



Vallourec
2nd quarter 2008
results

1 August 2008

Information

- *Only half year accounts are audited. Quarterly statements are unaudited.*
- *Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous year.*



A solid performance with a good second quarter

	Q2 2008		H1 2008	
Sales	€1,620 m	+3.9%	€3,003 m	-0.3%
EBITDA / Sales	26.6%		25.7%	
Net profit, Group share	€255.1 m	-1.0 %	€448.4 m	-9.5 %
Gross capital expenditure	€99.6 m	+3.2 %	€206.4 m	+23.2 %



The Group benefits from a good level of activity, notably in Power Generation

- Total output was maintained at a high level
 - Production up again after temporary slowdown in Q1
 - Scope effect due to disposals in 2007
- Demand for seamless tubes remains sustained worldwide, particularly in Power Generation
- Dollar weakness impacts Vallourec sales
- Selling prices are up in Q2
 - Price increases to offset surge in raw material costs progressively have a positive impact



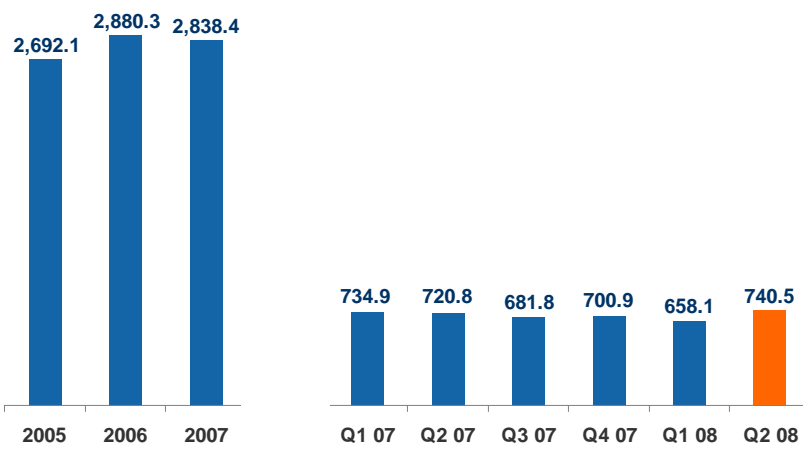


Q2 2008 results

A clear upturn of the production output in Q2

Production output

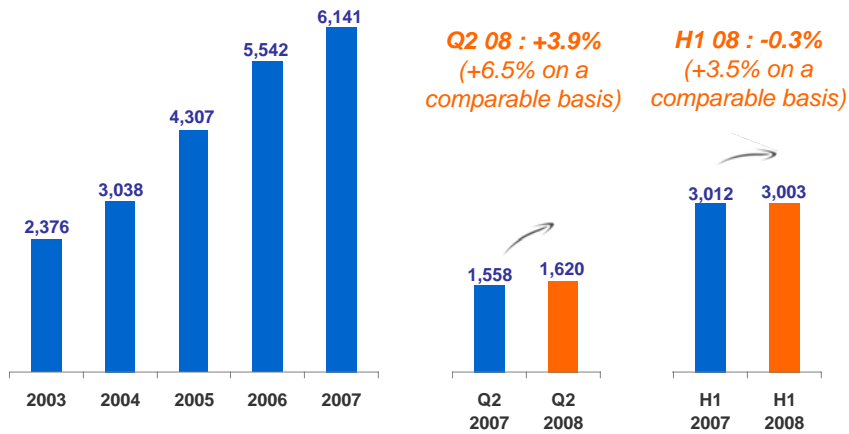
In k tonnes



Sales growth

Sales trend

In € million



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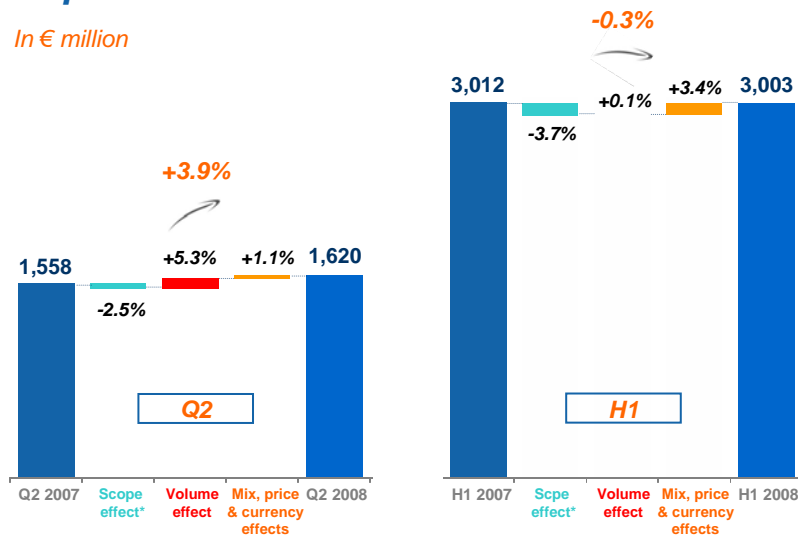
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Growth driven by mix & price effects

Upturn of volumes in Q2

In € million



* Mainly deconsolidation of VPE/Zeithain (July 07) and VPS/VCAV (December 07)

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Q2: EBITDA impacted by increase in purchases consumed

In € million

	Q2 2007	Q2 2008	Change
Sales	1,558.2	1,619.7	+3.9%
