




2012 ACTIVITY AND SUSTAINABLE DEVELOPMENT REPORT




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MEETING TOMORROW'S ENERGY CHALLENGE... TODAY

The increasing complexity of accessing available hydrocarbon reserves to meet the world's growing energy needs is driving development of ever more advanced solutions. Improving energy efficiency also requires very sophisticated technology for electrical power plants. A global leader in premium tubular solutions, Vallourec's innovative products and services respond to the specific challenges of oil and gas and power generation markets. The Group also provides its expertise to improve industrial sector performance. The company applies its business model based on innovation, local presence and ongoing competitiveness improvement while closely monitoring any impacts from its operations on people and ecosystems.



EXTREME PERFORMANCE

The depletion of traditional hydrocarbon fields is moving oil and gas exploration to remoter locations and greater depths in order to keep up with rising demand for energy. Vallourec's premium products and services enable its customers to tackle the challenge. Operating these deposits – reaching depths of more than 7,000 meters at offshore fields – requires ever more advanced technologies resistant to the high pressure/high temperature conditions such as in the North Sea, the Gulf of Guinea or Asian coastal waters, and to the corrosive environments of Brazil's pre-salt deposits. In the wake of the 2010 accident in the Gulf of Mexico, reliability, safety and environmental standards also have tightened significantly.



To learn more about our oil & gas products and services:
see p. 22 to 25 and www.vallourec.com



UNCONVENTIONALLY RESOURCEFUL

Rapidly diminishing conventional energy resources, the pursuit of energy independence and implementation of new technologies are driving many countries to operate their reserves of “non-conventional” hydrocarbons – including shale oil and gas. In the United States, shale plays are home to approximately two thirds of the country’s drilling activity. A wellspring of new technologies has overcome long-standing feasibility and cost barriers, enabling access to the compacted, watertight layers of oil and gas-bearing sedimentary clay that lies as much as 3,000 meters beneath the earth. Vallourec’s leak-proof, torque-resistant tubes and premium connections are optimally designed to operate under the harsh conditions of extraction in deviated wells with 2,000-meter horizontal sections. To respond to the increasing demand in the United States, the Group built a small diameter tubes manufacturing plant in Ohio, from which the first deliveries were made at the end of 2012.



To learn more about our oil & gas products and services:
see p. 32 to 33 and www.vallourec.com



ULTRA-SUPERPOWER PLANTS

Global electricity generation is projected to grow by 32% between 2010 and 2020, particularly in Asia. The share of electricity produced by India and China, which account for nearly two thirds of planned increases in coal-based electric generation capacity, is expected to rise from 24% in 2010 to 33% in 2020⁽¹⁾. The only supplier in the world able to provide all of the tubes needed by power plants, Vallourec's specialized tubular solutions meet the demands of the latest generation of supercritical and ultra-supercritical thermal power plants. Vallourec R&D teams are designing ever more efficient and corrosion-resistant steel tubes for next generation power plants that will be capable of withstanding even higher temperatures (up to 700°C) and pressure (350 bars). These new conditions will enable the next generation of power plants to reach higher yields and to reduce their CO₂ emissions by 33%.

(1) Source: IEA – International Energy Agency – World Energy Outlook 2012.



For more information about our electric power products and services:
see p. 26-27 and www.vallourec.com



A BREATH OF FRESH AIR

Wind power today is the world's most dynamic energy system, particularly when located offshore, according to the French renewable energies observatory. The European Wind Energy Association (EWEA) forecasts 40 GW of installed capacity in the North and Baltic seas by 2020, the equivalent of about 8,000 new offshore wind turbines, with another 20,000 units to be added between 2020 and 2030. Vallourec has designed PREON® marine, an innovative, ecological solution to more easily, quietly and inexpensively install the foundations for offshore wind turbines. The innovation is opening new business opportunities and making possible operation in areas subject to stringent environmental regulations.



To learn more about the PREON® marine solution:
see p. 28 and www.vallourec.com



LIGHTEN UP

Population growth and urbanization are among the major challenges facing the global construction industry. To the constant search by architects for performance and creativity, let's add technical, aesthetic and environmental requirements as key factors. Attuned to this market, Vallourec is developing tubes in new steel grades. Its high-mechanical resistance structural tubes optimize resilience and structural elasticity while reducing weight. The Group's modular systems allow pre-assembly of structures, reducing construction time. Vallourec tubular solutions are used to build bridges, airports and stadiums. The facade and impressive retractable roof of the new national stadium in Warsaw, Poland, which hosted several Euro 2012 matches, is one of the Group's many achievements.



For more information about our construction and engineering products and services:
see p. 28-29 and www.vallourec.com



LONG LIVE NATURAL RESOURCES!

Industrial companies are increasingly focused on reducing their environmental footprint, including by preserving natural resources. From its steel-making activities through its entire production chain, Vallourec pays close attention to the sustainability of its operations. To limit use of ore, recycled scrap is used for 50% of the steel needed in tube manufacturing. In Brazil, the Group has invested to extend the life of the iron mine it operates. Its biomass process, launched in 1969, uses charcoal produced from plantation-grown eucalyptus to supply the blast furnaces of its steel mill. The harvested area is then replanted and the growing trees absorb the CO₂ emitted during combustion. Local R&D teams are working on improvements to tree genetics and soil fertilization.



*For more information on Vallourec's natural resources management policy:
see p. 62 to 68 and www.vallourec.com*



TALENT, OUR PRIMARY RESOURCE

Managing expertise and skills development worldwide has become a strategic issue for international industrial companies. With more than 23,000 employees, Vallourec has implemented several programs to develop a common culture of excellence, enhance the expertise of its teams and anticipate future recruitment and training needs in the 20 countries in which it operates. Vallourec's internal university trains and unites Group employees around strategic themes such as innovation, leadership, customer focus and project management. An Experts program offers individualized paths in excellence areas related to the company's businesses. Through an array of recruiting programs, Vallourec works to integrate the talents needed to respond to today's challenges – and tomorrow's.



For more information on Vallourec's human resources policy:
see p. 55 to 57 and www.vallourec.com

Vallourec is a world leader in premium tubular solutions primarily serving the energy markets (oil and gas, power generation). Its expertise also extends to the industry sector (including mechanical engineering, automotive and construction). With more than 23,000 employees, sales of €5.3 billion in 2012 – 78% generated outside Europe –, integrated manufacturing facilities in more than 20 countries and cutting-edge R&D, Vallourec provides customers with innovative global solutions that respond to the energy challenges of the 21st century.



JEAN-PAUL PARAYRE

Chairman of the Supervisory Board

“ Vallourec reached a new milestone in its history with the commissioning and ramp-up of its two new rolling mills in Brazil and the US. For many years, our capacity increases were driven by acquisitions, from the creation of our joint venture with Mannesmann in 1997 to the successive acquisitions of Mannesmann do Brasil in 2000 and North Star Tubes and Atlas Bradford in the US, in 2002 and 2008. Part of our international development strategy, these acquisitions contributed to Vallourec's remarkable expansion during this century's first decade.

More recently, having modernized our European plants, the Group made the ambitious decision to build two new plants, one in Brazil and one in Ohio. Beyond the technical challenges and financial investments that these two projects represent, their start-up marks the beginning of a new industrial and human adventure. The challenge for Vallourec is to provide premium solutions to its customers around the world that enable them to exploit oil and gas fields that are increasingly difficult to access, whether in deep sea or in non-conventional basins.

Vallourec continues to implement its balanced development model, based on a long-term industrial vision and a commitment to social responsibility. Year after year, we have focused our investments on research and development because we know how much our business success is based on our technological leadership. We work to continuously improve our competitiveness. We attach great importance to the safety of our employees, career management, profit sharing with our teams – including through employee shareholding –, respect for our host communities and reduction of our environmental footprint.

As I depart from the chairmanship of the Supervisory Board, I am pleased that my successor is Vivienne Cox. Her deep knowledge of the energy sector acquired at a large international group and her management experience will further enhance the quality of governance of Vallourec's Supervisory Board, of which she has been a member since 2010.

I want to thank the Group and its shareholders for their trust. I am proud of the strategic directions that we have supported and the work achieved and am convinced that the Group is on the right path and in good hands. Vallourec has incomparable strengths. Its innovation orientation, culture of excellence and global presence are for me the most certain guarantees of success for the future.

”



PHILIPPE CROUZET

Chairman of the Management Board

How would you describe the year 2012?

PHILIPPE CROUZET: We had a mixed year. We were adversely affected by the economic downturn, especially in Europe, with a lower level of business activity in industrial markets, particularly the mechanical engineering sector. However, our Oil & Gas activities have continued to grow, generating record revenues and now representing more than 60% of our sales. We achieved a large number of business wins and benefited from a relatively buoyant environment as a result of our leadership positions in tubes and premium connections.

“Our Oil & Gas activities have continued to grow: they now represent more than 60% of our sales.”

What is the outlook for 2013?

P. C.: Despite poor visibility for some business activities, we expect our sales to grow. We should continue to benefit from a good level of activity in oil and gas markets given the favorable forecasts for exploration and production. The VAM® 21 premium connection, a product of our commitment to innovation, offers unrivaled resistance and sealing under the most severe pressure, temperature and corrosion conditions. We also are able to better support our customers through our offer of services, from tube storage to well inspection.

What do you expect from your new plants in Brazil and the United States?

P. C.: The ramp-up of the new plants is the result of a major investment cycle. In 2013, these two strategic projects will contribute to the growth of our sales and results. Our additional capacity and new finishing units will enable us to be both more competitive and closer to our customers. Our US facility will allow us to benefit fully from the increasing exploitation of unconventional hydrocarbons while our Brazilian plant, coupled with our threading lines and

our global licensees network, will enable us to better respond to international demand.

What is the objective of your sustainable development commitment?

P. C.: Our first responsibility is to help our customers be more successful in making oil and gas extraction ever safer for the environment and electric power generation even cleaner and more energy-efficient. Obviously, we focus particularly on the safety of our employees, our own factories' environmental footprint and our stakeholder relationships. Although we have significantly reduced the number of workplace accidents, two tragic fatal accidents in 2012 have reminded us that the work of improving safety is never finished. We have improved our energy efficiency, increased the proportion of recycled scrap material in steel production, reduced our water consumption and increased our support to local communities in Brazil. These tangible results encourage us to continue our actions.

Vallourec will become the Group's single brand in 2013. What does this mean?

P. C.: Our objective is to build a single brand to increase our visibility and reaffirm our leadership. This is an important milestone in the history of Vallourec, which has successfully integrated a large number of companies around the world over the years. We want the Vallourec brand to unite the Group's teams around a strong identity, reflecting its cultural diversity, the passion of its 23,000 employees for their work and the values that they share.

Corporate governance



Management Board

1. PHILIPPE CROUZET

Chairman

2. JEAN-PIERRE MICHEL

Chief Operating Officer

3. OLIVIER MALLET

Chief Financial Officer and General Counsel

4. FLAVIO DE AZEVEDO

TRDI Director and Chairman of V & M do Brasil SA and Vallourec & Sumitomo Tubos do Brasil

5. DIRK BISSEL

Director of the Drilling Products Division

6. PHILIPPE CARLIER

Director of the Upstream Division

7. FRANÇOIS CURIE

Director of Human Resources

8. NICOLAS DE COGNAC

Director of the Powergen and Specialty Powergen Divisions

9. ANDREAS DENKER

Director of the Industry Division

10. PIERRE FRENTZEL

Director of Strategic Projects

11. DIDIER HORNET

Director of the OCTG Division

12. ALEXANDRE LYRA

CEO of V & M do Brasil SA

13. JEAN-YVES LE GUZIAT

Director of Strategic Marketing and Sourcing

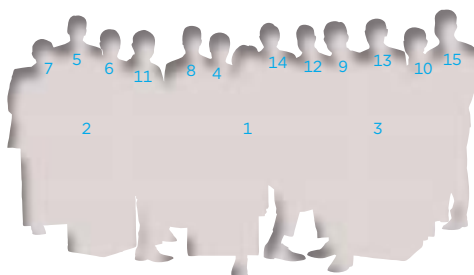


14. DOMINIQUE RICHARDOT

Director of the Pipe
Project Division

15. PHILIPPE ROCH

Chief Performance
Officer



Supervisory Board

Chairman

JEAN-PAUL PARAYRE⁽¹⁾

Director of Bolloré and
the Société Financière
du Planier and member
of the Supervisory
Board of Peugeot SA

Vice-Chairman

PATRICK BOISSIER

Chairman and CEO
of DCNS

Members

OLIVIER BAZIL

Director of Legrand,
Château Palmer and
Firmenich International

PASCALE CHARGRASSE

Business Development
Manager, Valinox
Nucléaire

JEAN-FRANÇOIS CIRELLI

Vice-Chairman,
Executive Vice-
President of GDF SUEZ

VIVIENNE COX⁽²⁾

Director of BG Group
Plc, Pearson Plc and
Rio Tinto Plc

MICHEL DE FABIANI

Director of BP France
and Valeo

JOSÉ CARLOS GRUBISICH

Chairman of Eldorado
Brasil Celulose SA,
Director of Halliburton

ANNE-MARIE IDRAC

Director of Saint-
Gobain, Bouygues,
Total and Mediobanca

EDWARD G. KRUBASIK

Member of the Central
Advisory Board of
Commerzbank,
member of the
Supervisory Board
of Asahi Tec

ALEXANDRA SCHAAPVELD

Member of the
Supervisory Board
of Casino Holland and
Bumi Armada Berhad

BOLLORÉ GROUP

Represented by Cédric
de Baillencourt,
CFO of Bolloré group

Non-voting Board member ("Censeur")

FRANÇOIS HENROT

Chairman of investment
banking activities of
the Rothschild group



APPOINTMENT OF VIVIENNE COX AS CHAIRMAN OF THE SUPERVISORY BOARD

A British national and a graduate of Oxford university and INSEAD, and an Honorary Doctor of the university of Hull, Vivienne Cox has been a member of Vallourec's Supervisory Board since 2010, and has chaired the Strategy Committee since 2011. She spent her entire career with the BP group, from 1981 to 2009.

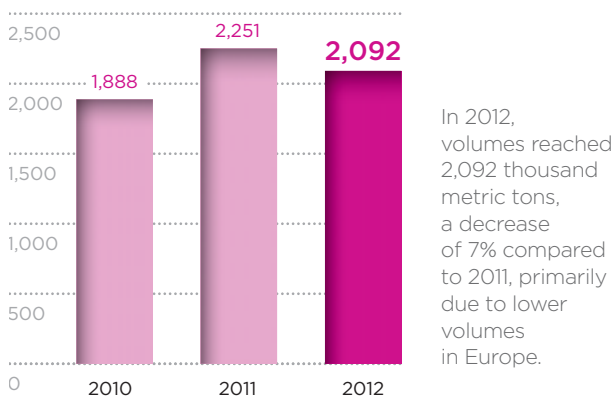
(1) The term of office of Mr Jean-Paul Parayre as Chairman of the Supervisory Board will end following the Annual General Meeting of 30 May 2013.

(2) The Supervisory Board that met on 27 March 2013 appointed Ms Vivienne Cox as Chairman of the Supervisory Board, effective as of the close of the 30 May 2013 Annual General Meeting. Ms Vivienne Cox, a member of the Supervisory Board since 2010, will therefore replace Mr Jean-Paul Parayre.

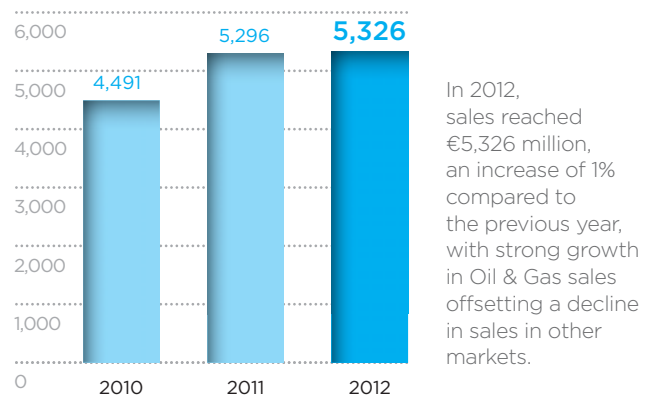
Key figures

Vallourec generated record sales from the oil and gas market in 2012, offsetting lower sales in other markets. Costs related to the start-up of the new mills weighed on the gross margin. The Group nevertheless is nearing completion with its major investments, which will increase capacity and enhance its premium offering in oil and gas.

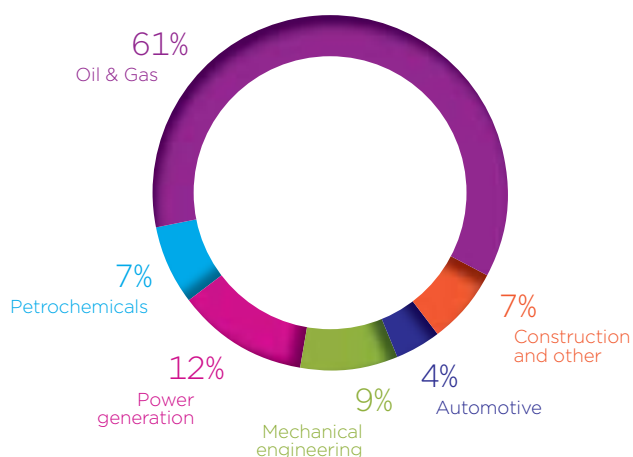
Production volumes in kt



Sales in € million

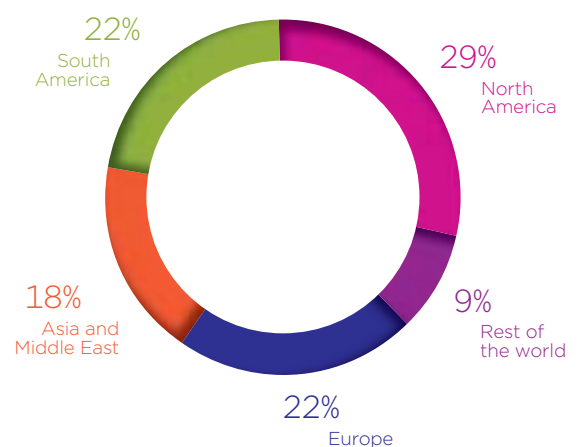


2012 sales by activity



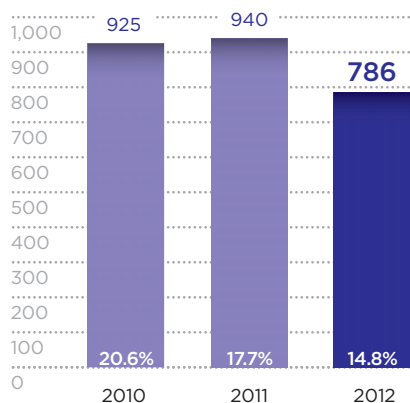
Oil & Gas sales increased to a record €3,233 million in 2012, up 14% compared to 2011. The activity now represents 61% of total sales, compared with 54% in 2011. The share of sales from Petrochemicals and Power generation activities remained relatively stable, while the share from industrial activities declined by 6 points compared to the 2011 level.

2012 sales by geographical area



Sales in North America increased from 26% to 29%, primarily a result of a good product mix and market positioning. Sales in Europe declined by 5 points compared to the 2011 level, mainly due to the decline in industrial production. Results in other areas remained relatively stable.

