

A large offshore oil platform is illuminated at night, with its complex steel structure and various towers and pipes clearly visible against a dark, cloudy sky. The platform is situated in the middle of the ocean, and its lights create a strong reflection on the water's surface. Two prominent towers with bright lights at their peaks stand out against the twilight sky. The overall scene conveys a sense of industrial activity and energy production in a remote, maritime environment.

Q1 2011 results



Investor Presentation

12 May 2011

Information

- **Quarterly statements are unaudited and are not subject to any review.**
- **Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.**

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 Registered Document filed with the AMF on April 19, 2011.



- 1. Market environment and Q1 highlights**
- 2. Financial results**
- 3. Review by activity**
- 4. Outlook**





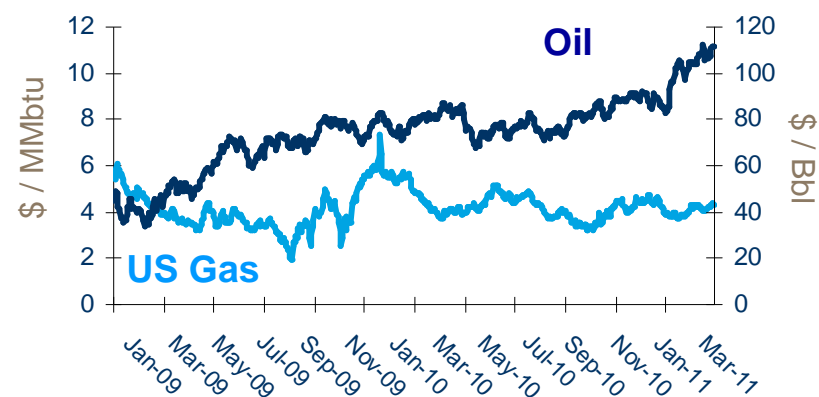
1. Market environment and Q1 highlights



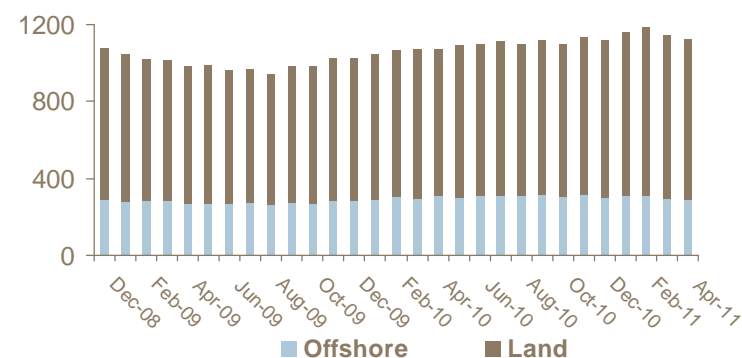
Key market indicators

	Q1'10 Avg	Q4'10 Avg	Q1'11 Avg	Change YoY
Oil prices US\$/bbl (WTI)	78.6	85.1	93.5	+19%
Gas prices US\$/MMbtu (Henry Hub)	5.2	3.8	4.3	-17%
Scrap prices (E 40 €/t)	232	284	343	+48%
Iron ore price - Contract FOB Brazil (\$/t)	56	131	142	+154%
Rig count Intn'l (ex North America)	1,063	1,116	1,166	+10%
Rig count US	1,345	1,687	1,718	+28%

Oil prices rising
Natural gas prices still low

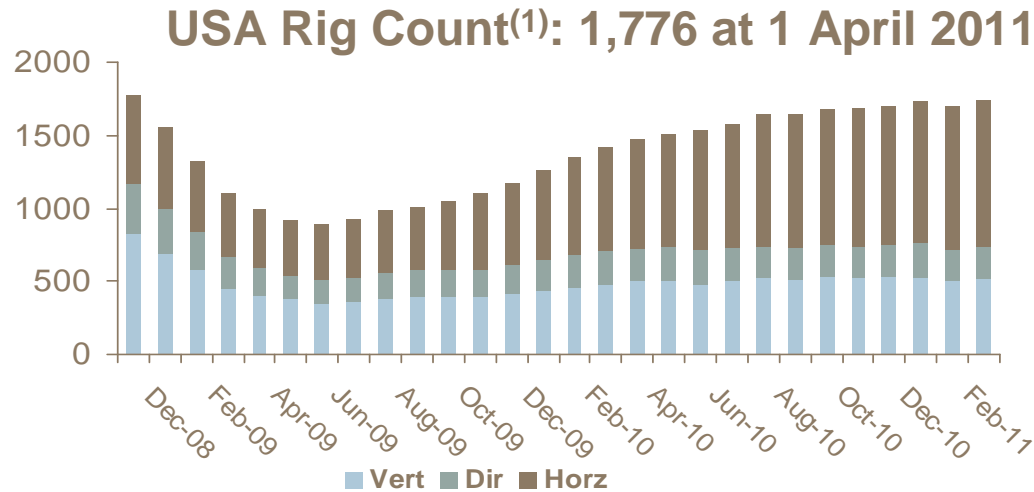


International rig count remains high

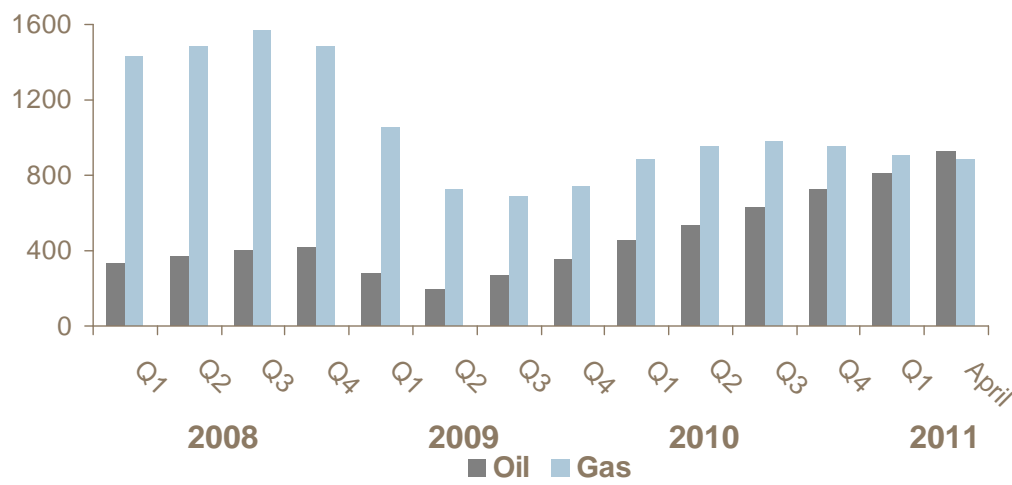


Rig count information source: Baker Hughes

Key market indicators in the USA



- Actuals beat forecast so far this year
- **+5% YTD**
 Horizontal: +7% at 1,017
 Directional: +8% at 228
 Vertical: -1% at 531



- Oil drilling: +15% at 877
 Gas drilling: -3% at 891
- Since mid April 2011
 # Oil rigs > # Gas rigs

Sources: Baker Hughes

Market environment

- **Oil & Gas: USA**
 - ✓ Rig count continued to rise ahead of expectations, exceeding 1,800 rigs in April
oil rigs > # gas rigs
 - ✓ Much of the growth in oil drilling has been horizontal wells drilled in tight zones
 - ✓ Distributor OCTG inventories below 5 months
- **Oil & Gas: Rest of World**
 - ✓ OCTG purchasing activity increasing in most regions and across all customer segments: NOCs, international majors and independents
- **Power generation**
 - ✓ Demand for coal-fired power plants mainly in China and Asia Pacific, some projects in Eastern Europe
 - ✓ Debate surrounding nuclear power following accident at Fukushima
- **Petrochemicals**
 - ✓ Market well oriented with major projects in the Middle East and Asia
- **Other market segments**
 - ✓ Demand remains at a good level driven largely by machine building sector, particularly in Asia, Americas, Germany and Northern Europe

Q1 2011: Highlights

- Strong year on year growth, but sequential dip as anticipated, due to deliveries concentrated in coming quarters
- Bookings increased and order book lengthened during the quarter
- Prices increases have been announced to gradually offset higher raw material costs
- VSB successfully completed the full tube production circuit
- Extension of mill in France for steam generator tubes was successfully brought on line

