



Press Release

Vallourec Investor Day 2011

Highlights

- **A new global and competitive model to efficiently address local needs**
- **A deep transformation generating additional profitable growth**
- **An optimised industrial organisation in the United States**
- **Further innovative products and initiatives in Brazil**
- **Outlook**

Belo Horizonte, 7 October 2011 - Vallourec, world leader in premium tubular solutions, hosted yesterday its Investor Day in Belo Horizonte, Brazil. The management of the Group held presentations illustrating the theme "Towards a new Vallourec".

Philippe Crouzet, Chairman of the Management Board, said: *"Expecting the fundamentals of the energy markets to remain strongly supportive, we pursue our strategy of investing where the growth is. As our new projects are 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. Implementing this transformation, we are building a new Vallourec, structurally more competitive, thanks to higher premium volumes, a lower cost base, and increased flexibility."*

After the successful start-up of the new integrated plant in Brazil in 2011, and the commissioning of the new rolling mill in the United States mid-2012, both operations will complete their technical ramp-up in 2012 and will be fully available in 2013. These state-of-the-art mills will complement recently added or currently under construction new finishing capacities in Europe, China, Indonesia, the Middle East and Nigeria, allowing the Group to capture market growth and optimize its industrial footprint. With greater specialisation of its European mills, Vallourec will be in a position to ensure better allocation of its production and commercial resources.

Vallourec is engaged in a thorough transformation, evolving from a Europe-centric export company to a global leader with excellent local positions, supported by reinforced local content offer, differentiated service and greater customer proximity to further develop market penetration. Vallourec's success continues to be backed by a strong technological leadership built upon experience and innovation. In the oil & gas market, Vallourec also benefits from the broadening scope of solutions it provides to its customers beyond OCTG, such as drill pipes, offshore line pipes and local services.

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During the presentations held at the Investor Day, the management announced some new initiatives aimed at consolidating the Group's position in two of its main regions of growth - the United States and Brazil.

United States: optimised industrial organisation

In order to further integrate the new small-diameter rolling mill under construction, "V & M Two", with the adjacent existing V & M Star mill located in Youngstown (Ohio), the two companies will merge in 2012. As V & M Two was 100% owned by Vallourec, whilst V & M Star is 80.53% owned by Vallourec and 19.47% by Sumitomo Corporation, Sumitomo Corporation has purchased 19.47% of V & M Two from Vallourec. The operation, that will strengthen industrial synergies between the two pipe mills, was concluded on 29 September 2011. At the time of the transaction Vallourec cashed in \$100 million relating to Sumitomo Corporation's contribution to the financing of V & M Two's investment to date.

Brazil: new offer in alloy line pipe and new Research Centre in Rio

In Brazil, Vallourec's subsidiary V & M do Brasil, has signed a Collaboration Agreement with German manufacturer Butting, in order to produce high quality carbon steel line pipes internally lined with special corrosion resistant alloys. These pipes are designed to withstand the most aggressive environments, and therefore will be particularly suitable for the development of the Brazilian pre-salt fields. Joining their technologies, the companies will be able to produce and market a high-end product "Made in Brazil".

Already working closely with Petrobras on the development of tubular solutions for pre-salt offshore exploration from its R&D centre in Belo Horizonte, Vallourec is taking a step further in this collaboration by setting up a new research centre in Rio – Vallourec Research Rio de Janeiro. It will be located in the Technological Park of Rio, close to Petrobras' research centre, CENPES. Essentially focused on pre-salt topics, it will cover all related Vallourec activities including drill pipes, umbilicals, accessories. In addition, the Center will benefit from synergies with UFRJ (Universidade Federal do Rio de Janeiro) in development areas such as the environment, robotics and energy consumption. The opening is scheduled for beginning of 2013.

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Outlook

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. Costs associated with new projects – essentially VSB in Brazil and the new rolling mill V & M Two in Youngstown – are confirmed at a level of approximately € 110 million over the full year 2011, including € 60-70 million over the second half of the year. Taking into account the cautious attitude of the 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 of the second half of 2011 is expected to be at a similar level as the one of 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. The impact of the new projects on the full year EBITDA is expected to be reduced to an estimated negative € 60-80 million in 2012, mainly reflecting the start-up costs of V & M Two in the first half of the year and the impact of VSB's not yet fully optimised load and mix during its ramp-up phase. Entering into 2012, Vallourec will benefit from selling price increases implemented in 2011.

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The webcast and slides of the presentations made during the Investor day are available on the web site www.vallourec.com.

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 Depositary Receipt (ADR) program (ISIN code: US92023R2094, Ticker: VLOWY). The ratio of Vallourec ADR to ordinary shares is 5:1.

www.vallourec.com

CALENDAR 2011

- 9 November: Release of Q3 2011 Results

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