Press Release

November 2015
www.vallourec.com

Vallourec reports third quarter and first nine months 2015 results

- **Q3 2015 financial results continued to be impacted by tough market conditions:**
  - Revenues at €872 million down 35.1 % year-on-year (down 34.3% at constant exchange rates)
  - EBITDA at -€66 million in Q3 2015, compared to €175 million in Q3 2014
  - Positive free cash flow of €32 million
- **9M 2015 financial results:**
  - Revenues at €2,942 million, down 27.1% year-on-year (down 32.3% at constant exchange rates)
  - EBITDA at €0 million in 9M 2015, compared to €619 million in 9M 2014
  - Positive free cash flow of €35 million in 9M 2015
- **Ongoing measures to adapt to the downturn:**
  - Global staff reduction of 2,500 over the first nine months of 2015, i.e.: approx. 11% of total headcount, including close to 1,700 permanent jobs.
  - Reduction of 13% of SG&A costs in Q3 2015
  - Reduction of €168 million of working capital requirement in Q3 2015
  - Further capital expenditure reduction to stand below €300 million in 2015
- **Outlook:**
  - Further deterioration in Q4 2015 resulting in negative EBITDA in 2015
  - Positive free cash flow generation target maintained for 2015
  - No improvement in market conditions expected in the short term

Boulogne-Billancourt (France), 9 November 2015 – Vallourec, world leader in premium tubular solutions, today announces its results for the third quarter and first nine months of 2015. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board on 9 November 2015.

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

"The adverse market environment we have been facing since the beginning of the year has continued to deteriorate. While the decline in production from mature oil fields and US shale plays will trigger a recovery of E&P investments in the medium term, we do not expect market conditions to improve in the short term.

This environment severely affects our revenues and profitability. Vallourec teams are more committed than ever to adapt. We are vigorously implementing short-term measures, which are proving effective, and Valens, our two-year competitiveness plan, is well on track to reach the €350 million cost reduction target. Our sales and marketing forces are equally mobilized to meet our customers' needs through best-in-class products, competitive offers and innovative solutions which are Vallourec's signature.

We maintain our relentless focus on cash through cost reduction, tight working capital management and strict capex discipline, and reiterate our target to generate positive free cash flow 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

9M 2015	9M 2014	Change YoY	*In millions of euros*	Q3 2015	Q3 2014	Change YoY
1,091	1,698	*-35.7%*	**Sales Volume (k tons)**	**317**	564	*-43.8%*
2,942	4,036	*-27.1%*	**Revenues**	**872**	1,343	*-35.1%*
0	619	*-100.0%*	**EBITDA**	**(66)**	175	*-137.7%*
0.0%	*15.3%*	*-15.3pt*	*As % of revenues*	*-7.6%*	*13.0%*	*-20.6pt*
(393)	345	*-213.9%*	**Operating income (loss)(1)**	**(165)**	80	*-306.3%*
(439)	169	*-359.8%*	**Net income (loss), Group share**	**(164)**	25	*-756.0%*
+35	+135	*-€100m*	**Free cash flow(2)**	**+32**	+98	*-€66m*

(1) *Comprises €(133) million of other charges, including €(120) million of restructuring charges and impairment related to the implementation of Valens*
(2) *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 REVENUES BY MARKET

9M 2015	9M 2014	Change YoY	*In millions of euros*	Q3 2015	Q3 2014	Change YoY
2,021	2,869	*-29.6%*	Oil & Gas, Petrochemicals	582	964	*-39.6%*
402	409	*-1.7%*	Power Generation	149	131	*+13.7%*
519	758	*-31.5%*	Industry & Other	141	248	*-43.1%*
2,942	**4,036**	***-27.1%***	**Total**	**872**	**1,343**	***-35.1%***

For the third quarter of 2015, Vallourec recorded revenues of €872 million, down 35.1% compared with the third quarter of 2014 (down 34.3% at constant exchange rates). The significant decrease in volumes (-43.8%) was slightly offset by a positive price/mix effect (9.5%).

For the first nine months of 2015, Vallourec recorded revenues of €2,942 million, down 27.1% compared with the first nine months of 2014 (down 32.3% at constant exchange rates) mainly resulting from a negative volume effect (-35.7%), in particular for Oil & Gas in EAMEA and in the USA, and despite positive translation (+3.3%) and price/mix (+5.3%) effects.

