

A large offshore oil platform is illuminated at night, with a tall flare stack emitting a bright orange flame. The platform is connected to another smaller platform by a long walkway. The sky is dark with some clouds, and the sea is visible in the background.

Q2 and Half Year 2011 results



Investor Presentation

28 July 2011

Information

- **Half year financial statements at 30 June 2010 and 30 June 2011 are subject to limited audit review.**
- **Full year statements at 31 December 2010 have been audited.**
- **Quarterly statements are unaudited and are not subject to any review.**

Information and Forward-Looking Reflections

This document contains forward-looking reflections and information. By their nature, these reflections and information include financial forecasts and estimates as well as the assumptions on which they are based, statements related to projects, objectives and expectations concerning future operations, products and services or future performance. Although Vallourec's management believes that these forward-looking reflections and information are reasonable, Vallourec cannot guarantee their accuracy or completeness and investors in Vallourec are hereby advised that these forward-looking reflections and information are subject to numerous risks and uncertainties that are difficult to foresee and generally beyond Vallourec's control, which may mean that the actual results and developments differ significantly from those expressed, induced or forecasted in the forward-looking reflections and information. These risks include those developed or identified in the public documents filed by Vallourec with the AMF, including those listed in the "Risk Factors" section of the Registration Document filed with the AMF on April 19, 2011.

- 1. Market environment and H1 highlights**
- 2. Financial results**
- 3. Review by activity**
- 4. Strategy & outlook**



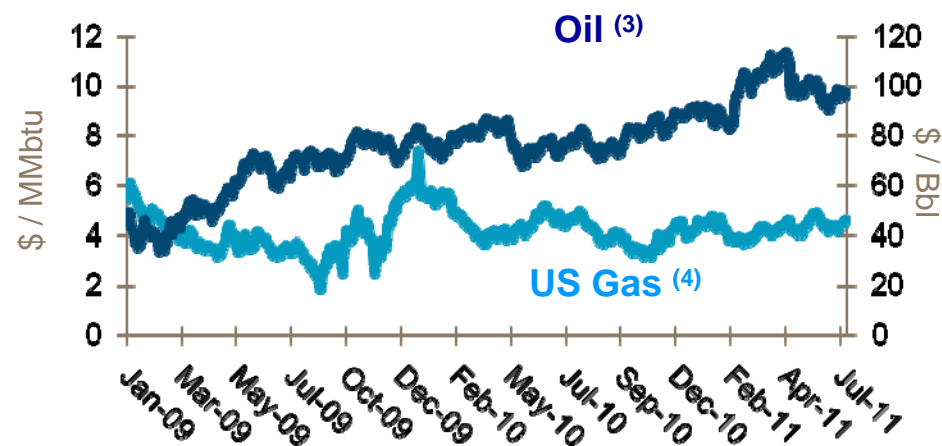
1. Market environment and highlights



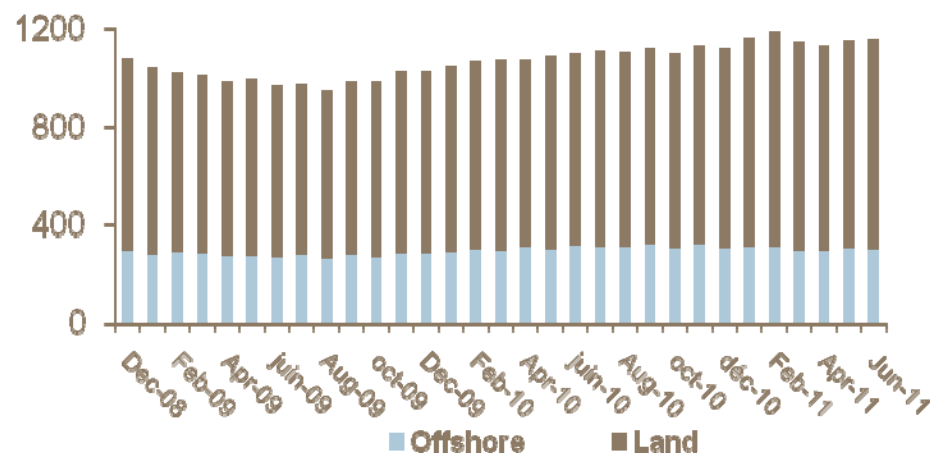
Global market indicators

	Q2'11 Avg	Change YoY
Oil prices US\$/bbl (WTI)	102.2	+19%
Gas prices US\$/MMbtu (HH)	4.3	+1%
Scrap prices (E 40 €/t)	320	+7%
Iron ore price - Contract FOB Brazil (\$/t)	169	+55%
	2010	2011e
Oil Demand⁽¹⁾ (Bbl/d)	88.0	89.3
Worldwide E&P spending ⁽²⁾	\$458bn	\$529bn +16%

Oil prices rising
Natural gas prices still low



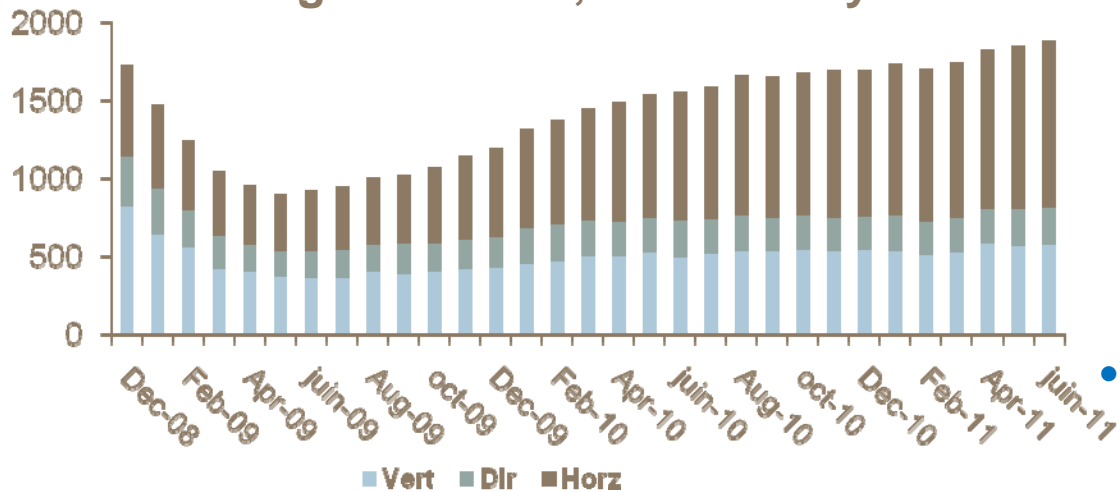
International rig count remains high



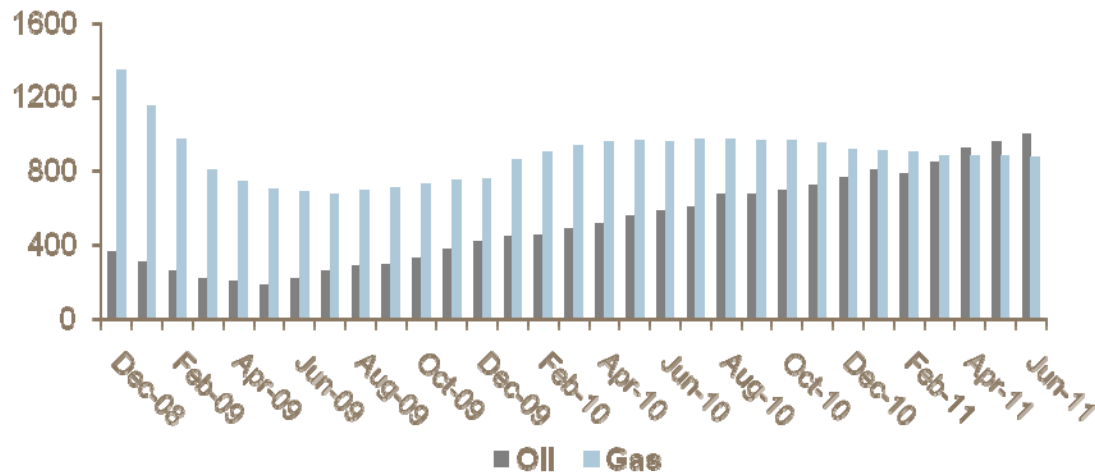
Sources : (1) IEA, (2) Barclays Capital, (3) WTI, (4) Henry Hub

Key market indicators in the USA

USA Rig Count⁽¹⁾: 1,886 at 1 July 2011



- **+11% YTD**
Horizontal: +13% at 1,073
Directional: +15% at 243
Vertical: +6% at 570



- **65% of all drilling activity is taking place in the shale plays**
- **Oil drilling: +32% at 1,006**
Gas drilling: -5% at 874
(miscellaneous: 6)

Sources: (1) Baker Hughes

Q2 and H1 2011 highlights

- Activity in Q2 better than in Q1
- Volume in H1 2011 in line with H2 1010
- Strong sales growth in the USA, Brazil, Asia and the Middle-East
- All mills operating at high utilisation rates
- Implementing price increases which take effect progressively
- Context of high and volatile raw material costs and appreciation of the euro

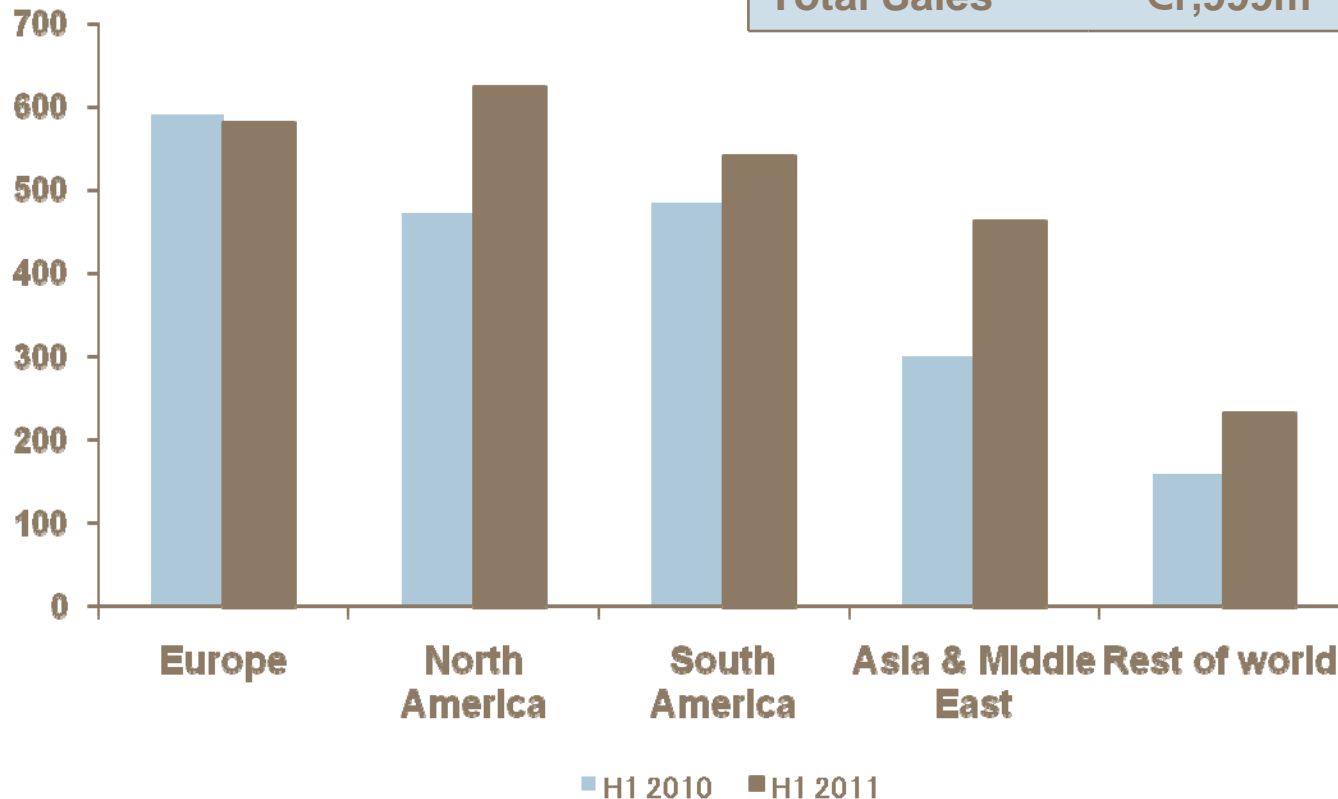
Strategic projects are advancing

- **France:**
 - ✓ Successful start up of new capacity at Valinox Nucléaire
- **Brazil:**
 - ✓ Process of certification at VSB
 - ✓ First orders booked for delivery in Q4 2011
- **USA:**
 - ✓ Construction of new pipe mill in USA on schedule for start-up mid-2012
- **China:**
 - ✓ Acquisition of 19.5% of Tianda Oil Pipe
- **Saudi Arabia:**
 - ✓ Project to acquire Zamil Pipes
 - ✓ New threading facility under construction

