for a term of five years (unsecured), granted to the Company for a five-year term and paid at an annual interest rate of Euribor +5.00%; this revolving credit facility will be subject to a financial gearing covenant, which will be tested for the first time on 31 December 2023,
- A new €1,023 million senior bond to be refinanced in the form of new senior bonds (subscribed to by way of debt offsetting), subject to the law of the State of New York, paid at an interest rate of 8.50% per year, unsecured, with terms and conditions based on those of the Senior 2022 bonds, subject to certain adjustments,
- the implementation of a State-guaranteed loan in the amount of €262 million by commercial banks for a five-year term,
- the implementation of bonding facilities of €178 million supplied by the Commercial Banks over a period of five years.
- furthermore, interest accrued for RCFs and Bonds up to 1 February 2021 will be paid in cash on the completion date of the transactions set out in the Agreement in Principle (the "Completion Date"); interest accrued between 2 February 2021 and 30 June 2021 for RCFs and bonds (the "Restructured Interest") will be partly repaid, partly converted into capital and partly refinanced, and is included in the capital conversion amounts and new payables indicated above.

The commercial banks and the members of the Ad Hoc Group have entered into a lock-up agreement with the Company under which the parties have undertaken to support and take any steps or actions that may reasonably be necessary for the implementation and fulfillment of the Agreement in Principle. The terms and conditions of the lock-up agreement are relatively standard and include an obligation on the part of the creditors to vote in favor of the implementation of the Agreement in Principle, to waive certain rights (waivers), to sign the documentation required for the restructuring, and not to transfer their share of the debt unless the acquirer signs up to the lock-up agreement or is already a signatory (and therefore already bound by its terms). The commercial banks, Apollo and SVPGlobal have undertaken not to transfer their share of the RCFs and the Bonds, even to a signatory or a person who would comply with the terms of the lock-up agreement, until the Completion Date.

The financial restructuring plan is supported by the current leading shareholders, Nippon Steel Corporation and Bpifrance Participations, which have undertaken to vote in favor of the resolutions required for the implementation of the plan and to subscribe to new Vallourec shares for €35 million and €20 million respectively as part of the €300 million capital increase with PSR. Once these transactions have been completed, Nippon Steel Corporation will hold a share of 3.4% of the capital (compared to 14.56% of the capital and 14.87% of the voting rights) and Bpifrance Participations will hold a share of 2.3% of the capital (compared to 14.56% of the capital and 14.82% of the voting rights) (before the SSWs are exercised, and 2.0% after the SSWs are exercised). As a result, the shareholders' agreements concluded between the Company and Nippon Steel, on the one hand, and Bpifrance Participations, on the other, will end and they will no longer be able to appoint a Board member.

(1) Specifically involves the suspension of payments in respect of RCFs and Bonds.

The Agreement in Principle would allow the Company to strengthen its balance sheet structure and reduce its debt and interest costs to an appropriate level, taking into account the consequences and uncertainties associated with the COVID-19 and oil market crises. This new favorable framework, linked to the strong structural adaptation measures initiated during the 2020 fiscal year, would allow it to deploy its strategic plan with a view to strengthening its position in the market.

The implementation of the Agreement in Principle is subject to a number of conditions precedent, including approval of the resolutions required by the Company's Extraordinary Shareholders' Meeting to be held in April 2021.

It is also subject to (i) the achievement of the required level of creditor support within safeguard proceeding committees to be held in March 2021; (ii) the obtaining of the prior government authorizations required for the implementation of the Agreement in Principle (including the AMF visas on the prospectuses required under the financial restructuring); (iii) if applicable, the obtaining by Apollo of an exemption to the requirement to make a public bid for the Vallourec shares as a result of the financial restructuring under Article 234-9 2 of the General Regulations of the AMF; and (iv) the approval by the Commercial Court of Nanterre of the safeguard plan.

As at 12 February 2021, the Agreement in Principle is supported by those creditors who signed a lock-up agreement representing 97% of Vallourec S.A.'s revolving credit facilities and 86% of the bonds issued by Vallourec S.A., i.e., a percentage in excess of the two-thirds majority required at the meetings of their committees which are expected to take place in March.

In view of the Agreement in Principle signed with its main creditors, the agreements signed with its leading shareholders, and the analyses conducted with the assistance of its main Advisors, management does not foresee any difficulties in lifting the conditions precedent, and implementing the financial restructuring plan at the end of the first half of 2021.

Once these transactions have been completed, Apollo and SVPGlobal will become Vallourec S.A.'s major shareholders, with participation rates of between 23.2% and 29.3% of the capital and 9.7% and 12.3% of the capital, respectively (in both cases, before the share subscription warrants are exercised).

The Agreement in Principle states that the Company will be converted into a limited company (société anonyme) with a Board of Directors on the Completion Date. The governance, which will reflect the new share ownership, will comply with the AFEP-MEDEF Code.

Mr. Édouard Guinotte will be Chairman of the Board of Directors and CEO of the Company, and Mr. Olivier Mallet will be COO of the Company.

On the Completion Date, the Board of Directors will consist of 10 Directors, including Mr. Édouard Guinotte, two Directors nominated by Apollo (one of whom will be Vice-Chairman), and one Director nominated by SVPGlobal. In the event that SVPGlobal holds more than 15% of the Company's capital, SVPGlobal may request the appointment of a second member of the Board of Directors.

Apollo and SVPGlobal must retain their shares for a period of six months from the Completion Date. The Company will have the right of first offer in the event of a planned sale of shares by Apollo or SVPGlobal to a competitor. Lastly, double voting rights would also be eliminated on the Completion Date.

ACCOUNTING CONSEQUENCES EXPECTED IN 2021 OF THE IMPLEMENTATION OF DEBT RESTRUCTURING

In view of the conversion into equity instruments (capital increase or delivery of share subscription warrants) and the implementation of debt instruments with different characteristics (state-guaranteed loan, new bond issue, new RCF), the Group considers that the debts being restructured must be derecognized in their entirety, as these are substantial changes within the meaning of IFRS 9 and in accordance with IFRIC 19.

The new instruments delivered (shares or SSWs) and issued (state-guaranteed loan, bond debt and RCF) will be recognized at their fair value on the settlement date of the original liabilities.

The difference between the accounting value of the derecognized debts and the fair value of the new capital or debt instruments implemented will be recognized in financial income. An analysis of the costs incurred by the company will also be carried out so that they can be allocated either to the restructuring or to the new instruments issued/entered into.

The impact of the debt restructuring will depend on the fair value of the delivered instruments, and more specifically on the value of the Vallourec share on the settlement-delivery date of the shares.

6.2 Statutory Auditors' report on the consolidated financial statements

For the year ended December 31st, 2020

This is a free translation into English of the Statutory Auditor's Report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditor's Report includes information required by European regulations and French law, such as information regarding the appointment of the Statutory Auditor or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Vallourec,

Opinion

In compliance with the engagement entrusted to us by your Annual Meeting of Shareholders, we have audited the accompanying consolidated financial statements of Vallourec (hereinafter, "the Company") for the year ended December 31st, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31st, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Financial and Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from January 1st, 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments – Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Assessment of liquidity risk

Notes 1.3.2 "Liquidity risk and going concern", 7.1 "Net financial debt", 7.5.4 "Financial risk management – Liquidity risk" and 11.2 "Subsequent events" to the consolidated financial statements

Key Audit Matter	Audit Approach
Note 1.3.2 "Liquidity risk and going concern" states that, at December 31st, 2020, the Company had €1,724 million in confirmed credit lines and cash and cash equivalents amounting to €1,390 million. The credit lines, of which €1,712 million had been drawn down, matured on February 9th, 2021. Given the Group's cash position at December 31st, 2020, the Group was unable to repay the amounts drawn down at maturity. Vallourec S.A. had initiated negotiations as of September 2020 to find a financial restructuring solution with its main creditors and shareholders. As mentioned in Notes 1.3.2 and 11.2, on February 3rd 2021, the Group entered into an Agreement in Principle with its main creditors in order to (i) reduce its debt by €1,800 million, while maintaining its €1,390 million in available cash and cash equivalents, (ii) refinance residual debt amounting to €1,747 million and (iii) set up €178 million in bonding facilities. The Agreement in Principle will be implemented in connection with a Job-Saving Plan (*Procédure de sauvegarde*), initiated on February 4th, 2021 by the Nanterre Commercial Tribunal (*Tribunal de commerce*). The Group plans to implement the Agreement at the end of the first half of 2021, subject to: • A two-thirds (2/3) majority vote in favour by (i) the committee of credit and credit-related institutions and (ii) the general meeting of Company bondholders; • A two-thirds (2/3) majority vote by the shareholders of the resolutions required for implementation of the Agreement at the Combined Shareholders' Meeting which will take place in April 2021; • Lifting of the usual conditions precedent. The judgment opening the legal proceedings prohibits, ipso jure, the payment of claims arising prior to the judgment. We considered that assessing liquidity risk and applying the going concern principle were key audit matters, given the Group's financial situation and the risks involved in implementing the financial restructuring plan, including the lifting of the conditions precedent, as at the date this report was signed. Moreover, this assessment requires Management to use judgement and estimates in preparing the cash flow forecasts used to determine the Group's liquidity requirements in order to meet payment deadlines over the next 12 months.	We gained an understanding of the documents relating to the Agreement in Principle signed between the Company and its main creditors and examined the conditions precedent, including their risk of not being met, in particular with regard to the following points: • Pending the votes by the committee of credit and credit-related institutions and the general meeting of Company bondholders, we have taken into account the creditors' overall rate of adherence to lock-up agreements and found that, at February 12th 2021, they accounted for 97% of revolving credit and 86% of bonds issued by the Company, above and beyond the two-thirds (2/3) majority required to approve the Agreement in Principle, • Bpifrance Participations and Nippon Steel, currently the Company's leading shareholders, have committed to support the financial restructuring plan at the Shareholders' Meeting. We interviewed Executive Management and exercised professional scepticism regarding their responses to the following: • Assessing the risk that the financial restructuring plan will not be carried out and that the conditions precedent of the Agreement in Principle will not be met, and • The events and circumstances subsequent to the reporting date which could call into question the implementation of this Agreement. As part of our audit work, we assessed the Company's liquidity requirements to meet its payment deadlines over the next 12 months, taking into account the resources available at the reporting date and the freezing of claims due at February 4th 2021 following the initiation of the legal proceedings. We assessed the Company's application of the going concern principle and gained an understanding of (i) the procedures implemented to prepare forecasts and (ii) the main underlying assumptions used. We assessed their consistency with the forecast data derived from the last strategic plan. We assessed whether the forecast preparation process was consistent with the Company's governance rules and procedures, which require Management supervision and subsequent presentation to the Supervisory Board. We also verified the appropriateness of disclosures on: • Liquidity risk and application of the going concern principle in the Management Board's approval of the financial statements, as described in Note 1.3.2 of the notes to the consolidated financial statements; • Net financial debt as described in Note 7.1.5 to the consolidated financial statements; • The Agreement in Principle and the Company's financial restructuring plan as set forth in Note 11.2 to the consolidated financial statements.

Valuation of goodwill, intangible assets and property, plant and equipment

Notes 2.5 "Impairment of assets and goodwill", 4.2 "Impairment tests" to the consolidated financial statements and 10.1 "Non-current Assets Held for Sale and Discontinued Operations" of the consolidated financial statements.

Key Audit Matter	Audit approach
As at December 31st, 2020, the carrying amount of goodwill, intangible and tangible assets and property, plant and equipment was €25 million, €50 million and €1.718 million respectively, representing 36% of consolidated balance sheet assets. As described in Note 4.2 to the consolidated financial statements, the impairment tests were performed on the cash generating units (CGUs) to which goodwill had been allocated, which were "Vallourec Europe", "Vallourec North America" and "Vallourec do Brasil", as well as non-current assets Held for Sale in accordance with IFRS 5. Impairment testing methods and assumptions are described in Note 4.2 to the consolidated financial statements. As indicated in Note 2.5 to the consolidated financial statements, these tests resulted in the recognition of a €850 million impairment loss in 2020 on individual assets in which €525 million on the CGU "Vallourec Europe", €314 million on the CGU "Vallourec North America" and €11 million non-current assets Held for Sale. The cash forecasts used to determine recoverable values are based on current available data, and should be considered in light of the uncertainties generated by the COVID-19 pandemic, which has led to lower demand for tubes in the oil and gas industry, and the difficulties in measuring its impact on business and the Company's future outlook. Consequently, actual figures may differ significantly from these estimates. We believe that the estimation of the recoverable value of goodwill, intangible assets and property, plant and equipment is a key audit matter, given the materiality of these assets on the consolidated financial statements of the Group, and also given the fact that determining their recoverable value requires Management to make judgments and use estimates to forecast the discounted future cash flows used in the tests.	During our work, we • gained an understanding of the process used to prepare and approve the estimates and assumptions made by Management for the impairment tests, as well, procedures for approving the results of these tests by the governance entities, • assessed the appropriateness of the model adopted to determine the recoverable value of the CGUs and individual assets tested. We have obtained the cash flow and operating forecasts prepared by the Company for each CGU and individual asset tested and have assessed their consistency with the forward-looking data from the latest strategic plans, prepared under the supervision of Executive Management and approved by the Supervisory Board. With the assistance of our valuation experts, we have assessed the appropriateness of the various assumptions underlying the cash flow forecasts, particularly with respect to the Group's internal data and external industry and macroeconomic data analyses, including • prices and volumes assumptions by regions that depend notably on investments in exploration and production of oil and natural gas, • exchange rates, growth rates and discount rates. We also assessed the consistency of cash flow forecasts with past performance, market outlook, and the forward-looking data presented to the Company's Supervisory Board. Lastly, we performed our own sensitivity analyses and verified the appropriateness of the information presented in Note 4.2 to consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Management Board.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial performance report required under Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information on the Group provided in the management report. In accordance with the provisions of Article L.823-10 of the French Commercial Code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information provided in the non-financial performance report, for which a report is issued by an independent third party.

Report on other Legal and Regulatory Requirements

Format of presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation N° 2019/815 of 17 Decembre 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentionnedin Article L.451-1-2,I of the French Monetary and Financial Code (*code monétaire et financier*).

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of the company Vallourec at the Annual General Meeting held on June 1st, 2006 for both audit firms.

As at December 31st, 2020, KPMG S.A. was in the 15th year of an uninterrupted engagement and Deloitte & Associés in the 19th year of an uninterrupted engagement given the succession of mandates between legal entities of the Deloitte network.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Financial and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, the internal audit, regarding accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion on these consolidated financial statements.

Report to the Financial and Audit Committee

We submit a report to the Financial and Audit Committee, which includes a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Financial and Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore key audit matters that we are required to describe in this audit report.

We also provide the Financial and Audit Committee with the statement required under Article 6 of Regulation (EU) N° 537/2014 confirming our independence within the meaning of the rules applicable in France as set out in Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Financial and Audit Committee any risks that may bear on our independence, and the related safeguards.

Paris-La-Défense, March 25th, 2021

The Statutory Auditors

KPMG S.A.	Deloitte & Associés
Alexandra Saastamoinen	Véronique Laurent

6.3 Parent company financial statements: Vallourec S.A.

6.3.1 Statement of financial position

Assets

In € thousand	31/12/2019	31/12/2020
NON-CURRENT ASSETS		
Intangible assets	414	414
Property, plant and equipment	88	88
Equity interests	3,856,429	854,429
Receivables, loans and other financial assets	1,700,000	1,700,230
Total I	**5,556,931**	**2,555,161**
CURRENT ASSETS		
Operating receivables	2,710	1,089
Other receivables	2,112,345	1,897,414
Investment securities	6,158	5,049
Cash and cash equivalents	37	20,059
Prepaid expenses	6,155	4,014
Deferred expenses	13,626	9,347
Total II	**2,141,031**	**1,936,972**
TOTAL ASSETS (I + II)	**7,697,962**	**4,492,133**

Liabilities

In € thousand	31/12/2019	31/12/2020
EQUITY		
Capital	915,976	229
Additional paid-in capital	1,421,586	2,337,333
Revaluation reserve	634	634
Reserves	85,886	85,886
Carry forward	1,710,870	1,647,222
Net income	(63,648)	(3,093,524)
Total I	**4,071,304**	**977,780**
Provisions for contingencies and liabilities	3,298	2,065
Borrowings	3,607,966	3,502,603
Operating liabilities	5,871	2,093
Other liabilities	9,523	7,591
Translation difference	-	1
Total II	**3,626,658**	**3,514,353**
TOTAL EQUITY AND LIABILITIES (I + II)	**7,697,962**	**4,492,133**

6.3.2 Income statement

In € thousand	31/12/2019	31/12/2020
Revenue	5,381	2,706
Provision reversals and expenses transferred	2,118	1,951
Other income	31	-
External services	(10,073)	(9,430)
Taxes and similar	(367)	(403)
Personnel expenses	(4,093)	(2,432)
Other	(3,135)	(2,157)
Amortization, depreciation and provisions	(6,815)	(5,011)
Operating income (loss)	**(16,953)**	**(14,776)**
Financial income	**116,557**	**115,876**
Other long-term securities and receivables	112,035	112,342
Other interest and similar income	14	6
Foreign exchange gains	4,508	3,528
Financial expenses	**(163,819)**	**(3,192,651)**
Amortization, depreciation and provisions	-	(3,002,000)
Interest and similar expenses	(159,331)	(187,122)
Foreign exchange losses	(4,488)	(3,529)
Financial income (loss)	**(47,262)**	**(3,076,775)**
Net income from continuing operations before tax	**(64,215)**	**(3,091,551)**
Exceptional income	-	-
Extraordinary expenses	-	(2,029)
Exceptional income/(loss)	**-**	**(2,029)**
Income tax	567	56
NET INCOME	**(63,648)**	**(3,093,524)**

6.3.3 Notes to the parent company financial statements for the year ended 31 December 2020

In € thousand unless stated otherwise.

Notes to the statement of financial position (before allocation) for the year ended 31 December 2020, which totals €4,492 million, and to the income statement, which shows a loss of €3,093.5 million.

The fiscal year runs for 12 months, from 1 January to 31 December.

Valllourec S.A prepares consolidated financial statements.

A – Significant events, measurement methods and comparability of financial statements

Significant events

COVID-19 CRISIS AND IMPACT ON BUSINESS

The environment in which Vallourec S.A. operates underwent significant changes during fiscal year 2020.

The COVID-19 epidemic led to a material decline in demand for tubes for the Oil & Gas sector after March 2020, due in particular to a fall in oil prices. The Industry sector in Europe also experienced a decline in demand and price pressures in the last three quarters of 2020. This decline in demand has entailed significant changes in the environment in which Vallourec operates, with many unconventional oil and gas operators sharply reducing their drilling plans, with the exception of Brazil.

In that context, Vallourec S.A. recognized impairments of the equity interests of its subsidiary Vallourec Tubes SAS amounting to €3,002 million.

These parent company financial statements at 31 December 2020 were prepared on the basis of the information available at that date in the evolving context of the crisis related to Covid-19, and of difficulties in assessing its impact and future prospects.

LIQUIDITY RISK AND BUSINESS CONTINUITY

As at 31 December 2020, Vallourec S.A. had confirmed bank credit facilities of €1,724 million, all of which had been drawn down, and €1,712 million scheduled for repayment on 9 February 2021, along with cash of €25 million. Given the cash position as at 31 December 2020, Vallourec S.A. was not in a position to meet this repayment.

In this context, Vallourec S.A. entered into discussions with its creditors as early as September 2020 with a view to reaching an agreement on financial restructuring with its main creditors and leading shareholders.

The objective of the financial restructuring is to rebalance the Group's financial structure by reducing by just over 50% the principal amount of Vallourec S.A.'s debt, standing at €3.5 billion on 31 December 2020, and by securing the liquidity needed to cope with the volatility of the Group's markets.

An agreement in principle ("Agreement in Principle") was signed on 3 February 2021 with Vallourec S.A.'s main creditors representing 89.3% of the total principal amount of the revolving credit facilities ("RCF") and 41.4% of the total principal amount of Vallourec S.A.'s bonds. It schedules the following (see Note 5):

- a major debt reduction of €1,800 million, through:
  - a reserved capital increase of €1,331 million,
  - a capital increase with preferential subscription rights for €300 million, guaranteed by certain creditors,
  - a €169 million write-off of receivables associated with a financial recovery instrument in the form of share subscription warrants;
- competitive restructured financing, through:
  - €462 million in a revolving credit facility (RCF),
  - €262 million in government-backed loans,
  - €1,023 million in listed bonds,
  - €178 million in market commitments.

All cash and cash equivalents on the statement of financial position (other than the proceeds of the rights issue) will be maintained.

This Agreement in Principle will be implemented as part of safeguard proceedings initiated on 4 February 2021 by the Commercial Court of Nanterre, and must receive a favorable vote by a two-thirds majority from (i) the Credit Institutions Committee and (ii) the individual General Meeting of Bondholders. It is subject to customary conditions precedent and the Group plans to implement it in June 2021. Vallourec S.A.'s shareholders will have to approve the financial restructuring plan (two-thirds majority) and vote on the resolutions required to implement this plan at the Extraordinary Shareholders' Meeting to be held in April 2021.

This plan received the backing of the leading shareholders of Vallourec, Nippon Steel Corporation and BPI France Participations. Furthermore, as indicated in Note 5 as at 12 February 2021, the Agreement in Principle is supported by those creditors having signed a lock-up agreement representing 97% of Vallourec S.A.'s revolving credit facilities and 86% of the bonds issued by Vallourec S.A., thus in excess of the two-thirds majority required at the meetings of their committees, which are expected to take place in March.

In view of the Agreement in Principle signed with these main creditors, the agreements signed with its leading shareholders, and the analyses conducted with the assistance of its main Advisors, management does not foresee any difficulties in lifting the conditions precedent and implementing the financial restructuring plan.

On this basis, the Management Board approved the financial statements for the 2020 fiscal year in accordance with the going concern principle.

Measurement methods and comparability of financial statements

The presentation and measurement methods used in the preparation of the financial statements for the year under review are the same as those used for the previous year.

Impairment of equity interests is recorded under financial income.

B – Accounting principles

The parent company financial statements are prepared in accordance with French GAAP (ANC Regulation No. 2014-03) and the fundamental accounting concepts (independence of fiscal years, non-compensation, historic cost, intangibility of the opening balance sheet, going concern, true and fair view, conservatism and consistency of accounting methods).

Property, plant and equipment

In accordance with ANC Regulation No. 2014-03, the Company uses the component approach, which relies on technical analyses to individually account for significant parts of an item of property, plant and equipment, owing to their uses and utilization rates.

Measurement of property, plant and equipment includes:

- the acquisition or production cost, except for assets acquired before 31 December 1976, which were remeasured. The latter are stated at their transfer value;
- discounts, rebates and other payment deductions;
- costs directly attributable to asset implementation;
- any dismantling costs;
- financial expenses related to the asset's acquisition are excluded.

Depreciation of property, plant and equipment is calculated on a straight-line or accelerated basis over the expected useful life of the asset.

Tax depreciation is calculated using the diminishing value method over the shortest period between the useful life and the duration of use, except for components depreciated over their actual lives.

Equity interests

The gross value of equity interests comprises their purchase cost, excluding associated expenses, and the amount of any capital increases.

Securities acquired in foreign currencies are recorded at their acquisition price translated into euros at the rate applicable on the date of the transaction.

At each year-end, the Company compares the net carrying amount of the equity interests at their value in use and establishes a provision in financial income/(loss) when their value in use is less than the net carrying amount.

Value in use is based on expected cash flows, assessed based on the Group's strategic plan for the first five years, extrapolated over the following three years and a terminal value.

Treasury shares

Treasury shares acquired and available to be allocated to employees are classified as investment securities.

Pursuant to CRC Regulation No. 2008-15 dated 4 December 2008 relating to the accounting treatment of share purchase or subscription plans and performance share plans for employees, shares allocated for these plans are not impaired based on market value due to the obligation to allocate such shares to employees and the provision recognized as a liability (see below in the section relating to provisions for contingencies and liabilities).

Receivables and payables

Receivables and payables are measured at their nominal value.

Trade receivables are impaired when there is a risk of non-recovery.

Impairment ratios are applied to each receivable based on probabilities of recovery.

Investment securities

Investment securities are measured at acquisition cost plus accrued income for the period, or at market value if lower.

Treasury shares acquired and available to be allocated to employees are classified as investment securities.

Translation of transactions in foreign currencies and financial instruments

Receivables, cash and cash equivalents and payables in foreign currencies are stated on the statement of financial position using the exchange rate applicable on the reporting date.

Transactions denominated in foreign currencies backed by qualified hedges are recorded at the spot rate.

The aggregate value of the change in time value (i.e. the change between the forward price of the hedge on the reporting date and the initial spot rate) is recognized at each reporting date on the statement of financial position – Derivative instruments. The change in the premium/discount between the beginning and the end of the period impacts income/(loss). Since 1 January 2017, these changes have been recorded under operating income (see ANC Regulation 2015-05). They previously appeared under financial income/(loss).

The change in time value (premium/discount) is recognized separately from revenue.

In application of ANC Regulation 2015-05, the change in values of the isolated open-position operations are recorded in the balance sheet as a counterpart for suspense accounts:

- in assets for changes that correspond to an unrealized loss;
- in liabilities for changes that correspond to an unrealized gain.

Unrealized gains are not included in the income statement. When an operation results in an unrealized loss, a provision to financial income is made in the amount of this unrealized capital loss.

Provisions for contingencies and liabilities

RETIREMENT PENSIONS

Pensions are paid by an external organization and the Company therefore has no obligations in this respect.

RETIREMENT BENEFITS

Commitments in respect of benefits paid to retiring employees are measured based on an actuarial calculation and provisioned as a liability in the statement of financial position.

As at 31 December 2020 the discount rate was based on the iBoxx € Corporates AA 10+ index. This index uses a basket of bonds of financial and non-financial companies. They are based on the assumption that all employees leaving the Group will do so on a voluntary basis.

Actuarial gains or losses are amortized using the corridor rule over the average remaining working lives of employees.

The actuarial assumptions used vary depending on the specific arrangements of the Company's retirement plan(s) and collective agreement(s).

The following assumptions are used:

- discount rate of 0.50% (including inflation);
- inflation rate of 1.1%;
- staff turnover rate variable according to age and category;
- generational mortality table TPGF2005/TPGH2005.

PROVISIONS ON SHARES EARMARKED FOR EMPLOYEE SHARE ALLOCATIONS

Pursuant to CRC Regulation No. 2008-15 dated 4 December 2008 relating to the accounting treatment of share purchase or subscription plans and performance share allocation plans for employees, the Company recognizes a provision for a contingent liability as soon as an outflow of resources becomes probable. This provision is measured based on the product of:

- the acquisition cost of the shares or their net carrying amount (when they were already owned) prior to the date they were allocated to the share allocation plan, less the price likely to be paid by the beneficiaries; and
- the number of shares that are expected to be allocated given the provisions of the allocation scheme (satisfaction of conditions regarding continuous service and performance) as assessed on the reporting date.

A provision for contingencies and liabilities has been recognized on a *pro rata* basis at each reporting date since these plans were put in place, equal to the costs relating to the allocations of performance shares to employees, executive management and corporate officers of Vallourec and its subsidiaries.

OTHER PROVISIONS

All disputes (technical, tax) and risks have been recognized as provisions for the estimated probable risk at the reporting date.

Exceptional income and expenses

In general, exceptional income and expenses comprise amounts of an extraordinary nature, i.e. those that fall outside the scope of the Company's continuing operations.

C – Notes to the statement of financial position

1. Movements in non-current assets

Non-current assets – Net values	31/12/2019	Acquisitions/ Allowances	Disposals/ Reversals	31/12/2020	Revaluation reserve	Related parties
Intangible assets	**414**	**-**		**414**	**-**	**-**
Trademarks	414	-		414	-	-
Property, plant and equipment	**88**	**-**		**88**	**-**	**-**
Land	88	-		88	-	-
Equity interests	**3,856,429**	**(3,002,000)**		**854,429**	**-**	**-**
Equity interests	3,856,429	-		3,856,429	-	-
Provision of equity interests	-	(3,002,000)		(3,002,000)	-	-
Fixed securities and treasury shares	**-**	**-**		**-**	**-**	**-**
Receivables, loans, other investments	**1,700,000**	**230**		**1,700,230**	**-**	**-**
Loans	1,700,000	230		1,700,230	-	-
Accrued interest	-	-		-	-	-
TOTAL	**5,556,931**	**(3,001,770)**		**2,555,161**	**-**	**-**

EQUITY INTERESTS

As at 31 December 2020, the shares of Vallourec Tubes SAS, which bear all the participating interests of the Group, are valued on the basis of their value in use as determined from the cash flows expected over the duration of the Group's strategic plan for the first five years, from a projection for the following three years, and from a terminal value.

All forward-looking information is derived from the budget and forecasts presented to the Supervisory Board and the Audit Committee in December 2020, and used in the context of financial restructuring.

The valuation carried out on 31 December 2020 led to the recognition of €3.0 billion in impairments of shares in Vallourec Tubes, which is due to:

- a downward revision of the sales prospects for tubes in the O&G and Industry sector as a result of the decrease in demand caused by the Covid-19 pandemic. The oil and gas industry experienced significant disruptions during 2020, with the decline in global demand for oil caused by the Covid-19 pandemic leading to a significant drop in oil prices. In this context, some Oil & Gas operators, particularly in North America, announced their intention to significantly reduce their investments. In Europe, the Group was also impacted by a decrease in demand in its markets. These elements are reflected in a reduction in both sales over the strategic plan term and long-term prospects compared to the previous year, as reflected in the terminal values;
- an adverse impact from changes in exchange rates, particularly those of the Brazilian real and the US dollar;
- a change of assumption regarding discount rates: 9.5% for Europe (8.4% in 2019), 9.8% for North America (8.8% in 2019) and 11.8% (11.1% in 2019) for Brazil.

RECEIVABLES, LOANS AND OTHER FINANCIAL ASSETS

Loans

Vallourec S.A. arranged a €1.7 billion loan for subsidiary Vallourec Tubes to finance its long-term requirements. The loan is being repaid at 6.50%, maturing on 31 December 2022.

2. Investment securities

Investment securities include:

Mutual and investment funds

	31/12/2019	31/12/2020	Acquisitions/ (Disposals)	Allowances	Reversals
Time deposit account	5,000	5,005	5	-	-
Mutual and investment funds	-	-	-	-	-
TOTAL	**5,000**	**5,005**	**5**	**-**	**-**

Vallourec S.A. participates in euro and US dollar cash management centralization with its main European companies and centralized currency hedging transactions in respect of its US dollar sales within Vallourec Tubes.

Cash is invested in risk-free UCITS money market funds. Vallourec S.A. only enters into financial transactions with leading financial institutions.

Treasury shares

	31/12/2019	Acquisitions	Disposals	31/12/2020
Treasury shares	1,158	89	(1,203)	44
Impairment provision	-	-	-	-
TOTAL	**1,158**	**89**	**(1,203)**	**44**

Treasury shares recorded in investment securities are allocated to members of staff, executive management or corporate officers of the Group under the performance share allocation plans and free share allocation plans for employees of the Group.

In this context, Vallourec SA holds:

- 3 treasury shares acquired in 2011 under the share repurchase plan of 7 June 2011, after the definitive allocation of 27,534 shares in 2012, 86,377 shares in 2013, 91,929 shares in 2014, 108,600 shares in 2015, 30,524 shares in 2016, 54,871 shares in 2017, 10 shares in 2018, and 152 shares in 2020 under the various performance share plans;
- 1,078 treasury shares acquired in 2020 after the definitive allocation of 1,422 shares in 2020 under the various performance share plans.

As at 31 December 2020, Vallourec holds 1,081 treasury shares, all allocated to a performance plan.

3. Statement of receivables and payables

Total	Gross value	Of which accrued receivables	Related parties	Gross value <1 year	Gross value >1 year
Receivables and loans of financial assets	**1,700,000**	**-**	**1,700,000**	**-**	**1,700,000**
Operating receivables	**1,089**	**-**	**-**	**1,089**	**-**
Trade and other receivables	564	-	-	564	-
Other operating receivables	525	-	-	525	-
Other receivables	**1,897,414**	**-**	**1,891,367**	**1,897,414**	**-**
Government – Corporate income tax	6,047	-	-	6,047	-
Intercompany cash advance	1,891,367	-	1,891,367	1,891,367	-
TOTAL	**3,598,503**	**-**	**3,591,367**	**1,898,503**	**1,700,000**

Loans granted during the year: None.

Loans repaid during the year: None.

Receivables represented by commercial paper: None.

Payables	Gross value	Of which expenses payable	Related parties	<1 year	>1 year	>5 years
Borrowings	**3,502,603**	**35,440**	**-**	**1,747,603**	**1,700,000**	**55,000**
Non-convertible bond issues	1,505,000	-	-	-	1,450,000	55,000
Convertible bond issues	250,000	-	-	-	250,000	-
Bank loans and borrowings	35,440	35,440	-	35,440	-	-
Commercial paper	-	-	-	-	-	-
Other loans and borrowings	1,712,163	-	-	1,712,163	-	-
Operating liabilities	**2,093**	**347**	**176**	**2,093**	**-**	**-**
Trade payables	877	345	176	877	-	-
Tax & social security liabilities	1,216	2	-	1,216	-	-
Other liabilities	**7,591**	**1,441**	**6,150**	**7,591**	**-**	**-**
Other non-operating liabilities	7,591	1,441	6,150	7,591	-	-
TOTAL	**3,512,287**	**37,228**	**6,326**	**1,757,287**	**1,700,000**	**55,000**

BORROWINGS

Bond issues

Bond issue *(in € million)*	Nominal amount	Due date	Rate	Market value as at 31 December 2020	Amount in statement of financial position as at 31 December 2020
Bond issue – August 2012	55	Aug. 2027	4.125%	64	54
Bond issue – September 2014	500	Sept. 2024	2.250%	532	499
OCEANE – September 2017	250	Oct. 2022	4.125%, 37.5% conversion premium and 275.60 strike (b)	-	239
Bond issue – October 2017 (a)	550	Oct. 2022	6.625%	558	547
Bond issues – April 2018 (a)	400	Oct. 2023	6.375%	411	397
TOTAL	**1,755**				**1,736**

(a) Bonds callable pursuant to the contractual terms as from 15 October 2020.
(b) The issue conversion price was €6.89; following the 1:40 share consolidation on 25 May 2020, the conversion price was increased to €275.60.

The Agreement in Principle signed by Vallourec with its main creditors on 3 February 2021 provides for a reduction in gross debt of €1,800 million and the implementation of refinancing for the residual debt of €1,747 million.

In this context, bond issues and bank borrowings would be substantially modified, in particular via conversion into equity instruments, and the implementation of new financial instruments.

These bond issues specifically include a change-of-control clause that would trigger the mandatory early repayment of the bonds at the request of each bondholder in the event of a change of control of the Company (in favor of a person or a group of people acting in concert) leading to a downgrade of Vallourec's financial rating.

In addition, these bonds may be subject to a request for prepayment should any of the common default scenarios for this type of transaction arise. Early redemption may also be requested in some cases by either the Company or the bondholder, particularly in respect of a change in Vallourec's position or tax status.

Prior to the appointment of the ad hoc representative in September 2020, Vallourec requested the agreement of bearers of high-yield bonds maturing in October 2022 and October 2023 to irrevocably and definitively waive the activation of the early maturity clause owing to the appointment of an ad hoc representative. It obtained this agreement on 18 September 2020.

As at 31 December 2020, the contractual maturities of the Company's bond debt have thus not changed and the Company is not aware of any maturity clause that could be activated by creditors on that date.

Finally, it should be borne in mind that the Company entered into safeguard proceedings on 4 February 2021 and that the Company benefits from the legal provisions associated with these proceedings with respect to its creditors during this period.

Bank loans & debts

Confirmed credit lines *(in € million)*	Amount	Initial due date	Extension due date	Drawdown amount as at 31 December 2020
Line of €1.1 billion – February 2014	1,034	Feb. 2019	Feb. 2021 for €1,034m	1,029
Bilateral of €90 million – June 2015	90	Feb. 2019	Feb. 2021 for €90m	89
Line of €400 million – September 2015	300	Feb. 2019	Feb. 2021 for €300m	297
Line of €450 million – May 2016	300	Feb. 2020	Feb. 2021 for €300m	297
TOTAL	**1,724**			**1,712**

The instigating decision for the Vallourec S.A. safeguard proceedings of 4 February 2021 automatically prohibits Vallourec S.A. from paying any receivables arising before the opening decision. The Agreement in Principle signed by Vallourec with its main creditors on 3 February 2021 provides for the refinancing of a five-year unsecured revolving credit facility in the amount of €462 million.

Banking covenant

Each of these bank facilities requires the Group to maintain its consolidated net debt-to-equity ratio ("banking covenant") at less than or equal to 100%, calculated as at 31 December each year. As defined in the bank loan agreements, the banking covenant ratio is the ratio of the Group's consolidated net debt (including the financial lease debt and the shareholder loan in Brazil) to the Group's equity, restated for gains and losses on derivatives and for foreign currency translation reserves (gains and losses of consolidated subsidiaries in foreign currency).

As at 31 December 2020, the restated indebtedness ratio ("banking covenant") as defined in the bank loan agreements was 180%.

However, it should be noted that subsequent to the closing, given the instigation of safeguard proceedings on 4 February 2021, in practice, the breach of this covenant will not oblige the Company to repay its creditors in February 2021. The implementation of new credit lines and the financial restructuring provided for in the agreement in principle signed on 3 February 2021 with its main creditors should enable the Company to meet its repayment obligations.

Banking covenant	31/12/2019	31/12/2020
Net debt (excluding financial lease debt)	2,030,539	2,213,978
Financial lease debt	50,042	30,233
Net debt	**2,080,581**	**2,244,211**
Shareholder loan	20,560	8,613
Restated net debt (1)	**2,101,141**	**2,252,824**
Equity	1,980,045	133,677
Foreign currency translation reserve – Group share [(a)]	608,335	1,144,517
Reserves – changes in fair value of financial instruments [(a)]	(3,893)	(23,522)
Equity restated (2)	**2,584,487**	**1,254,672**
Ratio of banking covenant restated (1)/(2)	81%	180%

(a) Including minority interests.

Liquidity risk

In addition to bank financing, the Group has sought to diversify its funding sources by using market financing. For example, Vallourec SA launched a commercial paper program on 12 October 2011 to meet its short-term needs. The program has a €1 billion ceiling.

As at 31 December 2020, Vallourec S.A. had no outstanding commercial paper. This commercial paper program has a short-term rating of C from Standard & Poor's.

As at 31 December 2020, Vallourec S.A. had confirmed bank credit facilities of €1,724 million, all of which had been drawn down, and €1,712 million scheduled for repayment on 9 February 2021, along with cash of €25 million. Given the cash position as at 31 December 2020, Vallourec S.A. was not in a position to meet this repayment.

In order to meet its repayment deadlines, the Group signed an agreement in principle with its main creditors on 3 February 2021, which is scheduled to be implemented at the end of the first half of 2021.

This agreement meets Vallourec S.A.'s objectives to rebalance its capital structure by reducing its debt and securing the necessary liquidity that will enable it to implement its strategic plan in a volatile market environment. Accordingly, Vallourec S.A. has filed a request with the Commercial Court of Nanterre for the opening of safeguard proceedings with respect to it. The opening of the proceedings on 4 February 2021 notably aims to enable the implementation of the Agreement in Principle, which will be subject to approval by a two-thirds majority of each of the creditors' committees (lenders under the RCF on the one hand and Bondholders on the other), as well as the approval of the Extraordinary Shareholders' Meeting, before it can be submitted to the court for approval.

4. Bond issue costs

In accordance with the method recommended by the French National Accounting Board (Conseil National de la Comptabilité), bond issue costs are spread in a straight line over the life of the bonds concerned.

	31/12/2019	Increase	Decrease	31/12/2020
Bond issue costs	13,626	-	(4,278)	9,348

5. Equity

Changes in equity were as follows:

	Number of shares	Capital	Net income/ (loss) for the period	Additional paid-in capital and reserves	Equity
Position as at 31/12/2018	**457,987,760**	**915,976**	**(34,718)**	**3,253,694**	**4,134,952**
Allocation of 2018 net income/(loss)	-	-	34,718	(34,718)	-
Capital increase	-	-	-	-	-
Revaluation reserve	-	-	-	-	-
Dividends paid	-	-	-	-	-
2019 net income/(loss)	-	-	(63,648)	-	(63,648)
Change	-	-	(28,930)	(34,718)	(63,648)
Position as at 31/12/2019	**457,987,760**	**915,976**	**(63,648)**	**3,218,976**	**4,071,304**
Allocation of 2019 net income/(loss)	-	-	63,648	(63,648)	-
Reduction in the nominal value of capital	(446,538,066)	(915,747)	-	915,747	-
Revaluation reserve	-	-	-	-	-
Dividends paid	-	-	-	-	-
2020 net income/(loss)	-	-	(3,093,524)	-	(3,093,524)
Change	(446,538,066)	(915,747)	(3,029,876)	852,099	(3,093,524)
POSITION AS AT 31/12/2020	**11,449,694**	**229**	**(3,093,524)**	**4,071,075**	**977,780**

Vallourec's issued capital comprises 11,449,694 ordinary shares with a nominal value of €0.02 per share, fully paid-up. On 23 April 2020, Vallourec announced the launch of its share consolidation by way of an exchange of 40 existing shares for 1 new share, approved by the Company's shareholders at the Ordinary and Extraordinary Shareholders' Meeting held on 6 April 2020. The number of shares decreased from 457,987,760 to 11,449,694 shares.

The final amount of the capital reduction was 915,746,526.12. This amount was allotted to the "Premiums" item, and is not distributable. This technical adjustment has no impact on the value of Vallourec securities held by shareholders and shareholders' equity.

Equity fell by €3,094 million and was €978 million as at 31 December 2020, compared with €4,071 million as at 31 December 2019.

6. Employee share ownership

SHARE SUBSCRIPTION PLANS

Characteristics of the plans

The Vallourec Management Board authorized share subscription plans from 2010 to 2020 for some executive management and corporate officers of the Group.

The characteristics of these plans are as follows (the figures for the 2010 to 2019 plans have been restated to take account of the multiplication by forty of the nominal value of the shares and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020):

	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Plan
Allocation date	01/09/2010	01/09/2011	31/08/2012	02/09/2013	15/04/2014
Maturity date	01/09/2014	01/09/2015	01/03/2017	03/03/2018	15/04/2018
Expiration date	01/09/2020	01/09/2021	30/08/2020	01/09/2021	15/04/2022
Exercise price in euros	1,708.8	1,457.6	888.4	1,108.0	925.20
Number of options granted	12,788	16,952	22,002	24,997	15,482

	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Allocation date	15/04/2015	18/05/2016	18/05/2017	15/06/2018	17/06/2019	15/06/2020
Maturity date	15/04/2019	18/05/2020	18/05/2021	15/06/2022	17/06/2023	15/06/2024
Expiration date	15/04/2023	18/05/2024	18/05/2025	15/06/2026	17/06/2027	15/06/2030
Exercise price in euros	542.80	156.00	240.80	220.00	88.00	37.36
Number of options granted	17,011	13,375	7,312	8,855	8,855	80,407

Change in number of unexpired options

For all of these plans, the change in the number of unexpired options is as follows:

In number of options	2019 (a)	2020
Options outstanding as at 1 January	**149,406**	**137,039**
Options exercised	-	-
Options lapsed	(12,186)	(7,825)
Options canceled	(9,036)	(65,744)
Options distributed	8,856	80,407
OPTIONS OUTSTANDING AS AT 31 DECEMBER	**137,039**	**143,877**
Options available for exercise	44,297	41,056

(a) The 2019 figures have been restated to take account of the multiplication by forty of the nominal value of the shares, and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020.

The reported figures correspond to the number of options, with a performance factor of 1 for plans that were vesting, and to the actual number of shares allocated for plans that had matured.

As at 31 December 2020, the average exercise price was €304.73.

PERFORMANCE SHARE ALLOCATION PLANS

Characteristics of the plans

The Vallourec Management Board authorized performance share allocation plans from 2016 to 2020 for some employees and corporate officers of the Group.

The characteristics of these plans are as follows (the figures for the 2016 to 2020 plans have been restated to take account of the multiplication by forty of the nominal value of the shares and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020):

Performance share allocation plans	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Allocation date	18/05/2016	18/05/2017	15/06/2018	17/06/2019	15/06/2020
Vesting period	3 years (French residents) or 4 years (non-French residents)	3 years (French residents) or 4 years (non-French residents)	3 years (French residents) or 4 years (non-French residents)	3 years (French residents) or 4 years (non-French residents)	3 years
Holding period	2 years (French residents) or none (non-French residents)	2 years (French residents) or none (non-French residents)	2 years (French residents) or none (non-French residents)	2 years (French residents) or none (non-French residents)	None
Performance conditions	Yes [(a)]	Yes [(b)]	Yes [(c)]	Yes [(d)]	Yes [(e)]
Theoretical number of shares allocated	7,958	20,506	21,065	20,898	34,090

(a) Definitive allocation of shares in 2019 for French residents and members of the Management Board, and in 2020 for non-French residents. For all beneficiaries (excluding Management Board members), it will be based on the ratio of consolidated EBITDA to consolidated revenue achieved by the Group in 2016, 2017 and 2018. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 1.25. For members of the Executive Committee, the definitive allocation will depend on the following two criteria, assessed for 2016, 2017 and 2018: the rate of return on capital employed on a consolidated basis (ROCE), compared with the ROCE in the strategic plan, and the Total Shareholder Return (TSR) for 2016, 2017 and 2018. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 1.33. The number of shares allocated, as shown in the above table, corresponds to the application of a performance factor of 1.

(b) For all beneficiaries (excluding members of the Management Board and the Executive Committee), this will depend on cost reduction in 2017, 2018 and 2019, in comparison with the planned performance in the Group's medium-term plan for the same period, and on the Group's cumulative Free Cash Flow (FCF) for 2017, 2018 and 2019. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 1.4. For members of the Management Board and the Executive Committee, the final allocation will depend on the following two criteria: cost reduction in 2017, 2018 and 2019, in comparison with the Group's planned performance in the medium-term plan over the same period, and the increase in the EBITDA margin between 2017 and 2019 compared with a panel of comparable companies. The actual number is determined by applying a performance factor, calculated for the two years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2.

