



Press Release

April 2016
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Update on the Group's operational and financial position

- **Results of the first quarter of 2016**
 - Revenues of €671 million
 - EBITDA¹ expected to be slightly better than in Q4 2015 (€-77 million)
 - Net debt of €1.8 billion as at 31 March 2016
- **2016 targets confirmed**
 - 2016 EBITDA lower than in 2015
 - 2016 free cash flow of approximately €-600 million (assuming a stable working capital requirement)
 - Net debt not exceeding €1.5 billion at the end of the year 2016, after the acquisition of Tianda, the full consolidation of VSB and the proposed capital increase of approximately €1 billion
- **2020 targets announced on 1st February 2016 confirmed**
- **Proposed capital increase**
 - Authorizations submitted for shareholder approval at the Annual Shareholders' Meeting on 6 April 2016

Boulogne-Billancourt (France), 5 April 2016 – On the occasion of its Annual Shareholders' Meeting, Vallourec informs the market of the changes in its financial and operational situation since the beginning of 2016.

Vallourec will release its full Q1-2016 results on 3 May 2016.

Business and financial update

As expected, the Q1 results are impacted by the decrease in volumes, which reached a record low level, notably for the Oil & Gas businesses that continue to evolve in adverse market conditions.

- First quarter consolidated revenues amount to €671 million, down 36% compared with the first quarter 2015. Besides being traditionally weak at the beginning of the year as a result of the restart of activity after the annual shutdowns for maintenance in Europe and summertime closures in Brazil, the business was impacted by a sharp decrease in demand, especially in Oil & Gas markets.
- Comments on the Oil & Gas activity over first quarter:

¹ EBITDA: equals to industrial margin less selling, general and administrative ("SG&A") costs (which includes R&D expenses), and plus or minus certain other income and expenses, in each case before depreciation and amortization charges

- **In the USA**, revenues were down sharply due to low final demand for OCTG and continued inventory reduction by distributors, as a result of the significant decline of the active rig count (-60% compared with the first quarter of 2015). This resulted in persistent pressure on sales prices. As a reminder, first quarter 2015 sales were supported by a strong order book recorded at the end of 2014 with prices stabilized at a good level.
 - **In the EAMEA region**, revenues improved over the first quarter of 2015 due to a favourable mix effect. However bookings remained low, as IOCs postponed a number of projects.
 - **In Brazil**, first quarter 2016 revenues fell sharply compared with the first quarter of 2015, mainly impacted by the decline in drilling activity of Petrobras.
- **Power Generation revenues** were affected by lower deliveries on the conventional power generation market compared with the first quarter of 2015, during which a good level of orders were booked, and by a very low level of deliveries in nuclear during this quarter.
- **Industry & Other revenues** declined in Europe with sharply lower volumes compared with the first quarter of 2015, as well as in Brazil where the recession is affecting all industrial sectors. Meanwhile, bookings picked up in Europe during the first quarter 2016. In Brazil the fall of iron ore prices compared with the first quarter of 2015 significantly impacted revenues from this activity.

On the basis of these consolidated revenues and of estimated operating costs for the quarter, the Group estimates that **EBITDA** for the first quarter of 2016 should be slightly better than €-77 million, which was the level recorded in the fourth quarter of 2015.

Consolidated net debt as at 31 March amounted to €1.8 billion. Beyond the seasonal effect relating to the working capital requirement, which is typically higher at the beginning of the year, the increase in debt during the first quarter is partly due to the deposit in an escrow account of €60 million in relation to the on-going acquisition of Tianda.

2016 and 2020 targets confirmed

After a second quarter which is expected to be better than the first quarter as a consequence of the concentration of orders to be delivered during the second quarter, we continue, at this stage, to anticipate a difficult second half of 2016. In this context, the Group confirms its targets for 2016, namely:

- **EBITDA** lower than in 2015
- **Negative cash flow** of approximately €-600 million (assuming a stable working capital requirement)
- **Net debt** not exceeding €1.5 billion at the end of the year, after the acquisition of Tianda, the full consolidation of VSB and the completion of the proposed capital increase of approximately €1 billion.

Furthermore, the Group is committed to pursuing the strategic initiatives announced on 1st February and confirms its targets for 2020.

Annual Shareholders' Meeting on 6 April 2016

The Annual Shareholders' Meeting dated 6 April has been called to make a decision on the financial delegations enabling the implementation of the proposed share capital increase of approximately €1 billion announced on 1st February 2016. This capital increase will consist of the issuance of mandatory convertible bonds reserved to Bpifrance and Nippon Steel & Sumitomo Metal Corporation (NSSMC) and a share capital increase with shareholders' preferential subscription rights. It will be launched by the Company on the basis of and subject to the approval of the

Shareholders' General Meeting, subject to market conditions and to the approval of the Autorité des marchés financiers (AMF) of the prospectus relating to this transaction.

Bpifrance informed the Company that it holds as of today 10.32% of the share capital and 13.93% of the voting rights. At 31 March 2016, NSSMC held 1.45% of share capital and 2.68% of the voting rights. Taking into account the holding target of 15% of the capital by Bpifrance and 15% by NSSMC, the projected capital increase corresponds to an issuance of mandatory convertible bonds reserved to Bpifrance and NSSMC for an amount of approximately €515 million and a share capital increase with shareholders' preferential subscription rights for an amount of approximately €485 million, of which approximately €57 million should be subscribed by Bpifrance and NSSMC as part of their non-reducible subscriptions.

About Vallourec

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

With over 20,000 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: SBF 120 and Next 150.

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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 17 March 2016 (N° D.16-0141).

Disclaimer

No communication or information relating to the contemplated capital increase discussed in this press release may be distributed to the public in any jurisdiction in which registration or approval is required. No action has been (or will be) undertaken in any jurisdiction outside of France where such steps would be required. The subscription for or purchase of securities of Vallourec may be subject to legal or statutory restrictions in

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Forward-looking statements

This press release includes forward-looking statements relating to the Group's expectations or objectives. These statements are sometimes identified by the use of the future or conditional tense, as well as terms such as "estimate", "believe", "have the objective of", "intend to", "expect", "result in", "should" and other similar expressions. It should be noted that the realization of the expectations or objectives expressed or implied by these forward-looking statements is dependent on circumstances and facts, including those arising in the future, that may be outside of the Group's control. Forward-looking statements and information about objectives may be affected by known and unknown risks, uncertainties and other factors that may significantly alter the future results, performance and accomplishments planned or expected by the Group. These factors may include changes in the Group's economic and commercial situation, its estimates and assumptions, applicable regulations and the risk factors described in Chapter 5 of Vallourec's 2015 Registration Document filed with the AMF under number D.16-0141 on March 16, 2016 and in chapter 2 of the securities note which received visa number 16-073 from the AMF on March 16, 2016.

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Calendar

06 April 2016	Ordinary and extraordinary shareholders' meeting
03 May 2016	Release of first quarter 2016 results
