



Vallourec

***1st quarter 2008
results***

7 May 2008

- *Quarterly statements are unaudited.*
- *Unless otherwise specified, indicated variations are expressed in comparison with the same period of the previous exercise.*



A solid start for the year despite a weaker dollar and higher raw material prices

Q1 2008

Sales

€1,384 m

-4.8%

-0.1%
on a comparable basis

EBITDA / Sales

24.7%

To be compared with 'around 25%' guidance for H1

Net profit, Group share

€193 m

-18.7%

Gross capital expenditure

€107 m

+50%

Of which € 15 m for new tube mill in Brazil



■ *The Group benefits from a sustained final demand in all its markets*

- Total output was maintained at a high level
 - Small scope effect due to disposals
 - Production momentarily limited due to new investments in Europe
- Dollar weakness impacts Vallourec sales
- Prices overall stable in Q1
 - Price increases to offset recent surge in raw material costs will have positive impact over time
- Product mix enhanced compared to same period last year





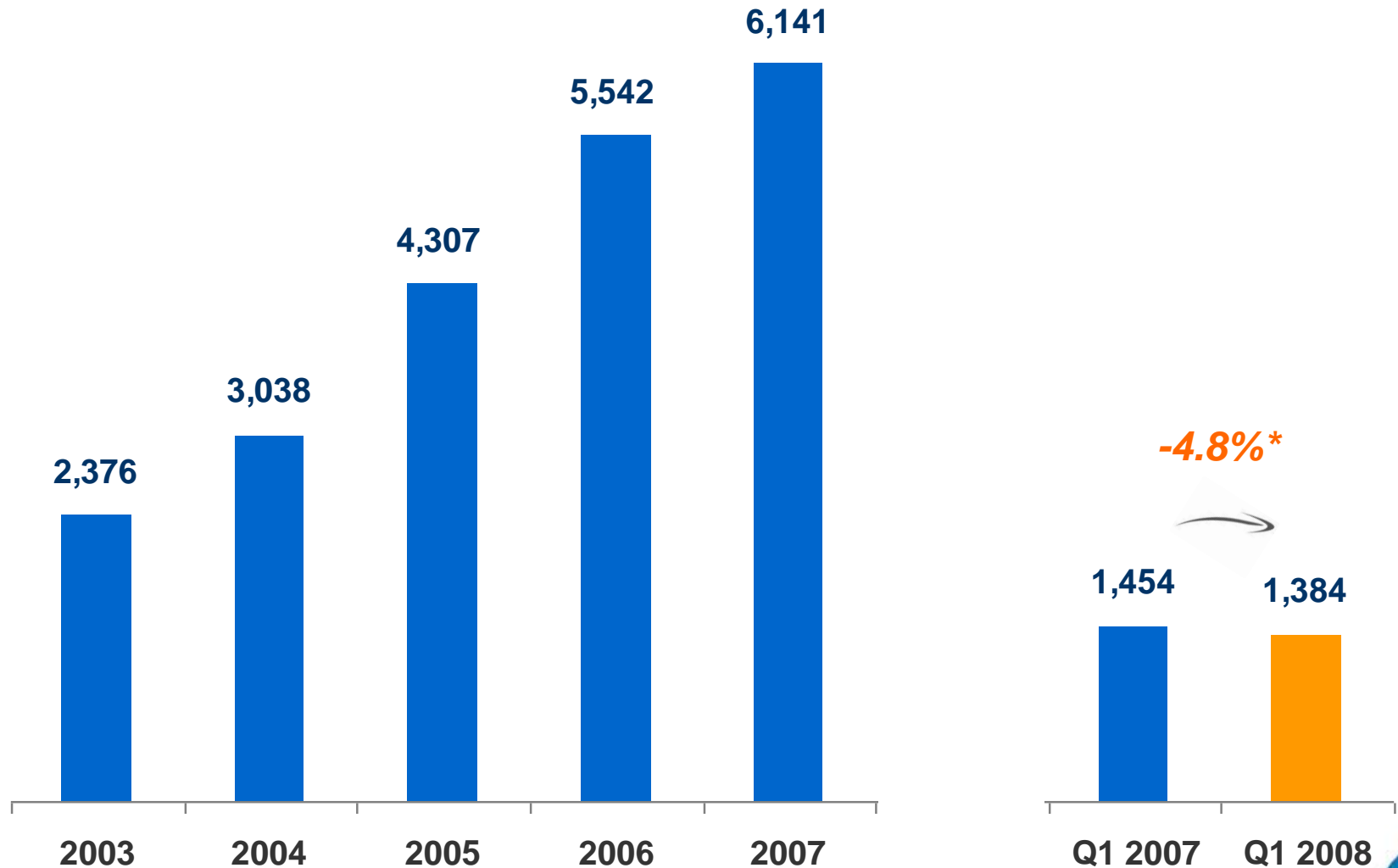
Q1 2008 results



Stable sales on a comparable basis

Sales trend

In € million



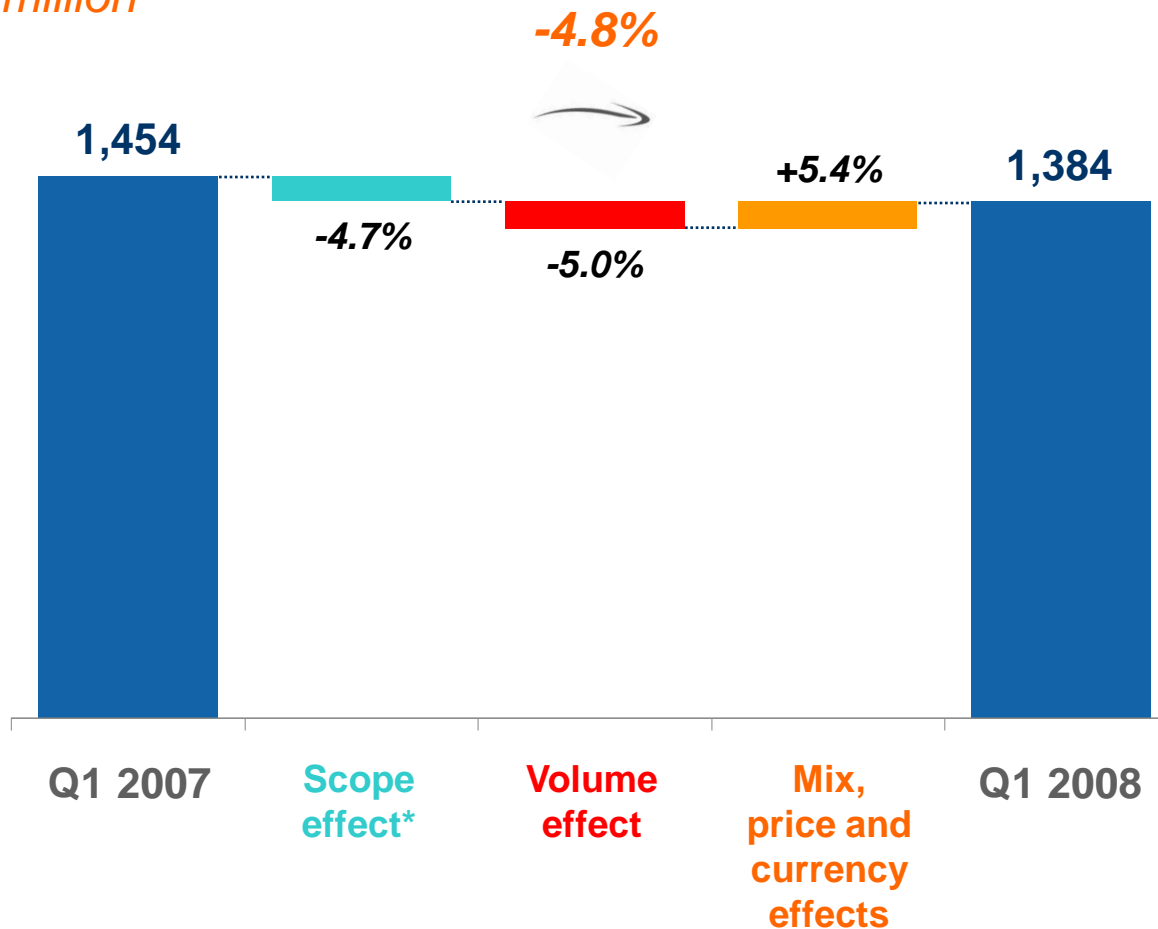
* -0.1% on a comparable basis

Q1 2008 results



Weak dollar, but another strong mix effect

In € million



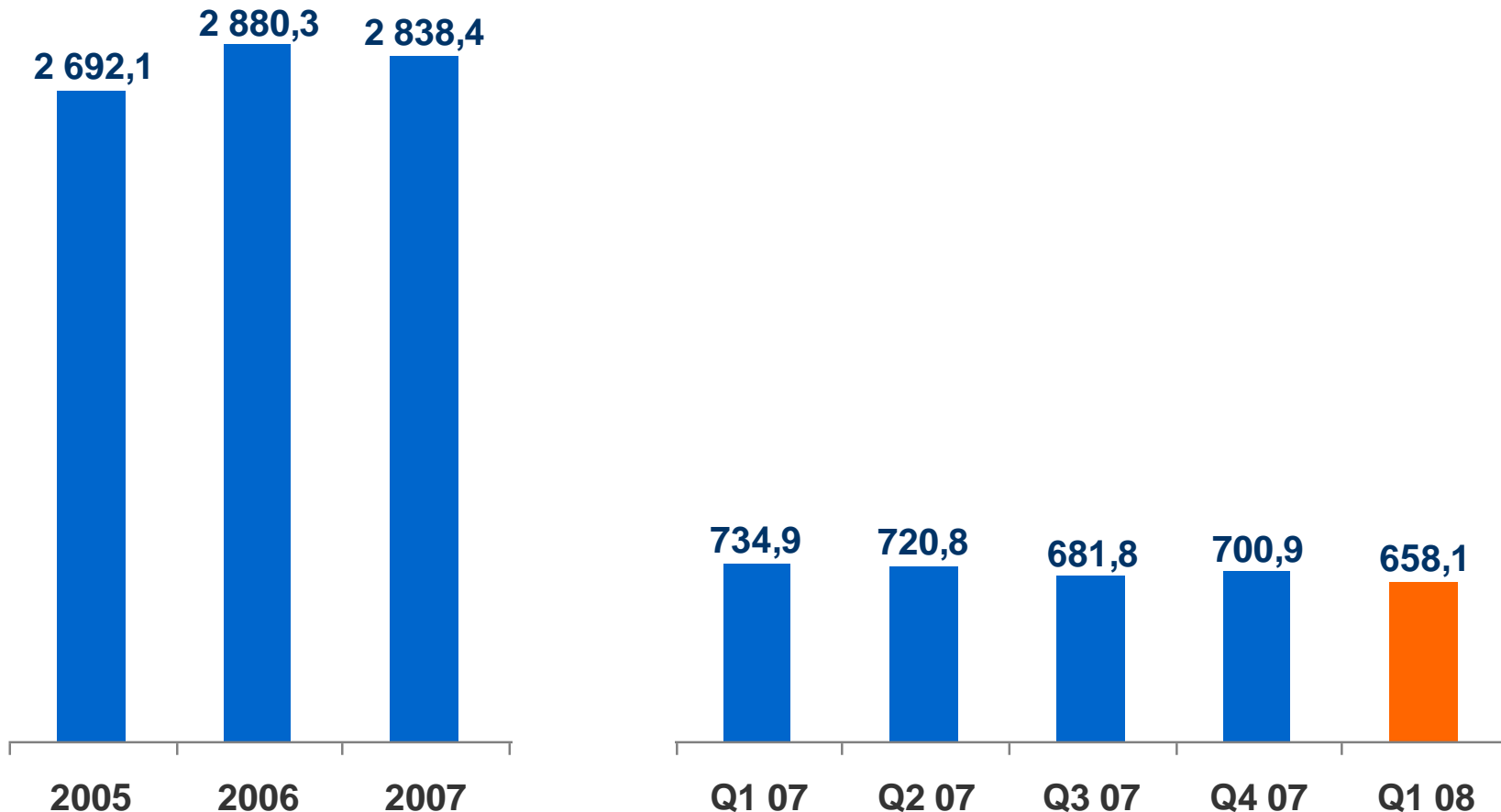
* mainly deconsolidation of VPE/Zeithain (July 07) and VPS/VCAV (December 07)



