
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____**

Commission file number: 001-35479

MRC GLOBAL INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-5956993
(I.R.S. Employer
Identification No.)

2 Houston Center, 909 Fannin, Suite 3100

Houston, Texas

(Address of Principal Executive Offices)

77010
(Zip Code)

(877) 294-7574
(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes[X] No[]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [] Non-accelerated filer [] Smaller reporting company []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [] No [X]

The Company's common stock is traded on the New York Stock Exchange under the symbol "MRC". There were 101,753,498 shares of the registrant's common stock, par value \$0.01 per share, issued and outstanding as of October 25, 2013.

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

MRC GLOBAL INC.

(In thousands, except per share amounts)

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash	\$ 33,439	\$ 37,090
Accounts receivable, net	841,545	823,236
Inventories, net	929,529	970,228
Other current assets	31,954	20,020
Total current assets	1,836,467	1,850,574
Other assets	33,357	37,031
Property, plant and equipment, net	118,445	122,458
Intangible assets:		
Goodwill, net	623,714	610,392
Other intangible assets, net	711,574	749,272
	\$ 3,323,557	\$ 3,369,727
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 498,797	\$ 438,344
Accrued expenses and other current liabilities	121,874	125,599
Deferred income taxes	82,813	79,661
Current portion of long-term debt	6,500	6,500
Total current liabilities	709,984	650,104
Long-term obligations:		
Long-term debt, net	1,037,264	1,250,089
Deferred income taxes	241,090	261,448
Other liabilities	18,659	22,164
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value per share: 500,000 shares authorized, 101,745 and 101,563 issued and outstanding, respectively	1,017	1,016
Preferred stock, \$0.01 par value per share; 100,000 shares authorized, no shares issued and outstanding	-	-
Additional paid-in capital	1,637,003	1,625,900
Retained deficit	(290,038)	(418,830)
Accumulated other comprehensive loss	(31,422)	(22,164)
	1,316,560	1,185,922
	\$ 3,323,557	\$ 3,369,727

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

MRC GLOBAL INC.

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Sales	\$ 1,313,711	\$ 1,451,114	\$ 3,886,589	\$ 4,264,125
Cost of sales	1,075,418	1,173,916	3,157,792	3,508,686
Gross profit	238,293	277,198	728,797	755,439
Selling, general and administrative expenses	160,910	154,955	475,642	452,528
Operating income	77,383	122,243	253,155	302,911
Other income (expense):				
Interest expense	(15,463)	(28,177)	(45,988)	(92,621)
Loss on early extinguishment of debt	-	(10,322)	-	(21,746)
Write off of debt issuance costs	-	-	-	(1,685)
Change in fair value of derivative instruments	(1,828)	845	589	1,770
Other, net	(87)	1,232	(13,471)	3,554
Income before income taxes	60,005	85,821	194,285	192,183
Income tax expense	21,248	30,280	65,493	67,783
Net income	\$ 38,757	\$ 55,541	\$ 128,792	\$ 124,400
Basic earnings per common share	\$ 0.38	\$ 0.55	\$ 1.27	\$ 1.31
Diluted earnings per common share	\$ 0.38	\$ 0.54	\$ 1.26	\$ 1.31
Weighted-average common shares, basic	101,715	101,490	101,673	94,768
Weighted-average common shares, diluted	102,393	102,029	102,455	95,185

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

MRC GLOBAL INC.

(In thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net income	\$ 38,757	\$ 55,541	\$ 128,792	\$ 124,400
Other comprehensive income (loss) before tax -				
Foreign currency translation adjustments	12,550	13,049	(9,944)	3,549
Income tax benefit (expense) related to components of other comprehensive income	(437)	(898)	686	(654)
Total other comprehensive income (loss), net of tax	12,113	12,151	(9,258)	2,895
Comprehensive income	\$ 50,870	\$ 67,692	\$ 119,534	\$ 127,295

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

MRC GLOBAL INC.

(In thousands)

	Nine Months Ended	
	September 30, 2013	September 30, 2012
Operating activities		
Net income	\$ 128,792	\$ 124,400
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	16,782	13,180
Amortization of intangibles	39,128	37,184
Equity-based compensation expense	8,602	5,859
Deferred income tax benefit	(16,747)	(3,463)
Amortization of debt issuance costs	4,376	7,088
Write off of debt issuance costs	-	1,685
Loss on early extinguishment of debt	-	21,746
(Decrease) increase in LIFO reserve	(21,247)	3,080
Change in fair value of derivative instruments	(589)	(1,770)
Provision for uncollectible accounts	(355)	3,936
Foreign currency losses	11,993	(520)
Other non-cash items	(133)	5,738
Changes in operating assets and liabilities:		
Accounts receivable	(25,448)	(105,234)
Inventories	48,026	(78,889)
Income taxes payable	(815)	5,867
Other current assets	(11,961)	(5,836)
Accounts payable	64,849	9,562
Accrued expenses and other current liabilities	(3,878)	22,154
Net cash provided by operations	241,375	65,767
Investing activities		
Purchases of property, plant and equipment	(14,902)	(21,002)
Proceeds from the disposition of property, plant and equipment	4,025	2,451
Acquisitions, net of cash acquired	(21,909)	(89,893)
Other investment and notes receivable transactions	(2,116)	(3,979)
Net cash used in investing activities	(34,902)	(112,423)
Financing activities		
Proceeds from the sale of common stock	-	333,342
Payments on revolving credit facilities	(1,534,095)	(1,801,675)
Proceeds from revolving credit facilities	1,328,296	1,755,456
Purchase of senior secured notes	-	(205,003)
Payments on long-term obligations	(4,875)	(31,456)
Debt issuance costs paid	(189)	(7,930)
Proceeds from exercise of stock options	2,230	51
Tax benefit on stock options	302	422
Other financing activities	(6)	-
Net cash (used in) provided by financing activities	(208,337)	43,207
Decrease in cash	(1,864)	(3,449)
Effect of foreign exchange rate on cash	(1,787)	(5,839)
Cash -- beginning of period	37,090	46,127
Cash -- end of period	\$ 33,439	\$ 36,839
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 41,566	\$ 64,368
Cash paid for income taxes	\$ 82,589	\$ 66,190

See notes to condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MRC GLOBAL INC.

NOTE 1 – BACKGROUND AND BASIS OF PRESENTATION

Business Operations: MRC Global Inc. is a holding company headquartered in Houston, Texas. Our wholly owned subsidiaries, McJunkin Red Man Corporation and its subsidiaries, are global distributors of pipe, valves, fittings (“PVF”) and related products and services to the energy and industrial sectors, across each of the upstream (exploration, production and extraction of underground oil and gas), midstream (gathering and transmission of oil and gas, gas utilities and the storage and distribution of oil and gas) and downstream (crude oil refining, petrochemical processing and general industrials) sectors. We have branches in principal industrial, hydrocarbon producing and refining areas throughout the United States, Canada, Europe, Asia and Australasia. Our products are obtained from a broad range of suppliers.

Basis of Presentation: We have prepared our unaudited condensed consolidated financial statements in accordance with Rule 10-01 of Regulation S-X for interim financial statements. These statements do not include all information and footnotes that generally accepted accounting principles require for complete annual financial statements. However, the information in these statements reflects all normal recurring adjustments which are, in our opinion, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the results that will be realized for the fiscal year ending December 31, 2013. We have derived our condensed consolidated balance sheet as of December 31, 2012 from the audited consolidated financial statements for the year ended December 31, 2012. You should read these condensed consolidated financial statements in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2012.

The consolidated financial statements include the accounts of MRC Global Inc. and its wholly owned and majority owned subsidiaries (collectively referred to as the “Company” or by such terms as “we,” “our” or “us”). All material intercompany balances and transactions have been eliminated in consolidation.

Recently Issued Accounting Standards: In February 2013, the Financial Accounting Standards Board (“FASB”) issued Standards Update No. 2013-05, Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05), which specifies that a cumulative translation adjustment (“CTA”) should be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For sales of an equity method investment that is a foreign entity, a pro rata portion of CTA attributable to the investment would be recognized in earnings upon sale of the investment. When an entity sells either a part or all of its investment in a consolidated foreign entity, CTA would be recognized in earnings only if the sale results in the parent no longer having a controlling financial interest in the foreign entity. CTA would be recognized in earnings in a business combination achieved in stages. ASU 2013-05 will be effective for us prospectively in 2014. We do not expect this update to have a material impact on our financial statements.

In July 2013, the FASB issued Standards Update No. 2013-11, Income Taxes (Topic 740), Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The objective of this update is to eliminate the diversity in practice in the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Under this guidance, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, except in certain circumstances. This update does not require any new disclosures and is effective for annual and interim periods beginning after December 31, 2013. The amendments in this update will be applied prospectively to all unrecognized tax benefits that exist at the effective date. We do not expect this update to have a material impact on our financial statements.

NOTE 2 – ACQUISITION

On July 1, 2013, we completed the acquisition of Dan H. Brown Inc., d/b/a Flow Control Products (“Flow Control”). Flow Control is a leading provider in pneumatic and electro-hydraulic valve automation packages and related field support to the Permian Basin. The total purchase price was \$24 million subject to customary holdback amounts and

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working capital adjustments. Pro forma financial information has not been provided as this acquisition is not material to our consolidated financial statements.

NOTE 3 – INVENTORIES

The composition of our inventory is as follows (in thousands):

	September 30, 2013	December 31, 2012
Finished goods inventory at average cost:		
Energy carbon steel tubular products	\$ 361,925	\$ 387,609
Valves, fittings, flanges and all other products	<u>718,854</u>	<u>752,630</u>
	1,080,779	1,140,239
Less: Excess of average cost over LIFO cost (LIFO reserve)	(129,735)	(150,982)
Less: Other inventory reserves	<u>(21,515)</u>	<u>(19,029)</u>
	\$ 929,529	\$ 970,228

NOTE 4 – LONG-TERM DEBT

The components of our long-term debt are as follows (in thousands):

	September 30, 2013	December 31, 2012
Senior Secured Term Loan B, net of discount of \$5,649 and \$6,345	\$ 637,851	\$ 642,030
Global ABL Facility	405,732	608,006
Other	<u>181</u>	<u>6,553</u>
	1,043,764	1,256,589
Less current portion	6,500	6,500
	\$ 1,037,264	\$ 1,250,089

Senior Secured Term Loan B: We have a \$650 million seven-year Senior Secured Term Loan B (the “Term Loan”) which amortizes in equal quarterly installments of 1% per year with the balance payable in November 2019 when the facility matures. Subject to securing additional lender commitments, the Term Loan allows for incremental increases in facility size above \$650 million up to an aggregate of \$200 million, plus an additional amount such that the Company’s senior secured leverage ratio (as defined under the Term Loan) would not exceed 3.50 to 1.00. This facility is guaranteed by us as well as all of our wholly owned U.S. subsidiaries. In addition, it is secured by a second lien on those assets securing our Global ABL Facility (which includes accounts receivable, inventory and related assets) and a first lien on substantially all of our other assets and those of our U.S. subsidiaries, as well as a pledge of all of the capital stock of our domestic subsidiaries and 65% of the capital stock of first tier, non-U.S. subsidiaries. We are required to repay the Term Loan with certain asset sales and insurance proceeds, certain debt proceeds and 50% of excess cash flow (reducing to 25% if our senior secured leverage ratio is no more than 2.75 to 1.00 and 0% if our senior secured leverage ratio is no more than 2.50 to 1.00). In addition, the Term Loan contains a number of customary restrictive covenants.

The interest rate for the Term Loan, including the amortization of original issue discount, was 6.14% and 6.39% as of September 30, 2013 and December 31, 2012, respectively.

Global ABL Facility: We have a \$1.25 billion multi-currency global asset-based revolving credit facility (the “Global ABL Facility”) that matures in March 2017. This facility is comprised of \$977 million in revolver commitments in the United States, \$170 million in Canada, \$12 million in the United Kingdom, \$75 million in Australia, \$9 million in the Netherlands and \$7 million in Belgium. It contains an accordion feature that allows us to increase the principal amount of the facility by up to \$300 million, subject to securing additional lender commitments.

We and each of our current and future wholly owned material U.S. subsidiaries guarantee the obligations of our borrower subsidiaries under the Global ABL Facility. Additionally, each of our non-U.S. borrower subsidiaries

guarantees the obligations of our other non-U.S. borrower subsidiaries under the Global ABL Facility. Outstanding obligations are generally secured by a first priority security interest in accounts receivable, inventory and related assets.

The interest rate for the Global ABL Facility was 2.10% and 2.21% as of September 30, 2013 and December 31, 2012, respectively. Availability under our Global ABL Facility was \$573 million as of September 30, 2013.