Strong sales growth in the USA, Brazil, Asia and the Middle-East

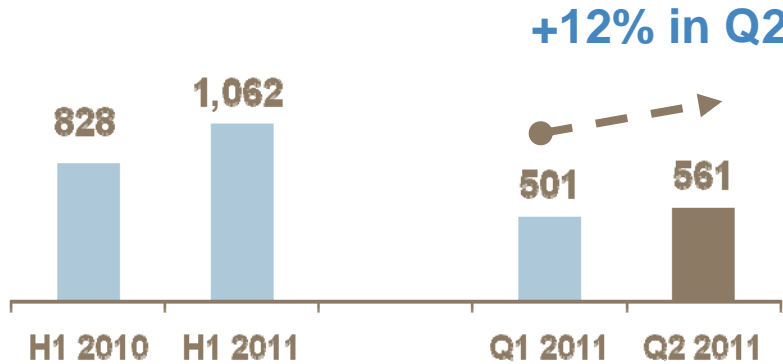
€ million

	H1 2010	H1 2011	
Total E.U.	29%	24%	
Total Non-E.U	71%	76%	
Total Sales	€1,999m	€2,438m	+22%

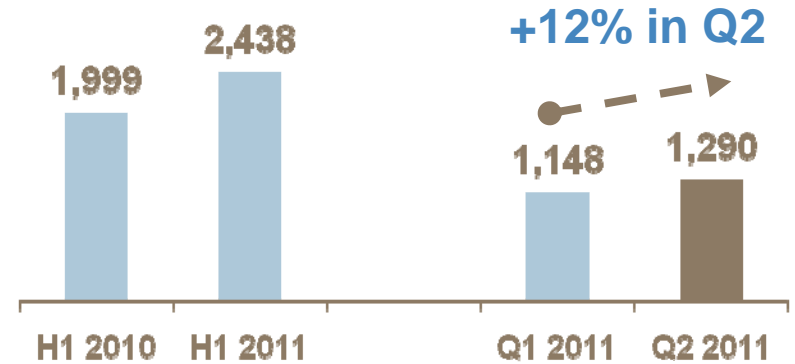


Key figures

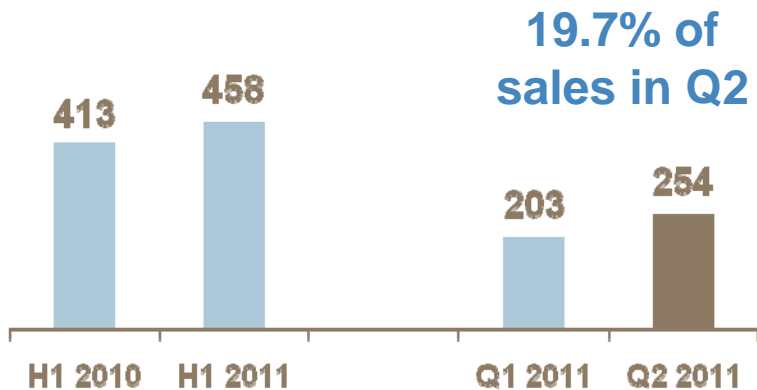
Sales Volume: +28% year on year
k tonnes



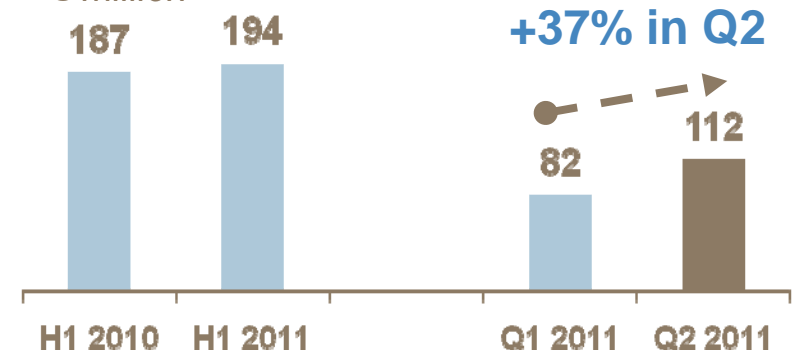
Sales: +22% year on year
€ million



H1 2011 EBITDA: 18.8% of sales
€ million



Net income, Group share: +4% year on year
€ million



2. Financial Results



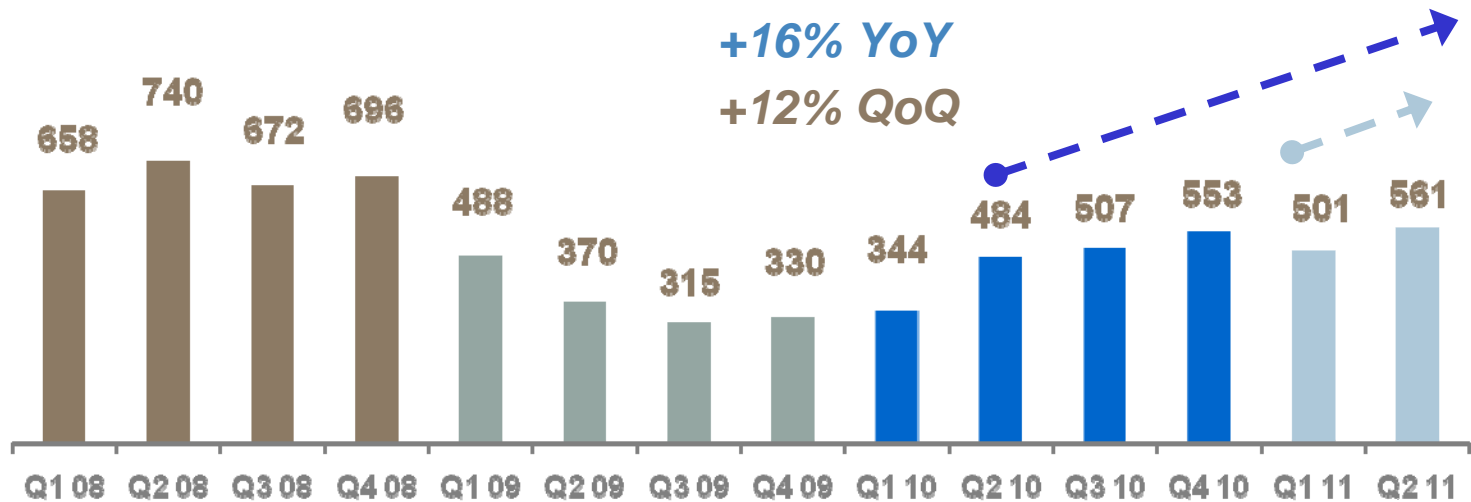
Key figures

	Q2 2011	Q1 2011	H1 2011	H1 2010
Volume (k tonnes)	561	501	1,062	828
<i>Change</i>	+12%		+28%	
Sales	€1,290m	€1,148m	€2,438m	€1,999m
<i>Change</i>	+12%		+22%	
EBITDA	€254m	€203m	€458m	€413m
(as % of sales)	19.7%	17.7%	18.8%	20.6%
Net income, Group share	€112m	€82m	€194m	€187m
Operating cash flow	€134m	€-167m	€33m	€138m

