PRESS RELEASE

V A L L O U R E C

2007 SECOND QUARTER RESULTS

Vallourec benefits from balanced growth in all its markets

- **Q2 sales up 11.4%**
- **Q2 EBITDA/sales ratio maintained at high level: 29.9%**
- **Q2 net income, Group share, up 7.5%**

Boulogne-Billancourt, 31 July 2007 – Vallourec, world leader in the production of seamless steel tubes and tubular products for specific industrial applications, today announced its results for the second quarter of 2007. The consolidated financial statements were presented today by Vallourec's Management Board to its Supervisory Board, chaired by Jean-Paul Parayre.

Consolidated sales in the second quarter of 2007 increased by 11.4% to reach a record € 1,558.2 million. For the first six months, the Group achieved sales growth of 10.8%.

EBITDA rose by 3.6% to € 466.6 million in the second quarter, giving an EBITDA/sales ratio of 29.9%. In the first half of 2007, EBITDA increased by 6.6% to € 891.2 million, equivalent to 29.6% of sales.

Net income, Group share increased by 7.5% to € 257.7 million in the second quarter and by 9.5% to € 495.4 million in the first half.

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Information
Only half year income statements are audited; quarterly statements are unaudited.
Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous exercise.

Income statements *(in € million)*	**Q2 2006**	**Q2 2007**	**Change Q2 2007 / Q2 2006**	**H1 2006**	**H1 2007**	**Change H1 07 / H1 06**
Sales	**1,398.7**	**1,558.2**	**+11.4%**	**2,717.3**	**3,012.1**	**+10.8%**
EBITDA	**450.6**	**466.6**	**+3.6%**	**835.9**	**891.2**	**+6.6%**
As a % of sales	*32.2%*	*29.9%*		*30.8%*	*29.6%*	
Operating income	**423.5**	**418.6**	**-1.2%**	**782.5**	**814.5**	**+4.1%**
As a % of sales	*30.3%*	*26.9%*		*28.8%*	*27.0%*	
Total net income	**261.4**	**268.4**	**+2.7%**	**495.0**	**517.7**	**+4.6%**
As a % of sales	*18.7%*	*17.2%*		*18.2%*	*17.2%*	
Net income, Group share	**239.7**	**257.7**	**+7.5%**	**452.6**	**495.4**	**+9.5%**

When commenting on these results, Pierre Verluca, Chairman of the Management Board, stated:

"Despite the continuing OCTG inventory reduction observed in the United States, further strong growth was recorded during the first half of 2007. As we anticipated, our level of operating profitability remained very high, just under 30%. During the semester Vallourec announced a major new investment in Brazil. In this way, the Group is preparing for the future by significantly increasing its capital expenditure programme whilst at the same time strengthening its capacity to seize opportunities for external growth."

ACTIVITY

Apart from the North American Oil and Gas market, overall demand remained strong during the second quarter of 2007. With the exception of V & M STAR, Vallourec's plants continued to operate at very high levels, notably in Brazil.

Production output totalled 720.8 thousand tonnes during the quarter compared to 730.9 thousand tonnes in the second quarter of 2006 (-1.4%). For the first half 2007, production output totalled 1,455.7 thousand tonnes compared to 1,457.0 thousand tonnes prior year (-0.1%).

Average selling prices were stable compared with levels at the end of 2006. Nevertheless, compared with the first and second quarters of 2006, the Group benefited from the full effect of the price increases implemented in 2006 for certain high value-added products and from an enhanced product mix.

As a result, the 11.4% sales growth in the second quarter of 2007 consisted of a consolidation scope effect of -0.5%[(1)], a volume effect of -1.4% and a mix/price/currency effect of +13.5%. The 10.8% sales growth in the first half of 2007 consisted of a consolidation scope effect of -0.4%[(2)], a volume effect of -0.1% and a mix/price/currency effect of +11.4%.

