Vallourec reaches a major step with an agreement in principle on financial restructuring with main creditors

Boulogne-Billancourt (France), February 3, 2021 – Vallourec announces that it has reached a major step in its financial restructuring, with an agreement in principle ("**Agreement in Principle**") with its main creditors. This agreement meets the Company's objectives to rebalance its capital structure by reducing its debt and securing the necessary liquidity that will enable the Company to implement its strategic plan in a volatile market environment.

The Agreement in Principle has been entered into by the Company and a group of lenders representing together 65.1% of the total amount of the Company's financial debt, including, on the one hand, certain of its commercial banks[1] (the "**Commercial Banks**") representing 38.8% of the principal amount of the revolving credit facilities ("**RCF**") and, on the other hand, investment funds[2] holding the 2022 Senior Notes, the 2023 Senior Notes, the 2022 OCEANE, the 2024 Bonds or interests in the RCF (the "**Ad Hoc Group**") representing approximately 50.5% of the principal amount of the RCF[3] and 41.4% of the principal amount of the bonds issued by the Company (the "**Bonds**"). The Agreement in Principle has been approved unanimously by the members of the Company's supervisory board. In addition, Bpifrance Participations and Nippon Steel Corporation, the reference shareholders of the Company have confirmed their support for this Agreement in Principle.

In this context, the Company has filed a request with the Commercial Court of Nanterre (*Tribunal de Commerce de Nanterre*) for the opening of a safeguard proceedings (*procédure de sauvegarde*) with respect to it. The opening of the proceedings notably aims at allowing the implementation of the Agreement in Principle, which will be subject, among others, to the approval by a two-thirds majority of each of the creditors' committees (lenders under the RCF on the one hand and holders of the Bonds on the other hand), as well as the approval of the extraordinary general meeting of the shareholders, before it can be submitted to the court for approval.

The Agreement in Principle, the terms of which are further described below, contemplates mainly:

(i) a major deleveraging of Vallourec, representing approximately EUR1,800 million, which is more than half of the principal amount of its debt, through:

- EUR300 million rights issue for the benefit of Vallourec shareholders, fully backstopped by certain creditors under the RCF and the Bonds, the proceeds of which will be used to partially repay their claims;
- the equitization of the claims under the RCF and the Bonds in the amount of approximately EUR1,331 million; and
- a debt write-off granted by the Commercial Banks in the amount of EUR169 million, combined with a better fortunes instrument (*instrument de retour à meilleure fortune*) in the form of warrants (*bons de souscription d'actions*),

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

[1] BNP Paribas, Natixis and BFCM
[2] Funds managed by affiliates of Apollo Global Management, Inc. (collectively, "**Apollo**"), funds managed by Strategic Value Partners, LLC and its affiliates ("**SVPGlobal**"), Bybrook and M&G
[3] through sub-participations, including pending trades

- a revolving credit facility of EUR462 million by the Commercial Banks, together with a new senior notes issuance of EUR1,023 million subscribed by the other creditors of the Company (by way of set off of claims), over a period of 5 years;

- a State-guaranteed loan (*prêt garanti par l'Etat*) in the amount of EUR262 million by the Commercial Banks; and

- bonding lines of EUR178 million provided by the Commercial Banks over a 5-year horizon,

(iii) interest accrued on the RCF and the Bonds up to February 1, 2021 will be paid in cash on the completion date of the financial restructuring (the "**Completion Date**"); interest which will accrue from February 2, 2021 until June 30, 2021 on the RCF and the Bonds (the "**Restructured Interest**") will be partly reimbursed, partly converted into capital and partly refinanced and included in the above-mentioned amounts of debt and equitization.

The Agreement in Principle would enable the Company to consolidate its balance sheet and reduce its debt and interest expenses to a suitable level that takes into account the consequences and uncertainties related to the Covid and oil markets crisis. This new favorable framework, combined with the strong structural measures initiated during financial year 2020, would enable the Company to implement its strategic plan to strengthen its market position.

Apollo, holding between 23.2% and 29.3% of the share capital, and SVPGlobal, holding between 9.7% and 12.3% of the share capital (in each case, before exercise of the warrants), would become the two largest shareholders of the Company.

Edouard Guinotte, chairman of the management board of Vallourec, declared:

"*Vallourec has reached a major step in its financial restructuring process and is pleased to have obtained the agreement of its reference shareholders and main creditors on a financial restructuring plan that meets its objectives of substantially reducing its debt and securing its liquidity. Although our markets remain volatile and their evolution uncertain, this financial restructuring will complement our transformation plan and will enable the Group to roll out its strategic roadmap. I would like to thank all of our stakeholders whose support and cooperation have enabled us to achieve this new step.*

The implementation of this plan, expected at the end of the first semester, after obtaining the required approvals, will result in the entry of two new reference shareholders, Apollo and SVPGlobal. They will bring their in-depth knowledge of our markets, their expertise, and their investment reflects their confidence in the strategy implemented by the Group, for which I am thankful.

I would finally like to thank all our clients and partners for their lasting trust in this unprecedented context, as well as our teams, in all our regions, for their continued and exemplary commitment and determination."

Status of the financial restructuring process

On September 1st, 2020, Vallourec S.A. ("**Vallourec**" or the "**Company**") announced its intention to initiate discussions with a view to achieving a financial restructuring and to seek the requisite consents of the relevant groups of creditors (in particular the holders of the 2022 Senior Notes and the 2023 Senior Notes as well as its lenders under the RCF) for the appointment of a *mandataire ad hoc*. Following the receipt of these consents, a *mandataire ad hoc* was appointed on September 23, 2020 by the President of the Commercial Court of Nanterre (*Président du Tribunal de Commerce de Nanterre*), with the duty to assist the Company in its negotiations with its creditors and shareholders in order to reach a financial restructuring plan. In the meantime, an *ad hoc* committee (*comité ad hoc*), composed of a majority of independent members of the supervisory board, was put in place to follow up on the discussions related to the financial restructuring.

The negotiations engaged under the aegis of the *mandataire ad hoc* with some of the main creditors (with respect to the RCF and the Bonds) and their respective counsels led to the Agreement in Principle. The Agreement in Principle is supported by (i) the Company, (ii) the Commercial Banks representing approximately 38.8% of the total RCF principal amount and (iii) the Ad Hoc Group representing approximately 50.5% of the total RCF principal amount[4] and 41.4% of the total principal amount of the Bonds of the Company.