(c) For all beneficiaries (excluding members of the Management Board and the Executive Committee), this will depend on cost reduction in 2018, 2019 and 2020, in comparison with the planned performance in the Group's medium-term plan for the same period, and on the Group's cumulative Free Cash Flow (FCF) for 2018, 2019 and 2020. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2. For members of the Management Board and the Executive Committee, the final allocation will depend on the following two criteria: cost reduction in 2018, 2019 and 2020, in comparison with the Group's planned performance in the medium-term plan over the same period, and the increase in the EBITDA margin between 2018 and 2020 compared with a panel of comparable companies. The actual number is determined by applying a performance factor, calculated for the two years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2.

(d) For all beneficiaries (excluding members of the Management Board and the Executive Committee), this will depend on cost reductions in 2019, 2020 and 2021, in comparison with the planned performance in the Group's medium-term plan for the same period, and on the Group's cumulative Free Cash Flow (FCF) for 2019, 2020 and 2021. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2. For members of the Management Board and the Executive Committee, the final allocation will depend on the following two criteria: cost reduction in 2019, 2020 and 2021, in comparison with the Group's planned performance in the medium-term plan over the same period, and the increase in the EBITDA margin between 2019 and 2021 compared with a panel of comparable companies. The actual number is determined by applying a performance factor, calculated for the two years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2.

(e) For all beneficiaries, it will depend on two absolute internal criteria:

- *Group cost reductions (Gross savings as a % of the N-1 baseline and excluding DCOS) for the 2020, 2021 and 2022 fiscal years;*
- *the ratio of carbon emissions due to Vallourec's industrial processes and the purchase of electricity generated by fossil fuel to sales volume, in metric tons (emissions of non-biogenic carbon) between 2020 and 2022.*

And an external relative criterion: growth of the EBITDA margin between 2020 and 2022 compared to a panel of comparable companies comprised as follows: Hunting Plc, United States Steel Corp., Nippon Steel Corp., Tubacex SA, Tenaris SA, Schlumberger, Halliburton, Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK and NOV.

Free share allocation plans (without performance condition)	Value 15 Plan	Value 16 Plan	Value 17 Plan
Allocation date	15/12/2015	14/12/2016	14/12/2017
Vesting period	4.6 years	4.6 years	4.6 years
Theoretical number of shares allocated [(a)]	68	83	85

(a) The figures for the 2015 to 2017 plans have been restated to take account of the multiplication by forty of the nominal value of the shares, and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020.

Change in number of shares

For all of these plans, the change in the number of shares being vested is as follows:

In number of shares	2019 [(a)]	2020
Number of shares being vested as at 1 January	**55,612**	**64,470**
Shares delivered over the year	(4,453)	(14,451)
Shares canceled	(7,605)	(5,445)
Shares allocated over the year	20,916	34,090
NUMBER OF SHARES BEING VESTED AS AT 31 DECEMBER	**64,470**	**78,664**

(a) The figures for the 2019 fiscal year have been restated to take account of the multiplication by forty of the nominal value of the shares, and the subsequent division by forty of the number of shares resolved at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020.

The reported figures correspond to the number of shares, with a performance factor of 1 for plans that were vesting, and to the actual number of shares allocated for plans that had matured.

7. Provisions for contingencies and liabilities

The change in provisions for contingencies and liabilities is shown below:

	31/12/2019	Allowances	Reversals used	31/12/2020
Retirement provisions	222	13	-	235
Provisions for supplementary pension commitments	75	555	-	630
Provisions for performance share expenses	3,001	164	(1,965)	1,200
TOTAL	**3,298**	**732**	**(1,965)**	**2,065**
• Recognized in operating profit	-	732	(1,965)	-
• Recognized in financial profit	-	-	-	-
• Recognized in exceptional income	-	-	-	-

Disputes are provisioned according to the estimated probable cost at the reporting date of each year, in application of CRC Regulation No. 2000-06 on liabilities.

The balance of the provision for expenses relating to the performance share plans (2015, 2016, 2017, 2018, 2019, and 2020 plans) totaled €1.2 million.

RETIREMENT PROVISIONS

Total retirement commitments, net of plan assets, totaled €0.2 million as at 31 December 2020, compared with €0.2 million as at 31 December 2019.

PROVISIONS FOR SUPPLEMENTARY PENSION COMMITMENTS

Total supplementary pension commitments, net of plan assets, totaled €0.7 million as at 31 December 2020.

Actuarial losses and past service costs not recognized totaled €0.1 million. The commitments not recognized in the balance sheet correspond to changes or to the failure to achieve assumptions, for which the effect is amortized over time using the corridor method.

INFORMATION ON INTEREST RATE RISK

Vallourec S.A. uses swaps, where required, to hedge its variable-rate borrowing at a fixed interest rate. As at 31 December 2020, Vallourec S.A. had no variable-rate debt.

INFORMATION ON FOREIGN EXCHANGE RISK

As at 31 December 2020, Vallourec S.A. was not exposed to foreign exchange risk.

D – Notes to the income statement

1. Operating income (loss)

REVENUE

Revenues of €2.7 million mainly correspond to the Group's reinvoicing of services to its subsidiary Vallourec Tubes for €3.1 million, and of the costs of employee performance share allocation plans to Group subsidiaries.

OPERATING EXPENSES

Operating expenses of €19.4 million consist mainly of fees, personnel costs, and the impact of free share allocation programs, and commissions, loan issue fees and allocations to provisions.

2. Financial income and expenses concerning affiliated companies

Financial expenses: none.

Financial income: €112 million.

3. Financial income (loss)

Financial income was a loss totaling €3,076.8 million.

	31/12/2019	31/12/2020
Financial income [(a)]	112,049	112,348
Interest expenses	(159,331)	(187,122)
Net interest expenses	**(47,282)**	**(74,774)**
Change in provisions	-	(3,002,000)
Other financial income and expenses	20	(1)
FINANCIAL INCOME (LOSS)	**(47,262)**	**(3,076,775)**

(a) *Of which €112.0 million corresponding to interest on loans with Vallourec Tubes SAS.*

4. Exceptional income/(loss)

Exceptional income was a loss totaling €2 million.

E – Other information

1. Composition of average headcount

The Company employed four people as at late 2020, including two corporate officers (members of the Management Board).

2. Taxation

TAX CONSOLIDATION

Since 1 January 1988, the Company has been a member of a tax consolidation group formed under the provisions of Article 223A of the French General Tax Code.

This agreement has been renewed automatically for five-year periods since 1999.

In 2020, the scope of the tax consolidation group included: Vallourec S.A., Vallourec Bearing Tubes, Vallourec Université France, Valinox Nucléaire, Vallourec Tubes, Vallourec Tubes France, Vallourec Oil and Gas France, Vallourec One, Vallourec Services, Val27 and Val28.

The tax consolidation agreement requires subsidiaries of the tax group to record a tax expense equivalent to the amount they would have borne in the absence of tax consolidation.

Any income resulting from tax consolidation recorded by Vallourec S.A. corresponds mainly to the charge to income of the losses generated by Vallourec S.A. itself and tax loss carryforwards used by Vallourec S.A.

The Vallourec tax consolidation group reported a loss in 2020 and its tax loss carryforward was €2,088.2 million at the end of 2020.

Increase and decrease in future tax liabilities

Nature of temporary differences	Amount (base) as at 31/12/2019	Amount (base) as at 31/12/2020
Increase	**-**	**628**
Decrease	**1,383**	**(680)**
Provision for retirement commitments	298	569
Provision for employee share ownership arrangements	1,070	(616)
Provision for paid leave	15	(5)

As at 31 December 2020, the amount of tax loss carryforwards specific to the Company, Vallourec S.A., stood at €217.2 million.

Breakdown of income tax between income (loss) from recurring operations and non-recurring income (loss)

	Pre-tax income	Tax due	Net income
Current	(3,091,551)	-	(3,091,551)
Non-recurring	(2,029)	-	(2,029)
Sub-total	**(3,093,580)**	**-**	**(3,093,580)**
Expense specific to Vallourec (tax credit)	-	(56)	(56)
TOTAL VALLOUREC	**(3,093,580)**	**(56)**	**(3,093,524)**

3. Compensation of members of administrative and management bodies

ADMINISTRATIVE BODIES

Attendance fees and other compensation received during the year amounted to €0.95 million.

MANAGEMENT BODIES

This information is not provided as it is not relevant in relation to the assets and liabilities, financial position and net income of Vallourec S.A.

4. Off-statement of financial position commitments

Off-statement of financial position commitments are as follows:

- retirement benefits: none;
- supplementary retirement payment: nil;
- long-term vehicle leases: €13 thousand.

The Company has not issued any form of collateral against its liabilities.

5. Subsequent events

On 3 February 2021 Vallourec announced that it had reached a major milestone in its financial restructuring, with an agreement in principle (the "Agreement in Principle") with its main creditors. This agreement meets the Company's objectives to rebalance its capital structure by reducing its debt and securing the necessary liquidity that will enable it to implement its strategic plan in a volatile market environment.

The Agreement in Principle was signed with a group of lenders together representing 65.1% of the Company's total financial debt, consisting of some of its commercial banks (the "Commercial Banks") on the one hand, representing 38.8% of the principal amount of the revolving credit facilities ("RCFs"), and investment funds bearing Senior 2022 bonds, Senior 2023 bonds, OCEANE 2022 bonds, 2024 bonds or interests in the RCFs on the other hand, representing approximately 50.5% of the total principal amount of the RCFs and 41.4% of the principal amount of bonds issued by the Company (the "Bonds").

Accordingly, the Company filed a request with the Commercial Court of Nanterre for the opening of safeguard proceedings with respect to it.

The safeguard proceedings [(1)] were initiated on 4 February 2021. They notably aim to enable the implementation of the Agreement in Principle, which will be subject to approval by a two-thirds majority of each of the creditors' committees (lenders under the RCFs on the one hand and Bondholders on the other), as well as the approval of the Extraordinary Shareholders' Meeting, before it can be submitted to the court for approval.

In particular, the terms of the Agreement in Principle provide for:

(i) a major reduction of Vallourec's debt, amounting to €1,800 million, i.e., more than half of the principal amount of its debt, through:

- a capital increase with preferential subscription rights for €300 million (including premium), to be carried out at a subscription price of €5.66 per share to be subscribed entirely in cash, and to be guaranteed in full by RCF and Bond creditors other than the Commercial Banks (pro rata to their holding) by means of debt offsetting. The proceeds of this capital increase with maintenance of the preferential subscription right will be allocated to the partial repayment of these creditors pro rata to their holding;
- a capital conversion of approximately €1,331 million in receivables on RCFs and Bonds, by means of a reserved capital increase at a subscription price of €8.09 per share, subscribed via debt offsetting by RCF and Bond creditors other than the Commercial Banks pro rata to their holding, and
- a €169 million write-off of receivables by the Commercial Banks, associated with a financial recovery instrument in the form of share subscription warrants pro rata to the share of RCF receivables held by each of the Commercial Banks (share subscription warrants), granting an entitlement to 11.7% of the capital and voting rights (on a diluted basis of share issues provided for by the Agreement in Principle, including those resulting from the exercise of share subscription warrants) at an exercise price of €10.11 per Company share. The exercise period of these SSWs will be five years from the completion date (one SSW granting an entitlement to one new share).

(ii) the refinancing of residual debt resulting from the securing of significant liquid assets and operational financing through:

- the implementation of a revolving credit facility of €462 million by the commercial banks for a term of five years (unsecured), granted to the Company for a five-year term and paid at an annual interest rate of Euribor +5.00%; this revolving credit facility will be subject to a financial gearing covenant, which will be tested for the first time on 31 December 2023,
- a new €1,023 million senior bond to be refinanced in the form of new senior bonds (subscribed to by way of debt offsetting), subject to the law of the State of New York, paid at an interest rate of 8.50% per year, unsecured, with terms and conditions based on those of the Senior 2022 bonds, subject to certain adjustments,
- the implementation of a State-guaranteed loan in the amount of €262 million by commercial banks for a five-year term,
- the implementation of bonding facilities of €178 million supplied by the Commercial Banks over a period of five years,
- furthermore, interest accrued for RCFs and Bonds up to 1 February 2021 will be paid in cash on the completion date of the transactions set out in the Agreement in Principle (the "Completion Date"); interest accrued between 2 February 2021 and 30 June 2021 for RCFs and bonds (the "Restructured Interest") will be partly repaid, partly converted into capital and partly refinanced, and is included in the capital conversion amounts and new payables indicated above.

The commercial banks and the members of the Ad Hoc Group have entered into a lock-up agreement with the Company under which the parties have undertaken to support and take any steps or actions that may reasonably be necessary for the implementation and fulfillment of the Agreement in Principle. The terms and conditions of the lock-up agreement are relatively standard and include an obligation on the part of the creditors to vote in favor of the implementation of the Agreement in Principle, to waive certain rights (waivers), to sign the documentation required for the restructuring, and not to transfer their share of the debt unless the acquirer signs up to the lock-up agreement or is already a signatory (and therefore already bound by its terms). The commercial banks, Apollo and SVPGlobal have undertaken not to transfer their share of the RCFs and the Bonds, even to a signatory or a person who would comply with the terms of the lock-up agreement, until the Completion Date.

The financial restructuring plan is supported by the current leading shareholders, Nippon Steel Corporation and Bpifrance Participations, which have undertaken to vote in favor of the resolutions required for the implementation of the plan and to subscribe to new Vallourec shares for €35 million and €20 million respectively as part of the €300 million capital increase with PSR. Once these transactions have been completed, Nippon Steel Corporation will hold a share of 3.4% of the capital (compared to 14.56% of the capital and 14.87% of the voting rights) and Bpifrance Participations will hold a share of 2.3% of the capital (compared to 14.56% of the capital and 14.82% of the voting rights) (before the SSWs are exercised, and 2.0% after the SSWs are exercised). As a result, the shareholders' agreements concluded between the Company and Nippon Steel, on the one hand, and Bpifrance Participations, on the other, will end and they will no longer be able to appoint a Board member.

(1) Specifically involves the suspension of payments in respect of RCFs and Bonds.

The Agreement in Principle would allow the Company to strengthen its balance sheet structure and reduce its debt and interest costs to an appropriate level, taking into account the consequences and uncertainties associated with the COVID-19 and oil market crises. This new favorable framework, linked to the strong structural adaptation measures initiated during the 2020 fiscal year, would allow it to deploy its strategic plan with a view to strengthening its position in the market.

The implementation of the Agreement in Principle is subject to a number of conditions precedent, including approval of the resolutions required by the Company's Extraordinary Shareholders' Meeting to be held in April 2021.

It is also subject to (i) the achievement of the required level of creditor support within safeguard proceeding committees to be held in March 2021; (ii) the obtaining of the prior government authorizations required for the implementation of the Agreement in Principle (including the AMF visas on the prospectuses required under the financial restructuring); (iii) if applicable, the obtaining by Apollo of an exemption to the requirement to make a public bid for the Vallourec shares as a result of the financial restructuring under Article 234-9 2 of the General Regulations of the AMF; and (iv) the approval by the Commercial Court of Nanterre of the safeguard plan.

As at 12 February 2021, the Agreement in Principle is supported by those creditors who signed a lock-up agreement representing 97% of Vallourec S.A.'s revolving credit facilities and 86% of the bonds issued by Vallourec S.A., thus in excess of the two-thirds majority required at the meetings of their committees which are expected to take place in March.

In view of the Agreement in Principle signed with these main creditors, the agreements signed with its leading shareholders, and the analyses conducted with the assistance of its main Advisors, management does not foresee any difficulties in lifting the conditions precedent, and implementing the financial restructuring plan at the end of the first half of 2021.

Once these transactions have been completed, Apollo and SVPGlobal will become Vallourec S.A.'s major shareholders, with participation rates of between 23.2% and 29.3% of the capital and 9.7% and 12.3% of the capital, respectively (in both cases, before the share subscription warrants are exercised).

The Agreement in Principle states that the Company will be converted into a limited company (société anonyme) with a Board of Directors on the Completion Date. The governance, which will reflect the new share ownership, will comply with the AFEP-MEDEF Code.

Mr. Édouard Guinotte will be Chairman of the Board of Directors and CEO of the Company, and Mr. Olivier Mallet will be COO of the Company.

On the Completion Date, the Board of Directors will consist of 10 Directors, including Mr. Édouard Guinotte, two Directors nominated by Apollo (one of whom will be Vice-Chairman), and one Director nominated by SVPGlobal. In the event that SVPGlobal holds more than 15% of the Company's capital, SVPGlobal may request the appointment of a second member of the Board of Directors.

Apollo and SVPGlobal must retain their shares for a period of six months from the Completion Date. The Company will have the right of first offer in the event of a planned sale of shares by Apollo or SVPGlobal to a competitor. Lastly, double voting rights would also be eliminated on the Completion Date.

Accounting consequences expected in 2021 of the implementation of debt restructuring

The debt restructuring will be reflected in Vallourec S.A.'s parent company financial statements through the derecognition of the existing RCF and bond debts as:

- a capital increase by way of an offsetting of debts recognized at an amount equal to the carrying amount of the debt included in the capital for the holders of the other receivables;
- a capital increase with preferential subscription rights;
- the arranging of new debts (state-guaranteed loans, RCFs and bond debts) recognized at their nominal value;
- a gain recognized in financial income corresponding to the write-off of receivables granted by commercial banks.

Furthermore, an analysis of the costs incurred by the Company will also be carried out so that they can be allocated either to the restructuring, to the new debts or to the capital increases.

6. Vallourec subsidiaries and directly-held equity interests as at 31 December 2020

In € thousand **Companies**	Capital	Other equity before allocation of income (loss)	Percentage of capital held *(%)*	Accounting value of the securities held Gross/Net	Loans and advances granted by the Company and not yet repaid	Total securities and guarantees given by the Company	Sales excluding taxes for the last fiscal year	Income (loss) for the last fiscal year	Dividends received by the Company during the year
A) SUBSIDIARIES AND EQUITY INTERESTS WITH A CARRYING AMOUNT IN EXCESS OF 1% OF VALLOUREC'S CAPITAL									
I. Subsidiaries (at least 50%-owned)									
French company									
Vallourec Tubes 27, avenue du Général-Leclerc 92100 Boulogne-Billancourt (France)	1,503,949	374,303	100%	3,856,429 854,429	3,591,311	-	59,163	- 1,261,051	-

7. Financial results for the last five years

In €, except number of shares and number of employees	2016	2017	2018	2019	2020
CAPITAL					
Share capital	**902,476,010**	**915,975,520**	**915,975,520**	**915,975,520**	**228,994**
Number of ordinary shares in issue	451,238,005	457,987,760	457,987,760	457,987,760	11,449,694
Number of preference dividend shares (without voting rights) in issue	-	-	-	-	-
Maximum number of new shares to be issued:					
• by converting bonds	-	36,284,470	-	-	-
• by exercise of subscription rights	5,002,867	4,013,201	3,674,986	3,180,339	-
• by bond redemption	-	-	-	-	-
Revenue, excluding taxes	5,758,082	5,050,327	2,335,242	5,381,501	2,706,419
Income (loss) before tax, employee profit-sharing, depreciation and amortization, and provisions	(43,370,419)	(70,741,338)	(70,504,334)	(59,277,273)	(88,504,562)
Income tax	(8,838,867)	336,751	37,169,694	566,787	56,340
Employee profit-sharing for the year	-	-	-	-	-
Income (loss) after tax, employee profit-sharing, depreciation and amortization, and provisions	(17,841,399)	(39,056,082)	(34,718,136)	(63,647,530)	(3,093,523,915)
Distributed earnings	**-**	**-**	**-**	**-**	**-**
EARNINGS PER SHARE					
Income after taxes and employee profit-sharing but before amortization and provisions	(0.08)	(0.16)	(0.07)	(0.13)	(7.73)
Income (loss) after tax, employee profit-sharing, depreciation and amortization, and provisions	(0.04)	(0.09)	(0.08)	(0.14)	(270.18)
Dividend allotted to each existing share	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
WORKFORCE					
Average number of employees during the year	7	5	5	5	4
Amount of payroll costs for the year	2,378,067	2,708,256	2,309,412	2,313,936	1,532,830
Payroll-related costs (social security, employee benefits, etc.)	1,969,216	1,138,027	1,069,659	1,312,316	1,102,907

6.4 Statutory Auditors’ report on the company financial statements

For the year ended 31 December 2020

This is a free translation into English of the Statutory Auditors’ Report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This Statutory Auditors’ Report includes information required by European regulations and French law, such as information regarding the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Vallourec,

Opinion

In compliance with the engagement entrusted to us at your Annual General Shareholders’ Meeting, we have audited the accompanying financial statements of Vallourec S.A. (hereafter, “the Company”) for the year ended December 31st, 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31st, 2020 and of the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

The audit opinion expressed above is consistent with our report to the Financial and Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from January 1st, 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of assessments – Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies’ internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Assessment of liquidity risk

Notes A. "Liquidity risk and business continuity", C.3 "Statement of receivables and payables – Borrowings", and E.5 "Subsequent events" to the financial statements

Key Audit Matter	Audit Approach
The paragraph A. "Liquidity risk and business continuity", states that, at December 31st, 2020, the Company had €1,724 million in confirmed credit lines and cash and cash equivalents amounting to €25 million. The credit lines, of which €1,712 million had been drawn down, matured on February 9th, 2021. Given the Group's cash position at December 31st, 2020, the Group was unable to repay the amounts drawn down at maturity. Vallourec S.A. had initiated negotiations as of September 2020 to find a financial restructuring solution with its main creditors and shareholders. As mentioned in Notes A. "Liquidity risk and business continuity" and E.5 "Subsequent events", on February 3rd 2021, the Group entered into an Agreement in Principle with its main creditors in order to (i) reduce its debt by €1,800 million, while maintaining its €1,390 million in available cash and cash equivalents, (ii) refinance residual debt amounting to €1,747 million and (iii) set up €178 million in bonding facilities. The Agreement in Principle will be implemented in connection with a Job-Saving Plan (*Procédure de sauvegarde*), initiated on February 4th, 2021 by the Nanterre Commercial Tribunal (*Tribunal de commerce*). The Group plans to implement the Agreement at the end of the first half of 2021, subject to: • A two-thirds (2/3) majority vote in favour by (i) the committee of credit and credit-related institutions and (ii) the general meeting of Company bondholders; • A two-thirds (2/3) majority vote by the shareholders of the resolutions required for implementation of the Agreement at the Combined Shareholders' Meeting which will take place in April 2021; • Lifting of the usual conditions precedent. The judgment opening the legal proceedings prohibits, ipso jure, the payment of claims arising prior to the judgment. We considered that assessing liquidity risk and applying the going concern principle were key audit matters, given the Group's financial situation and the risks involved in implementing the financial restructuring plan, including the lifting of the conditions precedent, as at the date this report was signed. Moreover, this assessment requires Management to use judgement and estimates in preparing the cash flow forecasts used to determine the Group's liquidity requirements in order to meet payment deadlines over the next 12 months.	We gained an understanding of the documents relating to the Agreement in Principle signed between the Company and its main creditors and examined the conditions precedent, including their risk of not being met, in particular with regard to the following points: • Pending the votes by the committee of credit and credit-related institutions and the general meeting of Company bondholders, we have taken into account the creditors' overall rate of adherence to lock-up agreements and found that, at February 12th 2021, they accounted for 97% of revolving credit and 86% of bonds issued by the Company, above and beyond the two-thirds (2/3) majority required to approve the Agreement in Principle, • Bpifrance Participations and Nippon Steel, currently the Company's leading shareholders, have committed to support the financial restructuring plan at the Shareholders' Meeting. We interviewed Executive Management and exercised professional scepticism regarding their responses to the following: • Assessing the risk that the financial restructuring plan will not be carried out and that the conditions precedent of the Agreement in Principle will not be met, and • The events and circumstances subsequent to the reporting date which could call into question the implementation of this Agreement. As part of our audit work, we assessed the Company's liquidity requirements to meet its payment deadlines over the next 12 months, taking into account the resources available at the reporting date and the freezing of claims due at February 4th, 2021 following the initiation of the legal proceedings. We assessed the Company's application of the going concern principle and gained an understanding of (i) the procedures implemented to prepare forecasts and (ii) the main underlying assumptions used. We assessed their consistency with the forecast data derived from the last strategic plan. We assessed whether the forecast preparation process was consistent with the Company's governance rules and procedures, which require Management supervision and subsequent presentation to the Supervisory Board. We also verified the appropriateness of disclosures on: • Liquidity risk and application of the going concern principle in the Management Board's approval of the financial statements, as described in Note A. "Liquidity risk and business continuity" to the statutory financial statements; • Net financial debt as described in C.3 "Statement of receivables and payables – Borrowings" to the statutory financial statements; • The Agreement in Principle and the Company's financial restructuring plan as set forth in E.5 "Subsequent events" to the statutory financial statements.

Measurement of equity interests

Notes B "Accounting policies – Equity interests", C.1 "Receivables, loans, other financial assets" and E.6 "Subsidiaries and equity investments" to the financial statements

Key Audit Matter	Audit Approach
Equity interests on the balance sheet amounted to €854.4 million as at December 31st, 2020, and represent the most significant balance sheet item. They correspond to shares in Vallourec Tubes, a sub-holding of the Vallourec Group. As described in the Note "Equity interests" to the financial statements, the Company recognizes a provision for impairment when the value in use of equity interests falls below their net carrying amount. Value in use is based on expected cash flows, estimated based on the Group's strategic plan for the first five years, extrapolated over the following three years and a terminal value. The evaluation realized as at December 31st, 2020 lead to, as indicated in the section "Equity interests" of the C.1 of financial statements, a depreciation of €3,002 million for the period. Cash forecasts used to identify recoverable values are based on current available data, in this complex and evolving context that due to Covid-19 which has led to a lower tubes demand for the oil and gas industry and difficulty to define its impacts and future prospects. In this context, realization could digress these estimations and the variable nature of some estimation could be strengthened. We considered that Vallourec Tubes equity interests' valuation is a key audit matter due to its importance in the financial statements assets and the fact that the determination of the value in use of these interests require judgement and estimations calculation from Management to build future cash flow previsions, used to identify its value.	Our work consisted in • gaining an understanding of the process for preparing and approving the estimates and assumptions used by Management to estimate the value in use of Vallourec Tubes equity interests, and procedures for approving the results by the governance entities, • assessing the appropriateness of the model applied. We obtained the cash flows and operating forecasts for the Vallourec Group prepared by the Company, and verified their consistency with the forward-looking data from the latest strategic plans, prepared under the supervision of Executive Management and approved by the Supervisory Board. With the assistance of our valuation experts, we assessed, with regards to the Group's internal and external industry and macroeconomic data, the appropriateness of the various underlying assumptions used in preparing cash flow forecasts, including • regional price and volume assumptions, which are dependent on investments in the exploration and production of oil and natural gas, and • exchange rates, growth rates and discount rates. We also assessed the consistency of cash flow forecasts with past performances, market outlook, and forecast data presented to the Company's Supervisory Board. Lastly, (i) performed our own sensitivity analysis and (ii) verified that the value resulting from the cash flow forecasts has been adjusted to take the Vallourec Group's net debt into account.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French laws and regulations.

Information provided in the Management Report and in the other documents with respect to the financial position and the financial statements provided to shareholders

We have no matters to report as to the fair presentation and consistency with the financial statements of the information provided in the Management Report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest to the fair presentation and consistency with the financial statements of the information relating to payment terms, required under Article D.441-6 of the French Commercial Code.

Corporate governance report

We attest that the Supervisory Board's report on corporate governance contains the information required by Articles L.225-37-4, L. 22-10-10 and L.22-10-9 of the French Commercial Code.

With have verified the consistency with the financial statements of the information provided in accordance with Article L.22-10-9 of the French Commercial Code relating to the remuneration and benefits paid or granted to executive officers and any other commitments made in their favour, and with the underlying information used to prepare these financial statements and, where applicable, the information obtained by your Company from controlled companies in the consolidation scope. Based on our work, we attest to the accuracy and fair presentation of this information.

We verified the consistency of the disclosures on matters your Company considered likely to have an effect on a public tender or exchange offer, provided in accordance with Article L. 22-10-11 of the French Commercial Code, with the documents from which they were derived and which were provided to us. Based on our work, we have no matters to report regarding these disclosures.

Other information

In accordance with French law, we have verified that the required information regarding the identity of shareholders and holders of voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Format of presentation of the financial statements intended to be included in the Annual Financial Report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier).

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Vallourec at the Annual General Shareholders' Meeting held on 1 June 2006 for both audit firms.

As at 31 December 2020, KPMG S.A. was in the 15th year of an uninterrupted engagement and Deloitte & Associés in the 19th year of an uninterrupted engagement, given the succession of mandates between legal entities of the Deloitte network.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Financial and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, internal audit, regarding accounting and financial reporting procedures.

The financial statements were approved by the Management Board.

Statutory Auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Financial and Audit Committee including a description of the audit scope and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Financial and Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore key audit matters. We describe these matters in this audit report.

We also provide the Financial and Audit Committee with the statement required under Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in Articles L.822-10 to L.822-14 of the French Commercial Code and the French Code of Ethics applicable to Statutory Auditors. Where appropriate, we discuss with the Financial and Audit Committee the risks that may bear on our independence, and the related safeguards.

Paris-La-Défense, March 25th, 2021

The Statutory Auditors,

KPMG S.A.	Deloitte & Associés
Alexandra Saastamoinen	Véronique Laurent

7

Corporate governance

The Company adopted the dual management structure with a Supervisory Board and a Management Board in 1994.

This structure is based on the separation of the management functions, which are the responsibility of the Management Board, from the supervision of that management, which is the responsibility of the Supervisory Board, the representative body of the shareholders:

- the Management Board, which is a collegial body, is responsible for managing the Group using the powers conferred on it by statutory and regulatory provisions and the Group's bylaws; and
- the Supervisory Board is responsible for ongoing management control; it receives the information needed to perform its role.

It will be proposed to the Shareholders' Meeting of 20 April 2021 to change the Company's structure of administration and management to adopt the management structure by a Board of Directors instead of the current structure with a Management Board and a Supervisory Board.

Vallourec announced on 3 February 2021 that it had entered into an agreement in principle with its main creditors with a view to rebalancing its financial structure, by reducing its debt and securing the necessary liquidity to enable it to deploy its strategic plan (hereinafter the "**Agreement in Principle**"). See section 3.7 of this Universal Registration Document). The implementation of the financial restructuring provided for by the Agreement in Principle is scheduled to be carried out as part of the safeguard proceeding opened to the benefit of the Company on 4 February 2021. In this context, the Company prepared a draft safeguard plan dated 12 March 2021 providing for the financial restructuring terms (the "**Safeguard Plan**"), which was approved by a 100% of the votes cast by the financial lenders' committee and the bondholders' general meeting on 29 March 2021 and will be submitted to the Commercial Court of Nanterre for approval.

Following the completion of the restructuring transactions and, in particular, those provided for in the Safeguard Plan, Apollo and SVPGlobal will become the two shareholders with the largest shareholdings.

The Safeguard Plan provides that the Company shall be converted into a limited company with a Board of Directors following acknowledgement by the Management Board (or the chairman of the Management Board, upon delegation by the Management Board) that all steps and actions to implement and consummate the financial restructuring provided for by the Safeguard Plan, including the settlement and delivery of all debt instruments and securities and entry into force of the credit facilities contemplated therein, and the satisfaction of (or the waiver of or amendment to) the conditions precedent set forth in the Safeguard Plan (which shall not include, for the avoidance of doubt, expiry of any applicable remedy or challenge period(s)) are completed(the "**Effective Restructuring Date**"). The purpose of this change is to implement tighter governance. This governance, which would reflect the new shareholding of the Company, would comply with the AFEP-MEDEF Code. Mr. Edouard Guinotte, the current Chairman of the Management Board, will be appointed Chairman and CEO of the Company, and Mr. Olivier Mallet, current Member of the Management Board, will be Deputy CEO of the Company.

This new governance is described in section 7.2 below.

7.1 Composition and operation of the Management and Supervisory Boards

The Ordinary and Extraordinary Shareholders' Meeting held on 14 June 1994 approved the adoption of a dual management structure with a Supervisory Board and a Management Board.

This structure is based on the separation of the management functions, which are the responsibility of the Management Board, from the supervision of that management, which is the responsibility of the Supervisory Board, the representative body of the shareholders:

- the Management Board, which is a collegial body, is responsible for managing the Group using the powers conferred on it by statutory and regulatory provisions and the Group's bylaws; and
- the Supervisory Board is responsible for ongoing management control; it receives the information needed to perform its role.

7.1.1 Composition of the Management and Supervisory Boards

7.1.1.1 Management bodies

THE MANAGEMENT BOARD

At the date of this Universal Registration Document, the Management Board is comprised of the following two members:

Mr. Édouard GUINOTTE

50 years old

Chairman of the Management Board

Date of first appointment	End of term
15 March 2020	15 March 2024

Mr. Olivier MALLET

64 years old

Member of the Management Board

Date of first appointment	End of term
1st September 2008	2023 OSM

Mr. Édouard Guinotte

Born on 10 December 1970 (50 years old) – French nationality

Chairman of the Management Board
First appointment: March 15, 2020
End of term: March 15, 2024
Vallourec shares held: 620

Expertise and managerial experience

- Graduate of the École des mines de Paris and the INSEAD Management Program
- Joined Vallourec in 1995 as head of logistics and production at Vallourec Composants Automobiles. He has been with the Group his entire career and performed various roles in different countries:
  - Group Controller, then Director of an operating entity in Mexico for three years (1998-2003)
  - Marketing Director in the Automotive Division (2004-2007)
  - Strategy and Development Director of the Group's Oil & Gas business, where he led in particular the plans to acquire the first 20% of Tianda, and the acquisition of Vallourec Saudi Arabia (2007-2011)
  - President of Vallourec USA based in Houston, leading the commercial policy allowing Vallourec to double its sales in the United States following the start-up of the new Youngstown plant, and then became Vice-President of the Group in charge of Trade and Development OCTG in the Eastern Hemisphere region (2011-2017)
  - Senior Vice-President and member of the Group's Executive Committee in charge of the Middle East and Asia (2017-2020)
- Chairman of the Management Board of Vallourec since 15 March 2020

Positions held by Mr. Édouard Guinotte

Positions currently held

- Chairman of the Management Board of Vallourec SA [a]* (since 2020)

Chairman of:
- Vallourec Tubes SAS [a] (since 2020).
- Vallourec Tubes France SAS [a] (since 2020)
- Vallourec Oil and Gas France SAS [a] (since 2020)

Director of:
- Vallourec Services SA [a] (since 2020)

Chairman of the Board of Directors of:
- Vallourec Soluções Tubulares do Brasil SA [a]

Commissioner of:
- P.T. Citra Tubindo Tbk (since 2017)

Positions expired within the last five years

Director of:
- Vallourec Al Qahtani LLC [a] (until 2020)
- Vallourec (China) Co. Ltd. [a] (until 2020)
- Vallourec Middle East FZE [a] (until 2020)
- Vallourec Tianda (Anhui) Co., Ltd. [a] (until 2020)
- Vallourec Oil & Gas (China) Co., Ltd. [a] (until 2020)
- Vallourec Saudi Arabia LLC [a] (until 2020)
- VAM (Changzhou) Oil & Gas Premium Equipments Co., Ltd. [1] [a] (until 2020)
- VAM Holding Hong Kong [2] [a] (until 2019)
- VAM Field Services (Beijing) Co. Ltd. [3] [a] (until 2019)

Mr. Édouard Guinotte does not receive any compensation as a corporate officer of Vallourec's direct or indirect subsidiaries.

(a) Offices held in relation to the Vallourec Group.
(1) Dissolved following its merger with Vallourec Tianda (Anhui) Co., Ltd.
(2) Liquidated in October 2019.
(3) Liquidated since 13 December 2019.
* *Listed company (for positions currently held).*

Mr. Olivier Mallet

Born on 14 July 1956 (64 years old) – French nationality

Member of the Management Board

First appointment: September 30, 2008
Most recent renewal: March 15, 2020
End of term: 2023 OSM
Vallourec shares held: 1,818

Expertise and managerial experience

- Graduate of the École nationale d'administration
- General Inspector of Finance (1981-1985)
- French Ministry of Finance - Technical advisor within several cabinet offices, including that of the Prime Minister (1985-1993)
- Thomson CE - Director of Planning, Budgeting and Management Control (1993-1995)
- Thomson Multimedia - CFO and member of the Executive Committee with responsibility for finance (1995-2001)
- Pechiney - CFO and member of the Executive Committee (2001-2004)
- Areva - Deputy CFO for the group (2004-2006), then Head of the Mining, Chemistry and Enrichment sector (2006-2008)
- Member of the Management Board of Vallourec since 30 September 2008, CEO, CFO and General Counsel

Positions held by Mr. Olivier Mallet

Positions currently held

- Member of the Management Board* (since 2008) and CEO (since March 2020) of Vallourec SA [a]*

CEO and Director of:

- Vallourec Tubes SAS [a] (since 2008)
- Vallourec Services SA [a] (since 2008)

Chairman and Director of:

- Vallourec Industries Inc. [a] (United States) (since 2008)
- Vallourec Holdings Inc. [a] (United States) (since 2009)

Chairman of the Supervisory Board of:

- Vallourec Tianda (Anhui) Co., Ltd. [a] (since 2016)

Member of the Supervisory Board of:

- Vallourec Deutschland GmbH [a] (Germany) (since 2008)

Director of:

- Vallourec Soluções Tubulares do Brasil SA [a] (Brazil) (since 2016)
- Vallourec USA Corporation [a] (United States) (since 2008)
- Vallourec Tube-Alloy, LLC [a] (United States) (since 2008)
- Vallourec Drilling Products USA, Inc. [a] (United States) (since 2008)

Member of the Executive Committee of:

- VAM USA LLC [a] (United States) (since 2009)
- Vallourec Star, LP [a] (United States) (since 2008)

Commissioner of:

- P.T. Citra Tubindo Tbk (since 2018)

Manager of:

- Vallourec One SARL [a] (since 2017)

Positions expired within the last five years

Director of:

- Vallourec Tubos do Brasil SA [1] [a] (Brazil) (until 2017)
- Vallourec Canada Inc. [a] (Canada) (until 2017)
- Vallourec Heat Exchanger Tubes SAS [a] (until 2016) [2]

Mr. Olivier Mallet does not receive any compensation as a corporate officer of Vallourec's direct or indirect subsidiaries.

(1) Offices held in relation to the Vallourec Group.
(2) Vallourec Tubos do Brasil Ltda following the change in corporate form which occurred on 20 November 2017.
(3) This company has been called Neotiss since 29 April 2016.
** Listed company (for positions currently held).*

EXECUTIVE COMMITTEE

To implement its strategic guidelines and key decisions, the Management Board relies on an Executive Committee, which has 11 members. The Executive Committee examines and drafts proposals to the Management Board regarding all of the actions needed to implement the Group's strategy. It provides daily management for operational and functional activities. It holds meetings once every two weeks, which are chaired by Mr. Édouard Guinotte.

As at 15 March 2021, the Executive Committee is composed of the following members:

MANAGEMENT BOARD

Mr. Édouard GUINOTTE
Chairman of the Management Board

Mr. Olivier MALLET
Chief Financial Officer

EXECUTIVE COMMITTEE along with Édouard Guinotte and Olivier Mallet

Mr. Pascal BRAQUEHAIS
Director Middle East/Asia

Mr. Philippe CARLIER
Director Technology & Industry

Mr. François CURIE
Director of Human Resources

Mr. Bertrand FRISCHMANN
Director North America

Ms. Naïla GIOVANNI
Digital & Information Systems Director

Mr. Didier HORNET
Director Development & Innovation

Ms. Claire LANGELIER
Group's General Counsel and General Secretary

Mr. Alexandre LYRA
Director South America

Mr. Hubert PARIS
Director Europe/Africa

7.1.1.2 The Supervisory Board

POLICY ON THE COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board policy relating to its composition relies on the following four fundamental objectives:

- selection of competent members;
- a balanced composition that creates value;
- acting in the best interest of the Company;
- a membership that ensures a seamless exchange of information and the participation of each member.

1. Selection of competent members

Aware that first-rate quality must lie in that of its members, the Supervisory Board makes every effort to add members that have performed managerial duties with a high level of responsibility and/or who have recognized expertise in financial, strategic, industrial or legal areas. Furthermore, when they assume office and throughout their terms, members have the chance to benefit from training sessions on specific aspects of the Group, its businesses, its sector of activity and its organization, if they so desire.

2. Balanced composition, which creates value

Like any business player, the Supervisory Board is committed to the process of creating value. Consequently, beyond the challenges of social performance, it endeavors to ensure the diversity of its members, in terms of age, gender, qualifications and professional experience, which it considers to be a key source of creativity and innovation. The Board also takes international diversity into account, to reflect the Group's global presence.

The average age on the Board in 2020 was 59, which the Board members have deemed to be very satisfactory. Diverse genders and experiences bring to the Board distinct sensitivities that contribute favorably to good governance, which itself leads to competitive advantages. At the date of this Universal Registration Document, the Board comprises 13 members, who have varied and relevant competencies in line with the Group's strategic priorities (financial expertise, experience in general management, organizational transformation, renewable energies, multicultural experience, etc.), gained primarily in an international environment, which is a source of enrichment. The Board will also contain two employee representatives and one employee shareholder representative. Furthermore, 54% of these members are female, excluding the employee representatives from the analysis in compliance with the law. Of the Board members, 30% are of foreign nationality (German, British, Spanish, and Japanese). Ms. Vivienne Cox, who is British, is the Board Chairman.

Since the Board is well aware of how enriching a diverse body can be, it intends to continue its efforts to diversify its membership.

On 30 September 2020, the Supervisory Board welcomed Mr. Ayhan Üstün, a German national, as the second employee representative. In order to take into account the Group's international character, the Company decided to appoint this second representative through the European Works Council, thereby ensuring the appointment of an employee from a foreign entity of the Group.

3. Acting in the best interest of the Company

The Board feels that each member is a guardian of the corporate interest and members must accomplish their duties objectively and independently, in order to gain and maintain the trust of all of the shareholders who appointed them.

Consequently, going beyond the qualification of an independent member, the Board intends to propose to the Shareholders' Meeting members with integrity, who have strong ethics that lead them to act with ongoing concern for the corporate interest and the interests of all shareholders, and specifically, to avoid conflicts of interest. To that end, each member is required to inform the Board of any situation involving a conflict of interest, even a potential one, and to refrain from taking part in discussions or voting on any issue at Board meetings where there may be a conflict of interest, and to leave the Board meeting if a subject is discussed that places the member in such a situation.

When one of the members has a conflict of interest, whether actual or potential, regarding a subject matter to be debated by the Board, the Board ensures, by relying on the Appointments, Compensation and Governance Committee, that the information regarding this subject matter is not communicated to that member.

The internal regulations of the Supervisory Board and the Appointments, Compensation and Governance Committee contain specific provisions designed to prevent the risk of conflicts of interest. Therefore, a member cannot accept another position or appointment, or make a significant investment in any company or business in competition with Vallourec or operating upstream or downstream of it, without the Board's prior approval. As an exception, this rule does not apply to legal entities that are members of the Supervisory Board, but if they take new positions or similar appointments, each case will be discussed with the Board in order to eliminate any risk of conflicts of interest. Members of the Board and members of the Management Board must inform the Chairman of the Board before accepting a new appointment in other companies. The Chairman of the Board will give an opinion after consulting with the Appointments, Compensation and Governance Committee.

4. A membership that ensures a seamless exchange of information and the participation of each member

Although the law allows a Board to contain up to 18 members, the Board wishes to limit its membership in order to ensure there is a satisfying and seamless exchange of information, and to allow each member to express himself or herself, thereby encouraging each person's action and involvement. To that end, the Chairman of the Board encourages the participation of the members and sees to it that each member can express an opinion, even when meetings are held remotely.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board relies on the work of specialized committees, which play a consulting role and prepare certain Board resolutions. They issue proposals, make recommendations and provide advice in their areas of expertise.

The Supervisory Board is assisted by four specialized Committees:

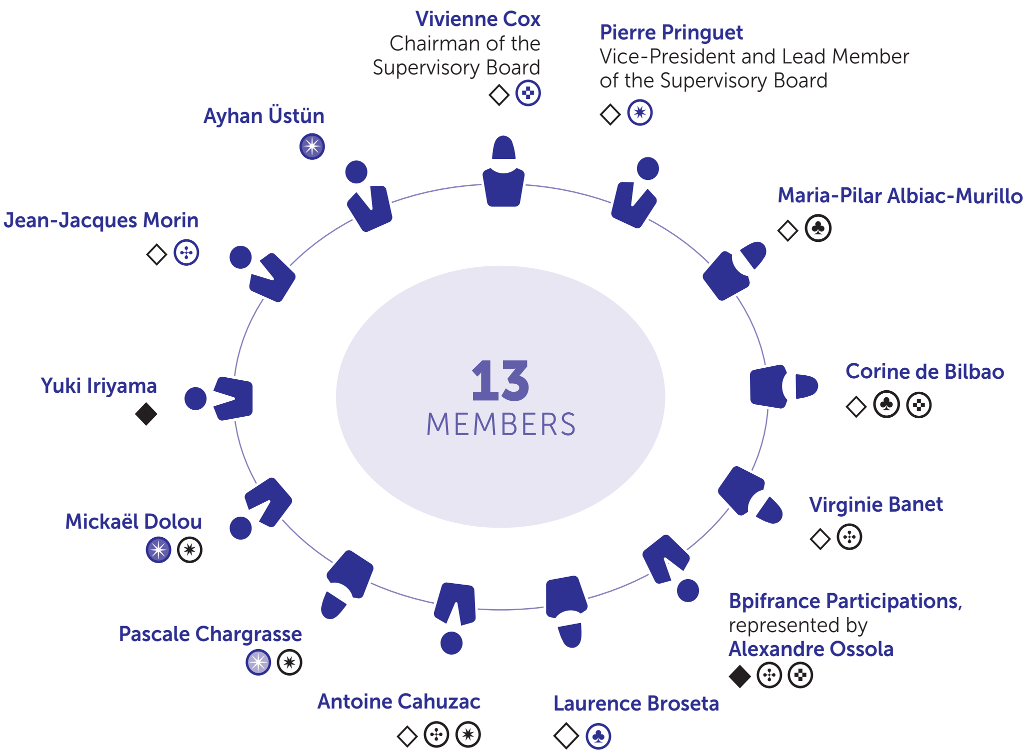
- the Finance and Audit Committee;
- the Appointments, Compensation and Governance Committee;
- the Strategy Committee; and
- the Corporate Social Responsibility (CSR) Committee.

In October 2020, in connection with the Company's financial restructuring, the Supervisory Board set up an Ad hoc Committee, made up exclusively of independent Board members, to monitor this process more specifically.

The Supervisory Board appoints the members of each of the Committees, establishes their powers and determines their compensation.

The term of office of the members of each of the Committees is the same as their term of office as members of the Supervisory Board, unless the composition of the Committee is changed earlier. Subject to this condition, the term of office of a Committee member may be renewed at the same time as the term of office of a member of the Supervisory Board. A Committee's composition may be changed at any time by decision of the Supervisory Board.