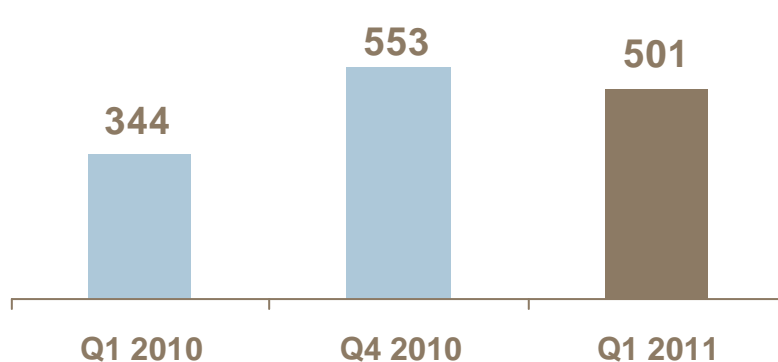
Q1 2011 Key figures

Sales Volume

k tonnes

+46% y-o-y

-9% q-o-q

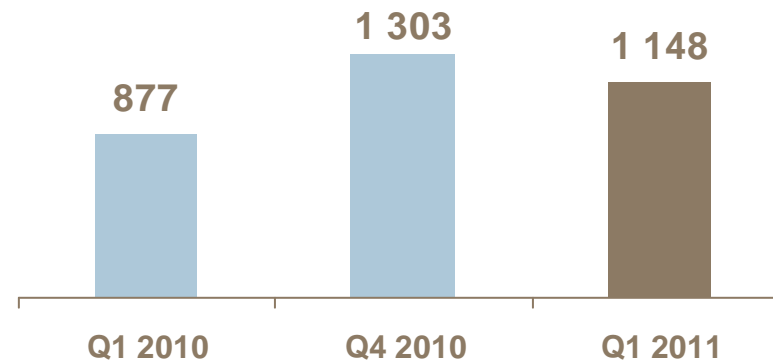


Sales

€ million

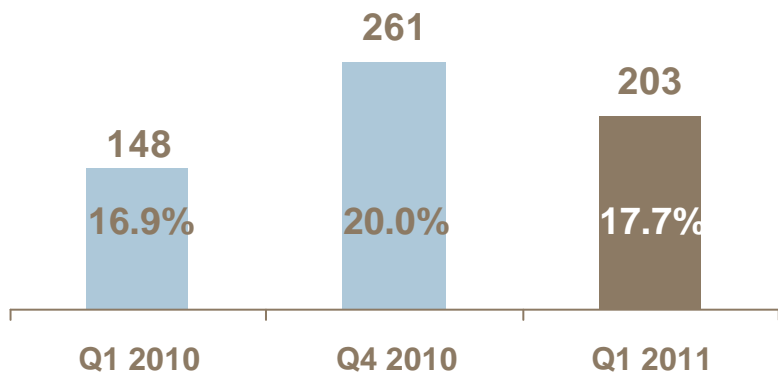
+31% y-o-y

-12% q-o-q



EBITDA 17.7% of sales

€ million

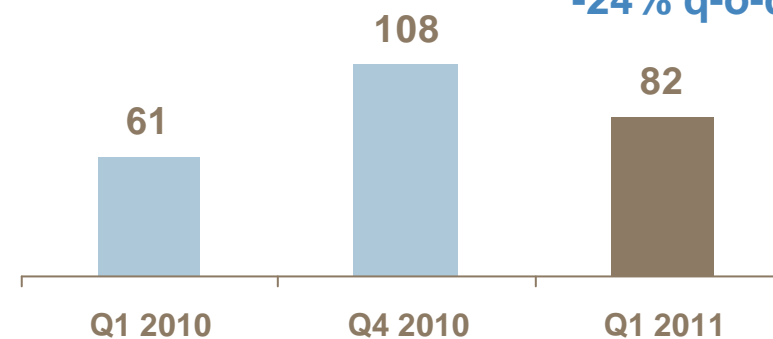


Net income, Group share

€ million

+35% y-o-y

-24% q-o-q





2. Financial Results

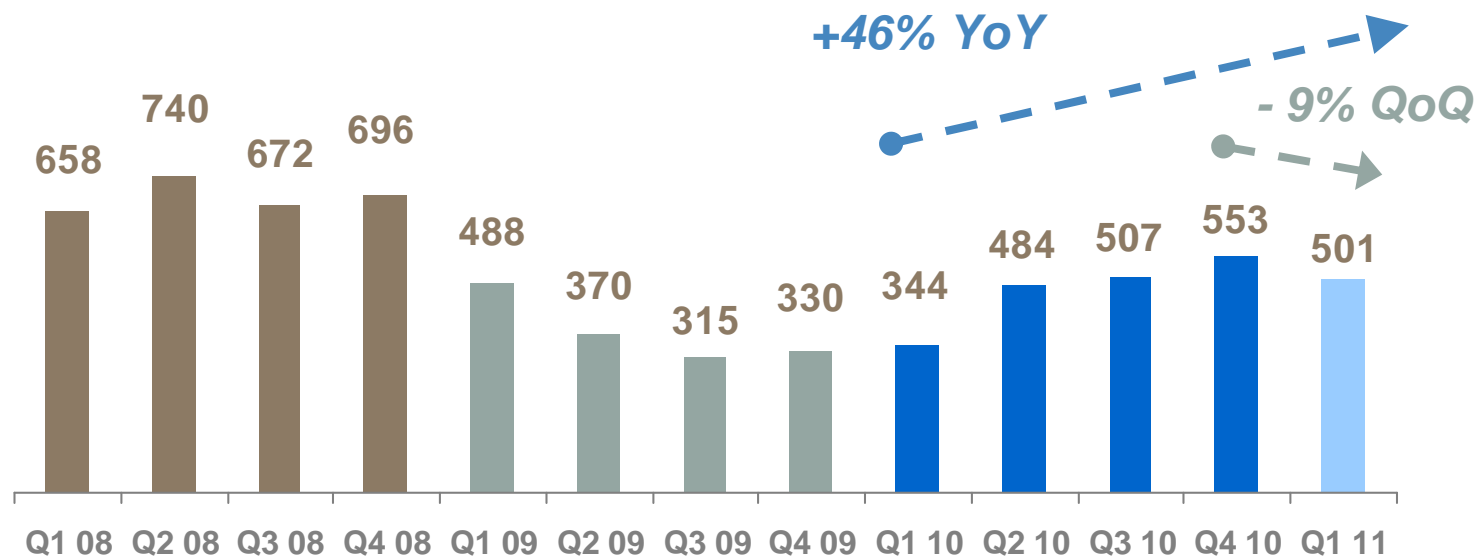


Key figures

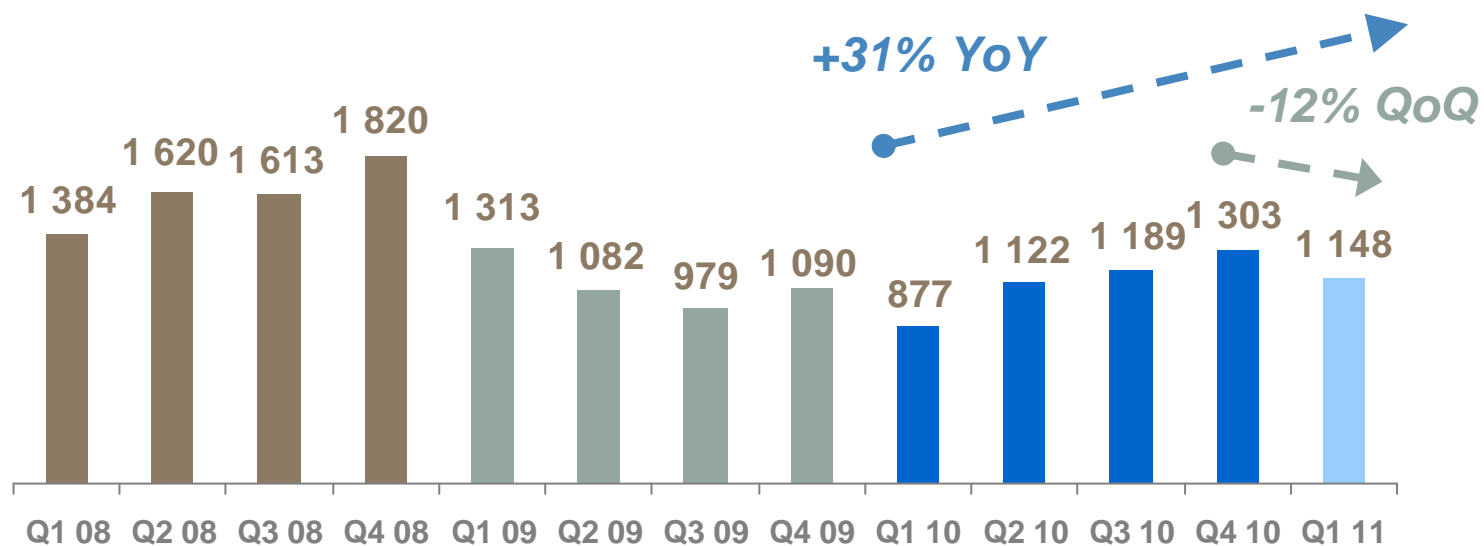
	Q1 2011	Q4 2010	Q1 2010
Volume (k tonnes)	501	553	344
<i>Change</i>		<i>-9%</i>	<i>+46%</i>
Sales	€ 1,148 m	€ 1,303m	€ 877 m
<i>Change</i>		<i>-12%</i>	<i>+31%</i>
EBITDA	€ 203 m	€ 261 m	€ 148 m
(as % of sales)	17.7%	20.0 %	16.9 %
Net income, Group share	€ 82 m	€ 108 m	€ 61 m
Gross cash flow from operations	€ 74 m	€ 171 m	€ 84 m
Gearing – period end	15.2%	7.9%	-8.2%
(net debt as % of equity)			