A 5% decline in output at comparable scope

Production output

In k tonnes



Higher raw material prices, increased purchases consumed

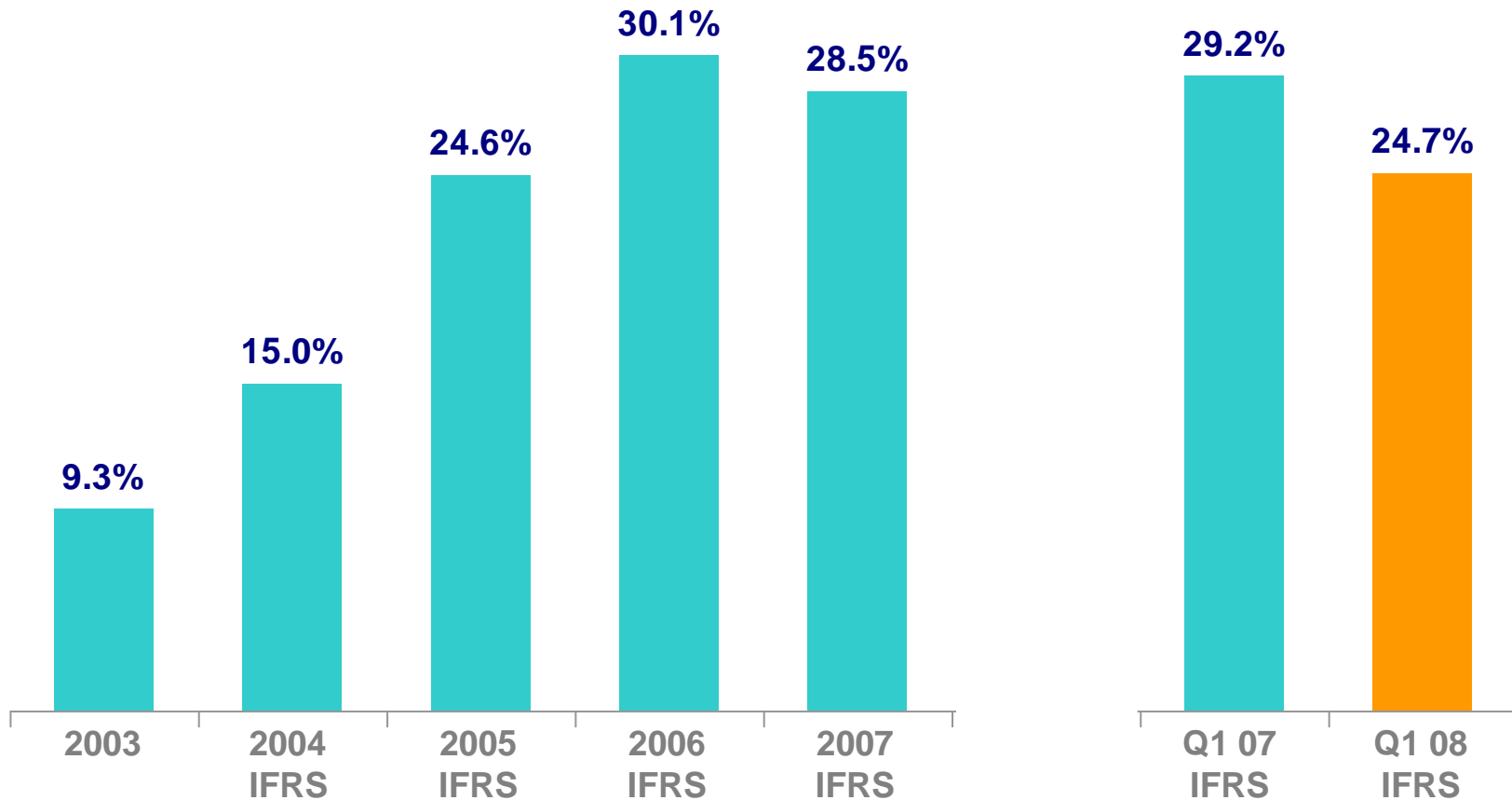
In € million

	Q1 2007	Q1 2008	Change
Sales	1,453.9	1,383.6	- 4.8%
Other products	36.4	55.2	+ 51.6%
	<i>% of sales</i>	<i>% of sales</i>	
Purchases consumed	- 506.6 34.8%	- 547.0 39.5%	+ 8.0%
Taxes and duties	- 14.3 1.0%	- 13.6 1.0%	- 4.9%
Payroll costs	- 215.8 14.8%	- 198.3 14.3%	- 8.1%
Other operating costs	- 333.5 22.9%	- 341.3 24.7%	+ 2.3%
Provisions	4.5 - 0.3%	3.2 - 0.2%	
Total	- 1,065.7	- 1,097.0	+ 2.9%
EBITDA	424.6	341.8	- 19.5%



Squeezed operating margin, as anticipated

EBITDA/sales %



French GAAP in 2003, IFRS from 2004 onwards



Net income impacted

In € million

	Q1 2007		Q1 2008		Change
		<i>% of sales</i>		<i>% of sales</i>	
EBITDA	424.6	29.2%	341.8	24.7%	- 19.5%
<i>Amortization</i>	<i>- 30.0</i>		<i>- 31.1</i>		
<i>Disposals/restructuring</i>	<i>1.3</i>				
Operating income	395.9	27.2%	310.7	22.5%	- 21.5%
Financial income	- 14.7		- 17.7		
<i>Income tax</i>	<i>- 135.9</i>		<i>- 94.8</i>		<i>- 30.2%</i>
<i>Net income of equity affiliates</i>	<i>4.0</i>		<i>1.0</i>		
Total net income	249.3	17.1%	199.2	14.4%	- 20.1%
Net income, Group share	237.7		193.3		- 18.7%



Further improved net cash position despite higher capex

In € million

	Q1 2007	Q1 2008
Cash flow (excluding financial expenses and taxes)	411.6	323.4
Interest paid and received	0.1	- 2.1
Taxes paid	- 77.2	- 123.2
Change in gross WCR	- 183.5	- 68.4
Gross capital expenditure	- 71.0	- 106.8
Asset disposals	4.5	0.5
Share management programme	- 2.5	0.1
Dividends paid	- 10.5	- 3.5
Other	2.3	1.8
(Increase) / decrease in total net debt	<u>73.8</u>	<u>21.8</u>



A sound financial structure

In € million

	31/12/07	31/03/08		31/12/07	31/03/08
Non-current assets	1,492.2	1,508.4	Shareholders' equity	2,707.8	2,863.7
Inventories and work-in-progress	1,168.7	1,248.1	Minority interests	81.9	79.1
Trade receivables	1,048.6	1,027.7	Equity capital	2,789.7	2,942.8
Financial instruments	158.1	223.2	Provisions	357.4	363.8
Other current assets	142.8	111.2	Bank debt	670.1	683.0
Cash	912.5	947.2	Financial instruments	28.1	36.9
			Trade payables	671.9	694.5
			Other current liabilities	405.7	344.8
	<u>4,922.9</u>	<u>5 065.8</u>		<u>4,922.9</u>	<u>5,065.8</u>

