Press Release

Vallourec reports Q1 2011 results

- **Sales volume of 501 thousand tonnes (+46% vs Q1 2010)**
- **Sales of € 1,148 million (+31% vs Q1 2010)**
- **EBITDA of € 203 million representing 17.7% of sales**
- **Net income, Group share of € 82 million (+35% vs Q1 2010)**

Boulogne Billancourt, 12 May 2011 - Vallourec, world leader in premium tubular solutions, today announced its results for the first quarter 2011. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board.

Summary of results for first quarter (Q1) 2011

(Comparison with Q4 2010 and Q1 2010)

In € million	**Q1 2011**	**Q4 2010**	***Change QoQ***	**Q1 2010**	***Change YoY***
Sales Volume (k tonnes)	**501**	**553**	*-9%*	**344**	*+46%*
Sales	**1,148**	**1,303**	*-12%*	**877**	*+31%*
EBITDA	**203**	**261**	*-22%*	**148**	*+37%*
As % of sales	**17.7%**	**20.0%**		**16.9%**	
Total net income	**93**	**120**	*-23%*	**67**	*+39%*
As % of sales	**8.1%**	**9.2%**		**7.6%**	
Net income, Group share	**82**	**108**	*-24%*	**61**	*+35%*

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

"Results for Q1 2011 compare favourably with Q1 2010, which represented the low-point reached during the crisis for Vallourec. On a sequential basis, sales and EBITDA were down as anticipated, reflecting the order book for deliveries which are concentrated in the coming quarters. During the quarter bookings increased, the order book lengthened and price increases were announced which will gradually offset higher raw material costs.

We are advancing on our strategic projects. Our new mill in Brazil, VSB, successfully completed the full tube production circuit and is on schedule to start sales in Q4 2011. In the USA, construction of the new pipe mill is progressing well. The extension of the mill in France for steam generator tubes was successfully brought on line, and will record sales from Q3 onwards."

Information
Quarterly statements are unaudited.
Unless otherwise specified, the changes indicated are expressed in comparison with the previous year.

MARKET ENVIRONMENT

Energy markets

Oil & Gas

Crude oil prices rose strongly during Q1 2011 averaging $94/bbl[1] versus $85/bbl in Q4 2010. They reached a high of $112/bbl in April due to the disruption of supply from Libya and unrest in other Middle East and North African countries. The IEA global oil demand forecast for 2011 remains strong with growth of 1.45mb/d.

The USA rig count increased by 5% during the first quarter, ahead of expectations, and reached 1,800 active rigs at the end of April. Rising oil prices allowed an increase in the number of rigs drilling for oil (+15%) which offset the decrease in rigs drilling for gas (-3%). For the first time in nearly 16 years, oil rigs surpassed the number drilling for gas. Much of the growth in oil drilling has been horizontal wells drilled in tight zones. This has supported OCTG consumption reducing distributor inventories below 5 months, compared to an average of around 6 months during 2010.

One year on from the Macondo accident, 10 deepwater drilling permits have been issued in the Gulf of Mexico, year to date compared to just 2 in 2010. With the oil price at current levels, activity is likely to increase, albeit progressively.

The international rig count was up 3% during the first quarter at 1,147 active rigs. Oil & Gas markets are dynamic with growth in Europe, the Middle East and Latin America. Purchasing activity has been increasing in most regions and across all customer segments, national oil companies, as well as majors and independents. In Brazil, development of the pre-salt fields is progressing at a rate of 4 new wells per quarter. Petrobras has revised its estimated production upwards by 108 thousand barrels per day to 613 kb/d in 2015 and more than 1 million b/d in 2017.

Power Generation

Over the last couple of years, the market for coal-fired power generation has seen a distinct contrast between the developed economies of the OECD, notably the USA and Europe, where new power plant projects are largely on hold, and the developing economies of Asia-Pacific.

