Vallourec

3rd quarter 2007 results

14 November 2007

Information

- *Only half year income statements are audited; quarterly statements are unaudited.*

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

Another strong quarter

	Q3 2007		9 months 2007	
Sales	€1,500 m	+8.3%	€4,512 m	+10.0%*
EBITDA / Sales	28.1%		29.1%	
Net profit, Group share	€248.0 m	+4.2%	€743.4 m	+7.6%
Gross capital expenditure	€116,6 M	+48%	€284.1 M	+60%

* +11.1% on a comparable basis

The Group benefits from growth in all its markets

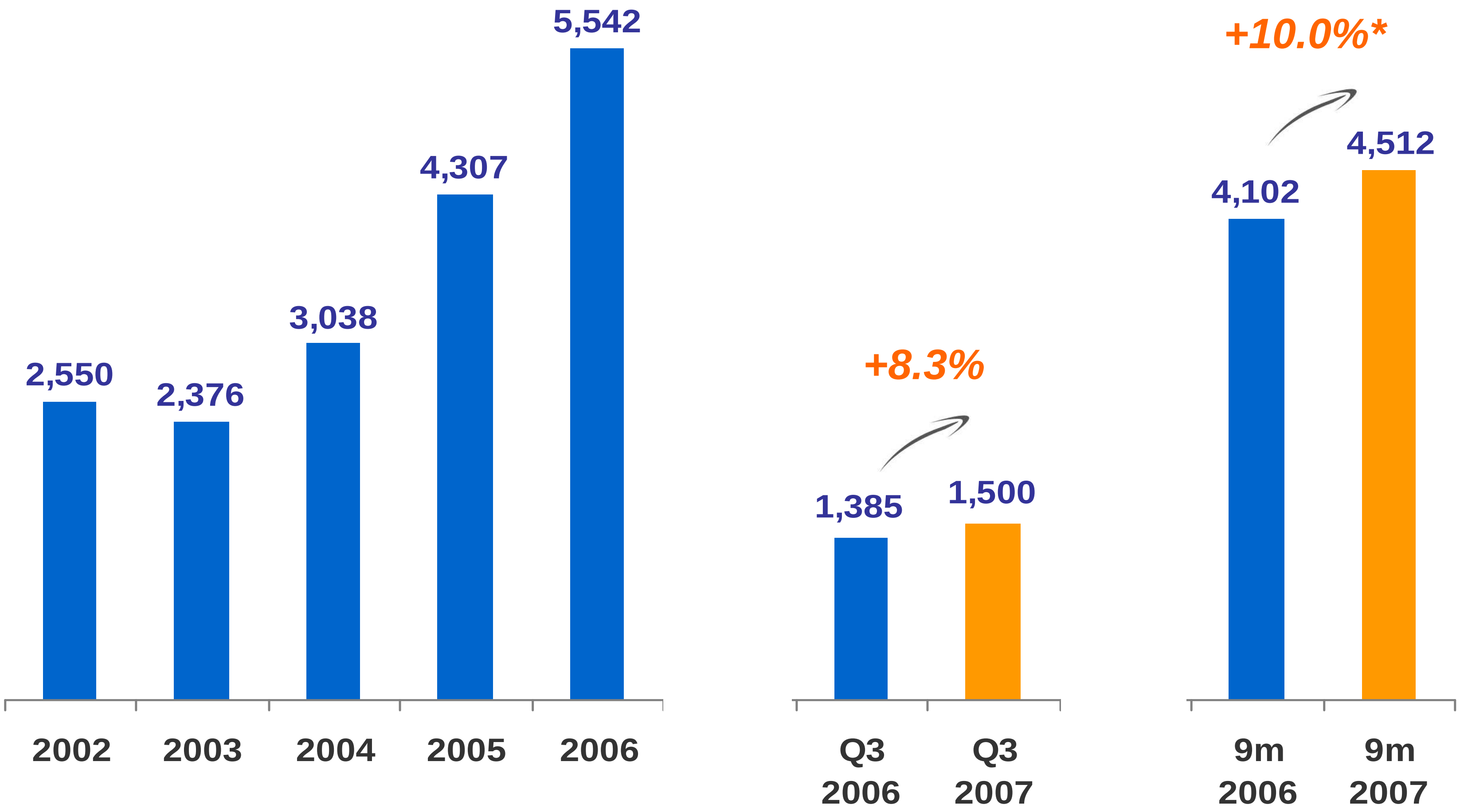
- Overall demand remained at a high level
  - US downward OCTG inventory adjustments continued but at a slower rate
- Total output was maintained at an excellent level, despite slowdown at V & M STAR
  - Small scope effect
- Prices stabilized on average vs. Q3 2006
  - Some price increases on value-added products
  - V & M STAR lower prices in US
- Product mix enhanced compared to prior year