Volume and sales

Volume
K tonnes

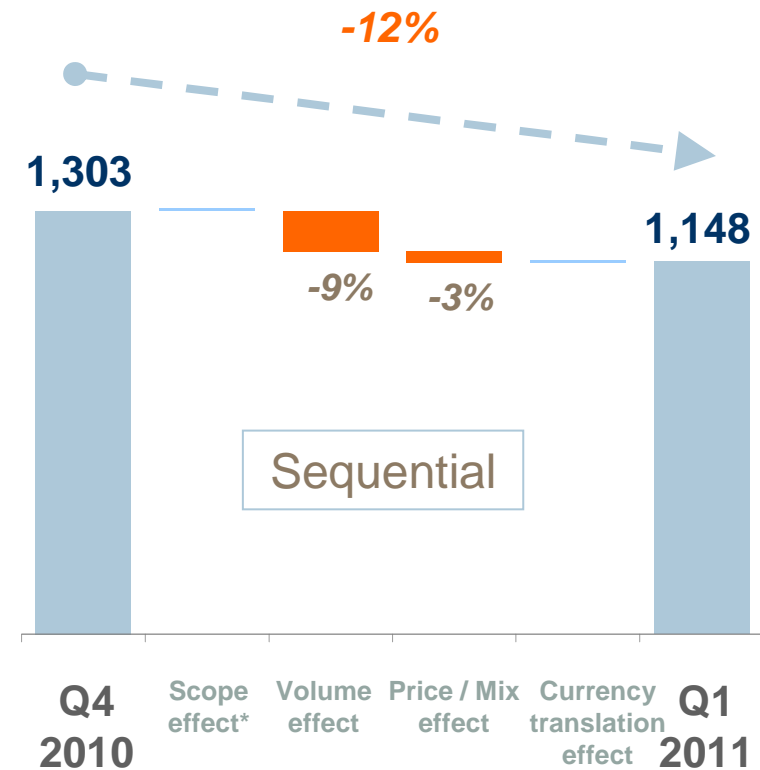
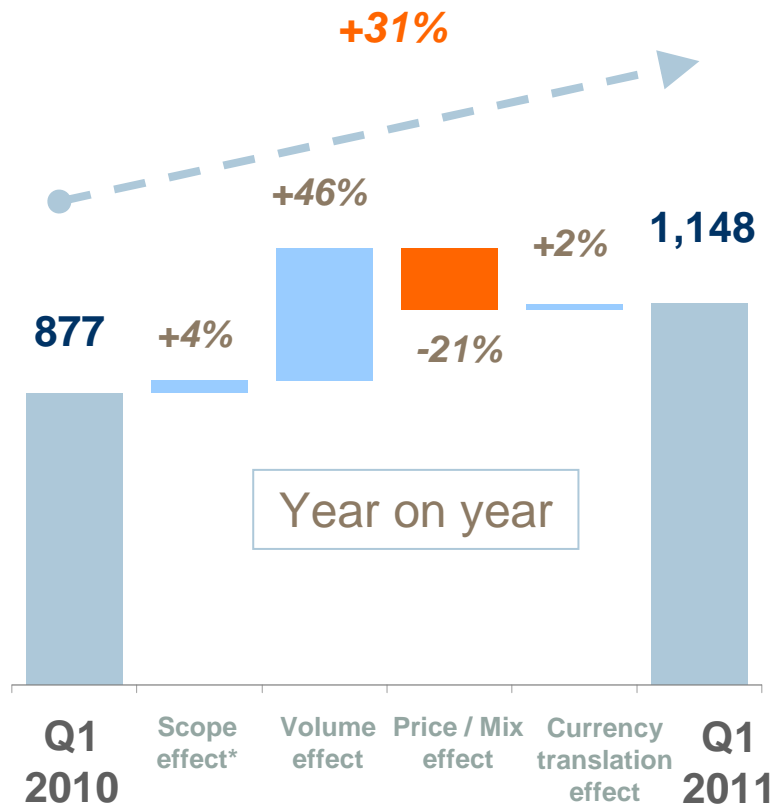


Sales
€ million



Sales evolution

Sales in € million



* Scope effect = Serimax

EBITDA

€ million

	Q1 2011	Q4 2010	% change QoQ	Q1 2010	% change YoY
Sales volume (k tonnes)	501	553	-9.5%	344	+45.6%
Sales	1,147.8	1,302.9	-11.9 %	877.4	+30.8%
Cost of sales ⁽¹⁾	-794.5	-899.9	-11.7%	-613.6	+29.5%
As % of sales	69.2 %	69.1%		69.9 %	
Selling, general and administrative costs ⁽¹⁾	-145.9 ⁽²⁾	-124.1 ⁽²⁾	+17.6%	-108.4	+34.6%
As % of sales	12.7%	9.5%		12.4%	
Other income (expense), net	-4.0	-17.9		-7.0	
EBITDA	203.4	261.0	-22.1%	148.4	+37.1%
As % of sales	17.7%	20.0%		16.9%	

(1) Before depreciation and amortization

(2) Broadened scope: Serimax, VSB

Net income

€ million

	Q1 2011	Q4 2010	% change QoQ	Q1 2010	% change YoY
EBITDA	203.4	261.0	-22.1%	148.4	+37.1%
Depreciation industrial assets	-53.6	-52.6		-40.5	
Other (amortization, impairment & restructuring)	-7.9	-16.7		-9.2	
Operating Income	141.9	191.7	-26.0%	98.7	+43.8%
Financial Income	-6.7	-12.7	-47.2%	-5.8	+15.5%
Income tax	-44.1	-50.5		-28.7	
Net income of equity affiliates	1.6	-8.6		2.7	
Total Net Income	92.7	119.9	-22.7%	66.9	+38.6%
Minority interests	-10.8	-12.2		-6.1	
Net Income, Group share	81.9	107.7	-24.0%	60.8	+34.7%

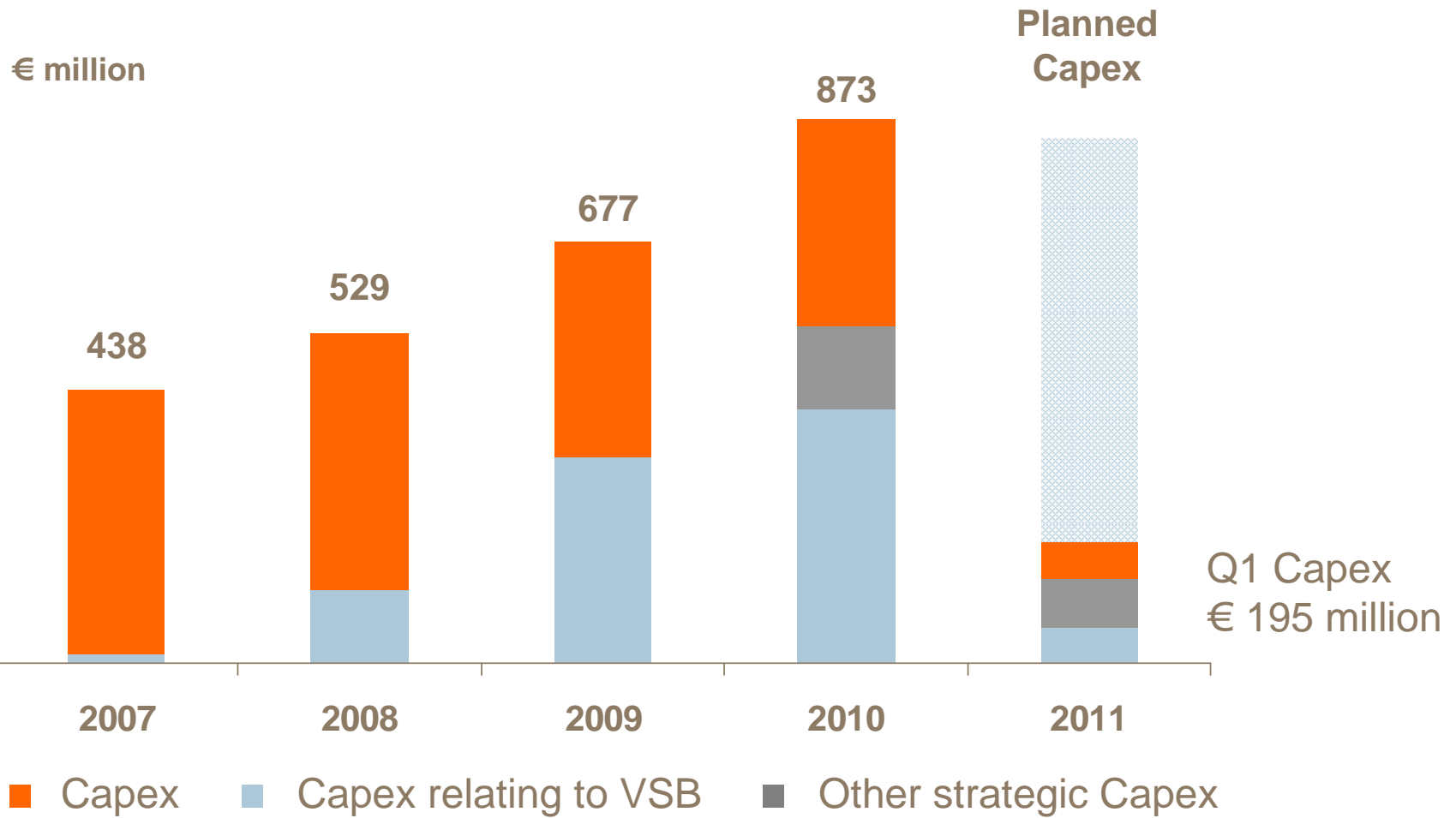
Cash flow

€ million

	Q1 2011	Q4 2010	Q1 2010
Gross cash flow from operations	73.7	170.7	84.3
Change in gross WCR *	-240.2	+25.7	-1.5
Operating cash flow	-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 and other elements	24.7	-82.6	21.6
Change in net debt *	-343.6	-241.2	-52.1

* [+ decrease / - increase]

Capital expenditure



Other financial elements

At 31 March 2011:

- **Net debt of € 724 million**
 - ✓ Gearing ratio 15.2%
- **Liquidity profile**
 - ✓ 37% of the € 1,327 million bank loans and other borrowings have a maturity in excess of 2 years
 - ✓ Undrawn confirmed credit lines of € 1.3 billion includes the February revolving credit facility of € 1 billion (5 year maturity)



