
**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 MARCH 31, 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 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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

The Company's common stock is traded on the New York Stock Exchange under the symbol "MRC". There were 101,687,820 shares of the registrant's common stock, par value \$0.01 per share, issued and outstanding as of April 26, 2013.

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

MRC GLOBAL INC.

	March 31, 2013	December 31, 2012
<i>(In thousands, except per share amounts)</i>		
Assets		
Current assets:		
Cash	\$ 27,421	\$ 37,090
Accounts receivable, net	806,723	823,236
Inventories, net	955,468	970,228
Deferred income taxes	5,261	6,603
Other current assets	19,916	13,417
Total current assets	<u>1,814,789</u>	<u>1,850,574</u>
Other assets	35,948	37,031
Property, plant and equipment, net	120,964	122,458
Intangible assets:		
Goodwill, net	610,222	610,392
Other intangible assets, net	735,672	749,272
	<u>1,345,894</u>	<u>1,359,664</u>
	<u>\$3,317,595</u>	<u>\$3,369,727</u>
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 519,218	\$ 438,344
Accrued expenses and other current liabilities	105,856	124,026
Income taxes payable	24,912	—
Deferred revenue	5,320	1,573
Deferred income taxes	80,160	79,661
Current portion of long term debt	6,500	6,500
Total current liabilities	<u>741,966</u>	<u>650,104</u>
Long-term obligations:		
Long-term debt, net	1,066,570	1,250,089
Deferred income taxes	255,993	261,448
Other liabilities	22,197	22,164
	<u>1,344,760</u>	<u>1,533,701</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value per share; 500,000 shares authorized, 101,685 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	1,629,729	1,625,900
Retained (deficit)	(372,647)	(418,830)
Accumulated other comprehensive loss	(27,230)	(22,164)
	<u>1,230,869</u>	<u>1,185,922</u>
	<u>\$3,317,595</u>	<u>\$3,369,727</u>

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

MRC GLOBAL INC.

	Three Months Ended	
	March 31, 2013	March 31, 2012
<i>(In thousands, except per share amounts)</i>		
Sales	\$1,305,100	\$1,382,632
Cost of sales	1,058,529	1,146,071
Gross profit	246,571	236,561
Selling, general and administrative expenses	160,757	146,384
Operating income	85,814	90,177
Other income (expense):		
Interest expense	(15,302)	(33,717)
Write off of debt issuance costs	—	(1,685)
Change in fair value of derivative instruments	567	2,125
Other, net	116	1,747
Income before income taxes	71,195	58,647
Income tax expense	25,012	21,113
Net income	\$ 46,183	\$ 37,534
Basic earnings per common share	\$ 0.45	\$ 0.44
Diluted earnings per common share	\$ 0.45	\$ 0.44
Weighted-average common shares, basic	101,609	84,437
Weighted-average common shares, diluted	102,426	84,756

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

MRC GLOBAL INC.

<i>(In thousands)</i>	Three Months Ended	
	March 31, 2013	March 31, 2012
Net income	\$46,183	\$37,534
Other comprehensive (loss) income before tax—Foreign currency translation adjustments	(5,473)	5,421
Income tax benefit (expense) related to components of other comprehensive income	<u>407</u>	<u>(637)</u>
Total other comprehensive (loss) income, net of tax	(5,066)	4,784
Comprehensive income	<u>\$ 41,117</u>	<u>\$ 42,318</u>

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

MRC GLOBAL INC.

<i>(In thousands)</i>	Three Months Ended	
	March 31, 2013	March 31, 2012
Operating activities		
Net income	\$ 46,183	\$ 37,534
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	5,392	4,131
Amortization of intangibles	13,243	12,317
Equity-based compensation expense	1,920	1,841
Deferred income tax benefit	(4,017)	(2,110)
Amortization of debt issuance costs	1,446	2,326
Write off of debt issuance costs	—	1,685
(Decrease) increase in LIFO reserve	(3,072)	6,900
Change in fair value of derivative instruments	(567)	(2,125)
Provision for uncollectible accounts	(907)	727
Non-operating losses and other items not using cash	388	700
Changes in operating assets and liabilities:		
Accounts receivable	11,937	(44,150)
Inventories	12,581	(68,807)
Income taxes payable	25,198	14,044
Other current assets	(6,987)	(5,834)
Accounts payable	83,484	43,816
Deferred revenue	3,763	(2,026)
Accrued expenses and other current liabilities	(15,578)	17,346
Net cash provided by operations	174,407	18,315
Investing activities		
Purchases of property, plant and equipment	(4,890)	(4,458)
Proceeds from the disposition of property, plant and equipment	52	1,195
Acquisitions, net of cash acquired	—	(72,816)
Other investment and notes receivable transactions	295	(3,813)
Net cash used in investing activities	(4,543)	(79,892)
Financing activities		
Payments on revolving credit facilities	(544,460)	(537,064)
Proceeds from revolving credit facilities	365,167	651,210
Payments on long term obligations	(1,625)	(31,456)
Debt issuance costs paid	(173)	(7,099)
Proceeds from exercise of stock options	1,459	—
Tax benefit on stock options	451	—
Net cash (used in) provided by financing activities	(179,181)	75,591
Increase (decrease) in cash	(9,317)	14,014
Effect of foreign exchange rate on cash	(352)	(1,308)
Cash – beginning of period	37,090	46,127
Cash – end of period	\$ 27,421	\$ 58,833
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 13,648	\$ 7,444
Cash paid for income taxes	\$ 3,219	\$ 9,982

See notes to condensed consolidated financial statements.

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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 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 months ended March 31, 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 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 is effective for us prospectively in 2014. We do not expect this update to have a material impact on our financial statements.

NOTE 2 – INVENTORIES

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

	March 31, 2013	December 31, 2012
Finished goods inventory at average cost:		
Energy carbon steel tubular products	\$ 382,066	\$ 387,609
Valves, fittings, flanges and all other products	740,930	752,630
	1,122,996	1,140,239
Less: Excess of average cost over LIFO cost (LIFO reserve)	(147,910)	(150,982)
Less: Other inventory reserves	(19,618)	(19,029)
	<u>\$ 955,468</u>	<u>\$ 970,228</u>

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NOTE 3 – LONG-TERM DEBT

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

	March 31, 2013	December 31, 2012
Senior secured term loan B, net of discount of \$6,113 and \$6,345	\$ 640,637	\$ 642,030
Global ABL Facility	425,980	608,006
Other	6,453	6,553
	<u>1,073,070</u>	<u>1,256,589</u>
Less current portion	6,500	6,500
	<u>\$1,066,570</u>	<u>\$1,250,089</u>

Senior Secured Term Loan B: We have a \$650 million seven-year 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. The Term Loan allows for incremental increases 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. The Term Loan has mandatory prepayment requirements ranging from 0% to 50% of excess cash flow, beginning for the year ended December 31, 2013 and depending on our senior secured leverage ratio, and contains a number of customary restrictive covenants.

