Press Release

Vallourec reports Q3 2010 results

Boulogne-Billancourt, 9 November 2010 - Vallourec, world leader in premium tubular solutions, today announced its results for the third quarter of 2010. The consolidated financial statements were presented today by Vallourec's Management Board to its Supervisory Board.

Q3 2010 Key Figures

- **Sales volume of 507 thousand tonnes; up 5% versus Q2 2010; up 61% versus Q3 2009**
- **Sales of € 1,189 million; up 6% versus Q2 2010; up 21% versus Q3 2009**
- **EBITDA of € 251 million representing 21.1% of sales**
- **Net income, Group share of € 115 million**

Highlights

- **Strong demand in the USA driven by unconventional shale drilling**
- **Integration of Serimax, global leader in offshore welding solutions**
- **Strategic initiatives undertaken to strengthen Vallourec's presence in the Chinese Oil & Gas and Power generation markets**
- **Successful deployment of new innovative premium solutions**

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

"Following the strong rebound in activity in the second quarter of the year, we experienced continued growth during the third quarter, notably in the dynamic oil & gas market. In particular, we saw strong growth in activity in the USA, driven by the application of unconventional drilling to liquids-rich shales. Most of our mills were operating at or close to full capacity. We also benefited during the quarter from the integration of Serimax.

The rolling mill at VSB in Brazil is approaching completion, ready for commissioning by the end of the year. In the USA, land preparation has been completed and construction of our new rolling mill is underway. We recently announced a series of initiatives to strengthen our long-term competitive positioning to serve the Chinese energy market. These strategic investments will allow Vallourec to accompany market growth and secure its position as market leader."

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

MARKET ENVIRONMENT

Energy markets

Oil & Gas

In the latest report by the IEA, global oil demand estimates were once again revised upwards, with forecast growth of 1.8 mb/d in 2010, driven by China, the Middle East, Latin America, and Asia. In 2011, global oil demand is expected to grow by a further 1.4 mb/d.

In the United States, the market continued to grow during the third quarter and the rig count progressed by 7%. With low natural gas prices, the number of rigs drilling for gas remained broadly stable although the proportion of gas rigs drilling horizontally continued to increase. Sustained oil prices lead to a marked increase in the number of rigs drilling for oil which increased by 17% during the quarter. Unconventional drilling technologies and the application of these technologies to liquids-rich shales continues to drive demand for premium OCTG. Distributor inventories remain at normal levels, below 6 months.

Offshore drilling in the Gulf of Mexico remained at a low level. Despite the recent lifting of the offshore drilling moratorium, it is likely to take some time before there is any significant return to deepwater drilling in this region. However, deepwater drilling continues to grow in other regions, notably in Brazil and the Gulf of Guinea.

The oil & gas industry as a whole has seen strong growth throughout 2010. The international rig count (ex. North America) reached 1,120 rigs at the end of September, up 2% since the end of June, up 9% since the start of the year. Within that figure, the offshore rig count totalled 317, up 13% compared to year end 2009, with strong growth in Africa, Brazil and South-East Asia. In addition, there have been some significant offshore line-pipe projects taking place. Tendering activity has continued at a sustained level, despite often lengthy contract negotiations.

Power Generation

In the US and Europe, demand for tubes for power plants is primarily coming from distributors to serve the maintenance market. New coal-fired power plant projects are still on hold. In the USA, abundant gas resources and low gas prices are playing in favour of gas-fired combined cycle plants.

In the rest of the world, Chinese and Indian boiler makers have a good level of activity. The demand for boilers and supercritical steam generators for coal-fire power plants is strong in China, India, Asia and the Middle East, reflecting a fundamental shift of the thermal power generation market to Asia, where competition and pricing environment are challenging.

Demand for tubes for nuclear power plants around the world continues to be strong.

Petrochemicals

The market for petrochemicals has been improving throughout 2010, especially in the Middle East and Europe, with a high level of midstream and downstream project activity. New downstream activity is also picking up in Asia Pacific (South Korea, Japan and Taiwan), leading to a high level of orders for delivery in the coming quarters.

