Press Release

November 2013
www.vallourec.com

Vallourec reports third quarter and first nine months 2013 results

Boulogne-Billancourt, 7 November 2013 – Vallourec, world leader in premium tubular solutions, today announced its results for the third quarter and the first nine months of 2013. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board.

Third quarter (Q3) 2013:

- Revenues of € 1,379 million, up 3.4% versus Q3 2012
- EBITDA of € 240 million, up 15.4% versus Q3 2012
- EBITDA margin improved by 180 bp to 17.4% of revenues
- Net income, Group share of € 80 million (or € 0.6 per share), up 29.0% versus Q3 2012

First nine months (9M) of 2013:

- Revenues of € 3,969 million, up 2.8% versus the first nine months of 2012
- EBITDA of € 661 million, up 20.0% versus the first nine months of 2012
- EBITDA margin improved by 240 bp to 16.7% of revenues
- Net income, Group share of € 177 million (or € 1.4 per share), up 20.4% versus the first nine months of 2012

Commenting on these results, Philippe Crouzet, Chairman of the Management Board, stated:
"The results for the third quarter and the first nine months reflect the good sales performance achieved in Oil & Gas, which represented approximately 67% of our sales in Q3, with high premium deliveries in Brazil for the deep offshore market and in the Middle East. In the USA, commissioning of the new rolling mill enabled Vallourec to enlarge its offer of products and services, thus increasing the sales volumes. However, the market continues to be mainly shale oil oriented resulting in a product mix which is evolving towards lower-margin semi-premium connections. In its other activities, the Group faced sluggish market conditions.

The EBITDA margin improved and reached 17.4% of revenues for Q3 and 16.7% of revenues in the first nine months. Despite a lower contribution of the US, improvement of Vallourec's profitability was mainly brought by the better sales mix combined with cost reductions implemented across the Group.

Over the full year 2013, Vallourec continues to target an increase in volume and sales and an improvement in EBITDA margin. However, the current weakness of the Brazilian real, the recent weakening of the US dollar against the Euro and the temporary reduction of OCTG demand in Brazil will dampen this improvement.

While these temporary factors will also affect the next quarters, Vallourec remains very much focused on strengthening its premium positioning and enhancing its operating efficiency. The Group shall also benefit from its new facilities coming into play after a major investment cycle to take advantage of the dynamic Oil & Gas market over the medium and long term."

Information

Quarterly 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.

Key figures for the third quarter (Q3) and first nine months (9M) 2013

In € million	Q3 2013	Q3 2012	Change YoY	Q2 2013	Change QoQ	9M 2013	9M 2012	Change YoY
Sales Volume (k tonnes)	**545**	525	*+3.8%*	543	*+0.4%*	**1,575**	1,557	*+1.2%*
Revenues	**1,379**	1,334	*+3.4%*	1,377	*+0.1%*	**3,969**	3,861	*+2.8%*
EBITDA	**240**	208	*+15.4%*	230	*+4.3%*	**661**	551	*+20.0%*
As % of revenues	***17.4%***	*15.6%*	*+1.8pt*	*16.7%*	*+0.7pt*	***16.7%***	*14.3%*	*+2.4pt*
Operating income	**159**	134	*+18.7%*	139	*+14.4%*	**388**	333	*+16.5%*
Net income, Group share	**80**	62	*+29.0%*	62	*+29.0%*	**177**	147	*+20.4%*

SALES VOLUME

In Q3 2013, sales volume of rolled tubes shipped amounted to 545 thousand tonnes, up 3.8% compared to Q3 2012, mainly driven by the growth of Oil & Gas volumes.

Sales volume amounted to 1,575 thousand tonnes in the first nine months of 2013, up 1.2% compared to the same period in 2012.

