Press Release

April 2015
www.vallourec.com

Vallourec reports first quarter 2015 results

Q1 2015 financial results significantly affected by severe drop in Oil & Gas markets

- Sales at €1,052 million, down 17.2% year-on-year (down 24.2% at constant exchange rates), in line with market trends described at Vallourec's full year results presentation last February
- EBITDA at €53 million, compared to €196 million in Q1 2014

Short-term flexibility levers

- Ongoing implementation of immediate measures to counteract activity reduction

Free cash flow

- Vallourec continues to target a positive free cash flow generation in 2015, despite a likely free cash outflow in H1

Execution of Valens plan on track, process launched aiming at:

- Downsizing European tube capacity by 1/3rd by 2017, compared with 2014
- Searching for a majority partner for the Saint-Saulve French steel mill
- Reducing fixed costs Group-wide

Boulogne-Billancourt (France), 29 April 2015 – Vallourec, world leader in premium tubular solutions, today announces its results for the first quarter 2015. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board on 28 April 2015.

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

"Vallourec is currently facing very difficult market conditions, characterized by major E&P capex cuts by our customers. Q1 2015 was severely affected by a drop in high margin Oil & Gas sales in the EAMEA region, along with a challenging macroeconomic environment in Brazil and depressed iron ore prices. Following the decline in demand, price pressure in the market has intensified for new orders, particularly in North America and for less differentiated products in the EAMEA region.

To mitigate the negative impact of this challenging environment, Vallourec has activated all the short-term flexibility levers available to quickly adapt its mills to a significantly reduced load.

We are fully committed to the rapid implementation of Valens, our two-year competitiveness plan. We are launching the process to structurally reduce our European steel and tube capacity, and our worldwide overhead costs.

Despite this tough cyclical contraction, the long term fundamentals of our industry remain unchanged, and the measures we are taking will reinforce the Group's position as the market returns to normalized conditions.

In these challenging market conditions, Vallourec continues to benefit from a strong liquidity position, and to target a positive free cash flow generation in 2015."

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.

Key figures

In millions of euros	Q1 2015	Q1 2014	Change YoY
Sales Volume (k tonnes)	**412**	**551**	*-25.2%*
Sales	**1,052**	1,271	*-17.2%*
EBITDA	**53**	196	*-73.0%*
As % of sales	*5.0%*	*15.4%*	*-10.4pt*
Operating income (loss)	**(35)**	109	*na*
Net income, Group share	**(76)**	56	*na*
Free cash flow(1)	**(30)**	+36	*-€66m*

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

na: not applicable

I - CONSOLIDATED SALES BY MARKET

In millions of euros	Q1 2015	Q1 2014	Change YoY
Oil & Gas, Petrochemicals	719	888	*-19.0%*
Power Generation	143	135	*+5.9%*
Industry & Other	190	248	*-23.4%*
Total	**1,052**	**1,271**	***-17.2%***

Oil & Gas, Petrochemicals (68.4% of sales)

Oil & Gas sales reached €653 million in Q1 2015, down 20.6% year-on-year (down 29.4% at constant exchange rates).

- **In the USA**, the fall of active rig count by 43.0% over the first quarter, combined with distributors' destocking, is weighing heavily on OCTG demand and prices, and started to impact Q1 2015 sales.
  Q1 2015 sales were down year-on-year in US dollars but up year-on-year in euros. The decrease in volume was offset by a positive price and mix effect, and a positive euro/dollar translation effect. However, compared with Q4 2014, which benefited from the ramp-up of Vallourec's new rolling mill during 2014, Q1 2015 sales were significantly impacted.
  The fall in OCTG demand, which was mitigated in Q1 by the solid end-of-year 2014 backlog, will further affect sales over the next quarters.

- **In the EAMEA[1] region**, sales significantly decreased in Q1 2015 compared with a strong Q1 2014, notably in the Middle-East. Low deliveries over Q1 2015 resulted from the low level of orders recorded since Q2 2014, the postponement or cancellation of projects by IOCs, and the ongoing destocking in Saudi Arabia.