Volume and sales

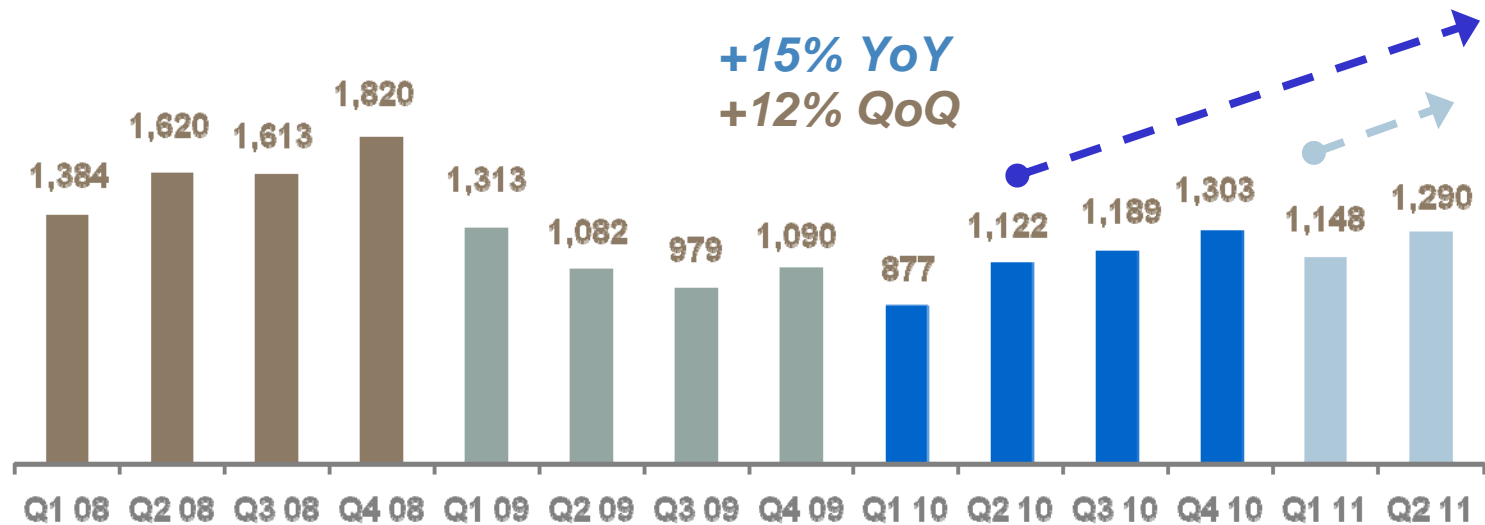
Volume

K tonnes



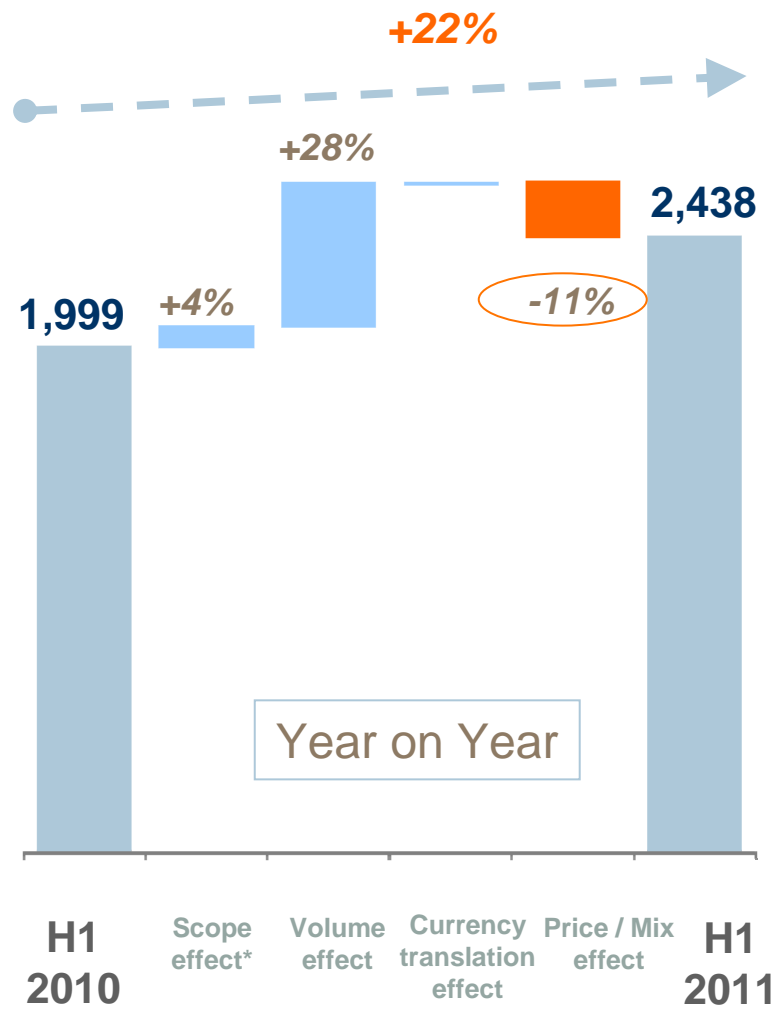
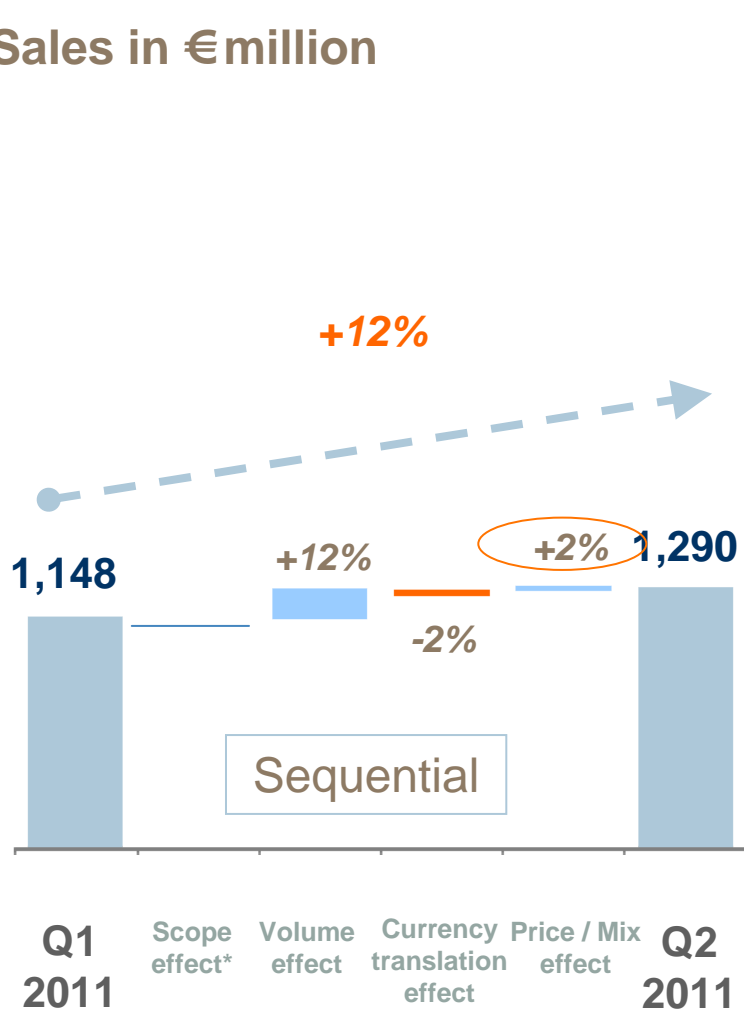
Sales

€ million



Positive volume evolution in Q2 2011 continues with modest price and mix effect

Sales in €million



* Scope effect = Serimax (no scope effect Q2 vs Q1)

EBITDA

€million

	Q2 2011	Q1 2011	% change QoQ	Q2 2010	% change YoY
Sales volume (k tonnes)	561	501	+12.0%	484	+15.9%
Sales	1,290.1	1,147.8	+12.4%	1,121.8	+15.0%
Cost of sales ⁽¹⁾	-882.3	-794.5	+11.1%	-720.4	+22.5%
As % of sales	-68.4 %	-69.2%		-64.2 %	
Selling, general and administrative costs ⁽¹⁾	-142.6 ⁽²⁾	-145.9 ⁽²⁾	-2.3%	-127.0	+12.3%
As % of sales	-11.1%	-12.7%		-11.3%	
Other income (expense), net	-10.9	-4.0		-10.0	
EBITDA	254.3	203.4	+25.0%	264.4	-3.8%
As % of sales	19.7%	17.7%		23.6%	

(1) Before depreciation and amortization

(2) Broadened scope: Serimax, VSB

Net income

€million

	Q2 2011	Q1 2011	% change QoQ	Q2 2010	% change YoY
EBITDA	254.3	203.4	+25%	264.4	-3.8%
Depreciation industrial assets	-47.3	-53.6		-43.4	
Other (amortization, impairment & restructuring)	-17.5	-7.9		-12.6	
Operating Income	189.5	141.9	+33.5%	208.4	-9.1%
Financial Income	-17.7	-6.7		-3.7	
Income tax	-45.3	-44.1		-72.0	
Net income of equity affiliates	-0.2	1.6		3.4	
Total Net Income	126.3	92.7	+36.2%	136.1	-7.2%
Minority interests	-14.2	-10.8		-10.2	
Net Income, Group share	112.1	81.9	+36.9%	125.9	-11.0%

Cash flow

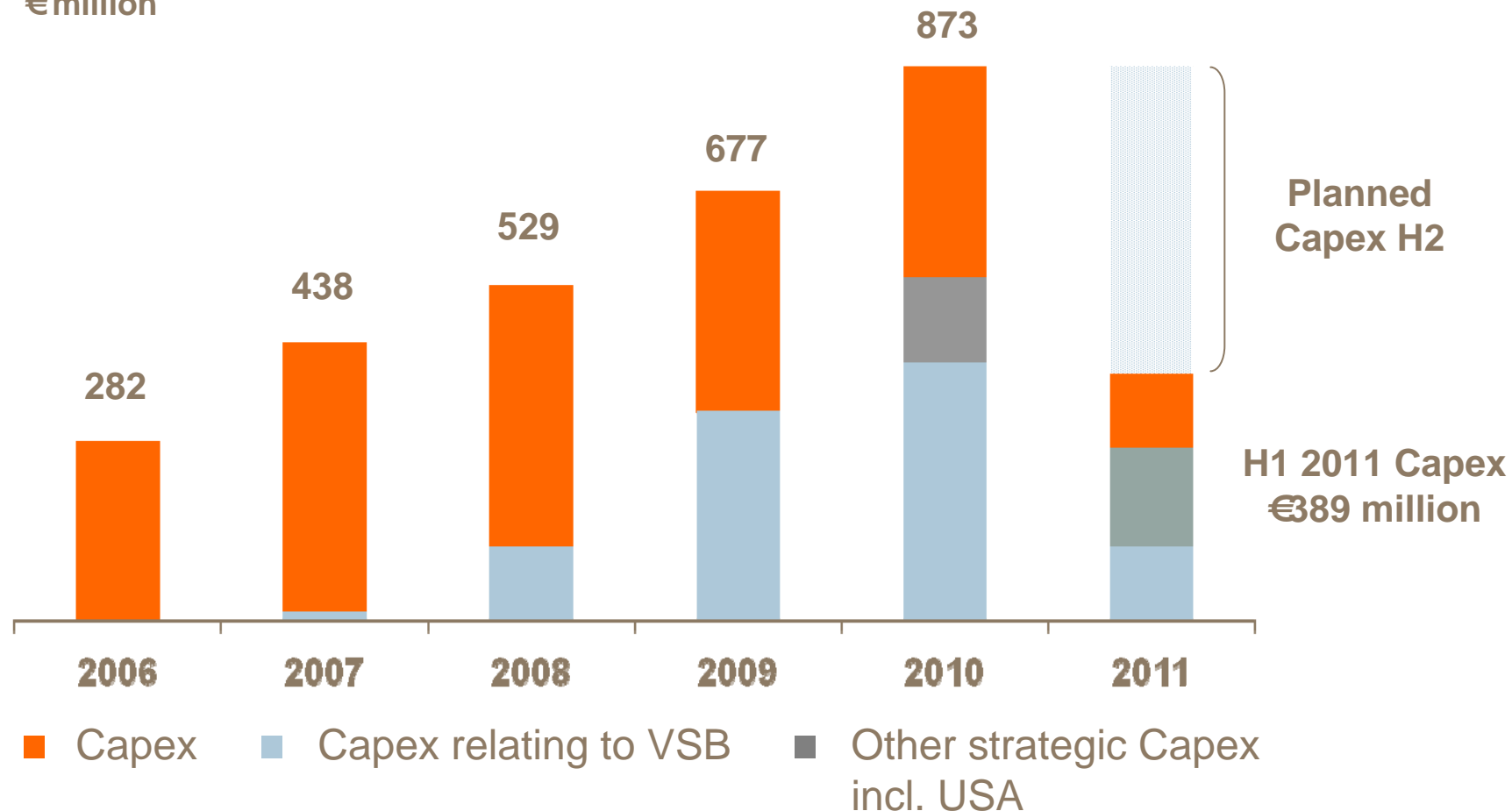
€million

	Q2 2011	Q1 2011	Q2 2010
Gross cash flow from operations	192.7	73.7	239.3
Change in gross WCR *	-59.2	-240.2	-184.4
Operating cash flow	133.5	-166.5	54.9
Gross capital expenditure	-193.9	-194.7	-166.7
Financial investments	-75.3	0.0	-144.9
Dividends paid	-10.7	-7.1	-79.3
Asset disposals and other elements	-8.7	24.7	-33.1
Change in net debt *	-155.1	-343.6	-369.1

* [+ decrease / - increase]

Capital expenditure

€million



Other financial elements

At 30 June 2011:

- **Net debt of €879 million**
 - ✓ Gearing ratio of 18.5%
- **Liquidity profile**
 - ✓ 38% of the €1,446 million bank loans and other borrowings have a maturity in excess of 1 year
 - ✓ Undrawn confirmed credit lines of €1.3 billion which includes revolving credit facility of €1 billion (maturity February 2016)

7 July 2011:

- **2010 Dividend payment of €1.30 per share**
 - ✓ 1,140,338 new shares
 - ✓ Cash payment of €67.6 million

