

VALLOUREC

French limited liability company (*société anonyme*) with a share capital of €902,476,010  
Registered office: 27, avenue du Général Leclerc, 92100 Boulogne-Billancourt

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**Vallourec 4.125 per cent. bonds issue for a nominal amount of €249,999,998.30 convertible into new Shares and/or exchangeable for existing Shares of Vallourec due 4 October 2022**

**TERMS AND CONDITIONS OF THE BONDS**

**27 September 2017**

1.	NATURE AND CLASS OF THE BONDS .....	6
2.	NOMINAL AMOUNT OF THE ISSUANCE – PAR VALUE OF THE BONDS – ISSUE PRICE OF THE BONDS.....	6
3.	GOVERNING LAW AND JURISDICTION.....	6
4.	FORM AND METHOD OF REGISTRATION IN BONDS ACCOUNTS.....	6
5.	CURRENCY OF THE ISSUANCE OF THE BONDS .....	7
6.	RANKING OF THE BONDS .....	7
6.1	STATUS .....	7
6.2	NEGATIVE PLEDGE.....	7
6.3	FURTHER ISSUES .....	8
7.	RIGHTS AND RESTRICTIONS ATTACHED TO THE BONDS AND TERMS OF EXERCISE OF SUCH RIGHTS.....	8
8.	INTEREST.....	8
9.	REDEMPTION OF THE BONDS .....	9
9.1	REDEMPTION AT MATURITY .....	9
9.2	EARLY REDEMPTION BY REPURCHASE OR TENDER OR EXCHANGE OFFERS AT THE COMPANY'S OPTION.....	9
9.3	EARLY REDEMPTION AT THE COMPANY'S OPTION .....	9
9.4	EVENTS OF DEFAULT.....	10
9.5	EARLY REDEMPTION AT THE BONDHOLDERS' OPTION UPON CHANGE OF CONTROL OF THE COMPANY.....	11
9.6	PUBLICATION OF INFORMATION IN THE EVENT OF REDEMPTION AT MATURITY OR EARLY REDEMPTION OF THE BONDS AND EXERCISE OF THE CONVERSION/EXCHANGE RIGHT .....	12
9.7	CANCELLATION OF THE BONDS.....	12
10.	PRESCRIPTION.....	12
11.	REPRESENTATION OF BONDHOLDERS .....	13
12.	ISSUE DATE .....	14
13.	RESTRICTIONS ON THE TRANSFERABILITY OF THE BONDS.....	14
14.	TAXATION.....	15
14.1	WITHHOLDING TAX.....	15
14.2	FRENCH TAX ON FINANCIAL TRANSACTIONS.....	15
15.	CONVERSION/EXCHANGE RIGHT .....	16
15.1	NATURE OF THE CONVERSION/EXCHANGE RIGHT.....	16
15.2	PERIOD OF THE CONVERSION/EXCHANGE RIGHT.....	16
15.3	TERMS OF ALLOCATION PURSUANT TO THE CONVERSION/EXCHANGE RIGHT .....	16
15.4	SUSPENSION OF THE CONVERSION/EXCHANGE RIGHT.....	17
15.5	CONDITIONS OF EXERCISE OF THE CONVERSION/EXCHANGE RIGHT .....	17
15.6	BONDHOLDERS' RIGHTS TO INTEREST ON THE BONDS AND TO DIVIDENDS WITH RESPECT TO SHARES DELIVERED - LISTING OF THE SHARES DELIVERED .....	19

15.7	PRESERVATION OF BONDHOLDERS' RIGHTS .....	20
15.8	CALCULATION OF ADJUSTMENTS OF THE CONVERSION/EXCHANGE RATIO AND NOTICE TO BONDHOLDERS IN THE EVENT OF ADJUSTMENT .....	30
15.9	AGGREGATION, TREATMENT OF FRACTIONAL ENTITLEMENTS .....	30
15.10	CALCULATION AGENT, INDEPENDENT EXPERT .....	31
16.	HARDSHIP (IMPRÉVISION).....	31

The following text contains the terms and conditions of the Bonds (the "**Terms and Conditions**").

The combined general meeting (ordinary and extraordinary) of Vallourec of 12 May 2017, under resolution fifteenth, delegated to the Management Board (*Directoire*) of the Company the authority to issue the Bonds. The Management Board (*Directoire*), following the authorisation of the Supervisory Board (*Conseil de Surveillance*) of the Company dated 20 September 2017, decided to authorise and granted power to the Chairman of the Management Board (*Président du Directoire*) of the Company during its meeting of 22 September 2017 to issue the Bonds and determine the terms and conditions of the Bonds.

For the purposes of these Terms and Conditions:

"**Account Holders**" means any intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, Clearstream Banking, S.A. and Euroclear Bank S.A./N.V);

"**Bonds**" means the Company's 4.125 per cent. bonds convertible into new Shares and/or exchangeable for existing Shares of Vallourec due 4 October 2022;

"**Bondholders**" means the holders of the Bonds;

"**Business Day**" means a day (other than a Saturday or a Sunday) (i) on which banks are open for business in Paris, (ii) on which Euroclear France and (iii) the trans-european automated real-time gross settlement express transfer system ("**TARGET**"), or any succeeding system operate;

"**Calculation Agent**" means Conv-Ex Advisors Limited, 30 Crown Place, London EC2A 4EB, United Kingdom;

"**Centralising Agent**" means BNP Paribas Securities Services, 9 rue du Débarcadère, 93761 Pantin Cedex, France;

"**Company**" means Vallourec;

"**Condition**" means a condition of these Terms and Conditions;

"**Euronext Access**" means the open market of Euronext in Paris ("**Euronext Paris**"), a non-regulated market, pursuant to the terms of the 2004/39/CE Directive dated 21 April 2004 relating to the financial market instruments within the European Economic Area;

"**Independent Expert**" means an independent financial institution of international repute or independent financial adviser with appropriate expertise (which may be the initial Calculation Agent acting in such Independent Expert capacity), chosen by the Company at its sole discretion;

"**Regulated Market**" means any regulated market pursuant to the terms of the 2004/39/CE Directive dated 21 April 2004 relating to the financial market instruments within the European Economic Area;

"**Relevant Exchange**" means (A) in respect of the Shares, (i) the Regulated Market of Euronext Paris or (ii) (if the Shares are no longer listed on the Regulated Market of Euronext Paris at the relevant time) the Regulated Market or similar market on which the Share has its main listing, and (B) in respect of any other security, the Regulated Market or any other market on which such security has its main listing.

"**Shares**" means the shares of the Company with a nominal value of €2 each;

"**Trading Day**" means a day on which the Shares are capable of being traded on the Relevant Exchange in respect thereof other than a day on which such trading ceases prior to the usual

closing time (whether such closing is scheduled (as it is often the case regarding trading on the Regulated Market of Euronext Paris on 24 December and 31 December) or unscheduled).

**"Volume-Weighted Average Price"** means, in respect of a Share or other security, on any Trading Day, the order book volume-weighted average price of such Share or other security on such Trading Day on the Relevant Exchange in respect thereof as published by or derived from (i) Bloomberg page HP (or any successor page) (setting "Weighted Average Line", or any successor setting) in respect of the Relevant Exchange in respect thereof (such page being as at the Issue Date of the Bonds, in the case of the Share, VK FP Equity HP), provided that in the case of a Volume-Weighted Average Price to be observed over a period of several Trading Days, such Volume-Weighted Average Price shall be equal to the volume-weighted average of the relevant daily Volume-Weighted Average Prices (the daily volumes to be used for the purpose of determining such weighted average being the volumes as published on Bloomberg page HP (or any successor page), setting "VWAP Volume" (or any successor setting)), as determined by the Calculation Agent, or, (ii) if the Volume-Weighted Average Price cannot be determined as aforesaid, such Relevant Exchange in respect thereof.

For the avoidance of doubt, in these Conditions, references to "**day**" or "**days**" are to calendar days unless the context otherwise specifies.

1. **NATURE AND CLASS OF THE BONDS**

The Bonds which will be issued by the Company constitute securities that confer certain rights to receive Shares within the meaning of Articles L. 228-91 *et seq.* of the French *Code de commerce*.