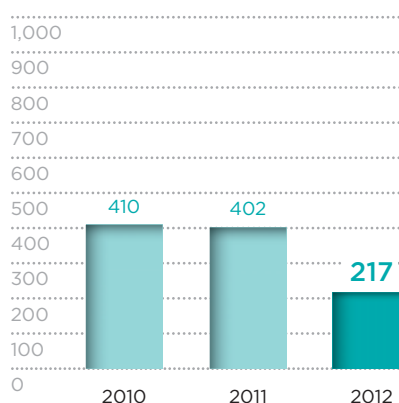
EBITDA in € million



EBITDA totaled €786 million in 2012. The change compared to the 2011 level mainly resulted from lower volumes in Europe and from costs related to the start-up of the new mills.

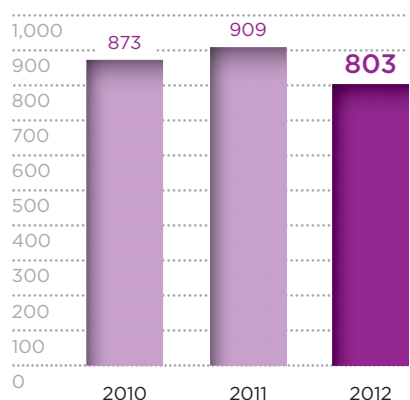
% of sales

Net income, Group share in € million



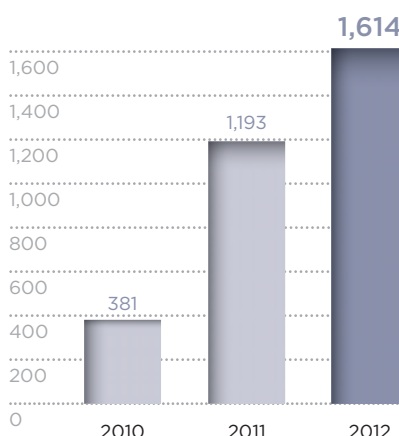
Net income, Group share was €217 million in 2012, compared with €402 million in 2011. Net earnings per share amounted to €1.80.

Gross capital expenditure in € million



Gross capital expenditure amounted to €803 million in 2012, a decrease of €106 million compared to 2011, with major investments in the US and Brazil in the process of being completed.

Net debt in € million



Net debt increased €420 million in 2012 to reach €1,614 million as of December 31, 2012, or 31% of equity (€5,213 million).

Security indicators



To reinforce Vallourec's major priority of continuously improving safety, the Group implemented in 2008 a dedicated program which was extended for three years in 2011. The program has resulted in significant reduction in the number of accidents: the LTIR declined by 72% between 2008 and 2012.

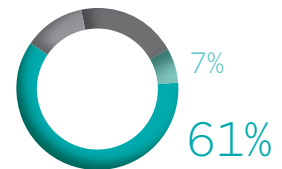
Lost Time Injury Rate (LTIR)
Number of accidents with lost time per million hours worked

Total Recordable Injury Rate (TRIR)
Total number of accidents per million hours worked

Our markets

The global leader in premium tubular solutions primarily serving the oil and gas and power generation markets, Vallourec offers innovative global solutions that meet the energy challenges of the 21st century. Its expertise also extends to the mechanical engineering, automotive and construction markets.

OIL AND GAS (AND PETROCHEMICALS)



Demand for oil and gas continues to increase, driven by the combined effects of a growing world population and the rising needs of emerging countries. The complexity of accessing available reserves is increasing the share of production from offshore operations each year while the market for non-conventional hydrocarbons in the United States is experiencing unprecedented growth.

The Vallourec offer responds to today's needs in these new deposits. It comprises ever more premium products, including tubes and connections for drilling and equipping of oil and gas wells. Additional products include offshore line pipe for transporting hydrocarbons, welded tubes for umbilicals and onshore tubes for industrial fluid and hydrocarbon processing. Vallourec's VAM® Global Solutions provides a complete range of products and services to deliver a customized response to oil company needs in the design of wells, training, logistics and on-site services.

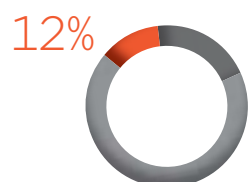
>33%

Expected growth in global energy demand by 2035
(source: IEA - International Energy Agency - World Energy Outlook)

€3,233

million of sales generated by Vallourec's Oil & Gas activity and €358 million by Vallourec's Petrochemicals activity in 2012

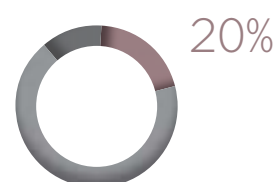
POWER GENERATION



Global demand for electricity is growing at a very fast pace. Coal, the leading global fuel for electricity production, feeds increasingly efficient supercritical and ultra-supercritical power plants, which emit decreasing amounts of CO₂. Nuclear power generation is increasing, led by China, India and South Korea, even while its share in the electricity mix decreases slightly.

The Vallourec offer is the only one in the world to include all of the seamless tubes needed by nuclear and conventional power plants. The specialist in seamless tubes for thermal plant boilers or nuclear power plant steam generators – nuclear accounts for over 20% of the Group's Power generation activity –, Vallourec also provides titanium and stainless steel welded tubes for heat exchangers. Vallourec works constantly to develop new steel grades capable of withstanding extremely high pressure and temperatures.

INDUSTRY



The slowdown in the global economy, particularly the decline in industrial production in Europe and Brazil, affected industrial markets in 2012. In parallel, customer needs are increasingly technical, such as improving mechanical engine efficiency and delivering lighter structures.

The Vallourec offer must anticipate these new needs. Its hollow sections, tubes and hollow bars are used for mechanical applications such as cranes, hydraulic cylinders and agricultural machinery. They are also used by automobile manufacturers as well as by the construction industry for building bridges, stadiums, airport terminals and exhibition halls.

>70%

Expected growth in global electricity demand by 2035
(source: IEA – International Energy Agency – World Energy Outlook)

€644

million of sales generated by Vallourec's Power generation activity in 2012

€1,091

million of sales generated by Vallourec's Industry activity in 2012

Strategy

Throughout 2012, the Group continued to focus on its three strategic priorities. It expanded its range of premium products and tubular solutions to strengthen its global leadership, worked ever more closely with customers around the world and continued to improve its competitiveness.

MORE PREMIUM

The Group is constantly expanding its range of premium products, services and solutions to respond to new customer challenges and maintain its technological lead in increasingly competitive markets.



Participation in the Greater Stella project in the North Sea with the delivery of integrated solutions combining seamless tubes with coating and welding services.



Doubling the capacity of the full-scale VAM® Connection Technology Center in Houston, Texas.

€93 million expenses in R&D in 2012 (+19% compared to 2011)



Introduction of PREON® marine, a patented tube system for easier, quieter and shallower installation of offshore wind turbine foundations.

MORE LOCAL

As the Group expands its presence throughout the world, it is responding to countries' increased interest in seeing a substantial share of the added value of the goods they purchase produced locally, thus contributing to the development of their nations' economies.



Delivery to US customers of the first tubes produced at the new plant in Youngstown, Ohio.



Inauguration of the extension of the Vallourec plant in Changzhou, now able to manufacture premium seamless tubes for the power generation market.



Qualification of the new finishing plant in Saudi Arabia, which will serve the Middle East premium market.

MORE COMPETITIVE

The ambitious policy to continuously improve the Group's operational excellence is being driven through the three-year CAPTEN+ program, which sets priority targets for progress to 2013.



Reinforcement of the quality program: implementation of operational quality management tools in a dozen pilot plants.



Ramping up of the new OCTG tube production unit in Jeceaba, Brazil, serving primarily export markets.

€103 million in savings in 2012 through the CAPTEN+ operational excellence improvement program





2012 MAINTAINING THE FOCUS ON OUR THREE STRATEGIC PRIORITIES

OUR PREMIUM PRODUCTS AND SOLUTIONS RESPOND TO THE INCREASINGLY COMPLEX DEMANDS OF OUR CLIENTS

Meeting the oil and gas market's new challenges

30%

share of premium
products in global
OCTG sales

Today, a paradigm shift is required to understand how available oil and gas reserves are exploited. Accessing the planet's new reservoirs involves an unprecedented degree of complexity in increasingly extreme environments, requiring sophisticated drilling and operating techniques. From ultra-deepwater wells, such as the pre-salt fields far offshore Brazil's coast, to the "high pressure/high temperature" (HP/HT) deposits characteristic of the North Sea and Asia Pacific, to accessing unconventional hydrocarbons, the technological challenges are numerous and varied.

To respond to the severe, multiple constraints in exploring and exploiting these new deposits, oil companies need increasingly premium – sometimes called "advanced premium" – products, particularly pipes and their connections. Vallourec estimates that world demand for premium products for oil and gas markets should have doubled between 2005 and 2015. The Group's integrated solutions also contribute to enhancing well reliability.



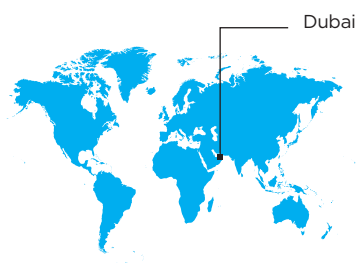
VAM®: A RANGE OF CONNECTIONS FOR EVERY CHALLENGE

The VAM® 21 premium threaded connection is the world's only product that meets the ISO 13679 CAL-IV standard, required since 2011 by oil and gas customers for the most demanding applications, particularly offshore. The product achieved significant commercial success during 2012 in challenging environments like the North Sea, Brazil, Southeast Asia and the Middle East. A line of VAM® 21 products, including diameters between 5 and 14 inches, was introduced in 2012. In enabling operations at depths of 6,000 to 7,000 meters, VAM® 21's sealing performance and mechanical strength equivalent to that of the tube, combined with the ability to withstand high temperature and pressure levels, provides unsurpassed reliability under the most extreme conditions.

In 2012, one year following its introduction on the market, the premium VAM® BOLT connection demonstrated commercial success, including in Egypt, Mauritania, Azerbaijan and Iraq. The innovative design of this integral connection for large diam-



Testimony of **AYKUT YANIK**
Marketing and Technical Senior Manager Vallourec
in Dubai.



“Our extensive offshore experience and the unsurpassed qualities of our VAM® 21 connection were key factors for Saudi Aramco.”

In 2012, Vallourec was selected by the state-owned oil company of the Kingdom of Saudi Arabia for a pioneering Red Sea exploration program. In Dubai, Marketing and Technical Senior Manager for Vallourec Aykut Yanik tells us more.

“Our product line, especially our VAM® 21 connection, known for its exceptional durability in the most extreme conditions, responded perfectly to the project’s rigorous specifications,” says Aykut Yanik. In addition to its technical edge,

Vallourec’s experience with offshore projects in the Gulf of Mexico and North Sea led to its selection for this demanding Red Sea exploration program of Saudi Aramco, the world’s leading oil and gas company. “Other differentiating factors included Vallourec’s ability to customize steel grades to meet the customer’s needs. Our Saudi finishing plant in Dammam enables us to be more flexible and shortens delivery times,” says Aykut Yanik, who worked eight years for the Group in Düsseldorf, Germany, prior to taking on his responsibilities with Vallourec Middle East. The first casings and VAM® 21 premium connections were delivered to the project in November 2012.

eter casings, totally flush with the pipe body (same internal and external diameter as the tube’s), enables quick assembly on the rig. Originally developed to simplify well-head clearance for deep offshore deposits, it has also earned positive reviews on pre-salt projects.

In addition, Group research teams are working closely with clients to develop premium solutions and products customized to meet the needs of their applications. For example, 80% of the products currently provided to Vallourec’s long-time client, the Brazilian oil company Petrobras, did not exist in 2009.

HIGHLY EFFICIENT STEEL GRADES, INNOVATIVE COATINGS

Specially designed by Vallourec to withstand the corrosive environment of deep offshore applications, particularly HP/HT environments, VM125SS steel grade went into industrial production in 2012. The product combines two major advantages: its superior mechanical characteristics enable thinner and lighter tube

design and it is exceptionally resistant to corrosion caused by hydrogen sulfide.

Production capabilities also were increased in 2012 for the Cleanwell® coating line – enabling greaseless screw fastening of tubes and connections while protecting against jamming and corrosion – at Bellshill, UK, serving the North Sea market, and at Aulnoye, France, serving the rest of the world. In offering customers an alternative to the heavy metal-containing screw grease, Vallourec is responding to the growing demand for environmentally friendly products. The Cleanwell® coating also simplifies the implementation of casings and tubings on the rig, especially in harsh environments (including desert and arctic conditions), improving productivity.

COMPREHENSIVE SOLUTIONS FOR THE OIL AND GAS MARKET

In addition to its premium seamless tubes and threaded connections offer, Vallourec has established a team dedicated to providing customers with a

comprehensive portfolio of integrated services to respond to the oil and gas market’s most demanding applications. VAM® Global Solutions offers services and solutions upstream and downstream of well operations to optimize reliability. The offer, unique on the market, provides customized solutions responding to specific customer needs and applications, well design, customer training (with 20 sessions in 2012), logistics, accessories supply and on-site services and repairs, underlining Vallourec’s expertise at every stage of operations, from manufacturing plant to production well.

Vallourec also offers clients a range of integrated solutions to meet the specific requirements of the undersea construction market – or Subsea Umbilicals Risers & Flowlines (SURF) –, situated downstream from oil and gas drilling, between wellheads and surface production units (platforms, FPSO⁽¹⁾). The offer, developed in 2012 through the combined expertise of Vallourec’s teams and partners, includes line pipe for risers and flowlines, pipe for



(1) FPSO: floating production, storage and offloading.



umbilicals and other accessories, welding and other value added services such as coating and general logistics. Project management, an essential element of this offer, ensures that costs are controlled and deadlines met.

TUBES FOR UMBILICALS: PUSHING TECHNOLOGY LIMITS

This solutions offer will soon include specific tubes for umbilicals. These new long lines combining pipes, cables and optical fibers enable transmission of fluids, power and information between seabed equipment and surface stations. Vallourec Umbilical's innovative manufacturing process makes possible production of long sections, minimizing the number of orbital welds, a key issue for customers. Stainless steel super duplex tubes – produced, assembled and wound on reels for delivery in lengths of several dozen kilometers – demonstrate market-leading mechanical performance. Thinner and lighter, yet more resistant to extreme pressure conditions, they enable umbilical manufacturers to improve product design and performance while reducing lead times. The new products are now ready to be manufactured following Vallourec Umbilicals' completion of several crucial steps at the end of 2012 in certifying its product range and plant in Venarey-Les Laumes, France.

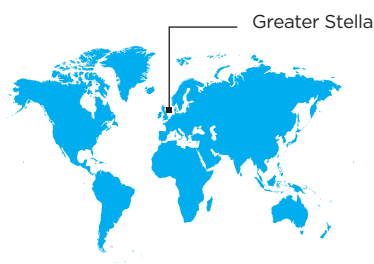
Support for liquefied natural gas projects in Australia

In Australia's booming liquefied natural gas (LNG) market, Vallourec was selected to supply 5,500 metric tons of pipes and fittings for the liquefaction terminal as part of the massive onshore Wheatstone project in the northwestern part of the country. In addition to its competitive edge in supplying both pipes and fittings, Vallourec also provides a project coordinator to ensure responsiveness, monitor operations and simplify project management for the client. Vallourec also will be supplying steel alloy and carbon tubes for the world's first LNG floating platform, operating 200 km offshore.



“Our ability to deliver integrated solutions and project management made the difference on the Greater Stella project!”

In May 2012, Technip chose Vallourec to provide seamless tubes as well as coating and welding services for its Greater Stella project in the North Sea. The major contract illustrates the Group’s ability to provide integrated solutions.



Observations by **KEVIN KYDD**, Manufacturing Project Manager for the UK and Norway at Vallourec’s specialized welding subsidiary, Serimax, and Greater Stella project manager for Vallourec.

“The Greater Stella project is the largest contract ever signed between Vallourec and Technip,” says Kevin Kydd, the Scottish engineer who, having joined Vallourec in March 2011, was entrusted with overall project management responsibility. “The 96 km of seamless tubes were delivered with triple polypropylene coating to prevent pipe corrosion and build-up of wax deposits and the pipe welding was performed by Serimax teams at Technip’s Evanton spoolbase.”

Operated by Ithaca Energy, the Greater Stella zone is located in the central North Sea, 238 km southeast of Peterhead, UK, and 17 km from the UK/Norway meridian line. Technip uses Vallourec’s premium tubes at a depth of approximately 85 meters to create pipelines to export oil and gas. According to Kevin Kydd, Vallourec’s technical expertise was one of many strengths for winning and successfully executing the contract. “Our ability to supply large quantities on tight deadlines was crucial, as was

the inclusion of tubes, coating and welding in our offer.” He says the ability to coordinate different services is essential to keeping the project running smoothly and on time. “Delivering an integrated offer necessarily implies providing integrated project management.”

Not the least of the strengths is the close proximity of the Serimax and Technip teams. “Working together at the Evanton spoolbase makes communication easier and enables us to go further in understanding our client’s needs,” says Kevin Kydd.

Vallourec’s presence in the North Sea as the project went forward demonstrates why it is the partner of choice for offshore projects: a partner able to provide the most secure solutions throughout the supply chain as well as the local services clients require in developing complex projects.

 More information available at: [www.vallourec.com/press releases](http://www.vallourec.com/press-releases)

Ever more premium offers for new generation power plants

190

metric tons of CO₂
per MW avoided
in a supercritical
power plant

The world's only company offering a complete range of tubes for power plants, Vallourec continued to extend its lead in 2012 through innovation. The Group designs tubular solutions responding to the needs of increasingly efficient and cleaner supercritical and ultra-supercritical power plants. In 2012, Vallourec supplied more than 10,000 metric tons of its patented VM12-SHC 12% chromium-alloyed steel tubes to outfit new generation plants. The unique characteristics of the acclaimed tubes, capable of withstanding pressure of 220 bars and temperatures of 600-610°C, also are improving yields at several combined gas turbine and heat exchanger cycle plants, helping reduce their CO₂ emissions (see page opposite). Vallourec's research also focuses on the next generation of advanced supercritical thermal power plants for which a 50% yield is targeted. The design requires stainless steel nickel-alloyed tubes capable of long-term resistance to corrosion and high pressure and temperatures (350 bars and 700°C).

EXPANDING SERVICES FOR POWER PRODUCERS

In 2012, teams from Vallourec Power generation businesses initiated a comprehensive approach to offering customers a complete tubular solutions portfolio for their applications. Vallourec also focused on enhancing services to Power generation customers in 2012, winning an EDF tender for its La Maxe power plant, near Metz, France. Part of a preventive maintenance approach, the contract required identification of boiler water wall panel tubes that risked wearing. A hand-picked team of specialists from several company sites performed non-destructive ultrasonic testing of the tubes. The technology, proven in Vallourec's own manufacturing plants and research centers, will be further developed as a service offer for customers.



