



Vallourec

2007 results

5 March 2008

Key figures

Q4 2007

2007

Sales

€ 1,629m

+13.1%

€ 6,141m

+10.8%

EBITDA/sales

26.9%

28.5%

Net income, Group share

€ 242.8m

+7.2%

€ 986.2m

+7.5%

Gross capital expenditure

€ 153.6m

+47.3%

€ 437.7m






+55.5%

INFORMATION APPLICABLE TO THIS ENTIRE PRESENTATION:

- Only the annual and six-month financial statements have been audited: quarterly data has not been audited;
- Except where specified otherwise, the changes indicated are to be read as comparisons with the same period for the previous financial year.



Sustained business activity in 2007

-  ***Sustained business activity in 2007***
-  Higher sales recorded by most of our businesses
 - Overall demand continued at a high level
 - Power generation business was particularly dynamic
-  Improved product mix
-  Total production was stable at constant consolidation scope
-  Overall price stability



The Group demonstrates its ability to maintain a high level of EBITDA

**2007 EBITDA: €1,751m
up 5.1%**

In a context characterized by:

- Higher raw materials costs
- A weaker dollar
- A decline in activity in the US

Vallourec's results reflect:

- The Group's competitiveness
- The quality of its efforts in innovation
- The close customer relationships developed by its staff throughout the world
- The right choices in terms of growth
- The Group's determination to invest for the long term





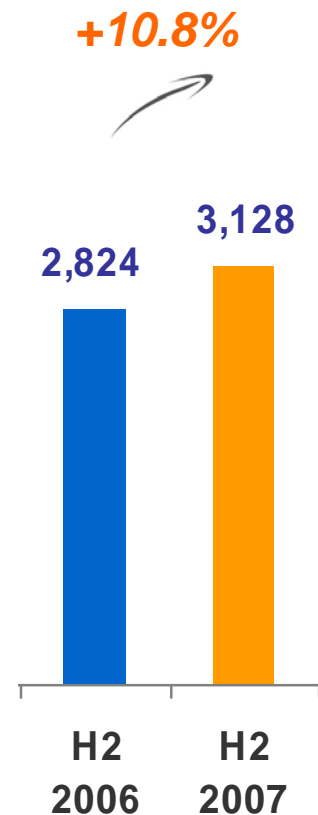
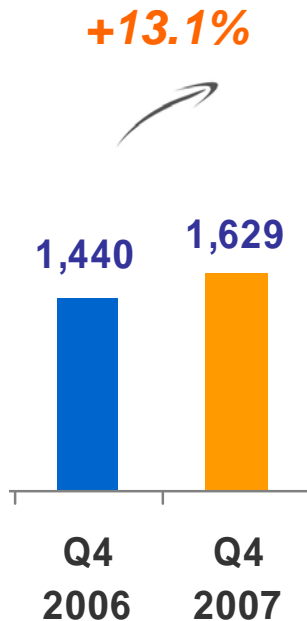
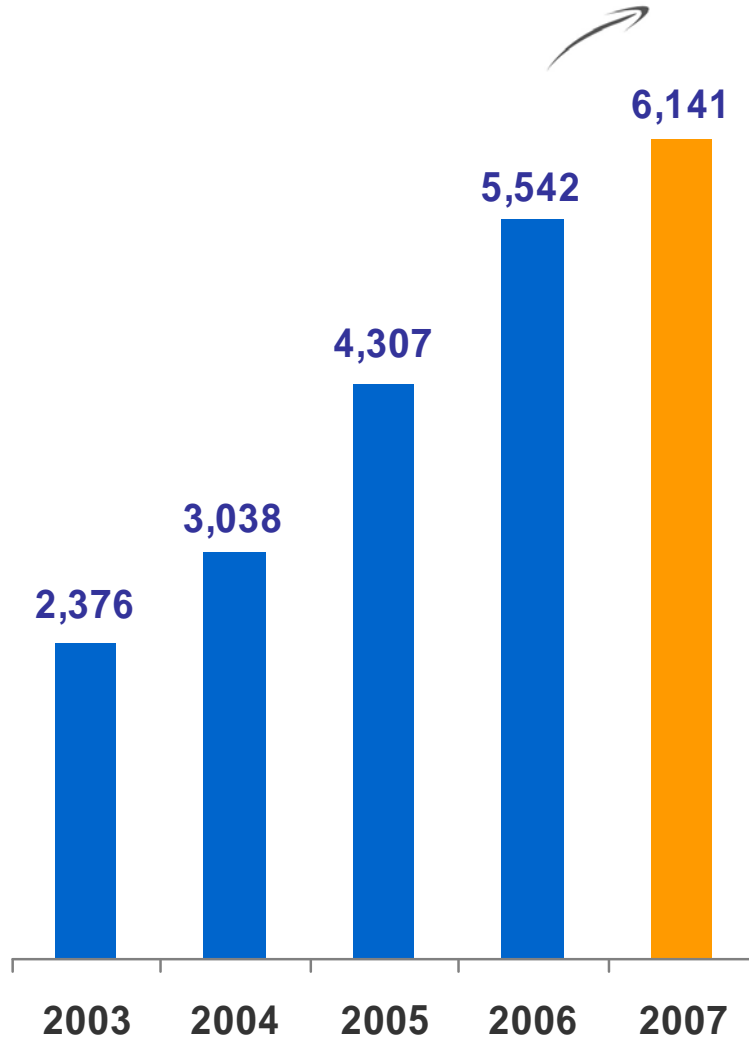
2007 results