2. **NOMINAL AMOUNT OF THE ISSUANCE – PAR VALUE OF THE BONDS – ISSUE PRICE OF THE BONDS**

The nominal amount of the issuance will be € 249,999,998.30 represented by 36,284,470 Bonds each with a par value of €6.89, representing an issue premium of 37.5% over the reference price of the Share used at the time of determination of the final terms of the Bonds and corresponding to the volume-weighted average price of the Shares on the Regulated Market of Euronext Paris between the opening of trading on 27 September 2017 and the time of determination of the final terms of the Bonds on the same day.

The Bonds will be settled and delivered on 4 October 2017.

3. **GOVERNING LAW AND JURISDICTION**

(a) **Governing Law:** The Bonds are governed by, and shall be construed in accordance with the laws of France.

(b) **Jurisdiction:** Any claim in connection with the Bonds shall be brought before the competent courts within the jurisdiction of the Versailles Court of Appeal (*Cour d'Appel de Versailles*).

4. **FORM AND METHOD OF REGISTRATION IN BONDS ACCOUNTS**

The Bonds shall be in bearer form.

The Bonds will at all times be represented in book entry form (*inscription en compte*) in the books of the Account Holders (as defined below) in compliance with Articles L. 211-3 *et seq.* and R. 211-1 *et seq.* of the French *Code monétaire et financier*.

No document evidencing the ownership of the Bonds (including representative certificates under Article R. 211-7 of the French *Code monétaire et financier*) will be issued relating to the Bonds.

In accordance with Articles L. 211-15 and L. 211-17 of the French *Code monétaire et financier*, the Bonds are transferred from one account to another, and the transfer of ownership of the Bonds will occur upon their book entry in the purchaser's securities account.

A request for the admission of the Bonds to the operations of Euroclear France will be made and Euroclear France will be responsible for the clearing of the Bonds between Account Holders. In addition, a request will also be made for the admission of the Bonds to the operations of Euroclear Bank S.A. /N.V. and/or Clearstream Banking, S.A.. The ISIN code of the Bonds is FR0013285046.

It is expected that the Bonds will be registered in securities accounts from 4 October 2017, date of the settlement-delivery of the Bonds and Issue Date of the Bonds (as defined in Condition 12 (*Issue Date*)) and admitted to trading on Euronext Access within 30 days following the Issue Date of the Bonds.

## 5. CURRENCY OF THE ISSUANCE OF THE BONDS

The Bonds will be denominated in euros.

## 6. RANKING OF THE BONDS

### 6.1 Status

The principal and interest in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 6.2 (*Negative Pledge*) below) unsecured obligations of the Company 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 Company.

### 6.2 Negative pledge

6.2.1 So long as any of the Bonds remains outstanding (as defined below), the Company 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 Company or any of its Principal Subsidiaries, or (ii) any guarantee or indemnity granted by the Company or any of its Principal Subsidiaries in respect of any Relevant Debt (whether before or after the issue of the Bonds) unless, at the same time or prior thereto, the Company's obligations under the Bonds 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 11 (*Representation of Bondholders*)) pursuant to Condition 11.

6.2.2 For the purposes of these Conditions:

"**outstanding**" means in relation to the Bonds, all the Bonds issued other than (i) those which have been redeemed on their due date or otherwise or converted/exchanged in accordance with the Conditions, (ii) those in respect of which claims have been prescribed under Condition 10 (*Prescription*) and (iii) those which have been purchased and cancelled as provided in these Conditions.

"**Principal Subsidiary**" means at any relevant time a Subsidiary of the Company (i) the annual turnover (excluding intra-group turnover) of which, on the basis of the latest annual consolidated financial statements of the Company, is greater than ten per cent. (10%) of the consolidated annual turnover of the Company 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 Company as reported in the then most recent annual or semi-annual consolidated balance sheet of the Company.

"**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*.

### 6.3 Further issues

If the Company subsequently issues new bonds with rights identical in all respects to those of the Bonds (except, if applicable, the related first interest payment and the issue date thereon), the Company may, without the consent of the Bondholders and provided that the terms and conditions of such bonds so permit, consolidate the Bonds with the bonds of any subsequent issuances, thereby treating such bonds as the same issue for purposes of financial agency services and trading. All holders of such bonds would in this case be grouped into a single *masse*.

## 7. RIGHTS AND RESTRICTIONS ATTACHED TO THE BONDS AND TERMS OF EXERCISE OF SUCH RIGHTS

The Bonds will bear interest on a semi-annual basis in accordance with Condition 8 (*Interest*) below and will be redeemed at par at the Maturity Date of the Bonds (as defined in Condition 9.1 (*Redemption at maturity*)) or at their early redemption date in accordance with the provisions of Condition 9 (*Redemption of the Bonds*).

Furthermore, in the event of exercise of the Conversion/Exchange Right, as defined in Condition 15.1 (*Nature of the Conversion/Exchange Right*), the Bondholders will have the right to receive new and/or existing Shares. The terms and conditions of the Conversion/Exchange Right are set out in Condition 15.3 (*Terms of allocation pursuant to the Conversion/Exchange Right*).

The exercise of the Conversion/Exchange Right results in the cancellation of the Bonds for which it was exercised.

## 8. INTEREST

The Bonds will bear interest from the Issue Date of the Bonds (as defined in Condition 12 (*Issue Date*)) (inclusive) at the annual interest rate of 4.125 per cent. (the “**Interest Rate**”), payable semi-annually in arrear on 4 October and 4 April in each year (each, an “**Interest Payment Date**”) commencing on 4 April 2018.

If the Interest Payment Date is not a Business Day, the coupon will be paid on the next following Business Day, and in any such case the Bondholders will not be entitled to further interest or to any other sum in respect of such postponed payment.

Any amount of interest relating to an interest period of less than a full half-year will be calculated by applying to the par value per Bond the product of (a) the above mentioned Interest Rate and (b) the ratio between (x) the exact number of days since the last Interest Payment Date (or, as the case may be, since the Issue Date of the Bonds) and (y) 365, or 366 (in case of a leap year), depending on the exact number of days included between the next Interest Payment Date (exclusive) and the same date in the preceding year (inclusive).

Subject to the provisions of Condition 15.6 (*Bondholders’ rights to interest on the Bonds and to dividends with respect to Shares delivered – listing of the Shares delivered*), interest

will cease to accrue from the Maturity Date of the Bonds or the early redemption date of the Bonds.

## 9. REDEMPTION OF THE BONDS

### 9.1 Redemption at maturity

Unless the Bonds have been the subject of an early redemption or purchase pursuant to the terms set out below and in the absence of the exercise of the Conversion/Exchange Right, the Bonds will be redeemed in full at par on 4 October 2022 (the "**Maturity Date of the Bonds**").

If the Maturity Date of the Bonds is not a Business Day, the redemption price shall be paid on the next following Business Day, and in any such case the Bondholders will not be entitled to further interest or to any other sum in respect of such postponed payment.

The term of the Bonds from the Issue Date of the Bonds to the Maturity Date of the Bonds is five years.

### 9.2 Early redemption by repurchase or tender or exchange offers at the Company's option

The Company shall have the right to purchase all or part of the Bonds at any time before the Maturity Date of the Bonds, without any limitation on price or number, either by repurchasing them through on-market or off-market transactions, or through repurchase or tender or exchange offers.

Any such transaction shall not affect the normal schedule for the redemption of any outstanding Bonds.

The Bonds so purchased by the Company will be (i) cancelled or, (ii) subject to change of law as described in Condition 9.7 (iii), held by the Company in accordance with applicable laws, re-sold on the market or sold to a subsidiary or affiliate of the Company.

### 9.3 Early redemption at the Company's option

9.3.1 The Company may redeem early, at any time and at its option, from 20 October 2020 and until the Maturity Date of the Bonds, subject to a minimum 30 days' prior notice as set out in Condition 9.6 (*Publication of information in the event of redemption at maturity or early redemption of the Bonds and exercise of the Conversion/Exchange Right*), all, but not some only, of the outstanding Bonds, at par plus interest accrued from the last Interest Payment Date until (but excluding) the date set for early redemption if the arithmetic mean (calculated over a period of 20 consecutive Trading Days chosen by the Company from among the 40 consecutive Trading Days immediately preceding the date of publication of the early redemption notice) of the daily products on each of such 20 consecutive Trading Days of:

- (A) of the opening trading price of the Share traded on the Regulated Market of Euronext Paris (or, in the absence of listing on the Regulated Market of Euronext Paris, on any other Regulated Market or any other similar market where the Share is listed); and

(B) the Conversion/Exchange Ratio (as defined in Condition 15.1 (*Nature of the Conversion/Exchange Right*)) in effect on such Trading Day;

exceeds 130% of the par value of the Bonds, as verified by the Calculation Agent upon request by the Company.

