

Vallourec's First Quarter 2014 Results

Boulogne-Billancourt (France), 7 May 2014 – Vallourec, world leader in premium tubular solutions, today announces its results for the first quarter of 2014. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board.

FIRST QUARTER 2014 RESULTS:

- Sales of € 1,271 million, up 4.8% year-on-year (up 11.7% at constant exchange rates)
- EBITDA of € 196 million, up 2.6% year-on-year, with a 15.4% EBITDA margin
- Net income, Group share of € 56 million, up 60.0% year-on-year
- Net debt stable at € 1,628 million as of March 31, 2014

KEY FIGURES

<i>In € million</i>	Q1 2014	Q1 2013	Change YoY
Sales	1,271	1,213	+4.8%
EBITDA	196	191	+2.6%
<i>As % of sales</i>	15.4%	15.7%	-0.3pt
Operating profit	109	90	+21.1%
Net income, Group share	56	35	+60.0%
Free Cash Flow¹	36	-99	+€135m

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

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

“We are pleased to report that our first quarter 2014 results are in line with our expectations, with an improved overall financial performance. Indeed, the first quarter sales are up 4.8% (up 11.7% at constant exchange rates), EBITDA is up 2.6% and the net income Group share increased by 60.0%. These figures reflect the growth in our Oil & Gas sales, while Vallourec's other markets did not benefit from noticeable changes.

In light of the continuing strength of the Euro and a less favourable mix expected in the EAMEA region, we have reinforced our cost savings measures. Assuming no significant changes in markets and currencies, Vallourec continues to target stable to moderate increase in sales and EBITDA, and a positive Free Cash Flow generation in 2014.”

Information

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

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

I - CONSOLIDATED SALES BY MARKET

For the first quarter of 2014, Vallourec recorded sales of € 1,271 million, up 4.8% compared with the first quarter of 2013 (up 11.7% at constant exchange rates). Higher volumes (+13.3%) were partly offset by an overall negative price and product mix effect (-1.6%) and a negative currency translation effect (-6.9%) due to the weakened Brazilian real and US dollar against the Euro.

In € million	Q1 2014	Q1 2013	Change YoY
Oil & Gas	822	768	+7.0%
Petrochemicals	66	75	-12.0%
Oil & Gas, Petrochemicals	888	843	+5.3%
% of total sales	69.9%	69.5%	
Power Generation	135	136	-0.7%
% of total sales	10.6%	11.2%	
Industry & Other	248	234	+6.0%
% of total sales	19.5%	19.3%	
Total	1,271	1,213	+4.8%

Oil & Gas, Petrochemicals

For the first quarter of 2014, **Oil & Gas** sales were up 7.0% (up 14.6% at constant exchange rates) compared with the first quarter of 2013, to € 822 million. This increase was primarily driven by a favourable mix in the Middle East, alongside higher volumes in the USA, and despite a lower mix in Brazil. Overall, prices remained broadly stable year-on-year. Oil & Gas sales represented 64.7% of the Group's total consolidated sales.

- **In the USA**, higher volumes are reflecting the commercial success of Vallourec's enlarged offer. As forecasted, the product mix showed an increase of sales of semi-premium and API products. During the first quarter of 2014, the market was supported by a 1.2% year-on-year increase in the average active rig count associated with an increased efficiency.
- **In the EAMEA¹ region**, sales in the first quarter of 2014 significantly increased, benefiting from a particularly strong customer mix, essentially in the Middle East. While the tendering activity in that area remains substantial, the level of bookings in Saudia Arabia has decreased. As an illustration of Vallourec's ability to provide with the most advanced premium tubular solutions, Total has awarded the Group a significant \$ 100 million contract for ML-South Offshore Project in Brunei with deliveries expected to start in the second half of 2015.
- **In Brazil**, as expected, sales decreased in the first quarter of 2014 as they were impacted by the temporary decline in tonnages of OCTG casing tubes delivered to the pre-salt basins and by the negative Brazilian real translation effect. Deliveries of casing tubes to Petrobras will increase as from the second quarter of 2014, earlier than initially anticipated.