	31/12/07	31/03/08
Net debt	- € 242.4 m	- € 264.2 m
Gearing ratio	- 8.7%	- 9.0%

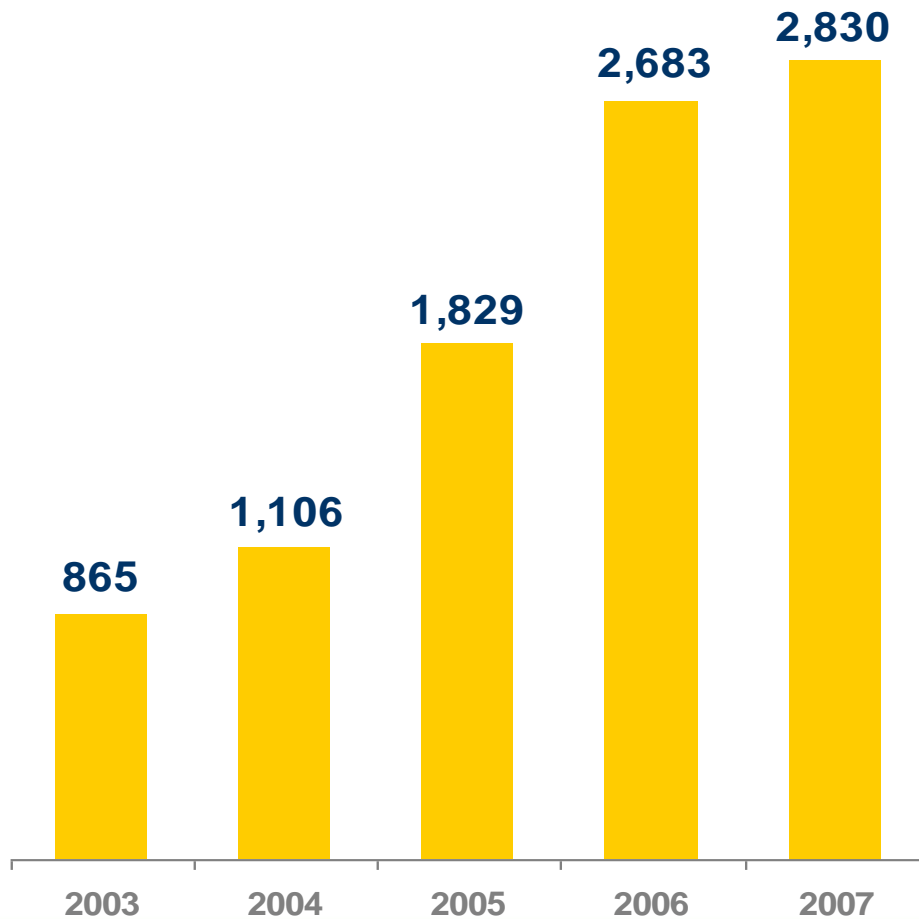




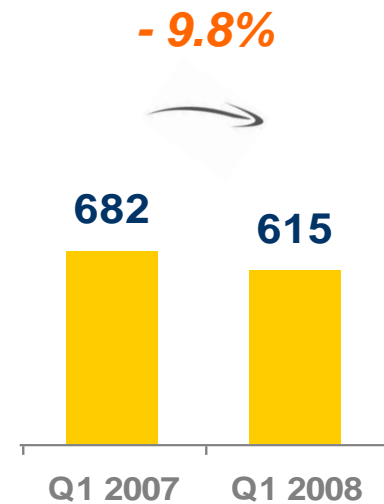
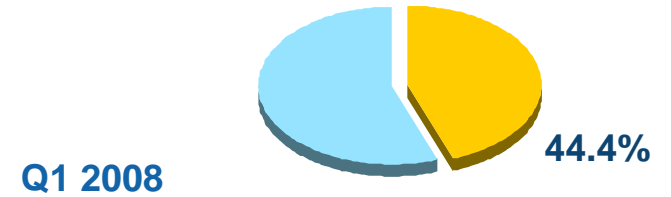
***Review of Vallourec's
activity by market***

Oil & Gas

Vallourec's sales in this market
(in € million)



Oil & Gas sales/total sales



- ## OCTG North America

 - US OCTG inventory correction is over
 - Accelerated pace of price increases
 - End-user demand remains strong

- ## OCTG Rest of the world

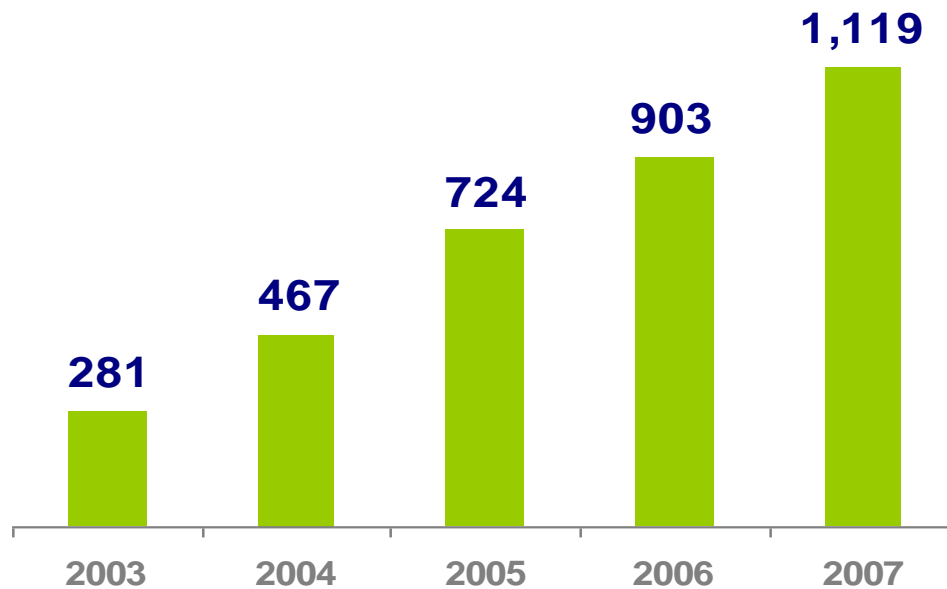
 - Some delays in Africa / Middle East
 - Strong final demand
 - Lag effect of prices increases

