A French limited liability Company with Management and Supervisory Boards
and capital of 212,154,880 €
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2008 FULL YEAR RESULTS

Vallourec reports excellent results in Q4 2008
Adapts to slowdown of activity in 2009

- **Sales in Q4 up 11.8% to € 1,820 million**
- **Q4 EBITDA up 12.1% to € 492 million at 27% of sales**
- **2008 Net income, Group share of € 967 million, stable versus 2007 (-1.9%)**
- **Adapting to a difficult environment in 2009**
- **Good resistance in Q1 2009 results anticipated**

Vallourec's consolidated sales in Q4 2008 increased by 11.8% compared with prior year to reach € 1,820.3 million (+10.8% on a comparable basis[1]). For the full year, sales increased by 4.8% to € 6,437.0 million (+ 6.3% on a comparable basis).

EBITDA rose by 12.1% to € 491.6 million in the fourth quarter, giving an EBITDA/sales ratio of 27.0%. For the full year 2008, EBITDA reached € 1,693.9 million, equivalent to 26.3% of sales.

Net income, Group share, increased by 13.4% to € 275.4 million in Q4 and totalled € 967.2 million for the year as a whole, stable compared to 2007 (-1.9%).

Income statement *(in € million)*	**Q4 2007**	**Q4 2008**	*Change*	**2007**	**2008**	*Change*
Sales	1,628.8	**1,820.3**	**+11.8%**	6,140.5	**6,437.0**	**+4.8%**
EBITDA	438.6	**491.6**	**+12.1%**	1,750.8	**1,693.9**	**-3.2%**
As a % of sales	*26.9%*	***27.0%***		*28.5%*	***26.3%***	
Operating income	406.5	**441.3**	**+8.6%**	1,622.6	**1,521.8**	**-6.2%**
As a % of sales	*25.0%*	***24.2%***		*26.4%*	***23.6%***	
Total net income	249.3	**304.5**	**+22.1%**	1,024.5	**1,024.7**	**0.0%**
As a % of sales	*15.3%*	***16.7%***		*16.7%*	***15.9%***	
Net income, Group share	242.8	**275.4**	**+13.4%**	986.2	**967.2**	**-1.9%**

Quarterly statements are unaudited. Unless specified otherwise, the changes indicated are in comparison with the same period the previous year.

ACTIVITY

During Q4, activity remained robust in the energy markets, whilst other segments experienced a significant drop at the end of the year. Overall, in Q4, production output remained stable at 696.3 thousand tonnes (-0.7%). For the full year 2008, production totalled 2,766.4 thousand tonnes versus 2,838.4 thousand tonnes in 2007 (-2.5%), but stable on a comparable basis (-0.2%).

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[1] The comparable basis restates 2007 sales to make them comparable with those of 2008, taking into account the disposals during 2007 and the acquisition of V&M Atlas Bradford, V&M TCA and V&M Tube-Alloy, which have been consolidated as from 16 May 2008. V&M Atlas Bradford, V&M TCA and V&M Tube-Alloy are involved in the premium activities of hot-rolled tubes finishing for the OCTG (Oil Country Tubular Goods) market. These activities do not generate any additional production volume.

The 11.8% sales growth in Q4 consisted of a consolidation scope effect of +0.9%, a volume effect of -0.7% and a combined mix, price and currency effect of +11.6%. For the full year 2008, the 4.8% increase in sales consisted of a consolidation scope effect of -1.3%, a volume effect of -0.2% and a combined mix, price and currency effect of +6.5%.