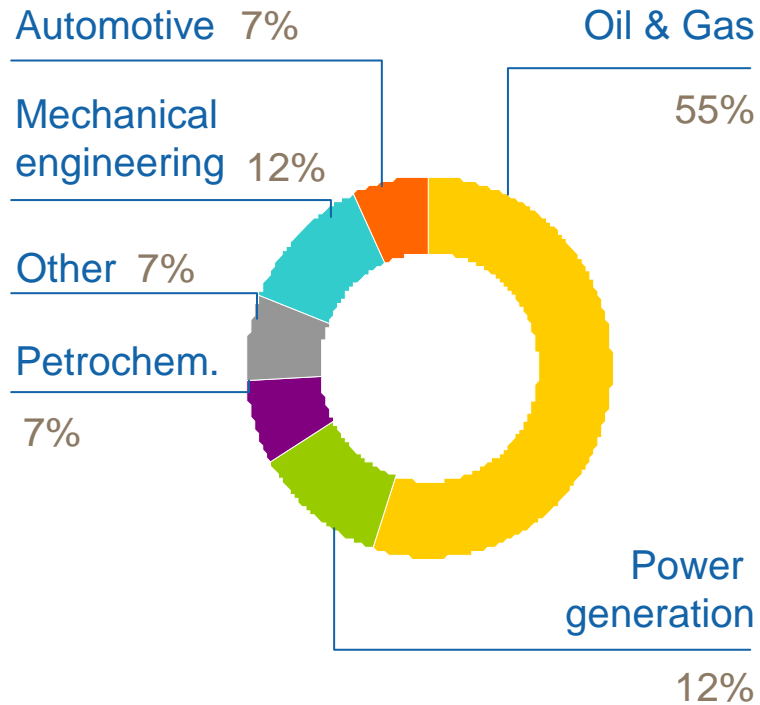
3. Review by activity



Sales by application

Q1 2011

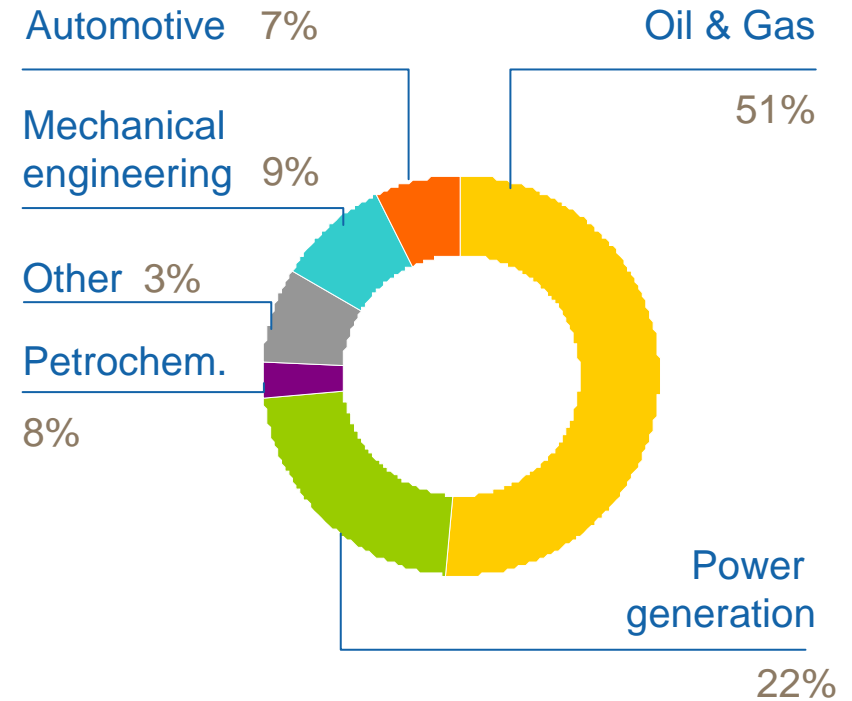
Sales = € 1,148 m



Total Energy*: 74% of sales

Q1 2010

Sales = € 877 m



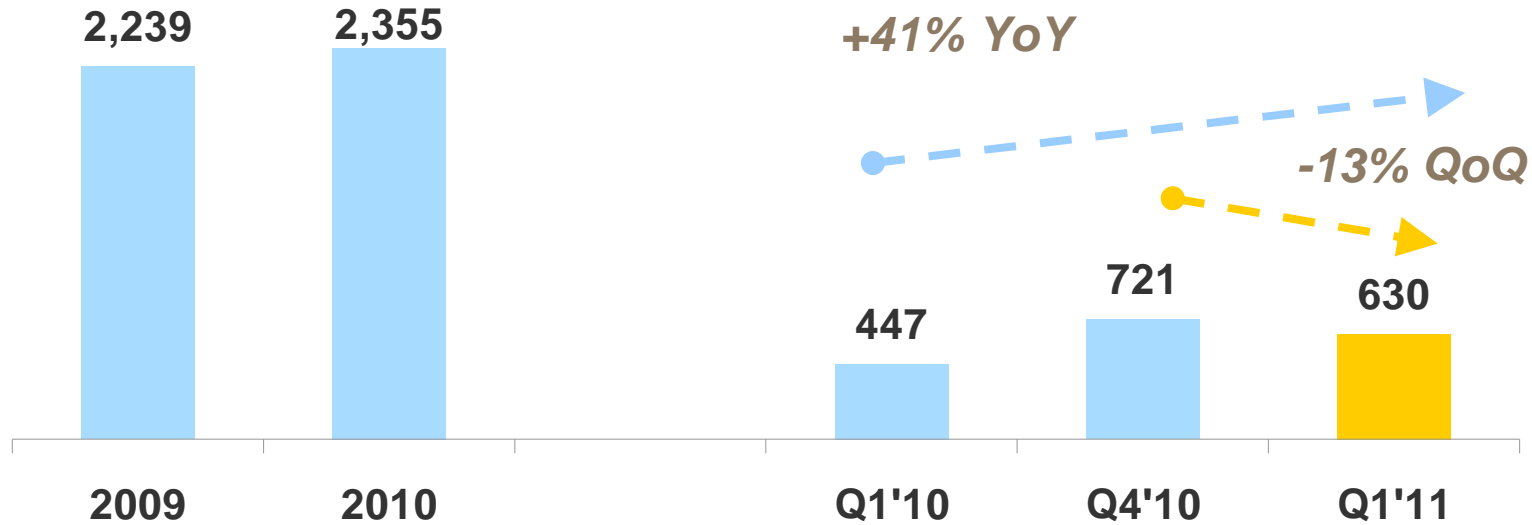
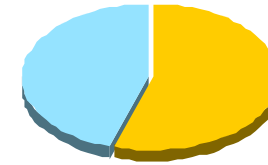
Total Energy*: 81% of sales

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

Oil & Gas

Sales
€ million

55% of total sales Q1 2011



Consolidated sales include Serimax from 8 June 2010

Oil & Gas

- **United States**

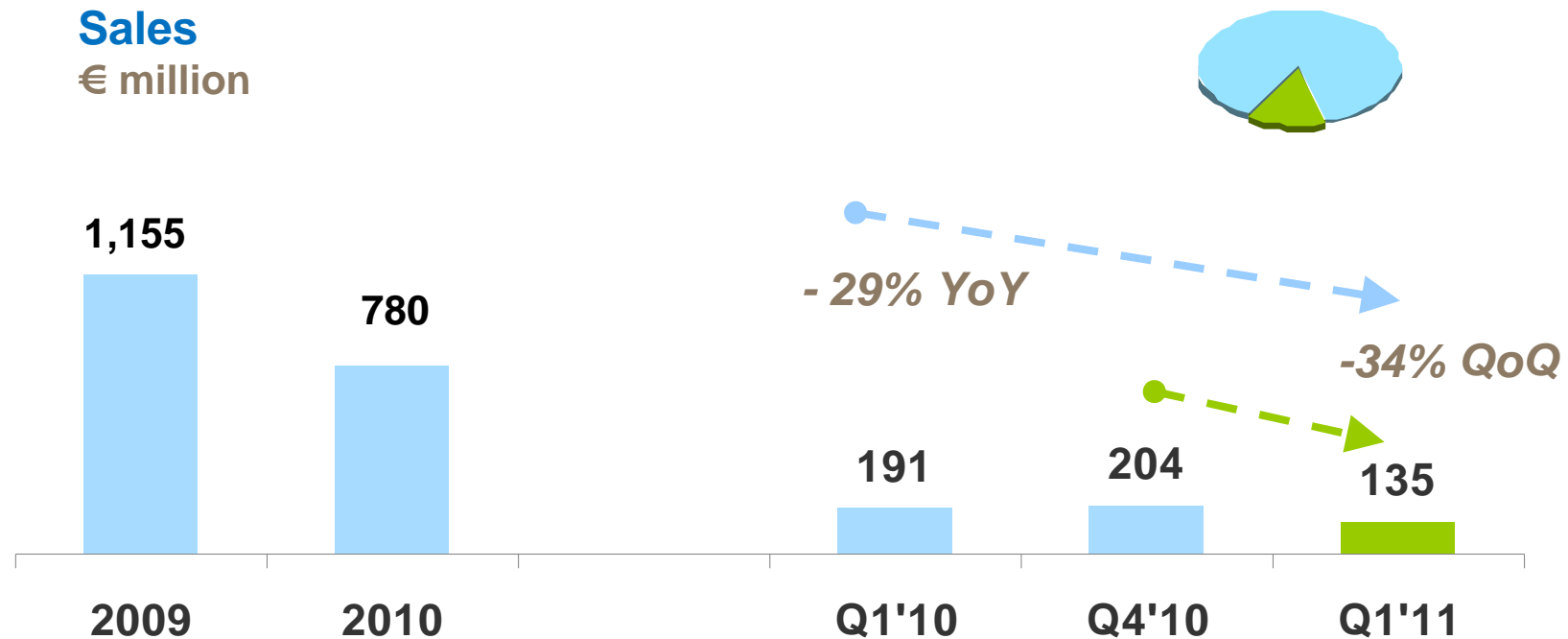
- ✓ Sales volume slightly below Q4 2010
- ✓ Price increases applicable for Q2 and Q3 deliveries
- ✓ Strong end-user demand for finished goods (pipe + VAM connection)

- **Rest of the world**

- ✓ Good level of activity, seasonal slowdown in Brazil
- ✓ Sales below Q4 2010, which included high deliveries for line-pipe projects
- ✓ Very dynamic booking activity with high level of tenders in the Middle East, North Sea and West Africa
- ✓ Prices remain well oriented

