Press Release

Vallourec reports Q3 2011 results

Boulogne Billancourt, 9 November 2011 - Vallourec, world leader in premium tubular solutions, today announced its results for the third quarter of 2011. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board.

Key Figures

- **Sales volume of 601 thousand tonnes; up 7% versus Q2 2011; up 19% versus Q3 2010**
- **Sales of €1,306 million; up 1% versus Q2 2011; up 10% versus Q3 2010**
- **EBITDA of €228 million representing 17.4% of sales**
- **Net income, Group share of €91 million**

Summary of results for third quarter (Q3) and first nine months (9M) 2011

Comparison of Q3 2011 with Q2 2011 and Q3 2010; 9M 2011 with 9M 2010

In € million	**Q3 2011**	**Q2 2011**	***Change QoQ***	**Q3 2010**	***Change YoY***	**9M 2011**	**9M 2010**	***Change YoY***
Sales Volume (k tonnes)	**601**	**561**	*+7%*	507	*+19%*	**1,663**	1,335	*+25%*
Sales	**1,306**	**1,290**	*+1%*	1,189	*+10%*	**3,743**	3,188	*+17%*
EBITDA	**228**	**254**	*-11%*	251	*-9%*	**685**	664	*+3%*
As % of sales	**17.4%**	**19.7%**		21.1%		**18.3%**	20.8%	
Total net income	**105**	**126**	*-17%*	130	*-20%*	**324**	333	*-3%*
Net income, Group share	**91**	**112**	*-19%*	115	*-21%*	**285**	302	*-6%*

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

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

"Volumes and sales increased during the third quarter and results were in line with our expectations. The business environment in energy markets remains positive for Vallourec, while in non-energy markets, distributors have started to show signs of caution in view of macro-economic uncertainties.

With our new projects progressively coming on stream, we are strengthening our industrial and commercial positions to benefit from the growing oil & gas markets and to efficiently address our customers' needs, through more local presence and more premium capacity."

MARKET ENVIRONMENT

Energy markets

Oil & Gas

Crude oil prices declined during Q3 2011, but remained at high levels, averaging $90/bbl[1] versus $102/bbl during Q2. World oil demand continues to be strong, at over 89mb/d. However, estimates for demand growth in 2011 and 2012 have been revised moderately downwards by the EIA in response to slower economic growth.

In the USA, the rig count increased during the third quarter, up 6% from Q2, up 17% since the start of the year, to reach 1,990 active rigs[2] on 30 September, it remained above 2,000 rigs throughout October. Oil drilling continued to increase, notably in the shale oil fields. Approximately two-thirds of all drilling activity in the USA is taking place in shale plays, and 57% of rigs operate horizontal drilling. OCTG prices continued to progress moderately during the third quarter, while distributor inventories were at 4.2 months of consumption[3] at the end of September. An increase in drilling permits suggests that the rig count should continue to increase over the next quarter and OCTG demand is expected to remain at a high level entering into 2012.

In the Gulf of Mexico, the return to offshore drilling activity is progressing slowly, with the number of rigs in activity unchanged during the quarter at 33, compared to 24 at the end of 2010.

The international rig count[2] continued at a high level, averaging 1,170 active rigs during Q3 2011, up 2% versus Q2. The market is well oriented as international majors and independents are still very active.

Power Generation

Numerous projects for conventional coal-fired power plants are underway in China and India, with a large number of projects scheduled over the next 5 years. However, local competition for the supply of pipe is intense.

[1] WTI
[2] Baker Hughes
[3] Preston Pipe Report

For nuclear power, France and China, among others, remain committed to developing their approved projects, and currently 65 plants are under construction in 16 countries[1]. In China, 25 plants are under construction, and while the approval process for new projects is on hold pending a security and technology review, it is expected to restart in the coming months.

Petrochemicals

The petrochemicals and process market continues to be active in the Middle East and Asia. Major investments in refining and gas processing are underway in China, India, Australia, Indonesia and the Middle East. The Gulf region, notably Qatar, is planning to significantly increase its petrochemical and LNG capacity. In the USA, a number of projects have been announced.

Non-Energy markets

Economic uncertainties regarding demand in non-Energy markets, notably in the European mechanical segment, has lead distributors to adopt a cautious attitude, maintaining inventories at lower than normal levels. In Brazil, imports of low price non-energy products have been increasing, attracted by the market growth and the strength of the Brazilian real.

Raw materials

Raw material prices persisted at high levels throughout the third quarter. Although iron ore spot prices fell during October, they remain volatile as economic uncertainty increases.

Currency

Currencies were very volatile with the Euro and the Brazilian real weakening against the US dollar during the third quarter and strengthening during October.

