**A look back at the highlights**
of the transformation with the directors
of four major regions. —

## BRAZIL —
## ONE STEEL MILL READY TO GO FULL SPEED

The oil crisis has not spared Brazil. Our Oil and gas activities, which account for 60% of Vallourec revenues in Brazil, were heavily impacted, like those of our main customer Petrobras. To optimize the competitiveness of our sites and enhance the effectiveness of our organizations, we decided to merge the two Brazilian entities into one, named VSB for Vallourec Soluções Tubulares do Brasil. Vallourec owns approximately 85% of the new entity, in partnership with NSSMC and Sumitomo. As part of this merger, we are gradually transferring steel production from Barreiro Belo Horizonte to the modern Jeceaba plant. In 2018, the blast furnaces and steel mill of Barreiro will close permanently. We have not concealed that this will have a social impact. Unions and employees have also welcomed our transparency. We are committed to finding the best solutions possible for each employee. Project groups involving teams from both entities are refining the integration process. They will transform Vallourec Brazil into a highly competitive platform, which will be a key part of Vallourec's rebound. —

**ALEXANDRE LYRA** /
SENIOR VICE PRESIDENT,
SOUTH AMERICA

**NICOLAS DE COIGNAC** /
SENIOR VICE PRESIDENT,
NORTH AMERICA

## UNITED STATES —
## VALLOUREC TAKES PART IN THE RECOVERY

In the US, momentum has revived, particularly in oil shale. From 400 rigs in mid-2016, the level of 650 was reached in late 2016. Operators and distributors replenished their stocks at the same pace. Our priority is to manage this rebound, which is as sudden as the decline in early 2015. This means training teams needed to increase the capacity of our plants and deliver products that always meet the quality requirements and deadlines of our customers. The North America region has largely contributed to the cost reduction efforts undertaken by Vallourec. The working groups have proposed more than 1,000 actions that today have resulted in efficiencies that have increased speed and sharply reduced our working capital needs. With our business partners, we also spent a lot of time getting closer to our customers to understand their challenges and new expectations. Together, we have optimized our product and services to ensure their loyalty and win new customers. In a market that will certainly require much more agility and responsiveness, all efforts during the past two years are paying off. —

## CHINA —
## A HIGHLY COMPETITIVE PRODUCTION HUB

In 2016, Vallourec acquired Tianda, Chinese manufacturer of seamless tubes. Tianda has two plants. The first, in Chuzhou, employs 1,100 people and its high-end mill has a capacity of 500,000 tons. The other, in Tongcheng, has 600 employees and production of 90,000 tons. The first advantage of Tianda is its cost structure, adapted to ultra-competitive markets. The second is that we have learned to work with local teams since 2011, which has enabled us to qualify Tianda with major customers such as ADCO, Kuwait Oil Company, Total and Shell. This highly competitive production center will enable us to win or regain markets inaccessible to European mills and in which competitors, especially from China and Russia, have emerged. One example: to meet Total's competitiveness requirements and secure the entire contract, we are combining VAM® connections and Tianda pipes for entry-level premium products while preserving the European route for the advanced premium part. With Tianda, Vallourec offers its customers a response that is both competitive and qualitative. The challenge is to fully integrate Tianda within Vallourec and establish the Group's safety and quality standards. —

**ÉDOUARD GUINOTTE** /
SENIOR VICE PRESIDENT,
MIDDLE EAST AND ASIA

## EUROPE —
## SOURCE FOR VERY HIGH-END RANGE

The market accessible from Europe has narrowed considerably in recent years due to competition from low-cost countries, including China, and the addition of local production capacity. Exports from Europe are limited to approximately 1 million tons annually of essentially high-end products. By adding domestic needs, the global accessible market is around 3 million tons for an installed production capacity of more than 6 million tons, thus, a structural overcapacity of 50%. Vallourec has adapted to this situation. In two years, the Group has reduced operations from 1.5 million to 700,000 tons and its order book in Europe is becoming very high-end. Our rolling capacities have been concentrated on the German sites of Mülheim and Rath, making it possible to cover all customer needs in terms of dimensional ranges and volume. French sites, central to the high-end strategy, concentrate on tube finishing. The most sophisticated products in our portfolio will use heat treatment capacities and finishing by the French entities, which have the most modern equipment and the most advanced expertise. —

**HUBERT PARIS** /
SENIOR VICE PRESIDENT,
EUROPE AND AFRICA