Double-digit sales growth

Sales trend

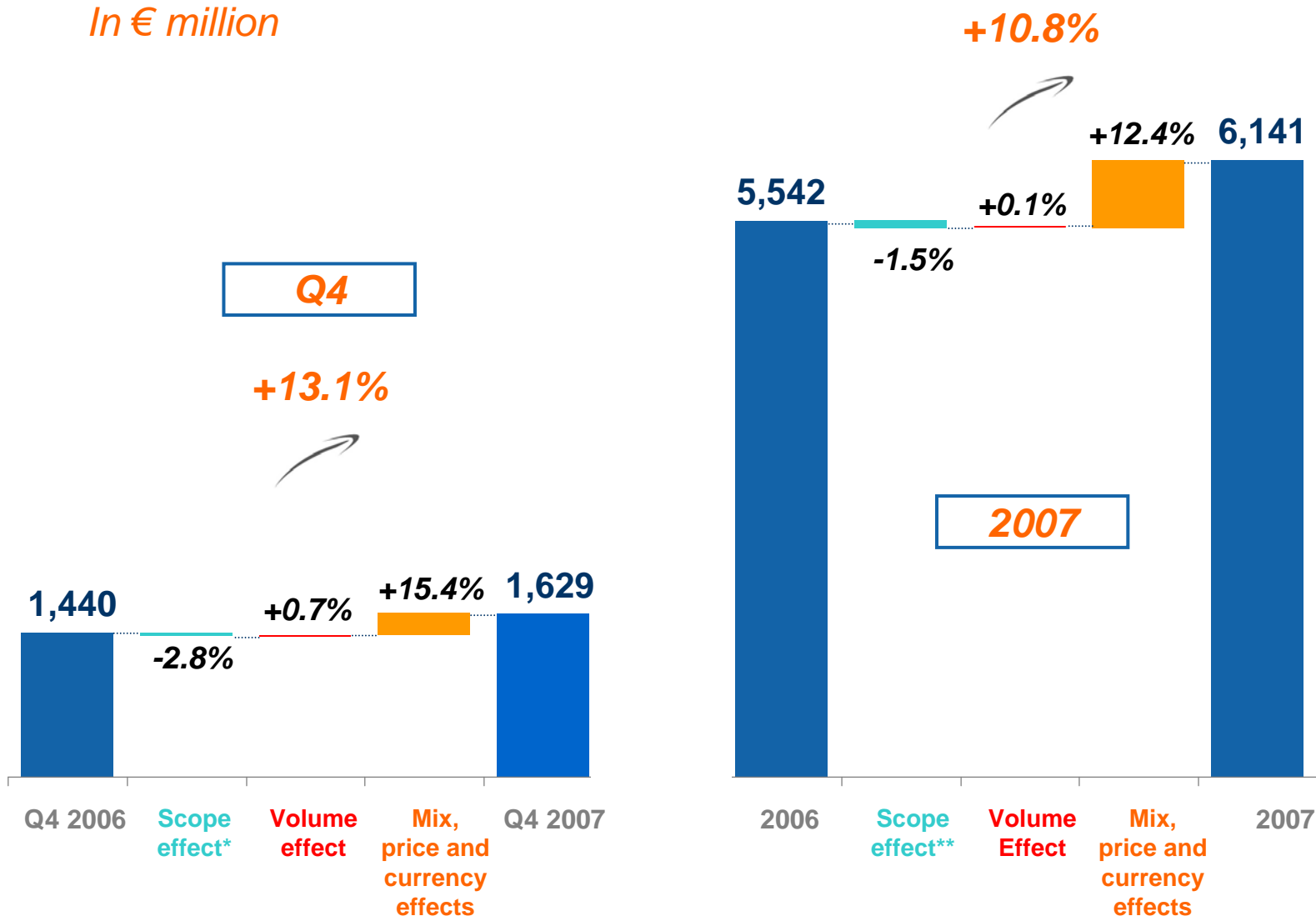
In € million

+10.8% (+12.5% on a comparable basis)



Growth fuelled by the mix effect

In € million



* Q4: mainly the deconsolidation of Cerec (1/12/06), VPE/Zeithain (2/7/07) and VPS/VCAV (1/12/07)

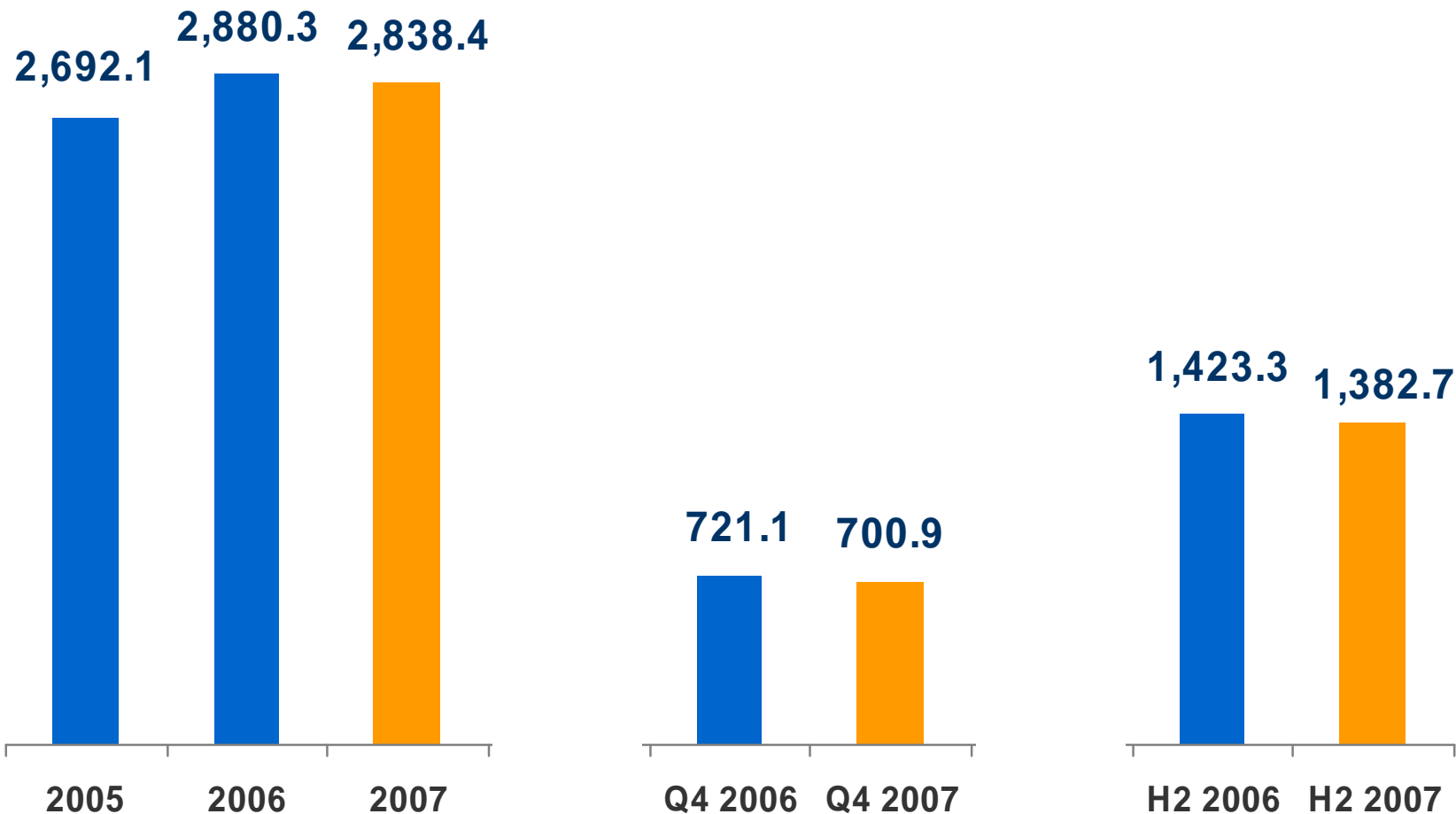
** 2007: mainly the consolidation of VAM Drilling France (1/4/06), deconsolidation of Specitubes (1/4/06), Cerec (1/12/06), VPE/Zeithain (2/7/07) and VPS/VCAV (1/12/07)



Production output in 2007 was stable on a comparable basis

In thousands of tonnes

Production output



Q4: EBITDA up 3.1%

In € million

| | Q4 2006 | Q4 2007 | Change |
|---------------------------------|---------------------|---------------------|---------------|
| Sales | 1,439.9 | 1,628.8 | +13.1% |
| Other operating revenues | 95.3 | 14.2 | -85.3% |
| | <i>% of sales</i> | <i>% of sales</i> | |
| Purchases consumed | -545.9 37.9% | -622.3 38.2% | +14.0% |
| Taxes and duties | -17.5 1.2% | -14.1 0.9% | -19.4% |
| Payroll costs | -215.4 15.0% | -206.4 12.7% | -4.2% |
| Other operating costs | -340.0 23.6% | -344.6 21.2% | +1,4% |
| Provisions | +9.0 -0.6% | -17.0 1.0% | |
| Total | -1,109.8 | -1,204.4 | +8.5% |
| EBITDA | 425.4 | 438.6 | +3.1% |



