



Press release

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Vallourec announces the launch of a rights issue for c. €480 million with shareholders' preferential subscription rights

This rights issue, combined with the issue of reserved mandatory convertible bonds for c. €514 million, will allow Vallourec to complete the announced raise of c. €1 billion in new equity

Subscription ratio: 8 new shares for 5 existing shares

Subscription price: €2.21 per new share

Subscription period: from 11 April 2016 to 22 April 2016 inclusive

Boulogne-Billancourt (France), 8 April 2016 – Vallourec, world leader in premium tubular solutions, announces today the launch of a capital increase via an offering of preferential subscription rights to existing shareholders, for a gross amount of c. €480 million (the "Rights Issue"), leading to the creation of 217,101,488 new shares. This Rights Issue, combined with the issuance of reserved mandatory convertible bonds for c. €514 million to be subscribed by Bpifrance Participations SA ("Bpifrance") and Nippon Steel & Sumitomo Metal Corporation ("NSSMC") will allow Vallourec to complete a total new capital raising of c. €1 billion.

The combined c. €1 billion proceeds of the Rights Issue and the reserved mandatory convertible bonds issuance will be used to implement the strategic initiatives announced on 1 February 2016, specifically:

- a global industrial reorganization including, in particular, the development of competitive production hubs in Brazil and China;
- the rationalization of its European production operations; and
- the strengthening of Vallourec's balance sheet and financial flexibility.

Commenting on the launch of this operation Philippe Crouzet, Chairman of Vallourec's Management Board, said: *"Through this capital increase, we will reinforce the flexibility of our balance sheet and consolidate our shareholder base, providing ourselves with the necessary means to implement the strategic initiatives that we launched in February. These measures will enable us to improve the competitiveness of our manufacturing base and our commercial offers, which will cement the group's long-term position as a global leader in tubular solutions, for the benefit of our shareholders, our clients and our employees."*

Main terms of the Rights Issue and the reserved mandatory convertible bonds

Rights Issue

Each shareholder of Vallourec will receive one (1) preferential subscription right for each share it holds as of the closing of trading on 8 April 2016, 5 preferential subscription rights allowing such holder to subscribe 8 new shares on an irreducible basis (*à titre irréductible*). The subscription price for the new shares has been set at €2.21 per share (nominal value of €2 and issue premium of €0.21). The subscription price represents a 62.6% discount to the closing price (€5.917) of Vallourec's shares on 6 April 2016 on the regulated market of Euronext in Paris ("Euronext Paris") and a 39.2% discount to the theoretical value of the ex-right share price (TERP).

Bpifrance, which currently holds 10.3% of Vallourec's share capital and NSSMC, which currently holds 1.5% of Vallourec's share capital, have undertaken to exercise all of their rights on an irreducible basis (*à titre irréductible*) (the "Bpifrance and NSSMC Subscription Commitments"), representing 11.8% of Vallourec's share capital and a combined amount of approximately €56 million.

The remaining part of the Rights Issue not covered by the Bpifrance and NSSMC Subscription Commitments, i.e. approximately €423 million, will be underwritten by a syndicate of banks led by Banco Santander, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Goldman Sachs, JP Morgan, Natixis and Société Générale Corporate & Investment Banking acting as Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners, and Nomura acting as Joint Lead Manager and Joint Bookrunner. Rothschild & Cie is acting as financial advisor to Vallourec.

The Rights Issue will be open to the public only in France.

Reserved mandatory convertible bonds issuance

The reserved mandatory convertible bonds issuance is composed of two tranches (Tranche A bonds and Tranche B bonds, together, the "Mandatory Convertible Bonds" or the "Bonds"), calibrated so that Bpifrance and NSSMC each reach 15% ownership following completion of the Rights Issue and the full conversion of the Bonds, on a diluted basis.

The Tranche A bonds will allow Bpifrance and NSSMC to reach each 15% of Vallourec's share capital on a diluted basis based on their current shareholding. The Tranche B bonds are the economic equivalent of preferential subscription rights and will be subscribed by Bpifrance and NSSMC under the same terms (notably at the same subscription price) as the other shareholders exercising their preferential subscription rights, so that they maintain their 15% ownership each after the Rights Issue and the conversion in full of the Bonds. Bpifrance will subscribe to around €128 million of Tranche A bonds and around €41 million of Tranche B bonds. NSSMC will subscribe to around €260 million of Tranche A bonds and around €84 million of Tranche B bonds.

The reference price for the underlying shares of the Tranche A bonds is set at €11 per share. The reference price for the underlying shares of the Tranche B bonds is equal to the subscription price for each new share in the Rights Issue, i.e. €2.21 per share. The Mandatory Convertible Bonds issuance is subject to completion of the Rights Issue, and both the issue of the Bonds and the Rights Issue will settle on the same day. The conversion of the Bonds into ordinary shares will be mandatory upon the earlier of the approval by the Brazilian competition authority and the maturity date of the Bonds (the earlier of 24 months after their issuance date, i.e. on 31 May 2018 according to the indicative timetable, and 8 business days prior to the shareholders' meeting convened to approve Vallourec's financial statements for the 2017 fiscal year).

Indicative timetable

The subscription period for the new shares will run from 11 April 2016 to 22 April 2016 inclusive. During this period, the preferential subscription rights will be listed and traded on Euronext Paris under the ISIN Code

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FR0013144326. Preferential subscription rights that have not been exercised by the end of the subscription period, i.e. before the close of trading on 22 April 2016, shall become null and void. The record date to be entitled to the preferential subscription rights is 8 April 2016.