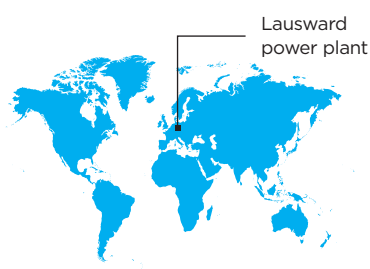
An R&D center specializing in new steels

Among the missions of the Boiler & Line Pipe Competence Center (BLCC) is the development and design of processes and steel grades for conventional and nuclear power plants. Work is currently underway at the BLCC on higher performing ferritic steels and efforts to push the technological limits of VM12-SHC grade. In partnership with Tubacex, BLCC teams also are developing stainless steels and nickel alloys that will soon enable boiler manufacturers to access advanced supercritical technologies. Work also is ongoing on tubular solutions resistant to significant temperature variations. The objective: optimize conventional power plant operational flexibility to support the development of renewable energies, particularly wind and solar, whose production is inherently volatile.

A man with short dark hair, wearing a tan V-neck sweater over a white shirt and a purple tie, stands with his arms crossed. He is in an industrial setting, possibly a steel mill, with blurred background showing workers and machinery.

“Our VM12-SHC grade is the world’s only steel capable of withstanding temperatures approaching 620°C.”

Vallourec’s patented VM12-SHC steel grade tubes will be used for the new combined gas cycle power plant being built by Siemens in Düsseldorf, Germany. The new contract, following one signed for the Irsching 4 plant, confirms the steel grade’s unparalleled performance.



An on-site meeting with **MAHMUD JARRAR**, Powergen Technical Customer Service Manager.

One of the world’s “highest performing” and “most environmentally friendly” are among the superlatives used to describe the Lausward combined gas cycle power plant being built by Siemens on the banks of the Rhine. With an approximately 600-megawatt capacity and a yield of 61%, the new unit is expected to set a new world efficiency record when it is delivered in 2016, surpassing the already exceptional performance of the Irsching 4 plant. Residual heat produced by the plant will feed the city’s grid, with an 85% natural gas yield. The new generation of combined cycle power plants also will consume one third less natural gas per kilowatt hour than the average for similar plants operating around the world, with a corresponding reduction in CO₂ emissions.

Vallourec’s VM12-SHC steel tubes were selected for the new plant. “There is no steel grade as efficient and competitive as our VM12-SHC with its ability to withstand a temperature approaching 620°C,” said Mahmud Jarrar. Having joined the company in 2000 as a quality engineer at the Mülheim plant, Mahmud

now manages Powergen’s Technical Customer Service Department, which provides guidance to clients on the tubular solutions best suited to their needs. “With our tubes’ proven capacity on the Irsching 4 project, Vallourec’s ability to respond to technical constraints was well-known to Siemens and its boiler manufacturer. The performance of our VM12-SHC is unmatched in terms of resistance to creep and steam corrosion. The patented steel marks the culmination of a long R&D process and multiple testing of the new grades, including creep testing for up to 100,000 hours – or more than eleven years!”

Vallourec will provide about 1,000 metric tons of long tubes for the plant’s boiler, which is capable of reacting rapidly to requests for power increases or decreases.

 More information available at: www.vallourec.com

Mechanical engineering and construction: stronger and lighter

4,000

metric tons of
tubes supplied by
Vallourec to build
the Arena
Corinthians
stadium (Brazil)

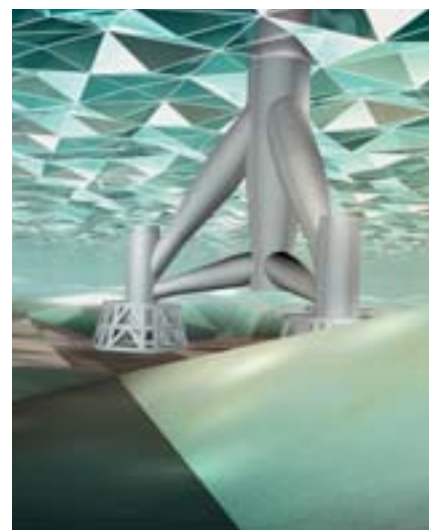
In a difficult economic environment, Vallourec continued to innovate in the mechanical engineering and construction markets. Further development of cutting-edge fine-grain steel resulted in tubes that are both lighter and more resistant to high tension, now marketed under the FineXcell® brand. The premium tubes are used in lifting equipment with several thousand metric ton load capacities.

The mechanical qualities and wide spanning capacity of MSH hot-rolled structural hollow sections has generated high demand in the construction market for the circular, square or rectangular shaped products. In New York, 480 metric tons of MSH sections were used to build the 124-meter spire atop the One World Trade Center. Erected in April 2013, the spire makes this iconic tower one of the highest in the world. In Brazil, structural hollow sections manufactured by Vallourec are integrated into nine stadiums that will host the 2014 soccer World Cup and the 2016 Olympics (see opposite). The opening match of the World Cup will take place under the impressive roof of the brand new Arena Corinthians stadium, which features among Vallourec's achievements.

The Group also developed and patented the PREON® roof structure's tubular system which provides substantial savings in materials and reduces building construction times by up to one third.

A NEW FOUNDATION SYSTEM FOR OFFSHORE WIND TURBINES

The new PREON® marine tubes system introduced in 2012 illustrates Vallourec R&D teams' expertise in action. The injection anchoring system enables easier, quieter and shallower installations of offshore wind turbine foundations, at depths of 20 meters, compared to 60 meters for pile-anchored structures. The new system is far less disturbing to aquatic life, reducing noise to no more than 75 decibels, compared with 200 decibels generated during traditional structure installations. Similarly, the area required for PREON® marine's installation is significantly lower than for concrete structures. Ecological and economical in requiring less material, the solution also complies with all environmental regulations for North Sea and Baltic Sea wind farms.





“In renovating Mineirão stadium, we designed an innovative roof that went well beyond our customer’s expectations.”

Vallourec’s premium tubular solutions were chosen for the roof renovation of Brazil’s second largest football stadium. The competitive, quick and easy to build solution proposed by Vallourec’s R&D and business teams surpassed local authorities’ expectations.



A guided tour with
AFONSO HENRIQUE MASCARENHAS DE ARAÚJO,
Chief Expert at the Vallourec Belo Horizonte
Research Center

When hundreds of thousands of fans gather in Brazil for the 2014 soccer World Cup and 2016 Olympic Games – with millions more watching from around the world –, Vallourec will be there. Its tubular solutions are deployed in 9 of the 17 Brazilian stadiums being built or renovated to host official matches or training sessions during these two global events, including as part of the new roof for Belo Horizonte’s Mineirão stadium.

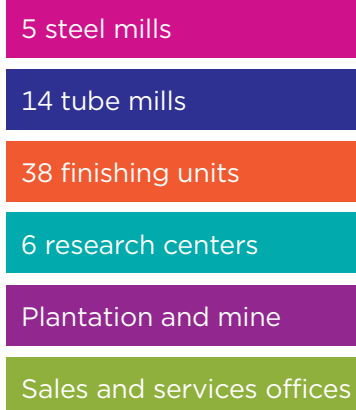
“When the bidding opened in 2010, we reflected as a team on how to combine the concrete structure and steel tubes, which were barely represented in the initial plans,” recalls engineer Afonso Henrique. Today the Chief Expert at Vallourec’s Belo Horizonte Research Center, Afonso joined the company in 2000 to develop and promote the structural tubes business, then in its infancy. “For Mineirão, we partnered with an engineering company to design and patent a roof made of steel tubes that would be leaned against the concrete

structure to reduce pressure and preserve its originally-designed shape.” Vallourec’s high performance tubes make it possible to design structures up to 30% lighter than conventional metal structures. “Beyond the advantages of our solution,” says Afonso, “we were able to demonstrate competitive prices, the ability to work simultaneously with other entities, thus shortening construction deadlines, and simplicity of implementation.”

As a result, the stadium roof designed by Vallourec was built in just ninety days, six months less than the projected time for competing projects. The design also preserved 2,000 seats, maintaining the stadium’s 67,000-seat capacity. In total, 1,500 metric tons of tubes were needed to construct the roof, an innovative solution that respected the venue’s historical legacy. Inaugurated in December 2012, the newly renovated Mineirão stadium hosted its first match in February 2013.

 More information available at:
www.vallourec.com

REINFORCING OUR LOCAL PRESENCE

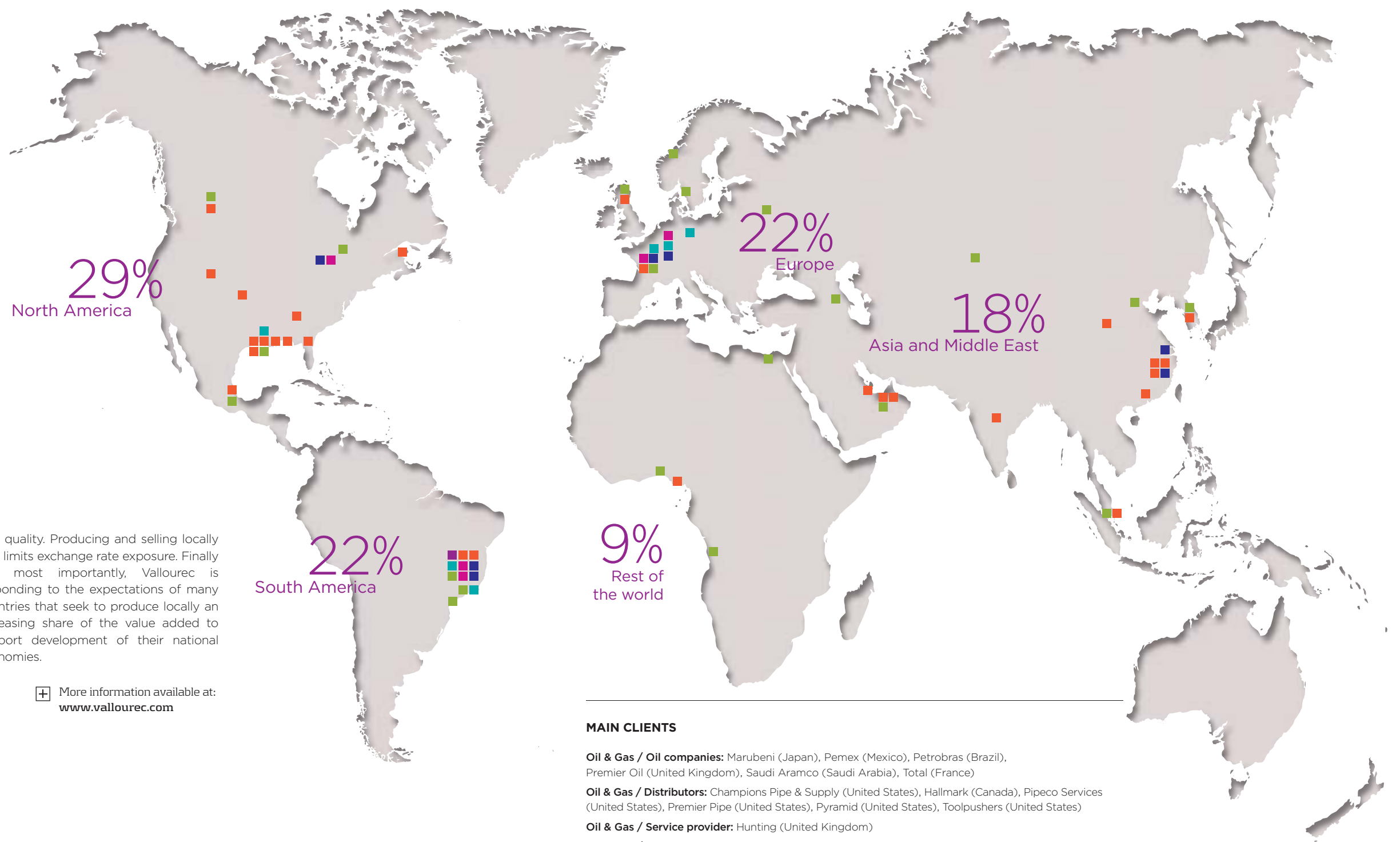


Sales breakdown
by geographical area

With more than 23,000 employees at 50 industrial sites, plus sales offices and 6 research centers, Vallourec is present today in 20 countries around the world. Its local presence reflects a major Group strategic priority to invest in significantly growing markets and to position itself close to customers and major energy production sites. The ramp-up during 2012 of several sites representing major industrial investment increases Vallourec's capacity in the US, Brazil, China and Saudi Arabia. At the same time, Vallourec continues to modernize its European industrial capabilities. The proximity to clients enables the Group to better understand their products and solutions expectations and improve ser-

vice quality. Producing and selling locally also limits exchange rate exposure. Finally and most importantly, Vallourec is responding to the expectations of many countries that seek to produce locally an increasing share of the value added to support development of their national economies.

More information available at:
www.vallourec.com



MAIN CLIENTS

Oil & Gas / Oil companies: Marubeni (Japan), Pemex (Mexico), Petrobras (Brazil), Premier Oil (United Kingdom), Saudi Aramco (Saudi Arabia), Total (France)

Oil & Gas / Distributors: Champions Pipe & Supply (United States), Hallmark (Canada), Pipeco Services (United States), Premier Pipe (United States), Pyramid (United States), Toolpushers (United States)

Oil & Gas / Service provider: Hunting (United Kingdom)

Oil & Gas / Engineering and construction: Technip (France)

Power generation / Power plant construction: Bharat Heavy Electricals (India), Doosan (South Korea)

Power generation / Distributor: Buhlmann (Germany)

Other distributors (Petrochemicals, Industry): Açotubo (Brazil), ThyssenKrupp (Germany)

Automotive, Mechanical engineering / Tube manufacturer: Salzgitter (Germany)

United States: a permanent oil and gas connection



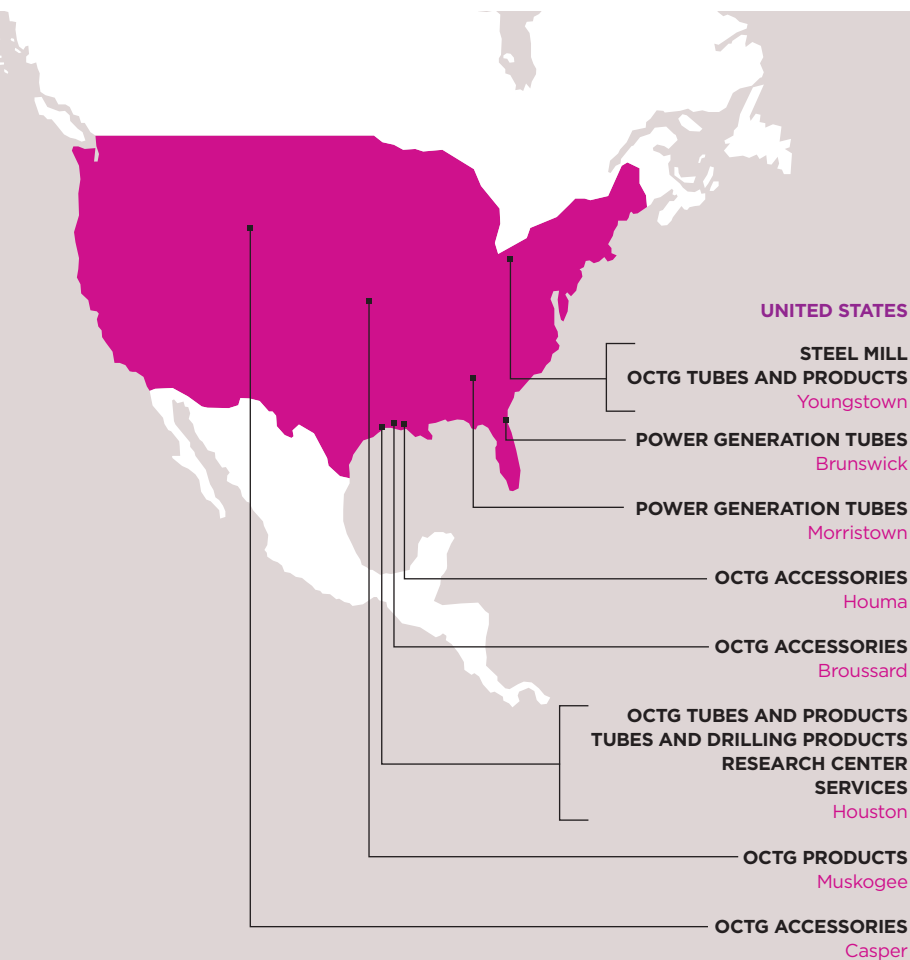
Vallourec's eventful 2012 in the US included piercing of the first steel billet and commissioning of the different equipment of the rolling mill in June at its state-of-the-art plant in Youngstown (Ohio). In October, 350 newly-hired employees launched continuous seamless tube production at the site, whose annual premium tube production capacity has the potential to grow from 350,000 to 500,000 metric tons. Located on the V & M Star industrial complex near large deposits of shale hydrocarbons, the plant reinforces Vallourec's North American presence to respond to strong local demand for small diameter tubes used in long (one to two miles) horizontal wells to provide access to unconventional hydrocarbon deposits. Developed in record time and in close partnership with Vallourec customers, the threaded VAM® SG connection is specifically designed to operate shale plays. It provides generous clearance, excellent sealing performance and strong resistance to high torques and pressures.

TESTING CAPACITY DOUBLED

In Houston, the heart of the US oil and gas market, Vallourec doubled the capacity of its full-scale VAM® Connection Technology Center, which now has more than 70 technicians and engineers. The center, specialized in testing products used under the harshest conditions for operating shale plays and offshore deposits in the Gulf of Mexico, focuses on developing increasingly innovative products and qualifying existing product lines to new standards designed to meet the most extreme well conditions.

ECO-EFFICIENCY

Shortly after the mid-2012 inauguration of its new high end tube mill, the Youngstown (Ohio) industrial complex was certified "eco-efficient" by the state of Ohio and granted a \$250,000 discount on its energy bill from its electricity supplier, FirstEnergy. The award recognizes the breakthrough in energy efficiency achieved through the replacement of the two piercer motors, which reduced the tube mill's total power consumption by 5%. The plant's initiative is fully in line with the Group's objective of reducing energy consumption 20% by 2020.



Vallourec in North America

29%

of Group sales
in North America,
corresponding to

€1,533
million

2,859
employees

MAIN CLIENTS


Champions Pipe & Supply (distributor)
Chesapeake Energy
Devon Energy
EOG Resources
Hess
Marathon Oil
Pemex
Petrohawk Energy
Pipeco Services (distributor)
Premier Pipe (distributor)
Pyramid Tubular (distributor)
Shell



THE BOOMING AMERICAN OIL AND GAS SHALE MARKET

As part of its accelerated progress toward energy independence, the United States has significantly increased annual oil and gas production. The trend continued in 2012 as a result of higher overall productivity from deposits and gradual resumption of activity in the Gulf of Mexico, two years after the Macondo disaster. With several years of experience in shale gas operations on its territory, the US is achieving a significant transfer of its operations from shale gas plays to shale plays rich in liquid hydrocarbons. The activity has had a positive impact on employment, already creating 600,000 direct and indirect jobs, with a projection for 1 million jobs by 2035.

In supporting its customers with adapted products and solutions, Vallourec is participating in this growth, creating 350 jobs at its new tube mill in Youngstown. With the doubling of capacity at its R&D center in Houston, the Group now employs approximately 2,500 people in North America at around 20 industrial and commercial sites.