NOTE 5 – STOCKHOLDERS’ EQUITY

Stock Options and Restricted Stock

Our 2011 Omnibus Incentive Plan has 3,250,000 shares reserved for issuance pursuant to the plan. The plan permits the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other stock-based and cash-based awards. Since the adoption of the 2011 Omnibus Incentive Plan, the Company’s Board of Directors has periodically granted stock options and restricted stock to directors and employees, but no other types of awards have been granted under the plan. Options and stock appreciation rights may not be granted at prices less than their fair market value on the date of the grant, nor for a term exceeding ten years. For employees, vesting generally occurs over a four or five year period on the anniversaries of the date specified in the employees’ respective agreements, subject to accelerated vesting under certain circumstances set forth in the option agreements. Vesting for directors generally occurs in one year. In March 2013, 641,294 stock options and 87,914 shares of restricted stock were issued to employees. In May 2013, 71,878 stock options and 9,413 shares of restricted stock were issued to members of our Board of Directors. During the third quarter of 2013, an additional 13,574 and 1,836 stock options and shares of restricted stock were issued to employees and members of our Board of Directors. To date, 1,891,670 shares have been granted to management, members of our Board of Directors and key employees under this plan. We expense the fair value of the stock option grants on a straight-line basis over the vesting period. A Black-Scholes option-pricing model is used to estimate the fair value of the stock options.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss in the accompanying consolidated balance sheets consists of the following (in thousands):

	September 30, 2013	December 31, 2012
Currency translation adjustments	\$ (31,087)	\$ (21,829)
Pension related adjustments	(335)	(335)
Accumulated other comprehensive loss	\$ (31,422)	\$ (22,164)

Earnings per Share

Earnings per share are calculated in the table below (in thousands, except per share amounts).

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net income	\$ 38,757	\$ 55,541	\$ 128,792	\$ 124,400
Average basic shares outstanding	101,715	101,490	101,673	94,768
Effect of dilutive securities	678	539	782	417
Average diluted shares outstanding	102,393	102,029	102,455	95,185
Net income per share:				
Basic	\$ 0.38	\$ 0.55	\$ 1.27	\$ 1.31
Diluted	\$ 0.38	\$ 0.54	\$ 1.26	\$ 1.31

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Stock options and shares of restricted stock are disregarded in this calculation if they are determined to be anti-dilutive. For the three and nine months ended September 30, 2013, we had approximately 1.2 million and 0.6 million anti-dilutive stock options, respectively. For the three and nine months ended September 30, 2012, we had approximately 1.8 million and 2.3 million anti-dilutive stock options, respectively. There was no anti-dilutive restricted stock for the three and nine months ended September 30, 2013 and 2012.

NOTE 6 – SEGMENT INFORMATION

We operate as three business segments, U.S., Canada and International. Our International segment consists of our operations outside of the U.S. and Canada, principally Europe, Asia and Australasia. These segments represent our business of selling PVF and related products and services to the energy and industrial sectors, across each of the upstream (exploration, production and extraction of underground oil and gas), midstream (gathering and transmission of oil and gas, gas utilities, and the storage and distribution of oil and gas) and downstream (crude oil refining, petrochemical processing and general industrials) sectors.

The following table presents financial information for each segment (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Sales				
U.S.	\$ 1,015.0	\$ 1,111.9	\$ 2,955.8	\$ 3,284.2
Canada	162.1	185.6	520.1	553.3
International	136.6	153.6	410.7	426.6
Consolidated	\$ 1,313.7	\$ 1,451.1	\$ 3,886.6	\$ 4,264.1
Operating income				
U.S.	\$ 72.9	\$ 108.5	\$ 229.8	\$ 265.1
Canada	3.2	5.7	14.6	17.5
International	1.3	8.0	8.8	20.3
Consolidated	77.4	122.2	253.2	302.9
Interest expense	(15.5)	(28.2)	(46.0)	(92.6)
Other, net	(1.9)	(8.2)	(12.9)	(18.1)
Income before income taxes	\$ 60.0	\$ 85.8	\$ 194.3	\$ 192.2
Total assets				
U.S.			\$ 2,753.0	\$ 2,732.4
Canada			187.9	249.1
International			382.6	388.2
Total assets			\$ 3,323.5	\$ 3,369.7

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Our sales by product line are as follows (in thousands):

Type	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Energy carbon steel tubular products:				
Line pipe	\$ 278,460	\$ 294,599	\$ 771,230	\$ 879,305
Oil country tubular goods (OCTG)	105,500	186,367	345,139	600,955
	\$ 383,960	\$ 480,966	\$ 1,116,369	\$ 1,480,260
Valves, fittings, flanges and other products:				
Valves and specialty products	\$ 355,726	\$ 373,512	\$ 1,071,205	\$ 1,073,435
Carbon steel fittings and flanges and stainless steel and alloy pipe and fittings	286,732	311,162	869,995	887,678
Other	287,293	285,474	829,020	822,752
	\$ 929,751	\$ 970,148	\$ 2,770,220	\$ 2,783,865

NOTE 7 – FAIR VALUE MEASUREMENTS

From time to time, we use derivative financial instruments to help manage our exposure to interest rate risk and fluctuations in foreign currencies. All of our derivative instruments are freestanding and, accordingly, changes in their fair market value are recorded in earnings. As of September 30, 2013, we do not have any interest rate swap agreements. Foreign exchange forward contracts are reported at fair value utilizing Level 2 inputs, as the fair value is based on broker quotes for the same or similar derivative instruments. The total notional amount of our forward foreign exchange contracts was approximately \$48 million and \$69 million at September 30, 2013 and December 31, 2012, respectively. We had approximately \$0 and \$3,000 recorded as assets on our consolidated balance sheets as of September 30, 2013 and December 31, 2012, respectively.

With the exception of long-term debt, the fair values of our financial instruments, including cash and cash equivalents, accounts receivable, trade accounts payable and accrued liabilities approximate carrying value. The carrying value of our debt was \$1.044 billion and \$1.257 billion at September 30, 2013 and December 31, 2012, respectively. We estimate the fair value of the Term Loan using Level 2 inputs, or quoted market prices. The fair value of our debt was \$1.051 billion and \$1.261 billion at September 30, 2013 and December 31, 2012, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Litigation

Asbestos Claims. We are one of many defendants in lawsuits that plaintiffs have brought seeking damages for personal injuries that exposure to asbestos allegedly caused. Plaintiffs and their family members have brought these lawsuits against a large volume of defendant entities as a result of the defendants' manufacture, distribution, supply or other involvement with asbestos, asbestos containing-products or equipment or activities that allegedly caused plaintiffs to be exposed to asbestos. These plaintiffs typically assert exposure to asbestos as a consequence of third-party manufactured products that MRC purportedly distributed. As of September 30, 2013, we are named a defendant in approximately 282 lawsuits involving approximately 934 claims. No asbestos lawsuit has resulted in a judgment against us to date, with a majority being settled, dismissed or otherwise resolved. Applicable third-party insurance has substantially covered these claims, and insurance should continue to cover a substantial majority of existing and anticipated future claims. Accordingly, we have recorded a liability for our estimate of the most likely settlement of asserted claims and a related receivable from insurers for our estimated recovery, to the extent we believe that the amounts of recovery are probable. It is not possible to predict the outcome of these claims and proceedings. However, in our opinion, there are no pending legal proceedings that are likely to have a material adverse effect on our consolidated financial statements.

Other Legal Claims and Proceedings. From time to time, we have been subject to various claims and involved in legal proceedings incidental to the nature of our businesses. We maintain insurance coverage to reduce financial risk associated with certain of these claims and proceedings. It is not possible to predict the outcome of these claims and

proceedings. However, in our opinion, there are no pending legal proceedings that are likely to have a material adverse effect on our consolidated financial statements.

Product Claims. From time to time, in the ordinary course of our business, our customers may claim that the products that we distribute are either defective or require repair or replacement under warranties that either we or the manufacturer may provide to the customer. These proceedings are, in the opinion of management, ordinary and routine matters incidental to our normal business. Our purchase orders with our suppliers generally require the manufacturer to indemnify us against any product liability claims, leaving the manufacturer ultimately responsible for these claims. In many cases, state, provincial or foreign law provides protection to distributors for these sorts of claims, shifting the responsibility to the manufacturer. In some cases, we could be required to repair or replace the products for the benefit of our customer and seek our recovery from the manufacturer for our expense. In the opinion of management, the ultimate disposition of these claims and proceedings is not expected to have a material adverse effect on our consolidated financial statements.

Customer Contracts

We have contracts and agreements with many of our customers that dictate certain terms of our sales arrangements (pricing, deliverables, etc.). While we make every effort to abide by the terms of these contracts, certain provisions are complex and often subject to varying interpretations. Under the terms of these contracts, our customers have the right to audit our adherence to the contract terms. Historically, any settlements that have resulted from these customer audits have not been material to our consolidated financial statements.

Purchase Commitments

We have purchase obligations consisting primarily of inventory purchases made in the normal course of business to meet operating needs. While our vendors often allow us to cancel these purchase orders without penalty, in certain cases, cancellations may subject us to cancellation fees or penalties depending on the terms of the contract.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our financial statements and related notes included elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. As used in this Form 10-Q, references to the "Company", "MRC Global", "MRC", "we", "our" or "us" refer to MRC Global Inc. and its subsidiaries. All references throughout this section (and elsewhere in this report) to amounts available for borrowing under various credit facilities refer to amounts actually available for borrowing after giving effect to any borrowing base limitations that the facility imposes.

Cautionary Note Regarding Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations (as well as other sections of this Quarterly Report on Form 10-Q) contain forward-looking statements, including, for example, statements about our business strategy, our industry, our future profitability, growth in the industry sectors we serve, our expectations, beliefs, plans, strategies, objectives, prospects and assumptions, and estimates and projections of future activity and trends in the oil and natural gas industry. These forward-looking statements are not guarantees of future performance. These statements are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, including the factors described under "Risk Factors", that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. Such risks and uncertainties include, among other things:

- decreases in oil, natural gas, and natural gas liquids prices;
- decreases in oil and natural gas industry expenditure levels, which may result from decreased oil and natural gas prices or other factors;
- increased usage of alternative fuels, which may negatively affect oil and natural gas industry expenditure levels;
- U.S. and international general economic conditions;
- our ability to compete successfully with other companies in our industry;
- the risk that manufacturers of the products we distribute will sell a substantial amount of goods directly to end users in the industry sectors we serve;
- unexpected supply shortages;
- cost increases by our suppliers;
- our lack of long-term contracts with most of our suppliers;
- increases in customer, manufacturer and distributor inventory levels;
- suppliers' price reductions of products that we sell, which could cause the value of our inventory to decline;
- decreases in steel prices, which could significantly lower our profit;
- increases in steel prices, which we may be unable to pass along to our customers which could significantly lower our profit;
- our lack of long-term contracts with many of our customers and our lack of contracts with customers that require minimum purchase volumes;
- changes in our customer and product mix;
- risks related to our customers' creditworthiness;
- the potential adverse effects associated with integrating acquisitions into our business and whether these acquisitions will yield their intended benefits;
- the success of our acquisition strategies;
- our significant indebtedness;
- the dependence on our subsidiaries for cash to meet our debt obligations;

- changes in our credit profile;
- a decline in demand for certain of the products we distribute if import restrictions on these products are lifted;
- environmental, health and safety laws and regulations and the interpretation or implementation thereof;
- the sufficiency of our insurance policies to cover losses, including liabilities arising from litigation;
- product liability claims against us;
- pending or future asbestos-related claims against us;
- the potential loss of key personnel;
- interruption in the proper functioning of our information systems;
- loss of third-party transportation providers;
- potential inability to obtain necessary capital;
- risks related to adverse weather events or natural disasters;
- impairment of our goodwill or other intangible assets;
- changes in tax laws or adverse positions taken by taxing authorities in the countries in which we operate;
- adverse changes in political or economic conditions in the countries in which we operate;
- exposure to U.S. and international laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act and other economic sanction programs;
- risks relating to ongoing evaluations of internal controls required by Section 404 of the Sarbanes-Oxley Act;
- the impact on us of the SEC's move toward convergence with IFRS; and
- the occurrence of cyber security incidents.

Undue reliance should not be placed on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except to the extent law requires.

Overview

We are the largest global industrial distributor, based on sales, of pipe, valves, and fittings ("PVF") and related products and services to the energy industry and hold a leading position in our industry across each of the upstream (exploration, production and extraction of underground oil and natural gas), midstream (gathering and transmission of oil and natural gas, natural gas utilities and the storage and distribution of oil and natural gas) and downstream (crude oil refining, petrochemical and chemical, processing and general industrials) sectors. Our business is segregated into three operating segments, consisting of our U.S. operations, our Canadian operations and our International operations. We serve our customers from over 400 service locations. We offer a wide array of PVF and oilfield supplies encompassing a complete line of products from our global network of suppliers to more than 18,000 customers. We are diversified by geography, the industry sectors we serve and the products we sell. We seek to provide best-in-class service to our customers by satisfying the most complex, multi-site needs of many of the largest companies in the energy and industrials sectors as their primary PVF supplier. We believe the critical role we play in our customers' supply chain, together with our extensive product offering, broad global presence, customer-linked scalable information systems and efficient distribution capabilities, serve to solidify our long-standing customer relationships and drive our growth. As a result, we have an average relationship of over 20 years with our 25 largest customers.