In the USA, the abundance of natural gas and lower prices related to the development of unconventional shale resources is likely to favour a switch towards gas fired power plants (combined cycle) with lower tubular requirements. In Europe, new coal-fired power plant projects are under way in Estonia, Slovenia and Poland. China and Asia Pacific are seeing strong growth in coal-fired power plants, driving demand for boiler tubes.

The accident at Fukushima in Japan has renewed the debate surrounding nuclear power. With the second largest nuclear park in the world, France continues its nuclear programme. China, the leading market in terms of new projects planned, has temporarily suspended further approvals, but remains committed to developing nuclear power as part of its energy diversification objectives. In other countries, authorities are starting to re-evaluate their energy mix. It is still too early to assess the long term impact of the accident on the various power generation sources.

[1] WTI

Petrochemicals
The market for petrochemicals is well oriented, driven by demand for new projects in the Middle East and Asia. In addition to new processing capacity, there is strong demand for refining and LNG capacity. In Saudi Arabia, Aramco has announced plans for six new refineries, and in India, the country's installed refining capacity is forecast to grow by 40% by 2016.

Non-Energy markets

Demand across these markets has been continuously improving over the last quarter, supported by world industrial production which is forecast to grow by 5.5% during 2011, driven largely by machinery production growth. Demand is expected to continue at a good level, particularly in Asia, North and South America. The trend is also positive in Germany and northern European countries whilst southern Europe is starting to recover.

Raw materials and Energy input costs

Supply disruptions caused scrap prices to surge in December and January, and they remained high through the remainder of Q1 2011. Prices for coal and iron ore also continued to increase.

In Europe, the cost of gas is seeing a significant increase compared to 2010, as prices are indexed to the price of oil.

Currency

The Euro strengthened against the US dollar reaching $1.42 at the end of March 2011 versus $1.34 at the end of December 2010. At the end of April, the rate of exchange was $1.48.

SALES BY MARKET

(Comparison with Q4 2010 and Q1 2010)

In € million	**Q1 2011**	**Q4 2010**	***Change QoQ***	**Q1 2010**	***Change YoY***
Oil & Gas	630	721	*-13%*	447	*+41%*
Power Generation	135	204	*-34%*	191	*-29%*
Petrochemicals	80	106	*-24%*	70	*+14%*
Total Energy	**845**	**1,031**	***-18%***	**708**	***+19%***
% of total sales	74%	79%		81%	
Mechanical	142	118	*+20%*	76	*+86%*
Automotive	82	86	*-5%*	65	*+26%*
Construction & Other	79	68	*+16%*	28	*+182%*
Total non-Energy	**303**	**272**	***+11%***	**169**	***+79%***
% of total sales	26%	21%		19%	
Total	**1,148**	**1,303**	***-12%***	**877**	***+31%***

In Q1 2011, total Energy sales amounted to € 845 million, representing 74% of total Group sales versus 78% of sales for the full year 2010. This reflects notably the reduction in Power Generation sales and the strong recovery of industrial activity throughout 2010 and into 2011.

Energy

Oil & Gas

As anticipated, **Oil & Gas** first quarter sales saw a sequential drop, with total sales of € 630 million, down 13% compared to the high level of deliveries in Q4 2010. Year on year, sales were up by 41%.

In the USA, Q1 2011 sales volumes were slightly lower than in Q4 2010. As raw material costs increased sharply at the end of 2010 and into Q1, price increases were announced applicable for Q2 deliveries and further increases will apply from Q3. End user demand remains strong, particularly for finished goods (pipe and VAM premium connection), and Vallourec's mills are operating at full capacity.

In the rest of the world, sales were below the level recorded in the previous quarter due to high deliveries for line-pipe projects in Q4 2010 and the seasonal effect in Brazil. Booking activity, however, was very dynamic and prices remain well oriented. There was a high level of tenders, particularly for national oil companies in the Middle East, for independents in the UK and West Africa, and among the majors, which will feed through to sales in the second half.