For the first quarter of 2014, **Petrochemicals** sales were € 66 million, down 12.0% year-on-year (down 8.0% at constant exchange rates) mainly affected by a very competitive environment. They represented 5.2% of the Group's total consolidated sales.

Power Generation

For the first quarter of 2014, Power Generation sales were € 135 million, stable year-on-year (flat at constant exchange rates), representing 10.6% of the Group's total consolidated sales. Conventional power generation market remained competitive with a lack of new projects.

¹ EAMEA: Europe, Africa, Middle East, Asia

Information

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

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

Industry & Other

For the first quarter of 2014, Industry & Other sales were € 248 million, up 6.0% year-on-year (up 15.4% at constant exchange rates), and represented 19.5% of the Group's total consolidated sales.

- **In Europe**, sales were broadly stable, slightly higher volumes being offset by lower prices. The market environment remains very competitive.
- **In Brazil**, the first quarter of 2014 sales improved year-on-year mainly driven by higher iron ore sales. Over the full year, iron ore prices are expected to be lower than in 2013.

II – FINANCIAL RESULTS

Summary consolidated income statement

In € million	Q1	Q1	Change
	2014	2013	YoY
Sales Volume (k tonnes)	551	487	+13.3%
Sales	1,271	1,213	+4.8%
Industrial margin	330	327	+0.9%
<i>(as % of sales)</i>	<i>26.0%</i>	<i>27.0%</i>	<i>-1pt</i>
SG&A costs ¹	-130	-132	-1.5%
<i>(as % of sales)</i>	<i>10.2%</i>	<i>10.9%</i>	<i>-0.7pt</i>
EBITDA	196	191	+2.6%
<i>As % of sales</i>	<i>15.4%</i>	<i>15.7%</i>	<i>-0.3pt</i>
Operating profit	109	90	+21.1%
Net income, Group share	56	35	+60.0%

(1) Before depreciation and amortization

For the first quarter of 2014, EBITDA was € 196 million, up 2.6% year-on-year. EBITDA margin decreased by 30 bp compared with the first quarter of 2013 to 15.4% of sales.

The robust performance in Oil & Gas operations especially in EAMEA was partly offset by a lower contribution from Brazilian Oil & Gas operations while in the USA, volumes increase was offset by the less favourable product mix and higher costs of raw materials. As a consequence, the industrial margin was flat in absolute value and down by 1 point as a percentage of sales, representing 26.0% of sales.

Sales, general and administrative costs (SG&A) decreased by 1.5% to € 130 million or 10.2% of sales compared with 10.9% in the first quarter of 2013.

Operating profit increased by 21.1% year-on-year to reach € 109 million. This performance was achieved despite a slight increase of depreciation of industrial assets. As a reminder, the first quarter of 2013 included a provision of € 20.6 million accrued for a fraud on international transfers.

For the first quarter of 2014, financial result was negative at -€ 20 million and improved compared with the previous year.

Net income, Group share was € 56 million, up 60.0% versus last year. The effective tax rate was 31.5% in the first quarter of 2014, compared to 35.5% in the first quarter of 2013.

Information

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

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

III – CASH FLOW & FINANCIAL POSITION

<i>In € million</i>	Q1 2014	Q1 2013	Change YoY
Cash flow from operating activities (FFO) (A)	+160	+130	+30
Change in operating WCR (B) [+ decrease, - increase]	-57	-131	+74
Gross capital expenditures (C)	-67	-98	+31
Free Cash Flow¹ (A)+(B)+(C)	+36	-99	+135

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

For the first quarter of 2014, Vallourec generated a positive free cash flow of € 36 million versus -€ 99 million in the first quarter of 2013. This evolution resulted from the following items:

- **Cash flow from operating activities** was up € 30 million in the first quarter of 2014 at € 160 million, largely due to the decrease of income taxes paid.
- **Operating working capital requirement** increased by € 57 million in the first quarter of 2014. Its level as of March 31, 2014 was reduced by 4 points of the annualized first quarter sales compared to the end of March 2013.
- **Gross capital expenditures** stood at € 67 million in the first quarter 2014, down 31.6% year-on-year, reflecting the strict control of capital expenditures. Looking forward, Vallourec continues to target a maximum capital expenditures level of € 500 million in 2014 and € 450 million on average from 2015 onwards.