Key Drivers of Our Business

Our revenues are predominantly derived from the sale of PVF and other oilfield and industrial supplies to the energy sector in North America, Europe, Asia and Australasia. Our business is therefore dependent upon both the current conditions and future prospects in the energy industry and, in particular, maintenance and expansionary operating and capital expenditures by our customers in the upstream, midstream and downstream sectors of the industry. Long-term growth in spending has been, and we believe will continue to be, driven by several factors, including underinvestment in global energy infrastructure, growth in shale and unconventional exploration and production ("E&P") activity, and

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anticipated strength in the oil, natural gas, refined products, petrochemical and other industrials sectors. The outlook for future oil, natural gas, refined products, petrochemical and other industrial PVF spending is influenced by numerous factors, including the following:

- *Oil and Natural Gas Prices.* Sales of PVF and related products to the oil and natural gas industry constitute a significant portion of our sales. As a result, we depend upon the oil and natural gas industry and its ability and willingness to make maintenance and capital expenditures to explore for, produce and process oil and natural gas and refined products. Oil and natural gas prices, both current and projected, along with the costs necessary to produce oil and gas, impact other drivers of our business, including E&P spending, additions to and maintenance of pipelines and pipeline gathering systems, refinery utilization and petrochemical and other industrial processing activity.
- *Economic Conditions.* The demand for the products we distribute is dependent on the general economy, the energy and industrials sectors and other factors. Changes in the general economy or in the energy and industrials sectors (domestically or internationally) can cause demand for the products we distribute to materially change.
- *Customer, Manufacturer and Distributor Inventory Levels of PVF and Related Products.* Customer, manufacturer and distributor inventory levels of PVF and related products can change significantly from period to period. Increases in our customers' inventory levels can have an adverse effect on the demand for the products we distribute when customers draw from their inventory rather than purchase new products. Reduced demand, in turn, would likely result in reduced sales volume and profitability. Increased inventory levels by manufacturers or other distributors can cause an oversupply of PVF and related products in the industry sectors we serve and reduce the prices that we are able to charge for the products we distribute. Reduced prices, in turn, would likely reduce our profitability. Conversely, decreased customer and manufacturer inventory levels may ultimately lead to increased demand for our products and would likely result in increased sales volumes and overall profitability.
- *Steel Prices, Availability and Supply and Demand.* Fluctuations in steel prices can lead to volatility in the pricing of the products we distribute, especially carbon steel tubular products, which can influence the buying patterns of our customers. A majority of the products we distribute contain various types of steel. The worldwide supply and demand for these products, or other steel products that we do not supply, impacts the pricing and availability of our products and, ultimately, our sales and operating profitability.

Recent Trends and Outlook

During the first nine months of 2013, the average oil price of West Texas Intermediate ("WTI") increased to \$98.15 from \$96.11 per barrel in the first nine months of 2012. Despite the relative strength of oil prices, North American drilling activity decreased 9% in the first nine months of 2013 as compared to the same period of 2012. Natural gas prices increased to an average price of \$3.69/Mcf (Henry Hub) for the first nine months of 2013 compared to \$2.54/Mcf (Henry Hub) for the first nine months of 2012. At September 30, 2013, the natural gas price was \$3.48/Mcf (Henry Hub). However, rig activity continues to be heavily weighted toward oil relative to natural gas, with oil drilling representing 78% of the total U.S. rig count during the first nine months of 2013 compared to 69% for the same time period in 2012.

Near the end of the fourth quarter of 2012, we experienced the impact of a general slow-down in the activities of our U.S. customers. This trend continued into the first half of 2013, particularly in the upstream and midstream sectors, which were also negatively impacted by adverse winter weather conditions in certain parts of the country. Capital spending by some of our largest midstream customers was impacted by lower upstream drilling activity and lower natural gas liquid ("NGL") prices, which resulted in lower line pipe sales. In addition, the permitting environment for new crude oil pipelines has slowed, resulting in the continued use by many customers of rail and trucks to transport oil. As a result of these factors, our line pipe sales decreased \$108 million in the first nine months of 2013 as compared to the same period in 2012. While this trend eased in the third quarter of 2013, we still experienced a \$16 million decline in line pipe sales as compared to the same period in 2012. Our downstream and other industrials sector performance remains stable.

Business has remained relatively strong in the heavy oil and oil sands regions of Canada, although we did see a reduction in large project sales in the third quarter of 2013 as compared to the third quarter of 2012.

Internationally, while our backlog continues to grow, the outlook remains cautious. Europe continues to experience slow economic growth. Slow downs in China continue to negatively impact investment in Australia.

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On July 1, 2013, we completed the \$24 million acquisition of Dan H. Brown, Inc. d/b/a Flow Control Products (“Flow Control”). Flow control is a leading provider in pneumatic and electro-hydraulic valve automation packages and related field support to the Permian Basin. Concurrent with this transaction, we are expanding our existing facility in Odessa, Texas, into a 110,000 square foot regional distribution center. When completed in 2014, the Flow Control business will begin to operate from this newly expanded facility.

In 2012, we implemented our strategy to focus on our higher margin product lines and reduce exposure to the oil country tubular goods (“OCTG”) business. As a result of this strategy, OCTG represented only 9% of total sales in the first nine months of 2013 compared to 14% in the first nine months of 2012, and our investment in OCTG inventory at September 30, 2013 was \$87 million compared to \$110 million a year ago. The impact of this rebalancing effort was to reduce our OCTG sales by approximately \$256 million in the first nine months of 2013 as compared to the same period in 2012.

We determine backlog by the amount of unshipped customer orders, either specific or general in nature (including orders held under pipe programs), which the customer may revise or cancel in certain instances. At September 30, 2013, total backlog was \$739 million, including \$419 million in our U.S. segment, \$107 million in our Canadian segment and \$213 million in our International segment. At December 31, 2012, total backlog was \$664 million, including \$455 million in our U.S. segment, \$62 million in our Canadian segment and \$147 million in our International segment. There can be no assurance that the backlog amounts will ultimately be realized as revenue or that we will earn a profit on the backlog of orders.

There have been several recent changes in the competitive landscape. In September, National Oilwell Varco, Inc. announced plans to spin off their distribution business as a separate standalone entity. In addition, Marubeni-Itochu, a venture between two of Japan’s largest trading houses, agreed to buy Sooner, Inc., a U.S. distributor of pipe and tubing for the oil and gas industry. Finally, in October, Sumitomo, a large Japanese conglomerate, announced their plans to acquire Edgen Group, further expanding Sumitomo’s global presence in the upstream, midstream and downstream sectors.

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The following table shows key industry indicators for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Average Rig Count (1):				
United States	1,770	1,906	1,763	1,955
Canada	350	325	344	362
Total North America	2,120	2,231	2,107	2,317
International	1,285	1,260	1,288	1,226
Total Worldwide	3,405	3,491	3,395	3,543
Average Oil Rig Count (1):				
United States	1,383	1,417	1,370	1,351
Canada	225	241	238	261
Total North America	1,608	1,658	1,608	1,612
Average Natural Gas Rig Count (1):				
United States	380	486	388	600
Canada	124	84	107	101
Total North America	504	570	495	701
Average Commodity Prices (2):				
WTI crude oil (per barrel)	\$ 105.83	\$ 92.17	\$ 98.15	\$ 96.11
Brent crude oil (per barrel)	\$ 110.23	\$ 109.63	\$ 108.33	\$ 112.14
Natural gas (\$/Mcf)	\$ 3.55	\$ 2.88	\$ 3.69	\$ 2.54
Well Counts (1)	9,175	9,411	26,720	28,166
Average Monthly U.S. Well Permits (3)	5,854	5,236	5,906	5,809
3:2:1 Crack Spread (4)	\$ 18.22	\$ 32.42	\$ 25.10	\$ 29.65

(1) Source-Baker Hughes (www.bakerhughes.com) (Total rig count includes oil, natural gas and other rigs.)

(2) Source-Department of Energy, EIA (www.eia.gov)

(3) Source-Rig Data (U.S.)

(4) Source-Commodity Systems, Inc.

Results of Operations

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

The breakdown of our sales by sector for the three months ended September 30, 2013 and 2012 was as follows (in millions):

	Three Months Ended	
	September 30, 2013	September 30, 2012
Upstream	\$ 588.1	45%
Midstream	377.3	29%
Downstream and other industrials	348.3	26%
	\$ 1,313.7	100%
	\$ 1,451.1	100%

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For the three months ended September 30, 2013 and 2012, the following table summarizes our results of operations (in millions):

	Three Months Ended				
	September 30,		\$ Change	% Change	
	2013	2012			
Sales:					
U.S.	\$ 1,015.0	\$ 1,111.9	\$ (96.9)	(8.7%)	
Canada	162.1	185.6	(23.5)	(12.7%)	
International	136.6	153.6	(17.0)	(11.1%)	
Consolidated	\$ 1,313.7	\$ 1,451.1	\$ (137.4)	(9.5%)	
<i>Operating income:</i>					
U.S.	\$ 72.9	\$ 108.5	\$ (35.6)	(32.8%)	
Canada	3.2	5.7	(2.5)	(43.9%)	
International	1.3	8.0	(6.7)	(83.8%)	
Consolidated	77.4	122.2	(44.8)	(36.7%)	
Interest expense	(15.5)	(28.2)	12.7	(45.0%)	
Loss on early extinguishment of debt	-	(10.3)	10.3	N/M	
Other (expense) income	(1.9)	2.1	(4.0)	N/M	
Income tax expense	(21.2)	(30.3)	9.1	(30.0%)	
Net income	\$ 38.8	\$ 55.5	\$ (16.7)	(30.1%)	
Adjusted Gross Profit	\$ 251.3	\$ 278.8	\$ (27.5)	(9.9%)	
Adjusted EBITDA	\$ 96.4	\$ 125.3	\$ (28.9)	(23.1%)	

Sales. Sales include the revenue recognized from the sale of the products we distribute, the services we provide to customers and freight billings to customers, less cash discounts taken by customers in return for their early payment of our invoices to them. Our sales decreased 9.5% to \$1,313.7 million for the three months ended September 30, 2013 as compared to \$1,451.1 million for the three months ended September 30, 2012.

U.S. Segment—Our U.S. sales decreased to \$1,015.0 million for the three months ended September 30, 2013 from \$1,111.9 million for the three months ended September 30, 2012. This \$96.9 million, or 8.7%, decrease reflected an \$83 million reduction in OCTG sales resulting from our strategy to rebalance our sales and inventories away from this more volatile, lower margin portion of our business. Our third quarter 2013 revenues benefitted from the December 2012 and July 2013 acquisitions of the business of Production Specialty Services Inc. (“PSS”) and Flow Control which collectively contributed sales of \$33 million. The remaining decrease in sales was driven by lower capital spending by our customers in the three months ended September 30, 2013 as compared to the same period in 2012.

Canadian Segment—Our Canadian sales decreased to \$162.1 million for the three months ended September 30, 2013 from \$185.6 million for the three months ended September 30, 2012. Approximately one-third of this 12.7% overall decrease was the result of a decline in the Canadian dollar relative to the U.S. dollar. The balance of the decrease was largely attributable to a decline in project sales particularly in the tar sands region of northern Alberta.

International Segment—Our International sales decreased to \$136.6 million for the three months ended September 30, 2013 from \$153.6 million for the same period in 2012. Nearly half of this 11.1% overall decrease was the result of a decline in the Australian dollar relative to the U.S. dollar. The balance of the revenue decline reflected continued demand weakness, particularly in parts of Australia, where we have seen reduced customer spending in the mining and oil and gas sectors. Sales in our European operations have remained flat while sales in Asia were up slightly as compared to the third quarter of 2012.

Gross Profit. Our gross profit was \$238.3 million (18.1% of sales) for the three months ended September 30, 2013 as compared to \$277.2 million (19.1% of sales) for the three months ended September 30, 2012. The 100 basis point decline in gross profit percentage was a result of our last-in, first-out (“LIFO”) inventory costing methodology. LIFO resulted in a reduction in cost of sales of \$5.7 million for the three months ended September 30, 2013 compared to a reduction in cost of sales of \$15.4 million during the same period of 2012. In addition to the decline in gross profit percentage, gross profit was further reduced by the 9.5% decline in sales we experienced.