**US market recovery under way with
positive price trend**

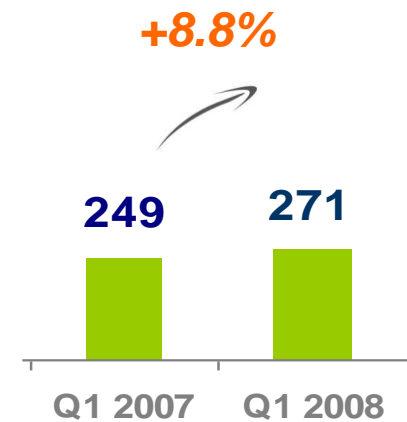
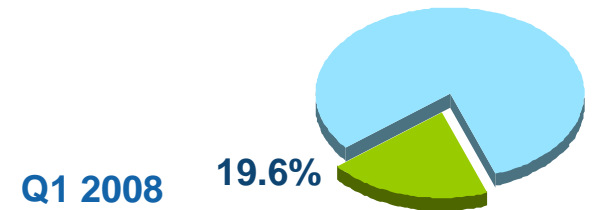


Power generation

Vallourec's sales in this market
(in € million)



Power generation sales/total sales



Power generation

- Buoyant demand and strong market position
- Increased volume
- Increased number of new projects in most parts of the world (i.e. China, Taiwan, Chile, Russia, Germany, US, etc.)
- Positive mix effect
- Robust order book = 7 to 8 months

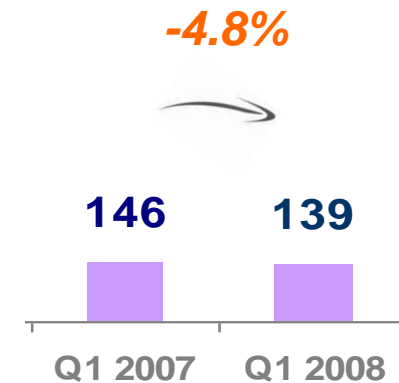
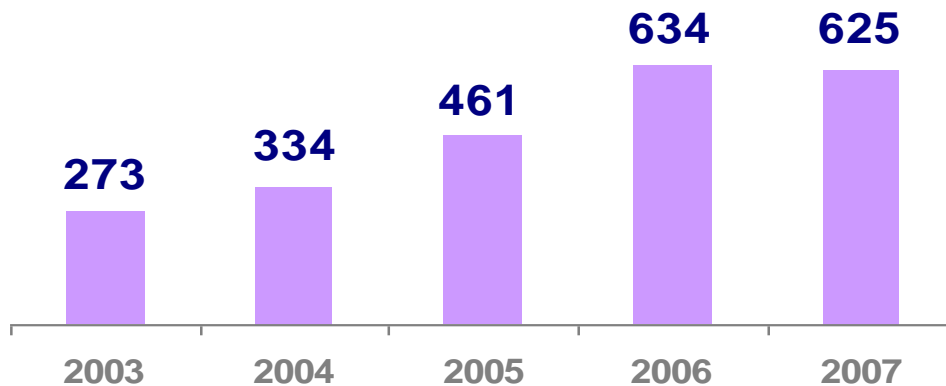
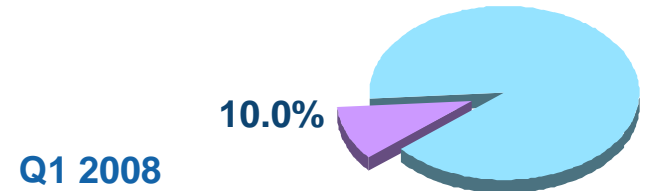
Overall demand remains strong in all parts of the world with higher prices



Petrochemicals

Vallourec's sales in this market
(in € million)

Petrochemicals sales/total sales

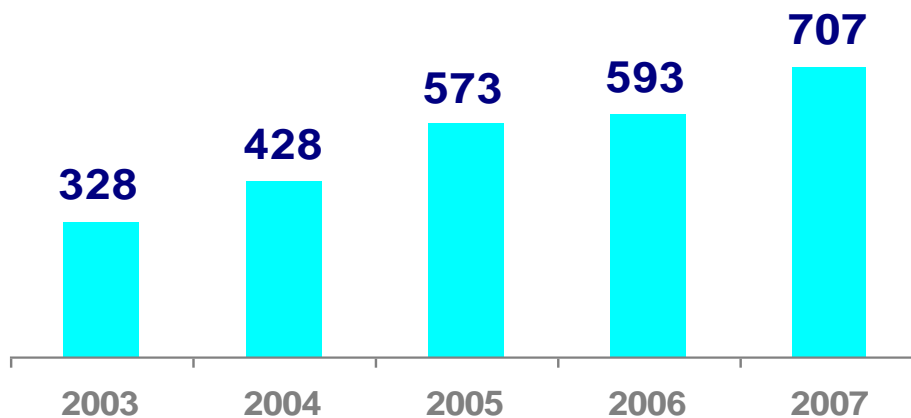


Impact of lower dollar, buoyant markets in the US and Middle-East

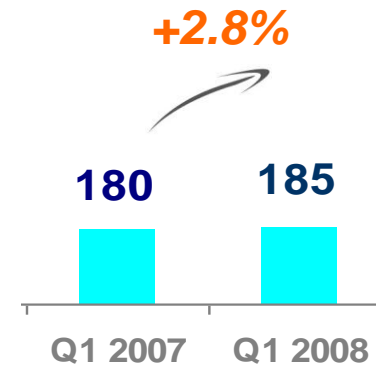
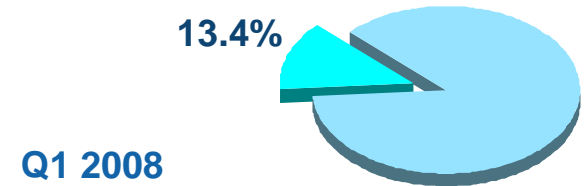