9.3.2 The Company may, at any time and at its option, subject to a minimum 30 days prior notice as set out in Condition 9.6 (*Publication of information in the event of redemption at maturity or early redemption of the Bonds and exercise of the Conversion/Exchange Right*), redeem early all, but not some only, of the outstanding Bonds at par plus interest accrued from the last Interest Payment Date (or, if applicable, since the Issue Date of the Bonds) until (but excluding) the date set for early redemption if the total number of Bonds still outstanding represents 15% or less of the number of Bonds originally issued.

9.3.3 In the events described in paragraphs 9.3.1 and 9.3.2 above, the Bondholders will retain the ability to request the exercise of their Conversion/Exchange Right pursuant to Condition 15.3 (*Terms of allocation pursuant to the Conversion/Exchange Right*) until the end of the seventh Business Day (inclusive) preceding the early redemption date, as provided in Condition 15 (*Conversion/Exchange Right*).

#### 9.4 Events of Default

Any Bondholder may, upon written notice to the Company (copy to the Centralising Agent), cause all, but not some only, of the Bonds held by such Bondholder to become immediately due and payable, at par together with any accrued interest from the last Interest Payment Date (or, if applicable, since the Issue Date of the Bonds) until (but excluding) 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, interest or other amount payable in respect of any Bond is not paid on the due date thereof and such default is not remedied within a period of seven Business Days from such due date;
- ii. default by the Company in the due performance of any provision of the Bonds other than as referred in (i) above, if such default shall not have been cured within 20 Business Days after receipt by the Company of written notice of such default;
- iii. (a) any other present or future indebtedness of the Company or any of its Principal Subsidiaries for borrowed monies in excess of EUR 20,000,000 (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;
- iv. the Company 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 Company, or (c) any of its Principal Subsidiaries or, to the extent permitted by law, the Company or any of its Principal Subsidiaries is subject to any other insolvency or bankruptcy proceedings under any

applicable laws, or (d) the Company 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 Company 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*; or

- v. if the Shares are no longer admitted to trading on the Regulated Market of Euronext Paris or on any other Regulated Market.

#### 9.5 **Early redemption at the Bondholders' option upon Change of Control of the Company**

If a Change of Control occurs, then each Bondholder will have the option upon the giving of a Change of Control Put Notice (as defined below) to require the Company to redeem or, at the option of the Company, procure the purchase of such Bonds on the Change of Control Put Date (as defined below) at par together with accrued interest from the last Interest Payment Date (or, if applicable, since the Issue Date of the Bonds), to (but excluding) the Change of Control Put Date.

As soon as practicable (and in any event not later than 30 days) following the date on which a Change of Control occurred, the Company shall inform the Bondholders thereof by means of a notice published by the Company on its website (a “**Change of Control Notice**”) and delivered by the Company to (as applicable) Euroclear France, Euroclear Bank S.A./N.V., Clearstream Banking, S.A. and/or any other clearing system through which the Bonds are for the time being cleared for communication by such clearing systems to the Bondholders.

The Change of Control Notice shall specify:

- (i) the date on which such Change of Control occurred;
- (ii) the procedure for exercising the Change of Control Put Notice;
- (iii) the last day of the Change of Control Period; and
- (iv) the Change of Control Put Date.

To exercise the right to require redemption or, as the case may be, purchase of its Bonds under this Condition 9.5, Bondholder must transfer or cause to be transferred by its Account Holder its Bonds to be so redeemed or purchased to the account of the Centralising Agent specified in the Change of Control Notice for the account of the Company within the Change of Control Period, together with a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Centralising Agent (a “**Change of Control Put Notice**”) and in which the holder shall specify a euro bank account to which payment is to be made under this Condition 9.5.

The Company shall redeem or, at the option of the Company, procure the purchase of, the Bonds in respect of which the Change of Control Put Notice has been validly delivered as provided above, and subject to the transfer of such Bonds on the account of the Centralising Agent specified in the Change of Control Notice for the account of the

Company as described above, on the date which is the seventh Business Day following the end of the Change of Control Period (the “**Change of Control Put Date**”). Payment in respect of any Bond in respect of which the Change of Control Put Notice has been validly delivered as provided above will be made on the Change of Control Put Date by transfer to the Account Holder of the Bondholders for credit of the Bondholders bank account.

A “**Change of Control**” shall be deemed to have occurred each time that any person or persons acting in concert (within the meaning given in Article L. 233-10 of the French *Code de commerce*) come(s) to own or acquire(s) directly or indirectly (i) more than 50 per cent. of the issued share capital of the Company or (ii) such number of shares in the capital of the Company carrying more than 50 per cent. of the voting rights exercisable at a shareholders general meeting of the Company;

“**Change of Control Period**” means the period commencing on the date on which a Change of Control Notice is given to Bondholders and ending 20 Business Days following the date on which such Change of Control Notice is given to Bondholders.

#### 9.6 **Publication of information in the event of redemption at maturity or early redemption of the Bonds and exercise of the Conversion/Exchange Right**

Information relating to the number of Bonds repurchased, redeemed, or for which the Conversion/Exchange Right has been exercised, and to the number of Bonds remaining outstanding, shall be provided to Euronext Access (or its successor). This information may also be obtained from the Company or from the Centralising Agent.

The decision of the Company to redeem outstanding Bonds upon or prior to their maturity shall be notified by the Company to the Bondholders no later than 30 days prior to the Maturity Date of the Bonds or early redemption date via a notice (which shall include the necessary information and informing the Bondholders of the redemption date) published on the Company’s website ([www.vallourec.com](http://www.vallourec.com)) and delivered by the Company to (as applicable) Euroclear France, Euroclear Bank S.A./N.V., Clearstream Banking, S.A. and/or any other clearing system through which the Bonds are for the time being cleared for communication by such clearing systems to the Bondholder.

#### 9.7 **Cancellation of the Bonds**

Shall cease to be considered outstanding and shall be cancelled in accordance with applicable law (i) the Bonds redeemed at or prior to maturity, (ii) the Bonds for which the Conversion/Exchange Right has been exercised, as well as (iii) the Bonds repurchased on or off the market or by way of repurchase or exchange offers, except in case of a change of laws, applicable after the Issue Date of the Bonds, authorising the issuers to hold Shares or securities giving access to the company’s capital (which is not on the date hereof the case, in particular pursuant to Article L. 225-149-2 of the French *Code de commerce*), in which case the Company will have the ability to hold the Bonds thus repurchased.

#### 10. **PRESCRIPTION**

Any claims filed against the Company for the payment of interests due under the Bonds will be prescribed after a period of five years from the date on which such interests become due. In addition, the interests will be prescribed to the benefit of the French State at the expiration of a period of five years from the date on which it becomes due.

Any claims filed against the Company seeking redemption of the Bonds will be time barred at the expiration of a period of ten years from the normal or early redemption date. In addition, the redemption price will be forfeited to the benefit of the French State at the expiration of a period of ten years from the normal or early redemption date.

## 11. REPRESENTATION OF BONDHOLDERS

In accordance with Article L. 228-103 of the French *Code de commerce*, the Bondholders will be grouped together in a collective group with a legal personality to defend their common interests (the "**Masse**").

The Bondholders' general meeting is competent to authorise amendments to the terms and conditions of the Bonds and to vote on all decisions that require its approval under applicable law. The general meeting of Bondholders also deliberates on merger or demerger proposals presented by the Company pursuant to the applicable provisions of Articles L. 228-65, I, 3°, L. 236-13, L. 236-18 and L. 228-73 of the French *Code de commerce*.