Power Generation

12 % of total sales Q1 2011

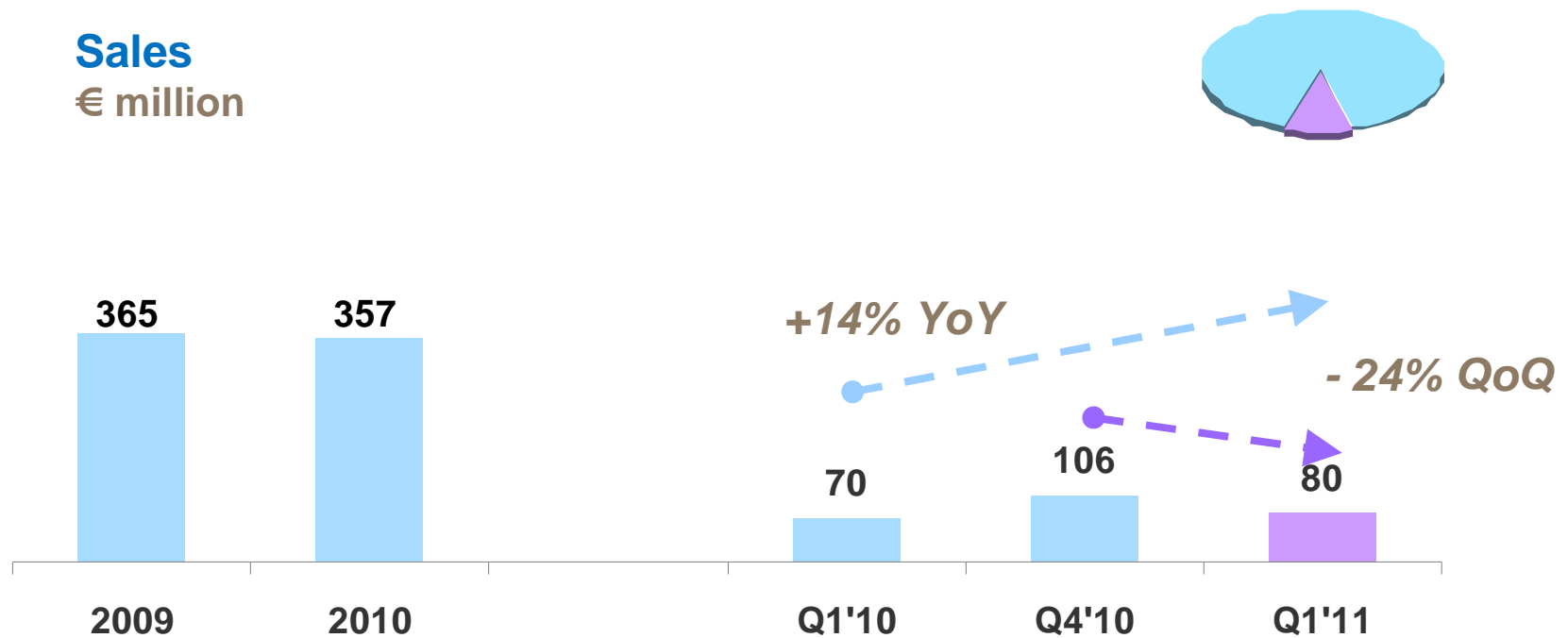


- Sales for coal fired power plants during the quarter affected by product mix
- Overall bookings increasing for projects in China, India, Korea, Slovenia and Poland with pricing in line with levels reached end of 2010
- Sales for nuclear power plants stable year on year but below high level recorded in Q4 2010.

Petrochemicals

7% of total sales Q1 2011

Sales
€ million

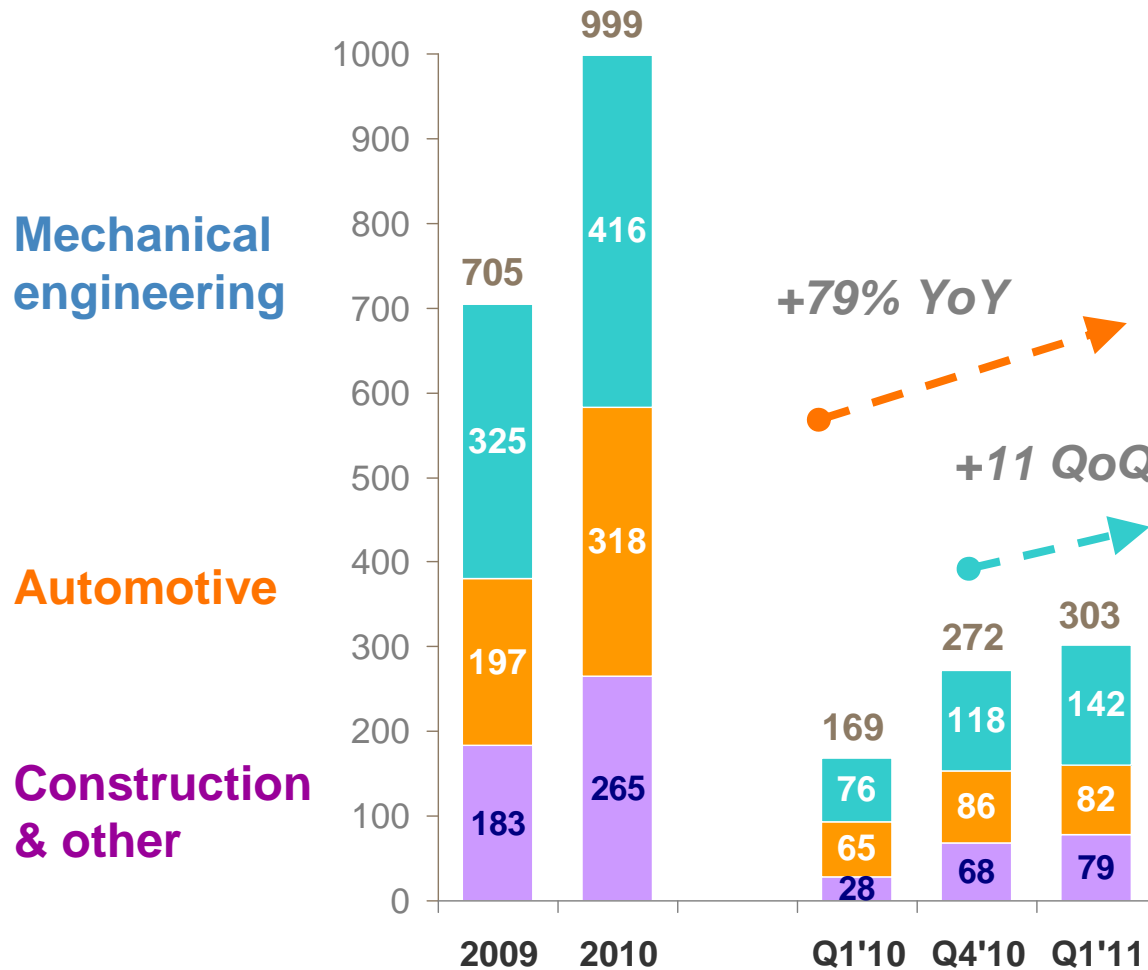
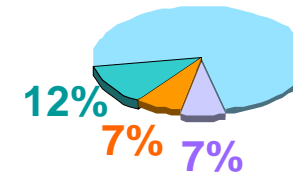


- Positive market in the Middle East, India and South-East Asia with major projects underway for delivery in the coming quarters

Non-Energy

26% of total sales Q1 2011

Sales
€ million



- Sales driven by strong demand from distributors
- Positive growth prospects in industrial markets, notably in Germany, northern Europe, China, Brazil
- Southern Europe also recovering



4. Outlook



Outlook

H1 2011

- +** Market indicators continue to be well oriented across all business activities and high deliveries are expected for Q2
- +** Volume, sales, and EBITDA margin will increase in Q2 vs Q1
- Impact of higher raw material costs
- =** EBITDA margin in H1 2011 slightly below H2 2010

H2 2011

- +** All mills operating at high utilisation rates
- +** Price increases will impact H2 deliveries
- Raw material prices remain volatile
- Weak dollar
- Start-up costs of new mills
- =** Sales and EBITDA should progress in H2 2011



Appendices



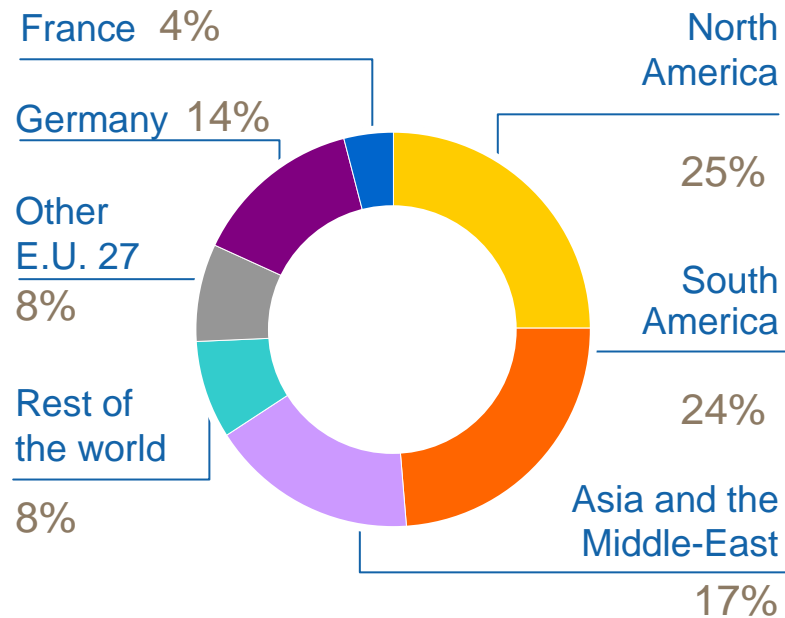
Group profile

- **World leader in premium tubular solutions primarily serving the Energy markets, as well as other industrial applications**
 - ✓ Oil & Gas, Power Generation, Petrochemicals > 75% 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