Non-Energy markets

Activity has been improving across a wide range of industries, particularly in the mechanical engineering and automotive sectors. The depreciation of the Euro during the first half of 2010, stock replenishment by distributors, and a stronger than expected rebound in global demand, driven by China, helped to spur the recovery and support a good level of exports from Europe. Overall inventory levels are considered to be balanced in relation to the current market conditions.

Raw materials

After nine months of high volatility, raw material prices appear to be stabilizing.

SALES BY MARKET

Third quarter sales showed strong growth, both sequentially (+6%) and year on year (+21%). Since Q3 2009, which marked the low point in terms of activity due to the economic crisis, all segments with the exception of Power Generation, have seen a rebound in sales.

(Comparison with Q2 2010, Q3 2009 and 9M 2009)

In € million	**Q3 2010**	**Q2 2010**	***Change QoQ***	**Q3 2009**	***Change YoY***	**9M 2010**	**9M 2009**	***Change YoY***
Oil & Gas	634	553	*15%*	453	*40%*	1,634	1,667	*-2%*
Power Generation	163	222	*-26%*	296	*-45%*	576	879	*-35%*
Petrochemicals	93	89	*4%*	70	*33%*	252	299	*-16%*
Total Energy	**890**	**864**	***3%***	**819**	*9%*	**2,462**	**2,845**	***-13%***
% of total sales	75%	77%		84%		77%	84%	
Mechanical	116	105	*10%*	61	*90%*	298	263	*13%*
Automotive	88	79	*11%*	49	*80%*	231	131	*76%*
Construction & Other	95	74	*28%*	50	*90%*	197	135	*46%*
Total non-Energy	**299**	**258**	***16%***	**160**	*87%*	**726**	**529**	***37%***
% of total sales	25%	23%		16%		23%	16%	
Total	**1,189**	**1,122**	***6%***	**979**	*21%*	**3,188**	**3,374**	***-6%***

Energy

Oil & Gas

In **Oil & Gas**, sales in Q3 2010 were up 15% sequentially, (+8% on a comparable scope basis), to € 634 million. Compared to the low point of Q3 2009, sales were up by 40%.

In the USA, sales of premium pipe and connections continued to increase during the third quarter, benefiting from sustained drilling activity and from the price increases implemented in July. Vallourec's mills in the US operated at full capacity and sales were supplemented by imports from the Group's European mills.

In the rest of the world, sales benefited from a good level of activity in Europe, the Middle East, Africa, and Brazil. Sales also benefited in Q3 from the integration of Serimax. Clients are showing a very positive response to the full service pipe and welding solutions developed with Serimax to serve the subsea line pipe market.

Vallourec has been actively promoting the sales of new product developments, including corrosion resistant alloys (CRA) developed with Tubacex and the new VAM premium connections; VAM 21 will be used by Petrobras for the Baleia Azul project and has been successfully qualified for the Aramco Arabiah project; VAM SG, specially developed in the USA for unconventional shale drilling, was launched this month and is receiving very positive responses from key customers.

Power Generation

As anticipated, **Power Generation** sales declined significantly in Q3 2010 to € 163 million (-26% compared to Q2 2010, -45% versus Q3 2009) reflecting the shift in project activity to the competitive Asian markets and deliveries for the maintenance markets in Europe and the USA.

Sales should improve in Q4 due to high deliveries for the nuclear power market. The price and product mix of sales for the conventional power market is expected to reach a low point by the end of the year and then stabilize.

Petrochemicals

In **Petrochemicals**, sales increased to € 93 million in Q3 2010, up 4% sequentially, up 33% year on year. The market for petrochemical projects is improving, driving demand for greater service content, and premium corrosion resistant alloy steels. A good level of orders has been booked for projects notably in the Middle East.

Total energy sales grew 3% in Q3 2010 to reach € 890 million, representing 75% of total sales.

Non-Energy

Following the strong rebound in Q2 2010, Q3 recorded another strong quarter for non-Energy markets; **Mechanical engineering, Automotive** and **Construction & Other**. Sales increased by 16% sequentially and by 87% year-on-year to reach € 299 million. Sales continued to be driven by strong growth in Brazil and from European industrial exports.

In Q3 2010 sales in non-Energy markets represented 25% of total sales versus 23% in Q2 2010 and 16% in Q3 2009.