 More information available at:
www.vallourec.com

Brazil: leadership reinforced



In the sixty years since opening its first Brazilian plant in Belo Horizonte to support the fledgling local petroleum industry, Vallourec's subsidiary has significantly strengthened its presence in the country. The company supplies tubes to domestic oil and gas customers, particularly for deep offshore applications. It also supplies the power generation, automotive and mechanical engineering sectors.

The Group's new cutting-edge accessories plant in Rio das Ostras, opened in 2012, reinforces its leadership on the Brazilian oil and gas market and its proximity to customers, with its strategic location near the Brazilian oil capital of Macaé. With this facility, Vallourec now offers a complete range of solutions for oil exploration in Brazil, combining seamless steel tubes, VAM® connections, premium accessories for drilling and well finishing as well as project management.

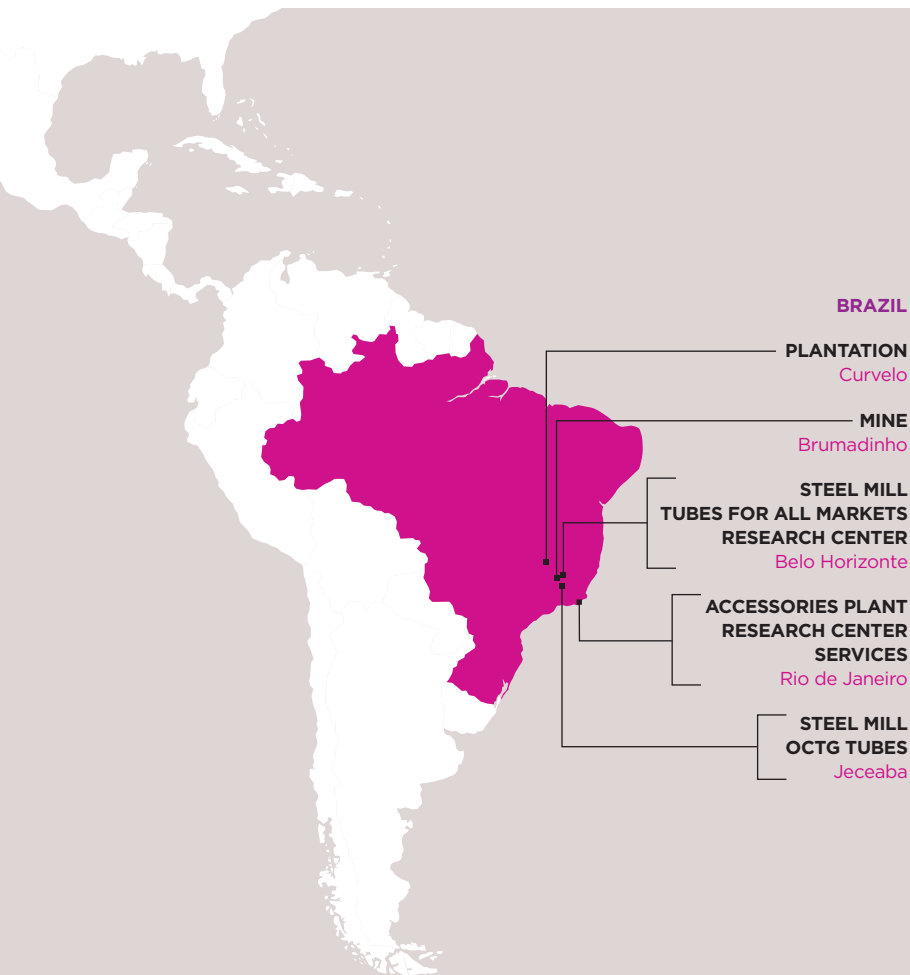
ONE STEELMAKING PROCESS FOR TWO INTEGRATED PRODUCTION UNITS

The Barreiro plant's 300-hectare site in Belo Horizonte, capital of the State of Minas Gerais, combines a full line of production equipment, including two blast furnaces, a steel mill, two hot rolling mills, two heat treatment lines and various tube finishing lines. The steelmaking process relies on a eucalyptus plantation (see opposite) and an iron mine, which will also supply Vallourec & Sumitomo Tubos do Brasil's (VSB) new production unit located in Jeceaba.

Ramp-up and qualification of this new unit, inaugurated at the end of 2011, proceeded on schedule throughout 2012. Built in partnership with Japan's Nippon Steel & Sumitomo Metal Corporation, the new, high performance plant will eventually increase the Group's overall tube production capacity by more than 10%. Over two thirds of its production will be OCTG tubes manufactured for export, primarily to West Africa and the Middle East, where they will be threaded, finished and delivered to end customers.

Carbon footprint

The "renewable" charcoal used in the Barreiro plant's blast furnaces originates from a Vallourec-operated eucalyptus plantation with a net surface area of 118,000 hectares. A carbonization process transforms the eucalyptus wood into charcoal, which replaces coke in the steel production process. Carbon dioxide emitted by the two processes is absorbed by the trees during their growing cycle. By using charcoal instead of coke, the plant avoids emitting around 0.8 t CO₂ eq/t steel produced. The tubes it produces have therefore acquired the status of "green tubes" (more information on Vallourec's carbon footprint on page 63).



60 YEARS OF SUPPORTING PETROBRAS

The future looks bright for Brazilian offshore oil and gas production with proven reserves totaling around 16.4 billion barrels. Petrobras expects to increase daily production at pre-salt reservoirs from 200,000 barrels today to 1 million barrels in 2017. Beyond the salt layers, operating these fields presents several serious challenges, including well depths of up to 7,000 meters, ultra-deep offshore conditions with 2,000 meters separating the sea surface and the seabed, acid corrosion as well as temperatures and pressures which correspond in certain areas to high pressure/high temperature conditions.

To help address these challenges, Petrobras renewed for five years its main framework contract with Vallourec, its long-standing partner. Vallourec will supply cutting-edge technology seamless tubes and connections, able to withstand the combination of mechanical, thermal and corrosive conditions.

To support its customer and to anticipate new demands related to pre-salt field operations and growing challenges in unexplored equatorial regions, Vallourec is opening a new R&D center in 2013 within the Rio de Janeiro Technology Park, near Petrobras' research center. The Group also will be increasing capacity at its Belo Horizonte R&D center, in the State of Minas Gerais.

Vallourec in Brazil

8,151
employees

2 R&D centers

2 steel mills

MAIN CLIENTS

Açotubo
Imefer
Mercedes
OGX
Petrobras
Saipem
Tubos Ipiranga
ThyssenKrupp



⊕ More information available at:
www.vallourec.com

Europe: investing in cutting-edge capabilities



Vallourec continued to invest in Europe in 2012 despite the difficult economic environment. The technological and production center for some of the company's most advanced products, Europe supplies the broadest range of tube sizes to markets worldwide, including power generation, oil and gas and industry. This strategy of refocusing European business activities on high-end products was reflected in the 2012 production capacity increase for integral joints which are totally flush with the pipe body, at Germany's Düsseldorf-Rath plant. Another example was the introduction of new production capacity for Cleanwell® grease-free threading coating in Bellshill, UK, and Aulnoye, France (see page 23).

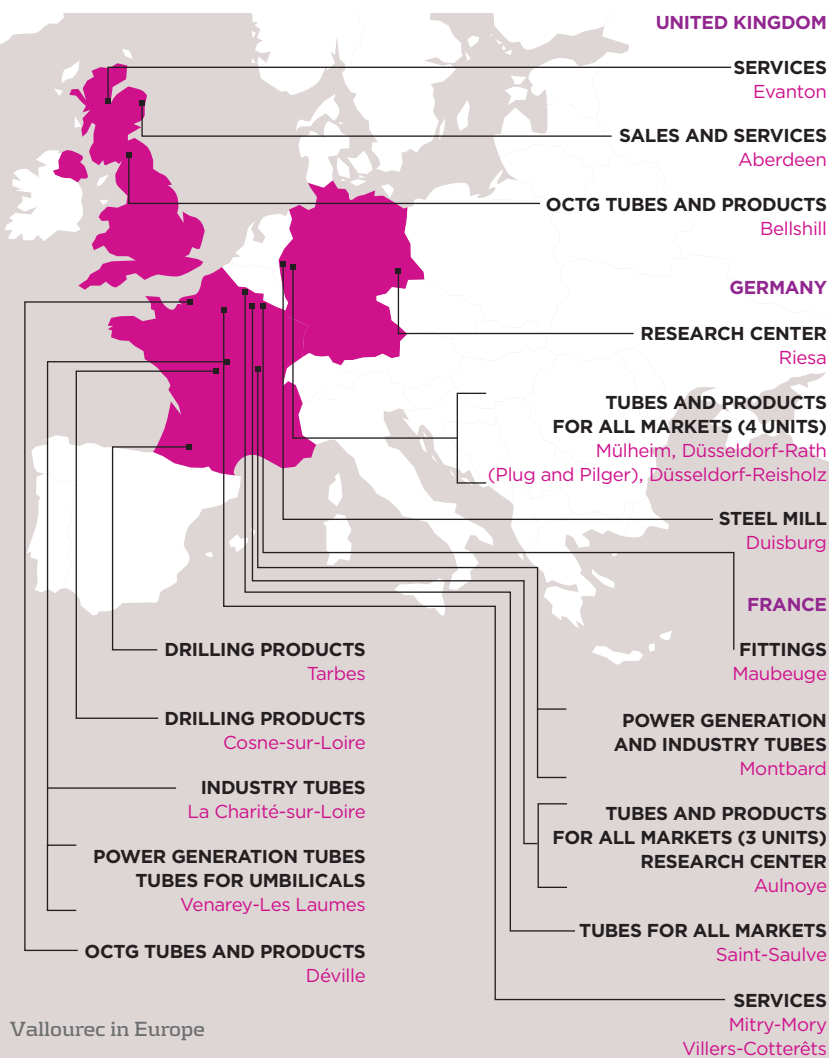
NEW RESOURCES FOR THE THREE EUROPEAN R&D CENTERS

At the company's historical research center in Aulnoye, France, the focus continued on developing new alloys and new steel grades to produce lighter, more corrosion resistant tubes. The Boiler & Line Pipe Competence Center (see page 26), which is part of the Düsseldorf research center, specializes in

designing tubes and steel for power plants and oil and gas line pipe. Located close to Germany's major power production sites enabling it to identify and anticipate the needs of customers, BLCC's visibility rose remarkably in 2012, participating in 20 conferences, customer events and publications. Also in Germany, the Riesa research center installed a forge enabling reproduction of the forging process in place in two of the company's tube mills. This forge allows transformation of nickel alloys, which represent the future of thermal power plants. The research center is now able to reproduce the company's main tube manufacturing processes in order to improve efficiency, optimize equipment and train hot rolling line operators. In 2012, 610 tests were performed.

Eco-design

As part of its efforts to modernize its production, the Saint-Saulve steel mill in France initiated a major investment plan in 2012. Particular attention was paid to optimizing ergonomics and job safety, in addition to improving operational and environmental performance. The new low energy melting furnace will reduce the site's carbon footprint and increase flexibility between electricity and fossil fuels use. Other improvements include better dust control, implementation of new processes for production waste recycling and installation of anti-noise insulation. Operator safety will be enhanced through automation of certain tasks performed close to the liquid steel. Finally, the new equipment's improved performance will enable the site to increase its productivity as a result of shorter scrap melting time.



Vallourec in Europe

22%
of Group sales
corresponding to

€1,195
million

9,904
employees

3 R&D centers

19 tube mills
and finishing units

MAIN CLIENTS

Areva
Buhlmann
GDF SUEZ
Hunting
Salzgitter
Technip
ThyssenKrupp
Total




ON THE FRONT LINE FOR RENOVATION OF FRENCH NUCLEAR PLANTS

A phased renovation program for all of France's 58 operational nuclear reactors has been launched by the French operator, EDF. In September 2011, Areva and Westinghouse were given the responsibility to build new steam generators to equip eleven 1,300 MW reactors. Each reactor has four steam generators, each with a 122-km internal circuit of nickel alloy tubes. These tubes, used to carry the pressurized water needed to produce electricity, are the area of expertise of global market leader Valinox Nucléaire.

The Vallourec subsidiary won all five contracts awarded in 2012 to manufacture tubes for 20 new steam generators. The orders, representing a total of nearly 2,500 km of tubes, reflect Valinox Nucléaire's skills and competitiveness and confirm the relevance of Vallourec's recent strategic choices: in 2011, the plant's production capacity was increased nearly three-fold. The site, located in Montbard in the center of the Burgundy region's nuclear center, employs 500 people.

In December 2012, Valinox Nucléaire delivered tubes for the 400th steam generator in its history. This event marked a total of more than 37,000 km of tubes supplied over nearly forty years.

 More information available at:
www.vallourec.com/press-releases

Asia: well-positioned in all our markets



Vallourec strengthened its position in China with its April 2011 investment in Chinese manufacturer Tianda Oil Pipe, located in Anhui province. In the following months, Tianda Oil Pipe invested to upgrade the plant's capabilities. The first locally produced Group-standard tubes, threaded by the VAM Changzhou factory, were sold in 2012. Vallourec thus became the first global supplier to provide its Chinese clients with an integrated offer for the local premium OCTG market.

PARTICIPATING IN THE STRONG GROWTH OF CHINESE POWER CAPABILITIES

In Jiangsu province, Vallourec completed and inaugurated in 2012 an extension of its Changzhou plant, initially dedicated to finishing seamless tubes for power plants. A new forge expands the six-year-old plant's capacities to include locally produced large-diameter seamless tubes, specially designed to meet the needs of new generation supercritical and ultra-supercritical power plants. China now accounts for almost half of the world's new production capacity for coal generated electricity, according to

the International Energy Agency. With the entry into service in 2013 of its Valinox Nucléaire site in Guangzhou, Vallourec now has eight production plants in China and 630 employees.

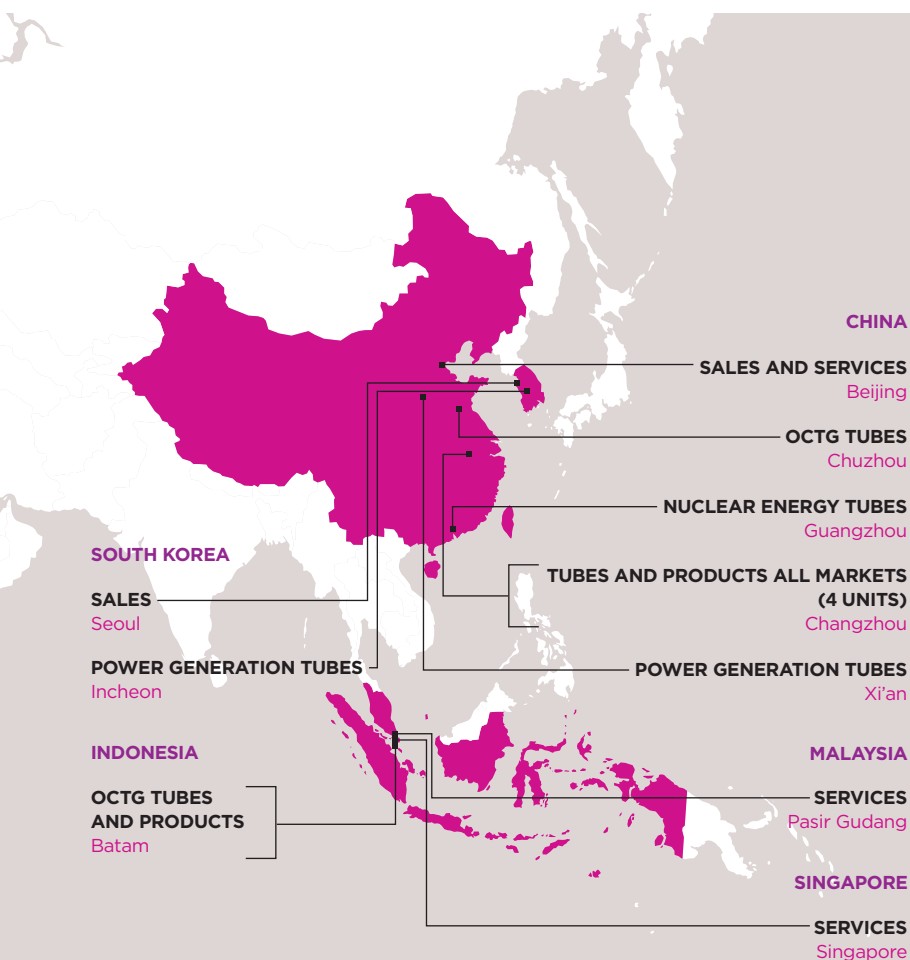
WINNING PROXIMITY STRATEGY IN SOUTH KOREA

Vallourec's 2011 opening of an office in South Korea as part of its customer proximity business strategy paid off in 2012, with the Korean team generating nearly a quarter of Group sales in the power generation market. Large contracts with manufacturers such as Doosan and SeenTec to provide equipment for South Korean electric company KEPCO's coal-fired power plants illustrate the local market's receptivity. The Korean export market also performed well, with large scale projects in India and the Middle East.

In the Petrochemicals market, Vallourec's South Korean office also won the world's first floating liquefied natural gas (FLNG) facility contract, operated by Shell. Premium seamless tubes were delivered in late 2012 to Samsung Heavy Industries, a subcontractor to the vessel's consortium.

OPERATIONAL EXCELLENCE OF SERIMAX WELCOMED IN ASIA-PACIFIC

Also in Indonesia, Serimax provided support in 2012 for the Ruby gas drilling project, covering a 2,345-km² block in shallow waters (150 to 650 feet). Serimax welded 312 km of line pipe from its client Swiber Offshore Construction's barge in the Makassar strait. The expertise of Serimax employees operating on the barge and the exceptional quality of the welding were crucial to the project's success. Serimax, which had also participated in the installation of line pipe from India to China through Burma, has become the reference partner for offshore operations in the Asia-Pacific region, where it operates through its offices in Malaysia and Singapore.



Vallourec in Asia

1,922
employees

3 contracts won
in 2012 by Valinox
Nucléaire in China

MAIN CLIENTS

Bhel
 Dongfang Electric
 Doosan
 Harbin Power
 SeenTec
 Shanghai Electric
 Shenyang Dongguan
 Power
 Total



READY TO SUPPORT DEEP OFFSHORE OPERATIONS IN INDONESIA

Vallourec has been present in Indonesia since 1989 through its subsidiary PT Citra Tubindo (PTCT), which provides heat treatment and threading of OCTG tubes and VAM® connections for the Indonesian market and the Asia-Pacific region. The Group expanded its local offering in 2012 by adding accessory threading capabilities at the plant.

Qualification of its furnace for line pipe heat treatment, which also took place in 2012, enables Vallourec to offer local competitive solutions to support growing deepwater drilling for hydrocarbons in Indonesia. Located on the island of Batam, close to the country's only tube coating factory, a crucial complement for its range of tubes, PTCT is well positioned to support this promising market.

⊕ More information available at:
www.vallourec.com



Africa: strengthened presence

Africa's large energy reserves, particularly on the continent's western shore, are the object of growing interest from oil companies. Increased energy production in countries located in the Gulf of Guinea such as Ghana, with large deep offshore deposits, reflects this trend. Off the coast of Angola, recent discoveries include pre-salt reservoirs with geological formations similar to those off the coast of Brazil.

