

€ 500,000,000 2.250 per cent. Notes due 30 September 2024

Issue Price: 99.938 per cent.

The € 500,000,000 2.250 per cent. notes of VALLOUREC (the "**Issuer**") maturing on 30 September 2024 (the "**Notes**") will be issued outside the Republic of France on 30 September 2014 (the "**Issue Date**").

Interest on the Notes will accrue from, and including, the Issue Date at the rate of 2.250 per cent. *per annum*, payable annually in arrear on 30 September in each year as further described in "Terms and Conditions of the Notes – Interest" of this prospectus (the "**Prospectus**").

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at par on 30 September 2024. The Notes may, and in certain circumstances shall, be redeemed before this date, in whole only but not in part, at their principal amount, together with, any accrued interest, notably in the event that certain French taxes are imposed (see "Terms and Conditions of the Notes - Taxation"). In addition, Noteholders (as defined in "Terms and Conditions of the Notes") will be entitled, in the event of a Change of Control of the Issuer, to request the Issuer to redeem or procure the purchase of their Notes at their principal amount together with any accrued interest, all as defined, and in accordance with the provisions set out in "Terms and Conditions of the Notes – Redemption at the option of the Noteholders following a Change of Control".

The Notes will be issued in dematerialised bearer form in the denomination of € 100,000 each. The Notes will at all times be represented in book entry form (*inscription en compte*) in the books of the Account Holders in compliance with Articles L.211-3 *et seq.* and R.211-1 *et seq.* of the French *Code monétaire et financier*. No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in the books of Euroclear France which shall credit the accounts of the Account Holders. "**Account Holder**" shall mean any intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, Clearstream Banking, *société anonyme* and Euroclear Bank SA/NV.

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC of the European Parliament and of the Council dated 4 November 2003 as amended (which includes the amendments made by Directive 2010/73/EU of the European Parliament and of the Council dated 24 November 2010 to the extent that such amendments have been implemented in a Member State of the European Economic Area) (the "**Prospectus Directive**").

Application has been made to list and admit to trading the Notes, as of their Issue Date on the regulated market of NYSE Euronext in Paris ("**Euronext Paris**"). Euronext Paris is a regulated market within the meaning of the Directive 2004/39/EC of the European Parliament and of the Council dated 21 April 2004.

The Notes have been rated BBB by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc ("**S&P**"). The long term debt of the Issuer has been rated BBB by S&P. As of the date of this Prospectus, S&P is established in the European Union and registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council on credit rating agencies dated 16 September 2009 as amended (the "**CRA Regulation**"). As such, S&P is included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website ([www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)) in accordance with the CRA regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating agency.

So long as any of the Notes are outstanding, copies of this Prospectus and all the documents incorporated by reference in this Prospectus are obtainable, free of charge, at the offices of the Paying Agent and at the registered office of the Issuer during normal business hours. Copies of this Prospectus and all the documents incorporated by reference in this Prospectus are also available on the website of the Issuer ([www.vallourec.com](http://www.vallourec.com)) and on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)).

See the "Risk Factors" section for a description of certain factors which should be considered by potential investors in connection with any investment in the Notes.



In accordance with Articles L. 412-1 and L. 621-8 of the French *Code monétaire et financier* and its General Regulations (*Règlement général*), in particular Articles 211-1 to 216-1, the *Autorité des marchés financiers* ("**AMF**") has granted to this Prospectus the visa n°14-521 on 26 September 2014. This Prospectus has been prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L. 621-8-1-I of the French *Code monétaire et financier*, the visa has been granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information in it is coherent". It does not imply that the AMF has verified the accounting and financial data set out in it and the appropriateness of the issue of the Notes.

**Global Coordinators and Joint Bookrunners**

**Société Générale Corporate & Investment Banking**

**Santander Global Banking & Markets**

**Joint Bookrunners**

**BNP Paribas**

**CM-CIC**

**Commerzbank**

*This Prospectus has been prepared for the purpose of giving information with respect to the Issuer, the Issuer and its subsidiaries taken as a whole (the "**Group**") as well as the Notes which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position and profit and losses of the Issuer.*

*The Joint Bookrunners (as defined in "Subscription and Sale" below) have not separately verified the information contained in this Prospectus. The Joint Bookrunners do not make any representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information contained or incorporated by reference in this Prospectus. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by, or on behalf of, any of the Issuer or the Joint Bookrunners that any recipient of this Prospectus or any other financial statements should purchase the Notes.*

*No person is authorised to give any information or to make any representation related to the issue, offering or sale of the Notes not contained in this Prospectus. Any information or representation not so contained herein must not be relied upon as having been authorised by, or on behalf of, the Issuer or the Joint Bookrunners. The delivery of this Prospectus or any offering or sale of Notes at any time does not imply (i) that there has been no change with respect to the Issuer or the Group, since the date hereof and (ii) that the information contained or incorporated by reference in it is correct as at any time subsequent to its date.*

*The Prospectus and any other information relating to the Issuer or the Notes should not be considered as an offer, an invitation, a recommendation by any of the Issuer or the Joint Bookrunners to subscribe or purchase the Notes. Each prospective investor of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Bookrunners undertakes to review the financial or general condition of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or prospective investor in the Notes of any information coming to its attention. Investors should review, inter alia, the documents incorporated by reference into this Prospectus when deciding whether or not to subscribe for or to purchase the Notes. Investors should in particular conduct their own analysis and evaluation of risks relating to the Issuer, the Group, their business, their financial condition and the issued Notes and consult their own financial or legal advisers about risks associated with investment Notes and the suitability of investing in the Notes in light of their particular circumstances. Potential investors should read carefully the section entitled "Risk Factors" set out in this Prospectus before making a decision to invest in the Notes.*

*The distribution of this Prospectus and the offering or the sale of the Notes in certain jurisdictions may be restricted by law or regulation. The Issuer and the Joint Bookrunners do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered or sold, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution, offering or sale. In particular, no action has been taken by the Issuer or any of the Joint Bookrunners which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Note may be offered or sold, directly or indirectly, and neither this Prospectus nor any offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of Notes and distribution of this Prospectus and of any other offering material relating to the Notes, see "Subscription and Sale" below.*

*The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. In accordance with U.S. laws, and subject to certain exceptions, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). Accordingly, the Notes will be offered and sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".*

*In connection with the issue of the Notes, Société Générale (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Such stabilisation will be carried out in accordance with all applicable rules and regulations.*

*This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.*

*In this Prospectus, references to "€", "EURO", "EUR" or to "euro" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997).*

### **FORWARD LOOKING STATEMENTS**

*This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.*

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**PERSON RESPONSIBLE  
FOR THE INFORMATION CONTAINED IN THE  
PROSPECTUS**

Mr. Philippe Crouzet, Chairman of the Management Board (*Directoire*) of Vallourec

After having taken all reasonable measures in this regard, I hereby certify that the information contained in this Prospectus is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

The consolidated financial statements for the year ended 31 December 2013 presented in the 2013 Registration Document were the subject of the Statutory Auditors' report on page 316 which contains the following observation: "Without qualifying our opinion above, we draw your attention to Note A-4 of the consolidated financial statements, which sets out the change in accounting method introduced by the application of the revised IAS 19 "Employee Benefits" as from 1 January 2013."

**VALLOUREC**

27, avenue du Général Leclerc  
92100 Boulogne Billancourt  
France

Duly represented by:

Mr. Philippe Crouzet

Chairman of the Management Board (*Directoire*) of Vallourec

dated 26 September 2014

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following sections identified in the cross-reference table below of the following documents (the "**Documents Incorporated by Reference**"), which have been previously published and have been filed with the *Autorité des marchés financiers* ("**AMF**"). Such sections shall be incorporated in, and shall be deemed to form part of, this Prospectus:

- (i) the sections identified in the cross-reference table below of the 2012 *Document de Référence* in the French language relating to the Issuer filed with the AMF on 24 April 2013 under no. D.13-0419, including the audited consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2012 and the related notes thereto (the "**2012 Registration Document**") save that the third paragraph of the *"Attestation du responsable du Document de référence"* by Mr. Philippe Crouzet, Chairman of the Management Board (*Directoire*) of the Issuer, referring, *inter alia*, to the *lettre de fin de travaux* of the statutory auditors of the Issuer on page 8 of such 2012 Registration Document and any reference thereto shall not be deemed incorporated herein;
- (ii) the sections identified in the cross-reference table below of the 2013 *Document de Référence* in the French language relating to the Issuer filed with the AMF on 14 April 2014 under no. D.14-0358, including the audited consolidated financial statements of the Issuer as at, and for the year ended, 31 December 2013 and the related notes thereto (the "**2013 Registration Document**") save that the third paragraph of the *"Attestation du responsable du Document de référence"* by Mr. Philippe Crouzet, Chairman of the Management Board (*Directoire*) of the Issuer, referring, *inter alia*, to the *lettre de fin de travaux* of the statutory auditors of the Issuer on page 8 of such 2013 Registration Document and any reference thereto shall not be deemed incorporated herein; and
- (iii) the sections identified in the cross-reference table below of the 2014 *Rapport Financier Semestriel* in the French language relating to the Issuer filed with the AMF on 1<sup>st</sup> August 2014 including the unaudited consolidated financial statements of the Issuer as at, and for the half-year ended, 30 June 2014 and the related notes thereto (the "**2014 Half-Year Financial Report**").

Free translations in the English language of the 2012 Registration Document, the 2013 Registration Document and the 2014 Half-Year Financial Report are available on the Issuer's website ([www.vallourec.com](http://www.vallourec.com)). These documents are available for information purposes only and are not incorporated by reference in this Prospectus. The only binding versions are the French language versions.

Any statement contained in a Document Incorporated by Reference shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise); any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of the Documents Incorporated by Reference in this Prospectus may be obtained, without charge on request, at the principal office of the Issuer or of the Fiscal Agent during normal business

hours so long as any of the Notes are outstanding. Such documents are also available on the website of the Issuer ([www.vallourec.com](http://www.vallourec.com)) and on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)).

The following table cross-references the pages of the Documents Incorporated by Reference with the main heading required under Annex IX of the Commission Regulation no. 809/2004 as amended implementing the Prospectus Directive. Any information not listed in the cross-reference list shall not be deemed to form part of this Prospectus.

<b>Information incorporated by reference</b>  <i>(Annex IX of the European Regulation (EC) 809/2004 of 29 April 2004, as amended)</i>	<b>Page numbers</b>		
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<b>Information incorporated by reference</b>  <i>(Annex IX of the European Regulation (EC) 809/2004 of 29 April 2004, as amended)</i>	<b>Page numbers</b>		
	<b>2012 Registration Document</b>	<b>2013 Registration Document</b>	<b>2014 Half Year Financial Report</b>
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## RISK FACTORS

*The following are certain risk factors relating to the Issuer and the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all the information set out and incorporated by reference in this Prospectus, including in particular the risk factors detailed below, and consult with their own financial and legal advisors as to the risks entailed by an investment in the Notes. The following statements are not exhaustive. In addition, investors should be aware that the risks described may be combined and thus interrelated with one another. Prospective investors should make their own independent evaluations of all investment considerations and should also read the detailed information set out elsewhere in this Prospectus. Terms defined in "Terms and Conditions of the Notes" below shall have the same meaning where used below.*

### 1. Risks relating to the Issuer

The risk factors relating to the Issuer and its activity are set out in particular in pages 102-112, 155-158 and 165-168 of the 2013 Registration Document of the Issuer for the year ended 31 December 2013 and in pages 5, 23-26 and 32-36 of the 2014 Half Year Financial Report of the Issuer for the half year ended 30 June 2014 incorporated by reference into this Prospectus, as set out in the section "Documents Incorporated by Reference" of this Prospectus and include the following:

- legal risks;
- industrial and environmental risks;
- operational risks including (i) risks linked to the cyclical nature of the tubes market, (ii) risks linked to competition, (iii) risks linked to dependence on particular customers, (iv) risks linked to an industry that consumes raw materials and energy, (v) risks linked to activities in emerging countries, (vi) risks linked to maintaining high technology on key products, (vii) risks linked to defective or faulty production, (viii) risks linked to failures of the Group's equipment and (ix) risks linked to weaknesses in internal control and/or risk of fraud;
- other specific risks including (i) risks linked to human resources, (ii) risks linked to occupational safety and health, (iii) risks linked to protection of intellectual property, (iv) risks linked to the development of partnerships and acquisitions and disposals of companies, (vi) risks linked to new production facilities, (vii) risks related to the Group's development strategy and (viii) call options stipulated in certain industrial cooperative agreements linking Vallourec to Nippon Steel & Sumitomo Metal Corporation (NSSMC) (formerly Sumitomo Metal Industries – SMI) and Sumitomo Corporation;
- market risks including (i) interest rate risk, (ii) foreign exchange risk and (iii) credit and equity risk; and
- liquidity risk.

