Press Release

Vallourec reports Q1 2010 results

- **Sales of € 877 million (- 33% vs Q1 09)**
- **EBITDA of € 148 million representing 16.9% of sales**
- **Significant increase in orders**

Boulogne-Billancourt, 12 May 2010 - Vallourec, world leader in premium tubular solutions, today announced its results for the first quarter of 2010. The consolidated financial statements were presented today by Vallourec's Management Board to its Supervisory Board.

Summary of results for first quarter 2010

(Comparison with Q4 2009 and Q1 2009)

In € million	**Q1 2010**	**Q4 2009**	***Q1 10 / Q4 09***	**Q1 2009**	***Q1 10 / Q1 09***
Sales volume (k tonnes)	**344**	330	*+4%*	488	*-30%*
Sales	**877.4**	1,090.0	*-20%*	1,313.1	*-33%*
EBITDA	**148.4**	228.8	*-35%*	339.3	*-56%*
As % of sales	***16.9%***	*21.0%*		*25.8%*	
Operating income	**98.7**	159.9	*-38%*	288.2	*-66%*
As % of sales	***11.2%***	*14.7%*		*21.9%*	
Consolidated net income	**66.9**	101.6	*-34%*	202.9	*-67%*
As % of sales	***7.6%***	*9.3%*		*15.5%*	
Net income, Group share	**60.8**	100.9	*-40%*	187.2	*-68%*

During Q1 2010, sales volume increased by 4% sequentially to 344 thousand tonnes, recovering progressively from the low point of activity experienced during Q3 2009 (315 kt). Consolidated sales for the quarter amounted to € 877 million, versus € 1,090 million in Q4 2009 and € 1,313 million in Q1 2009, reflecting lower year-on-year sales volumes and sequentially lower average prices.

EBITDA amounted to € 148 million during the quarter, resulting in an EBITDA margin of 16.9%. Net income, Group share, amounted to € 61 million in Q1 2010, versus € 101 in Q4 2009 and € 187 million in Q1 2009.

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

"As anticipated, sales and EBITDA were down during the first quarter, reflecting the low level of orders of the last quarters, notably in power generation, and the full impact of price adjustments made in 2009. However, the level of bookings picked up significantly in most markets during Q1 and we believe that the low point is now behind us. We are rapidly adapting to meet the rebound in demand.

Our ongoing investments in Brazil, in the US, France and the Middle East and the acquisitions that we have announced, most recently of Serimax in the field of offshore line pipes, strengthen our global offering, improve our competitiveness and position the Group to benefit from the economic recovery."

MARKET ENVIRONMENT

Energy Markets

Oil prices, which have been sustained in the range of $75 - $85/bbl over the last six months, have encouraged higher activity in the Oil & Gas and Petrochemicals markets. Tendering activity has increased among national oil companies (Brazil, North Africa, Middle East), and more recently among international majors and independent oil companies.

In the US, the number of active rigs continued to progress, reaching 1,465 at the end of March, up 23% compared to year-end 2009. Strong demand for OCTG, notably for premium pipes, and reduced distributor inventories have driven higher capacity utilisation at domestic mills. Average gas prices were up sequentially ($5.14/Mmbtu), nevertheless declining towards the end of the quarter.

Power generation activity has been largely concentrated on maintenance programmes. In Europe and the US, many new projects for conventional power plants remain on hold. In China and India, a recovery of new power generation projects is underway; however, the environment is very competitive. Construction of nuclear power plants around the world is driving significant demand for premium tubular products.

Non-energy markets

Destocking has reached an end and new orders from distributors have rebounded strongly, notably for mechanical applications. Most product segments are seeing a pick-up in final demand in line with improving economic fundamentals.

ACTIVITY

As anticipated, the Group experienced a moderate increase in volumes compared to prior quarter. Sales volume of rolled tubes in Q1 2010 totalled 344 thousand metric tonnes, up 4% compared to Q4 2009, and down 30% compared to Q1 2009.

Consolidated sales for the quarter declined to € 877 million, versus € 1,090 million in Q4 2009 (-20%) and € 1,313 million in Q1 2009 (-33%). Lower sales in power generation, the lag effect of pricing adjustments in 2009 and higher volumes of non energy sales, resulted in a significantly lower average selling price compared to Q4 2009. Year-on-year, the decrease in sales consisted of negative effects in terms of volume (-29.5%), price and mix (combined effect of -10.4%) and slightly positive effects from scope (+3.8 %) and currency (+1.9%).