COMPOSITION OF THE SUPERVISORY BOARD



Finance and Audit Committee
Committee Chairman
Employee Representative

Appointments, Compensation and Governance Committee
Committee Chairman
Employee Shareholder Representative

Strategy Committee
Committee Chairman
Independent member

CSR Committee
Committee Chairman
Non-independent member

INDEPENDENCE RATE*
80%

AVERAGE AGE
59

GENDER EQUALITY**
54%
6 board members are women

EMPLOYEE REPRESENTATION
3 incl.

1 member representing employee shareholders, who was elected by the Shareholders' Meeting and

2 members representing the employees, one by the Group Works Council and the other will by the European Works Council

DIVERSITY
4 Board members are of foreign nationality and 5 nationalities are represented on the Board

AVERAGE ATTENDANCE RATE
95%

* *In accordance with the AFEP-MEDEF Code, the employee representatives and the employee shareholder representative are excluded from the analysis.*
** *In accordance with the law, the employee representatives are excluded from the calculation.*

	PERSONAL INFORMATION				EXPERIENCE	POSITION ON THE BOARD				PARTICIPATION ON BOARD COMMITTEES			
	Age	Gender	Nationality	Number of shares	Number of positions in listed companies*	Independance	Date of first appointment *(dd-mm-yyyy)*	End of term	Seniority on the Board *(in years)*	FAC	ACGC	SC	CSRC
NON-EXECUTIVE CORPORATE OFFICER													
Vivienne Cox	61	♀	British	522	3	◇	31-05-2010	2022 OSM	11			●	
BOARD MEMBERS													
Pierre Pringuet	71	♂	French	197	3	◇	23-02-2015	2022 OSM	6		●		
Maria-Pilar Albiac-Murillo	67	♀	Spanish	75	1	◇	28-05-2015	2023 OSM	6				○
Corine de Bilbao	54	♀	French	12	2	◇	21-03-2019	2024 OSM	2			○	○
Virginie Banet	55	♀	French	50	1	◇	12-02-2020	2022 OSM	1	○			
Bpifrance Participations, represented by **Alexandre Ossola**	46	♂	French	1,667,392	12	◆	06-04-2016	2024 OSM	5	○		○	
Laurence Broseta	52	♀	French	118	2	◇	06-04-2016	2022 OSM	5				●
Antoine Cahuzac	66	♂	French	12	1	◇	18-02-2020	2023 OSM	1	○	○		
Yuki Iriyama	73	♂	Japanese	12	1	◆	12-05-2017	2021 OSM	4				
Jean-Jacques Morin	60	♂	French	12	2	◇	25-05-2018	2022 OSM	2	●			
BOARD MEMBERS REPRESENTING EMPLOYEE SHAREHOLDERS													
Pascale Chargrasse	60	♀	French	208	1	NA	13-12-2010	2023 OSM	10		○		
BOARD MEMBERS REPRESENTING EMPLOYEES													
Mickaël Dolou	45	♂	French	88	1	NA	03-10-2017	2021	3		○		
Ayhan Üstün	55	♂	German	90	1	NA	30-09-2020	2024	<1				

* *Including Vallourec SA.*

● *Chairman*

○ *Member*

◇ *Independence under the criteria of the AFEP-MEDEF Code as assessed by the Supervisory Board*

◆ *Non-independence under the criteria of the AFEP-MEDEF Code as assessed by the Supervisory Board*

FAC : Finance and Audit Committee

ACGC : Appointments, Compensation and Governance Committee

SC : Strategy Committee

CSRC : Corporate Social Responsibility Committee

DIVERSITY AND EXPERTISE OF EACH OF THE SUPERVISORY BOARD MEMBERS

	Industry/ Oil & Gas	Managerial positions/operational management within major groups	International experience	Financial/ audit expertise	Governance of listed companies	Social and environmental responsibility
Vivienne Cox	●	●	●		●	●
Pierre Pringuet		●	●		●	
Maria-Pilar Albiac-Murillo	●	●	●			
Corine de Bilbao	●	●	●			
Virginie Banet		●	●	●		
Bpifrance Participations, represented by **Alexandre Ossola**				●	●	
Laurence Broseta	●	●	●			●
Antoine Cahuzac		●	●	●	●	
Pascale Chargrasse	●					
Mickaël Dolou	●		●			
Yuki Iriyama	●	●	●			
Jean-Jacques Morin	●	●	●	●	●	
Ayhan Üstün	●					

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND OF THE COMMITTEES DURING THE FISCAL YEAR

As at 28 February 2021

	Departures	Appointments	Renewals
Supervisory Board	Alexandra Schaapveld *(12 February 2020)* Philippe Altuzarra *(18 February 2020)* Cédric de Bailliencourt *(3 February 2021)*	Virginie Banet *(12 February 2020)* Antoine Cahuzac *(18 February 2020)* Ayhan Üstün *(30 September 2020)*	Bpifrance Participations, represented by Alexandre Ossola *(6 April 2020)* Corine de Bilbao *(6 April 2020)* Pierre Pringuet *(6 April 2020)*
Finance and Audit Committee	Alexandra Schaapveld *(12 February 2020)*	Virginie Banet *(12 August 2020)* Antoine Cahuzac *(18 February 2020)*	Bpifrance Participations, represented by Alexandre Ossola *(6 April 2020)*
Appointments, Compensation and Governance Committee	Alexandra Schaapveld *(12 February 2020)*	Antoine Cahuzac *(18 February 2020)*	Pierre Pringuet *(6 April 2020)*
Strategy Committee	Philippe Altuzarra *(18 February 2020)*	Corine de Bilbao *(18 February 2020)*	Bpifrance Participations, represented by Alexandre Ossola *(6 April 2020)* Corine de Bilbao *(6 April 2020)*
Corporate Social Responsibility (CSR) Committee	Philippe Altuzarra *(18 February 2020)*	Corine de Bilbao *(18 February 2020)*	Corine de Bilbao *(6 April 2020)*

During fiscal year 2020, following the resignation of Ms. Alexandra Schaapveld for personal reasons, Ms. Virginie Banet was co-opted for the remainder of her term on 12 February 2020. Mr. Philippe Altuzarra resigned from his position as a member of the Supervisory Board for personal reasons. He has been replaced by Mr. Antoine Cahuzac, who was co-opted for the remainder of Mr. Altuzarra's term on 18 February 2020 by the Supervisory Board.

These two co-optations were ratified at the Shareholders' Meeting on 6 April 2020. Ms. Virginie Banet has been appointed as a member of the Finance and Audit Committee, and Mr. Antoine Cahuzac as a member of the Finance and Audit Committee and the Appointments, Compensation and Governance Committee.

Following the departure of Mr. Philippe Altuzarra, Ms. Corine de Bilbao was co-opted as a member of the Strategy Committee and the CSR Committee on 18 February 2020.

On 30 September 2020, in accordance with the legal provisions in force, the European Works Council appointed Mr. Ayhan Üstün, who is German, as the second employee representative on the Supervisory Board of Vallourec SA, for a term of four years.

Mr. Cédric de Bailliencourt resigned from his position as a member of the Supervisory Board on 3 February 2021. He has not been replaced.

Following these changes, the Supervisory Board is now composed of 13 members.

Ms. Vivienne Cox

Born on 29 May 1959 (61 years old) – British nationality

Chairman of the Supervisory Board

Chairman of the Strategy Committee

Commander of the Most Excellent Order of the British Empire (CBE)

First appointment: 31 May 2010
Renewals: 2014 OSM, 2018 OSM
End of term: 2022 OSM
Vallourec shares held: 522

Summary of main areas of expertise and experience

- Graduate of Oxford University and of INSEAD, holding an Honorary Doctorate from the University of Hull and the University of Hertfordshire
- Twenty-eight years' experience with the BP Group
- CEO of BP Gas, Power and Renewables (2004-2009)
- Commissioner of the Airport Commission of the Department of Transport of the British government (since 2012)
- Chairman of the Rosalind Franklin Institute

Main activities performed outside of the Company

- Director of Pearson Plc*
- Director of GlaxoSmithKline Plc*

Positions held by Ms. Vivienne Cox

Positions currently held

- Chairman of the Supervisory Board of Vallourec*
- Director of Pearson Plc*, Chairman of the Appointments and Governance Committee, member of the Reputation and Responsibility Committee, member of the Audit Committee, and Senior Independent Director
- Director of GlaxoSmithKline Plc*, member of the Compensation Committee and member of the Corporate Social Responsibility Committee
- Director of Stena AB Gothenburg
- Member of the Consulting Board and Chairman of the Compensation Committee of Montrose Associates

Positions expired within the last five years

- Lead Independent Director of the Department for International Development of the British government (until 2017)
- Member of the Appointments Committee of Pearson Plc, and member of the Compensation Committee (until 2017) and Chairman of the Reputation and Responsibility Committee of Pearson Plc (until 2016)
- Manager B of Stena International SARL (Luxembourg) (until 2017)
- Director and member of the Sustainable Development Committee, the Compensation Committee and the Appointments Committee of BG Group Plc (until 2016)

* *Listed company (for positions currently held).*

Mr. Pierre Pringuet

Born on 31 January 1950 (71 years old) – French nationality

Vice Chairman and Lead Member of the Supervisory Board

Chairman of the Appointments, Compensation and Governance Committee

Officer of the French Legion of Honor

Knight of the French National Order of Merit

Commander of the Order of Agricultural Merit

First appointment: 23 February 2015
Renewals: 2016 OSM, 2020 OSM
End of term: 2022 OSM
Vallourec shares held: 197

Summary of main areas of expertise and experience

- Graduate of the École polytechnique and Engineer for the French Mines Inspectorate (Corps des mines)
- Began career in public service, from 1976 to 1987: In charge of an industry and mining engagement with the prefect of the Lorraine region (1976-1978); Head of financial procedures and social relations with the Managing Director of Industry (1979-1982); Chief Engineer of Mines (1981); Technical Consultant to Michel Rocard, Minister of Land Management and Planning, and later the Minister of Agriculture (1981-1985); Director of Agricultural and Food Industries with the French Ministry of Agriculture (1985-1987)
- Since 1987, in the Pernod Ricard Group: Director of Development of the Pernod Ricard Group (1987-1989); Managing Director of Société pour l'Exportation de Grandes Marques (1989-1996); Chairman & CEO of Pernod Ricard Europe (1997-2000); Deputy CEO of Pernod Ricard (2000-2005); Director of Pernod Ricard (since 2004); COO of Pernod Ricard (2005-2008); Managing Director of Pernod Ricard (2008-2015); Vice-Chairman of the Board of Directors of Pernod Ricard (2012-2019)

Main activities performed outside of the Company

- Director of La Française des Jeux (FDJ)*
- Director of Cap Gemini SE*

Positions held by Mr. Pierre Pringuet

Positions currently held

- Vice-Chairman and Lead Member of the Supervisory Board of Vallourec*, Chairman of the Appointments, Compensation and Governance Committee
- Director of La Française des Jeux (FDJ)*
- Lead Independant Director of Cap Gemini SE*, Chairman of the Ethics and Governance Committee and member of the Compensation Committee
- Chairman of the ParisTech Foundation

Positions expired within the last five years

- Chairman of the Amicale du Corps des Mines (ACM) (until January 2021)
- Director and member of the Compensation Committee of Iliad (until July 2020)
- Director of Avril Gestion SAS (Avril Group) (until 2020)
- Director of Pernod Ricard, member of the Strategy Committee and member of the Compensation Committee (until 2019)
- Vice Chairman of the Board of Directors of Pernod Ricard (until 2019)
- Chairman of the Association française des entreprises privées (AFEP) (until 2017)
- Chairman of the Scotch Whisky Association (until 2017)
- Chairman of AgroParisTech (until 2016)

* *Listed company (for positions currently held).*

Ms. Maria-Pilar Albiac-Murillo

Born on 21 August 1953 (67 years old) – Spanish nationality

Member of the Supervisory Board

Member of the Corporate Social Responsibility Committee

First appointment: 28 May 2015
Renewal: 2019 OSM
End of term: 2023 OSM
Vallourec shares held: 75

Summary of main areas of expertise and experience

- Graduate of the University of Zaragoza (Spain), and the holder of an MBA from Central Michigan University (United States)
- A twenty-six year career at General Motors, sixteen of which were spent in the United States. Fifteen years in Operations, Plant Director in Saginaw, Michigan (1991-1993), Plant Director in Logroño, Spain (1993-1996)
- Chairman and CEO of Saginaw Deutschland GmbH (1996-1999)
- Seven years at Delphi Corporation: Site Manager (Delphi Alabama Operations), Plant Manager, Site Director (Delphi Flint East Operations) and Director of Product Line (Delphi Troy Headquarters)
- Vice-President in charge of operations in Mexico for Remy (2006-2007)
- Eight years at the Airbus Group: Executive Vice-President of Operations and Head of Transformation at Airbus Defence and Space, and A400M Industrialization (2008-2016)
- Head of Product and Innovation to Market Excellence of Philips Innovations Services (2016-2017)

Main activities performed outside of the Company

None

Positions held by Ms. Pilar Albiac-Murillo

Positions currently held

- Member of the Supervisory Board of Vallourec*

Positions expired within the last five years

- Head of Product and Innovation to Market Excellence of Philips Innovations Services (until 2017)
- Executive Vice President of Operations and Head of Transformation at Airbus Defence and Space, and A400M Industrialization (until 2016)
- Director of Banque Populaire Occitane (until 2016)

* *Listed company (for positions currently held).*

Ms. Corine de Bilbao

Born on 16 October 1966 (54 years old) – French nationality

Member of the Supervisory Board

Member of the Strategy Committee

Member of the CSR Committee

First appointment: 21 March 2019
Renewal: 2020 OSM
End of term: 2024 OSM
Vallourec shares held: 12

Summary of main areas of expertise and experience

- Graduate of Sciences Po Bordeaux and holder of an MBA in Sourcing and Supply Chain Management from the M.A.I. Institute of Purchasing Management
- Sourcing Manager and Service Manager GE Medical Systems, medical imaging equipment sector (1989-2000)
- Twenty years' experience in the Energy sector of which eight in Oil & Gas
- European Sourcing Director GE Power Gas Turbines (2000-2003)
- Upstream Sales Director GE Oil & Gas (2003-2008)
- Sales VP Products Areva T&D (2008-2010)
- Head of Services at GE Energy (2010-2011), General Manager for Europe then Vice-President of Sales of the Subsea Division of General Electric Oil & Gas (2011-2016)
- Chairman of General Electric France (2016-2019)
- Vice-President of AmCham, the American Chamber of Commerce in France (2016-2019)
- Chief Executive Officer of Segula Technologies International, engineering group

Main activities performed outside of the Company

- CEO of Segula Technologies International
- Member of the Consulting Board of ING Bank France
- Director of Orpéa*

Positions held by Ms. Corine de Bilbao

Positions currently held

- Member of the Supervisory Board of Vallourec*
- CEO of Segula Technologies International
- Member of the Consulting Board of ING Bank France
- Director of Orpéa*

Positions expired within the last five years

- Chairman of General Electric (GE) International France (until 2019)
- Chairman of General Electric (GE) Industrial France (until 2019)
- Director of GEAST (nuclear JV of GE Alstom) (until 2019)
- Member of the Supervisory Board of Segula Technologies (until 2019)
- Vice President of AmCham, the American Chamber of Commerce in France (until 2019)

* *Listed company (for positions currently held).*

Ms. Virginie Banet

Born on 18 January 1966 (55 years old) – French nationality

Member of the Supervisory Board

Member of the Finance and Audit Committee

First appointment: 12 February 2020
End of term: 2022 OSM
Vallourec shares held: 50

Summary of main areas of expertise and experience

- Graduate of the Institut d'études politiques de Paris (IEP), holds a bachelor's degree in Economic Science, member of the French Society of Financial Analysts (SFAF)
- Started her career as a financial analyst at SBS, Warburg then at Deutsche Bank covering Capital goods, and Aerospace and Defense for Europe (1989-2003). She then became an investment banker and Head of M&A Aerospace & Defense, again at Deutsche Bank followed by Airbus (2003-2008)
- Member of the Executive Committee of Lagardère Média, head of investor relations and financial market communications policy (2008-2010)
- Member of the Executive Committee of Natixis, Director of customer relations and advisory services, head of banking teams in France and abroad, as well as traditional financing (2011-2014)
- Investment banker at Ondra Partners then at Nomura (2015-2019)
- Since September 2019, Chairman (founder) of Iolite Financial Consulting and Senior Advisor at AlixPartners

Main activities performed outside of the Company

- Chairman of Iolite Financial Consulting
- Senior Advisor at AlixPartners

Positions held by Ms. Virginie Banet

Positions currently held

- Member of the Supervisory Board of Vallourec*
- Chairman of Iolite Financial Consulting
- Senior Advisor at AlixPartners
- Director of Netgem* and member of the Audit Committee
- Director of Mediobanca SpA*, member of the Compensation Committee and member of the CSR Committee

Positions expired within the last five years

- Investment Banker at Nomura (until 2019)

* *Listed company (for positions currently held).*

Bpifrance Participations represented by Mr. Alexandre Ossola

Member of the Supervisory Board
Member of the Finance and Audit Committee
Member of the Strategy Committee

First appointment: 6 April 2016
Renewal: 2020 OSM
End of term: 2024 OSM
Vallourec shares held: 1,667,392

Bpifrance offers companies continuity of financing at each key step in their development and an offer adapted to regional specificities. As part of the Bpifrance equity investment scheme, Bpifrance Participations invests in large companies as well as in middle-market companies, in order to support their development in France and internationally. Bpifrance Participations is a minority shareholder involved in governance, as well as a long-term investor capable of adapting to the Company's development cycles.

Positions held by Bpifrance Participations

Positions currently held

Director of:
- Compagnie Daher
- Cybelangel International
- Ekinops*
- Eutelsat Communications*
- Farinia
- H4D
- Isorg
- Mader
- Mersen*
- Orange*
- Paprec
- Parrot*
- Pixium Vision*
- Prodways Group*
- PSA*
- Scality
- Soitec*
- Technicolor*
- Tinubu Square
- Tokheim Luxco
- Tokheim Luxco 2
- Valeo*
- Voluntis
- Vilmorin & Cie

Member of the Supervisory Board of:
- De Dietrich
- Groupe Grimaud La Corbière
- Innate Pharma*
- Younited

Positions expired within the last five years

Director of:
- Aelis Farma (until 2019)
- Altia Industry (until 2017)
- Antalis International (until 2018)
- Avril Pôle Végétal (until 2019)
- Cegedim (until 2018)
- CGG (until 2018)
- CHM International (until 2016)
- Corwave (until 2019)
- Doctoconsult (until 2019)
- G2 Mobility (until 2018)
- Horizon Parent Holdings (until 2019)
- In Situ Training (until 2019)
- Medipôle Partenaires (until 2017)
- NTL Holding (until 2019)
- Sequana (until 2018)
- Therachon (until 2019)
- Txcell (until 2018)
- Verallia (until 2019, the position is now held by Bpifrance Investissement)
- Viadeo (until 2017)

Member of the Supervisory Board of:
- Crystal (until 2019)
- Financière du Millenium (until 2018)
- FT1 CI (until 2019)
- Novasep (until 2018)
- Valneva (until 2019)
- Vergnet (until 2017)
- Verimatrix (formerly Inside Secure) (until 2016)
- VIT (until 2017)

* *Listed company (for positions currently held).*

Mr. Alexandre Ossola

Born on 26 September 1974 (46 years old) – French nationality

Permanent representative of Bpifrance Participations

First appointment: 8 November 2016
Renewal: 2020 OSM
End of term: 2024 OSM

Summary of main areas of expertise and experience

- Twenty-three years' experience in capital investment and mergers-acquisitions
- Started his career in London at Wasserstein Perella (1998) then at Crédit Suisse First Boston
- CVC Capital Partners (2000-2011); Director at the Paris office
- Head of capital risk operations at CDC Climat (2011-2013)
- Director of nuclear and rail funds (2013-2015), then manager of Fonds d'Avenir Automobile and a member of the Mid & Large Cap Management Committee of Bpifrance Participations (2015-2017), manager of MidCap activity of Fonds d'Avenir Automobile and member of the Capital Development Management Committee of Bpifrance Participations (2017-2020), then a member of the Management Committee of the Capital Development Department of Bpifrance Investissement and Director of MidCap activity for Bpifrance Investissement and Director of the Fonds d'Avenir Automobile managed by Bpifrance Investissement (since 2020)

Main activities performed outside of the Company

- Member of the Capital Development Management Committee of Bpifrance
- Director of MidCap activity for Bpifrance Investissement and Director of the Fonds d'Avenir Automobile managed by Bpifrance Investissement

Positions held by Mr. Alexandre Ossola

Positions currently held

Member of the Management Committee of:
- The Capital Development Department of Bpifrance Investissement

Member of the Supervisory Committee of:
- Vallourec* – Permanent representative of Bpifrance Participations
- Novares Group SAS (formerly Financière Mecaplast SAS) - Permanent representative of Bpifrance Investissement
- Novarc SA (in his own name)
- Financière Aquila (in his own name)

Member of the Board of Directors of:
- Novares MC SAM – Permanent representative of Bpifrance Investissement
- Trèves SAS - Permanent representative of Bpifrance Investissement

Positions expired within the last five years

Member of the Board of Directors of:
- Climpact (until 2017)
- Mecaplast SAM – Representative of Bpifrance Investissement (until 2016)

Member of the Supervisory Board of:
- Financière Snop Dunois SA – Permanent representative of Bpifrance Investissement (until 2017)

Member of the Shareholders' Committee of:
- Cameron France Holding – Representative of Bpifrance Investissement (until 2018)

Non-voting Board member of:
- Supervisory Board of Peugeot SA (in his own name) (until January 2021)

* *Listed company (for positions currently held).*

Ms. Laurence Broseta

Born on 22 September 1968 (52 years old) – French nationality

Member of the Supervisory Board

Chairman of the Corporate Social Responsibility Committee

First appointment: 6 April 2016
Renewal: 2018 OSM
End of term: 2022 OSM
Vallourec shares held: 118

Summary of main areas of expertise and experience

- Graduate of the École polytechnique, Telecom Paris and Auditor at Institut des Hautes Études de l'Entreprise (IHEE)
- Head of Transport Operations for RATP (1994-1999)
- Lead Engineer for Control & Communication at SYSTRA (joint venture between RATP and SNCF) in London (1999-2001)
- Director of the "Point du Jour" Bus Center (2002-2005)
- Chairman of Bombela, a subsidiary of RATP Dev in Johannesburg, South Africa (2005-2007)
- Director of the International Business Unit and Vice Chairman in charge of international strategy for RATP Dev (2008-2012)
- CEO of Fives Stein (2012-2013)
- CEO France of Transdev (2013-2016)
- International Director of Transdev (2016-2019)
- Chairman and CEO of Antargaz (2019-present)

Main activities performed outside of the Company

- Chairman and CEO of Antargaz
- Director and CEO of UGI International

Positions held by Ms. Laurence Broseta

Positions currently held

Member of the Supervisory Committee of:

- Member of the Supervisory Board of Vallourec*

Chairman of the Board of Directors of:

- Antargaz S.A.S
- Antargaz Energies S.A.S.
- Antargaz Belgium
- Antargaz Luxembourg
- Energysud SA
- Gazbotling NV

Director and CEO of:

- UGI France

Director of:

- Thales*
- Antargaz BV

Positions expired within the last five years

- International Director, member of the Executive Committee of Transdev (passenger transportation activity in 20 countries) and Director of RATP Dev Asia and of subsidiaries of the Transdev group (until March 2019)
- Director and Vice President of Union des Transports Publics (until 2016)
- Director of Thello (until 2016)

* *Listed company (for positions currently held).*

Mr. Antoine CAHUZAC

Born on 29 October 1954 (66 years old) – French nationality

Member of the Supervisory Board

Member of the Finance and Audit Committee

Member of the Appointments, Compensation and Governance Committee

First appointment: 18 February 2020
End of term: 2023 OSM
Vallourec shares held: 12

Summary of main areas of expertise and experience

- Graduate of the École polytechnique and the École de la météorologie nationale
- He has spent the majority of his career in banking. Senior Corporate Advisor and Member of the Executive Committee of HSBC France (2008), then Chairman of the Management Board of HSBC Private Bank France (2011)
- Executive Director EDF Group, head of Renewable Energies and Chairman & Chief Executive Officer EDF Energies Nouvelles, member of the Executive Committee of EDF Group (2012-2018)

Main activities performed outside of the Company

- Director of companies

Positions held by Mr. Antoine CAHUZAC

Positions currently held

- Member of the Supervisory Board of Vallourec*
- Director of Hynamics (subsidiary of EDF)
- Director of Fouré Lagadec (subsidiary of the SNEF Group)
- Director and Chairman of the Board of Directors of Macquarie Capital France (a subsidiary of the Macquarie Group)

Positions expired within the last five years

- Advisor to the Chairman of EDF (until 2018)
- Group Executive Director in charge of Renewable Energies, and Chairman & CEO of EDF Énergies Nouvelles, member of the ExecutiveCommittee of the EDF Group (until 2018)

* *Listed company (for positions currently held).*

Ms. Pascale Chargrasse

Born on 10 July 1960 (60 years old) – French nationality

Member of the Supervisory Board representing the employee shareholders

Member of the Appointments, Compensation and Governance Committee

First appointment: 13 December 2010
Renewals: 2015 OSM, 2019 OSM
End of term: 2023 OSM
Vallourec shares held: 208

Summary of main areas of expertise and experience

- Graduate of the Orsay Technology Institute with a DUT diploma in Computer Science
- Employee of the Vallourec Group since 1985 and currently Business Development Manager at Valinox Nucléaire, a wholly owned subsidiary of Vallourec
- Member of the Supervisory Board of Vallourec Actions Corporate Mutual Fund (FCPE)

Main activities performed outside of the Company

None

Positions held by Ms. Pascale Chargrasse

Positions currently held

- Member of the Supervisory Board of Vallourec*

Positions expired within the last five years

None

* *Listed company (for positions currently held).*

Mr. Mickaël DOLOU

Born on 1 November 1975 (45 years old) – French nationality

Member of the Supervisory Board representing employees

Member of the Appointments, Compensation and Governance Committee

First appointment: 3 October 2017
End of term: 2021 OSM
Vallourec shares held: 88

Summary of main areas of expertise and experience

- Holder of an executive MBA from HEC Paris and a Master's in Law (international affairs)
- Fourteen years at the Serimax Group: General Counsel, then Regional Director for the South America Region, Director of Contractual Offers & Operations and currently co-Director (with specific remits for strategy, marketing, sales development, diversification and contractual management)

Main activities performed outside of the Company

None

Positions held by Mr. Mickaël DOLOU

Positions currently held	Positions expired within the last five years
• Member of the Supervisory Board of Vallourec*	None

* *Listed company (for positions currently held).*

Mr. Yuki IRIYAMA

Born on 19 November 1947 (73 years old) – Japanese nationality

Member of the Supervisory Board

First appointment: 12 May 2017
End of term: 2021 OSM
Vallourec shares held: 12

Summary of main areas of expertise and experience

- Graduate of the University of Tokyo (Faculty of Law, 1970) and of the College of Europe (Bruges) in Belgium in Advanced European Studies in Law (1977)
- Forty-five years at Nippon Steel (NSC), assuming the following operational and managerial positions: Member of the Legal Department (1970-1990), Manager of the Electronics & Information Business Division (1990-1993), General Manager of the Semiconductor Business Division (1993-1998), General Manager of the Overseas Business Development Division (1999-2002), Director, Member of the Board (2002-2006), Managing Executive Officer (2006-2009), and Executive Advisor (2009-2015)
- Attorney-at-law in Japan since March 2015

Main activities performed outside of the Company

- Of Counsel at the Kajitani Law Offices in Tokyo

Positions held by Mr. Yuki IRIYAMA

Positions currently held	Positions expired within the last five years
• Member of the Supervisory Board of Vallourec* • Statutory Auditor at UACJ (United Aluminum Corporation of Japan)	None

Mr. Jean-Jacques MORIN

Born on 29 December 1960 (60 years old) – French nationality

Member of the Supervisory Board

Chairman of the Finance and Audit Committee

First appointment: 25 May 2018
End of term: 2022 OSM
Vallourec shares held: 12

Summary of main areas of expertise and experience

- Engineer, graduate of the École Nationale Supérieure de l'Aéronautique et de l'Espace, DSCG (Diplôme Supérieur de Comptabilité et Gestion) – Advanced Diploma in Accounting and Management – and holder of an MBA from Thunderbird School, Arizona State University
- He began his career in Management Consulting and Auditing at the Deloitte offices in France and Canada, where he worked for 13 years in the field of semiconductors, notably at Motorola in France, Switzerland, Germany and the United States
- Sector CFO of Power Service and Transport at Alstom, and later CFO of the Alstom Group (2005-2015)
- In 2015, he joined the Executive Committee of AccorHotels* as CFO, then widened his scope by becoming Deputy CEO in charge of finance, strategy, legal affairs, communications, purchasing and IT (since 2018)

Main activities performed outside of the Company

- Deputy CEO in charge of finance, strategy, legal affairs, communications, purchasing and IT at AccorHotels*

Positions held by Mr. Jean-Jacques MORIN

Positions currently held

- Member of the Supervisory Board of Vallourec*
- Member of the Management Board and member of the Audit Committee of Accor Invest
- Chairman of IBL
- Chairman of D-Edge
- Permanent representative of Accor, director of the Société Française de participation et d'investissement européen (SFPIE)
- Manager of Sodetis

Positions expired within the last five years

- Member of the Supervisory Board and member of the Audit Committee of Orbis (until March 2020)
- Member of the Board of Directors of AAPC India Hotel Management Private Ltd. (until 2018)

* *Listed company (for positions currently held).*

Mr. Ayhan ÜSTÜN

Born on 1 August 1965 (55 years old) – German nationality

Member of the Supervisory Board representing employees

First appointment: 30 September 2020
End of term: 30 September 2024
Valllourec shares held: 90

Summary of main areas of expertise and experience

- Employed by the Vallourec Group since 1984 as a turner/cutting engineer
- Former member of the European Works Council
- Former member of the Works Council of Vallourec Deutschland GmbH
- Member of the Supervisory Board of Vallourec Deutschland GmbH, employee representative

Main activities performed outside of the Company

None

Positions held by Mr. Ayhan ÜSTÜN

Positions currently held

- Member of the Supervisory Board of Vallourec*
- Member of the Supervisory Board of Vallourec Deutschland GmbH, employee representative

Positions expired within the last five years

None

* *Listed company (for positions currently held).*

OFFICES OF MEMBERS OF THE SUPERVISORY BOARD WHICH ENDED IN 2021

Mr. Cédric de BAILLIENCOURT

Born on 10 July 1969 (51 years old) – French nationality

First appointment: 25 May 2014
Renewal: 2018 OSM
End of term: 3 February 2021 (resignation)

Summary of main areas of expertise and experience

- Graduate of the Institut d'études politiques de Bordeaux, postgraduate degree in Political and Social Communication
- Twenty-five years with the Bolloré Group as Director of Shareholding (since 1996), CEO (since 2002) and Vice Chairman of Financière de l'Odet, Vice Chairman of Bolloré (since 2002), and CFO of the Bolloré Group (since 2008), graduate of Sciences Po Bordeaux and of the École nationale d'administration

Main activities performed outside of the Company

- CFO of the Bolloré Group*
- Member of the Management Board of Vivendi*

Positions held by Mr. Cédric de BAILLIENCOURT

Positions currently held

- Member of the Supervisory Board of Vallourec*
- Member of the Management Board of Vivendi*

Offices and positions held in French companies

Offices and positions held at the Bolloré Group

- Vice-Chairman of Financière de l'Odet SE**, Bolloré SE* and Compagnie du Cambodge**
- Chairman of the Boards of Directors of Compagnie des Tramways de Rouen, Financière Moncey**, Société des Chemins de Fer et Tramways du Var et du Gard, and Société Industrielle et Financière de l'Artois**
- Chairman of Compagnie des Glénans, Compagnie de Tréguennec, Compagnie de Guénolé, Compagnie de Guilvinec, Compagnie de Pleuven, Financière V, Compagnie des deux Coeurs, Financière d'Ouessant, Financière du Perguet, Financière de Pont-Aven, Imperial Mediterranean, Compagnie de Pont-l'Abbé, Financière de Quimperlé, Compagnie de Concarneau, Compagnie de l'Argol, Financière de Kerdevot, Financière d'Iroise, Compagnie de Loctudy, and Compagnie de Sauzon SAS
- Manager of Socarfi and Compagnie de Malestroit
- Director of Bolloré SE*, Bolloré Participations SE, Compagnie des Tramways de Rouen, Financière V, Financière Moncey**, Omnium Bolloré, Société Industrielle et Financière de l'Artois**, Financière de l'Odet SE** and Société des Chemins de Fer et Tramways du Var et du Gard
- Permanent representative of Bolloré SE on the Board of Directors of Socotab
- Member of the Supervisory Board of Sofibol and Compagnie du Cambodge**

Other offices and positions

- Member of the Supervisory Board of Vallourec*
- Member of the Management Board of Vivendi*
- Permanent representative of Compagnie du Cambodge on the Supervisory Board of Banque Hottinguer (formerly Banque Jean-Philippe Hottinguer & Cie)
- Manager of SC Compagnie des Voyageurs de l'Impériale

Offices and positions held in foreign companies

Offices and positions held at the Bolloré Group

- Chairman of Redlands Farm Holding
- Chairman of the Board of Directors of Plantations des Terres Rouges, PTR Finances, and SFA
- Director of African Investment Company, Financière du Champ de Mars, La Forestière Équatoriale**, BB Group, PTR Finances, Plantations des Terres Rouges, SFA, Sorebol, Technifin, and Pargefi Helios Iberica Luxembourg
- Permanent representative of Pargefi Helios Iberica Luxembourg SA on the Board of Participaciones y gestion financiera SA
- Permanent representative of Bolloré Participations SE on the Board of Nord-Sumatra Investissements

Other offices and positions

- Permanent representative of Bolloré Participations SE on the Board of Socfinde

Positions expired within the last five years

- Member of the Supervisory Board of Vallourec (until February 2021)
- Permanent representative of Bolloré Participations SE on the Boards of Terrasia, Socfin (formerly Socfinal), Induservices SA (until 2020)
- COO of Financière de l'Odet (until 2019)
- Permanent representative of Bolloré Participations on the Board of Socfinasia (until 2019)
- Permanent representative of Bolloré Participations on the Board of Socfinaf (until 2018)
- Director of Musée national de la Marine (until 2018)
- Chairman of Blueboat (formerly Compagnie de Bénodet) (a) and Financière de Sainte-Marine (a) (until 2018)
- Chairman of the Management Board of Compagnie du Cambodge (a) (until 2017)
- Chairman of the Compagnie de Cornouaille (a) (until 2017)
- Chairman of Financière de l'Argoat (a) (until 2017)
- CEO of Financière de l'Odet (a) (until 2017)
- Permanent representative of Bolloré on the Board of Directors of Havas (a) (until 2017)
- Chairman of Financière de Briec (a) (until 2016)
- Chairman of Financière de Pluguffan (a) (until 2016)
- Chairman of Bluely (formerly Financière de Kerdevot)
- Permanent representative of Bolloré Participations on the Board of Société Bordelaise Africaine (until 2016)

(a) Position held within the Bolloré Group.
** Listed company (for positions currently held).*
*** Listed company for positions currently held (including companies registered in the Free Market and listed abroad).*

OFFICES OF MEMBERS OF THE SUPERVISORY BOARD WHICH ENDED IN 2020

Mr. Philippe ALTUZARRA

Born on 3 April 1950 (70 years old) – French nationality

First appointment: 28 May 2015
Renewal: 2019 OSM
End of term: 18 February 2020 (resignation)

Summary of main areas of expertise and experience

- Graduate of Sciences Po Bordeaux and of the École nationale d'administration
- He began his career at the Ministry of Finance in 1973: Technical advisor at the Office of the Secretary of State for Defense (1973-1975), Economic Attaché at the French Embassy in London (1975-1978), Civil Administrator, French Trade Directorate (1981-1986), Economic Advisor at the French Embassy in Tokyo (1986-1989)
- Member of the Executive Committee, Deputy CFO of the Havas Group (1989-1993)
- Twenty-one years at Goldman Sachs (1993-2014)

Main activities performed outside of the Company

- Director of Altuzarra LLC
- Member of the Nuclear Commitment Financial Expertise Committee of Électricité de France (EDF)*

Positions held by Mr. Philippe ALTUZARRA

Positions currently held

- Director of Altuzarra LLC
- Member of the Nuclear Commitment Financial Expertise Committee of Électricité de France (EDF)*
- Member of the Consulting Board of EDF* Invest

Positions expired within the last five years

- Member of the Supervisory Board of Vallourec (until February 2020)
- Chairman of the Supervisory Board of La Redoute (until 2018)

* *Listed company (for positions currently held).*

Ms. Alexandra Schaapveld

Born on 5 September 1958 (62 years old) – Dutch nationality

First appointment: 31 May 2010
Renewals: 2014 OSM, 2018 OSM
End of term: 12 February 2020 (resignation)

Summary of main areas of expertise and experience

- Graduate of the University of Oxford with a degree in Philosophy, Politics and Economics and of Erasmus University Rotterdam with a Master's in Economics of Development
- Twenty-five years' experience with the ABN AMRO Group (Netherlands):
  - Head of Sector Expertise for the ABN AMRO Group (2001-2004)
  - Director of Investment Banking Division of the ABN AMRO Group (2004-2007)
  - Director for Europe of Royal Bank of Scotland (2007-2008)

Main activities performed outside of the Company

- Director of companies

Positions held by Ms. Alexandra Schaapveld

Positions currently held

- Director of Société Générale*
- Member of the Supervisory Board of Bumi Armada Berhad* (Malaysia)
- Member of the Supervisory Board of FMO (Netherlands)

Positions expired within the last five years

- Member of the Supervisory Board of Vallourec (until February 2020)
- Member of the Supervisory Board of Holland Casino (until 2016)

* *Listed company (for positions currently held).*

HONORARY CHAIRMEN

Mr. Jean-Paul PARAYRE

French nationality

Honorary Chairman of Vallourec since 31 May 2013

Expertise and managerial experience

- Graduate of the École polytechnique
- Chairman of the Management Board of PSA Peugeot-Citroën (1977-1984)
- CEO then Chairman of the Management Board of Dumez (1984-1990)
- Vice-President and CEO of Lyonnaise des Eaux Dumez (1990-1992)
- Vice-President and CEO of Bolloré (1994-1999)
- Chairman and CEO of Saga (1996-1999)
- Chairman of the Supervisory Board of Vallourec (2000-2013)

Mr. Arnaud LEENHARDT

French nationality

Honorary Chairman of Vallourec since 15 June 2000

Expertise and managerial experience

- Graduate of the École polytechnique
- Forty-three years with the Vallourec Group, mainly in Plant and General Management
- Chairman and CEO of Vallourec (1981-1994)
- Chairman of the Supervisory Board of Vallourec (1994-2000)
- Non-voting Board member (censeur) of the Supervisory Board of Vallourec (2006-2010)

7.1.2 Operation of the Management and Supervisory Boards

7.1.2.1 Duties, responsibilities and structure of the Management Board

The Management Board is in charge of the Company's management and of running its activities. The Management Board has, with regard to third parties, the broadest powers to act under all circumstances in the name of the Company, within the limit of the corporate purpose, and subject to the powers expressly provided by law to the Supervisory Board and Shareholders' Meetings, and those which require the prior authorization of the Supervisory Board, in application of the bylaws and, where applicable, internal regulations (see paragraph 7.1.2.2 below). It meets once a week.

In compliance with the bylaws, the Management Board is comprised of a minimum of two and a maximum of five members who are appointed for a four-year term and, as the case may be, reappointed by the Supervisory Board. As at 28 February 2021, the Management Board was comprised of two members (see paragraph 7.1.1.1 above).

The members of the Management Board may be dismissed by the Supervisory Board or the Shareholders' Meeting.

The Management Board has adopted internal regulations, available on the Company's website, which consist of an internal document intended to organize its operation and relations with the Supervisory Board. It is not enforceable against third parties.

7.1.2.2 Duties, responsibilities and structure of the Supervisory Board

The Supervisory Board is the Company's control body, management being performed by the Management Board. The Supervisory Board ensures that the strategy applied by the Management Board is suited to the guidelines it has approved.

To that end, the role of the Supervisory Board is twofold:

- to provide ongoing control of the Company's management through the Management Board, by performing the checks and controls it deems appropriate;
- to provide periodic control of the Company's management: once per quarter for the activities report which the Management Board presents to it, and within three months of the close of each fiscal year, at the time of the Management Board's presentation of the annual financial statements, consolidated financial statements and management report intended for the Ordinary and Extraordinary Shareholders' Meeting, as well as during the presentation of the interim financial statements.

In addition to the legal obligations of prior authorizations (sureties, securities and guarantees), the Supervisory Board gives its authorization prior to the Management Board carrying out the following actions:

- completing any capital increases in cash or by capitalization of reserves authorized by a Shareholders' Meeting;
- completing any other issue of transferable securities that could later give access to the capital, authorized by a Shareholders' Meeting;

- proceeding with a buyback by the Company of its own shares;
- granting to executive management and/or Group employees options to subscribe for or purchase the Company's shares, granting shares free of charge or any other benefits of a similar nature under the terms of authorizations granted by the Shareholders' Meeting; and
- establishing any projected merger or partial transfer of assets, entering into or refusing any industrial or commercial agreement with other companies that could affect the Company's future and, more generally, completing any major transaction (such as external operations for the acquisition or disposal of significant investments in organic growth or internal restructuring operations) (i) that could materially alter the business scope or financial structure of the Group or the type of risks it incurs or (ii) which falls outside of the Group's declared strategy.

Where applicable, the prior authorization of the Supervisory Board is required for both Vallourec and the companies it controls under the terms of Article L.233-16 of the French Commercial Code (Code de commerce) (tax consolidation scope).

The Supervisory Board determines the composition of the Management Board, appoints its members and may remove them from office. It may likewise propose to the Shareholders' Meeting that their duties be terminated. Once a year, the Supervisory Board evaluates the performance of the Management Board and leads a discussion as to its future, within the context of its work on the succession plan (see paragraph 7.1.2.5).

The Supervisory Board sets the compensation of members of the Management Board as well as the number of share subscription or share purchase options and/or performance shares they are allocated, or any other benefit of a similar nature.

It determines the terms and conditions for receiving attendance fees, and their distribution among the Board members. It likewise determines the compensation of the Chairman and, where applicable, the Vice-Chairman, and the resources allocated to them for performing their duties.

The Chairman of the Supervisory Board sets the agenda for each Supervisory Board meeting, upon consulting with the Chairman of the Management Board.

Once per quarter, the Management Board presents a report to the Supervisory Board which describes as completely as possible the progress of the Group's affairs, as well as any useful information about its financial position, cash flow, commitments and liquidity.

The Management Board consults the Supervisory Board about the dividend to be proposed to the Shareholders' Meeting. At the end of the year, it submits the budget, forecast capital expenditure program and financing plan for the following year together with the strategy plan.

At its meetings, the Supervisory Board can ask the Management Board to supplement its information on particular matters with a presentation at the next meeting.

In the performance of its duties, the Supervisory Board is regularly informed, by the Management Board, through its Chairman, of any significant event concerning the Group's performance. It ensures that the latter keeps it informed of all matters that it deems useful and necessary in the exercise of its supervisory role. In order to ensure the process operates correctly, the Chairman of the Supervisory Board, at the initiative of any member of the Board, gathers this information. The specific information required by each of the Committees of the Supervisory Board for the performance of its duties is gathered by the Chairman of each Committee in collaboration with the Management Board.

In addition to the above provisions, information is provided to the Supervisory Board on an ongoing basis through a frequent, regular dialog between the Chairman of the Supervisory Board and the Chairman of the Management Board.

As an exception to the above, if any member of the Supervisory Board finds himself or herself in a conflict of interest situation, even a potential one, concerning a subject to be debated by the Board, the Chairman of the Supervisory Board ensures, with the support of the Appointments, Compensation and Governance Committee, that information concerning this subject is not communicated to the member in question, without prejudice to the latter's obligations, as described below.

The Vallourec Supervisory Board has adopted, and regularly updates, its internal regulations, which are designed to formalize its operating and organizational rules, and work methods. These regulations are strictly internal and are not intended to and do not replace the Company bylaws or the laws and regulations governing commercial companies. They may be amended or added to at any time as a result of a decision made by the Supervisory Board . They have been regularly revised to ensure that their terms are consistent with the new statutory and regulatory provisions.

The Supervisory Board elects a Chairman and Vice-Chairman from among its members, for a maximum term corresponding to their term of office as a member of the Supervisory Board. The Chairman and Vice-Chairman may be reelected or removed at any time by the Supervisory Board. They are responsible, in particular, for convening the Board and directing its deliberations, it being specified that the powers of the Vice-Chairman are exercised if the Chairman is absent or at the Chairman's request, and under the same conditions. The Vice-Chairman alerts the Chairman to observations regarding compliance with the ethics obligations established by the Board's internal regulations.

The Supervisory Board may appoint from among its members (including the Vice Chairman), a Lead Member for a term not to exceed that of his position as a member of the Supervisory Board. The person may be reappointed, and his/her duties as a Lead Member may be revoked at any time by the Supervisory Board. The Lead Member acts in a precautionary manner to raise awareness about conflicts of interest among the members of the Supervisory Board, and draws said Board's attention to any conflict of interest situation that has been identified, even a potential one. The member likewise is responsible for ensuring compliance with the internal regulations, and for making sure that the members of the Supervisory Board are able to perform their task under optimum conditions, and are provided with a high level of information ahead of the Supervisory Board meetings. The Lead Member assists the Chairman of the Supervisory Board, at the latter's request, in responding to shareholders' requests, and makes himself or herself available to meet with them and note their comments and suggestions, when requested and with the consent of the Supervisory Board Chairman. The member makes an annual report to the Supervisory Board on the performance of his/her assignment, in a formal assessment of the operation of the Supervisory Board.