The interest rate for the Term Loan was 6.39% as of March 31, 2013 and December 31, 2012.

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.

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 1.91% and 2.21% as of March 31, 2013 and December 31, 2012, respectively.

Availability under our Global ABL Facility was \$560 million as of March 31, 2013.

NOTE 4 – 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’

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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. To date, 1,793,969 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):

	March 31, 2013	December 31, 2012
Currency translation adjustments	\$ (26,895)	\$ (21,829)
Pension related adjustments	(335)	(335)
Accumulated other comprehensive loss	<u>\$ (27,230)</u>	<u>\$ (22,164)</u>

Earnings per Share

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

	Three Months Ended	
	March 31, 2013	March 31, 2012
Net income	<u>\$ 46,183</u>	<u>\$ 37,534</u>
Average basic shares outstanding	101,609	84,437
Effect of dilutive securities	817	319
Average diluted shares outstanding	<u>102,426</u>	<u>84,756</u>
Net income per share:		
Basic	\$ 0.45	\$ 0.44
Diluted	\$ 0.45	\$ 0.44

Stock options and shares of restricted stock are disregarded in this calculation if they are determined to be anti-dilutive. For the three months ended March 31, 2013 and 2012, our anti-dilutive stock options approximated 0.6 million and 2.3 million.

NOTE 5 – 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.

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

	Three Months Ended	
	March 31, 2013	March 31, 2012
Sales		
U.S.	\$ 965.6	\$ 1,052.7
Canada	204.5	208.2
International	135.0	121.7
Consolidated revenues	<u>\$1,305.1</u>	<u>\$ 1,382.6</u>
Operating income		
U.S.	\$ 74.2	\$ 75.2
Canada	8.2	9.6
International	3.4	5.4
Total operating income	85.8	90.2
Interest expense	(15.3)	(33.7)
Other, net	0.7	2.1
Income before income taxes	<u>\$ 71.2</u>	<u>\$ 58.6</u>
	March 31, 2013	December 31, 2012
Total assets		
U.S.	\$2,688.7	\$ 2,732.4
Canada	223.3	249.1
International	405.6	388.2
Total assets	<u>\$3,317.6</u>	<u>\$ 3,369.7</u>

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

Type	Three months ended	
	March 31, 2013	March 31, 2012
Energy carbon steel tubular products:		
Line pipe	\$261,625	\$290,353
Oil country tubular goods (OCTG)	126,115	221,221
	<u>\$387,740</u>	<u>\$511,574</u>
Valves, fittings, flanges and other products:		
Valves and specialty products	\$362,718	\$331,832
Carbon steel fittings and flanges and stainless steel and alloy pipe and fittings	289,767	276,526
Other	264,875	262,700
	<u>\$917,360</u>	<u>\$871,058</u>

NOTE 6 – 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 March 31, 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 \$58 million and \$69 million at March 31, 2013 and December 31, 2012, respectively. We had approximately \$570,000 and \$3,000 recorded as assets on our consolidated balance sheets as of March 31, 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 \$1.073 billion and \$1.257 billion at March 31, 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 \$1.080 billion and \$1.261 billion at March 31, 2013 and December 31, 2012, respectively.

NOTE 7 – 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 purportedly distributed by MRC. As of March 31, 2013, we are named a defendant in approximately 266 lawsuits involving approximately 903 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. While the outcome of legal proceedings is inherently uncertain, based upon our historical experience with these types of claims and analysis of pending claims, we do not believe that there is a reasonable possibility of potential losses arising from these claims that would have a material adverse impact 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.

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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. 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 imposed by the facility.

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 and natural gas 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;

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- 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;
- adverse changes in political or economic conditions in the countries in which we operate; 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 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 in 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 our 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 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 and maintenance to pipeline mileage, 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 three months of 2013, the average oil price of West Texas Intermediate (“WTI”) declined from \$102.87 per barrel in the first three months of 2012, but remained strong at \$94.42 per barrel. Despite the relative strength of oil prices, North American drilling activity decreased 10% in the first three months of 2013 as compared to the same period of 2012. Natural gas prices increased to an average price of \$3.47/Mcf (Henry Hub) for the first three months of 2013 from an average of \$2.44/Mcf (Henry Hub) for the first three months of 2012. At March 29, 2013, the natural gas price was \$4.05/Mcf (Henry Hub). However, we continue to see a shift in rig activity from natural gas to oil, with oil drilling representing over 75% of the total North American rig count during the first three months of 2013 compared to 65% 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 two months 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. Despite this softness, we continue to see development within the Eagle Ford and Bakken shale regions and the Permian Basin as well as the heavy oil and oil sands regions of Canada. Our downstream and other industrials sector performance continues to improve. In the first quarter of 2013 we saw anticipated increases in turnaround activity at U.S. refineries.

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Internationally, within Europe, the outlook remains steady but cautious. In Australasia, the general outlook is positive and our acquisition of the piping systems division of OneSteel Limited (“MRC PSA”) continues to perform well.

In 2012, we successfully implemented our strategy to focus on our higher margin product lines and reduce exposure to our oil country tubular goods (“OCTG”) business. As a result of this strategy, OCTG represented only 10% of total sales in the first quarter of 2013 compared to 16% in the first quarter of 2012 and our investment in OCTG inventory at the end of the first quarter of 2013 was \$85 million as compared to \$161 million a year ago. The impact of this rebalancing effort was to reduce our OCTG sales by approximately \$95 million in the first quarter 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. Our backlog has grown 4% since December 31, 2012. At March 31, 2013, total backlog was \$688 million, including \$456 million in our U.S. segment, \$69 million in our Canadian segment and \$163 million in our International segment.

The following table shows key industry indicators for the three months ended March 31, 2013 and 2012:

	Three Months Ended	
	March 31, 2013	March 31, 2012
Average Rig Count(1):		
United States	1,758	1,990
Canada	554	585
Total North America	2,312	2,575
International	1,274	1,189
Total Worldwide	3,586	3,764
Average Oil Rig Count(1):		
United States	1,330	1,262
Canada	398	418
Total North America	1,728	1,680
Average Natural Gas Rig Count(1):		
United States	424	725
Canada	138	165
Total North America	562	890
Average Commodity Prices(2):		
WTI crude oil (per barrel)	\$ 94.42	\$ 102.87
Brent crude oil (per barrel)	\$ 112.68	\$ 118.71
Natural gas (\$/Mcf)	\$ 3.47	\$ 2.44
Average Monthly U.S. Well Permits(3)	5,826	5,962
3:2:1 Crack Spread(4)	\$ 31.97	\$ 36.25
PMI Index (5)	51.3	53.4

(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—RigData (U.S.)

