



French limited liability company (*société anonyme*) with a Management Board
and a Supervisory Board with share capital of € 212,047,480
Registered office: 27, avenue Général Leclerc, 92100 Boulogne-Billancourt, France
Registered on the Nanterre Trade and Companies Register under no. 552 142 200

Financial report Half year ended 30 June 2007

(French Code de Commerce and Decree no. 67-236 of 23 March 1967)

The half-year report, which has been prepared in accordance with the provisions of Articles L. 451-1-2 of the French Monetary and Financial Code (*Code Monétaire et Financier*) and Articles 222-4 and 222-6 of the General Regulations of the French securities regulator (*Autorité des Marchés Financiers – AMF*), was published on 31 July 2007 by electronic means in the form of a 12-page press release available, in French and English, on our website at the following address : http://www.vallourec.fr/download.asp?url=pub/communiques_fr/96_C.pdf.

This more comprehensive report has been prepared in accordance with the provisions of the French Code de Commerce and Decree no. 67-236 of 23 March 1967 for publication in the Bulletin of Compulsory Legal Notices (*Bulletin des Annonces Légales Obligatoires – BALO*). In addition to being published in the BALO, the report is also available on the Company's website: http://www.vallourec.fr/fr/actionnaires/information_reglementee.asp.

Contents

A.	Attestation by the person responsible for the report	2
B.	Half-year activity report	2
C.	Financial statements for the half year presented in consolidated form	5
D.	Statutory Auditors' report	30

A. Attestation by the person responsible for the report

I attest that, to the best of my knowledge, the financial statements presented in the half-year financial report have been prepared in accordance with the applicable accounting standards and that they give a true and fair view of the assets and liabilities, financial position and results of Vallourec and of all the companies included in the consolidated financial statements, and that the half-year activity report presents a true and fair view of the significant events that occurred during the first six months of the financial year and of their impact on the half-year financial statements, of the main risks and uncertainties for the remaining six months of the financial year and of the main related-party transactions.

Executed in Boulogne Billancourt, France
on 31 July 2007

Pierre Verluca
Chairman of the Management Board

B. Half-year activity report

Vallourec's consolidated sales for the first half of 2007 came to € 3,012.1 million, up 10.8% compared with sales of € 2,717.3 million in the first half of 2006.

EBITDA increased by 6.6% to € 891.2 million (giving a margin of 29.6%), compared with € 835.9 million (margin of 30.8%) in 2006.

Net income, Group share, came to € 495.4 million, up 9.5% compared with the first half of 2006.

Activity

Apart from in the North American Oil & Gas market, overall demand remained strong. With the exception of V & M STAR, Vallourec's plants continued to operate at high levels, notably in Brazil. Production output in the first half totalled 1,455.7 thousand tonnes compared with 1,457.0 thousand tonnes the previous year (down 0.1%). At the same time, average selling prices were stable compared with the end of the previous year. However, when compared with the first half 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 10.8% sales growth in the first half of 2007 consisted of a consolidation scope effect of -0.4%, a volume effect of -0.1% and a mix/price/currency effect of +11.4%. The consolidation scope effect related mainly to the acquisition of SMFI, which was consolidated with effect from 1 April 2006, and the disposals of Spécitubes and Cerec, which were deconsolidated with effect from 1 April and 1 December 2006 respectively.

In Oil and Gas, first-half sales increased by 9.3% to € 1,410 million. Outside the US, demand remained strong in all markets.

The inventory reductions observed at US distributors since the end of 2006 continued. This phenomenon explains the bulk of the decline in quantities of OCTG tubes delivered by the Group in this region, where its selling prices in dollar terms remained stable. Outside the North American market, sales of OCTG tubes grew sharply, while prices held at satisfactory levels.

As regards the drilling activity, sales continued to increase, together with order intake.

The special line pipe activity also posted good performances. In particular, Vallourec won a major contract for an offshore platform in Brazil.

In Power generation, activity continued to grow strongly, with prices holding at high levels. Sales increased by 15.1% in the first half of 2007 compared with the first half of the previous year.

Vallourec continued to benefit from strong demand in China. At the same time, new and complex projects increased in Europe and the US (supercritical and ultra-supercritical coal-fired power plants).

The Petrochemicals activity was stable compared with the first half of 2006 despite a demanding base effect (disposal of Cerec and 2006 was boosted by the reconstruction of refineries in the US destroyed by hurricanes in 2005).

Mechanical engineering posted a sharp increase in sales in the first half (+26.6%) in an environment still characterized by a strong increase in orders for the German export market.

The Automotive activity recorded a 7.8% increase in sales in the first half, reflecting a slight recovery after being penalized for a long time in Europe by the downturn experienced by France's two largest carmakers. Sales of truck axles and bearing tubes were particularly strong.

Results

First-half operating costs totalled € 2,224.0 million, up 10.5%. This rise was due principally to a sharp increase in purchases consumed, higher payroll costs and an increase in other operating costs and revenues reflecting greater use of subcontracting and higher transportation costs.

The main transactions with related parties in the first half of 2007 concerned purchases of steel rounds from HKM (this company is accounted for using the equity method) totalling € 238.9 million.

EBITDA increased by 6.6% to € 891.2 million compared with € 835.9 million the previous year. The first-half EBITDA/sales ratio remained high at 29.6%.

Operating income 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 view of the intention, announced on 20 July 2007, to sell these two subsidiaries.

The effective tax rate came to 36.5% compared with 35.1% in the first half of the previous year.

First-half net income increased by 4.6% to € 517.7 million, equivalent to 17.2% of sales compared with 18.2% the previous year.

Net income, Group share, increased by 9.5% to € 495.4 million.

Capital expenditure continued at a brisk pace, increasing by 70% to € 167.5 million.

The working capital requirement increased slightly, essentially due to the higher work-in-progress inventories as a result of greater use of subcontracting. Nevertheless, the Group generated a positive cash flow, thereby boosting its net cash position by € 109.9 million compared with the start of the year. At 30 June 2007, the Group had net cash of € 151.3 million compared with € 41.4 million at 31 December 2006.

Capital expenditure

The Group has outlined its capital expenditure programme for the rest of the year. Excluding expenditure linked to the construction of the new pipe mill in Brazil, capital expenditure is expected to reach around € 400 million for the whole of 2007 compared with € 282 million in 2006. In particular, this programme includes expenditure to increase threading and heat treatment capacity as well as part of the investment in the new continuous caster at the St-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% stake 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 approximately € 650 million (at the euro/dollar exchange rate prevailing when this report was prepared). The 2007 spend (around € 50 million) will be less than initially estimated, with the bulk of the outlay being concentrated in 2008 and 2009. This does not affect the project's timetable, the plant still being expected to commence production in mid-2010.

Outlook

In Oil and Gas, the inventory reductions affecting tube sales in the US since the end of 2006 are 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 are likely to be lower than in the first half.

Outside the US, Oil and Gas order books remain well stocked (around eight months). Overall, business remains 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 US, 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 demanding base effect (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.

Automotive business should be relatively stable after stripping out the consolidation scope effects arising from the sale of the cold drawn precision tubes activity (Vallourec Précision Etirage and the Zeithain plant), finalized on 2 July 2007, and the planned disposal of the automotive welded precision tube activity (Vallourec Précision Soudage) and special tubular products activity (Vallourec Composants Automobiles Vitry) announced on 20 July 2007.

Vallourec thus confirms that most of its plants should continue to operate at high levels, while selling prices, other than for OCTG tubes in the US, are likely 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% at constant consolidation scope in the second half of 2007 compared with the second half of 2006 (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 for the second half of 2007 is expected to be close to that achieved in the first half, before taking into account seasonal factors. Such factors mainly concern annual maintenance costs (recognized in the second half and estimated at around € 40 million in 2007, i.e. higher than the previous year) and, although to a lesser extent, the slowdowns caused by the regular stoppages (scheduled for August and December depending on the plant concerned) to perform this routine maintenance. It should also be noted that a further depreciation of the US dollar would dampen the results of the Group's non-European subsidiaries when translated into euros.

Results of Vallourec, the parent company

In the first half of 2007, the parent company, Vallourec, recorded net income of € 558.7 million compared with € 173.8 million in the first half of 2006.

C. Financial statements for the half year presented in consolidated form

I. - Consolidated balance sheet as at 30 June 2007

(in € thousand)

Assets	Notes	31/12/2006 prepared under IFRS	30/6/2007 prepared under IFRS
Non-current assets			
Intangible assets, net	Note 1	20,486	18,505
Goodwill	Note 1	87,312	85,672
Gross property, plant and equipment	Note 2	1,686,614	1,854,923
less: accumulated depreciation	Note 2	-689,892	-775,282
Net property, plant and equipment	Note 2	996,722	1,079,641
Investments in equity affiliates	Note 3	54,998	61,362
Other non-current assets	Note 4	39,469	40,852
Deferred tax assets	Note 5	19,260	26,375
Total		1,218,247	1,312,407
Current assets			
Inventories and work-in-progress	Note 6	1,039,275	1,235,484
Trade and other receivables	Note 7	1,002,728	1,152,287
Derivatives – assets	Note 8	91,043	86,829
Other current assets	Note 9	111,928	129,229
Cash and cash equivalents	Note 10	889,323	1,026,007
Total		3,134,297	3,629,836
Assets held for sale	Note 11	175,578	194,207
Total assets		4,528,122	5,136,450
Liabilities and shareholders' equity			
Shareholders' equity			
Capital	Note 12	212,047	212,155
Additional paid-in capital		206,568	60,655
Consolidated reserves		764,937	1,410,950
Reserves, financial instruments		42,725	37,393
Translation reserve		634	17,420
Income (loss) for the period		917,005	495,404
Own shares		-13,514	-7,137
Shareholders' equity – Group Share		2,130,402	2,226,840
Minority interests	Note 14	92,819	92,799
Total shareholders' equity		2,223,221	2,319,639
Non-current liabilities			
Bank loans and other borrowings	Note 15	467,428	489,224
Employee benefits	Note 17	195,241	199,606
Other provisions	Note 16	3,577	4,076
Deferred tax liabilities	Note 5	75,057	71,056
Other long-term liabilities		0	0
Total		741,303	763,962
Current liabilities			
Provisions for liabilities and charges	Note 16	77,520	78,370
Overdrafts and other short-term	Note 15	380,461	385,523
Trade payables		602,344	633,176
Derivatives – liabilities	Note 8	26,147	24,712
Tax liabilities		135,843	133,757
Other current liabilities	Note 18	263,401	708,090