Under the terms of its ethics obligations, each member of the Supervisory Board is required:

- before accepting office, to acknowledge the general or specific obligations for which he/she is responsible, and in particular the legal or regulatory texts, the recommendations of the AFEP-MEDEF Code and any supplements the Board may have added, along with the Board's internal operating rules;
- to participate, unless specifically prevented, in Board meetings and, where applicable, the meetings of the Committee(s) to which he/she belongs, as well as in the Shareholders' Meetings;
- to request information. To that end, he/she must request, within the appropriate time frames, the information required for him/her to actively participate in the subjects on the Board's agenda and, if applicable, the agenda of the Committee(s) to which he/she belongs;

- to comply with the legal and regulatory obligations arising from his/her position and, in particular, to comply with the law and the recommendations of the AFEP-MEDEF Code relating to the plurality of offices;
- to behave as a representative of all the shareholders and act in the Company's interest at all times;
- to inform the Supervisory Board of any conflict of interest situation, even a potential one, and to refrain from voting on any issue examined by the Board that would result in a conflict of interest;
- to personally be a shareholder of the Company throughout the entire term of their office, under the conditions set by the bylaws and internal regulations of the Board, with a minimum of 12 Vallourec shares [(1)];
- with regard to the confidential information obtained in the course of his/her duties, to consider himself/herself as a person who exercises directorship responsibilities and has access to privileged information and, as such, in particular, to respect the provisions laid down by the Company concerning the periods during which persons with access to privileged information may not buy, sell or take positions in the Company's shares or in any other financial instrument linked to the Vallourec share (options, warrants, etc.), i.e. the thirty (30) calendar days preceding the releases of annual and semiannual results, and fifteen (15) calendar days preceding first quarter and third quarter results, as well as the day of publication and the following day, without prejudice to the current statutory and regulatory provisions on "insider trading";
- to consider himself/herself bound by true professional privilege with regard to all non-public information, regardless of the material (written or verbal) that is collected within the context of his/her duties, during a meeting of the Board or of a Committee (in particular the files of the Board and Committees, discussions, debates and deliberations of the Board and Committees), or between two meetings (ongoing information), and to take all necessary measures to preserve confidentiality, in particular by refraining from communicating this information to a third party when it has not been made public;
- to disclose, under the conditions established by statutory and regulatory provisions, to the French securities regulator (Autorité des marchés financiers) and the Company, the transactions carried out with the financial instruments issued by the Company;
- to comply with the "Code de bonne conduite relatif aux opérations sur titres de Vallourec et aux opérations d'initié" ("Code of best practice on securities transactions in Vallourec shares and on insider trading"); and
- to comply with the ethical rules of Article 19 of the AFEP-MEDEF Corporate Governance Code.

Once a year, an item on the Supervisory Board's agenda is dedicated to the formal assessment of the operation of the Supervisory Board; the corresponding findings for fiscal year 2020 are presented in Section 7.1.2.5 of this Chapter.

When first appointed, the members of the Supervisory Board receive a guide containing all the documents concerning the Group's governance (the bylaws, the internal regulations, the AFEP-MEDEF Corporate Governance Code, the Code of Best Practices, etc.) and the Group's activities. At the request of members, visits are arranged to plants in France and abroad.

The members also have the opportunity, if they so wish, to learn about specific aspects concerning the Group, its businesses, sector of activity and organization. At the request of members, the Group may also organize internal and external training sessions specific to their role as a member of the Supervisory Board. Internal training is provided by the Group's Legal Director based on the Group's corporate and stock exchange documentation and any particular questions raised by the member before the training meeting. It is supplemented by external training provided by an independent organization specializing in training for Company Directors.

The members of the Supervisory Board are able to meet with the primary senior executives of the Group, including without members of the Management Board being present. In the latter case, said members must have been informed first. In order to ensure the process operates correctly, requests by any member for a meeting with the primary senior executives of the Group are made to the Chairman of the Supervisory Board.

7.1.2.3 Structure of the Supervisory Board Committees

Each Committee has internal regulations, available on the Company's website, which aim to specify the role, composition, and rules of operation of the Committee. These regulations are strictly internal and are not intended to and do not replace the Company bylaws or the laws and regulations governing commercial companies.

For each meeting, a preparatory set of papers is sent out several days in advance. At the meeting, each presentation is made, where applicable, in the presence of one or more members of the Management Board, by the specialist senior executive for the issue concerned and followed by discussion. A report of the meetings is prepared for the members of the Supervisory Board.

To fulfill their role, the Committees may conduct, or arrange to have conducted, any analysis, using external experts if required, which will be charged to the Supervisory Board's operating budget. They may invite any external persons of their choice to their meetings. In the event that outside consulting services are used, the Committee must ensure that the advice in question is independent, objective and competent.

Each year, the Committee evaluates its activities and reports on them to the Supervisory Board.

7.1.2.4 Independence of the members of the Supervisory Board

The annual review of the independence of the members of the Supervisory Board was conducted by the Supervisory Board on 9 March 2021, at the recommendation of the Appointments, Compensation and Governance Committee. The Supervisory Board considered all of the criteria of the AFEP-MEDEF Code to evaluate the independence of its members, namely:

- **Criterion 1: employee corporate officer during the previous five years**

  Not being an employee or executive corporate officer of the Company, nor an employee, executive corporate officer or Director of a company consolidated with it, and not having been in such a position for the preceding five years.

(1) Starting on the day of their appointment, members of the Supervisory Board must hold at least 2 Vallourec shares. The 10 additional shares must be acquired by 31 December of the year following the year they take office, in order to allow them to use their attendance fees to acquire them. These provisions do not apply to members representing employees (whether or not they are shareholders).

- **Criterion 2: cross-directorships**

  Not being an executive corporate officer in a company in which the Company directly or indirectly holds a directorship or in which an employee, appointed as such, or an executive corporate officer of the Company (currently or who was in such a position less than five years ago) holds a directorship.

- **Criterion 3: significant business relationships**

  Not being a customer, supplier, investment banker, lending banker, or advisor (or being directly or indirectly linked to these people):

  - of significance for the Company or its Group; or
  - for which the Company or its Group represents a significant portion of activity.

- **Criterion 4: family connection**

  Not having a close family connection with a corporate officer.

- **Criterion 5: Statutory Auditors**

  Not having been Statutory Auditors of the Company during the last five years.

- **Criterion 6: term of office of more than twelve years**

  Not being a member of the Company's Board for more than twelve years, noting that Independent Director status is lost after twelve years.

- **Criterion 7: non-executive corporate officer status**

  A non-executive corporate officer cannot be considered independent if they receive variable compensation in cash, shares, or any other compensation related to the Company's or the Group's performance.

- **Criterion 8: major shareholder status**

  The members representing major shareholders of the Company or of the parent company can be considered independent from the moment these shareholders do not have control over the Company. However, beyond a threshold of 10% of capital or of voting rights, the Board, on the report of the Appointments, Compensation and Governance Committee, systematically questions qualification as an independent member, taking into account the composition of the Company's capital and the existence of potential conflicts of interest.

The Supervisory Board noted that Bpifrance Participations, which held 14.56% of the Company's capital and 14.81% of its theoretical voting rights as at 31 December 2020, is not an independent member of the Supervisory Board.

The Supervisory Board also considered that Mr. Yuki Iriyama, who has spent his entire career at Nippon Steel Corporation (NSC) and was appointed by the Shareholders' Meeting of 12 May 2017, at the proposal of the NSC, a strategic partner and major shareholder who, as at 31 December 2020, held 14.56% of the capital and 14.87% of the theoretical voting rights of the Company, in accordance with the terms of a shareholders' agreement, is not an independent member of the Supervisory Board, despite specific measures to prevent access to competitive information and the fact that Mr. Yuki Iriyama sits on the Board in a personal capacity.

The Supervisory Board has debated whether or not to assess the relationship maintained by Board members with Vallourec or its Group, along with the potential conflicts of interest this could generate, as being significant. Within this framework it has conducted a more specific in-depth examination of the following members, upon which it issued the findings below:

- Ms. Pascale Chargrasse, who represents employee shareholders on Vallourec's Supervisory Board, has been an employee of the Group since 1985 and should thus be considered a non-independent member in application of the criteria of the AFEP-MEDEF Code. The Supervisory Board nevertheless noted that the AFEP-MEDEF Code excluded employee shareholders from the analysis of independent members, and thus did not recognize Ms. Pascale Chargrasse when determining the proportion of independent members;
- Mr. Mickaël Dolou, who represents employees on Vallourec's Supervisory Board, has been an employee of the Vallourec Group since 2006 and should thus be considered a non-independent member in application of the criteria of the AFEP-MEDEF Code. The Supervisory Board nevertheless noted that the AFEP-MEDEF Code excluded the member representing employees from the analysis of independent members, and thus did not recognize Mr. Mickaël Dolou when determining the proportion of independent members;
- Mr. Ayhan Üstün, who represents employees on Vallourec's Supervisory Board, has been an employee of the Vallourec Group since 1984 and should thus be considered a non-independent member in application of the criteria of the AFEP-MEDEF Code. The Supervisory Board nevertheless noted that the AFEP-MEDEF Code excluded the member representing employees from the analysis of independent members, and thus did not recognize Mr. Ayhan Üstün when determining the proportion of independent members;
- Ms. Vivienne Cox is Chairman of the Supervisory Board. The balance of dual corporate governance in which the Supervisory Board has a role, and which is essentially based on controlling the action of the Management Board and is governed by a principle of non-interference in management, in principle avoids all risk of a conflict of interest unless one of the other criteria for evaluating independence applies. The Supervisory Board confirmed Ms. Vivienne Cox's independence for the following reasons:
  - Ms. Vivienne Cox joined Vallourec's Supervisory Board in 2010, after having spent her entire career outside the Vallourec Group;
  - Ms. Vivienne Cox has never been an employee of Vallourec, nor an executive corporate officer of the Vallourec Group;
  - the companies in which Ms. Vivienne Cox holds a position as a corporate officer have no business relationships with the Vallourec Group;
  - Ms. Vivienne Cox receives fixed compensation, excluding any variable compensation in cash, shares or any other compensation related to the Company's or the Group's performance, which could impact the objectivity of her judgment.

The business relationships maintained between (i) the companies (excluding the Group) in which the other members of the Supervisory Board hold offices, on the one hand, and (ii) the Group, on the other, were reviewed but deemed insignificant both in quantitative terms with regard to their amount, which was less than 1% of the Group's revenue, and in qualitative terms assessed with particular regard to the continuity, importance, and the organization of the relationship.

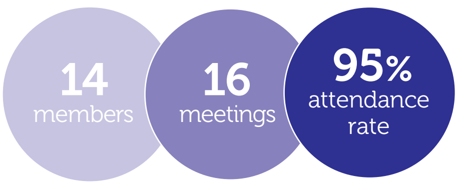
Based on these findings, it appears, at the date of this Universal Registration Document, that all Board members, with the exception of Bpifrance Participations and Mr. Yuki Iriyama, must be considered to have no interest vis-à-vis the Company and that, consequently, the proportion of independent members of the Supervisory Board stands at 80%, in application of the AFEP-MEDEF Code.

In compliance with the recommendations of the French securities regulator (Autorité des marchés financiers), the table below presents the position of each of the members of the Supervisory Board, at the date of this Universal Registration Document, with regard to the criteria of independence examined by the Supervisory Board and its Appointments, Compensation and Governance Committee:

Criteria [(1)]	1: Employee corporate officer during the previous five years	2: Cross-directorships	3: Significant business relationships	4: Family connection	5: Statutory Auditor	6: Term of office of more than 12 years	7: Non-executive corporate officer status	8: Major shareholder status
Vivienne Cox	◇	◇	◇	◇	◇	◇	◇	◇
Pierre Pringuet	◇	◇	◇	◇	◇	◇	◇	◇
Maria-Pilar Albiac-Murillo	◇	◇	◇	◇	◇	◇	◇	◇
Virginie Banet	◇	◇	◇	◇	◇	◇	◇	◇
Corine de Bilbao	◇	◇	◇	◇	◇	◇	◇	◇
Bpifrance Participations represented by A. Ossola	◇	◇	◇	◇	◇	◇	◇	◆
Laurence Broseta	◇	◇	◇	◇	◇	◇	◇	◇
Antoine Cahuzac	◇	◇	◇	◇	◇	◇	◇	◇
Pascale Chargrasse	◆	◇	◇	◇	◇	◇	◇	◇
Mickaël Dolou	◆	◇	◇	◇	◇	◇		◇
Yuki Iriyama	◇	◇	◇	◇	◇	◇	◇	◆ [(2)]
Jean-Jacques Morin	◇	◇	◇	◇	◇	◇	◇	◇
Ayhan Üstün	◆	◇	◇	◇	◇	◇	◇	◇

(1) In this table, ◇ means that the independence criterion has been met and ◆ that it has not been met.
(2) Mr. Yuki Iriyama was appointed by the Shareholders' Meeting at the proposal of Nippon Steel Corporation (NSC), a strategic partner and major shareholder, in compliance with the terms of a shareholders' agreement.

7.1.2.5 Conditions for preparation and organization of work of the Supervisory Board



as at 31 December 2020

In order to best ensure that Board members are able to attend meetings, the schedule of meetings for the year is prepared approximately one year in advance.

The actual attendance rate of members at Supervisory Board meetings, calculated as a ratio of the number of members present to the total number of members, was 95% for all of the meetings held in 2020.

The members of the Management Board were present at all of the meetings. The Supervisory Board nevertheless makes sure that a portion of its meetings are held without the Management Board being present, in particular for items on the agenda that directly concern them.

Each meeting is confirmed on average one week in advance by sending a notice of meeting, which is enclosed with the agenda as well as a file containing, except in certain cases, all of the supporting documents relating to the subjects recorded in the Supervisory Board's agenda. This information is sent through a highly secure platform, which is only accessible to the members of the Board using their individual personal identifiers. Where necessary, the Supervisory Board relies on preliminary work carried out by the Committees.

Meetings are chaired by the Supervisory Board Chairman, who ensures, in particular, that each member expresses his/her opinion on important matters. Any conflicts of interest are handled in conformity with the principles indicated in paragraph 7.1.5 of this Universal Registration Document.

The Company's Statutory Auditors attend the Supervisory Board meetings at which the annual and interim financial statements are reviewed.

7.1.2.6 Activities of the Supervisory Board and Committees in 2020

ACTIVITIES OF THE SUPERVISORY BOARD

In 2020, the Board met 16 times, 8 of which were extraordinary meetings. The majority of meetings were held via videoconference. The average length of its regular meetings was approximately four hours and thirty minutes. Supervisory Board extraordinary meetings relating to the health crisis and its impact on activity and refinancing as well as financial restructuring had a shorter duration of two and a half hours on average.

As regards the conducting of business, the work of the Supervisory Board primarily concerned:

- an examination of the annual, semiannual and quarterly financial statements, and of the budget;
- an examination of quarterly business reviews of the Management Board;

- presentation of the refinancing project and related agreements;
- the impact of Covid-19 on staff and activity;
- the impact of the fall in oil prices on activity and adaptation measures;
- adaptation measures in the United States, Brazil and Asia;
- safety developments at the industrial sites;
- monitoring of strategic projects;
- developments in markets and competition;
- risk mapping;
- the system to prevent and detect corruption and influence peddling;
- authorization of the redemption of own shares;
- update of activity forecast and presentation of the strategic plan (2020-2025);
- monitoring of negotiations with creditors and preparation for financial restructuring;
- presentation of the carbon policy;
- the Group's internal control and audit policy;
- the Group's guidelines on Corporate Social Responsibility;

Regarding the Governance plan, the Supervisory Board worked on the following subjects in particular:

- the Management Board succession plan;
- the appointment of the Management Board;
- the compensation policy for corporate officers;
- the compensation of members of the Management Board for 2019 and 2020, as well as the report on compensation for the purpose of implementing the Say on Pay mechanism;
- Vallourec's policy on enabling the personnel to share in the Group's net profits;
- the policy on the composition of the Supervisory Board;
- the appointment of a second employee representative to the Supervisory Board;
- the composition of the Supervisory Board and its Committees;
- the independence of the Board members;
- the compliance of the Group's governance with the recommendations of the AFEP-MEDEF Code;
- the policy and action plans on professional equality and more balanced representation of women and men within the management bodies;
- preparation for the Annual Shareholders' Meeting held behind closed doors in the exceptional context of the health crisis linked to the Covid-19 pandemic.

DUTIES, RESPONSIBILITIES AND ACTIVITIES OF THE CHAIRMAN OF THE SUPERVISORY BOARD

In addition to her legal duties, the Chairman is specifically tasked with the following:

- speaking with members of the Management Board and Executive Committee about certain significant and strategic events for the Company, in particular when preparing for meetings of the Strategy Committee, which she chairs, and more generally when preparing for meetings of the Supervisory Board;
- participating in certain Board Committees;
- ensuring the Supervisory Board is balanced, by participating in the process of selecting new members and considering renewal of offices that are expiring;
- ensuring proper integration of new members within the Supervisory Board;
- ensuring proper completion of the annual operating evaluation of the Supervisory Board and individually relaying comments regarding each member's actual contribution to the work of the Board to the members concerned;
- ensuring implementation of the areas for improvement identified as part of the annual operating evaluation of the Supervisory Board.

In 2020, the Chairman's activity was specifically devoted to the following points:

- participation in the process of selecting new members of the Supervisory Board and interviews with the new members as part of their integration process;
- establishment of an ad hoc committee composed of independent members of the Supervisory Board, assisted by dedicated external legal advice in order to monitor negotiations with creditors and the preparation for financial restructuring;
- preparation, with the teams concerned, of Strategy Committee meetings;
- participation, as a guest, at all meetings of the Finance and Audit Committee;
- monitoring of the action plan to implement the areas for improvement identified as part of the annual operating evaluation of the Supervisory Board.

MANAGEMENT BOARD SUCCESSION PLAN

The Supervisory Board, assisted by the Appointments, Compensation and Governance Committee, helps prepare for the future by formulating and regularly reviewing the succession plan for members of the Management Board.

The process is primarily handled by the Chairman of the Supervisory Board, who works closely with the Appointments, Compensation and Governance Committee, with the help of an external specialized firm. The Chairman of the Management Board is personally involved in this process. The Supervisory Board is regularly informed of the progress of this work, without the Management Board being present, in an effort to ensure compliance with the Company's strategic issues.

The succession plan envisages several time periods: a short-term plan in case of an unexpected vacancy; a medium-term plan anticipating the end of the officers' terms, and a long-term plan focused on the existing pool of potential candidates, in particular within the Executive Committee. Internal candidates who have been identified as having high potential benefit from specific training and assistance.

The people involved in this process strictly respect confidentiality.

ATTENDANCE OF THE MEMBERS OF THE SUPERVISORY BOARD IN 2020

Attendance	Supervisory Board	Finance and Audit Committee	Appointments, Compensation and Governance Committee	Strategy Committee	CSR Committee
Vivienne Cox (Chairman of the Supervisory Board)	100% (16/16)	–	–	100% (2/2)	–
Pierre Pringuet (Lead Member and Vice Chairman of the Supervisory Board)	88% (14/16)	–	100% (9/9)	–	–
Maria-Pilar Albiac-Murillo	100% (16/16)	–	–	–	100% (3/3)
Philippe Altuzarra	50% (1/2)	–	–	0% (0/1)	100% (1/1)
Cédric de Bailliencourt	100% (16/16)	–	–	–	
Corine de Bilbao	94% (15/16)	–	–	100% (1/1)	100% (2/2)
Virginie Banet	100% (16/16)	100% (7/7)	–	–	–
Bpifrance Participations, represented by Alexandre Ossola	94% (15/16)	100% (7/7)	–	100% (2/2)	–
Laurence Broseta	100% (16/16)	–	–	–	100% (3/3)
Antoine Cahuzac	100% (15/15)	100% (5/5)	100% (9/9)	–	–
Pascale Chargrasse	100% (16/16)	–	100% (9/9)	–	–
Mickaël Dolou	100% (16/16)	–	100% (9/9)	–	–
Yuki Iriyama	94% (15/16)	–	–	–	–
Jean-Jacques Morin	100% (16/16)	100% (7/7)	–	–	–
Ayhan Üstün	100% (5/5)	–	–	–	–
Alexandra Schaapveld	100% (1/1)	–	100% (2/2)	–	–
AVERAGE ATTENDANCE RATE	**95%**	**100%**	**100%**	**75%**	**100%**

EVALUATION OF THE SUPERVISORY BOARD

As it does each year, the Supervisory Board conducted a formal evaluation of its operations for fiscal year 2020. The evaluation is managed by the Supervisory Board's Secretary's Office, under the supervision of the Appointments, Compensation and Governance Committee, based on a questionnaire that focuses on topics specific to the Group. The Chairman provides the individual results of questions relating to each member's actual contribution to the Board's work to each of the Board members concerned.

The summary of the Supervisory Board members' responses, which was communicated to the Board members and discussed during the meeting on 16 February 2021, generally indicates member satisfaction with the Supervisory Board's operation. The health measures taken to combat the Covid-19 pandemic disrupted the organization of Board and Committee meetings. Most meetings in 2020 were held in the form of videoconferences, which hindered the participation of certain members and made it more difficult to conduct discussions. 2020 was also marked by the Group's refinancing difficulties and the launch of ad hoc negotiations with a view to financial restructuring. In this regard, the information provided by the Board was deemed very satisfactory by most members, who highlighted the Board's great ability to inform and educate on these technical and complex issues. The establishment of an ad hoc Committee within the Supervisory Board for more regular and in-depth monitoring of these subjects, with the help of dedicated legal advice, was greatly appreciated. For the future, areas of improvement mainly relate to the content of presentations and notably strategy-related subjects in general.

FINANCE AND AUDIT COMMITTEE

as at 31 December 2020

Composition

The Finance and Audit Committee is comprised of a minimum of three members and a maximum of five members, who are chosen from among the members of the Supervisory Board and have specific expertise in finance, accounting or statutory auditing. As at 28 February 2021, it consisted of four members: Mr. Jean-Jacques Morin (Chairman), Ms. Virginie Banet, Bpifrance Participations represented by Mr. Alexandre Ossola, and Mr. Antoine Cahuzac, all independent with the exception of Bpifrance Participations, or a 75% proportion of independent members within the Finance and Audit Committee. The Chairman of the Board and the Lead Member are also invited to, and generally attend, the Finance and Audit Committee meetings.

All these members have particular knowledge of finance or accounting, or statutory auditing, and have the necessary expertise, experience and qualifications to successfully perform their tasks within the Finance and Audit Committee. The Chairman, Mr. Jean-Jacques Morin, has for more than twenty years held positions within major groups (Alstom, AccorHotels) in particular in the areas of finance and management control (for a description of the expertise and experience of members of the Finance and Audit Committee: see Section 7.1.2.2 "The Supervisory Board" above). When they are first appointed, the members are sent detailed information on the Group's specific accounting, financial and operating processes.

Powers

The role of the Finance and Audit Committee is to prepare the necessary information for the Supervisory Board's deliberations, which concern monitoring issues relating to the preparation and verification of accounting and financial data, in compliance with Article L.823-19 of the French Commercial Code (Code de commerce). To this end, it issues opinions, proposals and recommendations in its areas of expertise. It acts under the authority of the Supervisory Board, for which it must not be substituted, and regularly informs it of its tasks, the results of the task of certifying the financial statements, how this task contributed to the integrity of the financial information, along with the role it played in this process. It provides immediate notice of any difficulty encountered while performing its tasks.

Within this framework, the Finance and Audit Committee oversees:

- the process of preparation of financial information.

  As needed, it makes recommendations to guarantee the integrity of the process of preparing the financial information.

  In this respect, the Committee is presented with:

  - the retrospective and forward-looking financial data each quarter,
  - risk exposure and significant contingent liabilities and commitments of the Group, and
  - at its request, accounting matters that may have a significant impact on the preparation of the financial statements.

  Draft external financial communications are presented to the Committee for its opinion;

- the effectiveness of the internal control and risk management systems, as well as of the internal audit system, as concerns the procedures relating to the preparation and processing of the accounting and financial information, without compromising its independence.

  In this respect, each year the Committee is presented with:

  - the internal audit plan,
  - the assignment reports and main findings of the audits,
  - a summary of the actions taken in the area of risk management, and
  - a summary of the Statutory Auditors' performance of their duties, in particular the statutory audit of the Company and consolidated financial statements.

  To that end, the Statutory Auditors present the results of their audit to the Committee at each half-year, emphasizing, where applicable, the audit adjustments and significant weaknesses in internal control that were identified during the work, and the accounting options used.

  The Committee gives the Supervisory Board its opinion as to the relevance and consistency of the accounting methods used to prepare the parent company and consolidated financial statements;

- compliance with the conditions for independence of the Statutory Auditors and the rules relating to the cap on their audit fees for services other than certification of the financial statements.

  In this regard, the Committee manages the procedure for selecting the Statutory Auditors, submits a recommendation to the Supervisory Board on the Statutory Auditors proposed for appointment by the Shareholders' Meeting, receives the Statutory Auditors' statement of independence and receives an annual summary of all the services provided to the Vallourec Group by the Statutory Auditors and their networks.

  The Committee is in charge of approving the Statutory Auditors' provision of services other than the certification of financial statements, which are not prohibited services, upon analyzing the risks to the Statutory Auditors' independence and the safeguards applied by the latter to mitigate these risks.

In addition to the above duties, the Supervisory Board or its Chairman may decide to refer any issue requiring the Board's prior approval to the Finance and Audit Committee. Also, the Supervisory Board or its Chairman may request it to examine a specific matter in order to determine the financial implications. More generally, the Finance and Audit Committee reviews the various elements of the Group's financial strategy.

Operation

The Finance and Audit Committee meets at least four times a year to review the interim and annual financial statements before they are presented to the Supervisory Board. Subject to this condition, it defines the frequency of its meetings by agreement with the Chairman of the Supervisory Board. Its usual representative is the member of the Management Board in charge of Finance and, where applicable, employees designated by said member. It likewise meets with the people in charge of finance and accounting, cash and cash equivalents, internal audits, risk management and internal control, as well as with the Statutory Auditors, including, if the Committee so desires, without the members of the Management Board being present. In the latter case, said members must have been informed first.

Activities of the Finance and Audit Committee in 2020

In 2020, the Finance and Audit Committee met seven times, with an effective attendance rate of 100%. It had a meeting with the Statutory Auditors, without the members of the Management Board being present. During the fiscal year, the Committee examined the following issues and formulated opinions on them:

- monitoring of negotiations with creditors and preparation for financial restructuring;
- the Group's financial communication projects;
- the quarterly cash and cash equivalents position and the medium- and long-term financing plan;
- change in working capital requirements;
- the cash management and financing policy, year-end plan and changes in accounting principles;
- the dividend policy and the proposal to not pay a dividend for fiscal year 2019;
- review of the 2020 assumptions;
- the budget for 2021;
- changes in accounting principles and the accounting policies used for preparing the year-end 2019 financial statements, including a review of the Group's impairment testing methods;
- the internal and external audit plans and their results;
- the organization of risk management and internal control within the Group;
- risk mapping;
- the ethics and compliance policy within the Group and the results of this policy;
- sensitivity to the foreign exchange risk and the policy for hedging transactions;
- the Group's tax practices.

The Statutory Auditors attended all meetings of the Finance and Audit Committee for fiscal year 2020. They presented a report on the work completed as part of their mandate, emphasizing key points from the legal audit results and the accounting options used.

AD HOC COMMITTEE

5 members

8 meetings

100% attendance rate

as at 31 December 2020

Composition

As at 28 February 2021, the Ad Hoc Committee is composed of five members of the Supervisory Board: Ms. Vivienne Cox (Chairman), Mr. Pierre Pringuet, Mr. Jean-Jacques Morin, Ms. Virginie Banet and Mr. Antoine Cahuzac, all independent members, i.e. a proportion of independent members within the the Ad Hoc Committee equal to 100%.

Powers

The Ad Hoc Committee was established on 12 October 2020 by the Supervisory Board at the initiative of its Chairman to monitor the progress of the Company's proposed financial restructuring and to prepare the Supervisory Board's deliberations in relation thereto. To this end, it issues opinions, proposals and recommendations. It acts under the authority of the Supervisory Board for which it must not be substituted.

Operation

The Ad Hoc Committee meets as often as necessary, in the presence of the Supervisory Board's legal counsel.

Its usual contact is the Management Board. It also meets with the Group's General Counsel and the Director of Treasury and Financing, as well as with the Company's external legal and financial advisers. The Ad Hoc Committee meets with or without the members of the Management Board being present. If the mebers of the Management Board are not present, they must have been informed in advance.

Activities of the Ad Hoc Committee in 2020

In 2020, the Ad Hoc Committee met eight times, with an effective attendance rate of 100%. During the fiscal year, the Committee examined and formulated opinions on the following matters:

- monitoring of negotiations with creditors and preparation of the financial restructuring;
- proposed change of governance;
- *mandat ad hoc* proceeding and preparation of the safeguard proceeding.

At the beginning of 2021, the Ad Hoc Committee continued its work and in particular had exchanges with the *mandataire ad hoc*. The Supervisory Board also asked the Committee to prepare the appointment and monitor the work, of the independent expert responsible for assessing the conditions of the financial restructuring and issuing a report containing a fairness opinion that will be made available to the shareholders at least 15 days before the date of the Shareholders' Meeting.

The Supervisory Board has followed all opinions and recommendations provided by the Ad Hoc Committee.

APPOINTMENTS, COMPENSATION AND GOVERNANCE COMMITTEE

4 members

9 meetings

100% attendance rate

as at 31 December 2020

Composition

The Appointments, Compensation and Governance Committee is comprised of a minimum of three members and a maximum of five members. As at 28 February 2021, it consisted of four members: Mr. Pierre Pringuet (Chairman), Ms. Pascale Chargrasse (representing employee shareholders), Mr. Antoine Cahuzac and Mr. Mickaël Dolou (representing employees). They are all independent, with the exception of Ms. Pascale Chargrasse, who represents employee shareholders, and Mr. Mickaël Dolou, who represents employees, and they are therefore not counted [1].

(1) Compliance with the recommendations of the AFEP-MEDEF Code.

The Chairman of the Management Board is associated with the work concerning appointments and governance, except in cases that concern his personal situation.

Powers

The role of the Appointments, Compensation and Governance Committeeis to prepare information for the Supervisory Board's deliberations, which concern monitoring issues relating to the appointment and compensation of corporate officers, and to the governance of the Group. To this end, it issues opinions, proposals and recommendations in its areas of expertise. It acts under the authority of the Supervisory Board, to which it reports, and for which it must not be substituted, and informs it of any difficulty encountered while performing its tasks.

The duties of the Appointments, Compensation and Governance Committee are as follows:

Appointments

- Preparing the procedure used to select members of the Supervisory Board and Management Board and determining the criteria to be used.
- Drawing up proposals for appointments and re-appointment.
- Regularly reviewing the composition of the Management Board and establishing a succession plan for members of the Management Board, in order to be able to propose succession solutions to the Board, in particular in the event of an unexpected vacancy.
- Regularly reviewing the composition of the Board and its Committees and making recommendations on changes to its composition when this appears appropriate.

The Committee's proposals for the offices of members of the Board are guided by the interests of the Company and all of its shareholders. They particularly take into account the desired balance of the Board's composition, as concerns the composition and evolution of the Company's shareholders, as well as the diversity of its areas of expertise, gender, and nationalities. The Committee ensures that its proposals to the Board reflect the necessary independence and objectivity.

The Committee completes its research on potential candidates before taking any action with them.

Compensation

- Proposals concerning the amounts and allocation of attendance fees paid to Supervisory Board members, as well as the compensation of members of the Committees.
- Proposals concerning the compensation of the Chairman of the Board.
- Compensation of members of the Management Board: the Committee is responsible for recommending to the Board the structure and level of the compensation paid to each member of the Management Board (fixed portion, variable portion and benefits in kind).
- Performance shares and share subscription or share purchase options for members of the Management Board.
- Policy for allocating performance shares and share purchase or subscription options to managers and executives and/or staff of the Group.

As regards members of the Executive Committee, the Committee is informed of their appointment, the compensation policy and succession plan concerning them.

Governance

- Reviewing the operation of the management bodies, particularly as regards changes in French regulations concerning the governance of listed companies and in light of the recommendations of the AFEP-MEDEF Corporate Governance Code and, where applicable, making proposals to the Board on updating the Company's corporate governance rules.
- Preparing the annual assessment of the Supervisory Board and recommendations resulting from such assessment.
- Reviewing and following up on any situation involving a conflict of interest between a Board member and the Company, which could lead the Board to request an express commitment from the member in such a situation.
- Reviewing requests from Supervisory Board members concerning the assumption of new offices or duties outside the Company.
- Reviewing the independence of Board members with regard to specific criteria which have been made public.

Operation

The Appointments, Compensation and Governance Committee meets at least twice a year. Subject to this condition, it defines the frequency of its meetings by agreement with the Chairman of the Supervisory Board.

Activities of the Appointments, Compensation and Governance Committee in 2020

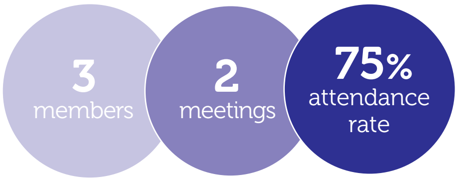
The Appointments, Compensation and Governance Committee met nine times in 2020, with an effective attendance rate of 100%.

During the fiscal year, the Committee examined the following issues and formulated opinions on them:

- the Management Board's succession plan, particularly in the event of an unforeseeable vacancy;
- the decisions to be taken by the Supervisory Board regarding the end of the term of Philippe Crouzet;
- the decisions to be taken by the Supervisory Board regarding the appointment of the new Management Board;
- the market review of Management Board compensation;
- the compensation for the Management Board, the Chairman, and the members of the Supervisory Board for 2020;
- the overall budgets and the number of performance shares and share subscription options allocated to employees and each member of the Management Board, and the requirement for such members to retain a portion of the shares resulting from the exercise of options and of the performance shares allocated;
- the amendment of the internal regulations concerning the Board's written consultation procedures;
- the Group's Human Resources strategy and the results of this strategy, analyzed in particular through the social barometer indicated in paragraph 4.3.3.2 above;
- the policy on the composition of the Supervisory Board;
- the annual evaluation of the operation of the Supervisory Board and Committees;
- the annual evaluation of the independence of the members of the Supervisory Board;

- the compliance of the Group's governance with the recommendations of the AFEP-MEDEF Code;
- the composition of the Supervisory Board and its Committees;
- the representation of the employees and the employee shareholders on the Supervisory Board;
- legal and regulatory developments in governance matters; and
- the annual report of the French securities regulator (Autorité des marchés financiers) regarding business governance and executive management compensation, and the annual report of the Higher Committee on Corporate Governance.

STRATEGY COMMITTEE



as at 31 December 2020

Composition

The Strategy Committee is comprised of a minimum of three members and a maximum of five members. As at 28 February 2021, it consisted of three members: Ms. Vivienne Cox (Chairman), Ms. Corine de Bilbao, and Bpifrance Participations, represented by Mr. Alexandre Ossola, all independent with the exception of Bpifrance Participations, i.e., a proportion of independent members within the Strategy Committee of 67%.

Powers

The Strategy Committee is responsible for preparing the Supervisory Board's deliberations with regard to the Group's strategic directions and long-term future. To this end, it issues opinions, proposals and recommendations in its areas of expertise. It acts under the authority of the Supervisory Board, to which it reports, and for which it must not be substituted, and informs it of any difficulty encountered while performing its tasks.

In the course of its duties, the Strategy Committee reviews:

- each year, the Group strategy plan presented by the Management Board and any changes as well as the assumptions on which it is based;
- any projected merger or partial transfer of assets, any industrial or commercial agreement with other companies that could affect the Company's future and, more generally, any major transaction (such as external acquisition or disposal operations, significant capital expenditure in organic growth or internal restructuring operations) that could materially alter the business scope or financial structure of the Group or the type of risks it incurs. Within this context, the Committee reviews:
  - capital expenditure transactions when they exceed €50 million,
  - acquisition or disposal transactions when they exceed €50 million, and
  - following their implementation, the conditions for implementing and achieving objectives for the transactions that have been authorized by the Supervisory Board.

The Committee may carry out any other regular or occasional duties assigned to it by the Supervisory Board in its area of competence. It may suggest that the Supervisory Board refer to the Committee any particular point which it considers to be necessary or relevant.

Operation

The Committee met twice in 2020 with an average effective attendance rate of 75%.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

as at 31 December 2020

Composition

The Corporate Social Responsibility (CSR) Committee is comprised of a minimum of three members and a maximum of five members. As at 28 February 2021, it consisted of three members: Ms. Laurence Broseta (Chairman), Ms. Maria-Pilar Albiac-Murillo and Ms. Corine de Bilbao. They are all independent.

The members of the Management Board are associated with the work of the Corporate Social Responsibility Committee and may participate at its meetings.

Powers

The role of the Corporate Social Responsibility Committee is to prepare the necessary information for the Supervisory Board's deliberations concerning the examination and monitoring of issues relating to corporate social responsibility and the way in which the Group strives to promote the creation of long-term value while considering the social and environmental challenges of its activities. To this end, it issues opinions, proposals and recommendations in its areas of expertise. It acts under the authority of the Supervisory Board, to which it reports, and for which it must not be substituted, and informs it of any difficulty encountered while performing its tasks.

In the course of its duties, the Corporate Social Responsibility Committee:

- examines the issues, risks and opportunities of the Group in corporate social responsibility matters;
- examines the Group's policies and commitments in corporate social responsibility matters, the implementation of these policies, and the results obtained;
- examines all non-financial information published by the Group;
- conducts a regular review of the Group's non-financial rating.

The Committee may carry out any other regular or occasional duties assigned to it by the Supervisory Board in its area of competence. It may suggest that the Supervisory Board refer to the Committee any particular point which it considers to be necessary or relevant.

Operation

The Corporate Social Responsibility Committee meets at least twice a year. Subject to this condition, it defines the frequency of its meetings by agreement with the Chairman of the Supervisory Board.

The Committee met three times in 2020 with an average effective attendance rate of 100%. During the fiscal year, the Committee examined the following issues and formulated opinions on them:

- the presentation of CSR objectives for the variable portion of the Management Board's compensation;
- the proposal of CSR objectives for the long-term compensation of the Management Board;
- the presentation of the Group's medium-term performance indicators in terms of CSR;
- the presentation of the Group's water management policy;
- the product quality policy;
- the security policy and the results of this policy;
- the action plan to promote diversity;
- the Group's carbon policy;
- the presentation of the Group's responsible purchasing policy;
- the presentation of the materiality analysis approach.

7.1.3 Declarations concerning the members of the Management and Supervisory Boards

To the Company's knowledge:

- no member of the Management Board or Supervisory Board has been convicted of fraud during the past five years;
- no member of the Management Board or Supervisory Board has been involved with a bankruptcy, receivership or liquidation or placement of a company under judicial administration during the past five years;
- no member of the Management Board or Supervisory Board has been charged, during the past five years, with an offense or been the subject of disciplinary action on the part of the statutory or regulatory authorities (including designated professional bodies);
- no member of the Management Board or Supervisory Board has been prevented, during the past five years, by a court from acting as a member of an administrative, management or supervisory body of an issuer, or from being involved in managing or running the business of an issuer; and
- no member of the Management Board or Supervisory Board has a current or potential conflict of interest between his duties to Vallourec and his private interests and/or other duties.

7.1.4 Regulated agreements

Loans and guarantees

No loans or guarantees have been granted by the Company or by a Group company to any member of the Management Board or Supervisory Board.

Service agreements providing for the granting of benefits

To the Company's knowledge, there is no service agreement between any member of the Management Board or Supervisory Board and the Company providing for the granting of benefits.

7.1.5 Management of conflicts of interest

To prevent any risk of a conflict of interest between a member of the Supervisory Board and the Management Board or any of the Group's companies, the Appointments, Compensation and Governance Committee constantly monitors the independence of members with regard to the AFEP-MEDEF Corporate Governance Code criteria; the Supervisory Board includes this as an item on its agenda at least once a year.

Each member is required to inform the Board of any situation involving a conflict of interest, even a potential one, and to refrain from taking part in discussions or voting on any issue at Board meetings where there may be in a conflict of interest, and to leave the Board meeting if a subject exposing the member to such a situation is discussed.

The Lead Member acts in a precautionary manner to raise awareness about conflicts of interest among the members of the Supervisory Board, and draws said Board's attention to any conflict of interest situation that has been identified, even a potential one.

When one of the members has a conflict of interest, whether actual or potential, regarding a subject matter to be debated by the Board, the Board ensures, by relying on the Appointments, Compensation and Governance Committee, that the information regarding this subject matter is not communicated to that member. A member cannot accept another position or appointment, or make a significant investment in any company or business in competition with Vallourec or operating upstream or downstream of it, without the Board's prior approval. As an exception, this rule does not apply to legal entities that are members of the Supervisory Board, but if they take new positions or similar appointments, each case will be discussed with the Board in order to eliminate any risk of conflicts of interest. Members of the Supervisory Board, non-voting Board members (censeurs) and members of the Management Board must inform the Chairman of the Supervisory Board before accepting a new appointment in other companies. The Chairman of the Board will give an opinion after consulting with the Appointments, Compensation and Governance Committee.

The information presented in this section is taken from the Internal Regulations of the Supervisory Board, which are available on the Company's website (www.vallourec.com).

7.1.6 Declaration on corporate governance

The Supervisory Board has adopted the AFEP-MEDEF Corporate Governance Code, as amended for application to limited liability companies (société anonyme) managed by a Supervisory Board and a Management Board. Vallourec complies with all of the recommendations prescribed in the Code under the conditions set out in the summary table.

Compliance with the recommendations of the AFEP-MEDEF Code

The following table summarizes the recommendations of the AFEP-MEDEF Code that Vallourec has chosen not to apply and the detailed explanations for this.

Recommendations of the AFEP-MEDEF Code (January 2020)	Application by Vallourec
Paragraph 11.3 of the AFEP-MEDEF Code recommends "*holding at least one meeting each year without the executive corporate officers in attendance*".	The Supervisory Board has chosen to set aside a time for discussions without the Management Board in attendance at the end of some of its meetings, instead of having a full meeting each year. In 2020, given the health crisis and the Group's refinancing issues, the Supervisory Board held all of its meetings with the Management Board in attendance.
Paragraph 23 of the AFEP-MEDEF Code recommends that the Board "*shall determine a minimum number of shares that the executive corporate officers must hold in registered form until the end of their terms. This Decision shall be reviewed at least each time their office is renewed. (...) As long as that number has not been reached, the executive corporate officers shall devote a portion of their exercised options or vested shares to that end, as determined by the Board*".	Given the significant number of Vallourec shares already held by Management Board members, and the binding obligations to hold shares received from both the exercise of options and the vesting of performance shares, Vallourec believes that it is not desirable to compel the members of the Management Board to purchase additional shares with their own funds and to build a securities portfolio almost exclusively composed of Vallourec shares.
Paragraph 25.6.2 of the AFEP-MEDEF Code recommends that the supplementary defined benefit pension schemes of corporate officers satisfy the condition that "*the beneficiary be a corporate officer or employee of the Company at the time of claiming their retirement rights under the rules in force*", as well as other rules not applicable to schemes closed to new beneficiaries which can no longer be changed.	The supplementary defined benefit pension scheme of the members of the Management Board has been closed to new beneficiaries and future rights since the end of 2015 and cannot be changed. The beneficiaries may only benefit from "crystallized" vested rights upon liquidation of their social security pension.
Paragraph 21.1 of the AFEP-MEDEF Code recommends that the method for compensating Supervisory Board Members "*[takes into] account, according to the terms that [the Supervisory Board] defines, the actual participation of the [members] on the Board and in the Committees, and that it thus contains a preponderant variable portion*".	Since 1 January 2014, the structure of the Supervisory Board Chairman's compensation no longer contains a variable portion taking any variations linked to attendance into account but comprises only a fixed annual compensation. The Supervisory Board considers that this method of compensation is reasonable and consistent to the extent that the Supervisory Board Chairman undertakes responsibilities and procedures which go well beyond merely attending the Supervisory Board and Committee meetings. It should nevertheless be emphasized, for all practical purposes, that in 2020 the Supervisory Board Chairman was present at all meetings of the Supervisory Board, the Strategy Committee, the Finance and Audit Committee, and the Ad Hoc Committee.
Paragraph 22.1 of the AFEP-MEDEF Code stipulates that it "*is recommended, when an employee becomes an executive corporate officer of the company, to terminate the employment contract that links the employee to the company or a group of companies. The employee can either terminate the contract or resign*".	Édouard Guinotte, who has been an employee of the Group since 1995 and was appointed as Chairman of the Management Board as of 15 March 2020, continues to benefit from his employment contract, performance of which is suspended. The Board wishes to give preference to internal successions, which ensure better transitions and guarantee that there is an excellent understanding of the business and markets in which the Group operates, the Group's stakeholders, and its corporate culture. The Board has ensured that retaining this benefit does not cause any non-compliance with the other provisions of the AFEP-MEDEF Code, in particular as concerns severance payments. For more information, see Section 7.2.1.2.2 of the compensation policy for corporate officers.

In view of the above, Vallourec believes that it complies with the Corporate Governance Regulations currently in force in France.

7.2 Composition and operation of the future Board of Directors

In accordance with the Safeguard Plan, the Shareholders' Meeting of 20 April 2021 will be proposed to change the Company's administration and management structure to adopt the management structure by a Board of Directors governed by Articles L.225-17 to L.225-56 of the French Commercial Code, instead of the current structure with a Management Board and a Supervisory Board. It is specified that approval of this change of governance is a condition precedent to the implementation of the financial restructuring provided for by the Safeguard Plan. Consequently, if the Shareholders' Meeting does not approve such change of governance, the financial restructuring provided for by the Safeguard Plan cannot be implemented. The consequences of a failure to implement the financial restructuring provided for by the Safeguard Plan are described in the "Risk factors" section in paragraph 5.1.4 of this Universal Registration Document.

It will be proposed to the Shareholders' Meeting of 20 April 2021 to adopt this change in the governance structuresubject to the condition precedent of the acknowledgement of the Effective Restructuring Date.

Such change would take effect following the acknowledgement by the Management Board (or by the Chairman of the Management Board, upon delegation by the Management Board) of the satisfaction of this condition precedent (the "**Date of Change of Governance**").

As a consequence of the adoption of this new governance structure, the terms of office of the members of the Supervisory Board and the Management Board will terminate on the Change of Governance Date. The new governance structure, which would reflect the new shareholding of the Company, is described hereafter.

7.2.1 Composition of the management bodies

As part of the Agreement in Principle, it is contemplated that two separate governance agreements be entered into by the Company, one with Apollo and the other with SVPGlobal. These agreements do not constitute an action in concert with the Company or between Apollo and SVPGlobal vis-à-vis the Company. These agreements, which will become effective on the Change of Governance Date (the "**Shareholder Governance Agreements**"), are intended to set forth certain rights and obligations with respect to corporate governance as well as the transfer of the Company's securities by Apollo and SVPGlobal respectively.