Q3 2007 results

Sales: double-digit growth

In € million

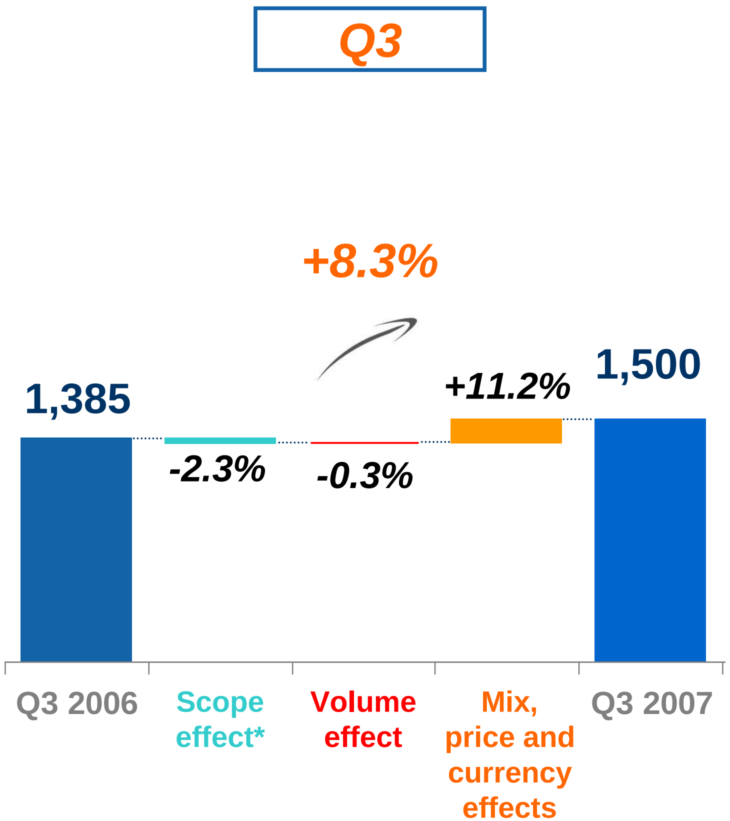
Sales trend

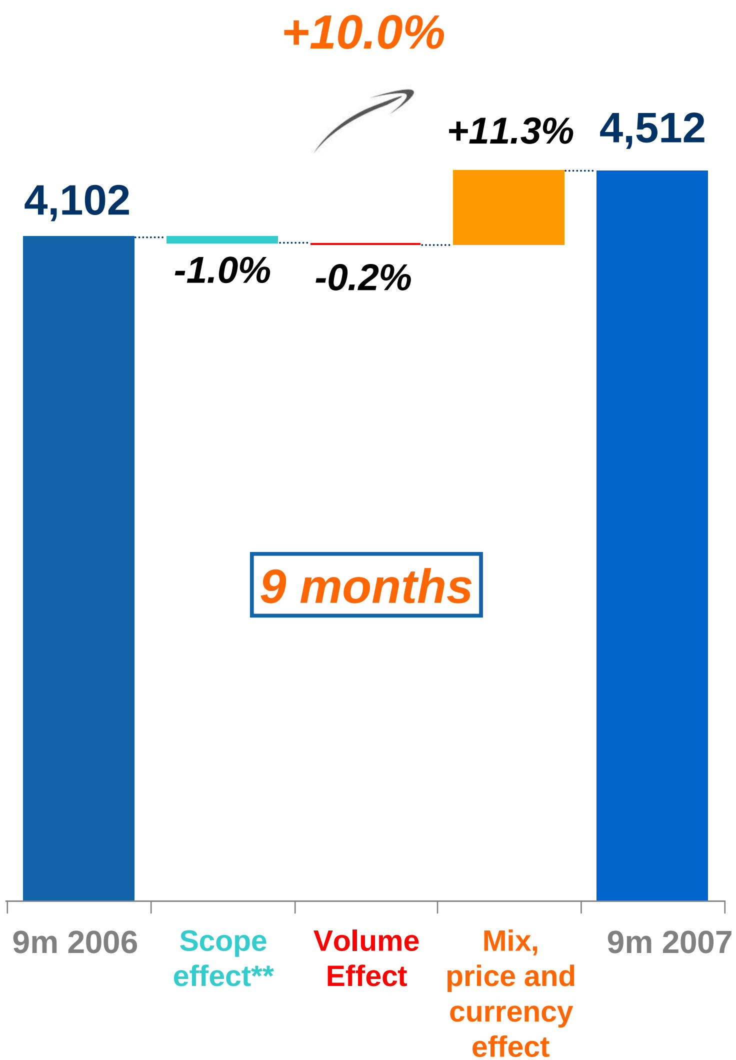


** +11.1% on a comparable basis*

Growth driven by mix and price effects

In € million





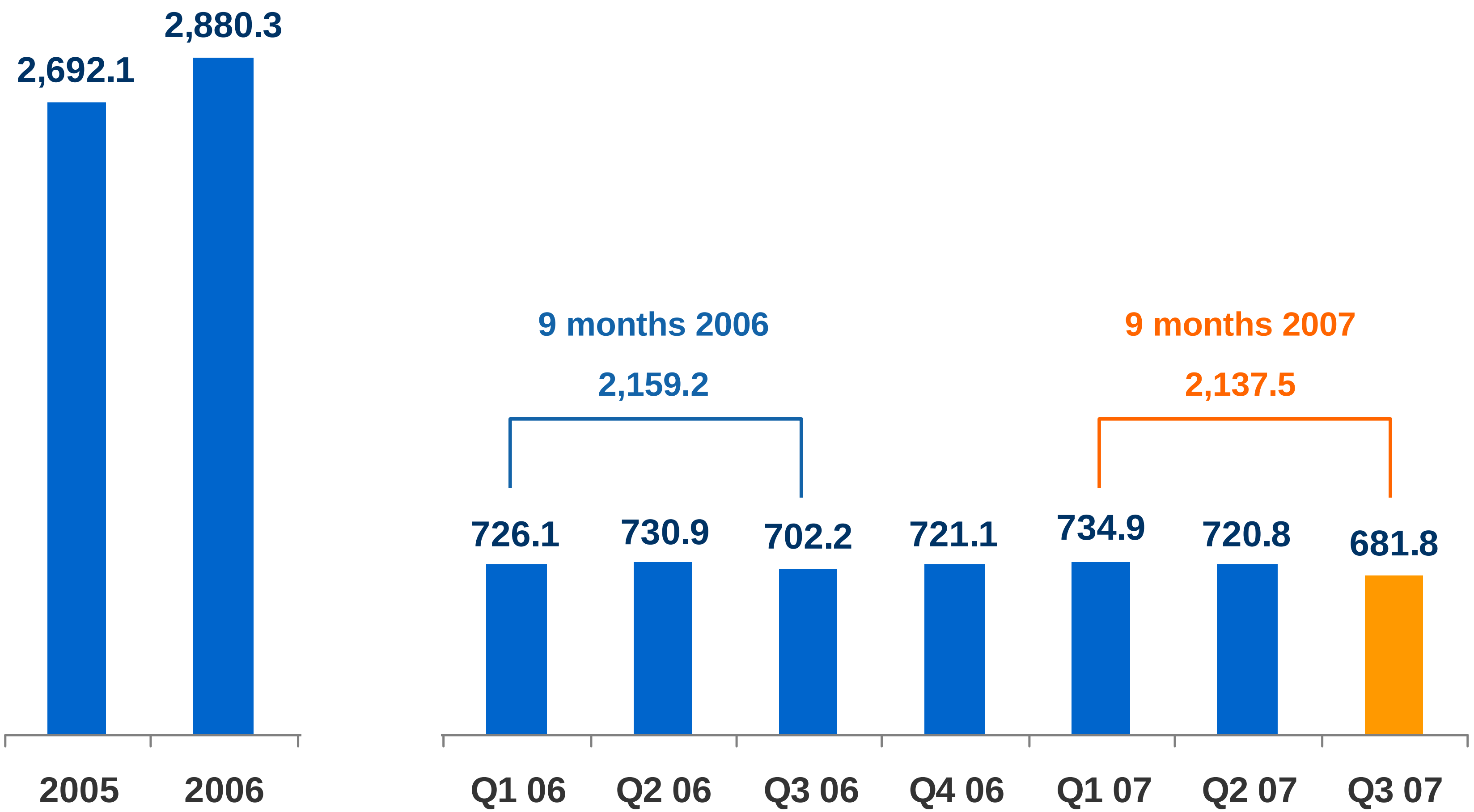
* Q3: mainly deconsolidation of Cerec (1/12/06) et VPE/Zeithain (2/7/07)

** 9 months: mainly consolidation of SMFI (1/4/06), deconsolidation of Specitubes (1/4/06), Cerec (1/12/06) and VPE/Zeithain (2/7/07)

Slightly lower production output (scope effect)

In k tonnes

Production output trend



Q3: EBITDA up 4.2%

In € million

	Q3 2006	% of sales	Q3 2007	% of sales	Change
Sales	**1,384.6**		**1,499.6**		**+8.3%**
Other products	-6.9		15.6		**ns**
Purchases consumed	-464.3	*33.5%*	-560.9	*37.4%*	**+20.8%**
Taxes and duties	-12.0	*0.9%*	-12.7	*0.8%*	**+5.8%**
Payroll costs	-190.6	*13.8%*	-184.7	*12.3%*	**-3.1%**
Other operating costs	-297.0	*21.5%*	-333.2	*22.2%*	**+12.2%**
Provisions	-9.7	*0.7%*	-2.7	*0.2%*	
Total	**-973.6**		**-1,094.2**		**+12.4%**
EBITDA	**404.1**		**421.0**		**+4.2%**