Total		1,485,716	1,963,628
Liabilities held for sale	Note 11	77,882	89,221
Total liabilities and shareholders' equity		4,528,122	5,136,450

II. - Consolidated income statement

(in € thousand)	Notes	2006	First half 2006	First half 2007
Sales	Note 20	5,541,801	2,717,302	3,012,098
Production taken into inventory		190,499	118,167	86,994
Other operating revenues	Note 21	29,193	13,100	16,115
Purchases consumed		-2,000,945	-990,754	-1,082,455
Taxes and duties	Note 22	-58,760	-29,336	-29,386
Payroll costs	Note 23	-812,694	-406,654	-435,870
Other operating costs	Note 24	-1,220,479	-583,479	-662,023
Net provisions	Note 25	-3,182	-2,517	-14,298
EBITDA		1,665,433	835,829	891,175
Depreciation and amortization	Note 26	-114,329	-56,363	-61,251
Impairment of assets		-1,499	119	-20,821
And goodwill				
Asset disposals and restructuring costs	Note 27	-4,770	2,913	5,450
Operating income		1,544,835	782,498	814,553
Financial income		34,130	12,834	20,855
Interest costs		-36,747	-16,546	-20,229
Net financial costs		-2,617	-3,712	626
Other financial income and charges		6,294	-7,435	-4,930
Other discounting costs		-10,296	-4,155	-4,752
Financial income (loss)	Note 28	-6,619	-15,302	-9,056
Income before tax		1,538,216	767,196	805,497
Income tax	Note 29	-544,789	-269,001	-294,288
Net income of equity affiliates	Note 3	5,868	-3,175	6,463
Net income from continuing operations		999,295	495,020	517,672
Income (loss) from discontinued operations		0	0	0
Consolidated net income		999,295	495,020	517,672
Minority interests		82,290	42,373	22,268
Group share		917,005	452,647	495,404
Group share:				
Earnings per share (a)	Note 13	17.8	8.8	9.6
Diluted earnings per share (a)	Note 13	17.4	8.6	9.5

a) Earnings per share take into account the multiplication by 5 of the number of shares on 18 July 2006 (see Note 12).

III. - Statement of changes in shareholders' equity, Group share

(in € thousand)	Capital	Additional paid-in capital	Consolidated reserves	Translation reserve	Reserves – changes in fair value of hedging instruments net of tax	Own shares	Income (loss) for the period	Total shareholders' equity – Group share
As at 31 December 2005	212,007	206,533	492,743	63,072	-42,883	-13,514	472,985	1,390,943
Change in translation reserve				38,697				-38,697
Financial instruments					76,794			76,794

Change in own shares				-	76,794			38,097
Revenues and costs recognized directly in shareholders' equity				38,697				
Net income for the half year ended 30 June 2006							456,168	456,168
Total revenues and costs recognized for the period				-	76,794		456,168	494,265
2005 net income			472,985				-472,985	
Capital increase and additional paid-in capital	24	21						45
Dividends paid			-77,401					-77,401
Share-based payments			3,521				-3,521	
Other and changes in consolidation scope			-2,373					-2,373
As at 30 June 2006	212,031	206,554	889,475	24,375	33,911	-13,514	452,647	1,805,479
As at 31 December 2006	212,047	206,568	764,937	634	42,725	-13,514	917,005	2,130,402
Change in translation reserve				16,786				16,786
Financial instruments					-5,332			-5,332
Change in own shares			850			6,377		7,227
Revenues and costs recognized directly in shareholders' equity			850	16,786	-5,332	6,377		18,681
Net income for the half year ended 30 June 2007							500,578	500,578
Total revenues and costs recognized for the period			850	16,786	-5,332	6,377	500,578	519,259
2006 net income			917,005				-917,005	
Capital increase and additional paid-in capital	108	94						202
Dividends paid		-	-66,446					-212,453
Interim dividend paid by Vallourec		146,007						-210,623
Share-based payments			210,623					
Other and changes in consolidation scope			5,174				-5,174	
			53					53
As at 30 June 2007	212,155	60,655	1,410,950	17,420	37,393	-7,137	495,404	2,226,840

IV.- Statement of changes in minority interests

(in € thousand)	Consolidated reserves	Translation reserve	Reserves – changes in fair value of hedging instruments net of tax	Income (loss) for the period	Minority interests
As at 31 December 2005	-54,203	7,092	-140	159,404	112,153
Change in translation reserve		-8,147			-8,147
Financial instruments			275		275
Revenues and costs recognized directly in shareholders' equity		-8,147	275		-7,872
Net income for the half year ended 30 June 2006				42,373	42,373
Total revenues and costs recognized for the period		-8,147	275	42,373	34,501
2005 net income	159,404			-159,404	
Dividends paid	-24,531				-24,531
Other and changes in consolidation scope	306				306
As at 30 June 2006	80,976	-1,055	135	42,373	122,429
As at 31 December 2006	14,309	-3,757	-23	82,290	92,819
Change in translation reserve		-1,108			-1,108
Financial instruments			4		4
Revenues and costs recognized directly in shareholders' equity		-1,108	4		-1,104
Net income for the half year ended 30 June 2007				22,268	22,268
Total revenues and costs recognized for the period		-1,108	4	22,268	21,164
2006 net income	82,290			-82,290	
Dividends paid	-21,134				-21,134
Other and changes in consolidation scope	-50				-50
As at 30 June 2007	75,415	-4,865	-19	22,268	92,799

V.- Consolidated cash flow statement

(in € thousand)	2006	1st half 2006	1st half 2007
Consolidated net income (including minority interests)	999,295	495,021	517,672
Net charges to amortization, depreciation and provisions	138,403	61,758	100,881
Unrealized gains and losses linked to changes in fair value	1,329	506	858
Income and charges linked to share options and equivalent	8,127	3,521	5,174
Capital gains and losses on disposals	892	-3,159	-5,571
Share of income (loss) of equity affiliates	-5,868	3,175	-6,463
Dividends (non-consolidated companies)	-1,900	-1,605	-1,518
Cash flow from operating activities after cost of net debt and tax	1,140,278	559,217	611,033
Cost of net debt	2,617	3,712	-626
Tax charge (including deferred taxes)	544,789	269,001	294,288
Cash flow from operating activities before cost of net debt and tax	1,687,684	831,930	904,695
Interest paid	-36,799	-11,335	-20,695
Tax paid	-565,926	-256,729	-300,300
Interest received	34,128	12,832	20,855
Cash flow from operating activities	1,119,087	576,698	604,555
Change in operating working capital requirement	-282,754	-157,238	-319,597

Net cash flow from operating activities (1)	836,333	419,460	284,958
Cash outflows from acquisitions of property, plant and equipment and intangible assets	-281,517	-98,474	-167,475
Cash inflows from disposals of property, plant and equipment and intangible assets	8,377	2,049	8,169
Impact of acquisitions (changes in consolidation scope)	-110,324	-48,614	-3,616
Cash of subsidiaries acquired (changes in consolidation scope)	16,023	16,023	-250
Impact of disposals (changes in consolidation scope)	16,508	12,708	0
Cash of subsidiaries sold (changes in consolidation scope)	1,525	1,368	0
Other cash flows from investing activities	4,007	2,582	1,544
Net cash flow from investing activities (2)	-345,401	-112,358	-161,628
Increase and decrease in shareholders' equity	173	2,465	0
Amounts received on exercise of share options	75	45	201
Dividends paid during the period:			
Dividends paid to shareholders in the parent company	-177,698	0	0
Dividends paid to minority shareholders in consolidated companies	-61,399	-23,180	-20,448
Movements in own shares			7,227
Cash drawn down re new loans	49,034	3,252	59,930
Repayments of borrowings	-64,161	-53,309	-17,862
Change in loans, guarantees and advances granted	669	-1,304	2,485
Cash flow from financing activities (3)	-253,307	-72,031	31,533
Impact of changes in exchange rates (4)	-12,007	-9,459	-1,084
Impact of assets and liabilities classified in the balance sheet as held for sale (5)	12,132		1,740
Change in cash (1 + 2 + 3 + 4 + 5)	237,750	225,612	155,519
Opening net cash	305,836	305,836	543,586
Closing net cash	543,586	531,448	699,105
Change	237,750	225,612	155,519

Statement of changes in net debt for the first half of 2007	Notes	31/12/2006	Change	30/6/2007
Gross cash (1)	Note 10	890,368	137,436	1,027,804
Bank current accounts in debit and overdrafts (2)	Note 15	358,914	-16,342	342,572
Impact of short-term assets and liabilities classified in the balance sheet as held for sale (3)	Note 15	12,132	1,741	13,873
Cash (4) = (1) - (2) + (3)		543,586	155,519	699,105
Gross debt (5)	Note 15	502,202	45,689	547,891
Impact of medium- and long-term assets and liabilities classified in the balance sheet as held for sale (6)	Note 15	-49	3	-46
Net debt = (5) + (6) - (4)		-41,433	-109,827	-151,260

Statement of changes in net debt for the full year 2006	Notes	31/12/2005	Change	31/12/2006
Gross cash (1)		541,278	349,090	890,368
Bank current accounts in debit and overdrafts (2)		235,442	123,472	358,914
Impact of short-term assets and liabilities classified in the balance sheet as held for sale (3)	Note 15	0	12,132	12,132
Cash (4) = (1) - (2) + (3)		305,836	237,750	543,586
Gross debt (5)	Note 15	510,521	-8,319	502,202
Impact of medium- and long-term assets and liabilities classified in the balance sheet as held for sale (6)	Note 15		-49	-49
Net debt = (5) + (6) - (4)		204,685	-246,118	-41,433

