

Letter to shareholders

September 2019



“ The Group is
on the right path
to recovery ”

PHILIPPE CROUZET

Dear Shareholders,

The results for the first half of the year reflect the ongoing recovery of Vallourec. Our revenue was up 14% compared to the first half of 2018, EBITDA continued to rise to €169 million and our free cash flow has improved significantly to reach a positive position in the second quarter of 2019.

The Group has been deeply transformed and has regained competitiveness; Vallourec is now able to fully leverage on the recovery that is already well advanced in the oil and gas markets. This was illustrated through our announcement on September 9 that the Group has won a \$900 million five-year contract with the Abu Dhabi National Oil Company (ADNOC) to supply OCTG pipes and related services. In Brazil, which is entering a new phase of exploration drilling in pre-salt basins, our very strong positions enable us to target a significant upturn in deliveries.

After almost 11 years and three terms of office as Chairman of the Management Board of Vallourec, it is time for me to step aside. During these years, I have given all my energy to this endearing Group, amid a market environment that was heavily impacted by the crisis of 2014, when we saw both oil prices and our clients' investments decline at unprecedented levels in terms of scale and duration. This crisis deeply destabilized the oil-related services sector, to which Vallourec belongs. In this extremely difficult context, together with the Group's employees, we implemented a major transformation plan with the support of our shareholders. The upturn in our results bears witness to its success and the quality of its implementation by Vallourec teams, whose commitment and efficiency were outstanding. I would like to take this opportunity to thank them.

I will be leaving a Group transformed –more competitive and more global – and which is ready to write a new chapter in its history. The Supervisory Board, at its meeting on September 17, appointed Edouard Guinotte, a member of the Executive Committee with responsibility for the Middle East and Asia, to succeed me at the end of my term of office on 15 March 2020, and I am delighted of such a decision.

Thank you for your loyalty and support over these years.

PHILIPPE CROUZET

Chairman of the Management Board

Dear Shareholders,

After three terms as Chairman of the Management Board, Philippe has decided to hand over the reins. During the eleven years he spent at the head of the Group, he has done a great job, facing the worst crisis the oil sector has experienced for decades. Thanks to his courageous decisions, Philippe will leave a group that is now on the right path to recovery.

At the end of a rigorous selection process, the Supervisory Board has chosen to appoint Edouard Guinotte as his replacement. Aged 48, he belongs to a new generation of managers. During his more than twenty years career within Vallourec at varied international job functions, Edouard has acquired in-depth knowledge of the Group and its related strategic issues. He has demonstrated his leadership skills.

Olivier Mallet will continue as a member of the Management Board and as the Group's Chief Financial Officer.

On behalf of the Supervisory Board, I would like to congratulate them both.

Thank you for your trust and loyalty.

VIVIENNE COX

Chairman of the Supervisory Board



“ Edouard Guinotte will
lead Vallourec into a new
phase of development ”

VIVIENNE COX

FINANCIAL CALENDAR

14 NOVEMBER 2019

Sales for Q3 and first nine months
of 2019

19 FEBRUARY 2020

Full-year 2019 results

CONTINUED RECOVERY IN GROUP EARNINGS, DRIVEN BY EA-MEA REGIONS

Over the first half of 2019, revenue totaled €2,109 million, up 14% versus the first half of 2018. The volume effect was +8%, price/mix effect +4% and currency effect +2%. Oil & Gas revenue totaled €1,395 million, an increase of +26% year-over-year. EBITDA reached €169 million, improving by €151 million year-over-year, primarily reflecting higher Oil & Gas activity in the EA-MEA regions and a higher contribution from mining operations.

Free cash flow for H1 2019 was negative at (€143) million, but turned positive at €16 million in Q2 2019, due to higher EBITDA and an improved performance in working capital management. In terms of days of revenue, it improved year-over-year, in line with our objectives. As at June 30, 2019, net debt amounted to €2,111 million; the Company benefits from a sound liquidity position.

ADDITIONAL COST SAVINGS

In H1 2019, €48 million of gross savings were achieved, contributing to an objective of at least €200 million in cost reductions by 2020.

VALLOUREC AT THE ACTIONARIA FAIR (PARIS, PORTE MAILLOT)

On November 21 and 22, the Investor Relations team looks forward to meeting you and discussing the Group's activities, expertise, strategy and the market environment. You will also be able to talk to technical experts regarding products and solutions developed by the Group.

Save The date Olivier Mallet, Chief Financial Officer and General Counsel and Member of the Management Board will participate in: "10 minutes pour convaincre", Thursday, November 21, 5.45 PM (CET).



Dates and opening hours:

Thursday, November 21, 2019:
from 1 PM to 9 PM

Friday, November 22, 2019:
from 9.30 AM to 7 PM

Address:

Palais des Congrès de Paris,
2 Place de la Porte Maillot 75017 Paris.
Vallourec stand: B21

To receive a free invitation by email or by post, contact us at actionnaires@vallourec.com

IRON ORE MINE EXPANSION PROJECT

In Q2 2019, Vallourec was granted the required license from the Minas Gerais authorities for the construction of a new processing unit. The Group should finalize the investment approval process in the coming months.

The project aims to increase the capacity of iron ore production to around 8.5 million tons per year from 2022. As a reminder, the mine sells the main part of its production to the local market and supplies Vallourec's blast furnace and pellet plant located in Jeceaba, Minas Gerais.

2019 OUTLOOK PUBLISHED ON JULY 24, 2019

Based on current economic and market trends, for 2019 the Group confirms the upturn in its Oil & Gas activity, primarily driven by international markets and the following targets: a marked increase in EBITDA, supported by market trends, additional savings as well as ongoing deployment from the Group's new competitive manufacturing routes; the continuous improvement in working capital requirement, beyond usual seasonal movements, with a diminishing number of days of working capital requirement on both a quarterly average and end of year; capex in the region of €180 million, consistent with the needs of its renewed industrial footprint.

Based on current market trends and on the objectives outlined above, the Group is expected to meet its banking covenant at the end of the year.

GOVERNANCE

At its meeting on September 17, 2019, under the chairmanship of Vivienne Cox, Vallourec's Supervisory Board has selected Edouard Guinotte to succeed Philippe Crouzet as a member and Chairman of the Management Board, whose term of office is to expire on March 15, 2020. Aged 48, Edouard Guinotte is a graduate of the Ecole des Mines de Paris. He joined Vallourec in 1995 and has spent his entire career with the Group, holding various positions in various countries, notably in Mexico and USA. He became a member of the Executive Committee in 2017 with responsibility for the Middle East and Asia.



In figures H1 2019

Sales volume

1.2 mt

+8% vs. H1 2018

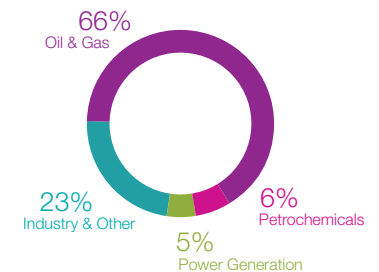
Revenue

€2,109 million

+14% vs. H1 2018

(+12% at constant exchange rates)

Revenue breakdown



EBITDA

€169 million

+€151m vs. H1 2018

Net result, Group share

-€167 million

+€140m vs. H1 2018

Net debt as of June 30, 2019

€2.1 billion

SHAREHOLDER CONTACT

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