To that effect, the Commercial Banks, the members of the Ad Hoc Group and the Company entered into a lock-up agreement pursuant to which the parties committed to support and take all steps and actions reasonably necessary to implement and consummate the Agreement in Principle. The terms and conditions of the lock-up agreement are relatively customary and include a requirement for creditors to give relevant vote instructions in favor of the implementation of the Agreement in Principle, to provide various waivers, to enter into the required documentation to effect the restructuring plan and not to dispose of their claims unless the transferee accedes to the lock-up agreement or is already a signatory (and is therefore already bound by such terms). The Commercial Banks, Apollo and SVPGlobal undertook not to dispose of their RCF holdings[5] and Bonds, including to a signatory or a person who would accede to the lock-up agreement, until the Completion Date.

The Agreement in Principle will be implemented under safeguard proceedings whose opening request has been filed with the Commercial Court of Nanterre. The Agreement in Principle is detailed in **Appendix 1** and comprises the following key elements:

1. Treatment of the claims held by the Commercial Banks under the RCF

The Commercial Banks are expected to:

(i) grant Vallourec a State-guaranteed loan (*prêt garanti par l'Etat*) for a total principal amount of EUR262 million; and

(ii) provide notably Vallourec Tubes[6] market bonding lines (in particular bid bonds and performance bonds) in the total amount of EUR178 million, for a period of five years (remunerated at 1% per annum for those with a term not exceeding one year and 1.2% for those with a term of one to two years).

In consideration of these commitments and in light of the historical relationships of the Commercial Banks with the Group, the amount of their claims under the RCF (in principal and Restructured Interest) will be treated differently from the amount of the claims with respect to the RCF and the Bonds held by other creditors, and will be subject to the following treatment:

(i) partial repayment of the claims of the Commercial Banks under the RCF up to their share in the amount of EUR262 million in proportion of their claims under the RCF in relation to the total amount of claims under the RCF and the Bonds (in principal and Restructured Interest);

(ii) refinancing in the amount of EUR462 million through a revolving credit facility (unsecured) granted for the same amount by the Commercial Banks to the Company for a period of five years and bearing an annual interest rate of Euribor +5.00%; this revolving credit facility will be subject to a financial gearing covenant that will be tested for the first time on December 31, 2023;

[4] through sub participations, including pending trades
[5] including through sub-participation, including pending trades
[6] a wholly-owned subsidiary of the Company

(iii) debt write-off (the "**Debt Write-Off**") by the Commercial Banks with respect to the RCF for the balance of their claims under the RCF, *i.e.* an amount of EUR169 million; and

(iv) in consideration of the Debt Write-Off, issuance to the benefit of the Commercial Banks of a better fortunes instrument in the form of warrants (*bons de souscription d'actions*), in proportion to the claims under the RCF held by each of the Commercial Banks (the "**Warrants**") entitling them to subscribe to 11.7% of the share capital (on a fully diluted basis) at the exercise price of EUR10.11 per share of the Company (representing a premium of 25 % over the subscription price of the Reserved Capital Increase). The exercise period of the Warrants will be five years from the Completion Date (one Warrants giving right to one new share). The Warrants will be listed on the Euronext Paris market.

2. *Treatment of the claims in principal and Restructured Interest under the RCF (other than those of the Commercial Banks) and with respect to the Bonds (les "**Other Claims**")*

The Other Claims will be treated as follows:

(i) repayment of their share in an amount of EUR262 million in proportion to the Other Claims in relation with the total amount of claims with respect to the RCF and the Bonds (in principal and Restructured Interest);

(ii) reimbursement for the amount of the proceeds received in cash pursuant to a rights issue of EUR300million (including premium) with preferential subscription rights open to existing shareholders of Vallourec (the "**Rights Issue**") with a subscription price of EUR5.66 per share to be fully subscribed in cash; the Rights Issue will be fully backstopped by the holders of the Other Claims (in proportion of their holdings) by way of set-off with a portion of such Other Claims;

(iii) conversion into share capital for a principal amount of EUR1,331 million (including premium) through a reserved share capital increase at the subscription price of EUR8.09 per share, subscribed by way of set-off of claims by the holders of Other Claims in proportion of their holdings (the "**Reserved Share Capital Increase**"); and

(iv) the balance of the Other Claims after completion of the above operations (i.e. approximately EUR1,023 million), will be refinanced through new senior notes (subscribed by way of set-off), issued by the Company and governed by the laws of the State of New York, bearing an interest rate of 8.50% per annum, which will be unsecured, the terms and conditions of which will be aligned on the 2022 Senior Notes, subject to some adjustments. The new senior notes will be listed on the Euro MTF market in Luxembourg.

3. *Treatment of Interests*

Interest accrued on the RCF and the Bonds up to February 1, 2021 will be paid in cash on the Completion Date; interest which will accrue from February 2, 2021 until June 30, 2021 on the RCF and the Bonds will be partly reimbursed, partly converted into capital and partly refinanced included in the above-mentioned amounts of debt and equitization (and would represent an amount of approximately EUR80 million at June 30, 2021). The interest accrued after June 30, 2021 will be written-off.

4. Shareholding and governance

Shareholding

Following the completion of the Reserved Share Capital Increase and the Rights Issue, the creditors under the Other Claims, including Apollo and SVPGlobal and the other members of the Ad Hoc Group[7] would become shareholders of the Company.

Under the terms of the Agreement in Principle, the ownership percentages of the existing shareholders of the Company would be[8]:

(i) in the event of a 100% subscription to the Rights Issue by the Company's existing shareholders:

- approximately 28.1% after the Reserved Share Capital Increase but before the exercise of the Warrants, of which 22.4% for the existing shareholders other than Nippon Steel Corporation and Bpifrance Participations; and

- approximately 24.8% after the exercise of the Warrants, of which 19.8% for the existing shareholders other than Nippon Steel Corporation and Bpifrance Participations,

(ii) in the event of subscription to the Rights Issue only by Nippon Steel Corporation and Bpifrance Participations up to their commitments in the amount of EUR35 million and EUR20 million respectively:

- approximately 9.2% after the Reserved Share Capital Increase but before the exercise of the Warrants, of which 3.5% for the existing shareholders other than Nippon Steel Corporation and Bpifrance Participations; and

- approximately 8.2% after the exercise of the Warrants, of which 3.1% for the existing shareholders other than Nippon Steel Corporation and Bpifrance Participations.

Apollo and SVPGlobal would become the two shareholders with the largest stakes with:

(i) for Apollo, a stake ranging from 29.3% (if only Nippon Steel Corporation and Bpifrance Participations subscribe to the Rights Issue) to 23.2% (if all the existing shareholders subscribe to the Rights Issue) (before the exercise of the Warrants, and from 25.9% to 20.5% after the exercise of the Warrants); and

(ii) for SVPGlobal, a stake ranging from 12.3% (if only Nippon Steel Corporation and Bpifrance Participations subscribe to the Rights Issue) to 9.7% (if all the existing shareholders subscribe to the Rights Issue) (before the exercise of the Warrants, and from 10.9% to 8.6% after the exercise of the Warrants).

