



## Press Release

### 2007 SALES

# Vallourec announces annual sales up 10.8% at € 6.14 billion

- Annual sales up 12.5% on a comparable basis
- Q4 2007 sales up 13.1% (+16.3% on a comparable basis)

*Boulogne-Billancourt, 5 February 2008* - Vallourec, world leader in the production of seamless steel tubes, today announced its 2007 sales.

Consolidated sales in the fourth quarter of 2007 increased by 13.1% compared with the fourth quarter of 2006, to reach € 1,628.8 million (+16.3% on a comparable basis<sup>(1)</sup>). For the full year, sales increased by 10.8% to € 6,140.5 million (+12.5% on a comparable basis<sup>(1)</sup>).

#### Consolidated sales

<i>In euro million</i>	<b>2006</b>	<b>2007</b>	<b>Change 2007/2006</b>
1 <sup>st</sup> quarter	1,318.6	1,453.9	+10.3%
2 <sup>nd</sup> quarter	1,398.7	1,558.2	+11.4%
3 <sup>rd</sup> quarter	1,384.6	1,499.6	+8.3%
4 <sup>th</sup> quarter	1,439.9	1,628.8	+13.1%
Full year	5,541.8	6,140.5	+10.8%

<sup>(1)</sup> after adjustment of 2006 sales to make them comparable with 2007 sales (the main adjustment related to the sale of the precision tubes business to Salzgitter).

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#### Note

*The 2007 figures are currently being audited.*

*Unless otherwise specified, the changes indicated are expressed in comparison with the same period of the previous year*

## **ACTIVITY**

The 13.1% sales growth in the fourth quarter comprised a consolidation scope effect of -2.8%<sup>(1)</sup>, a volume effect of +0.7% and a mix/price/currency effect of +15.4%.

The 10.8% sales growth for the year comprised a consolidation scope effect of -1.5%<sup>(2)</sup>, a volume effect of +0.1% and a mix/price/currency effect of +12.4%.

For the year as a whole, the Power generation (+23.9%) and Mechanical engineering (+19.2%) markets were the main driving forces behind the Group's strong growth. Sales in Oil & Gas, which were held back by the destocking effect of North American distributors and the weakening of the US dollar, rose by 5.5%.

### **Sales by market**

*In euro million*

				Q4 2007		Total 2007		
	Q1 2007	Q2 2007	Q3 2007	Q4 2007	As % of Q4 2007 sales	Full year 2007	Change 2007/2006	As % of full-year 2007 sales
Oil & Gas	682	728	672	748	45.9%	2,830	+5.5%	46.1%
Power generation	249	269	274	327	20.1%	1,119	+23.9%	18.2%
<b>Total Energy</b>	<b>931</b>	<b>997</b>	<b>946</b>	<b>1,075</b>	<b>66.0%</b>	<b>3,949</b>	<b>+10.1%</b>	<b>64.3%</b>
Petrochemicals	146	162	168	149	9.1%	625	-1.4%	10.2%
Mechanical engineering	180	191	174	162	9.9%	707	+19.2%	11.5%
Automotive	123	139	111	140	8.6%	513	+10.8%	8.4%
Other	73	69	101	103	6.3%	347	+30.5%	5.7%
<b>Total Non-Energy</b>	<b>522</b>	<b>561</b>	<b>554</b>	<b>554</b>	<b>34.0%</b>	<b>2,192</b>	<b>+12.1%</b>	<b>35.7%</b>
<b>Total</b>	<b>1,454</b>	<b>1,558</b>	<b>1,500</b>	<b>1,629</b>	<b>100.0%</b>	<b>6,141</b>	<b>+10.8%</b>	<b>100.0%</b>

<sup>(1)</sup> In the fourth quarter, the consolidation scope effect concerned the disposals of Cerec, (deconsolidated with effect from 1 December 2006), of the precision tubes activities (VPE and the Zeithain plant / 2 July 2007) and of VPS/VCAV (11 December 2007).

<sup>(2)</sup> For the year as a whole, the consolidation scope effect concerned the acquisition of SMFI (consolidated with effect from 1 April 2006), the disposals of Spécitubes (deconsolidated with effect from 1 April 2006), of Cerec (1 December 2006), of the precision tubes activities (VPE and the Zeithain plant / 2 July 2007) and of VPS/VCAV (11 December 2007).