Other products	66.7	-1.4	
	<i>% of sales</i>	<i>% of sales</i>	
Purchases consumed	-575.8 37.0%	-616.8 38.1%	+7.1%
Taxes and duties	-15.1 1.0%	-14.5 0.9%	-4.0%
Payroll costs	-220.1 14.1%	-215.9 13.3%	-1.9%
Other operating costs	-328.5 21.1%	-342.3 21.1%	+4.2%
Provisions	-18.8 1.2%	+1.7 -0.1%	
Total	-1,158.3	-1,187.8	+2.5%
EBITDA	466.6	430.5	-7.7%

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H1: lower EBITDA was anticipated

In € million

	H1 2007	H1 2008	Change
Sales	3,012.1	3,003.3	-0.3%
Other products	103.1	53.8	-47.8%
	<i>% of sales</i>	<i>% of sales</i>	
Purchases consumed	-1,082.4 35.9%	-1,163.8 38.8%	+7.5%
Taxes and duties	-29.4 1.0%	-28.1 0.9%	-4.4%
Payroll costs	-435.9 14.5%	-414.2 13.8%	-5.0%
Other operating costs	-662.0 22.0%	-683.6 22.8%	+3.3%
Provisions	-14.3 0.5%	+4.9 -0.2%	
Total	-2,224.0	-2,284.8	+2.7%
EBITDA	891.2	772.3	-13.3%

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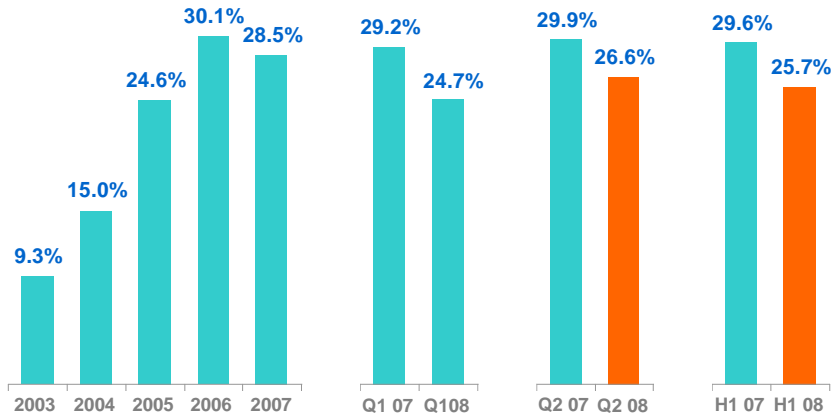
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H1: EBITDA/sales ratio of 25.7%

EBITDA / Sales %



IFRS from 2004 onwards

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Q2: net income, Group share virtually flat

In € million

	Q2 2007		Q2 2008		Change
		% of sales		% of sales	
EBITDA	466.6	29.9 %	430.5	26.6%	-7.7%
<i>Depreciation / Amortization</i>	-31.3		-40.0		
<i>Disposals / restructuring</i>	-16.7		+0.4		
Operating income	418.6	26.9 %	390.9	24.1%	-6.6%
Financial income	5.7		1.2		
<i>Income tax</i>	-158.4		-133.9		-15.5%
<i>Net income of equity affiliates</i>	2.5		5.2		
Total net income	268.4	17.2 %	263.4	16.3%	-1.9%
Net income, Group share	257.7		255.1		-1.0%