It is specified that Apollo and SVPGlobal, as well as the other members of the Ad Hoc Group, declared that they do not intend to act in concert and will not act in concert vis-à-vis the Company on the Completion Date.

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[7] if they did not dispose of their claims with respect to the RCF and the Bonds

[8] In the event that the Company's existing shareholders do not subscribe to the Rights Issue, the existing shareholders would own approximately 5% of the share capital after Reserved Share Capital Increase but before the exercise of the Warrants and 4.4% after the exercise of the Warrants.

Governance

The Agreement in Principle provides that the Company will be converted into a s*ociété anonyme à conseil d'administration* as from the Completion Date. The corporate governance reflecting this new shareholding structure will comply with the AFEP-MEDEF Code.

Mr. Edouard Guinotte will be Chairman and CEO (*président-directeur général*) of the Company and Mr. Olivier Mallet will be Deputy CEO (*directeur général délégué*) of the Company.

The board of directors will consist on the Completion Date of 10 directors, including Mr. Edouard Guinotte, 2 directors suggested by Apollo (one of which will be vice-chairman) and one director suggested by SVPGlobal. If SVPGlobal increases its holding above 15% of the share capital of the Company, SVPGlobal would be entitled to propose the appointment of one additional director. Apollo and SVPGlobal shareholding will be subject to a 6-month lock-up as from the Completion Date. The Company shall have a right of first offer in the event of a potential sale of shares by Apollo or SVPGlobal to a competitor. Finally, double voting rights would also be removed as from the Completion Date.

5. Conditions precedent and implementation

The execution of the Agreement in Principle is subject to several conditions precedent, including the approval of the required resolutions by the extraordinary general meeting of the shareholders of the Company expected to be held in the course of April 2021.

It is also subject to (i) securing the required level of creditor support in the committees of the safeguard proceedings, which are expected to be held over the course of March 2021; (ii) the prior governmental approvals necessary for the implementation of the Agreement in Principle (including AMF approvals (visas) on the prospectus required in the context of the financial restructuring); (iii) where required, Apollo securing an exemption from the obligation to submit a public offer on Vallourec's shares as a result of the financial restructuring, in accordance with Article 234-9 2° of the AMF General Regulation; and (iv) the approval of the safeguard plan by the Commercial Court of Nanterre.

If the conditions precedent are satisfied (or, where possible, waived), the implementation of the Agreement in Principle should take place at the end of the first semester of 2021.

Nippon Steel

Nippon Steel Corporation (which currently holds 14.56 % of the share capital and 14.87% of the voting rights) undertook (i) to vote in favor of the resolutions required for the implementation of the financial restructuring and (ii) to subscribe to new shares of Vallourec in the amount of EUR35 million in the context of the EUR300 million Rights Issue. Following the completion of the financial restructuring, Nippon Steel will hold 3.4% of the share capital (before exercise of the Warrants and 3.0% after exercise of the Warrants). As a result, the shareholders' agreement between the Company and Nippon Steel will terminate and Nippon Steel will lose its right to propose the appointment of a member of the board.

In addition, the appointment of a *mandataire ad hoc* triggered the option for Nippon Steel to sell the 15.4% stake held[9] in the Brazilian joint venture Vallourec Soluções Tubulares do Brasil (VSB) to the Vallourec group. Nippon Steel decided to exercise this option. The subsequent termination of the joint venture will result in the termination of the supply agreement between Nippon Steel and VSB for a volume of 300,000 tons of pipes manufactured at the Jeceaba site in Brazil, which will gradually decrease until mid-2022.

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

Bpifrance Participations

Bpifrance Participations (which currently holds 14.56 % of the share capital and 14.87 % of the voting rights) undertook (i) to vote in favor of the resolutions required for the implementation of the financial restructuring and (ii) to subscribe to new shares of Vallourec in the amount of EUR20 million in the context of the EUR300 million Rights Issue. Following the completion of the financial restructuring, Bpifrance Participations will hold 2.3% of the share capital (before exercise of the Warrants and 2.0% after exercise of the Warrants). As a result, the shareholders' agreement between the Company and Bpifrance Participations will terminate and Bpifrance Participations will not be able to suggest the appointment of a member of the board.

Appointment of an independent expert

Given the significant dilution to result from the share capital increases, the supervisory board will proceed, in the coming days, on a voluntary basis pursuant to Article 261-3 of the AMF General Regulation, to the appointment of an independent expert for the purpose of the financial restructuring. The independent expert will assess the financial conditions of the financial restructuring for the shareholders and will deliver a report with a fairness opinion which will be made available to the shareholders at least 15 days prior to the general meeting.

Estimated financial data

In order to ensure that the market has appropriate information, the Company communicates the following estimated financial data for financial year 2020.[10]

EUR Million	2019	2020
Sales	4 173	3 242
EBITDA	347	258
Net interest expenses	(174)	(196)
CAPEX	(159)	(138)
FCF(1)	(41)	(111)
Net leverage(2)	5.9x	8.6x

(1) free cash flow is defined as cash flow from operating activities minus gross capital expenditures and plus/minus change in operating working capital requirement
(2) net leverage is defined as net debt divided by EBITDA

The asset impairment tests carried out as part of the 2020 annual closing result in an impairment charge of approximately EUR410 million in the fourth quarter of 2020, in complement to that recorded on June 30, 2020 for EUR441 million, for a total of approximately EUR850 million at December 31, 2020.

This additional charge mainly concerns the industrial assets in Europe and reflects the update of the business plan impacted by the changing market outlook.

In addition, the adaptation measures announced in November 2020 gave rise to the recognition of a restructuring charge of around EUR80 million in the fourth quarter of 2020.

[10] Unaudited financial data which qualify as estimated financial data (*données financières estimées*) within the meaning of the AMF recommendation n°2016-05

Proforma corporate leverage

Following the financial restructuring, the principal amount of the Company's debt will be reduced by approximately EUR1,800 million, *i.e.* slightly more than half the principal amount of its current debt, in line with the group's objective of eventually returning to:

– Net leverage of 2.5 x in 2022E

– Net leverage of 1.2 x in 2025E

Liquidity

According to the latest estimates in its possession, the Company would have a cash position of EUR1,390 million at December 31, 2020.

This liquidity will not be affected by the Agreement in Principle, and covers the Group's short/medium-term needs and capital expenditures as set out in the Company's business plan (please refer to *Estimated financial data* section).

New money requirements

According to the latest estimates in its possession, the Company has no need for new liquidity (please refer to *Liquidity* section above).

Accession to the lock-up agreement

Following the conclusion of the lock-up agreement between the Company, the Commercial Banks and the Ad Hoc Group, any holder of Bonds and creditor under the RCF has the possibility to accede to the lock-up agreement as from February 4, 2021 by contacting Lucid Issuer Services Limited (Attention: Victor Parzyjagla, +44 (0) 20 7704 0880, Vallourec@lucid-is.com), subject to terms and conditions set forth in the lock-up agreement.