## **2. Risks linked to the Notes**

### **(a) Investors**

Each potential investor in the Notes must determine the suitability of that investment in light of such investor's own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the relevant risks.

Some potential investors are subject to restricting investment regulations. These potential investors should consult their legal counsel in order to comply with the laws and regulations that are applicable to them and in order to determine whether investment in the Notes is authorised by law, whether such investment is compatible with their other borrowings and whether other selling restrictions are applicable to them. Financial institutions should consult their legal counsel or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

### **(b) Risks related to the Notes generally**

*The Notes may be redeemed prior to maturity*

In the event that the Issuer would be obliged to pay additional amounts in respect of any Notes due to any withholding as provided in "Terms and Conditions of the Notes - Taxation", the Issuer may and, in certain circumstances shall, redeem all of the Notes then outstanding in accordance with such Condition.

Any early redemption of the Notes may result, for the Noteholders, in a yield that is considerably lower than anticipated. In addition, investors may not be able to reinvest the moneys they receive upon such early redemption in securities with the same yield as the redeemed Notes.

*Taxation*

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. Potential investors cannot rely upon the tax summary contained in this Prospectus and/or in the Final Terms but should ask for their own tax adviser's advice

on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only these advisers are in a position to duly consider the specific situation of the potential investor. No development made in this Prospectus shall be read as a legal or tax advice and investors should require personal advice from their own independent and qualified counsels.

### *EU Savings Directive*

EC Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”) requires a Member State to provide to the tax authorities of another Member State details of certain payments of interest and other similar income paid by a person established within its jurisdiction, or for the benefit of (or secured by such a person for the benefit of) an individual resident or certain limited types of entity established in that other Member State, except that, for a transitional period, Luxembourg and Austria are required to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government, in the bill of law introduced on 18 March 2014, proposed to elect out of the withholding tax system with effect from 1 January 2015 in favour of the disclosure of information method under the Savings Directive. A number of non-EU countries and territories have adopted similar measures.

On 24 March 2014, the Council of the European Union adopted a directive 2014/48/EU amending the Savings Directive (the “**Amending Directive**”), which, when implemented, will amend and broaden the scope of the requirements described above. The Amending Directive will also broaden the categories of entities required to provide information and/or withhold tax pursuant to the Savings Directive, and will require additional steps to be taken in certain circumstances to identify the beneficial owner of interest (and other income) payments, through a “look through” approach. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union. The Member States will have until 1 January 2016 to adopt the national legislation necessary to comply with this Amending Directive. Investors should inform themselves of, and where appropriate take advice on, the impact of the Savings Directive and the Amending Directive on their investment.

If a payment under a Note were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any subsequent meeting of the Council of the European Union on the taxation of savings income (including, for the avoidance of doubt, the Amending Directive), or any law implementing or complying with, or introduced in order to conform to, such Directive or Directives, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note, as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above. Investors should choose their custodians or intermediaries with care, and provide each custodian or intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive. See also “Taxation - EU Savings Directive”.

*Transactions in the Notes could be subject to the European financial transaction tax, if adopted*

On 14 February 2013, the European Commission adopted a proposal for a directive on a common financial transaction tax (the “**FTT**”) to be implemented under the enhanced cooperation procedure by eleven Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain) (the “**Participating Member States**”).

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The FTT would impose a charge at generally not less than 0.1% of the sale price on such transactions, which could expose Noteholders to increased transaction costs.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State, or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

On 6 May 2014, the presidency of the Council of the European Union confirmed that all relevant issues will continue to be examined by national experts. It noted the intention of the Participating Member States to work on a progressive implementation of the FTT, focusing initially on the taxation of shares and some derivatives. The first steps would be implemented at the latest on 1 January 2016.

The FTT proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

*Change of Control - put option*

In the event of a Change of Control of the Issuer (as more fully described in "Terms and Conditions of the Notes - Redemption at the option of the Noteholders following a Change of Control"), each Noteholder will have the right to request the Issuer to redeem or procure the purchase of all or part of its Notes at their principal amount together with any accrued interest. In such case, any trading market in respect of those Notes in respect of which such redemption right is not exercised may become illiquid. In addition, investors may not be able to reinvest the moneys they receive upon such early redemption in securities with the same yield as the redeemed Notes.

*Modification of the Terms and Conditions of the Notes*

Noteholders will be grouped automatically for the defence of their common interests in a *Masse*, as defined in "Terms and Conditions of the Notes - Representation of the Noteholders", and a general meeting of Noteholders can be held. The Terms and Conditions of the Notes permit in certain cases defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant general meeting and Noteholders who voted in a manner contrary to the majority.

The general meeting of Noteholders may, subject to the provisions set out in "Terms and Conditions of the Notes - Representation of the Noteholders", deliberate on any proposal relating to the modification of the Terms and Conditions of the Notes, notably on any proposal, whether for arbitration or settlement, relating to rights in controversy or which were subject of judicial decisions.

Any such decision may reduce or exclude the potential profit and the expected yield on the Notes.

#### *Credit Risk of the Issuer*

The price of the Notes will also depend on the credit worthiness of the Issuer. If the credit worthiness of the Issuer deteriorates the value of the Notes may decrease and investors may lose all or part of their investment.

#### *Rating*

The Notes have been rated BBB by S&P. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

#### *French Insolvency Law*

Noteholders will be grouped automatically for the defence of their common interests in a *Masse*, as defined in "Terms and Conditions of the Notes - Representations of the Noteholders". However, under French insolvency law, holders of debt securities are automatically grouped into a single assembly of holders (the "**Assembly**") if a safeguard procedure (*procédure de sauvegarde*), an accelerated safeguard procedure (*procédure de sauvegarde accélérée*) (as from 1 July 2014), an accelerated financial safeguard procedure (*procédure de sauvegarde financière accélérée*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer.

The Assembly comprises holders of all debt securities issued by the Issuer (including the Notes), whether or not under a debt issuance programme and regardless of their governing law.

The Assembly deliberates on the proposed safeguard plan (*projet de plan de sauvegarde*), accelerated safeguard plan (*projet de plan de sauvegarde accélérée*) (as from 1 July 2014), accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) or judicial reorganisation plan (*projet de plan de redressement*) applicable to the Issuer and may further agree to:

- increase the liabilities (*charges*) of holders of debt securities (including the Noteholders) by rescheduling payments and/or partially or totally writing-off debts;
- establish an unequal treatment between holders of debt securities (including the Noteholders) as appropriate under the circumstances; and/or
- decide to convert debt securities (including the Notes) into securities that give or may give right to share capital.

Decisions of the Assembly will be taken by a two-third (2/3) majority (calculated as a proportion of the amount of debt securities held by the holders which have cast a vote at such Assembly). No quorum is required to hold the Assembly.

For the avoidance of doubt, the provisions relating to the representation of the Noteholders described in the Terms and Conditions of the Notes set out in this Prospectus will not be applicable with respect to the Assembly to the extent they conflict with compulsory insolvency law provisions that apply in these circumstances.

The procedures, as described above or as they may be amended, could have an adverse impact on Noteholders seeking repayment in the event that the Issuer or its affiliates were to become insolvent.

#### *Change of law*

The Terms and Conditions of the Notes are based on French law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial or administrative decision or change to French law or administrative practice after the date of this Prospectus.

#### *Restricted covenants*

The Notes do not restrict the Issuer or its Subsidiaries (as defined in the Terms and Conditions of the Notes) from incurring additional debt. The Terms and Conditions of the Notes contain a negative pledge that prohibits the Issuer and its Principal Subsidiaries (as defined in the Terms and Conditions of the Notes) in certain circumstances from creating security over assets, but only to the extent that such is used to secure other bonds or similar listed or quoted debt instruments, and there are certain exceptions to the negative pledge. The Terms and Conditions of the Notes do not contain any other covenants restricting the operations of the Issuer. The Issuer's Subsidiaries are not bound by obligations of the Issuer under the Notes and are not guarantors of the Notes.

#### **(c) *Risks related to the market generally***

##### *Market value of the Notes*

The market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including market interest and yield rates.

The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchange on which the Notes are traded. The price at which a Noteholder will be able to sell the Notes may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

##### *No active secondary market for the Notes*

An investment in the Notes should be considered primarily with a view to holding them until their maturity (i.e., 30 September 2024). Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Notes.

*Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks*

The Notes bearing interest at a fixed rate, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.



## TERMS AND CONDITIONS OF THE NOTES

*The terms and conditions of the Notes (the "**Conditions**"), subject to completion and amendment, will be as follows:*

The issue outside the Republic of France of the € 500,000,000 2.250 per cent. Notes due 30 September 2024 (the "**Notes**") by VALLOUREC (the "**Issuer**") was decided by Mr. Olivier Mallet, Member of the Management Board (*Membre du Directoire*) of the Issuer on 23 September 2014, acting pursuant to a resolution of the Management Board (*Directoire*) of the Issuer dated 19 September 2014. The Notes are issued subject to, and with the benefit of, a fiscal agency agreement to be dated 26 September 2014 (the "**Fiscal Agency Agreement**") between the Issuer and BNP Paribas Securities Services as fiscal agent, paying agent and put agent (the "**Fiscal Agent**", the "**Paying Agent**" and the "**Put Agent**" which expressions shall, where the context so admits, include any successor for the time being as fiscal agent, paying agent or put agent). Copies of the Fiscal Agency Agreement are available, without charge, for inspection, during normal business hours at the specified offices of the Fiscal Agent. References below to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below. In these Conditions, "**holder of Notes**", "**holder of any Note**" or "**Noteholder**" means the person whose name appears in the account of the relevant Account Holder (as defined below) as being entitled to such Notes.

### 1. Form, Denomination and Title

The Notes are issued in dematerialised bearer form (*au porteur*) in the denomination of € 100,000 each. The Notes will at all times be represented in book entry form (*inscription en compte*) in the books of the Account Holders in compliance with Articles L.211-3 *et seq.* and R. 211-1 *et seq.* of the French *Code monétaire et financier*. No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in book entry form in the books of Euroclear France ("**Euroclear France**"), which shall credit the accounts of the Account Holders. For the purpose of these Conditions, "**Account Holders**" shall mean any intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**").

Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books, and only in the denomination of € 100,000.

### 2. Status

The principal and interest in respect of the Notes constitute direct, unconditional, unsubordinated and (subject to Condition 3 "Negative Pledge" below) unsecured obligations of the Issuer and rank and will at all times rank *pari passu* and without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law) equally and rateably with all other present or future unsecured and unsubordinated obligations of the Issuer.

### 3. Negative Pledge

So long as any of the Notes remains outstanding (as defined below), the Issuer will not, and will ensure that none of its Principal Subsidiaries (as defined below) will, create or permit to subsist any mortgage, lien, charge, pledge or other form of security interest (*sûreté réelle*) ("**Security**") upon any of their respective assets, revenues or rights, present or future, to secure (i) any Relevant Debt (as defined below) incurred by the Issuer or any of its Principal Subsidiaries, or (ii) any guarantee or indemnity in respect of any Relevant Debt (whether before or after the issue of the Notes) unless, at the same time or prior thereto, the Issuer's obligations under the Notes are (a) equally and rateably secured therewith or (b) have the benefit of such other security or other arrangement as shall be approved by the *Masse* (as defined in Condition 10) pursuant to Condition 10.

For the purposes of these Conditions:

"**outstanding**" means in relation to the Notes, all the Notes issued other than (i) those which have been redeemed on their due date or otherwise in accordance with the Conditions, (ii) those in respect of which claims have been prescribed under Condition 9 and (iii) those which have been purchased and cancelled as provided in Condition 5(b), (c) and (e).

"**Principal Subsidiary**" means at any relevant time a Subsidiary of the Issuer (a) the annual turnover (excluding intra-group turnover) of which, on the basis of the latest annual consolidated financial statements of the Issuer, is greater than ten per cent. (10%) of the consolidated annual turnover of the Issuer or (ii) whose total assets on a consolidated basis have a book value representing ten per cent. (10%) or more of the consolidated assets of the Issuer as reported in the then most recent annual or semi-annual consolidated balance sheet of the Issuer.