Under current law, each Bond carries the right to one vote. The general meeting of Bondholders may not validly deliberate unless the Bondholders present or represented hold at least one-quarter of the Bonds carrying voting rights at the first meeting convocation and at least one-fifth at the second meeting convocation. Decisions made by the general meeting of Bondholders are only valid if approved by a majority of two-thirds of the votes of the Bondholders present or represented.

In accordance with Articles L. 228-59 and R. 228-67 of the French *Code de commerce*, notice of date, hour, place and agenda of any general meeting of Bondholders will be given by way of a notice published by the Company on its website ([www.vallourec.com](http://www.vallourec.com)) not less than 15 days prior to the date of such general meeting on first convocation, and five days on second convocation.

Each Bondholder has the right to participate in a general meeting of the Bondholders in person, by proxy, by correspondence and, in accordance with Article L. 228-61 of the French *Code de commerce* by videoconference or by any other means of telecommunication allowing the identification of participating Bondholders, as provided *mutatis mutandis* by Article R. 223-20-1 of the French *Code de commerce*.

Decisions of general meetings of Bondholders once approved will be published by way of a notice published by the Company on its website ([www.vallourec.com](http://www.vallourec.com)).

### *Appointed Representative of the Masse of Bondholders*

In accordance with Article L. 228-47 of the French *Code de commerce*, the designated appointed representative of the Masse of Bondholders (hereinafter referred to as the "**Representative of the Masse**") will be:

ÆTHER Financial Services S.N.C.  
36 rue de Monceau  
75008 Paris  
France

Email: [agency@aetherfs.com](mailto:agency@aetherfs.com)

Represented by its Chairman

The Representative of the Masse will have the power, subject to any contrary resolution of the general meeting of Bondholders, to carry out, on behalf of the Masse all actions of an administrative nature that may be necessary to protect the common interests of the Bondholders.

The Representative of the Masse will exercise its duty until its dissolution, resignation or termination of its duty by a general meeting of Bondholders or until it becomes unable to act. Its appointment shall automatically cease on the Maturity Date of the Bonds, or if no Bonds remain outstanding prior to the Maturity Date of the Bonds. Its appointment shall automatically cease on the date of total redemption of the Bonds, whether at or prior to maturity. This term may be automatically extended, as the case may be, until the final resolution of any legal proceedings in which the Representative of the Masse is involved and the enforcement of any judgments rendered or settlements made pursuant thereto, if applicable.

#### *General*

The Representative of the Masse will be entitled to a remuneration of €400 (VAT excluded) per year, with the first payment at the Issue Date of the Bonds and then on each anniversary date thereafter, provided that there are still Bonds outstanding at such time.

The Company will bear the cost of compensation of the Representative of the Masse and the expenses of calling and holding general meetings of the Bondholders, the costs related to publishing the decisions thereof, as well as any fees related to the appointment of the Representative of the Masse under Article L. 228-50 of the French *Code de commerce*, and, more generally, all duly incurred and justified administrative and operational expenses of the Masse.

General meetings of the Bondholders will be held at the registered office of the Company or such other place as will be specified in the notice convening the meeting. Each Bondholder will have the right, during the 15 calendar-day period preceding such meeting, to review or procure a written copy, whether on his own or by proxy, at the registered head office of the Company or any other location specified in the notice of the meeting, of the resolutions to be proposed and reports to be presented at such meeting.

In the event that future issuances of bonds give subscribers identical rights to those under the Bonds and if the terms and conditions of such future bonds so permit, the holders of all such bonds shall be grouped together in a single *masse*.

#### 12. **ISSUE DATE**

The Bonds are expected to be issued on 4 October 2017 (the "**Issue Date of the Bonds**").

This date is also the entitlement and settlement-delivery date of the Bonds.

#### 13. **RESTRICTIONS ON THE TRANSFERABILITY OF THE BONDS**

Subject to applicable selling restrictions, there are no restrictions imposed by the terms and conditions of the issue on the free transferability of the Bonds.

## 14. TAXATION

### 14.1 Withholding Tax

Payment of principal, or any other payment by or on behalf of the Company in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any jurisdiction or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If any law should require that payments of principal or any other payment by or on behalf of the Company in respect of any Bonds be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever, the Company will not be required to pay any additional amounts in respect of any such deduction or withholding.

### 14.2 French tax on financial transactions

14.2.1 Pursuant to Article 235 ter ZD of the French *Code général des impôts*, the financial transactions tax (the "FTT") applies to acquisitions for consideration of equity stocks (*titres de capital*) or assimilated securities (*titres de capital assimilés*) admitted to trading on a Regulated Market when issued by a company whose head office is in France with a market capitalisation of over one billion euros on the 1<sup>st</sup> of December of the year preceding the acquisition. On 1 December 2016, the market capitalisation of the Company exceeded this threshold.

When the FTT is not due, registration duties would apply to the acquisition of existing Shares when it is established by a deed (*acte*).

14.2.2 Under current French law, Bondholders are advised that:

- the acquisition of the Bonds is exempt from the FTT;
- the delivery of existing Shares as a result of the exercise by the Bondholders of their Conversion/Exchange Right may be subject to the FTT (currently at a rate of 0.3%, based on the conversion/exchange price fixed in these Terms and Conditions) if the market capitalisation of the Company exceeds one billion euros on the 1st of December of the year preceding the delivery of the existing Shares, for which the Account Holders with whom the Bondholders have exercised their Conversion/Exchange Right or their custodian are accountable for. Depending on the contractual provisions governing the relationship between the Bondholders, their Account Holders and custodians, Bondholders are likely to bear the cost of the FTT when it is applicable; and
- the delivery of new Shares following the exercise by the Bondholders of their Conversion/Exchange Right is exempt from the FTT.

14.2.3 The Company is not required to assume or indemnify the Bondholders for the cost of the FTT or any registration duties that may be applicable with respect to the delivery of the new Shares to be issued upon conversion of the Bonds or the existing Shares to be delivered upon exchange of the Bonds.

Investors are invited to contact their usual tax advisor to assess the tax consequences of exercising their Conversion/Exchange Right.

## 15. **CONVERSION/EXCHANGE RIGHT**

### 15.1 **Nature of the Conversion/Exchange Right**

15.1.1 The Bondholders will have the right (the "**Conversion/Exchange Right**") to receive during the time period defined in Condition 15.2 (*Period of the Conversion/Exchange Right*) and in accordance with the terms of Condition 15.3 (*Terms of allocation pursuant to the Conversion/Exchange Right*) a number of new and/or existing Shares (at the option of the Company) equal to the Conversion/Exchange Ratio in effect on the Exercise Date (as defined below) multiplied by the number of Bonds for which the Conversion/Exchange Right has been exercised (subject to the terms of paragraph 15.5.5 and Condition 15.9 (*Aggregation, Treatment of fractional entitlements*)).

Exercise of the Conversion/Exchange Right results in the cancellation of the Bonds for which it was exercised.

15.1.2 For the purpose of these Terms and Conditions:

The "**Conversion/Exchange Ratio**" is equal, as at the Issue Date of the Bonds, to 1 Share for 1 Bond and may be subject to future adjustments in accordance with Condition 15.7 (*Preservation of Bondholders' rights*).

### 15.2 **Period of the Conversion/Exchange Right**

15.2.1 From the forty-first (41<sup>st</sup>) day (inclusive) following the Issue Date of the Bonds (inclusive), the Bondholders may request at any time the exercise of their Conversion/Exchange Right until the seventh Business Day (inclusive) preceding the Maturity Date of the Bonds or, as the case may be, until the seventh Business Day (inclusive) preceding the relevant early redemption date. It being specified that, as necessary, the Bonds for which the Bondholders requested the exercise of their Conversion/Exchange Right on or prior to the seventh Business Day (inclusive) preceding the Maturity Date of the Bonds or the early redemption date will not give a right to redemption at the Maturity Date of the Bonds or at the early redemption date of the Bonds respectively.

15.2.2 Any Bondholder who has not requested the exercise of its Conversion/Exchange Right within the time period indicated above will be reimbursed in cash at the Maturity Date of the Bonds or at the early redemption date in accordance with Condition 9.1 (*Redemption at maturity*) or Condition 9.3 (*Early redemption at the Company's option*) respectively.

### 15.3 **Terms of allocation pursuant to the Conversion/Exchange Right**

Upon exercise of its Conversion/Exchange Right, each Bondholder will receive new and/or existing Shares.