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H1: net income, Group share

In € million

	H1 2007		H1 2008		Change
		% of sales		% of sales	
EBITDA	891.2	29.6 %	772.3	25.7%	-13.3%
<i>Depreciation / Amortization</i>	-61.3		-71.1		
<i>Disposals / restructuring</i>	-15.4		+0.4		
Operating income	814.5	27.0 %	701.6	23.4%	-13.9%
Financial income	-9.0		-16.5		
<i>Income tax</i>	-294.3		-228.7		-22.3%
<i>Income from equity affiliates</i>	6.5		6.2		
Total net income	517.7	17.2 %	462.6	15.4%	-10.6%
Net income, Group share	495.4		448.4		-9.5%

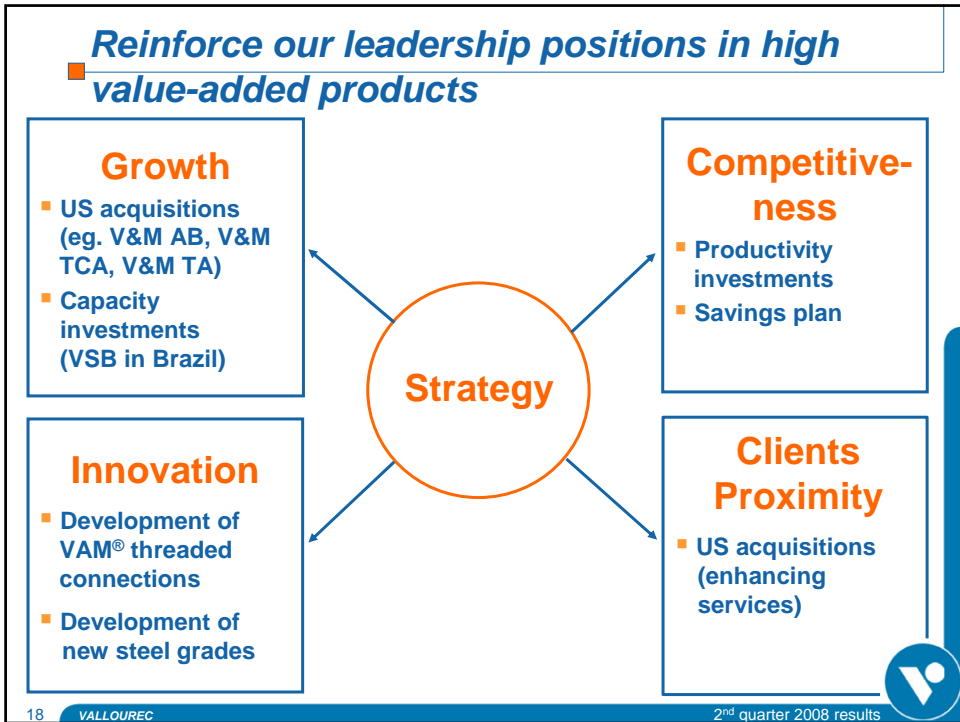
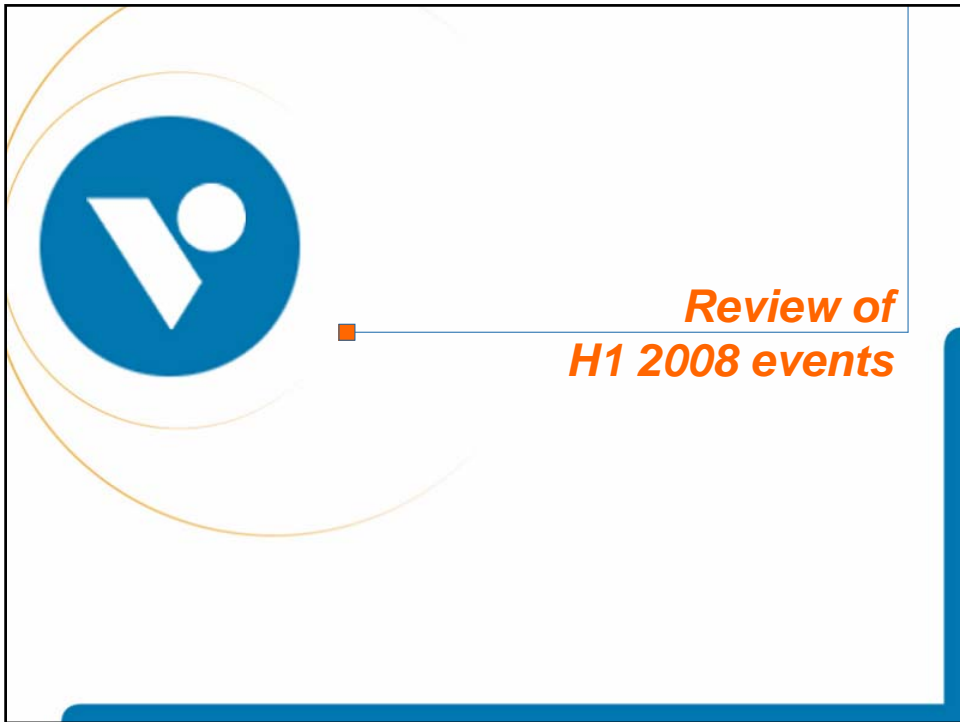