Sales by Market	**Q4 2007**	**Q4 2008**	*Change*	**2007**	**2008**	*Change*
Oil & Gas	748	948	*+26.7%*	2,830	2,969	*+4.9%*
As a % of sales	*45.9%*	*52.1%*		*46.1%*	*46.1%*	
Power generation	327	379	*+15.9%*	1,119	1,308	*+16.9%*
As a % of sales	*20.1%*	*20.8%*		*18.2%*	*20.3%*	
Sub-total Energy	**1,075**	**1,327**	***+23.4%***	**3,949**	**4,277**	***+8.3%***
As a % of sales	***66.0%***	***72.9%***		***64.3%***	***66.4%***	
Petrochemicals	149	188	*+26.2%*	625	691	*+10.6%*
As a % of sales	*9.1%*	*10.3%*		*10.2%*	*10.7%*	
Mechanical engineering	162	144	*-11.1%*	707	713	*+0.8%*
As a % of sales	*9.9%*	*7.9%*		*11.5%*	*11.1%*	
Automotive	140	75	*-46.4%*	513	365	*-28.8%*
As a % of sales	*8.6%*	*4.1%*		*8.4%*	*5.7%*	
Other	103	86	*-16.5%*	347	391	*+12.7%*
As a % of sales	*6.3%*	*4.7%*		*5.6%*	*6.1%*	
Sub-total Non-Energy	**554**	**493**	***-11.0%***	**2,192**	**2,160**	***-1.5%***
As a % of sales	***34.0%***	***27.1%***		***35.7%***	***33.6%***	
Total	**1,629**	**1,820**	***+11.8%***	**6,141**	**6,437**	***+4.8%***

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In **Oil & Gas**, sales grew strongly in Q4 2008, up 26.7% versus Q4 2007, benefiting from strong sales in the United States. For the full year, sales were close to € 3 billion, up 4.9%.

- In the United States, sales increased significantly during the quarter, benefiting from the full effect of price increases implemented progressively throughout the year and from the consolidation, since 16 May 2008, of V&M Atlas Bradford, V&M TCA and V&M Tube-Alloy. Sales also benefited from the recovery of deliveries which had been impacted during Q3 by hurricane Ike.

- In the rest of the world, Q4 2008 sales were robust compared to the same period 2007, however, they were still impacted by the weakness of the US dollar.

In **Power generation,** Vallourec achieved growth of 15.9% in Q4 due to the combined effect of price increases and improved product mix, with strong sales in South-East Asia, Europe and South Africa. For the full year, sales were up 16.9% to € 1.3 billion, representing 20% of Group sales, versus 18% in 2007. The product mix improved throughout the year due to increased deliveries for supercritical and ultra-supercritical coal-fired power plants. Vallourec benefited from strong growth amongst its international key account customers.

Petrochemicals increased by 26.2% in Q4, and by 10.6% for the full year. Softness in the European market was offset by strong growth in the Middle East during the first half 2008, and by the North American market during the second half 2008. However, worldwide bookings experienced a sharp drop at the end of the year as distributors cut back their purchases due to the uncertainty caused by the economic downturn.

In **Mechanical engineering,** Vallourec's sales declined by 11.1% during Q4. The slowdown in end-user demand was accentuated as distributors reduced their levels of inventories. For the full year, sales were virtually flat.

Automotive sales declined sharply during Q4. The sharp downturn in the automotive industry has affected the whole distribution chain. Excluding the disposal of VPS and VCAV in December 2007, Q4 sales declined by a third. For the full year, the automotive activity represented less than 6% of Vallourec's total sales.

As regards **Other** activities, sales decreased by 16.5% during Q4. This segment includes tubes used in major construction projects (bridges, stadiums, factories, airports, etc.) which have been impacted by the economic downturn.

Production output

In the fourth quarter of 2008, production output reached 696.3 thousand tonnes, stable compared with 700.9 thousand tonnes in the fourth quarter of 2007, with no scope effect. For the full year 2008, production output reached 2,766.4 thousand tonnes, compared to 2,838.4 thousand tonnes in 2007, stable on a comparable scope basis (-0.2%).

In thousands of tonnes	**2007**	**2008**	**∆ 08 / 07**
Q1	734.9	**658.1**	**-10.5% (1)**
Q2	720.8	**740.4**	**+2.7% (2)**
Q3	681.8	**671.6**	**-1.5% (3)**
Q4	700.9	**696.3**	**-0.7%**
Total	**2,838.4**	**2,766.4**	**-2.5% (4)**

(1) -5.0% on a comparable basis
(2) +5.3% on a comparable basis
(3) -0.2% on a comparable basis
(4) -0.2% on a comparable basis

RESULTS

EBITDA increased by 12.1% to € 491.6 million in Q4 2008 versus Q4 2007, giving an EBITDA / sales ratio of 27.0%. This strong performance was primarily due to average selling price increases more than offsetting raw material price increases, giving a positive squeeze effect. For the full year, EBITDA amounted to € 1,693.9 million, representing a ratio of 26.3% of sales.