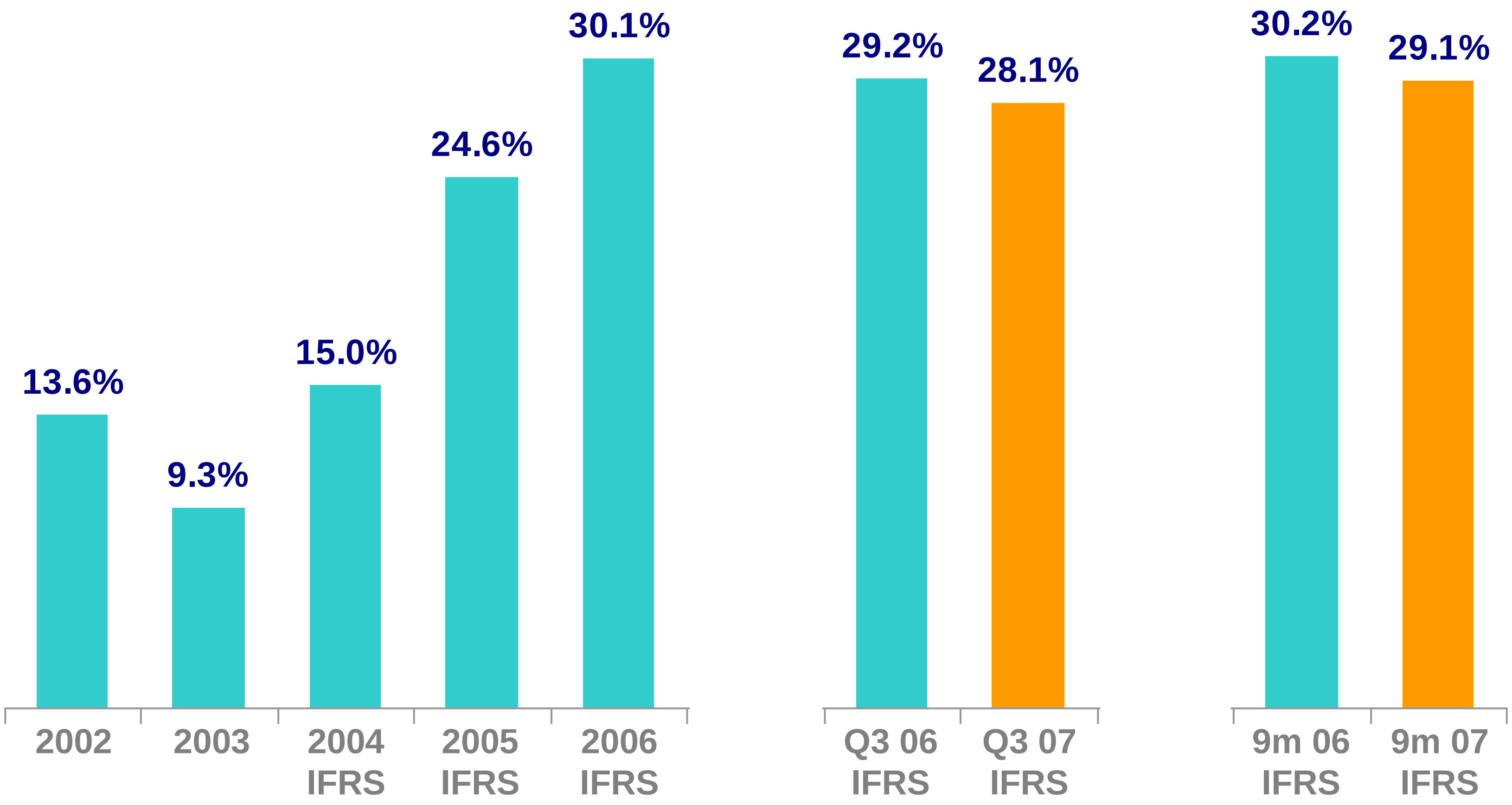
9 months: EBITDA up 5.8%

In € million

	9 months 2006	% of sales	9 months 2007	% of sales	Change
Sales	**4,101.9**		**4,511.7**		**+10.0%**
Other products	124.4		118.7		**-4.6%**
Purchases consumed	-1,455.0	*35.5%*	-1,643.3	*36.4%*	**+12.9%**
Taxes and duties	-41.3	*1.0%*	-42.1	*0.9%*	**+1.9%**
Payroll costs	-597.3	*14.6%*	-620.6	*13.8%*	**+3.9%**
Other operating costs	-880.5	*21.5%*	-995.2	*22.1%*	**+13.0%**
Provisions	-12.2	*0.3%*	-17.0	*0.4%*	**+39.3%**
Total	**-2,986.3**		**-3,318.2**		**+11.1%**
EBITDA	**1,240.0**		**1,312.2**		**+5.8%**

Operating margin maintained at a high level

EBITDA/Sales ratio as %



French GAAP until 2003, IFRS from 2004

Q3: net income, Group share up 4.2%

In € million

	Q3 2006	% of sales	Q3 2007	% of sales	Change
EBITDA	404.1	29.2%	421.0	28.1%	+4.2%
Amortization	-28.8		-27.9		
Disposals / restructuring	0.2		8.5		
Operating income	375.5	27.1%	401.6	26.8%	+7.0%
Financial income	25.1		-7.9		
Income tax	-139.9		-140.3		+0.3%
Net income of equity affiliates	-2.1		4.1		
Total net income	258.6	18.7%	257.5	17.2%	-0.4%
Net income, Group share	238.0		248.0		+4.2%

9 months: Net income, Group share up 7.6%

In € million

	9 months 2006	% of sales	9 months 2007	% of sales	Change
EBITDA	1,240.0	*30,2%*	1,312.2	*29,1%*	+5.8%
Amortization	*-85.2*		*-89.2*		
Disposals/restructuring	*3.2*		*-6.9*		
Operating income	1,158.0	*28,2%*	1,216.1	*27,0%*	+5.0%
Financial income	9.8		-16.9		
Income tax	*-408.9*		*-434.6*		*+6.3%*
Net income of equity affiliates	*-5.3*		*10.6*		
Total net income	753.6	*18,4%*	775.2	*17,2%*	+2.9%
Net income, Group share	690.6		743.4		+7.6%

Q3: net cash outflow of €104.1m after dividend payment

In € million	Q3 2006	Q3 2007
Cash flow (excluding financial expense)	441.7	433.3
Interests paid and received	-4.1	-4.7
Taxes paid	-173.8	-142.5
Change in gross WCR	-1.6	37.3
Gross capital expenditure	-78.7	-116.6
Financial investments	0.0	0.0
Asset disposals	1.1	115.8
Share management program (incl. liquidity contract)	0.0	-6.6
Dividends paid	-96.0	-435.6
Other	+8.3	+15.5
(Increase)/decrease in total net debt	96.9	(104.1)

9 months: positive net cash

In € million	9m 2006	9m 2007
Cash flow (excluding financial expense)	**1,273.6**	**1,338.0**
Interests paid and received	**-2.6**	**-4.6**
Taxes paid	**-430.5**	**-442.8**
Change in gross WCR	**-158.9**	**-282.3**
Gross capital expenditure	**-177.2**	**-284.1**
Financial investments	**-32.6**	**-3.6**
Asset disposals	**17.2**	**124.0**
Share management program (incl. liquidity contract)	**0.0**	**0.6**
Dividends paid	**-119.2**	**-456.0**
Other	**-10.5**	**16.6**
(Increase)/decrease in total net debt	**359.3**	**5.8**