Statement of changes in net debt for the first half of 2006		31/12/2005	Change	30/6/2006
Gross cash (1)		541,278	309,106	850,384
Bank current accounts in debit and overdrafts (2)		235,442	83,494	318,936
Cash (3) = (1) - (2)		305,836	225,612	531,448
Gross debt (4)		510,521	-36,848	473,673
Net debt (4) - (3)		204,685	-262,460	-57,775

VI. - Notes to the financial statements

Note 1. - Intangible assets and goodwill

(in € thousand)	Conces-sions, patents, licences and other rights	Other intangib le assets	Total intangib le assets	Goodwill
Gross values				
At 31/12/2006	35,003	29,302	64,305	87,312
Acquisitions	1,017	1,385	2,402	
Disposals	-39	-1,198	-1,237	
Impact of changes in exchange rates	559	-325	234	-1,640
Other movements	357	2	359	
At 30/6/2007	36,897	29,166	66,063	85,672
Amortization and impairment losses				
At 31/12/2006	-24,430	-19,389	-43,819	
Net amortization charges for the period	-1,819	-1,674	-3,493	
Impairment losses (charges net of reversals)		-1,227	-1,227	
Disposals	39	1,198	1,237	
Impact of changes in exchange rates	-413	187	-226	
Other movements	-20	-10	-30	
At 30/6/2007	-26,643	-20,915	-47,558	
Net values				
At 31/12/2006	10,573	9,913	20,486	87,312
At 30/6/2007	10,254	8,251	18,505	85,672
Net amount of transfer to assets held for sale at 30 June 2007 (Note 11)	-277	-179	-456	

Intangible assets comprise mainly: V & M TUBES' right to benefit from the contract to purchase tube rounds produced by HKM. This right was capitalized in 1997 in an amount of € 12,381 thousand and is being amortized over the period of the contract (12 years). As at 30 June 2007, the residual value amounted to € 2,320 thousand (€ 2,836 thousand at 31 December 2006).

Goodwill: The results of the impairment tests carried out as at 31 December 2006 remain valid as at 30 June 2007.

Note 2. - Property, plant and equipment

	Land	Buildings	Technical installations, equipment and industrial tools	Property, plant and equipment in progress	Other property, plant and equipment	Total
Gross values						
At 31/12/2006	58,293	209,168	1,190,163	100,844	128,145	1,686,614
Acquisitions	1,327	559	17,293	101,874	41,786	162,839
Disposals	-5	-1,006	-7,544	-63	-1,247	-9,865
Impact of changes in exchange rates	2,396	2,005	12,733	1,561	3,352	22,047
Changes in consolidation scope			1,544		178	1,722
Movements in assets held for sale	530	2,715	-1,302	-1,345	-6,419	-5,821
Other movements	215	4,488	46,410	-62,202	8,476	-2,613
At 30/6/2007	62,756	217,929	1,259,297	140,669	174,271	1,854,923
Depreciation and impairment						
At 31/12/2006	-14,186	-83,783	-545,047	-81	-46,795	-689,892
Net depreciation charge for the period	-1,274	-6,593	-45,723		-4,168	-57,758
Impairment losses (1)		-2,976	-22,500	-1,928	-881	-28,285
Reversals of impairment losses				11		11
Disposals		616	7,188		950	8,754
Impact of changes in exchange rates	-861	-522	-4,454	-5	-721	-6,563
Changes in consolidation scope			-1,299		-162	-1,461
Movements in assets held for sale	-31	-1,287	-861		-39	-2,218
Other movements	31	1,284	1,016		-201	2,130
At 30/6/2007	-16,321	-93,261	-611,680	-2,003	-52,017	-775,282
Net values						
At 31/12/2006	44,107	125,385	645,116	100,763	81,350	996,722
At 30/6/2007	46,435	124,668	647,617	138,666	122,254	1,079,641
Net amount of transfer to assets held for sale at 30 June 2007 (Note 11)	-3,295	-5,816	-40,185	-3,944	-8,731	-61,971

The assets of the companies V.P.S. and V.C.A.V. were measured at their likely realizable value. A provision raised in 2006 has been reclassified as a deduction from property, plant and equipment in an amount of € 8,679 thousand and an additional impairment provision of € 19,767 thousand has been recognized in the income for the period (see also Note 31).

Capital expenditure

Industrial investments (property, plant and equipment and intangible assets)	1st half 2007
Europe	108,690
North America and Mexico	26,463
South America	19,669
Asia	10,419
Total	165,241

Note 3. - Investments in equity affiliates

The main equity affiliates (carrying amount greater than € 10 million) are listed below.

	HKM Germany	P.T. Citra Tubindo Indonesia	Other	Total
At 31/12/2006	24,962	15,063	14,973	54,998
Changes in consolidation scope				
Capital increase				
Impact of changes in exchange rates		-418	324	-94
Dividends paid	-5			-5
Contribution to net income for the period	2,840	2,813	810	6,463
Other movements				
At 30/6/2007	27,797	17,458	16,107	61,362

Note 4. - Other non-current assets

	Other participating interests	Loans	Other financial investments	Total
At 31/12/2006	2,652	6,953	29,864	39,469
Gross value (*)	5,481	6,628	32,470	44,579
Provisions	-3,007		-720	-3,727
At 30/6/2007 (*)	2,474	6,628	31,750	40,852
(*) After transfer to assets held for sale at 30 June 2007 (Note 11) of:		-1,009	-86	-1,095

Maturities of other non-current assets

Gross values at 30/6/2007	Between 1 and 5 years	Over 5 years	Total
Loans	2,451	4,177	6,628
Other participating interests		5,472	5,472
Other financial investments	18,641	13,838	32,479
Total	21,092	23,487	44,579

Note 5. - Deferred taxation

The following table provides an analysis of the Group's deferred tax balances as at 31 December 2006 and 30 June 2007:

At 31/12/2006	Gross values	Corresponding deferred tax	Deferred tax recognized	Deferred tax not recognized
Tax losses carried forward	8,547	1,767	1,564	203
Other tax credits (long-term capital losses)				
Other tax assets	287,655	102,651	102,651	
Total tax assets	296,202	104,418	104,215	203
Tax liabilities	445,401	-160,012	-160,012	
Total tax liabilities	445,401	-160,012	-160,012	
Total			-55,797	203
At 30/6/2007	Gross values	Corresponding deferred tax	Deferred tax recognized	Deferred tax not recognized
Tax losses carried forward	6,075	1,271	1,271	
Other tax assets	73,288	25,104	25,104	
Total tax assets	79,363	26,375	26,375	
Tax liabilities	-206,016	-71,056	-71,056	
Total tax liabilities	-206,016	-71,056	-71,056	
Total			-44,681	
Movements in liabilities held for sale at 30 June 2007 (Note 11) of:			2,999	

Tax assets and liabilities relating to the same tax entity (e.g. a tax consolidation group) are offset in the balance sheet.

The tax losses carried forward at 30 June 2007 relate to the subsidiary V & M FLORESTAL and consist of 4.1 million Brazilian reais of tax losses carried forward taxable at 9% and 12.3 million Brazilian reais of tax losses carried forward taxable at 25%.

Note 6. - Inventories and work-in-progress

	Raw materials, supplies and goods for resale	Work-in-progress	Finished and semi-finished products	Total
Gross values				
At 31/12/2006	436,574	303,382	361,725	1,101,681
Changes in inventories recognized in the income statement	106,080	33,044	53,949	193,073
Changes in consolidation scope	552	328		880
Impact of changes in exchange rates	3,717	-1,255	4,995	7,457
Movements in assets held for sale	2,270	-353	1,222	3,139
Other movements	-1,981	431	875	-675
At 30/6/2007	547,212	335,577	422,766	1,305,555
Provisions				
At 31/12/2006	-40,031	-5,750	-16,625	-62,406
Impact of changes in exchange rates	-301	30	-184	-455
Charges to provisions	-9,564	-2,672	-5,944	-18,180
Reversals of provisions	5,892	908	1,559	8,359
Changes in consolidation scope	-99	-35		-134
Movements in assets held for sale	1,775	416	979	3,170
Other movements	173	-173	-425	-425
At 30/6/2007	-42,155	-7,276	-20,640	-70,071
Net values				
At 31/12/2006	396,543	297,632	345,100	1,039,275
At 30/6/2007	505,057	328,301	402,126	1,235,484
After transfer to assets held for sale at 30 June 2007 (Note 11) of:	-23,098	-13,829	-10,562	-47,489

Note.7 - Trade and other receivables

	Advances and deposits paid on orders	Accounts receivable (gross) (*)	Provisions	Total
At 31/12/2006	12,130	1,001,982	-11,384	1,002,728
Changes in consolidation scope		842		842
Impact of changes in exchange rates	870	5,741	-69	6,542
Changes in gross values	18,046	141,126		159,172
Charges to provisions			-670	-670
Reversals of provisions			2,098	2,098
Movements in assets held for sale	-150	-18,288	13	-18,425
At 30/6/2007	30,896	1,131,403	-10,012	1,152,287
After transfer to assets held for sale at 30 June 2007 (Note 11) of:	-150	-69,214	225	-69,139

In 2006 and in the first half of 2007, the increase in "Accounts receivable" and "Advances and deposits paid on orders" is in line with the increase in the Group's activity. The provision reversals relate mainly to receivables that have become irrecoverable during the period.

Note. - 8 Financial instruments

Financial assets and liabilities

Financial assets and liabilities are measured and presented in the balance sheet in accordance with the various categories specified by IAS 39.