- **In Brazil**, Q1 2015 sales were down year-on-year. Despite the restart of orders following Petrobras' H2 2014 inventories adjustment, sales were lower than Q4 2014 mainly due to the seasonal effect.

Petrochemicals sales reached €66 million in Q1 2015, stable year-on-year (down 10.6% at constant exchange rates).

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

Power Generation (13.6% of sales)

Power Generation sales reached €143 million in Q1 2015, up 5.9% year-on-year (up 3.0% at constant exchange rates).

- The **conventional power generation** market continued to suffer from a highly competitive environment and pricing pressure.
- In **nuclear**, sales were up year-on-year, as activity in Q1 2014 was low due to the postponement of some deliveries.

Industry & Other (18.0% of sales)

Industry & Other sales amounted to €190 million in Q1 2015, down 23.4% year-on-year (down 25.0% at constant exchange rates).

- In **Europe**, volumes were slightly lower year-on-year. A negative price and product mix effect continued to weigh on sales in a competitive environment.
- In **Brazil**, sales continued to suffer from the very weak macroeconomic environment in the region, notably a depressed automotive market, and were down year-on-year. According to ANFIR, the Brazilian Road Implements Association, sales for the domestic heavy vehicles market decreased by more than 50% in Q1 2015 compared with Q1 2014.
  Q1 2015 iron ore sales strongly declined due to lower prices.

II - CONSOLIDATED RESULTS ANALYSIS

EBITDA stood at €53 million in Q1 2015, down 73.0% year-on-year. EBITDA margin was 5.0% of sales in Q1 2015 compared with 15.4% in Q1 2014. This was due to:

- Lower consolidated sales at €1,052 million, down 17.2% (down 24.2% at constant exchange rates) due to a negative volume effect (-25.2%), despite a positive translation effect (+7.0%) and a slightly positive price and product mix effect (+1.0%);
- Lower industrial margin, mainly affected by: (i) the drop in sales, notably high margin Oil & Gas sales in the EAMEA region; (ii) leading to a large under-absorption of fixed manufacturing costs; (iii) despite a good adaptation of variable costs to the reduced level of activity;
- Higher sales, general and administrative costs (SG&A) at €137 million, due to an unfavourable currency translation effect, and an increase in R&D expenses.

Operating loss was -€35 million in Q1 2015, compared with a profit of €109 million in Q1 2014, resulting from lower EBITDA and slightly higher depreciation of industrial assets. The positive impact on depreciation from the adjustment in the carrying value of some assets accounted for at the end of 2014 was more than offset by an unfavourable foreign exchange effect, and by the end of Youngstown mill's ramp-up phase.

For the first quarter of 2015, financial result was negative at -€21 million versus -€20 million in Q1 2014.

The income tax amounted to €17 million in Q1 2015.

Net income, Group share was a loss of €76 million in Q1 2015, compared with a profit of €56 million in Q1 2014.

III - CASH FLOW & FINANCIAL POSITION

Vallourec generated a negative free cash flow of -€30 million in Q1 2015 compared with a positive free cash flow of €36 million in Q1 2014. This was mainly due the EBITDA decline. In Q1 2015, the Group recorded:

- Lower **capital expenditure** at €48 million, representing a decrease of 28.4% compared with Q1 2014, in line with Valens plan targets;
- A stable **operating working capital requirement** in Q1 2015 (+€1 million), compared with an increase of €57 million in Q1 2014.

As at 31 March 2015, Group net debt slightly increased by €56 million to €1,603 million compared with the end of 2014. The gearing ratio was 38.2% compared with 37.1% at the end of 2014.

Vallourec's liquidity position is strong with approximately €3.5 billion committed financings, including €1.7 billion undrawn confirmed credit lines, and no significant repayment until 2017.

IV - VALENS UPDATE

Vallourec is proceeding with the implementation of Valens, its plan aimed at improving the Group's competitiveness through a structural reduction of its cost base over the next two years.