Sales by market

	Q2 2007	Contribution to total sales for Q2 2007	H1 2007	Change H1 2007 / H1 2006	Contribution to total sales for H1 2007
Oil and Gas	728	46.7%	1,410	+9.3%	46.8%
Power generation	269	17.3%	518	+15.1%	17.2%
Total Energy	***997***	***64.0%***	***1,928***	***+10.8%***	***64.0%***
Petrochemicals	162	10.4%	308	-0.3%	10.2%
Mechanical engineering	191	12.3%	371	+26.6%	12.3%
Automotive	139	8.9%	262	+7.8%	8.7%
Other	69	4.4%	143	+8.3%	4.8%
Total Non-Energy	***561***	***36.0%***	***1,084***	***+11.0%***	***36.0%***
Total	**1,558**	**100.0%**	**3,012**	**+10.8%**	**100.0%**

In **Oil and Gas**, first half sales increased by 9.3% to € 1,410 million. Apart from the United States OCTG market, demand remained strong across the board.

The destocking observed at US distributors since the end of 2006 continued in the second quarter of 2007. This phenomenon explains the bulk of the decline in quantities of OCTG tubes delivered by Vallourec in this region, where average selling prices in dollars held stable. Outside the North American market, sales of OCTG tubes saw strong growth, while prices held at satisfactory levels.

As regards the drilling activity, sales continued to increase, together with the order intake. In particular, Vallourec won a significant order from the China National Offshore Oil Corporation (CNOOC) and another to equip three new deep-sea drilling platforms being built by Transocean Inc.

[(1)] In the second quarter, the consolidation scope effect related solely to the disposal of Cerec, deconsolidated with effect from 1 December 2006.

(2) In the first half, the consolidation scope effect related mainly to the acquisition of SMFI, consolidated with effect from 1 April 2006, and the disposals of Spécitubes and Cerec, deconsolidated with effect from 1 April and 1 December 2006 respectively.

The special line pipe activity also posted good performances. In particular, Vallourec won an important order from Shell for an offshore platform in Brazil. This order was won in partnership with Bredero Shaw, the world leader in pipe coating solutions.

In **Power generation**, the activity continued to grow strongly, with prices holding at high levels. Sales increased by 15.1% in the first half of 2007 compared with prior year. Vallourec continued to benefit from strong demand from China. At the same time, new and complex projects for supercritical and ultra-supercritical coal-fired power plants have multiplied in Europe and the United States. In particular, the Group won several orders from Alstom and Siemens for the American and German markets.

The **Petrochemicals** activity was stable compared with the first half of 2006 despite the effect of high prior year comparison (disposal of Cerec and high level of sales in 2006 related to the reconstruction of refineries in the United States that had been destroyed by hurricanes in 2005).

The **Mechanical engineering** activity recorded a strong increase in first-half sales (26.6%), in an environment characterized by a strong increase in orders for the German export market.

The **Automotive** activity recorded a 7.8% increase in first-half sales, a slight recovery, having been penalized for a long time in Europe by the downturn experienced by the two main French car manufacturers. Sales of truck axles and bearing tubes were particularly strong.

RESULTS

EBITDA increased by 3.6% to € 466.6 million in the second quarter of 2007. It increased by 6.6% to € 891.2 million in the first half of 2007, up from € 835.9 million last year. The EBITDA/sales ratio held at the high levels of 29.9% in the second quarter and 29.6% in the first half.

Operating costs increased by 14.4% in the second quarter. This rise was due principally to a strong increase in purchases consumed (+16.9%) and to increases in payroll costs (+7.5%) and other operating costs (+10.2%) reflecting greater subcontracting and higher transportation costs. Operating costs increased by 10.5% in the first half of 2007.

Operating income in the second quarter was affected by a one-off charge linked to the impairment losses recognized in respect of some of the assets of Vallourec Précision Soudage and Vallourec Composants Automobiles Vitry in the view of the project, which was announced on 20 July, to sell both these subsidiaries.