"**Relevant Debt**" means any present or future indebtedness for borrowed money in the form of, or represented by, bonds (*obligations*), notes or other securities which are for the time being, are to be, or are capable of being, quoted, admitted to trading, listed or ordinarily dealt in on any stock exchange, multilateral trading facility, over-the-counter market or other securities market.

"**Subsidiary**" means, in relation to any person or entity at any time, any other person or entity controlled directly or indirectly by such person or entity within the meaning of Article L.233-3-I of the French *Code de commerce*.

### 4. Rate of interest

#### (a) Interest Payment Dates

The Notes bear interest from, and including, 30 September 2014 (the "**Interest Commencement Date**") to, but excluding, 30 September 2024 (the "**Maturity Date**") at the rate of 2.250 per cent. *per annum* payable annually in arrear on 30 September in each year (each an "**Interest Payment Date**"), commencing on 30 September 2015.

#### (b) Interest Payments

Each Note will cease to bear interest from the due date for redemption, unless payment of principal is improperly withheld or refused on such date. In such event, interest on such Note shall continue to accrue at the rate of 2.250 per cent. *per annum* (both before and after judgment) until the day (included) on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder.

If interest is required to be calculated for a period of less than one year, it will be calculated on an Actual/Actual (ICMA) basis for each period, that is to say the actual number of calendar days elapsed during the relevant period divided by 365 (or by 366 if a February 29 is included in such period), the result being rounded to the nearest cent (half a cent being rounded upwards).

## **5. Redemption and Purchase**

The Notes may not be redeemed otherwise than in accordance with this Condition 5 or Condition 8.

### **(a) Final Redemption**

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed by the Issuer in full at their principal amount on the Maturity Date.

### **(b) Redemption for Taxation Reasons**

- (i) If, by reason of a change in French law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would, on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts (whether in respect of some of, or all, the Notes) as specified in Condition 7, the Issuer may at its sole discretion, on any Interest Payment Date, subject to having given not more than 45 nor less than 30 calendar days' prior notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all, but not some only, of the Notes outstanding at their principal amount, together with all interest accrued to the date fixed for redemption, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable Interest Payment Date on which the Issuer could make payment of principal or interest without withholding for French taxes.
- (ii) If the Issuer would on the occasion of the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 7, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall, subject to having given not less than seven calendar days' prior notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their principal amount, together with all interest accrued to the date fixed for redemption of which notice hereunder may be given, provided that the due date for redemption shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal or interest payable in respect of the Notes or, if such date has passed, as soon as practicable thereafter.

### **(c) Redemption at the option of Noteholders following a Change of Control**

If at any time while any Note remains outstanding, there occurs (i) a Change of Control and (ii) within the Change of Control Period, a Rating Downgrade occurs or has occurred as a result of a Change of Control or Potential Change of Control (a "**Put Event**"), the holder of such Note will have the option (the "**Put Option**") (unless, prior to the giving of the Put Event Notice, the Issuer gives notice of its intention to redeem the Notes for taxation reasons under Condition 5 (b)) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of that Note, on the Optional Redemption Date at its principal amount together with (or where purchased, together with an amount equal to) interest accrued to, but excluding, the Optional Redemption Date.

A "**Change of Control**" shall be deemed to have occurred each time that any person or persons acting in concert (as defined below) come(s) to own or acquire(s) directly or indirectly (i) more than 50 per cent. of the issued share capital of the Issuer or (ii) such number of shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights exercisable at a general meeting of the Issuer.

"**acting in concert**" has the meaning given in Article L.233-10 of the French *Code de commerce*.

"**Change of Control Period**" means the period commencing on the date that is the earlier of (i) the date of the first public announcement of the result (*avis de résultat*) by the *Autorité des marchés financiers* ("AMF") of the relevant Change of Control and (ii) the date of the Potential Change of Control (the "**Relevant Announcement Date**") and ending on (i) the date which is 120 calendar days (inclusive) after the date of the first public announcement of the result of the relevant Change of Control, or (ii) such longer period for which the Notes or the senior unsecured long-term debt of the Issuer are under consideration (provided that such consideration has been announced publicly within the period ending 90 calendar days after the occurrence of the relevant Change of Control) for rating review or, as the case may be, rating by, a Rating Agency, such period not to exceed 60 calendar days after the public announcement of such consideration.

A "**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control or in respect of a Potential Change of Control (a) if within the Change of Control Period, the credit rating previously assigned to the Issuer or the Notes by any Rating Agency (as defined below) is (i) withdrawn or (ii) changed from an investment grade rating (BBB-, or its equivalent for the time being, or better) to a non-investment grade rating (BB+, or its equivalent for the time being, or worse) or (iii) if the credit rating previously assigned to the Issuer or the Notes by any Rating Agency was below an investment grade rating (as described above), lowered by at least one full rating notch (for example, from BB+ to BB; or their respective equivalents) or (b) if, on the Relevant Announcement Date, no credit rating is assigned to the Issuer or the Notes and, within the Change of Control Period, no Rating Agency assigns an investment grade rating to the Issuer or the Notes (the "**Non Investment Grade Rating**") or (c) if, on the Relevant Announcement Date, no credit rating is assigned to the Issuer or the Notes and, within the Change of Control Period, no Rating Agency assigns a rating to the Issuer or the Notes, provided that, with respect to (a) and (b) above, (i) a Rating Downgrade shall be deemed not to have occurred in respect of a particular Change of Control or Potential Change of Control, as the case may be, if the Rating Agency making the change in rating or assigning the Non Investment Grade Rating does not publicly announce or publicly confirm that the Non Investment Grade Rating or the reduction or withdrawal was the result, in whole or in part, of the Change of Control or the Potential Change of Control, as the case may be, and (ii) any Rating Downgrade must have been confirmed in a letter or other form of written communication, sent to the Issuer and publicly disclosed. If the Issuer or the Notes are rated by more than one Rating Agency, the rating to be taken into account to determine whether a Rating Downgrade has occurred shall be the lower rating assigned by any such Rating Agency.

"**Potential Change of Control**" means any public announcement or statement by the Issuer, any actual or potential bidder relating to any potential Change of Control of the Issuer.

"**Rating Agency**" means Standard & Poor's Rating Services or its successors or any other rating agency of equivalent international standing established in the European Union and registered under Regulation (EC) No. 1060/2009 as amended, requested by the Issuer to grant a credit rating to the Issuer or the Notes.

Immediately upon becoming aware that a Put Event has occurred, the Issuer shall give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 11 specifying the nature of the Put

Event, the circumstances giving rise to it and the procedure for exercising the Put Option contained in this Condition 5.

To exercise the Put Option a Noteholder must transfer (or cause to be transferred by its Account Holder) its Notes to be so redeemed or purchased to the account of the Put Agent (details of which are specified in the Put Event Notice) for the account of the Issuer within the period of 45 calendar days after the Put Event Notice is given (the "**Put Period**"), together with a duly signed and completed notice of exercise in the then current form obtainable from the specified office of any Paying Agent (a "**Put Option Notice**") and in which the holder may specify an account denominated in euro to which payment is to be made under this Condition 5 (c).

A Put Option Notice once given shall be irrevocable.

The Issuer shall redeem or, at its option, procure the purchase of the Notes in respect of which the Put Option has been validly exercised as provided above, and subject to the transfer of such Notes to the account of the Put Agent for the account of the Issuer as described above, on the date which is the fifth Business Day following the end of the Put Period (the "**Optional Redemption Date**"). Payment in respect of such Notes will be made on the Optional Redemption Date by transfer to the account specified in the relevant Put Option Notice and otherwise subject to the provisions of Condition 6.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, any Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

**(d) Purchases**

The Issuer may at any time purchase Notes (together with rights to interest relating thereto) in the open market or otherwise (including by way of tender or exchange offer) at any price and on any condition, subject to compliance with any applicable laws. Notes so purchased by the Issuer may be held and resold in accordance with Articles L.213-1 A and D.213-1 A of the French *Code monétaire et financier* for the purpose of enhancing the liquidity of the Notes.

**(e) Cancellation**

All Notes which are redeemed or purchased for cancellation by the Issuer pursuant to this Condition 5 will forthwith be cancelled (together with rights to interest relating thereto) by transfer to an account in accordance with the rules and procedures of Euroclear France. Any Notes so cancelled may not be resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

**6. Payments**

**(a) Method of Payment**

Payments of principal, interest and other amounts in respect of the Notes will be made in euro, by credit or transfer to an account denominated in euro (or any other account to which euro may be credited or transferred) specified by the payee with a bank in a city in which banks use the TARGET System (as defined in Condition 6 (b) below). Such payments shall be made for the benefit of the Noteholders to the Account Holders and all payments made to such Account Holders in favour of Noteholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment.

Payments of principal, interest and other amounts in respect of the Notes will be made subject to any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions described in Condition 7. No commission or expenses shall be charged to the Noteholders in respect of such payments.

**(b) *Payments on Business Days***

If any due date for payment of principal, interest or any other amount in respect of any Note is not a Business Day (as defined below), then the Noteholder shall not be entitled to payment of the amount due until the next following day which is a Business Day and the Noteholder shall not be entitled to any interest or other additional sums in respect of such postponed payment.

For the purposes of these Conditions, "**Business Day**" means any day, not being a Saturday or a Sunday, (i) on which foreign exchange markets and commercial banks are open for business in Paris (ii) on which Euroclear France is operating and (iii) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) system (the "**TARGET System**") or any successor thereto is operating.

**(c) *Fiscal Agent, Paying Agent and Put Agent***

The name and specified office of the initial Fiscal Agent, initial Paying Agent and initial Put Agent are as follows:

**Fiscal Agent, Paying Agent and Put Agent**

BNP Paribas Securities Services  
(Euroclear Affiliate number 29106)  
Les Grands Moulins de Pantin  
Attention: Corporate Trust Services, 9, rue du Débarcadère  
93500 Pantin  
France

For any operational notifications (payment of principal, interest, redemption...):

BNP Paribas Securities Services, Luxembourg Branch  
Corporate Trust Services  
33 rue de Gasperich, Howald - Hesperange  
L – 2085 Luxembourg  
Telephone : +352 26 96 20 00  
Telecopy : +352 26 96 97 57  
Attention: Lux Emetteurs / Lux GCT  
Email: Lux.emetteurs@bnpparibas.com  
Lux.GCT@bnpparibas.com

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Paying Agent or Put Agent and/or appoint a substitute Fiscal Agent or Put Agent and additional or other Paying Agents or approve any change in the office through which the Fiscal Agent, Put Agent or Paying Agent acts, provided that, so long as any Note is outstanding, there will at all times be (i) a Fiscal Agent having a specified office in a major European city and (ii) so long as the Notes are listed on Euronext Paris and the rules of that exchange so require, a Paying Agent ensuring financial services in France (which may be the Fiscal Agent). Any termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 nor

less than 30 calendar days' notice thereof shall have been given to the Noteholders by the Issuer in accordance with Condition 11.

## **7. Taxation**

### **(a) Withholding Tax Exemption**

All payments of principal, interest and other revenues by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed ("**Taxes**"), levied, collected, withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

### **(b) Additional Amounts**

If, pursuant to French laws or regulations, payments of principal or interest in respect of any Note become subject to deduction or withholding in respect of any present or future Taxes imposed by or on behalf of France or any authority therein or thereof having power to tax, the Issuer shall, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the holder of each Note, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such withholding; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note:

- (i) to, or to a third party on behalf of a Noteholder who is liable to such Taxes in respect of such Note by reason of his having some connection with France other than the mere holding of such Note; or
- (ii) where such deduction or withholding is imposed pursuant to the European Council Directive 2003/48/EC regarding the taxation of savings income or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 or any subsequent meeting of the Council of the European Union on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or Directives.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 7.