Oil & Gas, Petrochemicals (68.6% of revenues)

Oil & Gas revenues were €1,864 million in 9M 2015, down 30.1% year-on-year (down 34.8% at constant exchange rates):

- In the **USA**, volumes sold were down over the first nine months, reflecting the fall in the active rig count of 54% along with destocking from distributors. Prices continued to decrease in Q3.
- In the **EAMEA**[1] region, as a result of the postponement of projects by IOCs and of the destocking in Saudi Arabia, volumes and mix were significantly down in 9M 2015 compared with a strong 9M 2014. A few tenders were launched by NOCs in the Middle East during Q3 2015 in a context of intensifying competition leading to acute pressure on prices.
- In **Brazil**, revenues were down year-on-year in 9M 2015 due to lower drilling activity when compared to 2014, despite Q3 2015 benefiting from anticipated deliveries.

Petrochemicals revenues were €157 million in 9M 2015, down 21.9% year-on-year (down 25.4% at constant exchange rates) due to lower demand in a highly competitive environment.

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

Power Generation (13.7% of revenues)

Power Generation revenues amounted to €402 million in 9M 2015, down 1.7% year-on-year (down 5.1% at constant exchange rates):

- **Conventional power generation** revenues were down in a very competitive environment.
- In **nuclear**, revenues were up year-on-year, explained by a favorable comparable in 2014.

Industry & Other (17.7% of revenues)

Industry & Other revenues amounted to €519 million in 9M 2015, down 31.5% year-on-year (down 30.1% at constant exchange rates):

- In **Europe**, revenues were down year-on-year in a very competitive environment. The mining activity remained depressed while the lack of demand in the Oil & Gas industry triggered production shift from some competitors towards Mechanical and Structural applications.

  In **Brazil**, revenues were down year-on-year, strongly impacted by the ongoing deterioration of the macroeconomic environment. Vallourec's activity in the region is affected in particular by the severe downturn in the automotive and construction sectors. 9M 2015 iron ore revenues were significantly down year-on-year, due to the 44% drop in iron ore spot prices compared with 9M 2014.

II - 9M 2015 CONSOLIDATED RESULTS ANALYSIS

For the first nine months of 2015, EBITDA stood at €0 million, down by €619 million year-on-year. This was due to:

- Lower consolidated revenues at €2,942 million, down -27.1% (down -32.3% at constant exchange rates), mainly resulting from a negative volume effect (-35.7%), notably for Oil & Gas in EAMEA and in the USA, and despite positive translation (+3.3%) and price/mix (+5.3%) effects.
- Lower industrial margin at €396 million, down -62.2%. Despite a high adaptation of variable costs, and lower industrial fixed costs, industrial margin was impacted by the inefficiency of low load in the mills.
- Sales, general and administrative costs (SG&A) declined by 13.1% in Q3 2015 to €119 million, and by 6.6% to €383 million for the first nine months of 2015, representing an improvement of €27 million or €35 million at constant exchange rate. This improvement comes from an overall focus on cost reduction, first results of Valens G&A actions, and was achieved despite unfavorable exchange rates and inflation.

Operating result was a loss of €393 million, compared with a profit of €345 million in 9M 2014. This deterioration results mainly from lower EBITDA and €120 million of restructuring charges and impairment related to the implementation of Valens booked in 9M 2015. The depreciation of industrial assets remained broadly stable at €228 million.

For the first nine months of 2015, financial result was negative at -€52 million versus -€41 million in 9M 2014.

The **income tax charge** amounted to €12 million in 9M 2015 compared with €107 million in the first nine months of 2014.

Non-controlling interests were a charge of €19 million in 9M 2015, compared with a profit of €29 million in 9M 2014, mainly explained by the decline in US operations results.

Net result, Group share was a loss of €439 million in 9M 2015, compared with a profit of €169 million in 9M 2014.

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III - CASH FLOW & FINANCIAL POSITION

Vallourec generated a positive free cash flow of €32 million in Q3 2015. Over 9M 2015, positive free cash flow amounted to €35 million, compared with €135 million in 9M 2014. This is primarily explained by:

- Negative **cash flow from operating activities** resulting from the drop in EBITDA;
- A reduction in **operating working capital requirement in 9M 2015** (+€279 million), compared with an increase of €176 million in 9M 2014, mainly driven by inventory reduction linked to activity levels; in Q3 2015 the operating working capital requirement decreased by €168 million in addition to €111 million generated in H1 2015;
- Lower **capital expenditure** at €159 million, compared with €205 million in 9M 2014.