The average raw material costs during Q4 2008 continued to exceed those of Q4 2007, leading to purchases consumed up 10.4%, despite the sharp fall in the price of scrap metal which took place in the second part of the year. Over the full year, purchases consumed were up 11.5% compared to 2007 due to the steep scrap increases in the first half of the year combined with the higher cost of iron ore from Q2 onwards.

Personnel expenses during Q4 2008 increased by 18.3% compared to prior year due largely to the increase and geographical evolution in average manning, salary inflation and the cost of the employee shareholder programme. For the full year, personnel expenses rose by 3.6%. Other operating costs increased largely due to inflation of energy, maintenance and sub-contracting costs. Overall, total operating costs increased by 12.9% in Q4 and by 8.1% over the full year.

The "Cap Ten" cost savings program has been implemented in 2008 through all divisions in line with the target set at the beginning of the year to reduce annual costs by € 200 million by 2010.

Depreciation and amortization charges increased significantly, mainly due to the North American companies acquired.

The effective tax rate was 32% in 2008 compared with 36.1% in 2007, benefiting from the new corporate tax rate applicable in Germany.

Total net income, which amounted to € 304.5 million in Q4, was up 22.1% compared with prior year. Net income, Group share, increased by 13.4% to € 275.4 million compared with € 242.8 million in Q4 2007.

For the full year 2008, total net income and net income Group share were flat compared to 2007 at € 1,024.7 million and € 967.2 million respectively.

Cash flow statement *(in € million)*	**Q4 2007**	**Q4 2008**	**2007**	**2008**
Gross cash flow from operations	**305.7**	**395.6**	**1,196.3**	**1,234.6**
Change in gross working capital requirement	67.9	**-135.0**	-214.4	**-351.2**
Gross capital expenditure	-153.6	**-157.9**	-437.7	**-528.5**
Financial investments	0.0	**-5.8**	-3.6	**-541.4**
Asset disposals	27.3	**0.5**	151.3	**2.3**
Share capital increase	0.0	**47.8**	0.0	**47.8**
Dividends paid	-9.1	**-19.3**	-465.1	**-405.3**
Other	-43,0	**-21,1**	-25,8	**-47.2**
Increase / decrease in net debt	**195.2**	**104.8**	**201.0**	**-588.9**

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During Q4 2008, the Group generated gross cash flow from operations of € 395.6 million, up significantly compared to € 351.8 million generated during the preceding quarter, and € 305.7 million during the same prior year period.

The increase in working capital requirement in Q4 was due mainly to high billing at the end of the year together with a notable increase in the value of inventories.

Capital expenditure continued at a high level during Q4, totalling € 157.9 million. For the full year 2008, it totalled € 528.5 million, up 20.7% compared to prior year. Of this amount, € 116 million related to the new mill, Vallourec & Sumitomo Tubos do Brasil, where work on the plant continues on schedule for completion in 2010. Other investments include new finishing capacities in Europe, Brazil and the US, revamping existing machinery and on-going maintenance programmes.

Share capital increased during Q4 by € 47.8 million as a result of the successful capital increase “Value 08” reserved for employees which took place on 16 December 2008.

Balance sheet items *(in € million)*	31/12/2007	30/09/2008	**31/12/2008**
Shareholders’ equity (Group share)	2,707.8	2,917.5	**3,132.8**
Shareholders’ equity (including minority interests)	2,789.7	3,013.0	**3,232.0**
Net debt	-242.4	451.3	**346.5**
Gearing ratio	-8.7%	15.0%	**10.7%**

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At 31 December 2008, the Group’s financial position was particularly healthy. Net debt was down notably at € 346.5 million compared with € 451.3 million at 30 September, giving a gearing ratio of 10.7% (compared with 15.0% at 30 September).

The Group’s cash exceeded its overdrafts and other short-term bank borrowings by more than € 300 million. More than 94% of the € 650 million bank loans and other borrowings have a maturity in excess of three years. In addition, Vallourec has undrawn confirmed credit lines of around € 1 billion with maturities in 2012 and 2013.