As part of this plan, Vallourec today announces the launch of the process aimed at:

- Streamlining its European tube and steel production units. Vallourec's European tube production capacity would be downsized by a third, taking into account the measures already announced in 2014. Vallourec's overcapacity in steel production would also be addressed by seeking a majority partner for the Saint-Saulve French steel mill;
- Reducing its fixed costs Group-wide.

Together, these measures would lead to a reduction of approximately 2,000 jobs, three quarters of which are in Europe. These reductions would come in addition to those already underway and announced at the Group's annual results last February.

Employee representatives have been informed today of the context and of the Management intention to initiate a consultation in accordance with the Group's culture of social dialogue. This consultation will be aimed at finding solutions which minimize the social impact of the proposed plan and foster the return to work of employees who would be affected.

The implementation of all these measures would enable us to achieve the savings targets set as part of the Valens competitiveness plan, namely €350 million on the basis of 2014 cost base, with a full-year effect in 2017.

V - MARKET TRENDS & OUTLOOK FOR 2015

In the absence of clear indication of stabilization or recovery, Vallourec expects its Oil & Gas deliveries to continue to be impacted throughout 2015 by the cyclical downturn on these markets:

- **In the EAMEA region**, Vallourec expects volumes and product mix to be significantly down in 2015. This is resulting from the low level of orders recorded since Q2 2014, following: (i) the postponement or cancellation of some E&P capex, aggravated by the current oil price weakness; and (ii) the destocking from some customers. In particular, Saudi Aramco is still destocking while maintaining its drilling activity.
  In this context, customers are putting pressure on prices, notably for the less differentiated products.
- **In the USA**, OCTG sales are expected to strongly decline due to the very low level of orders and the increasing price pressure resulting from reduced end-users consumption together with destocking from distributors.
- **In Brazil**, as announced in January, Petrobras should moderately reduce its 2015 drilling activity compared to 2014, while maintaining a strong focus on development in pre-salt basins.

In Europe, the environment for Power Generation and Industry & Other operations remains very competitive. Industry & Other operations in Brazil are expected to continue to suffer from the depressed local macroeconomic environment, and from average iron ore prices significantly lower than in 2014.

The strengthening of the US dollar versus the euro and the Brazilian real will progressively start benefiting the Group, notably in H2 2015.

All flexibility levers available to adapt costs in the short-term are activated. The very low level of activity is nonetheless expected to strongly impact the absorption of fixed costs, and therefore the EBITDA margin.

Vallourec management is implementing Valens, the two-year competitiveness plan, which will significantly reduce the level of costs by 2017. As part of this plan, Vallourec is launching the process aiming at structurally reduce its European steel and tube capacity, and its worldwide overhead costs.

Based on current market conditions and currency trends, and despite a likely free cash outflow in H1, Vallourec continues to target a positive free cash flow generation in 2015.

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 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 SBF 120.

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 Q1 2015 results

Wednesday 29 April 2015

- Analyst conference call / audio webcast at 6:30 pm (Paris time) to be held in English.
  To participate in the call, please dial:
  0800 279 5004 (UK), 0805 631 580 (France),
  1877 280 2296 (USA), +44(0)20 3427 1901 (Other countries)
  Conference code: 2159726
- 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 5 May 2015.
  To listen to the replay, please dial:
  0800 358 7735 (UK), 0800 949 597 (France),
  1866 932 5017 (USA), +44(0)20 3427 0598 (Other countries)
  Access code: 2159726

Information and Forward-Looking Reflections

This press release contains forward-looking reflections and information. By their nature, these reflections and information include financial forecasts and estimates as well as the assumptions on which they are based, statements related to projects, objectives and expectations concerning future operations, products and services or future performance. Although Vallourec's management believes that these forward-looking reflections and information are reasonable, Vallourec cannot guarantee their accuracy or completeness and investors in Vallourec are hereby advised that these forward-looking reflections and information are subject to numerous risks and uncertainties that are difficult to foresee and generally beyond Vallourec's control, which may mean that the actual results and developments differ significantly from those expressed, induced or forecasted in the forward-looking reflections and information. These risks include those developed or identified in the public documents filed by Vallourec with the AMF, including those listed in the "Risk Factors" section of the Registration Document filed with the AMF on 10 April 2015 (N° D.15-0315).