2007: EBITDA up 5.1%

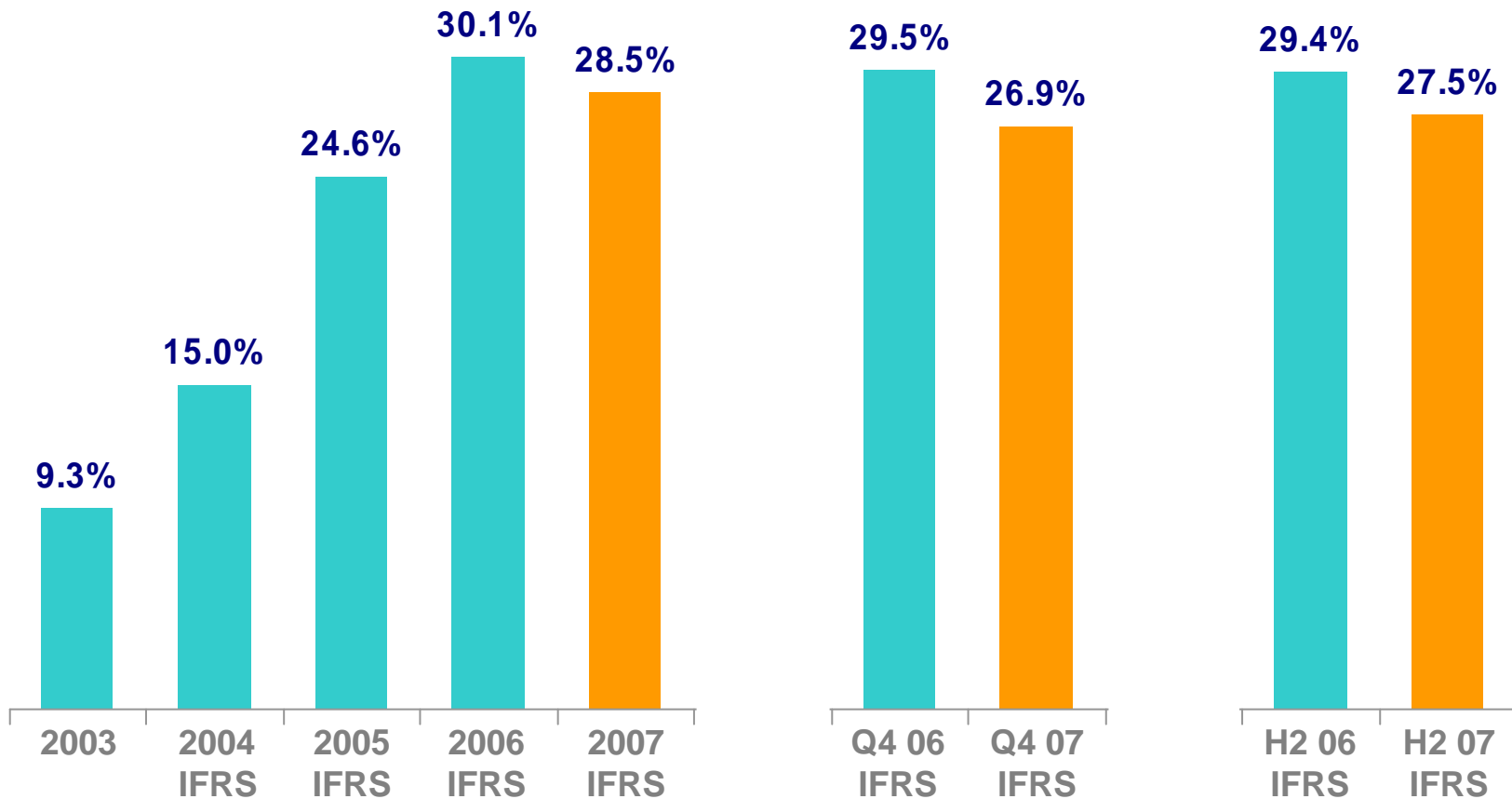
In € million

| | 2006 | 2007 | Change |
|---------------------------------|-----------------------|-----------------------|---------------|
| Sales | 5,541.8 | 6,140.5 | +10.8% |
| Other operating revenues | 219.7 | 132.9 | -39.5% |
| | <i>% of sales</i> | <i>% of sales</i> | |
| Purchases consumed | -2,000.9 36.1% | -2,265.6 36.9% | +13.2% |
| Taxes and duties | -58.8 1.1% | -56.2 0.9% | -4.4% |
| Payroll costs | -812.7 14.7% | -827.0 13.5% | +1.8% |
| Other operating costs | -1,220.5 22.0% | -1,339.8 21.8% | +9.8% |
| Provisions | -3.2 0.1% | -34.0 0.6% | |
| Total | -4,096.1 | -4,522.6 | +10.4% |
| EBITDA | 1,665.4 | 1,750.8 | +5.1% |



Operating margin remains high

EBITDA/sales %



French GAAP in 2003, IFRS from 2004 onwards



Q4: net income, Group share up 7.2%

In € million

| | Q4 2006 | | Q4 2007 | | Change |
|--|---------------|-------------------|---------------|-------------------|--------------|
| | | <i>% of sales</i> | | <i>% of sales</i> | |
| EBITDA | 425.4 | 29.5% | 438.6 | 26.9% | +3.1% |
| <i>Depreciation/amortization</i> | <i>-29.1</i> | | <i>-28.8</i> | | |
| <i>Disposals/restruct./goodwill</i> | <i>-9.5</i> | | <i>-3.3</i> | | |
| Operating income | 386.8 | 26.9% | 406.5 | 25.0% | +5.1% |
| Financial income (loss) | -16.4 | | -12.1 | | |
| <i>Income tax</i> | <i>-135.9</i> | | <i>-140.7</i> | | +3.5% |
| <i>Net income of equity affiliates</i> | <i>+11.2</i> | | <i>-4.4</i> | | |
| Total net income | 245.7 | 17.1% | 249.3 | 15.3% | +1.5% |
| Net income, Group share | 226.4 | | 242.8 | | +7.2% |



2007: net income, Group share up 7.5%

In € million

| | 2006 | | 2007 | | Change |
|--|----------------|-------------------|----------------|-------------------|--------------|
| | | <i>% of sales</i> | | <i>% of sales</i> | |
| EBITDA | 1,665.4 | 30.1% | 1,750.8 | 28.5% | +5.1% |
| <i>Depreciation/amortization</i> | <i>-114.3</i> | | <i>-118.0</i> | | |
| <i>Disposals/restruct./goodwill</i> | <i>-6.3</i> | | <i>-10.2</i> | | |
| Operating income | 1,544.8 | 27.9% | 1,622.6 | 26.4% | +5.0% |
| Financial income (loss) | -6.6 | | -29.0 | | |
| <i>Income tax</i> | <i>-544.8</i> | | <i>-575.3</i> | | +5.6% |
| <i>Net income of equity affiliates</i> | <i>+5.9</i> | | <i>6.2</i> | | |
| Total net income | 999.3 | 18.0% | 1,024.5 | 16.7% | +2.5% |
| Net income, Group share | 917.0 | | 986.2 | | +7.5% |



Q4: net cash up € 195.2m

In € million

| | Q4 2006 | Q4 2007 |
|--|-------------|-------------|
| Cash flow (excluding financial expenses and taxes) | 414.1 | 449.2 |
| Interest paid and received | -0.2 | -0.2 |
| Taxes paid | -135.5 | -143.3 |
| Change in gross WCR | -123.9 | 67.9 |
| Gross capital expenditure | -104.3 | -153.6 |
| Financial investments | -61.7 | 0.0 |
| Asset disposals | +9.2 | +27.3 |
| Share management programme | 0.0 | -2.4 |
| Dividends paid | -119.9 | -9.1 |
| Other | +9.0 | -40.6 |
| | <hr/> <hr/> | <hr/> <hr/> |
| (Increase)/decrease in total net debt | -113.2 | 195.2 |



2007: net cash up € 201.0m

| <i>In € million</i> | 2006 | 2007 |
|--|-------------|-------------|
| Cash flow (excluding financial expenses and taxes) | 1,687.7 | 1,787.2 |
| Interest paid and received | -2.8 | -4.8 |
| Taxes paid | -566.0 | -586.1 |
| Change in gross WCR | -282.8 | -214.4 |
| Gross capital expenditure | -281.5 | -437.7 |
| Financial investments | -94.3 | -3.6 |
| Asset disposals | +26.4 | +151.3 |
| Share management programme | 0.0 | -1.8 |
| Dividends paid | -239.1 | -465.1 |
| Other | -1.5 | -24.0 |
| | <hr/> <hr/> | <hr/> <hr/> |
| (Increase)/decrease in total net debt | 246.1 | 201.0 |