The effective tax rate was 36.5% in the first half of 2007 compared with 35.1% in the first half of 2006.

Total net income rose by 2.7% to € 268.4 million in the second quarter of 2007. It grew by 4.6% to € 517.7 million in the first half, equivalent to 17.2% of sales compared with 18.2% prior year.

Net income, Group share, increased by 7.5% to € 257.7 million in the second quarter of 2007 and by 9.5% to € 495.4 million in the first half of 2007.

Capital expenditure increased significantly, rising by 78% to € 96.5 million in the second quarter of 2007. This took capital expenditure to € 167.5 million in the first half of 2007, up 70% over the year before.

Working capital requirement increased slightly, mainly as a result of higher stocks and work-in-progress linked to increased subcontracting.

The Group nonetheless generated a positive cash flow, as a result of which its cash position improved by € 36.1 million in the second quarter (and by € 109.9 million since the start of the year). The Group had net cash of € 151.3 million at 30 June 2007 compared with € 115.2 million at 31 March 2007 and € 41.4 million at 31 December 2006.

Cash flow statement *(in € million)*	**Q2 2006**	**Q2 2007**	**H1 2006**	**H1 2007**
Gross cash flow from operations	**280.5**	**270.0**	**576.7**	**604.5**
Change in gross working capital requirement	-90.1	-136.1	-157.3	-319.6
Gross capital expenditure	-54.2	-96.5	-98.5	-167.5
Financial investments	-3.7	-3.6	-32.6	-3.6
Asset disposals	+15.0	+3.7	+16.1	+8.2
Share management programme	0.0	+9.7	0.0	+7.2
Dividends paid	-17.4	-9.9	-23.2	-20.4
Other	-10.1	-1.2	-18.8	+1.1
(Increase)/decrease in net debt	**120.0**	**36.1**	**262.4**	**109.9**

Balance sheet items *(in € million)*	**31/12/2006**	**31/03/2007**	**30/06/2007**
Shareholders' equity (Group share)	2,130.4	2,371.9	**2,226.8**
Shareholders' equity (including minority interests)	2,223.2	2,465.5	**2,319.6**
Net debt	-41.4	-115.2	**-151.3**
Gearing ratio	-1.9%	-4.7%	**-6.5%**

CAPITAL EXPENDITURE

The Group has outlined its capital expenditure programme planned for the rest of the year.

Apart from the investment linked to the construction of the new pipe mill in Brazil, capital expenditure is expected to reach around € 400 million in 2007 compared with € 282 million in 2006. This programme includes spending to increase threading and heat treatment capacity as well as part of the investment in the new continuous caster at the Saint-Saulve steel mill.

Regarding the new pipe mill in Brazil, under the terms of the agreement signed on 19 July 2007, Vallourec will have a 56% interest in the capital of Vallourec & Sumitomo Tubos do Brasil. As a result, Vallourec's share of the total investment, estimated at USD 1.6 billion, will amount to € 650 million (converted at the current rate of exchange for the euro against the US dollar). The spend in 2007 (around € 50 million) will be less than initially estimated, with most of the outlays concentrated in 2008 and 2009. This will not affect the project's timetable and the plant is still expected to be brought into service in mid-2010.

OUTLOOK

In Oil and Gas, the inventory reductions affecting OCTG tube sales in the United States since end-2006 is not yet over. Tube sales by V & M STAR in the second half of 2007 are expected to be stable in volume terms, but prices will be lower than in the first half of 2007.

Outside the United States, Oil and Gas order books remain full (around eight months). Overall, the business remains very buoyant, in particular for premium joints and other high value-added products such as drill pipes and accessories.

In Power generation, the market remains very robust in China as well as in Europe and the United States, with order books standing at eight to nine months. Vallourec expects to continue to benefit from a favourable mix and price effect. Longer term, visibility is excellent.