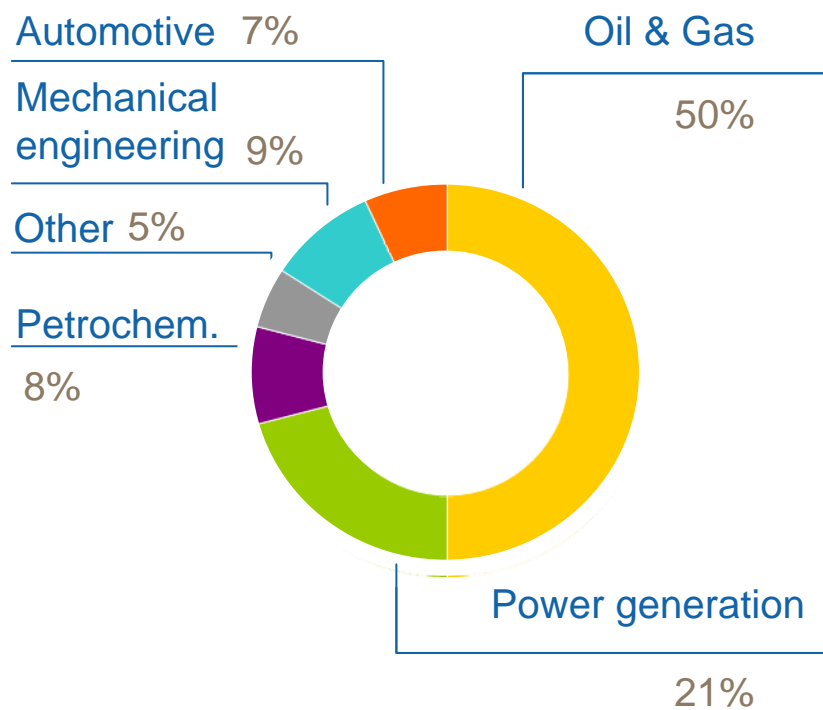
3. Review by activity



Sales by application

H1 2010

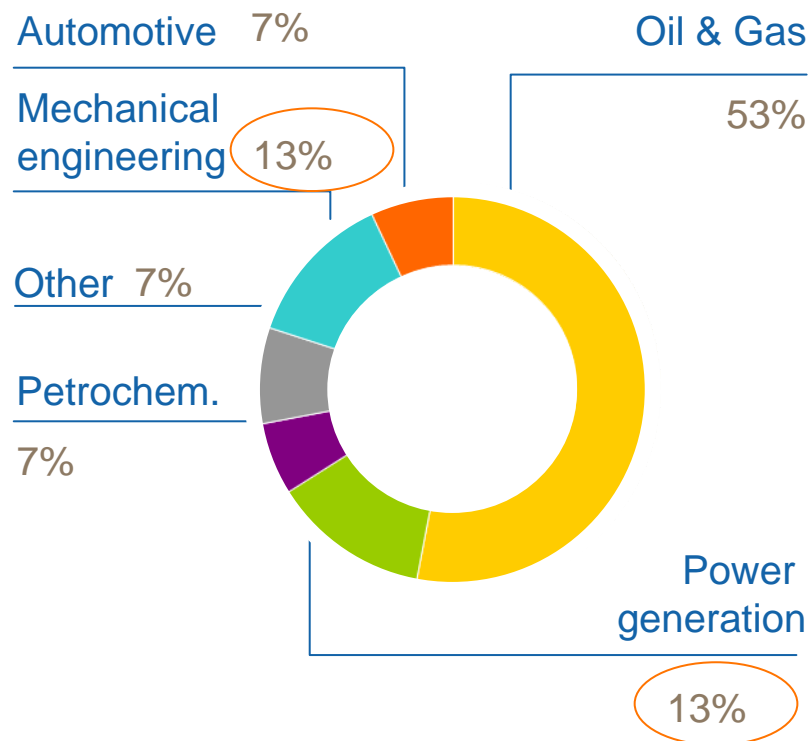
Sales = €1,999m



Total Energy*: 79% of sales

H1 2011

Sales = €2,438m



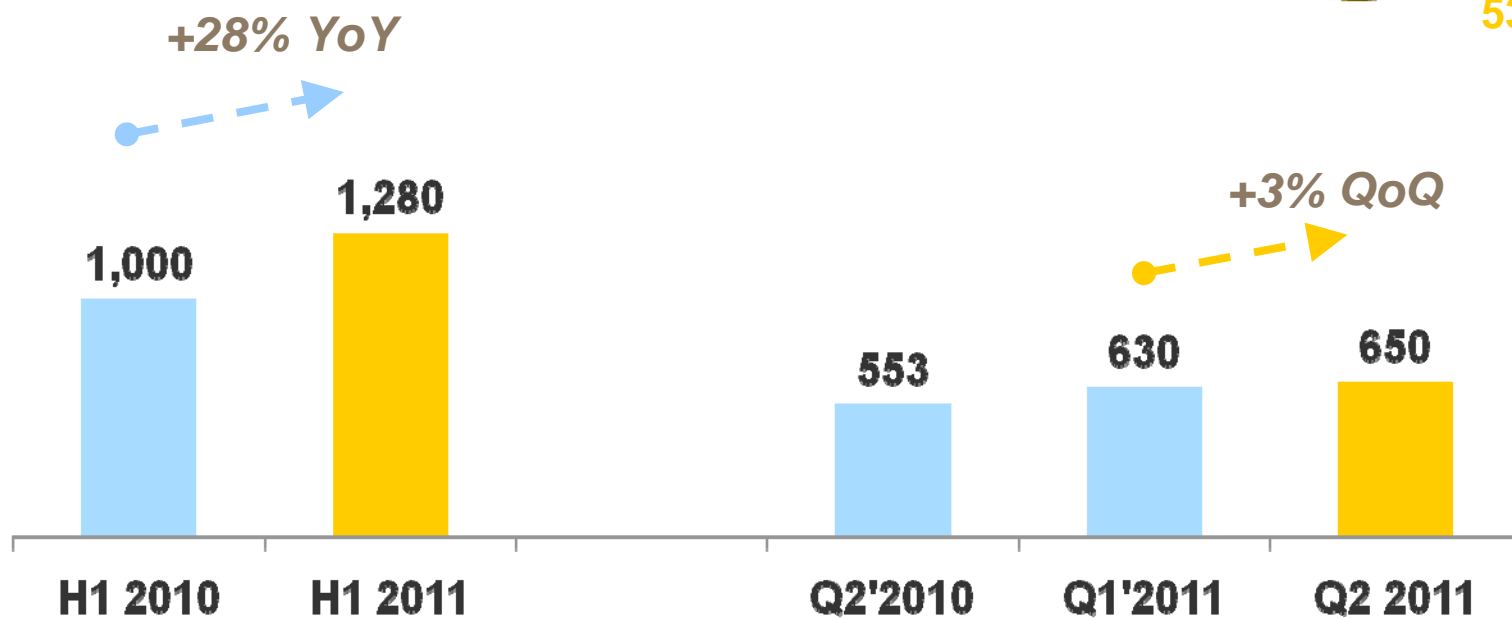
Total Energy*: 73% of sales

* Total Energy = Oil & Gas + Power Generation + Petrochemicals

Oil & Gas

Sales
€million

% of total sales H1 2011



Serimax sales included from H2 2010

Oil & Gas

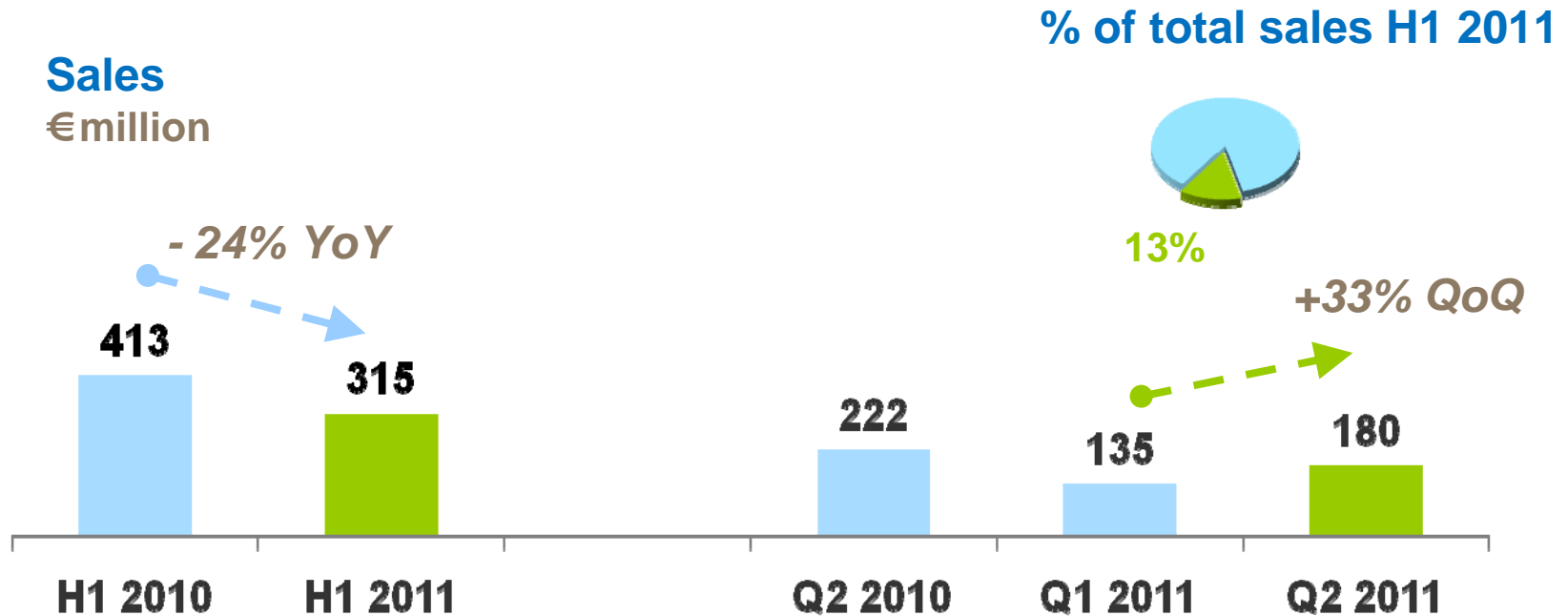
- **United States**

- ✓ Sales increased during Q2 driven by high drilling activity in the shale plays
- ✓ Successful commercialisation of VAM SG “Shale” connection and finished goods (pipe + VAM connection)
- ✓ Moderate price increases were implemented to start compensating the rise in raw material costs
- ✓ High oil prices should continue to drive drilling in new shale plays (e.g. Utica, Ohio)

- **Rest of the world**

- ✓ Good level of sales in Europe, the Middle-East, West Africa
- ✓ International tendering activity still dynamic
- ✓ Lower than anticipated sales in Brazil as delivery for offshore line pipe project deferred to H2
- ✓ Higher volumes anticipated in H2 with higher deliveries of offshore line pipe projects in Brazil and West Africa

Power Generation

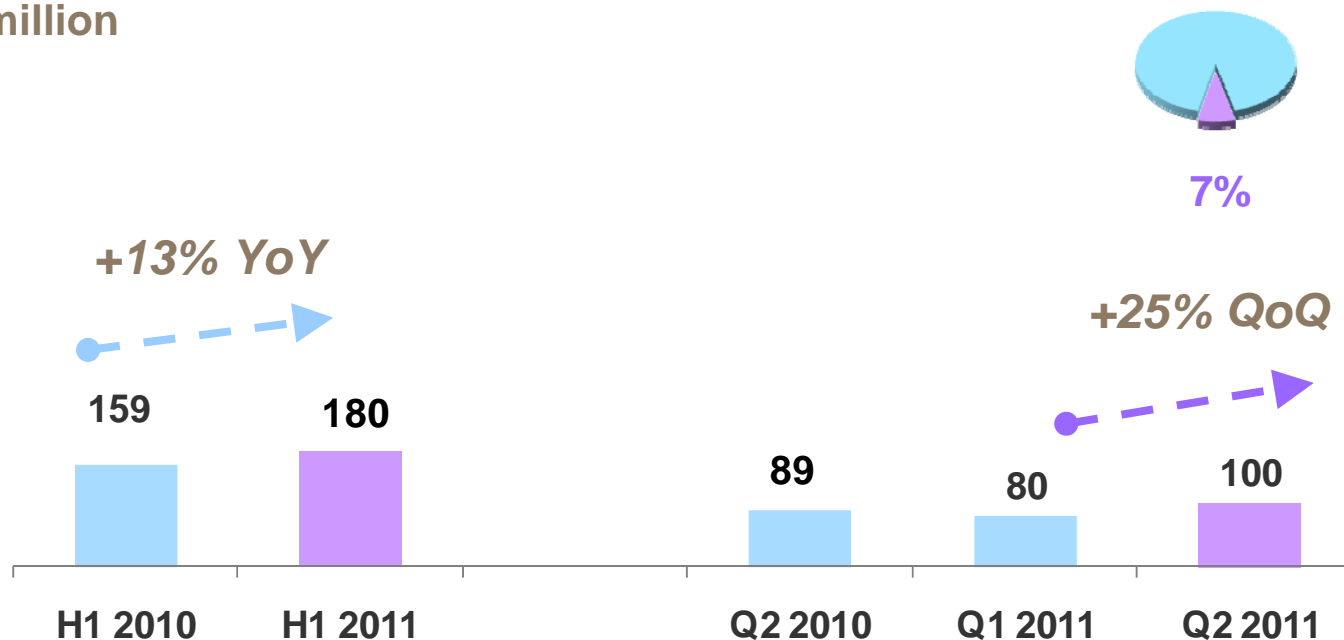


- Sales for coal-fired power plants improved in Q2 benefitting from better mix effect
- Local competition in major markets is maintaining pressure on prices and volumes
- Sales for nuclear power plants grew strongly in Q2 and will increase further in H2 with start-up of new capacity in France