[1] Euronuclear.org

SALES BY MARKET

Comparison of Q3 2011 with Q2 2011 and Q3 2010; 9M 2011 with 9M 2010

In € million	Q3 2011	Q2 2011	*Change QoQ*	Q3 2010	*Change YoY*	9M 2011	9M 2010	*Change YoY*
Oil & Gas	**681**	**650**	*+5%*	634	*+7%*	**1,961**	1,634	+20%
Power Generation	**173**	**180**	*-4%*	163	*+6%*	**488**	576	-15%
Petrochemicals	**100**	**100**	-	93	*+8%*	**280**	252	+11%
Total Energy	**954**	**930**	*+3%*	890	*+7%*	**2,729**	2,462	+11%
% of total sales	**73%**	**72%**		75%		**73%**	77%	
Mechanical	**161**	**169**	*-5%*	116	*+39%*	**471**	298	+58%
Automotive	**96**	**98**	*-2%*	88	*+9%*	**276**	231	+19%
Construction & Other	**95**	**93**	*+2%*	95	-	**267**	197	+36%
Total non-Energy	**352**	**360**	*-2%*	299	*+18%*	**1,014**	726	+40%
% of total sales	**27%**	**28%**		25%		**27%**	23%	
Total	**1,306**	**1,290**	*+1%*	1,189	*+10%*	**3,743**	3,188	+17%

Energy

Total Energy sales increased by 3% sequentially to reach €954 million in Q3 2011, 73% of total sales.

Oil & Gas third quarter sales increased by 5% sequentially to €681 million, bringing sales for the first nine months 2011 to €1,961 million, up 20% year on year.

In the USA, activity continued to be strong during the third quarter, with high drilling activity in the shale plays. Price increases announced beginning Q2 and Q3 were implemented, compensating for the rise in raw material costs. Vallourec's mills operated at full capacity, supported by imports of small diameter tubes mainly from its European plants, to meet customer demand. OCTG sales are likely to remain at a high level during Q4 and entering into 2012.

In the rest of the world, sales benefited from a good level of activity, notably in Brazil. The markets remain very active, with growing demand for premium products.

In **Power Generation**, sales amounted to €173 million during Q3 2011, down 4% sequentially. Sales for coal-fired power plants increased due to higher volumes during the quarter which are expected to continue in Q4. Sales for nuclear power plants were down sequentially during Q3 and will increase in Q4.

Petrochemicals sales amounted to €100 million during Q3 2011, in line with Q2. Sales included deliveries for the Shaiba gas project in Saudi Arabia. Distributors in Europe have shown signs of caution due to lack of visibility for 2012, maintaining inventory at low levels. Sales are expected to remain at a similar level in Q4.

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Non-Energy

In Non-Energy markets (**Mechanical, Automotive, Construction and other**), sales decreased by 2% sequentially, primarily due to the seasonal vacation period in Europe to reach €352 million during the quarter. For the first nine months 2011, sales amounted to €1,014 million, significantly ahead of prior year (+40%). Distributors in non-Energy markets reduced stocks below normal levels, which resulted in lower than expected bookings for mechanicals during the quarter.

RESULTS

Summary consolidated income statement

Comparison of Q3 2011 with Q2 2011 and Q3 2010; 9M 2011 with 9M 2010

In € million	**Q3 2011**	**Q2 2011**	***Change QoQ***	**Q3 2010**	***Change YoY***	**9M 2011**	**9M 2010**	***Change YoY***
Sales	**1,306**	1,290	*+1%*	1,189	*+10%*	**3,743**	3,188	+17%
Cost of sales[1] (as % of sales)	**71.5%**	68.4%		67.7%		**69.7%**	67.1%	
SG&A costs[1] (as % of sales)	**10.7%**	11.1%		10.8%		**11.4%**	11.4%	
EBITDA	**228**	254	*-11%*	251	*-9%*	**685**	664	+3%
As % of sales	**17.4%**	19.7%		21.1%		**18.3%**	20.8%	

During Q3 2011, Vallourec's mills operated at high levels of activity. Sales volume of 601 thousand tonnes was up 7% versus Q2 2011. Consolidated sales in Q3 2011 amounted to €1,306 million, up 1% sequentially, primarily due to a negative currency effect and lower sales of tubes for nuclear power (for which volume is measured in kilometres, not tonnes).

EBITDA for Q3 2011 amounted to €228 million, representing 17.4% of sales versus €254 million in Q2 2011. The cost of sales in Q3 2011 was 71.5% of sales, above that of Q2 2011 (68.4%) whilst the sales, general and administrative costs (SG&A) were 10.7% of sales in Q3 2011 versus 11.1% in Q2 2011.

Depreciation of industrial assets amounted to €48 million in Q3 2011, in line with the previous quarter (€47 million).

Financial charges amounted to €12 million in Q3 2011, compared to the €18 million charges in Q2 2011.

The effective tax rate was 31.5% for Q3 2011.