Petrochemicals is performing well but 2006 sales constitute a high prior year comparison (reconstruction of refineries destroyed by hurricanes in the US and consolidation scope effect linked to the sale of Cerec).

Mechanical engineering is also performing well and the outlook remains favourable.

The Automotive sector should be relatively stable after taking into account the effect of changes in the consolidation scope arising from the sale of the cold drawn precision tube activity (VPE and Zeithain plant), finalized on 2 July 2007, and the planned disposal of the automotive welded precision tube activity (VPS) and special tubular products activity (VCAV) announced on 20 July 2007.

Vallourec confirms that most of the Group's plants should continue to operate at very high levels, while selling prices, other than for OCTG tubes in the United States, are expected to remain stable overall.

Accordingly, Vallourec estimates that, barring unforeseen circumstances and despite the dollar's current weakness, it should record sales growth of around 7% to 10% in the second half of 2007 compared with the second half of 2006, at constant consolidation scope (since the disposal of the cold drawn precision tube activity will reduce second-half sales by around € 100 million compared with the second half of 2006).

The EBITDA/sales ratio in the second half of 2007 is expected to be close to the level achieved in the first half, before taking into account seasonal variations. Such variations are due mainly to annual maintenance costs (recognized in the second half, estimated at around € 40 million in 2007) and, to a lesser extent, the impact of planned maintenance activity. It should also be noted that a further depreciation of the US dollar would have a translation effect for non-European subsidiaries.

APPENDICES

Documents accompanying this release:

- Data on production output
- Summary consolidated income statements
- Summary consolidated balance sheets

About Vallourec

Vallourec is a world leader in the production of seamless steel tubes and tubular products for specific industrial applications (oil and gas, power generation, chemicals and petrochemicals, automotive and mechanical engineering industries).

Vallourec is listed on the Euronext Paris Eurolist (ISIN code: FR0000120354), is eligible for the deferred settlement system and is included in the following indices: MSCI World Index, Euronext 100, CAC 40 and SBF 120. FTSE classification: engineering and machinery.

Calendar

- Results for the third quarter of 2007 will be released on 15 November 2007.

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APPENDICES

Production output

(in thousands of tonnes)	**2005**	**2006**	**Change 2006/2005**	**2007**	**Change 2007/2006**
Q1		726.1		**734.9**	+1.2%
Q2		730.9		**720.8**	-1.4%
Q3		702.2		-	-
Q4		721.1		-	-
Total	**2,692.1**	**2,880.3**	+7.0%	-	-

Summary consolidated income statement

(under IFRS – in € million)

VALLOUREC	Q2 2006	*as a % of sales*	Q2 2007	*as a % of sales*	Change Q2 2007 / Q2 2006
Sales	1,398.7		1,558.2		+11.4%
Production taken into inventory	58.2	*4.2%*	57.2	*3.7%*	-1.7%
Other operating revenues	6.4	*0.5%*	9.5	*0.6%*	+48.4%
Purchases consumed	-492.6	*35.2%*	-575,8	*37.0%*	+16.9%
Taxes and duties	-14.6	*1.0%*	-15.1	*1.0%*	+3.4%
Payroll costs	-204.7	*14.6%*	-220.1	*14.1%*	+7.5%
Other operating costs	-298.0	*21.3%*	-328.5	*21.1%*	+10.2%
Provisions net of reversals	-2.8	*0.2%*	-18.8	*1.2%*	
EBITDA	450.6	*32.2%*	466.6	*29.9%*	+3.6%
Depreciation & amortization	-29.5	*2.1%*	-31.3	*2.0%*	+6.1%
Impairment of assets and goodwill	0.1		-19.8		
Asset disposals and restructuring costs	2.3		3.1		
OPERATING INCOME	423.5	*30.3%*	418.6	*26.9%*	-1.2%
FINANCIAL INCOME	-11.2		5.7		
INCOME BEFORE TAX	412.3	*29.5%*	424.3	*27.2%*	+2.9%
Income tax	-150.0		-158.4		+5.6%
Share in net income of equity affiliates	-0.9		2.5		
TOTAL CONSOLIDATED NET INCOME	261.4	*18.7%*	268.4	*17.2%*	+2.7%
NET INCOME, GROUP SHARE	239.7		257.7		+7.5%

