

Letter to shareholders

May 2014



“ 2013 was marked by the improvement of our results. For 2014, Vallourec reaffirms its commitment to financial discipline and shareholders’ return. ”

PHILIPPE CROUZET

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Dear Shareholder,

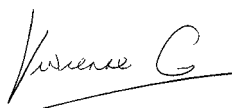
2013 was a year of achievement for Vallourec, with the company meeting key milestones. Financial performance improved, and the company demonstrated flexibility, responsiveness and rigorous performance management. I would like to thank the Management Board and all the employees for their hard work and commitment to the Group, and for the results achieved.

The Management Board has decided to submit for your approval a dividend of €0.81 per share. In line with the improved results, the proposed dividend has increased steadily.

The next Shareholders’ Meeting will be held on May 28, 2014. It is an important time for discussion and sharing between the Company’s management and shareholders. We invite you to take an active part in the decisions of your Group by voting on the proposed resolutions. If you cannot attend the meeting in person, we encourage you vote by proxy or by mail.

Thank you for your trust and loyalty.

VIVIENNE COX
Chairman of the Supervisory Board



Dear Shareholder,


In 2013, after several years of strategic investments, Vallourec benefited from the first effects of the ramping up of our new capacities. We extended our offer of products and services, which enabled us to strengthen our competitive position and capture additional volumes in the Oil & Gas markets, especially in the United States, the Middle East and Brazil.

Our strong positions in key regions, our customer portfolio, our range of products and services and our industrial set-up are assets that will allow us to continue to develop in 2014, particularly in the Oil & Gas sector.

Our performance in safety, quality and sustainable development remain central to our policy of operational excellence.

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

PHILIPPE CROUZET
Chairman of the Management Board



2013 results

Vallourec continued to increase its sales in 2013, thanks to robust activity in the higher-margin Oil & Gas activity. This increase and the strong focus on cost efficiency have enabled the Group to improve its financial performance.

In 2013, Vallourec recorded sales of €5.6 billion, up 4.7% compared with 2012. At constant foreign exchange rates, sales were up 9.8% year-on-year thanks to higher volumes (up 3.2%) and a positive mix effect.

GROWTH OF OIL & GAS SALES

Vallourec's performance was driven by Oil & Gas sales, which rose by 13.5% compared with 2012, a 19.3% increase at constant exchange rates.

In the Middle East, sales rose sharply, driven by high demand for the most sophisticated premium products. In the United States, the new rolling mill brought additional capacity, expanding the supply of small diameter tubes. However, unlike shale gas, drilling for shale oil generates higher demand for semi-premium or standard connections. After a downward adjustment in the first quarter of 2013, prices remained broadly stable throughout the year.

In Brazil, despite the temporary reduction of tube shipments in the fourth quarter, activity was sustained and sales were higher compared to 2012. The long-term agreement signed with Petrobras in 2012 enables Vallourec to offer high value-added products that meet the needs of the Brazilian offshore market.

STRONG EARNINGS GROWTH

EBITDA amounted to €920 million, up 16.8% compared to 2012, for an EBITDA margin of 16.5%, up 1.7 points. This performance is mainly due to an improved sales mix and the ongoing cost control program. Net income, Group share rose 18.6%, to €262 million.

MARKED IMPROVEMENT IN CASH FLOW

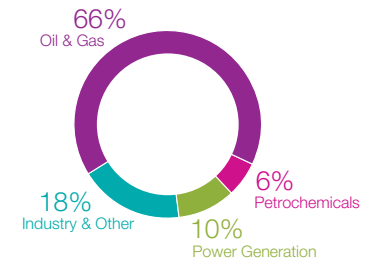
Mainly reflecting improved results and lower industrial capital expenditures, cash flow improved significantly, despite an increase in net working capital, such that the level of net debt remained broadly stable compared to last year.

OUTLOOK

Based on current market and currency trends, and notwithstanding further changes affecting them, Vallourec targets stable to moderate increase in sales and EBITDA, and a positive Free Cash Flow generation in 2014.

Key figures in 2013

Sales by activity (in %)



Sales

+4.7%
(+9.8% at constant exchange rates)
€5,578 million

EBITDA

+16.8%
€920 million

EBITDA margin

(EBITDA/Sales)

+1.7 points
16.5%

Net income, Group share

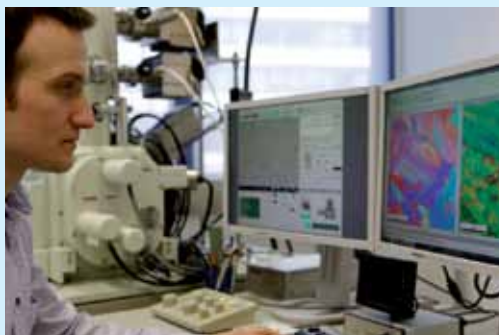
+18.6%
€262 million

Innovation

VAM®: NEW TESTING CAPACITIES IN FRANCE

Vallourec decided to double the capacity of its VAM® connection R&D and test center in Aulnoye-Aymeries, France.