Subject to and in accordance with the terms and conditions set forth in the lock-up agreement, the holders of Bonds and/or RCF who will accede to the lock-up agreement will benefit from (i) a fee of 25 bps on the principal amount of their claims if they accede no later than March 1st, 2021 included or the voting date of the committees under the safeguard proceedings, if earlier, and (ii) an additional fee of 25 bps if they accede no later than February 12, 2021.

Trading suspension

Trading remains suspended pending the decision of the Commercial Court of Nanterre related to the opening of the safeguard proceedings.

Important information

All figures relating to the period from January 1, 2020 to December 31, 2020 shown in this press release (including its appendix) are estimated financial data. These estimated financial data have been prepared in accordance with an accounting and consolidation process similar to the process generally used to prepare the consolidated financial statements. The accounting basis used for the purposes of this forecast is consistent with the accounting methods applied by the issuer and described in its condensed consolidated interim financial statements at June 30, 2020. However, not all the annual closing procedures have been completed.

These estimated financial data were presented to the supervisory board of the Company on January 31, 2021, and have not been audited by the Company's statutory auditors.

These data are not derived from consolidated financial statements approved by the management board of the Company. The consolidated financial statements will be presented by the management board to the supervisory board on February 16, 2021. The consolidated financial Statements will be published on February 17, 2021, after the stock market closes, according to the provisional publication timetable and the consolidated financial statements, together with the statutory auditors' report, will be made available within the Universal registration document

Certain defined terms

"**2022 OCEANE**" means the EUR250 million 4.125% OCEANE bonds due 2022 (ISIN: FR0013285046).

"**2022 Senior Note**" means the EUR550 million 6.625% unsecured senior notes due 2022 (ISIN: XS1700480160 / XS1700591313; Common Code: 170048016 / 170059131).

"**2023 Senior Note**" means the EUR 400 million 6.375% senior notes due 2023 (ISIN: XS1807435026 / XS1807435539; Common Code: 180743502 / 180743553).

"**2024 Bonds**" means the EUR500 million 2.250% bonds due 2024 (ISIN: FR0012188456).

"**2027 Bonds**" means the EUR 55 million 4.125% bonds due 2027 (ISIN: FR0011292457).

"**Bonds**" means the 2022 OCEANE, 2022 Senior Notes, 2023 Senior Notes, 2024 Bonds and the 2027 Bonds.

"**RCF**" means (a) the facility agreement governed by French law and entered into on February 12, 2014, (b) the facility agreement governed by French law and entered into on May 2, 2016, (c) the facility agreement governed by French law and entered into on September 21, 2015 and (d) the facility agreement governed by French law and entered into on June 25, 2015, in each case, as amended.

About Vallourec

Vallourec is a world leader in premium tubular solutions for the energy markets and for demanding industrial applications such as oil & gas wells in harsh environments, new generation power plants, challenging architectural projects, and high-performance mechanical equipment. Vallourec's pioneering spirit and cutting edge R&D open new technological frontiers. With close to 17,000 dedicated and passionate employees in more than 20 countries, Vallourec works hand-in-hand with its customers to offer more than just tubes: Vallourec delivers innovative, safe, competitive and smart tubular solutions, to make every project possible.

Listed on Euronext in Paris (ISIN code: FR0013506730, Ticker VK) and eligible for the Deferred Settlement System (SRD) Long only, Vallourec is included in the SBF 120 index.

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.

Forward-looking statements

This press release contains forward-looking statements. These forward-looking statements can be identified notably by the use of forward looking terminology, including the terms as "believe", "expect", "anticipate", "may", "assume", "plan", "intend", "will", "should", "estimate", "risk" and/or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, Vallourec's results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These risks include those developed or identified in the public documents filed by Vallourec with the French Financial Markets Authority (*Autorité des marchés financiers*, or "AMF"), including those listed in the "Risk Factors" section of the Universal Registration Document filed with the AMF on March 20, 2020. Recipients are cautioned that forward-looking statements are not guarantees of future performance and that Vallourec's or any of its affiliates' actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward-looking statements contained in this press release. In addition, even if Vallourec's or any of its affiliates' results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods. The forward-looking statements included in this press release are only valid at the date of this press release. Subject to legal obligations, the Company assumes no obligation to update or revise any forward-looking in light of new information or future events. This press release does not contain or constitute an offer of securities for sale or an invitation to invest in securities in France, the United States or any other jurisdiction.

For further information, please visit:

https://www.vallourec.com/en

https://www.vallourec.com/en/hub-finance

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Appendix – Financial restructuring and financial outlook

SMART TUBULAR SOLUTIONS

AGREEMENT IN PRINCIPLE ON FINANCIAL RESTRUCTURING

February 3, 2021

A COMPREHENSIVE FINANCIAL RESTRUCTURING PLAN TO ENHANCE STRATEGIC FLEXIBILITY

- On the back of the Covid-19 and oil market crisis impact on its activity, Vallourec initiated discussions with its creditors in September 2020 with a view to achieving a financial restructuring embracing all of the borrowings at the level of Vallourec S.A.

- The objective of the financial restructuring was to rebalance the financial structure by reducing Vallourec S.A.'s €3.5bn debt principal amount by slightly more than 50%, and ensure adequate liquidity to face the volatility of its main markets

- The main principles of the financial restructuring, which meet the objectives of the company, have been agreed with a significant group of creditors:
  - The financial restructuring brings significant balance sheet deleveraging through a debt reduction of €1,800m (incl. a debt-to-equity conversion)
  - The financial restructuring addresses the liquidity needs of the group

- The financial restructuring plan is supported by two groups of creditors having signed a lock-up agreement and representing 89.3% of the credit facilities and 41.4% of the bonds (comprising (i) its main commercial banks: BNP Paribas, Natixis, Banque Fédérative du Crédit Mutuel, representing together 38.8% of the RCF and (ii) a group of funds: Apollo, M&G, SVP and ByBrook, representing together 41.4% of the bonds and 50.5%[1] of the RCFs)

- Shareholders to vote on the resolutions necessary to implement the financial restructuring at the extraordinary general meeting expected to be held in April 2021. Supported by the reference shareholders (favorable vote at the extraordinary general meeting and undertaking to subscribe to the rights issue)
  - Commitment from NSC to invest €35m in the rights issue
  - Commitment from BPI to invest €20m in the rights issue

- The plan offers existing shareholders an attractive opportunity to participate in Vallourec's long-term value creation
  - Ability for existing shareholders to participate in a €300m rights issue at a 30% discount relative to the price of the capital increase reserved to creditors

- Apollo and SVP to become the largest shareholders of the company as a result of the financial restructuring