Power Generation

In **Power Generation**, sales amounted to € 135 million during Q1 2011, down 34% sequentially and 29% year on year. Concerning coal-fired power plants, a product mix effect contributed to lower sales during the quarter; however, this effect should be reversed during Q2 with higher volumes of tubes for ultra-super-critical power plants. Overall bookings have been increasing, with numerous power plant projects under way in China, India, Korea, Slovenia and Poland. Pricing remains in line with levels reached towards the end of 2010.

Sales for nuclear power plants were stable year on year, but below the high level recorded in Q4 2010. With the start-up of the new capacity in France for steam generator tubes, sales for nuclear power plants will increase in the second half of the year.

Petrochemicals

Petrochemicals, sales amounted to € 80 million. The market remains positive with bookings notably in the Middle East, India and South-East Asia to be delivered in the coming quarters.

Non-Energy

In Non-Energy markets sales reached € 303 million during the quarter, up 11% versus Q4 2010 and up 79% year on year. Sales were higher than anticipated, driven by strong demand from distributors. Projected growth in investments continues to benefit the **Mechanical Engineering, Automotive** and **Construction** markets, notably in Germany and the north European countries, in China and Brazil. Progressive price increases are being implemented to recover higher raw material costs.

RESULTS

Summary consolidated income statement

(Comparison with Q4 2010 and Q1 2010)

In € million	Q1 2011	Q4 2010	*Change QoQ*	Q1 2010	*Change YoY*
Sales Volume (k tonnes)	**501**	**553**	*-9%*	**344**	*+46%*
Sales	**1,148**	**1,303**	*-12%*	**877**	*+31%*
Cost of sales[1] (as % of sales)	69.2%	69.1%		69.9%	
SG&A costs[1] (as % of sales)	12.7%	9.5%		12.4%	
EBITDA	**203**	**261**	*-22%*	**148**	*+37%*
As % of sales	**17.7%**	**20.0%**		**16.9%**	
Net income, Group share	**82**	**108**	*-24%*	**61**	*+35%*

During Q1 2011 Vallourec's mills operated at high levels of activity. Sales volume of 501 thousand tonnes was up 46% versus Q1 2010 and 9% below Q4 2010. Production continued at a sustained level to meet the high level of orders to be delivered during the coming quarters.

Compared to the high sales of Q4 2010, consolidated sales were down by 12% in Q1 2011 at € 1,148 million. This was due to lower sales volume (-9%) and a slightly negative price/mix effect (-3%) resulting from higher sales of non-energy products. Year on year, sales were up 31%, reflecting the acquisition of Serimax (+4%), higher sales volume (+46%), and positive currency translation (+2%), partly offset by a negative price/mix effect (-21%).

EBITDA for Q1 2011 amounted to € 203 million, representing 17.7% of sales, up 37% year on year and 22% below Q4 2010. The cost of sales was stable at 69% of sales. Raw material purchases made during the quarter are still largely in inventory and will impact cost of sales in the coming quarters. The sales, general and administrative costs (SG&A) which include costs relating to strategic projects, were broadly stable year on year in percentage terms. The sequential increase was mostly due to non-recurrent items in Q4 2010.

[1] Before depreciation and amortization

Depreciation of industrial assets amounted to € 54 million in Q1 2011, in line with Q4 2010, an increase of € 13 million versus Q1 2010, following the acquisition of Serimax in June.

Financial charges amounted to € 7 million in Q1 2011, comparable to the € 6 million charges in Q1 2010.

The effective tax rate was 32.6% for Q1 2011.

Total net income amounted to € 93 million in Q1 2011 compared to € 120 million in Q4 2010 and € 67 million in Q1 2010. After minority interests, net income, Group share amounted to € 82 million.

Cash flow

Gross cash flow amounted to € 74 million in Q1 2011 compared to € 171 million in Q4 2010. This is largely due to payment of the balance of accrued income taxes in respect of 2010 in Brazil. Working capital requirement increased by € 240 million as inventories increased for deliveries due in the coming quarters.