Certain purchasing costs and warehousing activities (including receiving, inspection and stocking costs), as well as general warehousing expenses, are included in selling, general and administrative expenses and not in cost of sales. As such, our gross profit may not be comparable to others that may include these expenses as a component of cost of sales. Purchasing and warehousing costs approximated \$9.2 million and \$9.4 million for the three months ended September 30, 2013 and 2012, respectively.

Adjusted Gross Profit. Adjusted Gross Profit decreased to \$251.3 million (19.1% of sales) for the three months ended September 30, 2013 from \$278.8 million (19.2% of sales) for the three months ended September 30, 2012, a decrease of \$27.5 million. Adjusted Gross Profit is a non-GAAP financial measure. We define Adjusted Gross Profit as sales, less cost of sales, plus depreciation and amortization, plus amortization of intangibles, and plus or minus the impact of our LIFO inventory costing methodology. We present Adjusted Gross Profit because we believe it is a useful indicator of our operating performance without regard to items, such as amortization of intangibles, that can vary substantially from company to company depending upon the nature and extent of acquisitions they have been involved in. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether they elect to utilize the LIFO method and depending upon which method they may elect. In particular, we believe that Adjusted Gross Profit is a useful indicator of our operating performance because Adjusted Gross Profit measures our operating performance without regard to acquisition transaction-related amortization expenses. We use Adjusted Gross Profit as a key performance indicator in managing our business. We believe that gross profit is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted Gross Profit.

The following table reconciles Adjusted Gross Profit with gross profit, as derived from our financial statements (in millions):

	Three Months Ended			
	September 30, 2013	Percentage of Revenue	September 30, 2012	Percentage of Revenue
Gross profit, as reported	\$ 238.3	18.1%	\$ 277.2	19.1%
Depreciation and amortization	5.6	0.4%	4.6	0.3%
Amortization of intangibles	13.1	1.0%	12.4	0.9%
(Decrease) increase in LIFO reserve	(5.7)	(0.4%)	(15.4)	(1.1%)
Adjusted Gross Profit	\$ 251.3	19.1%	\$ 278.8	19.2%

Selling, General and Administrative (“SG&A”) Expenses. Costs such as salaries, wages, employee benefits, rent, utilities, communications, insurance, fuel and taxes (other than state and federal income taxes) that are necessary to operate our branch and corporate operations are included in selling, general and administrative expenses. Also contained in this category are certain items that are nonoperational in nature, including certain costs of acquiring and integrating other businesses. Our selling, general and administrative expenses were \$160.9 million for the three months ended September 30, 2013 as compared to \$155.0 million for the three months ended September 30, 2012. This increase was primarily attributable to our December 2012 and July 2013 acquisitions of PSS and Flow Control which added an incremental \$5 million of SG&A expense in the third quarter of 2013. In addition, third quarter 2013 SG&A included \$2.0 million of expenses related to the separation of an executive officer comprised of \$0.8 million of cash compensation and \$1.2 million of equity-based compensation.

Operating Income. Operating income was \$77.4 million for the three months ended September 30, 2013, as compared to \$122.2 million for the three months ended September 30, 2012, a decrease of \$44.8 million.

U.S. Segment—Operating income for our U.S. segment decreased to \$72.9 million for the three months ended September 30, 2013 from \$108.5 million for the three months ended September 30, 2012. This decline in operating income was a result of the decline in both sales and gross profit as noted above.

Canadian Segment—Operating income for our Canadian segment decreased to \$3.2 million for the three months ended September 30, 2013 from \$5.7 million for the three months ended September 30, 2012. The decrease of \$2.5 million was primarily the result of lower sales levels.

International Segment—Operating income for our International segment decreased to \$1.3 million for the three months ended September 30, 2013 from \$8.0 million for the three months ended September 30, 2012. The decrease of \$6.7 million was the result of the reduction in sales we experienced.

Interest Expense. Our interest expense was \$15.5 million for the three months ended September 30, 2013 as compared to \$28.2 million for the three months ended September 30, 2012. The majority of the \$12.7 million decrease was due to the November 2012 redemption of our 9.5% senior secured notes, which was funded by borrowings on our lower cost Term Loan B and revolving credit facilities. We also benefitted from an outstanding debt balance that was lower, on average, in the third quarter of 2013 by approximately \$271 million as compared to the third quarter of 2012. This reduced level of debt was attributable to free cash flow we have generated, particularly from working capital.

Other expense, net. Our other expense decreased to \$1.9 million for the three months ended September 30, 2013 from \$8.2 million for the three months ended September 30, 2012. The current quarter expenses included a \$2.0 million charge related to the bankruptcy of a workers' compensation insurance carrier, which required the Company to assume the obligation for existing workers' compensation claims, as well as a \$1.4 million foreign currency exchange gain. Our 2012 third quarter results reflected a \$10.3 million pre-tax charge associated with the open market purchase, at a premium, of \$86.7 million of our previously outstanding senior secured notes. There were no similar charges in the third quarter of 2013. Other income in the third quarter of 2012 also reflected a \$2.0 million foreign exchange gain.

Income Tax Expense. Our income tax expense was \$21.2 million for the three months ended September 30, 2013 as compared to \$30.3 million for the three months ended September 30, 2012. Our effective tax rates were 35.4% and 35.3% for the three months ended September 30, 2013 and 2012, respectively. Our rates generally differ from the federal statutory rate of 35% as a result of state income taxes and differing foreign income tax rates.

Net Income. Our net income was \$38.8 million for the three months ended September 30, 2013 as compared to \$55.5 million for the three months ended September 30, 2012, a decline of \$16.7 million.

Adjusted EBITDA. We define Adjusted EBITDA as net income plus interest, income taxes, depreciation and amortization, amortization of intangibles and certain other expenses (such as gains/losses on the early extinguishment of debt, changes in the fair value of derivative instruments and goodwill impairment) and plus or minus the impact of our LIFO inventory costing methodology. Adjusted EBITDA, a non-GAAP financial measure, was \$96.4 million for the three months ended September 30, 2013, as compared to \$125.3 million for the three months ended September 30, 2012.

We believe Adjusted EBITDA provides investors a helpful measure for comparing our operating performance with the performance of other companies that have different financing and capital structures or tax rates. We believe that net income is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted EBITDA.

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The following table reconciles Adjusted EBITDA with net income, as derived from our financial statements (in millions):

	Three Months Ended	
	September 30, 2013	September 30, 2012
	\$	\$
Net income	\$ 38.8	\$ 55.5
Income tax expense	21.2	30.3
Interest expense	15.5	28.2
Loss on early extinguishment of debt	-	10.3
Depreciation and amortization	5.6	4.6
Amortization of intangibles	13.1	12.4
(Decrease) increase in LIFO reserve	(5.7)	(15.4)
Change in fair value of derivative instruments	1.8	(0.8)
Equity-based compensation expense	4.0	2.2
Executive separation expense (cash portion)	0.8	-
Insurance charge	2.0	-
Foreign currency gains	(1.4)	(2.0)
Other expense	0.7	-
Adjusted EBITDA	\$ 96.4	\$ 125.3

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

The breakdown of our sales by sector for the nine months ended September 30, 2013 and 2012 was as follows (in millions):

	Nine Months Ended	
	September 30, 2013	September 30, 2012
Upstream	\$ 1,708.9	44%
Midstream	1,098.8	28%
Downstream and other industrials	1,078.9	28%
	\$ 3,886.6	100%
	\$ 4,264.1	100%

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For the nine months ended September 30, 2013 and 2012, the following table summarizes our results of operations (in millions):

	Nine Months Ended					
	September 30,		September 30,		\$ Change	% Change
	2013	2012				
Sales:						
U.S.	\$ 2,955.8	\$ 3,284.2	\$ (328.4)	(10.0%)		
Canada	520.1	553.3	(33.2)	(6.0%)		
International	410.7	426.6	(15.9)	(3.7%)		
Consolidated	\$ 3,886.6	\$ 4,264.1	\$ (377.5)	(8.9%)		
<i>Operating income:</i>						
U.S.	\$ 229.8	\$ 265.1	\$ (35.3)	(13.3%)		
Canada	14.6	17.5	(2.9)	(16.6%)		
International	8.8	20.3	(11.5)	(56.7%)		
Consolidated	253.2	302.9	(49.7)	(16.4%)		
Interest expense	(46.0)	(92.6)	46.6	(50.3%)		
Loss on early extinguishment of debt	-	(21.7)	21.7	N/M		
Write off of deferred financing fees	-	(1.7)	1.7	N/M		
Other (expense) income	(12.9)	5.3	(18.2)	N/M		
Income tax expense	(65.5)	(67.8)	2.3	(3.4%)		
Net income	\$ 128.8	\$ 124.4	\$ 4.4	3.5%		
Adjusted Gross Profit	\$ 763.5	\$ 808.9	\$ (45.4)	(5.6%)		
Adjusted EBITDA	\$ 299.2	\$ 364.1	\$ (64.9)	(17.8%)		

Sales. Our sales decreased 8.9% to \$3,886.6 million for the nine months ended September 30, 2013 as compared to \$4,264.1 million for the nine months ended September 30, 2012.

U.S. Segment—Our U.S. sales decreased to \$2,955.8 million for the nine months ended September 30, 2013 from \$3,284.2 million for the nine months ended September 30, 2012. This \$328.4 million, or 10.0%, decrease reflected a planned \$272 million reduction in OCTG sales resulting from our strategy to rebalance our sales and inventories away from this more volatile, lower margin portion of our business. In addition, our line pipe sales declined \$91 million for the nine months ended September 30, 2013 compared to the same period of 2012 as a result of our upstream and midstream customers' decreased spending in 2013. Our sales in the first nine months of 2013 benefitted from the June and December 2012 and July 2013 acquisitions of the business of Chaparral Supply, LLC, PSS, and Flow Control which collectively contributed an incremental \$124 million of sales in the first nine months of 2013. The remaining decrease in sales was driven by lower capital spending by our customers in the nine months ended September 30, 2013 as compared to the same period in 2012.

Canadian Segment—Our Canadian sales decreased to \$520.1 million for the nine months ended September 30, 2013 from \$553.3 million for the nine months ended September 30, 2012. Approximately one-third of this 6.0% overall decrease was the result of a decline in the Canadian dollar relative to the U.S. dollar. The balance of the decrease was largely attributable to a longer than normal spring break-up as well as a decline in project sales particularly in the tar sands region of northern Alberta.

International Segment—Our International sales decreased to \$410.7 million for the nine months ended September 30, 2013 from \$426.6 million for the same period in 2012. The acquisition of the Piping Systems division of OneSteel ("MRC PSA") in March 2012 accounted for \$27 million in incremental revenues. Excluding the impact of this acquisition, revenues declined 10% reflecting weaker demand particularly in parts of Australia where we

experienced reduced customer spending in the mining and oil and gas sectors. Approximately one-third of this 10% overall decrease was the result of a decrease in the the Australian dollar relative to the U.S. dollar.

Gross Profit. Our gross profit was \$728.8 million (18.8% of sales) for the nine months ended September 30, 2013 as compared to \$755.4 million (17.7% of sales) for the nine months ended September 30, 2012. The 110 basis point improvement in gross profit percentage was a result of planned changes in our product mix as well as other gross profit enhancement strategies. Gross profit was further benefitted by lower product costs reflected in our last-in, first-out (“LIFO”) inventory costing methodology. LIFO resulted in a reduction in cost of sales of \$21.2 million for the nine months ended September 30, 2013 compared to an increase in cost of sales of \$3.1 million during the same period of 2012. These improvements in gross profit percentage were offset by a reduction in gross profit from lower sales.

Certain purchasing costs and warehousing activities (including receiving, inspection and stocking costs), as well as general warehousing expenses, are included in selling, general and administrative expenses and not in cost of sales. As such, our gross profit may not be comparable to others that may include these expenses as a component of cost of sales. Purchasing and warehousing costs approximated \$27.9 million and \$25.4 million for the nine months ended September 30, 2013 and 2012, respectively.

Adjusted Gross Profit. Adjusted Gross Profit decreased to \$763.5 million (19.6% of sales) for the nine months ended September 30, 2013 from \$808.9 million (19.0% of sales) for the nine months ended September 30, 2012, a decrease of \$45.4 million. Adjusted Gross Profit is a non-GAAP financial measure. We define Adjusted Gross Profit as sales, less cost of sales, plus depreciation and amortization, plus amortization of intangibles, and plus or minus the impact of our LIFO inventory costing methodology. We present Adjusted Gross Profit because we believe it is a useful indicator of our operating performance without regard to items, such as amortization of intangibles, that can vary substantially from company to company depending upon the nature and extent of acquisitions they have been involved in. Similarly, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether they elect to utilize the LIFO method and depending upon which method they may elect. In particular, we believe that Adjusted Gross Profit is a useful indicator of our operating performance because Adjusted Gross Profit measures our operating performance without regard to acquisition transaction-related amortization expenses. We use Adjusted Gross Profit as a key performance indicator in managing our business. We believe that gross profit is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted Gross Profit.