Mechanical engineering

Vallourec's sales in this market
(in € million)



Mechanical eng. sales/total sales



High level of demand and well oriented prices

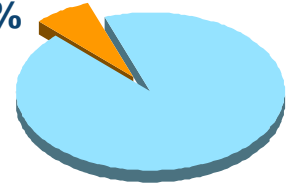


Automotive

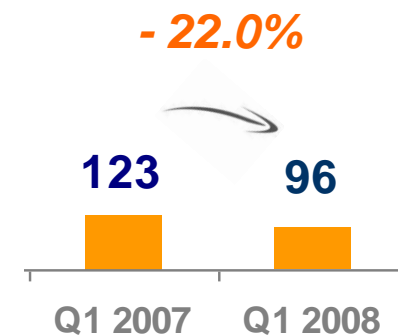
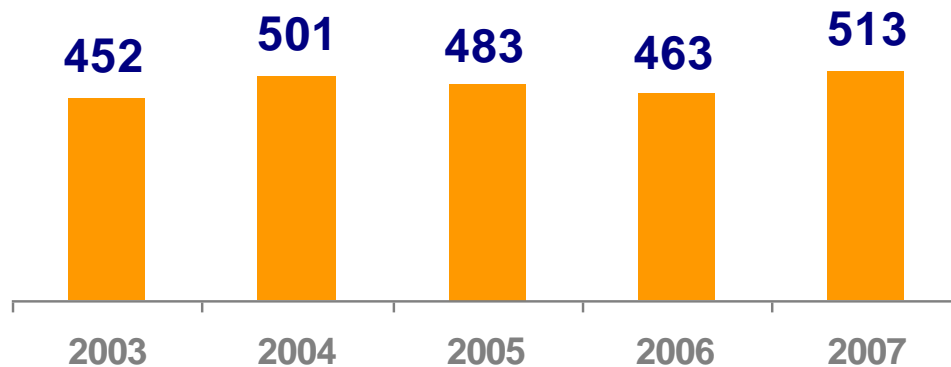
Vallourec's sales in this market
(in € million)

Automotive sales/total sales

6.9%



Q1 2008



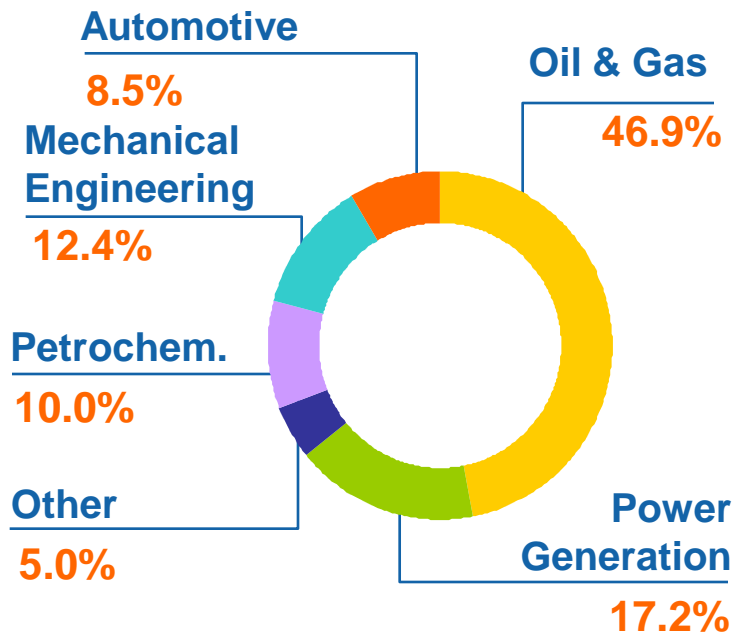
Lower activity in Europe (scope effect)
Strong business in Brazil