Sound financial structure

In € million

| | 31/12/06 | 31/12/07 | | 31/12/06 | 31/12/07 |
|----------------------------------|----------------|----------------|---------------------------|----------------|----------------|
| Non-current assets | 1,218.3 | 1,492.2 | Shareholders' equity | 2,130.4 | 2,707.8 |
| Inventories and work-in-progress | 1,039.3 | 1,168.7 | Minority interests | 92.8 | 81.9 |
| Trade receivables | 1,002.7 | 1,048.6 | Equity capital | 2,223.2 | 2,789.7 |
| Financial instruments | 91.0 | 158.1 | Provisions | 351.4 | 357.4 |
| Other current assets | 111.9 | 142.8 | Bank debt | 847.9 | 670.1 |
| Cash | 889.3 | 912.5 | Financial instruments | 26.1 | 28.1 |
| Assets held for sale | 175.6 | | Trade payables | 602.4 | 671.9 |
| | | | Other current liabilities | 399.2 | 405.7 |
| | | | Liabilities held for sale | 77.9 | |
| | <u>4,528.1</u> | <u>4,922.9</u> | | <u>4,528.1</u> | <u>4,922.9</u> |

| | 31/12/06 | 31/12/07 |
|---------------|----------|-----------|
| Net debt | - €41.4m | - €242.4m |
| Gearing ratio | -1.9% | -8.7% |








Cost-savings plan



Cost-savings plan

-  Plan to deliver annual cost savings in excess of € 200m by 2010:
 - Gradual increase in savings over a period of 3 years
 - Concerns all existing operations
 - At constant volumes
 - Excluding changes in raw materials costs and currency effects

-  Measures will be implemented at operating level to support and manage the plan

-  Concrete action plans



Areas concerned



Operations

- Equipment utilization rates
- Improved materials consumption (yields)
- Energy savings
- Quality improvements
- Automation of handling operations
- Installations of new equipment to be accelerated



Purchases

- No more external purchases of tube rounds (Saint Saulve)
- Centralization of strategic purchases (e.g. alloys)



Overheads



Rolling out the plan throughout the organization

- Breakdown of costs into identified sub-groups
 - Without recoveries
 - With responsibility assigned to a designated person
 - Supported by centralized management accounting

- Project management
 - A project leader in each field
 - Multi-disciplinary working groups for the plants and central functions => objective: more than 50% of staff involved

- External consulting and benchmarking

- Management and control at intermediate levels
 - Involving the entire management chain
 - Monthly review by the Management Board

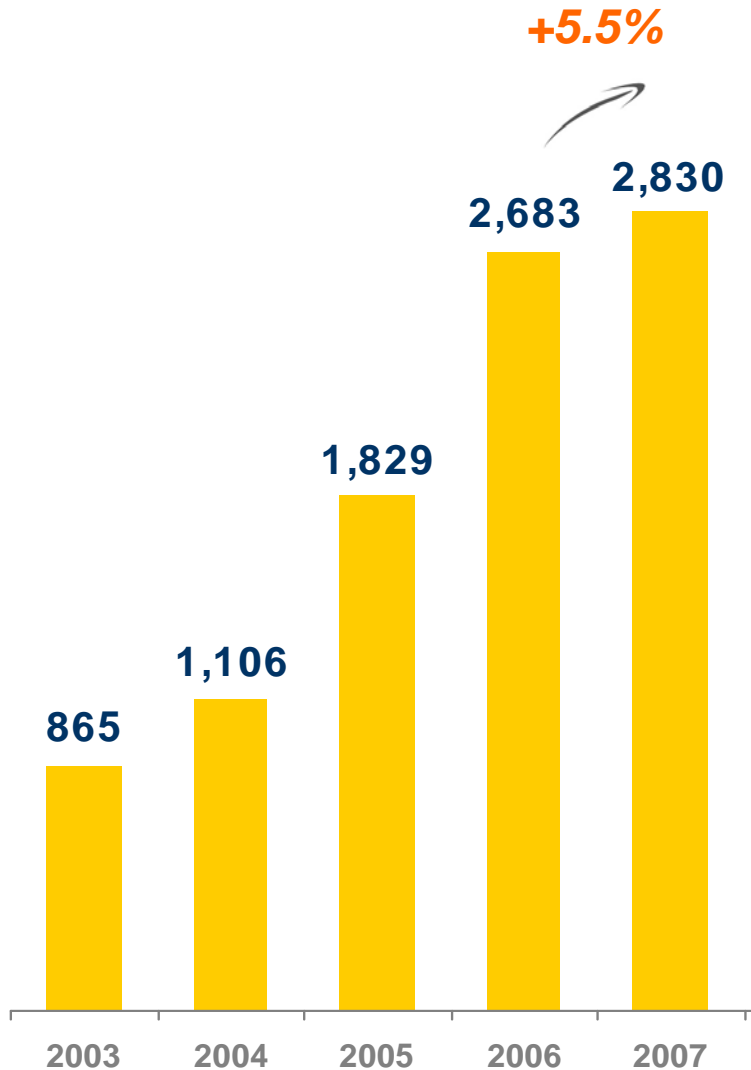




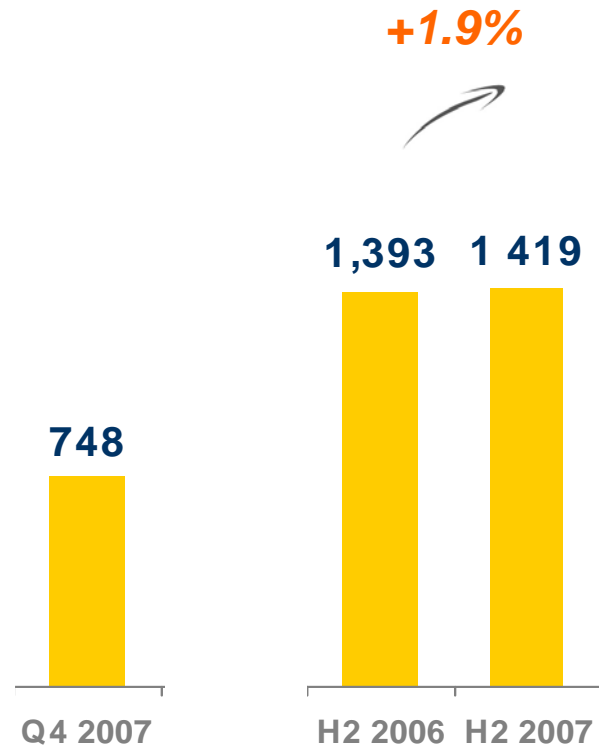
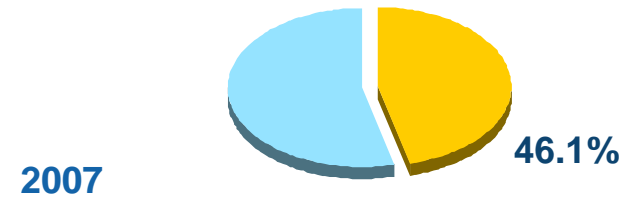
- ***Review of Vallourec's activity by market***

Oil & Gas

Vallourec's sales in this market
(in €million)



Oil & Gas sales/total sales



Oil & Gas

OCTG

- North America:
 - Stable activity and prices (Q4 vs. Q3)
 - V & M STAR: improved workload in H2
 - End-user demand continues to be strong
- Rest of the world:
 - Demand is satisfactory, order book represents 7 to 8 months
 - Stable prices in dollar terms