Q2: effect of US acquisitions and dividend distribution on net cash position

In € million

	Q2 2007	Q2 2008
Cash flow (excluding financial expenses and taxes)	493.1	442.2
Interest paid and received	0.0	-2.6
Taxes paid	-223.1	-150.5
Change in gross WCR	-136.1	-103.0
Gross capital expenditure	-96.5	-99.6
Financial investments	-3.6	-519.9
Asset disposals	3.7	0.7
Share management programme	9.7	12.3
Dividends paid	-9.9	-375.7
Other	-1.2	-0.2
(Increase) / decrease in total net debt	36.1	(796.3)





Intregation of US acquisitions

- 3 units strengthening our Oil & Gas offer in North America (acquired in May 2008)

V&M Atlas Bradford®

V&M TCA®

V&M Tube-Alloy™

Premium connections

Heat treatment

Downhole accessories

Comprehensive network of 10 sites close to the market, with customer oriented teams

- Acquisition price = €520 million paid in H1 08
- « Cross fertilization » in progress and first positive feedback from clients



Vallourec & Sumitomo Tubos do Brasil: A project in line with expectations

- Expenditure in line with budget
- Construction timetable respected:
 - Signature of agreement with State of Minas Gerais: April 2007
 - Land preparation: earth leveling almost completed
 - Orders placed for steel and pipe mill equipment
 - Foundation works: installation of first piles in progress (see picture)



Cost-savings plan

- **Plan to deliver annual cost savings in excess of €200m by 2010:**
 - Conducted as expected with first effects to be generated as from 2008
- **Concrete action plans applied at operating, purchasing and general expense levels**



Review of Vallourec's activity by market

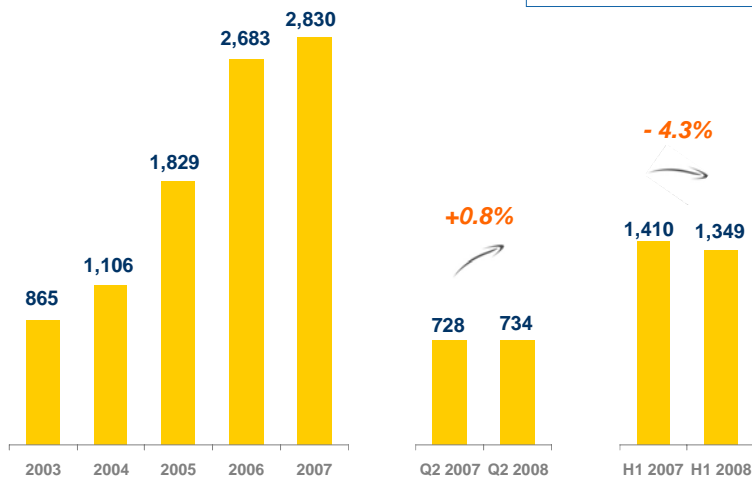
Oil & Gas

Vallourec sales in this market
(in €million)

Oil & Gas sales/total sales

H1 2008

44.9%



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Oil & Gas

US OCTG

- Strong demand, linked to an excellent level of drilling activity (record number of rigs in activity)
- Distributor inventories' historically low
- Accelerated pace of selling price increases

OCTG rest of the world

- E&P activity is well oriented
- Price increases negotiated contract by contract, with effect early 2009 (due to 7 months backlog)