Vallourec strengthened its commercial and industrial operations in the region in 2012, responding to countries' desire for companies to establish a local presence and provide employment. In Nigeria, for example, Vallourec has a sales office in Lagos and a threading plant in Onne, near Port-Harcourt. Specializing in VAM® connections, VAM Onne has an annual threading capacity of approximately 15,000 metric tons of tubes and employs around 50 people, with the two predominant local communities equally represented.

SUPPORTING OIL PRODUCTION IN ANGOLA

The Group also provides a range of on-site services in Angola with VAM Field Services engineers supervising screw assembly of tubes and connections on drilling rigs to ensure flawless sealing of equipment while Serimax teams offer comprehensive services for pipeline welding on land and at sea. Vallourec also has a local sales office that contributed to the Group's success with a major Total E&P contract, the CLOV project, which includes four oil and gas fields 140 km offshore of Angola. Involving drill strings, OCTG tubes and connections, line pipe for underwater transport of hydrocarbons, fittings and structural tubes, the contract reflects the Group's ability to provide all products and services needed to implement a complex project. In addition, Serimax teams have been entrusted with offshore welding operations.

NIGERIA

OCTG FINISHING UNIT
Onne

SALES
Lagos

ANGOLA

SALES AND SERVICES
Luanda

Local communities

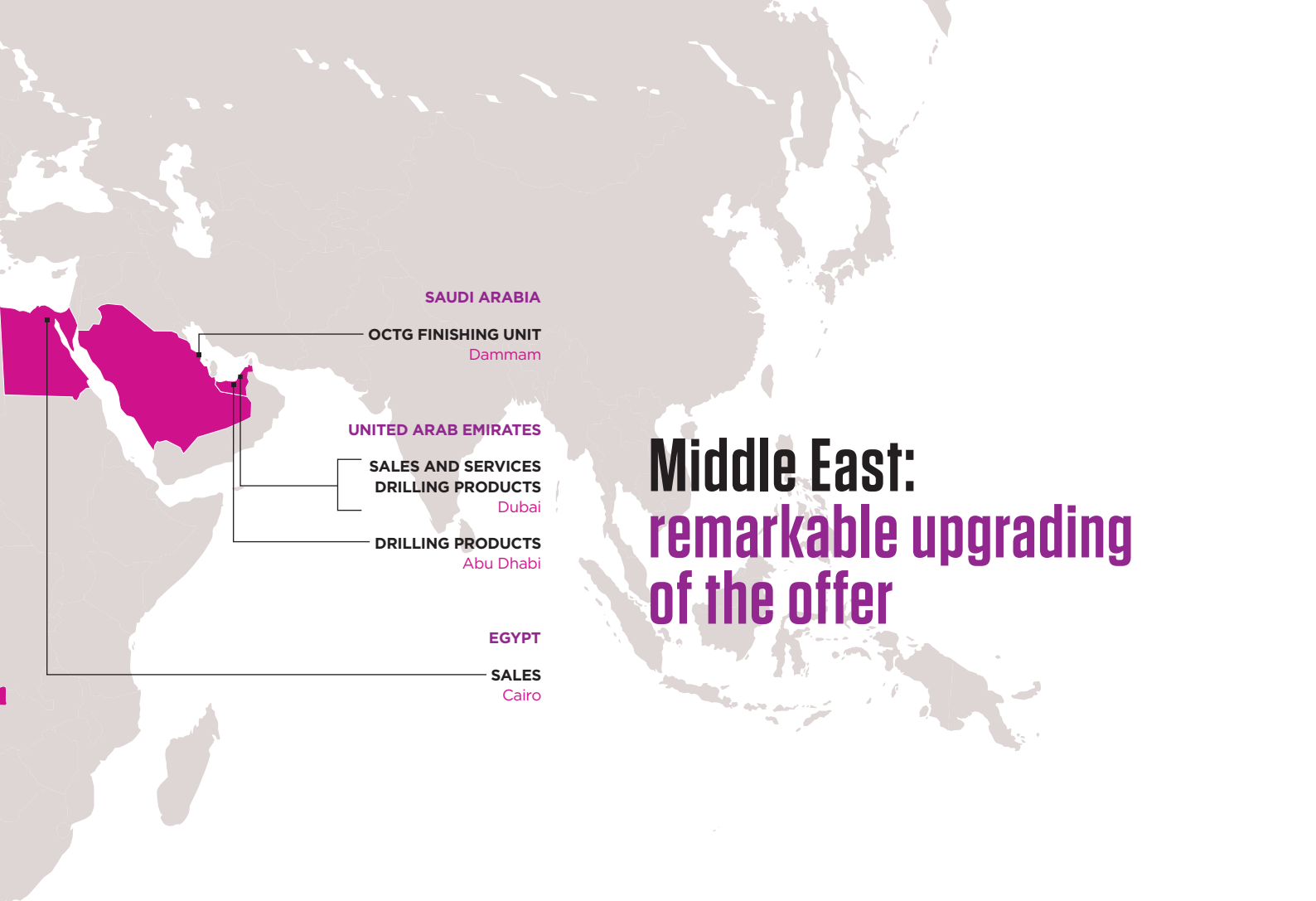
VAM Onne, a Vallourec subsidiary in Nigeria, is actively involved in the life of local communities. It financed the drilling of two water wells in 2012 to benefit the region's two main communities. One of the wells, with a capacity of 4,000 liters per day, can supply about 500 people from the Onne community. The second well, built for the Ikpokiri community, provides 500 people with access to its 3,000 liters of water per day.

Vallourec in Africa

69
employees

MAIN CLIENTS

Apache
BP
Cobalt
Hess
Perenco
Shell
Total
Tullow Oil



Middle East: remarkable upgrading of the offer

During the past two years, Vallourec has strengthened its presence in the Middle East, which contains almost half of global oil reserves and 40% of gas reserves. In Jebel Ali, 35 km from Dubai, the Group has established a commercial hub to serve oil and gas operations throughout the region, including Saudi Arabia, Bahrain, Oman, Qatar, the United Arab Emirates, Iraq, Jordan and Yemen.

Located near a Vallourec production unit specializing in drill pipe and accessories, this hub supports local customers with premium products and customized services, including VAM® Global Solutions. The 2012 results reflect the success of the initiative with increased orders for VAM® 21 premium connections for on-shore and offshore applications, particularly in Qatar, Saudi Arabia and Kuwait.

INCREASED LOCAL CONTENT FOR SAUDI ARAMCO

Vallourec obtained full qualification for its new finishing plant in Dammam, Saudi Arabia. The heat treatment unit, acquired the previous year, was modernized in 2012, with the addition of premium threading facilities and a coupling shop. The country's first processing and finishing company of seamless OCTG tubes, with annual capacity of 100,000 metric tons, will mainly supply state-owned oil company Saudi Aramco, the world's leading oil company. The plant provides Vallourec with a strong competitive advantage, enabling it to serve the Middle East region premium market with increased flexibility and shortened delivery times.



Vallourec in the Middle East

272
employees

MAIN CLIENTS

ADNOC Group
CNPC
Egyptian Drilling
Gulf Drilling
International
OIEC Group
Saudi Aramco
Total

IMPROVING OPERATIONAL EXCELLENCE, INCREASING COMPETITIVENESS

€103
million

savings
generated
in 2012

Continuous development of innovative products and processes and an expanding global presence are two major drivers of Vallourec's competitiveness, supported by a proactive policy to improve operational excellence. The medium-term program CAPTEN+ extends from 2011 to 2013, but is aimed at delivering lasting performance. Safety, quality, impeccable and quick customer service, and cost reduction are the program's four key priorities. They are communicated and deployed at all levels of the organization, involve all employees and are closely monitored by the Executive Committee.

Continuous and sustainable improvement objectives are set for each priority. To achieve them, the Group relies on the Vallourec Management System (VMS), the benchmark initiative for driving continuous improvement.



VMS: A PROVEN METHOD TO DRIVE OPERATIONAL EXCELLENCE

The VMS is a set of comprehensive management practices that enable teams to devise and implement action plans to improve operational efficiency. The approach is based in part on continuous improvement teams (CIT) organized by objectives. The VMS philosophy is applied to all Group activities, from development of new products and processes to production, supply chain and support functions.

After two years of existence, the relevance of the CAPTEN+ program's four priority areas was confirmed at the end of 2012, in terms of the Group's evolution, its markets and the economic climate. More than 30 operational VMS projects in 2012 confirmed the mature program's efficiency in providing economic, societal and environmental benefits. Almost all divisions have implemented projects that at least double the improvement pace of their operational performance.



72%

Reduction in the number of lost time accidents (LTIR) since 2008

Above:
Mini safety Meeting at Aulnoye, France.

Below left:
Vallourec organizes a "Family Safety Day" in Barreiro, Brazil.

307

continuous improvement teams dedicated to safety in 2012

Below right:
Employees are required to follow the Group's security Golden Rules.



SAFETY: AN ABSOLUTE PRIORITY

Since 2008, the Group has reinforced the safety of all employees, its primary responsibility and an absolute priority. The Group's ambitious CAPTEN+ Safe program to improve safety has helped reduce the number of accidents with lost time (LTIR) by 72% since 2008. At the end of 2012, objectives to reduce workplace accidents, with and without lost time, were once again achieved and even exceeded. As part of this program, the Safe Start® initiative based on individual employee behavior and initiative to address risks was deployed at 18 sites in 2012. A major communications campaign also was launched, with an emotional theme, "A parent can't be replaced" (see also pages 53 and 54).

QUALITY-CONSCIOUS AT EACH MOMENT

The CAPTEN+ program's quality initiative underlines Vallourec's commitment to delivering products and related services that respond to customer expectations. To accelerate program deployment

and reach the goal in 2013 of a 20% reduction in claims and defect costs compared to the preceding year, the program was reinforced at every management level, with a contribution from all company functions. The Group's operational quality management tools have been formalized and implemented in a dozen pilot plants in France, Germany, the United Kingdom and Brazil with full roll-out to all sites in 2013.

OPTIMIZING PRODUCTION AND DELIVERY TIME

The Planning and Supply Chain Department is responsible for optimizing Vallourec's overall short and medium term production utilization capacity, in collaboration with each division's central planning. In addition to defining the most relevant production circuits to meeting customer needs, cost streamlining aims to ultimately improve profitability. The department also supports deployment of flow improvement initiatives to cut production and delivery time and reduce inventories.

COST REDUCTION: AN ECONOMIC AND ECOLOGICAL IMPERATIVE

Several action plans for continuous improvement have been implemented in all operating entities under the CAPTEN+ program to accelerate cost reduction. Emphasis is placed on reducing consumption of raw materials, energy and fluids, which is consistent with the Group's sustainable development strategy, as well as on the optimization of support functions and maintenance. For the full year, Vallourec generated €103 million in savings through the plan, adding to the approximately €80 million already saved in 2011.

EACH EMPLOYEE'S FOCUS: THE CUSTOMER

Vallourec works closely with its customers to respond to their needs and help them meet the challenges they face. The Group has launched a program to strengthen customer proximity in order to identify and better understand their





needs, working with them to create a customized range of products and services, including a quantified value proposition. Vallourec develops relationships with key clients through its Key Account Managers, who become true ambassadors for their client within the Group and vice versa. Among their missions is implementing an organization mirroring the client's to create operational links at all levels. Another fundamental lever is creating competitive, innovative and differentiating solutions that add value for customers. These solutions are the result of innovative technologies, high added value services and our international presence.

Industrial performance

Among the 1,220 continuous improvement teams (CIT) active in 2012 throughout the Group, some achieved remarkable results, significantly improving Group performance. This is particularly the case of a CIT at the Youngstown plant, in the United States, focused on detecting any defects in tube thickness upstream of the finishing process. In eight months, the working group significantly increased performance levels, achieving annual savings of more than €350,000.



Another CIT, established to improve forging quality at the tube mill in Aulnoye, France, generated annual savings of €600,000. All parts of the production process have been involved in this program to improve productivity and quality which helped divide the amount of scrap by a factor of ten and the number of tube rework by a factor of seven. The time required to change forge hammers also was cut in half.

“Our customers know that, wherever they operate, they can count on Vallourec.”



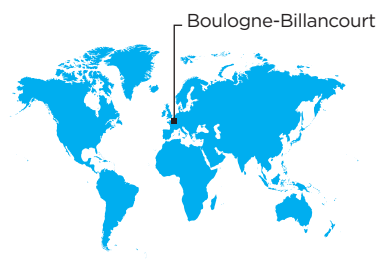
To better meet the needs of its customers, the Group has set up a “Key Account Management” program to develop ever-closer links. A strategy to improve customer satisfaction that will also help increase competitiveness.

Update with **DAMIEN DE MONTLEBERT**,
Total Key Account Manager, OCTG Division.

“Our customers expect us to provide products and solutions that are increasingly innovative, but also increasingly competitive.” Damien de Montlebert, OCTG Division Key Account Manager for Total, has no doubt about the relevance of Vallourec’s program for reinforcing customer intimacy. Having joined the Group in 1997 and with four years in his current position, he is well placed to assess its features and benefits. Reinforcing customer proximity with key account managers enables Vallourec to offer more innovative and competitive responses to meet their evolving needs.

This is done by putting the client’s key people in touch with the right person at the right level within Vallourec. The perfectly matched organization multiplies the commercial and technical contacts, enabling the Vallourec team to better understand – and even anticipate – the customer’s expectations.

Equally important is the Group’s local presence, whether through the presence of a sales office, service center or finishing facility. “Customers increasingly want us closer to their operations,” says Damien de Montlebert. “With this approach, customers know they can rely on Vallourec to help them meet new challenges. We adapt ourselves to their new boundaries, both geographical and technological.”



REINFORCING OUR ACTIONS IN FAVOR OF SUSTAINABLE DEVELOPMENT

2012







INTERVIEW

JEAN-LOUIS MERVEILLE

Vice President Sustainable Development

“For Vallourec, tangible sustainability actions contribute directly to the three pillars of our strategy.”

How would you describe the Group's sustainable development policy?

JEAN-LOUIS MERVEILLE: We seek to earn the trust of our stakeholders, beginning with our customers and employees. We are continuing to progress in our actions already underway such as improving energy efficiency and reducing CO₂ emissions. As part of our commitments under the United Nations Global Compact, we added compliance and health to our objectives of deploying the Code of ethics and improving our safety performance. We also have structured our approach, redesigning our sustainable development charter to institutionalize the framework for our actions (see opposite) and anticipated France's "Grenelle 2" law, publishing 25 indicators and 15 policy elements. We introduced new areas for progress including publishing objectives to assert our commitments more forcefully, increasing the diversity of our teams and referring to "secondary materials" rather than waste. Finally, we decided to communicate better about our achievements. For all these reasons, we are satisfied

with the improvement in the evaluation of Vallourec's progress by non-financial rating agencies from an average grade of B- to B.

How is this policy expressed with regard to the Group's employees?

J.-L.M.: First, we strive to maintain the quality of our social dialogue to contribute to employees' sense of belonging to the company and a positive social climate. Second, we seek to engage employees in tangible actions directly related to their responsibilities. Finally, Vallourec University programs provide a common language for progress and will soon incorporate sustainability issues.

What were the Group's main achievements in preserving the environment?

J.-L.M.: We continue to make progress. We improved our carbon footprint, we replaced nearly 40% of hazardous chemical products used and improved the recycling rate to 91%. On water use, we have gone beyond calculating water intakes based on volumes withdrawn

from the environment and now look at qualitative environmental impact and the stress on the resource in areas where we operate.

What are the areas of improvement for 2013?

J.-L.M.: All efforts should be continued and others will be initiated. All need to become part of our divisions' medium term roadmaps. To do this, we need to progress further in managerial commitment and to more fully integrate stakeholder expectations, including through increasing employee involvement and ensuring supplier best practices.

 More information available at: www.vallourec.com

SUSTAINABLE DEVELOPMENT CHARTER



Vallourec Group is a world leader in premium tubular solutions primarily serving the energy markets, as well as other industrial applications. Therefore its mission is to build long-term relations with its customers and design reliable solutions in order to be worthy of the trust of its customers and of all its partners.

Vallourec aligns its actions with customer expectations and is committed to meeting the challenge of managing and exploiting the Earth's resources as responsibly as possible, while reducing the environmental footprint from its industrial activity. The Group also seeks to foster fair relations with its partners and create internal working conditions based on the fundamental values and principles of the Group's Code of ethics, the "Vallourec Way."

In order to address these stakes, Vallourec commits to act as a responsible company to achieve the following targets:

Ensure the sustainability of our business with competitive and innovative products:

- Contribute to the safety and performance of our customers' business operations;
- Work with our customers to meet their expectations and facilitate their actions regarding sustainable development;
- Innovate and invest in Research & Development to deliver efficient, reliable, competitive and environmentally friendly products;
- Achieve operational excellence;
- Conquer new markets.

Maintain sustainable relations with our stakeholders:

- Ensure the safety and protect the health of our employees; provide each of them with good working conditions;
- Train and motivate our employees by developing skills, recognizing expertise, promoting talents and developing careers;
- Provide employees with satisfactory and fair compensation taking into account their contribution to the company's performance;
- Meet our shareholders' expectations over time;
- Understand the expectations of local communities and stakeholders and take into account their interests in our actions toward them;
- Establish a network of reliable and responsible suppliers;
- Communicate about our activities to all stakeholders.

Protect our environment and use our resources wisely:

- Respect our environment and protect biodiversity by preventing all pollution, reducing water consumption, recovering waste and reducing disturbances;
- Limit the use of natural resources and implement clean and safe technologies;
- Improve the energy efficiency of our equipment and reduce the carbon emissions of our production processes.

⊕ For more information, see chapter 4 of Vallourec's 2012 registration document, available at: www.vallourec.com

A LONG-TERM COMMITMENT

As part of its commitment to better communicate its sustainable development policy, Vallourec worked during 2012 to highlight its actions and progress in all countries where it operates and published its social and environmental objectives.

COMMITMENTS	INDICATORS	2012 OBJECTIVES	2012 ACHIEVEMENTS	2013 OBJECTIVES
Ensure the safety and protect the health of our employees; offer each employee good working conditions	TRIR ⁽¹⁾ for permanent and temporary employees	8	7.1	6.5
Train and motivate our employees through skills development, recognition of expertise and talents, promotion and career development	Result of the internal survey "Opinion" (satisfaction rate)	61%	-	62%
Satisfy our shareholders over the long term	Assessment of non-financial rating agencies	B	B	B
Improve the energy efficiency of our facilities and reduce the carbon emissions from our production processes	kWh/metric ton processed	950	975	945
Respect our environment and protect biodiversity by preventing pollution of all types, decreasing water consumption, recycling waste and reducing disturbances	Percentage of waste recycled	90%	91%	92%

(1) TRIR (Total Recordable Injury Rate): total number of accidents per million hours worked.



Integrity and transparency, performance and responsiveness, rigor and professionalism, collective commitment and respect for people are the five fundamental values encompassed within the Group's Code of ethics, which was communicated to all employees in 2012. This Code unites employees around principles of action that reflect how Vallourec intends to conduct its relations with its stakeholders. An e-learning module on the values also was provided to new employees. The Group Ethics Committee, composed of representatives of the Legal Department and functional departments, defines ethics guidelines as established under the Code of ethics.