Subscriptions subject to reduction (*à titre réductible*) will be accepted but remain subject to reduction in the event of oversubscription. Any new shares not subscribed through irrevocable entitlement (*à titre irréductible*) will be distributed and allocated to the holders having submitted additional subscription orders subject to reduction (*à titre réductible*).

Settlement and delivery and start of trading on Euronext Paris (Segment A) of the new shares is expected to take place on 3 May 2016. The new shares, which will carry dividend rights and will entitle their holders to any dividends declared by the Company from the date of issue, will be fully fungible with Vallourec's existing shares and will be traded under the same ISIN code as Vallourec's existing shares (ISIN Code FR0000120354).

Settlement and delivery of the Bonds will take place on 3 May 2016.

Intentions and undertakings of the main shareholders

Vallourec agreed to a lock up of 180 calendar days after the settlement and delivery of the Rights Issue, subject to certain conditions.

Bpifrance and NSSMC agreed, subject to certain conditions, to a lock-up period from 1 February 2016 until the expiration of a 12-month period starting, for Bpifrance, at the shareholders' general meeting of 6 April 2016 and for NSSMC after the conversion of the mandatory convertible bonds.

Information available to the public

A French language prospectus including the reference document (*document de référence*) of Vallourec filed with the French Market Authority (*Autorité des marchés financiers* (AMF)) on 16 March 2016 under n° D.16-0141 and a securities notes (*note d'opération*) (which includes the summary of the prospectus) filed with the AMF, which received visa n° 16-126 dated 7 April 2016 is available free of charge from the company (27, avenue du Général Leclerc, 92100 Boulogne-Billancourt) as well as on the websites of the AMF (www.amf-france.org) and the company (www.vallourec.com).

Vallourec draws the public's attention to the risk factors included in pages 121 to 138 of the reference document, and in chapter 2 of the securities note (*note d'opération*).

About Vallourec

Vallourec is a world leader in premium tubular solutions primarily serving the energy markets, as well as other industrial applications.

With over 20,000 employees in 2015, integrated manufacturing facilities, advanced R&D and a presence in more than 20 countries, Vallourec offers its customers innovative global solutions to meet the energy challenges of the 21st century.

Listed on Euronext in Paris (ISIN code: FR0000120354, Ticker VK) and eligible for the Deferred Settlement System (SRD), Vallourec is included in the following indices: SBF 120 and Next 150.

In the United States, Vallourec has established a sponsored Level 1 American Depositary Receipt (ADR) program (ISIN code: US92023R2094, Ticker: VLOWY). Parity between ADR and a Vallourec ordinary share has been set at 5:1.

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No communication or information relating to the contemplated rights issue may be distributed to the public in any jurisdiction in which registration or approval is required. No action has been (or will be) undertaken in any jurisdiction outside of France where such steps would be required. The subscription for or purchase of securities of Vallourec may be subject to legal or statutory restrictions in certain jurisdictions. Vallourec assumes no responsibility for any violation of such restrictions by any person. The distribution of this press release in certain jurisdictions may be restricted by law.

This press release does not constitute a prospectus within the meaning of Directive 2003/71/EC as amended (the "Prospectus Directive").

The rights issue is open to the public in France only pursuant to a prospectus having received the visa of the Autorité des marchés financiers (the "AMF") and prepared in accordance with the Prospectus Directive.

With respect to each member State of the European Economic Area other than France (the "Member State"), no action has been undertaken or will be undertaken to make an offer to the public of securities requiring a publication of a prospectus in any Member State. As a result, the securities of Vallourec may only be offered in the Member States (i) to qualified investors, as defined by the Prospectus Directive; or (ii) in any other circumstances, not requiring Vallourec to publish a prospectus as provided under Article 3(2) of the Prospectus Directive.

For the purposes of this paragraph, "securities offered to the public" in a given Member State means any communication, in any form and by any means, of sufficient information about the terms and conditions of the offer and the securities so as to enable an investor to decide to buy or subscribe for the securities, as the same may be varied in that Member State.

This selling restriction applies in addition to any other selling restrictions which may be applicable in the Member States.

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This press release includes forward-looking statements relating to the Group's expectations or objectives. These statements are sometimes identified by the use of the future or conditional tense, as well as terms such as "estimate", "believe", "have the objective of", "intend to", "expect", "result in", "should" and other similar expressions. It should be noted that the realization of the expectations or objectives expressed or implied by these forward-looking statements is dependent on circumstances and facts, including those arising in the future, that may be outside of the Group's control. Forward-looking statements and information about objectives may be affected by known and unknown risks, uncertainties and other factors that may significantly alter the future results, performance and accomplishments planned or expected by the Group. These factors may include changes in the Group's economic and commercial situation, regulations and the risk factors described in Chapter 5 of Vallourec's 2015 Registration Document filed with the AMF under number D.16-0141 on March 16, 2016 and in chapter 2 of the securities note which received visa number 16-126 from the AMF on April 7, 2016.

The contents of this announcement have not been verified by Banco Santander (which is authorised in Spain by the Bank of Spain and regulated in Spain by the CNMV (Spanish Securities Market Commission) and the Bank of Spain), BNP Paribas, Crédit Agricole Corporate and Investment Bank, Goldman Sachs International (which is authorised in the United Kingdom by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority), J.P. Morgan (which is authorised in the United Kingdom by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority), Natixis, Nomura (which is authorised in the United Kingdom by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority) and Société Générale Corporate & Investment Banking (together the "Banks")

The Banks are each acting exclusively for Vallourec and for no-one else in connection with any transaction mentioned in this announcement and will not regard any other person (whether or not a recipient of this announcement) as a client in relation to any such transaction and will not be responsible to any other person for providing the protections afforded to their respective clients, or for advising any such person on the contents of this announcement or in connection with any transaction referred to in this announcement.

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