**Upturn of US market
with a positive trend in selling prices**

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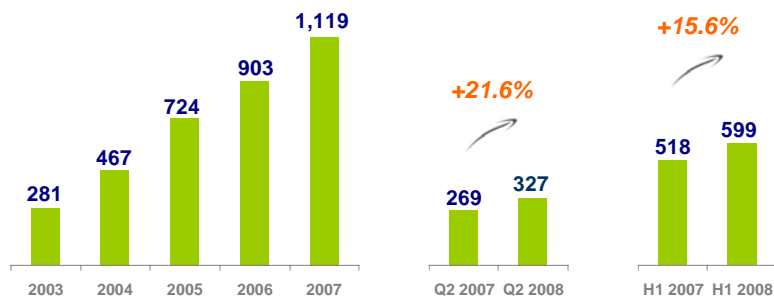


Power generation

Vallourec sales in this market
(in €million)

Power generation sales/total sales

H1 2008 19.9%



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Power generation

- Sustained demand and strong market positions
- Increased number of new projects in most parts of the world ; Chinese market continues to be dynamic
- Buoyant nuclear activity
- Price increases and positive mix effect
- Healthy backlog = 7 months

**Strong demand worldwide
Very strong sales growth**

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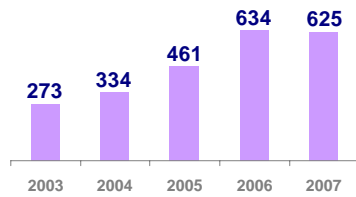
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Petrochemicals

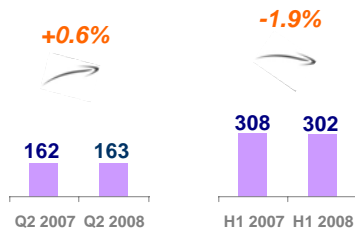
Vallourec sales in this market
(in €million)



Petrochemicals sales/total sales

H1 2008

10.1%



Markets well oriented, notably in the US
Prices increasing, but impact of the dollar weakness

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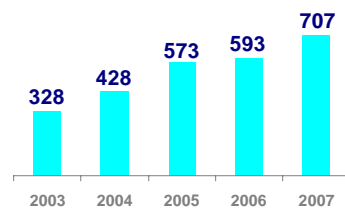
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Mechanical engineering

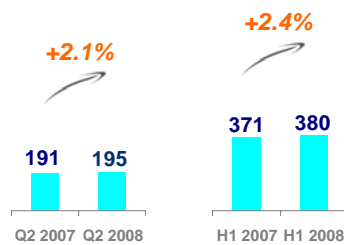
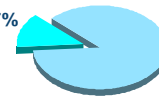
Vallourec sales in this market
(in €million)



Mechanical eng. sales/total sales

H1 2008

12.7%



Stable activity at a good level

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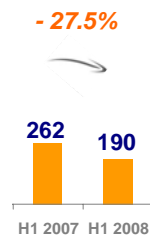
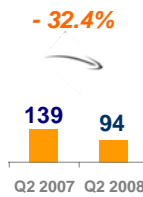
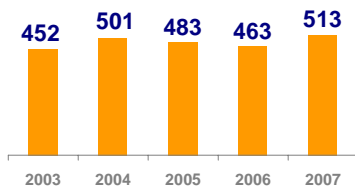
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Automotive

Vallourec sales in this market
(in €million)



Automotive sales/total sales

6.3%



H1 2008

Significant scope effect in Europe
Good performance in Brazil

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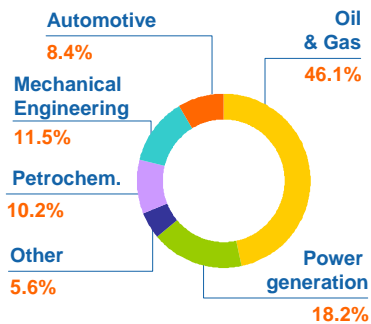
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A business which continues to be strongly focused on Energy