As of March 31, 2014, net debt reached € 1,628 million, stable versus year-end 2013, with a gearing ratio of 32.0%.

As of March 31, 2014, Vallourec had approximately € 3 billion of committed financings, which included undrawn confirmed credit lines of € 1.7 billion.

As previously announced, Vallourec signed in February 2014 a multi-currency revolving credit facility for € 1.1 billion, maturing in February 2019, plus two one-year extension options, enabling the Group to increase its financial flexibility and to extend the maturity of its financial resources.

Information

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

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

IV - MARKET TRENDS & OUTLOOK 2014

In Oil & Gas, Vallourec targets a further increase in sales.

In EAMEA, the sales shall continue to benefit from a dynamic Middle East market, which will be supplied by the Group's new industrial set-up, combining European mills, VSB and its local finishing units. Nonetheless, based on recent bookings, mix and deliveries in the later part of the year should be less favourable than in 2013. The Middle East market remains the most dynamic area in the EAMEA region and continues to support the medium and long term growth expectations.

In the USA, the Group continues to target higher sales, supported by the recent market developments, associated with an increased share of semi-premium and API products in its portfolio.

In Brazil, deliveries of casing tubes to Petrobras for the pre-salt basins will increase as from the second quarter of 2014 when compared to a low Q1 2014, earlier than initially anticipated. Nevertheless, this does not change full year 2014 expectations for Brazilian Oil & Gas operations of a lower contribution than in 2013.

No change in trends is foreseen in the conventional power generation activity, while sales for nuclear power plants should benefit from the rescheduling of some projects from 2013 to 2014. In Industry & Other, the visibility remains limited due to the still fragile economic recovery.

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

Vallourec is committed to financial discipline and return to shareholders. It will continue to adapt its European cost base, offset inflation on cost through its Capten+ savings program, reduce capital expenditures and tightly manage working capital requirement.

In light of the continuing strength of the Euro and a less favourable mix expected in the EAMEA region, Vallourec has reinforced its cost savings measures. Assuming no significant changes in markets and currencies, Vallourec continues to target stable to moderate increase in sales and EBITDA, and a positive Free Cash Flow generation in 2014.

About Vallourec

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

With over 24,000 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 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, SBF 120 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
Follow us on Twitter @VallourecGroup

Presentation of Q1 2014 results

Wednesday 7 May
2014



- Analyst conference call / audio webcast at 6:00 pm (CET) to be held in English. To participate in the call, please dial: 0800 279 4992 (UK), 0805 631 580 (France), 1 877 280 2296 (USA), +44 (0)20 3427 0503 (Other countries) Conference code: 9937130
- Audio webcast and slides will be available on the website at: <http://www.vallourec.com/EN/GROUP/FINANCE>
- A replay of the conference call will be available until 14 May 2014. To listen to the replay, please dial: 0800 358 7735 (UK), 0800 989 597 (France), 1 866 932 5017 (USA), +44 (0)20 3427 0598 (Other countries) Access code: 9937130

Calendar

05/28/2014	Shareholders' General Assembly
07/30/2014	Release of second quarter and first half 2014 results
11/06/2014	Release of third quarter and first nine months 2014 results

For further information, please contact

Investor relations

Etienne Bertrand
Tel: +33 (0)1 49 09 35 58
etienne.bertrand@vallourec.com

Press relations

Caroline Philips
Tel: +33 (0)1 41 03 77 50
caroline.philips@vallourec.com

Information

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

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

Appendices

Documents accompanying this release:

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

Sales volume

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

na: not applicable

Sales by geographic region

<i>In € million</i>	Q1 2014	As % of sales	Q1 2013	As % of sales	Change YoY
Europe	264	20.8%	258	21.3%	+2.3%
North America	370	29.1%	310	25.6%	+19.4%
South America	256	20.1%	308	25.4%	-16.9%
Asia & Middle East	305	24.0%	247	20.4%	+23.5%
Rest of World	76	6.0%	90	7.3%	-15.6%
Total	1,271	100.0%	1,213	100.0%	+4.8%