CONSOLIDATED REVENUES BY MARKET

In € million	Q3 2013	Q3 2012	Change YoY	Q2 2013	Change QoQ	9M 2013	9M 2012	Change YoY
Oil & Gas	925	816	*+13.4%*	911	*+1.5%*	2,604	2,332	*+11.7%*
Petrochemicals	65	95	*-31.6%*	77	*-15.6%*	217	270	*-19.6%*
Total Oil & Gas, Petrochemicals	**990**	**911**	***+8.7%***	**988**	***+0.2%***	**2,821**	**2,602**	***+8.4%***
% of total revenues	*71.8%*	*68.3%*		*71.8%*		*71.1%*	*67.4%*	
Power Generation	**127**	**138**	***-8.0%***	**121**	***+5.0%***	**384**	**416**	***-7.7%***
% of total revenues	*9.2%*	*10.3%*		*8.7%*		*9.7%*	*10.8%*	
Mechanical	104	124	*-16.1%*	101	*+3.0%*	309	377	*-18.0%*
Automotive	60	57	*+5.3%*	66	*-9.1%*	180	182	*-1.1%*
Construction & other	98	104	*-5.8%*	101	*-3.0%*	275	284	*-3.2%*
Total Industry & other	**262**	**285**	***-8.1%***	**268**	***-2.2%***	**764**	**843**	***-9.4%***
% of total revenues	*19.0%*	*21.4%*		*19.5%*		*19.2%*	*21.8%*	
Total	**1,379**	**1,334**	***+3.4%***	**1,377**	***+0.1%***	**3,969**	**3,861**	***+2.8%***

Oil & Gas, Petrochemicals

Oil & Gas[1] revenues were up 13.4% in Q3 2013 versus Q3 2012, to reach € 925 million.
In the first nine months of 2013, Oil & Gas revenues were up 11.7% year-on-year to € 2,604 million representing 66% of total revenues compared to 60% in the first nine months of 2012.

In the USA, where the Group has a strong market position in the shale oil market (oil drilling representing approximately 78%[2] of active rigs), volumes increased thanks to an enlarged offer of products and services and the ramp up of the new rolling mill. The number of active rigs[2] during Q3 2013 remained flat since the beginning of the year and lower than in Q3 2012. Shale gas drilling market showed no sign of recovery, resulting in a product mix driven by shale oil drilling operations evolving towards lower-margin semi-premium connections. Prices were stable sequentially in Q3 2013 but below 2012 level.

[1] Excluding Petrochemicals
[2] Baker Hughes (USA rig count) - end of September 2013

In the EAMEA[3] area, Vallourec revenues benefited from a strong order book on a growing premium market driven by high advanced premium needs notably in the Middle East, and in deepwater projects where the Group has a leading position thanks to its VAM® 21 and VAM® HP premium connections. The level of orders recorded over the past few months continues to be strong. The qualification of premium products at VSB is being finalized, according to plan.

In Brazil, Vallourec continued to benefit from a good product mix driven by the domestic Oil & Gas offshore market. As announced by the Group during its Investor Day at the end of September, in a context where the Brazilian real weakened significantly during the summer, its major Brazilian customer, 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 tubing (tubes for oil production) and less casing (tubes for the equipment of new wells), temporarily reducing tonnages of OCTG tubes delivered on the domestic market.

Petrochemicals revenues amounted to € 65 million in Q3 2013, down 31.6% year-on-year.
In the first nine months of 2013, Petrochemicals revenues amounted to € 217 million, down 19.6% year-on-year in a very competitive environment, and represented 5% of total consolidated revenues.

Power Generation, Industry & other

Power Generation revenues amounted to € 127 million in Q3 2013, down 8.0% versus Q3 2012. Some projects having been rescheduled over 2014, revenues relating to the equipment of nuclear power plants continued to be affected negatively.
In the first nine months of 2013, Power Generation revenues amounted to € 384 million, down 7.7% year-on-year, representing 10% of total consolidated revenues.

Industry & other revenues amounted to € 262 million in Q3 2013, down 8.1% when compared to Q3 2012. There was no sign of recovery in the industry operations in Europe, with continuous pressure on prices. In Brazil, the level of activity in the automotive market remained dynamic after the recovery experienced earlier in the year. In Q3 2013, iron ore revenues were down compared with Q3 2012. Iron ore contract prices are however expected to be up in Q4 2013 compared to Q4 2012.
In the first nine months of 2013, Industry & other revenues amounted to € 764 million, down 9.4% year-on-year, representing 19% of total revenues compared to 22% in the first nine months of 2012.
For the end of 2013, Vallourec sees no sign of recovery in its activity Industry & other, with the exception of the Brazilian automotive market.