The total number of new and/or existing Shares (the mix of which shall be determined by the Company at its sole discretion) shall be determined by the Calculation Agent and be equal, for each Bondholder, to the Conversion/Exchange Ratio in effect on the Exercise Date (as defined in paragraph 15.5.1) multiplied by the number of Bonds transferred to the Centralising Agent and for which the Conversion/Exchange Right has been exercised

(subject to the terms of paragraph 15.5.4 and Condition 15.9 (*Aggregation, Treatment of fractional entitlements*)).

#### 15.4 **Suspension of the Conversion/Exchange Right**

In the event of a share capital increase or issuance of new Shares or securities conferring rights to receive Shares, or any other financial transactions conferring preferential subscription rights or reserving a priority subscription period for the benefit of the shareholders of the Company, the Company shall be entitled to suspend the exercise of the Conversion/Exchange Right for a period not to exceed three months or such other period as may be established by applicable regulations. Any such suspension may not cause the Bondholders to lose their Conversion/Exchange Right.

The Company's decision to suspend the Conversion/Exchange Right of the Bondholders will be published in a notice in the *Bulletin des annonces légales obligatoires* ("**BALO**"). This notice shall be published at least seven days before the suspension of the Conversion/Exchange Right becomes effective. The notice shall specify the dates on which the suspension period begins and ends. This information will also be published by a notice of the Company on its website ([www.vallourec.com](http://www.vallourec.com)) and delivered by the Company to (as applicable) Euroclear France, Euroclear Bank S.A./N.V., Clearstream Banking, S.A. and/or any other clearing system through which the Bonds are for the time being cleared for communication by such clearing systems to the Bondholders.

#### 15.5 **Conditions of exercise of the Conversion/Exchange Right**

15.5.1 To exercise any Conversion/Exchange Right, Bondholders must make a request to the Account Holder holding their Bonds in a securities account. Any such request to exercise the Conversion/Exchange Right is irrevocable once received by the relevant Account Holder. The Centralising Agent will provide and ensure centralisation of the request.

The date of the request will correspond to the Business Day on which both paragraphs (A) and (B) below will have been satisfied, if satisfied at or prior to 3:00 p.m. (Paris time), or the following Business Day if satisfied after 3:00 p.m. (Paris time) (the "**Date of the Request**"):

- (A) the Centralising Agent will have received the exercise request transmitted by the Account Holder in the books of which the Bonds are held in a securities account;
- (B) the Bonds will have been transferred to the Centralising Agent by the relevant Account Holder.

Any request for the exercise of any Conversion/Exchange Right received by the Centralising Agent will take effect, subject to the provisions of Condition 15.7.3 (*Public offers*), on the earlier of the following two dates (the "**Exercise Date**"):

- the last Business Day of the calendar month in which the Date of the Request falls; or
- the seventh Business Day preceding the date set for redemption.

All Bondholders with Bonds having the same Exercise Date will be treated equally and will each receive an allocation for their Bonds of new and/or existing Shares, in the same proportion, subject to rounding.

15.5.2 The Bondholders will receive delivery of new and/or existing Shares no later than the seventh Business Day following the Exercise Date.

15.5.3 Notwithstanding the foregoing, as provided in Condition 15.7.3, in the case of the exercise of the Conversion/Exchange Right during the Adjustment Period in case of a Public Offer, the Exercise Date will be deemed to be the Date of the Request and the Bondholders will receive delivery of new and/or existing Shares no later than the third Business Day following the Exercise Date.

15.5.4

(A) In the event of a transaction constituting an adjustment event (see Condition 15.7 (*Preservation of Bondholders' rights*)) where the Record Date (as defined in Condition 15.7 (*Preservation of Bondholders' rights*)) occurs between the Exercise Date and the delivery date (exclusive) of the Shares issued and/or allocated upon exercise of the Conversion/Exchange Right, the Bondholders will have no right to participate and will have no right to indemnification, subject however, as the case may be, to their adjustment right (as set forth in Condition 15.7 (*Preservation of Bondholders' rights*)) until the delivery date (exclusive) of the Shares.

(B) If the Record Date of a transaction constituting an adjustment event referred to in Condition 15.7 (*Preservation of Bondholders' rights*) occurs:

(1) on an Exercise Date or prior to such date but, in either case for which, the Conversion/Exchange Ratio in effect as of such date does not reflect the adjustment (if any) resulting from this transaction pursuant to Condition 15.7 (*Preservation of Bondholders' rights*), or

(2) between an Exercise Date (exclusive) and the delivery date of the Shares (exclusive),

the Company will deliver a number of additional Shares determined by the Calculation Agent such that the total number of Shares delivered will be equal to the number that would have been determined if the Conversion/Exchange Ratio initially applied had taken into account the adjustment resulting, as the case may be, from this transaction pursuant to Condition 15.7 (*Preservation of Bondholders' rights*), subject to the provisions of Condition 15.9 (*Aggregation, Treatment of fractional entitlements*).

The delivery of these additional Shares will occur as soon as possible following the initial delivery of the Shares issued and/or allocated upon exercise of the Conversion/Exchange Right.

15.5.5 The Company will not be required to pay or indemnify the Bondholders for any stamp duties, registration fees, financial transaction tax (including among others the FTT) or other similar tax, including any interest and penalties, due in relation

to the delivery of Shares pursuant to the exercise of a Conversion/Exchange Right.

**15.6 Bondholders' rights to interest on the Bonds and to dividends with respect to Shares delivered - listing of the Shares delivered**

**15.6.1 Right to interests on the Bonds**

In the event of the exercise of the Conversion/Exchange Right, no interest shall be payable to the Bondholders in respect of the period from the last Interest Payment Date preceding the Exercise Date (or, if applicable, since the Issue Date of the Bonds) to the date on which the new and/or existing shares are delivered.

**15.6.2 Right to dividends of the Shares issued or allocated upon exercise of the Conversion/Exchange Right.**

**(A) New Shares issued upon exercise of the Conversion/Exchange Right**

The new Shares issued upon exercise of the Conversion/Exchange Right will carry dividend rights and confer upon their holders, from their date of delivery, all the rights attached to Shares (including the right to receive a dividend or an interim dividend declared during the fiscal year in which they are issued with respect to the distributable income of the prior fiscal year), it being specified that in the event that a Record Date for a dividend (or interim dividend) occurs between the Exercise Date and the delivery date of the Shares, the Bondholders will not be entitled to such dividend (or interim dividend) nor to any compensation therefor, subject to the right to an adjustment provided for in Condition 15.7 (*Preservation of Bondholders' rights*).

It should be noted that in accordance with Condition 15.5 (*Conditions of exercise of the Conversion/Exchange Right*) and Condition 15.7 (*Preservation of Bondholders' rights*), the Bondholders will have the right to an adjustment of the Conversion/Exchange Ratio up to the date of the delivery of the Shares (exclusive).

**(B) Existing Shares allocated upon exercise of the Conversion/Exchange Right**

The existing Shares allocated upon exercise of the Conversion/Exchange Right will be existing ordinary Shares carrying dividend rights and conferring upon their holders, from their date of delivery, all the rights attached to Shares, it being specified that in the event that a Record Date for a dividend (or interim dividend) occurs between the Exercise Date and the delivery date of the Shares, the Bondholders will not be entitled to such dividend (or interim dividend) nor to any compensation therefor, subject to the right to an adjustment provided for in Condition 15.7 (*Preservation of Bondholders' rights*).

It should be noted that in accordance with Condition 15.5 (*Conditions of exercise of the Conversion/Exchange Right*) and Condition 15.7 (*Preservation of Bondholders' rights*), the Bondholders will have the right to an adjustment of the Conversion/Exchange Ratio up to the date of the delivery of the Shares (exclusive).

**15.6.3 Listing of the new or existing Shares issued or allocated upon exercise of the Conversion/Exchange Right**

**(A) New Shares issued upon exercise of the Conversion/Exchange Right**

Applications will be made for the admission to trading on the Regulated Market of Euronext Paris of the new Shares issued upon exercise of the Conversion/Exchange Right. Accordingly, the new Shares will immediately become fungible with the existing Shares listed on the Regulated Market of Euronext Paris and tradable, as from the date on which they are admitted to trading, on the same listing line as such existing Shares under the same ISIN code FR0000120354.