The following table reconciles Adjusted Gross Profit with gross profit, as derived from our financial statements (in millions):

	Nine Months Ended			
	September 30, 2013	Percentage of Revenue	September 30, 2012	Percentage of Revenue
Gross profit, as reported	\$ 728.8	18.8%	\$ 755.4	17.7%
Depreciation and amortization	16.8	0.4%	13.2	0.3%
Amortization of intangibles	39.1	1.0%	37.2	0.9%
(Decrease) increase in LIFO reserve	(21.2)	(0.5%)	3.1	0.1%
Adjusted Gross Profit	\$ 763.5	19.6%	\$ 808.9	19.0%

Selling, General and Administrative (“SG&A”) Expenses. Our selling, general and administrative expenses were \$475.6 million for the nine months ended September 30, 2013 as compared to \$452.5 million for the nine months ended September 30, 2012. Approximately \$21 million of this \$23 million increase was attributable to the incremental SG&A expenses of our March and December 2012 and July 2013 acquisitions of MRC PSA, PSS, and Flow Control, respectively. The remainder of the increase was due to \$2.0 million of expenses related to the separation of an executive officer comprised of \$0.8 million of cash compensation and \$1.2 million of equity-based compensation.

Operating Income. Operating income was \$253.2 million for the nine months ended September 30, 2013, as compared to \$302.9 million for the nine months ended September 30, 2012, a decrease of \$49.7 million.

U.S. Segment—Operating income for our U.S. segment decreased to \$229.8 million for the nine months ended September 30, 2013 from \$265.1 million for the nine months ended September 30, 2012. This decline was a result of decreased sales offset by an improvement in gross profit percentage.

Canadian Segment—Operating income for our Canadian segment decreased to \$14.6 million for the nine months ended September 30, 2013 from \$17.5 million for the nine months ended September 30, 2012. The decrease of \$2.9 million was primarily a function of a decrease in sales.

International Segment—Operating income for our International segment decreased to \$8.8 million for the nine months ended September 30, 2013 from \$20.3 million for the nine months ended September 30, 2012. The decrease of \$11.5 million was the result of the reduction in sales we experienced.

Interest Expense. Our interest expense was \$46.0 million for the nine months ended September 30, 2013 as compared to \$92.6 million for the nine months ended September 30, 2012. The majority of the \$46.6 million decrease was due to the November 2012 redemption of our 9.5% senior secured notes, which was funded by borrowings on our lower cost Term Loan B and revolving credit facilities. We also benefitted from an outstanding debt balance that was lower, on average, in the first nine months of 2013 by approximately \$321 million as compared to the first nine months of 2012. Our reduced indebtedness was largely attributable to our April 2012 initial public offering that generated net proceeds of \$333 million that, in combination with free cash flow we generated, were used to repay debt.

Other expense, net. Our other expense decreased to \$12.9 million for the nine months ended September 30, 2013 from \$18.1 million for the nine months ended September 30, 2012. The expenses for the first nine months of 2013 included \$12.0 million of foreign currency exchange losses due primarily to the weaker Australian and Canadian dollars as compared to the U.S. dollar. Our first nine months of 2012 results reflected a \$21.7 million pre-tax charge associated with the open market purchase, at a premium, of \$189 million of our previously outstanding senior secured notes. There were no similar charges in the first nine months of 2013. The expense was offset by \$1.8 million of income related to the change in our fair value of derivatives.

Income Tax Expense. Our income tax expense was \$65.5 million for the nine months ended September 30, 2013 as compared to \$67.8 million for the nine months ended September 30, 2012. Our effective tax rates were 33.7% and 35.3% for the nine months ended September 30, 2013 and 2012, respectively. Our rates generally differ from the federal statutory rate of 35% as a result of state income taxes and differing foreign income tax rates. In the nine months ended September 30, 2013, our tax rate was favorably impacted by a \$2.3 million discrete reduction to our deferred tax liabilities. Excluding the impact of this discrete reduction, our effective tax rate would have been 34.9%.

Net Income. Our net income was \$128.8 million for the nine months ended September 30, 2013 as compared to \$124.4 million for the nine months ended September 30, 2012, an improvement of \$4.4 million.

Adjusted EBITDA. We define Adjusted EBITDA as net income plus interest, income taxes, depreciation and amortization, amortization of intangibles and certain other expenses (such as gains/losses on the early extinguishment of debt, changes in the fair value of derivative instruments and goodwill impairment) and plus or minus the impact of our LIFO inventory costing methodology. Adjusted EBITDA, a non-GAAP financial measure, was \$299.2 million for the nine months ended September 30, 2013, as compared to \$364.1 million for the nine months ended September 30, 2012.

We believe Adjusted EBITDA provides investors a helpful measure for comparing our operating performance with the performance of other companies that have different financing and capital structures or tax rates. We believe that net income is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to Adjusted EBITDA.

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The following table reconciles Adjusted EBITDA with net income, as derived from our financial statements (in millions):

	Nine Months Ended	
	September 30, 2013	September 30, 2012
Net income	\$ 128.8	\$ 124.4
Income tax expense	65.5	67.8
Interest expense	46.0	92.6
Loss on early extinguishment of debt	-	21.7
Write off of debt issuance costs	-	1.7
Depreciation and amortization	16.8	13.2
Amortization of intangibles	39.1	37.2
(Decrease) increase in LIFO reserve	(21.2)	3.1
Change in fair value of derivative instruments	(0.6)	(1.8)
Equity-based compensation expense	8.6	5.9
Executive separation expense (cash portion)	0.8	-
Insurance charge	2.0	-
Foreign currency losses (gains)	12.0	(0.5)
Other expense (income)	1.4	(1.2)
Adjusted EBITDA	\$ 299.2	\$ 364.1

Liquidity and Capital Resources

Our primary sources of liquidity consist of cash generated from our operating activities, existing cash balances and borrowings under our revolving credit facility. At September 30, 2013, our total liquidity, including cash on hand, was \$606 million. Our ability to generate sufficient cash flows from our operating activities will continue to be primarily dependent on our sales of products and services to our customers at margins sufficient to cover our fixed and variable expenses. As of September 30, 2013 and December 31, 2012, we had cash and cash equivalents of \$33.4 million and \$37.1 million, respectively. As of September 30, 2013 and December 31, 2012, \$24.5 million and \$27.9 million of our cash and cash equivalents, respectively, were maintained in the accounts of our various foreign subsidiaries. If such amounts were transferred among countries or repatriated to the U.S., such amounts may be subject to additional tax liabilities, which would be recognized in our financial statements in the period during which such decision would be made. We have the intent and ability to indefinitely reinvest the cash held by our foreign subsidiaries, and there are currently no plans that require the repatriation of such amounts.

We have a \$650 million seven-year Senior Secured Term Loan B (the “Term Loan”) which amortizes in equal quarterly installments of 1% per year with the balance payable in November 2019 when the facility matures. Subject to securing additional lender commitments, the Term Loan allows for incremental increases in facility size above \$650 million up to an aggregate of \$200 million, plus an additional amount such that the Company’s senior secured leverage ratio (as defined under the Term Loan) would not exceed 3.50 to 1.00. This facility is guaranteed by us as well as all of our wholly owned U.S. subsidiaries. In addition, it is secured by a second lien on those assets securing our Global ABL Facility (which includes accounts receivable, inventory and related assets) and a first lien on substantially all of our other assets and those of our U.S. subsidiaries, as well as a pledge of all of the capital stock of our domestic subsidiaries and 65% of the capital stock of first tier, non-U.S. subsidiaries. We are required to repay the Term Loan with certain asset sales and insurance proceeds, certain debt proceeds and 50% of excess cash flow (reducing to 25% if our senior secured leverage ratio is no more than 2.75 to 1.00 and 0% if our senior secured leverage ratio is no more than 2.50 to 1.00). In addition, the Term Loan contains a number of customary restrictive covenants.

We have a \$1.25 billion multi-currency global asset-based revolving credit facility (the “Global ABL Facility”) that matures in March 2017. This facility is comprised of \$977 million in revolver commitments in the United States, \$170 million in Canada, \$12 million in the United Kingdom, \$75 million in Australia, \$9 million in the Netherlands

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and \$7 million in Belgium. It contains an accordion feature that allows us to increase the principal amount of the facility by up to \$300 million, subject to securing additional lender commitments.

We and each of our current and future wholly owned material U.S. subsidiaries guarantee the obligations of our borrower subsidiaries under the Global ABL Facility. Additionally, each of our non-U.S. borrower subsidiaries guarantees the obligations of our other non-U.S. borrower subsidiaries under the Global ABL Facility. Outstanding obligations are generally secured by a first priority security interest in accounts receivable, inventory and related assets.

Our credit ratings are below “investment grade” and as such could impact both our ability to raise new funds as well as the interest rates on our future borrowings. Our ability to incur additional debt is restricted by our existing obligations. We were in compliance with the covenants contained in our various credit facilities as of and during the nine months ended September 30, 2013.

As a result of our March 2013 secondary offering, we are no longer a controlled company as defined by the New York Stock Exchange. If funds affiliated with Goldman, Sachs & Co. beneficially own less than 5,141,547 shares of our common stock, all options and restricted stock granted prior to our initial public offering will vest, accelerating the recognition of stock based compensation. At September 30, 2013, the unrecognized stock based compensation related to these pre-IPO grants was \$6 million. Funds affiliated with Goldman Sachs & Co. owned 17,489,233 shares as of September 30, 2013.

We may seek, from time to time, depending on market conditions and other factors, to refinance certain categories of our debt. Given the current low interest rate environment, we are exploring a possible repricing amendment of the Term Loan to take advantage of lower rates. Any such repricing could result in a reduction in our interest expense as well as a charge during the quarter when such a repricing occurs. We may also seek to increase the size of the Term Loan. Any repricing or other expansion of the Term Loan would be subject to market conditions, reaching final agreement with lenders, successful syndication and other factors, and there can be no assurance that we would successfully consummate any such transaction.

In addition, we continue to explore the possibility of selective acquisitions. In particular, we are actively engaged in considering acquisition opportunities outside of the U.S. Acquisitions we pursue could be material and could require us to raise additional capital to consummate such transactions. We are considering investments that enhance our presence in the energy infrastructure sector and enable us to take advantage of strength in the energy industry in geographic areas outside of the U.S. Nevertheless, there can be no assurance that we will be successful in identifying acquisition opportunities, closing additional acquisitions or successfully integrating acquired entities into our business.

Cash Flows

The following table sets forth our cash flows for the periods indicated below (in millions):

	Nine Months Ended	
	September 30, 2013	September 30, 2012
Net cash provided by (used in):		
Operating activities	\$ 241.4	\$ 65.8
Investing activities	(34.9)	(112.4)
Financing activities	(208.3)	43.2
Net decrease in cash and cash equivalents	\$ (1.8)	\$ (3.4)

Operating Activities

Net cash provided by operating activities was \$241.4 million during the nine months ended September 30, 2013 compared to net cash provided by operating activities of \$65.8 million during the nine months ended September 30, 2012. The increase in net cash provided by operations was primarily the result of reduced working capital requirements resulting from lower sales levels. Excluding the impact of acquisitions, working capital decreased \$77 million in the first nine months of 2013 as compared to an increase of \$142 million in the first nine months of 2012.

Investing Activities

Net cash used in investing activities was \$34.9 million for the nine months ended September 30, 2013, compared to \$112.4 million for the nine months ended September 30, 2012. The \$77.5 million decrease in cash used in investing activities was primarily the result of the March 2012 acquisition of MRC PSA, which required \$87.9 million of cash during the nine months ended September 30, 2012 offset by the July 2013 acquisition of Flow Control, which required \$21.9 million of cash during the nine months ended September 30, 2013. Our capital expenditures were \$14.9 million for the nine months ended September 30, 2013 and \$21.0 million for the nine months ended September 30, 2012.

Financing Activities

Net cash used in financing activities was \$208.3 million for the nine months ended September 30, 2013 compared to net cash provided by financing activities of \$43.2 million for the nine months ended September 30, 2012. The financing activities generally reflect advances and payments on our revolving credit facilities. Net repayments on our revolving credit facility totaled \$205.8 million in the first nine months of 2013. In April 2012, we received \$333.3 million related to the initial public offering of our stock, and the funds were used to repay borrowings under our Global ABL Facility, which was offset by cash of \$205.0 million used to purchase in the open market \$189 million of our previously outstanding senior secured notes.