Sales by market

<i>In € million</i>	Q1 2014	As % of sales	Q1 2013	As % of sales	Change YoY
Oil & Gas	822	64.7%	768	63.3%	+7.0%
Petrochemicals	66	5.2%	75	6.2%	-12.0%
Power Generation	135	10.6%	136	11.2%	-0.7%
Mechanicals	105	8.3%	104	8.6%	+1.0%
Automotive	53	4.2%	54	4.5%	-1.9%
Construction & Other	90	7.0%	76	6.2%	+18.4%
Total	1,271	100.0%	1,213	100.0%	+4.8%

Information

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

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

Forex

Average exchange rate	Q1 2014	Q1 2013
EUR / USD	1.37	1.32
EUR / BRL	3.24	2.64
USD / BRL	2.37	2.00

Cash flow statement

In € million	Q1 2014	Q1 2013	Q4 2013
Cash flow from operating activities	+160	+130	+205
Change in operating WCR [+ decrease, - increase]	-57	-131	+130
Net cash flows from operating activities	+103	-1	+335
Gross capital expenditures	-67	-98	-250
Financial Investments	-	-	-
Dividends paid	-23	-	-4
Asset disposals & other elements	-10	-22	+57
Change in net debt [+decrease, -increase]	+3	-121	+138
Net debt (end of period)	1,628	1,735	1,631

Information

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

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

Summary consolidated income statement

VALLOUREC <i>In € million</i>	Q1 2014	Q1 2013	Change YoY
SALES	1,271	1,213	+4.8%
Cost of sales ¹	-941	-886	+6.2%
Industrial margin <i>(as % of sales)</i>	330 26.0%	327 27.0%	+0.9% -1pt
SG&A costs ¹	-130	-132	-1.5%
Other income (expense), net	-4	-4	na
EBITDA	196	191	+2.6%
<i>EBITDA as % of sales</i>	15.4%	15.7%	-0.3pt
Depreciation of industrial assets	-71	-64	+10.9%
Other (amortization, exceptional items, impairment & restructuring)	-16	-37	na
OPERATING PROFIT	109	90	+21.1%
Financial income (loss)	-20	-28	-28.6%
PROFIT BEFORE TAX	89	62	+43.5%
Income tax	-28	-22	+27.3%
Net profit of equity affiliates	-	4	na
NET INCOME FOR THE CONSOLIDATED ENTITY	61	44	+38.6%
Non-controlling interests	-5	-9	na
NET INCOME, GROUP SHARE	56	35	+60.0%
EARNINGS PER SHARE (in €)	0.4	0.3	na

(1) Before depreciation and amortization
na: not applicable

Information

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

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

Summary consolidated balance sheet

VALLOUREC					
In € million					
Assets	31-Mar 2014	31-Dec 2013	Liabilities	31-Mar 2014	31-Dec 2013
			Equity, Group share	4,698	4,601
Intangible assets, net	197	206	Non-controlling interests	390	385
Goodwill	495	495	Total equity	5,088	4,986
Net property, plant and equipment	4,167	4,151			
Biological assets	192	178	Bank loans and other borrowings	1,386	1,379
Investments in equity affiliates	172	173	Employee benefits	199	182
Other non-current assets	429	437	Deferred tax liabilities	217	209
Deferred tax assets	192	187	Other long-term liabilities	238	225
Total non-current assets	5,844	5,827	Total non-current liabilities	2,040	1,995
Inventories and work-in-progress	1,530	1,423	Provisions	151	138
Trade and other receivables	989	1,099	Overdrafts and other short-term borrowings	1,161	815
Derivatives - assets	77	92	Trade payables	774	833
Other current assets	322	297	Derivatives - liabilities	13	24
Cash and cash equivalents	919	563	Other current liabilities	454	510
Total current assets	3,837	3,474	Total current liabilities	2,553	2,320
TOTAL ASSETS	9,681	9,301	TOTAL LIABILITIES	9,681	9,301
Net debt	1,628	1,631	Net income, Group share	56	262

Information

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

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