Sound balance sheet

In € million

	31/12/06	30/09/07
Non-current assets	1,218.3	1,373.4
Inventories and work-in-progress	1,039.3	1,205.8
Trade receivables	1,002.7	1,019.4
Financial instruments	91.0	143.3
Other current assets	111.9	130.2
Cash	889.3	756.3
Assets held for sale	175.6	66.0
	4,528.1	4,694.4

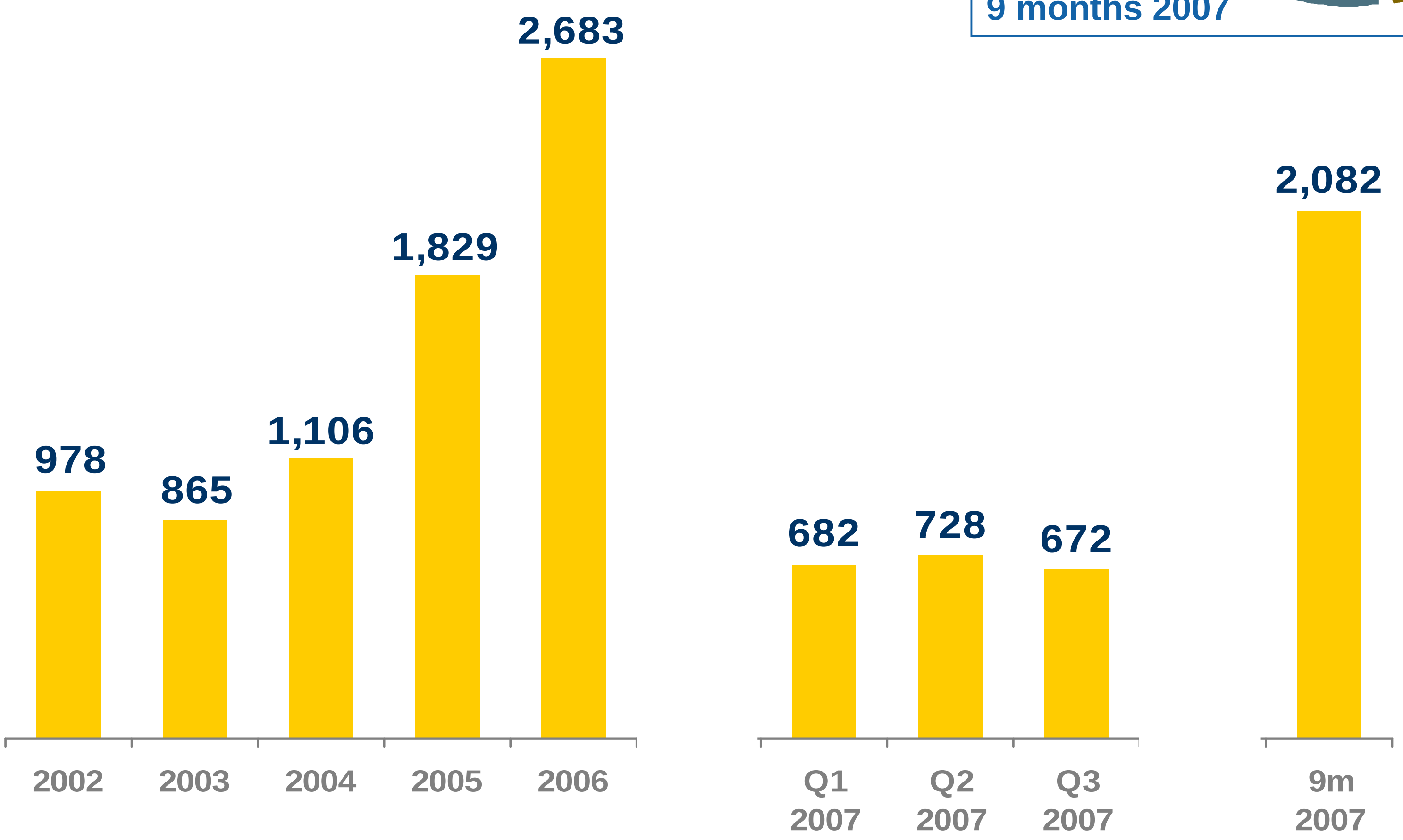
	31/12/06	30/09/07
Shareholders' equity	2,130.4	2,475.7
Minority interests	92.8	86.1
Equity capital	2,223.2	2,561.8
Provisions	351.4	366.3
Bank debt	847.9	709.1
Financial instruments	26.1	26.8
Trade payables	602.4	564.7
Other current liabilities	399.2	411.4
Liabilities held for sale	77.9	54.3
	4,528.1	4,694.4

	31/12/06	30/09/07
Net debt	€-41.4m	€-47.2m
Gearing ratio	-1.9%	-1.8%

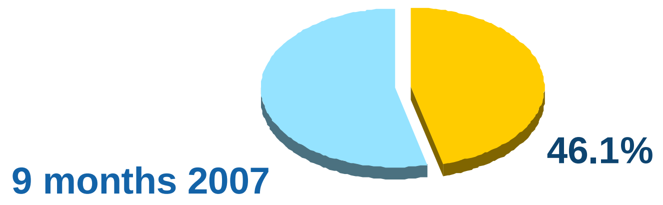
Review of Vallourec's activity by market