## **8. Events of Default**

Any Noteholder may, upon written notice to the Issuer (copy to the Fiscal Agent), cause all, but not some only, of the Notes held by such Noteholder to become immediately due and payable, at their principal amount together with any accrued interest thereon until their actual redemption date if any of the following events (each an "**Event of Default**") shall have occurred and be continuing:

- (i) if any amount of principal or interest in respect of any Note is not paid on the due date thereof and such default is not remedied within a period of seven (7) business days in Paris from such due date; or
- (ii) default by the Issuer in the due performance of any provision of the Notes other than as referred in (i) above, if such default shall not have been cured within twenty (20) business days in Paris after receipt by the Issuer of written notice of such default; or
- (iii) (a) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for borrowed monies in excess of Euro 35,000,000 (or its equivalent in any other currency),

whether individually or in the aggregate, are declared, following, where applicable, the expiry of any originally applicable grace period, due and payable prior to its stated maturity as a result of an event of default, or (b) any such indebtedness shall not be paid when due or, as the case may be, within any originally applicable grace period therefor; or

- (iv) the Issuer or any of its Principal Subsidiaries, (a) makes any proposal for a general moratorium in relation to its debt or (b) a judgment is issued for the judicial liquidation (*liquidation judiciaire*) or for a judicial transfer of the whole of the business (*cession totale de l'entreprise*) of the Issuer, or (c) any of its Principal Subsidiaries or, to the extent permitted by law, the Issuer or any of its Principal Subsidiaries is subject to any other insolvency or bankruptcy proceedings under any applicable laws, or (d) the Issuer or any of its Principal Subsidiaries makes any conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors, it being specified for the avoidance of doubt that the Issuer or any of its Principal Subsidiaries applying for the appointment of an ad hoc representative (*mandataire ad hoc*) or applying for the opening of a conciliation procedure (*procédure de conciliation*) with its principal creditors will not constitute an Event of Default pursuant to Article L.611-16 of the French *Code de commerce*.

## 9. Prescription

Claims against the Issuer for the payment of principal and interest in respect of the Notes shall become prescribed ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the due date for payment thereof.

## 10. Representation of the Noteholders

The Noteholders will be grouped automatically for the defence of their common interests in a *masse* (hereinafter referred to as the "**Masse**").

The Masse will be governed in accordance with Article L.228-90 of the French *Code de commerce* by the provisions of the *Code de commerce* applicable to the *Masse* (with the exception of the provisions of Articles L.228-48, L.228-59, L.228-71, R.228-63, R.228-67, R.228-69 and R.228-72 thereof) subject to the provisions set below:

### (a) Legal Personality

The *Masse* will be a separate legal entity, by virtue of Article L.228-46 of the French *Code de commerce*, acting in part through a representative (the "**Representative**") and in part through a general meeting of the Noteholders (the "**General Meeting**").

The *Masse* alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue with respect to the Notes.

### (b) Representative

The office of the Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representative:

- (i) the Issuer, the members of its Management Board (*Directoire*), its general managers (*directeurs généraux*), its statutory auditors, its employees and their ascendants, descendants and spouses;



- (ii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their board of directors,
- (iii) executive board or supervisory board, their statutory auditors, employees and their ascendants, descendants and spouses;
- (iv) companies of which the Issuer possesses at least 10 per cent. of the share capital or companies possessing at least 10 per cent. of the share capital of the Issuer; or
- (v) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing a business in whatever capacity.

The Representative shall be Sylvain Thomazo, domiciled at 20, rue Victor Bart, 78000 Versailles.

The alternative representative (the "**Alternative Representative**") shall be Sandrine D'Haussey domiciled at 69, avenue Gambetta, 94100 Saint Maur des Fossés.

In the event of death, incompatibility, resignation or revocation of the Representative, such Representative will be replaced by the Alternative Representative. The Alternative Representative shall have the same powers as the Representative.

In the event of death, incompatibility, resignation or revocation of the Alternative Representative, a replacement will be elected by a meeting of the general assembly of the Noteholders.

The Issuer shall pay to the appointed Representative an amount of 600 € *per annum*, payable on 30 September of each year from 2015 to 2024 provided that the Notes remain outstanding at each such dates.

The appointment of the Representative shall terminate automatically on the date of final redemption in full of the Notes. Such appointment shall, if applicable, be automatically extended until the final resolution of any proceedings in which the Representative may be involved and the enforcement of any judgements or settlements relating thereto.

All interested parties will have the right to obtain the names and addresses of the Representative and Alternative Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

**(c) Powers of the Representative**

The Representative shall, in the absence of any decision to the contrary of the general assembly of the Noteholders, have the power to take all acts of management to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, in order to be valid, must be brought against the Representative or by it.

The Representative may not interfere in the management of the affairs of the Issuer.

**(d) General Meetings**

General Meetings may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth (1/30) of the outstanding principal amount of the Notes may address to the Issuer and the Representative a request for convocation of the General Meeting; if such General Meeting has not been convened within two months from such demand, such Noteholders may commission one of themselves to petition the competent court in Paris to appoint an agent (*mandataire*) who will call the meeting.

Notice of the date, hour, place, agenda and quorum requirements of any General Meeting will be published as provided under Condition 11 not less than fifteen (15) calendar days prior to the date of the General Meeting on first convocation and not less than ten (10) calendar days prior to the date of the General Meeting on second convocation.

Each Noteholder has the right to participate in General Meetings in person or by proxy. Each Note carries the right to one vote.

**(e) Powers of General Meetings**

The General Meeting is empowered to deliberate on the fixing of the remuneration, dismissal or replacement of the Representative and the Alternative Representative and may also act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions of the Notes including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that a general assembly may not increase amounts payable by Noteholders, nor establish any unequal treatment between the Noteholders, nor decide to convert the Notes into shares.

General Meetings may deliberate validly on first convocation only if Noteholders present or represented hold at least one fifth (1/5) of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a two-thirds (2/3) majority of votes cast by the Noteholders attending such meeting or represented thereat.

In accordance with Article R.228-71 of the French *Code de commerce*, the right of each Noteholder to participate in General Meetings will be evidenced by the entries in the books of the relevant Account Holder of the name of such Noteholder as of 0:00, Paris time, on the third business day in Paris preceding the date set for the meeting of the relevant General Meeting.

**(f) Notice of decisions to the Noteholders**

Decisions of the General Meeting must be published in accordance with the provisions set out in Condition 11 not more than ninety (90) calendar days from the date thereof.

**(g) Information to the Noteholders**

Each Noteholder or representative thereof will have the right, during the fifteen (15) calendar day period preceding the holding of each meeting of a general assembly, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the meeting, which will be available for inspection at the principal office of the Issuer, at the offices of the Paying Agents and at any other place specified in the notice of the General Meeting.

**(h) Expenses**

The Issuer will pay all duly documented and reasonable expenses incurred in the operation of the *Masse*, including expenses relating to the calling and holding of General Meetings, and more generally all administrative expenses resolved upon by the General Meetings, it being expressly stipulated that no expenses may be imputed against interest payable on the Notes.

**11. Notices**

Any notice to the Noteholders will be duly given if delivered to Euroclear France or published, so long as the Notes are listed on Euronext Paris and the rules of that stock exchange so require, in a leading daily newspaper having general circulation in France (which is expected to be the *Les Echos* or such other newspaper as the Fiscal Agent shall deem necessary to give fair and reasonable notice to the Noteholders).

Any notice to the Noteholders shall be deemed to have been given on the date of such publication or if published on different dates, on the date of the first publication.

**12. Further Issues and Assimilation**

The Issuer may from time to time without the consent of the Noteholders issue further notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further notes and the Notes shall carry rights identical in all respects (or in all respects save for the issue price and the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation.

In the event of such an assimilation, the Noteholders and the holders of such further notes will be grouped together in a single *masse* for the defence of their common interests. References in these Conditions to the Notes include any other notes issued pursuant to this Condition and assimilated with the Notes.

**13. Governing Law and Jurisdiction**

The Notes are governed by, and shall be construed in accordance with, the laws of France.

Any claim in connection with the Notes may exclusively be brought before the competent courts in Paris.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes, estimated to approximately € 497,940,000 will be used by the Issuer for general corporate purposes.

## DESCRIPTION OF THE ISSUER

The description of the Issuer and its Group is set out in the 2013 Registration Document and the 2014 Half-Year Financial Report which are incorporated by reference into this Prospectus, as provided in the Section "Documents Incorporated by Reference" of this Prospectus.

### *Supervisory Board of the Issuer*

The ordinary and extraordinary shareholders' meeting of the Issuer held on 28 May 2014 appointed Messrs. Cédric de Bailliencourt and Henri Poupart-Lafarge as new members of the Supervisory Board (*Conseil de surveillance*) for a period of four years.

This shareholders' meeting also approved the renewals of the terms of office of Mses. Vivienne Cox and Alexandra Schaapveld and Mr. Michel de Fabiani for a period of four years. The company Bolloré's term of office reached an end and was not renewed. The Supervisory Board held on 27 May 2014 confirmed Ms Vivienne Cox as Chairman of the Supervisory Board with effect from the close of the Annual Shareholders' Meeting on 28 May 2014.

Mr. Cédric de Bailliencourt is a French citizen, born on 10 July 1969. He graduated at the Institut d'Etudes Politiques in Bordeaux and holds a postgraduate degree in political and social communication from Paris I Sorbonne. He joined the Bolloré Group in 1996 as Director of Shareholdings. Chief Financial Officer of Bolloré since 2008, he is the company's Vice-Chief Executive Officer and since 2002 also Chief Executive Officer of Financière de l'Odé. Mr Cédric de Bailliencourt is a permanent representative for Compagnie du Cambodge on Banque Hottinguer's Supervisory Board, a permanent representative of Bolloré on the Havas Board, and was since 2011 the permanent representative of Bolloré on the Supervisory Board of Vallourec.

Mr. Henri Poupart-Lafarge is a French citizen, born on 10 April 1969, and holds degrees from Ecole Polytechnique, Ecole Nationale des Ponts et Chaussées and Massachusetts Institute of Technology. He started working in 1992, at the World Bank in Washington DC. From 1994 to 1997, he worked for the Treasury Department at the French Ministry of Economy and Finance, and then as advisor to the Minister of Economy and Finance. He joined Alstom in 1998, where he was successively Head of Investor Relations, Head of Finance Controlling and Senior Vice President Finance, at the Transmission & Distribution Sector, which was transferred in early 2004. He was appointed Alstom Chief Financial Officer that year, and became Chairman of Alstom Grid in 2010. He is currently Group Executive Vice-President and President of Alstom's Transport Sector.

As a result of these appointments and renewals, the Issuer's Supervisory Board (*conseil de surveillance*) is composed as follows:

	Year of birth	Date of first appointment	Date appointment most recently renewed	Date on which appointment ceases
<b>Chairman</b>				
Vivienne Cox	1959	31/05/2010	Ordinary Shareholders' Meeting ("OSM") 28/05/2014	2018 OSM to approve financial statements for year ended 31/12/2017
<b>Vice-Chairman</b>				
Patrick Boissier	1950	15/06/2000	OSM 7/06/2011	2015 OSM to approve financial statements for year ended 31/12/2014
<b>Members</b>				
Cédric de Bailliencourt	1969	28/05/2014	-	2018 OSM to approve financial statements for year ended 31/12/2017
Olivier Bazil	1946	31/05/2012	-	2016 OSM to approve financial statements for year ended 31/12/2015
Pascale Chargrassse	1960	13/12/2010	OSM 7/06/2011	2015 OSM to approve financial statements for year ended 31/12/2014
Jean-François Cirelli	1958	13/05/2009	OSM 31/05/2012	2016 OSM to approve financial statements for year ended 31/12/2015
Michel de Fabiani	1945	10/06/2004	OSM 28/05/2014	2018 OSM to approve financial statements for year ended 31/12/2017
José Carlos Grubisich	1957	31/05/2012	-	2016 OSM to approve financial statements for year ended 31/12/2015
Anne-Marie Idrac	1951	07/06/2011	-	2015 OSM to approve financial statements for year ended 31/12/2014
Edward G. Krubasik	1944	06/03/2007	OSM 31/05/2012	2016 OSM to approve financial statements for year ended 31/12/2015
Henri Poupart-Lafarge	1969	28/05/2014	-	2018 OSM to approve financial statements for year ended 31/12/2017
Alexandra Schaapveld	1958	31/05/2010	OSM 28/05/2014	2018 OSM to approve financial statements for year ended 31/12/2017
<b>Censeurs (non-voting Board members)</b>				
François Henrot	1949	13/12/2010	OSM 7/06/2011	OSM 2015 to approve financial statements for year ended 31/12/2014

## RECENT DEVELOPMENTS

### VALLOUREC REPORTS SECOND QUARTER AND FIRST HALF 2014 RESULTS<sup>1</sup>

**Boulogne-Billancourt (France), 30 July 2014** – Vallourec, world leader in premium tubular solutions, today announces its results for the second quarter and first half of 2014. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board.