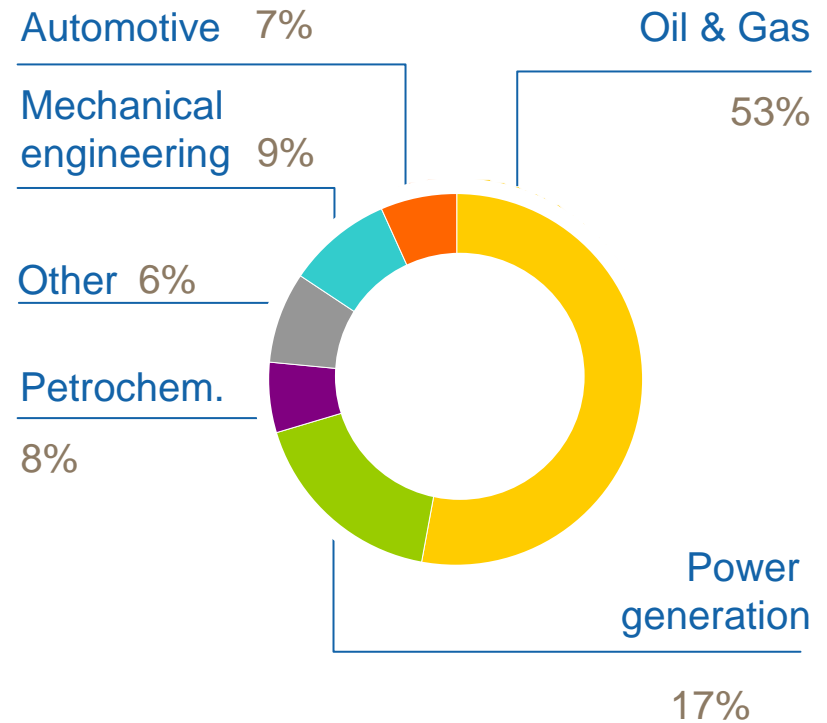
2010 sales by activity and geographic region

Sales = € 4,491 m



Non-E.U. : 74% of sales

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

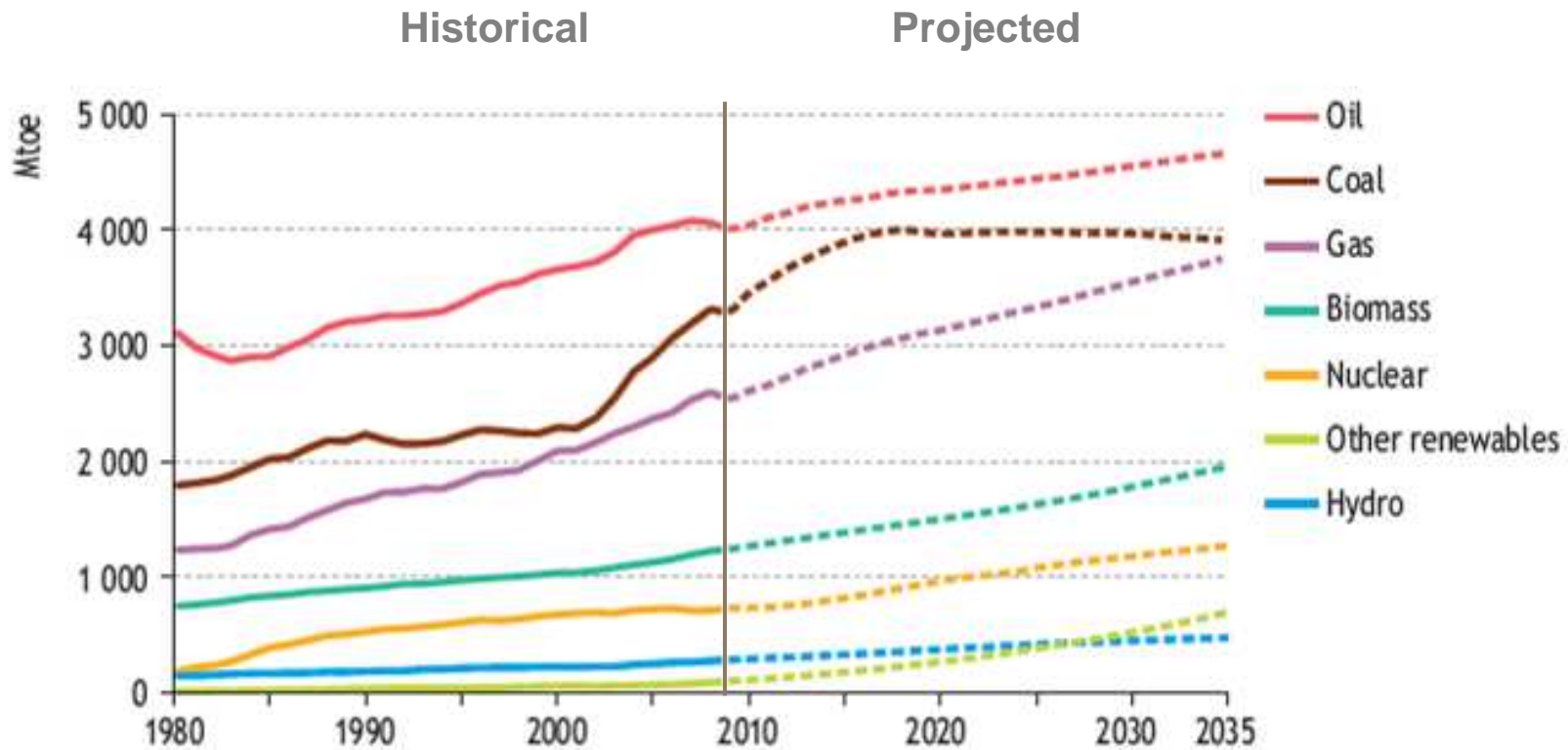


Total Energy: 78% of sales

Total Energy = Oil & Gas + Power Generation + Petrochemicals

Growing demand for Energy

World primary energy demand by fuel



Total Energy Demand 2008 – 2035: +1.2% CAGR

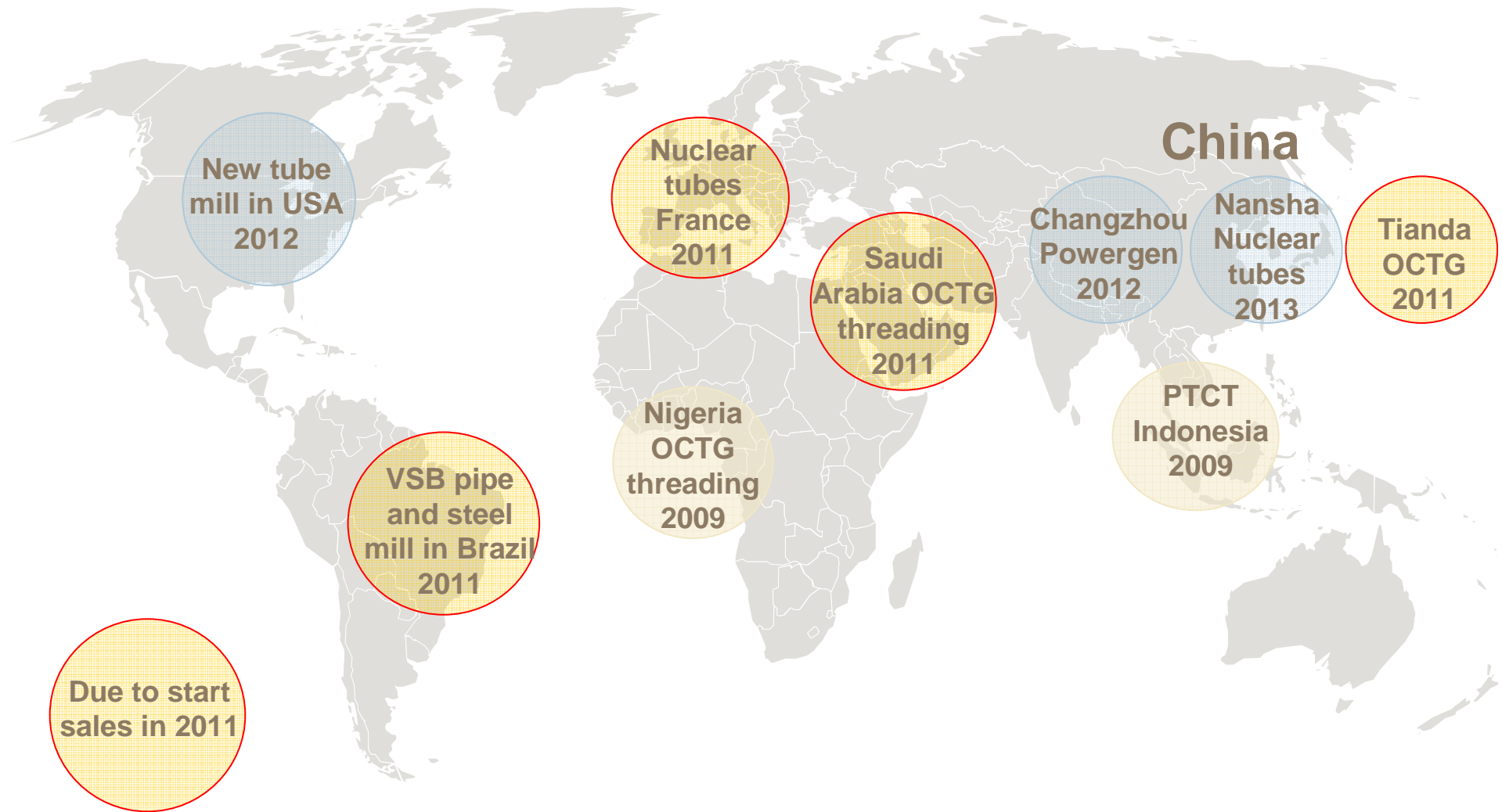
Source: International Energy Agency estimates – World Energy Outlook 2010 (New Policies Scenario)

Growing demand for Energy

- **End of “easy” oil & gas**
 - ✓ Field depletion request additional 3Mbpd capacity per year
 - ✓ Deep offshore development in Brazil and West Africa
 - ✓ Growing safety & environmental concerns
 - More premium content, more innovation*
- **Quest for energy independence**
 - ✓ China & USA: shale gas
 - ✓ China & India: power generation – coal & nuclear
 - More local content*
- **The needs of emerging markets will be the #1 growth driver for energy**

