



Press Release

Vallourec announces the implementation of an employee share offering

Boulogne-Billancourt, 31 July 2008 – Vallourec, world leader in the production of seamless steel tubes, today announces that it has agreed on the principle of the implementation of an employee share offering reserved for its employees for a maximum number of 750,000 shares representing 1.4% of the share capital.

The aim of this offer, called “Value 08”, is to strengthen the employees’ corporate attachment to the activity and results of the Group by providing an opportunity to invest in Vallourec shares.

Subject to any necessary local authorizations and the exclusion of certain companies, the offer will be reserved for employees (and assimilated beneficiaries) of Vallourec and the subsidiaries in which Vallourec owns directly or indirectly more than 50% of the share capital and who have their registered office in one of the following countries: France, Germany, Brazil, United States, United Kingdom, Mexico, China and Canada.

The reservation period should be open from September 22, 2008 to October 13, 2008 (inclusive), with the fixing of the subscription dates and price scheduled to occur on November 17, 2008 (indicative timetable).

The main terms and conditions of the “Value 08” offer are described hereinafter.

Vallourec

A French limited liability company (*Société anonyme*) with a management structure comprising a Management Board and a Supervisory Board, with share capital of € 212,154,880
27, avenue du Général Leclerc, 92100 Boulogne Billancourt
Company Registry Number: RCS Nanterre 552 142 200

MAIN TERMS AND CONDITIONS OF THE "VALUE 08" OFFER RESERVED FOR EMPLOYEES AND RETIREES OF VALLOUREC

PURPOSE OF THE OFFER

The aim of this offer is to strengthen the employees' corporate attachment to the activity and results of the Group by providing an opportunity to invest in Vallourec shares.

Pursuant to the twelfth, thirteenth, fourteenth and fifteenth resolutions adopted by the Vallourec Combined General Shareholders' Meeting on June 4, 2008, and further to the Supervisory Board approval, the Management Board of Vallourec has agreed on July 31, 2008 on the principle of the implementation of an employee share offering ("Value 08") reserved for employees (and assimilated beneficiaries) of Vallourec and subsidiaries in which Vallourec owns directly or indirectly more than 50% of the share capital, under the terms and conditions outlined below.

INFORMATION ON THE ISSUER

Vallourec, a French *Société anonyme* with a Management Board and a Supervisory Board
Share Capital: € 212 154 880, i.e., 53 038 720 shares with a nominal value of € 4.00 at July 31, 2008
Registered office: 27, avenue du Général Leclerc, 92100 Boulogne Billancourt
Company Registry Number: RCS Nanterre 552 142 200
ICB Sector Classification:

- Industry: 2000, Industrial
- Sector: 2750, Industrial engineering
- Sub-sector: 2757, Industrial equipment

NATURE OF THE OFFERED SECURITIES

The offer (including the securities reserved for the financial institution structuring the operation) represents a maximum of 750,000 shares with a nominal value of € 4.00 each, representing as at the date of this press release 1.4% of the share capital. The shares will be delivered with current dividend rights (*jouissance courante*) and will be assimilated with existing shares as of the date of their issuance.

LEGAL FRAMEWORK OF THE OFFER

The implementation of the offer will be made pursuant to:

- the delegations of authority given by the Vallourec Combined General Shareholders' Meeting held on June 4, 2008 under the twelfth, thirteenth and fourteenth resolutions with respect to the issuance of shares with a 20% discount, for a maximum nominal amount of € 3,150,000 (i.e., 750,000 shares); and
- the authorization given by the Vallourec Combined General Shareholders' Meeting held on June 4, 2008 under the fifteenth resolution with respect to the grant of existing free shares up to a maximum of 75,000 free shares (this maximum being increased by the number of shares that may be granted in connection with any adjustment designed to preserve beneficiaries' rights in the context of transactions affecting the capital of the company)

TERMS AND CONDITIONS OF SUBSCRIPTION

Determination the subscription price

The subscription price for Vallourec shares should be determined on November 17, 2008 (indicative timetable). Pursuant to the decisions taken by the Vallourec Combined General Shareholders' Meeting held on June 4, 2008, and by the Supervisory Board and Management Board meetings on July 31, 2008, this price shall be equal to the average opening Vallourec share price on the Eurolist market of Euronext Paris by NYSE Euronext over the twenty trading days preceding this date (the "Reference Price"), discounted by 20% and rounded up to the immediately higher euro cent.

The subscription price as well as the dates for the subscription/revocation period will be made public through a press release published by Vallourec, which will also complete the information previously given to beneficiaries of the offer.

Beneficiaries of the Offer

Subject to any necessary local authorizations and to the exclusion of certain companies, the offer shall be open to employees (and assimilated beneficiaries) of Vallourec and the subsidiaries in which Vallourec owns directly or indirectly more than 50% of the shares, and who have their registered office in one of the following jurisdictions: France, Germany, Brazil, United States, United Kingdom, Mexico, China and Canada.