Impact of IAS 32 and IAS 39 on shareholders' equity and income or loss

Hedging instruments represent a net asset position of € 65.9 million at 31 December 2006 and € 61.6 million at 30 June 2007. This movement includes a reduction in the unrealized gain on the currency hedges allocated to the order book (mainly US dollar sales). In fact, this gain stood at € 42.6 million at the end of June 2007 compared with € 60.4 million at the end of December 2006 due to hedges being transacted at EUR/USD rates that were less favourable than those previously applied.

In view of the effectiveness of the hedges in accordance with the criteria of IAS 39, the impact to be recognized in the income statement concerns solely the premium/discount, which is in fact an expense of € 21.7 million in respect of the first six months of 2007.

Lastly, as regards interest rates, the Group fixed, by means of swaps, a part of its variable-rate debt denominated in euros. At 30 June 2007, the debt swapped to a fixed rate totalled € 410 million. At that date, the fair value of swaps recognized in shareholders' equity was € 14.4 million.

Balance sheet items concerned	At 31/12/2006	At 30/6/2007	Movements in 2007		
			Total	o/w reserves	o/w income (loss)
1-Derivatives recognized in the balance sheet, see note 9 (1)					
Changes in the intrinsic value of forward sales of currencies and forward purchases (2) linked to order books and commercial tenders	60,407	42,575	-17,832	-16,688	-1,144
Changes in the intrinsic value of forward sales of currencies (and forward purchases) associated with accounts receivable (and accounts payable (2))	21,596	26,770	5,174	-6	5,180
Recognition of premium/discount	-23,131	-21,722	1,409	3	1,406
Recognition of changes in the fair value of interest rate swaps	7,632	14,421	6,789	6,789	
Other	-580	-405	175		175
Sub-total: derivatives	65,924	61,639	-4,285	-9,902	5,617
Reclassification as assets or liabilities held for sale	-1,028	-405			
Of which: derivatives - assets	92,367	86,830			
Reclassification as assets held for sale	-1,324	-1			
Of which: derivatives - liabilities	26,443	25,191			
Reclassification as liabilities held for sale	-296	-479			
2 – Accounts receivable (accounts payable (2)) hedged in currencies – translation gain/loss					
Measurement at period-end exchange rate	-16,816	-21,698	-4,882		-4,882
Impact of hedging operations	49,108	39,941	-9,167	-9,902	735
3 – Measurement of construction loans at the effective interest rate	-3,515	-3,083	432		432
4 – Measurement of marketable securities at fair value	121	168	47		47
5 – Deferred taxes (on exchange rate and interest rate hedges)	-22,706	-19,087	3,619	4,437	-818
Total	23,008	17,939	-5,069	-5,465	396
Impact – see statement of changes in shareholders' equity					
Revaluation reserve – financial instruments	42,702	37,374		-5,328	
Of which: Group share	42,725	37,393		-5,332	
Of which: minority interests	-23	-19		4	
Other consolidation reserves	-11,926	-19,831		-7,905	
Income (loss)	-7,768	396		7,768	396
Total	23,008	17,939		-5,465	396

(1) Assets and liabilities offset in this table to give net position: + = net assets, - = net liabilities.

(2) Amounts not material in relation to sales.

Management of market risk

The industrial companies manage their foreign exchange positions in respect of foreign currency transactions with the aim of hedging against exchange rate fluctuations.

The strategy generally adopted is that as soon as an order is received, forward contracts are entered into. Receivables, payables and operating cash flows are thus hedged with financial instruments - mainly forward purchases and sales.

To be eligible for hedge accounting as defined in accordance with IAS 39, the Vallourec Group has developed its cash management and invoicing systems to facilitate the traceability of hedged transactions throughout the duration of the hedging instruments.

At 30 June 2007, the following amounts were outstanding under forward foreign exchange contracts to hedge foreign-currency denominated purchases and sales:

Hedging contracts in respect of commercial transactions – Exchange rate risk	2006	At 30/6/2007
Forward exchange contracts: forward sales	2,139,929	2,087,086
Forward exchange contracts: forward purchases	84,674	70,698
Foreign exchange options	57,778	57,778
Interest rate swaps	4,294	
Commodities: call options		897
Total	2,286,675	2,216,459

Contract maturities at 30 June 2007

Contracts in respect of commercial transactions	Total	One year or less	One to five years	Over five years
Foreign exchange contracts: forward sales	2,087,086	1,798,914	288,172	-
Foreign exchange contracts: forward purchases	70,698	66,909	3,789	-
Currency options: sales	57,778	50,371	7,407	-
Commodities: call options	897	897	-	-
Total	2,216,459	1,917,091	299,368	

Forward sales correspond mainly to sales of US dollars (€ 1,899 million of the € 2,087 million total).

These contracts were transacted at an average forward EUR/USD exchange rate of 1.32.

They usually cover an average period of 12 to 18 months and are mainly used to hedge firm orders and foreign currency receivables.

Note 9. - Other current assets

	Amounts due from staff and social security bodies	Receivables re taxes excluding income tax	Receivables re disposals of property, plant and equipment	Pre- payments	Receivab les re income tax	Other receiva- bles	Total
At 31/12/2006	7,823	53,213	2,705	6,265	8,417	33,505	111,928
Impact of changes in exchange rates	43	255	165	89	366	387	1,305
Movements in assets held for sale	-25	704		-1,408	2,171	-298	1,144
Other movements	5,629	1,512	-1,236	2,105	2,507	4,335	14,852
At 30/6/2007	13,470	55,684	1,634	7,051	13,461	37,929	129,229
(Note 11)							
After transfer to assets held for sale at 30 June 2007 (Note 11) of:	-58	-1,266		-1,408		-9,528	-12,260

Note 10. - Cash and cash equivalents

	Marketable securities (gross)	Cash	Total
At 31/12/2006	632,096	257,227	889,323
Impact of changes in exchange rates	10,262	-3,205	7,057
Other movements	108,371	22,007	130,378
Sub-total	118,633	18,802	137,435
Movements in assets held for sale		-751	-751
At 30/6/2007 (Note 11)	750,729	275,278	1,026,007
After transfer to assets held for sale at 30 June 2007 (Note 11) of:		-1,796	-1,796

“Cash and cash equivalents” comprises cash in bank current accounts and marketable securities (shares in short-term cash UCITS and mutual and investment funds) that are immediately available (not pledged) and risk-free.

Note 11. - Assets held for sale

On 13 December 2006, Vallourec announced that it had reached a preliminary agreement regarding the acquisition by Salzgitter of Vallourec Précision Etirage, a wholly-controlled subsidiary of Vallourec. Under the terms of this agreement, Salzgitter hopes also to acquire from Vallourec the hot-rolling tube mill in Zeithain (Saxony), which belongs to V & M DEUTSCHLAND GmbH. The relevant assets and liabilities have been shown separately as assets and liabilities held for sale. These assets were measured as at 30 June 2007 at their carrying amount, which is not below their fair value less costs to sell.

	Notes	
Assets held for sale		
Intangible assets		456
Property, plant and equipment	Note 2	61,971
Inventories	Note 6	47,489
Accounts receivable	Note 7	69,139
Cash and cash equivalents		1,796
Other assets	Notes 4, 8 & 9	13,356
Total		194,207
Liabilities held for sale		
Employee benefits	Note 17	11,581
Deferred taxes	Note 5	9,285
Provisions	Note 16	2,818
Borrowings	Note 15	15,715
Trade payables		20,620
Other liabilities	Notes 8 & 18	29,202
Total		89,221
Net assets held for sale		104,986

Note 12. - Shareholders' equity

Capital

Vallourec's share capital comprised 53,038,720 ordinary shares with a nominal value of € 4 per share fully paid-up as at 30 June 2007 compared with 53,011,870 shares with a nominal value of € 4 per share fully paid-up as at 31 December 2006.

On 18 July 2006, the nominal value of Vallourec's shares was divided by 5, each shareholder being allotted 5 new shares for each old share in accordance with the resolution of the General Meeting of shareholders held on 1 June 2006.

The share subscription options exercised at € 7.49 (average recalculated following division of the nominal value by 5) between 1 January 2007 and 30 June 2007 resulted in the issue of 26,850 new shares. i.e. an increase of € 202 thousand, additional paid-in capital included.

Reserves, financial instruments

In accordance with IAS 39 on financial instruments, postings to this reserve account are made in respect of two types of transactions:

- effective currency hedges in respect of the order book and commercial tenders. Changes in the intrinsic values at the period end are recognized in shareholders' equity.
- variable-rate borrowings in respect of which interest rate swaps (to a fixed rate) have been entered into. They are accounted for in accordance with the cash flow hedge method. Changes in the fair value of the swap contracts, linked to interest rate movements, are recognized in shareholders' equity.

Translation reserve

The translation reserve arises as a result of the translation of the shareholders' equity of subsidiaries outside the euro zone. The movement in the reserve corresponds to changes in the exchange rates used to translate the shareholders' equity and income or loss for the period of such subsidiaries. Components of the reserve may be written off to the income statement only in the event of the disposal of the foreign subsidiary concerned.

	USD	GBP	Brazilian Real	Mexican Peso	Other	Total
At 31/12/2006	-26,847	897	30,795	-2,668	-1,543	634
Movements	-11,064	-682	28,662	-810	680	16,786
At 30/6/2007	-37,911	215	59,457	-3,478	-863	17,420

Main exchange rates used (euro/currency) for translation of balance sheet items (closing rate) and income statement items (average rate):

	USD	GBP	Brazilian Real	Mexican Peso
2006				
Average rate	1.26	0.68	2.73	13.69
Closing rate	1.32	0.67	2.81	14.23
1st half 2007				
Average rate	1.33	0.67	2.72	14.55
Closing rate	1.35	0.67	2.60	14.60

Note 13. - Earnings per share

Basic earnings per share are calculated by dividing the net income for the period attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share are calculated by dividing the net income for the period attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the period (adjusted for the effects of dilutive options).