Drills

- Increase in activity

Other

- Deliveries of externally-purchased tubes in nickel alloy and tubes with special coatings helped boost Q4 sales

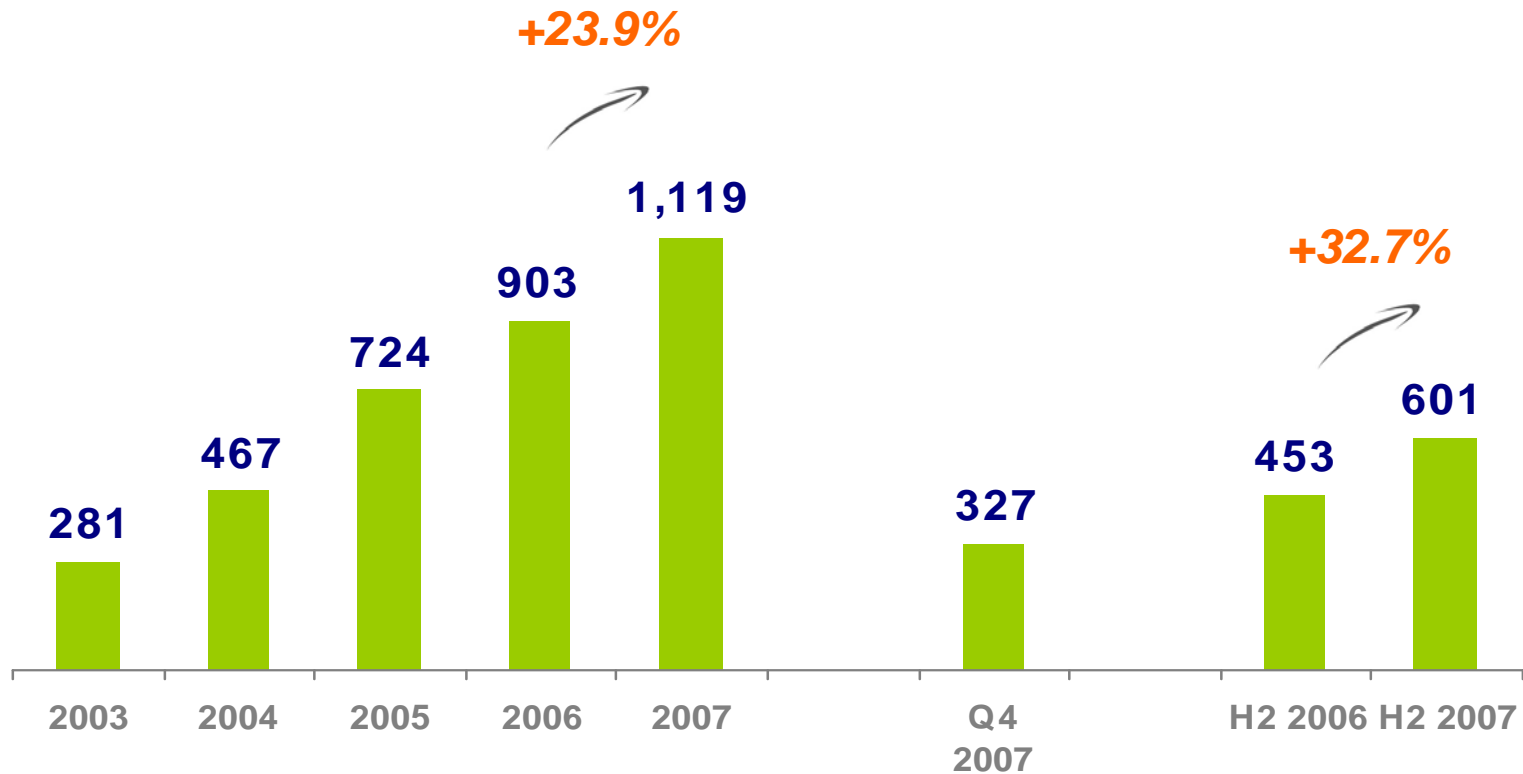
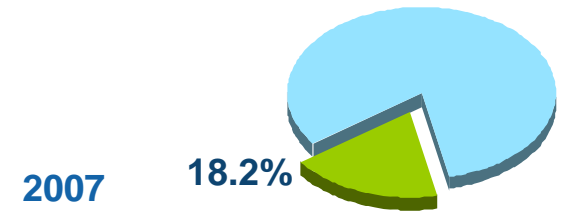
**End of de-stocking in the US
Demand remains upbeat**



Power generation

Vallourec's sales in this market
(in €million)

Power generation sales/total sales



Power generation

Activity

- Dynamic activity fuelled by strong demand
- Increasing number of complex new projects (supercritical and ultra-supercritical power plants in Europe, China and the rest of Asia)
- Order book represents 9 months

General environment

- Prices remain well oriented
- Product mix is improving due to the increasing proportion of high value-added tubes

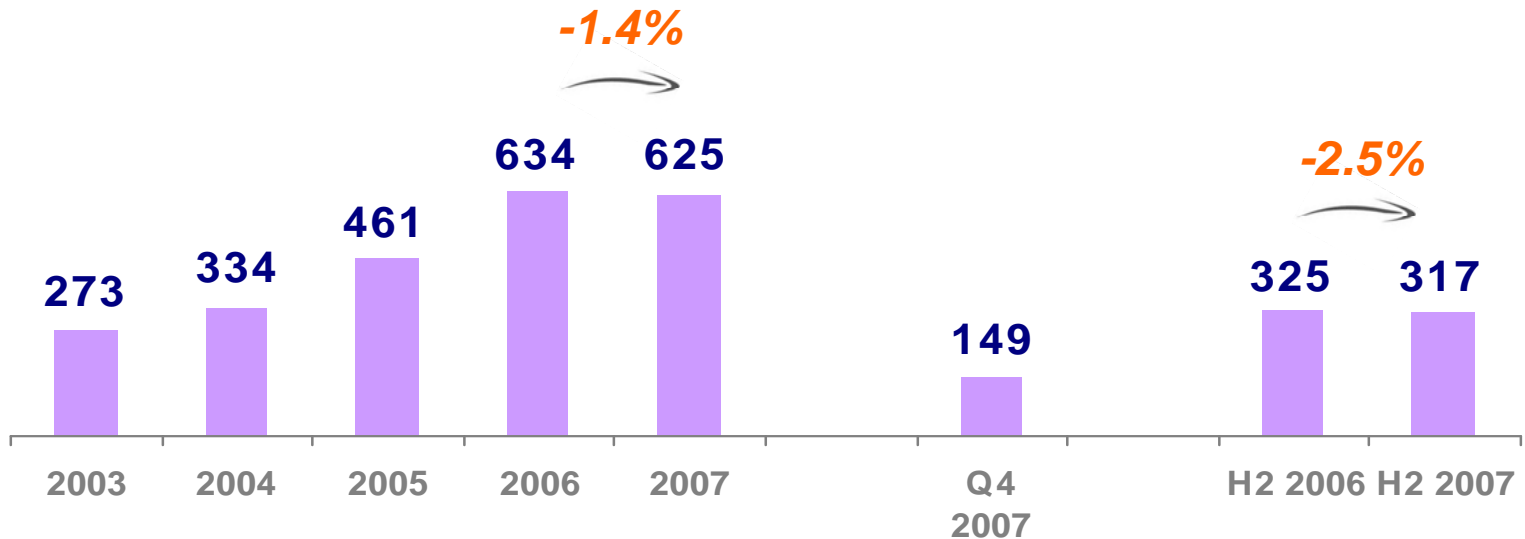
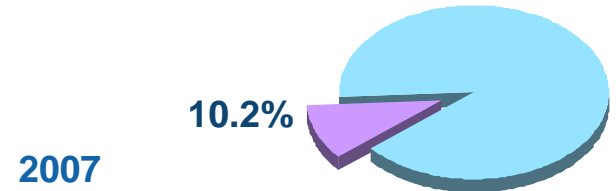
Strong demand worldwide