Total net income, Group share amounted to €91 million in Q3 2011, down 19% compared Q2 2011.

[1] Before depreciation and amortization

Cash flow

Gross cash flow amounted to €206 million in Q3 2011 compared to €193 million in Q2 2011. The increase in working capital requirement of €173 million was linked to an increase in activity.

Gross capital expenditure amounted to €227 million during the quarter. For 9M 2011, gross capital expenditure amounted to €616 million, of which €417 million related to strategic projects, essentially VSB in Brazil and VM2, the new pipe mill under construction in Youngstown, in the USA.

Dividends paid amounted to €84.0 million, of which €67.6 million related to the cash portion of the dividend paid to Vallourec shareholders in respect of 2010.

Asset disposals and other elements include the cash payment of €70 million ($100m) received on 29 September 2011 from Sumitomo Corporation for its 19.47% share of the investment in VM2 at that date.

Total cash outflow amounted to €259 million during the quarter, increasing the net debt to €1,139 million at 30 September 2011, representing 23.6% of equity (€4,820 million), versus €381 million at 31 December 2010 (7.9% of equity).

At 30 September 2011, the Group's overdrafts and short term borrowings exceeded cash and cash equivalents by €579 million. 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.

OUTLOOK

Vallourec's outlook for the remainder of 2011 remains unchanged from the update provided during its Investor Day in Brazil on 7 October.

The current business environment remains positive in energy markets, and Vallourec forecasts an increase in volumes and sales in the second half of 2011 compared to the first half. Taking into account the cautious attitude of distributors in non-energy markets as a consequence of economic uncertainties, as well as the negative translation effect resulting from the recent evolution of the Brazilian real against the euro, the EBITDA for the second half of 2011 is expected to be similar to the first half of 2011.

Looking at 2012, the prospects for the oil & gas markets remain favourable, despite the uncertainties of the macro-economic environment. Entering 2012, Vallourec will benefit from selling price increases implemented in 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

PRESENTATION OF Q3 2011 RESULTS

Wednesday 9 November

- Analyst conference call at 6:30 pm (CET) to be held in English
  To participate in the call, please dial:
  0800 073 0438 (UK), 0805 102 743 (FR), 1877 328 4999 (USA),
  +44 1452 561 488 (other countries)
  Conference code: 22152921

  Slides in English will be available from 5:45 pm (CET): www.vallourec.com

- Replay will be available until 15 November 2011:
  0800 953 1533 (UK), 0805 111 337 (FR), 1866 247 4222 (USA),
  +44 1452 550 000 (other countries)
  Access code: 22152921#

CALENDAR 2012

- 22 February: Release of Q4 and Full Year 2011 Results
- 10 May: Release of Q1 2012 Results
- 31 May: Shareholders' General Assembly

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FOR FURTHER INFORMATION, PLEASE CONTACT

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APPENDICES

Documents accompanying this release:

- Data on sales volume (metric tonnes)
- Breakdown of sales by product destination
- 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	2011 / 2010
Q1	**500.7**	**344.0**	**+45.6%**
Q2	**561.2**	**484.2**	**+15.9%**
Q3	**600.8**	**507.2**	**+18.5%**
Q4		**553.0**	
Total		**1,888.4**	

Breakdown of sales by product destination

In € million	Q3 2011	Q2 2011	Q3 2010	9M 2011	9M 2010	*Change* 9M/9M
France	41	60	32	152	126	*+21%*
Germany	192	178	152	515	481	*+7%*
Other E.U.27	108	124	82	339	247	*+37%*
North America	348	324	373	971	844	*+15%*
South America	290	271	305	830	789	*+5%*
Asia and the Middle-East	247	263	165	709	453	*+57%*
Rest of the World	80	70	80	227	248	*-8%*
Total	**1,306**	**1,290**	**1,189**	**3,743**	**3,188**	***+17%***
Europe as % of sales	26%	28%	22%	27%	27%	
Non-Europe as % of sales	74%	72%	78%	73%	73%	

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Summary consolidated income statement

VALLOUREC (in € million)	Q3 2011	Q2 2011	Q3 2010	Change Q3'11 / Q2'11	Change Q3'11 / Q3'10
Sales	**1,305.5**	1,290.1	1,189.2	*+1.2%*	*+9.8%*
Cost of sales[1]	**-933.1**	-882.3	-805.6	*+5.8%*	*+15.8%*
Selling, general and administrative costs[1]	**-139.3**	-142.6	-128.0	*-2.3%*	*+8.8%*
Other income (expense), net[1]	**-5.4**	-10.9	-4.6		
EBITDA	**227.7**	254.3	251.0	*-10.5%*	*-9.3%*
EBITDA as % of sales	***17.4%***	*19.7%*	*21.1%*		
Depreciation of industrial assets	**-48.4**	-47.3	-47.5	*+2.3%*	*+1.9%*
Other (amortization, impairment & restructuring)	**-13.9**	-17.5	-19.9		
OPERATING INCOME	**165.4**	189.5	183.6	*-12.7%*	*-9.9%*
FINANCIAL INCOME	**-12.0**	-17.7	-5.6		
INCOME BEFORE TAX	**153.4**	171.8	178.0	*-10.7%*	*-13.8%*
Income tax	**-48.3**	-45.3	-48.3		
Net income of equity affiliates	**-0.6**	-0.2	0.2		
CONSOLIDATED NET INCOME	**104.5**	126.3	129.9	*-17.3%*	*-19.6%*
NET INCOME, GROUP SHARE	**90.5**	112.1	115.2	*-19.3%*	*-21.4%*