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Summary consolidated income statement

(under IFRS – in € million)

VALLOUREC	H1 2006	*as a % of sales*	H1 2007	*as a % of sales*	Change H1 2007 / H1 2006
Sales	2,717.3		3,012.1		+10.8%
Production taken into inventory	118.2	*4.3%*	87.0	*2.9%*	-26.4%
Other operating revenues	13.1	*0.5%*	16.1	*0.5%*	+22.9%
Purchases consumed	-990.7	*36.5%*	-1,082.4	*35.9%*	+9.3%
Taxes and duties	-29.3	*1.1%*	-29.4	*1.0%*	+0.3%
Payroll costs	-406.7	*15.0%*	-435.9	*14.5%*	+7.2%
Other operating costs	-583.5	*21.5%*	-662.0	*22.0%*	+13.5%
Provisions net of reversals	-2.5	*0.1%*	-14.3	*0.5%*	
EBITDA	835.9	*30.8%*	891.2	*29.6%*	+6.6%
Depreciation & amortization	-56.4	*2.1%*	-61.3	*2.0%*	+8.7%
Impairment of assets and goodwill	0.1		-20.8		
Asset disposals and restructuring costs	2.9		5.4		
OPERATING INCOME	782.5	*28.8%*	814.5	*27.0%*	+4.1%
FINANCIAL INCOME	-15.3		-9.0		-41.2%
INCOME BEFORE TAX	767.2	*28.2%*	805.5	*26.7%*	+5.0%
Income tax	-269.0		-294.3		+9.4%
Share in net income of equity affiliates	-3.2		6.5		
TOTAL CONSOLIDATED NET INCOME	495.0	*18.2%*	517.7	*17.2%*	+4.6%
NET INCOME, GROUP SHARE	452 .6		495.4		+9.5%

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Summary consolidated balance sheet

(under IFRS – in € million)

VALLOUREC	31/12/06	30/06/07		31/12/06	30/06/07
Intangible fixed assets	20.5	18.5	Shareholders' equity [1]	2,130.4	2,226.8
Goodwill	87.3	85.7			
Property, plant and equipment	996.7	1,079.6	Minority interests	92.8	92.8
Investments in equity affiliates	55.0	61.4	Total equity	2,223.2	2,319.6
Other non-current assets	39.5	40.8			
Deferred tax assets	19.3	26.4	Bank loans and other borrowings	467.4	489.2
Total non-current assets	1,218.3	1,312.4	Employee benefits	195.2	199.6
			Deferred tax liabilities	75.1	71.1
Inventories and work-in-progress	1,039.3	1,235.5	Other provisions and liabilities	3.6	4.1
			Total non-current liabilities	741.3	764.0
Trade receivables	1,002.7	1,152.3	Provisions	77.5	78.4
Derivatives - assets	91.0	86.8	Overdrafts and other short-term bank borrowings	380.5	385.5
Other current assets	111.9	129.3	Trade payables	602.4	633.2
			Derivatives-liabilities	26.1	24.7
Cash and cash equivalents	889.3	1,026.0	Other current liabilities	399.2	841.9
Total current assets	3,134.2	3,629.9	Total current liabilities	1,485.7	1,963.7
Assets due to be sold	175.6	194.2	Liabilities due to be sold	77.9	89.2
TOTAL ASSETS	4,528.1	5,136.5	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,528.1	5,136.5

Net debt	-41.4	-151.3	[1] Net income, Group share	917.0	495.4

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