As at 30 September 2015, Group net debt increased by €86 million to €1,633 million compared with the end of 2014 but showing an improvement of +€37 million over Q3 2015.

The **gearing ratio** was 48.3% compared with 37.1% at the end of 2014.

IV - LIQUIDITY PROFILE

As part of its continuous effort to maintain a strong liquidity position, in September 2015 Vallourec extended the maturity of €400 million of committed facilities from July 2017 to July 2019. This successful operation underlies confidence in the credit quality of Vallourec.

At 30 September 2015, Vallourec's liquidity position consists of €600 million of available cash –which exceed the financial short term debt to be repaid– and €1.8 billion of undrawn committed facilities with no amortization until 2017.

Vallourec's gross debt amounts to €2.2 billion of which €1.6 billion is in long term bonds. The next bond repayment will occur in February 2017 for €650 million.

V - SHORT-TERM ADAPTATION AND VALENS PLAN

Over the first nine months of 2015, global staff reduction was 2,500, representing approximately 11% of total headcount, including close to 1,700 permanent jobs.

Action plans have been implemented to adapt the mills' to the reduced activity, and have enabled over 80% of the variable costs (excluding raw materials) associated with the lost volume to be removed.

The Valens plan is well on track with approximately 2/3rd of the 700 initiatives already started notably on manufacturing costs and SG&A. These initiatives, along with an overall focus on cost reduction, contributed to the reduction of industrial fixed costs and of S&GA.
The targeted savings of 10% of added costs, with a full year effect in 2017, is confirmed.

The process to structurally reduce our European steel and tube capacity, and our worldwide overhead costs is being implemented according to plan.

VI - MARKET TRENDS & OUTLOOK

Vallourec expects its Oil & Gas deliveries and results to be impacted by sustained adverse market conditions:

- In the **EAMEA** region, customers have intensified the control of their cash outflows, leading to decreased CAPEX and inventory optimisation with a material impact on demand. As a result, the very weak order inflow since the beginning of the year combined with strong price pressure will lead to low deliveries and weigh on the coming quarters' results, despite the favorable effect of a stronger US dollar.

- In the **USA**, the performance in Q4 2015 should continue to be impacted by low demand and persistent pressure on prices. The ongoing reduction in the active rig count will keep demand low and lead to further destocking from distributors over the next quarters. However, the reductions in US crude production should contribute to a progressive rebalancing in crude oil supply and demand.

- In **Brazil,** due to reduced drilling activity and a phasing of H2 deliveries concentrated in Q3 2015 Vallourec expects its Q4 2015 revenues to be significantly down. On 5 October 2015, Petrobras announced a further reduction of its 2016 E&P investments. This new cut is expected to have a moderate impact on revenues in 2016 thanks to a focus maintained on the development of pre-salt basins. Vallourec anticipates a progressive increase in deliveries no earlier than 2017.

Power Generation activity should remain broadly stable in an increasingly competitive environment, benefiting from sustained bookings in particular in the Chinese conventional market.

Industry & Other operations in Brazil will continue to suffer in Q4 2015 from the deteriorating local macroeconomic environment, while persisting oversupply in the iron ore market will result in significantly lower prices than in 2014.
The market environment for Industry & Other operations in Europe should remain very competitive.

Compared to Q3 2015, the Group expects Q4 2015 results to further deteriorate, being notably affected by the unfavorable phasing of Oil & Gas deliveries in Brazil. For the full year 2015, EBITDA will be negative. The operating working capital requirement will continue to be strongly reduced in Q4 2015, and the capital expenditure will stand below €300 million. The Group continues to target a positive free cash flow generation in 2015.

As the Group does not expect market conditions to improve in the short term, Vallourec teams are more committed than ever to vigorously implementing both short-term adaptation measures and the Valens structural cost reduction program, and promptly delivering on them.

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 in 2014, 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: 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 Q3 / 9M 2015 results

Monday 9 November 2015

- Live presentation followed by a Q&A session with analysts at 6 pm (Paris time) in English.
  To access the slides and listen to the presentation and the Sell-side analysts Q&A session, please connect to the webcast (*live and replay)*:http://edge.media-server.com/m/go/vallourecQ32015

- The slides and audio webcast will also be available on Vallourec's website (*http://www.vallourec.com/EN/GROUP/FINANCE*).