**(B) Existing Shares allocated upon exercise of the Conversion/Exchange Right**

The existing Shares allocated upon exercise of the Conversion/Exchange Right will be immediately tradable on the Regulated Market of Euronext Paris.

**15.7 Preservation of Bondholders' rights**

**15.7.1 Specific provisions**

In accordance with the provisions of Article L. 228-98 of the French *Code de commerce*,

- (A) the Company may change its form or its corporate purpose without requesting the approval of the general Bondholders' meeting;
- (B) the Company may, without requesting the approval of the general Bondholders' meeting, redeem its share capital, or modify the allocation of its profit and/or issue voting or non-voting preference Shares or other preferred equity instruments provided that, as long as any Bonds are outstanding, it takes the necessary measures to preserve the rights of the Bondholders;
- (C) in the event of a capital reduction resulting from losses and realised through a decrease of the par value or of the number of Shares comprising its share capital, the rights of the Bondholders will be reduced accordingly, as if they had exercised them prior to the date on which such share capital reduction occurred. In the event of a reduction of the share capital by a decrease in the number of Shares, the new Conversion/Exchange Ratio will be determined by the Calculation Agent and will be equal to the product of the Conversion/Exchange Ratio in

effect prior to the decrease in the number of Shares and the following ratio:

$$\frac{\text{Number of Shares in the share capital after the transaction}}{\text{Number of Shares in the share capital prior to the transaction}}$$

The new Conversion/Exchange Ratio will be calculated to three decimal places by rounding to the nearest one-thousandth (with 0.0005 being rounded up to the nearest thousandth, *i.e.* 0.001). Any subsequent adjustments will be carried out on the basis of such newly calculated and rounded Conversion/Exchange Ratio. However, because the Conversion/Exchange Ratio may only result in the delivery of a whole number of Shares, fractional entitlements will be settled as specified in Condition 15.9 (*Aggregation, Treatment of fractional entitlements*).

In accordance with article R. 228-92 of the French *Code de commerce*, if the Company decides to issue, in any form whatsoever, new Shares or securities giving access to the share capital with a preferential subscription right reserved for shareholders, to distribute reserves, in cash or in kind, and issue premiums or to modify the allocation of its profits by creating preferred Shares, it will inform (if so required by applicable regulations) the Bondholders by a notice published in the BALO.

#### 15.7.2 **Adjustments to the Conversion/Exchange Ratio in the event of financial transactions of the Company**

Following each of the following transactions:

- (1) financial transactions with listed preferential subscription rights or by free allocation of listed subscription warrants;
- (2) free allocation of Shares to shareholders, Share split or reverse split of Shares;
- (3) incorporation into the share capital of reserves, profits or premiums by an increase in the par value of the Shares;
- (4) distribution of reserves or premiums, in cash or in kind;
- (5) free allocation to the Company's shareholders of any securities other than Shares;
- (6) merger (*absorption or fusion*) or demerger (*scission*);
- (7) repurchase by the Company of its own Shares at a price higher than the market price;
- (8) redemption of share capital;
- (9) modification of allocation of the profits of the Company through issuance of voting or non-voting preference shares or other preferred equity instruments; and

(10) distribution of a dividend;

which the Company may carry out as from the Issue Date of the Bonds, for which the Record Date (as defined below) occurs before the delivery date of the new and/or existing Shares upon exercise of the Conversion/Exchange Right, the rights of the Bondholders will be maintained up to the delivery date (exclusive) by means of an adjustment to the Conversion/Exchange Ratio in accordance with the provisions set forth below.

The "**Record Date**" is the date on which the holding of the Shares is established so as to determine which shareholders are the beneficiaries of a given transaction or may take part in a transaction and, in particular, to which shareholders a dividend, a distribution or an allocation, announced or voted as of this date or announced or voted prior to this date, should be paid, delivered, or completed.

Such adjustment will be carried out so that, to the nearest thousandth of a Share, the value of the Shares that would have been delivered upon exercise of the Conversion/Exchange Right immediately before the completion of any of the transactions mentioned above, is equal to the value of the Shares to be delivered upon exercise of the Conversion/Exchange Right immediately after the completion of such a transaction.

In the event of adjustments carried out in accordance with paragraphs (A) to (J) below, the new Conversion/Exchange Ratio will be calculated to three decimal places by rounding to the nearest one-thousandth (with 0.0005 being rounded up to the nearest thousandth, *i.e.* 0.001). Any subsequent adjustments will be carried out on the basis of such newly calculated and rounded Conversion/Exchange Ratio. However, because the Conversion/Exchange Ratio may only result in the delivery of a whole number of Shares, fractional entitlements will be settled as specified in Condition 15.9 (*Aggregation, Treatment of fractional entitlements*).

In the event that the Company carries out transactions in respect of which no adjustment has been made in accordance with paragraphs (A) to (J) below and a subsequent law or regulation requires an adjustment, the Company will apply such adjustment in accordance with applicable laws or regulations and the relevant market practice in effect in France.

In the event that the Company carries out a transaction likely to be subject to several adjustments, legal adjustments will apply by priority.

(A) Financial transactions with listed preferential subscription right or with the free allocation of listed subscription warrants

(a) In the event of financial transactions with a listed preferential subscription right, the new Conversion/Exchange Ratio will be determined by the Calculation Agent by multiplying the Conversion/Exchange Ratio in effect prior to the relevant transaction by the following formula:

$$\frac{\text{Value of the Share ex right} + \text{Value of the preferential subscription right}}{\text{Value of the Share ex right}}$$

For the purpose of the calculation of this formula, the Value of the Share ex right and the Value of the preferential subscription right will be equal to the arithmetic average of the opening prices quoted on the Regulated Market of Euronext Paris (or, in the absence of a listing on the Regulated Market of Euronext Paris, on any other Regulated Market or similar market on which the Share or the preferential subscription right is listed) on each Trading Day included in the subscription period.

(b) In the event of financial transactions with free allocation of listed subscription warrants to the shareholders with the corresponding ability to sell the securities resulting from the exercise of warrants that were unexercised by their holders at the end of their subscription period<sup>1</sup>, the new Conversion/Exchange Ratio will be determined by the Calculation Agent by multiplying the Conversion/Exchange Ratio in effect prior to the relevant transaction by the following formula:

$$\frac{\text{Value of the Share after the detachment of the warrant} + \text{Value of the warrant}}{\text{Value of the Share after the detachment of the warrant}}$$

For the purpose of the calculation of this formula:

- the Value of the Share after the detachment of the warrant will be equal to the volume-weighted average of (i) the trading prices of the Share traded on the Regulated Market of Euronext Paris (or, in the absence of a listing on the Regulated Market of Euronext Paris, on any other Regulated Market or similar market on which the Share is listed) on each Trading Day during the subscription period, and (ii) (a) if such securities are fungible with the existing Shares, the sale price of the securities sold in connection with the offering, applying the volume of Shares sold in the offering to the sale price, or (b) if such securities are not fungible with the existing Shares, the trading prices of the Share traded on the Regulated Market of Euronext Paris (or, in the absence of a listing on the Regulated Market of Euronext Paris, on any other Regulated Market or similar market on which the Share is listed) on the date on which the sale price of the securities sold in the offering is set;

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<sup>1</sup> Are only concerned warrants which are "substitutes" of preferential subscription rights (exercise price usually lower than the market price, term of the warrant similar to the period of subscription of the increase of capital with upholding of the shareholders' preferential subscription right, option to "recycle" the non-exercised warrants). The adjustment as a result of a free allocation of standard warrants (exercise price usually greater than the market price, term usually longer, absence of option granted to the beneficiaries to "recycle" the non-exercised warrants) should be made in accordance with paragraph E.