- The agreement in principle will be implemented through a safeguard procedure to allow the implementation of the plan requiring 2/3 majority of each of the (i) banks committee and (ii) the all-bonds general assembly

- It will also require approval of the shareholders meeting with a 2/3 majority

Note

1 Including pending trades

KEY PRINCIPLES OF THE AGREEMENT WITH CREDITORS

€1,800m debt reduction	**Debt to equity conversion (Converting Creditors[1])**	• **€1,631m conversion of debt into equity** – **€300m rights issue open to existing shareholders** fully backstopped by Converting Creditors by way of set off against a portion of their claims – Proceeds from rights issue to repay claims of Converting Creditors at par on a pro rata basis – **€1,331m reserved capital increase subscribed by Converting Creditors by way of set-off**
	Debt write-off and warrants (Commercial Banks[2])	• **€169m debt write-off** on claims of Commercial Banks • **Listed warrants** issued to Commercial Banks, **giving right to 11.7% of fully diluted share capital**
Competitive restructured balance sheet	**Reinstated RCF (Commercial Banks)**	• **€462m reinstated unsecured RCF at Vallourec S.A. level**
	PGE	• **€262m PGE provided by Commercial Banks to Vallourec S.A.**
	Reinstated bonds (Converting Creditors)	• **€1,023m reinstated listed unsecured bonds** at Vallourec S.A level (Converting Creditors)
Sufficient liquidity to execute business plan	**Cash on balance sheet[3]**	• All cash on balance sheet kept by the company; other than €262m repaid to creditors on a pro rata basis and proceeds from the rights issue
	Bonding lines	• **€178m market guarantees** provided by Commercial Banks notably to Vallourec Tubes SAS on a committed basis over 5 years
Lock-up and early bird fee		• 25bps fee offered to creditors who will have acceded to the lock-up agreement by March 1st or the voting date of the committees under the safeguard proceedings, if earlier • 25bps additional early bird fee offered to creditors who will have acceded to the lock-up agreement by February 12th

Notes

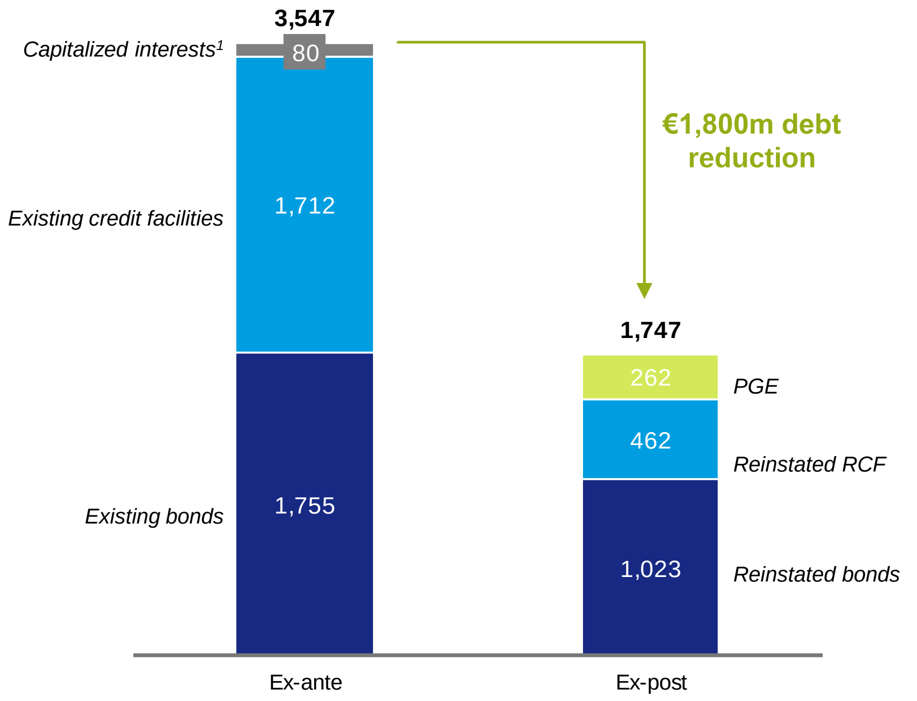
1 Converting Creditors means all Creditors excl. Commercial Banks

2 Commercial Banks means BNP Paribas, Banque Fédérative du Crédit Mutuel and Natixis

3 According to the latest estimates in its possession, the Company would have a cash position of €1,390m at December 31, 2020

IMPACT OF FINANCIAL RESTRUCTURING ON THE CAPITAL STRUCTURE

Impact of agreement on amount of Vallourec S.A. debt (€m)



Financial restructuring objectives are satisfied

1

Allow Vallourec to operate efficiently with a sustainable leverage

New capital structure to improve strategic flexibility and strengthen the group's leading position on premium markets

2

Reduce financial burden of the debt to lower FCF breakeven point

New capital structure to support improving profitability and cash-flow generation

3

Maintain robust liquidity allowing to stand for fluctuations of O&G markets

Note

1 Interests accruing from entry into safeguard to June 30th, 2021 will be capitalized and treated in accordance with the description of the key principles of the transaction; interests accrued up to the entry into safeguard will be paid in cash on the completion date of the financial restructuring; interests accruing after June 30th, 2021 will be written-off.

KEY TERMS OF THE €1.8BN DEBT REDUCTION

	Amount	Price	Description
Rights issue	**€300m**	**€5.66** *per share*	• €300m rights issue open to existing shareholders, fully backstopped by Converting Creditors by way of set off against a portion of their claims • Undertaking from Bpifrance Participations and Nippon Steel Corporation to subscribe for respectively €20m and €35m • Cash proceeds to be distributed to Converting Creditors on a pro rata basis to repay a portion of their claims at par
Reserved capital increase	**€1,331m**	**€8.09** *per share*	• €1,331m reserved capital increase subscribed by Converting Creditors on a pro rata basis by way of set-off of claims • Subscription by way of set-off of claims only (no cash proceeds)
Write-off and warrants	**€169m**	**n.a.**	• €169m write-off on claims of Commercial Banks • In compensation of the write-off, listed warrants issued to Commercial Banks, representing 11.7% of fully diluted share capital (one warrant giving the right to subscribe to one new share) • Strike price at a 25% premium above Reserved Capital Increase subscription price (€10.11 per share) • Warrants can be exercised at any time during 5 years
Total	**€1,800m**		

Independent expert to be appointed by supervisory board to review fairness of the transaction for shareholders