ADAPTING TO THE CURRENT ENVIRONMENT

The economic environment has deteriorated since the start of the year. What began as a financial crisis has led to a slowdown in worldwide industrial activity and this in turn is impacting the energy markets.

In the US, natural gas prices have slumped and the number of rigs in activity was 1300 at 20 February 2009, off 36% from the September 2008 peak. This, combined with an increase in imports, has seen distributor inventories, which were low at around 4 months' consumption in early Q4, rise to around 7 months' consumption in Q1 2009. We are seeing a reduced level of bookings.

For Oil & Gas activity in the rest of the world, several customers are adopting a “wait and see” approach to order placements. This has translated into a low level of new bookings and a backlog now around 6 months.

Bookings for new power plant projects are down in Q1 2009. In addition to a slowdown in Chinese demand, some energy projects are being pushed-back for financing reasons. The current backlog is around 6 months.

In the sectors where sales are mostly channelled via specialist distribution networks, notably petrochemicals, mechanical engineering and construction, the level of bookings dropped significantly during the last quarter of 2008 and continue to be low in Q1 2009. In Europe, these sectors are also facing competition from increasing Chinese imports. The automotive segment remains very weak.

Overall, the Group anticipates a reduction in production output of around 200k tonnes during the Q1 2009, compared to an average quarterly output of 690k tonnes of rolled tubes during 2008. As a result, the Group has put in place a number of measures to adapt production to this lower level of demand. These measures include reduced working time and personnel adjustments primarily amongst temporary personnel and contractors. At a Group level, the working hours will be reduced by around 15%. Further adjustment to the level of production will be achieved through the use of time accounts, thus adapting working hours without delay to the changing level of production. It should be noted that the level of activity and the available measures of flexibility adopted vary by country and by plant.

If the low level of activity anticipated for Q1 persists, further measures, in particular short-time working, could be considered at certain plants.

OUTLOOK

As a consequence of this lower level of activity, the Group anticipates a decline in Q1 2009 sales. Nevertheless, this should be limited to 5% compared to Q1 2008, with lower volumes offset by higher prices that are booked in the backlog. Vallourec should generate an EBITDA / sales margin of around 25%, in line with Q1 2008. Such margin level will enable Vallourec to continue generating strong operating cash flow.

Beyond the first quarter, visibility of demand is very limited due to the ongoing destocking effect combined with the “wait and see” approach of many customers. Vallourec's strong balance sheet, its positive cash flow generation and the long maturity of its debt are significant assets in such an environment.

DIVIDEND

The proposed dividend for 2008 shall be on the agenda of a Supervisory Board meeting to be held on 6 April 2009.

CALENDAR 2009

- 13 May: release of 2009 Q1 results
- 04 June: Annual General Meeting
- 30 July: release of 2009 Q2 and H1 results
- 24 September: Investor Day

About Vallourec

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

Legal information

This press release is on web site since 27/02/2009, on Vallourec website :
http://www.vallourec.fr/download.asp?murl=pub/information_reglementee_uk/132_IR.pdf

Only half-year financial statements are audited; quarterly statements are unaudited. Unless specified otherwise, the changes indicated are in comparison with the same period the previous year.

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About Vallourec

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APPENDICES

Summary consolidated income statement (under IFRS – in € million)

Quaterly	Q4 2007	*as a % of sales*	Q4 2008	*as a % of sales*	Change Q4 2008 / Q4 2007
Sales	1,628.8		1,820.3		+11.8%
Production taken into inventory	0.8	*0.0%*	18.4	*1.0%*	
Other operating revenues	13.4	*0.8%*	12.4	*0.7%*	
Purchases consumed	-622.3	*38.2%*	-686.9	*37.7%*	+10.4%
Taxes and duties	-14.1	*0.9%*	-14.2	*0.8%*	+0.7%
Payroll costs	-206.4	*12.7%*	-244.1	*13.4%*	+18.3%
Other operating costs	-344.6	*21.2%*	-398.5	*21.9%*	+15.6%
Provisions net of reversals	-17.0	*1.0%*	-15.8	*0.9%*	-7.1%
EBITDA	438.6	*26.9%*	491.6	*27.0%*	+12.1%
Depreciation & amortization	-28.8	*1.8%*	-47.1	*2.6%*	+63.5%
Impairment of assets and goodwill	-2.0		-0.9		
Asset disposals and restructuring costs	-1.3		-2.3		
OPERATING INCOME	406.5	*25.0%*	441.3	*24.2%*	+8.6%
FINANCIAL INCOME	-12.1		-4.0		
INCOME BEFORE TAX	394.4	*24.2%*	437.3	*24.0%*	+10.9%
Income tax	-140.7		-129.4		
Share in net income of equity affiliates	-4.4		-3.4		
TOTAL CONSOLIDATED NET INCOME	249.3	*15.3%*	304.5	*16.7%*	+22.1%
NET INCOME, GROUP SHARE	242.8		275.4		+13.4%