Oil & Gas

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



Oil & Gas sales / total sales



Oil & Gas

OCTG North America

- US downward OCTG inventory adjustments continued but at a slower rate
- V & M STAR activity stable compared to 1st half
- V & M STAR prices down at the beginning of Q3
- End-user demand remain strong
- VAM® threading continues at full capacity

OCTG Rest of the world

- Demand continues to be good, order book = 8 months
- Price in US $ stable at an excellent level

Drilling products

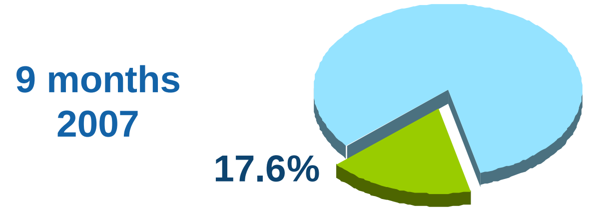
- Market and price well oriented, mix improvement

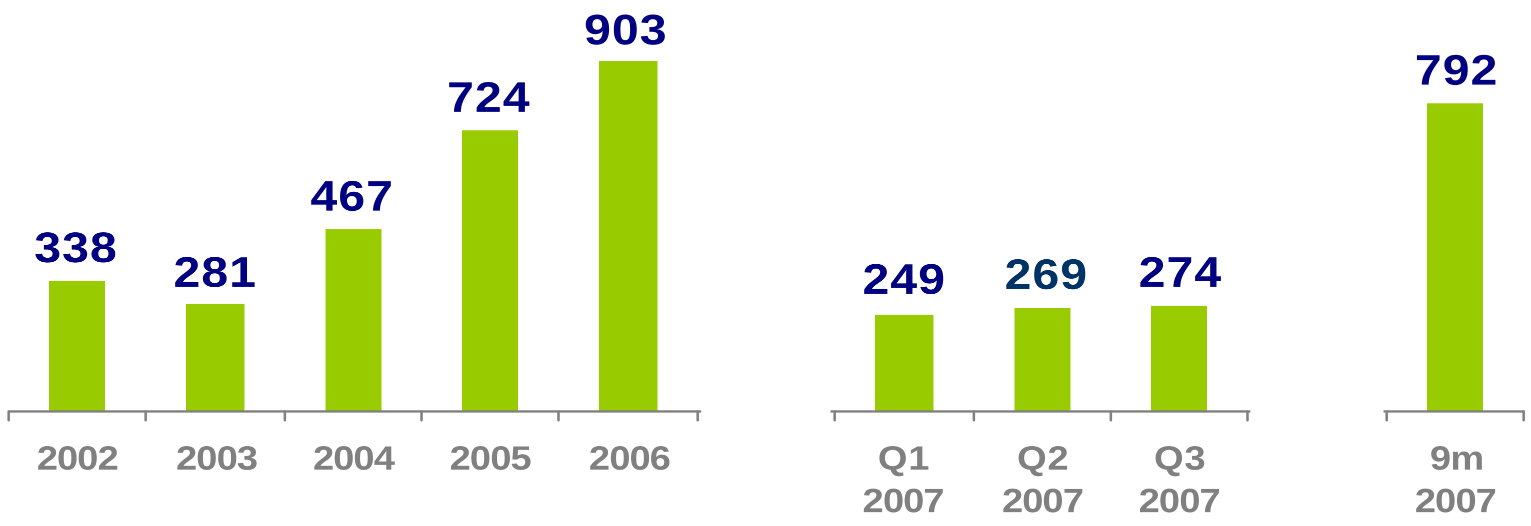
Inventory adjustments slowdown in US
Demand remains well oriented in other markets

Power generation

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

Power gen. Sales / total sales





Power generation

China

- Remains a major market
- Evolution towards more sophisticated power plants (Cf. Nanjing project with 4 ultra-supercritical units of 1,000 MW each)
- Changzhou plant running at full capacity

Rest of the world

- Buoyant demand is confirmed
- Significant number of complex new projects (supercritical and ultra-supercritical power stations in Europe, US and India)

Overall

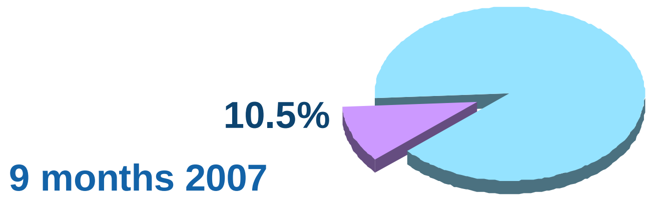
- Order book = 8 to 9 months
- Prices remain at high level, product mix improves