- the Value of the warrant will be equal to the volume-weighted average of (i) the trading prices of the warrants traded on the Regulated Market of Euronext Paris (or, in the absence of a listing on the Regulated Market of Euronext Paris, on any other Regulated Market or similar market on which the warrant is listed) on each Trading Day during the subscription period, and (ii) the subscription warrant's implicit value as derived from the sale price of the securities sold in the offering, which shall be deemed to be equal to the difference (if positive), adjusted for the exercise ratio of the warrants, between the sale price of the securities sold in the offering and the subscription price of the securities through exercise of the warrants by applying to this amount the corresponding amount of warrants exercised in respect of the securities sold in the offering.
- (B) In the event of the free allocation of Shares to shareholders, or a Share split or reverse Share split, the new Conversion/Exchange Ratio will be determined by the Calculation Agent by multiplying the Conversion/Exchange Ratio in effect prior to the relevant transaction by the following formula:

$$\frac{\text{Number of Shares included in the share capital after the transaction}}{\text{Number of Shares included in the share capital prior to the transaction}}$$

- (C) In the event of a capital increase by incorporation of reserves, profits or premiums achieved by increasing the par value of the Shares, the par value of the Shares that will be delivered to the Bondholders exercising their Conversion/Exchange Right will be increased accordingly.
- (D) In the event of a distribution of reserves or premiums, in cash or in kind (portfolio securities, etc.), the new Conversion/Exchange Ratio will be determined by the Calculation Agent by multiplying the Conversion/Exchange Ratio in effect prior to the relevant transaction by the following formula:

$$\frac{\text{Value of the Share prior to the distribution}}{\text{Value of the Share prior to the distribution} - \text{Amount distributed per Share or Value of the securities or assets distributed per Share}}$$

For the purpose of the calculation of this ratio:

- the Value of the Share prior to the distribution will be equal to the Volume-Weighted Average Price of the Share over the period of three Trading Days ending on the last Trading Day preceding the date on which the Shares are first traded ex-distribution;
- if the distribution is made in cash, or is made either in cash or in kind (including but not limited to Shares) at the option of shareholders of

the Company (including but not limited to pursuant to articles L. 232-18 *et seq.* of the French *Code de commerce*: the Amount distributed per Share will be the amount of such cash payable per Share (prior to any withholdings and without taking into account any deductions or tax credits that may be applicable);

- if the distribution is made in kind only:
  - in the event of a distribution of securities that are already listed and which main listing is on a Regulated Market or similar market, the value of the distributed securities will be determined as provided above for the Share (or, if no such value can be so determined, the value of the distributed securities will be determined by an Independent Expert);
  - in the event of a distribution of securities that are not yet listed, or do not have their main listing, on a Regulated Market or similar market, the value of the distributed securities will be equal, if they are expected to be listed on a Regulated Market or similar market which will be their main listing within the ten Trading Days' period starting on the date on which the Shares are first traded ex-distribution, to the Volume-Weighted Average Price of such securities over the period of the first three Trading Days included in such ten Trading Day period during which such securities are listed (or, if no such value can be so determined, the value of the distributed securities will be determined by an Independent Expert); and
  - in other cases (distribution of securities that are not listed on a Regulated Market or a similar market which is their main listing or traded for less than three Trading Days within the period of ten Trading Days referred to above or in the case of a distribution of assets), the value of the securities or assets allocated per Share will be determined by an Independent Expert.

- (E) In the event of a free allocation to the shareholders of the Company of financial instruments other than Shares and other than in the circumstances the subject of paragraph (A)(b) above, the new Conversion/Exchange Ratio will be determined by the Calculation Agent by multiplying the Conversion/Exchange Ratio in effect prior to the relevant transaction by the following formula:

$$\frac{\text{Value of the Share ex – right of free allocation} + \text{Value of the financial instruments allocated to each Share}}{\text{Value of the Share ex – right of free allocation}}$$

For the purpose of the calculation of this formula:

- the Value of the Share ex-right of free allocation will be equal to the Volume-Weighted Average Price of the Share over the period of the

first three Trading Days starting on the date on which the Shares are first traded ex-right of free allocation;

- if the financial instrument allocated is listed or may be listed on a Regulated Market or a similar market which will be their main listing within the ten Trading Days' period starting on the date on which the Shares are first traded ex-right of free allocation, the value of such instrument will be equal to the Volume-Weighted Average Price over the period of the first three Trading Days of such ten Trading Days' period on which the instrument is traded (or, if no such value can be so determined, the value of the distributed securities will be determined by an Independent Expert);
- if the financial instrument allocated is not listed on a Regulated Market or a similar market or is traded for less than three Trading Days within the ten Trading Days' period as referred to above, the value of such instrument will be determined by an Independent Expert.

- (F) In the event that the Company is merged into another company (*absorption*) or is merged with one or more companies forming a new company (*fusion*) or is demerged (*scission*), the Bonds will be convertible into and/or exchangeable for Shares of the merged or new company or of the beneficiary companies of such demerger.

The new Conversion/Exchange Ratio will be determined by the Calculation Agent by multiplying the Conversion/Exchange Ratio in effect prior to the commencement of the relevant transaction by the exchange ratio of Shares in the Company to the shares of the merging company or the beneficiary companies of the demerger. These companies will automatically be substituted for the Company for the purpose of the performance of its obligations towards the Bondholders.

- (G) In the event of a repurchase by the Company of its own Shares at a price higher than the market price, the new Conversion/Exchange Ratio will be determined by the Calculation Agent by multiplying the Conversion/Exchange Ratio in effect prior to the repurchase by the following formula:

$$\frac{\text{Value of the Share} \times (1 - Pc\%)}{\text{Value of the Share} - (Pc\% \times \text{Repurchase price})}$$

For the purpose of the calculation of this formula:

- "**Value of the Share**" means the Volume-Weighted Average Price of the Share over the period of the three Trading Days preceding the repurchase (or the repurchase option);
- "**Pc%**" means the percentage of share capital repurchased; and

- **"Repurchase Price"** means the actual price at which any Shares are repurchased.

- (H) In the event of a redemption of the share capital, the new Conversion/Exchange Ratio will be determined by the Calculation Agent by multiplying the Conversion/Exchange Ratio in effect prior to the relevant transaction by the following formula:

$$\frac{\text{Value of the Share before the redemption}}{\text{Value of the Share before the redemption} - \text{Amount of the redemption per Share}}$$

For the purpose of the calculation of this formula, the value of the Share before the redemption will be equal to the Volume-Weighted Average Price of the Share over the period of the three Trading Days preceding the Trading Day on which the Shares are first traded ex-redemption.

- (I) (a) In the event the Company changes its profit distribution and/or creates preferred Shares resulting in such a change, the new Conversion/Exchange Ratio will be determined by the Calculation Agent by multiplying the Conversion/Exchange Ratio in effect prior to the relevant transaction by the following formula:

$$\frac{\text{Value of the Share prior to the modification}}{\text{Value of the Share prior to the modification} - \text{Reduction per Share of the right to profits}}$$

For the purpose of the calculation of this formula:

- the Value of the Share prior to the modification will be equal to the Volume-Weighted Average Price of the Share over the period of the three Trading Days preceding the date on which the Shares are first traded ex-modification; and
- the Reduction per Share of the right to profits will be determined by an Independent Expert.

(b) In the case of creation of preferred Shares which do not result in a modification of allocation of the Company's profits, the adjustment of the Conversion/Exchange Ratio, if any, will be determined by an Independent Expert.

(c) Notwithstanding the foregoing, if such preferred Shares are issued with upholding of the preferential subscription rights of the shareholders or by way of a free allocation to the shareholders of warrants exercisable

for such Shares, the new Conversion/Exchange Ratio will be adjusted in accordance with paragraphs (A) or (E) above, as applicable,

(J) Adjustment in the event of distribution of a Dividend:

In the event of the payment by the Company of any dividend, interim dividend or any distribution paid in cash or in kind to shareholders (prior to any withholdings and without taking into account any deductions or tax credits that may be applicable) (hereinafter referred to as the "**Dividend**"), the new Conversion/Exchange Ratio will be calculated by the Calculation Agent as follows, it being specified that any dividend or distribution (or fraction of a dividend, interim dividend or distribution) leading to an adjustment in the Conversion/Exchange Ratio by virtue of paragraphs (A) through (I) above will not be taken into account for the adjustment under the terms of this paragraph (J):

$$NCR = CR \times \frac{STP}{STP - ADD}$$

where:

- "**NCR**" means the new Conversion/Exchange Ratio;
- "**CR**" means the last Conversion/Exchange Ratio previously applicable;
- "**ADD**" means the amount of the Dividend distributed per Share; provided that:
  - in the case of a Dividend payable solely in cash, ADD shall be equal to the cash amount distributed per Share;
  - in the case of a Dividend payable either in cash or in kind (including but not limited to Shares) at the option of shareholders of the Company (including but not limited to pursuant to articles L. 232-18 et seq. of the French *Code de commerce*), ADD shall be equal to the cash amount distributed per Share;
  - in the case of a Dividend payable solely in kind, ADD shall be equal to the value of such Dividend determined in the same way as that of the distribution of securities pursuant to paragraph (D) above; and
- "**STP**" means the Share trading price, defined as being equal to the Volume-Weighted Average Price of the Share over the last three Trading Days preceding the Trading Day on which the Shares are traded for the first time ex-Dividend.