RESULTS

Summary consolidated income statement

In € million	Q3 2013	Q3 2012	Change YoY	Q2 2013	Change QoQ	9M 2013	9M 2012	Change YoY
Sales Volume (k tonnes)	**545**	**525**	***+3.8%***	**543**	***+0.4%***	**1,575**	**1,557**	***+1.2%***
Revenues	**1,379**	**1,334**	***+3.4%***	**1,377**	***+0.1%***	**3,969**	**3,861**	***+2.8%***
Cost of sales[1]	-985	-984	*+0.1%*	-991	*-0.6%*	-2,862	-2,867	*-0.2%*
(as % of revenues)	*71.4%*	*73.8%*	*-2.4pt*	*72.0%*	*-0.6pt*	*72.1%*	*74.3%*	*-2.2pt*
SG&A costs[1]	-139	- 134	*+3.7%*	-140	*-0.7%*	-411	-430	*-4.4%*
(as % of revenues)	*10.1%*	*10.0%*	*+0.1pt*	*10.2%*	*-0.1pt*	*10.4%*	*11.1%*	*-0.7pt*
EBITDA	**240**	**208**	***+15.4%***	**230**	***+4.3%***	**661**	**551**	***+20.0%***
As % of revenues	*17.4%*	*15.6%*	*+1.8pt*	*16.7%*	*+0.7pt*	*16.7%*	*14.3%*	*+2.4pt*
Operating income	**159**	**134**	***+18.7%***	**139**	***+14.4%***	**388**	**333**	***+16.5%***
Net income, Group share	**80**	**62**	***+29.0%***	**62**	***+29.0%***	**177**	**147**	***+20.4%***

(1) *Before depreciation and amortization*

[3] EAMEA: Europe, Africa, Middle East, Asia

Analysis of Q3 2013 Results

Revenues increased by 3.4% versus Q3 2012 to € 1,379 million. The negative currency translation effect (-8%) due to weaker US dollar and Brazilian real versus the Euro together with the lower level of prices in the US Oil & Gas market were more than offset by a positive volume (+4%) and an overall positive product mix effect resulting in particular from a higher proportion of Oil & Gas revenues.

The cost of sales, at 71.4% of revenues in Q3, improved compared to Q3 2012 (73.8% of revenues). The better mix, notably in Brazil and in EAMEA, and the positive effect of the new mills ramp up, were partly offset by the lower level of activity in European Power Generation and Industry markets and by some one-off maintenance works in the European steel mills.
Sales, general and administrative costs (SG&A) amounted to € 139 million, representing a slight increase in value but stable as a percentage of revenues at 10.1%.

EBITDA for Q3 was therefore up € 32 million, or 15.4% year-on-year to € 240 million. Despite lower-margin product mix and lower prices in the USA, EBITDA margin improved by 180 bp to 17.4% of revenues (vs. 15.6% of revenues in Q3 2012) as a result of higher Oil & Gas premium revenues in EAMEA and in Brazil and cost management efficiency.

Analysis of the first nine months of 2013 Results

Revenues amounted to € 3,969 million in the first nine months of 2013, up 2.8% when compared to the first nine months of 2012, reflecting higher volumes and a positive mix effect, which were partly offset by lower OCTG prices in the USA when compared to the same period last year and a negative currency translation effect due to the weakened Brazilian real and US dollar against the Euro.

The cost of sales amounted to € 2,862 million or 72.1% of revenues in the first nine months of 2013, representing a decrease compared to the first nine months of 2012 (74.3% of revenues). This improvement was mainly due to a better mix with a higher proportion of Oil & Gas revenues and continued cost reductions.
The sales, general and administrative costs (SG&A) were down in value and as a percentage of revenues at 10.4% to reach € 411 million.

The EBITDA in the first nine months of 2013 totalled € 661 million, up 20.0% year-on-year. Compared to the first nine months of 2012, the EBITDA margin improved by 240 bp to 16.7% of revenues. Despite lower contribution from the US Oil & Gas market, the improvement in the Group profitability was due to a better sales mix, more favourable hedged rates on deliveries, an efficient cost control and the continuing ramp up of the new mills.

Operating income amounted to € 388 million in the first nine months of 2013, 16.5% above the prior year level. This improvement results from an EBITDA increase partly offset by higher depreciation and amortization (€ +36 million year-on-year) notably in Brazil and in the US.

Financial result amounted to € -76 million year-to-date and slightly increased compared to the same period in 2012, mainly due to a negative exchange result in 2013. Interest expenses decreased year-on-year, as the impact of a higher level of gross debt has been more than offset by a lower average cost of debt.

Net income, Group share amounted to € 177 million, 20.4% above prior year. The effective tax rate reached 35% over the period.

The current weakness of the Brazilian real and the recent weakening of the US dollar against the Euro will have a negative translation impact on the Q4 2013 results.