Details of the earnings and numbers of shares used to calculate basic and diluted earnings per share are given in the following table:

Earnings per share	2006	1st half 2007
Net income attributable to the ordinary shareholders for basic earnings per share	917,005	495,404
Weighted average number of ordinary shares for basic earnings per share	53,005,890	53,030,237
Weighted average number of own shares for basic earnings per share	-1,348,745	-1,260,430
Weighted average number of shares for basic earnings per share	51,657,145	51,769,807
Earnings per share	17.8	9.6
Dilution effect – share purchase and share subscription options and bonus shares	1,132,572	339,410
Adjusted weighted average number of ordinary shares for diluted earnings per share	52,789,717	52,109,217
Diluted earnings per share	17.4	9.5

Note 14. - Minority interests

	Reserves	Translation difference	Net income	Total
At 31/12/2006	14,286	-3,757	82,290	92,819
At 30/6/2007	75,396	-4,865	22,268	92,799

An analysis of minority interests is provided in the statement of changes in shareholders' equity.

Note 15. - Bank loans and other borrowings

Financial liabilities – Non-current liabilities

	Bank loans	Other bank and similar borrowings	Total
At 31/12/2006	464,586	2,843	467,429
New borrowings taken out	24,400	68	24,468
Repayments	-1,285	-677	-1,962
Impact of changes in exchange rates	4,696		4,696
Changes in consolidation scope			
Other movements	-5,040	-367	-5,407
Sub-total	487,357	1,867	489,224
Movements in assets held for sale			
At 30/6/2007	487,357	1,867	489,224
After transfer to liabilities held for sale at 30 June 2007 (Note 11) of:	-26		-26

In 2003, Vallourec entered into a € 150 million credit facility with the Crédit Agricole group maturing in September 2008. The borrowing was initially at a variable rate, but was subsequently converted into a fixed rate borrowing by the use of swaps. The loan contract requires the Vallourec Group to maintain its ratio of consolidated net debt to consolidated shareholders' equity at less than or equal to 75%.

In March 2005, a seven-year € 460 million credit facility was made available to Vallourec by a syndicate of banks to finance the acquisition of the 45% stake in V & M TUBES.

This € 460 million facility requires Vallourec to maintain its ratio of consolidated net debt to consolidated shareholders' equity at less than or equal to 75%, calculated at 31 December each year and for the first time at 31 December 2005. The Group complied with its covenants as at 30 June 2007. A change of control of Vallourec could result in the repayment of the loan if so decided by a two-thirds majority of the participating banks. It is also provided that the loan would become immediately repayable if the Group failed to make a repayment in respect of one of its other borrowings ("cross default") or if a significant event occurred affecting the Group's business or financial situation and ability to repay its borrowings.

As at 30 June 2007, a tranche of € 260 million had been drawn down and is included in non-current liabilities.

In addition, since 2005, V & M do BRASIL has put in place several medium-term financing lines, denominated in Brazilian reals, principally from BNDES and, to a lesser extent, from Banco do Nordeste.

Financial liabilities – current liabilities

	Bank overdrafts	Accrued interest on bank overdrafts	Bank loans (one year or less)	Accrued interest on bank loans	Other bank and similar borrowings (one year or less)	Total
At 31/12/2006	345,695	42	28,198	1,252	5,274	380,461
Increase	15,475	47	28,634	108	7,853	52,117
Repayments	-40,256		-14,975	-571	-930	-56,732
Impact of changes in exchange rates	8,146		1,899	-1	-17	10,027
Changes in consolidation scope	246				-3,618	-3,372
Other movements			5,042		470	5,512
Sub-total	329,306	89	48,798	788	9,032	388,013
Movements in assets held for sale	-2,457	-35	2			-2,490
At 30/6/2007	326,849	54	48,800	788	9,032	385,523
After transfer to liabilities held for sale at 30 June 2007 (Note 11) of:	-15,584	-85	-21			-15,690

Indebtedness by currency

	USD	EUR	CAD	REAL	GBP	Others	Total
At 30/6/2007 – currency thousand	142,639			287,878	46,800		n/a
At 30/6/2007 - € thousand	112,314	606,930		104,645	32,390	18,468	874,747

Breakdown by maturity of non-current bank loans and other borrowings

	> 1 year	> 2 years	> 3 years	> 4 years	5 years or more	Total
At 30/6/2007	162,631	14,044	13,095	13,239	286,215	489,224

Indebtedness over one year at the outset, by interest rate

The following table groups the current and non-current portions of bank loans and other bank and similar borrowings.

	Rate < 3%	3% to 6%	6% to 10%	>10%	Total
At 30/6/2007					
Fixed rates	1,180	437,507	28,222	14,270	481,179
Variable rates	336	3,327	45,631	16,583	65,877
Total	1,516	440,834	73,853	30,853	547,056

Indebtedness contracted at a rate higher than 6% relates to companies based in Brazil.

Note 16. - Provisions for liabilities and charges

Non-current liabilities	Provisions for environmental risks
At 31/12/2006	3,577
Allocations for the period	318
Provisions used	-28
Impact of changes in exchange rates	209
Other	
At 30/6/2007	4,076

This provision covers, in particular, the costs of soil treatment at industrial sites: the full amount of the likely costs has been provisioned.

The provision also covers the clean-up costs in respect of the mine in Brazil: amounts are provided as and when minerals are extracted, based on the volumes extracted.

Current liabilities	Commercial disputes	Orders outstanding – losses on completion	Reorganization measures	Tax risks (duties, taxes, tax audits, etc.)	Other	Total
At 31/12/2006	17,746	5,425	319	31,137	22,893	77,520
Allocations for the period	9,013	4,846		2,053	2,977	18,889
Provisions used	-6,609	-2,183	-66	-1,632	-1,406	-11,896
Other reversals	-534				-63	-597
Impact of changes in exchange rates	581	105		2,505	326	3,517
Movements in liabilities held for sale	-393	15	54		-12	-336
Other (1)	1				-8,728	-8,727
At 30/6/2007	19,805	8,208	307	34,063	15,987	78,370
After transfer to liabilities held for sale at 30 June 2007 (note 11) of:	-959	-1,318	-481		-60	-2,818

(1) See note 2.

Note 17. - Employee benefits

	Germany	France	United Kingdom	Other	Total
At 30/6/2007					
Net present value of the commitment	174,578	42,940	94,435	19,366	331,319
Retirement	147,569	37,081	94,435	15,584	294,669
Early retirement commitments	13,507	728			14,235
Long-service awards and medical benefits	13,502	5,173		3,781	22,456
Fair value of the plan assets		-1,852	-76,684	-8,020	-86,556
Past service costs		-3,005			-3,005
Actuarial gains and losses	-14,754	-2,326	-13,037	-495	-30,612
Transfer to liabilities held for sale	-4,994	-6,587			-11,581
Provision	154,830	29,212	4,714	10,850	199,606

The charges recognized during the period comprise additional rights acquired in respect of the service for the additional period, the change in rights existing at the beginning of the period due to discounting, the past service cost recognized during the period, the expected return on plan assets, the impact of reductions in or liquidations of plans and the amortization of actuarial gains and losses. The portion relating to the discounting of rights is now recognized within financial income or loss and the return on plan assets is recognized within financial income.

An analysis of these charges is provided in the following table:

Charge for the period	Germany	France	United Kingdom	Other	Total
At 30/6/2007					
Cost of services rendered	1,827	912	1,352	954	5,045
Interest charge on the commitment	3,647	863	2,366	658	7,534
Expected return on plan assets	-	-38	-2,412	-321	-2,771
Net actuarial gains/losses recognized during the period	74	32	108	219	433

Past service costs	4,700	130			4,830
Net charge recognized	10,248	1,899	1,414	1,510	15,071
Actual return on plan assets	-	40	2,412	355	2,807

The Group decided to carry out a major overhaul of VMD's pension schemes (MLO and EV), the main consequence of which will be that beneficiaries will receive a lump sum or an annuity. Employee representatives were informed before 30 June 2007.

The additional benefits resulting from this amendment were regarded as being vested as of the date of the amendment and have therefore been written off as an expense during the period totalling € 4.7 million.

The valuation was carried out by an independent expert on the basis of the Group's workforce as at 31 December 2006. An updated valuation will be carried out as at 31 December 2007 on the basis of the Group's actual workforce.

At 30 June 2007, a sensitivity test was carried out on the retirement gratuities and long-service awards:

- in France, a 1% increase in the discount rate would result in a decrease of about € 0.7 million in these commitments;
- in Germany, a 1% increase in the discount rate would result in a decrease of about € 21.7 million in these commitments;
- in the United Kingdom, a 0.55% increase in the discount rate would result in a decrease of about € 10.3 million in these commitments.

Other employee benefits (options and bonus shares)

Share subscription options

The Extraordinary General Meeting held on 15 June 2000 (first resolution) authorized the Management Board to grant subscription options to managers and/or employees of the Group's companies, for a duration of five years and up to a limit of 4% of Vallourec's share capital.

A first tranche of options was granted under this authorization on 15 June 2000. The main characteristics of these options are shown in the table below.

All figures have been recalculated to take into account the division by 5 of the nominal value of Vallourec's shares on 18 July 2006 and the resulting multiplication by 5 of the number of shares.

	Plan	
Date of General Meeting	15 June 2000	
Date of Management Board Meeting	15 June 2000	
Total number of options granted	892,500	
Adjustment to the number of options following the rights offering on 13 July 2005	1,090	
Date from which options may be exercised	15 June 2004	
Expiry date	14 June 2007	
	2006	1st half 2007
Of which, number of options granted to those employees who were members of the Executive Committee at the end of the period	102,500	102,500
Number of senior managers involved	7	7
Exercise price (*)	€ 7.60	€ 7.60
Exercise price adjusted for rights offering on 13 July 2005	€ 7.49	€ 7.49
Number of options cancelled after being granted (**)	33,750	33,750
Number of options not exercised		3,810
Number of shares subscribed at the end of the period (1 option = 1 share)	829,180	856,030
(of which, number of shares subscribed by members of the Executive Committee)	102,500	102,500
Number of options that could be exercised at the end of the period	30,660	
(of which, number of options that could be exercised by members of the Executive Committee)		

(*) 95% of the average for the 20 trading sessions preceding the grant date.