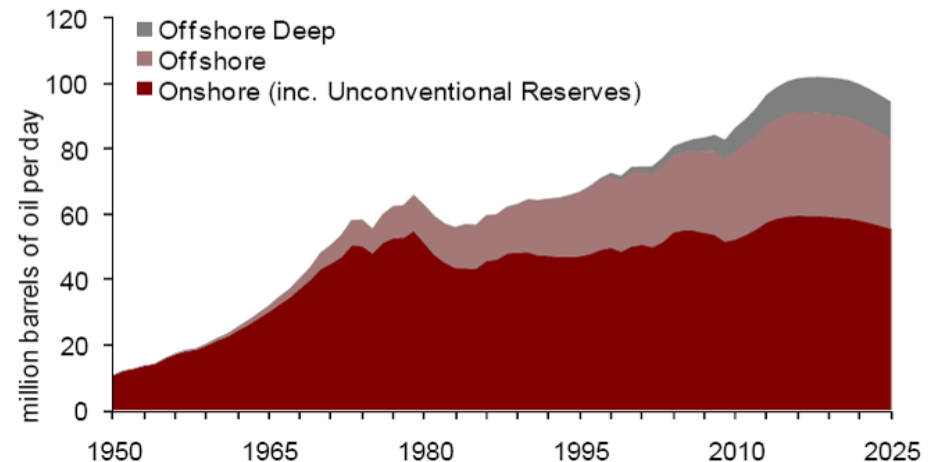
Towards a new Global / Local business model

Vallourec Global Strategy: Invest where the growth is



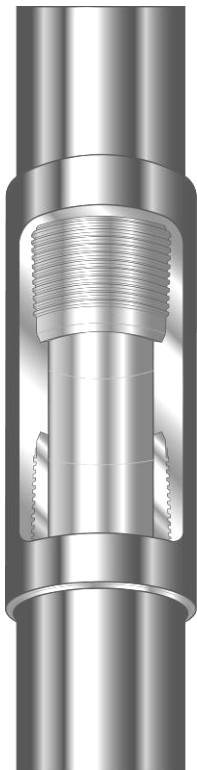
Market trends: New reservoir challenges

- Depletion of existing fields
- New developments in challenging areas:
 - ✓ Deeper wells
 - ✓ More corrosive fields
 - ✓ Directional / Horizontal wells
 - ✓ More HP/HT wells
 - ✓ More deep water offshore wells
- Emergence of new applications:
 - ✓ CO₂ capture & storage