Calendar

28 May 2015	Shareholders' General Assembly, 10:00 am (Paris time), Paris
30 July 2015	Release of second quarter and first half 2015 results

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Appendices

Documents accompanying this release:

- Sales volume
- Forex
- Sales by geographic region
- Sales by market
- Cash flow statement
- Free cash flow
- Summary consolidated income statement
- Summary consolidated balance sheet
- Tube production capacity

Sales volume

In thousands of tonnes	2015	2014	Change YoY
Q1	412	551	*-25.2%*
Q2		583	
Q3		*564*	
Q4		625	
Total	**412**	**2,323**	

Forex

Average exchange rate	Q1 2015	Q1 2014
EUR / USD	**1.13**	1.37
EUR / BRL	**3.22**	3.24
USD / BRL	**2.86**	2.37

Sales by geographic region

In millions of euros	Q1 2015	*As % of sales*	Q1 2014	*As % of sales*	Change YoY
Europe	221	*21.0%*	264	*20.8%*	*-16.3%*
North America	401	*38.1%*	370	*29.1%*	*+8.4%*
South America	181	*17.2%*	256	*20.1%*	*-29.3%*
Asia & Middle East	178	*16.9%*	305	*24.0%*	*-41.6%*
Rest of World	71	*6.8%*	76	*6.0%*	*-6.6%*
Total	**1,052**	***100.0%***	**1,271**	***100.0%***	***-17.2%***

Sales by market

In millions of euros	Q1 2015	*As % of sales*	Q1 2014	*As % of sales*	Change YoY
Oil & Gas	653	*62.1%*	822	*64.7%*	*-20.6%*
Petrochemicals	66	*6.3%*	66	*5.2%*	*+0.0%*
Oil & Gas, Petrochemicals	**719**	***68.4%***	**888**	***69.9%***	***-19.0%***
Power Generation	**143**	***13.6%***	**135**	***10.6%***	***+5.9%***
Mechanicals	99	*9.4%*	105	*8.3%*	*-5.7%*
Automotive	35	*3.3%*	53	*4.2%*	*-34.0%*
Construction & Other	56	*5.3%*	90	*7.0%*	*-37.8%*
Industry & Other	**190**	***18.0%***	**248**	***19.5%***	***-23.4%***
Total	**1,052**	***100.0%***	**1,271**	***100.0%***	***-17.2%***

Cash flow statement

In millions of euros	Q1 2015	Q1 2014	Q4 2014
Cash flow from operating activities	+19	+160	+166
Change in operating WCR *+ decrease, (increase)*	(1)	(57)	+156
Net cash flows from operating activities	**+18**	**+103**	**+322**
Gross capital expenditure	(48)	(67)	(183)
Financial investments	-	-	-
Dividends paid	-	(23)	(21)
Asset disposals & other items	(26)	(10)	(8)
Change in net debt ***+ decrease, (increase)***	**(56)**	**+3**	**+110**
Net debt (end of period)	1,603	1,628	1,547

Free cash flow

In millions of euros	Q1 2015	Q1 2014	Change
Cash flow from operating activities (FFO) (A)	+19	+160	-141
Change in operating WCR (B) *[+ decrease, (increase)]*	(1)	(57)	+56
Gross capital expenditure (C)	(48)	(67)	+19
Free cash flow (A)+(B)+(C)	**(30)**	**+36**	**-66**