SIGNIFICANT SUPPORT FROM HISTORICAL SHAREHOLDERS

NSC

- **Nippon Steel Corporation ("NSC") will support the financial restructuring and reinvest in the rights issue**
  - Commitment to vote at the shareholders meeting in favour of the resolutions necessary for the implementation of the financial restructuring
  - Commitment to subscribe to the Rights Issue for €35m
  - Current Shareholders agreement terminated as from completion of the financial restructuring
  - No board member
- **Vallourec group to purchase NSC's 15% stake in VSB[1]**
  - The termination of the VSB joint venture will result in the gradual termination by mid-2022 of the supply contract between Nippon Steel and VSB for a volume of 300,000 tonnes manufactured at the Jeceaba site in Brazil

BPI

- **Bpifrance Participations will support the restructuring and reinvest in the rights issue**
  - Commitment to vote at the shareholders meeting in favour of the resolutions necessary for the implementation of the financial restructuring
  - Commitment to subscribe to the Rights Issue for €20m
  - Current Shareholders agreement terminated as from completion
  - No board member

Note
1 Put option triggered by mandat ad hoc procedure

ILLUSTRATIVE PRO FORMA SHAREHOLDING

Pro forma shareholding structure depending on outcome of the rights issue

Warrant exercise assumption	Warrants not exercised		Warrants exercised	
Subscription in cash to the rights issue (%, €m)	**18%**	**100%**	**18%**	**100%**
	€ 55m	*€ 300m*	*€ 55m*	*€ 300m*
Ownership %				
Ownership through existing shares	5.0%	5.0%	4.4%	4.4%
1 Ownership through rights issue subscription	4.2%	23.1%	3.7%	20.4%
Existing shareholders	**9.2%**	**28.1%**	**8.2%**	**24.8%**
2 Ownership through rights issue	18.9%	-	16.7%	-
Ownership through reserved capital increase	71.9%	71.9%	63.5%	63.5%
3 Ownership through warrants exercise	-	-	11.7%	11.7%
Creditors	**90.8%**	**71.9%**	**91.8%**	**75.2%**
Total ownership	**100%**	**100%**	**100%**	**100%**
of which BPI	*2.3%*	*2.3%*	*2.0%*	*2.0%*
of which NSC	*3.4%*	*3.4%*	*3.0%*	*3.0%*
4 *of which Apollo*	*29.3%*	*23.2%*	*25.9%*	*20.5%*
of which SVP	*12.3%*	*9.7%*	*10.9%*	*8.6%*

Key highlights

- **Shareholding structure will depend on the take-up in cash by existing shareholders on the €300m rights issue**

1. **For each outstanding share owned, existing shareholders will be granted a "preferential right" (DPS) to subscribe for new shares at a discount**
   - If no shareholder participates in the rights issue, existing shareholders would be diluted to 5.0% of pro-forma equity (€300m rights issue fully backstopped by Converting Creditors)
   - 18% subscription in cash corresponding to NSC and Bpifrance Participations investing €35m and €20m in the rights issue, respectively
2. **Shares received as part of the €1,331m reserved capital increase and the backstop of the €300m rights issue**
3. **Warrants issued to the benefit of Commercial Banks**
   - 11.7% of fully diluted equity (post debt conversion and rights issue)
4. **Specific AFEP-MEDEF compliant governance will be established to reflect new shareholding structure**
   - None of the Ad Hoc Group of funds will act in concert with each other vis-à-vis the company on completion

GOVERNANCE EFFFECTIVE UPON COMPLETION OF FINANCIAL RESTRUCTURING

Governance structure	• 1-tier governance structure (board of directors) as from completion of the restructuring • Afep-Medef Code compliant • No change of head office
CEO/Deputy CEO	• Edouard Guinotte to be chairman and CEO • Olivier Mallet to be Deputy CEO and CFO
Board Composition	• 10 Board members – CEO – 2 members to be proposed by Apollo (one of them to act as Vice-chairman) – 1 member to be proposed by SVP – 4 independent members (meeting independence criteria under Afep-Medef Code) – Employee representatives, as per legal requirement • If SVP increases its holding above 15%, 1 additional board member to be proposed. • 2 observers: 1 for Apollo, 1 for SVP
Majority	• Certain decisions to be made at qualified majority, i.e., favourable votes of 8 (incl. 2 independent members) out of 10 members, all other decisions at simple majority
Selling restrictions	• 6-month lock-up as from completion for each of Apollo and SVP, subject to customary exceptions • Right of first offer in favour of the company (with a substitution option) in the case of a potential sale to a competitor
Double voting rights/ Concerted action	• Removal of double voting rights • No concerted action between Apollo and SVP nor with any third parties, vis-à-vis the company on the closing date

TARGETED TIMELINE

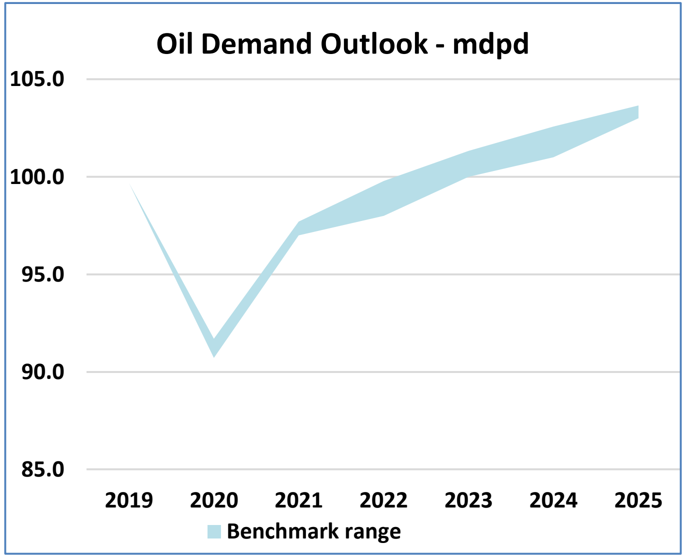
The implementation of the financial restructuring is subject to certain conditions precedent (including approval of the general meeting of shareholders, regulatory, antitrust and other governmental authorizations) to be satisfied prior to the restructuring plan being submitted to the Court

2 February 2021	• Hearing before the Court to request the opening of the safeguard proceedings
12 February 2021	• Deadline for early bird fee
1 March 2021	• Deadline for lock-up fee
March 2021	• Creditors' Committees (bank committee and bonds single general assembly) vote on the safeguard plan (minimum majority: 2/3 in value of each such committee)
April 2021	• Prospectus regarding Reserved Capital Increase and warrants cleared by the AMF (visa) including independent expert report on restructuring • Shareholders' meeting to vote on the financial restructuring
May 2021	• Obtaining necessary regulatory antitrust and other governmental authorizations • Court approval of the safeguard
June 2021	• If Court approval is received on safeguard plan, launch of the capital increases which will require prospectus cleared by the AMF (visa) regarding Rights Issue • Closing of the restructuring transaction