Cash flow

In € million	Q3 2013	Q3 2012 restated[1]	Q2 2013	9M 2013	9M 2012 restated[1]
Gross cash flow from operations	+204	+164	+170	+504	+368
Change in gross WCR [+ decrease, - increase]	-111	-7	-71	-313	-165
Operating cash flows	**+93**	**+157**	**+99**	**+191**	**+203**
Gross capital expenditure	-119	-153	-100	-317	-494
Financial Investments	-	-	-	-	-
Dividends paid	-7	-7	-52	-59	-182
Asset disposals & other elements	+18	+27	+34	+30	+23
Change in net debt [+decrease, -increase]	**-15**	**+24**	**-19**	**-155**	**-450**
Net debt (end of period)	1,769	1,643	1,754	1,769	1,643

(1) *Figures for the 2012 period have been restated with the impact of the change in method of accounting for actuarial gains and losses on employee benefits (revised standard IAS 19)*

Gross cash flow from operations amounted to € 504 million in the first nine months of 2013 compared to € 368 million in the same period last year. This improvement was largely due to the improved EBITDA.
Over the period, gross working capital requirements increased by € 313 million reflecting notably the ramping up of the new mills.

In the first nine months of 2013, gross capital expenditure amounted to € 317 million, down 35.8% year-on-year as the strategic capex are coming to an end with the completion of Vallourec's major investments. Capex for the full year 2013 are now expected to be around € 600 million, against a previous estimate of € 650 million, thanks to efficient capital expenditures control.
The Group closed, on October 11, 2013, the acquisition of 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, for a total cash amount of around € 21 million, 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.

As of September 30, 2013, total dividends paid by the Group over the first nine months amounted to € 59 million, including € 36.5 million cash outflow for the payment of the dividend by the holding company to its shareholders.

As a result, over the first nine months, net debt increased by € 155 million to reach € 1,769 million at the end of September 30 2013, representing a gearing ratio of 35.2%. Net debt was broadly stable when compared to June 30, 2013 (up € 15 million) and is expected to reach approximately € 1.8 billion at the end of the year.
As of September 30, 2013, Vallourec had close to € 3 billion of committed financings, which included undrawn confirmed credit lines of € 1.6 billion.

OUTLOOK 2013

In 2013, Vallourec continues to target an increase in volume and sales and an improvement in EBITDA margin. This improved performance in the Group's results will, however, be impacted by the current weakness of the Brazilian real, the recent weakening of the US dollar against the Euro and the temporary reduction of OCTG demand in Brazil.

While these temporary factors will also affect the next quarters, Vallourec remains very much focused on strengthening its premium positioning and enhancing its operating efficiency. The Group shall also benefit from its new facilities coming into play after a major investment cycle to take advantage of the dynamic Oil & Gas market over the medium and long term.

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.

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Presentation of Q3 and the first nine months of 2013 results

Thursday 7 November

- Analyst conference call at 6:30 pm (CET) to be held in English.
  To participate in the call, please dial:
  0800 279 4992 (UK), 0805 631 580 (France),
  1877 280 2342 (USA), +44(0)20 3427 1907 (Other countries)
  Conference code: 6368839
- Slides will be available on the website at:
  http://www.vallourec.com/en/finance/investor-relations/
- A replay of the conference call will be available until 14 November 2013.
  To listen to the replay, please dial:
  (0)20 3427 0598 (UK), (0)1 74 20 28 00 (France),
  347 366 9565 (USA), +44(0)20 3427 0598 (Other countries)
  Access code: 6368839

Calendar

02/26/2014	Release of fourth quarter and Full Year 2013 results
05/07/2014	Release of first quarter 2014 results
05/28/2014	Shareholders' General Assembly

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Appendices

Documents accompanying this release:

- Sales volume (k tonnes)
- Sales by geographic region
- Summary consolidated income statement
- Summary consolidated balance sheet

Sales volume

In thousands of tonnes	2013	2012	Change YoY
Q1	487	504	*-3.4%*
Q2	543	528	*+2.8%*
Q3	545	525	*+3.8%*
Q4		535	
Total		**2,092**	