More precisely, eligible participants in the "Value 08" offer would include:

- employees (and corporate officers assimilated therewith as provided in Article L.3332-2 of the French Labor Code) of companies participating in the Vallourec group savings plan (PEV – *Plan d'Epargne Vallourec*) or in the Vallourec international group savings plan (PEVI – *Plan d'Epargne Vallourec International*), provided they have a minimum three-month seniority in the group at the end of the subscription/revocation period;
- retirees and pre-retirees of companies participating in the PEV or the PEVI, provided they still have assets invested in the plans at the date of the payment of their investment in the offer;
- employees of companies with registered offices in Brazil, Mexico, the United States or China, other than those participating in the PEVI and in which Vallourec owns, directly or indirectly, more than 50% of the shares, provided they have a minimum three-month seniority in the group at the end of the subscription/revocation period.

Terms of the Offer

The "Value 08" offer is a leveraged offer intended to guarantee the employee's personal contribution (subject to foreign exchange rate effects and tax and social security contributions consequences) and to allow him/her to benefit from a multiple of the protected average increase in the share price compared to the reference price between the date of the capital increase and July 1, 2013. Except in early release cases, the employees' investment will be blocked until July 1, 2013.

This "Value 08" offer is structured differently from one jurisdiction to the other in order to comply with local regulations or to take advantage of specific tax provisions more favorable to employee subscriptions, while ensuring comparable economic advantages to all employees eligible for the offer (in particular under the form of a specific leveraged company mutual fund (FCPE – *fonds commun de placement d'entreprise*) or the direct subscription for shares (or a cash deposit by the employee) supplemented by a grant of stock appreciation rights by the employer).

It will be supplemented, in France, by an employer contribution and, abroad, by a grant of free shares or in certain instances by a deferred cash bonus.

The structure of the offer in the various jurisdictions is as follows:

- France: subscription of units of "Vallourec Value 08" FCPE at a discounted price supplemented by an employer contribution in cash, within the framework of the PEV;
- Mexico and Brazil: subscription of units in "Vallourec Value Brazil Mexico 08" FCPE at a discounted price, outside of the framework of any savings plan, supplemented by a grant of free shares by Vallourec;
- Germany, United Kingdom, United States (for certain subsidiaries) and Canada: direct subscription for shares of the company at a discounted price supplemented by a grant of stock appreciation rights by the employer and a grant of free shares by Vallourec;
- China and United States (for certain subsidiaries): cash deposit by the employee supplemented by the grant of stock appreciation rights and a deferred matching bonus by the employer.

Custodianship of the shares

The subscription of the shares will be implemented through an FCPE (company mutual fund) within the framework of the PEV, through an FCPE outside the framework of any company savings plan and, in certain jurisdictions, through direct shareholding. Moreover, a portion of the shares (corresponding to nine times the subscriptions by employees under formulas other than those offered through an FCPE) will be subscribed by the financial institution participating in structuring the operation.

The voting rights of the shares held by the FCPEs will be exercised by the Supervisory Board of the FCPE. The financial institution has committed to voting its shares in the same manner as the Supervisory Board of the French FCPE.

Limits on subscriptions for the beneficiaries

- Offer within the PEV:

Pursuant to Article L.3332-10 of the French Labor Code, the amount of annual contributions (including profit sharing - *intéressement*) by an employee to savings plans in which he/she participates may not exceed one fourth of his/her gross annual compensation, including expatriation bonuses, or of his/her pension benefits received during the year 2008. In calculating this limit, the financing facility extended to the FCPE is taken into account.

- Offer within the PEVI and offer within the cash deposit formula supplemented by a grant of stock appreciation rights:

Taking into account the limit provided by Article L.3332-10 of the French Labor Code and the leverage mechanism, subscription to the offer is limited to 2.5% of the 2008 gross annual compensation. With a view to applying similar limits, the same maximum amount will also be applicable to the cash deposit formula supplemented by a grant of stock appreciation rights.

- Offer through a FCPE outside of any savings plan:

Subscription is limited to 7.5% of the 2008 gross annual compensation.

Specific terms and conditions for subscription or payment by jurisdiction

Employees will be informed of the terms and conditions of subscription or payment specific to their jurisdiction through the subscription documentation distributed to them. There is also a minimum subscription amount, which varies from one jurisdiction to another. Stricter limits will be applicable during the subscription/revocation period. Employees will be informed through the subscription documentation distributed to them.

Implementation of the capital increase – Terms of reduction in case of oversubscription

The effective amount of the share capital increase will depend on the number of shares subscribed by the FCPE "Vallourec Value Brazil Mexico 08", the FCPE "Vallourec Value 08", the financial institution and directly by the employees subscribing in Germany, United Kingdom, United States and Canada. Nonetheless, if the aggregate amount of subscriptions exceeds the maximum amount of the share capital increase authorized by the Management Board on July 31, 2008, i.e., 750,000 shares, the subscriptions shall be reduced in accordance with the following method:

- The total number of shares offered will be divided by the number of subscribers in order to obtain the "average number of shares".
- There will be no reduction in the fraction of the initial investment of the employees (including any employer contribution and using the exchange rates retained for the determination of the subscription price) that does not exceed an "average investment" level consuming a number of shares equal to the average number of shares
- The fraction of the initial investment (including any employer contribution) that exceeds the average investment level will be proportionally reduced in such a manner that the new total number of shares after reduction will not exceed 750,000 shares. In jurisdictions where employees subscribe for shares, the new number of shares granted to each employee will be rounded to the next lowest number of whole shares.