Pursuant to these Shareholder Governance Agreements, as of the Effective Restructuring Date, the Board of Directors should be composed in accordance with the recommendations of the AFEP-MEDEF Code, and the following rules:

- The Board of Directors would be composed of ten directors, including: the Chairman & CEO *(Président-directeur general)*, four independent members in accordance with the provisions of the AFEP MEDEF Code (independent directors must represent half of the members of the Board of Directors, without taking into account directors representing employees and employee shareholders, for a company without a controlling shareholder, as will be the case for the Company), a member representing employee shareholders and a member representing employees;
- Apollo may propose the appointment of two directors for as long as it holds more than 15% of the Company's share capital and the appointment of one director for as long as it holds 5% of the share capital; one of the two directors appointed by Apollo will be the Vice-Chairman of the Board of Directors (and lead director (*administrateur referent*) if he meets the AFEP-MEDEF Code criteria for this position); if Apollo holds less than 15% of the share capital, it shall cause one of the directors appointed on its proposal to resign; if Apollo holds less than 5% of the share capital, it shall cause the other director appointed on its proposal to resign;
- SVPGlobal may propose the appointment of a director for as long as it holds more than 5% of the share capital. In the event that SVPGlobal holds more than 15% of the Company's share capital, SVPGlobal may request the appointment of a second director, in which case the parties would determine whether the total number of 10 directors can be maintained or should be increased; the same rules as those set forth above regarding Apollo shall apply in the event of a reduction of the ownership interest of SVPGlobal below thresholds of 15% (provided that such threshold has been crossed upwards previously) and 5% of the share capital;
- in accordance with the law, the proportion of directors of each gender must be at least 40%, excluding the director representing the employees and the directors representing the employee shareholders.

Deputy CEO who is not a director would be invited to all meetings of the Board of Directors.

The Board of Directors would also include two observers (*censeurs*), one proposed by Apollo and the other proposed by SVPGlobal (in an advisory capacity only).

7.2.1.1 The Board of Directors

The Shareholders' Meeting of 20 April 2021 will be proposed to appoint, with effect from the Change of Governance Date, as Directors of the Company:

- Mr. Edouard Guinotte;
- Mr. Gareth Turner, Senior Partner at Apollo Management, whose appointment is proposed by Apollo;
- Mr. Pierre Vareille, a former executive and company director, whose appointment is proposed by Apollo;
- Mr. William de Wulf, Managing Director of SVPGlobal, whose appointment is proposed by SVPGlobal;
- Ms. Corine de Bilbao, who is currently an independent member of the Supervisory Board.

The three independent directors other than Ms. Corine de Bilbao, who will be women in order to comply with the legal parity in genders, will be selected by a Selection Committee composed of Mr. Edouard Guinotte, Mr. Antoine Cahuzac and Ms. Corine de Bilbao, before being presented to the the Appointments, Compensation and Governance Committee (ACGC). Apollo and SVPGlobal are involved in this process.

To this end, a recruitment process has been launched with the assistance of a specialized firm, with the aim of obtaining a balanced composition of the Board of Directors reflecting the international character of the Group, which is highly operational and value-creating. At least one independent director should have specific financial or accounting expertise in order to be part of the audit committee.

These independent directors will not be identified in time for their candidacy to be submitted for the approval to the Shareholders' Meeting on 20 April 2021. It is therefore proposed to the Shareholders' Meeting to appoint temporarily the following three independent members of the Supervisory Board, who so accept to facilitate the transition between the two governance structures and will resign to allow the cooptation by the Board of Directors of new independent directors selected by the Selection Committee:

- Ms. Vivienne Cox;
- Ms. Maria-Pilar Albiac-Murillo;
- Ms. Laurence Broseta.

Comprehensive information on the candidates for the position of independent directors selected by the Selection Committee will be made available on the Company's website, and a press release will be published upon their appointment by the Board of Directors.

Finally, the representatives of the employees and employee shareholders will be appointed after the Change of Governance Date in accordance with the applicable legal and statutory provisions.

It should be noted that the approval of the appointment of the candidates proposed by Apollo and SVPGlobal (namely Mr. Gareth Turner, Mr. Pierre Vareille and Mr. William de Wulf) as Directors with effect on the Change of Governance Date is a condition precedent for the implementation of the financial restructuring. Consequently, if such appointment is not approved by the Shareholders' Meeting, the financial restructuring provided for by the Agreement in Principle would not be completed.

Provided that the necessary resolution is adopted by the Shareholders' Meeting of 20 April 2021, the Board of Directors will appoint two observers (*censeurs*), one proposed by Apollo and the other proposed by SVPGlobal.

As from the first meeting of the Board of Directors to be held on the Change of Governance Date, Mr. Edouard Guinotte would be Chairman & CEO, and Mr. Pierre Vareille would be Vice-Chairman of the Board of Directors.

During its meeting held on 9 March 2021, the Supervisory Board, acting on the proposal of the ACGC, considered that Mr. Edouard Guinotte, executive corporate officer, Mr. Gareth Turner, Senior Partner at Apollo Management, and Mr. William de Wulf, Managing Director of SVPGlobal, could not be considered as independent directors.

The situation of Mr. Pierre Vareille, a director whose appointment is proposed by Apollo, was the subject of an in-depth study conducted by an independent law firm at the initiative of the ACGC. Indeed, Mr. Pierre Vareille was previously appointed upon proposal of Apollo as a corporate officer of Constellium and Verallia, companies in which Apollo held a minority or controlling interest. However, he is not bound by any contract or agreement with Apollo. Based on this study and in accordance with its conclusions, the Supervisory Board decided to consider Mr. Pierre Vareille as an independent director. The Board of Directors, once in place, will be called upon to again resolve on his independence, especially regarding his possible appointment as Lead Director. It would be the responsibility of the Board of Directors to determine whether or not it wishes to appoint a Lead Director if it was to consider that Mr. Pierre Vareille is not independent.

Ms. Corine de Bilbao, Ms. Vivienne Cox, Ms. Maria-Pilar Albiac Murillo and Ms. Laurence Broseta are regarded as independent.

Mr. Pierre Vareille

Born on 8 September 1957 (63 years old) – French nationality

Vice-Chairman of the Board of Directors
Appointment anticipated: AGM of 20 April 2021, with effect from the Change of Governance Date
Vallourec shares held: N/A

Summary of main areas of expertise and experience

- Former student at the École Centrale Paris (now CentraleSupélec), Sciences Po Paris, and a graduate in Economic Sciences at the Sorbonne
- He began his career in 1982 at Vallourec, where he rose to hold various senior management positions in the Group's subsidiaries
- CEO, then Chairman & CEO at GFI Aerospace, then at Faurecia as Director of the Exhaust Systems business line and member of the Executive Committee
- Member of the Executive Committee at Pechiney, responsible for the Aluminum Processing sector, and Chairman of Pechiney Rhenalu (2002-2004)
- CEO of the British automotive products manufacturer Wagon PLC, a company listed on the London Stock Exchange (2004-2007)
- Chairman & CEO of FCI (2008-2011), the world's fourth largest manufacturer of connectors with industrial sites in 20 countries
- CEO of Constellium (2012-2017), a company listed on the New York Stock Exchange and a world leader in aluminum processing, with sales approaching €5 billion in 2020
- Chairman of the Bic Group (until 2021)

Main activities performed outside of the Company

- Director of companies
- Investor in several Internet and high-tech companies in Europe and the United States
- Chairman of the Vareille Foundation, whose main objective is to develop the cognitive skills of children from disadvantaged backgrounds through intensive violin lessons as part of the school setting

Positions held by Mr. Pierre VAREILLE

Positions currently held

- Member of the Appointments and Compensation Committee of Verallia
- Member of the Compensation Committee of Outokumpu

Positions expired within the last five years

- Chairman of the Board of Directors of Bic SA (until 2021)
- Director of Etex (until 2019)
- Director of Ferroglobe (until 2019)
- Vice-President of the Board of Directors and Lead Independant Director of Bic SA (until 2018)
- Director of Vectra (until 2018)
- Director of Verallia
- Director of Outokumpu
- CEO of Constellium (until 2016)

Mr. Gareth Turner

Born on 11 February 1964 (57 years old) – Canadian nationality

Member of the Board of Directors
Appointment anticipated: AGM of 20 April 2021, with effect from the Change of Governance Date
Vallourec shares held: N/A

Summary of main areas of expertise and experience

- Graduate from the University of Western Ontario (MBA with Distinction in 1991) and from the University of Toronto (Bachelor's degree obtained in 1986)
- Employed at RBC Dominion Securities (1986-1989), Salomon Brothers (1991-1992) and Lehman Brothers (1992-1997)
- Managing Director in London for Goldman Sachs within the natural and industrial resources investment banking group from 1997 to 2005, where he was Global Head of Metals and Mining and Co-Head of the Global Chemicals division. He has a broad range of experience in M&A transactions and capital markets. He played a major role as a key advisor within Goldman Sachs' private equity group (1997-2005)
- He has served on the Board of Directors of Phoenix Services, Warrior Met Coal, Constellium, Monier and Noranda Aluminum
- Senior partner at Apollo Management, based in New York, where he oversees investments in the Metals and Mining industry

Main activities performed outside of the Company

- Senior Partner at Apollo Management, NY

Positions held by Mr. Gareth TURNER

Positions currently held

- Chairman of the Compensation Committee and member of the Appointments and Governance Committee of Warrior Met Coal

Positions expired within the last five years

None

Mr. William de WULF

Born on 9 October 1982 (38 years old) – French nationality

Member of the Board of Directors
Appointment anticipated: AGM of 20 April 2021, with effect from the Change of Governance Date
Vallourec shares held: N/A

Summary of main areas of expertise and experience

- Graduate of the École Polytechnique (Master's in Applied Mathematics and Economics in 2006), and of Columbia University (Master's in Financial Engineering in 2007)
- He worked at Goldman Sachs in New York for ten years, where he was appointed Executive Director for the Americas Special Situations Group, having previously been part of the Europe Special Situations Group in London
- Joined SVPGlobal in 2018

Main activities performed outside of the Company

- CEO, team dedicated to investments in Europe, Strategic Value Partner for SVPGlobal

Positions held by Mr. William de WULF

Positions currently held

- Member of the Board of Directors for The Vita Group
- Observer of the Board of Swissport International

Positions expired within the last five years

- Director of Pfleiderer Group (until January 2020)

7.2.1.2 Chairman & CEO and Deputy CEO

On the Change of Governance Date, Mr. Edouard Guinotte would be appointed Chairman & CEO of the Company and Mr. Olivier Mallet would be appointed Deputy CEO of the Company by the Board of Directors.

It would indeed be proposed to the Board meeting of the Company during its first meeting, which would be held on the Change of Governance Date, to decide on the unification of the functions of Chairman and Chief Executive Officer. This unification would facilitate and improve governance with a smaller number of Board members.

Mr. Pierre Vareille would be Vice-Chairman of the Board of Directors. His appointment as Lead Director is contemplated.

The positions of Mr. Edouard Guinotte and Mr. Olivier Mallet would have a term of four years.

The Chairman & CEO may be revoked at any time by the Board of Directors.

The Deputy CEO may be revoked at any time by the Board of Directors upon proposal of the Chairman & CEO. If the decision is made without proper reason, the revokation may result in damages.

Mr. Edouard Guinotte and Mr. Olivier Mallet would retain their company mandates within the Group as described above.

The composition and mission of the Executive Committee would remain unchanged.

7.2.2 Operation of the management bodies

7.2.2.1 Duties and organization of General Management

The Chairman of the Board of Directors organizes and directs the work of the Board and reports on it to the Shareholders' Meeting. It ensures the proper functioning of the management bodies. In particular, it ensures that the directors are able to fulfil their duties and, in particular, have all the information necessary for this purpose.

The CEO is responsible for the general management of the Company and represents it towards third parties. It has the broadest powers to act in any circumstance in the name of the Company, within the limit of the corporate purpose, and subject to the powers expressly granted by law to the Board of Directors and the Shareholders' Meetings, and those which require the prior authorization of the Board of Directors, pursuant to the Articles of Association and, where applicable, the internal regulations of the Board of Directors. The Chairman & CEO combines the duties of Chairman of the Board of Directors and Chief Executive Officer described above.

The Deputy CEO provides assistance to the CEO and represents the Company towards third parties. His/her powers are set by the Board of Directors in agreement with the CEO.

7.2.2.2 Duties and organization of the Board of Directors

The Board of Directors sets out the Company's business orientations and ensures their implementation in accordance with yhe Company's corporate interest, and taking into account the social and environmental issues relating to its activity. Subject to the powers expressly granted to Shareholders' Meetings and within the limits of the corporate purpose, the Board may address all issues relating to the proper functionning of the Company and resolves any matters concerning the Company.

The Board of Directors carries out such controls and verifications as it deems appropriate.

The Board of Directors is a collegial body whose operation would be specified in an internal regulation that would be made public on the Company's website and in the next report on the corporate governance. Such regulation is not enforceable against third parties. Pursuant to the Shareholder' Governance Agreements, the internal regulations of the Board of Directors would provide for a list of decisions that shall be subject to the prior approval of the Board of Directors, some of them being particularly significant (such as external growth transactions above thresholds to be determined, certaintransactions on the share capital, new indebtdness, initiation or settlement of litigations, above thresholds to be determined, material reorganization, annual group's budget and business plan, change in the strategy of a material business line or establishment of operations in new jurisdictions, material change to the articles of association, payment of dividends, granting stock options or performance shares) to be approved by a qualified majority of eight directors (including two independent directors) out of ten. The other decisions are taken by a simple majority (no director having a casting vote).

The Board of Directors would rely on the work of specialized committees, which have an advisory role and prepare certain Board resolutions. They issue proposals, make recommendations and provide advice in their respective areas of expertise.

In accordance with the Shareholder Governance Agreements, and in compliance with the recommendations of the AFEP-MEDEF Code, the Board of Directors would be assisted by four specialist committees:

- the Audit Committee;
- the Appointments, Compensation and Governance Committee (ACGC);
- the Strategic and Finance Committee; and
- the Corporate Social Responsibility (CSR) Committee.

The Board of Directors would appoint the members of each of the Committees, set their powers and determine their compensation. Pursuant to the Shareholder Governance Agreements, they would be composed in accordance with the recommendations of the AFEP-MEDEF Code and the Audit Committee, the ACGC and the Strategic and Finance Committee would comprise at least one director appointed upon proposal of Apollo and one director appointed upon proposal of SVPGlobal. Mr. Edouard Guinotte would be a member of the Strategic and Finance Committee.

The term of office of the members of each Committee would be the same as their term of office as members of the Board of Directors. The composisition of the Committees may be modified at any time by decision of the Board.

Observers (*censeurs*) would be in particular in charge of monitor the strict application of the Articles of Association. Observers would be invited to Board Meetings and would take part in the discussions in an advisory capacity.

Deputy CEO would be invited to all meetings of the Board of Directors.

7.3 Compensation and benefits

Details are provided below of the compensation and benefits of all kinds awarded to Vallourec's corporate officers by the Company and companies controlled by the Company within the meaning of Article L.233-16 of the French Commercial Code (Code de commerce), in accordance with the presentation defined by the AFEP-MEDEF Corporate Governance Code, and the most recent recommendations of the French securities regulator (Autorité des marchés financiers). They should be read in light of the compensation policy for corporate officers (see below, paragraph 7.3.1 of this chapter).

7.3.1 Compensation policy for corporate officers

This report was drafted in application of Article L.22-10-16 of the French Commercial Code, in view of the vote of shareholders at the Shareholders' Meeting of 20 April 2021, on the compensation policy for corporate officers for the 2021 fiscal year.

The compensation policy for corporate officers is determined by the Supervisory Board, at the proposal of its Appointments, Compensation and Governance Committee (the "ACGC"). The Board's aim is for this policy to be seen as fair and balanced by both shareholders and Group employees.

Vallourec operates worldwide on the seamless tube production market, a sector that requires specific expertise developed by only a limited number of talented people. Having people who have high potential and the capacity to face ambitious challenges is essential for ensuring the Group's profitability and for generating value. The compensation policy aims to attain this objective by allowing the Group to attract and retain the most talented people, whose contributions help create more value for shareholders. The Board thus ensures that the compensation policy for corporate officers complies with the Company's corporate interest, contributes to its sustainability, and is in line with its business strategy.

7.3.1.1 Governance regarding the compensation policy for corporate officers

The compensation policy for corporate officers is determined by the Supervisory Board, at the proposal of the ACGC. The definition of this policy takes into account the work accomplished, the net profits obtained and the responsibility assumed, and relies on analyses of the market context, which are in particular based on compensation surveys conducted by outside consultants. It is reviewed annually.

7.3.1.1.1 THE ROLE OF THE APPOINTMENTS, COMPENSATION AND GOVERNANCE COMMITTEE IN TERMS OF THE COMPENSATION AND BENEFITS FOR THE CHAIRMAN AND MEMBERS OF THE MANAGEMENT BOARD AND CHAIRMAN AND MEMBERS OF THE SUPERVISORY BOARD

In terms of compensation for the Chairman and members of the Management Board, the ACGC:

- prepares the annual evaluation of the Chairman and the members of the Management Board;
- proposes to the Supervisory Board the principles of the compensation policy and in particular the criteria for determining its structure and the level of this compensation (fixed and variable annual portion, and medium- and long-term instruments), including benefits in kind and insurance or retirement benefits;
- proposes to the Board the number of performance shares and share subscription or purchase options allocated to the Chairman and to each member of the Management Board;
- drafts proposals for the Board regarding the mechanisms that are linked to the termination of Management Board's Chairman and members duties.

In terms of the compensation for members of the Supervisory Board, the ACGC:

- proposes to the Supervisory Board the breakdown between the fixed portion and the portion based on compensation for attendance by members of the Board and Committees, and the structure of the compensation of the Chairman and Vice-Chairman of the Supervisory Board.

In order to ensure consistency between the compensation and benefits paid to the Chairman and members of the Management Board and those prevailing within the Group, the ACGC examines the policy for allocating performance shares and share purchase or subscription options to managers and executives and/or employees of the Group, and is informed of the compensation policy for members of the Executive Committee and, more generally, of the compensation policy for the Group.

The 2020 Universal Registration Document contains a description of the ACGC's activity over the course of the last fiscal year.

In order to prepare its work on compensation, the ACGC may request outside studies, and in particular compensation surveys, so that it can assess market conditions. It selects and manages the consultants concerned, in order to ensure they are competent, and monitors their independence and objectivity. The fees for these consultants are paid out of the Supervisory Board's budget, which is reviewed annually by the Board. The ACGC itself determines the composition of the reference panels.

The ACGC likewise meets with the heads of the functional departments, in particular the Human Resources Department and the Legal Department, with which it organizes interdepartmental meetings to ensure that its work is consistent with the Group's social and governance policies.

In its deliberations, the ACGC also draws on expectations and observations made by institutional investors with which the Company has discussions on a regular basis, in particular prior to the Annual Shareholders' Meetings.

In preparing its work, the ACGC invites experts in governance and engineering in the area of managerial compensation and benefits to share their know-how and experience at dedicated work meetings, which are also attended by the functional department heads.

Ahead of the actual meetings of the ACGC, the Chairman of the ACGC has discussions with the requested consultants and other members of the ACGC, and holds several work meetings with internal staff supervisors in order to ensure that all of the issues examined by the ACGC are documented in an exhaustive and pertinent manner.

The ACGC also enlists the expertise of the Finance and Audit Committee to determine and assess the pertinence of the quantitative financial criteria and targets for variable monetary compensation and medium and long-term incentive instruments allocated to the Chairman and to members of the Management Board.

To prevent any risk of a conflict of interest between a member of the Supervisory Board and the Management Board or any of the Group's companies, the ACGC constantly monitors the independence of members with regard to the AFEP-MEDEF Corporate Governance Code criteria; the Supervisory Board includes this as an item on its agenda at least once a year. Each member is required to inform the Board of any situation involving a conflict of interest, even a potential one, and to refrain from taking part in discussions or voting on any issue at Board meetings where there may be in a conflict of interest, and to leave the Board meeting if a subject exposing the member to such a situation is discussed.

The Chairman of the ACGC is also the Lead Member and acts, in that capacity, in a precautionary manner to raise awareness about conflicts of interest among the members of the Supervisory Board, and draws said Board's attention to any conflict of interest situation that has been identified, even a potential one.

The ACGC reports verbally on its work during the Supervisory Board's meetings. A written report of each meeting of the Committee is established by the secretary of the Committee, under the authority of the Chairman of the Committee, and is sent to Committee members. It is included in the Board meeting files after the meeting during which the report is drafted.

7.3.1.1.2 THE ROLE OF THE SUPERVISORY BOARD IN TERMS OF THE COMPENSATION FOR CORPORATE OFFICERS

Compensation and benefits for the Chairman and members of the Management Board

The Supervisory Board, upon the ACGC's recommendations, establishes all components of the short and long-term compensation and benefits for the Chairman and members of the Management Board (fixed portion, variable portion, equity instruments – performance shares and stock options), as well as benefits in kind, and insurance or pension benefits, along with specific departure schemes.

When a report of the ACGC's work on the Management Board Chairman and members compensation and benefits is presented, the Supervisory Board deliberates on the compensation of the Chairman and members of the Management Board when said members are not present.

All potential or acquired elements of compensation and benefits for the Chairman and members of the Management Board are made public after the Board meeting at which they were decided, by adding them to Vallourec's website.

Compensation and benefits for the Chairman and members of the Supervisory Board

The Supervisory Board, upon the ACGC's recommendations, establishes all components of the compensation and benefits for members of the Supervisory Board. It distributes the compensation between its members based on the annual budget authorized by the Ordinary Shareholders' Meeting, and determines the compensation awarded to the Chairman and Vice Chairman of the Supervisory Board.

When a report of the ACGC's work on the compensation awarded to the Chairman and Vice Chairman of the Supervisory Board is presented, the Supervisory Board deliberates when said officers are not present.

7.3.1.2 Supervisory Board policy on the compensation for the Chairman and members of the Management Board

7.3.1.2.1 GENERAL PRINCIPLES OF THE BOARD POLICY FOR THE COMPENSATION OF THE CHAIRMAN AND MEMBERS OF THE MANAGEMENT BOARD

The Supervisory Board conducts an overall assessment of the elements of compensation and benefits for the Chairman and members of the Management Board and its decisions are governed by the following principles:

- **recognition of short-, medium- and long-term performance:** the compensation and benefits structure for the Chairman and members of the Management Board contains a variable monetary portion which is based on performance over the previous fiscal year (short-term performance) and equity instruments which reflect performance over a three-year term regarding performance shares, and a four-year term, regarding stock options (long-term performance) with the aim of aligning interests with those of shareholders; the performance criteria used correspond to the Company's financial and operational objectives;
- **a balance between fixed, short-term variable and medium- and long-term variable compensation and benefits:** the ACGC ensures a balance between the three components of the compensation and benefits (fixed portion, annual variable portion and medium- and long-term incentive equity instruments);
- **competitiveness:** the Supervisory Board ensures that compensation is tailored to the market in which Vallourec operates. To that end, the ACGC analyzes the data of a panel of listed companies which are comparable with regard to revenue, staff, international establishment and market capitalization. Within this context, the desired target compensation and benefits for the Chairman and members of the Management Board would be close to the top quartile of the sample;
- **consistent compensation and benefits among all members of the Management Board:** the compensation and benefits of the Chairman and members of the Management Board are set according to their responsibilities within the Group, complying with a ratio of reasonable proportion, in order to encourage the collegial commitment of the Management Board as a whole towards the Group;
- **consistency with the prevailing conditions governing employee compensation and employment within the Group:** a significant portion of the Group's managers and executives benefit from a compensation and benefits structure which, like that of the Chairman and members of the Management Board, is comprised of a fixed portion and a variable portion, along with long-term incentive equity instruments.

7.3.1.2.2 STATUS OF THE CHAIRMAN AND MEMBERS OF THE MANAGEMENT BOARD

The Chairman of the Management Board does not have an employment contract. As an exception, a Group employee appointed Chairman of the Management Board could continue to benefit from their work contract, which would be suspended during their term as Chairman of the Management Board, subject to justification, and provided that this does not cause any non-compliance with the other provisions of the AFEP-MEDEF Code, in particular as concerns termination payments.

The Board wishes to give preference to internal successions, which ensure better transitions and guarantee that there is an excellent understanding of the business and markets in which the Group operates, the Group's stakeholders, and its corporate culture. The possibility of maintaining employment contracts, on a case by case basis, is likely to encourage internal applications from employees with significant seniority.

The Supervisory Board accordingly authorized Mr. Édouard Guinotte, who has been a Group employee since 1995 and is appointed Chairman of the Management Board as of 15 March 2020, to maintain his employment contract, the performance of which is suspended during his term of office as Chairman of the Management Board. The Supervisory Board believes that Mr. Édouard Guinotte's career within the Group, over a period of more than 25 years, could very well continue in a salaried capacity, if necessary in a temporary manner to facilitate a transition, if his term of office as Chairman of the Management Board were not renewed or if he were to be replaced in his role as Chairman of the Management Board. The Supervisory Board has ensured that maintaining his contract does not cause any non-compliance with the other provisions of the AFEP-MEDEF Code, in particular in relation to termination payments. In this respect, Mr. Édouard Guinotte's employment contract does not include any contractual severance pay, non-compete clause or special notice period, and essentially refers to the Convention collective des cadres et ingénieurs de la métallurgie (the national collective agreement for executives and engineers in the metal industry), the application of which is mandatory for Vallourec. The total amount of compensation for the termination of the employment contract under the national collective agreement, together with the termination benefit and non-compete compensation if these were due, may not under any circumstances exceed the ceiling set by the AFEP-MEDEF Code (see paragraph 2.3.8 below).

Members of the Management Board may hold employment contracts for which performance has been suspended during their term of office on the Management Board.

7.3.1.2.3 COMPONENTS OF THE COMPENSATION OF THE CHAIRMAN AND MEMBERS OF THE MANAGEMENT BOARD

7.3.1.2.3.1 Weight of the components of the compensation of the Chairman and members of the Management Board

The primary components of the compensation of the Chairman and members of the Management Board, along with their purposes, are defined as follows:

Components		Purposes
Fixed portion		Role and responsibility
Variable portion		Linked to short-term performance by the achievement of annual objectives
Medium- and long-term incentive equity instruments	Performance shares	Linked to medium-term performance and alignment with shareholders' interests
	Stock options	Linked to long-term performance and alignment with shareholders' interests

The Supervisory Board ensures balance of the compensation and benefits between the three components (fixed portion, annual variable portion and medium- and long-term incentive equity instruments). The weighting for each of these components is one third, provided that the amount of the variable portion is integrated in the target and the medium- and long-term incentive equity instruments are valued at their carrying amount for a target achievement.

7.3.1.2.3.2 Fixed portion of the Chairman and members of the Management Board

In general, the fixed portion is reviewed regularly based on the responsibility assumed by the Chairman and each member of the Management Board and on Vallourec's business sector.

To that end, the ACGC relies on compensation surveys conducted by outside consultants. It sets up the panel and makes adjustments as necessary according to revenues, market capitalization and sector of business of the companies on the panel, in order to ensure complete comparability and thus a high correlation between the fixed portion and the Group's size.

In addition, since the variable portion is based on the fixed portion, the Supervisory Board devotes particular attention to ensuring that the fixed portion is reasonable in application of the principles described in point 7.3.1.2.1 above.

The Supervisory Board also ensures that changes in the fixed portion for the Chairman and members of the Management Board appear moderate as compared to the overall wage increases of French employees over the same period.

For example, for the 2021 fiscal year:

- the fixed portion payable to Mr. Édouard Guinotte, Chairman of the Management Board as of 16 March 2020, remains unchanged at €600,000;
- the fixed portion payable to Mr. Olivier Mallet, which had remained unchanged at €420,000 since 2014, and was increased to €470,000 as of 15 March 2020 [(1)], remains unchanged at €470,000.

For the following fiscal years, the fixed portion payable to Mr. Édouard Guinotte will be revised at the end of his first two years in office as executive corporate officer, i.e. in 2022. The fixed portion payable to Mr. Olivier Mallet will remain unchanged.

7.3.1.2.3.3 Variable portion of the Chairman and members of the Management Board

The variable portion aims to associate the Chairman and the members of the Management Board with the short-term performance of the Group. Its structure is reviewed and determined every year by the Supervisory Board, upon recommendations from the ACGC.

(1) This increase, which was decided in February 2020 before the spread of the Covid-19 virus and the restriction measures that resulted in a sharp decline in global demand for oil, was justified by increased responsibilities as part of the optimization of the Group's financing resources and transition with the arrival of a new Chairman of the Management Board.

Determined on an annual basis, it corresponds to a percentage of the fixed portion and contains minimum thresholds, below which no payment is made; target levels when the objectives set by the Supervisory Board are met, and maximum levels when target objectives have been exceeded.

With regard to the 2021 fiscal year, the variable portion of the Chairman of the Management Board may vary from 0% to 100% of his target fixed portion and reach 135% of this same fixed portion in the event that maximum objectives were attained. For the members of the Management Board, the variable portions may vary from 0% to 75% of their target fixed portions and attain 100% in the event that maximum objectives were achieved.

The variable portions are subordinate to achievement of several precise and previously established objectives of a quantifiable or qualitative nature, for which the minimum, target and maximum thresholds are set by the Supervisory Board, upon recommendation from the ACGC. The quantifiable criteria are predominant.

The objectives taken into account to determine the variable portion are set each year based on the key operating and financial indicators of the Group, which are in line with the nature of its activities, strategy, values, and the challenges it faces.

The achievement of quantifiable objectives is verified by the ACGC based on information provided by the various Departments in question according to the nature of these objectives (Finance, Human Resources, Quality and Safety Department, Sustainable Development Department, etc.) and audited. The achievement of qualitative objectives is assessed by the ACGC and the Supervisory Board based on guidelines defined at the beginning of the year according to the Group's strategy, priorities and challenges.

For 2021, the Supervisory Board decided to determine the variable portions of the Chairman and members of the Management Board using the same fundamental components that have been used for the Group since 2017:

	Chairman of the Management Board (target variable portion: 100% of fixed portion)	Members of the Management Board (excluding the Chairman) (target variable portion: 75% of fixed portion)
1. Financial performance: Free cash flow, EBITDA, cost reductions	Weighting: 60%	Weighting: 45%
2. Operational performance: Acceleration of performance and Quality	Weighting: 25%	Weighting: 18.75%
3. CSR: Safety and composite CSR indicator including: average employee satisfaction rate, carbon emissions, diversity and waste recycling	Weighting: 15%	Weighting: 11.25%

Pursuant to Article L.22-10-16 of the French Commercial Code, the payment of the elements of variable compensation to the Chairman and to the members of the Management Board is subject to approval by the Ordinary Shareholders' Meeting of the elements of compensation of the individual concerned under the terms provided for in Article L.22-10-34 of the French Commercial Code.

7.3.1.2.3.4 Long-term incentive equity instruments of the Chairman and members of the Management Board

Performance shares and options

In an industrial group for which capital expenditure projects might have a distant time frame for achieving profitability, medium- and long-term incentive equity instruments seem particularly appropriate. Consequently, the Group has used a dynamic policy for many years for employees to share the Company's results, by establishing performance share and stock subscription or purchase options allocation plans. The Supervisory Board believes that the combination of these two tools, which align the interests of beneficiaries with those of the shareholders, is important insofar as the performance shares are connected to medium-term performance, while options are linked to long-term performance.

In 2021, the Supervisory Board thus authorized the renewal of:

- a performance share allocation plan, subject to continued service and performance conditions, for the benefit of the Chairman and members of the Management Board, members of the Executive Committee and managers and executives;
- a share subscription or purchase options allocation plan, subject to continuous service and performance conditions, for the benefit of members of the Management Board, the Executive Committee and again for managers and executives in 2021.

For the Chairman and the members of the Management Board, as well as for members of the Executive Committee, the distribution between the two instruments is 50% performance shares and 50% share purchase or subscription options. Overall, to ensure consistency with the balance sought in elements of compensation, the portion to be allotted to members of the Management Board may not exceed 15% of the total performance shares and 50% of the total share purchase or subscription options allotted.

To determine the number of performance shares and stock options allocated to the Chairman and members of the Management Board, the ACGC measures the fair value of these instruments and then sets an allocation volume that ensures a balance of the compensation and benefits between the three elements (fixed portion, variable portion and long-term incentive instruments). In recent years, adverse changes in the fair value of these instruments, however, has not made it possible to ensure this balance. On the recommendation of the ACGC, the 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). In this regard, the volume of performance shares and options allotted to the Management Board represented at target 22% in 2017, 25% in 2018 and 12% in 2019 of the total of these three components of compensation and benefits for an on-target performance. It should be noted that in 2019, given the drop in share price, and to avoid any deadweight effect, the Supervisory Board decided to temporarily stop implementing this objective of gradually increasing the allocation value, and allocated the same number of performance shares and options to the Management Board as in 2018. In 2020, due to the downward trend of the share price, the volume of performance shares and options allocated to the Management Board represented at target 18% of the total of these three components of compensation and benefits for an on-target performance.

For 2021, the Supervisory Board, based on the ACGC's proposal, set itself the objective of having a volume of performance shares and stock options allocated to the Management Board that represents one third of the total of those three components of compensation (fixed portion, variable portion and long-term incentive instruments) for an on-target performance. The actual implementation of this objective will depend on changes in the share price and the implementation of the financial restructuring described in section 3.7 of this Universal Registration Document at the allocation date.

The number of performance shares and options definitively allocated to beneficiaries following the performance assessment period will be calculated by applying a factor which measures the performance for each of the criteria to the number of performance shares and options initially allocated for target performance. No outperformance factor shall be applied, with the number of performance shares and options initially allocated thus representing a ceiling.

Performance shares

The performance shares that will be granted to the Chairman and members of the Management Board in 2021 will be subject to performance conditions assessed over three years and measured on the basis of the following two quantitative criteria in line with the Group's objectives:

- two absolute internal criteria:
  - Group cost reductions (Gross savings as a % of the N-1 baseline and excluding DCOS) for the 2021, 2022 and 2023 fiscal years (40% weighting);
  - the ratio of carbon emissions due to Vallourec's industrial processes and the purchase of electricity generated by fossil fuel to sales volume, in metric tons (emissions of non-biogenic carbon) between 2021 and 2023 (20% weighting);
- an external relative criterion: growth of the EBITDA margin between 2021 and 2023 compared to a panel of comparable companies comprised as follows: Hunting Plc, United States Steel Corp., Nippon Steel Corp., Tubacex SA, Tenaris SA, Schlumberger, Halliburton, Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK and NOV (40% weighting).

The number of performance shares definitively allocated to the Chairman and members of the Management Board following the performance assessment period shall be calculated by applying a factor which measures the performance for each of the criteria to the number of performance shares initially allocated. This allocation factor will vary from 0 to 1 under the following conditions:

- absolute internal criterion based on cost reduction (F1): factor 1 would correspond to achieving the medium-term plan objectives during the performance vesting period (the "F1 Planned Performance"). It would be 0 if the performance achieved was 2 or more points less than the F1 Planned Performance, and 1 if the performance achieved was more than or equal to the F1 Planned Performance. A linear progression will be applied between limits;
- absolute internal criterion based on carbon emissions ratio: the factor would correspond to 100% for a ratio lower than or equal to 42, the factor would correspond to 80% for a ratio lower than or equal to 44 and greater than 42, the factor would correspond to 50% for a ratio lower than or equal to 46 and greater than 44, the factor would correspond to 5% for a ratio lower than or equal to 48 and greater than 46, the factor would correspond to 0 for a ratio greater than 48. A linear progression will be applied between limits;
- external relative criterion based on the growth of the EBITDA margin (F2): factor 1 would correspond to growth of the EBITDA margin that is equal to or greater than the median growth of the gross margin of the panel (the "Panel Performance"). It would be zero if the performance achieved was 2 points or more lower than the Panel Performance. A linear progression will be applied between limits.

Stock subscription or purchase options plans

The share subscription or purchase options to be allocated to the Chairman and to members of the Management Board in 2021 will be subject to performance conditions assessed over four years and measured based on the following two quantitative criteria:

- an internal absolute criterion: aggregate net cash flow for the Group in 2021, 2022, 2023, and 2024 compared to the planned performance in the Group's medium-term plan for the same period (weighting 40%);
- two external relative criteria:
  - Total Shareholder Return (TSR) for 2021, 2022, 2023, and 2024 compared to a panel of comparable companies comprised as follows: Hunting Plc, United States Steel Corp., Nippon Steel Corp., Tubacex SA, Tenaris SA, Schlumberger, Halliburton, Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK and NOV (40% weighting),
  - the average of assessments of the Company carried out by three non-financial performance rating agencies: Vigeo, Sustainalytics and EcoVadis (20% weighting).

The number of options that were definitively allocated to the Chairman and members of the Management Board following the vesting period will be calculated by applying a factor that measures the performance for each of the criteria to the number of options initially allocated. This factor will vary from 0 to 1 under the following conditions:

- absolute internal criterion based on the aggregate free cash flow of the Group (F1): factor 1 would be equal to or greater than the achievement of the medium-term plan objectives during the performance vesting period (the "F1 Planned Performance"). It would be zero if the performance achieved was less than 70% of the F1 Planned Performance. A linear progression will be applied between limits;
- external relative criterion based on the Total Shareholder Return (TSR) (F2): the factor would be equal to 1 if the performance achieved exceeded the 8^{th} decile of the panel and equal to 40% for a performance between the 5^{th} and 6^{th} deciles of the panel of comparable companies. It would be zero if the performance achieved was lower than the 4^{th} decile of the panel. A linear progression will be applied between limits;
- external relative criterion based on assessment by three external agencies: the factor would be equal to 1 if the average is greater than or equal to 78.6%, for an average of between 77.1% and 78.5% the factor would be 80%, for an average of between 75.6% and 77% the factor would be 50%, for an average of between 74% and 75.5% the factor would be 20%, for an average of less than or equal to 74% the factor would be 0. A linear progression will be applied between limits.

The confidential nature of the first absolute criteria on performance shares and stock subscription or purchase options does not allow their target content to be disclosed. However, at the end of the performance assessment period, Vallourec will communicate the minimum, target and maximum thresholds to be achieved and the linear progression applied between them.

Within the set of performance objectives for performance shares and stock options, the relative criteria represent 50%.

The Supervisory Board considers that the performance criteria that apply to stock subscription or purchase options and performance shares allocated to the Chairman and members of the Management Board are correlated to the medium- and the long-term evolution of the Group's overall performance and results.

The Chairman and members of the Management Board are required to retain until the end of their terms of office (i) one quarter of the performance shares allocated to them under the terms of a plan and (ii) the equivalent in Vallourec shares of one quarter of the gross capital gain realized on the date of sale of the shares resulting from the options exercised. Moreover, they agree not to use hedging instruments in connection with the exercise of options, selling shares resulting from the exercise of options, or selling performance shares.

As recommended by the AFEP-MEDEF Code, the Supervisory Board may, when allocating stock subscription or purchase options and performance shares, provide for a stipulation authorizing it to determine whether or not to maintain all or part of the long-term compensation plans that are not yet vested, options not yet exercised, or performance shares not yet vested at the time of the beneficiary's departure. Performance conditions would in any event be applied for the entire performance assessment period prescribed by each plan.

7.3.1.2.3.5 Benefits in kind of the Chairman and members of the Management Board

In terms of benefits in kind, the Chairman and members of the Management Board benefit, as do the majority of the Group's senior executives, from a Company car.

7.3.1.2.3.6 Attendance fees of the Chairman and members of the Management Board

Management Board members do not collect any compensation or attendance fees for the corporate offices they hold in direct or indirect subsidiaries of the Vallourec Group.

7.3.1.2.3.7 Supplementary pension scheme of the Chairman and members of the Management Board

In accordance with market practices and to retain the Group's senior executives, the Chairman and members of the Management Board are offered a comprehensive supplementary retirement plan to enable them to save for retirement, while preserving the economic interests of the Company via defined performance conditions.

This new system was set up in 2016 to replace the defined benefit supplementary pension scheme previously in effect. This new scheme will ensure each of its beneficiaries, individually, a net annuity level equal to that of the previous plan, while allowing Vallourec to achieve savings of around 22%.

This plan, subject to the regulated agreements procedure of Articles L.225-86 et seq. and Article L.225-90-1 of the French Commercial Code, was approved by the Shareholders' Meeting of 6 April 2016 (sixth, eighth and ninth resolutions).

The supplementary pension scheme introduced in 2016 includes three components:

Closing of the defined benefit scheme (Article 39 of the French General Tax Code)

The Chairman and members of the Management Board who benefited, along with 22 other senior executives meeting the eligibility requirements, from the defined benefit scheme under the terms and conditions set by the closing regulation, under which no new potential rights will be created with respect to the closed scheme and beneficiaries may only benefit from "crystallized" vested rights upon liquidation of their social security pension.

Mandatory group defined contribution scheme (Article 83 of the French General Tax Code)

The Chairman and members of the Management Board benefit from a mandatory group defined contribution retirement scheme open to all employees who meet the eligibility requirements [(1)]. The contribution to this scheme is set at 12% of the compensation that falls between four and eight times the Social Security cap. The scheme can only be liquidated upon liquidation of the social security pension.

The Company's financial obligation is strictly limited in terms of amount and time since it can close the scheme at any time.

Individual scheme subject to performance criteria (Article 82 of the French General Tax Code)

The Chairman and members of the Management Board, along with other senior executives meeting the eligibility requirements [(2)], benefit from an individual defined contribution pension scheme to which the Company contributes and for which, in the spirit of the Macron Law, the Supervisory Board decided to establish performance criteria.

With respect to these performance conditions, the Board has decided to determine the effective contribution rate based on the annual bonus rate: the maximum contribution will be payable for the year in the case of an annual bonus calculated at 50% of the target; no contribution will be paid if the calculated annual bonus equals zero; the contribution will vary on a straight-line basis between limits ranging from 0 to 50%.

This mechanism remains applicable to employees who have benefited from this scheme since 2016.

For employees who had not benefited from the 2016 scheme, it is proposed that an individual scheme subject to performance criteria (Article 82 of the French General Tax Code) be implemented, with the contribution rate to the individual retirement plan defined based on the age of the beneficiary and according to the following scale:

- under 50 years of age: 5%;
- between 51 and 54 years of age: 7.5%;
- between 55 and 59 years of age: 10%;
- over 60 years of age: 15%.

This individual retirement scheme will be implemented for new corporate officers and new senior executives who meet eligibility requirements (corporate officers, appointed to the Executive Committee). Contributions shall be based on fixed compensation plus the variable portion actually paid during the reference fiscal year.

(1) Eligible employees are Vallourec employees and, subject to the completion of legal procedures, Vallourec Tubes employees. Eligible employees are those whose annual compensation exceeds four times the Social Security cap (in 2017: 4 x €39,228), i.e. around 50 senior executives of the Group, including members of the Management Board.

(2) Eligible employees are Vallourec and Vallourec Tubes employees who have at least three years' seniority in the Group and whose compensation exceeds eight times the Social Security cap, i.e. potentially eight senior executives, including members of the Management Board.

In order to finance the contribution, the Company's share is equal to a gross amount after the deduction of employee contributions and the income tax generated by this contribution. The scheme can only be liquidated upon liquidation of the social security pension.

The latter shall continue to benefit from the provisions of the mandatory group defined contribution scheme (Article 83 of the French General Tax Code) implemented in 2016.

The Company may terminate this scheme at any time in such a way that it does not represent a deferred obligation.

The supplementary pension scheme will be reviewed based on the new provisions of the French pension reform.

These schemes exist to improve the replacement revenue of beneficiaries and grant no specific advantage to the Chairman and members of the Management Board compared with eligible executive officers employed by the Group.

The determination of the overall compensation of the Chairman and members of the Management Board took into account the benefits under this supplementary pension scheme.

The Group's supplementary pension scheme has a replacement rate that remains clearly below market practice, regardless of the reference panel used.

7.3.1.2.3.8 Mechanisms linked to termination of the duties of the Chairman and members of the Management Board

Non-compete obligation applicable to the Chairman of the Management Board

Considering his steel industry expertise, the Supervisory Board has sought to enable the Group to safeguard its know-how and activities by imposing a conditional non-compete obligation on the Chairman of the Management Board should he leave the Group.

At its entire discretion, the Supervisory Board may decide to prohibit the Chairman of the Management Board, at the time of his departure, and for a period of 18 months following the termination of his duties as Chairman of the Vallourec Management Board, for whatever reason, from working in whatever manner with a company or a group of companies generating more than 50% of their annual consolidated revenue in the design, production, sale or use of seamless carbon tubes or any kind of solution that competes with seamless tubes in the steel industry for application in the energy field, with no territorial restrictions. Payment of the non-compete compensation shall not apply when the executive manager chooses to retire, and no compensation can be paid beyond age 65.

Should this obligation be implemented by the Board, it would result in a payment to the Chairman of the Management Board of non-compete compensation equal to 12 months of gross fixed and variable monetary compensation, which is calculated based on the average of the gross fixed and variable annual monetary compensation that has been paid during the two fiscal years preceding the date of departure.

This sum would be paid in equal monthly advances during the entire period in which the non-compete clause is applicable.

The accumulation of the compensation paid under the non-compete clause and a termination benefit, should such benefit be paid, may not under any circumstances exceed twice the average gross fixed and variable annual monetary compensation payable in respect of the two financial periods preceding the Chairman of the Management Board's departure date.

Monetary termination benefit for the Chairman and the members of the Management Board

The Supervisory Board takes into account all the benefits which may be claimed by the Chairman and each member of the Management Board in the event of dismissal, in order to decide whether or not to grant a monetary termination benefit in the event of dismissal. To this end the Board examines:

(i) the contractual severance pay, where applicable, provided for in the employment contract and likely to be due in the event of termination of said contract;

(ii) seniority in the Vallourec Group and the amount of severance pay to which the Management Board member concerned would be entitled under the applicable collective bargaining agreement in the event of termination of the employment contract for any reason other than serious misconduct.

The Supervisory Board considers that when no contractual severance pay is awarded, the Chairman or member of the Management Board in question may benefit from a monetary termination benefit.

Mr. Édouard Guinotte and Mr. Olivier Mallet, whose employment contracts are suspended for the duration of their terms of office, are not eligible for contractual severance pay. However, they are full beneficiaries of the provisions of the Convention collective des cadres et ingénieurs de la métallurgie (the national collective agreement for executives and engineers in the metal industry), the application of which is mandatory for Vallourec, which provides for severance pay equal to 18 months of fixed and variable compensation in the event of termination of their employment contract for any reason other than serious misconduct [(1)].

In accordance with the AFEP-MEDEF Code, the monetary termination benefit for the Chairman and members of the Management Board will only be due in the event of dismissal. No benefit will be due if it is possible for the interested party to invoke his retirement rights within a short period of time.

