PRESS RELEASE

V A L L O U R E C

2006 ANNUAL RESULTS

Vallourec benefits from the rise in energy markets

- **Strong sales growth: up 28.7% to € 5,541.8 million**
- **Record level in operating profitability: EBITDA/sales ratio of 30.1%**
- **Record net income, Group share of € 917.0 million**

Shareholder return policy

- **Proposed ordinary dividend for financial year 2006: € 6 per share**
- **Proposed special dividend: € 4 per share**

Boulogne-Billancourt, 6 March 2007 - Vallourec, world leader in the production of seamless steel tubes and tubular products for specific industrial applications, today announced its 2006 results. The consolidated financial statements were presented by Vallourec's Management Board to its Supervisory Board, chaired by Jean-Paul Parayre, today.

Consolidated sales for 2006 increased by 28.7% to € 5,541.8 million. EBITDA rose by 57.0% to € 1,665.4 million, giving a record EBITDA/sales ratio of 30.1% compared with 24.6% in 2005. Total net income increased by 58.0% to € 999.3 million. Net income, Group share, which included the first full-year effect of the positive impact of the acquisition of the 45% stake in V & M TUBES on 1 July 2005, came to € 917.0 million compared with € 473.0 million in 2005.

Income statement *(in € million)*	**2005**	*as a % of sales*	**2006**	*as a % of sales*	**Change 2006 / 2005**
Sales	4,307.4		**5,541.8**		+28.7%
EBITDA	1,060.6	*24.6%*	**1,665.4**	***30.1%***	+57.0%
Operating income	965.3	*22.4%*	**1,544.8**	***27.9%***	+60.0%
Total net income	632.4	*14.7%*	**999.3**	***18.0%***	+58.0%
Net income, Group share	473.0*	*n/a*	**917.0**	***n/a***	+93.9%

* Net income, Group share for 2005 would have come to € 576.7 million if the 45% stake in V & M TUBES had been acquired on 1 January 2005.

When commenting on these results, Pierre Verluca, Chairman of the Management Board, stated:

"Benefiting from its strong positions in the buoyant energy-related markets, Vallourec had an outstanding year in 2006. Further growth is anticipated in 2007 and Vallourec is expected to maintain a very high level of operating profitability. Our confidence in these prospects, combined with Vallourec's very good financial health, has prompted us to propose a sharp increase in the shareholder return while at the same time preserving sufficient room for manoeuvre to pursue our selective growth investments."

ACTIVITY

Demand remained particularly strong throughout 2006. Under these favourable conditions, the 28.7% sales growth consisted of a consolidation scope effect of +1.5%(1), a volume effect of +7.0% and a mix/price/currency effect of +18.5%.

Vallourec experienced two production incidents at the HKM steel mill in Germany, the first in June (a broken gantry) and the second in July (perforation of a smelting furnace). The impact of these two incidents was limited, mainly by using existing stocks and increasing external steel purchases.

Vallourec's plants were thus able to continue to operate at very near full capacity, resulting in increased sales in volume terms. This strong demand also enabled the Group to focus its production so as to increase the proportion of products offering high added value.

At the same time, the Group benefited from the full effect of the price increases implemented in 2005, as well as some additional specific increases in 2006 for certain products offering the highest added value.

(1) The consolidation scope effect mainly concerns the consolidation with effect from 1 October 2005 of OMSCO, the acquisition of SMFI, consolidated with effect from 1 April 2006, and the disposal of Spécitubes, deconsolidated with effect from 1 April 2006.

Sales by market

	2006 sales (in € million)	Change 2006 / 2005	Contribution to total sales for 2006
Oil and gas	2,683	+46.7%	48.4%
Power generation	903	+24.7%	16.3%
Total Energy	**3,586**	**+40.5%**	**64.7%**
Petrochemicals	634	+37.5%	11.4%
Mechanical engineering	593	+3.5%	10.7%
Automotive	463	-4.1%	8.4%
Other	266	+12.2%	4.8%
Total Non-Energy	**1,956**	**+11.5%**	**35.3%**
Total	**5,542**	**+28.7%**	**100%**

In the oil and gas sector, Vallourec achieved strong sales growth in America and the rest of the world thanks to the combined impact of very strong demand, the increased proportion of premium products and increases in the selling prices of certain products. In the US, Vallourec also benefited from the expansion in combined sales of premium tubes and joints. However, the downward inventory adjustments observed at American distributors dampened growth a little at the year end. Vallourec also benefited from the acquisition of OMSCO and of SMFI (tubes and drilling accessories), both of which were successfully integrated and have started to generate industrial and commercial synergies.