Sales by market

(Comparison with Q4 2009 and Q1 2009)

in € million	**Q1 2010**	**Q4 2009**	***Q1 10 / Q4 09***	**Q1 2009**	***Q1 10 / Q1 09***
Oil & Gas	447	573	*-22%*	653	*-32%*
Power generation	191	276	*-31%*	299	*-36%*
Petrochemicals	70	67	*+4%*	140	*-50%*
Total Energy	**708**	**916**	***-23%***	**1,092**	***-35%***
% of total sales	*81%*	*84%*		*83%*	
Mechanical	76	62	*+23%*	129	*-41%*
Automotive	65	66	*-1%*	44	*+48%*
Other	28	46	*-39%*	48	*-42%*
Total non-Energy	**169**	**174**	***-3%***	**221**	***-24%***
% of total sales	*19%*	*16%*		*17%*	
Total	**877**	**1,090**	***-20%***	**1,313**	***-33%***

In **Oil & Gas**, Q1 2010 sales touched a low point of € 447 million, following the high level of year-end shipments in Q4 2009 (€ 573 million). In the US, pipe sales continued to increase sequentially, as a result of the pick-up in shale gas drilling activity. In the rest of the world the lower sales reflected the low tender activity and pricing adjustments in the second half of 2009, as well as the advanced delivery of several orders in Q4 2009.

In **Power generation**, Q1 2010 sales were down to € 191 million compared to € 276 million in Q4 2009 and € 299 million in Q1 2009 as a result of the sharp decline in bookings throughout 2009 which is now translating into lower sales due to the long delivery times typical of the business.

In **Petrochemicals**, Q1 2010 sales were broadly stable quarter-on-quarter at € 70 million, although they remain well below prior year levels. Sales reflect a slight pick-up in bookings at the end of 2009. New bookings have progressed throughout the quarter.

Energy sales amounted to € 708 million for the quarter, representing 81% of total sales.

In **Mechanical engineering, Automotive** and **"Other"**, sales of € 169 million were broadly in line with prior quarter (€ 174 million). New orders are showing a strong rebound as destocking has reached an end. In Brazil, low interest rates have driven construction and infrastructure projects and automotive demand remains strong.

RESULTS

Going forward, Vallourec will present its profit and loss statement by function, in line with general practice of other companies in its sector. A table showing 2009 quarterly results under the revised presentation is included in the appendix.

Information
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(Comparison with Q4 2009 and Q1 2009)

In € million	**Q1 2010**	**Q4 2009**	***Q1 10 / Q4 09***	**Q1 2009**	***Q1 10 / Q1 09***
Sales	**877.4**	1,090.0	*-20%*	1,313.1	*-33%*
Cost of sales[1]	**-613.6**	-723.8	*-15%*	-852.4	*-28%*
Selling, general & administrative costs[1]	**-108.4**	-128.4	*-16%*	-120.1	*-10%*
Other expense, net	**-7.0**	-9.0		-1.3	
EBITDA	**148.4**	228.8	*-35%*	339.3	*-56%*
As % of sales	***16.9%***	*21.0%*		*25.8%*	

[1] Before depreciation and amortization

In Q1 2010, the cost of sales amounted to € 614 million, 28% below prior year and 15% below prior quarter, reflecting the significant cost reduction measures implemented in 2009. Sales, general and administrative costs (SG&A) totalled € 108 million, a reduction of 10% year-on-year and 16% sequentially. SG&A for the quarter represent 12.4% of sales. Cost reductions were nevertheless insufficient to fully compensate for the lower level of sales over the quarter. As a result, EBITDA for Q1 2010 amounted to € 148 million representing 16.9% of sales.

Depreciation of industrial assets amounted to € 41 million, in line with Q4 2009, and up 15% compared to prior year following the integration of PTCT in Indonesia and VAM Drilling Middle East (ex. DPAL) in Dubai.

The effective tax rate was 30.9%.

Total net income in Q1 2010 reached € 67 million. Net income, Group Share, amounted to € 61 million, compared with € 187 million in Q1 2009.