Sales by geographic region

In € million	9M 2013	*As % of revenues*	9M 2012	*As % of revenues*	Change YoY
Europe	758	*19.1%*	876	*22.7%*	*-13.5%*
North America	1,057	*26.6%*	1,125	*29.1%*	*-6.0%*
South America	936	*23.6%*	874	*22.6%*	*+7.1%*
Asia & Middle East	966	*24.3%*	650	*16.8%*	*+48.6%*
Rest of World	252	*6.4%*	336	*8.8%*	*-25.0%*
Total	**3,969**	***100.0%***	**3,861**	***100.0%***	***+2.8%***

Summary consolidated income statement

VALLOUREC *In € million*	Q3 2013	Q3 2012 restated[1]	Change YoY	Q2 2013	Change QoQ	9M 2013	9M 2012 restated[1]	Change YoY
Revenues	**1,379**	1,334	***+3.4%***	1,377	***+0.1%***	**3,969**	3,861	***+2.8%***
Cost of sales[2]	**-985**	-984	*+0.1%*	-991	*-0.6%*	**-2,862**	-2,867	*-0.2%*
SG&A costs[2]	**-139**	-134	*+3.7%*	-140	*-0.7%*	**-411**	-430	*-4.4%*
Other income (expense), net	**-15**	-8		-16		**-35**	-13	
EBITDA	**240**	208	***+15.4%***	230	***+4.3%***	**661**	551	***+20.0%***
EBITDA as % of revenues	*17.4%*	*15.6%*		*16.7%*		*16.7%*	*14.3%*	
Depreciation of industrial assets	**-66**	-57	*+15.8%*	-72	*-8.3%*	**-202**	-166	*+21.7%*
Other (amortization, exceptional items, impairment & restructuring)	**-15**	-17		-19		**-71**	-52	
OPERATING INCOME	**159**	134	***+18.7%***	139	***+14.4%***	**388**	333	***+16.5%***
Financial income[2]	**-26**	-24	*+8.3%*	-22	*+18.2%*	**-76**	-72	*+5.6%*
INCOME BEFORE TAX	**133**	110	***+20.9%***	117	***+13.7%***	**312**	261	***+19.5%***
Income tax[2]	**-45**	-33		-42		**-109**	-78	
Net income of equity affiliates	**2**	-1		-3		**3**	4	
CONSOLIDATED NET INCOME	**90**	76	***+18.4%***	72	***+25.0%***	**206**	187	***+10.2%***
Minority interests	**-10**	-14		-10		**-29**	-40	
NET INCOME, GROUP SHARE	**80**	62	***+29.0%***	62	***+29.0%***	**177**	147	***+20.4%***
EARNING PER SHARE (in €)	**0.6**	0.5		0.5		**1.4**	1.2	

(1) *Figures for the 2012 period have been restated with the impact of the change in method of accounting for actuarial gains and losses on employee benefits (revised standard IAS 19)*
(2) *Before depreciation and amortization*

Summary consolidated balance sheet

VALLOUREC *In € million*					
Assets	30-Sep 2013	31-Dec 2012 restated[1]	Liabilities	30-Sep 2013	31-Dec 2012 restated[1]
			Shareholders' equity	**4,614**	4,729
Intangible assets, net	**215**	224	Minority interests	**410**	415
Goodwill	**501**	511	**Total equity**	**5,024**	**5,144**
Net tangible fixed assets	**4,128**	4,320			
Biological assets	**180**	196	Bank loans and other borrowings	**1,399**	1,410
Investments in equity affiliates	**159**	162	Employee benefits	**207**	215
Other non-current assets	**473**	408	Deferred tax liabilities	**201**	190
Deferred tax assets	**171**	213	Other long-term liabilities	**244**	210
Total non-current assets	**5,827**	**6,034**	**Total non-current liabilities**	**2,051**	**2,025**
Inventories and work-in-progress	**1,646**	1,430	Provisions	**155**	153
Trade and other receivables	**1,043**	969	Overdrafts and other short-term bank borrowings	**987**	750
Derivatives - assets	**75**	59	Trade payables	**794**	678
Other current assets	**373**	203	Derivatives - liabilities	**21**	15
Cash and cash equivalents	**617**	546	Other current liabilities	**549**	476
Total current assets	**3,754**	**3,207**	**Total current liabilities**	**2,506**	**2,072**
TOTAL ASSETS	**9,581**	**9,241**	**TOTAL LIABILITIES**	**9,581**	**9,241**
Net debt	**1,769**	**1,614**	**Net income, Group share**	**177**	**217**

(1) *Figures for the 2012 period have been restated with the impact of the change in method of accounting for actuarial gains and losses on employee benefits (revised standard IAS 19)*

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