#### SECOND QUARTER 2014 (Q2) RESULTS:

- Sales of €1,422 million, up 3.3% year-on-year (up 8.7% at constant exchange rates)
- EBITDA of €248 million, up 7.8% year-on-year, with a 17.4% EBITDA margin
- Net income, Group share of €88 million, up 41.9% year-on-year

#### FIRST HALF 2014 (H1) RESULTS:

- Sales of €2,693 million, up 4.0% year-on-year (up 10.1% at constant exchange rates)
- EBITDA of €444 million, up 5.5% year-on-year, with a 16.5% EBITDA margin
- Net income, Group share of €144 million, up 48.5% year-on-year
- Positive H1 2014 Free Cash Flow at €37 million vs. -€100 million in H1 2013
- Net debt of €1,739 million as of June 30, 2014

### KEY FIGURES

*In millions of euros.*

Q2 2014	Q2 2013	% Change		H1 2014	H1 2013	% Change
1,422	1,377	+3.3%	Sales	2,693	2,590	+4.0%
248	230	+7.8%	EBITDA	444	421	+5.5%
17.4%	16.7%	+0.7pt	As % of sales	16.5%	16.3%	+0.2pt
156	139	+12.2%	Operating profit	265	229	+15.7%
88	62	+41.9%	Net income, Group share	144	97	+48.5%
+1	(1)	+€2m	Free Cash Flow <sup>1</sup>	+37	(100)	+€137m

(1) Free Cash Flow (FCF) is a non-GAAP measure and is defined as cash flow from operating activities minus capital expenditures and plus/minus change in operating working capital requirement

**Commenting on these results, Philippe Crouzet, Chairman of the Management Board, said:**

“We achieved a solid performance in the first half 2014, with sales up 10.1% at constant exchange rates and EBITDA up 5.5%. We continue to structurally improve our European cost base, and tightly manage working capital requirement and capital expenditures. This resulted in the generation of a positive free cash flow of €37 million over the period.

<sup>1</sup> Information

Half-year financial statements at 30 June 2013 and 30 June 2014 are subject to limited review by statutory auditors.

Quarterly financial statements are unaudited and not subject to any review.

Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.

Obviously, we are facing short-term challenges, notably in Brazil, that will affect our results in the second half of 2014, while we target 2014 sales to be close to 2013 level. As a result, we have taken immediate actions on the operational front to mitigate these temporary negative impacts, and adapt our industrial operations to the lower load. Vallourec's management and operational teams remain focused on generating positive Free Cash Flow for 2014.

We continue to build on the long-term attractiveness of global Oil & Gas markets, driven by the need for E&P capital expenditures, and remain confident that our strategy positions us well to capture future growth in these markets."

## I - CONSOLIDATED SALES BY MARKET

**For the second quarter of 2014, Vallourec recorded sales of €1,422 million, up 3.3% compared with the second quarter of 2013 (up 8.7% at constant exchange rates).** Higher volumes (+7.4%) and a positive price and product mix effect (+1.3%) were partly offset by a negative currency translation effect (-5.4%).

**For the first half of 2014, Vallourec recorded sales of €2,693 million, up 4.0% compared with the first half of 2013 (up 10.1% at constant exchange rates).** While prices and the product mix were stable, higher volumes (+10.1%) were partly offset by a negative currency translation effect (-6.1%) due to the persisting weakness of the Brazilian real and the U.S. dollar against the Euro.

*In millions of euros.*

Q2 2014	Q2 2013	% Change		H1 2014	H1 2013	% Change
956	911	+4.9%	Oil & Gas	1,778	1,679	+5.9%
61	77	-20.8%	Petrochemicals	127	152	-16.4%
<b>1,017</b>	<b>988</b>	<b>+2.9%</b>	<b>Total Oil &amp; Gas, Petrochemicals</b>	<b>1,905</b>	<b>1,831</b>	<b>+4.0%</b>
71.5%	71.8%		% of total sales	70.7%	70.7%	
<b>143</b>	<b>121</b>	<b>+18.2%</b>	<b>Power Generation</b>	<b>278</b>	<b>257</b>	<b>+8.2%</b>
10.1%	8.7%		% of total sales	10.3%	9.9%	
<b>262</b>	<b>268</b>	<b>-2.2%</b>	<b>Industry &amp; Other</b>	<b>510</b>	<b>502</b>	<b>+1.6%</b>
18.4%	19.5%		% of total sales	19.0%	19.4%	
<b>1,422</b>	<b>1,377</b>	<b>+3.3%</b>	<b>Total</b>	<b>2,693</b>	<b>2,590</b>	<b>+4.0%</b>

### Oil & Gas, Petrochemicals

For the second quarter of 2014, **Oil & Gas** sales were up 4.9% year-on-year (up 10.5% at constant exchange rates) to €956 million.

For the first half of 2014, **Oil & Gas** sales were up 5.9% year-on-year (up 12.4% at constant exchange rates) to €1,778 million.

- During the first half of 2014, the demand in the USA was supported by a 3.2% year-on-year increase in the average active rig count and gains in drilling efficiency. Higher volumes sold reflected this increased demand, and the commercial success of Vallourec's enlarged offer with existing and new customers, served by the successful ramp-up of the new rolling mill. The proportion of API and semi-premium products in Vallourec's portfolio in H1 2014 was more important than in H1 2013. Selling prices of OCTG sold by Vallourec will increase in



the second half of 2014, offsetting the increase in scrap costs experienced at the beginning of the year.

- Sales increased in the EAMEA<sup>2</sup> region in the first half of 2014 compared to the first half of 2013, resulting from an exceptionally strong backlog generated in 2013, especially in the Middle East, with high advanced premium products. As announced in early June, the level of orders recorded by Vallourec has reduced in the region in Q2 2014. This will impact the Group's deliveries until mid-2015. This resulted from E&P<sup>3</sup> operators adjusting their inventories and delaying some tenders for premium products, in an environment where IOCs<sup>4</sup> are constantly looking at optimizing their E&P spending. This does not however change the positive structural trends relying on major E&P capex programs in the region, required to offset depletion and to support growing domestic oil and gas demand for instance in Saudi Arabia and Abu Dhabi.
- Sales decreased in Brazil in the first half of 2014 due to the temporary decline in tonnages of OCTG casing tubes for offshore delivered during the first quarter of 2014, despite the restart of deliveries to Petrobras in Q2 2014, and to the negative effect of the translation of the Brazilian real. Vallourec sales were also impacted in H1 2014 by the low level of IOCs' activities in Brazil due partly to disappointing exploration results.  
As announced by the Group in early June, Petrobras' decision to eliminate most of its tube inventories by the end of the year will heavily weigh on Vallourec's sales in the second half of 2014, with an estimated net EBITDA impact of circa €60 million. Nonetheless, Petrobras did confirm its drilling schedule.

For the second quarter of 2014, **Petrochemicals** sales reached €61 million, down 20.8% year-on-year (down 15.6% at constant exchange rates) mainly affected by a continuous intense competition.

For the first half of 2014, **Petrochemicals** sales reached €127 million, down 16.4% year-on-year (down 11.8% at constant exchange rates).

## Power Generation

For the second quarter of 2014, **Power Generation** sales stood at €143 million, up 18.2% year-on-year (up 19.8% at constant exchange rates).

For the first half of 2014, **Power Generation** sales stood at €278 million, up 8.2% year-on-year (up 9.3% at constant exchange rates).

Vallourec continues to successfully serve the conventional power generation market, especially in Asia and in the Middle East. In the nuclear activity, sales were up year-on-year benefiting from a favourable comparison base. As a reminder, H1 2013 sales were affected by a low Q2 2013 due to the rescheduling of some projects from 2013 to 2014.

## Industry & Other

For the second quarter of 2014, Industry & Other sales stood at €262 million, down 2.2% year-on-year (up 4.1% at constant exchange rates).

For the first half of 2014, Industry & Other sales stood at €510 million, up 1.6% year-on-year (up 9.6% at constant exchange rates).

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<sup>2</sup> EAMEA: Europe, Africa, Middle East, Asia

<sup>3</sup> E&P: Exploration and Production

<sup>4</sup> IOC: International Oil Company

- **In Europe**, sales benefited from higher volumes mainly driven by positive trends in agricultural goods partly offset by lower prices and product mix. The market environment remains highly competitive despite slightly better macroeconomic indicators.
- **In Brazil**, sales were slightly down year-on-year notably due to the decrease of heavy vehicles sales (domestic and export). Moreover, the deterioration of macroeconomic environment is affecting Vallourec's sales to distributors and to EPC<sup>5</sup> companies. Iron ore sales were slightly up in euros in H1 2014.

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<sup>5</sup> EPC: Engineering, Procurement and Construction

## II – FINANCIAL RESULTS

### Summary consolidated income statement

*In millions of euros.*

Q2 2014	Q2 2013	% Change		H1 2014	H1 2013	% Change
583	543	+7.4%	Sales Volume (k tonnes)	1,134	1,030	+10.1%
1,422	1,377	+3.3%	Sales	2,693	2,590	+4.0%
(1,019)	(991)	+2.8%	Cost of sales <sup>1</sup>	(1,960)	(1,877)	+4.4%
71.7%	72.0%	-0.3pt	(as % of sales)	72.8%	72.5%	+0.3pt
403	386	+4.4%	Industrial margin	733	713	+2.8%
28.3%	28.0%	+0.3pt	(as % of sales)	27.2%	27.5%	-0.3pt
(143)	(140)	+2.1%	SG&A costs <sup>1</sup>	(273)	(272)	+0.4%
10.1%	10.2%	-0.1pt	(as % of sales)	10.1%	10.5%	-0.4pt
248	230	+7.8%	EBITDA	444	421	+5.5%
17.4%	16.7%	+0.7pt	As % of sales	16.5%	16.3%	+0.2pt
156	139	+12.2%	Operating profit	265	229	+15.7%
88	62	+41.9%	Net income, Group share	144	97	+48.5%

(1) Before depreciation and amortization

### Q2 2014 consolidated income statement analysis

For the second quarter of 2014, EBITDA stood at €248 million, up 7.8% year-on-year. EBITDA margin increased by 70 bp compared with the second quarter of 2013 to 17.4% of sales. This resulted from:

- An improved industrial margin at €403 million, representing 28.3% of sales, compared with 28.0% in Q2 2013. Following a strong first quarter, the industrial margin progressed due to a robust performance of the Oil & Gas operations in the second quarter of 2014, notably in EAMEA, despite the negative impact of the stronger euro against the U.S. dollar. Notwithstanding the restart of casing tubes deliveries to Petrobras in Q2 2014, Brazilian contribution remained lower compared to Q2 2013.
- Broadly stable Sales, general and administrative costs (SG&A) in value at €143 million and at 10.1% as a percentage of sales. Cost inflation was mainly offset by a favourable currency effect.

### H1 2014 consolidated income statement analysis

For the first half of 2014, EBITDA stood at €444 million, up 5.5% year-on-year. EBITDA margin reached 16.5% of sales in H1 2014 and was broadly stable compared with the first half of 2013. This resulted from:

- An improved industrial margin in value at €733 million, mainly thanks to the robust performance of Oil & Gas operations in EAMEA, but slightly down as a percentage of sales at 27.2% primarily explained by the lower contribution from Brazil and by the negative impact of the stronger euro against the U.S. dollar.
- Stable Sales, general and administrative costs (SG&A) of €273 million, benefiting from the effects of cost reduction measures and from a favourable currency effect. SG&A decreased from 10.5% of sales in H1 2013 to 10.1%.

**Operating profit increased by 15.7% year-on-year to reach €265 million** through improved EBITDA, despite higher depreciation of industrial assets, in line with the major investments of the last years. During the second quarter of 2014, the Group accrued a €11.6 million provision for restructuring plans in France, partly offset by one-off items for €10.8 million. As a reminder, the first half of 2013 included an exceptional provision of €20.6 million before tax.

**For the first half of 2014, financial result was negative at -€31 million** versus -€50 million in H1 2013. This improvement mainly resulted from a positive foreign exchange result in H1 2014 while slightly negative in H1 2013.

The **effective tax rate** was 31.6% in the first half of 2014, compared to 35.7% in the first half of 2013.