Petrochemicals

Sales
€million

% of total sales H1 2011



- Dynamic market in the USA, Asia and the Middle-East with major investments in refining and gas processing
- Sales include Canada oil sands SAGD project and gas compression facility in Abu Dhabi
- Strong growth in sales and volume anticipated in H2

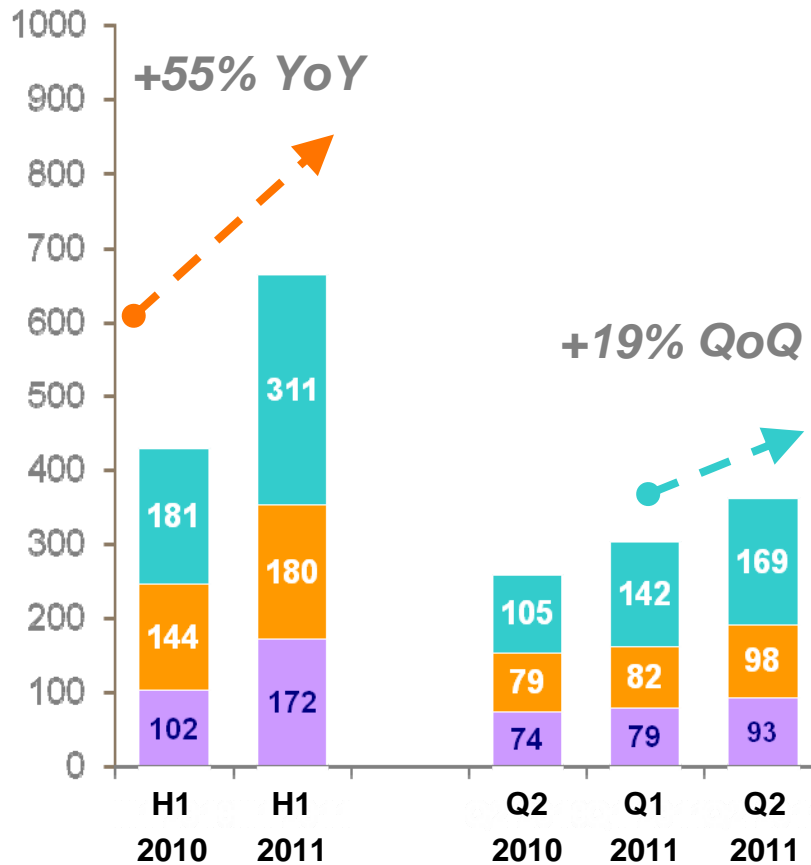
Non-Energy

Sales
€million

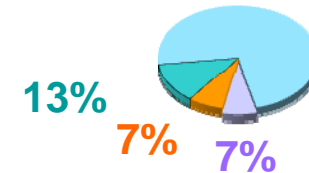
Mechanical
engineering

Automotive

Construction
& other



% of total sales H1 2011



- Strong growth across all industrial segments notably in Brazil (automotive) and Germany (mechanicals)
- Increased deliveries to European and North American distributors
- Growth in H2 will be supported by dynamic German exports

4. Strategy and Outlook



Focus on our strategic projects

- **Brazil: VSB**
- **USA: new pipe mill**
- **China:**
 - ✓ For coal-fired power plants – Changzhou
 - ✓ For nuclear power plants – Nansha
 - ✓ For Oil & Gas – 19.5% interest in Tianda Oil Pipe
- **Saudi Arabia:**
 - ✓ Acquisition of Zamil Pipes
 - ✓ Construction of new threading facility

VSB Ramping-up in 2011

- Successful completion of full tube production circuit in April 2011
- Start-up of threading mill in June 2011
- Next important steps involve the commissioning of the steel mill
- Increasing upstream capacity (charcoal & iron ore) to serve VSB
- First deliveries Q4 2011
- Progressive ramp-up of capacity through mid-2012
- To serve the international OCTG markets



New small diameter pipe mill in Ohio

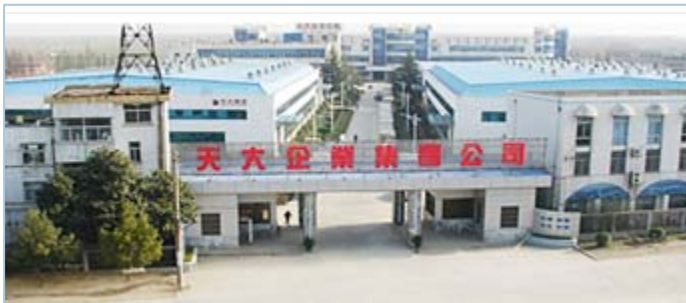
- Two-thirds of drilling activity taking place in shale plays
- Horizontal drilling techniques driving demand for small diameter pipes
- US mills operating at full capacity - sales growth supported by imports from European mills
- Project on schedule for start-up in H1 2012



Advancing our projects in China

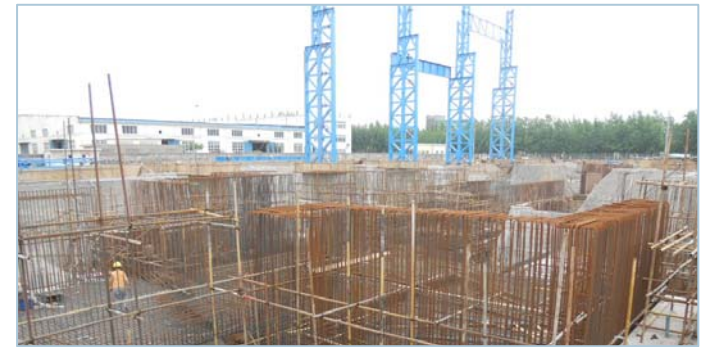


- Acquisition of 19.5% interest in **Tianda Oil Pipe**
 - ✓ developing commercial opportunities to serve the local demand for **premium OCTG**



- **Changzhou**

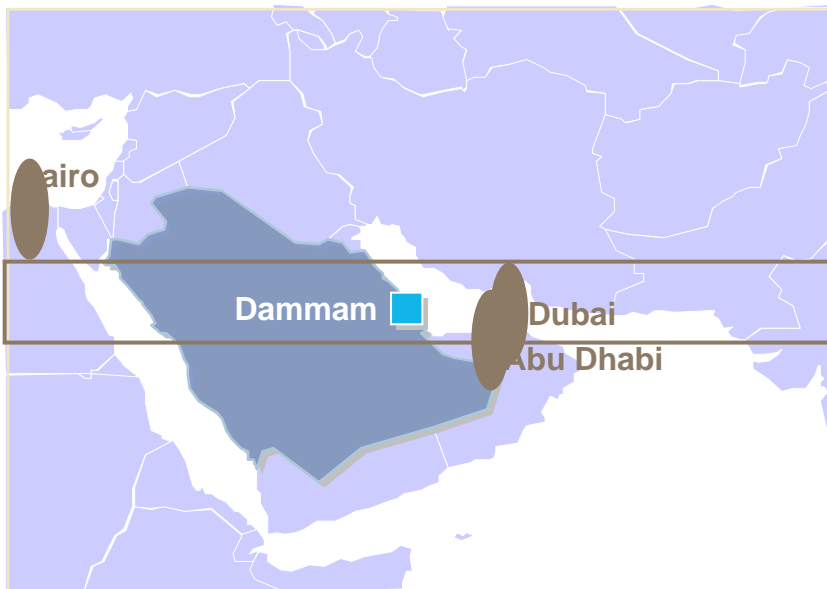
- ✓ New forge to produce 60,000 tonnes of large diameter seamless pipes for **Power Generation**



- **Nansha**

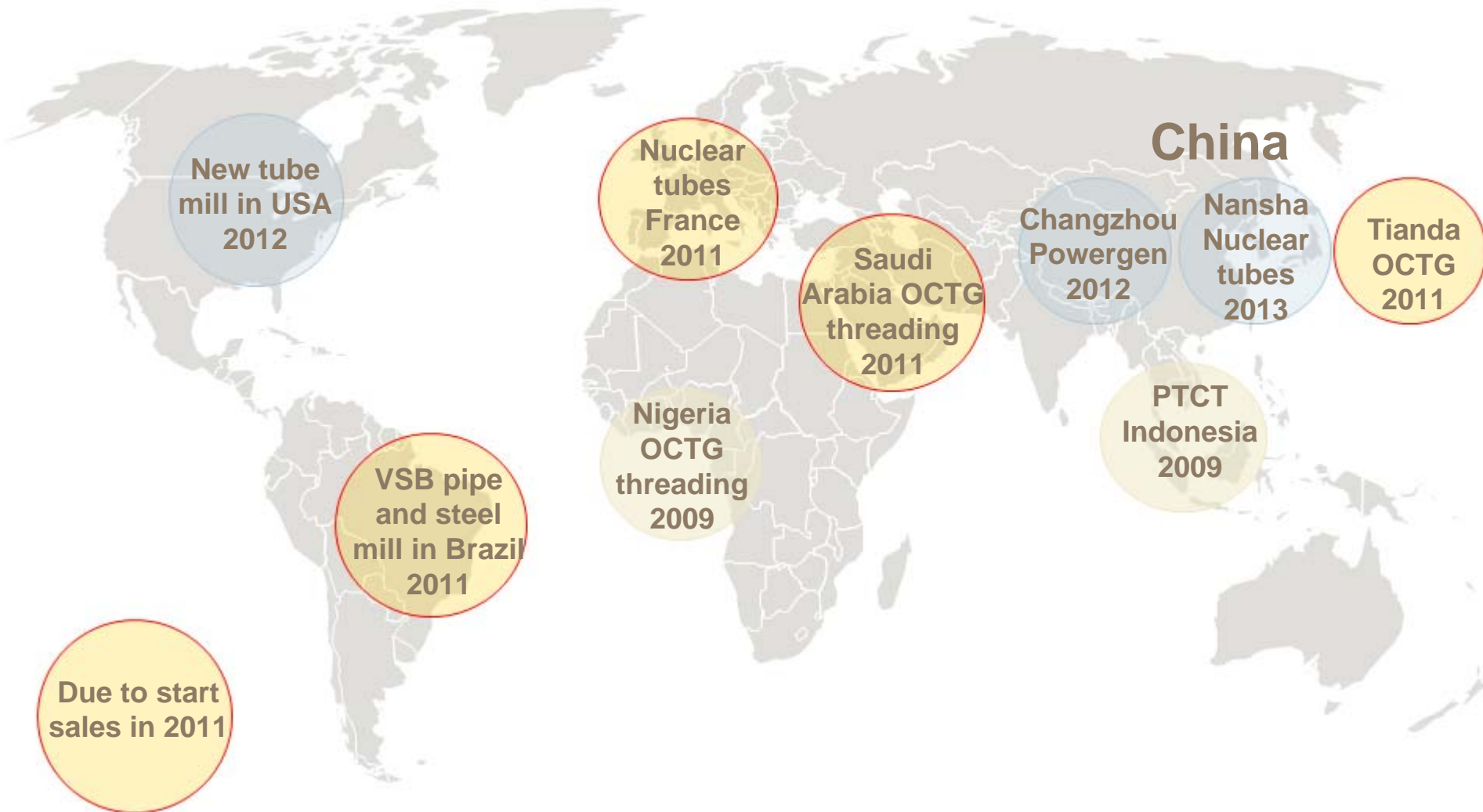
- ✓ New facility to produce steam generator tubing for **nuclear power plants**
- ✓ Stone laying ceremony 26 May 2011