(4) Source—Commodity Systems, Inc.

(5) Source—Institute for Supply Management

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Results of Operations

The breakdown of our sales by sector for three months ended March 31, 2013 and 2012 was as follows:

	Three Months Ended			
	March 31, 2013		March 31, 2012	
Upstream	\$ 578.4	44%	\$ 649.8	47%
Midstream	345.6	27%	359.5	26%
Downstream and other industrials	381.1	29%	373.3	27%
	<u>\$1,305.1</u>	<u>100%</u>	<u>\$1,382.6</u>	<u>100%</u>

Three Months Ended March 31, 2013 Compared to the Three Months Ended March 31, 2012

For the three months ended March 31, 2013 and 2012 the following table summarizes our results of operations (in millions).

	Three Months Ended		\$ Change	% Change
	March 31, 2013	March 31, 2012		
<i>Sales:</i>				
U.S.	\$ 965.6	\$1,052.7	\$ (87.1)	(8.3)%
Canada	204.5	208.2	(3.7)	(1.8)%
International	135.0	121.7	13.3	10.9%
Consolidated	<u>\$1,305.1</u>	<u>\$1,382.6</u>	<u>\$ (77.5)</u>	<u>(5.6)%</u>
<i>Operating income:</i>				
U.S.	\$ 74.2	\$ 75.2	\$ (1.0)	(1.3)%
Canada	8.2	9.6	(1.4)	(14.6)%
International	3.4	5.4	(2.0)	(37.0)%
Consolidated	\$ 85.8	\$ 90.2	\$ (4.4)	(4.9)%
Interest expense	(15.3)	(33.7)	18.4	(54.6)%
Write off of deferred financing fees	—	(1.7)	1.7	N/M
Other income (expense)	0.7	3.8	(3.1)	(81.6)%
Income tax expense	(25.0)	(21.1)	(3.9)	18.5%
Net income	\$ 46.2	\$ 37.5	\$ 8.7	23.2%
Adjusted Gross Profit	\$ 262.1	\$ 259.9	\$ 2.2	0.8%
Adjusted EBITDA	\$ 103.9	\$ 115.2	\$ (11.3)	(9.8)%

Sales. Sales include the revenue recognized from the sale of the products we distribute and services 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 5.6% to \$1,305.1 million for the three months ended March 31, 2013 as compared to \$1,382.6 million for the three months ended March 31, 2012.

U.S. Segment—Our U.S. sales decreased to \$965.6 million for the three months ended March 31, 2013 from \$1,052.7 million for the three months ended March 31, 2012. This \$87.1 million, or 8.3%, decrease reflected a \$105 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 first quarter 2013 revenues benefitted from the June and December 2012 acquisitions of the business of Chaparral Supply, LLC and Production Specialty Services Inc. (“PSS”) which contributed sales of \$50 million. The remaining decrease was due to slower activity in the U.S. upstream and midstream sectors.

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Canadian Segment—Our Canadian sales decreased to \$204.5 million for the three months ended March 31, 2013 from \$208.2 million for the three months ended March 31, 2012. The decrease was modest in light of a 5% decline in Canadian rig counts.

International Segment—Our International sales increased to \$135.0 million for the three months ended March 31, 2013, from \$121.7 million for the same period in 2012. The acquisition of MRC PSA in March 2012 accounted for \$27 million in incremental revenues. Excluding the impact of this acquisition, revenues declined 11% reflecting weaker demand in Europe and parts of Australia.

Gross Profit. Our gross profit was \$246.6 million (18.9% of sales) for the three months ended March 31, 2013 as compared to \$236.6 million (17.1% of sales) for the three months ended March 31, 2012. The 180 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 \$3.1 million for the three months ended March 31, 2013 compared to an increase in cost of sales of \$6.9 million during the same period of 2012. In addition, acquisitions contributed approximately \$18 million of incremental gross profit in the first three months of 2013 as compared to the first three months of 2012. These improvements in gross profit were offset by the reduction resulting 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 \$9.5 million and \$8.2 million for the three months ended March 31, 2013 and 2012, respectively.

Adjusted Gross Profit. Adjusted Gross Profit increased to \$262.1 million (20.1% of sales) for the three months ended March 31, 2013 from \$259.9 million (18.8% of sales) for the three months ended March 31, 2012, an improvement of \$2.2 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 our gross profit, as derived from our financial statements (in millions):

	Three Months Ended			
	March 31, 2013	Percentage of Revenue	March 31, 2012	Percentage of Revenue
Gross profit, as reported	\$ 246.6	18.9%	\$ 236.6	17.1%
Depreciation and amortization	5.4	0.4%	4.1	0.3%
Amortization of intangibles	13.2	1.0%	12.3	0.9%
(Decrease) increase in LIFO reserve	(3.1)	(0.2)%	6.9	0.5%
Adjusted Gross Profit	<u>\$ 262.1</u>	<u>20.1%</u>	<u>\$ 259.9</u>	<u>18.8%</u>

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

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integrating other businesses. Our selling, general and administrative expenses were \$160.8 million for the three months ended March 31, 2013 as compared to \$146.4 million for the three months ended March 31, 2012. Approximately \$11 million of this \$14 million increase is attributable to the incremental SG&A expenses of our March and December 2012 acquisitions of MRC PSA and PSS, respectively. The remainder of the increase was primarily due to North American headcount increases and increased personnel costs.

Operating Income. Operating income was \$85.8 million for the three months ended March 31, 2013, as compared to operating income of \$90.2 million for the three months ended March 31, 2012, a decrease of \$4.4 million.

U.S. Segment—Operating income for our U.S. segment decreased to \$74.2 million for the three months ended March 31, 2013 from \$75.2 million for the three months ended March 31, 2012. This decline in operating income was driven by lower revenue levels, including the \$105 million of planned reductions in OCTG sales, offset by our gross profit improvement initiatives.

Canadian Segment—Operating income for our Canadian segment decreased to \$8.2 million for the three months ended March 31, 2013 from \$9.6 million for the three months ended March 31, 2012. The decrease of \$1.4 million was a function of flat sales performance and increased personnel costs.