- To listen to the conference call. Please dial:
  0800 279 4992 (UK), 0805 631 579 (FR), 1 877 280 2342 (USA), +44(0)20 3427 1911 (other countries)
  Conference ID: 8417547
  To listen to the replay of the conference call (until 16 November 2015), please dial: 0800 358 7735 (UK), 0800 949 597 (FR), 1 866 932 5017 (USA), +44(0)20 3427 0598 (other countries)
  Access number: 8417547

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

18 February 2016	Release of fourth quarter and full year 2015 results

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Appendices

Documents accompanying this release:

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

Sales volume

In thousands of tons	2015	2014	Change YoY
Q1	412	551	*-25.2%*
Q2	362	583	*-37.9%*
Q3	317	564	*-43.8%*
Q4		625	
Total	**1,091**	**2,323**	

Forex

Average exchange rate	9M 2015	9M 2014
EUR / USD	**1.11**	1.35
EUR / BRL	**3.53**	3.10
USD / BRL	**3.16**	2.29

Revenues by geographic region

In millions of euros	9M 2015	*As % of revenues*	9M 2014	*As % of revenues*	Change YoY
Europe	679	*23.1%*	775	*19.2%*	*-12.4%*
North America	881	*29.9%*	1,250	*31.0%*	*-29.5%*
South America	524	*17.8%*	701	*17.4%*	*-25.2%*
Asia & Middle East	618	*21.0%*	965	*23.9%*	*-36.0%*
Rest of World	240	*8.2%*	345	*8.5%*	*-30.4%*
Total	**2,942**	***100.0%***	**4,036**	***100.0%***	***-27.1%***

Revenues by market

In millions of euros	9M 2015	*As % of revenues*	9M 2014	*As % of revenues*	Change YoY	Q3 2015	Change YoY
Oil & Gas	1,864	63.4%	2,668	*66.1%*	*-30.1%*	533	*-40.1%*
Petrochemicals	157	5.3%	201	*5.0%*	*-21.9%*	49	*-33.8%*
Oil & Gas, Petrochemicals	**2,021**	***68.7%***	**2,869**	***71.1%***	***-29.5%***	**582**	***-39.6%***
Power Generation	**402**	***13.7%***	**409**	***10.1%***	***-1.7%***	**149**	*+13.7%*
Mechanicals	281	*9.5%*	320	*7.9%*	*-12.2%*	77	*-29.4%*
Automotive	90	*3.1%*	151	*3.7%*	*-40.4%*	25	*-45.7%*
Construction & Other	148	*5.0%*	287	*7.2%*	*-48.4%*	39	*-58.1%*
Industry & Other	**519**	***17.6%***	**758**	***18.8%***	***-31.5%***	**141**	***-43.1%***
Total	**2,942**	***100.0%***	**4,036**	***100.0%***	***-27.1%***	**872**	***-35.1%***

Cash flow statement

9M 2015	9M 2014	*In millions of euros*	Q3 2015	Q3 2014	Q2 2015	Q1 2015
(85)	+516	Cash flow from operating activities	(66)	+156	(38)	+19
+279	(176)	Change in operating WCR + *decrease, (increase)*	+168	+9	+112	(1)
+194	**+340**	**Net cash flow from operating activities**	**+102**	**+165**	**+74**	**+18**
(159)	(205)	Gross capital expenditure	(70)	(67)	(41)	(48)
-	-	Financial investments	-	-	-	-
(68)	(142)	Dividends paid	(2)	(6)	(66)	-
(53)	(19)	Asset disposals & other items	7	(10)	(34)	(26)
(86)	**(26)**	**Change in net debt** ***+ decrease, (increase)***	**+37**	**+82**	**(67)**	**(56)**
1,633	1,657	Net debt (end of period)	1,633	1,657	1,670	1,603

Free cash flow

9M 2015	9M 2014	Change	*In millions of euros*	Q3 2015	Q3 2014	Change
(85)	+516	-601	Cash flow from operating activities (FFO) **(A)**	(66)	+156	-222
+279	(176)	+455	Change in operating WCR **(B)** + *decrease, (increase)*	+168	+9	+159
(159)	(205)	+46	Gross capital expenditure **(C)**	(70)	(67)	-3
+35	**+135**	**-100**	**Free cash flow (A)+(B)+(C)**	**+32**	**+98**	**-66**