**Net income, Group share stood at €144 million**, up 48.5% versus last year.

### III – CASH FLOW & FINANCIAL POSITION

*In millions of euros.*

Q2 2014	Q2 2013	Change		H1 2014	H1 2013	Change
+200	+170	+30	Cash flow from operating activities (FFO) (A)	+360	+300	+60
(128)	(71)	-57	Change in operating WCR (B) [+ decrease, - increase]	(185)	(202)	+17
(71)	(100)	+29	Gross capital expenditures (C)	(138)	(198)	+60
<b>+1</b>	<b>(1)</b>	<b>+2</b>	<b>Free Cash Flow (A)+(B)+(C)</b>	<b>+37</b>	<b>(100)</b>	<b>+137</b>

**For the first half of 2014, Vallourec generated a positive free cash flow of €37 million** compared with -€100 million in the first half of 2013. This performance resulted from the following items:

- **Cash flow from operating activities** was up €60 million in the first half of 2014 at €360 million, largely due to EBITDA improvement, and to the decrease in income taxes paid.
- **Operating working capital requirement** increased by €185 million in the first half of 2014. As a reminder, the working capital at the end of December 2013 benefited from positive non-recurring items.
- **Gross capital expenditures** stood at €138 million in the first half of 2014, down 30.3% year-on-year, reflecting the strict and efficient control of capital expenditures. Vallourec formerly announced its decision to reduce its capital expenditures by €100 million (down from an initial target of €500 million to €400 million for 2014). The Group continues to target capital expenditures to €450 million on average from 2015 onwards.

In June 2014, the Holding company paid €84.7 million dividend to its shareholders in cash. The payment of the dividend in shares resulted in the creation of 518,416 new shares (i.e. 0.4 % of the share capital).

**As of June 30, 2014, net debt was €1,739 million**, an increase of €108 million compared to the end of 2013. The gearing ratio was 33.5%.

As of June 30, 2014, Vallourec had approximately €3 billion of committed financings, which included undrawn confirmed credit lines of €1.7 billion.

## IV - MARKET TRENDS & OUTLOOK 2014

In Oil & Gas, lower bookings recorded in EAMEA during the second quarter due to inventory adjustments by E&P operators and postponed tenders will impact deliveries until mid-2015. In spite of this temporary impact, the EAMEA region remains a dynamic area and continues to support the long term growth expectations.

In the USA, the Group continues to experience a good level of OCTG sales supported by higher drilling activity and improving prices, despite a less favourable mix.

In Brazil, the contribution of Oil & Gas operations in 2014 will be lower than in 2013 as a result of Petrobras' decision to eliminate most of its tube inventories by year-end, while maintaining its drilling plans unchanged. However, this one-time impact on Vallourec's sales in H2 2014 and especially in the fourth quarter, does not change the long term potential for deep offshore pre-salt in Brazil.

The Brazilian non-Oil & Gas operations will continue to be impacted by the deterioration in the local macroeconomic environment, and declining iron ore prices.

The Group does not foresee any change in trends in the Power Generation and Industry & Other European operations.

The strength of the Euro will continue to impact negatively the profitability of the deliveries from Europe.

**Assuming no significant changes in markets and currencies, Vallourec confirms its target of 2014 EBITDA down by approximately 10% compared to 2013. The Group remains focused on generating positive Free Cash Flow for 2014.**

## PRESENTATION OF Q2 / H1 2014 RESULTS

**Wednesday 30 July 2014**



- Analyst conference call / audio webcast at 6:00 pm (Paris time) to be held in English.  
To participate in the call, please dial:  
0800 279 4992 (UK), 0805 631 579 (France),  
1 877 280 2296 (USA), +44 (0)20 3427 1919 (Other countries)  
Conference code: 3979566
- Audio webcast and slides will be available on the website at:  
<http://www.vallourec.com/EN/GROUP/FINANCE>
- A replay of the conference call will be available until 6 August 2014.  
To listen to the replay, please dial:  
0800 358 7735 (UK), 0800 949 597 (France),  
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## INFORMATION AND FORWARD-LOOKING REFLECTIONS

This press release contains forward-looking reflections and information. By their nature, these reflections and information include financial forecasts and estimates as well as the assumptions on which they are based, statements related to projects, objectives and expectations concerning future operations, products and services or future performance. Although Vallourec's management believes that these forward-looking reflections and information are reasonable, Vallourec cannot guarantee their accuracy or completeness and investors in Vallourec are hereby advised that these forward-looking reflections and information are subject to numerous risks and uncertainties that are difficult to

foresee and generally beyond Vallourec's control, which may mean that the actual results and developments differ significantly from those expressed, induced or forecasted in the forward-looking reflections and information. These risks include those developed or identified in the public documents filed by Vallourec with the AMF, including those listed in the "Risk Factors" section of the Registered Document filed with the AMF on April 14, 2014 (N° D.14-0358).

## CALENDAR

**11/06/2014** Release of third quarter and first nine months 2014 results

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## Appendices

### DOCUMENTS ACCOMPANYING THIS RELEASE:

- SALES VOLUME (K TONNES)
- FOREX
- SALES BY GEOGRAPHIC REGION
- SALES BY MARKET
- CASH FLOW STATEMENT
- SUMMARY CONSOLIDATED INCOME STATEMENT
- SUMMARY CONSOLIDATED BALANCE SHEET

### Sales volume

<i>In thousands of tonnes</i>	2014	2013	Change YoY
Q1	551	487	+13.3%
Q2	583	543	+7.4%
Q3	na	545	na
Q4	na	584	na
<b>Total</b>	<b>1,134</b>	<b>2,159</b>	<b>na</b>

na: not applicable

### Forex

Average exchange rate	H1 2014	H1 2013
EUR / USD	<b>1.37</b>	1.31
EUR / BRL	<b>3.15</b>	2.67
USD / BRL	<b>2.30</b>	2.03

### Sales by geographic region

*In millions of euros.*

	H1 2014	As % of sales	H1 2013	As % of sales	Change YoY
Europe	530	19.7%	511	19.7%	+3.7%
North America	774	28.7%	686	26.5%	+12.8%
South America	507	18.8%	608	23.5%	-16.6%
Asia & Middle East	656	24.4%	614	23.7%	+6.8%
Rest of World	226	8.4%	171	6.6%	+32.2%
<b>Total</b>	<b>2,693</b>	<b>100.0%</b>	<b>2,590</b>	<b>100.0%</b>	<b>+4.0%</b>

## Sales by market

In millions of euros.

	H1 2014	As % of sales	H1 2013	As % of sales	Change YoY
Oil & Gas	1,778	66.0%	1,679	64.8%	+5.9%
Petrochemicals	127	4.7%	152	5.9%	-16.4%
Power Generation	278	10.3%	257	9.9%	+8.2%
Mechanicals	211	7.8%	205	7.9%	+2.9%
Automotive	105	3.9%	120	4.6%	-12.5%
Construction & Other	194	7.3%	177	6.9%	+9.6%
<b>Total</b>	<b>2,693</b>	<b>100.0%</b>	<b>2,590</b>	<b>100.0%</b>	<b>+4.0%</b>

## Cash flow statement

In millions of euros.

Q2 2014	Q2 2013	Q1 2014		H1 2014	H1 2013
+200	+170	+160	Cash flow from operating activities	+360	+300
(128)	(71)	(57)	Change in operating WCR + decrease, (increase)	(185)	(202)
<b>+72</b>	<b>+99</b>	<b>+103</b>	<b>Net cash flows from operating activities</b>	<b>+175</b>	<b>+98</b>
(71)	(100)	(67)	Gross capital expenditures	(138)	(198)
-	-	-	Financial Investments	-	-
(113)	(52)	(23)	Dividends paid	(136)	(52)
+1	+34	(10)	Asset disposals & other elements	(9)	+12
<b>(111)</b>	<b>(19)</b>	<b>+3</b>	<b>Change in net debt + decrease, (increase)</b>	<b>(108)</b>	<b>(140)</b>
1,739	1,754	1,628	Net debt (end of period)	1,739	1,754



## Summary consolidated income statement

In millions of euros.

Q2 2014	Q2 2013	% Change		H1 2014	H1 2013	% Change
<b>1,422</b>	1,377	<b>+3.3%</b>	<b>SALES</b>	<b>2,693</b>	2,590	<b>+4.0%</b>
<b>(1,019)</b>	(991)	+2.8%	Cost of sales <sup>1</sup>	<b>(1,960)</b>	(1,877)	+4.4%
<b>403</b>	386	+4.4%	<b>Industrial margin</b>	<b>733</b>	713	+2.8%
28.3%	28.0%	+0.3pt	(as % of sales)	27.2%	27.5%	-0.3pt
<b>(143)</b>	(140)	+2.1%	SG&A costs <sup>1</sup>	<b>(273)</b>	(272)	+0.4%
<b>(12)</b>	(16)	na	Other income (expense), net	<b>(16)</b>	(20)	na
<b>248</b>	230	<b>+7.8%</b>	<b>EBITDA</b>	<b>444</b>	421	<b>5.5%</b>
17.4%	16.7%	+0.7pt	EBITDA as % of sales	16.5%	16.3%	+0.2pt
<b>(77)</b>	(72)	+6.9%	Depreciation of industrial assets	<b>(148)</b>	(136)	+8.8%
<b>(15)</b>	(19)	na	Other (amortization, exceptional items, impairment & restructuring)	<b>(31)</b>	(56)	na
<b>156</b>	139	<b>+12.2%</b>	<b>OPERATING PROFIT</b>	<b>265</b>	229	<b>+15.7%</b>
<b>(11)</b>	(22)	-50.0%	Financial income (loss)	<b>(31)</b>	(50)	-38.0%
<b>145</b>	117	<b>+23.9%</b>	<b>PROFIT BEFORE TAX</b>	<b>234</b>	179	<b>+30.7%</b>
<b>(46)</b>	(42)	<b>+9.5%</b>	Income tax	<b>(74)</b>	(64)	<b>+15.6%</b>
<b>0</b>	(3)	na	Net profit of equity affiliates	<b>0</b>	1	na
<b>99</b>	72	<b>+37.5%</b>	<b>NET INCOME FOR THE CONSOLIDATED ENTITY</b>	<b>160</b>	116	<b>+37.9%</b>
<b>(11)</b>	(10)	na	Non-controlling interests	<b>(16)</b>	(19)	na
<b>88</b>	62	<b>+41.9%</b>	<b>NET INCOME, GROUP SHARE</b>	<b>144</b>	97	<b>+48.5%</b>
<b>0.7</b>	0.5	na	<b>EARNINGS PER SHARE (in €)</b>	<b>1.1</b>	0.8	na

(1) Before depreciation and amortization

na: not applicable

## Summary consolidated balance sheet

*In millions of euros.*

Assets	30-Jun 2014	31-Dec 2013	Liabilities	30-Jun 2014	31-Dec 2013
Intangible assets, net	190	206	Equity, Group share	4,814	4,601
Goodwill	499	495	Non-controlling interests	373	385
Net property, plant and equipment	4,234	4,151	<b>Total equity</b>	<b>5,187</b>	<b>4,986</b>
Biological assets	204	178	Bank loans and other borrowings	1,399	1,379
Investments in equity affiliates	167	173	Employee benefits	216	182
Other non-current assets	454	437	Deferred tax liabilities	224	209
Deferred tax assets	211	187	Other long-term liabilities	237	225
<b>Total non-current assets</b>	<b>5,959</b>	<b>5,827</b>	<b>Total non-current liabilities</b>	<b>2,076</b>	<b>1,995</b>
Inventories and work-in-progress	1,612	1,423	Provisions	162	138
Trade and other receivables	1,080	1,099	Overdrafts and other short-term borrowings	1,222	815
Derivatives - assets	52	92	Trade payables	786	833
Other current assets	359	297	Derivatives - liabilities	7	24
Cash and cash equivalents	882	563	Other current liabilities	504	510
<b>Total current assets</b>	<b>3,985</b>	<b>3,474</b>	<b>Total current liabilities</b>	<b>2,681</b>	<b>2,320</b>
<b>TOTAL ASSETS</b>	<b>9,944</b>	<b>9,301</b>	<b>TOTAL LIABILITIES</b>	<b>9,944</b>	<b>9,301</b>
<b>Net debt</b>	<b>1,739</b>	<b>1,631</b>	<b>Net income, Group share</b>	<b>144</b>	<b>262</b>

## **VALLOUREC PURSUES ITS EMPLOYEE SHAREHOLDING POLICY**

**Boulogne-Billancourt, 30 July 2014** - Vallourec announces the implementation of a new employee share ownership offering for the seventh consecutive year.

This offering, called "Value 14", concerns a maximum of 1,920,000 newly-issued shares representing 1.49 % of the company's share capital on the date of this press release. It will be open to Vallourec employees in 13 countries<sup>6</sup>, representing approximately 94.5% of the employees of the Group.

The six previous "Value" offerings generated a high participation rate among Group employees and were all very successful. Employee shareholders today hold 6.46% of Vallourec's share capital and are represented on the Supervisory Board.