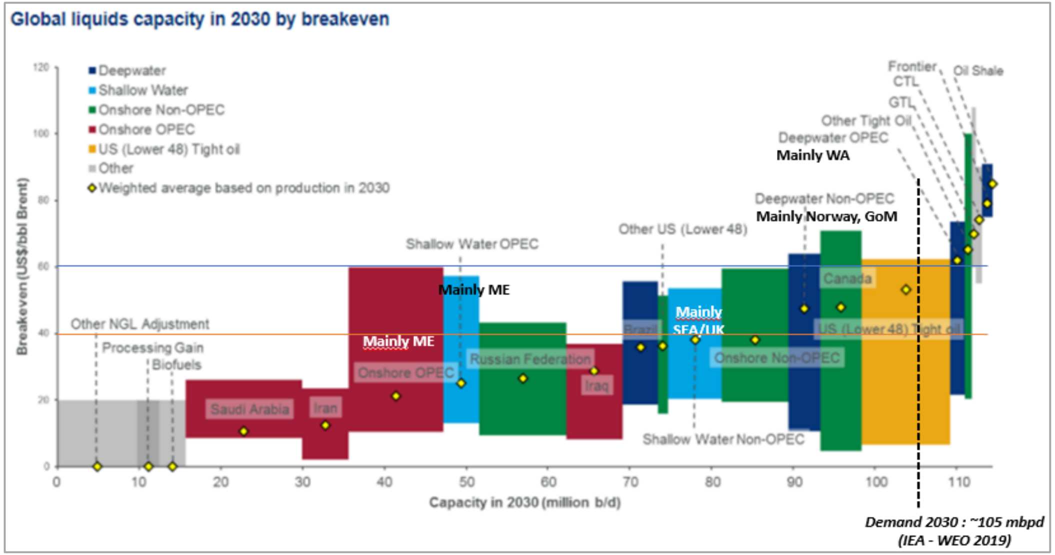
Appendix A
Business perspectives

CONFIRMED MARKET FUNDAMENTALS

- Energy sector is transitioning but O&G activity is still needed in the medium term
- After the sharp fall in 2020, consensus that oil demand will rebound to approx. 100 mbpd and remain at this level in the medium term
- E&P Capex required to supply 100mbpd while offsetting the annual depletion (5% per year on average)
- This level of demand requires the contribution from all producing regions



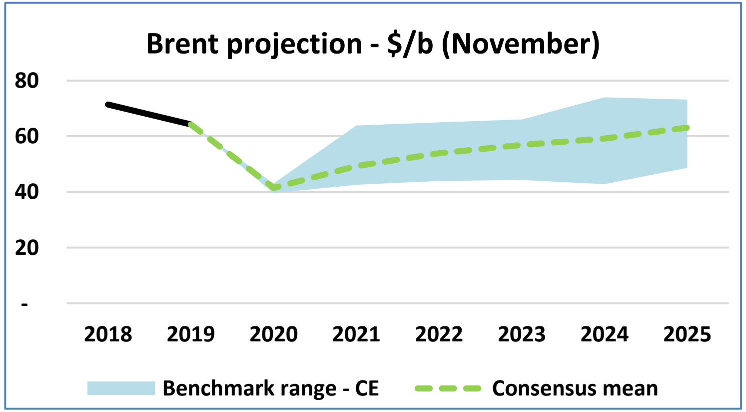
Source: Various – Oct. 2020



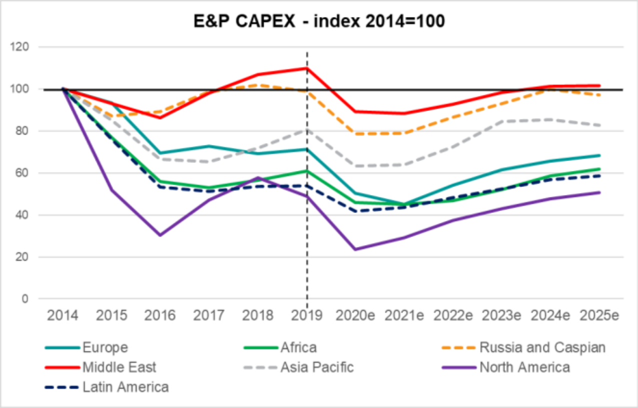
Source: Wood Mackenzie - 2019

CONFIRMED MARKET FUNDAMENTALS (CONT.)

- Demand recovery and control of supply from OPEC+ will drive Oil price to a level allowing necessary E&P capex to meet demand
- But large oil inventories accumulated in Q2 2020, combined with concerns on demand recovery pace, cap oil price rebound in 2021
- Vallourec's oil price scenario consistent with consensus: limited recovery in 2021, Brent reaching c.60$ as from 2022
- Market shares of production zones to be different from pre-crisis: Middle-East and Offshore Brazil are winning regions while US Unconventional should remain below 2018-2019



(*Consensus source*: *Consensus Economics*)



Source: IHS Global Upstream Spending (September 2020)

VALLOUREC O&G BUSINESS

	NA	EA-MEA	Brazil
Key Market Trends	• Drilling activity expected to restart progressively over next years, while not coming back to 2019 level • Expecting moderate price recovery from 2021 on compared with previous crisis • Consolidation of competition and distribution • Welded pipes capacity reduction positively impacts seamless market share • Trade protections	• Strong impact from the crisis in 2020-2021 • Market recovery in volume expected to take place as from 2022 especially in winning regions (Middle-East and East-Africa) • Competition intensity keeping pressure on prices across EA-MEA	• Petrobras is focusing its E&P CAPEX on the development of its core pre-salt projects • Exclusively high-end premium • PLP offshore projects: positive trends

Vallourec's strengths	• Fully integrated domestic player
	• Highly flexible operations allowing to adapt to a volatile market as demonstrated early 2020
	• New connections launched in 2020 (VAM® SPRINT)
	• Deployment of Vallourec. Smart solutions
		• A reshaped and agile manufacturing set-up
		  ◦ Restored competitiveness
		  ◦ Flexible and complementary routes with Europe, Brazil and China
		• Proximity with customers thanks to local presence
		• A complete products and services offer, with leading positions on Premium markets
			• Vallourec is the only local producer of seamless tubes in Brazil
			• State of the art operations, supplying both local and world markets
			• Unique offer of local services
			• Frame agreement with Petrobras, underpinned by longstanding relationship and supply chain integration
			• Recognized as a supplier of choice by IOCs

INDUSTRY & IRON ORE MINE

Industry

- **SA:**
  - Brazilian Industry forecast to recover moderately - long-term growth at a lower pace than pre-crisis expectations
- **EA**
  - EA industry market collapsed in 2020
  - Progressive recovery to only 90% of pre-crisis level by 2024
  - Different recovery patterns depending on segments: V-shape in construction, U-shape in automotive, delays in mechanicals, opportunities in Energy Transition (Hydrogen, Wind, Solar)
  - Improved competitiveness, development of end-user-business and access to new products allow to protect market share