The majority of our business continues to be focused on Energy

Q1 2007

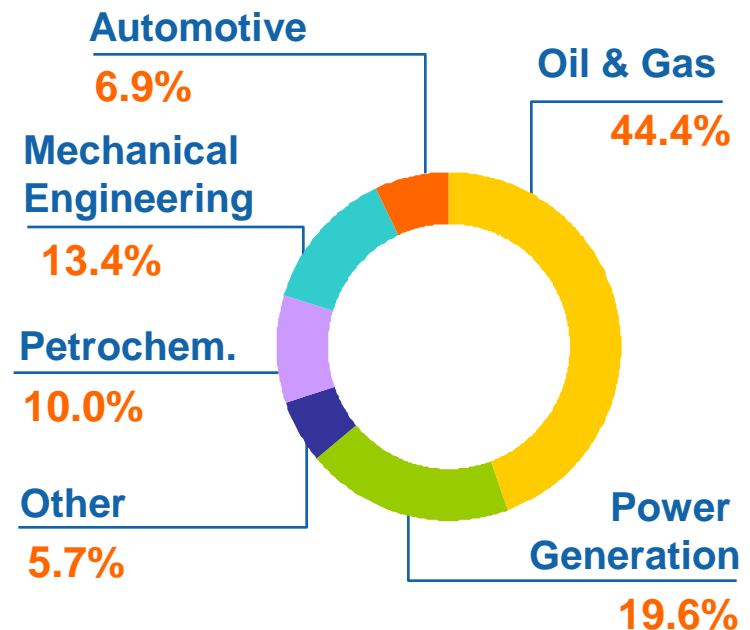
Sales = €1,454 m



Total Energy* : 64.1% of sales

Q1 2008

Sales = €1,384 m



Total Energy* : 64.0% of sales

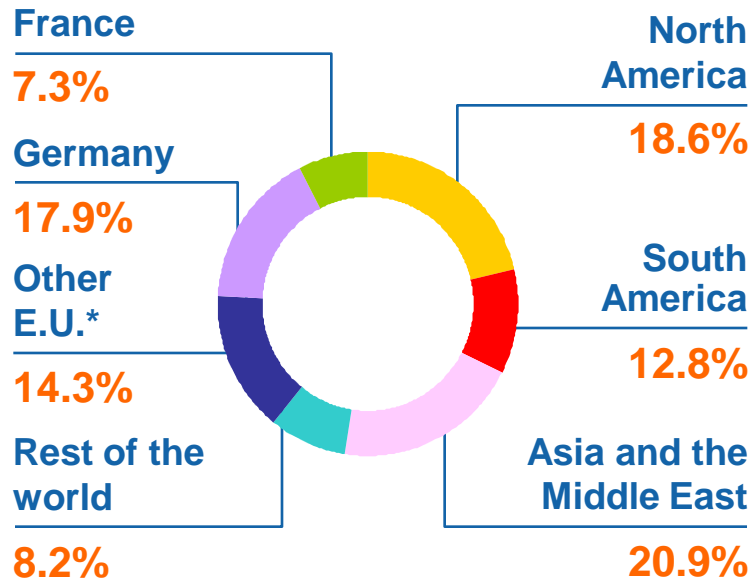
* Total Energy = Oil & Gas + Power generation



Geographical breakdown

2007

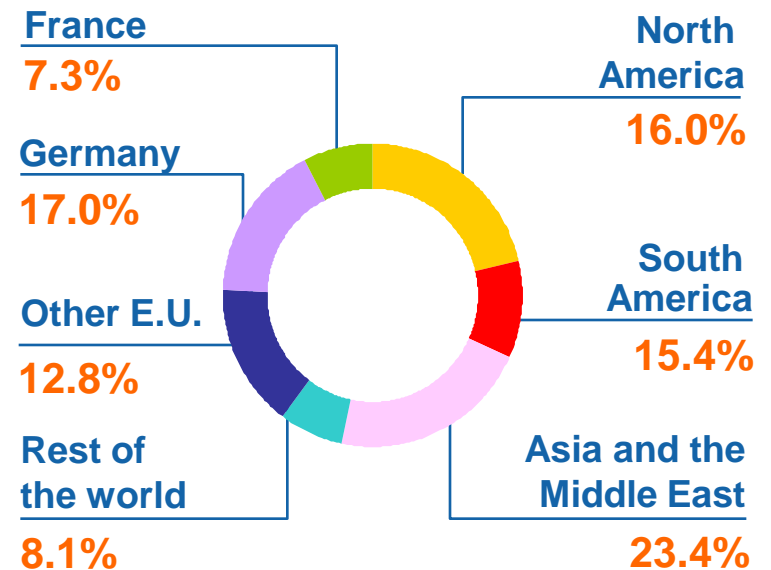
Sales = € 6,141m



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

Q1 2008

Sales = € 1,384 m



Non-E.U.*: 62.9% of sales

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





Outlook



Outlook

- ## 2008 activity and sales

 - Volumes expected to remain at same level as 2007 (at comparable scope)
 - Sales at least in line with 2007 (at comparable scope)
 - Contribution of US acquisitions

- ## EBITDA/sales for H1 2008

 - Context of a weak dollar and sharply higher raw materials costs
 - EBITDA/sales ratio of around 25% in H1 2008

- ## Price increases

 - Process is implemented / will progressively impact sales
 - Application depends on duration and nature of existing commercial commitments.

- ## Medium to long term outlook

 - Planned cost savings
 - New investments coming on stream (St-Saulve, new tube mill in Brazil)
 - Solid outlook for premium seamless tubes especially in Energy markets





Appendix



■ Long term outlook remains positive

Oil & Gas demand



Increasing complexity of applications
→ rise in proportion of premium products

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

Source : EIA - Energy Information Administration

Electricity demand



Towards ultra-supercritical power plants
→ increasingly sophisticated products

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

Source : IEA – International Energy Agency





Vallourec

Q1 2008 Results

7 mai 2008