Although power generation demand from China contracted a little, it remained strong. Nevertheless, Vallourec's activity began to benefit from the rebalancing of its sales in favour of power plants projects in Europe and the US.

The Group intensified its focus on the buoyant energy–related markets, oil and gas and power generation, with these segments representing 64.7% of total sales compared with 59.3% the previous year.

The petrochemicals sector also experienced strong growth in 2006 that, in the first half, was fuelled in particular by the reconstruction of certain facilities destroyed by the hurricanes that hit the US in 2005. This growth extended into the second half, with the Group winning new contracts in the rest of the world.

Somewhat limited by the Group's production capacity, sales in mechanical engineering increased only slightly in an environment marked by strong demand that induced Vallourec to give priority to the more worthwhile orders.

While sales of products for the automotive industry were good in Brazil, Vallourec was penalized in Europe by the reduced levels of activity at the two main French car manufacturers, PSA and Renault.

RESULTS

Operating costs increased by 19.8% compared with 2005. This increase resulted from:

- a 17.7% increase in purchases of raw materials, due to higher purchase prices than in the previous year, the growth in volumes and an increase in external steel purchases;
- an overall 21.9% rise in all other operating costs, mainly due to higher transportation and energy costs and recourse to subcontracting.

The increase in average selling prices, the growth in volumes and the enhanced product mix were the main drivers of the growth in EBITDA, which increased by 57.0% to € 1,665.4 million compared with € 1,060.6 million in 2005. As a result, the EBITDA/sales ratio reached a record level of 30.1% compared with 24.6% the previous year.

The EBITDA/sales ratio came to 29.4% in the second half compared with 30.8% in the first half, mainly as a result of maintenance costs that were expensed when incurred, i.e. mainly in the second half (in August and December). Note that the amount of maintenance costs incurred in the latter part of the year was higher than expected. Furthermore, the extended disruptions to production as a result of the incidents that occurred at the HKM steel mill also had a minor impact on the EBITDA/sales ratio.

The effective tax rate was 35.3% compared with 32.8% in 2005, since the Group had used up all its tax credits.

Total net income increased by 58.0% to € 999.3 million, representing 18.0% of sales. Net income, Group share almost doubled to € 917.0 million, benefiting over a full year (compared with just six months in the previous year) from the positive effect of the acquisition of the 45% stake in V & M TUBES.

Despite increases in both gross capital expenditure (up 49.3%) and dividends paid (up 110.5%), the Group generated positive cash flow, enabling its cash position to swing from net debt of € 204.7 million at 31 December 2005 to positive net cash of € 41.4 million at 31 December 2006. Its gearing ratio (net debt/shareholders' equity) thus changed from 13.6% to -1.9%.

Cash flow statement *(in € million)*	**2005**	**2006**
Gross cash flow from operations	805.2	**1,118.9**
Change in gross working capital requirement	-279.2	**-282.8**
Gross capital expenditure	-188.6	**-281.5**
Financial investments	-651.3	**-94.3**
Asset disposals	+41.8	**+26.4**
Capital increase	+123.7	**-**
Dividends paid	-113.6	**-239.1**
Other	+2.7	**-1.5**
(Increase)/decrease in net debt	(259.3)	**246.1**

Balance sheet items *(in € million)*	31 December 2005	**31 December 2006**
Shareholders' equity (Group share)	1,390.9	**2,130.4**
Shareholders' equity (including minority interests)	1,503.1	**2,223.2**
Net debt	204.7	**-41.4**
Gearing ratio	13.6%	**-1.9%**

THE YEAR'S HIGHLIGHTS

During 2006, Vallourec continued to strengthen its portfolio of activities by making several disposals and acquisitions and by increasing its investment programme.

Vallourec established its first operations in India by acquiring 75% of CST Ltd, specialised in tubes for power plant condensers and feed waters heaters.

Vallourec also acquired SMFI (annual sales of over € 60 million), a French company that supplements the Group's drilling products activity.

Vallourec also increased to 95% its stake in its subsidiary Valtimet (annual sales of around $ 250 million), specialised in stainless steel and titanium welded tubes for power generation, by buying, for $ 75 million, 43.7% of the share capital from the Timet group with which it had formed this joint venture in 1997.