WIDESPREAD DEPLOYMENT OF THE COMPLIANCE PROGRAM

Consistent with the Code of ethics principles and United Nations Global Compact commitments, which the Group adopted in 2010, Vallourec has implemented a global Compliance Program. Initiated in 2011 in Europe and the United States, the program was widely deployed in 2012 in Brazil and China. Employees were trained on legal issues in the areas of competition,

business integrity and environmental law. Since 2011, approximately 800 employees were trained including nearly 200 employees in Brazil in 2012.

More broadly, the Group defined a high-performance organization focused on sustainable development. The organization consists of a strategic body, the Sustainable Development Committee, and a Sustainable Development Department to initiate and guide action plans undertaken by divisions and functions. The Department includes the Environment Department and manages the GreenHouse project for energy efficiency. Each entity implements the Group's policy in these areas, with the help of more than 120 employees at all production sites. They comply with the principles of the Vallourec Management System, the methodology designed to improve Group performance.

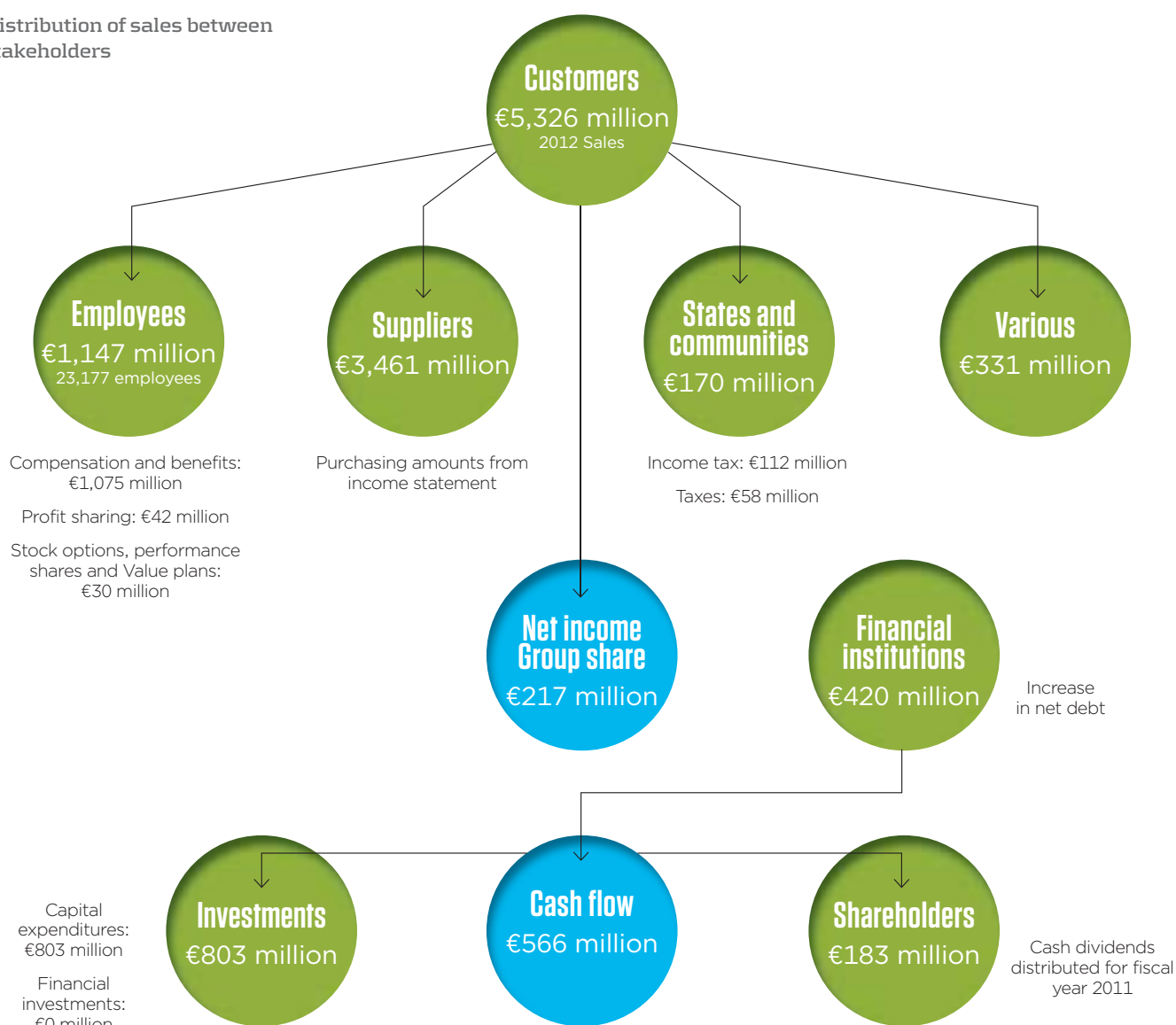
Rating agencies highlight Vallourec's progress

Five of the world's most influential non-financial rating agencies communicated their assessment of Vallourec's social and environmental performance in 2012. Their summary, based on a scale from A to D, gives the Group a B average, an improvement over the 2011 rating of B-. This improvement is consistent with internally set sustainable development objectives for commitments and communications and reflects the ratings' stringent criteria. Vallourec is also part of two new indices launched in late 2012 by Vigeo, the leading European social analysis and rating agency. These indices measure the performance of 20 of France's and 120 of Europe's most advanced companies (NYSE Euronext Vigeo France 20 and NYSE Euronext Vigeo Europe 120 respectively).

MAINTAINING ENDURING RELATIONSHIPS WITH OUR STAKEHOLDERS

Vallourec is committed to building relationships based on trust with employees, including through its highest priority of health and safety, as well as with local communities and shareholders.

Distribution of sales between stakeholders



Our priority: employee health and safety



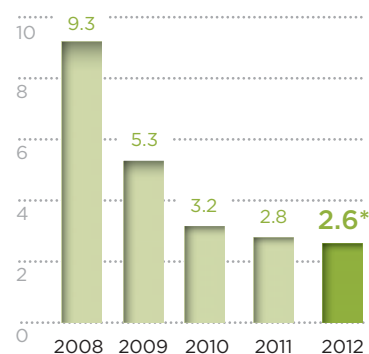
All teams at all levels are committed to continuously improving the safety of all employees and to making Vallourec the reference benchmark in safety performance. Two years after the launch of CAPTEN+ Safe, an ambitious three-year prevention program, Vallourec's results surpassed objectives. Since the end of 2008, the Group has reduced the number of accidents with lost time per million hours worked (LTIR) by 72%. The detailed results show a significant reduction of the gap between the lowest and highest performing sites, demonstrating the program's relevance. The program is based on four main tools: establishment of steering committees at all levels to better disseminate the culture of safety; organization of workplace safety visits; permanent deployment of risk assessment tools and preventive measures, including a "Safety Day," a worldwide day mobilizing all employees on safety; implementation of continuous improvement teams (CIT). Through the program, Vallourec also is seeking to certify all plants as OHSAS 18001, the international recognition of company involvement in health and safety. The Safe Start® initiative, launched in 2011, is based on the behavior of individual employees and their ability to take

action in a risk situation. Successfully deployed at 18 sites in 2012, the initiative is being implemented on all Group sites in 2013.

HEALTH: THREE WORLDWIDE INITIATIVES

In addition to safety, the Group's first priority, employee health also is an essential concern. Vallourec has implemented actions focused on three main risks. The first is prevention of stress and psychosocial risks. A reinforced monitoring mechanism has been put in place with the help of physicians, particularly in France, where prevention is the subject of legal obligations. Germany and Brazil have initiated identical steps. Secondly, the Group signed an agreement on the prevention of occupational hardship in December 2012, following a year of diagnosis and consultation with employee representatives in France. Efforts are now underway to reduce multi-exposure, improve working conditions and develop skills and qualifications related to the prevention of hardship. Finally, Vallourec has made risk prevention from chemical hazards one of its three main health priorities. A database of chemicals and substances is regularly

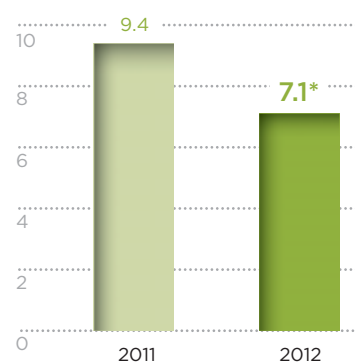
LTIR⁽¹⁾



*Objective: 2.7

(1) LTIR (Lost Time Injury Rate): number of accidents with lost time per million hours worked for employees and temporary staff.

TRIR⁽²⁾



*Objective: 8

(2) TRIR (Total Recordable Injury Rate): total number of accidents per million hours worked.



updated to ensure rigorous monitoring and risk prevention of adverse effects. Each product or substance used on production sites is monitored and validated by HSE managers who develop test and qualification programs for alternatives to critical substances, in collaboration with R&D teams and suppliers. As of the end of 2012, nearly 40% of the 300 substances identified as CMR⁽¹⁾ had been replaced. In parallel, the Group is implementing four cross-company action plans: a single statement covering all countries provides for progressive removal of refractory ceramic fibers during maintenance operations and when an alternative is available; tests and qualifications are conducted to replace lead-based greases used in threads not subject to high temperatures; an alternative to chrome mandrels is being tested; nickel phosphates are being gradually replaced.

(1) Carcinogenic, mutagenic and toxic for reproduction.

307

continuous improvement teams (CIT) focused on safety were set up in 2012.

35,000

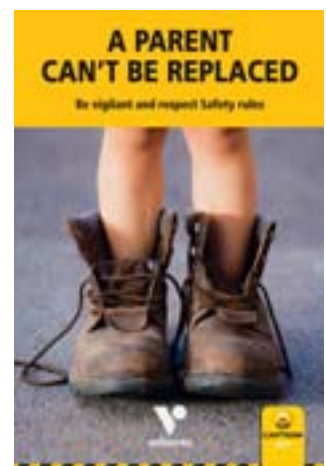
safety visits in 2012.

40%

of 300 substances identified as CMR⁽¹⁾ replaced as of the end of 2012.

Safety: a powerful communications campaign

“A parent can’t be replaced.” As powerful as it is simple, the emotionally charged slogan was designed to capture the attention of Group employees in 2012 on the importance of compliance with safety rules. Translated into seven languages, the campaign, illustrated with three images, was displayed in Group factories around the world. The communications campaign was designed within the framework of the CAPTEN+ Safe program, in response to two fatal accidents during the year in France and the US. While the Group’s annual performance exceeded objectives, further improvement is possible, including through increased emphasis on necessary behavioral changes, the source of almost all accidents.



Employees: relationships built on trust



Employees, the Group's primary resource, are vital to the implementation of the company's strategy, which is based on premium positioning, local presence and competitiveness. To effectively leverage this resource, Vallourec must maintain and develop the skills of employees around the world, as well as preserve and transmit to new employees the values and principles that have shaped the Group's identity and culture. Human Resources and managers are committed to ensuring employees' successful careers and maintaining open communications, both key motivating factors. HR policies are organized in each country according to national legislation, under the responsibility of local HR teams.

AN INCREASING WORKFORCE

As of December 31, 2012, Vallourec had 23,177 contract employees (permanent and temporary) compared with 22,204 in 2011, an increase of nearly 4%. This growth reflects the integration of subsidiaries of Indonesian company PT Citra Tubindo, previously not included within the Group's headcount, recruitments related to major

investments in Brazil, the US and China and a reinforced presence in the Middle East and Africa.

PROMOTING GENDER DIVERSITY

Women constitute 11% of Vallourec's permanent employees and accounted for 14% of new hires in 2012. This increase is part of a program of gender diversity actions during the year that seek to strengthen the presence of women in operational activities, especially in production, as well as in senior management.

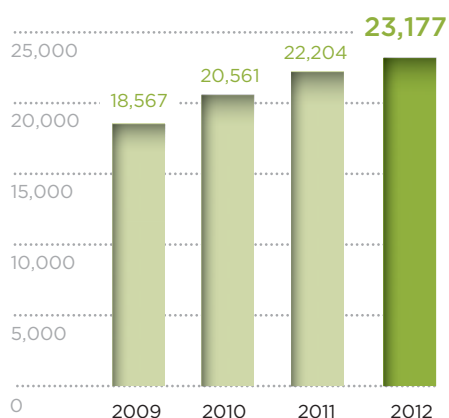
The proportion of women hired nevertheless declined one point compared to 2011 (15%) as a result of the higher proportion of production staff hired in 2012, a category in which women are traditionally under-represented. In contrast, women represented 22% of new hires and transfers in management positions (compared with 20% in 2011) and 37% in technical and supervisory positions (compared with 33% in 2011).

A quality employee dialogue

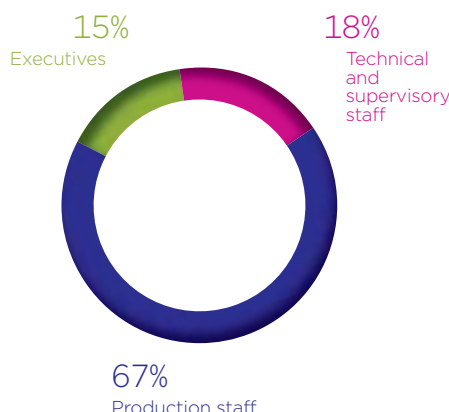
Vallourec's dialogue with employees is organized through entities and seeks to promote open and constructive exchanges with employees or their elected or appointed representatives. Other forms of direct communications with employees are also implemented. The objective is to encourage the expression of diverse views in an environment of listening and mutual respect. Satisfaction surveys are used to develop action plans and enhance motivation and team effectiveness.

+ For more information, see chapter 4 of Vallourec's 2012 registration document, available at: www.vallourec.com

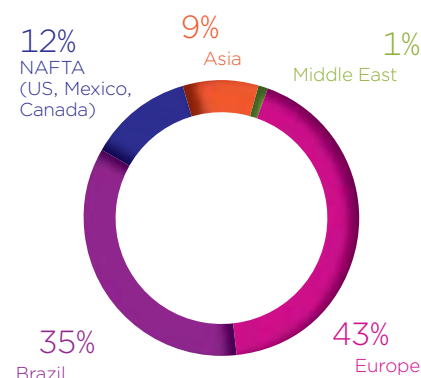
Group employees (permanent and temporary contracts)



Workforce distribution by professional category in 2012



Workforce distribution by geographical area in 2012



ACTIONS TO IMPROVE INTEGRATION OF DISABLED INDIVIDUALS

As of the end of 2012, 2.6% of Group employees had a disability or medical restriction leading to an adjustment of their position. All major countries have undertaken efforts to better accommodate and encourage the integration of individuals with disabilities. In Germany and Brazil, maintaining the jobs of employees with disabilities has been given priority. In the UK, a company agreement has been established. In France, Vallourec signed the charter on employment of people with disabilities.

A POLICY OF EQUITABLE REMUNERATION

Equitable and motivating, Vallourec's remuneration policy is linked to local employment market conditions and includes profit-sharing mechanisms. Equal pay between men and women is also essential. In 2012, the Group decided to measure the gender pay gap (in terms of equivalent responsibilities, skills and performance) to provide an opportunity to act in cases where necessary. The preliminary results of this work indicate no abnormal situations.

EXPANDED BENEFITS

To better protect and retain employees, Vallourec strives to implement a benefits program that ensures health insurance for all, regardless of employment contract or host country. The Group intends to offer guaranteed social welfare benefits to all employees. Depending on local laws and practices, larger or smaller solutions can be implemented for health insurance or retirement coverage.

TRAINING TO SUPPORT ALL CAREER PLANS

Created in 2011, Vallourec University is a place of excellence where Group employees from around the world meet to build and share a common culture and enrich their knowledge through continuous learning. Programs focus on the Group's priority challenges such as managerial know-how, customer relationships and operational excellence. During 2012, more than 200 employees participated in international programs and over 3,000 regional programs (compared with 530 and 2,100 in 2011). At the same time, Vallourec University has pioneered the development of the Learning Management System (LMS), a tool for management training that enables employees to directly consult and

Value 12: employees, the Group's biggest shareholder

In 2012, nearly 14,000 employees in nine countries, representing 65% of those eligible, subscribed to Value 12, Vallourec's fifth annual global employee share ownership plan. The Group carried out a capital increase reserved for employees, creating 3.3 million new shares. As of December 31, 2012, employee shareholders held approximately 7% of Vallourec's capital, making them collectively the Group's largest shareholder. These figures reflect employee confidence in Vallourec's strategy and future.



schedule training available within the Group, while allowing close monitoring of training time and budgets.

OBJECTIVES ACHIEVED FOR INDUSTRY EXPERTS

Recognized process specialists in areas of Group excellence such as steel making, rolling, heat treatment, threading or welding, Vallourec's 319 Experts are spread across all divisions and countries. Created in 2010, the Experts program is meeting its objectives: recognizing the importance of this expertise by developing individual pathways in these key areas enables Vallourec to strengthen its competitiveness in order to respond to an increasingly demanding market. In 2012, Vallourec appointed 42 new Experts, while 17 Experts were promoted.

HR INFORMATION SYSTEM EXTENDED TO ALL EXECUTIVES

Talent 360, the Group's common talent management information system established in 2011 evaluates managers' performance and supports them in their career. In 2012, the tool was extended to all Group executives as well as technical and supervisory staff in France and in other pilot countries (US, Canada and

Mexico). Talent 360 helps ensure the systematic practice of individual evaluations, with a rate higher than 90% in countries where it has been implemented. Harmonization of the talent management process also continued during the year with the deployment of a talent review in all Group entities, a critical tool for managing positions and careers.

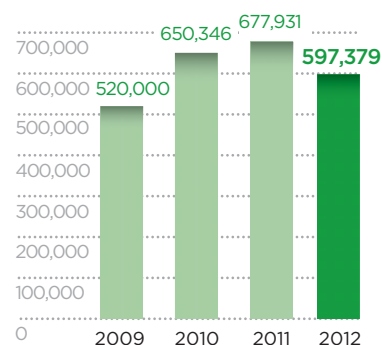
APPRENTICESHIPS AND INTERNSHIPS EMPHASIZED

To best ensure the transfer of skills, Vallourec is investing more in apprenticeships and internships. To respond to the aging of the population pyramid in Europe, the Group must integrate a greater number of young talents with a training curriculum adapted to their needs. In Germany, approximately 300 apprentices were trained in 2012. The initiative is also developing in France with 160 work-study participants in training in 2012, twice the number of 2011.

319
Experts in 2012.

597,379
hours spent on training employees in 2012, equivalent to 2.4% of wages.

Number of training hours



Enduring relationships with local communities

€7.9
million

invested to
support local
communities

Through its local presence, Vallourec strives to offer customers the highest possible level of service. The Group also works to build with local communities sustainable relationships based on trust. It translates this intention into reality through local recruitment and development and sourcing through local suppliers. The results of this decentralized approach are reflected by the 45% of Group purchases made locally in 2012 for maintenance, production services, supplies, raw materials and investments – or €1.7 billion.

INITIATIVES ON ALL CONTINENTS

The Group builds relationships of trust with local partners who include professional and administrative organizations, residents' associations and societal and environmental groups.

