



“ Vallourec’s results demonstrate quarter after quarter the Group’s competitive strength and the solidity of its commercial positions worldwide. ”

Jean-Paul Parayre

Dear Shareholder,

The half-year results published in late July confirmed the trends that were taking shape in the first three months of the year. Overall activity levels remained buoyant, despite the slowdown in oil & gas tube sales in the United States. Sales posted double-digit growth and the operating margin was maintained at close to record levels (see page 2).

Despite this strong performance and the solid outlook for the second half, Vallourec share price, after reaching its historical high in June 2007, was not spared from the stock market upheavals seen in the summer months. Over the last two years, however, the growth in share price has considerably outstripped that of the CAC 40 index (see chart on page 4).

The Annual General Meeting of 6 June approved the distribution of a dividend of € 6⁽¹⁾ per share in respect of 2006, in addition to an exceptional payment of € 4 per share. The steep rise in the dividend illustrates our wish to see shareholders benefit from its excellent results.

Release of the half-year results was an opportunity for the Group to set out its capital expenditure programme for 2007. Taking into account the first tranche of investment in the construction of our new pipe mill in Brazil, capital expenditure is expected to reach around € 450 million in 2007 compared with € 282 million the previous year.

Vallourec continues to implement its strategy, the pillars of which are growth, innovation, competitiveness and close relations with customers. You may rest assured that Vallourec will deploy all its technical, human and financial resources to seek solid and sustainable performances in the interests of the Group and its shareholders.

Jean-Paul Parayre
Chairman of the Supervisory Board

Pierre Verluca
Chairman of the Management Board




(1) Including an interim dividend of € 2 per share paid on 20 October 2006.

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+ 10.8%

> EBITDA
+ 6.6%

> NET INCOME, GROUP SHARE
+ 9.5%

2007 FIRST-HALF RESULTS

Vallourec has benefited from balanced growth in all its markets

Buoyant growth in activity levels across all the Group's markets

Consolidated sales increased by 10.8% in the first half of 2007 to reach € 3,012.1 million. Apart from the North American oil & gas market, overall demand remained buoyant during the period. Prices, on average, were stable compared with those at the close of last year and the Group benefited from the full impact of the price increases implemented in 2006 for certain high added value products, and from a better product mix.

The Group has shown its ability to maintain a high level of profitability

EBITDA increased by 6.6% to € 891.2 million from € 835.9 million in the first half of 2006, corresponding to a high level of 29.6% of sales. Net income, Group share rose by 9.5% to € 495.4 million. At end of June 2007, the Group had a net cash position of € 151.3 million.

Capital expenditure

Save the cost of constructing the new pipe mill in Brazil (around € 650 million in total for Vallourec, of which € 50 million is expected to be incurred in 2007), the Group's capital expenditure programme is expected to total around € 400 million in 2007 compared with € 282 million in 2006. The programme includes, in particular, a significant increase in threading and heat treatment capacities in addition to part of the planned investment in the new continuous caster for the Saint-Saulve steel mill.

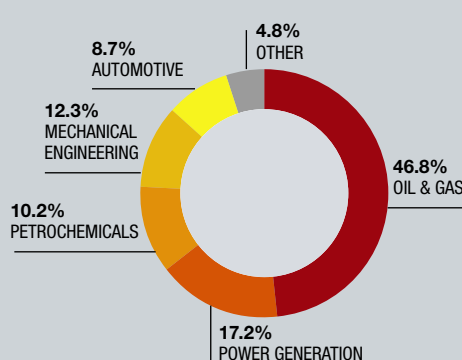
Outlook

The Group confirms that most of its mills are expected to operate at a high level of capacity, while selling prices, apart from the North American oil & gas market, are expected to remain stable overall. Barring unforeseen circumstances and despite the weakening dollar, Vallourec expects to post second-half 2007 sales growth relative to the corresponding period last year of around 7-10% at constant consolidation scope. The EBITDA/sales ratio in the second half of 2007 should be close to that seen in the first half of the year, before taking into account seasonal factors such as annual maintenance costs, which are recognized in the second-half year, and programmed shut-downs for maintenance purposes that, depending on the plant concerned, take place in August or December.

SALES (in € million)

H1 2006	2,717.3
H1 2007	3,012.1

SALES (breakdown by market)



EBITDA (in € million)

H1 2006	835.9
H1 2007	891.2

NET INCOME, GROUP SHARE (in € million)

H1 2006	452.6
H1 2007	495.4



INVESTMENTS CENTRAL TO VALLOUREC'S STRATEGY

Inauguration of VAM Changzhou

Vallourec breaks new ground in its development in China

In November 2007, in Changzhou, Vallourec will inaugurate its fourth plant in China. Vallourec has been exporting to this country since 1904, when Mannesmann first supplied Shanghai with pipes for the city water transportation network. The Group started local production in 1997 when its first Chinese plant, Changzhou Valinox Great Wall, specializing in the production of stainless steel tubes for power plants was brought into service. In 2006, Vallourec opened a second plant, V & M Changzhou, specialized in finishing large diameter steel alloy tubes for use in Chinese power plants. In February 2007, a third plant was inaugurated in Xi'an, in partnership with the Chinese titanium producer Baotou. The VAM Changzhou plant will mainly produce premium-grade oil tubes as part of the VAM® product range for use in the Chinese oil market. It will employ 160 people and its annual production capacity will be of 50,000 tonnes.

In 2006, China accounted for one third of both seamless tube consumption and production worldwide. Vallourec has four plants and will employ nearly 500 people in China.