A local offer in Saudi Arabia



- Local presence to accompany planned growth of Saudi Aramco and support local industry
- Acquisition of Zamil Pipes - closing expected Q3 2011
- Heat treatment and threading capacities up to 100k tonnes
- Construction of new premium threading facilities in Damman to be commissioned H2 2011

Vallourec Global Strategy: Invest where the growth is



Outlook

- **Business environment remains positive in most markets**
 - **In a year of transition with major projects underway, we anticipate the following during H2 2011:**
 - + Increase in volumes
 - + Increase in sales but at lower rate
 - + Progressive implementation of price increases

 - Strong euro
 - Higher raw material costs
 - Increased start-up costs of projects, notably in Brazil and USA
 - Seasonal expenses (maintenance, employee shareholding)
- ➔ **EBITDA in H2 is expected to be slightly above H1**

Appendices

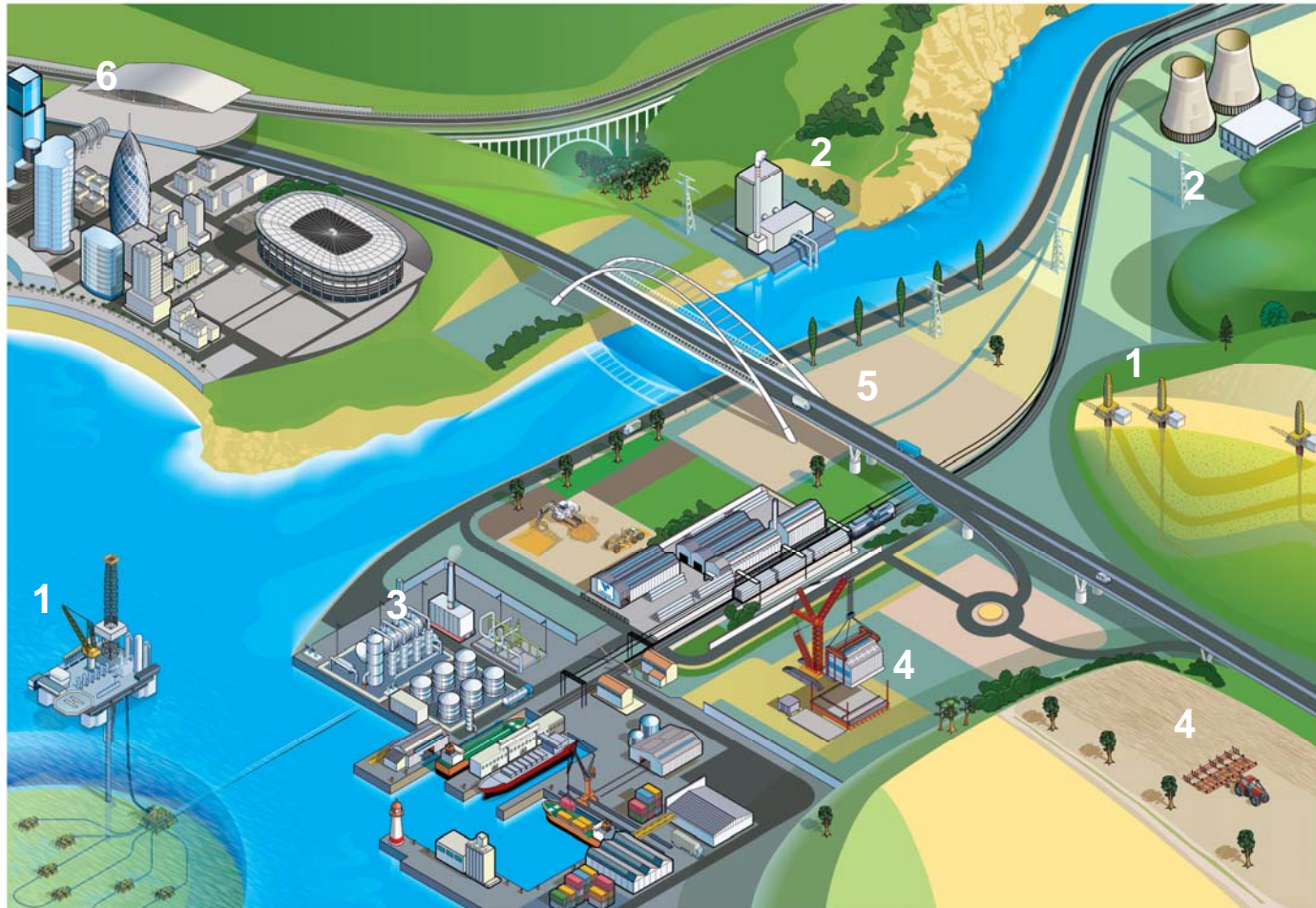


Group profile

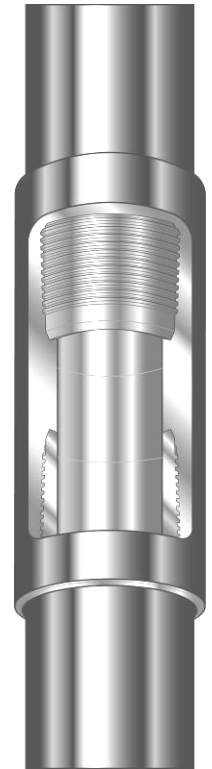
- **World leader in premium tubular solutions primarily serving the Energy markets, as well as other industrial applications**
 - ✓ Oil & Gas, Power Generation, Petrochemicals > 70% of sales
- **Over 20,000 employees, integrated manufacturing facilities, advanced R&D, and presence in more than 20 countries, Vallourec offers its customers innovative global solutions to meet the growing energy challenges of the 21st century**

	FY 2009	FY 2010
• Key figures:		
✓ Production output	1,503 Kt	1,888 Kt
✓ Sales	€4,465m	€4,491m
✓ EBITDA	€981m	€925m

Applications in Energy and Non-Energy

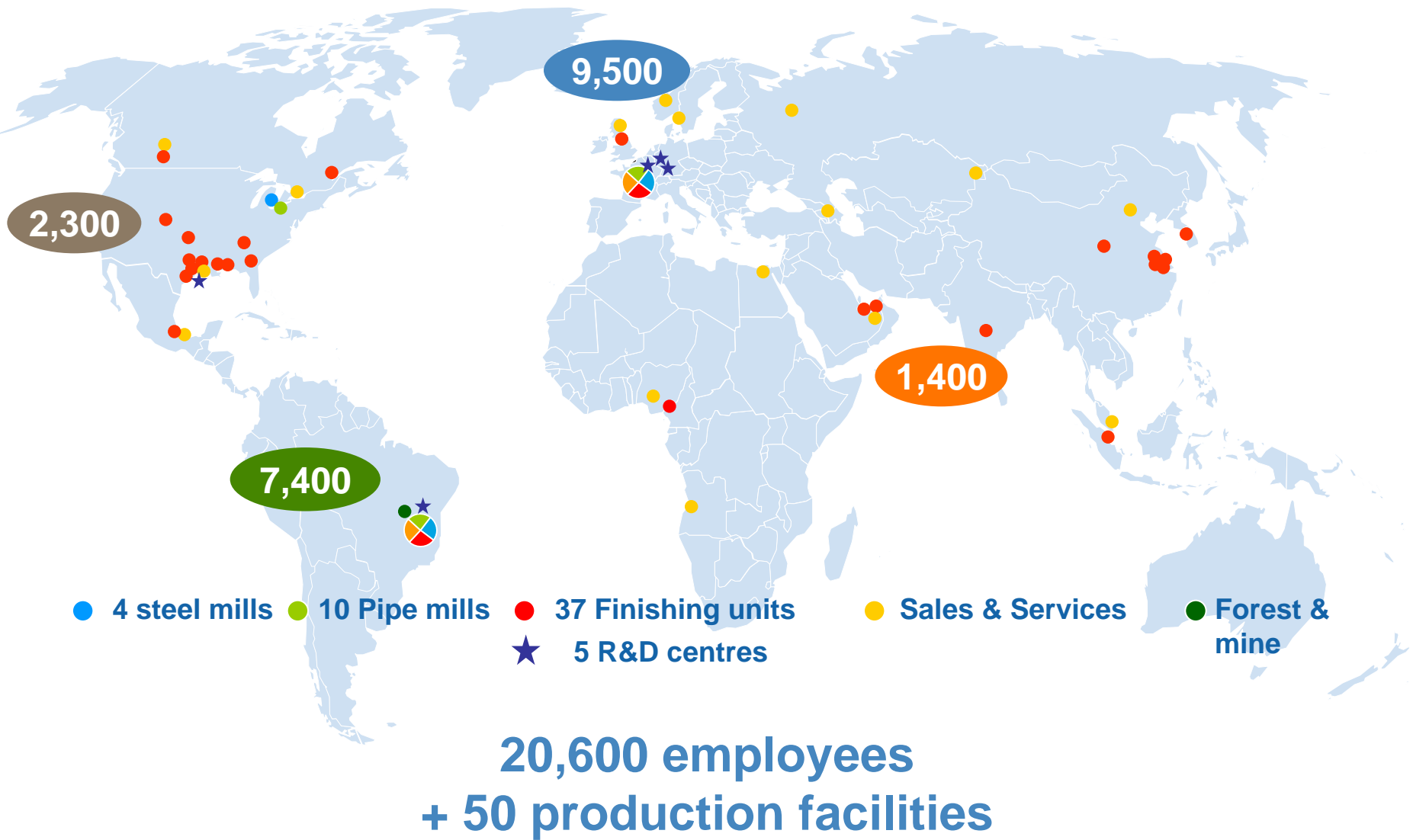


VAM[®]



- 1. Oil & Gas
- 2. Power generation
- 3. Petrochemicals
- 4. Mechanical engineering
- 5. Automotive
- 6. Construction

A worldwide leader



Employees at 31 December 2010

A. Group key assets and opportunities



Strong relationship with blue chip clients

Oil & Gas



PowerGen



Other



... in all markets

Product innovation



VAM 21

Vallorec is proud to present the VAM²¹: the new generation of Premium Connection

VAM²¹ is the latest generation of VAC premium connection introducing an innovative and revolutionary design. Confidence thanks to ISO 13679 CAL-IV compliance within the full pipe body envelope extends the opportunities for your well designs.

VAM²¹ main features include:

- Seal protected from rough handling
- Fit for automated rig handling systems
- Reliable running ability
- Superior torque resistance
- Reduced drilling wear susceptibility
- Extreme compression resistance (100%)
- Innovative VAM effect with the VAM seal design
- Excellent gas tight sealing under combined loads
- ISO 13679 CAL-IV performance within the full pipe envelope

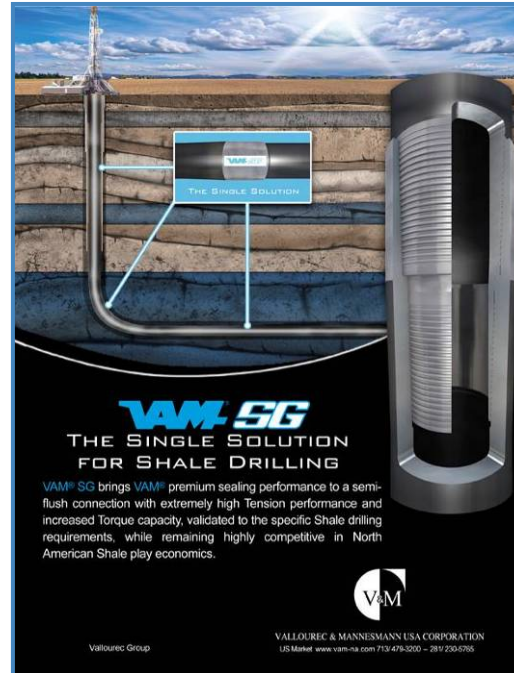
100% VME

100% LAR ISO 13679

VALLOUREC & MANNESMANN TUBES
WORLD LEADER IN PREMIUM TUBULAR SOLUTIONS

Vallorec Group

VAM[®] 21
For the most critical applications
New market: Brazil



VAM SG

THE SINGLE SOLUTION FOR SHALE DRILLING

VAM^{SG} brings VAM[®] premium sealing performance to a semi-flush connection with extremely high Tension performance and increased Torque capacity, validated to the specific Shale drilling requirements, while remaining highly competitive in North American Shale play economics.