International Segment—Operating income for our International segment decreased to \$3.4 million for the three months ended March 31, 2013 from \$5.4 million for the three months ended March 31, 2012. The decrease of \$2.0 million was the result of the reduction in sales we experienced in Europe and parts of Australia, exclusive of our acquisition of MRC PSA, without a corresponding decrease in fixed operating costs.

Interest Expense. Our interest expense was \$15.3 million for the three months ended March 31, 2013 as compared to \$33.7 million for the three months ended March 31, 2012. The majority of the \$18.4 million decrease was due to the redemption of our 9.5% senior secured notes, which was funded by borrowings on our lower cost term loan and revolving credit facilities. We also benefitted from an outstanding debt balance that was lower, on average, in the first quarter of 2013 by approximately \$375 million as compared to the first quarter of 2012. Our reduced indebtedness was largely attributable to our April 2012 initial public offering that generated net proceeds of \$333 million that were used to repay debt.

Income Tax Expense. Our income tax expense was \$25.0 million for the three months ended March 31, 2013 as compared to \$21.1 million for the three months ended March 31, 2012. Our effective tax rates were 35.1% and 36.0% for the three months ended March 31, 2013 and 2012, respectively. These rates differ from the federal statutory rate of 35% principally as a result of state income taxes and differing foreign income tax rates.

Net Income. Our net income was \$46.2 million for the three months ended March 31, 2013 as compared to \$37.5 million for the three months ended March 31, 2012, an improvement of \$8.7 million.

Adjusted EBITDA. We define Adjusted EBITDA as net income plus interest, income taxes, depreciation and amortization, amortization of intangibles and other non-cash charges (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 \$103.9 million the three months ended March 31, 2013, as compared to \$115.2 million for the three months ended March 31, 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 our net income, as derived from our financial statements (in millions):

	Three Months Ended	
	March 31, 2013	March 31, 2012
Net income	\$ 46.2	\$ 37.5
Income tax expense	25.0	21.1
Interest expense	15.3	33.7
Write off of debt issuance costs	—	1.7
Depreciation and amortization	5.4	4.1
Amortization of intangibles	13.2	12.3
(Decrease) increase in LIFO reserve	(3.1)	6.9
Change in fair value of derivative instruments	(0.6)	(2.1)
Equity-based compensation expense	1.9	1.8
Other expenses (income)	0.6	(1.8)
Adjusted EBITDA	<u>\$ 103.9</u>	<u>\$ 115.2</u>

Liquidity and Capital Resources

Our primary sources of liquidity consist of cash generated from our operating activities, existing cash balances and borrowings under our existing revolving credit facility. At March 31, 2013, our total liquidity, including cash on hand, was \$588 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 March 31, 2013 and December 31, 2012, we had cash and cash equivalents of \$27.4 million and \$37.1 million, respectively. As of March 31, 2013 and December 31, 2012, \$22.6 million and \$27.9 million of our cash and cash equivalents, respectively, was maintained in the accounts of our various foreign subsidiaries and, 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 was made. We have the intent and ability to permanently 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 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. The Term Loan allows for incremental increases 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 pledge of all of the capital stock of our domestic subsidiaries and 65% of the capital stock of first tier, non-U.S. subsidiaries. The Term Loan has mandatory prepayment requirements ranging from 0% to 50% of excess cash flow, beginning for the year ended December 31, 2013 and depending on our senior secured leverage ratio, and 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 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.

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.

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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 three months ended March 31, 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 (approximately 5% of our shares based on the number of shares currently outstanding), all options and restricted stock granted prior to our initial public offering will vest, accelerating the recognition of stock based compensation. At March 31, 2013, the unrecognized stock based compensation related to these pre-IPO grants was \$8 million. Funds affiliated with Goldman Sachs & Co. beneficially owned 29,088,257 shares as of March 31, 2013.

Cash Flows

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

	Three Months Ended	
	March 31, 2013	March 31, 2012
Net cash provided by (used in):		
Operating activities	\$ 174.4	\$ 18.3
Investing activities	(4.5)	(79.9)
Financing activities	(179.2)	75.6
Net increase (decrease) in cash and cash equivalents	\$ (9.3)	\$ 14.0

Operating Activities

Net cash provided by operating activities was \$174.4 million during the three months ended March 31, 2013 compared to net cash provided by operating activities of \$18.3 million during the three months ended March 31, 2012. The increase in net cash provided by operations was primarily the result of reduced working capital requirements driven by lower sales volume and the reduction of OCTG inventory levels.

Investing Activities

Net cash used in investing activities was \$4.5 million for the three months ended March 31, 2013 compared to \$79.9 million for the three months ended March 31, 2012. The \$75.4 million decrease in cash used in investing activities was primarily due to the March 2012 acquisition of MRC PSA, which required \$72.8 million of cash during the three months ended March 31, 2012. Our capital expenditures were \$4.9 million for the three months ended March 31, 2013 and \$4.5 million for the three months ended March 31, 2012.

Financing Activities

Net cash used in financing activities was \$179.2 million for the three months ended March 31, 2013 compared to net cash provided by financing activities of \$75.6 million for the three months ended March 31, 2012. The financing activities generally reflect advances and payments on our revolving credit facility. The \$254.8 million increase in cash used by financing activities reflects the significant cash flow generated from operations in the three months ended March 31, 2013 used to repay revolving credit facility borrowings as compared to the borrowings that were required in the three months ended March 31, 2012 to fund the acquisition of MRC PSA.

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 is effective for us prospectively in 2014. 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 U.S. Generally Accepted Accounting Principles, 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 March 31, 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 quarter 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 operation 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 are not expected to have a material adverse effect on our financial position, 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.

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ITEM 6. EXHIBITS

<u>Number</u>	<u>Description</u>
10.1	Form of MRC Global Inc. Nonqualified Stock Option Agreement
10.2	Form of MRC Global Inc. Restricted Stock Award Agreement
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 March 31, 2013, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheet at March 31, 2013 and December 31, 2012, (ii) the Condensed Consolidated Statement of Income for the three months ended March 31, 2013 and 2012, (iii) the Condensed Consolidated Statement of Comprehensive Income for the three months ended March 31, 2013 and 2012, (iv) the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 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: May 3, 2013

MRC Global Inc.
Nonqualified Stock Option Agreement

This Nonqualified Stock Option Agreement (this "Agreement"), is made as of [Month Day, Year] (the "Grant Date"), between MRC Global Inc., a Delaware corporation (the "Company"), and [_____] (the "Participant").