Cash flow statement

in € million	**Q1 2010**	**Q4 2009**	**Q1 2009**
Gross cash flow from operations	**84.3**	146.4	296.7
Change in gross WCR [+ decrease, - increase]	**-1.5**	+274.2	+23.4
Operating cash flows	**82.8**	420.6	320.1
Gross capital expenditure	**-136.7**	-251.4	-126.8
Financial Investments	**-16.2**	-59.2	-8.5
Dividends paid	**-3.6**	-10.9	-22.6
Asset disposals & other elements	**+21.6**	+18.4	-9.5
Change in net cash	**-52.1**	+117.5	+152.7

The Group generated operating cash flow of € 83 million in Q1 2010. Working capital remained stable despite the increase in inventories to meet the growing order book. Efficient use of working capital remains a key focus of operations.

Capital expenditure amounted to € 137 million during the quarter. Within this figure, expenditure related to the major expansion program in Brazil (VSB) totalled € 87 million, most of the activity during the quarter being dedicated to the installation of equipment received during Q4 2009, notably the rotary furnace and the rolling mill. Capital expenditure will increase during the next quarters.

Financial investments include the acquisition of Protools in February 2010, the largest producer of drill stem components in the Middle East, further strengthening the position of VAM Drilling in the region.

Other elements include the contribution of Vallourec's partner in the new threading facility to be commissioned in Saudi Arabia in Q2 2011.

The net cash position decreased by € 52 million to € 355 million at 31 March 2010. Of the € 646 million of bank loans and other borrowings, 53% has a maturity in excess of 3 years. Vallourec maintains its undrawn confirmed credit lines of € 1.2 billion with maturities in 2012 and 2013.

in € million	**31/03//2010**	**31/12/2009**
Vallourec Shareholders' Equity	**4,038.5**	**3,860.5**
Total equity (including non-controlling interests)	4,300.8	4,102.0
Net debt	-354.6	-406.7
Net debt / equity	**-8.2%**	**-9.9%**

OUTLOOK

Vallourec considers that the trough in terms of sales and EBITDA was reached during Q1 2010. Volumes will strongly rebound in the second quarter due in particular to higher activity in the US Oil & Gas and in non-energy markets. This increase in activity should drive sales and EBITDA up sequentially. Vallourec expects sales and EBITDA margin in H1'10 to be slightly below the level of H2'09.

Sales for the rest of the year should remain sustained. Weakness in Power generation business will continue and impact margin, whereas in a context of raw material inflation, selling prices will gradually increase. Focus will be kept on reducing costs and implementing the major capex program, as well as rolling out the premium tubular solutions strategy, exemplified by the acquisition of Serimax.

ANNUAL SHAREHOLDERS' MEETING

The annual shareholders' meeting will take place at 4:00 pm on 31 May 2010 in Paris. The notice and agenda for the meeting, together with the Company's 2009 registered document can be downloaded from the website at www.vallourec.com.

The record date for payment of the dividend is 4 June 2010. The dividend will be paid on 30 June 2010, in cash or in shares at the shareholders' option.

APPENDICES

Documents accompanying this release:

- Data on sales volume (metric tonnes)
- Summary consolidated income statement
- Summary consolidated balance sheet
- 2009 quarterly results under revised presentation

About Vallourec

Vallourec is a world leader in premium tubular solutions primarily serving the energy markets, as well as other industrial applications.

With over 18,000 employees, integrated manufacturing facilities, advanced R&D, and presence in more than 20 countries, Vallourec offers its customers innovative global solutions to meet the growing energy challenges of the 21st century.

Listed on NYSE Euronext in Paris (ISIN code: FR0000120354) and eligible for the Deferred Settlement System, Vallourec is included in the following indices: MSCI World Index, Euronext 100 and CAC 40.

Calendar 2010

- 31 May: Annual Shareholders' Meeting
- 28 July: publication of Q2 and H1 2010 results
- 24 September: Investor Day
- 9 November: publication of Q3 2010 results

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APPENDICES

Sales volume

Sales volume corresponds to the volume in metric tonnes of hot-rolled tubes produced and delivered by Vallourec's rolling mills.