The amount of the termination benefit is limited to twice the average gross fixed and variable annual compensation payable in respect of the two fiscal years preceding the date of departure (hereinafter the "Maximum Benefit").

The benefit shall be calculated using the fixed monetary compensation payable in respect of the financial period preceding the departure date, plus the target variable monetary compensation determined for the same period (the "Reference Compensation") and may not under any circumstances exceed the Maximum Benefit.

In accordance with the AFEP-MEDEF Code, the aggregate compensation due for the termination of the employment contract under the Collective Bargaining Agreement, compensation due under the non-compete clause, for the Chairman, and the termination benefit – if one is due – may not under any circumstances exceed the Maximum Benefit.

Its amount will depend on the achievement of performance conditions set out below.

For ease of reference and transparency, the Supervisory Board, upon the ACGC's recommendation, wished to simplify the structure of performance conditions for the monetary termination benefit for the Chairman of the Management Board and members of the Management Board as of 15 March 2020.

(1) *The amount of severance pay to which Mr. Édouard Guinotte would theoretically be entitled at 31 December 2020 is €381,000 and that of Mr. Olivier Mallet at the same date is €101,285. This theoretical amount was calculated based on (i) each individual's seniority, without excluding periods during which their employment contracts were suspended, (ii) the current rate of severance pay and the ceiling of 18 months of fixed and variable compensation, (iii) annual fixed and variable compensation of €360,000 for Mr. Édouard Guinotte and of €431,000 for Mr. Olivier Mallet relating to their respective employment contracts.*

The amount of the termination benefit will depend on the rate of achievement of objectives set by the Supervisory Board for the annual variable monetary portion over the last three fiscal years preceding the departure date (the "Reference Period").

For an average achievement rate greater than or equal to 50%, the termination benefit shall be equal to this rate applied to the Reference Compensation, not exceeding 100% of the Reference Compensation. For an average achievement rate lower than 50%, no termination benefit shall be paid.

For the 2018 and 2019 fiscal years: the rate of achievement of objectives is calculated based on the method set out in the compensation policy applicable to members of the Management Board in office during this period. The result, expressed as the number of months of compensation, is reduced to 24 to obtain the achievement rate for the fiscal year. The achievement rates for these fiscal years are as follows:

- fiscal year 2018: 83.6%;
- fiscal year 2019: 100%.

For fiscal years beginning as of 1 January 2020: the achievement rate taken into account is the achievement rate of the objectives set by the Supervisory Board for the annual variable monetary portion, i.e.:

- fiscal year 2020: 76.4%.

7.3.1.2.3.9 Special compensation of the Chairman and members of the Management Board

As recommended in the AFEP-MEDEF Code, the Supervisory Board may, on the recommendation of the ACGC, award special compensation to the Chairman and/or the members of the Management Board if very specific circumstances justify this (for example, due to their importance to the Group, the involvement they require and the difficulties they present). Its decision must be substantiated. The amount of this special compensation may not under any circumstance exceed the amount of the fixed annual monetary portion of the interested party.

Pursuant to Article L.22-10-26 of the French Commercial Code, the payment of the elements of special compensation to the Chairman and to the members of the Management Board is subject to approval by the Ordinary Shareholders' Meeting of the elements of compensation of the individual concerned under the terms provided for in Article L.22-10-34 of the French Commercial Code.

7.3.1.2.3.10 Signing bonus of the Chairman and members of the Management Board

As recommended in the AFEP-MEDEF Code, the Supervisory Board may, on the recommendation of the ACGC, award a new Chairman or a new member of the Management Board coming from an outside company a signing bonus in order to offset the loss of benefits previously enjoyed by the executive. Such compensation must be explained and made public at the time it is decided.

7.3.1.3 Compensation policy for the Chairman and members of the Supervisory Board

7.3.1.3.1 GENERAL PRINCIPLES OF THE BOARD POLICY FOR THE COMPENSATION OF THE CHAIRMAN AND MEMBERS OF THE SUPERVISORY BOARD

Members of the Supervisory Board

Members of the Supervisory Board only receive monetary compensation for the performance of their duties.

This compensation is divided by the Supervisory Board among its members, on the proposal of the ACGC, from a global annual amount of €650,000.

Members of the Supervisory Board receive a portion of their compensation as a fixed amount and another portion based on their attendance at Board meetings and meetings of Committees of which they are members.

Chairman, Vice Chairman and Lead Member of the Supervisory Board

Only the Chairman of the Supervisory Board receives a fixed annual compensation. This is justified by the degree of involvement in the Group's affairs of the Board Chairman as he performs duties and procedures which far surpass merely attending Board and Committee meetings.

The Lead Member, who is also the Vice Chairman, receives an additional fixed annual amount for his or her duties as Lead Member and participation in Group Committees in this capacity.

The Chairman of the Supervisory Board, along with the other members, is not allocated any options, performance shares or termination payments of any kind.

Members of the Supervisory Board are required to personally be shareholders of the Company throughout the entire term of their office, under the conditions set by the bylaws and internal regulations of the Board, for a minimum of 12 Vallourec shares [1].

(1) Starting on the day of their appointment, members of the Supervisory Board must hold at least 2 Vallourec shares. The 10 additional shares must be acquired by 31 December of the year following the year they take office, in order to allow them to use their attendance fees to acquire them. These provisions do not apply to the member representing employee shareholders and to the member representing the employees.

7.3.1.3.2 COMPONENTS OF THE COMPENSATION OF THE CHAIRMAN AND MEMBERS OF THE SUPERVISORY BOARD

Participation in meetings of the Supervisory Board

As recommended by the AFEP-MEDEF Code, which requires that the fraction of attendance fees based on actual attendance be predominant in relation to the fixed portion, the fixed portion amounts to €12,000, i.e. one third of compensation, and the variable portion based on actual attendance amounts to €21,000, i.e. two thirds of compensation.

The Lead Member, who is also the Vice Chairman, receives an additional fixed annual amount of €40,000 for his or her duties as Lead Member and participation in Group Committees in this capacity.

Participation in Committee meetings

The Chairman and the members of each of the Committees receive additional compensation based on their actual attendance at meetings of these Committees, at the rate of €2,500 per meeting. The Chairman additionally collects an annual fixed portion of €12,500 pertaining to the Finance and Audit Committee, and €6,250 pertaining to the Appointments, Compensation and Governance Committee and the CSR Committee.

Compensation of the Chairman

The Chairman of the Board receives fixed annual compensation of €320,000 that has not changed since it was set in 2014.

7.3.2 Compensation and benefits awarded to corporate officers

Compensation of members of the Management Board

The following tables show the compensation paid to members of the Management Board as it was comprised as at 31 December 2020.

A) SUMMARY OF COMPENSATION AND OPTIONS AND PERFORMANCE SHARES ALLOCATED TO EACH MEMBER OF THE MANAGEMENT BOARD (ACCORDING TO THE FORMAT OF TABLE 1 RECOMMENDED BY THE AFEP-MEDEF CODE AND THE FRENCH SECURITIES REGULATOR (AUTORITÉ DES MARCHÉS FINANCIERS))

The following table summarizes the compensation due and the valuation of the share subscription options and performance shares allocated for fiscal years 2019 and 2020.

In €	Fiscal year 2019	Fiscal year 2020
PHILIPPE CROUZET, CHAIRMAN OF THE MANAGEMENT BOARD – UNTIL 15 MARCH 2020		
Compensation allocated for the fiscal year (see Part B) of paragraph 7.6.2 herein	1,687,973	298,130
Valuation of options allocated during the fiscal year (see Part C) of paragraph 7.6.2 herein [(a)]	58,570	0
Valuation of performance shares allocated during the fiscal year (see Part E) of paragraph 7.6.2 herein [(b)]	164,552	0
TOTAL	**1,911,095**	**298,130**
ÉDOUARD GUINOTTE, CHAIRMAN OF THE MANAGEMENT BOARD – AS OF 16 MARCH 2020		
Compensation allocated for the fiscal year (see Part B) of paragraph 7.6.2 herein		815,576
Valuation of options allocated during the fiscal year (see Part C) of paragraph 7.6.2 herein [(a)]		150,895
Valuation of performance shares allocated during the fiscal year (see Part E) of paragraph 7.6.2 herein [(b)]		114,993
TOTAL		**1,081,464**
OLIVIER MALLET, CHIEF FINANCIAL OFFICER		
Compensation allocated for the fiscal year (see Part B) of paragraph 7.6.2 herein	798,150	774,973
Valuation of options allocated during the fiscal year (see Part C) of paragraph 7.6.2 herein [(a)]	26,976	103,412
Valuation of performance shares allocated during the fiscal year (see Part E) of paragraph 7.6.2 herein [(b)]	75,791	78,665
TOTAL	**900,917**	**957,050**

(a) *All share subscription options allocated to members of the Management Board in 2019 and 2020 are contingent upon performance conditions. Their valuation, which is shown in the table, is theoretical and results from the application of the binomial model used for the consolidated financial statements.*

(b) *All the performance shares allocated to members of the Management Board in 2019 and 2020 were subject to performance conditions. The valuation of the performance shares shown in the table is theoretical and results from the application of the binomial model used for the consolidated financial statements.*

B) SUMMARY OF COMPENSATION FOR EACH MEMBER OF THE MANAGEMENT BOARD (ACCORDING TO THE FORMAT OF TABLE 2 RECOMMENDED BY THE AFEP-MEDEF CODE AND THE FRENCH SECURITIES REGULATOR)

	Fiscal year 2019		Fiscal year 2020	
In €	Amounts due for the fiscal year	Amounts paid for the fiscal year	Amounts due for the fiscal year	Amounts paid for the fiscal year
PHILIPPE CROUZET, CHAIRMAN OF THE MANAGEMENT BOARD – UNTIL 15 MARCH 2020				
Fixed compensation	798,000	798,000	163,227	163,227
Annual variable compensation	758,100	606,160	107,730	758,100
Article 82 payment in cash (a)	127,500	127,500	26,080	127,500
Extraordinary compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (b)	4,373	4,373	1,093	1,093
TOTAL	**1,687,973**	**1,536,033**	**298,130**	**1,049,920**
ÉDOUARD GUINOTTE, CHAIRMAN OF THE MANAGEMENT BOARD – AS OF 15 MARCH 2020				
Fixed compensation			467,273	467,273
Annual variable compensation			308,400	-
Article 82 payment in cash (a)			38,784	-
Extraordinary compensation			-	-
Attendance fees			-	-
Benefits in kind (b)			1,119	1,119
TOTAL			**815,576**	**468,392**
OLIVIER MALLET, CHIEF FINANCIAL OFFICER				
Fixed compensation	420,000	420,000	451,942	451,942
Annual variable compensation	299,250	238,854	223,711	299,250
Article 82 payment in cash (a)	73,500	73,500	93,920	73,500
Extraordinary compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (b)	5,400	5,400	5,400	5,400
TOTAL	**798,150**	**737,754**	**774,973**	**830,092**

(a) Amount paid in cash under the supplementary individual defined contribution retirement plan (Article 82). 50% of the amounts are paid in the form of a contribution and 50% in cash, as explained in Section 7.3.3.2 and Section 7.6.2.3.7.

(b) The benefit in kind measured corresponds to the use of a Company car.

The principles and criteria for determining the variable monetary compensation of members of the Management Board as well as a breakdown of the benefits in kind are presented, for fiscal year 2020, in the Supervisory Board report on the compensation policy for corporate officers (see Section 2.1 of Chapter 7 of the 2020 Universal Registration Document) and, for fiscal year 2019, in the Supervisory Board report on the compensation policy for corporate officers (see Section 2.1 of Chapter 7 of the 2019 Registration Document).

C) SHARE PURCHASE OR SUBSCRIPTION OPTIONS ALLOCATED DURING FISCAL YEAR 2020 TO EACH MEMBER OF THE MANAGEMENT BOARD BY VALLOUREC AND EACH GROUP COMPANY (ACCORDING TO THE FORMAT OF TABLE 4 RECOMMENDED BY THE AFEP-MEDEF CODE AND THE FRENCH SECURITIES REGULATOR)

Name of executive corporate officer	Plan number and date	Type of options	Valuation of options according to the method used for the consolidated financial statements	Number of options allocated during the fiscal year [(a)]	Exercise price	Exercise period
Édouard Guinotte	2020 Plan 15/06/2020	Share subscription option	€150,895	14,650 *i.e.* 0.128% *of the share capital*	€37.36	From 15/06/ 2024 to 15/06/ 2030 (inclusive)
Olivier Mallet	2020 Plan 15/06/2020	Share subscription option	€103,412	10,040 *i.e.* 0.088% *of the share capital*	€37.36	From 15/06/ 2024 to 15/06/ 2030 (inclusive)
TOTAL			**€254,307**	**24,690** ***i.e. 0.216%*** ***of the share capital***		

(a) Based on share capital as at 31 December 2020, comprised of 11,449,694 shares.

The stock **subscription options** allocated to members of the Management Board in 2020 are subject to performance conditions assessed over four years and measured based on the following quantified criteria:

- an internal criterion: aggregate net cash flow for the Group in 2020, 2021, 2022, and 2023 compared to the planned performance in the Group's medium-term plan for the same period (weighting 40%);
- two external criteria:
  - Total Shareholder Return (TSR) for 2020, 2021, 2022, and 2023 compared to a panel of comparable companies,
  - the average of assessments of the Company carried out by three non-financial performance rating agencies: Vigeo, Sustainalytics and EcoVadis (20% weighting).

The panel used is comprised as follows: Hunting Plc, United States Steel Corp., Nippon Steel Corp., Tubacex SA, Tenaris SA, Schlumberger, Halliburton, Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK and NOV (40% weighting), the average of assessments of the Company carried out by three non-financial performance rating agencies: Vigeo, Sustainalytics and EcoVadis (20% weighting),

The number of options that were definitively allocated to the Chairman and members of the Management Board following the vesting period will be calculated by applying a factor that measures the performance for each of the criteria to the number of options initially allocated. This factor will vary from 0 to 1.

At the end of the performance assessment period, Vallourec will communicate the minimum and maximum thresholds to be achieved and the linear progression applied between them.

D) SHARE SUBSCRIPTION OR SHARE PURCHASE OPTIONS EXERCISED DURING FISCAL YEAR 2020 BY EACH MEMBER OF THE MANAGEMENT BOARD

No members of the Management Board exercised share subscription or purchase options in 2020 under the share subscription option or purchase plans created in previous years.

E) PERFORMANCE SHARES ALLOCATED DURING FISCAL YEAR 2020 TO EACH MEMBER OF THE MANAGEMENT BOARD BY VALLOUREC AND EACH GROUP COMPANY (ACCORDING TO THE FORMAT OF TABLE 6 RECOMMENDED BY THE AFEP-MEDEF CODE AND THE FRENCH SECURITIES REGULATOR)

Name of executive corporate officer	Plan number and date	Number of target shares allocated during the fiscal year [(a)]	Valuation of shares according to the method use for the consolidated financial statements	Vesting date	Availability date	Performance conditions
Édouard Guinotte	2020 Plan 15/06/2020	3,004 *i.e. 0.026%* *of the share capital*	€114,993	15/06/2023	15/06/2023	Yes
Olivier Mallet	2020 Plan 15/06/2020	2,055 *i.e. 0.018%* *of the share capital*	€78,665	15/06/2023	15/06/2023	Yes
TOTAL		**5,059** ***i.e. 0.044%*** ***of the share capital***	**€193,658**			

(a) Based on share capital as at 31 December 2020, comprised of 11,449,694 shares.

The performance shares allocated to members of the Management Board in 2020 are subject to performance conditions assessed over three years and measured based on the following quantified criteria:

- two absolute internal criteria:
  - Group cost reductions (Gross savings as a % of the N–1 baseline and excluding DCOS) for the 2020, 2021 and 2022 fiscal years (40% weighting);
  - the ratio of carbon emissions due to Vallourec's industrial processes and the purchase of electricity generated by fossil fuel to sales volume, in metric tons (emissions of non-biogenic carbon) between 2020 and 2022 (20% weighting);
- an external relative criterion:
  - growth of the EBITDA margin between 2020 and 2022 compared to a panel of comparable companies comprised as follows: Hunting Plc, United States Steel Corp., Nippon Steel Corp., Tubacex SA, Tenaris SA, Schlumberger, Halliburton, Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK and NOV (40% weighting).

The number of performance shares definitively allocated to the Chairman and members of the Management Board following the performance assessment period shall be calculated by applying a factor which measures the performance for each of the criteria to the number of performance shares initially allocated. This allocation factor will vary from 0 to 1.

At the end of the performance assessment period, Vallourec will communicate the minimum and maximum thresholds to be achieved and the linear progression applied between them.

F) PERFORMANCE SHARES THAT BECAME AVAILABLE DURING FISCAL YEAR 2020 FOR EACH MEMBER OF THE MANAGEMENT BOARD (ACCORDING TO THE FORMAT OF TABLE 7 RECOMMENDED BY THE AFEP-MEDEF CODE AND THE FRENCH SECURITIES REGULATOR)

Performance shares vested during fiscal year 2020 for each member of the Management Board

Name of executive corporate officer	Plan number and date	Number of shares allocated on 18/05/2017 [(a)]	Number of shares vested on 15/06/2020	Percentage of shares vested on 15/06/2020
Philippe Crouzet	2017 Plan 18/05/2017	1,662	2,360	142%
Édouard Guinotte	2017 Plan 18/05/2017	350	497	142%
Olivier Mallet	2017 Plan 18/05/2017	787	1,118	142%
TOTAL		**2,799**	**3,975**	**142%**

(a) *Adjustment following the reverse share split carried out in 2020.*

G) HISTORY OF SHARE SUBSCRIPTION OR SHARE PURCHASE OPTION ALLOCATIONS (ACCORDING TO THE FORMAT OF TABLE 8 RECOMMENDED BY THE AFEP-MEDEF CODE AND THE FRENCH SECURITIES REGULATOR)

The history of the share subscription or share purchase options allocated appears in Section 7.5.1.1 of this chapter.

H) HISTORY OF PERFORMANCE SHARE ALLOCATIONS (ACCORDING TO THE FORMAT OF TABLE 9 RECOMMENDED BY THE AFEP-MEDEF CODE AND THE FRENCH SECURITIES REGULATOR)

The history of the performance shares allocated appears in Section 7.5.1.2 of this chapter.

I) SHARE SUBSCRIPTION OR PURCHASE OPTIONS ALLOCATED TO THE TOP TEN EMPLOYEES WHO ARE NOT CORPORATE OFFICERS AND OPTIONS EXERCISED BY THEM (ACCORDING TO THE FORMAT OF TABLE 9 RECOMMENDED BY THE AFEP-MEDEF CODE AND THE FRENCH SECURITIES REGULATOR)

	Total number of options allocated/shares subscribed or purchased	Weighted average exercise price *(in €)*	Share subscription or share purchase option plans
Options allocated during the year to the 10 Group employees to whom the largest number of options was allocated	19,562	37.36	2020 Plan 15 June 2020
Options exercised during the year by the 10 Group employees who purchased or subscribed for the largest number of options	–	–	–

The definitive allocation of subscription options issued under the plan put in place on 15 June 2020 is subject to conditions of performance and continuous service.

J) SUMMARY OF DEPARTURE MECHANISMS AND STATUS OF MEMBERS OF THE MANAGEMENT BOARD (ACCORDING TO THE FORMAT OF TABLE 10 RECOMMENDED BY THE AFEP-MEDEF CODE AND TABLE 11 RECOMMENDED BY THE FRENCH SECURITIES REGULATOR)

	Employment contract [d]		Supplementary retirement plan [e]		Payments or benefits due or likely to become due in respect of termination of office or change of position [f]		Compensation for a non-compete clause [g]	
	Yes	No	Yes	No	Yes	No	Yes	No
PHILIPPE CROUZET Chairman of the Management Board *Date of first appointment: 1 April 2009* [a] *Date of appointment as Chairman of the Management Board: 1 April 2009* [a] *Date renewed: 15 March 2016* [a] *End of term: 15 March 2020* [a]		○	○		○		○	
ÉDOUARD GUINOTTE Chairman of the Management Board *Date of first appointment: 16 March 2020* [a] *Date of appointment as Chairman of the Management Board: 15 March 2020* [b] *End of term: 15 March 2024* [b]	○ [c]		○		○			○
OLIVIER MALLET Member of the Management Board *Date of first appointment: 30 September 2008* [c] *Date renewed: 15 March 2016* [c] *End of term: 15 March 2020* [c]	○ [c]		○		○			○

(a) *At its meeting on 25 February 2009, the Supervisory Board appointed Mr. Philippe Crouzet as Chairman of the Management Board as from 1 April 2009, thereby succeeding Mr. Pierre Verluca for the remainder of Mr. Verluca's term of office, i.e. until 15 March 2012. On 22 February 2012, the Supervisory Board renewed his appointment as Chairman of the Management Board, effective from 15 March 2012 until 15 March 2016. On 29 January 2016, the Supervisory Board renewed Mr. Philippe Crouzet's appointment as Chairman of the Management Board, effective from 15 March 2016 until 15 March 2020.*

(b) *At its meeting on 18 February 2020, the Supervisory Board appointed Mr. Édouard Guinotte as Chairman of the Management Board from 15 March 2020, thereby succeeding Mr. Philippe Crouzet, until 15 March 2024.*

(c) *On 29 September 2008, the Supervisory Board appointed Mr. Olivier Mallet as member of the Management Board, with effect from 30 September 2008 until 15 March 2012. On 22 February 2012, the Supervisory Board renewed his appointment as member of the Management Board, effective from 15 March 2012 until 15 March 2016. On 29 January 2016, the Supervisory Board renewed his appointment as member of the Management Board, effective from 15 March 2016 until 15 March 2020. On 18 February 2020, the Supervisory Board renewed his appointment as member of the Management Board, effective from 15 March 2020 until the 2023 OSM.*

(d) *The employment contract is suspended throughout the Management Board member's term on the Management Board.*

(e) *For a description of the supplementary retirement plan, see 7.3.3.2 below.*

(f) *For a description of the payments or benefits that are due or that may be due as a result of a termination or change of office, see 7.3.1.2.3.8 above.*

(g) *For a description of the compensation for the non-compete clause, see 7.3.1.2.3.8 above.*

7.3.3 Compensation and retirement commitments of the Group's main executives

7.3.3.1 Compensation of the Group's main senior executives

The total amount of all direct and indirect compensation paid in 2020 by the Group's French and foreign companies to all of the Group's main senior executives (i.e. the members of the Executive Committee as composed in 2020, excluding the members of the Management Board) amounted to €4,206 thousand. Variable compensation represented 24 % of this total.

The share subscription options and performance shares allocated during the fiscal year to the members of the Executive Committee are valued according to the method used for the consolidated financial statements, at €347 thousand.

7.3.3.2 Retirement commitments

At the recommendation of the Appointments, Compensation and Governance Committee, the Supervisory Board Meeting of 17 February 2016 authorized the establishment of a new supplementary retirement plan, to replace the supplementary mandatory Group retirement plan with defined benefits, which it authorized closing to new benefits. In accordance with Articles L.225-86 et seq. and Article L.225-90-1 of the French Commercial Code (Code de commerce), this new plan was approved by the Shareholders' Meeting of 6 April 2016.

As a result, the retirement commitments and other life annuities for corporate officers comprise, in addition to the ARRCO and AGIRC mandatory supplementary plans, a defined benefit scheme (closed), a mandatory group defined contribution scheme, and an individual defined contribution scheme for which the main characteristics are provided below.

- Main characteristics of the defined benefit retirement scheme:
  - This scheme related to Article L.137-11 of the French Social Security Code and was approved by the Shareholders' Meetings of 1 June 2006 and 4 June 2009.
  - The scheme was closed to new beneficiaries and all new rights on 31 December 2015.
  - The scheme included 20 executive managers or corporate officers, it being stated that the rights to the defined benefits retirement are random. The seniority condition was three years at the closing of the scheme on 31 December 2015.

- The annuity did not exceed 20% of the average basic compensation for the last three years and was limited to four times the annual social security ceiling. The reference compensation is the average compensation for the last three years (excluding the variable portion) as at 31 December 2015.
- The regime is financed by contributions paid to an insurance body and is subject to a company contribution as stated in Article L.137-11 of the French Social Security Code at the rate of 24%. Financing of the scheme by Vallourec cannot be made on an individual basis.
- The estimated amount of the annual annuity that will be paid to Management Board members for this scheme during settlement of French social security retirement rights, calculated as at 31 December 2020, is indicated below for each member of the Management Board:

Members of the Management Board	Estimated amount of the annual annuity as at 31 December 2020
Philippe Crouzet	€106,019
Olivier Mallet	€52,950

- Main characteristics of the defined contribution mandatory group retirement scheme:
  - This scheme related to Article L.242-1 of the French Social Security Code and relating to Article 83 of the French General Tax Code and was approved by the Shareholders' Meeting of 6 April 2016.
  - This scheme is mandatory for all Vallourec Tubes and Vallourec employees and corporate officers who meet the eligibility requirements, i.e., whose gross annual compensation exceeds four times the annual social security ceiling. There is no seniority requirement. The scheme includes around 50 managers or corporate officers.
  - Vallourec's commitment is limited to payment to the insurance body of a contribution of 12% of the fixed and variable compensation that falls between five and eight times the social security ceiling (Tranche C). In 2020, the contribution paid for this purpose to each of the Management Board members was: €19,745.28 for a full year. The contribution is partially subject to social security costs.
  - Vallourec's financial commitment is strictly limited in terms of amount and time since it can close the scheme at any time.
  - The estimated amount of the annuity that will be paid to Management Board members for this scheme during settlement of French social security retirement rights, calculated as at 31 December 2020, is indicated below for each member of the Management Board:

Members of the Management Board	Estimated amount of the annual annuity as at 31 December 2020 [(a)]
Philippe Crouzet	€3,690
Édouard Guinotte	€786
Olivier Mallet	€4,473

(a) On the basis of retirement at 62 years of age and with a post-retirement life expectancy of 20 years.

- Main characteristics of the individual retirement scheme:
  - This mechanism, related to Article 82 of the French General Tax Code, was approved by the Shareholders' Meeting of 6 April 2016.
  - The scheme is individual and discretionary. In addition, the beneficiaries must have a three-year seniority within the Group and a gross annual compensation that exceeds eight times the annual Social Security ceiling. The scheme includes around ten senior executives or corporate officers.
  - Vallourec's commitment is limited to payment of an annual amount for retirement comprising 50% contributions made to an insurance body and 50% cash, taking into account the tax characteristics of the scheme, imposing taxation at entry.
  - In the spirit of the Macron law, the payment made under this scheme for Management Board members is subject to a performance condition: the maximum contribution is due for a year in the case of an annual bonus being awarded, calculated at 50% of the target of the bonus and no contribution is paid for an annual bonus calculated at zero. The contribution varies linearly between 0%-50%.
  - Vallourec's financial commitment is strictly limited in terms of amount and time since it can close the scheme at any time.
  - For employees who had not benefited from the 2016 scheme, it is proposed that an individual scheme subject to performance criteria (Article 82 of the French General Tax Code) be implemented, with the contribution rate to the individual retirement plan defined based on the age of the beneficiary and according to the following scale:
    - under 50 years of age: 5%,
    - between 51 and 54 years of age: 7.5%,
    - between 55 and 59 years of age: 10%,
    - more than 60 years of age: 15%,
  - This individual retirement scheme will be implemented for new corporate officers and new senior executives who meet eligibility requirements (corporate officers, appointed to the Executive Committee). Contributions shall be based on fixed compensation plus the variable portion actually paid during the reference fiscal year.
  - in order to finance the contribution, the Company's share is equal to a gross amount after the deduction of employee contributions and the income tax generated by this contribution. The scheme can only be liquidated upon liquidation of the social security pension.
  - The latter shall continue to benefit from the provisions of the mandatory group defined contribution scheme (Article 83 of the French General Tax Code) implemented in 2016.
  - According to the applicable performance criteria and after deducting contributions, employee contributions and the relative income tax, the estimated amount of the annuity that will be paid to Management Board members for this scheme during settlement of French social security retirement rights, calculated as at 31 December 2020, is indicated below for each member of the Management Board:

Members of the Management Board	Estimated amount of the annual annuity as at 31 December 2020 [(a)]
Philippe Crouzet	€26,804
Édouard Guinotte	€2,150
Olivier Mallet	€19,396

(a) On the basis of retirement at 62 years of age and with a post-retirement life expectancy of 20 years.

7.4 Compensation policy applicable to future members of the Board of Directors and to future Chairman & CEO and Deputy CEO

7.4.1 Compensation policy applicable to future members of the Board of Directors

The Supervisory Board, with due consideration that the Company's change of governance forms part of its financial restructuring and the implementation of the Safeguard Plan, as approved by the Commercial Court of Nanterre, proposes that the Company's shareholders:

- transpose *mutatis mutandis* the compensation policy, which is attributable to members of the Company's Supervisory Board for the 2021 fiscal year, as presented in Section 7.3 above of this Universal Registration Document, to future members of the Company's Board of Directors, with the total annual amount of the package allocated to members of the Supervisory Board remaining unchanged at a maximum of €650,000 (the amount that may be allocated to members of the Board of Directors is calculated pro rata temporis, it being specified, however, that the CEO will not receive compensation for his duties as a director); this limit represents the maximum amount the Board of Directors may distribute to its members, according to their number and the applicable principles;
- do not compensate the Chairman of the Board of Directors for his duties as Chairman where the function of chairman is combined with that of CEO;
- transpose *mutatis mutandis* the compensation policy attributable to the lead director (*administrateur referent*) of the Board of Directors (if a member meeting the conditions of independence within the meaning of the AFEP-MEDEF Code is appointed o) for 2021, as presented above in Section 7.3.

The Supervisory Board believes that this transposition is justified by the fact that it provides for continuity in the compensation policy for members of this governing body, for the period between (i) the Shareholders' Meeting of 20 April 2021, which will approve the financial statements for 2020, and (ii) the next Shareholders' Meeting called to approve the compensation policy (if applicable, convened extraordinarily by the new Board of Directors).

7.4.2 Compensation policy applicable to future Chairman & CEO and Deputy CEO

The Supervisory Board, with due consideration that the Company's change of governance forms part of its financial restructuring and the implementation of the Safeguard Plan, as approved by the Commercial Court of Nanterre, proposes that the Company's shareholders:

- transpose *mutatis mutandis* the compensation policy attributable to the Chairman of the Management Board in 2021, as presented in Section 7.3 above of this Universal Registration Document, to the future Chairman & CEO of the Company;
- transpose *mutatis mutandis* the compensation policy attributable to the other member of the Management Board in 2021, as presented in Section 7.3 above of this Universal Registration Document, to the future Deputy CEO of the Company.

The Supervisory Board considers that this transposition is justified by the fact that the functions of Chairman & CEO and Deputy CEO will be performed by the same individuals as those currently performing the functions of Chairman of the Management Board and Member of the Management Board respectively, without prejudice to the decisions that may be taken by the next Shareholders' Meeting to rule on the compensation policy (as the case may be, convened extraordinarily by the new Board of Directors).

7.5 Executive management interests and employee profit sharing

At its meeting of 13 May 2009, the Supervisory Board approved a policy for strengthening employees' involvement in the Group's results as presented by the Management Board.

In 2020, this policy was determined during the Supervisory Board meetings of 18 February (along with the performance share and share subscription option allocation plans for managers). The Supervisory Board also determined, at its meeting on 18 February 2020, the principles of compensation for Management Board members, in the form of performance shares and share subscription options.

This information was made public in accordance with the AFEP-MEDEF Corporate Governance Code through the information provided on the Company's website on 19 February 2020 (www.vallourec.com).

Vallourec aims to supplement the compensation paid to its employees with various plans designed to involve them in sharing in the Group's performance over the long term and build a significant level of employee share ownership, in line with Vallourec's development goals. The policy will gradually be extended to all categories of Group staff worldwide, subject to and in accordance with local legislation and regulations and budgetary constraints (for example, those relating to the relationship between the number of staff in a country and the cost of implementing the policy).

Vallourec's second aim is to achieve closer convergence between the interests of Vallourec's management and those of its shareholders over the long term through the annual allocation of options and/or performance shares subject to the achievement of performance targets over several fiscal years.

These allocations have been gradually extended to a growing number of Group managers, according to a scope and volume that has been defined based on a Hay chart established at the global level.

They are contingent upon:

- continuing employment within the Company; and
- the fulfillment of objective and predefined performance requirements.

Beneficiaries are encouraged, through these allocations, to make greater efforts to improve net profit and help the Group achieve the targets it has set for itself.

7.5.1 Options and performance shares

The Supervisory Board sets the maximum number of share subscription or share purchase options and performance shares, and their allocation conditions to the members of the Management Board.

The Supervisory Board also approves the maximum number of beneficiaries and the maximum number of share subscription or share purchase options and performance shares that the Management Board proposes to allocate to Group employees under the terms of a plan.

The Management Board is responsible for determining the conditions for implementing any allocations of share subscription or share purchase options and performance shares, including the identification of beneficiaries of such plans and, in the case of share subscription or share purchase options, the reference price. It is also responsible for ensuring the proper implementation of each plan and reports to the Supervisory Board, in the context of its control function.

The number of performance shares and options mentioned in Sections 7.5.1.1 and 7.5.1.2 below correspond to a factor of 1, equivalent to the performance target. Some figures have been adjusted, where necessary, to take account of the capital increase with maintenance of the Shareholders' preferential subscription rights on 3 May 2016.

The number of performance shares and options mentioned in Sections 7.5.1.1 and 7.5.1.2 below correspond to a factor of 1, equivalent to the performance target. Some figures have been adjusted, where necessary, to take account of the reverse share split carried out in 2020.

Members of the Management Board are required to retain until the end of their terms of office (i) one quarter of the performance shares allocated to them under the terms of a plan and (ii) the equivalent in Vallourec shares of one quarter of the gross capital gain realized on the date of sale of the shares resulting from the options exercised. They formally agree not to hedge their risks on either options or shares resulting from the exercise of options, or on performance shares.

Furthermore, with regard to the confidential information obtained in the course of their duties, the members of the Management Board are required to comply with the provisions established by the Supervisory Board concerning the periods during which members in possession of insider knowledge may not buy, sell or take positions in the Company's shares or in any other financial instrument linked to Vallourec shares (options, warrants, etc.), i.e. the thirty (30) calendar days preceding the publications of the annual and semi-annual results and fifteen (15) calendar days preceding the publications of the first-quarter and third-quarter results, as well as the day of publication and the following day, without prejudice to the current statutory and regulatory provisions on "insider trading".

7.5.1.1 Share subscription and/or purchase options

	Plan agreed by the Shareholders' Meeting of 4 June 2009	Plans decided on by the Shareholders' Meeting of 31 May 2012	
	2011 Plan	**2013 Plan**	**2014 Plan**
Date of allocation by the Management Board	1 September 2011	2 September 2013	15 April 2014
Number of beneficiaries when plan implemented	743	406	399
Total number of shares that can be subscribed, including those that can be subscribed by:	16,952	24,997	15,482
• Philippe Crouzet	549 i.e. 0.005% of the share capital (a)	1374 i.e. 0.012% of the share capital (a)	753 i.e. 0.007% of the share capital (a)
• Jean-Pierre Michel	249 i.e. 0.002% of the share capital (a)	624 i.e. 0.005% of the share capital (a)	353 i.e. 0.003% of the share capital (a)
• Olivier Mallet	199 i.e. 0.002% of the share capital (a)	499 i.e. 0.004% of the share capital (a)	353 i.e. 0.003% of the share capital (a)
Percentage of the share capital that may potentially be allocated to members of the Management Board (a)	0.009%	0.022%	0.013%
Total number of options allocated to the 10 Group employees who are not corporate officers and to whom the largest number of options was allocated	726	1,939	1,861
Total potential dilution of the plan at the allocation date	0.080%	0.22%	0.14%
Date from which options may be exercised	1 September 2015	3 March 2018	15 April 2018
Expiration date of exercise period	1 September 2021	1 September 2021	15 April 2022
Exercise price (b)	€1,457.60	€1,108.00	€925.20
Performance conditions	Yes (c)	Yes (d)	Yes (e)
Number of shares subscribed	-	-	-
Total number of options canceled or expired since the allocation date	9,909	11,876	7,407
Options remaining as at 31 December 2020	7,043	13,121	8,075
Total potential dilution of the plan as at 31 December 2020 (a)	0.062%	0.115%	0.071%

(a) *Based on the 11,449,694 shares comprising the share capital as at 31 December 2020.*

(b) *Average price of the Vallourec share over the 20 trading days preceding the allocation date, without discount. Changes were made to the exercise prices to take account of the adjustments linked to the capital increase in May 2016.*

(c) *Performance condition: target ratio of the Group's consolidated EBITDA to consolidated revenue for the 2011, 2012, 2013 and 2014 fiscal years.*

(d) *The definitive allocation of subscription options issued under the plan put in place on 2 September 2013 is subject to conditions of performance and continuous service. For allocations to employees (other than members of the Operational Committee), performance is assessed over fiscal years 2014, 2015, 2016 and 2017 and is dependent on achieving a target ratio of the Group's EBITDA to consolidated revenue. As concerns allocations to members of the Operational Committee, performance is assessed over fiscal years 2014, 2015, 2016 and 2017, and is measured based on the following four quantitative criteria: the estimated rate of return on capital employed on a consolidated basis, the growth of consolidated sales and revenue on a like-for-like basis, as well as the relative stock market performance of Vallourec shares, and the relative performance of consolidated EBITDA measured against a group of comparable companies, comprising Tenaris and TMK.*

(e) *The definitive allocation of subscription options issued under the plan put in place on 15 April 2014 is subject to conditions of performance and continuous service. For allocations to employees (other than members of the Executive Committee), performance is assessed over fiscal years 2014, 2015, 2016 and 2017 and is dependent on achieving a target ratio of the Group's EBITDA to consolidated revenue. As concerns allocations to members of the Executive Committee, performance is assessed over fiscal years 2014, 2015, 2016 and 2017, and is measured based on the following four quantitative criteria: the estimated rate of return on capital employed on a consolidated basis, the growth of consolidated sales and revenue on a like-for-like basis, as well as the relative stock market performance of Vallourec shares, and the relative performance of consolidated EBITDA measured against a group of comparable companies, comprising Tenaris and TMK.*

	Plans decided on by the Shareholders' Meeting of 28 May 2014	
	2015 Plan [c]	**2016 Plan**
Date of allocation by the Management Board	15 April 2015	18 May 2016
Number of beneficiaries when plan implemented	486	445
Total number of shares that can be subscribed, including those that can be subscribed by:	17,011	13,375
• Philippe Crouzet	-	753 i.e. 0.007% of the share capital [b]
• Jean-Pierre Michel	353 i.e. 0.003% of the share capital [a]	353 i.e. 0.003% of the share capital [a]
• Olivier Mallet	353 i.e. 0.003% of the share capital [a]	353 i.e. 0.003% of the share capital [a]
Percentage of the share capital that may potentially be allocated to members of the Management Board [a]	0.01%	0.013%
Total number of options allocated to the 10 Group employees who are not corporate officers and to whom the largest number of options was allocated	1,345	1,228
Total potential dilution of the plan at the allocation date	0.15%	0.120%
Date from which options may be exercised	15 April 2019	18 May 2020
Expiration date of exercise period	15 April 2023	18 May 2024
Exercise price [b]	€542.80	€156.00
Performance conditions	Yes [d] [e]	Yes [f]
Number of shares subscribed	-	-
Total number of options canceled or expired since the allocation date	11,165	6,404
Options remaining as at 31 December 2020	5,846	6,971
Total potential dilution of the plan as at 31 December 2020 [a]	0.051%	0.061%

(a) Based on the 11,449,694 shares comprising the share capital as at 31 December 2020.

(b) Average price of the Vallourec share over the 20 trading days preceding the allocation date, without discount. Changes were made to the exercise prices to take account of the adjustments linked to the capital increase in May 2016.

(c) As from the 2015 plans, the maximum factor has been 1.33, i.e. a maximum of 18,831 options.

(d) At its meeting on 7 February 2016, the Supervisory Board formally recorded Mr. Philippe Crouzet's waiver of the share subscription options allocated during the 2015 fiscal year after the approval of the financial statements for that year. Consequently, the valuation of the share subscription options allocated in 2015 (i.e. €97,740) is nil in this table.

(e) For allocations to employees (other than members of the Executive Committee), performance is assessed over fiscal years 2015, 2016, 2017 and 2018 and is dependent on achieving a target ratio of the Group's EBITDA to consolidated revenue. As concerns allocations to members of the Executive Committee, performance is assessed over four years and measured based on the following two quantitative criteria: the consolidated EBITDA for 2015, 2016, 2017 and 2018, and the growth in the EBITDA margin between 2015 and 2018 (based on a comparison between the growth of Vallourec's gross margin and the average growth in gross margin of a group of comparable companies. This group comprises the following: NSSMC, Halliburton, NOV, Schlumberger, Technip, Baker Hughes, TMK, Tenaris, Alstom, Areva, U.S. Steel, ThyssenKrupp, ArcelorMittal and Salzgitter AG).

(f) As concerns allocations to employees (excluding members of the Executive Committee), performance is assessed for the 2016, 2017, 2018 and 2019 fiscal years, and is dependent on achieving a target ratio of the Group's EBITDA to the budget. As concerns allocations to members of the Executive Committee, performance is assessed over four years and measured based on the following two quantitative criteria: the consolidated EBITDA for 2016, 2017, 2018 and 2019, and the growth in the EBITDA margin between 2016 and 2019 (based on a comparison between the growth of Vallourec's gross margin and the average growth in gross margin of a group of comparable companies. This group comprises the following: NSSMC, Halliburton, NOV, Schlumberger, Technip, Baker Hughes, TMK, Tenaris, Alstom, Areva, U.S. Steel, ThyssenKrupp, ArcelorMittal and Salzgitter AG).

	Plans decided on by the Shareholders' Meeting of 12 May 2017			Plan decided on by the Shareholders' Meeting of 6 April 2020
	2017 Plan	**2018 Plan**	**2019 Plan**	**2020 Plan**
Date of allocation by the Management Board	18 May 2017	15 June 2018	17/06/2019	15/06/2020
Number of beneficiaries when plan implemented	11	10	10	113
Total number of shares that can be subscribed, including those that can be subscribed by:	7,312	8,855	8,855	80,407
● Philippe Crouzet	2,375 i.e. 0.021% of the share capital [(a)]	3,050 i.e. 0.027% of the share capital [(a)]	3,050 i.e. 0.027% of the share capital [(a)]	-
● Édouard Guinotte	-	-	-	14,650 i.e. 0.128% of the share capital [(a)]
● Olivier Mallet	1,112 i.e. 0.010% of the share capital [(a)]	1,405 i.e. 0.012% of the share capital [(a)]	1,405 i.e. 0.012% of the share capital [(a)]	10,040 i.e. 0.088% of the share capital [(a)]
Percentage of the share capital that may potentially be allocated to members of the Management Board [(a)]	0.031%	0.039%	0.039%	0.216%
Total number of options allocated to the 10 Group employees who are not corporate officers and to whom the largest number of options was allocated	3,825	4,400	4,400	19,562
Total potential dilution of the plan at the allocation date	0.060%	0.080%	0.077%	0.702%
Date from which options may be exercised	18 May 2021	15 June 2022	17 June 2023	15 June 2024
Expiration date of exercise period	18 May 2025	15 June 2026	17 June 2027	15/06/2030
Exercise price [(b)]	€240.80	€220.00	€88.00	€37.36
Performance conditions	Yes [(c)]	Yes [(d)]	Yes [(e)]	Yes [(f)]
Number of shares subscribed	-	-	-	-
Total number of options canceled or expired since the allocation date	425	-	-	2,183
Options remaining as at 31 December 2020	6,887	8,855	8,855	78,224
Total potential dilution of the plan as at 31 December 2020 [(a)]	0.060%	0.077%	0.077%	0.683%

(a) *Based on the 11,449,694 shares comprising the share capital as at 31 December 2020.*

(b) *Average price of the Vallourec share over the 20 trading days preceding the allocation date, without discount. Changes were made to the exercise prices to take account of the adjustments linked to the capital increase in May 2016.*

(c) *As concerns allocations to members of the Executive Committee, performance is assessed over four years and measured based on the following two quantitative criteria: the Free Cash Flow (FCF) for 2017, 2018, 2019 and 2020, and the change in Vallourec's TSR between 2017 and 2020 (comparison of Vallourec's TSR with that of the panel of competitors. This group comprises the following: Hunting Plc, United States Steel Corp., Nippon Steel & Sumitomo Metal Corp., Tubacex SA, Tenaris SA, Voestalpine AG, Seah Steel Corp., Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK, and NOV).*

(d) *As concerns allocations to members of the Executive Committee, performance is assessed over four years and measured based on the following two quantitative criteria: the Free Cash Flow (FCF) for 2018, 2019, 2020 and 2021, and the change in Vallourec's TSR between 2018 and 2021 (comparison of Vallourec's TSR with that of the panel of competitors. This group comprises the following: Hunting Plc, United States Steel Corp., Nippon Steel & Sumitomo Metal Corp., Tubacex SA, Tenaris SA, Voestalpine AG, Seah Steel Corp., Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK, and NOV).*

(e) *As concerns allocations to members of the Executive Committee, performance is assessed over four years and measured based on the following two quantitative criteria: the Free Cash Flow (FCF) for 2019, 2020, 2021 and 2022, and the change in Vallourec's TSR between 2019 and 2022 (comparison of Vallourec's TSR with that of the panel of competitors. This group comprises the following: Hunting Plc, United States Steel Corp., Nippon Steel Corporation (NSC, formerly NSSMC), Tubacex SA, Tenaris SA, Voestalpine AG, Seah Steel Corp., Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK, and NOV).*

(f) *An internal absolute criterion: aggregate net cash flow for the Group in 2020, 2021, 2022, and 2023 compared to the planned performance in the Group's medium-term plan for the same period.*

Two external relative criteria:

- *Total Shareholder Return (TSR) for 2020, 2021, 2022 and 2023 compared to a panel of comparable companies comprised as follows: Hunting Plc, United States Steel Corp., Nippon Steel Corp., Tubacex SA, Tenaris SA, Schlumberger, Halliburton, Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK and NOV;*
- *the average of assessments of the Company carried out by three non-financial performance rating agencies: Vigeo, Sustainalytics and EcoVadis.*

After applying the adjustment terms provided for in Articles L.228-99 and R.228-91 of the French Commercial Code and in conformity with the regulations of the share subscription options and performance share plans, Vallourec's Supervisory Board, at its meeting on 2 May 2016, wished to preserve the rights of holders of performance shares and share subscription options, by ensuring that the capital increase determined on 7 April 2016 would be neutral for them. The figures below have been updated.