[1] Before depreciation and amortization

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Summary consolidated income statement

(in € million)

VALLOUREC (in € million)	**9M 2011**	***as a % of sales***	**9M 2010**	***as a % of sales***	**2011 / 2010**
Sales	**3,743.4**		3,188.4		+17.4%
Cost of sales	**-2,609.9**	*69.7%*	-2,139.6	*67.1%*	+22.0%
Selling, general and administrative costs[1]	**-427.8**	*11.4%*	-363.4	*11.4%*	+17.7%
Other income (expense), net[1]	**-20.3**	*0.5%*	-21.6	*0.7%*	
EBITDA	**685.4**	*18.3%*	663.8	*20.8%*	+3.3%
Depreciation of industrial assets	**-149.3**	*4.0%*	-131.4	*4.1%*	+13.6%
Other (amortization, impairment & restructuring)	**-39.3**		-41.7		
OPERATING INCOME	**496.8**	*13.3%*	490.7	*15.4%*	+1.2%
FINANCIAL INCOME	**-36.4**		-15.1		
INCOME BEFORE TAX	**460.4**	*12.3%*	475.6	*14.9%*	-3.2%
Income tax	**-137.7**		-149.0		
Net income of equity affiliates	**0.8**		6.3		
CONSOLIDATED NET INCOME	**323.5**	*8.6%*	332.9	*10.4%*	-2.8%
NET INCOME, GROUP SHARE	**284.5**		301.9		-5.8%

[1] Before depreciation and amortization

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Summary consolidated balance sheet

VALLOUREC

(in € million)

	30/09/11	31/12/10		30/09/11	31/12/10
Intangible assets, net	239.1	266.5	Shareholders' equity [1]	4,479.1	4,556.4
Goodwill	501.9	506.4	Minority interests	340.5	267.2
Property, plant and equipment, net	3,762.8	3,484.4	**Total equity**	**4,819.6**	**4,823.6**
Investments in equity affiliates	171.8	64.6			
Other non-current assets	216.2	235.2			
Deferred tax assets	66.0	59.8	Bank loans and other borrowings	560.1	813.7
Total non-current assets	**4,957.8**	**4,616.9**	Employee benefits	117.7	122.3
			Deferred tax liabilities	149.8	136.6
			Other long-term liabilities	46.3	59.5
			Total non-current liabilities	**873.9**	**1,132.1**
Inventories and work-in-progress	1,423.3	1,190.3	Provisions	130.0	148.2
Trade and other receivables	1,052.2	863.6	Overdrafts and other short-term bank borrowings	1,236.3	220.7
Derivatives - assets	22.9	35.7	Trade payables	653.3	647.4
Other current assets	209.7	188.3	Derivatives-liabilities	59.0	29.7
Cash and cash equivalents	657.7	653.8	Other current liabilities	551.5	546.9
Total current assets	**3,365.8**	**2,931.7**	**Total current liabilities**	**2,630.1**	**1,592.9**
TOTAL ASSETS	**8,323.6**	**7,548.6**	**TOTAL LIABILITIES**	**8,323.6**	**7,548.6**

Net debt	1,138.7	380.6	[1] Net income, Group share	284.5	409.6

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Summary consolidated cash flow statement

(in € million)	Q3'11	Q2'11	Q3'10	9M'11	9M'10
Gross cash flow from operations	**205.7**	192.7	213.7	**472.1**	537.3
Change in gross WCR [+ decrease, - increase]	**-173.4**	-59.2	-108.0	**-472.8**	-293.9
Operating cash flows	**32.3**	133.5	105.7	**-0.7**	243.4
Gross capital expenditure	**-227.5**	-193.9	-226.8	**-616.1**	-530.2
Financial Investments		-75.3		**-75.3**	-161.1
Dividends paid	**-84.0**	-10.7	-9.1	**-101.8**	-92.0
Asset disposals & other elements	**19.8**	-8.7	5.4	**35.8**	-6.1
Change in net debt [+decrease, -increase]	**-259.4**	-155.1	-124.8	**-758.1**	-546.0

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