In Brazil, in the highly urbanized Belo Horizonte neighborhood around its Barreiro site, Vallourec works closely with local authorities to support the disadvantaged. The Group's Indonesian subsidiary has implemented education and medical assistance programs for the local population and invested in culture,



housing and environmental protection. In Europe and the US, where the social infrastructure is more developed, actions are on a smaller scale and focus on educational, cultural, sports and societal financing initiatives.

In 2012, the Group invested approximately €7.9 million in these areas. In order to share and improve best practices internationally, Vallourec organizes a community of local facilitators.





Above left:
In Barreiro (Brazil), Vallourec encourages educational activities for students and teachers.

Above right:
Computer science introductory course in an elementary school in Batam (Indonesia).



Below left:
The former Cine Teatro Brasil, which will be inaugurated by Vallourec in September 2013, promotes access to the arts.

Below right:
Employee children and local youths in Barreiro (Brazil) participate in a musical performance.

JOBS, TRAINING, EDUCATION, HEALTH: ACTIONS AROUND THE WORLD

Vallourec sites around the world contribute to the creation of direct and indirect jobs. Brazil hired 22% and the US 13% of their full-time workforce locally, primarily workers to support the expansion of the Jeceaba and Youngstown plants.

Among the many actions in 2012 to support local communities, Vallourec participated in a program of school construction and repair of buildings damaged by an earthquake in Indonesia. It also provided scholarships to over 600 Indonesian children.

In Brazil, the Group supported 1,150 economically vulnerable residents at its Barreiro plant, providing educational programs, job search assistance and events to create social links.

New sustainable purchasing policy

In 2012, Vallourec decided to reorganize its purchasing function to ensure better control of suppliers and a stronger, more centralized governance. It also is deploying common Group tools and processes to place sustainable development, ethics and safety challenges at the forefront of procurement activities. Among the areas covered are general purchasing conditions and certain supplier contract clauses and assessment tools intended for use in developing procurement strategies, risk assessments and contract awards. Special monitoring is conducted of suppliers selected on the basis of their impact on safety, product

quality and environmental protection. Similarly, 17 suppliers identified as critical in 2011 are subject to close supervision. Vallourec also launched a risk analysis of suppliers in early 2013 for social and environmental responsibility and is reviewing a possible global suppliers charter.

45%

of Group purchases
are made locally.

Constructive dialogue with our shareholders



Two successful private bond issues

The Group successfully completed two private long-term bond issues on August 1, 2012, totaling €455 million (a seven-year bond for €400 million and a fifteen-year bond for €55 million). The issuances, used for Vallourec's general financing needs, increase its financial flexibility, lengthen the average maturity of its debt profile and further diversify its financial resources.

Vallourec communicates throughout the year with institutional investors, financial analysts and individual shareholders.

The Annual Shareholders' Meeting held at Paris' Palais Brongniart on May 31, 2012 marked a highlight in the ongoing dialogue, which continued through meetings and conference calls with the financial community to discuss the quarterly and mid-year results, broadcast on the company website.

During the year, Vallourec also held 200 meetings and conference calls, conducted approximately fifty days of roadshows and participated in presentations, focusing primarily on the oil industry.

UNIVERSALLY ACCESSIBLE INFORMATION

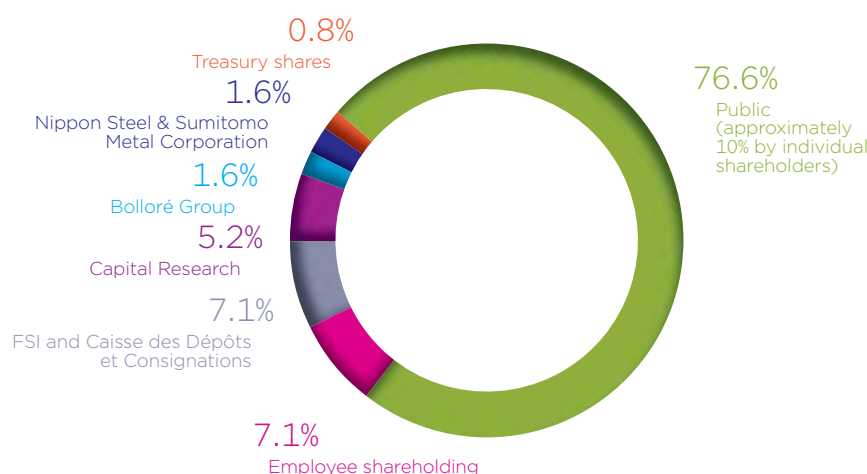
Vallourec works to maintain an enduring relationship based on trust with all shareholders, whether individual or institutional, or located within or outside of France. The Investor Relations and Financial Communications team ensures access to accurate, precise, straightforward information on the company's business activities, results, outlook and strategic developments. A number of dedicated communications media

are available (website, Shareholder's guide, Shareholder letters) to ensure clarity and transparency. 2012 activities included a half-day shareholders visit and presentations at the Saint-Saulve tube mill in northern France to provide more in-depth understanding of Vallourec's business. The Group also held a meeting with individual shareholders in Strasbourg.

Vallourec's participation at two socially responsible investment events in Paris and its exchanges with fund representatives relating to its commitments and actions to increase the sustainability of the Group's business activities proved to be successful. Areas of reflection being pursued include corporate governance, Code of ethics implementation, supply chain auditing and actions to promote diversity.

 More information available at: www.vallourec.com

Shareholding structure as of December 31, 2012



7.1%

Capital held by employees as of December 31, 2012.

Vallourec share information

Listed on Eurolist by Euronext Paris (compartment A)

Admitted to the deferred settlement service (SRD)

ISIN codes:

Share: FR0000120354

ADR: US92023R2094

Indices: CAC 40, Euronext 100, MSCI World Index, NYSE Euronext Vigeo France 20, NYSE Euronext Vigeo Europe 120

FTSE classification: engineering and industrial equipment

Market capitalization: €4.7 billion at March 31, 2013

Dividend distribution policy

Vallourec's dividend policy, approved by the Supervisory Board at its April 17, 2003 meeting, is to target a long-term average distribution of 33% of consolidated net income, Group share. The dividend to be proposed to the May 30, 2013 General Shareholders Meeting for the year 2012 amounts to €0.69 per share. This dividend corresponds to a payout ratio of 39.7% of consolidated net income, Group share. The average distribution level over the last five years was 37.6%.

Earnings per share and dividend in euros

	2011	2012
Earnings per share ⁽¹⁾	3.40	1.80
Dividend per share	1.30	0.69 ⁽²⁾
Payout ratio ⁽³⁾	39.3%	39.7%

(1) Earnings per share is calculated by dividing the Group's consolidated net income by the weighted average number of shares outstanding during the year.

(2) Dividend subject to the approval of the May 30, 2013 General Shareholders Meeting.

(3) The payout ratio calculation is based on the number of shares outstanding as of December 31.

Key dates for dividend distribution

June 5, 2013

Record date

June 6, 2013

Ex-dividend date

June 6-18, 2013

Option period: shareholders elect to receive the dividend in cash or shares by returning instructions to their financial institution

As from June 25, 2013

Dividend distribution

PROTECTING THE ENVIRONMENT AND USING NATURAL RESOURCES WISELY

166,000

HSE training
hours in 2012
throughout
the Group
(compared with
147,000 hours
in 2011)



Vallourec's energy mix in 2012
GWh



36.5%
Renewable

63.5%
Non-renewable

Electricity purchased
300 GWh

Electricity produced
83 GWh

Charcoal
2,370 GWh

Electricity purchased
1,302 GWh

Natural gas
3,257 GWh

Fuel
221 GWh

As stated in its sustainable development charter, Vallourec is committed to protecting the environment and using resources responsibly. The policy is implemented through a clear organization, applicable to all sites, regardless of the country in which they are located.

Being part of the Sustainable Development Department, the Environment Department is responsible for coordinating the actions throughout the Group, supported by Environment Managers appointed at each production site. More than 100 employees are thus specialized in this field. The Vallourec Management System methodology is applied to continuously improve performance.

The Group systematically reviews sustainable development issues in its investments. Analysis of health, safety and environment (HSE) risks is a mandatory step in the study conducted prior to each project. In 2012, Vallourec invested €60 million in HSE, plus an additional €10 million in the company's eucalyptus plantation in Brazil. These amounts namely contributed to improve working

conditions and water management as well as to reduce energy consumption.

ENERGY PERFORMANCE: 2020 OBJECTIVE FOR GREENHOUSE PROGRAM

A 20% reduction in the consumption of gas and electricity by 2020 is the ambitious goal set by the Group through its GreenHouse program, established in 2009. The project also seeks to prepare Vallourec for a "low carbon" economy as it also contributes to the reduction of greenhouse gas emissions.

The GreenHouse approach is based on Vallourec Management System methodologies, including the sharing of best practices in all areas related to energy. More than 50 continuous improvement teams are focused on these issues with some achieving immediate results. In addition, systematic performance analysis of furnaces is conducted to plan improvements or investments, such as those made to the burners at the Düsseldorf-Rath plant (see box opposite). At the end of 2012, 66 thermal bal-

Vallourec carbon footprint

		2010	2011	2012
TYPE OF EMISSIONS	COMPONENT	Metric tons of CO ₂	Metric tons of CO ₂	Metric tons of CO ₂
Direct emissions	Combustion of natural gas (furnaces)	588,220	656,332	612,360
	Methane emissions (carbonization of wood)	250,362	270,933	271,663
	Emissions due to production of steel	90,048	81,680	85,078
	Internal transport and storage	32,634	41,833	38,866
	TOTAL	961,264	1,050,778	1,007,968
Indirect emissions (electricity)	Electricity purchased	451,320	462,931	507,754
	TOTAL	451,320	462,931	507,754
Indirect emissions (other)	Purchases of raw materials and services	1,793,127	1,836,270	1,764,027
	External transport	561,495	625,999	601,897
	Waste treatment	238,177	239,225	242,652
	Losses related to energy transport (gas and electricity)	137,741	148,433	142,691
	Emissions related to intangible assets (equipment in our plants)	100,832	115,872	137,942
	Transport of personnel	54,602	68,688	74,026
	TOTAL	2,885,974	3,034,487	2,963,904
TOTAL CARBON FOOTPRINT (COVERING THE THREE TYPES OF EMISSIONS)		4,298,558	4,548,196	4,479,635
CARBON FOOTPRINT (KG CO₂/METRIC TON OF TUBES PROCESSED)		926	879	900

ances were completed, covering 80% of the Group's equipment.

For the full year, energy consumption per metric ton treated was 657 kWh/t for gas and 323 kWh/t for electricity. With equivalent orders and volumes, the performance reflects a 12% improvement compared to the GreenHouse program reference year 2008, factoring in consumption, activity levels, the share of premium products and related alloyed steel.

Düsseldorf-Rath plant: new burners deliver 30% energy savings

"A benchmark for energy efficiency for all Group production sites": just one year after Vallourec's Düsseldorf-Rath plant in Germany replaced 40 burners of its main furnace, used for heating steel billets, the "regenerative" burners already are considered a model. The new equipment has generated nearly 30% energy savings, reduced carbon dioxide emissions by 8,000 metric tons and increased productivity by 2%. Specifically, ceramic balls inside the regenerative burners can recover 80% of the energy from the exhaust gas for preheating

combustion air, twice the standard level. The preheating and heating temperatures are thereby increased, raising the furnaces' heating capacity by 20%. Studies on regenerative burners deployment are already underway at the Mülheim, Germany, and Aulnoye, France, sites.

Measuring and reducing our water footprint

Measuring the Group's water footprint with the Water Impact Index

In 2012, Vallourec decided to assess the full impact of its activities on water resources, selecting Veolia Water to help assess the water footprint of seven major sites in Brazil, the United States, France and Germany. The Water Impact Index developed by Veolia Water is an innovative multi-criteria approach, which goes beyond considering only the volume of water collected and discharged to look also at stress on the basin's water resources and the quality of water extracted and discharged. This methodology quantified and highlighted the true challenges Vallourec faces related to water stress and water quality in some regions. It will be applied at other Group facilities with the highest water consumption to raise awareness of resource management issues, better target improvement actions and reduce resource management costs.

Water is an essential and indispensable element in the process of tube production, used for cooling equipment (furnace, rolling, heat treatment) and the tubes themselves. Even with increasing production over the past ten years, the Group reduced water consumption per metric ton of tubes produced by 35%, from 10.6 million m³ in 2003 to 8.36 million m³ in 2012. To achieve these results, Vallourec has modified production circuits to increase process water recycling, developed rainwater capture and implemented actions to reduce the risk of leaks.

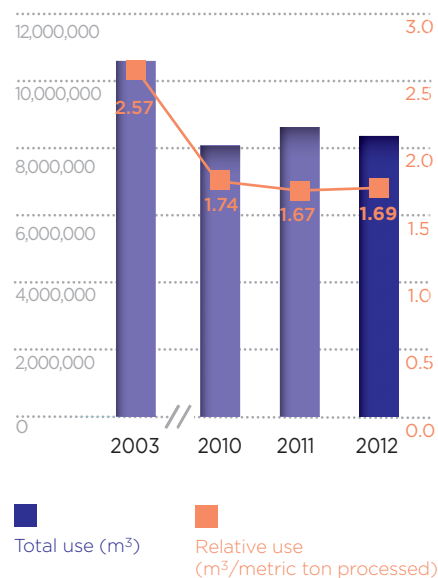
BETTER CONTROLLED DISCHARGES

Approximately 40% of process water is discharged into municipal sewage systems, while 60% of the water is returned to the natural environment after internal wastewater treatment. The objective is to reduce the amounts discharged through increased internal recycling. Group plants focus particularly on the quality of water discharged, monitoring suspended solids, chemical oxygen demand, total hydrocarbons and concentrations of metals (iron, zinc, chrome, nickel...) in accordance with local regulations. For example, the Saint-



Saulve, France, tube mill has reduced net water consumption by installing oil filters, separating water collection networks and establishing manually operated valves.

Water intakes evolution



Optimizing raw material consumption



Vallourec develops most of the steel required to manufacture tubes in its own mills using two different production processes: blast furnaces in Brazil (Barreiro) and electric arc furnaces in the US (Youngstown) and France (Saint-Saulve). The Group gives priority to the use of recycled scrap. For example, its French and American steel mills use 100% and 96.89% of recovered metals, respectively, in melting their steel.

To further enhance its recycling process, Vallourec implemented continuous improvement teams organized around three work areas: better defining the needs of steel mills to determine the steel grades to produce, raising the energy efficiency of furnaces and recovering the maximum amount of scrap within the Group through more efficient sorting and logistics.

EXTENDING THE LIFE OF THE MINE

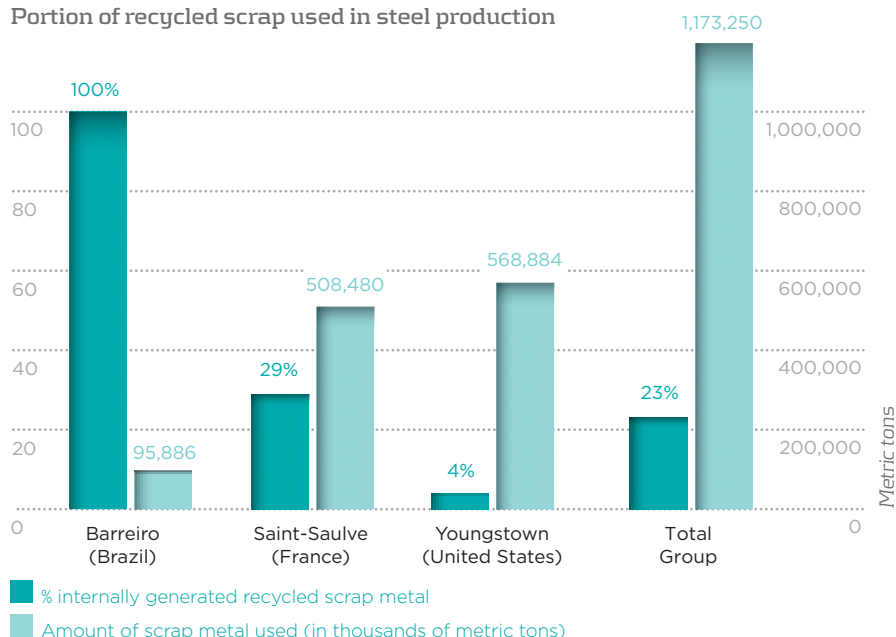
In Brazil, Vallourec has invested in a new processing plant to exploit low grade iron ore, previously considered unsuitable for use. New screening, separation and concentration equipment has made the material usable and marketable. In addition, existing low grade iron ore stockpiles that had been considered waste can now be

used. The investment will extend for ten to fifteen years the lifetime of the Pau Branco iron mine, operated by Vallourec since 1983 and producing 4 million metric tons of ore annually.

65%

steel produced by Vallourec from scrap.

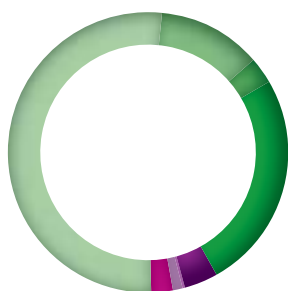
Portion of recycled scrap used in steel production



Recovering and recycling of waste

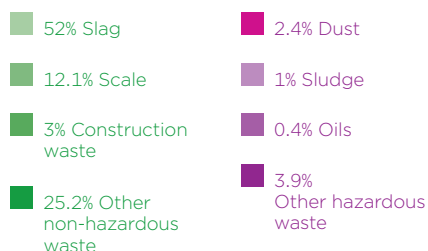


Distribution of waste generated in 2012 from a total of 654,969 metric tons



92.3%
Non-hazardous waste

7.7%
Hazardous waste



Like all industrial activity, the Group's activity generates a significant amount of waste: in 2012, it generated 654,969 metric tons, a lower figure than 2011 (665,813 metric tons). For Vallourec, waste management is not only an environmental issue but also an economic challenge as the value of by-products becomes significant. The Group has forged partnerships to integrate these by-products into other production lines.

menting processes for increasingly refined sorting (reuse of unsoiled pallets, recycling of protective gloves...) and seeking to track the destination and final use of wastes.

91%

2012 waste recovery rate.
The Group has set a target of 95% by 2014.

EUROPE AT THE FOREFRONT

In Europe, the mass of production waste reached nearly 150,000 metric tons in 2012. The two main sources are waste slag from electric furnace steel production and mill scale, followed by dust and sludge from rolling operations. 100% of waste is handled by service providers or companies who direct it to the most appropriate treatment channels. Nearly 70% of the waste goes to material recycling (metal, wood, oil...) and 30% is incinerated and used to provide heat. With a recycling rate of over 98%, European sites send less than 2% of waste to landfill. To continue to improve, sites are imple-

Air, soil, noise: limiting all forms of disturbance



To preserve air quality around its plants, Vallourec measures atmospheric emissions levels and implements customized solutions to limit each type of emission, vapor or particle. Vapors include emissions of nitrogen oxides (NOx), volatile organic compounds (VOCs), oily vapors and fumes from surface treatments. Particles are mainly emitted by the furnaces of steel mills, tube mills and finishing plants, as well as by trucks, vehicles and other handling equipment traveling on or near our sites.