VALLOUREC & MANNESMANN USA CORPORATION
US Market: www.vam-na.com 713.479.3200 - 281.230.5705

Vallorec Group

VAM[®] SG
Specifically developed for shale drilling
(Gas & Oil)



CLEANWELL DRY

READY TO RUN, 100% DRY.

CLEANWELL DRY is the new dope free solution for VAM[®] premium connections. A completely dry coating directly applied in the mills on the surface of VAM threads and ready to use on the rig. A successful combination environmentally friendly, safer, cleaner and more efficient.

- Improves health, safety and working conditions.
- Reduces handling, providing cost savings.
- Improves well production and well integrity.
- Preserves the environment.

CLEANWELL DRY completes the CLEANWELL[®] family.

www.valservices.com

VALLOUREC & MANNESMANN TUBES
WORLD LEADER IN PREMIUM TUBULAR SOLUTIONS

Vallorec Group

Cleanwell Dry[®]
Family of dope-free lubricants for offshore, arctic and desert environments

Process innovation

- **Pilot rolling mill**

(Riesa, Germany)

- ✓ Inauguration – December 2010
- ✓ Unique ability to simulate and investigate all critical steps in tube production
- ✓ Accelerator for the development of premium steel grades

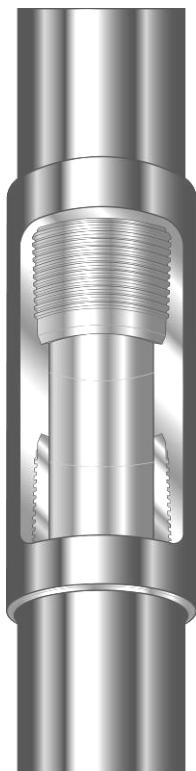


- **« Premium Forged Pipes »**

- ✓ Exclusive process to produce large thickness and diameter tubes



Our products for Oil & Gas



- **Oil Country Tubular Goods (OCTG)**
 - ✓ *Casing – to consolidate the well*
 - ✓ *Tubing – to convey oil & gas*
- **VAM® Premium Connections**
 - ✓ *Gas-tight metal to metal connections*
- **Drill Pipes**
- **Linepipes**
- **Risers & Flowlines**



- Premium connections
- Premium Casing
- Premium Tubing
- Premium Casing
- Accessories

Fit for purpose solutions for every environmental challenge

Shale Gas



VAM® SG

Deep Water



VAM® Riser



Deep Well



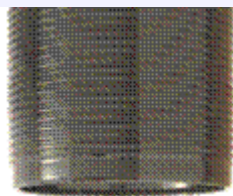
VAM® 21
Expandable

HPHT



VAM® 21
125SS

Arctic



LT Grades
CleanWell

Extended Reach



Hydroclean
VAM® Express
VAM® HTF

Sour Gas



SS CRA
Grades

Heavy Oil



VAM® SW

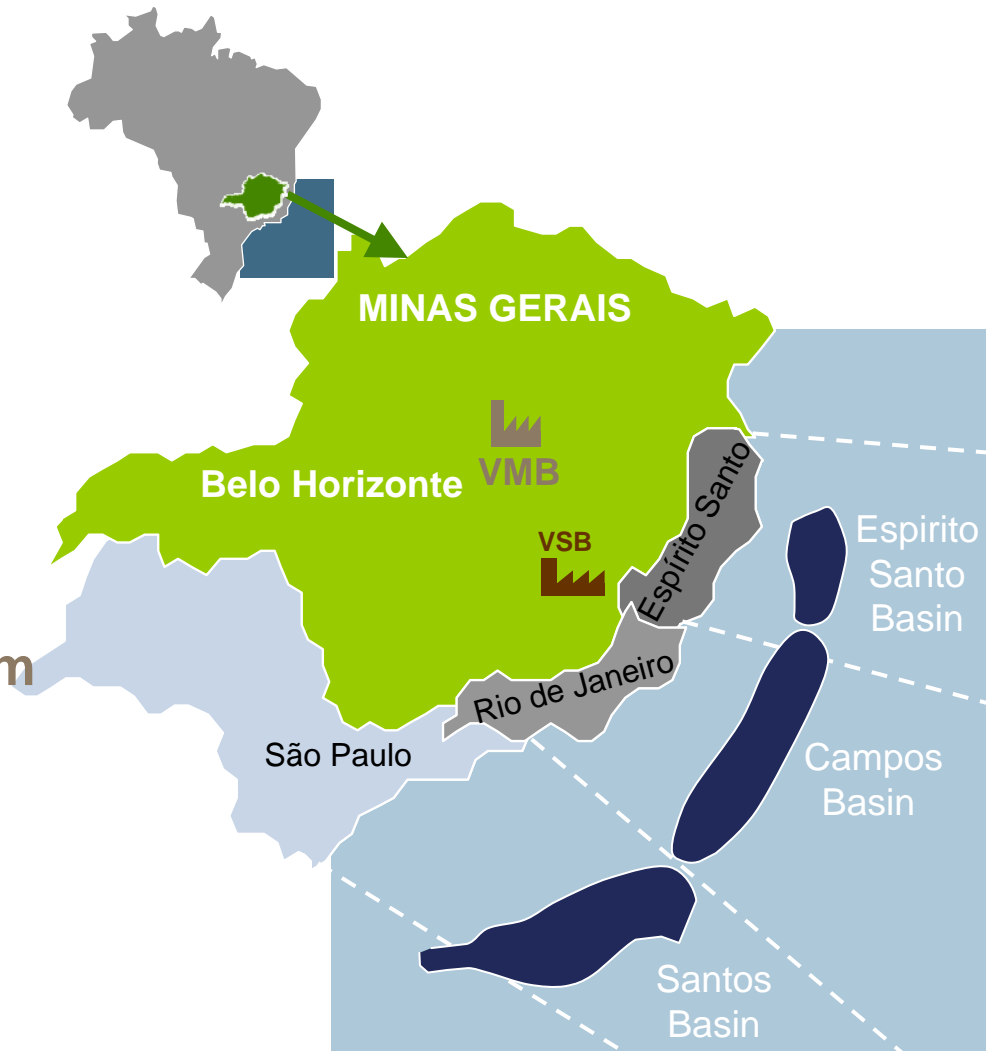
Salt Dome



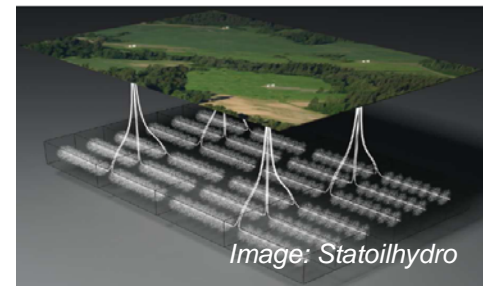
HC Grades
VAM® Must

Ideally positioned to serve the Brazilian market

- Long term partnership with Petrobras (since 1954)
- Fully integrated local production
- A complete product offering
 - ✓ Premium OCTG
 - ✓ VAM® connections
 - ✓ Drill pipe
 - ✓ Risers and flowlines
- Dedicated pre-salt project team (VPP)
- Expansion of R&D Centre
- Six logistics and services bases



Ideally positioned to serve the Oil & Gas market in the USA



Oil & Gas Shale Plays



● Vallourec operations

- Long-term relationships with distributors, large independents and international majors
- Strong reputation of VAM[®] products and services

Importance of unconventional drilling technologies

- Break-through technologies enable the industrial exploitation of non-conventional shale reserves

Difference between conventional drilling (vertical) and unconventional drilling (horizontal)

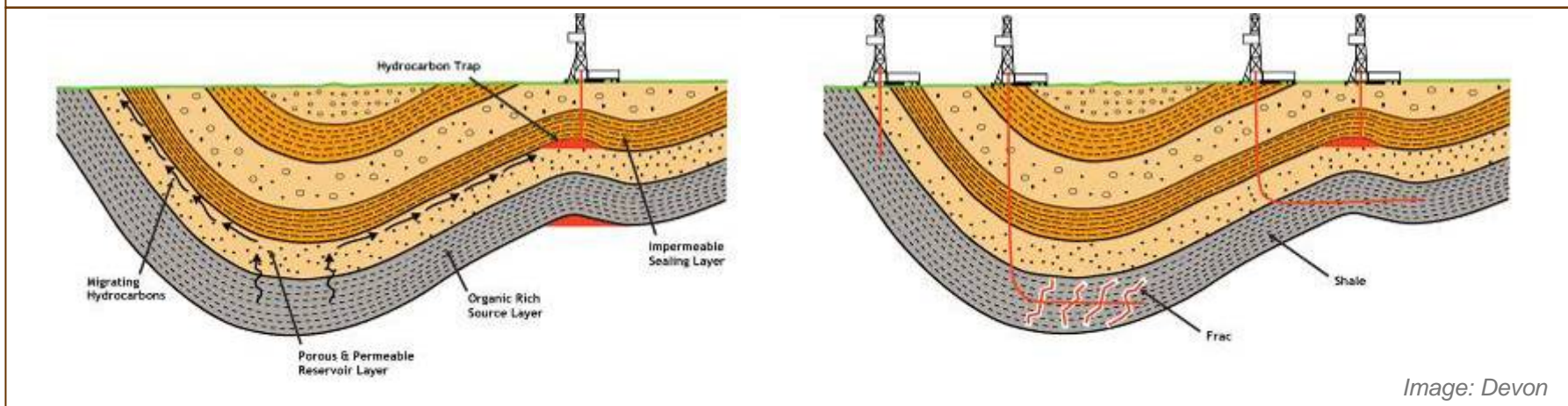


Image: Devon

Type of well	Measured depth	% Seamless ⁽¹⁾	% Premium connections ⁽¹⁾	OCTG Tons per well ⁽¹⁾	% Small OD < 7" ⁽¹⁾
Horizontal Shale (Unconventional)	13,000	60%	30%	190	65%
Vertical (Conventional)	3,000	35%	< 5%	45	25%