Recently Issued Accounting Standards

In February 2013, the Financial Accounting Standards Board (“FASB”) issued Standards Update No. 2013-05, Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05), which specifies that a cumulative translation adjustment (“CTA”) should be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For sales of an equity method investment that is a foreign entity, a pro rata portion of CTA attributable to the investment would be recognized in earnings upon sale of the investment. When an entity sells either a part or all of its investment in a consolidated foreign entity, CTA would be recognized in earnings only if the sale results in the parent no longer having a controlling financial interest in the foreign entity. CTA would be recognized in earnings in a business combination achieved in stages. ASU 2013-05 will be effective for us prospectively in 2014. We do not expect this update to have a material impact on our financial statements.

In July 2013, the FASB issued Standards Update No. 2013-11, Income Taxes (Topic 740), Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The objective of this update is to eliminate the diversity in practice in the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Under this guidance, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, except in certain circumstances. This update does not require any new disclosures and is effective for annual and interim periods beginning after December 31, 2013. The amendments in this update will be applied prospectively to all unrecognized tax benefits that exist at the effective date. We do not expect this update to have a material impact on our financial statements.

Critical Accounting Policies

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements. Management bases its estimates on historical experience and other assumptions, which it believes are reasonable. If actual amounts are ultimately different from these estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

Accounting policies are considered critical when they require management to make assumptions about matters that are highly uncertain at the time the estimates are made and when there are different estimates that management reasonably could have made, which would have a material impact on the presentation of our financial condition, changes in our financial condition or results of operations. For a description of our critical accounting policies, see "Item 7: "Management's Discussion and Analysis of Financial Condition and Results from Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk, see "Item 7A: Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

As of September 30, 2013, we have reviewed, under the direction of our Chief Executive Officer and Chief Financial Officer, the Company's disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e). Based upon and as of the date of that review, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the first nine months of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we have been subject to various claims and involved in legal proceedings incidental to the nature of our businesses. We maintain insurance coverage to reduce financial risk associated with certain of these claims and proceedings. It is not possible to predict the outcome of these claims and proceedings. However, in our opinion, there are no pending legal proceedings that are likely to have a material effect on our business, financial condition, results of operations or cash flows, although it is possible that the resolution of certain actual, threatened or anticipated claims or proceedings could have a material adverse effect on our results of operations in the period of resolution.

Also, from time to time, in the ordinary course of our business, our customers may claim that the products that we distribute are either defective or require repair or replacement under warranties that either we or the manufacturer may provide to the customer. These proceedings are, in the opinion of management, ordinary and routine matters incidental to our normal business. Our purchase orders with our suppliers generally require the manufacturer to indemnify us against any product liability claims, leaving the manufacturer ultimately responsible for these claims. In many cases, state, provincial or foreign law provides protection to distributors for these sorts of claims, shifting the responsibility to the manufacturer. In some cases, we could be required to repair or replace the products for the benefit of our customer and seek our recovery from the manufacturer for our expense. In the opinion of management, the ultimate disposition of these claims and proceedings is not expected to have a material adverse effect on our financial condition, results of operations or cash flows, although it is possible that the resolution of certain actual, threatened or anticipated claims or proceedings could have a material adverse effect on our results of operation in the period of resolution.

For information regarding asbestos cases in which we are a defendant and other claims and proceedings, see Note 7 – Commitments and Contingencies to our unaudited condensed financial statements.

ITEM 1A. RISK FACTORS

We are affected by risks specific to us as well as factors that affect all businesses operating in a global market. The significant factors known to us that could materially adversely affect our business, financial condition or operating results are described in Item 2 of Part I above and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2012 under “Risk Factors”. There has been no material change in those risk factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINING SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

<u>Number</u>	<u>Description</u>
10.1	Separation Agreement and Complete Release dated August 16, 2013, by and among James F. Underhill, McJunkin Red Man Corporation and MRC Global Inc.
10.2	Consulting Agreement dated August 16, 2013, by and between James F. Underhill and MRC Global Inc.
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
100	The following financial information from MRC Global Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2013, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012, (ii) the Condensed Consolidated Statements of Income for the three and nine month periods ended September 30, 2013 and 2012, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine month periods ended September 30, 2013 and 2012, (iv) the Condensed Consolidated Statements of Cash Flows for the nine month periods ended September 30, 2013 and 2012 and (v) Notes to the Condensed Consolidated Financial Statements.
101	Interactive data file.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MRC GLOBAL INC.

By: /s/ James E.

Braun

James E. Braun
Executive Vice President and Chief Financial
Officer

Date: November 1, 2013

SEPARATION AGREEMENT AND COMPLETE RELEASE

This Separation Agreement and Complete Release (this “Agreement”) is made this 16th day of August 2013, by James F. Underhill (“Employee”) and McJunkin Red Man Corporation and MRC Global Inc. (collectively, the “Company”).

Recitals

- A.The Company has employed Employee, and Employee’s employment relationship with the Company will be terminated.
- B.Employee and the Company are entering into this Agreement to clarify and resolve any issues that may exist between them arising out of the employment relationship and its termination, and any continuing obligations of the parties to one another following the end of the employment relationship.
- C.This Agreement is not and should not be construed as an admission or statement by either party that it has acted wrongfully or unlawfully. Both parties expressly deny any wrongful or unlawful action.

Agreements

In consideration of the mutual promises described below, the payments to Employee and other good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, Employee and the Company agree as follows:

1. Separation Date.

Employee’s employment with the Company will cease effective August 31, 2013 (the Separation Date). Employee shall remain in Company’s employment until the Separation Date. Employee shall have no further employment duties or responsibilities to the Company after the Separation Date, except the continuing obligations identified in Section 7 of this Agreement.

2. The Company’s Obligations.

In consideration for Employee’s agreement to perform Employee’s obligations under this Agreement and conditioned upon such performance and in consideration of Employee’s release in Section 4, the Company shall provide the benefits that this Section 2 describes.

- 2.1The Company shall pay Employee separation pay in the amount of \$500,000 (“Separation Benefit”). The amount of the Separation Benefit is based on Employee’s base salary of \$500,000, annualized as of the date of this Agreement. On March 1, 2014, the Company shall pay Employee an installment of \$250,000. Thereafter, the Company shall pay the remaining Separation Benefit in equal
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installments based on the Company's regular pay cycle through August 31, 2014, which is expected to be 13 two-week payments.

2.2 The Company shall pay to Employee an incentive bonus as determined by the Company in accordance with its standard policies ("Bonus") prorated for 2/3 of the year, being the number of days Employee was actively employed in 2013. The Bonus shall be paid to Employee at the same time as the Company would otherwise pay incentive bonuses to active employees who receive annual incentive bonus payments, and the Bonus shall be paid by check to be sent to the Employee's current home address that the Company has on file for Employee.

2.3 Employee acknowledges that the only outstanding Company options that the Company has granted to Employee are as follows:

Grant Date	Number of Options	Strike Price
12/3/2009 Repriced 5/11/2012	21,853	\$21.05
11/10/2011	13,812	\$18.10
5/9/2012	71,500	\$20.85
3/7/2013	38,835	\$29.35

Each option shall continue to be governed by the applicable option agreement and equity award plan, except that each option will continue to vest in accordance with the original vesting schedule under the respective agreements so long as Employee does not engage in a Prohibited Activity (as that term is defined in the option agreement or if not so defined as that term is defined in the option agreement for Employee's May 9, 2012 grant). Solely for this purpose under each applicable agreement, Employee shall be deemed to remain an employee through August 31, 2014; thereafter, shall be deemed to be "retired"; and the Company shall be deemed to have waived any holding requirement for retirement to be effective.

2.4 Employee acknowledges that the only outstanding award of Company restricted stock that the Company has granted to Employee is a March 7, 2013 grant of 5,324 restricted shares. These shares shall continue to be governed by the Restricted Stock Award Agreement and 2011 Omnibus Incentive Plan, except that the award will continue to vest in accordance with the original vesting schedule under the agreement so long as Employee does not engage in a Prohibited Activity (as that term is defined in the Restricted Stock Award Agreement). Solely for this purpose under the agreement, Employee shall be deemed to remain an employee through August 31, 2014; thereafter, shall be deemed to be "retired"; and the Company shall be deemed to have waived any holding requirement for retirement to be effective.

/s/ JFU
Initials

- 2.5The Company shall compensate Employee \$41,827 for any accrued, but unused, vacation days, payable within 30 days of the Separation Date.
- 2.6The effective date of this Agreement is the eighth day after Employee executes the Agreement, assuming Employee has not revoked the Agreement by that eighth day by Employee providing express written notice to the Company. If the eighth day occurs after the Separation Date, any payment or right that arises for the benefit of Employee on March 1, 2014, shall be delayed by the number of days that the eighth day falls after the Separation Date.
- 2.7A qualifying event under the Consolidated Omnibus Budget Reconciliation Act (“COBRA”) shall be deemed to have occurred on the Separation Date. Employee shall receive continuation of medical, dental and vision benefits on the same terms as active senior executives (“Medical Continuation”) for 12 months following termination. For the period of time during which the Executive is entitled to Medical Continuation under this Section 2.7, the Executive shall pay the full cost of the benefits as determined under the then-current practices of the Company on a monthly basis, *provided* that the Company shall reimburse the Executive the amounts paid for the coverage. The Company shall pay all reimbursements to the Executive as required under this Section 2.7 on a regular, periodic basis within 30 days after the reimbursable amounts are incurred by the Executive; *provided* that, prior to any reimbursement, the Company must possess the applicable and appropriate evidence of the reimbursable amount. Any reimbursements provided during one taxable year of the Executive shall not affect the expenses eligible for reimbursement in any other taxable year of the Executive (with the exception of applicable lifetime maximums applicable to medical expenses or medical benefits described in Section 105(b) of the Internal Revenue Code of 1986, as amended (the “Code”) and the right to reimbursement under this Section 2.5 shall not be subject to liquidation or exchange for another benefit or payment. Following the Medical Continuation period, Executive shall be eligible to elect COBRA payable at Executive’s expense in accordance with the Company’s standard procedures.
- 2.8 The Company acknowledges that Employee is a participant in the McJunkin Red Man Corporation Nonqualified Deferred Compensation Plan (the “NQD Plan”). On the Separation Date, a “Separation of Service” shall have been deemed to have occurred under the NQD Plan, and Employee shall receive the benefits to which Employee is entitled under the NQD Plan in accordance with its terms. For the avoidance of doubt, Employee acknowledges that no such payment shall be made under Section 5.5 of the NQD Plan until March 1, 2014 and that any payments are governed by Section 5.2 of the NQD Plan.
- 2.9Other benefits for which Employee was covered prior to the Separation Date (including pension, 401(k) and perquisite benefits) shall be discontinued as of the Separation Date in accordance with the eligibility requirements under the specific plan document for that benefit. To the extent that existing life insurance policies that the Company provides to Employee permit Employee to convert the coverage

/s/ JFU
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at Employee's expense to Employee, nothing in this Agreement is intended to interfere with Employees rights and option to so covert.

2.10 The Company shall have no other responsibility or liability for any payment or benefits, whatsoever, except as expressly stated in this Agreement. Employee expressly waives the right to receive any payments or benefits except as expressly stated in this Agreement.

2.11 Employee understands that the Company will deduct federal and state withholding taxes and other deductions the Company is required by law to make from payments (including cash and equity) to Employee or which Employee has authorized from any payments made pursuant to this Agreement. The Company shall defer payment to Employee for six months of any amount that could be considered deferred compensation to which excess withholding taxes are applicable under Section 409A of the Code, as amended, including equity payments.

2.12 The Company acknowledges that it will reimburse Employee for lease and related utility payments for the remaining term of Employee's Houston, Texas apartment and pay the reasonable costs to move Employee's personal belongings in the apartment to Employee's residence located at [Redacted].

2.13 At the Company's cost, the Company will provide Employee with the use of an outplacement service for up to 12 months that the Company determines is appropriate.

3. New Consideration.

The benefits that Employee receives under portions of Section 2 and certain other provisions of this Agreement are not required by Company policies or procedures or by any contractual obligation of the Company, constitutes new consideration to which Employee was not already otherwise entitled to, and are offered by the Company solely as consideration for this Agreement.