RESULTS

Summary consolidated income statement

(Comparison with Q2 2010;, Q3 2009 and 9M 2009)

In € million	Q3 2010	Q2 2010	*Change QoQ*	Q3 2009	*Change YoY*	9M 2010	9M 2009	*Change YoY*
Sales Volume (k tonnes)	**507**	**484**	*+5%*	**315**	*+61%*	**1,335**	**1,173**	*+14%*
Sales	**1,189.2**	**1,121.8**	*+6%*	**979.5**	*+21%*	**3,188.4**	**3,374.5**	*-6%*
Cost of sales [1]	-805.6	-720.4	*+12%*	-709.8	*+14%*	-2,139.6	-2,276.7	*-6%*
SG&A costs[1]	-128.0	-127.0	*+1%*	-95.3	*+34%*	-363.4	-330.1	*+10%*
Other income/expense, net	-4.6	-10.0		-0.4		-21.6	-15.9	
EBITDA	**251.0**	**264.4**	*-5%*	**174.0**	*+44%*	**663.8**	**751.8**	*-12%*
As % of sales	**21.1%**	**23.6%**		**17.8%**		**20.8%**	**22.3%**	
Net income, Group share	**115.2**	**125.9**	*+9%*	**105.7**	*-9%*	**301.9**	**416.8**	*-28%*

Sales volume of rolled tubes in Q3 2010 totalled 507 thousand metric tonnes, up 5% versus 484 thousand tonnes in Q2 2010 and up 61% versus the low point of Q3 2009.

Consolidated sales for Q3 2010 reached € 1,189 million, up 6% versus Q2 2010. The increase in sales consisted of a positive scope effect[2] following the integration of Serimax (+3.5%), higher sales volume (+4.8%), and a positive currency translation effect (+2.1%) offset by a negative price/mix (-4.3%). Compared to Q3 2009, sales increased by 21%; Positive scope (+3.8%), currency translation (+4.7%) and the rebound in volumes (+61.2%) were partly offset by a negative price mix effect (-30.7 %).

EBITDA for Q3 2010 amounted to € 251.0 million, representing 21.1% of sales, compared to a margin of 23.6% in Q2 2010 and 17.8% in Q3 2009. Summer maintenance in Europe and higher raw materials costs lead to an increase in the cost of sales during the quarter to 67.7% of sales versus 64.2% of sales in Q2 2010. Sales, general and administrative costs (SG&A) were broadly flat quarter on quarter, representing 10.8% of sales versus 11.3% in Q2 1010.

Depreciation of industrial assets amounted to € 47.5 million for Q3 2010, of which € 2 million related to the integration of Serimax. Amortization, impairment & restructuring included charges which related to the specialization of European plants.

The effective tax rate was 27.1% for Q3 2010 versus 35.2% in Q2 2010 which was impacted by non-recurring factors. It amounted to 31.3% for 9M 2010.

Net income, Group share amounted to € 115.2 million, in Q3 2010 compared to € 125.9 million in Q2 2010 and € 105.7 million in Q3 2009.

Cash flow

The Group generated operating cash flow of € 105.7 million in Q3 2010, despite an increase of € 108.0 million in working capital requirement driven by the continued growth in activity.

[1] Before depreciation and amortization

[2] DPAL FZCO Dubai – acquired on 1 October 2009 ; Protools Abu Dhabi – acquired on 9 February 2010, Serimax – acquired on 8 June 2010.

Gross capital expenditure amounted to € 226.8 million during Q3 2010. Total gross capital expenditure for the 9 months year to date amounted to € 530.2 million, of which expenditure relating to VSB in Brazil amounted to € 273.5 million.

The total cash outflow during the first 9 months 2010 amounted to € 546.0 million, resulting in a net debt of € 139.4 million at 30 September 2010 versus a positive cash balance of € 406.7 at the end of 2009. Shareholders' equity amounted to € 4,513 million.

At 30 September 2010, the Group's cash exceeded its overdrafts and short term borrowings by € 498 million. Of the € 883 million of bank loans and other borrowings, 40% has a maturity in excess of 2 years. Vallourec maintains its undrawn confirmed credit lines of around €1.2 billion with maturities in 2012 and 2013.

INVESTMENTS IN CHINA

During the third quarter, Vallourec announced three strategic initiatives designed to strengthen its long-term competitive positioning to serve the growing Chinese energy markets.