Petrochemicals

Vallourec's sales in this market
(in €million)

Petrochemicals sales/total sales



High level of activity
New projects in the Middle East and Southeast Asia



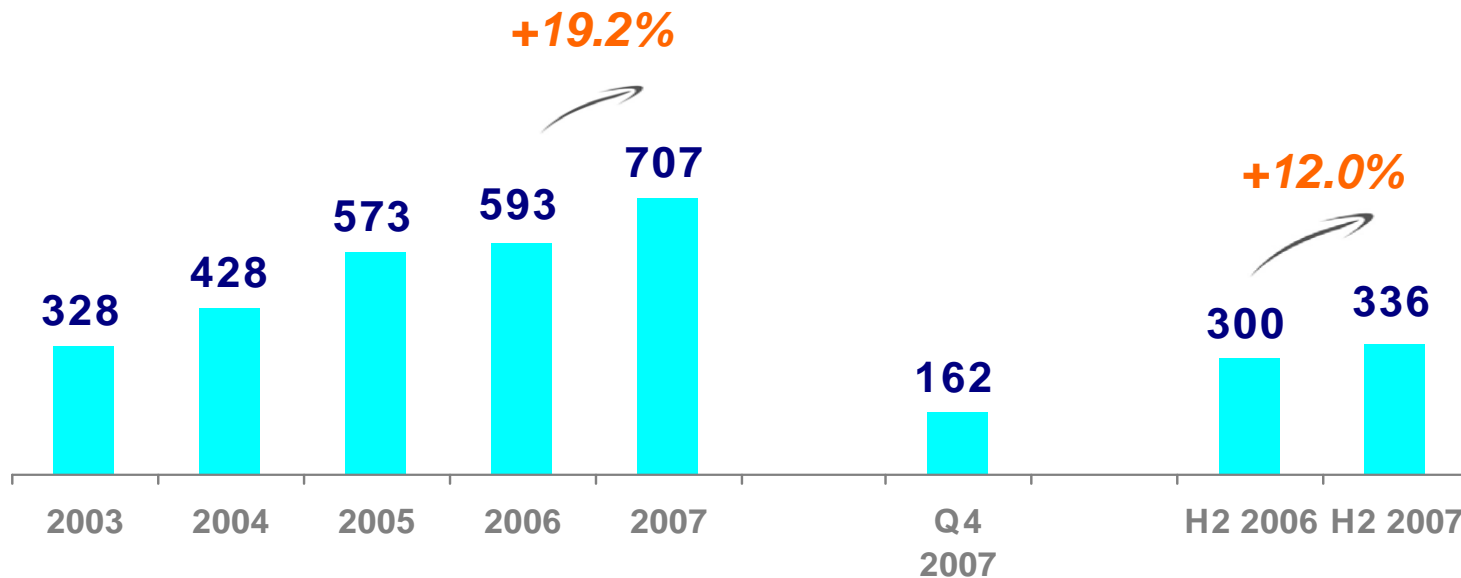
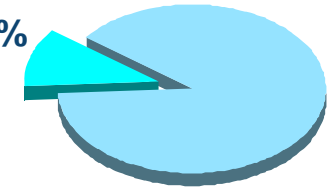
Mechanical engineering

Vallourec's sales in this market
(in €million)

Mechanical eng. sales/total sales

11.5%

2007



Vallourec is well positioned in this market

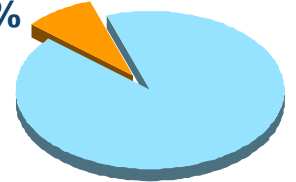


Automotive

Vallourec's sales in this market
(in € million)