Quarterly statements are unaudited. Unless specified otherwise, the changes indicated are in comparison with the same period the previous year

ANNUAL	2007	*as a % of sales*	2008	*as a % of sales*	Change 2008/ 2007
Sales	6,140.5		6,437.0		+4.8%
Production taken into inventory	97.7	*1.6%*	107.1	*1.7%*	
Other operating revenues	35.2	*0.6%*	39.1	*0.6%*	
Purchases consumed	-2,265.6	*36.9%*	-2,525.6	*39.2%*	+11.5%
Taxes and duties	-56.2	*0.9%*	-51.6	*0.8%*	-8.2%
Payroll costs	-827.0	*13.5%*	-856.6	*13.3%*	+3.6%
Other operating costs	-1,339.8	*21.8%*	-1,442.5	*22.4%*	+7.7%
Provisions net of reversals	-34.0	*0.6%*	-13.0	*0.2%*	-61.8%
EBITDA	1,750.8	*28.5%*	1,693.9	*26.3%*	-3.2%
Depreciation & amortization	-118.0	*1.9%*	-165.6	*2.6%*	+40.3%
Impairment of assets and goodwill	-21.1		-1.4		
Asset disposals and restructuring costs	10.9		-5.1		
OPERATING INCOME	1,622.6	*26.4%*	1,521.8	*23.6%*	-6.2%
FINANCIAL INCOME	-29.0		-18.8		
INCOME BEFORE TAX	1,593.6	*26.0%*	1,503.0	*23.3%*	-5.7%
Income tax	-575.3		-480.7		
Share in net income of equity affiliates	6.2		2.4		
TOTAL CONSOLIDATED NET INCOME	1,024.5	*16.7%*	1,024.7	*15.9%*	0.0%
NET INCOME, GROUP SHARE	986.2		967.2		-1.9%

Quarterly statements are unaudited. Unless specified otherwise, the changes indicated are in comparison with the same period the previous year.

Summary consolidated balance sheet
(under IFRS – in € million)

	31/12/07	31/12/08		31/12/07	31/12/08
Intangible fixed assets	21.7	260.9	Shareholders' equity [(1)]	2,707.8	3,132.8
Goodwill	79.9	308.3			
Property, plant and equipment	1,266.0	1,641.0	Minority interests	81.9	99.2
Investments in equity affiliates	55.0	76.9	Total equity	2,789.7	3,232.0
Other non-current assets	43.0	38.6			
Deferred tax assets	26.6	36.9	Bank loans and other borrowings	337.3	650.2
Total non-current assets	1,492.2	2,362.6	Employee benefits	168.2	146.6
			Deferred tax liabilities	101.8	84.0
Inventories and work-in-progress	1,168.7	1,443.6	Other provisions and liabilities	7.3	7.7
			Total non-current liabilities	614.6	888.5
Trade receivables	1,048.6	1,203.6	Provisions	80.1	93.2
Derivatives - assets	158.1	26.3	Overdrafts and other short-term bank borrowings	332.8	224.4
Other current assets	142.8	200.6	Trade payables	671.9	721.8
			Derivatives-liabilities	28.1	113.3
Cash and cash equivalents	912.5	528.1	Other current liabilities	405.7	491.6
Total current assets	3,430.7	3,402.2	Total current liabilities	1,518.6	1,644.3
TOTAL ASSETS	4,922.9	5,764.8	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,922.9	5,764.8

Net debt	-242.4	346.5	[(1)] Net income, Group share	986.2	967.2

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