The value of the option plans is included in Note 6 to the consolidated financial statements, which are found in Section 6.1 of this Universal Registration Document.

7.5.1.2 Performance share and free share allocation plans

PERFORMANCE SHARE ALLOCATION PLANS

	Plans decided on bythe Shareholders' Meetingof 12 May 2017			Plan decided on by the Shareholders' Meeting of 6 April 2020
	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Date of allocation by the Management Board	18 May 2017	15 June 2018	17/06/2019	15/06/2020
Number of beneficiaries when plan implemented	553	531	524	519
Total number of shares that can be acquired, including those able to be acquired by [(a)]:	20,506	21,065	20,916	34,090
• Philippe Crouzet	1,662 i.e. 0.015% of the share capital	2,131 i.e. 0.019% of the share capital	2,131 i.e. 0.019% of the share capital	-
• Édouard Guinotte	-	-	-	3,004 i.e. 0.026% of the share capital
• Olivier Mallet	787 i.e. 0.007% of the share capital	981 i.e. 0.009% of the share capital	981 i.e. 0.009% of the share capital	2,055 i.e. 0.018% of the share capital
Percentage of the share capital that may potentially be allocated to members of the Management Board [(b) (c)]	0.021%	0.027%	0.027%	0.044%
Total number of performance shares allocated to the ten employees who are not corporate officers and to whom the largest number of shares was allocated	3,110	3,052	2,985	5,289
Total potential dilution of the plan at the date [(b)]	None	None	None	None
Performance conditions	Yes [(d)]	Yes [(e)]	Yes [(f)]	Yes [(g)]
Vesting period end-date	18 May 2020 or 2021	15 June 2021 or 2022	17 June 2022 or 2023	15/06/2023
Total number of performance shares canceled or expired since the allocation date	13,284	2,571	1,468	590
Performance shares remaining as at 31 December 2020	7,222	18,494	19,448	33,500
Total potential dilution of the plan as at 31 December 2020 [(b)]	None	None	None	None

(a) Based on a factor of 1.

(b) Based on the composition of the Management Board as at 31 December 2020.

(c) Based on the capital at the end of each year.

(d) For all beneficiaries (excluding members of the Management Board and the Executive Committee), this will depend on cost reduction in 2017, 2018 and 2019, in comparison with the planned performance in the Group's medium-term plan for the same period, and on the Group's cumulative Free Cash Flow (FCF) for 2017, 2018 and 2019. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 1.4. For members of the Management Board and the Executive Committee, the final allocation will depend on the following two criteria: cost reduction in 2017, 2018 and 2019, in comparison with the Group's planned performance in the medium-term plan over the same period, and the increase in the EBITDA margin between 2017 and 2019 compared with a panel of comparable companies. The actual number is determined by applying a performance factor, calculated for the two years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2.

(e) For all beneficiaries (excluding members of the Management Board and the Executive Committee), this will depend on cost reductions in 2018, 2019 and 2020, in comparison with the planned performance in the Group's medium-term plan for the same period, and on the Group's cumulative Free Cash Flow (FCF) for 2017, 2018 and 2019. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 1.4. For members of the Management Board and the Executive Committee, the final allocation will depend on the following two criteria: cost reduction in 2017, 2018 and 2019, in comparison with the Group's planned performance in the medium-term plan over the same period, and the increase in the EBITDA margin between 2017 and 2019 compared with a panel of comparable companies. The actual number is determined by applying a performance factor, calculated for the two years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2.

(f) For all beneficiaries, this will depend on cost reduction in 2019, 2020, and 2021 in comparison to the planned performance in the Group's medium-term plan for the same period, and on the Group's cumulative Free Cash Flow (FCF) for 2018, 2019 and 2020. The actual number is determined by applying a performance factor, calculated for the three years concerned, to the theoretical number of shares allocated. This factor may range from 0 to 2.

(g) Two absolute internal criteria:

• Group cost reductions (Gross savings as a % of the N-1 baseline and excluding DCOS) for the 2020, 2021 and 2022 fiscal years,

• the ratio of carbon emissions due to Vallourec's industrial processes and the purchase of electricity generated by fossil fuel to sales volume, in metric tons (emissions of non-biogenic carbon) between 2020 and 2022;

A relative external criterion: the growth of the EBITDA margin between 2020 and 2022 compared to a panel of comparable companies; the panel used is as follows: Hunting Plc, United States Steel Corp., Nippon Steel Corp., Tubacex SA, Tenaris SA, Schlumberger, Halliburton, Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK and NOV.

INTERNATIONAL PERFORMANCE SHARE ALLOCATION PLANS FOR EMPLOYEES

	2-4-6 plan
Date of Shareholders' Meeting	May 31, 2012
Date of allocation by the Management Board	15 April 2014
Number of beneficiaries when plan implemented	21,677
Maximum total number of performance shares	208,100
of which maximum total number of performance shares allocated to members of the Management Board (as composed when plan implemented)	0
Number of executive corporate officers concerned	0
Maximum total number of performance shares allocated to the 10 employees who are not corporate officers and to whom the largest number of shares was allocated	100
Potential dilution	None
Performance condition	Ratio of consolidated EBITDA to consolidated revenue (2014, 2015 and 2016)
Vesting period	3 to 4 years
Holding period	0 to 2 years
Total number of performance shares canceled or expired since the allocation date	N/A
Performance shares as at 31 December 2018	None (plan expired 16 April 2018)

FREE SHARE ALLOCATION PLANS

Free share allocation plans (without performance conditions) have been implemented only under the terms of the Value employee share ownership offers (see Section 7.5.2 "Employee share ownership" below), offered every year between 2008 and 2017, and for the sole benefit of employees and those with similar rights who are non-French residents for tax purposes of certain Group companies, instead of the employer matching contribution granted to other employees and those with similar rights of the Vallourec Group's French companies. As in 2018 and 2019, no Value operation was implemented in 2020.

	"Value 15" Plan	"Value 16" Plan	"Value 17" Plan
Date of Shareholders' Meeting	28/05/2015	06/04/2016	12/05/2017
Date of allocation by the Management Board	12/15/2015	14/12/2016	14/12/2017
Number of beneficiaries when plan implemented	348	255	265
Total number of free shares	68	83	85
of which total number of shares allocated free of charge to members of the Management Board (when plan implemented)	0	0	0
Number of executive management members concerned	0	0	0
Total number of shares allocated free of charge to the 10 employees who are not corporate officers and to whom the largest number of shares was allocated	100	100	150
Potential dilution	None	None	None
Performance conditions	None	None	None
Vesting period	4.6 years	4.6 years	4.6 years
Holding period	0	0	0
Number of shares allocated free of charge, canceled since their allocation	N/A	12	9
Free shares as at 31 December 2020	0	71	76

The valuation of performance share and free share allocation plans appears in Note 6 to the consolidated financial statements in Section 6.1 of this Universal Registration Document.

Profit sharing and incentive plans

Most Group companies have put in place profit sharing and incentive plans that involve the employees in the Company's performance, based on the current income/revenue ratio.

The amounts paid under these plans during the last five fiscal years are as follows:

In € million	2016	2017	2018	2019	2020
	18.72	21.67	15.57	31.65	17.32

Company savings plan

The Group formed a Company savings plan (plan d'épargne d'entreprise – PEE) in France in 1989, to help employees build up capital over the medium and long term. Since 2005, these arrangements have been supplemented by the implementation, by agreement, of a collective retirement savings plan (plan d'épargne retraite collectif – PERCO).

Employees' voluntary payments are topped up by the Company in accordance with a scale updated each year in relation to the Group's net profit.

The amounts paid by way of employer matching contribution over the last five fiscal years were as follows:

	2016		2017		2018		2019		2020	
In € million	PEE	PERCO	PEE	PERCO	PEE	PERCO	PEE	PERCO	PEE	PERCO
	3.6 [(a)]	0.6 [(a)]	1.2 [(b)]	0.2 [(b)]	2.1	0.4	2.0	0.3	2.0	0.4

(a) Including €244,632.55 for the Value 16 operation.

(b) Including €234,043.88 gross for the Value 17 operation.

7.5.2 Employee share ownership

Each year between 2008 and 2017, the Group offered an international employee share ownership plan in its main countries of operation, called Value, followed by the last two figures of the year of its roll-out (for a description of the plans from 2008 to 2013, see Section 6.3.3 "Employee share ownership" in the 2011 Registration Document and Section 7.3.3 "Employee share ownership" in the 2012, 2013, 2014, 2015, 2016, and 2017 Registration Documents).

The 10 international employee share ownership plans offered between 2008 and 2017 have proved highly successful given their average subscription rate of 63.2% and raised employee share ownership from 0.16% as at 31 December 2007, to 3.03% as at 31 December 2020. Through their significant subscription, Vallourec believes its employees have demonstrated their loyalty to the Group, as well as their confidence in Vallourec's strategy and future. Against this backdrop, the Supervisory Board welcomed Ms. Pascale Chargrasse as a member of the Supervisory Board representing employee shareholders on 13 December 2010. Ms. Pascale Chargrasse's office has been renewed twice for a four-year term by the Shareholders' Meeting on 28 May 2015 and 23 May 2019.

These plans have enabled the Group to achieve the three objectives it had set for each of these operations:

- to involve as many employees as possible in the Group's performance;
- to strengthen "Group spirit", the cornerstone of its culture; and
- to develop a long-term relationship with employees that will help Vallourec to maintain a stable shareholder base.

Details of the terms and conditions of the Value 12, Value 13, Value 14, Value 15, Value 16 and Value 17 plans are provided in Note 19 to the consolidated financial statements in Section 6.1 of the corresponding Registration Documents.

7.6 Supervisory Board Report on total compensation in 2020 for corporate officers

This report was established in application of Articles L.22-10-09, L.22-10-16 and L.22-10-34 of the French Commercial Code in anticipation of the votes of shareholders, gathered at the Shareholders' Meeting of 20 April 2021, on the total compensation and benefits paid or allocated for the fiscal year ended 31 December 2020 to (i) all corporate officers and (ii) Mr. Philippe Crouzet, Chairman of the Management Board until 15 March 2020, Mr. Édouard Guinotte, Chairman of the Management Board since 16 March 2020, Mr. Olivier Mallet, member of the Management Board, and to Ms. Vivienne Cox, Chairman of the Supervisory Board.

Compensation for corporate officers is determined by the Supervisory Board, at the proposal of its Appointments, Compensation and Governance Committee (the "ACGC"), in compliance with the compensation policy approved by the Shareholders' Meeting.

7.6.1 Compliance of total compensation with the compensation policy for corporate officers approved by the shareholders

The compensation of members of the Management Board and the Chairman of the Supervisory Board is reviewed each year in accordance with the policy on compensation for corporate officers. This policy, and the corresponding governance, are presented in the corporate governance report established in application of Article L.22-10-20 of the French Commercial Code, in conformity with Article L.22-10-26 of said Code.

The Supervisory Board, at its meeting of 9 March 2021, ensured that the fixed, variable and exceptional items comprising the total compensation and benefits paid or allocated for fiscal year 2020 to corporate officers complies with the compensation policy for corporate officers approved by the Shareholders' Meeting of 6 April 2020.

The Supervisory Board also ensured that the compensation of executive corporate officers contributes to the Company's long-term performance. To that end, the Supervisory Board has been committed for several years to ensuring that the share of medium- and long-term incentive equity instruments in the total compensation of executive corporate officers increases, as set out below. The target weighting is one third for an on-target performance.

The Supervisory Board took note of the conditions for the approval of resolutions relating to the compensation policy for corporate officers by the Shareholders' Meeting of 6 April 2020, as summarized below. With the exception of resolution 9, for which discussions were held as part of the Company's shareholder dialogue policy, the Supervisory Board considers that the very high approval rate of these resolutions shows that the compensation policy for corporate officers is in line with the expectations of the Company's shareholders.

6 April 2020 Shareholders' Meeting resolution	Approval rate
Resolution 8 - Compensation policy for the Chairman of the Management Board for 2020	97.58%
Resolution 9 - Compensation policy for members of the Management Board (other than the Chairman) for 2020	62.52%
Resolution 10 - Compensation policy for the Chairman of the Supervisory Board for 2020	99.08%
Resolution 11 - Compensation policy for members of the Supervisory Board (other than the Chairman) for 2020	99.09%

7.6.2 Compensation of members of the Management Board

7.6.2.1 General principles

The compensation of the Management Board members presented below corresponds to all of the fixed, variable and special elements comprising the total compensation and benefits paid or allocated for 2020.

7.6.2.2 Status of members of the Management Board

The Management Board is comprised of two members:

As at 1 January 2020:

- Mr. Philippe Crouzet, Chairman of the Management Board, who does not have an employment contract;
- Mr. Olivier Mallet, who holds an employment contract for which performance was suspended during his term as a member of the Management Board.

As at 16 March 2020:

- Mr. Édouard Guinotte, Chairman of the Management Board, who holds an employment contract for which performance was suspended during his term as a member of the Management Board;
- Mr. Olivier Mallet, who holds an employment contract for which performance was suspended during his term as a member of the Management Board.

Moreover, Mr. Édouard Guinotte and Mr. Olivier Mallet respectively hold 620 and 1,818 Vallourec shares.

7.6.2.3 Components of Management Board members' compensation and benefits

7.6.2.3.1 RESPECTIVE WEIGHT OF THE COMPONENTS OF MANAGEMENT BOARD MEMBERS' COMPENSATION

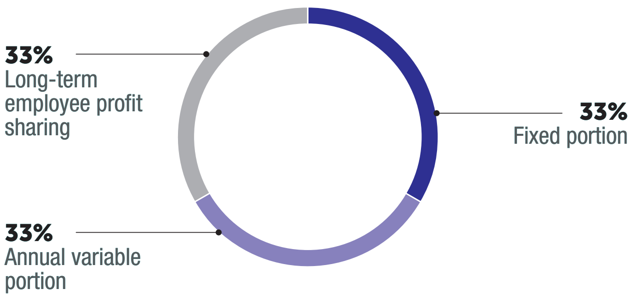
In accordance with the compensation policy, the weighting for each of these three components of compensation (fixed portion, annual variable portion and long-term instruments) is one third, provided that the amount of the variable portion is integrated in the target and the medium- and long-term incentive equity instruments are valued at their estimated IFRS value at the allocation date for an on-target performance. In recent years, adverse changes in the fair value of these instruments, however, has not made it possible to ensure this balance.

Since 2017, the ACGC has decided to gradually return to a value for the allocation of performance shares and stock options to the Management Board representing one third of the total of the three components of compensation (fixed, variable and long-term incentive instruments) for an on-target performance. In this regard, the volume of performance shares and options allocated to the Management Board represented, for an on-target performance, around 22% in 2017, around 25% in 2018 and around 12% in 2019 of these three components combined. It should be noted that in 2019, given the drop in share price, and to avoid any deadweight effect, the Supervisory Board decided to temporarily stop implementing this objective of gradually increasing the allocation value, and allocated the same number of performance shares and options to the Management Board as in 2018.

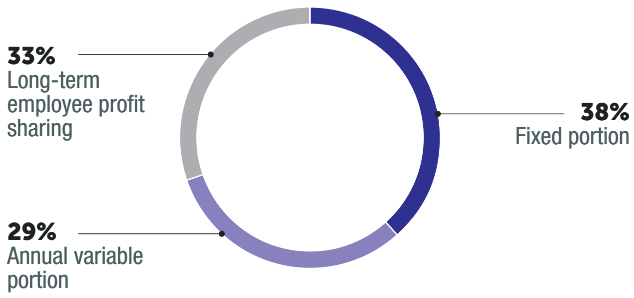
For 2020, the Supervisory Board, based on the ACGC's proposal, decided that the volume of performance shares and stock options allocated to the Management Board would represent one third of the total of those three components of compensation (fixed portion, variable portion and long-term incentive instruments) for an on-target performance.

At the target, the respective weight of each of these elements was as follows:

Philippe Crouzet



Olivier Mallet



7.6.2.3.2 FIXED PORTION

In accordance with the compensation policy, the Supervisory Board decided in early 2020 that:

- **the fixed portion for Mr. Philippe Crouzet,** which was brought to €798,000 in 2014, remains unchanged; and
- **the fixed portion of Mr. Edouard Guinotte,** Chairman of the Management Board as of 15 March 2020, amounts to €600,000;
- **the fixed portion payable to Mr. Olivier Mallet,** which had remained unchanged at €420,000 since 2014, was increased to €470,000 as of 15 March 2020. This increase, which was decided in February 2020 before the spread of the Covid-19 virus and the restriction measures that resulted in a sharp decline in global demand for oil, was justified by increased responsibilities as part of the optimization of the Group's financing resources and transition with the arrival of a new Chairman of the Management Board.

With regard to the general salary increases of French employees between 2012 and 2020, the changes in the fixed portions for members of the Management Board over the same period seem moderate, as the table below attests.

Change in the fixed compensation of French employees of the Group and members of the Management Board for the period 2012-2020 for the full year

Members of the Management Board	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total change
Philippe Crouzet	€760,000	€760,000	€798,000	€798,000	€798,000	€798,000	€798,000	€798,000	€798,000 i.e. 0%	+5% over the period
Édouard Guinotte									€600,000	N/A
Olivier Mallet	€400,000	€400,000	€420,000	€420,000	€420,000	€420,000	€420,000	€420,000	€470,000 i.e. 11.90%	17.5% over the period
Total salary increase budget for the Group's employees (2012 to 2020 budgets)										19.8% over the period

7.6.2.3.3 VARIABLE PORTION

The variable portion corresponds to a percentage of the fixed portion. It provides for minimum thresholds, below which no payment is made, target levels when the objectives set by the Supervisory Board are met, and maximum levels when target objectives have been exceeded.

For fiscal year 2020, the variable portions of the Management Board members changed in terms of their structure, as stated hereafter, while the target and maximum levels remained unchanged. Accordingly, in 2020 the variable portion of the Chairman of the Management Board could vary from 0 to 100% of his target fixed portion and reach 135% of this same fixed portion in the event that maximum objectives were attained. For Mr. Olivier Mallet, the 2020 variable portion could vary from 0 to 75% of his target fixed portions and attain 100% in the event that maximum objectives were achieved. In summary, the elements of monetary compensation of the members of the Management Board were as follows:

	Philippe Crouzet Chairman of the Management Board (until 15 March 2020)	Édouard Guinotte Chairman of the Management Board (as of 16 March 2020)	Olivier Mallet Member of the Management Board
Fixed portion *In €*	798,000	600,000	470,000
Target variable portion *As a % of fixed portion*	100%	100%	75%
Maximum variable portion *As a % of fixed portion*	135%	135%	100%

The 2020 variable portions were contingent on the achievement of several precise and previously established objectives of a quantitative or qualitative nature, for which the minimum, target and maximum thresholds were set by the Supervisory Board, after an in-depth examination by the ACGC.

For 2020, the Supervisory Board decided to determine the Management Board's objectives based on the same three fundamental components that were used for the Group in 2019, which remained relevant:

- three objectives linked to the Group's financial performance:
  - net cash flow from operating activities,
  - EBITDA,
  - cost reductions;
- two objectives linked to operating performance:
  - acceleration of performance;
  - quality through a reduction of customer claims;
- three objectives linked to CSR issues:
  - TRIR: injury rate without lost time per million hours worked,
  - LTIR: injury rate with lost time per million hours worked,
  - social and environmental responsibility, based on a composite indicator including the rate of Group industrial waste reclaimed (as a %), the average satisfaction rate of Group employees in "Opinion" surveys, diversity and the ratio of non-biogenic CO_2 emissions to sales volume.

On 20 March 2020, Vallourec informed the market that the environment in which the Group operates had experienced significant changes: the Covid-19 epidemic in the countries where the Group is present, combined with the sudden decline in the price of oil, will certainly have an impact on the Group's activities, especially in North America where unconventional oil and gas operators have announced significant reductions in their drilling plans. Vallourec therefore suspended the forecasts it had previously disclosed.

In May 2020, given the situation, the Supervisory Board, on the recommendation of the ACGC, decided to revise the financial objectives to align them with the budgetary review. The objectives for net cash flow from operating activities and EBITDA were revised downwards and the cost reduction objective revised upwards. The initial budget objectives were retained at the maximum limit.

In 2020, quantifiable objectives represented 80% of the target variable portion of the Chairman of the Management Board and of Mr. Olivier Mallet; the share of financial performance objectives was 60% of the variable target share (identical to 2019); the portion of social performance objectives represented 15% of the target variable portion (identical to 2018).

In view of the results achieved, the variable portions of each Management Board member for the 2020 fiscal year were set as follows:

2020 variable portion	Philippe Crouzet (until 15 March 2020)	Édouard Guinotte (as of 16 March 2020)	Olivier Mallet
STRUCTURE AND LEVEL OF THE VARIABLE PORTION *(expressed as a percentage of the fixed portion)*	Variable portion: 100% if the objectives set by the Board are achieved (target), and 135% maximum for exceptional performance		Variable portion: 75% if the objectives set by the Board are achieved (target), and 100% maximum for exceptional performance
FINANCIAL PERFORMANCE OBJECTIVES	Weight in target variable portion: 60%		Weight in target variable portion: 45%
Net cash flow from operating activities	This criterion varied from 0 to 20% if the target was attained and could be established at a maximum of 27%		This criterion varied from 0 to 15 % if the target was attained and could be established at a maximum of 20 %
The rate of achievement for this indicator is	0.00%		0.00%
EBITDA	This criterion varied from 0 to 20% if the target was attained and could be established at a maximum of 27%		This criterion varied from 0 to 15% if the target was attained and could be established at a maximum of 20%
The rate of achievement for this indicator is	20.30%		15.20%
Cost cutting	This criterion varied from 0 to 20% if the target was attained and could be established at a maximum of 27%		This criterion varied from 0 to 15 % if the target was attained and could be established at a maximum of 20 %
The rate of achievement for this indicator is	22.50%		16.75%
TOTAL CALCULATED IN € OF FINANCIAL PERFORMANCE OBJECTIVES [(a)]	**€69,861**	**€199,993**	**€144,396**
OPERATIONAL PERFORMANCE OBJECTIVES	Weight in target variable portion: 25%		Weight in target variable portion: 18.75%
Continued deployment of the Transformation Plan	This criterion varied from 0 to 20% if the target was attained and could be established at a maximum of 27%		This criterion varied from 0 to 15 % if the target was attained and could be established at a maximum of 20 %
The rate of achievement for this indicator is	24.00%		17.80%
Quality	This criterion varied from 0 to 5% if the target was attained and could be established at a maximum of 6.75%		These criteria varied from 0 to 3.75% from the target, and could be established at a maximum of 5%
The rate of achievement for this indicator is	6.63%		4.91%
TOTAL CALCULATED IN € OF OPERATIONAL PERFORMANCE OBJECTIVES	**€49,997**	**€143,126**	**€102,636**
CSR OBJECTIVES	Weight in target variable portion: 15%		Weight in target variable portion: 11.25%
Safety (TRIR)/(LTIR) [(b)]	These criteria varied from 0 to 10% from the target, and could be established at a maximum of 13.5%		These criteria varied from 0 to 7.5 % from the target, and could be established at a maximum of 10 %
The rate of achievement for these indicators is [(b)]	0.00%		0.00%
Social and environmental responsibility composite indicator	These criteria varied from 0 to 5% from the target, and could be established at a maximum of 6.75%		These criteria varied from 0 to 3.75% from the target, and could be established at a maximum of 5%
The rate of achievement for these indicators is	3.00%		2.25%
TOTAL CALCULATED IN € OF CSR PERFORMANCE OBJECTIVES	**€4,897**	**€14,018**	**€10,169**

2020 variable portion	Philippe Crouzet (until 15 March 2020)	Édouard Guinotte (as of 16 March 2020)	Olivier Mallet
Percentage of the variable portion calculated in relation to the target variable portion	76.43**%**		75.88**%**
VARIABLE PORTION CALCULATED AS A PERCENTAGE OF THE FIXED PORTION OF COMPENSATION	**76.43%**		**56.91%**
VARIABLE PORTION CALCULATED IN €	**€124,755**	**€357,137**	**€257,200**
VARIABLE PORTION AWARDED AS A PERCENTAGE OF THE FIXED PORTION OF COMPENSATION [(C)]	**66%**		**49.5%**
VARIABLE PORTION AWARDED IN €	**€107,730**	**€308,400**	**€223,711**

(a) *The safety objective is measured based on the results of the Lost Time Injury Rate (LTIR) and Total Recordable Injury Rate (TRIR), which measure, respectively, the number of accidents, with work stoppage, per million hours worked, and the injury rate per million hours worked.*

(b) *In view of the fatality that occurred in Brazil in early 2020, the Supervisory Board decided to reset the result of these objectives (which were 11.61 for Philippe Crouzet and Edouard Guinotte and 8.64 for Olivier Mallet, respectively), in accordance with the rules applicable to the determination of variable compensation.*

(c) *The Supervisory Board decided, after discussions with the Management Board, to allocate a variable portion that corresponds to 66% of the target variable portion.*

The monetary variable portion of Management Board members reflects the performance of the Management Board in relation to the objectives that were set in terms of financial, operational and CSR performance.

The Supervisory Board, on the recommendation of the ACGC and after discussions with the Management Board, took into account the overall situation of the Group and the variable portion awarded to its managers and decided to set the overall achievement rate at 66% of the target variable portion. However, the Supervisory Board wishes to highlight

- the formalization and launch of the Acceleration program:
  - new process in place for “Maintenance & Supply Chain” activities,
  - Reduction in external expenditure with the implementation of “spend control towers”,
  - implementation of cost reduction and reorganization projects in Brazil,
  - development of sourcing activities in China and India;
  - reduction of SG&A,
- continuation of the process to adapt the European scope:
  - adaptation in France of production units and support functions,
  - additional restructuring in Germany and closure of the Reisholz site,
  - partial activity used in France and Germany,
  - wage moderation,
  - commencement of the process to dispose of Valinox Nucléaire;
- the commitment and retention of management teams:
  - a low resignation rate among managers (2.9%), which was an improvement versus 2019 (4.6%),
  - a retention level of senior executives that remains acceptable,
  - satisfaction rate, measured in the Opinion survey, at a good level and constantly increasing across all regions: 7.55 vs. 7.45 in 2019, 7.22 in 2018, and 7.18 in 2017,
  - Achievement of the target objective for quality;
- with respect to CSR objectives:
  - despite the fact that the LTIR (accidents with lost time) threshold target was almost achieved and the TRIR (accidents without lost time) threshold target was achieved in full, the Supervisory Board took into account the fatality in Brazil in early 2020 and decided to reset the result of these targets to zero, in accordance with the rules applicable to the determination of variable compensation,
  - The targets of the CSR composite indicator were partially achieved.

Pursuant to Article L.22-10-26 of the French Commercial Code, payment of the variable compensation to the Chairman and members of the Management Board is subject to approval by the Ordinary Shareholders’ Meeting of 20 April 2021 of the compensation components of the individual concerned under the terms provided for in Article L.22-10-34 of the French Commercial Code.

7.6.2.3.4 LONG-TERM INCENTIVE EQUITY INSTRUMENTS

7.6.2.3.4.1 Performance shares and options allocated in 2020

In 2020, the Supervisory Board thus authorized the renewal of:

- for the fourteenth consecutive year, a plan to allocate, subject to continuous service and performance conditions, a target number of 34,090 performance shares, to benefit 517 managers and executives and the two members of the Management Board, under the twenty-seventh resolution approved by the Ordinary and Extraordinary Shareholders’ Meeting of 6 April 2020;
- for the fourteenth consecutive year, a plan to allocate, subject to continuous service and performance conditions, a target number of 80,407 share subscription options, to benefit 111 managers and executives and the two members of the Management Board, under the twenty-sixth resolution approved by the Ordinary and Extraordinary Shareholders’ Meeting of 6 April 2020.

The Supervisory Board, in conformity with its compensation policy and market practices, decided that for the allocation of performance shares and stock options to the Management Board it would gradually return to a target performance value that represents approximately one third of the total of the three components of compensation (fixed portion, variable portion and long-term incentive instruments).

The number of performance shares allocated by the Supervisory Board in 2020 was 3,004 for Mr. Édouard Guinotte and 2,055 for Mr. Olivier Mallet for target performance (corresponding to a factor of 1, as described below).

The number of options allocated by the Supervisory Board in 2020 was 14,650 for Mr. Édouard Guinotte and 10,040 for Mr. Olivier Mallet for target performance (corresponding to a factor of 1, as described below).

Overall, representing 1.0% of share capital as at 31 December 2020, the portion allocated to members of the Management Board was set at 26.0% of the total allocations, and 0.26% of share capital.

The **performance shares** allocated to members of the Management Board in 2020 are subject to performance conditions assessed over three years and measured based on the following quantifiable criteria:

- two absolute internal criteria:
  - Group cost reductions (Gross savings as a % of the N-1 baseline and excluding DCOS) for the 2020, 2021 and 2022 fiscal years (40% weighting);
  - the ratio of carbon emissions due to Vallourec's industrial processes and the purchase of electricity generated by fossil fuel to sales volume, in metric tons (emissions of non-biogenic carbon) between 2020 and 2022 (20% weighting);
- an external relative criterion:
  - growth of the EBITDA margin between 2020 and 2022 compared to a panel of comparable companies comprised as follows: Hunting Plc, United States Steel Corp., Nippon Steel Corp., Tubacex SA, Tenaris SA, Schlumberger, Halliburton, Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK and NOV (40% weighting).

The number of performance shares definitively allocated to the Chairman and members of the Management Board following the performance assessment period shall be calculated by applying a factor which measures the performance for each of the criteria to the number of performance shares initially allocated. This allocation factor will vary from 0 to 1 under the following conditions:

- absolute internal criterion based on cost reduction (F1): factor 1 would correspond to achieving the medium-term plan objectives during the performance vesting period (the "F1 Planned Performance"). It would be 0 if the performance achieved was 2 or more points less than the F1 Planned Performance, and 1 if the performance achieved was more than or equal to the F1 Planned Performance. A linear progression will be applied between limits;
- absolute internal criterion based on carbon emissions ratio: the factor would correspond to 100% for a ratio lower than or equal to 42, the factor would correspond to 80% for a ratio lower than or equal to 44 and greater than 42, the factor would correspond to 50% for a ratio lower than or equal to 46 and greater than 44, the factor would correspond to 5% for a ratio lower than or equal to 48 and greater than 46, the factor would correspond to 0 for a ratio greater than 48. A linear progression will be applied between limits.

The stock **subscription options** allocated to members of the Management Board in 2020 are subject to performance conditions assessed over four years and measured based on the following quantifiable criteria:

- an internal absolute criterion: aggregate net cash flow for the Group in 2020, 2021, 2022, and 2023 compared to the planned performance in the Group's medium-term plan for the same period (weighting 40%);
- two external relative criteria:
  - the Total Shareholder Return (TSR) for the financial years 2020, 2021, 2022 and 2023 compared to a panel of comparable companies; the panel used is as follows: Hunting Plc, United States Steel Corp., Nippon Steel Corp., Tubacex SA, Tenaris SA, Schlumberger, Halliburton, Tubos Reunidos SA, Timken Steel Corp., Salzgitter AG, ArcelorMittal SA, TMK and NOV (40% weighting),
  - the average of assessments of the Company carried out by three non-financial performance rating agencies: Vigeo, Sustainalytics and EcoVadis (20% weighting).

The number of options that were definitively allocated to the Chairman and members of the Management Board following the vesting period will be calculated by applying a factor that measures the performance for each of the criteria to the number of options initially allocated. This factor will vary from 0 to 1 under the following conditions:

- absolute internal criterion based on the aggregate free cash flow of the Group (F1): factor 1 would be equal to or greater than the achievement of the medium-term plan objectives during the performance vesting period (the "F1 Planned Performance"). It would be zero if the performance achieved was less than 70% of the F1 Planned Performance. A linear progression will be applied between limits;
- external relative criterion based on the Total Shareholder Return (TSR) (F2): the factor would be equal to 1 if the performance achieved exceeded the 8th decile of the panel and equal to 40% for a performance between the 5th and 6th deciles of the panel of comparable companies. It would be zero if the performance achieved was lower than the 4th decile of the panel. A linear progression will be applied between limits;
- external relative criterion based on assessment by three external agencies: the factor would be equal to 1 if the average is greater than or equal to 78.6%, for an average of between 77.1% and 78.5% the factor would be 80%, for an average of between 75.6% and 77% the factor would be 50%, for an average of between 74% and 75.5% the factor would be 20%, for an average of less than or equal to 74% the factor would be 0. A linear progression will be applied between limits.

The confidentiality of information relating to both internal criteria prevents the disclosure of the targets and the minimum and maximum thresholds. But these values, between which a linear progression will have been applied, will be communicated following the performance assessment period.

Within the set of performance objectives for performance shares and options, the external criteria represent 50%.

At the end of the performance assessment period, Vallourec will communicate the minimum and maximum thresholds to be achieved and the linear progression applied between them.

7.6.2.3.4.2 Performance shares vested in 2020

The performance assessment period for the performance share allocation plan, which began on 18 May 2017, ended on 18 June 2020. The shares allocated under this plan, under the twenty-seventh resolution approved by the Ordinary and Extraordinary Shareholders' Meeting of 12 May 2017, were subject to the following performance conditions:

- Group cost reduction (Gross Savings as a % of the N-1 baseline and excluding "Direct Cost of Sales") over the period: 84.0% achieved,
- the increase in the EBITDA margin over the period compared with a panel of 13 companies (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, NOV): 200.0% achieved.

After applying these strict conditions, the members of the Management Board acquired:

2017 performance share plan Members of the Management Board	Philippe Crouzet	Édouard Guinotte	Olivier Mallet	Total
Number of shares allocated on 18/05/2017 [(a)]	1,662	350	787	2,799
Number of shares vested on 18 June 2020 after performance conditions applied	2,360	497	1,118	3,975
Percentage of shares vested on 18 May 2019 compared to the number of shares allocated on 18 May 2016	142%	142%	142%	142%

(a) Adjustment following the reverse share split carried out in 2020.

Members of the Management Board are required to retain until the end of their terms of office (i) one quarter of the performance shares allocated to them under the terms of a plan and (ii) the equivalent in Vallourec shares of one quarter of the gross capital gain realized on the date of sale of the shares resulting from the options exercised. Moreover, they agree not to use hedging instruments in connection with the exercise of options, selling shares resulting from the exercise of options, or selling performance shares.

7.6.2.3.4.3 Subscription options vested in 2020

The performance assessment period for the subscription option plan, which began on 18 May 2016, ended on 15 June 2020.

The subscription options allocated under this plan, under the nineteenth resolution approved by the Ordinary and Extraordinary Shareholders' Meeting of 28 May 2014, were subject to the following performance conditions for 2016, 2017, 2018, and 2019:

- to the extent of 50%, on consolidated EBITDA for the period: the result for this criterion was 0;
- to the extent of 50% on the increase in Vallourec's EBITDA margin between 2016 and 2019 compared with a panel of 14 companies (NSSMC, Halliburton, NOV, Schlumberger, Technip, Baker Hughes, TMK, Tenaris, Alstom, Areva, U.S. Steel, Thyssen Krupp, ArcelorMittal, Salzgitter AG): 150% achieved, which corresponds to a result of 75%.

After applying these strict conditions, the number of options that were vested by each of the members of the Management Board was established as follows:

2016 subscription option plan Members of the Management Board	Philippe Crouzet	Édouard Guinott [(c)]	Olivier Mallet	Total
Number of options allocated on 18 May 2016 [(a)(b)]	753	70	353	1,176
Number of options vested on 15 June 2020 after performance conditions applied [(b)]	540	51	265	856
Percentage of options vested on 15 June 2020 compared to the number of shares allocated on 18 May 2016	71.7%	72.7%	75.0%	72.8%

(a) Adjustment following the reverse share split carried out in 2020.
(b) After applying the pro rata of actual presence in 2020.
(c) Taking into account the performance conditions applicable to other Vallourec managers.

7.6.2.3.4.4 History of past acquisitions of the Management Board

Performance shares

Allocation year	2012	2013 [(a)]	2014	2015	2016	2017	2018	2019	2020
Vesting date	2014	2016	2017	2018	2019	2020	2021	2022	2023
Number of shares allocated to the Management Board [(b)(d)(e)]	425	425	1,188 [(b)(c)]	518 [(b)]	1,068	2,449	3,112	3,112	5,059
Number and % of shares vested, compared to the number of shares allocated	**67 (i.e. 16.2%)**	**85 (i.e. 20.1%)**	**149 (i.e. 12.7%)**	**- (i.e. 0%)**	**- (i.e. 0%)**	**3,478 (i.e. 142%)**	**Not available**	**Not available**	**Not available**

(a) As of 2013, performance share plans have been 3+2 (three years of vesting + two years of holding) instead of 2+2.
(b) Number of shares allocated which take into account the April 2016 capital increase and the 2020 reverse share split.
(c) The Supervisory Board meeting on 17 February 2016 duly noted Mr. Philippe Crouzet's waiver of the performance shares allocated during the 2015 fiscal year after the approval of the financial statements for that year. Consequently, the valuation of the performance shares allocated in 2015 (which would have otherwise been €292,199) is nil in this table.
(d) Including, until 2016, the allocation made to Mr. Jean-Pierre Michel as a member of the Management Board and the allocations made to Mr. Philippe Crouzet as Chairman of the Management Board until the 2019 fiscal year.
(e) Allocations between 2012 and 2019 take the 2020 reverse share split into account.

Share subscription options

Allocation year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of shares allocated to the Management Board [(a)]	0	2,497	1,459	706 [(b) (c)]	1,459	3,487	4,455 [(f)]	4,455 [(f)]	24,690
Number and % of options compared to the maximum number of options allocated	**0**	**646 (i.e. 25.9%)**	**347 (i.e. 23.8%)**	**445 [(b) (d)] (i.e. 75.0%)**	**912 [(d) (e)] (i.e. 75.0%)**	**Not available**	**Not available**	**Not available**	**Not available**
Exercise price	€888.40	€1,108.00	€925.20	€542.80	€156.00	€240.80	€220.00	€88.00	€37.36

(a) *Adjustment following the capital increase. Initially allocated amount multiplied by 1.67. For the 2017 to 2019 fiscal years, allocations take into account the adjustment following the Vallourec reverse share split carried out in 2020.*

(b) *Philippe Crouzet waived his right to subscription options allocated in 2015.*

(c) *Including, until 2016, the allocation made to Mr. Jean-Pierre Michel as a member of the Management Board and the allocations made to Mr. Philippe Crouzet as Chairman of the Management Board until the 2019 fiscal year.*

(d) *The number of options vested by Mr. Jean-Pierre Michel was reduced pro rata to the period of his continuous service.*

(e) *The number of options vested by Mr. Philippe Crouzet was reduced pro rata to the period of his continuous service.*

(f) *Allocations to Mr. Philippe Crouzet and to Mr. Olivier Mallet alone.*

7.6.2.3.5 BENEFITS IN KIND

In 2020, the Management Board members had use of a Company car. The value of this benefit in kind was unchanged compared to 2019.

7.6.2.3.6 COMPENSATION PAID OR ALLOCATED BY A COMPANY INCLUDED IN THE CONSOLIDATION SCOPE

Members of the Management Board did not receive any compensation in 2020 relating to corporate offices held in Vallourec Group subsidiaries included within the consolidation scope, within the meaning of Article L.223-16 of the French Commercial Code.

7.6.2.3.7 SUPPLEMENTARY RETIREMENT PLANS

The retirement scheme for corporate officers comprises a defined benefit plan (closed), a collective and mandatory defined contribution plan, and an individual defined contribution plan.

Closed defined benefit scheme (Article 39 of the French General Tax Code)

Given that the scheme was closed to all new rights as of 31 December 2015 and the compensation used as a basis for calculating the rights was set to the reference compensation at 31 December 2015, the potential rights opened individually for each of the two members of the Management Board as at 31 December 2020 are identical to the rights as at 31 December 2019 and are as follows:

Members of the Management Board	Reference annual compensation as at 31 December 2020	Annual potential rights for 2020 [(a)]	Total annual potential rights as at 31 December 2020 [(b)]	Limit on potential rights	Length of service conditions
Philippe Crouzet	€798,000	0%	13.50%	20%	36 months
Olivier Mallet	€470,000	0%	12.81%	20%	36 months

(a) *As a percentage of the reference compensation (basic pay excluding variable portion).*

(b) *Limited to 20% of the average basic compensation for the last three years, excluding the variable portion and limited to four annual Social Security caps.*

The Group's supplementary pension scheme has a replacement rate that remains clearly below market practice, regardless of the reference panel used.

Mandatory group defined contribution scheme (Article 83 of the French General Tax Code)

In 2020, the contribution paid for this purpose to each of the Management Board members was:

- €4,087.06 for Philippe Crouzet (for the period between 1 January and 15 March 2020);
- €15,711.30 for Édouard Guinotte (for the period between 15 March and 31 December 2020);
- €19,745.28 for Olivier Mallet.

For Olivier Mallet, this amount was in addition to the €12,357.12 for 2016, €18,829.44 for 2017, €19,071.36 for 2018 and €19,451.52 for 2019.

Individual defined contribution plan subject to performance criteria (Article 82 of the French General Tax Code)

The Supervisory Board has confirmed that the performance condition applicable to payment of the Management Board's contribution to the individual retirement plan for 2020 was fulfilled. The maximum contribution is due, in light of the achievement of at least 50% of the annual bonus calculated for 2020. Note: Vallourec's commitment is limited to payment of an annual amount for retirement comprising 50% contributions made to an insurance body and 50% cash, taking into account the tax characteristics of the scheme, imposing taxation at entry.

Members of the Management Board	Total amount paid for 2020	Amount of contributions paid	Amount paid in cash
Philippe Crouzet (for the period between 1 January and 15 March 2020)	€52,160	€26,080	€26,080
Édouard Guinotte	€77,568	€38,784	€38,784
Olivier Mallet	€187,840	€93,920	€93,920

7.6.2.3.8 MECHANISMS LINKED TO TERMINATION OF THE DUTIES OF MEMBERS OF THE MANAGEMENT BOARD

In 2020, the mechanisms linked to termination of the duties of the three/two members of the Management Board were reviewed.

7.6.2.3.8.1 Mechanism linked to the termination of the duties of Mr. Philippe Crouzet, Chairman of the Management Board

Under the mechanism approved by the Shareholders' Meeting of 6 April 2016, Mr. Philippe Crouzet's termination package for 2020 included a termination benefit and non-compete compensation.

No termination benefit was paid in 2020.

No non-compete compensation was paid in 2020.

7.6.2.3.8.2 Mechanism linked to the termination of the duties of Mr. Édouard Guinotte, Chairman of the Management Board

In 2020, Mr. Édouard Guinotte was eligible under the terms of his employment contract for severance pay of €381,000 and non-compete compensation.

Under the mechanism approved by the Shareholders' Meeting of 6 April 2020, Mr. Édouard Guinotte was eligible in 2020 for a termination benefit. No termination benefit was paid in 2020.

No benefit was paid to him in 2020.

7.6.2.3.8.3 Mechanism linked to the termination of duties of Mr. Olivier Mallet, member of the Management Board

In 2020, Mr. Olivier Mallet was eligible for severance pay under the terms of his employment contract of €101,285.

Under the mechanism approved by the Shareholders' Meeting of 6 April 2020, Mr. Olivier Mallet was eligible in 2020 for a termination benefit. No termination benefit was paid in 2020.

7.6.2.3.8.4 Performance criteria for the termination benefit of Mr. Philippe Crouzet and Mr. Édouard Guinotte, Chairmen of the Management Board, and of Mr. Olivier Mallet, member of the Management Board

Termination package of Mr. Philippe Crouzet

No termination benefit was paid to Mr. Philippe Crouzet as Chairman of the Management Board.

Termination package of Mr. Édouard Guinotte

Under the mechanism approved by the Shareholders' Meeting of 6 April 2020, after application of the performance conditions assessed for the three preceding fiscal years, the performance factor (PF) calculated for fiscal years 2018, 2019 and 2020 would be 83.6%, 100% and 76.4% respectively.

Termination package of Mr. Olivier Mallet

Under the mechanism approved by the Shareholders' Meeting of 6 April 2020, after application of the performance conditions assessed for the three preceding fiscal years, the performance factor (PF) calculated for fiscal years 2018, 2019 and 2020 would be 83.6%, 100% and 75.9% respectively.

7.6.2.3.9 SPECIAL COMPENSATION

No special compensation was paid to Mr. Philippe Crouzet and Mr. Édouard Guinotte, Chairmen of the Management Board, or to Mr. Olivier Mallet, member of the Management Board.

7.6.2.3.10 SIGNING BONUS

No signing bonus was paid to Mr. Édouard Guinotte, Chairman of the Management Board, or to Mr. Olivier Mallet, member of the Management Board.

7.6.2.3.11 DEFERRED VARIABLE COMPENSATION

No deferred variable compensation was paid to Mr. Philippe Crouzet and Mr. Édouard Guinotte, Chairmen of the Management Board, or to Mr. Olivier Mallet, member of the Management Board.

7.6.3 Compensation of the Chairman of the Supervisory Board

The Chairman of the Supervisory Board receives a fixed annual compensation exclusively. This is justified by the degree of involvement in the Group's affairs of the Board Chairman as she performs duties and procedures that far surpass merely attending Board and Committee meetings. The tasks and activities of the Chairman of the Supervisory Board are described in paragraph 7.1.2.5 of Chapter 7 of the 2020 Universal Registration Document.

The amount of this fixed annual compensation has not changed since it was set at €320,000 in 2014.

In 2020, in view of the exceptional circumstances arising as a result of the Covid-19 public health crisis, the Supervisory Board decided to reduce the gross compensation amount of all members of the Board, including the Chairman, by 10% for a period of two months out of the 12 months of the year 2020.

As a result, the annual compensation of the Chairman of the Supervisory Board amounted to €314,666.67 in 2020.

7.6.4 Compensation of members of the Supervisory Board

Participation in meetings of the Supervisory Board

The total amount of compensation (formerly attendance fees) that the Supervisory Board divided among its members in 2019 is recorded under the annual budget for attendance fees of €650,000 authorized by the Ordinary Shareholders' Meeting of 28 May 2014 (thirteenth resolution).

The amount of attendance fees of €33,000 per year and per member, in effect since 2010, will remain unchanged. The fixed portion is set at €12,000 (i.e. approximately one third of attendance fees) and the variable portion based on actual attendance at €21,000 (i.e. around two thirds of attendance fees).

The Lead Member, who is also the Vice Chairman, received an additional fixed annual amount of €40,000 for his or her duties as Lead Member and participation in Group Committees in this capacity.

The Chairman of the Supervisory Board, along with the other members, is not allocated any options, non-recurring compensation, performance shares or termination payments of any kind.