Paul Bounie, General Project Manager for the VAM Changzhou plant:

“Chinese oil companies will have to invest greater amounts in exploration in the future while exploiting increasingly complex oil and gas fields. With its new plant, Vallourec will be able to respond to their growing needs. VAM Changzhou also opens up new prospects for solid and lasting collaboration with our Chinese partners.”



Construction of a new pipe mill in Brazil

A strategic and industrial decision for the long term

In March 2007, Vallourec announced the construction a new integrated pipe mill in Brazil, in partnership with Sumitomo Metals. Under the terms of the joint venture agreement signed on 19 July this year, the company will be named Vallourec & Sumitomo Tubos do Brasil and will be 56%-owned by Vallourec. The total investment by Vallourec will be around USD 900 million. The new state-of-the-art production plant, incorporating a steel works and a seamless pipe mill, will be built in the Brazilian State of Minas Gerais. It will be dedicated to the production of seamless OCTG (Oil Country Tubular Goods) tubes with an annual production capacity of 600,000 tonnes, to be shared equally between

the two partners. The new pipe mill will boost Vallourec's tube production by 300,000 tonnes annually, corresponding to around a 10% increase in the Group's seamless tube production capacity.



Shareholder information

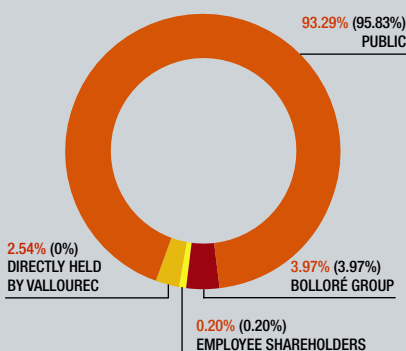
Financial calendar

- **Release of 2007 Q3 results:**
14 November 2007
- **Release of 2007 Q4 sales:**
5 February 2008
- **Release of 2007 annual results:**
4 March 2008
- **Release of 2008 Q1 results:**
7 May 2008

Vallourec share

- > Listed on the Euronext Paris Eurolist (section A)
- > Eligible for the deferred settlement system (SRD)
- > ISIN code: FR0000120354
- > Indices: Euronext 100, CAC 40 and MSCI World Index

Breakdown of capital at 15 March 2007



- As a % of capital
- As a % of voting rights

Number of shares: 53,011,870
Voting rights: 51,686,158

Source: identifiable bearer shares at 30 January 2007, adjusted for the crossing of a share ownership threshold by the Bollore group on 15 March 2007

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The 2006 Environmental Report can be downloaded from our website:

http://www.vallourec.fr/uk/decouvrir/dev_durable.asp

ANNUAL GENERAL MEETINGS OF 6 JUNE 2007

The Vallourec Ordinary and Extraordinary General Meetings were held at the Palais Brongniart in Paris on 6 June 2007. More than 1,350 shareholders were present or represented and the quorum exceeded 37%. An electronic voting procedure was successfully used for the first time. All the resolutions proposed to the Ordinary General Meeting were adopted by a very large majority. The resolutions proposed to the Extraordinary General Meeting were adopted, with the exception of the eighth resolution (allocation of shares to the Group's employees and corporate officers) and the tenth resolution (modification of the by-laws).

In particular, the Ordinary General Meeting approved the payment of an ordinary dividend of € 6 per share in respect of 2006 (2005: € 2.24). As an interim dividend of € 2 per share had been paid on 20 October 2006, the balance of € 4 was paid on 4 July 2007.

In addition, the Group had decided in March 2007 to make an exceptional payment of € 4 per share after taking into account its excellent financial health and as a mark of confidence in its prospects.

That amount was also paid on 4 July 2007, taking the total paid on that date to € 8 per share.

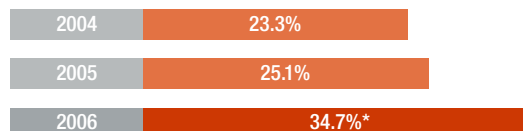
Dividends

(€ per share)



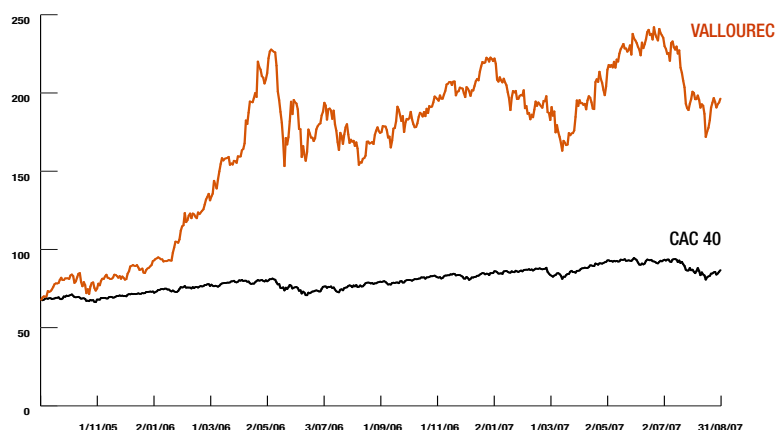
Pay-out ratio

(dividend/net income, Group share)



* Excluding the exceptional payment, which represented 23.1% of net income, Group share.

SHARE PRICE FROM 1 SEPTEMBER 2005 TO 31 AUGUST 2007



At 01/09/2005	At 31/08/2007	Change
Vallourec: € 67.80	Vallourec: € 196.40	Vallourec: +189.7%
CAC 40: 4,424.15	CAC 40: 5,332.70	CAC 40: +28%

Market capitalization: € 10.4 billion at 31 August 2007

- Vallourec share price expressed in euros.
- CAC 40 compared with Vallourec share price on 1 September 2005.