The center – one of three belonging to Vallourec – develops full-scale tests that verify the sealing qualities of VAM® tubes and connections under the most extreme conditions to meet the growing demand among oil companies. The center also focuses on the design of premium threaded connections, the development of proprietary steel grades, and the industrialization of threading lines.



VAM® BOLT

The VAM® BOLT premium connection has met with commercial success, particularly in Africa and the Middle East. With its innovative design, this integral connection for large-diameter casing⁽¹⁾ is particularly suitable for high pressure/high temperature (HP/HT) wells and deepwater offshore applications.

(1) Casing: tubes assembled into a column to strengthen the walls of a new oil or gas well.

Vallourec in the heart of the Middle East

In January 2014, Vallourec inaugurated its new finishing plant in Dammam, Saudi Arabia. This new plant gives the Group a decisive competitive edge in an area where the demand for premium local products and services is significant.



With 48% of global oil reserves and 43% of global gas reserves⁽¹⁾, the Middle East is the number one premium OCTG⁽²⁾ market in the world. Vallourec supports its local customers in developing their Oil & Gas projects by providing the most advanced products (OCTG tubes, VAM[®] connections, line pipe, drill pipes and accessories, petrochemicals) as well as more services with greater flexibility and shorter lead times.

A NEW PREMIUM FINISHING PLANT

To be ever closer to its customers, Vallourec inaugurated in early 2014 its new premium tube finishing plant to equip oil and gas wells in Saudi Arabia. Located in Dammam, the plant provides heat treatment of tubes and threading for the full range of VAM[®] premium connections, with an annual capacity of 100,000 metric tons. Among the most significant recent successes, Vallourec has booked major orders for OCTG tubes and premium threaded connections with Saudi Aramco, the Kingdom's national oil company.

The Group also has an industrial presence in Abu Dhabi in the United Arab Emirates, where it produces drill pipes and accessories.

AN EXTENDED RANGE OF SERVICES FOR OIL & GAS CUSTOMERS

In Abu Dhabi, Vallourec opened its first internal coating plant for drill pipes in 2013, near its drill pipe manufacturing facility. The plastic coating applied at this plant extends the life of drill pipes by protecting them from corrosion. Thanks to this finishing process, the Group can offer ready-to-use premium products locally.

The Group also has sales offices in Jebel Ali, allowing it to offer locally-tailored logistics solutions, particularly as part of the Vallourec Global Solutions offering.

(1) Proven reserves / Source: BP Statistical Review of World Energy 2013
(2) OCTG (Oil Country Tubular Goods): tubes for equipping oil and gas wells

MAJOR ORDER FOR AN OFFSHORE PROJECT IN BRUNEI

In early 2014, Vallourec won a \$100 million contract for the supply of premium pipes and connections for Total's ML-South offshore project in Brunei. The development wells will be in production at a depth of over 5,000 meters in an HP/HT environment.

WHAT IS AN HP/HT FIELD?

Fields operated by oil companies are increasingly complex, with wells up to 7,000 meters deep. At such depths, pressure and temperature levels are extremely high and the environment is highly corrosive. Typical of the North Sea and Asia Pacific, these "high pressure/high temperature" (HP/HT) fields require tubular solutions at the cutting edge of technology. Vallourec develops steel grades enabling the design of thinner and lighter tubes that have greater mechanical engineering properties and exceptional corrosion resistance. Its VAM[®] 21 connection is perfectly suited to this type of environment.



VALINOX NUCLÉAIRE: AROUND THE WORLD FOR THE FIRST TIME

In December 2013 Valinox Nucléaire crossed the 40,000 km milestone of steam generator tubes produced since the Montbard plant (France) was established in 1974. This figure represents 419 steam generators or 1.9 million tubes.

Shareholder information

VALLOUREC CLOSE TO ITS SHAREHOLDERS

SHAREHOLDER MEETING IN MARSEILLE ON DECEMBER 16, 2013

In line with its policy of meeting with individual shareholders, in 2013 Vallourec participated in an informational meeting for individual shareholders in Marseille with three other French players in the oil services sector. Vallourec presented its business review and financial results at this meeting, which was attended by about 300 people. This was followed by discussions between the participants and representatives of the four participating companies.