INCREASED GROUNDWATER MONITORING

Vallourec also pays particular attention to waste that could pollute the soil. In France, given the age of the sites, the Group has conducted all soil studies on its own initiative. These investigations led eight sites to develop monitoring of groundwater using piezometers, in consultation with local authorities. The same is also true for two sites in Germany. In Brazil, the Barreiro site, which had shown potential problems, has been brought into conformity. Enhanced monitoring also is conducted on groundwater. In the United States, analyses at the vast majority of production sites revealed no significant risk of pollution.

A new action plan against noise

Between the cutting, handling, storage and banging together of tubes as well as the rolling processes, tube manufacturing inevitably generates noise. Going beyond compliance, Vallourec took a number of initiatives to reduce or eliminate noise disturbances. By reducing the noise level on its production sites, it ensures greater comfort of employees and residents. The most effective actions are those that reduce noise at the source, wherever possible. For example, some plants replace pneumatic controls with hydraulic controls for movements or place rubber between tubes to avoid direct impact noise. When noise reduction at the source is not possible, other actions taken include establishment of barriers, equipment containment or anti-noise walls. In some areas,

Group plants may require the wearing of high performance earplugs that allow certain frequencies to be heard to facilitate discussions while significantly reducing factory noise perception. Systematic medical monitoring is conducted to detect any hearing problems. The Sustainable Development Committee defined a new anti-noise action plan in 2012.

Preserving biodiversity in Brazil



Vallourec's commitment to protecting biodiversity is reflected in its tangible, daily measures in areas where its activities could have a major impact. In Brazil, the company has a long tradition of protecting fauna and flora. In partnership with the municipality, the Barreiro plant operates a 20-hectare urban reserve adjacent to the site, whose mission is to inform the public on biodiversity issues. A nursery was built there in 2012 and the green belt encircling the site was enriched with 750 trees to help maintain biodiversity.

PRESERVING THE FAUNA OF THE ATLANTIC FOREST

At the Brumadinho site, which lies at the crossroads of the *cerrado* (savanna) and *mata atlantica* (atlantic forest) ecosystems, Vallourec controls the impact of its mining activities on the natural environment. It ensures regular monitoring of the biodiversity of the site and surrounding areas. To preserve the diversity of animal species, a 200-hectare reserve of atlantic forest was established.

MONITORING A VAST ECOSYSTEM

In the state of Minas Gerais, Vallourec is engaged in logging and carbonization to produce charcoal used in its Barreiro steel mill blast furnaces. Wildlife and flora monitoring is conducted on 240,000 hectares of forest area, in collaboration with the university of Minas Gerais and Lavras. The number of species monitored increases regularly and their study has given rise to numerous scientific publications. Maintaining "ecological corridors" also ensures the free movement of animals and protects against forest fires and soil erosion.

METHODOLOGY NOTE

Intended to inform shareholders and the greater public on Vallourec's activities, this report has been compiled based on data gathered from global systems deployed in each participating site.

The introduction of the law of July 12, 2010, or "Grenelle 2 round table", and particularly article 225, has led Vallourec to adapt its reporting. This is an opportunity for Vallourec to present its strategy and actions implemented with regards to social and environmental responsibility.

INDICATOR SYSTEM

Environmental and safety indicators have been retained in the ERMIT reporting system, which allows these factors to be monitored and consolidated monthly. These are included in a glossary available in the Group's four main working languages (French, English, German and Brazilian Portuguese), distributed by the Sustainable Development Department to its network of contacts.

Indicators on employment conditions also have precise definitions that have been standardized for the entire Group and incorporated into a procedure. Each site collates these indicators. The data is then consolidated by country by the local HR contact, and then at company level by the Human Resources Department.

REPORTING SCOPE

The scope of environment and safety reports is determined in accordance with the rules put in place by Vallourec's Sustainable Development Department. The scope includes:

1. sites carrying out industrial activities. Therefore the following are excluded from environment reports: the European IT center at Saint-Saulve, the administrative offices and headquarters located in Boulogne (France), Rath (Germany), Houston (USA) and Beijing (China), as well as all sales offices. Research centers are also excluded, with the exception of VRA, whose activity is more varied. As for consolidation of the safety indicators, all sites must participate with the exception of small sales offices;
2. sites that have belonged to Vallourec for over six months. This rule needs to be considered when an acquisition or disposal is under way;
3. sites that conduct effective industrial activity throughout the financial year. This thereby excludes sites under construction that have not hosted a minimum of six months of activity. In addition, the VSB and TSA sites in Brazil were not integrated as VSB's industrial process is not yet stabilized and TSA's data is not yet available;
4. sites for which Vallourec holds over 50% of voting rights.

Conversely, the sites for which Vallourec has a non-controlling interest are not incorporated into the scope. An example of this is the HKM steel mill, in which the Group has a 20% stake.

The social reporting scope includes all companies who fall within the scope of financial reporting, with the exception of:

1. companies with fewer than five employees;
2. companies in which Vallourec has a non-controlling interest.

CONSOLIDATION PRINCIPLES

1. Companies and sites that fall within the scope in accordance with the rules described above are not treated using the equity method, but are all placed on the same baseline at the moment of consolidation, i.e., as if they were all owned 100% by the Group.
2. The prudence concept: consolidation is based on cautious evaluations so as to avoid transfer and reputation risks.
3. Accruals concept: financial years are all independent of each other.

CONSOLIDATION AND VERIFICATION

Environmental indicators are consolidated and verified every month by the Sustainable Development Department, which judges whether deadlines are met and whether the information provided is accurate and complete. If there is any doubt or incoherence, the corresponding sites are requested to provide explanations demonstrating whether the reported indicators have been properly understood and whether the year's objectives have been met. This stage is crucial for the quality of reporting and for guaranteeing that indicators are monitored and that an approach of continuous progress is followed. Furthermore, in order to verify and compare data, the Sustainable Development Department publishes a quarterly summary for the Department and all sites.

Safety indicators are released monthly, following verification, to senior management, Divisions and all sites.

Each month, the Human Resources Department verifies social data gathered and then distributes a summary on this data to Vallourec's Executive Committee and Division Managers.

PRODUCTION CALCULATIONS

Per metric ton processed, Vallourec defines this as the metric ton of output from each plant, whether this is steel, hot tubes or fully finished cold tubes. Production of all plants is added together to obtain Vallourec's total production in metric tons processed.

For integrated sites, such as V & M Star, in Youngstown, and V & M do Brazil, in Barreiro, total production is the sum of steel and tube production.

However, the production of iron ore at V & M Mineração and the production of charcoal at V & M Florestal are not taken in calculating Vallourec's total production.

Per metric ton shipped, we mean the official production figure published in the Group's results.

Environmental data is expressed both in absolute and relative values.

Relative values are calculated over production in metric tons processed, which allows for a degree of benchmarking between different sites, or production in shipped tubes, which enables us to measure our environmental footprint in relation to the number of tubes sold to our clients.

Performance indicators – Environment

Vallourec is committed to tracking and reporting the results of its social and environmental responsibility efforts. Chapter 4 of its 2012 registration document, "Social and environmental information," includes 42 topics listed in article R. 225-105-1 of the French Commercial Code on which information was collected worldwide. These indicators and the consistency with the described policies have been audited by the Group's external auditors with a moderate level of assurance and are the subject of a report contained in appendix 2 of chapter 4 of the 2012 registration document.

Indicator	Unit	2008	2009	2010	2011	2012
PRODUCTION						
	Metric tons processed	5,815,294	3,273,973	4,642,266	5,175,558	4,959,229
	Metric tons shipped	2,766,400	1,503,000	1,888,000	2,251,000	2,092,000
WATER CONSUMED						
	m ³ /year	9,444,031	7,326,310	8,078,804	8,628,862	8,360,710
	m ³ /metric ton processed	1.6	2.2	1.74	1.67	1.69
	m ³ /metric ton shipped	3.4	4.9	4.28	3.83	3.99
WATER DISCHARGED						
	m ³ /year	5,880,281	4,830,400	4,903,721	5,257,296	5,596,360
	m ³ /metric ton processed	1	1.5	1.06	1.02	1.13
	m ³ /metric ton shipped	2.1	3.2	2.6	2.34	2.68
	Total metals mg/l. rejected	0.5	1.14	1.14	1.11	0.86
WASTE						
Non-hazardous waste	Metric tons/year	606,597	465,047	588,614	616,828	604,425
Hazardous waste	Metric tons/year	75,773	47,745	59,904	48,985	50,544
Recovered waste	%	ND	ND	86	89	91
Total waste ⁽¹⁾	Metric tons/year	682,370	512,793	628,518	665,813	654,969
	kg/metric ton processed	117	157	135	129	132
	kg/metric ton shipped	247	341	333	296	313
ENERGY						
Natural gas	GWh/year	3,687	2,652	3,238	3,496	3,257
	kWh/metric ton processed	634	810	697	675	657
	kWh/metric ton shipped	1,333	1,764	1,715	1,553	1,557
Electricity	GWh/year	1,680	1,197	1,521	1,598	1,603
	kWh/metric ton processed	289	366	328	309	323
	kWh/metric ton shipped	607	796	806	710	766
CO₂⁽²⁾						
Total emissions	Metric tons/year	976,209	739,807	961,264	1,050,778	1,007,968
	kg CO ₂ eq./metric ton processed	168	226	207	203	203
	kg CO ₂ eq./metric ton shipped	353	492	509	467	482
STEEL PRODUCTION IN 2012 (metric tons)						
PLANT	Blast furnaces			Electric arc furnaces		Steel mills
	Ore	Pellets	Charcoal	Scrap	% internally recycled	Scrap and cast iron
V & M do Brasil – Barreiro	446,010	398,649	325,523	88,219	100	552,030
V & M France – Saint-Saulve				484,202	31	484,202
V & M Star – Youngstown				587,959	1	607,904
TOTAL	446,010	398,649	325,523	1,160,380	21	1,644,136

(1) Not consolidated in total special waste from previous years: in 2010, 26,057 tons of special hazardous waste (Barreiro: 26,050 metric tons / Mülheim: 7 metric tons).

(2) From 2002 to 2006, the results for CO₂ emissions include only natural gas combustion and process emissions from the steel mill. 2007 represents Vallourec inventory, including emissions from internal transport but not methane emissions from V & M Florestal, which were reported beginning in 2008. Note that the emission factor for methane was revised in line with the official values beginning in 2010.

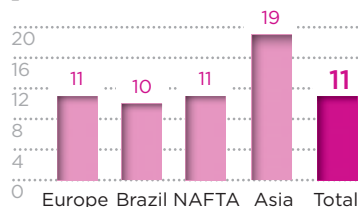
Performance Indicators – Social

	2008	2009	2010	2011	2012
EMPLOYEES	18,561	18,567	20,561	22,204	23,177
TURNOVER (%)	6	9	7	8	10

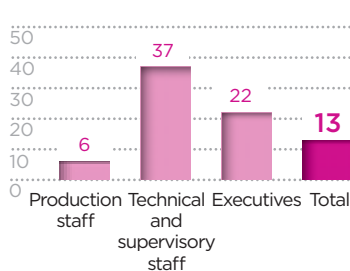
EMPLOYEES BY REGION	2011	2012	Change (%)	2011 distribution (%)	2012 distribution (%)
Europe	9,888	9,904	0.23	44	43
Brazil	7,964	8,151	2.64	36	35
NAFTA	2,765	2,859	3.94	12	12
Asia	1,448	1,922	36.74	7	9
Middle East	117	272	129.05	1	1
Africa	22	69	213.64		
TOTAL	22,204	23,177	4.38	100	100

HIRES AND TRANSFERS IN 2012	Production staff		Technical and supervisory staff		Executives		TOTAL	
	Number	%	Number	%	Number	%	Number	%
Europe	325	52	121	19	176	28	622	23
Brazil	940	86	69	6	81	7	1,090	41
NAFTA	412	73	87	16	61	11	560	21
Asia	138	47	122	41	31	11	291	11
Others	77	81	8	8	10	11	95	4
TOTAL	1,892	71	407	15	359	14	2,658	100

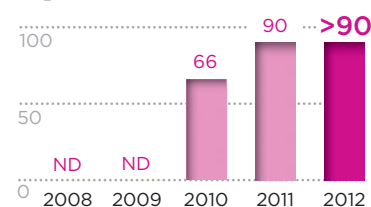
% women in 2012 permanent workforce



% of women 2012 new hires



% of executives having a performance review



	2008	2009	2010	2011	2012
SAFETY					
LTIR ⁽¹⁾	9.28	5.27	3.16	2.79	2.6
TRIR ⁽²⁾	31	18.6	12.8	9.4	7.1
Severity rate	0.38	0.33	0.2	0.11	0.11

TRAINING					
Number of employees trained	ND	ND	12,691	16,027	15,942
Number of training hours	ND	520,000	650,346	677,931	597,379

	Europe	Brazil	United States	Asia	TOTAL
% of employees participating in at least one day of training in 2012	59	80	77	62	69
Average number of hours of training in 2012	25	28	25	21	26

(1) LTIR (Lost Time Injury Rate): number of accidents with lost time per million hours worked.
 (2) TRIR (Total Recordable Injury Rate): total number of accidents per million hours worked.

Summary consolidated balance sheet

<i>In € million</i>	12/31/2011	12/31/2012
NON-CURRENT ASSETS		
Intangible assets, net	277.0	223.5
Goodwill	519.8	511.4
Net tangible fixed assets	4,066.3	4,320.1
Biological assets	184.3	196.1
Investments in equity affiliates	146.7	162.0
Other non-current assets	289.0	408.1
Deferred tax assets	140.8	182.1
TOTAL	5,623.9	6,003.3
CURRENT ASSETS		
Inventories and work-in-progress	1,388.9	1,429.7
Trade and other receivables	1,057.9	969.0
Derivatives – assets	39.7	59.3
Other current assets	182.5	202.6
Cash and cash equivalents	901.9	546.2
TOTAL	3,570.9	3,206.8
TOTAL ASSETS	9,194.8	9,210.1
EQUITY		
Shareholders' equity	4,830.3	4,795.6
Minority interests	380.0	417.0
TOTAL EQUITY	5,210.3	5,212.6
NON-CURRENT LIABILITIES		
Bank loans and other borrowings	1,189.2	1,410.3
Employee benefits	116.7	115.4
Deferred tax liabilities	198.8	189.7
Other long-term liabilities	102.1	209.7
TOTAL	1,606.8	1,925.1
CURRENT LIABILITIES		
Provisions	120.3	153.3
Overdrafts and other short-term bank borrowings	906.2	749.8
Trade payables	668.7	677.7
Derivatives – liabilities	115.7	15.4
Other current liabilities	566.8	476.2
TOTAL	2,377.7	2,072.4
TOTAL LIABILITIES	9,194.8	9,210.1

Summary consolidated income statement

<i>In € million</i>	12/31/2011	12/31/2012
Sales	5,295.9	5,326.0
Cost of sales ⁽¹⁾	-3,744.7	-3,940.4
Selling, general and administrative costs ⁽¹⁾	-576.5	-575.6
Other income (expense), net	-35.0	-24.3
EBITDA	939.7	785.7
Depreciation of industrial assets	-200.5	-237.5
Other (amortization, impairment and restructuring)	-46.0	-74.2
OPERATING INCOME	693.2	474.0
FINANCIAL INCOME	-48.5	-97.6
INCOME BEFORE TAX	644.7	376.4
Income tax	-191.6	-112.4
Net income of equity affiliates	3.7	6.5
CONSOLIDATED NET INCOME	456.8	270.5
Minority interests	55.2	53.7
NET INCOME, GROUP SHARE	401.6	216.8

(1) Before depreciation and amortization.

The comprehensive version of the financial statements and related notes are available in the registration document filed with the French securities regulator (Autorités des Marchés Financiers) on April 24, 2013.

GLOSSARY

ALLOY

Combination of a metal and one or more other chemical elements that acquires greatly enhanced mechanical properties when subjected to mechanical and heat treatments.

AMERICAN PETROLEUM INSTITUTE (API) STANDARDS

US organization that produces standards relating to the oil industry.

BILLET

Section cut from a steel bar (round tube) for the purpose of transforming it into a tube by mechanically working it while hot.

BLAST FURNACE

Reactor that uses carbon (in the form of coke or charcoal) as an iron ore-reducing agent to produce iron.

BUTTRESS

Standard threading for OCTG products.

CASING

Tubes assembled by means of leak-tight threaded connections to form a column consolidating the walls of an oil or gas well.

CREEP

Physical phenomenon causing permanent deformation of a tube subject to strong physical stress, such as high temperature. Creep tests enable assessment of steel resistance to the stress applied.

CONNECTION

System enabling tubes to be connected to each other by a make-up process.

CONTINUOUS CASTER

Industrial facility that solidifies metal in a mold in a continuous process, forming long bars.

DRILL PIPE

Extremely strong tube used to drill oil or gas wells. Drill pipes are assembled end-to-end to form a drill string, which may be up to 10,000 m long.

DRILLING

Use of appropriate tools to penetrate underground formations, whether for geological studies or to remove fluids (oil, gas, water, etc.) from the drilled terrain.

ELECTRIC ARC FURNACE

Furnace designed for smelting scrap metal or prepared ore, in which the main heat source is an electric arc.

HEAT TREATMENT

Transformations in the structure of steel obtained by performing heating and cooling cycles for the purpose of improving the steel's mechanical properties.

HOLLOW

Semi-finished tube, which can subsequently be transformed into a product satisfying the specific requirements of a particular market.

LINE PIPE

Oil and gas transport pipes, generally consisting of seamless tubes in the offshore section and large-diameter welded tubes in the onshore section.

MSH SECTION

Trademark registered by the Vallourec Group for premium structural tubes.

OCTG

Oil Country Tubular Goods – casing and tubing products for oil and gas production.

RISER

Offshore pipe that carries oil extracted from the sea bed to the export facility on the surface.

ROLLING MILL

Plant where seamless tubes are manufactured in a three-stage hot process:

1. pierce the billet;
2. draw the resulting hollow on an internal mandrel;
3. calibrate the final dimensions.

STRUCTURAL TUBE (HOLLOW SECTION, MICRO-PILE, ETC.)

Round, square or rectangular hollow sections used in a vast range of applications in the mechanical engineering, construction and civil engineering sectors.

SUPERCritical OR ULTRA-SUPERCritical POWER PLANT

Enhanced-performance thermal power plants that operate at high temperature (>374°C) and high pressure (>221 bar).

The term "ultra-supercritical" applies to plants operating at temperatures in excess of 600°C.

THREADING

Machined profile at the ends of tubes, allowing them to be assembled by screwing the male and female parts together.

TUBING

Steel tubes assembled by means of gas-tight threaded connection to form a production string through which fluids are piped from a well bottom to the surface.

UMBILICAL

Assembly of steel tubes and/or hydraulic pipes, electric cables and optical fibres, used to connect the equipment on the sea floor to its control station on the surface.

Vallourec supplies stainless steel tubes for umbilicals.

VAM®

Family of premium threaded joints invented and patented by Vallourec. VAM® connections ensure a totally gas-tight connection and are suitable for a wide range of demanding applications.

OTHER PUBLICATIONS



2012 registration document
and annual financial report



**2012 activity and sustainable
development report**

is available for the visually impaired
on Vallourec's web site www.vallourec.com
The interactive version is enriched with videos,
digital contents and additional documents

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