1. Grant of Nonqualified Stock Option. The Company hereby grants to the Participant a Nonqualified Stock Option (the "Option") that provides the Participant the right and option to purchase _____ Shares at the purchase price (the "Option Price") of \$ _____ per Share, in accordance with the provisions of this Agreement and the terms of the MRC Global Inc. 2011 Omnibus Incentive Plan (the "Plan"). The Option shall be subject to the execution and return of this Agreement by the Participant (or the Participant's estate, if applicable) to the Company as provided in Section 8 hereof. The Option is made under and pursuant to the Plan, which Plan is incorporated herein by reference, and the Option is subject to all of the provisions thereof. Capitalized terms used herein without definition shall have the same meanings given such terms in the Plan. The Option is not intended to constitute an "incentive stock option" as that term is used in Code Section 422.

2. Vesting Schedule. This Option shall vest and become exercisable in accordance with the following schedule, subject to Section 3 of this Agreement:

<u>Vesting Date</u>	<u>Percentage of Option Vested</u>
First anniversary of Grant Date	25%
Second anniversary of Grant Date	50%
Third anniversary of Grant Date	75%
Fourth anniversary of Grant Date	100%

The portion of the Option which has become vested and exercisable as provided herein is referred to as the "Vested Portion", and the portion of the Option that has not become vested and exercisable as provided herein is referred to as the "Non-Vested Portion."

3. Accelerated Vesting. Notwithstanding Section 2 above, the vesting of the Option shall be accelerated upon the occurrence of certain events as follows:

3.1 Death or Disability. Upon the Participant's Termination by reason of the Participant's death or Disability at any time on or after the Grant Date and prior to the fifth anniversary of the Grant Date, the Option will be deemed to be vested and exercisable with respect to an additional 20% of the Shares subject to the Option.

3.2 Change in Control. Upon a Change in Control, the Option shall become 100% vested and exercisable.

3.3 Retirement. If the Participant's employment with the Company and its Subsidiaries Terminates and either:

- (a) the Participant is at least 65 years of age, or
- (b) the Participant's age plus years of service equal to at least 80,

in each case, upon that Termination, the Option shall continue to vest and become exercisable in accordance with the vesting schedule in Section 2 hereof as if the Participant remained employed with the Company and its Subsidiaries so long as the Participant does not engage in a "Prohibited Activity" as defined on Exhibit A. Any Termination described in this section 3.3 shall herein be referred to as a "Retirement". Notwithstanding the foregoing in this Section 3.3, the Participant must remain employed with the Company on or after:

- (i) in the case of the president or chief executive officer of the Company, the third anniversary of the date of grant unless the Committee waives this requirement on or after the first anniversary of the date of grant,
- (ii) in the case of executives of the Company who are on the level of senior or executive vice presidents, the third anniversary of the date of grant unless the President waives this requirement on or after the first anniversary of the date of grant, or
- (iii) for all other option holders, the first anniversary of the date of grant,

in each case, for this Section 3.3 to have effect.

4. Exercise of Option

4.1 Manner of Exercise. Except as provided in Section 5 hereof, the Vested Portion of the Option may be exercised until the Option expires on the tenth anniversary of the Grant Date. The Vested Portion may be exercised, in whole or in part, by delivering to the Company written notice of intent to exercise on such form (including either a written form or an internet-based exercise menu) as the Company shall prescribe. This notice shall specify the number of Shares for which the Option is being exercised (the "Purchased Shares") and shall be accompanied by payment in full of the Option Price in respect of the Purchased Shares. The Option Price shall be payable to the Company:

- (a) in cash or its equivalent;
- (b) by tendering (either by actual delivery or attestation) previously acquired Shares that have been held by the Participant for at least six months prior to exercise of the Option and that have an aggregate Fair Market Value on the day preceding the date of exercise equal to the Option Price (or applicable portion thereof);

- (c) by a cashless (broker-assisted) exercise in accordance with such procedures established by the Company;
- (d) by any combination of (a), (b) and (c); or (e) any other method approved by the Committee in its sole discretion.

4.2 Limitation to Exercise of Vested Option. Notwithstanding any other provision of the Plan or this Agreement to the contrary, the Option may not be exercised prior to the completion of any registration or qualification of the Option or the Shares to be acquired upon exercise of the Option that the Committee shall in its sole discretion determine to be necessary or advisable under any Legal Requirements (as defined in Section 17 of this Agreement). The Committee may establish additional procedures as it deems necessary or desirable in connection with the exercise of the Option or issuance of any Shares upon the exercise to comply with any Legal Requirements. These procedures may include but are not limited to the establishment of limited periods during which the Option may be exercised or that following receipt of the notice to exercise and prior to the completion of the exercise, the Participant will be required to affirm the exercise of the Option following receipt of any disclosure deemed necessary or desirable by the Committee.

5. Termination of Employment; Breach of Restrictive Covenants

5.1 Employment Termination.

- (a) If the Participant's employment Terminates for any reason whatsoever other than a Termination by the Company for Cause or a Retirement,
 - (i) the Option, other than the Vested Portion, shall terminate on, and shall be of no further force and effect from and after, the date of such Termination, and
 - (ii) the Vested Portion of the Option shall be exercisable by the Participant during the Post-Termination Exercise Period (as defined below), but in no event after the tenth anniversary of the Grant Date, and, until exercised, the Option shall continue to be subject to the terms of this Agreement.
- (b) If the Participant's Termination is by reason of a Retirement, no portion of the Option will terminate upon the Termination, and the Option will remain outstanding and the Vested Portion thereof shall be exercisable by the Participant during the Post-Termination Exercise Period; *provided*, that if the Participant engages in any Prohibited Activity (as defined in Exhibit A) following his Retirement, the Non-Vested Portion of the Option may, in the sole discretion of the Committee, be immediately cancelled without payment of consideration therefor. If the Company receives an allegation of a Prohibited Activity, the Company, in its discretion, may suspend the exercise of the Option for up to three months to permit the investigation of the allegation. If the Company determines that the Grantee did not engage in any Prohibited Activities, the Company shall permit the exercise of any vested Option for an additional amount of time equal to the time the Company suspended the Option.
- (c) If the Participant's employment is Terminated for Cause, the Non-Vested Portion of the Option shall immediately be cancelled without payment of consideration therefor, and the Vested Portion thereof shall be exercisable by the Participant during the Post-Termination Exercise Period.

- (d) To the extent that the Participant does not exercise the Vested Portion of the Option within the Post-Termination Exercise Period, such portion shall terminate and shall be of no further force and effect following the last day of the Post-Termination Exercise Period.