Increased requirements for premium OCTG

VAM Global Solutions

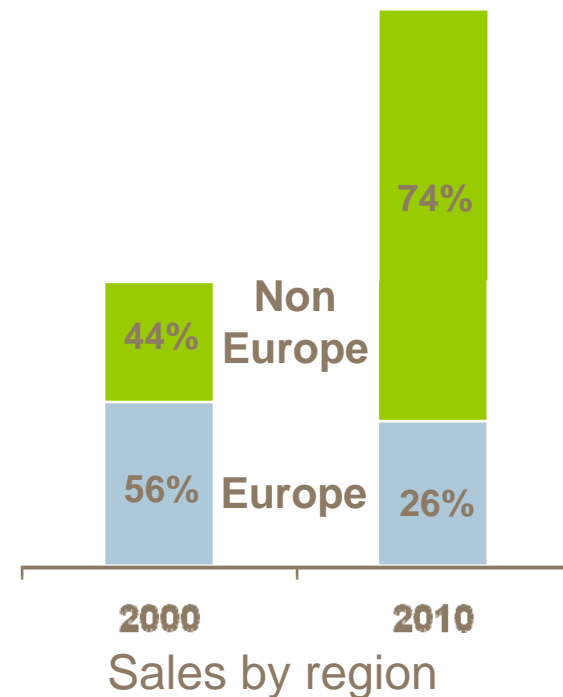
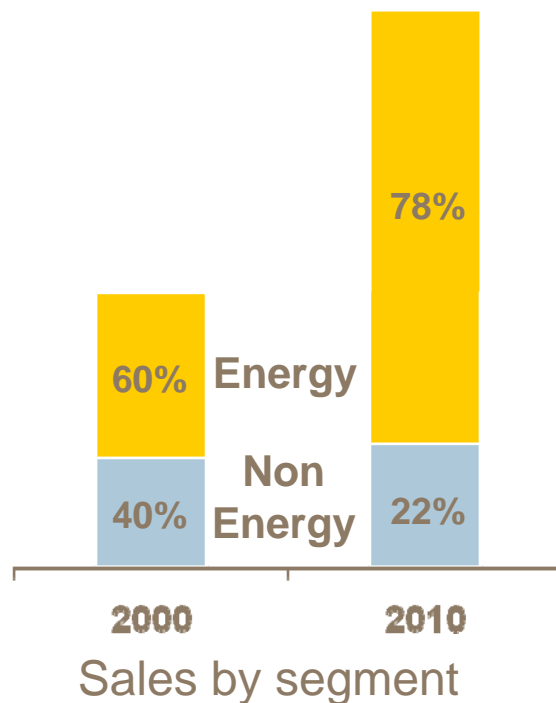


B. Group financial data



In-depth change of the Group in 10 years

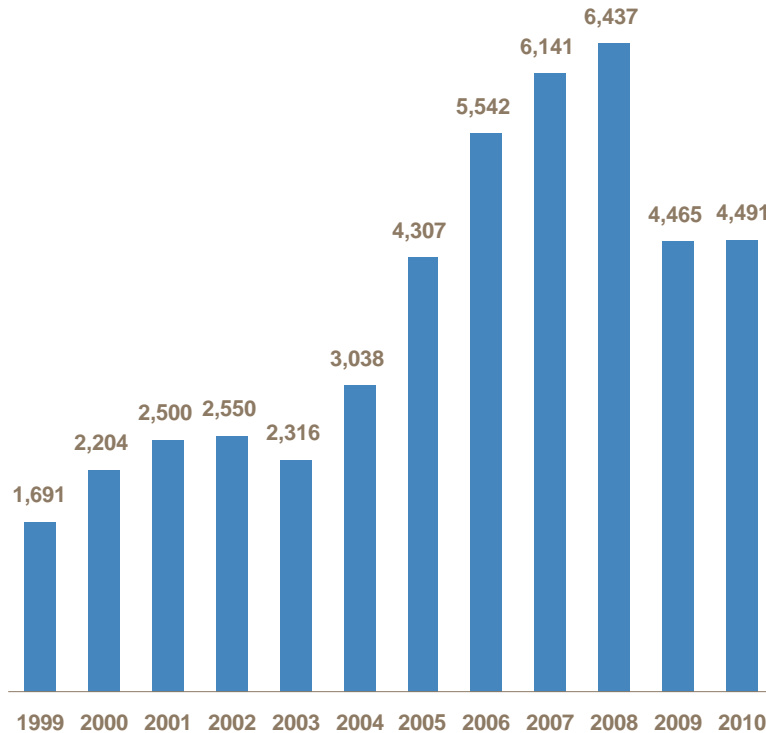
€ million	2000	2010
Sales	2,204	4,491
EBITDA margin	9,3%	20,6%
Net result	55	410
Market capitalization (31 dec)	527	9 270



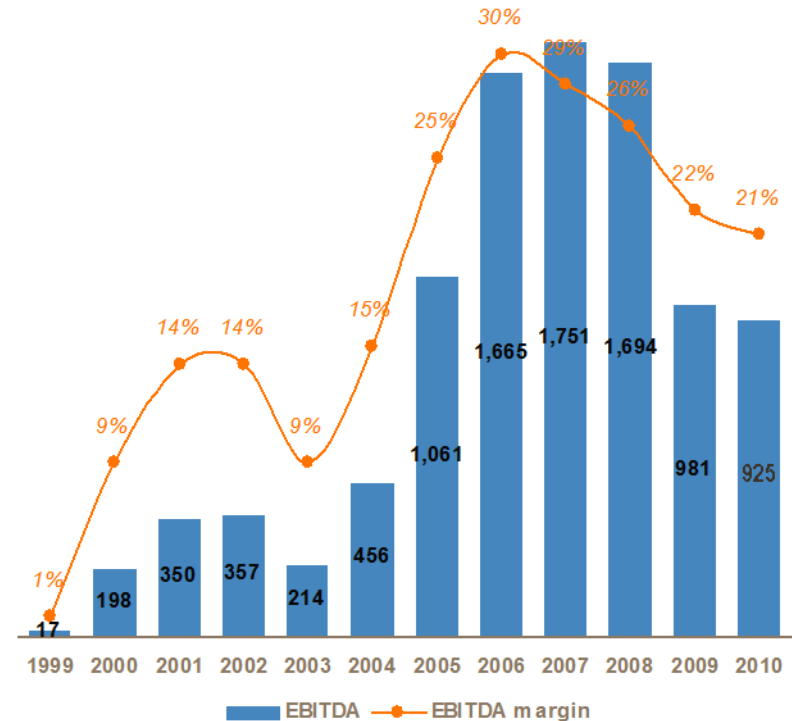
A robust financial profile

Historical operating performance

Revenues evolution (€m)



EBITDA evolution (€m)



1 Decrease of the EBITDA margin linked to the dilutive effect of the acquisitions

Resilience of the topline and margins over and across the cycles: in 2009, Vallourec has been able to maintain a 22% EBITDA margin despite a decrease in sales of 31%

C. H1 2011 Results



EBITDA

€million

	H1 2011	H1 2010	% change
Sales volume (k tonnes)	1,062	828	+28.2%
Sales	2,437.9	1,999.2	+ 21.9%
Cost of sales ⁽¹⁾	-1,676.8	-1,334.0	+25.7%
As % of sales	68.8%	66.7%	
Selling, general and administrative costs ⁽¹⁾	-288.5	-235.4	+22.6% ⁽²⁾
As % of sales	11.8%	11.8%	
Other income (expense), net	-14.9	-17.0	
EBITDA	457.7	412.8	+10.9%
As % of sales	18.8%	20.6%	

(1) Before depreciation and amortization

(2) Including scope / VSB

Net income

€million

	H1 2011	H1 2010	% change
EBITDA	457.7	412.8	+10.9%
Depreciation industrial assets	-100.9	-83.9	
Other (amortization, impairment & restructuring)	-25.4	-21.8	
Operating Income	331.4	307.1	+7.9%
Financial Income	-24.4	-9.5	
Income tax	-89.4	-100.7	
Net income of equity affiliates	1.4	6.1	
Total Net Income	219.0	203.0	+7.9%
Minority interests	-25.0	-16.3	
Net Income, Group share	194.0	186.7	+3.9%

Balance sheet items

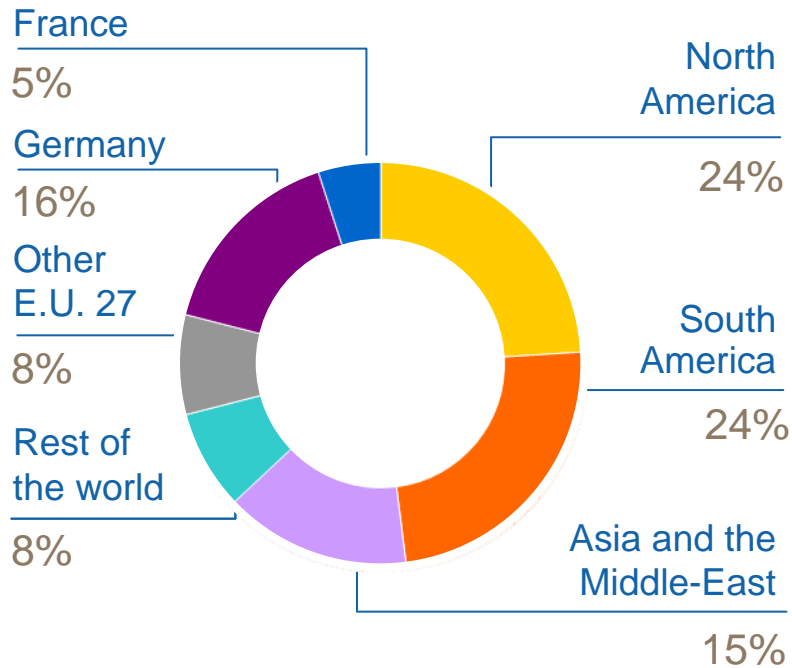
€million

	30/06/11	31/12/10		30/06/11	31/12/10
Non-current assets	4,782.0	4,616.9	Shareholders' equity	4,492.6	4,556.4
			Minority interests	252.0	267.2
Inventories and work-in progress	1,367.5	1,190.3	Equity capital	4,744.6	4,823.6
Trade receivables	923.5	863.6	Provisions and other non-current liabilities	464.2	466.6
Financial instruments	96.2	35.7	Bank debt	1,445.5	1,034.4
Other current assets	182.3	188.3	Financial instruments	22.2	29.7
Cash & cash equivalents	566.2	653.8	Trade payables	633.6	647.4
TOTAL ASSETS	7,917.7	7,548.6	Other current liabilities	607.6	546.9
			TOTAL LIABILITIES	7,917.7	7,548.6
Net debt	879.3	380.6			
Net debt / equity	18.5%	7.9%			

Strong sales growth in the USA, Brazil, Asia and the Middle-East

H1 2010

Sales = €1,999 m

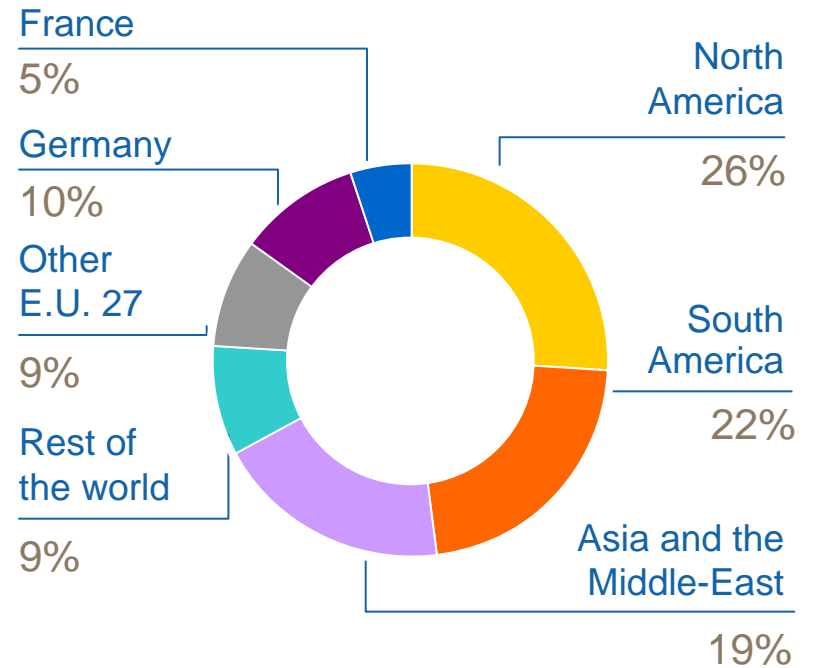


Non-E.U. : 71% of sales

Non-E.U. = total world – E.U. of 27 countries

H1 2011

Sales = €2,438 m



Non-E.U. : 76% of sales



World leader in premium tubular solutions

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An offshore oil platform at night, illuminated by its own lights, with a dark sky and a calm sea. The platform is a complex of steel structures, pipes, and towers, with a prominent flare stack emitting a bright orange glow. A long walkway or bridge extends from the main platform to a smaller structure in the distance.

Q2 and Half Year 2011 results



Investor Presentation

28 July 2011