Gross capital expenditure amounted to € 195 million during the quarter, of which € 136 million related to strategic projects.

Total cash outflow amounted to € 344 million during the quarter, increasing the net debt to € 724 million at 31 March 2011, compared to € 381 million at 31 December 2010, representing 15.2% of equity (€ 4,772 million).

At 31 March 2011, the Group’s cash exceeded its overdrafts and short term borrowings by € 82 million. Of the € 1,327 million of bank loans and other borrowings, 37% has a maturity in excess of 2 years. Vallourec maintains its undrawn confirmed credit lines of around € 1.3 billion which includes a revolving credit facility of € 1 billion which matures in February 2016.

On 1 April 2011, Vallourec completed the acquisition of 19.5% of the share capital of Tianda Oil Pipe Company Limited for an amount of € 75 million.

OUTLOOK

The current market trends are positive. Benefiting from this favourable environment, the Group’s mills will continue to operate at high utilisation rates. High deliveries are expected for Q2. Sales and EBITDA margin will increase compared to Q1. For H1 2011 the EBITDA margin is expected to be slightly below that of H2 2010.

The positive activity trends are expected to continue throughout the year. Price increases are being implemented in most markets and are expected to progressively offset higher raw material costs, which nevertheless remain volatile. Sales and EBITDA should therefore progress in H2 2011, although they will be impacted by the weak dollar rate and the start up costs of the new mills.

Information
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ANNUAL SHAREHOLDERS' MEETING

The annual shareholders' meeting will take place at 2:30 pm on Tuesday 7 June 2011 in Paris. The notice and agenda for the meeting, together with the Company's 2010 Registration Document can be downloaded from the website at www.vallourec.com

DIVIDEND

The dividend of € 1.30 per share in respect of Vallourec's 2010 results will be proposed to the annual shareholders' meeting. The record date for payment of the dividend is 15 June 2011 and the ex-date is 16 June 2011. From 16 to 28 June – the "option period" – shareholders may opt to receive the dividend payment in shares or in cash. The dividend will be paid on 7 July 2011.

ABOUT VALLOUREC

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

With over 20,000 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, Ticker VK) and eligible for the Deferred Settlement System, Vallourec is included in the following indices: MSCI World Index, Euronext 100 and CAC 40.

In the United States, Vallourec has a sponsored Level 1 American Depository Receipt (ADR) program (ISIN code: US92023R2094, Ticker: VLOWY). The ratio of Vallourec ADR to ordinary shares is 5:1.

www.vallourec.com

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CONFERENCE CALL TO DISCUSS Q1 2011 RESULTS

Thursday 12 May

- Analyst conference call at 6:00 pm (CET) to be held in English
  To participate in the call, please dial:
  0800 073 0483 (UK), 0805 102 743 (FR), 1877 328 4999 (USA),
  +44 1452 561 488 (other countries)
  Conference code: 58726770

- Replay will be available until 18 May 2011:
  0800 953 1533 (UK), 01 76 70 02 44 (FR), 1866 247 422 (USA),
  +44 (0) 1452 550 000 (other countries)

CALENDAR 2011

- 7 June: Shareholders' General Assembly
- 27 July: Release of Q2 and Half Year 2011 Results
- 29 – 30 September: Investor Day in Brazil
- 9 November: Release of Q3 2011 Results

FOR FURTHER INFORMATION, PLEASE CONTACT

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APPENDICES

Documents accompanying this release:

- Data on sales volume (metric tonnes)
- Summary consolidated income statement
- Summary consolidated balance sheet
- Summary cash flow statement

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	**2011**	**2010**	**Δ 11 / 10**
Q1	**500.7**	**344.0**	**+45.6%**
Q2		**484.2**	
Q3		**507.2**	
Q4		**553.0**	
Total		**1,888.4**	

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Summary consolidated income statement