5.2 Post-Termination Exercise Period. The “Post-Termination Exercise Period” means the period commencing on the date of the Participant’s Termination and ending on

- (a) in the case of a Termination other than by reason of the Participant’s Retirement, death or Disability, on the 180th day following the date of the Participant’s Termination,
- (b) in the case of a Termination by reason of the Participant’s death or Disability, on the first anniversary of the date of the Participant’s Termination, or
- (c) in the case of a Termination by reason of Retirement, until the tenth anniversary of the Grant Date.

6. Issuance of Shares Upon Option Exercise. Upon the Company’s determination that the Option has been validly exercised as to any of the Shares, the Company shall issue certificates or evidence of book entry shares for the Shares. The Share certificates or evidence of book entry shares shall be issued in the Participant’s name (or, at the discretion of the Participant, jointly in the names of the Participant and the Participant’s spouse) or the name of the Participant’s nominee. The Company shall maintain a record of all information pertaining to the Participant’s rights under this Agreement, including the number of Shares with respect to which the Option is exercisable.

7. Restrictive Covenant. In consideration of the Option that the Company has granted to Participant in this Agreement, Participant agrees not to engage in Prohibited Activity during Participant’s employment with the Company and any of its subsidiaries (the “Company Group”) and for a period of [CEO: 18][EVPs: 12][all others: six] months after Participant’s termination of employment with the Company Group (the “Restricted Period”). If the Participant engages in a Prohibited Activity during the Restricted Period, the Company and/or its appropriate subsidiaries may seek an injunction from a court of competent jurisdiction to prevent Participant from engaging in the Prohibited Activity during the Restricted Period without the necessity of posting bond or other security to obtain the injunction. Both the Company and the Participant agree that monetary damages alone are an insufficient remedy for breach of the foregoing covenant. The Company and/or its appropriate subsidiaries may seek monetary damages in addition to an injunction, and the covenant in favor of the Company Group in this Agreement is in addition to, and not in lieu of, any similar covenants that Participant may have entered into in favor of any member of the Company Group in any employment or other agreement. To the extent that a court of competent jurisdiction rules that the restrictions in the foregoing covenant are too broad, these restrictions shall be interpreted and construed in the broadest possible manner to provide the Company Group the broadest possible protection, including (without limitation) with respect to geographic coverage, activities of the Company Group’s businesses and time of applicability of the restrictions.

8. Execution of Agreements. The Option granted to the Participant shall be subject to the Participant's execution and return of this Agreement.

9. No Right to Continued Employment. Nothing in this Agreement shall interfere with or limit in any way the right of the Company or its Subsidiaries to Terminate the Participant's employment, nor confer upon the Participant any right to continuance of employment by the Company or any of its Subsidiaries or continuance of service as a Board member.

10. Shareholder Rights. The Participant shall not be deemed to be the holder of, or to have any dividend, voting or other rights of a holder with respect to any Shares subject to the Option until:

- (a) the Option shall have been exercised in accordance with the terms of this Agreement and the Plan, and the Participant shall have paid the full exercise price for the number of Shares in respect of which the Option was exercised and any applicable withholding taxes,
- (b) the Company shall have issued the Shares to or in the name of the Participant or the Participant's nominee, and
- (c) the Participant's name shall have been entered as a holder of record on the books of the Company.

Upon the occurrence of all of the foregoing events, the Participant shall have full ownership rights with respect to such Shares.

11. Withholding of Taxes. Prior to the delivery to the Participant (or the Participant's estate, if applicable) of Shares, the Participant (or the Participant's estate) shall be required to pay to the Company or any Affiliate, and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of the Shares, or any payment or transfer under, or with respect to, the Shares, and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of withholding taxes. The Participant may elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold from a Share Payment the number of Shares having a Fair Market Value on the date the withholding is to be determined equal to the minimum statutory withholding requirement or by remitting cash received from a cashless exercise. The Participant shall be solely responsible for the payment of all taxes relating to the payment or provision of any amounts or benefits hereunder. In no event shall any withholdings made under this Section 11 exceed the minimum statutory withholding requirement.

12. Modification of Agreement. This Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, but only by a written instrument executed by the parties hereto, except as otherwise permitted under the Plan.

13. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

14. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the jurisdiction set forth in the Plan, without giving effect to the conflicts of laws principles thereof.

15. Option Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Option is subject to the Plan. The terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

16. Securities Laws. Upon the acquisition of any Shares pursuant to the exercise of the Option, the Participant will make such written representations, warranties and agreements as the Committee may reasonably request to comply with applicable securities laws or with this Agreement.

17. Legend on Certificates. The certificates representing the Shares purchased by exercise of the Option shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or under applicable state and federal securities or other laws, or under any ruling or regulation of any governmental body or national securities exchange (collectively, the "Legal Requirements"), unless an exemption to such registration or qualification is available and satisfied. The Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

18. Underwriter Lockup Agreement. In the event of any underwritten public offering of securities by the Company, the Participant agrees to the extent requested in writing by a managing underwriter, if any, not to sell, transfer or otherwise dispose of any Shares acquired upon exercise of the Option (other than as part of such underwritten public offering) during the time period reasonably requested by the managing underwriter, not to exceed 180 days or such shorter period as such managing underwriter may permit.

19. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Participant's legal representatives. All obligations imposed upon the Participant and all rights granted to the Company under this Agreement shall be binding upon the Participant's heirs, executors, administrators and successors.

20. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant, the Participant's heirs, executors, administrators and successors, and the Company and its Subsidiaries for all purposes. By accepting the grant pursuant to this Agreement, the Participant confirms that Participant is

subject to the policies of Participant's employing company within the Company Group (except as may be specifically modified in an employment agreement), including (without limitation) any policy requiring mandatory arbitration of employment disputes and the grant pursuant to this Agreement is further consideration of those policies.

21. Non-Transferability. Subject to the terms of the Plan, no rights under this Agreement shall be transferable otherwise than by will, the laws of descent and distribution or pursuant to a Qualified Domestic Relations Order ("QDRO"), and, except to the extent otherwise provided herein, the rights and the benefits of the Agreement may be exercised and received, respectively, during the lifetime of the Participant only by the Participant or by the Participant's guardian or legal representative or by an "alternate payee" pursuant to a QDRO.

22. Entire Agreement. This Agreement constitutes the entire understanding between the Participant and the Company and its Subsidiaries with respect to the Option, and supersedes all other agreements, whether written or oral, with respect to the Option.

23. Headings. The headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

24. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement.

MRC Global Inc.