Summary consolidated income statement

In millions of euros	Q1 2015[1]	Q1 2014	Change YoY
SALES	**1,052**	1,271	***-17.2%***
Cost of sales[2]	**(858)**	(941)	*-8.8%*
Industrial margin	***194***	*330*	*-41.2%*
(as % of sales)	*18.4%*	*26.0%*	*-7.6pt*
SG&A costs[2]	**(137)**	(130)	*+5.4%*
Other income (expense), net	**(4)**	(4)	*na*
EBITDA	**53**	196	***-73.0%***
EBITDA as % of sales	*5.0%*	*15.4%*	*-10.4pt*
Depreciation of industrial assets	**(76)**	(71)	*+7.0%*
Other (amortization, exceptional items, impairment & restructuring)	**(12)**	(16)	*na*
OPERATING INCOME (LOSS)	**(35)**	109	***na***
Financial income (loss)	**(21)**	(20)	*+5.0%*
PRE- TAX INCOME (LOSS)	**(56)**	89	***na***
Income tax	**(17)**	(28)	***-39.3%***
Share in net income (loss) of associates	**1**	-	*na*
NET INCOME FOR THE CONSOLIDATED ENTITY	**(72)**	61	***na***
Non-controlling interests	**(4)**	(5)	*na*
NET INCOME, GROUP SHARE	**(76)**	56	***na***
EARNINGS PER SHARE (in €)	**-0.6**	0.4	*na*

(1) *As concerns the Amendment to IFRS 11, the impact of its application on the consolidated financial statements as at 31 March 2015 primarily translates to a €29 million drop in sales in consideration for purchases; a €165 million drop in non-current assets, in consideration for other provisions and long-term liabilities, and a drop in trade receivables of €31 million, in consideration for trade payables.*

(2) *Before depreciation and amortization*

na: not applicable

Summary consolidated balance sheet

In millions of euros					
Assets	**31-Mar 2015(1)**	**31-Dec 2014**	**Liabilities**	**31-Mar 2015(1)**	**31-Dec 2014**
			Equity, Group share	**3,715**	3,743
Intangible assets, net	**176**	166	Non-controlling interests	**478**	426
Goodwill	**370**	332	**Total equity**	**4,193**	**4,169**
Net property, plant and equipment	**3,592**	3,523			
Biological assets	**198**	214	Bank loans and other borrowings	**1,776**	1,782
Associates	**199**	184	Employee benefits	**247**	244
Other non-current assets	**278**	435	Deferred tax liabilities	**269**	256
Deferred tax assets	**219**	223	Other long-term liabilities	**60**	229
Total non-current assets	**5,032**	**5,077**	**Total non-current liabilities**	**2,352**	**2,511**
Inventories and work-in-progress	**1,600**	1,490	Provisions	**158**	163
Trade and other receivables	**958**	1,146	Overdrafts and other short-term borrowings	**1,030**	912
Derivatives - assets	**44**	28	Trade payables	**685**	807
Other current assets	**338**	343	Derivatives - liabilities	**343**	173
Cash and cash equivalents	**1,203**	1,147	Other current liabilities	**414**	496
Total current assets	**4,143**	**4,154**	**Total current liabilities**	**2,630**	**2,551**
TOTAL ASSETS	**9,175**	**9,231**	**TOTAL LIABILITIES**	**9,175**	**9,231**
Net debt	**1,603**	**1,547**	**Net income, Group share**	**(76)**	**(924)**
Gearing ratio	**38.2%**	**37.1%**			

(1) *As concerns the Amendment to IFRS 11, the impact of its application on the consolidated financial statements as at 31 March 2015 primarily translates to a €29 million drop in sales in consideration for purchases; a €165 million drop in non-current assets, in consideration for other provisions and long-term liabilities, and a drop in trade receivables of €31 million, in consideration for trade payables.*

Tube production capacity

In thousands of tonnes	**2017 targeted tube production capacity**	**2014 tube production capacity**	**2011 tube production capacity**
USA	750	750	400
Brazil	800	800	500
Europe	900	1,350	1,500
Total	**~2,450**	**~2,900**	**2,400**

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