VALLOUREC (in € million)	Q1 2011	Q4 2010	Q1 2010	Change Q1'11 / Q4'10	Change Q1'11 / Q1'10
Sales	**1,147.8**	1,302.9	877.4	*-11.9%*	*+30.8%*
Cost of sales[1]	**-794.5**	-899.9	-613.6	*-11.7%*	*+29.5%*
Selling, general and administrative costs[1]	**-145.9**	-124.1	-108.4	*+17.6%*	*+34.6%*
Other income (expense), net[1]	**-4.0**	-17.9	-7.0		
EBITDA	**203.4**	261.0	148.4	*-22.1%*	*+37.1%*
EBITDA as % of sales	***17.7%***	*20.0%*	*16.9%*		
Depreciation of industrial assets	**-53.6**	-52.6	-40.5	*+1.9%*	*+32.3%*
Other (amortization, impairment & restructuring)	**-7.9**	-16.7	-9.2		
OPERATING INCOME	**141.9**	191.7	98.7	*-26.0%*	*+43.8%*
FINANCIAL INCOME	**-6.7**	-12.7	-5.8	*-47.2%*	*+15.5%*
INCOME BEFORE TAX	**135.2**	179.0	92.9	*-24.5%*	*+45.5%*
Income tax	**-44.1**	-50.5	-28.7		
Net income of equity affiliates	**1.6**	-8.6	2.7		
CONSOLIDATED NET INCOME	**92.7**	119.9	66.9	*-22.7%*	*+38.6%*
NET INCOME, GROUP SHARE	**81.9**	107.7	60.8	*-24.0%*	*+34.7%*

[1] Before depreciation and amortization

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Summary consolidated balance sheet

VALLOUREC

(in € million)

	31/03/11	31/12/10		31/03/11	31/12/10
Intangible assets, net	248.5	266.5	Shareholders' equity [(1)]	4,515.3	4,556.4
Goodwill	481.5	506.4	Minority interests	256.5	267.2
Property, plant and equipment, net	3,492.9	3,484.4	**Total equity**	**4,771.8**	**4,823.6**
Investments in equity affiliates	90.4	64.6			
Other non-current assets	194.3	235.2			
Deferred tax assets	53.4	59.8	Bank loans and other borrowings	806.6	813.7
Total non-current assets	**4,561.0**	**4,616.9**	Employee benefits	118.7	122.3
			Deferred tax liabilities	153.6	136.6
			Other long-term liabilities	40.5	59.5
			Total non-current liabilities	**1,119.4**	**1,132.1**
Inventories and work-in-progress	1,290.6	1,190.3	Provisions	145.0	148.2
Trade and other receivables	920.9	863.6	Overdrafts and other short-term bank borrowings	520.8	220.7
Derivatives - assets	96.1	35.7	Trade payables	631.9	647.4
Other current assets	165.7	188.3	Derivatives-liabilities	28.9	29.7
Cash and cash equivalents	603.1	653.8	Other current liabilities	419.6	546.9
Total current assets	**3,076.4**	**2,931.7**	**Total current liabilities**	**1,746.2**	**1,592.9**
TOTAL ASSETS	**7,637.4**	**7,548.6**	**TOTAL LIABILITIES**	**7,637.4**	**7,548.6**

Net debt	724.3	380.6	[(1)] Net income, Group share	81.9	409.6

Information

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Summary consolidated cash flow statement

(in € million)	Q1'11	Q4'10	Q1'10
Gross cash flow from operations	**73.7**	170.7	84.3
Change in gross WCR [+ decrease, - increase]	**-240.2**	25.7	-1.5
Operating cash flows	**-166.5**	196.4	82.8
Gross capital expenditure	**-194.7**	-342.4	-136.7
Financial Investments	**0.0**	0.0	-16.2
Dividends paid	**-7.1**	-12.6	-3.6
Asset disposals & other elements	**24.7**	-82.6	21.6
Change in net debt [+decrease, -increase]	**-343.6**	-241.2	-52.1

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