By: _____
Name:
Title:

Participant

By: _____
Name:
Title:

Exhibit A

Non-Competition and Non-Solicitation

A “Prohibited Activity” shall be deemed to have occurred, if the Participant:

(i) divulges any non-public, confidential or proprietary information of the Company or of its past or present subsidiaries (collectively, the “Company Group”), but excluding information that:

- (a) becomes generally available to the public other than as a result of the Participant’s public use, disclosure, or fault,
- (b) becomes available to the Participant on a non-confidential basis after the Participant’s employment termination date from a source other than a member of the Company Group prior to the public use or disclosure by the Participant; *provided* that the source is not bound by a confidentiality agreement or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation,
- (c) is independently developed, discovered or arrived at by the Participant without using any of the information from the Company Group, or
- (d) is disclosed by the Participant pursuant to a requirement of law, court order or legal, governmental, judicial, regulatory or similar process, or

(ii) directly or indirectly, consults with, becomes a director, officer or partner of, conducts, participates or engages in, or becomes employed by, any business that is competitive with the business of any current member of the Company Group, wherever from time to time conducted throughout the world, including situations where the Participant solicits or participates in or assists in any way in the solicitation or recruitment, directly or indirectly, of any employees of any current member of the Company Group. For the avoidance of doubt, businesses that compete with the Company’s business include (without limitation) the distribution business to the energy industry of NOV Wilson, Lockwood, Sunbelt, Oil States, Russell Metals, Ferguson and Edgen-Murray and their successors.

MRC Global Inc.
Restricted Stock Award Agreement

This Restricted Stock Award Agreement (this "Agreement"), is made as of [Month Day, Year] (the "Grant Date"), between MRC Global Inc., a Delaware corporation (the "Company"), and [_____] (the "Participant").

1. Grant of Restricted Stock. The Company hereby grants to the Participant an award of _____ Shares of Restricted Stock (the "Award"). The Shares granted shall be issued in the name of the Participant as soon as reasonably practicable after the Grant Date and shall be subject to the execution and return of this Agreement by the Participant to the Company as provided in Section 8 hereof. The Award is made under and pursuant to the MRC Global Inc. 2011 Omnibus Incentive Plan (the "Plan") which Plan is incorporated herein by reference, and the Award is subject to all of the provisions thereof. Capitalized terms used herein without definition shall have the same meanings given such terms in the Plan.

2. Restrictions on Transfer; Rights of Participant

2.1. The Shares of Restricted Stock subject to this Award may not be sold, transferred, assigned or otherwise disposed of, and may not be pledged or otherwise hypothecated (the "Transfer Restrictions"), until vested pursuant to Section 3 or 4 hereof.

2.2. Except as otherwise provided in this Agreement, the Participant shall be entitled, at all times on and after the Grant Date, to exercise all rights of a stockholder with respect to the Shares of Restricted Stock subject to this Award (whether or not the restrictions thereon shall have lapsed), including the right to vote the Shares of Restricted Stock and to receive all dividends or other distributions paid or made with respect thereto; *provided*, that dividends or distributions declared or paid on the Restricted Stock by the Company shall be deferred and paid to the Participant at the same time as the Shares of Restricted Stock in respect of which such dividends or distributions were made, become vested pursuant to this Agreement.

3. Vesting Schedule. So long as the Participant has remained an employee of the Company or any of its Subsidiaries continuously from the Grant Date through the applicable vesting date, the Transfer Restrictions shall lapse and the Participant shall become vested in the Award in accordance with the following schedule, subject to Section 4 hereof:

<u>Vesting Date</u>	<u>Percentage of Award Vested</u>
First anniversary of Grant Date	20%
Second anniversary of Grant Date	40%
Third anniversary of Grant Date	60%
Fourth anniversary of Grant Date	80%
Fifth anniversary of Grant Date	100%

4. Accelerated Vesting. Notwithstanding Section 3 above, the vesting of the Award shall be accelerated upon the occurrence of certain events as follows:

4.1. Death or Disability. Upon the Participant's Termination by reason of the Participant's death or Disability at any time on or after the Grant Date and prior to the fifth anniversary of the Grant Date, the Award will be deemed to be vested with respect to an additional 20% of the Shares subject to the Award.

4.2. Change in Control. Upon a Change in Control, the Award shall become 100% vested and exercisable.

4.3. Retirement. If the Participant's employment with the Company and its Subsidiaries Terminates and either:

- (a) the Participant is at least 65 years of age, or
- (b) the Participant's age plus years of service equal to at least 80,

in each case, upon that Termination, the Award shall continue to vest and become exercisable in accordance with the vesting schedule in Section 3 hereof as if the Participant remained employed with the Company and its Subsidiaries so long as the Participant does not engage in a "Prohibited Activity" as defined on Exhibit A. Any Termination described in this Section 4.3 shall herein be referred to as a "Retirement". Notwithstanding the foregoing in this Section 4.3, the Participant must remain employed with the Company on or after:

- (i) in the case of the president or chief executive officer of the Company, the third anniversary of the Grant Date unless the Committee waives this requirement on or after the first anniversary of the Grant Date,
- (ii) in the case of executives of the Company who are on the level of senior or executive vice presidents, the third anniversary of the Grant Date unless the President waives this requirement on or after the first anniversary of the Grant Date, or

(iii) for all other Award holders, the first anniversary of the Grant Date,

in each case, for this Section 4.3 to have effect.

5. Forfeiture

5.1. Termination of Employment. Any portion of the Award that has not vested as of the date of the Participant's Termination for any reason other than Retirement shall be forfeited upon the Termination, and all Shares of Restricted Stock subject to the forfeited portion of the Award shall revert to the Company.

5.2. Retirement. In the case of a Termination by reason of Retirement, if the Participant engages in any Prohibited Activity (as defined in Exhibit A) following his Retirement, the non-vested portion of the Award may, in the sole discretion of the Committee, be immediately cancelled without payment of consideration therefor. If the Company receives an allegation of a Prohibited Activity, the Company, in its discretion, may suspend the vesting of the Award for up to three months to permit the investigation of the allegation. If the Company determines that the Participant did not engage in any Prohibited Activities, the Company shall deliver any Shares that would have otherwise vested but for the suspension of vesting.

6. Escrow and Delivery of Shares

6.1. Certificates or evidence of book-entry shares representing the Shares of Restricted Stock shall be issued and held by the Company in escrow and shall remain in the custody of the Company until their delivery to the Participant or his or her nominee as set forth in Section 6.2 hereof, subject to the Participant's delivery of any documents which the Company in its discretion may require as a condition to the delivery of Shares to the Participant or his or her estate.

6.2. Certificates or evidence of book-entry shares representing those Shares of Restricted Stock that have vested pursuant to Section 3 or 4 hereof shall be delivered to the Participant (or, at the discretion of the Participant, jointly in the names of the Participant and the Participant's spouse) or to the Participant's nominee as soon as practicable following the applicable date as of which the Share vest.