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In **Oil & Gas**, sales totalled € 748 million in the fourth quarter and € 2,830 million for the full year (+5.5% compared with 2006).

In the United States, the market conditions observed in the third quarter continued. The Group's fourth quarter sales remained at the same volume and price levels as in the previous quarter.

Outside the United States, demand remained strong and deliveries of OCTG products also held firm, in terms of volumes and prices in dollars, at levels achieved during the third quarter. In addition, as announced mid-November 2007, the Group notably supplied externally-purchased tubes in nickel alloy and tubes with special coatings, which resulted in an increase in fourth-quarter sales.

**Power generation** sales totalled € 327 million in the fourth quarter and € 1,119 million for 2007 as a whole (+23.9% compared with 2006). This growth reflects the fact that volumes remained strong in Europe, as well as in China and the rest of Asia, selling prices held at high levels, and the product mix improved.

Notwithstanding a slight dip in the fourth quarter, **Petrochemicals** sales for the full year remained close to the record levels achieved in 2006, and reflect a better geographical distribution (projects in the Middle East and Southeast Asia).

**Mechanical engineering** sales remained high during the fourth quarter and increased by 19.2% to € 707 million for the full twelve months.

Despite the disposal of the precision tubes activities in early July 2007, **Automotive** sales increased during the fourth quarter and, for the year as a whole, exceeded 2006 sales due mainly to the strong volumes in Brazil and the sales of hollows to precision tube manufacturers for the automotive industry.

The "Structural tubes" activity remained buoyant. These tubes are used mainly in major construction projects (bridges, stadiums, airports, etc.) and are included within the "**Other**" category. Sales in this category increased by 30.5% to € 347 million for the full twelve months.

## **OUTLOOK**

In Oil & Gas, consumer demand remains strong worldwide. In the United States, the destocking phenomenon which affected sales of OCTG tubes in 2007 seems to be over. Outside the United States, Vallourec's order book remains high (eight months).

In Power generation, the very strong demand should enable Vallourec to increase its sales in 2008. The order book continues to represent around nine months' sales.

The Group's other activities are performing well. The outlook is particularly good for Mechanical engineering, in terms of both prices and volumes.

In view of the above and on the basis of current market conditions, Vallourec expects that in 2008, its plants shall continue to operate at high capacity and produce similar volumes to those of 2007. In addition, despite the current level of the US dollar, 2008 sales are expected, on a comparable basis, to be in line with those of 2007.

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## **APPENDIX**

Document accompanying this release:

- Data on production output

### ***About Vallourec***

Vallourec is a world leader in the production of seamless steel tubes designed primarily for the Oil & Gas and Power generation sectors, and other industrial applications.

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 and CAC 40. FTSE classification: engineering and machinery.

### ***2008 calendar***

- March 4<sup>th</sup>: full year 2007 results
- May 7<sup>th</sup>: Q1 2008 sales and results
- June 4<sup>th</sup>: shareholders' General Assembly
- August 1<sup>st</sup>: H1 sales and results
- September 24<sup>th</sup>: Investor Day
- November 14<sup>th</sup>: 9 months 2008 sales and results

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## APPENDIX

### Production output

In the fourth quarter, production output totalled 700.9 thousand tonnes compared with 721.1 thousand tonnes in 2006. For the full year, production output totalled 2,838.4 thousand tonnes compared with 2,880.3 thousand tonnes the previous year. On a comparable basis, production output was slightly higher (+0.7%) in the fourth quarter and virtually stable (+0.1%) for the full year.

<i>In thousands of tonnes</i>	<b>2006</b>	<b>2007</b>	<b>Change 2007 / 2006</b>
<b>Q1</b>	726.1	<b>734.9</b>	+1.2%
<b>Q2</b>	730.9	<b>720.8</b>	-1.4%
<b>Q3</b>	702.2	<b>681.8</b>	-2.9% <sup>(1)</sup>
<b>Q4</b>	721.1	<b>700.9</b>	-2.8% <sup>(2)</sup>
<b>Total</b>	<b>2,880.3</b>	<b>2,838.4</b>	-1.5% <sup>(3)</sup>

<sup>(1)</sup> -0.3% on a comparable basis

<sup>(2)</sup> +0.7% on a comparable basis

<sup>(3)</sup> +0.1% on a comparable basis

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