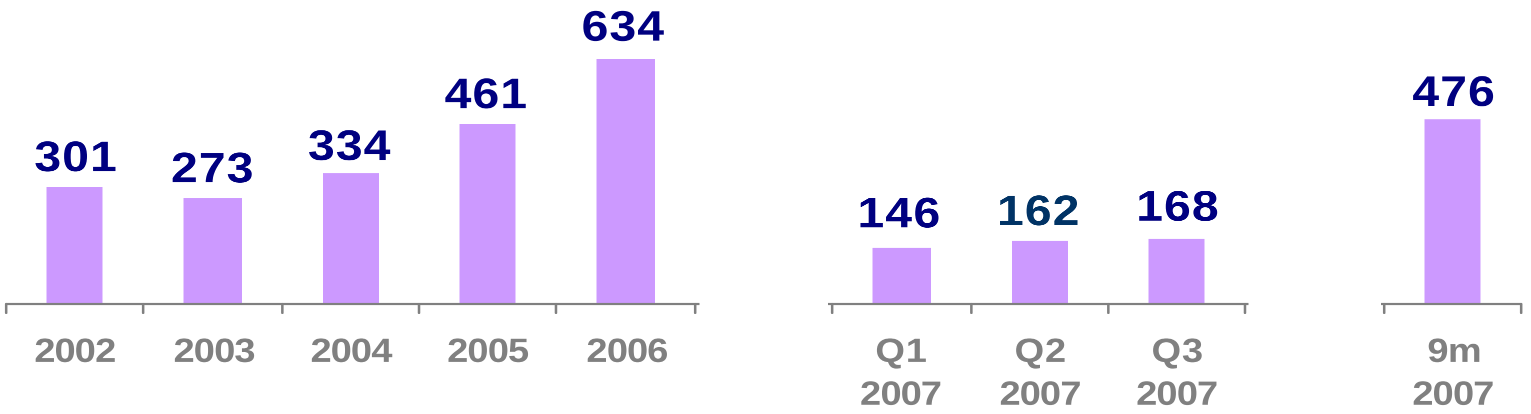
Confident that overall demand will remain strong in all parts of the world

Petrochemicals

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

Petrochemicals sales / total sales



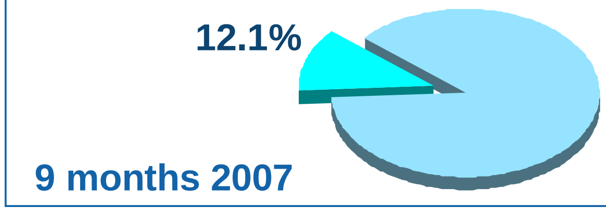


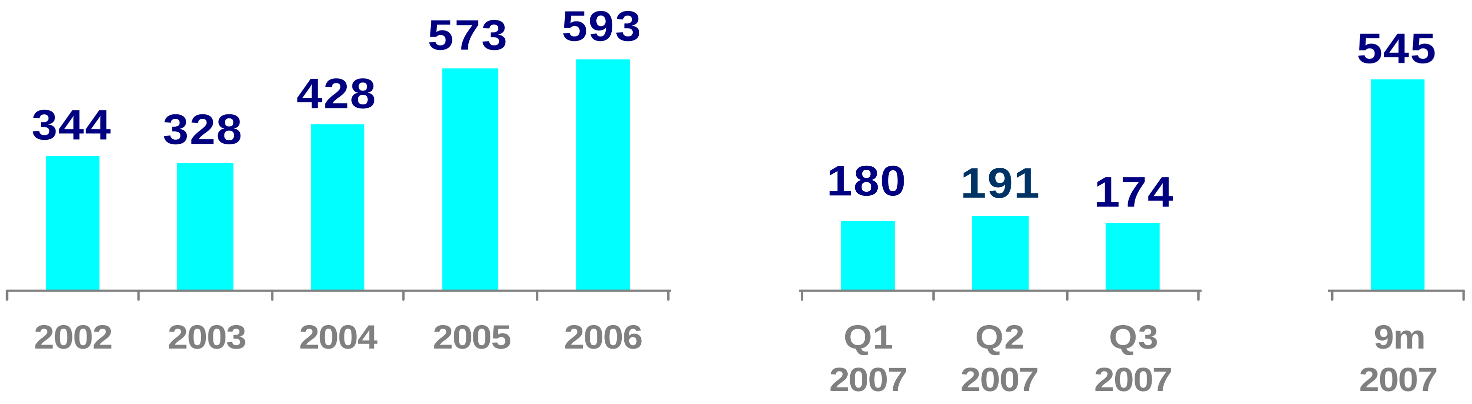
Activity remains at a satisfactory level
Stable in Europe, strong in Middle-East and South-East Asia

Mechanical engineering

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

Mech. Eng. sales / total sales

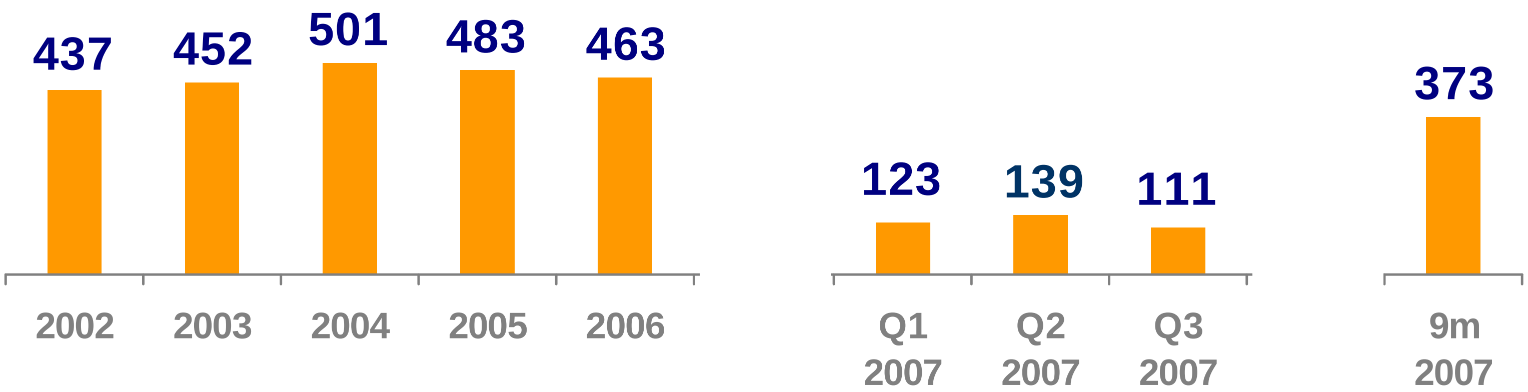




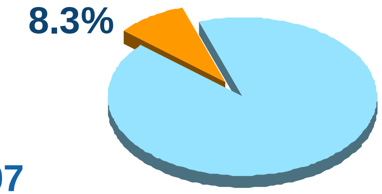
Slight seasonal slowdown confirmed in second half
Demand remains buoyant, driven by Chinese growth rate