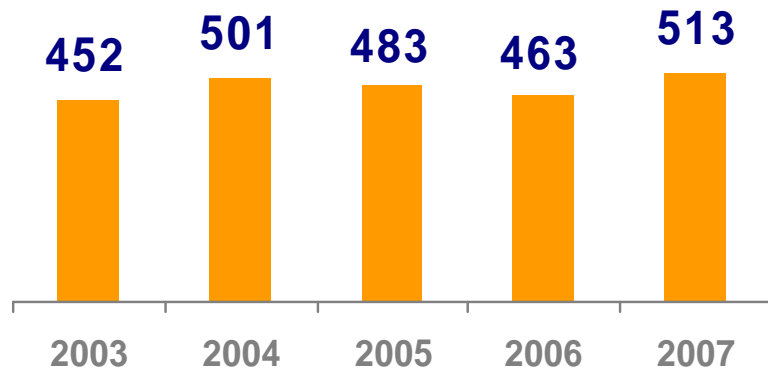
Automotive sales/total sales

8.4%

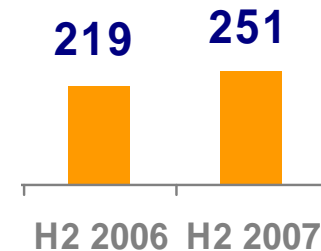


2007

+10.8%



+14.6%



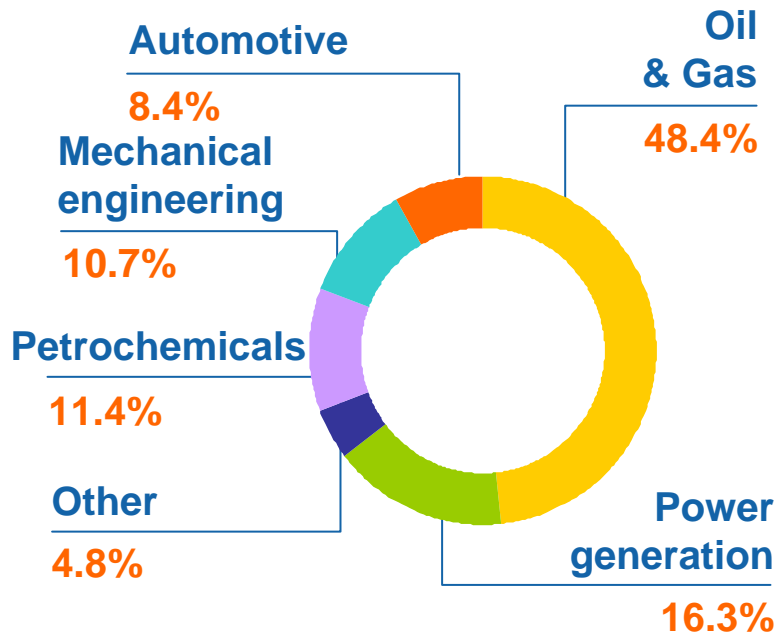
Strong growth in Brazil



Business remains firmly focused on Energy

2006

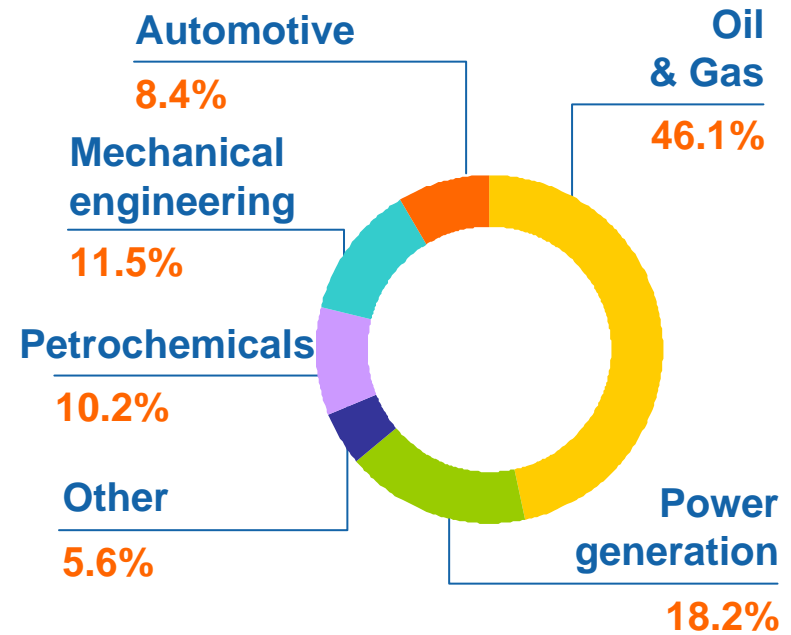
Sales = € 5,542m



Total Energy* = 64.7% of sales

2007

Sales = € 6,141m



Total Energy* = 64.3% of sales

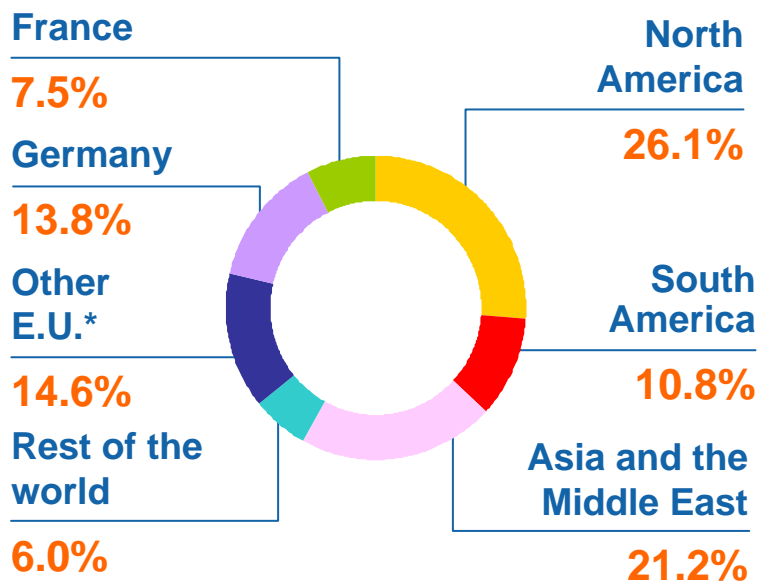
* Total Energy = Oil & Gas + Power generation



Proportion of sales in Germany increased while North America contracted

2006

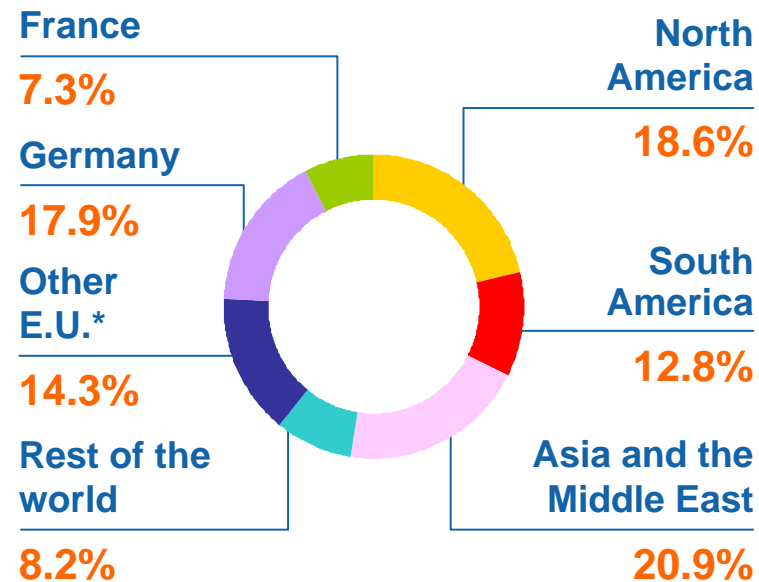
Sales = € 5,542m



Non-E.U.* = 64.1% of sales

2007

Sales = € 6,141m



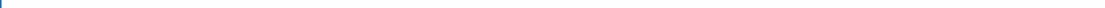
Non-E.U.* = 60.5% of sales

* Non-E.U. = Total world – E.U. of 27





Outlook



Outlook

- 2008 activity and sales
 - Volumes are expected to remain at an excellent level, equivalent to 2007
 - Sales at least in line with 2007 (on a comparable basis)

- EBITDA/sales for H1 2008
 - In a context of a weak dollar and sharply higher raw materials costs
 - EBITDA/sales ratio of around 25% in H1 2008

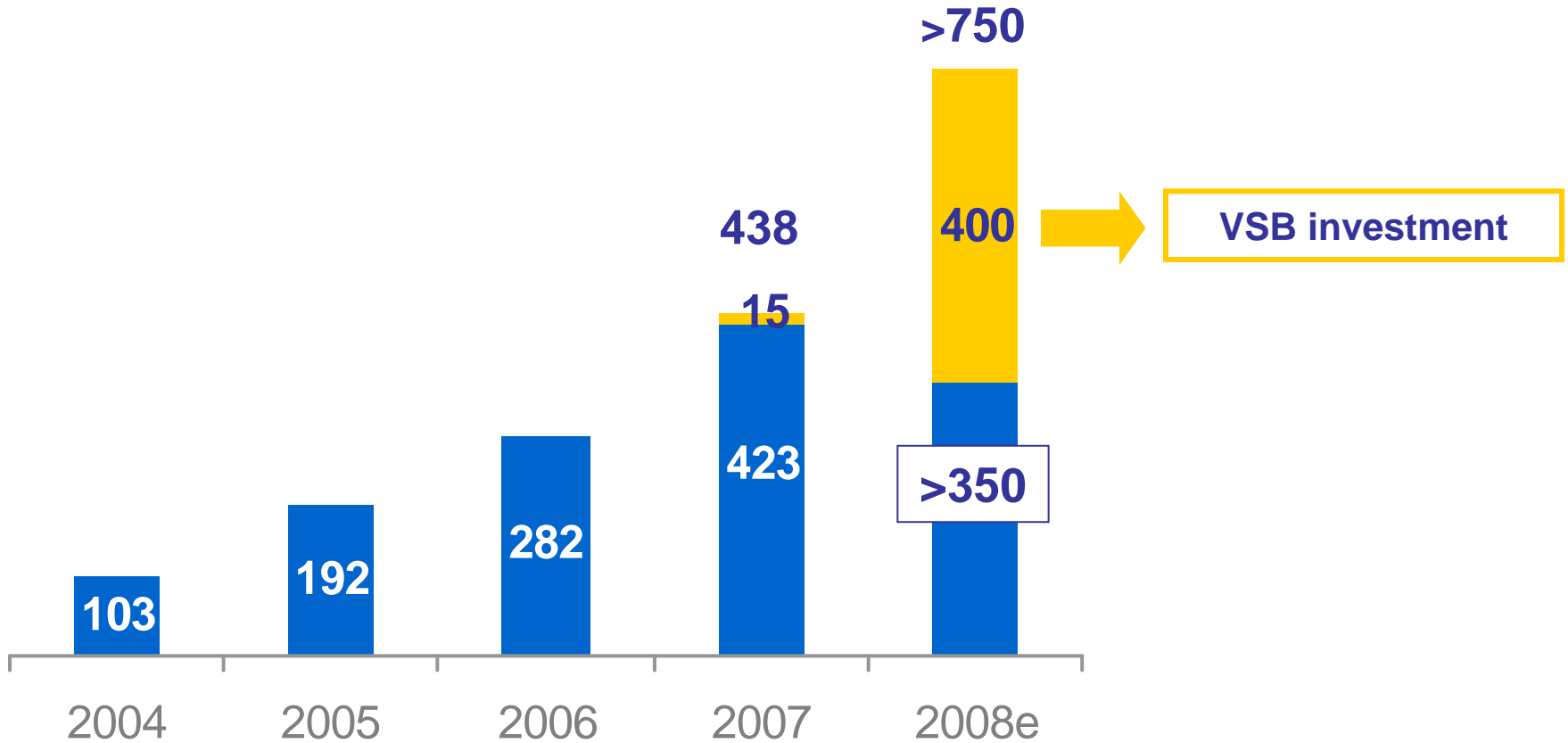
- Measures taken
 - Determined to pass on the impact of the euro/dollar exchange rate and higher raw materials costs through increased prices
 - Planned cost-savings