In thousands of tonnes	**2010**	**2009**	**∆ 10 / 09**
Q1	**344.0**	488.3	**- 29.6%**
Q2		370.5	
Q3		314.6	
Q4		329.6	
Total		1,503.0	

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Summary consolidated income statement

VALLOUREC (in € million)	**Q1 2010**	**Q4 2009**	**Q1 2009**	**Change Q1'10 / Q4'09**	**Change Q1'10 / Q1'09**
Sales	**877.4**	1,090.0	1,313.1	*-20%*	*-33%*
Cost of sales	**-613.6**	-723.8	-852.4	*-15%*	*-28%*
Selling, general and administrative costs[1]	**-108.4**	-128.4	-120.1	*-16%*	*-10%*
Other income (expense), net[1]	**-7.0**	-9.0	-1.3		
EBITDA	**148.4**	228.8	339.3	*-35%*	*-56%*
EBITDA as % of sales	***16.9%***	*21.0%*	*25.8%*		
Depreciation of industrial assets	**-40.5**	-41.2	-35.3	*-2%*	*+15%*
Other (amortization, impairment & restructuring)	**-9.2**	-27.7	-15.8	*-67%*	*-42%*
OPERATING INCOME	**98.7**	159.9	288.2	*-38%*	*-66%*
FINANCIAL INCOME	**-5.8**	-10.0	6.7		
INCOME BEFORE TAX	**92.9**	149.9	294.9	*-38%*	*-69%*
Income tax	**-28.7**	-44.4	-95.7	*-35%*	*-70%*
Net income of equity affiliates	**2.7**	-3.9	3.7		
CONSOLIDATED NET INCOME	**66.9**	101.6	202.9	*-34%*	*-67%*
NET INCOME, GROUP SHARE	**60.8**	100.9	187.2	*-40%*	*-68%*

[1] Before depreciation and amortization

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Summary consolidated balance sheet

(in € million)

VALLOUREC

	31/03/10	31/12/09		31/03/10	31/12/09
Intangible assets, net	257.1	250.3	Shareholders' equity [1]	4,038.5	3,860.5
Goodwill	432.5	397.8	Minority interests	262.3	241.5
Property, plant and equipment, net	2,527.4	2,367.0	Total equity	4,300.8	4,102.0
Investments in equity affiliates	60.7	56.7			
Other non-current assets	207.0	188.2			
Deferred tax assets	38.7	36.4	Bank loans and other borrowings	645.6	634.9
Total non-current assets	3,523.4	3,296.4	Employee benefits	135.3	132.8
			Deferred tax liabilities	130.5	125.7
			Other long-term liabilities	6.9	7.0
			Total non-current liabilities	918.3	900.4
Inventories and work-in-progress	980.9	927.2	Provisions	152.3	140.5
Trade and other receivables	630.1	612.0	Overdrafts and other short-term bank borrowings	204.4	116.2
Derivatives - assets	20.8	23.7	Trade payables	517.3	482.8
Other current assets	146.0	152.9	Derivatives-liabilities	71.6	29.5
Cash and cash equivalents	1,204.6	1,157.8	Other current liabilities	341.1	398.6
Total current assets	2,982.4	2,873.6	Total current liabilities	1,286.7	1,167.6
TOTAL ASSETS	6,505.8	6,170.0	TOTAL LIABILITIES	6,505.8	6,170.0

Net debt	-354.6	-406.7	[1] Net income, Group share	60.8	517.7

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2009 quarterly results under revised presentation

VALLOUREC (in € million)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	2009
Sales	1,313.1	1,081.9	979.5	1,090.0	4,464.5
Cost of sales[1]	-852.4	-714.5	-709.8	-723.8	-3,000.5
Selling, general and administrative costs[1]	-120.1	-114.7	-95.3	-128.4	-458.5
Other income (expense), net	-1.3	-14.2	-0.4	-9.0	-24.9
EBITDA	339.3	238.5	174.0	228.8	980.6
EBITDA as % of sales	*25.8%*	*22.0%*	*17.8%*	*21.0%*	*22.0%*
Depreciation of industrial assets	-35.3	-36.0	-38.5	-41.2	-151.0
Other (amortization, impairment & restructuring)	-15.8	-17.6	17.8	-27.7	-43.3
OPERATING INCOME	288.2	184.9	153.3	159.9	786.3
FINANCIAL INCOME	6.7	0.7	-2.0	-10.0	-4.6
INCOME BEFORE TAX	249.9	185.5	151.6	150.1	782.1
Income tax	-95.7	-59.3	-48.1	-44.4	-247.5
Net income of equity affiliates	3.7	0.6	1.9	-3.9	2.3
CONSOLIDATED NET INCOME	202.9	126.8	105.4	101.9	536.9
NET INCOME, GROUP SHARE	187.2	123.9	105.7	100.9	517.7

[1] Before depreciation and amortization

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