(**) Option holders who have left the Group.

Share purchase options

The second resolution of the Extraordinary General Meeting held on 15 June 2000 also authorized the Management Board, during a five-year period and up to a limit of 10% of the share capital, to grant purchase options concerning existing shares that would first have to be bought on the stock exchange in accordance with the share repurchase authorizations given by the Meeting.

A first tranche of options was granted under this authorization on 11 June 2003. The main characteristics of these options are shown in the table below.

All figures have been recalculated to take into account the division by 5 of the nominal value of Vallourec's shares on 18 July 2006 and the resulting multiplication by 5 of the number of shares.

Plan

Date of General Meeting		15 June 2000
Date of Management Board Meeting		15 June 2003
Total number of shares employees may purchase		965,000
Adjustment to the number of options following the rights offering on 13 July 2005		14,480
Date from which options may be exercised		11 June 2007
Expiry date		10 June 2010
	2006	1st Half 2007
Of which number of options granted to those employees who were members of the Executive Committee at the end of the period	195,000	195,00
Adjustment to the number of options following the rights offering		
Number of senior managers involved	7	7
Exercise price (*)	€ 10.73	€ 10.73
Exercise price adjusted for rights offering on 13 July 2005	€ 10.57	€ 10.57
Number of options cancelled after being granted (**)	13,750	13,750
Number of options exercised since date granted		867,279
Number of shares that employees may purchase at the end the period	965,730	98,451
(*) Average price for the 20 trading sessions preceding the grant date, not discounted.		
(**) Option holders who have left the Group.		

In accordance with the transitional provisions specifically provided for by IFRS 1 and IFRS 2, the Group has recognized and measured in accordance with IFRS 2 only the share purchase option plan. This plan gave rise to payroll costs of € 0.9 million as at 31 December 2006 and € 0.45 million as at 30 June 2007 (note 23).

Bonus Share Allocation Plan (PAGA)

16 January 2006 plan

At its meeting on 16 January 2006, Vallourec's Management Board implemented a Bonus Share Allocation Plan (*Plan d'Attribution Gratuite d'Actions - PAGA*) approved by the Supervisory Board.

A theoretical number of Vallourec bonus shares was allocated by the Management Board on 16 January 2006 (148,000 after multiplication by 5 of the number of shares on 18 July 2006 - see note 12). The definitive allocation (number of shares) will be based on the Vallourec Group's performance in terms of consolidated EBITDA in 2006 and 2007. It will be calculated by applying a multiplying factor K, representing this performance, to the theoretical number of shares allocated by the Management Board on 16 January 2006. K can range from 0 to 1.33.

Factor K is calculated for each of the two years 2006 and 2007 and is applied to one half of the initial theoretical allocation in respect of each year. The amount resulting from the application of each of the coefficients for 2006 and 2007 will constitute the definitive number of shares allocated to the beneficiary on 16 January 2008. For 2006, the value of K was 1.33.

The share price on 16 January 2006 was € 93.3 (after division by 5 of the nominal value of Vallourec's shares).

The binomial model of projecting share prices has been used to measure the fair value of the shares allocated. Each employee's benefit corresponds to the fair value of the shares allocated, reduced to take into account the fact that no dividends will be received for two years and the cost to the employee of the fact that the shares may not be transferred for a period of two years.

The charge recognized in the income statement in respect of this plan was € 8.1 million for the financial year 2006 and € 4 million for the half year ended 30 June 2007 (note 23).

Bonus Share Allocation Plan (PAGA)

3 May 2007 plan

At its meeting on 3 May 2007, Vallourec's Management Board implemented a Bonus Share Allocation Plan (*Plan d'Attribution Gratuite d'Actions - PAGA*) approved by the Supervisory Board.

A theoretical number of Vallourec bonus shares was allocated by the Management Board on 3 May 2007 (111,000 shares).

The definitive allocation (number of shares) will be allocated in thirds in 2009, 2010 and 2011 and each third will be based on the Vallourec Group's performance in terms of consolidated EBITDA in 2008, 2009

and 2010. It will be calculated by applying a multiplying factor K, representing this performance, to the theoretical number of shares allocated by the Management Board on 3 May 2007. K can range from 0 to 1.33.

Factor K is calculated for each of the years concerned and is applied to one third of the initial theoretical allocation in respect of each year. The amount resulting from the application of each of the coefficients for 2008, 2009 and 2010 will constitute the definitive number of shares allocated to the beneficiary. The share price on 3 May 2007 was € 198.5.

The binomial model of projecting share prices has been used to measure the fair value of the shares allocated. Each employee's benefit corresponds to the fair value of the shares allocated, reduced to take into account the fact that no dividends will be received for three years and the cost to the employee of the fact that the shares may not be transferred for a period of two years.

The charge recognized in the income statement in respect of this plan for the first half of 2007 was € 1.2 million (note 23).

Note 18. - Other current liabilities

	Social security liabilities	Tax liabilities	Payables relating to the acquisition of non-current assets	Deferred income	Other current liabilities	Total
At 31/12/2006	177,107	34,248	12,291	13,584	26,171	263,401
Impact of changes in exchange rates	1,803	631	12			2,446
Movements in liabilities held for sale	-2,597	-3,219	-3,777	-16	-1,542	-11,151
Other movements (1)	10,405	5,137	-2,244	-5,073	445,169	453,394
At 30/6/2007 (note 11)	186,718	36,797	6,282	8,495	469,798	708,090
After transfer to liabilities held for sale at 30 June 2007 (note 11) of:	-17,742	-4,269	-5,058	-84	-2,049	-29,202

(1) "Other current liabilities" include dividends payable to Vallourec shareholders totalling € 423,076 thousand.

Note 19. - Information on related parties

The main related party transaction during the first half of 2007 concerned the purchase of steel rounds from HKM (a company accounted for using the equity method) totalling € 238.9 million.

The main exchange rates used are set out in note 12. Income statement items are translated at the average rate.

Note 20. - Sales

	2006	1st half 2006	1st half 2007
France	414,049	221,262	224,228
Germany	763,385	356,562	499,191
Other EU Member States	811,413	376,969	455,229
North America (NAFTA)	1,445,062	707,875	648,302
South America	598,798	288,416	335,262
Asia	1,174,443	611,124	601,776
Rest of the world	334,651	155,094	248,110
Total	5,541,801	2,717,302	3,012,098

Note 21. - Other operating revenues

	2006	1st half 2006	1st half 2007
Fees for concessions and patents	17,069	8,168	11,452
Operating subsidies and other revenues	12,124	4,932	4,663
Total	29,193	13,100	16,115

Operating subsidies and other revenues represent mainly subsidies and reimbursements received from third parties.

Note.22 - Taxes and duties

	2006	1st half 2006	1st half 2007
Taxes on remuneration	-9,495	-4,269	-4,432
Business use tax	-27,470	-12,953	-14,316
Property tax	-5,975	-2,951	-3,541
Other taxes and duties	-15,820	-9,163	-7,097
Total	-58,760	-29,336	-29,386

Note.23 - Payroll costs and average number of employees in consolidated companies

	2006	1st half 2006	1st half 2007
Payroll costs			
Wages and salaries	-539,959	-272,640	-291,476
Employee profit sharing	-57,344	-29,395	-32,291
Charge in respect of share options and bonus shares	-9,163	-3,521	-5,174
Social security contributions	-206,228	-101,098	-106,929
Total	-812,694	-406,654	-435,870

The Group has estimated, and taken into account, the costs that could be incurred in connection with the Individual Training Entitlement (*Droit Individuel à la Formation - DIF*). The DIF affects all the French companies and the total commitment as at 30 June 2007 is estimated to be € 1,241 thousand.

Details of the costs associated with the share purchase option and bonus share allocation plans and retirement benefits are provided in note 17.

	2006	1st half 2006	1st half 2007
Average number of employees in consolidated companies			
Executives	1,273	1,223	1,373
Supervisory, clerical and technical staff	3,652	3,602	3,767
Production staff	13,081	12,961	13,318
Total	18,006	17,786	18,458

Note.24 - Other operating costs

	2006	1st half 2006	1st half 2007
Purchases of materials and supplies not for stock, sub-contracting	-330,178	-141,462	-180,897
Energy	-205,161	-105,764	-114,907
Maintenance	-174,098	-70,106	-76,421
Agents' commission, transportation costs	-307,909	-151,612	-172,979
Services, professional fees and other	-203,133	-114,535	-116,819
Total	-1,220,479	-583,479	-662,023

Note.25 - Charges to provisions net of reversals

	2006	1st half 2006	1st half 2007
Provisions for operating liabilities and charges	-45,646	-17,702	-28,724
Provisions against current assets	-25,568	-16,324	-18,850
Reversals of provisions for operating liabilities and charges	49,552	18,789	22,799
Reversals of provisions against current assets	18,480	12,720	10,477
Total	-3,182	-2,517	-14,298

Note.26 - Depreciation and amortization

	2006	1st half 2006	1st half 2007
Charges to amortization of intangible assets (see note 1)	-11,774	-5,446	-3,493
Charges to depreciation of property, plant and equipment	-102,555	-50,920	-57,758

(see note 2)			
Reversals of depreciation and provisions on property, plant and equipment	0	3	0
	-114,329	-56,363	-61,251

Note.27 - Asset disposals and restructuring costs

	2006	1st half 2006	1st half 2007
Reorganization measures (net of expenses and provisions)	-632	-123	-121
Disposals of non-current assets	-4,138	3,036	5,571
	-4,770	2,913	5,450

In 2006 the gains and losses on disposals of non-current assets correspond mainly to the disposal of consolidated participating interests (Escofier Technologie, Spécitubes and Cerec), the receipt of insurance compensation as a result of losses suffered at Vallourec Précision Etirage and the disposal or scrapping of non-current assets. The charge for the first half of 2007 mainly comprises additional insurance compensation received by Vallourec Précision Etirage.