- Medium to long term outlook
 - Solid outlook for premium seamless tubes
 - Especially in the Oil & gas and Power generation markets



Further capital expenditure

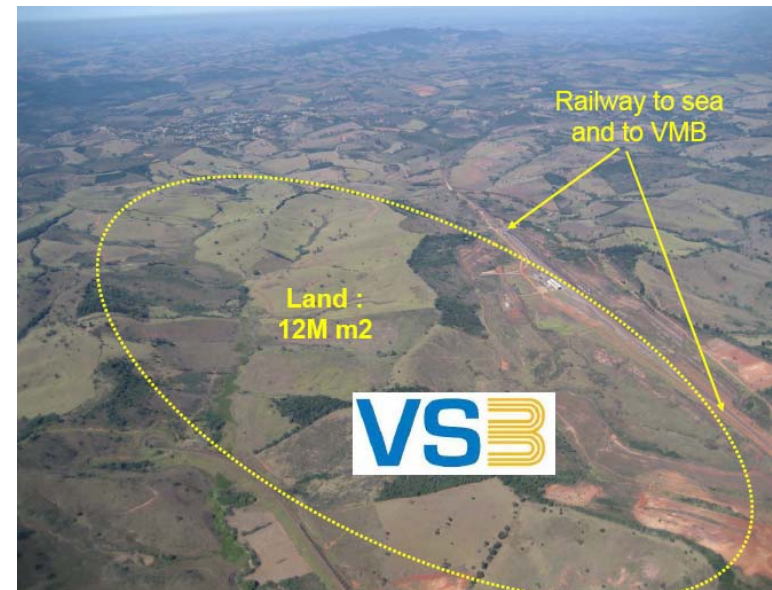
In € million



Further capital expenditure and financial investments

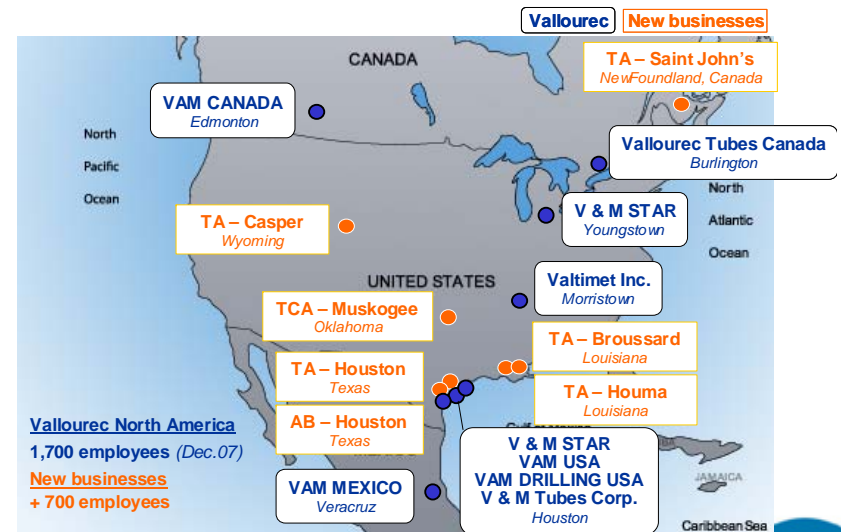
Capital expenditure

- VSB: land preparation is in progress



Planned acquisition of Atlas Bradford®, TCA® and Tube-Alloy™

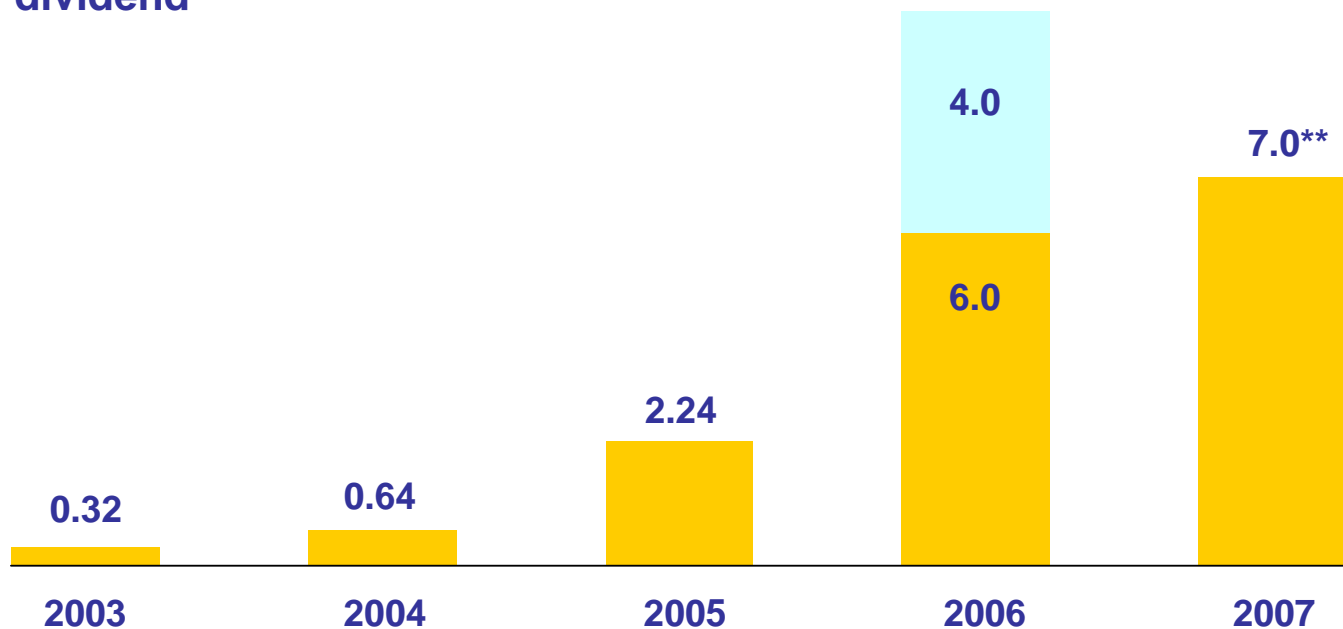
- Process for obtaining clearance from the competition authorities (DOJ) is under way



Dividend policy

In euros per share

- Ordinary dividend
- Special dividend



| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------|-------|-------|-------|-------|-------|
| Payout ratio* | 39.2% | 23.3% | 25.1% | 34.7% | 37.4% |

* Excluding special dividend

** Proposed dividend. Date of payment: 18 June 2008

The amounts of the dividends paid in respect of financial years from 2003 to 2005 have been recalculated to take into account the division by 5 of the nominal value of Vallourec's shares on 18 July 2006



Conclusion

2007

The excellent results confirm:

- The solidity of the Group's activities
- The relevance of its strategic choices



2008

Vallourec is implementing specific actions to limit the long term impact of a weaker dollar, notably a cost-savings plan



2009/2010

Vallourec will benefit from:

- Full effect of the cost-savings plan
- Full effect of the US acquisitions
- New pipe mill in Brazil





Vallourec

2007 results

5 March 2008