PROPOSED DIVIDEND FOR 2013

DIVIDEND OF €0.81 PER SHARE PAYABLE IN CASH OR IN SHARES ⁽¹⁾

A dividend of €0.81 per share for the 2013 fiscal year will be proposed to the Shareholders' Meeting of May 28, 2014. This represents a 17.4% increase, in line with the growth of net income, Group share. This dividend corresponds to a payout ratio of 39.6%⁽²⁾. Vallourec's dividend policy is, over the long term, to distribute on average 33% of its consolidated net income, Group share.

Subject to the Shareholders' Meeting approval, shareholders will be able to choose, from June 4 to 17, 2014, between receiving their dividend payment in cash or in new shares issued at a 10% discount. Dividend payment and the delivery of new shares will take place on June 25, 2014.

(1) Dividend submitted to the approval of the Annual Shareholders' Meeting held on May 28, 2014.
 (2) The payout rate calculation is based on the number of shares as at December 31.

VALLOUREC SHARE

Listed on Eurolist by Euronext Paris (compartment A)

Admitted to deferred settlement service

ISIN codes:

Share: FR0000120354 (ticker: VK)

ADR: US 92023R2094 (ticker: VLOWY)

Indices: CAC 40, Euronext 100, SBF 120, MSCI

World Index, Euronext Vigeo France 120,

Euronext Vigeo Europe 20

Market capitalization:

€5.1 billion at March 31, 2014

SHAREHOLDER AGENDA

Financial releases

MAY 7, 2014: Q1 2014 results

JULY 30, 2014: Q2 results and 2014 half-year results

NOVEMBER 6, 2014: Q3 2014 results

Investor and shareholder meetings

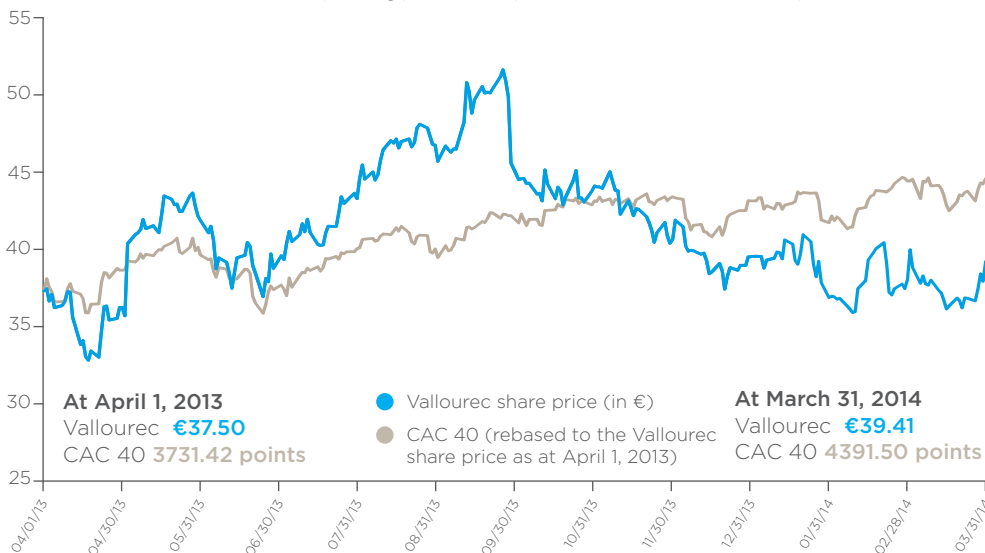
MAY 28, 2014: Annual Shareholders' Meeting

JUNE 12, 2014: Shareholder informational meeting in Lyon (*Village des Actionnaires*)

FALL 2014: Plant visit

DECEMBER 5, 2014: Shareholder informational meeting in Paris

SHARE PRICE PERFORMANCE (Closing price from April 1, 2013 to March 31, 2014)



Key figures

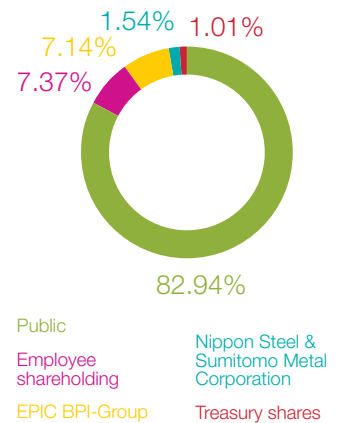
Proposed dividend for fiscal year 2013

€0.81 per share
 +17.4% compared to 2012

Payout ratio

39.6%

Shareholding structure as at December 31, 2013



Number of shares outstanding at December 31, 2013

128,159,600

SHAREHOLDER CONTACT

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