

Vallourec Investor Day 2013

Boulogne-Billancourt, 26 September 2013 – Vallourec, world leader in premium tubular solutions, today held its Investor Day in Pittsburgh, USA. During the conference, Vallourec presented the recent development in the markets in which it operates and reaffirmed its long term strategy.

Philippe Crouzet, Chairman of the Management Board, stated: *“Medium and long-term energy requirements will continue to drive Vallourec’s business, notably in the Oil & Gas sector. This is why Vallourec, at the end of a period of major investments, is reasserting its profitable growth strategy in the energy markets. It has the ambition and now the opportunity, thanks to its local presence, of becoming the reference supplier in the key growing markets. In the Power Generation and Industry segments, Vallourec will continue to leverage on its technical expertise and innovation capacity to deliver higher value-added products and services. The Group will pursue its efforts for operational excellence and costs reduction, particularly in Europe.*

Vallourec is now entering a new phase with the ambition to improve its EBITDA and generate recurring positive cash flows over the long term, in order to create value in a sustainable way for the benefit of all company’s stakeholders. In 2013, Vallourec continues to target an increase of volume and sales and an improvement of the EBITDA margin. The recent weakness of the Brazilian real against other currencies and the temporary reduction of demand for new wells in Brazil will slightly dampen this improvement.”

TRADING UPDATE

In the Oil & Gas sector, the market conditions in the EAMEA¹ area continue to be positive. In the United States, gas field drilling activity remains low. In Brazil, in an environment marked by the depreciation of the Brazilian real, there is a temporary reduction in OCTG demand for new wells.

- In the EAMEA area, the business activity continues to benefit from a good order book. The qualification of premium products at VSB is currently being finalized, according to plan. This is enabling the mill to gradually ramp up production of premium products to serve the different regions of this area.
- In the United States, the ramp up the new rolling mill is on schedule allowing the Group to take advantage of the high level of shale oil drilling. However, shale gas drilling shows no signs of recovery and the product mix driven by shale oil drilling is evolving towards lower-margin semi-premium connections.
- In Brazil, in a context where the Brazilian real weakened significantly during the summer, Petrobras is prioritizing cash generation and increasing oil production in the short term. For Vallourec, this should result, from Q4 2013 until mid-year 2014, in more tubing² (tubes for oil production) and less casing³ (tubes for the equipment of new wells), consequently temporarily reducing delivered tonnages of OCTG tubes on the domestic market.

Vallourec sees no significant signs of recovery in its other markets, with the exception of the improvement in the Brazilian automotive market since the beginning of this year.

¹ EAMEA: Europe, Africa, Middle East, Asia

² Tubing: steel tubes assembled by means of gas-tight threaded connections to form a production string through which fluids are piped from a well bottom to the surface.

³ Casing: tubes assembled by means of leak-tight threaded connections to form a column consolidating the walls of an oil or gas well.

This summer's weakening of the Brazilian real against other currencies will have a negative translation impact on the second-half results. However, in 2014, a stabilization of the Brazilian real at current levels should have a positive impact on the competitiveness of Vallourec's Brazilian business units, mitigated by the high local inflation on costs.

ACQUISITION

The Group announced that it has signed an agreement to acquire the assets of Lupatech's Tubular Services Rio das Ostras Unit, an Oil & Gas services company based in Rio das Ostras, RJ, Brazil. This acquisition will broaden the range of services currently offered by the Group in Brazil and will help Vallourec expand its offering of inspection, maintenance, and tube coating services. The closing of the transaction is expected within the next few days for a total amount of around 21 million euros paid in cash.

REAFFIRMING VALLOUREC'S VALUE-CREATION STRATEGY

Today's meeting was also an opportunity for the Group to re-confirm its mid-term strategy.

In particular, Vallourec reiterated confidence in its ability to take advantage from the growth of its Oil & Gas activities, whose operating margin in 2012 was above the Group average, across its three main regions, namely the EAMEA (40-50% of Oil & Gas sales), the United States (30-40%) and Brazil (15-25%).

- In EAMEA, the Group should benefit from a positive volume effect from growing investments by incumbent operators, both national oil companies in the Middle East and international operators in the North Sea, Western and Eastern Africa. To achieve this, Vallourec will leverage its new Brazilian rolling mill and its local finishing units, in Saudi Arabia and Nigeria for example.
- In the United States, the markets for shale oil drilling and offshore exploration look positive. In the longer term, shale gas drilling is expected to resume, driven by residential consumption, substitution of coal by gas in power generation, relocation of some petrochemical industries, and finally the potential liquefied natural gas exports.
- In Brazil, Vallourec will benefit from the development of offshore pre-salt fields. The Group will benefit from its long term relationship with Petrobras, whose 2013-2017 strategic plan involves significant exploration and production investments.

In Power Generation and Industry activities, where 2012 operating margins were below the Group's average, Vallourec is implementing a series of actions to increase their competitive differentiation through more premium product and service offers. The Group is seeing that for these two segments, markets are stable at current levels.

Thanks to the investments achieved and to the expected increase in Oil & Gas volumes, Vallourec expects further improvement in its product mix and its competitiveness. The Group is also pursuing its efforts for operational excellence, in particular via the CAPTEN+ program launched in 2011, whose aim is to offset inflation on Group's costs and boost its competitiveness. Furthermore, additional initiatives have been deployed since 2012 to speed up cost-cutting, particularly in Europe. These programs will continue beyond 2013.

The positive outlook for oil & gas markets should allow a reasonable supply and demand balance for premium tubes in markets where the Group operates. Vallourec's premium positioning and its ability to innovate, the ramp-up of its new production capacities and the expected improvements in operational efficiency are important factors which should lead to improved profitability. Vallourec is aiming for a lasting improvement in its EBITDA margin.

The return of industrial investment to a level of around 450 million euros a year from 2015 will mark the end of an unprecedented period of strategic investment. Total strategic investments between mid-2007 and mid-2013 amounted to around 2 billion euros. Coupled with the expected increase of Group's operating cash flows, this reduction of capital expenditure will contribute to a return to a recurring generation of positive cash flows.

In summary, in 2013, Vallourec continues to target an increase in volume and sales and an improvement in EBITDA margin. This improved performance in the Group results will, however, be slightly affected by the current weakness of the Brazilian real against other currencies, and by the temporary reduction of OCTG demand in Brazil.

In the medium and long term, despite these temporary factors that may also affect the beginning of 2014, the Group confirms its favorable outlook, to deliver value creation for the benefit of all company's stakeholders.

About Vallourec

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

With over 23,000 employees, integrated manufacturing facilities, advanced R&D and a presence in more than 20 countries, Vallourec offers its customers innovative global solutions to meet the energy challenges of the 21st century.

Listed on the NYSE Euronext in Paris (ISIN code: FR0000120354, Ticker VK) and eligible for the Deferred Settlement System (SRD), Vallourec is included in the following indices: MSCI World Index, Euronext 100 and CAC 40.

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

www.vallourec.com

Eventcasting

Copies of the presentations are available on the Group's website at www.vallourec.com. The video of the event will be available on the Group's website in the following days.

Calendar

07/11/2013	Publication of Q3 2013 results
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