Based on the indicative calendar for the offering, the share reservation period will be open to employees from 15 September 2014 to and including 3 October 2014. The subscription price should be determined on 7 November 2014. The subscription/revocation period is scheduled to take place from 10 to 14 November 2014 inclusive and the capital increase on 16 December 2014.

Details of the "Value 14" operation are described hereafter.

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### **Details of the conditions for the "Value 14" employee share ownership offering**

#### **Beneficiaries**

Subject to any locally required authorizations, the "Value 14" offering will be open to employees (and beneficiaries and similar parties) of Vallourec and of those of its subsidiaries over which it holds, directly or indirectly, the majority of the share capital and which have registered offices in one of the following countries: Germany, Saudi Arabia, Brazil, Canada, China, the United Arab Emirates, the United States, France, India, Malaysia, Mexico, the United Kingdom and Singapore, i.e. approximately 94.5% of the Group's current employees.

#### **Indicative calendar for the offering**

Based on the indicative calendar, the reservation period will be open from 15 September 2014 to and including 3 October 2014. The subscription price will be equal to the average opening price of Vallourec's shares on Euronext Paris during the twenty trading days preceding the date on which the subscription/revocation period is established, discounted by 20% for the classic formula and 15 % for the leverage formula, and rounded up to the nearest euro cent. The subscription price is expected to be determined on 7 November 2014. The subscription/revocation period would be open from 10 November 2014 to and including 14 November 2014. The capital increase should take place on 16 December 2014.

#### **Share offering**

The "Value 14" is an offering of a maximum of 1,920,000 ordinary shares, representing close to 1.49% of the company's share capital on the date of this press release. The new shares will be entitled to dividends as from 1 January 2014.

#### **Subscription procedures**

Two formulas will be offered in France: a classic formula (i.e. share subscription with a 20% discount, supplemented by an employer contribution through an FCPE), and a leverage

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<sup>6</sup> Germany, Saudi Arabia, Brazil, Canada, China, the United Arab Emirates, the United States, France, India, Malaysia, Mexico, the United Kingdom and Singapore.

formula (i.e. share subscription with a 15% discount, supplemented by an employer contribution through an FCPE).

Outside of France, only a leverage formula will be offered.

The leveraged formula proposed within the framework of the "Value 14" offering is intended to guarantee the employee's personal contribution and the net employer's contribution (for those countries in which the contribution is made by means of a cash payment) which he/she receives under the terms of the "Value 14" offering (subject to the effects of foreign exchange rate fluctuations, any applicable tax and social security contributions and the consequences of a potential unwinding of the exchange transaction) and to allow him/her to benefit from a multiple of the protected average increase of the share price compared to the reference price between the date of the capital increase and 1<sup>st</sup> July 2019. The structure of this formula will differ from one jurisdiction to another in order to comply with local regulations and/or to take advantage of specific tax provisions that may be more favorable for employee subscriptions, while ensuring comparable economic advantages to all eligible employees (in particular through a specific leveraged FCPE or a direct subscription for shares (or a cash deposit by the employee) supplemented by the grant of stock appreciation rights (SARs) by the employer). In France, Germany, Brazil, the United Arab Emirates, India, Mexico and the United Kingdom, the leveraged formula will be supplemented by an employer contribution in cash also invested in the specific leveraged FCPEs, and in Saudi Arabia<sup>7</sup>, Canada, China, the United States, Malaysia and Singapore by a grant of free shares, newly issued or existing shares (up to a maximum of 15,000 shares), or a deferred cash bonus. Eligible employees will be informed of the terms and conditions that apply in their jurisdiction.

#### Lock-up period

Shares or FCPE units subscribed for by the employees or the cash deposits made by employees, as the case may be, will be unavailable until 30 June 2019 inclusive except in cases of early release. The Supervisory Board of each FCPE holding shares will exercise the voting rights associated with such shares. The financial institution has undertaken to vote in the same manner as the Supervisory Board of the leveraged FCPE being offered to French, UK and German employees.

#### Hedging

The financial mechanisms underlying the leverage formula require hedging transactions to be carried out on the open market by the financial institutions that structure the formula. These hedging transactions may be carried out by these institutions as from the publication of this press release and during the duration of the transaction. Based on Vallourec's subscription assumptions, the impact of such transactions on the price of Vallourec shares is expected to be limited.

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<sup>7</sup> Subject to the prior approval of the local market authority

## **VALLOUREC WINS AN ORDER FOR NUCLEAR POWER PLANT TUBES IN CHINA AND OBTAINS QUALIFICATION FOR THE NEW CHINESE REACTOR ACP1000**

**Boulogne-Billancourt, 17 July 2014** – Vallourec, world leader in premium tubular solutions, announces that its subsidiary Valinox Nucléaire, which specialises in tubes for nuclear power plants, has won a contract to supply tubes for the Chinese nuclear reactors Fuqing 5 and 6, in Fujian province. This contract represents 750 kilometres of tubes intended for the steam generators of the plant's two units operated by CNNC (Chinese National Nuclear Corporation).

### **Qualification for the new Chinese standard reactor ACP1000**

This contract enables Valinox Nucléaire to obtain its qualification for the new Chinese reactor design, the ACP1000. By broadening its offer and experience, Vallourec will benefit from the new reactor's potential, which will become a standard for the Chinese domestic market and for export. This third-generation pressurized water reactor, which has a capacity of 1,100 MW, was developed entirely in China by CNNC.

Nicolas de Coignac, Vallourec's Director in charge of the Power business line, said: *"With this new order for the Chinese nuclear market which represents half of the worldwide nuclear market, we strengthen our global leadership in tubes for steam generators. By qualifying for the new Chinese standard, our subsidiary Valinox Nucléaire confirms its reputation for technical excellence in the critical tubes located in a plant's primary loop, and enables us to reaffirm our determination to support our Chinese customers in their ambitious nuclear program."*

### **First tour around the world in tubes**

The contract comes at a time when Valinox Nucléaire, world leader in steam generator tubes designed for nuclear power plants, has just completed its first tour around the world in tubes. Between 1974 and 2014, the wholly-owned subsidiary of Vallourec produced 40,000 km of tubes, which is equivalent to the circumference of the earth. In a steam generator, 1mm-thick nickel-alloy tubes from Valinox Nucléaire enable thermal exchange between the pressurized water of the primary loop coming from the reactor and the steam of the secondary loop rotating the turbine.

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## **DIVIDEND PAYMENT IN SHARES AND CASH**

**Boulogne-Billancourt, 25 June 2014** - In accordance with the resolution approved by the Shareholders' Meeting on 28 May 2014, shareholders were invited to choose to receive the dividend payment in cash or in new shares. The dividend in respect of the financial year 2013 was set at € 0.81 per share.

This operation resulted in the creation of 518,416 new shares (i.e. 0.4 % of the share capital) issued at a price of € 35.69 per share delivered and listed on Euronext Paris today.

The new shares are issued with all rights attached as of 1 January 2014 and are completely assimilated with existing shares. Following this operation, the share capital of the company is comprised of 128,678,016 shares.

The payment of the dividend in cash, for an amount of € 84.7 million also took place today.

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## VALLOUREC UPDATES ITS 2014 GUIDANCE

- *Significant temporary adjustments due to key Brazilian customer Petrobras deciding to eliminate most of its tube inventories, and to reduced level of Oil & Gas orders in EAMEA*
- *Actions taken to adjust to the temporary demand shortfall*
- *2014 EBITDA is now targeted to be down by approximately 10% relative to 2013*
- *Capex reduction by €100 million to protect Free Cash Flow*

**Boulogne-Billancourt (France), 10 June 2014** – Vallourec, world leader in premium tubular solutions, today announces an update of its 2014 guidance, following a significant temporary reduction in demand for its Oil & Gas operations in Brazil and in EAMEA<sup>8</sup>.

In Brazil, Petrobras has decided to eliminate most of its tube inventories by year end, while maintaining its drilling plans. This will be a one-time adjustment. It will heavily weigh on Vallourec's sales in the second semester of 2014, with an estimated net EBITDA impact of circa €60 million. In addition, the Brazilian non Oil & Gas activities are impacted by the continued deterioration in the local macroeconomic environment, and declining iron ore prices.

In EAMEA, the level of orders has strongly reduced resulting from E&P<sup>9</sup> operators adjusting their inventories and delaying some tenders for premium products. This will impact deliveries through the end of the year and in the first half of 2015. It does not change the positive structural trends resulting from major E&P capex programs in the region, required to offset depletion and support growing demand.

The Group has taken several actions on the operational front to mitigate these temporary negative impacts:

- In Brazil, Vallourec is adapting its mills to the lower load.
- To adjust to a lower demand in EAMEA, Vallourec is adapting its industrial operations servicing those markets, in addition to the recently announced measures aiming at structurally improving its European cost base.

As a result, the Group now targets EBITDA to be down by approximately 10% when compared to 2013.

The Group remains focused on Free Cash Flow generation, and has accordingly decided to reduce its capital expenditures by €100 million (down from an initial target of €500 million for 2014).

Philippe Crouzet, Chairman of the Management Board, said:

*“The Group is facing a more challenging environment mainly due to temporary adjustments by selected large customers, and has taken immediate measures to adjust to this new situation. Management remains convinced of the long-term attractiveness of the global Oil & Gas end markets the Group serves and committed to implementing its strategy aimed at taking full advantage of these favorable structural trends.”*

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<sup>8</sup> EAMEA: Europe, Asia, Middle-East, Africa

<sup>9</sup> E&P: Exploration and Production

## CONFERENCE CALL DETAILS

**Tuesday 10 June 2014**



- Analyst conference call / audio webcast at 6:30 pm (CET) to be held in English.  
To participate in the call, please dial:  
0800 279 4835 (UK), 0805 636 389 (France),  
1877 280 3459 (USA), +44 (0)20 3427 1926 (Other countries)  
Conference code: 9092501
  - Audio webcast will be available on the website at:  
<http://www.vallourec.com/EN/GROUP/FINANCE>
  - A replay of the conference call will be available until 17 June 2014.  
To listen to the replay, please dial:  
0800 358 7735 (UK), 0800 989 597 (France),  
1 866 932 5017 (USA), +44 (0)20 3427 0598 (Other countries)  
Access code: 9092501
-



### VALLOUREC SHAREHOLDERS' MEETING, 28 MAY 2014

- Adoption of all resolutions.
- Appointment of two new members to the Supervisory Board, Messrs Cédric de Baillencourt and Henri Poupart-Lafarge.
- Payment of a dividend of €0.81 in cash or shares.

**Boulogne-Billancourt, 28 May 2014** – Vallourec, world leader in premium tubular solutions, has announced that the combined annual Shareholders' Meeting held on 28 May 2014, chaired by Ms Vivienne Cox with a quorum of 60.52%, adopted all the resolutions put to the vote.

The Shareholders' Meeting adopted the appointments of Messrs Cédric de Baillencourt and Henri Poupart-Lafarge as members of the Supervisory Board for a period of four years ending after the Ordinary General Meeting of Shareholders called to approve the accounts of the financial year ending 31 December 2017.

The Shareholders' Meeting further approved the renewal of the mandates of three current Supervisory Board members – Ms Vivienne Cox, Ms Alexandra Schaapveld and Mr Michel de Fabiani, for four years.

The Supervisory Board confirmed Ms Vivienne Cox as Chairman of the Supervisory Board.

The mandate of the Bolloré Group, which was reaching an end, was not renewed.

The Supervisory board now consists of 12 members, of whom 4 are women. All members are independent as defined by the AFEP-MEDEF code of corporate governance.

The Shareholders' Meeting also approved the two resolutions relating to the remuneration of the Management Board in 2013 (« *Say on Pay* »).

Finally, shareholders approved the consolidated financial statements of 2013 and decided the payment of a dividend of €0.81 per share in respect of the 2013 results. Shareholders are invited to choose between payment in cash or shares between 4 and 17 June 2014. The ex-date will be 3 June 2014 and the share will go ex-dividend starting 4 June 2014. For shareholders who select to receive payment in shares, the new shares will be issued at a price of €35.69. Payment of dividends in cash and in delivery of new shares will be made on 25 June 2014.

The next Vallourec Shareholders' Meeting has been set for 28 May 2015.