### 15.7.3 Public offers

In the event that the Shares would be targeted by a public offer (in cash or in securities, in cash and securities, etc.) which may result in a Change of Control (as defined in paragraph 9.5) or filed following a Change of Control, and that the said offer would be declared admissible by the French Financial Markets Authority *Autorité des marchés financiers* (the "**AMF**") (or its successor), the

Conversion/Exchange Ratio will be temporarily adjusted as determined by the Calculation Agent in accordance with the following formula:

$$NCR = CR \times [1 + ICP \times (D1 / D2)]$$

where:

- "**NCR**" means the new Conversion/Exchange Ratio applicable during the Adjustment Period in case of a Public Offer (as defined below) calculated to three decimal places by rounding to the nearest one-thousandth (with 0.0005 being rounded up to the nearest thousandth, i.e. 0.001);
- "**CR**" means the previous Conversion/Exchange Ratio in effect prior to the Offer Opening Date (as defined below);
- "**ICP**" means the initial conversion/exchange premium, expressed as a percentage, showing the par value of the Bonds compared to the reference price of the Shares used at the time the final terms of the Bonds were determined, i.e. 37.5%;
- "**D1**" means the exact number of days left to run between the Offer Opening Date (inclusive) and 4 October 2022, the Maturity Date of the Bonds (exclusive); and
- "**D2**" means the exact number of days between 4 October 2017, the Issue Date of the Bonds (inclusive), and 4 October 2022, the Maturity Date of the Bonds (exclusive), i.e. 1826 days.

The adjustment of the Conversion/Exchange Ratio indicated above will benefit only to those Bondholders who will exercise their Conversion/Exchange Right, between (and including):

- (A) the first day on which the Shares may be tendered to the offer (the "**Offer Opening Date**"), and
- (B)
  - (1) if the offer is unconditional, the date that is fifteen Business Days after the date of publication by the AMF (or its successor) of the result of the offer or, if the offer is re-opened, the date that is fifteen Business Days after the date of publication by the AMF (or its successor) of the result of the re-opened offer;
  - (2) if the offer is conditional, (x) if the AMF (or its successor) declares that the offer is successful, the date that is fifteen Business Days after the date of publication by the AMF (or its successor) of the result of the offer or, if the offer is re-opened, the date that is fifteen Business Days after the date of publication by the AMF (or its successor) of the result of the re-opened offer or (y) if the AMF (or its successor) declares that the offer is unsuccessful, the date of publication by the AMF (or its successor) of the result of the offer; or
  - (3) if the bidder withdraws the offer, the date of publication by the AMF (or its successor) of the notice of such withdrawal.

This period will be referred to as the "**Adjustment Period in case of a Public Offer**".

*Delivery of shares resulting from an exercise of the Conversion/Exchange Right during the Public Offer Adjustment Period*

Notwithstanding the provisions of paragraph 15.5.2, in the event of the exercise of the Conversion/Exchange Right during the Adjustment Period in case of a Public Offer, the Exercise Date will be deemed to be the Request Date and the corresponding Shares will be delivered no later than the third Business Days following the Exercise Date.

#### **15.8 Calculation of adjustments of the Conversion/Exchange Ratio and notice to Bondholders in the event of adjustment**

The adjustments of the Conversion Ratio will be calculated by the Calculation Agent.

In the event of an adjustment, the Company will inform the Bondholders through a notice published by the Company on its website ([www.vallourec.com](http://www.vallourec.com)) and delivered by the Company to (as applicable) Euroclear France, Euroclear Bank S.A./N.V., Clearstream Banking, S.A. and/or any other clearing system through which the Bonds are for the time being cleared for communication by such clearing systems to the Bondholders no later than five Business Days following the new adjustment has taken effect

In addition, the Management Board (*Directoire*) of the Company will report the calculations and results of all adjustments in the annual report following such adjustment.

#### **15.9 Aggregation, Treatment of fractional entitlements**

Each Bondholder exercising its Conversion/Exchange Right in relation to the Bonds may receive, as the case may be, a number of Shares calculated in accordance with Condition 15.3 (*Terms of allocation pursuant to the Conversion/Exchange Right*) based on the aggregate number of Bonds transferred to the Centralising Agent and for which the Conversion/Exchange Right has been exercised by such Bondholder.

If the number of Shares thus calculated is not a whole number, the Bondholder may request allocation of:

- 15.9.1 either the whole number of Shares immediately below such number; in this case, the Bondholder will receive an amount in cash determined by the Calculation Agent and equal to the product of the remaining fractional Share and the value of the Share, equal to the closing price of the Share traded on the Relevant Exchange on the Trading Day immediately preceding the Date of the Request;
- 15.9.2 or the whole number of Shares immediately above such number, on the condition that an amount in cash determined by the Calculation Agent and equal to the value of the additional fraction of a Share thus requested, valued on the basis provided for in the preceding paragraph, is paid to the Company.

In both cases, such amount in cash (if any) will be rounded to the nearest cent (with €0.005 being rounded up to €0.01).

In the event that the Bondholder would not specify its preferred option, such Bondholder will be given the whole number of Shares immediately below in addition to a cash supplement as described above.

#### 15.10 **Calculation Agent, Independent Expert**

The Company reserves the right at any time to modify or terminate the appointment of the Calculation Agent or the Centralising Agent and/or appoint a substitute Calculation Agent or Centralising Agent or approve any change in the office through which such agent acts, provided that, so long as any Bond is outstanding, there will at all times be (i) a Calculation Agent, and (ii) a Centralising Agent having a specified office in a European city.

Any termination or appointment of the Centralising Agent shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 days' notice thereof shall have been given to the Bondholders by the Company through a notice published on its Internet website ([www.vallourec.com](http://www.vallourec.com)) and delivered by the Company to (as applicable) Euroclear France, Euroclear Bank S.A./N.V., Clearstream Banking, S.A. and/or any other clearing system through which the Bonds are for the time being cleared for communication by such clearing systems to the Bondholders.

Adjustments, calculations and determinations performed by the Calculation Agent or, where applicable, an Independent Expert, pursuant to these Terms and Conditions shall be so made upon request by the Company and shall be final and binding (in the absence of bad faith or manifest error and subject to any determinations by an Independent Expert) on the Company, the Bondholders, the Centralising Agent and (in the case of adjustments, calculations and determinations performed by an Independent Expert) the Calculation Agent. The Calculation Agent may, subject to the provisions of the Calculation Agency Agreement, consult, at the expense of the Company, on any matter (including but not limited to, any legal matter), with any legal or other professional adviser and it shall be able to rely upon, and, to the extent permitted by law, it shall not be liable and shall incur no liability as against the Bondholders and the Centralising Agent in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion.

The Calculation Agent is acting exclusively as an agent for and upon request from the Company. Neither the Calculation Agent (acting in such capacity) nor any Independent Expert appointed in connection with the Bonds (acting in such capacity), shall have any relationship of agency or trust with, and, to the extent permitted by law, shall incur no liability as against, the Bondholders and the Centralising Agent.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion/Exchange Ratio or as to the appropriate adjustment to the Conversion/Exchange Ratio, and following consultation between the Company, the Calculation Agent and an Independent Expert, a written opinion of such Independent Expert in respect thereof shall be conclusive and binding on the Company, the Bondholders, the Centralising Agent and the Calculation Agent, save in the case of manifest error.

#### 16. **HARDSHIP (IMPRÉVISION)**

In relation to these Conditions, the Company, the Representative of the Masse and each Bondholder waive any right under Article 1195 of the French Code *civil*.