In 2020, in view of the exceptional circumstances arising as a result of the Covid-19 public health crisis, the Supervisory Board decided to reduce the gross compensation amount of all members of the Board, including the Chairman, by 10% for a period of two months out of the 12 months of the year 2020.

Participation in Committee meetings

In 2020, the members of the Committees received, as part of the aforementioned €650,000 annual budget, additional compensation based on their actual attendance at meetings of these Committees, at the rate of €2,500 per meeting. The Chairman additionally collected an annual fixed portion of €12,500 pertaining to the Finance and Audit Committee, and €6,250 pertaining to the Appointments, Compensation and Governance Committee.

Compensation received by the members of the Supervisory Board

Members of the Supervisory Board *In €*		Amounts due and paid in 2019	2020
Ms.	Vivienne Cox	320,000	314,667
Mr.	Pierre Pringuet	94,250	97,473
Ms.	Maria-Pilar Albiac-Murillo	35,833	39,825
Mr.	Philippe Altuzarra	43,000	5,716
Mr.	Cédric de Bailliencourt	33,000	32,450
Ms.	Corine de Bilbao	25,333	36,076
Ms.	Virginie Banet	N/A	47,692
	Bpifrance Participations, represented by Mr. Alexandre Ossola	43,333	48,368
Ms.	Laurence Broseta	59,417	45,971
Mr.	Antoine Cahuzac	N/A	56,234
Ms.	Pascale Chargrasse [(a)]	48,000	54,575
Mr.	Mickaël Dolou [(b)]	43,000	54,575
Mr.	Yuki Iriyama	33,000	31,159
Mr.	Jean-Jacques Morin	60,500	61,950
Mr.	Ayhan Üstün [(c)]	N/A	18,253
Ms.	Alexandra Schaapveld	60,500	8,174
TOTAL		**899,166**	**953,158**

(a) These amounts are in addition to the fixed and variable compensation received by Ms. Pascale Chargrasse under her employment contract with the Group.
(b) This amount is in addition to the fixed and variable compensation received by Mr. Mickaël Dolou under his employment contract with the Group.
(c) This amount is in addition to the fixed and variable compensation received by Mr. Ayhan Üstün under his employment contract with the Group.

7.6.5 Summary of the compensation paid or awarded for the fiscal year ended 31 December 2020 to each of the two Management Board members and to the Chairman of the Supervisory Board

7.6.5.1 Compensation paid or awarded for the fiscal year ended 31 December 2020 to Mr. Philippe Crouzet

Components of compensation paid or awarded for the fiscal year ended 31 December 2020	Amount or value submitted for vote	Presentation
Fixed compensation	€163,227	Unchanged from 2014 until 15 March 2020.
Annual variable compensation	€107,730	See paragraph 7.6.2.3.3 of this report for a description of the annual variable compensation.
Deferred or multi-annual variable compensation	N/A	There is no deferred or multi-annual variable compensation.
Extraordinary compensation	N/A	There is no extraordinary compensation.
Long-term incentive equity instruments	Options = €0	No allocation in 2020.
	Shares = €0	No allocation in 2020.
Attendance fees	N/A	Mr. Philippe Crouzet does not receive attendance fees for corporate offices held within the Vallourec Group.
Valuation of all benefits	€1,093	Car, until 15 March 2020.

Components of compensation paid or awarded during the fiscal year ended that are or were voted on by the Shareholders' Meeting under the related party agreements and commitments procedure	Amount or value submitted for vote	Presentation
Termination payment	€0	See paragraph 7.6.2.3.8.1 of this report for a description of the termination payment scheme.
Right to exercise options or receive performance shares allocated prior to departure maintained	€0	See paragraph 7.6.2.3.8.1 of this report for a description of the conditions under which this authority could be exercised.
Non-compete compensation	€0	See paragraph 7.6.2.3.8.1 of this report for a description of the non-compete compensation scheme.
Supplementary retirement plan	€30,167	See paragraph 7.6.2.3.7 of this report for a description of the supplementary retirement plan.

7.6.5.2 Compensation paid or awarded for the fiscal year ended 31 December 2020 to Mr. Édouard Guinotte

Components of compensation paid or awarded for the fiscal year ended 31 December 2020	Amount or value submitted for vote	Presentation
Fixed compensation	€467,273	For the period between 16 March and 31 December 2020 and taking into account a 10% reduction over two months following the recommendations of the AFEP-MEDEF relating to Vallourec's recourse to a partial reduction in activity.
Annual variable compensation	€308,400	See paragraph 7.6.2.3.3 of this report for a description of the annual variable compensation.
Deferred or multi-annual variable compensation	N/A	There is no deferred or multi-annual variable compensation.
Extraordinary compensation	N/A	There is no extraordinary compensation.
Long-term incentive equity instruments	Options = €150,895	14,650 options allocated for target performance, or 0.128% of the share capital as at 31 December 2020. This allocation was authorized by the Supervisory Board meeting of 18 February 2020, and is included within the twenty-sixth resolution approved by the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020. See paragraph 7.6.2.3.4 of this report for a description of the conditions of these options.
	Shares = €114,993	3,004 performance shares allocated for target performance, or 0.026% of the share capital as at 31 December 2020. This allocation was authorized by the Supervisory Board meeting of 18 February 2020, and is included within the twenty-seventh resolution approved by the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020. See paragraph 7.6.2.3.4 of this report for a description of the conditions of these performance shares.
Attendance fees	N/A	Mr. Édouard Guinotte does not receive attendance fees for corporate offices held within the Vallourec Group.
Valuation of all benefits	€1,119	Car (available from 1 September 2020)

7.6.5.3 Compensation paid or awarded for the fiscal year ended 31 December 2020 to Mr. Olivier Mallet

Components of compensation paid or awarded for the fiscal year ended 31 December 2020	Amount or value submitted for an advisory vote	Presentation
Fixed compensation	€451,942	Taking into account a 10% reduction over two months following the recommendations of the AFEP-MEDEF relating to Vallourec's recourse to a partial reduction in activity.
Annual variable compensation	€223,711	See paragraph 7.6.2.3.3 of this report for a description of the annual variable compensation.
Deferred or multi-annual variable compensation	N/A	There is no deferred variable compensation.
Extraordinary compensation	N/A	There is no extraordinary compensation.
Long-term incentive equity instruments	Options = €103,412	10,040 options allocated for target performance, or 0.088% of the share capital as at 31 December 2020. This allocation was authorized by the Supervisory Board meeting of 18 February 2020, and is included within the twenty-sixth resolution approved by the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020. See paragraph 7.6.2.3.4 of this report for a description of the conditions of these options.
	Shares = €78,665	2,055 performance shares allocated for target performance, or 0.018% of the share capital as at 31 December 2020. This allocation was authorized by the Supervisory Board meeting of 18 February 2020, and is included within the twenty-seventh resolution approved by the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020. See paragraph 7.6.2.3.4 of this report for a description of the conditions of these performance shares.
Attendance fees	N/A	Mr. Olivier Mallet does not receive attendance fees for corporate offices held within the Vallourec Group.
Valuation of all benefits	€5,400	Car

Components of compensation paid or awarded during the fiscal year ended that are or were voted on by the Shareholders' Meeting under the related party agreements and commitments procedure	Amount or value submitted for vote	Presentation
Termination payment	€0	See paragraph 7.6.2.3.8.2 of this report for a description of the termination payment scheme.
Non-compete compensation	N/A	There is no non-compete compensation.
Supplementary retirement plan	€113,665	See paragraph 7.6.2.3.7 of this report for a description of the supplementary retirement plan.

7.6.5.4 Compensation paid or awarded for the fiscal year ended 31 December 2020 to Ms. Vivienne Cox

Components of compensation paid or awarded for the fiscal year ended 31 December 2020	Amount or value submitted for vote	Presentation
Fixed compensation	€314,667	Amount unchanged since 2014 and taking into account a 10% reduction over two months following the recommendations of the AFEP-MEDEF relating to Vallourec's recourse to a partial reduction in activity.
Annual variable compensation	N/A	There is no annual variable compensation.
Deferred or multi-annual variable compensation	N/A	There is no deferred or multi-annual variable compensation.
Extraordinary compensation	N/A	There is no extraordinary compensation.
Long-term incentive equity instruments	N/A	There are no long-term incentive equity instruments.
Attendance fees	N/A	
Valuation of all benefits	N/A	There are no benefits of any kind.

7.6.6 Compensation multiple and annual change in compensation, company performance and the average compensation of employees during the last five fiscal years

In accordance with Article L.225-37-3 of the French Commercial Code, the ratios between the level of compensation of the Chairman, members of the Management Board and the Chairman of the Supervisory Board and, on one hand, the average compensation based on the full-time equivalent of employees other than corporate officers, and on the other hand, the median compensation based on the full-time equivalent of employees other than corporate officers, are listed below. The tables also present the annual change in compensation, company performance and the average compensation of employees during the last five fiscal years.

	2016	2017	2018	2019	2020
Vivienne Cox – Chairman of the Supervisory Board					
Compensation (1)	€320,000	€320,000	€320,000	€320,000	€314,667
(Change compared with the previous fiscal year)	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*- 1.67%*
Average compensation of employees (based on the full-time equivalent other than corporate officers) (2) (3)	€45,530	€41,703	€45,370	€45,192	€49,462
(Change compared with the previous fiscal year)	*5.7%*	*-8.4%*	*8.8%*	*-0.4%*	*9.4%*
Ratio compared with the average compensation of employees (based on the full-time equivalent other than corporate officers)	7.0	7.7	7.1	7.1	6.4
(Change compared with the previous fiscal year)	*-5.4%*	*9.2%*	*-8.1%*	*0.4%*	*-9.9%*
Median compensation of employees (based on the full-time equivalent other than corporate officers) (2) (3)	€32,006	€29,188	€31,991	€31,363	€33,774
(Change compared with the previous fiscal year)	*-0.8%*	*-8.8%*	*9.6%*	*-2.0%*	*7.7%*
Ratio compared with the median compensation of employees (based on the full-time equivalent other than corporate officers)	10.0	11.0	10.0	10.2	9.3
(Change compared with the previous fiscal year)	*0.8%*	*9.7%*	*-8.8%*	*2.0%*	*-8.7%*
NET INCOME (LOSS) (COMPANY PERFORMANCE)	**(807,546,000)**	**(559,729,000)**	**(500,367,000)**	**(340,103,000)**	**(1,328,396,592)**
(Change compared with the previous fiscal year)	*10.1%*	*30.7%*	*10.6%*	*32.0%*	*-290.6%*

(1) Compensation taken into account: as described in paragraph 7.6.5.4.

(2) Compensation taken into account: compensation based on the full-time equivalent paid or awarded during the fiscal year (basic fixed compensation, seniority bonus, benefits in kind (including supplementary pension schemes), year-end bonus, 13th-month bonus, annual variable portion, vacation bonus, foreign travel allowances, performance bonus, gross profit sharing, gross employer matching contribution). Long-term profit sharing plans were valued at their carrying amount applicable at the time of allocation.

(3) Employees taken into account: employees bound by a short-term or permanent employment contract to one of the Group's French entities and continuously present between 2016 and 2020 (excluding Serimax Holdings and Serimax SAS, considering the different specific compensation structure relating to the specific activity of these entities and which are therefore not representative).

	2016	2017	2018	2019	2020
Chairman of the Management Board					
Compensation (1)	€898,861 (3)	€2,165,940	€2,378,169	€1,907,520	€786,785 (4)
(Change compared with the previous fiscal year)	*-30.95%*	*140.96%*	*9.80%*	*-19.79%*	*-58.75%*
Average compensation of employees (based on the full-time equivalent other than corporate officers) (1) (2)	€45,530	€41,703	€45,370	€45,192	€49,462
(Change compared with the previous fiscal year)	*5.7%*	*-8.4%*	*8.8%*	*-0.4%*	*9.4%*
Ratio compared with the average compensation of employees (based on the full-time equivalent other than corporate officers)	19.7	51.9	52.4	42.2	15.9
(Change compared with the previous fiscal year)	*-34.7%*	*163.1%*	*0.9%*	*-19.5%*	*-62.3%*
Median compensation of employees (based on the full-time equivalent other than corporate officers) (1) (2)	€32,006	€29,188	€31,991	€31,363	€33,774
(Change compared with the previous fiscal year)	*-0.8%*	*-8.8%*	*9.6%*	*-2.0%*	*7.7%*
Ratio compared with the median compensation of employees (based on the full-time equivalent other than corporate officers)	28.1	74.2	74.3	60.8	23.3
(Change compared with the previous fiscal year)	*-30.4%*	*164.2%*	*0.2%*	*-18.2%*	*-61.7%*
NET INCOME (LOSS) (COMPANY PERFORMANCE)	**(807,546,000)**	**(559,729,000)**	**(500,367,000)**	**(340,103,000)**	**(1,328,396,592)**
(Change compared with the previous fiscal year)	*10.1%*	*30.7%*	*10.6%*	*32.0%*	*-290.6%*

(1) Compensation of Mr. Philippe Crouzet until 2019, compensation of Mr. Édouard Guinotte as of 2020. The compensation of Édouard Guinotte has been annualized to allow for a comparison on a yearly basis. No variable portion was paid to Édouard Guinotte for his role as Chairman of the Management Board. Compensation taken into account: compensation based on the full-time equivalent paid or awarded during the fiscal year (basic fixed compensation, seniority bonus, benefits in kind (including supplementary pension schemes), year-end bonus, 13th-month bonus, annual variable portion, vacation bonus, foreign travel allowances, performance bonus, gross profit sharing, gross employer matching contribution). Long-term profit sharing plans were valued at their carrying amount applicable at the time of allocation.

(2) Employees taken into account: employees bound by a short-term or permanent employment contract to one of the Group's French entities and continuously present between 2016 and 2020 (excluding Serimax Holding and Serimax SAS considering the different specific compensation structure relating to the specific activity of these entities and which are therefore unrepresentative).

(3) In 2016, Mr. Crouzet waived his right to the payment of his variable portion.

(4) Variable portion paid to Mr. Édouard Guinotte for his role as Chairman of the Management Board in 2020.

	2016	2017	2018	2019	2020
Olivier Mallet – Member of the Management Board					
Compensation (1)	€728,265	€1,045,133	€1,137,772	€934,887	€1,109,371
(Change compared with the previous fiscal year)	*-11.96%*	*43.51%*	*8.86%*	*-17.83%*	*18.66%*
Average compensation of employees (based on the full-time equivalent other than corporate officers) (1) (2)	€45,530	€41,703	€45,370	€45,192	€49,462
(Change compared with the previous fiscal year)	*5.7%*	*-8.4%*	*8.8%*	*-0.4%*	*9.4%*
Ratio compared with the average compensation of employees (based on the full-time equivalent other than corporate officers)	16.0	25.1	25.1	20.7	22.4
(Change compared with the previous fiscal year)	*-16.7%*	*56.7%*	*0.1%*	*-17.5%*	*8.4%*
Median compensation of employees (based on the full-time equivalent other than corporate officers) (1) (2)	€32,006	€29,188	€31,991	€31,363	€33,774
(Change compared with the previous fiscal year)	*-0.8%*	*-8.8%*	*9.6%*	*-2.0%*	*7.7%*
Ratio compared with the median compensation of employees (based on the full-time equivalent other than corporate officers)	22.8	35.8	35.6	29.8	32.8
(Change compared with the previous fiscal year)	*-11.3%*	*57.4%*	*-0.7%*	*-16.2%*	*10.2%*
NET INCOME (LOSS) (COMPANY PERFORMANCE)	**(807,546,000)**	**(559,729,000)**	**(500,367,000)**	**(340,103,000)**	**(1,328,396,592)**
(Change compared with the previous fiscal year)	*10.1%*	*30.7%*	*10.6%*	*32.0%*	*-290.6%*

(1) Compensation taken into account: compensation based on the full-time equivalent paid or awarded during the fiscal year (basic fixed compensation, seniority bonus, benefits in kind (including supplementary pension schemes), year-end bonus, 13th-month bonus, annual variable portion, vacation bonus, foreign travel allowances, performance bonus, gross profit sharing, gross employer matching contribution). Long-term profit sharing plans were valued at their carrying amount applicable at the time of allocation.

(2) Employees taken into account: employees bound by a short-term or permanent employment contract to one of the Group's French entities and continuously present between 2016 and 2020 (excluding Serimax Holding and Serimax SAS considering the different specific compensation structure relating to the specific activity of these entities and which are therefore unrepresentative).

7.7 Individual statements of executive managers

Summary of individual statements relating to the operations involving Vallourec instruments carried out by the people mentioned in Article L.621-18-2 of the French Monetary and Financial Code, during the 2020 fiscal year

Reporting party	Financial instruments	Nature of transaction	Transaction date	Unit price *(in €)*	Transaction amount *(in €)*
Bpifrance Participations	Shares	Loan	03/25/2020	1.0335	5,787,600

7.8 Valid delegations

Authorizations to issue shares and marketable securities providing access to the Company's capital valid as at 31 December 2020 are described in paragraph 2.2.3.1 of this Universal Registration Document.

7.9 Shareholders' participation in the Company's Shareholders' Meetings

Every shareholder is entitled to participate in the Company's Shareholders' Meetings in accordance with applicable statutory and regulatory provisions and regardless of the number of shares held. Article 12 of the bylaws concerning Shareholders' Meetings does not provide any specific conditions for attending and participating, although a double voting right is allocated to all registered shares held by the same owner for at least four years. As part of the implementation of the Safeguard Plan, proposals will be put to the Shareholders' Meeting and the Special Meeting of 20 April 2021 to vote in favor of removing double voting rights with effect from the completion date of all operations scheduled for the Safeguard Plan (see Sections 3.7 and 7.2 of this Universal Registration Document). The double voting right may be removed by a decision of the Extraordinary Shareholders' Meeting after ratification by a Special Meeting of the shareholder beneficiaries.

Since Vallourec places great importance on listening to its shareholders, it endeavors, whenever it can, to improve shareholder participation at its Shareholders' Meetings by making shareholders aware of the meetings in advance, by publishing information over and above that required by law in specialist publications and by sending a letter to all shareholders.

The attendance register at the Ordinary and Extraordinary Shareholders' Meeting of 6 April 2020, held behind closed doors in accordance with the provisions of Order No. 2020-321 of 25 March 2020 relating to the adjustment to rules of meetings and deliberations of meetings and governing bodies of legal entities and entities without a legal identity under private law due to the Covid-19 pandemic, showed that 2,782 shareholders were represented or had voted by post, owning 181,586,312 shares and 189,739,400 voting rights out of 457,464,257 shares with voting rights, representing 466,706,153 voting rights. This attendance shows a quorum of 39.69%.

7.10 Information on factors likely to have an impact in the event of a public takeover bid or a public exchange offer

Items that may have an impact in the event of a public offering are described below, it being specified that the description elements concerning the powers of the Management Board and the Supervisory Board will be rendered null and void by implementing the change of governance in a limited company with a Board of Directors provided for by the Safeguard Plan on the Date of Change of Governance.

7.10.1 Structure of share capital and direct or indirect shareholdings declared in accordance with Articles L.233-7 and L.233-12 of the French Commercial Code

A table showing the structure of Vallourec's share capital and direct or indirect shareholdings in the capital declared in accordance with Articles L.233-7 and L.233-12 of the French Commercial Code (Code de commerce) is presented in Section 2.3 of this Universal Registration Document.

7.10.2 Statutory restrictions on the exercise of voting rights

Article 8 paragraph 5 of the Company bylaws lays down an obligation of disclosure on any person who comes to hold or to cease to hold a number of bearer shares of the Company equal to or greater than three (3), four (4), six (6), seven (7), eight (8), nine (9) or twelve and a half (12.5) percent of the total number of shares comprising share capital (see Section 2.1.9 of this Universal Registration Document).

In the event of failure to comply with this obligation of disclosure, and at the request of one or more shareholders holding at least 5% of the Company's shares, the voting rights attached to the shares exceeding the fraction that should have been declared cannot be exercised or delegated by the shareholder who failed to meet the obligation, for all Shareholders' Meetings held for a period of two years following the date of the proper disclosure notification.

7.10.3 Holders of any security containing special rights of control

Article 12, paragraph 4 of the bylaws provides for fully paid-up shares that have been duly registered in the name of the same shareholder for four (4) years to have double the voting rights conferred on other shares. Apart from this condition, there are no other securities that have special rights of control.

7.10.4 Control mechanisms within an employee share ownership system

In accordance with Article L.214-40 of the French Monetary and Financial Code (Code monétaire et financier), the Supervisory Boards of the Vallourec Actions, Value France Germany UK and Value Brazil Mexico UAE company mutual funds (FCPEs) decide whether to contribute Company securities to a public offering to purchase or exchange these shares.

7.10.5 Agreements between shareholders of which the Company is aware that could lead to restrictions on the transfer of shares and the exercise of voting rights

Except for (i) the agreement not constituting a concerted action entered into with NSC on 1 February 2016 and (ii) the shareholders' agreement not constituting a concerted action entered into with Bpifrance Participations on 1 February 2016 (see Section 2.3.3 of this Universal Registration Document), as well as (iii) the support and subscription commitments entered into between NSC and the Company, and Bpifrance Participations and the Company, respectively, on 3 February 2021 (the "**Support and Subscription Commitments**"), as part of the Company's financial restructuring provided for by the Safeguard Plan (the "**Financial Restructuring**") there is, to the Company's knowledge, no agreement between shareholders that could lead to restrictions on the transfer of shares and exercise of voting rights of the Company.

As part of its Support and Subscription Commitment and under customary conditions, NSC has undertaken to:

- vote in favor of the resolutions required for the implementation of the Financial Restructuring;
- subscribe for an amount of €35 million, on an irreducible basis, to the capital increase with maintenance of the Shareholders' preferential subscription rights envisaged by the Company in the amount of €300 million ("**Capital Increase**");
- retain Vallourec shares (lock-up commitment), from 3 February 2021 and until a period of 6 months expires as from completion of the Capital Increase (provided that it is carried out); and
- waive their right under the shareholders' agreement signed with the Company on 1 February 2016 to propose a candidate to the Supervisory Board at the Shareholders' Meeting called to approve the financial statements for the 2020 fiscal year.

As part of its Support and Subscription Commitment and under customary conditions, Bpifrance Participations has undertaken to:

- vote in favor of the resolutions required for the implementation of the Financial Restructuring;
- subscribe to the Capital Increase for an amount of €20 million, on an irreducible basis;
- retain its Vallourec shares (lock-up commitment), from 3 February 2021 and until the completion date of the Capital Increase (provided that it is carried out), within a limit of 6 months of completing its subscription commitment.

It is also specified that in view of the dilution that will result from the Financial Restructuring, the shareholders' agreement concluded between NSC and the Company and the shareholders' agreement concluded between Bpifrance Participations and the Company on 1 February 2016 will end on the Financial Restructuring completion date.

Finally, as part of the Lock-Up Agreement, it is anticipated that the Company will enter into two separate governance agreements for a period of 15 years, one with Apollo and the other with SVPGlobal. The aim of these agreements is to set certain rights and obligations in terms of governance, as well as the sale of Company securities by Apollo and SVPGlobal (see Sections 3.7 and 7.2 of this Universal Registration Document).

7.10.6 Rules applicable to the appointment and replacement of the members of the Company's Management Board

No provision in the bylaws, or agreement concluded between the Company and a third party, contains an obligation or particular rule regarding the appointment and/or the replacement of members of the Management Board of the Company that is likely to have an impact in the event of a takeover bid.

From the Date of Change of Governance, the Shareholders' Agreements providing for certain obligations on the composition of the Board of Directors and the appointment of executive management (see Sections 3.7 and 7.2 of this Universal Registration Document) will take effect.

7.10.7 Powers of the Management Board in the event of a takeover bid

Since 2009, the Shareholders' Meetings called to decide on conferring authority on the Management Board to purchase shares of the Company have expressly ruled out the possibility of share buybacks during takeover bids for the Company. The Shareholders' Meeting of 20 April 2021 will be asked to renew this prohibition on buying back shares during a takeover bid on the Company.

The Shareholders' Meeting of 23 May 2019 suspended the Management Board's ability to use the resolutions to increase the Company's share capital (with the exception of capital increases reserved for employees or allocations of medium-/long-term incentive instruments (performance shares and options)) during takeover bids for the Company, except with the prior authorization of the Shareholders' Meeting.

The Management Board is not authorized by the Shareholders' Meeting to issue share subscription warrants during a takeover period on shares of the Company, as stipulated in Article L.233-32-II of the French Commercial Code (Code de commerce). No draft resolution in this regard is due to be put to the Shareholders' Meeting of 20 April 2021.

7.10.8 Agreements made by the Company that would be amended or terminated in the event of a change in control of the Company

Some agreements made by the Company contain a change of control clause. The most significant ones, which could have an impact in the event of a takeover bid include: certain industrial agreements with Nippon Steel Corporation (NSC) and Sumitomo Corporation (see Section 5.1.3 of this Universal Registration Document); the shareholders' agreement not constituting a concerted action entered into with NSC on 1 February 2016, and the shareholders' agreement not constituting a concerted action entered into with Bpifrance Participations on 1 February 2016 (see Section 2.3.3 of this Universal Registration Document); the confirmed credit line of €1.1 billion expiring in February 2019 (initially extended for €1.078 billion to February 2020 and then a second time for €1.034 billion to February 2021), entered into on 12 February 2014; the confirmed credit line of €400 million expiring in July 2020 (extended for €300 million to February 2021), entered into on 21 September 2015; the confirmed credit line of €450 million expiring in February 2020 (extended for €300 million to February 2021), entered into on 2 May 2016; a bilateral line of €90 million expiring in February 2021; and the bond issues of August 2012, September 2014, September 2017, October 2017, and April 2018 (see Section 2.2.6 "Non-equity instruments" of this Universal Registration Document).

7.10.9 Agreements providing for payments to members of the Management Board or employees, if they resign or are dismissed for no real or serious cause, or if their employment is terminated due to a takeover bid

The mechanisms linked to the termination of corporate offices and/or, where applicable, the employment contracts of Mr. Edouard Guinotte, Chairman of the Management Board, and Mr. Olivier Mallet, member of the Management Board, are described in the compensation policy for corporate officers appearing in Section 7.3.1 of this Universal Registration Document and in the Supervisory Board's Report on the 2020 compensation of corporate officers, which appears in Section 7.6 of Chapter 7 of this Universal Registration Document.

7.11 Supervisory Board observations on the management report of the Management Board and the financial statements

The Supervisory Board reviewed the Management Board's management report and the parent company and consolidated financial statements for fiscal year 2020, along with the various documents attached thereto. It has no particular observations to make on these documents.

8

Additional information

8.1 Statutory Auditors' special report on regulated agreements

Annual General Meeting held to approve the financial statements for the year ended 31 December 2020

This is a free translation into English of the statutory auditors' special report on regulated agreements with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code ("Code de commerce") and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders of Vallourec,

In our capacity as statutory auditors of your Company, we hereby present to you our report on the regulated agreements.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, and the reasons justifying that these agreements are in the company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to article R. 225-58 of the French Commercial Code ("Code de Commerce"), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information stipulated in article R. 225-58 of the French Commercial Code relating to the implementation during the past year of agreements previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors ("Compagnie Nationale des Commissaires aux Comptes") relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

AGREEMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements authorised during the past year

We hereby inform you that we have not been advised of any agreement authorised during the year to be submitted for the approval of the Shareholders' Meeting pursuant to article L. 225-86 of the French Commercial Code ("Code de commerce")

Agreements authorised since the year-end closing

We have been advised of the following agreements which have been authorised since the year-end closing and which received the prior approval of your Supervisory Board on 31 January 2021.

Support and subscription commitment entered into between Nippon Steel Corporation and the Company

Shareholder concerned: Nippon Steel Corporation ("NSC"), shareholder of the Company owning 14.56% of share capital and 14.86% of voting rights.

In connection with the Financial Restructuring of the Company as agreed in principle between the Company and its main creditors and reached on 3 February 2021 ("the Financial Restructuring") including in particular a capital increase of approximately 300 million euros with maintenance of preferential subscription rights open to shareholders to subscribe in cash at a price of 5.66 euros per new share (the "2021 Capital increase"). On 3 February 2021, the Company entered into an agreement with NSC ("Shareholder Support Agreement") by which NSC undertakes, provided that usual conditions apply:

- To vote in favour of the resolutions necessary for the implementation of the Financial Restructuring;
- To subscribe for an amount of 35 million euros, *à titre irreducible* only, to the 2021 Capital increase;
- To keep its Vallourec shares (lock-up commitment) from 3 February 2021 until the expiration of a 6 months period from the completion date of the 2021 Capital Increase (provided it is carried-out); and
- To waive its right provided in the agreement entered into with the Company on 1 February 2016, to propose to the Annual General meeting ruling on the accounts for the 2020 financial year a candidate for the functions of member of the Supervisory Board, it being specified that taking into account the dilution that will result from the Financial Restructuring, this agreement will end on the date of completion of the Financial Restructuring.

Your Supervisory Board considered that the conclusion of this contract was in the interest of the Company by contributing to the success of the Financial Restructuring.

Support and subscription commitment entered into between Bpifrance Participations SA and the Company

Shareholder concerned: Bpifrance Participations SA ("Bpifrance"), shareholder of the Company owning 14.56% of share capital and 14.82% of voting rights, represented by M. Alexandre Ossola.

In connection with the Financial Restructuring of the Company including in particular the 2021 Capital increase, the Company entered on 3 February 2021 into an agreement with Bpifrance ("Shareholder Support Agreement") by which Bpifrance undertakes, provided that usual conditions apply:

- To vote in favor of the resolutions necessary for the implementation of the Financial Restructuring;
- To subscribe for an amount of 20 million euros, *à titre irreducible* only, to the 2021 Capital increase; and
- To keep its Vallourec shares (lock-up commitment), from 3 February 2021 until the completion date of the 2021 Capital Increase (provided it is carried-out), within the limit of a 6 months period after fulfilment of its subscription commitment.

It is also specified that given the dilution that will result from the Financial Restructuring, the agreement entered into between Bpifrance and the Company on 1 February 2016 will end on the date of completion of the Financial Restructuring.

Your Supervisory Board considered that the conclusion of this contract was in the interest of the Company by contributing to the success of the Financial Restructuring.

AGREEMENTS PREVIOUSLY APPROVED BY THE ANNUAL GENERAL MEETING

Agreements approved in previous years and whose execution continued during the past year

We hereby inform you that we have not been advised of any agreements, previously approved by the Annual General Meeting, which did not have continuing effect during the year.

Agreements approved during the past financial year

We were also informed of the execution, during the past financial year, of the following agreements, already approved by the general meeting of 6 April 2020, on the special report of the auditors of 28 February 2020.

Subscription agreement signed with Nippon Steel Corporation in connection with the Company capital increase of 800 million euros contemplated in 2020

Shareholder concerned: Nippon Steel Corporation ("NSC"), shareholder of the Company owning 14.56% of share capital and 14.86% of voting rights.

In connection with the Company capital increase of 800 million euros contemplated in 2020 ("the 2020 Capital increase"), your company signed on 17 February 2020 a Subscription Agreement with NSC whereby NSC undertook, provided that usual conditions apply:

- To vote in favour of the resolutions related to the 2020 Capital increase;
- To exercise, *à titre irreducible* only, a number of the preferential subscription rights that it will receive such that NSC will hold about 10% of Vallourec's share capital after completion of the 2020 Capital increase; and
- To enter in lock-up agreement, whereby NSC shall not Transfer any Vallourec shares held by NSC for a 6 months period from the completion date of the 2020 Capital increase.

This agreement, which had been previously authorized by your Supervisory Board meeting on 12 February 2020, gave rise to execution during the year 2020 with the vote of NSC in favour of the resolutions relating to the 2020 Capital Increase during the General Meeting of 6 April 2020. Nevertheless, the commitment relating to the subscription to the 2020 Capital Increase and to the lock-up agreement did not give rise to execution since the Company did completed this operation.

Subscription agreement signed with Bpifrance Participations in connection with the Company capital increase of 800 million euros contemplated in 2020

Shareholder concerned: Bpifrance Participations SA ("Bpifrance"), shareholder of the Company owning 14.56% of share capital and 14.82% of voting rights, represented by M. Alexandre Ossola.

In connection with the Company capital increase of 800 million euros contemplated in 2020 ("the 2020 Capital increase"), your company signed on 17 February 2020 a Subscription Agreement with Bpifrance whereby Bpifrance undertook, provided that usual conditions apply:

- To vote in favour of the resolutions related to the 2020 Capital increase;
- To exercise, à titre irreducible only, all the preferential subscription rights that it will receive in respect of the Shares that it will hold on the date of the 2020 Capital increase; and
- To enter in lock-up agreement whereby Bpifrance shall not Transfer any Vallourec shares held by Bpifrance starting as from 17 February 2020 and for a period ending 6 months period after the completion date of the Capital increase. Notwithstanding the above, the lock-up period shall end by anticipation if a material adverse change occurs in respect of the Company (material adverse change).

This agreement, which had been previously authorized by your Supervisory Board meeting on 12 February 2020, gave rise to execution during the year 2020 with the vote of Bpifrance in favour of the resolutions relating to the 2020 Capital Increase during the General Meeting of 6 April 2020. Nevertheless, the commitment relating to the subscription to the 2020 Capital Increase and to the lock-up agreement did not give rise to execution since the Company did completed this operation.

Paris-La-Défense, March 25th, 2021

The Statutory Auditors

KPMG S.A.	Deloitte & Associés
Alexandra Saastamoinen	Véronique Laurent

8.2 Concordance tables and information incorporated by reference

8.2.1 Concordance table comparing the Universal Registration Document and Annexes 1 and 2 to Commission Delegated Regulation (EU) 2019/980 of 14 March 2019

Annexes 1 and 2 to Commission Delegated Regulation (EU) 2019/980 of 14 March 2019		Universal Registration Document Chapters/Sections	Universal Registration Document Pages
1.	**Persons responsible, third party information, experts' reports and competent authority approval**		
1.1	Names of persons responsible	1.1	10
1.2	Declaration of persons responsible	1.2	10
1.3	Declaration or expert's report	N/A	N/A
1.4	Confirmations relating to third party information	N/A	N/A
1.5	Declaration without prior approval of the competent authority	Cover page	
2.	**Statutory Auditors**		
2.1	Name and address of the Statutory Auditors	1.3	11
2.2	Statutory Auditors who have resigned, been removed or who have not been re-appointed during the period covered	N/A	N/A
3.	**Risk factors**	**5.1**	**172**
4.	**Information about the issuer**		
4.1	Legal and commercial name	2.1.1	14
4.2	Place of registration, registration number and legal entity identifier (LEI)	2.1.2	14
4.3	Date of incorporation and length of life	2.1.3	14
4.4	Domicile, legal form, legislation, country of incorporation, address and telephone number of the registered office and website	2.1.1 / 2.1.2	14 / 14
5.	**Business overview**		
5.1	Principal activities	3.2 / 3.3 / 3.8	38 / 53 / 80
5.1.1.	Nature of operations and principal activities	3.2 / 3.5 / 3.8	38 / 67 / 80
5.1.2.	New products and/or services	3.3	53
5.2	Principal markets	3.2.2	43
5.3	Important events in the development of business	3.1 / 3.3.1.3 / 3.5 / 3.6 / 3.8.1 / 3.9	36 / 54 / 67 / 69 / 80 / 91
5.4	Strategy and objectives	3.2 / 3.3 / 3.6 / 3.9	38 / 53 / 69 / 91
5.5	Dependence on patents, licenses, industrial, commercial or financial contracts or new manufacturing processes	3.3	53
5.6	Basis for any statements made by the issuer regarding its competitive position	3.2.3	44
5.7	Investments	3.8.2.3	87
5.7.1.	Material investments made	3.8.2.3	87
5.7.2.	Investments in progress or for which firm commitments have already been made	3.8.2.3	87
5.7.3.	Joint ventures and undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses	6.1.7 (Note 5)	224
5.7.4.	Environmental issues that may affect the issuer's utilization of the tangible fixed assets	3.11.2 / 4.2.4	93 / 126
6.	**Organizational structure**	**3.2.6**	**46**
6.1	Brief description of the Group	3.2.6	46
6.2	List of significant subsidiaries	3.2.6 / 6.1 (Note 10)	46 / 250

Annexes 1 and 2 to Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Universal Registration Document Chapters/Sections	Pages
14. Board practices	**7.1.2**	**308**
14.1 Date of expiration of the current term of office and the period during which the person has served in that office	7.1.1	285
14.2 Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate statement to the effect that no such benefits exist	7.1.4	319
14.3 Information about the issuer's audit committee and remuneration committee	7.1.2.6	312
14.4 Statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to the issuer	7.1.6	320
14.5 Potential material impacts on corporate governance		
15. Employees	**4.2.2.1**	**107**
15.1 Number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information and a breakdown of persons employed by main category of activity and geographic location	4.2.2.1	107
15.2 Shareholdings and stock options	6.1 (Note 8) / 7.3.2 / 7.5.1	244 / 335 / 342
15.3 Arrangements enabling employees to invest in the share capital	7.5	342
16. Major shareholders	**2.3.1**	**24**
16.1 Name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest, or an appropriate statement to that effect that no such person exists	2.3.1	24
16.2 Existence of different voting rights	2.1.8 / 2.3.1	15 / 24
16.3 Ownership or control, direct or indirect, of the issuer	2.3.1 / 2.3.2	24 / 28
16.4 Arrangements, known to the issuer, the operation of which may at a subsequent date result in a change of control	N/A	N/A
17. Related party transactions	**6.1 (Note 5.3)**	**224**
17.1 Details of related party transactions	6.1 (Note 5.3)	224
18. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	**6**	**191**
18.1 Historical financial information	6	191
18.1.1.Audited historical financial information covering the latest three financial years and the audit report in respect of each year	N/A	N/A
18.1.2.Change of accounting reference date	N/A	N/A
18.1.3.Accounting standards	6.1 (Note 1)	200
18.1.4.Change of accounting framework	6.1 (Note 1)	200
18.1.5.Audited financial information prepared in accordance with national accounting standards	6	191
18.1.6.Consolidated financial statements	6.1	192
18.1.7.Age of financial information	6.1	192
18.2 Interim and other financial information	N/A	N/A
18.2.1.Half-yearly or quarterly financial information	N/A	N/A
18.3 Auditing of historical annual financial information	N/A	N/A
18.3.1.Independent audit of historical annual financial information	6.2 / 6.4	255 / 276
18.3.2.Other information audited by the auditors	4.2	103

Annexes 1 and 2 to Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Universal Registration Document Chapters/Sections	Pages
18.3.3. Financial information not extracted from the audited financial statements	N/A	N/A
18.4 Pro forma financial information	N/A	N/A
18.4.1. Significant change in gross values	N/A	N/A
18.5 Dividend policy	2.5	31
18.5.1. Description of the policy for dividend distributions and any restrictions thereon	2.5	31
18.5.2. Amount of dividend per share	2.5	31
18.6 Legal and arbitration proceedings	3.13 / 6.1 (Note 9)	94 / 248
18.6.1. Significant proceedings	N/A	N/A
18.7 Significant change in the issuer's financial position	3.7 / 6.1 (Note 11)	72 / 252
18.7.1. Description	3.7 / 6.1 (Note 11)	72 / 252
19. Additional information		
19.1 Share capital	2.2.2	16
19.1.1. Amount of capital issued and authorized, number of shares issued and fully paid and issued but not fully paid, par value per share, reconciliation of the number of shares outstanding at the beginning and end of the year	2.2.2 / 2.2.5	16 / 21
19.1.2. Information about shares not representing capital	2.2.6	22
19.1.3. Number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer	2.2.4	20
19.1.4. Information about convertible securities, exchangeable securities or securities with warrants	2.2.3.4	19
19.1.5. Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	2.2.3	17
19.1.6. Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	2.3.1	24
19.1.7. History of share capital	2.2.5	21
19.2 Memorandum and Articles of Association	N/A	N/A
19.2.1. Register and issuer's objects and purposes	2.1.4	14
19.2.2. Rights, preferences and restrictions attaching to each class of existing shares	2.2.1 / 7.10	16 / 367
19.2.3. Provisions of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer	2.2.1 / 7.10	16 / 367
20. Material contracts	**3.3.1 / 3.7 / 5.1.3 / 5.1.4 / 6.1 (Note 7) / 6.1 (Note 11)**	**53 / 72 / 176 / 179 / 230 / 252**
20.1 Summary of each material contract	3.3.1 / 5.1.3 / 5.1.4 / 6.1 (Note 7) / 6.1 (Note 11)	53 / 176 / 179 / 230 / 252
21. Documents available	**2.1.5 / 2.6**	**14 / 32**
21.1 Statement on documents that may be inspected	2.1.5 / 2.6	14 / 32

8.2.2 Concordance table between Vallourec's Universal Registration Document and the annual financial report

	Universal Registration Document	
Annual financial report	**Chapters/Sections**	**Pages**
1. Parent company financial statements	6.3	259
2. Group consolidated financial statements	6.1	192
3. Statutory Auditors' report on the company financial statements	6.4	276
4. Statutory Auditors' report on the consolidated financial statements	6.2	255
5. Management report including at least the information referred to in Articles L.22-10-34, L.225-100-2, L.225-100-3 and L.225-211 paragraph 2 of the French Commercial Code (Code de commerce)	8.2.3	374
6. Statement by the person responsible for the annual financial report	1.2	10
7. Statutory Auditors' fees (Article 222-8 of the AMF's General Regulations)	6.1 (Note 11)	252
8. Supervisory Board report on compensation in 2020 for corporate officers	7.6	348

8.2.3 Concordance table between the Universal Registration Document and the Management Board report

This Universal Registration Document includes all elements from the Board's management report as required by law and the regulations. The table below identifies the sections and pages of this Universal Registration Document constituting the management report.

	Universal Registration Document	
Management report	**Chapters/Sections**	**Pages**
1. Activities and business development of the Group – Progress and challenges	3.2 / 3.4	38 / 58
2. Results of the Group – Financial position and performance indicators	3.8	80
3. Changes to the presentation of the annual financial statements or the valuation methods applied in prior years	6.3.3	260
4. Material events between the reporting date and the date the report was prepared	3.5	67
5. Foreseeable developments and the Company's outlook*	3.9	91
6. Payment periods for suppliers and customers	3.10	92
7. Amount of dividends paid during the past three years	2.5	31
8. Vallourec results table for the last five financial years	6.3.E.7	275
9. Description of the principal risks and uncertainties the Group faces – Exposure to interest rate, credit, liquidity and cash risks – Internal control and risk management procedure*	5.1	172
10. Use of financial instruments by the Group, where it is relevant for the assessment of its assets, liabilities, financial position and income or loss	2.2.6 / 5.1.4	22 / 178
11. Significant equity stakes in companies headquartered in France	N/A	N/A
12. Injunctions or monetary penalties for anti-competitive practices	N/A	N/A
13. Research and development activities	3.3	53
14. Oversight plan	4.1	99
15. Consolidated statement of non-financial performance	4.2	103
16. Composition of share capital	2.3.1	24
17. Employee share ownership	2.3.1 / 7.5.2	24 / 348
18. Share repurchases	2.2.4	20
19. Share transfers made to regularize cross-shareholdings or takeovers of such companies	N/A	N/A
20. Summary of valid authorizations for capital increases and use made of these authorizations during fiscal year 2020	2.2.3	17
21. Adjustments of the rights of holders of transferable securities giving access to capital or options	N/A	N/A

* *Item having been the subject of additional information since the approval of the financial statements.*

8.2.4 Concordance table between the Universal Registration Document and the Supervisory Board's corporate governance report

This Universal Registration Document includes all elements from the Supervisory Board's corporate governance report as required by law and the regulations. The table below identifies the sections and pages of this Registration Document constituting the corporate governance report.

	Universal Registration Document	
Corporate governance report	**Chapters/Sections**	**Pages**
1. Composition of the Management and Supervisory Boards	7.1.1	285
2. Mandates and functions of corporate officers	7.1.1.1	285
3. Diversity policy applied to members of the Supervisory Board	7.1.1.2	288
4. Conditions for preparation and organization of the Board's work	7.1.2.2	308
5. Declaration on corporate governance – Compliance with the AFEP-MEDEF Code	7.1.6	320
6. Compensation policy for corporate officers	7.3.1	327
7. Compensation of corporate officers	7.3.2	335
8. Allocation of stock options	7.5.1	342
9. Allocation of shares free of charge or performance shares	7.5.1	342
10. Employee share ownership	7.5.2	348
11. Supervisory Board report on compensation in 2020 for corporate officers	7.6	349
12. Securities transactions made by executives	7.7	364
13. Valid delegations regarding capital increases	7.8	364
14. Shareholders' participation in the Company's Shareholders' Meetings	7.9	364
15. Measures having an impact in the event of a takeover bid	7.10	364
16. Supervisory Board observations on the management report of the Management Board and the financial statements	7.11	366

8.2.5 Information included by reference

In accordance with Annex 1 to Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council, this Universal Registration Document incorporates the following information by reference (available on Vallourec's website: https://www.vallourec.com/en/hub-finance/informations-reglementees):

- the parent company and consolidated financial statements for the year ended 31 December 2019, the Statutory Auditors' reports thereon, and the management report, presented respectively in Sections 6.3 (pages 236 to 250), 6.1 (pages 170 to 231), 6.2 (pages 232 to 235), 6.4 (pages 251 to 254), 8.1.1 (pages 330 to 331) and 8.2.3 (page 337) of the 2019 Universal Registration Document, filed with the French securities regulator (Autorité des Marchés Financiers) on 20 March 2020 under No. D. 20-0154; and
- the parent company and consolidated financial statements for the year ended 31 December 2018, the Statutory Auditors' reports thereon, and the management report, presented respectively in Sections 6.3 (pages 234 to 248), 6.1 (pages 160 to 230), 6.2 (pages 231 to 233), 6.4 (pages 249 to 252), 8.1.1 (pages 324 to 326) and 8.2.3 (page 331) of the 2018 Registration Document, filed with the French securities regulator (Autorité des Marchés Financiers) on 29 March 2019 under No. D. 19-0231.

8.3 Other periodic information required under the General Regulations of the French securities regulator (*Autorité des Marchés Financiers*)

The Universal Registration Document includes some of the periodic information required under the terms of the AMF's General Regulations. The following table provides details of the pages of this Universal Registration Document on which this information appears.

	Universal Registration Document	
	Sections	**Pages**
Supervisory Board report on compensation in 2020 for corporate officers	7.6	349
Statutory Auditors' fees (Article 222-8 of the AMF's General Regulations)	6.1 (Note 11)	252
Description of the share buyback program (Article 241-2 of the AMF's General Regulations)	2.2.4	20

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A French limited company (société anonyme) with Management
and Supervisory Boards and issued capital of €228,993.88