For Oil & Gas, Vallourec reached an agreement to acquire 19.5% of Tianda Oil Pipe Company, a Chinese seamless pipe manufacturer listed in Hong Kong. The transaction will amount to approximately US$ 100 million and is expected to be finalized early 2011. As part of a cooperation agreement with Tianda Oil Pipe, VAM Changzhou, a Vallourec company, will thread Tianda pipes locally to provide an integrated offer of premium OCTG for the Chinese market.

For Power Generation, Vallourec will extend its existing plant in China, V & M Changzhou, to enable local production of large diameter premium tubes designed to serve the growing local demand for supercritical and ultrasupercritical power plants. The investment will amount to Euro 160 million and operations are expected to begin mid 2012.

In addition, to accompany the fast-growing Chinese nuclear power programme, Vallourec will build a new facility to produce steam generator tubes in Nansha, in the South East of China. This expansion represents an investment of Euro 55 million and operations are expected to begin during the second half of 2012.

OUTLOOK

The positive sales trend is expected to continue during the fourth quarter with further growth in volumes, leading to a high utilization rate of Vallourec's mills, while the less favourable price/mix in powergen will continue to impact margins. As previously indicated, Brazil will incur operational expenses with the commissioning of the new rolling mill at VSB. As a result, Vallourec anticipates an EBITDA margin for H2 2010 close to H1 2010.

Entering into 2011, Vallourec expects the overall good market conditions to persist, allowing its existing mills to operate at a high level. The operating conditions at the beginning of 2011 should then be relatively similar to those observed at the end of 2010 in terms of volumes, sales and margins.

The new facilities to be commissioned or under construction in 2011 in Brazil, the US and China will deliver positive results when operating at sustained capacity levels and contribute to Vallourec's growth on its premium markets.

APPENDICES

Documents accompanying this release:

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

PRESENTATION OF Q3 AND 9M 2010 RESULTS

Tuesday 9 November

- Analyst conference call at 6:30 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: 20269149

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

CALENDAR 2011

- 22 February: Release of Q4 and Full Year 2010 results
- 11 May: Release of Q1 2011 results
- 7 June: Shareholders' General Assembly

ABOUT VALLOUREC

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

With 18,600 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.

On 4 October 2010, Vallourec established a sponsored Level 1 American Depository Receipt (ADR) program in the United States (ISIN code: US92023R2094). The ratio of Vallourec ADR to ordinary shares is 5:1.

www.vallourec.com

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FOR FURTHER INFORMATION, PLEASE CONTACT

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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**	**Δ 10 / 09**
Q1	**344.0**	488.3	**- 29.6%**
Q2	**484.2**	370.5	**+30.7%**
Q3	**507.2**	314.6	**+61.2%**
Q4		329.6	
Total		1,503.0	

Summary consolidated income statement

VALLOUREC (in € million)	**Q3 2010**	**Q2 2010**	**Q3 2009**	**Change Q3'10 / Q2'10**	**Change Q3'10 / Q3'09**
Sales	**1,189.2**	1,121.8	979.5	*+6.0%*	*+21.4%*
Cost of sales[1]	**-805.6**	-720.4	-709.8	*+11.8%*	*+13.5%*
Selling, general and administrative costs[1]	**-128.0**	-127.0	-95.3	*+0.8%*	*+34.3%*
Other income (expense), net[1]	**-4.6**	-10.0	-0.4		
EBITDA	**251.0**	264.4	174.0	*-5.1%*	*+44.3%*
EBITDA as % of sales	***21.1%***	*23.6%*	*17.8%*		
Depreciation of industrial assets	**-47.5**	-43.4	-38.5	*+9.4%*	*+23.4%*
Other (amortization, impairment & restructuring)	**-19.9**	-12.6	17.8		
OPERATING INCOME	**183.6**	208.4	153.3	*-11.9%*	*+19.8%*
FINANCIAL INCOME	**-5.6**	-3.7	-2.0		
INCOME BEFORE TAX	**178.0**	204.7	151.3	*-13.0%*	*+17.6%*
Income tax	**-48.3**	-72.0	-48.1		
Net income of equity affiliates	**0.2**	3.4	1.9		
CONSOLIDATED NET INCOME	**129.9**	136.1	105.1	*-4.6%*	*+23.6%*
NET INCOME, GROUP SHARE	**115.2**	125.9	105.7	*-8.5%*	*+9.0%*