4. Complete Release.

4.1 In exchange for the consideration described in Section 2, as well as the other valuable consideration that this Agreement provides, Employee (on Employee's own behalf and on behalf of Employee's heirs and other legal representatives and assigns) expressly waives any claims against the Company, its predecessors, successors, subsidiaries, partners, affiliates, officers, directors, managers, employees, agents, attorneys, and representatives ("Company Releasees") and fully, finally, completely and generally releases Company Releasees from any and all claims, actions, demands, and causes of action arising under federal and state law, local regulation or the common law arising from, relating to or in any way connected with Employee's employment with the Company or the cessation of

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that employment. It is understood that this release includes all claims for wages, bonuses, unused paid time off, employment benefits, and damages of any kind whatsoever, arising out of any contract (express or implied), tort or common law, or any federal, state or other governmental statute or ordinance, including:

- (a) Title VII of the Civil Rights Act of 1964 (as amended),
- (b) Section 1981 of the Civil Rights Act of 1866,
- (c) the Age Discrimination in Employment Act of 1967 (“ADEA”) (29 U.S.C. §21, *et seq.*),
- (d) the Civil Rights Act of 1991,
- (e) the Employee Retirement Income Security Act (as amended) (“ERISA”),
- (f) the Older Workers’ Benefit Protection Act,
- (g) the Fair Labor Standards Act (“FLSA”),
- (h) the Family and Medical Leave Act (“FLMA”),
- (i) the Worker Adjustment and Retraining Notification Act,
- (j) the Rehabilitation Act of 1973,
- (k) the Americans with Disabilities Act (“ADA”),
- (l) the Racketeer Influenced and Corrupt Organizations Act (“RICO”),
- (m) the West Virginia Human Rights Act,
- (n) the anti-discrimination provisions of the West Virginia Workers’ Compensation Act (West Virginia Code §23-5A-1 *et seq.*),
- (o) the West Virginia Wage Payment and Collection Act,

or other cause of action arising under or based on the common law of West Virginia or Texas or the public policy of the State of West Virginia or the State of Texas, and any other right or claim relating in any way to any other federal, state, or local law or rule concerning age, race, religion, national origin, sex, sexual orientation, handicap, libel, slander, defamation, and all rights or claims for attorneys’ fees and court costs occurring on or before the effective date of this Agreement.

4.2 This waiver and release shall not waive or release the following in this Section 4.2:

- (a) Employee’s right, if any, to vested pension or Retirement Savings Plan benefits under the Company’s standard programs, plans and policies;
- (b) Claims that Employee may have against the Company or its insurers for indemnification under corporate charters or by-laws, director and officer insurance, or other similar protection afforded Company officers or directors to provide them with protection from claims third parties may make;
- (c) Claims Employee may have against the Company where the events in dispute first arise after execution of this Agreement; or

/s/ JFU
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(d) rights of Employee arising under, or preserved by, this Separation Agreement.

5. IMPORANT NOTICE TO EMPLOYEES 40 YEARS OF AGE OR OLDER REGARDING RELEASE OF CLAIMS OF AGE DISCRIMINATION.

5.1 Employee hereby waives any right that Employee may have to assert a claim of age discrimination under the ADEA, the Older Workers' Benefit Protection Act, and the West Virginia Human Rights Commission ("HRC") Regulations or Texas Workforce Commission regulations. Employee agrees he has been advised to consult with an attorney regarding the terms of this release and has been provided with a toll-free telephone number of the West Virginia State Bar (1-866-989-8227). Employee further agrees:

- (a) this Agreement is worded in an understandable way;
- (b) claims under the ADEA, the Older Workers' Benefit Protection Act, the West Virginia HRC Regulations and Texas Workforce Commission regulations that may arise after the date of this Agreement are not waived;
- (c) the rights and claims waived in this Agreement are in exchange for additional consideration over and above any consideration to which Employee was already undisputedly entitled;
- (d) Employee has been advised to consult with an attorney prior to executing this Agreement and has had sufficient time and opportunity to do so; and
- (e) Employee has been given up to 21 days, if desired, to consider this Agreement, and that no additional time is necessary.

Employee further understands he may revoke his waiver and release of any claims under the ADEA, the Older Workers' Benefit Protection Act, and the West Virginia HRC Regulations covered by this Agreement within seven days from the date Employee executes this Agreement. Notice of revocation must be in writing within seven days after Employee signs this Agreement and directed to:

MRC Global Inc.
Attention: General Counsel
909 Fannin Street, Suite 3100
Houston, Texas 77010

If Employee revokes his release of any claims under the ADEA, the Older Workers' Benefit Protection Act or the West Virginia HRC Regulations, the Company, in its sole discretion, may withdraw its offer of the consideration and the remainder of the Agreement shall be nullified. As noted above in Section 2.6,

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the effective date of this Agreement is the eighth day after the Agreement is signed by the Employee, absent a revocation of Employee's waiver and release. Employee's acceptance of the Separation Benefit after the effective date constitutes an admission that Employee did not revoke this Agreement.

- 5.2 Any changes made to this Agreement, whether material or immaterial, shall not restart the running of the 21-day period.
- 5.3. Nothing in this Agreement should be construed to prohibit Employee from challenging the knowing and voluntary nature of this release.
- 5.4 Employee acknowledges that he has received all information required under the Older Workers' Benefit Protection Act.

6. Release of Unknown Claims.

This Agreement is a general release that shall be effective as a bar to each and every claim, demand or cause of action it releases. Employee recognizes that he may have some claim, demand or cause of action against the Company of which Employee is totally unaware and unsuspecting, which Employee is giving up by execution of this Agreement.

7. Employee Acknowledgements, Representations, Obligations and Agreements.

- 7.1Employee agrees that the Company and its agents have made no representations regarding tax consequences of any amounts received pursuant to this Agreement and that Employee is not relying upon the Company's agents in any way regarding the tax consequences of entering into this Agreement. Employee shall be solely responsible for payment of all personal tax liability due on the Separation Benefit and prorated Bonus, including federal, state and local taxes, interest and penalties, if applicable, which are or may become due.
- 7.2Employee represents that during the term of his employment with the Company, Employee has at all times conducted himself in a lawful manner and that Employee is unaware of any act or omission on Employee's part that may constitute a violation of any law.
- 7.3Employee represents that he has not filed any charge, claim, demand, grievance or cause of action or any other proceeding (collectively, "Actions") with any government agency, court, or arbitrator against the Company, and that no Actions released or waived in this Agreement have been previously conveyed, assigned or transferred in any manner, whether in whole or in part, to any person, entity or other third party.
- 7.4Employee agrees never to file a lawsuit asserting any claims that are released in Section 5 of this Agreement. Nothing in this Agreement prevents Employee from filing a charge with the Equal Employment Opportunity Commission or the West

/s/ JFU
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Virginia HRC, or from assisting or participating in any investigation by these agencies. However, if Employee or anyone else on Employee's behalf files a lawsuit asserting any of the released claims, Employee waives his right to receive any monetary award or reinstatement as an employee of the Company. Employee agrees that this Agreement is a complete and total bar to his reemployment or to recovery of any money from the Company resulting from any lawsuit, charge or complaint raising any claims that are released in Section 4. Employee is not waiving the right to test the knowing and voluntary nature of this Agreement in court. Employee understands that under federal law any frivolous or legally unwarranted challenge to the validity of this Agreement may result in payment to the Company of its attorney's fees and other legal costs incurred defending the validity of this Agreement.

7.5 Employee agrees to indemnify and hold the Company harmless from any and all damages, costs or liabilities (including reasonable attorneys' fees and court costs) incurred as a result of any Actions that may hereafter be asserted against the Company because of an alleged assignment, lien or other transfer by Employee of an interest in a claim that this Agreement covers.

7.6 Employee agrees to cooperate with the Company to answer questions that may arise after the employment relationship ends. To the extent Employee has pertinent information, Employee agrees to cooperate with any internal or external investigation, prosecution or defense of any Actions that arose or relate to events that occurred during Employee's employment with the Company. Employee's cooperation and services shall include taking phone calls to answer reasonable questions about Employee's former duties, locating files and documents, making himself available for interview by the Company or its counsel, reviewing and identifying documents, testifying at depositions or trial, and notifying the Company reasonably promptly in writing if Employee is ever subpoenaed or otherwise requested to testify in any matter involving the Company. Reasonable out-of-pocket expenses related to Employee's assistance shall also be reimbursed by the Company, if the Company's approval is obtained in advance. The Company's request for cooperation must reasonably accommodate Employee's obligations to any new employers. In addition, until August 31, 2014, Employee will provide consulting services to the Company regarding the Company's information technology systems and U.S. operations as reasonably requested by the Company, which from time to time may require Employee to attend meetings at Company locations or telephone conferences, subject to the reimbursement of consulting expenses that are consistent with the Company's internal expense reimbursement policies.

7.7 Employee expressly represents that Employee is competent and authorized to enter into this agreement and to release and waive any Actions Employee may have against the Company on any basis whatsoever.

7.8 Employee acknowledges that he is a party to the Second Amended and Restated Employment Agreement with MRC Global Inc. (formerly McJunkin Red Man

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Holding Corporation) dated as of December 5, 2011 (the “Employment Agreement”). As of the Separation Date, Employee acknowledges that Employee shall not be entitled to any further payments or benefits under the Employment Agreement and that this Agreement shall govern any future payments. Employee agrees to comply with Section 4 of the Employment Agreement (and any other provision of the Employment Agreement necessary to give effect to Section 4 of the Employment Agreement). Employee understands that Section 4 of the Employment Agreement addresses confidentiality of Company information and no unauthorized disclosures, non-competition, non-solicitation of Company employees, non-interference with Company business relationships, protection of proprietary rights of the Company and certain other matters.

7.9 Employee agrees that he will not make any negative public or private statements, comments, or communication in any form, oral, written, or electronic, which in any way could constitute libel, slander, or disparagement of Company Releasees, or which may be considered to be derogatory or detrimental to the name or business reputation of Company Releasees. Employee agrees that this provision is a material inducement to the Company entering into this Agreement. Additionally, Employee and the Company agree that a breach of this will cause harm to the Company for which monetary damages alone is an insufficient remedy. The Company and its subsidiaries will advise their officers and directors not to make any such statements regarding Employee.

7.10 Employee agrees that if he violates Sections 7.8 or 7.9, Employee will pay to Company \$500,000, which is consideration paid in Sections 2.1 and 2.2 in exchange for these promises. Nothing in this Section 7.10 shall limit the right of the Company to pursue any additional damages or remedies available at law or in equity, including injunctive relief, for Employee’s violation of Sections 7.8 or 7.9.

7.11 Employee hereby resigns, as of the Separation Date, any positions that Employee may hold as an officer or director of the Company and all of its subsidiaries and affiliates. Employee agrees to sign such additional letters of resignation for those companies as the Company may request.

8. Governing Law.

This Agreement is made in the State of Texas and is governed by Texas law without regard to choice of law rules that would apply the law of another state. Any action to enforce this Agreement shall be brought in the state district court of Harris County, Texas or the United States District Court for the Southern District of Texas in Houston.

9. Binding Effect.

This Agreement is binding on the representatives, heirs, successors and assigns of the Employee and the Company.

/s/ JFU
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10. No Oral Changes.

This Agreement cannot be changed, modified, or amended in any respect except by written instrument that Employee and an officer of the Company sign.

11. Severability.

The provisions of this Agreement are severable; specifically, if any part of it is found to be invalid or unenforceable, the other parts will remain valid and enforceable. Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision, at a later time.

12. Return of Company Property.

Employee has returned or will immediately return to the Company all Confidential Information and related reports, files, memoranda and records, passwords, computer disks or other storage media, physical or personal property that Employee was provided during his employment, including credit cards, card key passes, door and file keys, pagers or Company leased or owned vehicle. Employee has returned or will immediately return to the Company all items that Employee received or prepared or helped prepare in connection with his employment, and Employee has not retained or will not retain any copies, duplicates, reproductions or excerpts thereof. The Company will permit Employee to retain Employee's cell phone, cell phone number (subject to phone service provider cooperation) and laptop computer; *provided* that as of the Separation Date, the Company will be entitled to disconnect cell service to the cell phone and computer and Employee will delete all Company information from the computer. Prior to the Separation Date, Employee shall provide Company with the laptop so that the Company may make an image of the memory of the laptop.

13. Employee's Death.

If Employee dies prior to receipt of the payments or benefits that this Agreement provides, Employee's estate shall be entitled to receive any remaining payments or benefits to the extent that Section 2 provides (and subject to the other terms and conditions of this Agreement), unless and to the extent Employee's current or future beneficiary designation forms for those benefit plans that utilize these forms otherwise provide.

14. Interpretation & Construction.

The headings of this Agreement are for convenience only and shall not affect the interpretation or construction of this Agreement. When used in this Agreement, unless the context expressly requires the contrary, references to the singular shall include the plural, and *vice versa*; references to "Sections" means the sections and subsections of this Agreement; references to "including" means "including, without limitation"; and references to the "parties" means the Company and Employee and to a "party" means

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either one of them.

1. Entire Agreement.

This is the entire Agreement between Employee and the Company and supersedes all prior understandings, whether oral or written, between the Company and Employee, other than any confidentiality, trade secret or non-competition agreements with Employee. The Company has made no promises to Employee other than those in this Agreement.

[Signatures are on the following page.]