7. Restrictive Covenant. In consideration of the Award that the Company has granted to Participant in this Agreement, Participant agrees not to engage in Prohibited Activity during Participant's employment with the Company and any of its subsidiaries (the "Company Group") and for a period of [CEO: 18][EVPs: 12][all others: six] months after Participant's termination of employment with the Company Group (the "Restricted Period"). If the Participant engages in a Prohibited Activity during the Restricted Period, the Company and/or its appropriate subsidiaries may seek an injunction from a court of competent jurisdiction to prevent Participant from engaging in the Prohibited Activity during the Restricted Period without the necessity of posting bond or other security to obtain the injunction. Both the Company and the Participant agree that monetary damages alone are an insufficient remedy for breach of the foregoing covenant. The Company and/or its appropriate subsidiaries may seek monetary damages in addition to an injunction, and the covenant in favor of the Company Group in this Agreement is in addition to, and not in lieu of, any similar covenants that Participant may have

entered into in favor of any member of the Company Group in any employment or other agreement. To the extent that a court of competent jurisdiction rules that the restrictions in the foregoing covenant are too broad, these restrictions shall be interpreted and construed in the broadest possible manner to provide the Company Group the broadest possible protection, including (without limitation) with respect to geographic coverage, activities of the Company Group's businesses and time of applicability of the restrictions.

8. Execution of Agreements. The Award granted to the Participant shall be subject to the Participant's execution and return of this Agreement .

9. No Right to Continued Employment. Nothing in this Agreement shall interfere with or limit in any way the right of the Company or its Subsidiaries to Terminate the Participant's employment, nor confer upon the Participant any right to continuance of employment by the Company or any of its Subsidiaries or continuance of service as a Board member.

10. Withholding of Taxes. Prior to the delivery to the Participant (or the Participant's estate, if applicable) of Shares of Restricted Stock that have vested pursuant to Section 3 or 4 hereof, the Participant (or the Participant's estate) shall be required to pay to the Company or any Affiliate, and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of such Award, or any payment or transfer under, or with respect to, such Award, and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes. The Participant may elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold from a Share Payment the number of Shares having a Fair Market Value on the date the withholding is to be determined equal to the withholding amount. The Participant shall be solely responsible for the payment of all taxes relating to the payment or provision of any amounts or benefits hereunder.

11. Modification of Agreement. This Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, but only by a written instrument executed by the parties hereto, except as otherwise permitted under the Plan.

12. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

13. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the jurisdiction set forth in the Plan, without giving effect to the conflicts of laws principles thereof.

14. Securities Laws. Upon the acquisition of any Shares pursuant to the lapse of restrictions provided for under this Agreement, the Participant will make written representations, warranties and agreements as the Committee may reasonably request to comply with applicable securities laws or with this Agreement.

15. Legend on Certificates. The certificates representing the Shares acquired pursuant to this Award shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or under applicable state and federal securities or other laws, or under any ruling or regulation of any governmental body or national securities exchange unless an exemption to such registration or qualification is available and satisfied. The Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

16. Underwriter Lockup Agreement. In the event of any underwritten public offering of securities by the Company, the Participant agrees to the extent requested in writing by a managing underwriter, if any, not to sell, transfer or otherwise dispose of any Shares acquired pursuant to this Award (other than as part of such underwritten public offering) during the time period reasonably requested by the managing underwriter, not to exceed 180 days or such shorter period as such managing underwriter may permit.

17. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Participant's legal representatives. All obligations imposed upon the Participant and all rights granted to the Company under this Agreement shall be binding upon the Participant's heirs, executors, administrators and successors.

18. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant, the Participant's heirs, executors, administrators and successors, and the Company and its Subsidiaries for all purposes. By accepting the grant pursuant to this Agreement, the Participant confirms that Participant is subject to the policies of Participant's employing company within the Company Group (except as may be specifically modified in an employment agreement), including (without limitation) any policy requiring mandatory arbitration of employment disputes and the grant pursuant to this Agreement is further consideration of those policies.

19. Non-Transferability. Subject to the terms of the Plan, no rights under this Agreement shall be transferable otherwise than by will, the laws of descent and distribution or pursuant to a Qualified Domestic Relations Order ("QDRO"), and, except to the extent otherwise provided herein, the rights and the benefits of the Agreement may be exercised and received, respectively, during the lifetime of the Participant only by the Participant or by the Participant's guardian or legal representative or by an "alternate payee" pursuant to a QDRO.

20. Entire Agreement. This Agreement constitutes the entire understanding between the Participant and the Company and its Subsidiaries with respect to the Award, and supersedes all other agreements, whether written or oral, with respect to the Award.

21. Headings. The headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

22. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement.

MRC Global Inc.

By: _____
Name:
Title:

Participant

By: _____
Name:
Title:

Exhibit A

Non-Competition and Non-Solicitation

A “Prohibited Activity” shall be deemed to have occurred, if the Participant:

(i) divulges any non-public, confidential or proprietary information of the Company or of its past or present subsidiaries (collectively, the “Company Group”), but excluding information that:

- (a) becomes generally available to the public other than as a result of the Participant’s public use, disclosure, or fault,
- (b) becomes available to the Participant on a non-confidential basis after the Participant’s employment termination date from a source other than a member of the Company Group prior to the public use or disclosure by the Participant; *provided* that the source is not bound by a confidentiality agreement or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation,
- (c) is independently developed, discovered or arrived at by the Participant without using any of the information from the Company Group, or
- (d) is disclosed by the Participant pursuant to a requirement of law, court order or legal, governmental, judicial, regulatory or similar process, or

(ii) directly or indirectly, consults with, becomes a director, officer or partner of, conducts, participates or engages in, or becomes employed by, any business that is competitive with the business of any current member of the Company Group, wherever from time to time conducted throughout the world, including situations where the Participant solicits or participates in or assists in any way in the solicitation or recruitment, directly or indirectly, of any employees of any current member of the Company Group. For the avoidance of doubt, businesses that compete with the Company’s business include (without limitation) the distribution business to the energy industry of NOV Wilson, Lockwood, Sunbelt, Oil States, Russell Metals, Ferguson and Edgen-Murray and their successors.

**Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) as Adopted
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Andrew R. Lane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 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: May 3, 2013

/s/ Andrew R. Lane

Name: Andrew R. Lane

Title: Chairman, President and Chief Executive Officer

**Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) as Adopted
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, James E. Braun, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 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: May 3, 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 March 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 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 as of the dates and for the periods expressed in the Report.

/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: May 3, 2013