Note.28 - Financial income (loss)

	2006	1st half 2006	1st half 2007
Financial income			
Income from marketable securities	21,972	8,846	10,508
Income from disposals of marketable securities	12,158	3,988	10,347
Total	34,130	12,834	20,855
Interest costs	-36,747	-16,546	-20,229
Other financial income and charges			
Income from securities	1,900	1,605	1,518
Income from loans and receivables	2,236	1,215	397
Exchange losses (-) and gains (+) and changes in premiums/discounts	-27,819	-9,643	-6,215
Charges to provisions, net of reversals	-1,981	47	339
Interest received in respect of the tax dispute in Brazil (1)	39,584	0	
Financial subsidy granted to HKM	-7,000	0	
Other financial income and charges	-626	-659	-969
Total	6,294	-7,435	-4,930
Other discounting costs			
Financial charges: discounting of retirement commitments (see note 17)	-15,245	-6,614	-7,715
Financial income: discounting of certain assets and liabilities	74	439	164
Financial income from retirement plan assets (see note 17)	4,875	2,020	2,799
Total	-10,296	-4,155	-4,752
Financial income (loss)	-6,619	-15,302	-9,056

(1) In 2006, following the favourable resolution of the dispute with the Brazilian tax authorities, V & M do BRASIL recognized interest received on amounts paid from 1991 to 2001.

Note.29 - Reconciliation of theoretical and actual tax charge

Breakdown of the tax charge	2006	1st half 2006	1st half 2007
Current tax charge	-539,846	-261,656	-296,464
Deferred taxes (see note 5)	-4,943	-7,345	2,176
Net charge	-544,789	-269,001	-294,288
Net income (loss) of consolidated companies	993,428	498,195	511,209
Tax charge	-544,789	-269,001	-294,288
Net income (loss) of consolidated companies, before tax	1,538,217	767,196	805,497
Statutory tax rate of consolidating company (see note 5)	34.43%	34.43%	34.43%
Theoretical tax charge	-529,608	-264,172	-277,333
Impact of main losses carried forward	1,000	0	-244
Impact of long-term capital gains and losses	-344	824	1,325
Impact of permanent differences	17,127	14,575	-3,152
Impact of temporary differences and other effects	-22	-1,600	-365

Impact of differences in tax rates	-32,942	-18,628	-14,519
	-544,789	-269,001	-294,288
Actual tax rate	35.42%	35.06%	36.53%

The permanent differences consist mainly of the net income of the minority interests in V & M STAR taxed at Sumitomo group (partnership) level.

The differences in tax rates mainly reflect the diversity of tax rates applied in each country (France 34.43%, Germany 39.90%, the United States 39.8% and Brazil 34%).

Note.30 - Segment information

Business segments

The following tables provide, for each business segment, information on the revenues and results as well as certain information on the assets, liabilities and capital expenditure for the half years ended 30 June 2006 and 30 June 2007 and the financial year 2006.

Primary segment reporting format: by business segment

1st half 2007	Seamless tubes	Automotive & "Speciality products"	Holding companies & other (*)	Inter-segment transactions	Total
Income statement					
Sales					
Sales to external customers	2,613,865	358,864	39,369		3,012,098
Inter-segment sales	103,879	22,392	14,971	-141,242	0
Total	2,717,744	381,256	54,340	-141,242	3,012,098
Charges to amortization and depreciation	-54,684	-5,913	-864	210	-61,251
Operating income (loss)	800,070	42,776	-30,488	2,195	814,553
Balance sheet					
Non-current assets	1,220,420	104,245	929,591	-941,849	1,312,407
Current assets	2,327,650	255,834	278,571	-258,227	2,603,828
Cash and cash equivalents	295,625	42,471	1,099,930	-412,018	1,026,008
Assets held for sale	32,731	161,476	0	-	194,207
Total assets	3,876,426	564,026	2,308,092	-1,612,094	5,136,450
Shareholders' equity	1,664,702	238,900	1,204,309	-881,071	2,226,840
Minority interests	82,287	10,545	-	-33	92,799
Non-current liabilities	373,163	23,985	415,043	-48,229	763,962
Current liabilities	1,747,869	209,780	688,740	-682,761	1,963,628
Liabilities held for sale	8,405	80,816	0	0	89,221
Total liabilities and shareholders' equity	3,876,426	564,026	2,308,092	-1,612,094	5,136,450
Cash flows					
Capital expenditure: property, plant and equipment and intangible assets	143,584	15,403	6,254		165,241
Other information					
Average number of employees	15,271	3,055	132		18,458
Payroll costs	354,606	64,448	16,816	-	435,870

(*) Vallourec, V & M TUBES and the marketing subsidiaries Vallourec Tubes Canada and Vallourec Inc.

2006	Seamless tubes	Automotive & "Speciality products"	Holding companies & other (*)	Inter-segment transactions	Total
Income statement					
Sales					
Sales to external customers	4,770,765	675,630	95,406	0	5,541,801
Inter-segment sales	217,461	36,105	28,009	-281,575	0
Total	4,988,226	711,735	123,415	-281,575	5,541,801
Charges to amortization and depreciation	-96,293	-17,267	-1,241	472	-114,329
Operating income (loss)	1,499,449	69,364	-17,360	-6,618	1,544,835
Balance sheet					

Non-current assets	1,106,439	98,893	946,074	-933,159	1,218,247
Current assets	2,030,914	204,872	277,453	-268,265	2,244,974
Cash and cash equivalents	691,802	43,973	153,548	0	889,323
Assets held for sale	34,672	140,906	0	0	175,578
Total assets	3,863,827	488,644	1,377,075	-	4,528,122
Shareholders' equity	1,934,685	221,056	846,010	1,201,424	2,130,402
Minority interests	81,319	11,549	0	-871,349	92,819
Non-current liabilities	350,551	26,342	413,772	-49	741,303
Current liabilities	1,490,552	158,535	117,293	-49,362	1,485,716
Liabilities held for sale	6,720	71,162	0	-280,664	77,882
Total liabilities and shareholders' equity	3,863,827	488,644	1,377,075	0	4,528,122
1,201,424					
Cash flows					
Capital expenditure: property, plant and equipment and intangible assets	263,400	21,357	411	0	285,168
Other information					
Average number of employees	14,651	3,227	128	0	18,006
Payroll costs	651,479	129,072	32,143	0	812,694

(*) Vallourec, V & M TUBES and the marketing subsidiaries Vallourec Tubes Canada and Vallourec Inc.

1st half 2006	Seamless tubes	Automotive & "Speciality products"	Holding companies & other (*)	Inter-segment transactions
Income statement				
Sales				
Sales to external customers	2,319,432	352,610	45,260	
Inter-segment sales	117,619	19,955	263	-137,837
Total	2,437,051	372,565	45,523	-137,837
Charges to amortization and depreciation	-46,497	-9,555	-560	249
Operating income (loss)	753,745	34,453	2,465	-8,164
Balance sheet				
Non-current assets	1,002,822	138,457	884,850	-875,075
Current assets	1,824,195	286,871	306,070	-314,653
Cash and cash equivalents	480,057	25,952	344,375	
Assets held for sale				
Total assets	3,307,074	451,280	1,535,295	-1,189,728
Shareholders' equity	1,530,706	184,084	893,990	-803,301
Minority interests	87,726	34,743	-	-40
Non-current liabilities	357,409	38,443	412,399	-49,848
Current liabilities	1,331,233	194,010	228,906	-336,539
Liabilities held for sale				
Total liabilities and shareholders' equity	3,307,074	451,280	1,535,295	-1,189,728
Cash flows				
Capital expenditure: property, plant and equipment and intangible assets	85,391	6,425	22	
Other information				
Average number of employees	14,383	3,278	125	
Payroll costs	321,833	69,837	14,984	-

1st half 2006 (published)	V & M TUBES	ValTubes	Vallourec and other (*)	Inter-segment transactions	Total
Income statement					
Sales					
Sales to external customers	2,318,717	352,611	45,974	0	2,717,302
Inter-segment sales	107,468	19,955	25,021	-152,444	0

Total	2,426,185	372,566	70,995	-152,444	2,717,302
Charges to amortization and depreciation	-46,140	-9,305	-374	-544	-56,363
Operating income (loss)	756,972	36,681	-7,708	-3,446	782,499
Balance sheet					
Non-current assets	997,338	136,262	1,058,307	-1,040,853	1,151,054
Current assets	1,820,850	288,013	126,564	-132,944	2,102,483
Cash and cash equivalents	629,747	57,620	163,017	0	850,384
Total assets	3,447,935	481,895	1,347,888	-1,173,797	4,103,921
Shareholders' equity	1,895,609	217,990	711,646	-1,019,766	1,805,479
Minority interests	87,726	34,743	0	-40	122,429
Non-current liabilities	311,991	32,440	412,768	1,204	758,403
Current liabilities	1,152,609	196,722	223,474	-155,195	1,417,610
Total liabilities and shareholders' equity	3,447,935	481,895	1,347,888	-1,173,797	4,103,921
Cash flows					
Capital expenditure: property, plant and equipment and intangible assets	85,026	6,424	388	0	91,838
Other information					
Average number of employees	14,206	3,278	302	0	17,786
Payroll costs	313,489	69,837	23,328	0	406,654

(*) Vallourec, Setval (Vallourec Group analysis and research services) and the marketing subsidiaries Vallourec Tubes Canada and Vallourec Inc.

Geographical segments

The following tables provide, by geographical segment, information on sales (by geographical location of the Group's customers) and capital expenditure as well as certain information on assets (by location of the companies' operations).