FY 2007

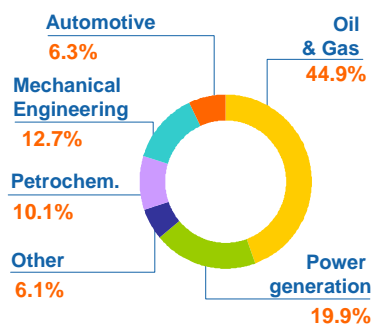
Sales = €6,141 m



Total Energy*: 64.3% of sales

H1 2008

Sales = €3,003 m



Total Energy*: 64.8% of sales

* Total Energy = Oil & Gas + Power generation

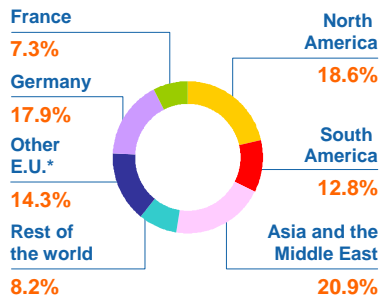
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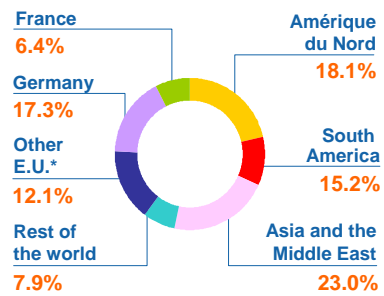
Significant increase of Brazil and China

FY 2007
Sales = €6,141 m



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

H1 2008
Sales = €3,003 m



Non-E.U.*: 64.2% of sales

* Non-E.U. = Total world – E.U. of 27 countries

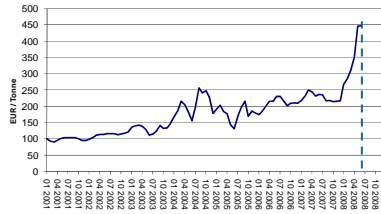


Outlook

Surge in raw material prices and weak US dollar

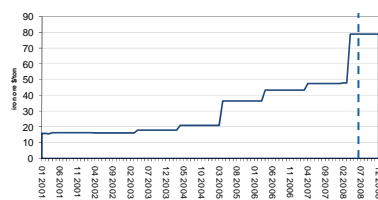
Scrap

Source: FFA (E40 / shredded scrap)



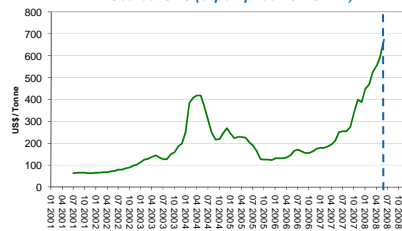
Iron ore

Source: CRU (annual contracts price FOB Brazil)

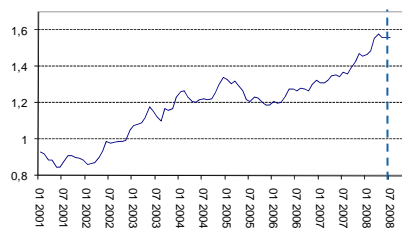


Coke

Source: CRU (export price FOB China)



Euro vs US\$



Increase in selling prices

- **US OCTG**
 - Q2: OCTG surcharge of \$385/t applied in 3 steps
 - Minimum additional increase of \$495/t under way
 - => Total increase: minimum of \$880/t since beginning of the year
- **OCTG Rest of the world**
 - On a case by case / tender by tender basis
 - No change applied to past orders
- **Power generation / Mechanical engineering**
 - €250/t increase under way (in 5 steps)



2008 guidance

Sales

- H2 08 volumes expected to be at same level as H2 07
- H2 08 sales growth rate close to that achieved in H1 08 (at comparable scope)
- Contribution of US acquisitions

EBITDA

- H2 08 EBITDA expected to be close to that achieved in H1 08, in absolute terms, i.e. expected EBITDA/sales ratio of around 23%

Medium to long term outlook

- Solid outlook for premium seamless tubes, especially in Energy markets
- Positive impact of cost-reduction programme, of new pipe mill in Brazil and of integration of US acquisitions



Appendix

Positive long term outlook

Oil & Gas demand



Source: EIA - Energy Information Administration

Increasing complexity of applications → rise in proportion of premium products

- Deeper wells
- Corrosive fields
- Deviated wells (directional & horizontal)

Electricity demand



Source: IEA - International Energy Agency

Towards ultra-supercritical power plants → increasingly sophisticated products

- Reduction of CO₂ emissions
- Increasingly higher temperatures (> 600°C)
- Increasingly high-performance and durable materials



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