Iron Ore Mine

- **Capacity increase**
  - Construction of a new ore treatment line (budget of c.60M€) under way
  - Production startup end-2021 – full year addition of 3 Mt/y as from 2022 leading to total production of 8,7Mt/y onwards (no more mobile screen production)
  - Payback estimated at 2.5 years
- **Profitability**
  - The mine sells the main part of its production to the local market and supplies Vallourec's blast furnace and pellet plant
  - Best-in-class cash cost position, highly profitable

INTEGRATION, HIGH UTILIZATION OF COMPETITIVE ROUTES AND FURTHER COSTS SAVINGS ENHANCE PROFITABILITY

Integrated load strategy to optimize profitability

- **Allocation set to maximize utilization of the most competitive routes: VSB and Tianda**
  - Enhancing the overall group competitiveness
  - Objective of new routes utilization[1] at c. 75% in 2025
- **Premiumization: further industrialization of premium products**
  - VSB: Qualified by Majors for OCTG; Project Line-Pipe “Best-in-class” project
  - Tianda qualification by Majors / NOCs for conventional premium

Additional savings

- **Structural measures to foster competitiveness in Europe, Brazil and North America**
- **Transversal sources of savings**
  - Continuous improvement of production process through deployment of Industry 4.0, lean initiatives intensification and data analysis
  - Sourcing initiatives

€400m+ gross savings over 2021-2025

Note

1 Percentage of premium OCTG and PLP products rolled in VSB or Tianda on total deliveries of “swing orders”, i.e. orders that can be served indifferently from Europe, Brazil or Asia

KEY FINANCIAL INDICATORS

In EURm	2019A	2020E[1]	2021F[2]	2022F[2]	…	2025F[2]
Sales	4,173	3,242	3,103	3,591		4,473
EBITDA	347	258	212	422		690
EBITDA margin	8.3%	8.0%	6.8%	11.8%		15.4%
Net interest expense	(174)	(196)	(151)	(105)		(109)
Capex	(159)	(138)	(160)	(180)		(190)
FCF[3]	(41)	(111)	(273)	(139)		185
Net leverage[4]	5.9x	8.6x	4.1x	2.5x		1.2x

EBITDA recovery triggered by the combination of continuous savings programs, revenue growth from selected winning regions and the early impact of innovation in Services and Energy Transition

Notes

1 Unaudited financial data which qualify as estimated financial data (*données financières estimées*) within the meaning of the AMF recommendation n°2016-05.

2 The amounts given for 2021, 2022 and 2025 were established in October 2020 in the context of the discussions on the financial restructuring, they do not constitute a guidance, nor forecasts of any kind. At its 2020 results release, Vallourec may provide an outlook for 2021.

3 Free cash-flow (FCF) is defined as cash flow from operating activities minus gross capital expenditure and plus/minus change in operating working capital requirement. FCF for 2021 is before transaction expenses and other items linked to the restructuring.

4 Net leverage: net debt divided by EBITDA.

Appendix B
Head of Terms of the restructuring debt instruments

RCF KEY TERMS

Amount	• €462m
Borrower	• Vallourec S.A.
Participants	• Commercial Banks pro rata to their claims
Use of proceeds	• General corporate purposes
Maturity	• 5 years from closing of the financial restructuring; bullet repayment
Opening margin	• Euribor + 5.00% (0% floor)
Financial covenant	• Gearing covenant tested annually for the first time on 31/12/2023
Guarantee / Security	• Unsecured, unguaranteed obligation of Vallourec S.A.

PGE KEY TERMS

Amount	• €262m
Borrower	• Vallourec S.A.
Participants	• Commercial Banks pro rata to their claims
Use of proceeds	• General corporate purposes
Maturity	• 1 year from closing of the financial restructuring with option to extend by up to 5 years at the discretion of the borrower; bullet repayment
Average cost	• 1.80% p.a. over 5 years (incl. cost of guarantee)
Guarantee / Security	• 90% guarantee from French State
Cost of guarantee	• Year 1: 0.50% • Years 2 and 3: 1.00% • Years 4 and 5: 2.00%

REINSTATED BONDS KEY TERMS

Amount	• €1,023m
Issuer	• Vallourec S.A.
Participants	• Creditors (except Commercial Banks) pro rata to their claims
Maturity	• 5 years from closing of the financial restructuring; bullet repayment
Prepayment	• NC2 then par
Coupon	• 8.50%
Financial covenant	• None
Guarantee / Security	• Unsecured, unguaranteed
Listing	• Bonds listed on Euro-MTF

BONDING LINES KEY TERMS

Amount	• €178m
Borrowers	• Vallourec Tubes SAS (and certain of its subsidiaries as the case may be)
Participants	• Commercial Banks pro rata to their claims
Maturity	• 5 years from closing of the financial restructuring
Guarantee fee	• 1% p.a. for any guarantee having a tenor of up to 1 year, and 1.20 % for any guarantee having a tenor of more than 1 year
Guarantee / Security	• Unsecured, unguaranteed

IMPORTANT INFORMATION

All figures relating to the period from January 1, 2020 to December 31, 2020 shown in this presentation are estimated financial data. These estimated financial data have been prepared in accordance with an accounting and consolidation process similar to the process generally used to prepare the consolidated financial statements. The accounting basis used for the purposes of this forecast is consistent with the accounting methods applied by the issuer and described in its condensed consolidated interim financial statements at June 30, 2020. However, not all the annual closing procedures have been completed.

These estimated financial data were reviewed by the Supervisory board of the Company on January 31, 2021, and have not been audited by the Company's statutory auditors.

These data are not derived from the consolidated financial statements that have been officially presented to the Supervisory board of the Company. The consolidated financial statements will be presented by the management board to the Supervisory Board on February, 16 2021. The consolidated financial Statements will be published on February, 17, 2021, after the stock market closes, according to the provisional publication timetable and the consolidated financial statements, together with the statutory auditors' report, will be made available within the Universal registration document

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This presentation includes forward-looking statements. These forward-looking statements can be identified notably by the use of forward looking terminology, including the terms as “believe”, “expect”, “anticipate”, “may”, “assume”, “plan”, “intend”, “will”, “should”, “estimate”, “risk” and/or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, Vallourec’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These risks include those developed or identified in the public documents filed by Vallourec with the French Financial Markets Authority (Autorité des marchés financiers, or “AMF”), including those listed in the “Risk Factors” section of the Universal Registration Document filed with the AMF on March 20, 2020. Recipients are cautioned that forward-looking statements are not guarantees of future performance and that Vallourec’s or any of its affiliates’ actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if Vallourec’s or any of its affiliates’ results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in subsequent periods. Recipients are cautioned not to place undue reliance on such forward-looking statements. The Company assumes no obligation to update or revise any forward-looking or other statements.