*A webcast of the 2014 Shareholders' Meeting, along with the results of voting on all resolutions submitted to shareholders, will be available on the Vallourec website in the coming days:*  
[www.vallourec.com](http://www.vallourec.com)

**Cédric de Baillencourt**

Mr Cédric de Baillencourt is a French citizen, born on 10 July 1969. He graduated at the Institut d'Etudes Politiques in Bordeaux and holds a postgraduate degree in political and social communication from Paris I Sorbonne. He joined the Bolloré Group in 1996 as Director of Shareholdings. Chief Financial Officer of Bolloré since 2008, he is the company's Vice-Chief Executive Officer and since 2002 also Chief Executive Officer of Financière de l'Odé. Mr Cédric de Baillencourt is a permanent representative for Compagnie du Cambodge on Banque Hottinguer's Supervisory Board, a permanent representative of Bolloré on the Havas Board, and was since 2011 the permanent representative of Bolloré on the Supervisory Board of Vallourec.

**Henri Poupart-Lafarge**

Mr Henri Poupart-Lafarge is a French citizen, born on 10 April 1969, and holds degrees from Ecole Polytechnique, Ecole Nationale des Ponts et Chaussées and Massachusetts Institute of Technology. He started working in 1992, at the World Bank in Washington DC. From 1994 to 1997, he worked for the Treasury Department at the French Ministry of Economy and Finance, and then as advisor to the Minister of Economy and Finance. He joined Alstom in 1998, where he was successively Head of Investor Relations, Head of Finance Controlling and Senior Vice President Finance, at the Transmission & Distribution Sector, which was transferred in early 2004. He was appointed Alstom Chief Financial Officer that year, and became Chairman of Alstom Grid in 2010. He is currently Group Executive Vice-President and President of Alstom's Transport Sector.

## INFORMATION AND FORWARD-LOOKING REFLECTIONS

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### Calendar

<b>07/30/2014</b>	Release of second quarter and first half 2014 results
<b>11/06/2014</b>	Release of third quarter and first nine months 2014 results

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## TAXATION

The following is a general summary limited to the description of certain withholding tax considerations relating to the payments made in respect of the Notes. It does not purport to be a complete description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes, whether in France or elsewhere. It is included herein solely for information purposes and is not intended to be, nor should it be construed to be, legal or tax advice. Prospective purchasers or beneficial owner of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries in light of their particular circumstances. This summary is based upon the law as in effect on the date of this Prospectus and as applied by the tax authorities, all of which are subject to any changes or to different interpretation that may take effect after such date.

### EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers adopted Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"). Pursuant to the Savings Directive, Member States are required, since 1 July 2005, to provide to the tax authorities of another Member State, inter alia, details of payments of interest within the meaning of the Savings Directive (interest, premium or other debt income) made by a paying agent located within its jurisdiction to, or for the benefit of, an individual resident in that other Member State or to certain limited types of entities established in that other Member State (the "**Disclosure of Information Method**").

For these purposes, the term "paying agent" is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Savings Directive, for the immediate benefit of individuals or certain entities.

However, throughout a transitional period, certain Member States (the Grand-Duchy of Luxembourg and Austria), instead of using the Disclosure of Information Method used by other Member States, unless the relevant beneficial owner elects for the Disclosure of Information Method, withhold an amount on interest payments. The rate of such withholding tax is currently 35%.

Such transitional period will end at the end of the first full fiscal year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on 18 April 2002 (the "**OECD Model Agreement**") with respect to interest payments within the meaning of the Savings Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable for the corresponding periods mentioned above and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Savings Directive. The Luxembourg government, in the bill of law introduced on 18 March 2014, proposed to elect out of the withholding tax system with effect from 1 January 2015 in favour of the disclosure of information method under the Savings Directive.

A number of non-EU countries and dependent or associated territories have adopted similar measures (transitional withholding or exchange of information).

On 24 March 2014, the Council of the European Union adopted a directive 2014/48/EU amending the Savings Directive (the "**Amending Directive**"), which, when implemented, will amend and broaden

the scope of the requirements described above. In particular, the Amending Directive, will broaden the categories of entities required to provide information and/or withhold tax pursuant to the Savings Directive, and will require additional steps to be taken in certain circumstances to identify the beneficial owner of interest (and other income) payments, through a “look through” approach. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union. The EU Member States will have until 1 January 2016 to adopt the national legislation necessary to comply with this Amending Directive. Investors should inform themselves of, and where appropriate take advice on, the impact of the Savings Directive, and the Amending Directive on their investment. See also “Risk Factors – General risks relating to the Notes”.

## France

### *Withholding Tax*

The following is a summary limited to certain withholding tax considerations in France relating to the holding of the Notes that may be relevant to holders of Notes who do not concurrently hold shares of the Issuer, and who are not otherwise affiliated with the Issuer within the meaning of Article 39, 12 of the French General Tax Code. This summary is based on the tax laws and regulations of France, as currently in force and applied by the French tax authorities, all of which are subject to change or to different interpretation. This summary is for general information and does not purport to address all French tax considerations that may be relevant to specific holders of the Notes in light of their particular situation. Persons considering the purchase of Notes should consult their own tax advisers as to French tax considerations relating to the purchase, ownership and disposition of Notes in light of their particular situation.

Pursuant to Article 125 A III of the French *Code général des impôts*, payments of interest and other revenues made by the Issuer with respect to the Notes will not be subject to the withholding tax provided for by such Article unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des impôts* (a “**Non-Cooperative State**”), in which case, a 75% withholding tax is applicable (subject to certain exceptions and to the more favourable provisions of an applicable double tax treaty). The 75% withholding tax is applicable irrespective of the tax residence of the holder of the Notes. The list of Non-Cooperative States is published by a ministerial executive order, which is updated on a yearly basis.

Furthermore, pursuant to Article 238 A of the French *Code général des impôts*, interest and other revenues on such Notes will not be deductible from the Issuer’s taxable income, if they are paid or accrued to persons established or domiciled in a Non-Cooperative State or paid to a bank account opened in a financial institution located in a Non-Cooperative State (the “**Deductibility Exclusion**”). Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Articles 109 *et seq.* of the French *Code général des impôts*, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 *bis* 2 of the French *Code général des impôts*, at a rate of 30% or 75% (subject to more favourable provisions of any applicable double tax treaty).

Notwithstanding the foregoing, the law provides that neither the 75% withholding tax set out under Article 125 A III of the French *Code général des impôts*, nor the Deductibility Exclusion to the extent the relevant interest and other revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, nor the withholding tax set out under Article 119 *bis* 2 of the French *Code général des impôts* that may be levied as a result of such Deductibility Exclusion will apply in respect of the Notes if the Issuer can prove that the principal purpose and effect of the issue of the Notes was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State

(the "**Exception**") Pursuant to the *Bulletin Officiel des Finances Publiques-Impôts* BOI-INT-DG-20-50-20140211 n°550 and 990, BOI-RPPM-RCM-30-10-20-40-20140211 n°70, BOI-ANX-000364-20120912 n°20 and BOI-IR-DOMIC-10-20-20-60-20140211, n°10, the Notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of the issue of the Notes, if the Notes are, inter alia:

- (i) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or
- (ii) admitted, at the time of their issue, to the clearing operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.

Consequently, payments of interest and other revenues made by the Issuer under the Notes are not subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts*.

Pursuant to Articles 125 A and 125 D of the French *Code général des impôts* subject to certain exceptions, interest received from 1 January 2013 by French tax resident individuals is subject to a 24% withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at an aggregate rate of 15.5% on interest paid to French tax resident individuals.

#### *EU Savings Directive*

The Savings Directive has been implemented into French law under Article 242 *ter* of the French *Code général des impôts*, which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

All prospective investors should seek independent advice as to their tax positions.

## SUBSCRIPTION AND SALE

### Subscription Agreement

Pursuant to a subscription agreement dated 26 September 2014 entered into between Société Générale, Banco Santander, S.A., BNP PARIBAS, CM-CIC Securities and Commerzbank Aktiengesellschaft (together, the "**Joint Bookrunners**", and all individually, a "**Bookrunner**") and the Issuer (the "**Subscription Agreement**"), the Joint Bookrunners have agreed with the Issuer, subject to satisfaction of certain conditions, to jointly and severally procure subscription and payment for the Notes or, failing which, subscribe and pay for the Notes at an issue price equal to 99.938 per cent. of their principal amount less the commissions agreed between the Issuer and the Joint Bookrunners. The Subscription Agreement entitles, in certain circumstances, the Joint Bookrunners to terminate it prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Joint Bookrunners against certain liabilities in connection with the offer and sale of the Notes.

### Selling Restrictions

#### United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, within the United States, or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Terms used in this paragraph and not otherwise defined in the Prospectus have the meanings given to them by Regulation S under the Securities Act (the "**Regulation S**").

Each Bookrunner has agreed that it has not offered or sold, and will not offer or sell, the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 calendar days after the later of the commencement of the offering of the Notes or the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each distributor or dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Notes are being offered and sold only outside the United States to non-U.S. persons in offshore transactions in compliance with Regulation S and U.S. tax law.

In addition, until 40 calendar days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### United Kingdom

Each Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## **France**

Each of the Joint Bookrunners has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, acting for their own account, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

## **General**

No action has been or will be taken in any jurisdiction that would permit an offer to the public of any of the Notes, or the possession or distribution of this Prospectus or any other offering material relating to the Notes, in any jurisdiction where action for that purpose is required. Neither the Issuer nor any of the Joint Bookrunners represents that Notes may at any time lawfully be resold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such resale.

Each Bookrunner has agreed that it will (to the best of its knowledge and belief) comply with all relevant securities laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any other offering material relating to the Notes and obtain any consent, approval or permission required for the purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction in which it makes such purchase, offer or sale and none of the Issuer or any other Bookrunner shall have responsibility therefor.



## GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear France (66 Rue de la Victoire, 75009 Paris, France), Clearstream, Luxembourg (42 avenue JF Kennedy, L-1855 Luxembourg, Luxembourg), and Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgium) with the common code 111488827. The International Securities Identification Number (ISIN) code for the Notes is FR0012188456.
2. The issue of the Notes was decided by Mr. Olivier Mallet, Member of the Management Board (*Membre du Directoire*) of the Issuer on 23 September 2014, acting pursuant to a resolution of the Management Board (*Directoire*) of the Issuer dated 19 September 2014.
3. For the sole purposes of the admission to trading of the Notes on Euronext Paris, and pursuant to Articles L.412-1 and L.621-8 of the French *Code monétaire et financier*, this Prospectus has been submitted to the *Autorité des marchés financiers* and received visa no. 14-521 dated 26 September 2014.
4. The total expenses related to the admission to trading of the Notes are estimated to € 8,000.
5. The members of the Management Board (*Directoire*) of the Issuer have their business addresses at the registered office of the Issuer.
6. The statutory auditors of the Issuer for the period covered by the historical financial information are Deloitte & Associés (185, avenue Charles de Gaulle, 92524 Neuilly-sur-Seine Cedex, France) and KPMG Audit, a department of KPMG S.A. (1, cours Valmy, 92923 Paris La Défense Cedex, France). They have audited and rendered unqualified audit reports on the financial statements of the Issuer for each of the financial years ended 31 December 2012 and 31 December 2013. Deloitte & Associés and KPMG Audit, a department of KPMG S.A., belong to *the Compagnie Régionale des Commissaires aux comptes de Versailles*.
7. The yield of the Notes is 2.257 per cent. *per annum*, as calculated at the Issue Date on the basis of the issue price of the Notes. It is not an indication of future yield.
8. Save for any fees payable to the Joint Bookrunners, as far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue of the Notes.
9. Save as disclosed in item 11.6 of the cross-reference table on page 9 in this Prospectus, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2014.
10. There has been no material adverse change in the prospects of the Issuer since 31 December 2013.
11. Save as disclosed in item 11.5 of the cross-reference table on page 9 in this Prospectus, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period of twelve (12) months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer and/or Group's financial position or profitability.
12. To the Issuer's knowledge, there are no potential conflicts of interest between the private

interests and/or other duties of members of the Management Board (*Directoire*) or of the Supervisory Board (*Conseil de Surveillance*) of the Issuer and the duties they owe to the Issuer.

13. So long as any of the Notes remain outstanding, copies of this Prospectus, the Documents Incorporated by Reference, the Fiscal Agency Agreement and the *statuts* (by-laws) of the Issuer will be available for inspection and copies of the most recent annual financial statements of the Issuer will be obtainable, free of charge, at the specified offices for the time being of the Paying Agent during normal business hours. Copies of this Prospectus and all the documents incorporated by reference in this Prospectus are also available on the website of the Issuer ([www.vallourec.com](http://www.vallourec.com)) and on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)).

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