[1] Before depreciation and amortization

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Summary consolidated income statement

VALLOUREC (in € million)	**9M 2010**	***as a % of sales***	**9M 2009**	***as a % of sales***	**2010 / 2009**
Sales	**3,188.4**		3,374.5		-5.5%
Cost of sales	**-2,139.6**	*67.1%*	-2,276.7	*67.5%*	-6.0%
Selling, general and administrative costs[1]	**-363.4**	*11.4%*	-330.1	*9.8%*	+10.1%
Other income (expense), net[1]	**-21.6**	*0.7%*	-15.9	*0.5%*	+35.8%
EBITDA	**663.8**	*20.8%*	751.8	*22.3%*	-11.7%
Depreciation of industrial assets	**-131.4**	*4.1%*	-109.8	*3.3%*	+19.7%
Other (amortization, impairment & restructuring)	**-41.7**	*1.3%*	-15.6	*0.5%*	
OPERATING INCOME	**490.7**	*15.4%*	626.4	*18.6%*	-21.7%
FINANCIAL INCOME	**-15.1**		5.4		
INCOME BEFORE TAX	**475.6**	*14.9%*	631.8	*18.7%*	-24.7%
Income tax	**-149.0**		-203.1		-26.7%
Net income of equity affiliates	**6.3**		6.2		
CONSOLIDATED NET INCOME	**332.9**	*10.4%*	434.9	*12.9%*	-23.4%
NET INCOME, GROUP SHARE	**301.9**		416.8		-27.6%

[1] Before depreciation and amortization

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Summary consolidated balance sheet

VALLOUREC

(in € million)

	30/09/10	31/12/09		30/09/10	31/12/09
Intangible assets, net	267.8	250.3	Shareholders' equity [(1)]	4,249.7	3,860.5
Goodwill	500.5	397.8	Minority interests	263.3	241.5
Property, plant and equipment, net	2,873.6	2,367.0	Total equity	4,513.0	4,102.0
Investments in equity affiliates	64.2	56.7			
Other non-current assets	229.1	188.2			
Deferred tax assets	56.1	36.4	Bank loans and other borrowings	637.8	634.9
Total non-current assets	3,991.3	3,296.4	Employee benefits	138.7	132.8
			Deferred tax liabilities	165.3	125.7
			Other long-term liabilities	38.5	7.0
			Total non-current liabilities	980.3	900.4
Inventories and work-in-progress	1,153.0	927.2	Provisions	157.7	140.5
Trade and other receivables	870.0	612.0	Overdrafts and other short-term bank borrowings	245.4	116.2
Derivatives - assets	56.9	23.7	Trade payables	595.5	482.8
Other current assets	199.3	152.9	Derivatives-liabilities	35.3	29.5
Cash and cash equivalents	743.8	1,157.8	Other current liabilities	487.1	398.6
Total current assets	3,023.0	2,873.6	Total current liabilities	1,521.0	1,167.6
TOTAL ASSETS	7,014.3	6,170.0	TOTAL LIABILITIES	7,014.3	6,170.0

Net debt	139.4	-406.7	[(1)] Net income, Group share	301.9	517.7

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Summary consolidated cash flow statement

(in € million)	Q3'10	Q2'10	Q3'09	9M'10	9M'09
Gross cash flow from operations	**213.7**	239.3	147.5	**537.3**	619.8
Change in gross WCR [+ decrease, - increase]	**-108.0**	-184.4	309.7	**-293.9**	570.8
Operating cash flows	**105.7**	54.9	457.2	**243.4**	1,190.6
Gross capital expenditure	**-226.8**	-166.7	-168.6	**-530.2**	-425.1
Financial Investments	**0.0**	-144.9	-41.0	**-161.1**	-49.5
Dividends paid	**-9.1**	-79.3	-111.7	**-92.0**	-140.8
Asset disposals & other elements	**5.4**	-33.1	54.5	**-6.1**	60.5
Change in net cash	**-124.8**	-369.1	190.4	**-546.0**	635.7

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