Automotive

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



Automotive sales / total sales



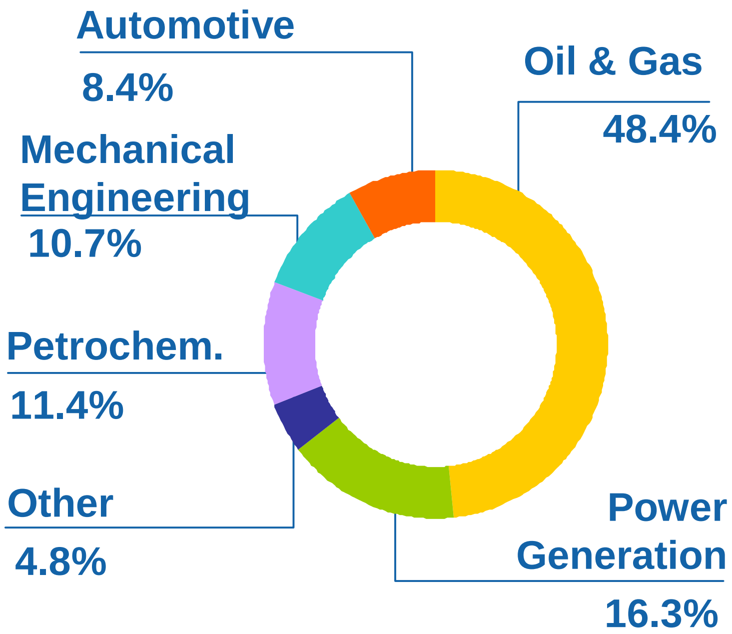
9 months 2007

Sustained activity in Brazil and buoyant demand for bearings in Europe
Scope effect on 2nd half (VPE disposal)

The majority of our business continues to be focused on Energy

2006

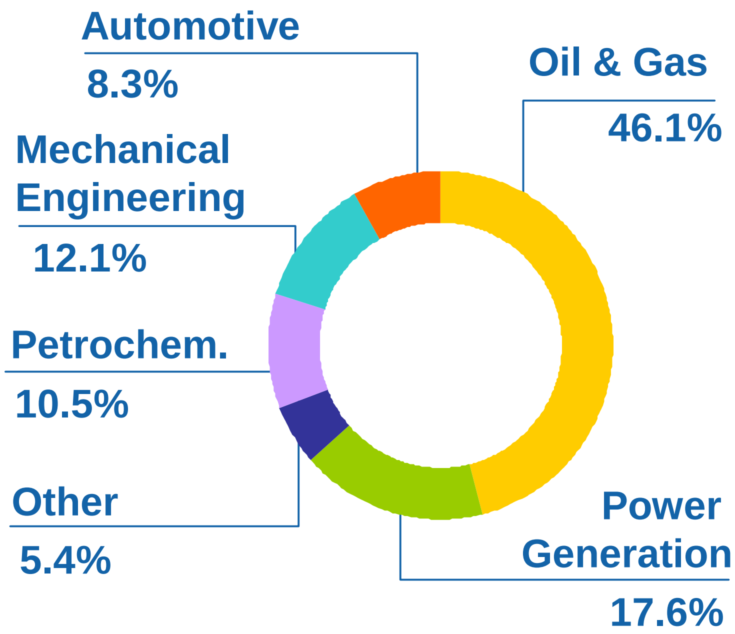
Sales = €5,542m



Total Energy* : 64.7% of sales

9 months 2007

Sales = €4,512m



Total Energy* : 63.7% of sales

Non audited data

** Total Energy = Oil & Gas + Power generation*

Outlook

Guidance

- H2 2007 :
  - To meet demand from customers, the Group supplies externally-purchased tubes in nickel alloy and tubes with special coatings: positive impact on sales but very small increase in EBITDA in absolute terms.
  - Second-half sales should increase by more than 10% at constant scope of consolidation* (vs. 7 to 10% announced end of July 2007)
  - EBITDA/Sales ratio in the 2nd half of 2007 expected to be close to the level achieved in the first half, before taking into account seasonal variations and the impact of the supply of low value-added goods described above
- Beyond 2007 :
  - The fall in the US dollar will have a negative impact on the export margins of our European plants
  - Oil & Gas fundamentals are well oriented, sustained demand
  - Very good visibility on Power Generation market, with favorable mix and price evolution

Impact of VPE disposal on sales = €100 million on 2nd half 2007 compared to 2nd half 2006

Appendix

Long term outlook remains positive

Oil & Gas demand

+1.7%   +2.8%

per year for the next 10 years

Source : EIA - Energy Information Administration

Increasing complexity of applications → rise in proportion of premium products

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

Electricity demand

+2.6%

per year to 2030

Source : IEA – International Energy Agency

Towards ultra-supercritical power plants → increasingly sophisticated products

- Reduction of CO_2 emissions
- Increasingly higher temperatures (> 600℃)
- Increasingly high-performance and durable materials

Vallourec

Q3 2007 Results

14 November 2007