Information
Quarterly financial statements are unaudited and not subject to any review.
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Summary consolidated income statement

9M 2015[1]	9M 2014	Change YoY	*In millions of euros*	Q3 2015	Q3 2014	Change YoY
2,942	4,036	*-27.1%*	**REVENUES**	**872**	1,343	*-35.1%*
(2,546)	(2,988)	*-14.8%*	Cost of sales[2]	(812)	(1,028)	*-21.0%*
396	*1,048*	*-62.2%*	***Industrial margin***	**60**	*315*	*-81.0%*
13.5%	*26.0%*	*-12.5 pt*	*(as % of revenues)*	*6.9%*	*23.5%*	*-16.6 pt*
(383)	(410)	*-6.6%*	SG&A costs[2]	(119)	(137)	*-13.1%*
(13)	(19)	*na*	Other income (expense), net	(7)	(3)	*na*
0	619	*-100.0%*	**EBITDA**	**(66)**	175	*-137.7%*
0.0%	*15.3%*	*-15.3pt*	*EBITDA as % of revenues*	*-7.6%*	*13.0%*	*-20.6 pt*
(228)	(226)	*+0.9%*	Depreciation of industrial assets	(79)	(78)	*+1.3%*
(165)	(48)	*na*	Other (amortization, exceptional items, impairment & restructuring)	(20)	(17)	*na*
(393)	345	*-213.9%*	**OPERATING INCOME (LOSS)**	**(165)**	80	*-306.3%*
(52)	(41)	*+26.8%*	Financial income (loss)	(15)	(10)	*+50.0%*
(445)	**304**	*-246.4%*	**PRE-TAX INCOME (LOSS)**	**(180)**	70	*-357.1%*
(12)	(107)	*-88.8%*	Income tax	3	(33)	*-109.1%*
(1)	1	*na*	Share in net income (loss) of associates	(1)	1	*na*
(458)	198	*-331.3 %*	**NET INCOME (LOSS) FOR THE CONSOLIDATED ENTITY**	**(178)**	38	*-568.4%*
19	29	*na*	Non-controlling interests	14	(13)	*na*
(439)	169	*-359.8%*	**NET INCOME (LOSS), GROUP SHARE**	**(164)**	25	*-756.0%*
(3.4)	1.3	*na*	**EARNINGS PER SHARE (in €)**	**(1.3)**	0.2	*na*

(1) *As concerns the Amendment to IFRS 11, the impact of its application on the consolidated financial statements as at 30 September 2015 primarily translates to a €85 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 €33 million, in consideration for trade payables.*

(2) *Before depreciation and amortization*

na: not applicable

Summary consolidated balance sheet

In millions of euros					
Assets	30-Sept 2015(1)	31-Dec 2014	Liabilities	30-Sept 2015(1)	31-Dec 2014
			Equity, Group share	2,989	3,743
Net intangible assets	149	166	Non-controlling interests	391	426
Goodwill	357	332	**Total equity**	**3,380**	**4,169**
Net property, plant and equipment	3,243	3,523			
Biological assets	146	214	Bank loans and other borrowings	1,768	1,782
Associates	184	184	Employee benefits	207	244
Other non-current assets	229	435	Deferred tax liabilities	219	256
Deferred tax assets	182	223	Provisions and other long-term liabilities	46	229
Total non-current assets	**4,490**	**5,077**	**Total non-current liabilities**	**2,240**	**2,511**
Inventories and work-in-progress	1,227	1,490	Provisions	250	163
Trade and other receivables	734	1,146	Overdrafts and other short-term borrowings	469	912
Derivatives - assets	24	28	Trade payables	488	807
Other current assets	300	343	Derivatives - liabilities	163	173
Cash and cash equivalents	604	1,147	Tax and other current liabilities	389	496
Total current assets	**2,889**	**4,154**	**Total current liabilities**	**1,759**	**2,551**
TOTAL ASSETS	**7,379**	**9,231**	**TOTAL EQUITY AND LIABILITIES**	**7,379**	**9,231**
Net debt	**1,633**	**1,547**	**Net income (loss), Group share**	**(439)**	**(924)**
Gearing ratio	**48.3%**	**37.1%**			

(1) *As concerns the Amendment to IFRS 11, the impact of its application on the consolidated financial statements as at 30 September 2015 primarily translates to a €85 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 €33 million, in consideration for trade payables.*

Tube production capacity

In thousands of tons	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**