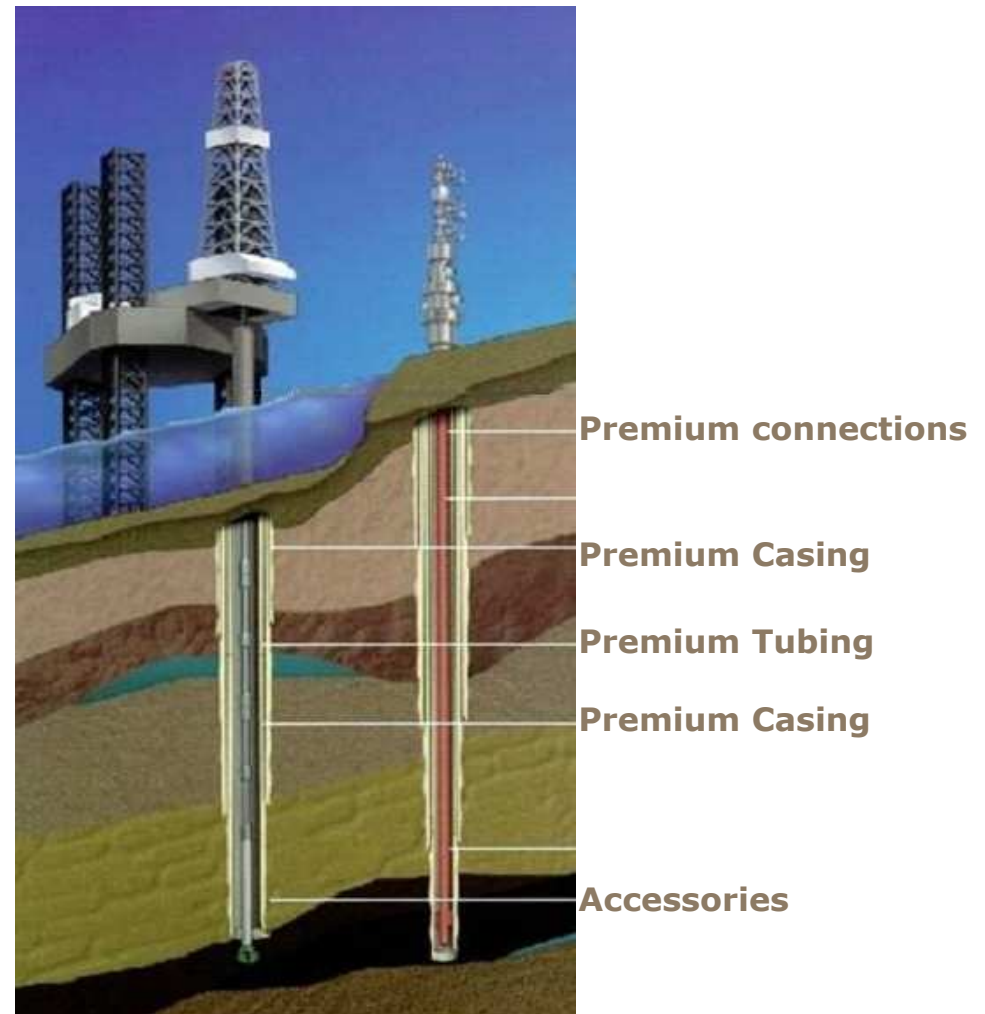


Source: Douglas Westwood, June 2010

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**



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

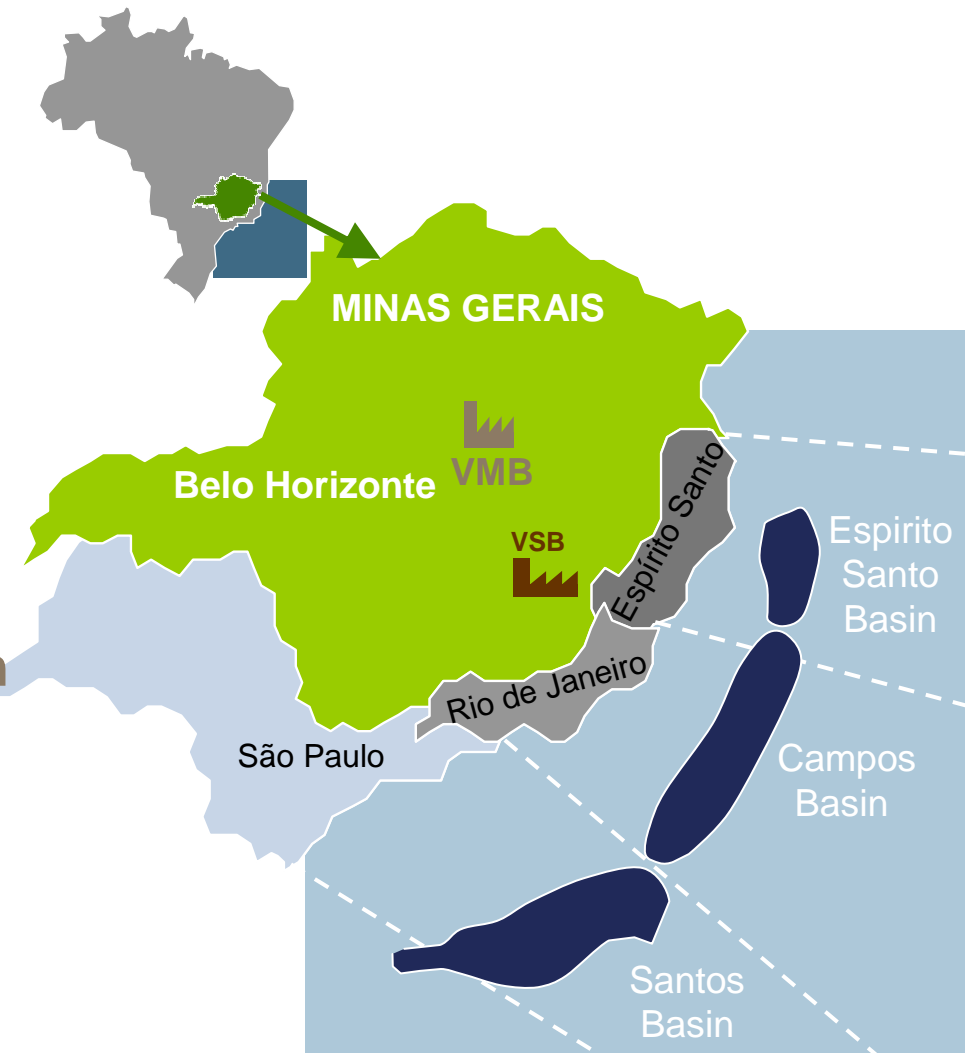
Salt Dome



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



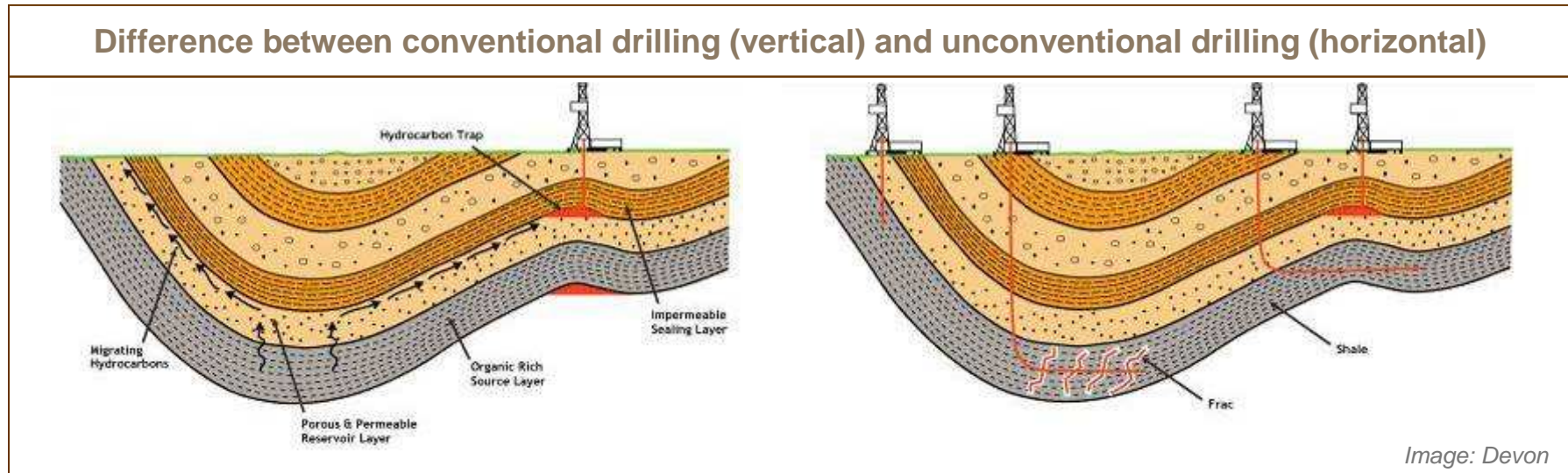
Ramping-up in 2011

- First billet pierced in December 2010
- Successful completion of full tube production circuit in April 2011
- Next steps involve the start-up of the finishing mill and the commissioning of the steel mill
- First deliveries Q4 2011
- Progressive ramp-up to mid-2012
- Dedicated to serving the international OCTG markets



Importance of unconventional drilling technologies

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



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

Strengthening our presence and our offer in the Middle East



Regional Offer

- ▲ **VAM Drilling Middle East**, Dubai. Oct 2009. *Local supply of drilling products and services certified for sour service*
- ▲ **Protools**, Abu Dhabi. Feb 2010. *Leading provider of drilling accessories in the Middle East*
- ▲ **Egypt**, Suez Free Zone. Q4 2010. *New yard management offer*
- **Regional sales offices in Dubai and Egypt**

Local Presence

- **Saudi Arabia, Dammam Q3 2011**
 - State-of-the-art premium OCTG threading mill with long term partner Al Qahtani & Sons
 - To accompany planned growth of **Saudi Aramco** and support the local OCTG industry

New threading mill in Dammam Q3 2011



Strengthening our presence in China: New investments in 2010

- 8 manufacturing and service facilities
- 500 employees
- 6% of sales in 2010



Oil & Gas

- Acquisition of 19.5% interest in **Tianda** Oil Pipe
Manufacture of OCTG to be finalised H1 2011

Power generation

- New forge to produce 60,000 tonnes of large diameter seamless pipes in **Changzhou**
- New facility to produce steam generator tubing for nuclear power plants in **Nansha**



Stone laying ceremony 30 August 2010

Enhanced offer for Oil & Gas

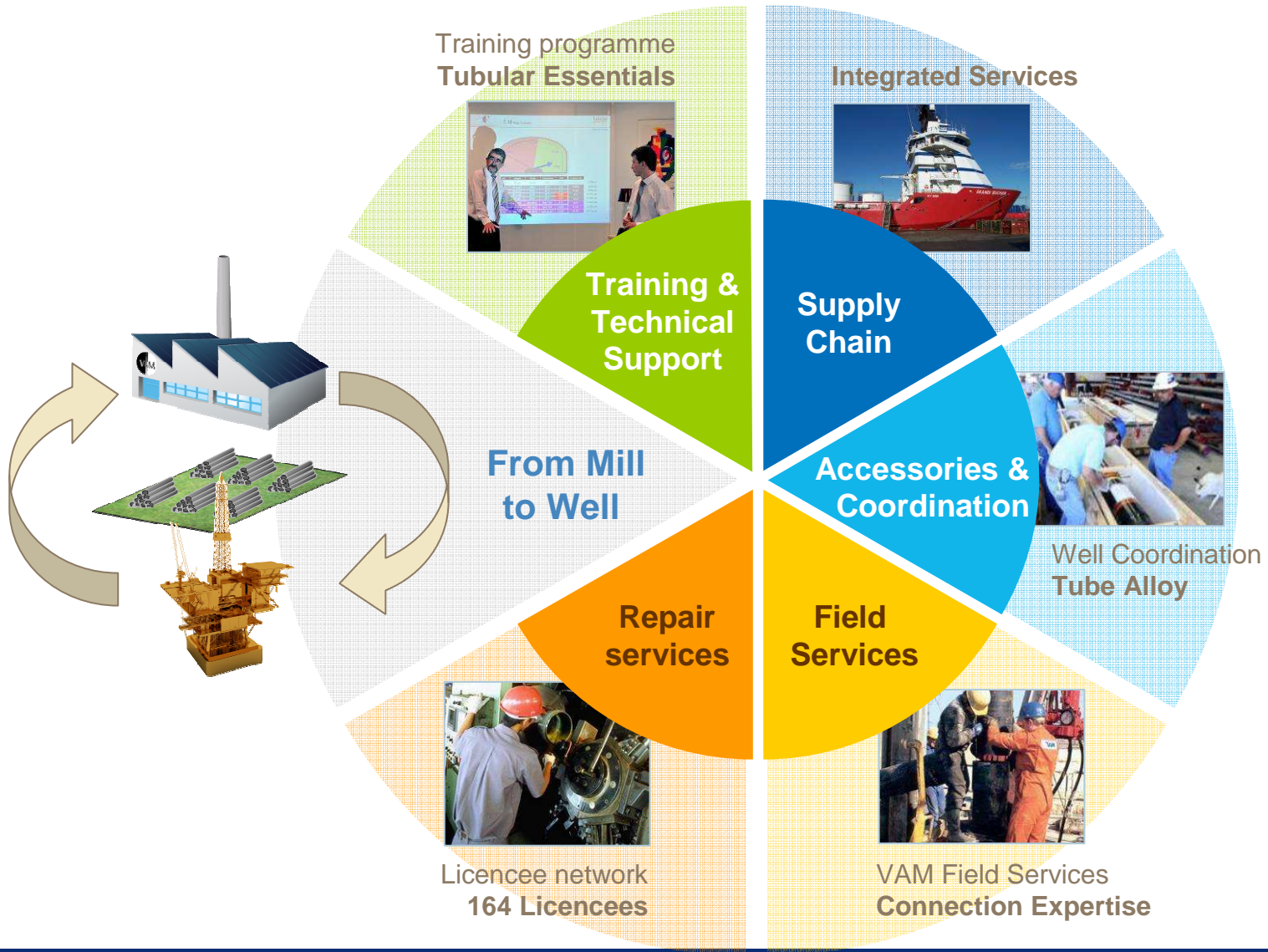
- **Serimax: Leader in offshore welding solutions**



- **Vallourec Umbilicals to meet the challenges of deep offshore**
 - ✓ **New plant in France to produce welded stainless steel pipes for umbilicals** (*lines combining pipes, cables and optical fibres connecting equipment on the seabed to control station on the surface*)



VAM Global Solutions



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



- **Expansion of Research Centre in Brazil**

(Belo Horizonte)

- ✓ New laboratory testing facilities with enlarged team of experts
- ✓ Development and industrialization of high alloy sour-service grades and VAM[®] Connections



Product innovation



VAM 21

Vallorec is proud to present the VAM[®]21: the new generation of Premium Connection

VAM[®]21 is the latest generation of T&C premium connection introducing an innovative and revolutionary design. Confidence comes to ISO 15879 CAL-IV compliance within the full pipe body envelope extends the opportunities for your well designs.

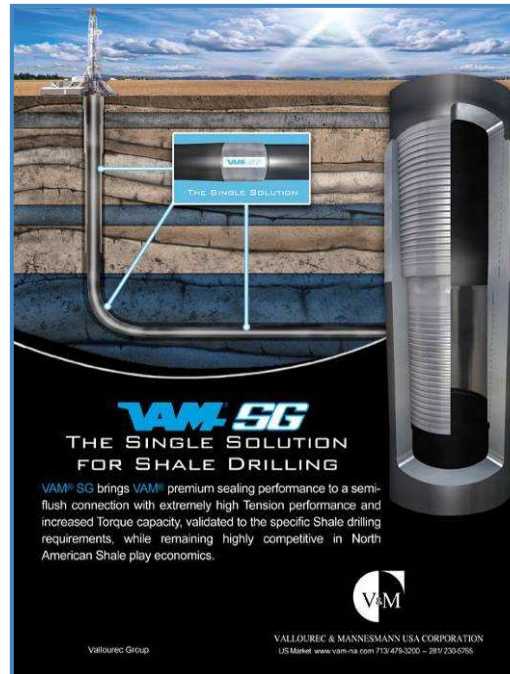
VAM[®]21 main features include:

- Seal protected from rough handling
- Fit for automated handling systems
- Reliable running ability
- Superior torque resistance
- Reduced drilling wear susceptibility
- Extreme compression resistance (100%)
- Intensive WMI effect with the VMI sealant[®]
- Excellent gas tight sealing under combined loads
- ISO 15879 CAL-IV performance within the full pipe envelope

100% VME
100% API RC3 ISO

Vallorec Group
VALLOUREC & MANNESMANN TUBES
WORLD LEADER IN PREMIUM TUBULAR SOLUTIONS

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.

Vallorec Group
VALLOUREC & MANNESMANN USA CORPORATION
US Market: www.vam-na.com 713.476.3200 - 281.233.0765

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.

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VALLOUREC & MANNESMANN TUBES
WORLD LEADER IN PREMIUM TUBULAR SOLUTIONS

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