Secondary segment reporting format: by geographical area

1st half 2007	Europe	North America and Mexico	South America	Asia	Rest of the world	Total
Sales						
Sales to external customers	1,222,816	648,302	335,262	601,776	203,942	3,012,098
Balance sheet						
Property, plant and equipment and intangible assets (net)	502,039	259,224	291,629	45,253		1,098,145
Cash flows						
Capital expenditure: property, plant and equipment and intangible assets (*)	109,419	25,734	19,669	10,419		165,241
Other information						
Average number of employees	11,075	1,649	5,283	451		18,458
Payroll costs	323,846	52,576	57,850	1,598		435,870

(*) Cash flows in respect of capital expenditure in the "North America and Mexico" segment comprise the acquisition of the assets of OMSCO Inc. which, in the cash flow statement, are shown as a change in consolidation scope.

2006	Europe	North America and Mexico	South America	Asia	Rest of the world	Total
Sales						
Sales to external customers	1,988,847	1,445,062	598,798	1,174,443	334,651	5,541,801

Balance sheet						
Property, plant and equipment and intangible assets (net)	468,080	250,697	262,346	36,085	0	1,017,208
Cash flows						
Capital expenditure: property, plant and equipment and intangible assets (*)	156,956	42,676	59,192	26,344	0	285,168
Other information						
Average number of employees	10,846	1,561	5,268	331	0	18,006
Payroll costs	589,398	109,117	112,258	1,921	0	812,694

(*) Cash flows in respect of capital expenditure in the "North America and Mexico" segment comprise the acquisition of the assets of OMSCO Inc. which, in the cash flow statement, are shown as a change in consolidation scope.

1st half 2006	Europe	North America and Mexico	South America	Asia	Rest of the world	Total
Sales						
Sales to external customers	954,793	707,875	288,416	611,124	155,094	2,717,302
Balance sheet						
Property, plant and equipment and intangible assets (net)	461,072	237,036	236,056	28,655	0	962,819
Cash flows						
Capital expenditure: property, plant and equipment and intangible assets (*)	47,839	9,714	17,550	16,726	0	91,829
Other information						
Average number of employees	10,680	1,559	5,274	273	0	17,786
Payroll costs	298,068	55,063	52,660	862	0	406,653

(*) Cash flows in respect of capital expenditure in the "North America and Mexico" segment comprise the acquisition of the assets of OMSCO Inc. which, in the cash flow statement, are shown as a change in consolidation scope.

Note 31. - Post-balance sheet events

On 2 July 2007, Vallourec sold to Salzgitter its wholly-owned subsidiary Vallourec Précision Etirage (VPE) and the hot-rolling tube mill in Zeithan (Saxony) belonging to V & M DEUTSCHLAND.

VPE and the assets and liabilities of the Zeithan mill will be deconsolidated as from that date.

The main terms of the agreement, which was signed on 19 July 2007, between Sumitomo and Vallourec relating to the formation of the joint venture named Vallourec & Sumitomo Tubos do Brasil Ltda give Vallourec a 56% majority interest in the capital of the joint venture and Sumitomo Metals a 44% interest. The capital structure reflects the respective shares of the two shareholders in the new plant's pipe and steel production.

On 20 July, Vallourec announced that it had signed a preliminary agreement for the sale of Vallourec Précision Soudage (VPS) and Vallourec Composants Automobile Vitry (VCAV) to Arcelor-Mittal. The transaction is conditional upon receiving clearance from the competent competition authorities and could be completed in the second half of 2007.

The conditions specified by IFRS 5 to justify the classification of the assets and liabilities of VPS and VCAV as non-current assets held for sale were not met as at 30 June 2007. However, the sale value was reflected in the financial statements for the half year ended 30 June 2007 (see note 2).

The dividend and the exceptional dividend were paid on 4 July 2007.

VII. – Condensed notes to the consolidated financial statements for the first half of 2007

(In thousands of euros unless stated otherwise.)

A. – General information on Vallourec

1. – Company name and registered office

Vallourec
27, avenue du Général-Leclerc
92660 Boulogne-Billancourt

2. – Legal status

A French limited liability company (*société anonyme*) with a management structure comprising a Management Board and a Supervisory Board.

3. – Object (Article 3 of the by-laws)

The Company's object, in any country, either for its own account or for a third party or directly or indirectly in partnership with third parties, is to carry out all industrial and commercial transactions relating to all methods for the preparation and manufacture, by all processes known or that could be discovered subsequently, of metals and any materials that may replace them in all their applications, and, in general, all commercial, industrial and financial transactions, and transactions in movable and fixed property, directly or indirectly associated with the above object.

4. – Trade and Companies Registry

The Company is registered with the Nanterre (Hauts de Seine) Trade and Companies Registry under no. 552 142 200 – APE 741 J.

5. – Financial year

The Company's financial year covers a period of twelve months from 1 January to 31 December.

6. – Consultation of annual financial documents (consolidated and company financial statements)

The Company's financial documents (annual reports and reference documents – *documents de référence* – filed with the French securities regulator – *Autorité des Marchés Financiers* – AMF) are available on the Company's website: www.vallourec.com.

7. – Listing of the Company's shares

The Company's shares are part of the deferred settlement section of the Euronext Paris Eurolist (ISIN code: FR0000120354).

Vallourec shares form part of the Euronext 100, CAC 40, MSCI World Index and SBF120 indices. FTSE classification: engineering and machinery.

B – Accounting principles

Basis of preparation and presentation of the half-year financial statements

The interim consolidated financial statements for the six months ended 30 June 2007 were approved by the Vallourec Management Board on 30 July 2007.

Pursuant to European Commission regulation no. 1606/2002 adopted on 19 July 2002 for all listed companies in the European Union, Vallourec has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The versions of the standards and interpretations used are those applicable as at 31 December 2006.

The interim consolidated financial statements for the six months ended 30 June 2007 have also been prepared in accordance with International Financial Reporting Standards (IFRS) and the specific provisions of IAS 34 "Interim Financial Reporting".

The aim of the interim financial statements is to provide shareholders and investors with relevant information about significant events and transactions during the period. Such information is given mainly by means of a selection of notes to the financial statements, the purpose of which is to explain significant changes in the balance sheet between 31 December 2006 and 30 June 2007 and the main transactions

that have contributed to the Group's results for the first half of 2007. The interim financial statements do not comprise all the information required in the case of full annual financial statements and must be read in conjunction with the Group's financial statements for the year ended 31 December 2006 filed with the AMF under reference D.07-0405 on 27 April 2007 (available on the Company's website: www.vallourec.com).

The consolidated financial statements for the half year ended 30 June 2007 have been prepared on the basis of the IFRS standards and interpretations in force and which will be applicable to the consolidated financial statements for the year ended 31 December 2007 and the specific provisions of IAS 34. The Vallourec Group nevertheless reserves the right, when the 2007 annual consolidated financial statements are published, to amend the accounting options and methods used in the preparation of the 2007 half-year financial statements in accordance with any changes in the IFRS framework that have been adopted by the European Commission. The Group does not currently anticipate that the current or future exposure drafts will cause any significant changes that will affect the 2007 year-end financial statements.

The accounting principles and measurement methods have been applied in a consistent manner to the periods presented. The interim financial statements have been prepared in accordance with the same rules and methods as those used for the preparation of the annual financial statements. However, in the case of the interim financial statements, and in accordance with IAS 34, certain measurements, unless otherwise indicated, may make greater use of estimates than in the case of the annual financial data.

The Group has chosen not to apply the amendment to IAS 19 that provides the option of recognizing actuarial gains and losses on pension and similar commitments in shareholders' equity.

The Group's activity is not significantly affected by seasonal fluctuations.

C – Consolidation scope

The following table shows the changes in consolidation scope that occurred during the first half of 2007. They did not have a material impact on the financial statements.

<u>Fully-consolidated companies</u>	% interest 30/6/2006	% interest 31/12/2006	% interest 30/6/2007	% control 30/6/2007
CST Valinox Ltd - India	38.5	71.3	85.6	90.1
V & M (Beijing) Co. Ltd - China	-	-	100.0	100.0
VALLOUREC MANNESMANN OIL & GAS NL - Netherlands	-	-	100.0	100.0
Vallourec & Sumitomo Tubos do Brasil Ltda - Brazil	-	-	100.0	100.0

On 28 March 2007, Vallourec and Sumitomo Metals announced their intention to jointly build and manage a plant in Brazil dedicated to the manufacture of premium seamless pipes. The joint-venture agreement was signed on 19 July 2007.

As of 30 June 2007, only the Vallourec Group had made any contribution, being € 2.4 million, to cover the preliminary expenses and capital expenditure of the new company, which was therefore fully consolidated as of that date.

The Group does not control any special purpose entities.

D. Statutory Auditors' report

In our capacity as Statutory Auditors and in accordance with Article L. 232-7 of the French Code de Commerce, we have:

- performed a limited review of the accompanying condensed half-year consolidated financial statements of Vallourec SA for the period from 1 January 2007 to 30 June 2007;
- verified the information provided in the half-year report.

The Management Board is responsible for the preparation of the condensed half-year consolidated financial statements. We are responsible for expressing our conclusions on these financial statements based on our review.

We conducted our limited review in accordance with the professional standards applicable in France. A limited review of interim financial statements consists of obtaining the information considered to be necessary, primarily from persons responsible for financial and accounting matters, and applying analytical and any other procedures that we consider appropriate. A review of this nature does not include all the testing specific to an audit conducted in accordance with the professional standards applicable in France and consequently does not enable us to obtain the same level of assurance that we

have identified all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, no material misstatements have come to our attention that cause us to believe that the condensed half-year consolidated financial statements are not, in all material respects, in accordance with IAS 34 – a standard of the IFRS framework as adopted by the European Union for interim financial information.

We have also verified, in accordance with the professional standards applicable in France, the information provided in the half-year report on the condensed half-year consolidated financial statements that were the subject of our review.

We have no observations to make as to the fair presentation of such information and its consistency with the condensed half-year consolidated financial statements

Paris-La Défense, 31 July 2007

KPMG

Jean-Paul Vellutini

Philippe Grandclerc

Neuilly-sur-Seine, 31 July 2007

Deloitte & Associés

Jean-Paul Picard

Bertrand de Florival