If amounts invested by employees of companies with their registered office located in the United States and subscribing to the share + SAR formula exceed a total amount of USD \$5,000,000, their subscriptions shall be reduced in accordance with the same principles described above such that the global amount of their subscriptions shall not exceed a total amount of USD \$5,000,000. In the event where subscriptions would exceed both the specific USD \$5,000,000 cap (excluding the leveraged mechanism) and the global limit of 750,000 shares (including the leveraged mechanism), only the above-mentioned global reduction will be applied if it allows the amount of subscriptions from employees of U.S. subsidiaries to be brought within the USD \$5,000,000 limit. If such is not the case, both rules described above shall be combined.

The number of free shares granted by Vallourec will not exceed 75,000 shares.

Lock-Up period

The shares subscribed directly as well as the units of the above-mentioned FCPEs or the cash deposits made by employees shall be unavailable for a five-year period, ending July 1, 2013, except in cases of early release.

INDICATIVE TIMETABLE OF THE OFFER

The following timetable is meant to be indicative and may be modified following the occurrence of events impacting the implementation of the offer.

July 31, 2008	Decision of the Supervisory Board and of the Management Board agreeing on the principle and the terms and conditions of the offer
From September 22, to October 13, 2008 (inclusive)	Reservation period
November 17, 2008:	Determination of the dates of the subscription period and of the subscription price. This information will be published through a supplementary press release.
From November 18 to November 20, 2008 (inclusive):	Subscription/revocation period would be open.
December 16, 2008	Completion of the share capital increase

HEDGING TRANSACTIONS RELATED TO THE IMPLEMENTATION OF THE OFFER

The financial mechanisms underlying the leverage formula require hedging operations on the open market to be carried out by the financial institution that participates in the structuring of the formula. These hedging transactions may be carried out by this institution during the period used for fixing the subscription price and, for adjustments, throughout the duration of the transaction. Based on the subscription assumptions used by Vallourec, it is expected that the impact of such transactions on the Vallourec share price will be limited, whether at the time of the initiation of the hedging activities, during the plan or at maturity.

SHARE LISTING

Vallourec shares are listed on the Eurolist market of Euronext Paris by NYSE Euronext. Vallourec will file a request for listing of the newly issued Vallourec shares on the Eurolist market of Euronext Paris by NYSE Euronext as soon as possible after the completion of the capital increase. They will be traded on the same quotation line (ISIN code number: FR0000120354-VK) and will be immediately assimilated with existing Vallourec shares.

TRADING HISTORY OF THE SHARES

The highest and lowest closing prices between January 1, 2008 and July 30, 2008 (inclusive) were € 124.12 and € 222.91, respectively.

AGENT RESPONSIBLE FOR THE SERVICE OF VALLOUREC SECURITIES:

CACEIS Corporate Trust, Société Anonyme, share capital of € 12,000,000
Registered office: 1-3, place Valhubert 75013 Paris
Principal business address: 14, rue Rouget de Lisle - 92130 Issy les Moulineaux.

CONTACT FOR THE BENEFICIARIES OF THE OFFER

For any question relating to the offer, the beneficiaries will be able to ask questions to the appointed "Value 08" promoters in their own country. In each country, the contact details of "Value 08" promoters are displayed to beneficiaries, in particular in their work place and/or during information meetings.

SPECIFIC PROVISION FOR COUNTRIES OTHER THAN FRANCE

Outside of France, this press release is for information purposes only and does not constitute an offer to sell or a solicitation for offers to purchase securities.

INFORMATION DOCUMENT – LEGAL NOTICE

This document shall constitute the press release required by the *Autorité des marchés financiers* ("AMF") in accordance with Articles 212-4-5° and 212-5-6° of the General Regulations of the *Autorité des marchés financiers* and in accordance with Article 14 of instruction n°2005-11 dated December 13, 2005. This information notice, established in accordance with Articles 4(1)(e) and 4(2)(f) of European Directive n°2003/71, referred to as the Prospectus Directive, will be made available to beneficiaries located in Germany and the United Kingdom in their respective native languages during the reservation period and the subscription/revocation period at the registered office of their respective employers.

About Vallourec

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

Vallourec is listed on the Euronext Paris Eurolist (ISIN code: FR0000120354), is eligible for the deferred settlement system and is included in the following indices: MSCI World Index, Euronext 100 and CAC 40. FTSE classification: engineering and machinery.

2008 calendar

- 24 September: Investor Day
- 13 November: release of 2008 third quarter results

For further information, please contact:

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