/s/ JFU
Initials

**EMPLOYEE ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT,
UNDERSTANDS IT AND IS VOLUNTARILY ENTERING INTO THIS AGREEMENT.**

**PLEASE READ THIS AGREEMENT CAREFULLY. IT CONTAINS A RELEASE OF ALL
KNOWN AND UNKNOWN CLAIMS.**

Agreed:
James F. Underhill

Underhill /s/ James F.

-
-

Agreed:
MRC Global Inc.

Lane /s/ Andrew R.

-
CEO

Name: Andrew R. Lane
Title:

- Agreed:
McJunkin Red Man Corporation

O'Byrne /s/ Rory

-
O'Byrne Name: Rory
Resources Title: SVP Human

- /s/ JFU
Initials

County of Kanawha

)

State of West Virginia

)

On this 16th day of August, 2013, before me, a Notary Public, personally appeared James Underhill, known to me to be the person described in and who executed the foregoing document, and acknowledged that he executed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/ Nancy G. Shaffer
Notary Public

My appointment expires: June 16, 2019 [Notary Seal]

/s/ JFU
Initials

CONSULTING AGREEMENT

This Consulting Agreement (“Agreement”) is executed and made effective this 16th day of August, 2013 (the “Effective Date”), between MRC Global, Inc., (“Principal”) and James F. Underhill (“Consultant”) upon the following terms and conditions.

Principal desires to retain Consultant as an independent contractor to provide services in accordance with the terms of this Agreement and as described in Exhibit A hereto, which is incorporated into this Agreement.

NOW, THEREFORE, for valuable consideration given and received, the receipt and sufficiency of which are hereby acknowledged, the parties hereto intending to be legally bound, do hereby agree as follows:

I. INDEPENDENT CONTRACTOR STATUS

Section 1.1 Independent Contractor Status and Purpose. Principal hereby retains Consultant to provide the services set forth in Exhibit A hereto during the Term (defined below). Consultant shall perform such services for Principal as an independent contractor and not as an agent, employee, joint venturer, partner, or other position. Consultant shall not have the authority to bind Principal in any way.

Section 1.2 No Provision of Facilities and Equipment. Consultant shall provide at his own expense his office or place of business, any necessary equipment (including computers and printers and fax machines), office supplies, and other miscellaneous materials.

II. TERM; TERMINATION

Section 2.1 Term. Consultant shall provide the consulting services to Principal from September 1, 2014 until March 31st, 2015 (the “Term”), unless earlier terminated in accordance with Section 2.2 hereof.

Section 2.2 Termination. Principal shall have the right to immediately terminate this Agreement for cause and discontinue any payments hereunder if Consultant breaches any provision of (a) this Agreement, including Exhibit A and any amendments thereto; (b) that certain Second Amended and Restated Employment Agreement dated December 5, 2011, between Consultant and McJunkin Red Man Holding Corporation, or (c) that certain Separation Agreement and Complete Release dated August 16, 2013 among Consultant, Principal and McJunkin Red Man Corporation (the “Separation Agreement” and collectively the “Underhill Agreements”).

III. PAYMENT FOR SERVICES

Section 3.1 Payment. Principal shall pay Consultant for services rendered as described herein in accordance with Exhibit A to this Agreement.

Section 3.2 No Expense Reimbursement. Principal shall not compensate Consultant for any expenses unless jointly agreed by the parties in writing.

Section 3.3 No Benefits. Consultant shall not be entitled to participate in any insurance or other benefit programs which may be applicable to employees of Principal. Principal is not providing to Consultant any health insurance, worker's compensation insurance, unemployment insurance, retirement plans, or any other benefits.

Section 3.4 No Vacation; Sick Leave. Principal shall not pay Consultant for any vacations, sick leave or other leave.

IV. CONSULTANT OBLIGATIONS

Section 4.1 Taxes. For any payments received by Consultant under this Agreement, Consultant acknowledges that he is responsible for all applicable city, state, federal and other taxes as required pursuant to any law or governmental regulation or ruling. Consultant acknowledges that Principal is not withholding any taxes from the payments made to Consultant under this Agreement. Principal shall report all compensation paid to Consultant hereunder on an IRS Form 1099.

Section 4.2 No Trademarks or Name Use. This Agreement does not grant Consultant any rights to Principal's (or its affiliates', associates' or clients') trademarks or other proprietary material. Without the prior written consent of Principal, Consultant will not use the name, trademarks, logos or other proprietary material of Principal, or any of its clients, associates or affiliates, in any representation, advertising or publicity release.

V. UNAUTHORIZED DISCLOSURE; NON-COMPETITION; NON-SOLICITATION; INTERFERENCE WITH BUSINESS RELATIONSHIPS

Section 5.1 Unauthorized Disclosure. Consultant agrees and understands that during the duration of the Agreement and Consultant's history with Principal, Consultant has been and will be exposed to and has and will receive information relating to the confidential affairs of Principal and its affiliates, including, without limitation, technical information, intellectual property, business and marketing plans, strategies, customer information, software, other information concerning the products, promotions, development, financing, expansion plans, business policies and practices of Principal and its affiliates and other forms of information considered by Principal and its affiliates to be confidential or in the nature of trade secrets (including, without limitation, ideas, research and development, know-how, formulas, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information and business and marketing plans and proposals) (collectively, the "Confidential Information"). Consultant agrees that at all times during the duration of the Agreement, Consultant shall not disclose such Confidential Information, either directly or indirectly, to any individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof (each, a "Person") other than in connection with the Agreement without the prior written consent of Principal and shall not use or attempt to use any such information in any manner other than in connection with his employment with Principal, unless required by law to disclose such

information, in which case Consultant shall provide Principal with written notice of such requirement as far in advance of such anticipated disclosure as possible. This confidentiality covenant has no temporal, geographical or territorial restriction. Upon termination of the Agreement, Consultant shall promptly supply to Principal all property, keys, notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, surveys, maps, logs, machines, technical data and any other tangible product or document which has been produced by, received by or otherwise submitted to Consultant during the duration of the Agreement, and any copies thereof in his (or capable of being reduced to his) possession; provided, however, that Consultant may retain his full rolodex or similar address and telephone directories.

Section 5.2 Non-Competition. By and in consideration of Principal's entering into this Agreement and the payments to be made and the benefits to be provided hereunder and in further consideration of Consultant's exposure to the Confidential Information of Principal and its affiliates, Consultant agrees that Consultant shall not, during Consultant's engagement by Principal, directly or indirectly, own, manage, operate, join, control, be employed by, or participate in the ownership, management, operation or control of, or be connected in any manner with, including, without limitation, holding any position as a stockholder, director, officer, consultant, independent contractor, employee, partner, or investor in, any Restricted Enterprise (as defined below) and in connection with Consultant's association directly or indirectly engage in any activity that is similar to any activity that Consultant was engaged in under the Underhill Agreements; provided, that in no event shall ownership of one percent (1%) or less of the outstanding securities of any class of any issuer whose securities are registered under the Securities Exchange Act of 1934, as amended, standing alone, be prohibited by this Section 5.2, so long as Consultant does not have, or exercise, any rights to manage or operate the business of such issuer other than rights as a stockholder thereof. For purposes of this paragraph, "Restricted Enterprise" shall mean (i) any Person that is actively engaged in any geographic area in any business which materially competes with Principal or any of its subsidiaries' or affiliates' business of the distribution of industrial pipe, valves and fittings or any other business which is material to Principal or any of its subsidiaries or affiliates (a "Material Business") or (ii) any Person who within a two (2) year period following termination of the Agreement is reasonably expected to materially compete with a Material Business or have revenue in excess of \$100,000,000 derived from a business that is competitive with a Material Business. During the Term, upon request of Principal, Consultant shall notify Principal of Consultant's then-current employment status.

5.3 Non-Solicitation of Employees. During the duration of the Agreement, Consultant shall not directly or indirectly contact, induce or solicit (or assist any Person to contact, induce or solicit) for employment any individual who is, or within twelve (12) months prior to the date of such solicitation was, an employee of Principal or any of its affiliates.

5.4 Interference with Business Relationships. During the duration of the Agreement (other than in connection with carrying out his responsibilities for Principal and its affiliates), Consultant shall not directly or indirectly contact, induce or solicit (or assist any Person to contact, induce or solicit) any customer or client of Principal or its subsidiaries to terminate its relationship or otherwise cease doing business in whole or in part with Principal or its subsidiaries, or directly or indirectly interfere with (or assist any Person to interfere with) any

material relationship between Principal or its subsidiaries and any of its or their customers or clients so as to cause harm to Principal or its affiliates.

VI. INVENTIONS AND COPYRIGHTS

Section 6.1 Inventions. Consultant agrees to assign and hereby does assign to Principal, all rights, title and interest in patented inventions which are conceived and directly concern Principal's business during the period this agreement is in effect.

Section 6.2 Copyrights. All Copyrights remain the sole property of Principal.

VII. MISCELLANEOUS

Section 7.1 Applicable Law, Jurisdiction and Mandatory Forum. This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Texas and venue shall be fixed in Harris County, Texas.

Section 7.2 Successors/Assignment. Consultant acknowledges and agrees that this Agreement shall be binding upon and inure to the benefit of Principal. This Agreement is personal to Consultant, who shall not be entitled to assign, transfer or charge any of its rights or obligations under the Agreement, or sub-contract or otherwise delegate any of its rights or obligations to any third party without the written consent of Principal.

Section 7.3 Notices. All notices or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party if served either personally or if deposited in the United States mail, postage prepaid. If such notice, demand or other communication is served personally, service shall be conclusively deemed made at the time of such personal service. If such notice or other communication be given by mail, such shall be conclusively deemed given five (5) business days after the deposit thereof in the United States mail, addressed to the party to whom such notice or other communication is to be given, as follows:

If to Principal to:	MRC Global, Inc. 2 Houston Center, 909 Fannin, Suite 3100 Houston, Texas 77010 Attn: General Counsel
If to Consultant to:	The address set forth under Consultant's name on the signature page hereto

Any party hereto may change its address for the purpose of receiving notices, demands and other communications as herein provided by a written notice given in the manner aforesaid to the other party hereto.

Section 7.4 No Waiver. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall (i) be deemed a waiver or similar or dissimilar provisions or conditions at the same or at any prior or subsequent time, or (ii) preclude insistence upon strict compliance in the future.

Section 7.5 Severability. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

Section 7.6 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

Section 7.7 Headings. The paragraph headings have been inserted for purposes of convenience and shall not be used for interpretive purposes.

Section 7.8 Affiliate. As used in this Agreement, "affiliate" shall mean any Person which directly or indirectly through one or more intermediaries owns or controls, is owned or controlled by, or is under common ownership or control with, Principal.

Section 7.9 Termination. Except as otherwise provided in this Agreement, termination of this Agreement pursuant to the provisions of Article II hereof shall not affect any right or obligation of either party hereto which is accrued or vested prior to or upon such termination or the rights and obligations set forth in Articles V and VI hereof.

Section 7.10 Entire Agreement. This Agreement constitutes the entire agreement of the parties. Any modification of this Agreement will be effective only if it is in writing and signed by the party to be charged.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the Effective Date.

By: /s/ Andrew R. Lane
Name: Andrew R. Lane
Title: CEO

CONSULTANT

/s/ James F. Underhill
James F. Underhill

Address for Notice:
[Redacted]

EXHIBIT A

SCOPE OF SERVICES AND COMPENSATION

1. Scope of Services: Consultant shall provide consulting services to Principal regarding Principal's information technology systems and U.S. operations as reasonably requested by Principal, which from time to time may require Consultant to attend meetings at Principal's locations or telephone conferences, subject to the reimbursement of consulting, travel or other expenses that are consistent with the Principal's internal expense reimbursement policies.

2. Cost and Payment. For the services to be rendered under this Agreement, Consultant shall be entitled a consulting fee of \$250,000.00 (the "Consulting Fee"). The Consulting Fee will be payable in six equal installments on or before the first of each month during the Term commencing October 1, 2014 for the service provided during the month immediately preceding the month of payment.

CERTIFICATION

I, Andrew R. Lane, certify that:

- 1.I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2013 of MRC Global Inc.;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c.Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d.Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Andrew R. Lane

Name: Andrew R. Lane

Title: Chairman, President and Chief Executive Officer

CERTIFICATION

I, James E. Braun, certify that:

- 1.I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2013 of MRC Global Inc.;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c.Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d.Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ James E. Braun

Name: James E. Braun

Title: Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Quarterly Report on Form 10-Q of MRC Global Inc., a Delaware corporation (the "Company"), for the period ended September 30, 2013 (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrew R. Lane

Name: Andrew R. Lane

Title: Chairman, President and Chief Executive Officer

/s/ James E. Braun

Name: James E. Braun

Title: Executive Vice President and Chief Financial Officer

Date: November 1, 2013