With regard to disposals, Vallourec sold its French subsidiaries Spécitubes, specialised in the aerospace industry (annual sales of over € 25 million) and Cerec, specialised in the pressing and forming of steel ends (annual sales of around € 30 million).

At the end of 2006, Vallourec kicked off the process for the disposal of its precision tubes activity by signing a preliminary agreement for the sale to Salzgitter of its French subsidiary VPE and the hot-rolled tubes plant in Zeithain (Saxony). Subject to securing the necessary authorizations, this disposal could be finalised by the end of May 2007. Consolidated sales for 2007 would thus be reduced by around € 115 million.

In September 2006, Vallourec inaugurated in Changzhou (China) a new finishing plant for tubes aimed at the power generation market. This plant has a capacity of around 20,000 tonnes per annum. Also in Changzhou, the Group launched the construction of a threading plant for OCTG tubes with production scheduled to begin in mid-2007. This plant will have a capacity of around 50,000 tonnes per annum.

Last year, Vallourec pursued its investment programme aimed primarily at increasing the Group's heat treatment capacity to 50% of its total production in 2007.

Lastly, Vallourec has decided to replace the continuous caster at the Saint-Saulve steel mill in Northern France, which should result in an increase in annual steel production capacity of 100,000 tonnes with effect from the first half of 2008.

OUTLOOK

For 2007, the Group notes that demand looks set to remain upbeat for tubes for drilling and for equipping oil and gas wells as well as for products used in power plants. In this latter field, the slowdown in demand from China is offset by stronger demand in North America and Europe. In energy-related markets, the Group's order books thus remain long at 8 to 9 months (excluding the North American oil market). The outlook is also good in the mechanical engineering and petrochemicals markets.

Against this backdrop, Vallourec's plants can be expected to continue to operate at maximum capacity. There is likely to be a further gradual enhancement in the product mix while average selling prices are set to stabilise.

Barring any unforeseen circumstances, Vallourec thus expects its sales to continue to grow in 2007, an increase that it puts at around 7% to 10% (excluding the impact of the planned disposal of its precision tubes activity).

In terms of its operating margin, Vallourec expects its EBITDA/sales ratio to remain at a high level in the first half of 2007, although just below 30%. While a robust plant utilisation rate means that a high level of productivity can be achieved, the intensive utilisation of production capacity gives rise to additional costs.

Longer term, the fundamentals of the oil and gas and power generation markets are expected to remain very robust. Oil and gas exploration and production conditions are becoming increasingly complex, thereby boosting demand for premium products. Likewise for the increasingly greater requirements for energy yields and reduction in CO_2 emissions by power plants that call for increasingly sophisticated products.

In all these fields, Vallourec has genuine leadership based on the performance of its products, its technological expertise, the relationship of proximity that it maintains with its clients and the quality of the services and staff made available to them.

SHAREHOLDER RETURN

The General Meeting to be held on 6 June 2007 will be asked to approve the payment of an ordinary dividend of € 6 per share for the financial year 2006 (compared with € 2.24 per share in 2005). Given that an interim dividend of € 2 per share was paid on 20 October 2006, the balance of € 4 per share will be paid on 4 July 2007. This ordinary dividend of € 6 per share represents a payout ratio of 34.7% of net income, Group share. It will be recalled that the Supervisory Board meeting of 17 April 2003 voted to aim at an average payout ratio of around 33% over the long term.

Given the Group's very good financial health and the confidence placed by management in the Group's outlook, it has been decided that the General Meeting to be held on 6 June 2007 will also be asked to approve the payment of a special dividend of € 4 per share for the financial year 2006, also to be paid on 4 July 2007.

The amount indicated above concerning the dividend paid in respect of the financial years 2005 has been recalculated to take into account the division by 5 of the nominal value of Vallourec's shares on 18 July 2006.

APPENDICES

Documents accompanying this release:

- Summary consolidated income statement
- Summary consolidated balance sheet

Calendar

- Results for the first quarter of 2007 will be released on 3 May 2007.
- The General Meeting will be held on 6 June 2007.
- Investor Day: 14 June 2007
- Results for the first half of 2007 will be released on 31 July 2007.

About Vallourec

Vallourec is a world leader in the production of seamless steel tubes and tubular products for specific industrial applications (oil and gas, power generation, petrochemicals, automotive and mechanical engineering industries). 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, CAC 40 and SBF 120. FTSE classification: engineering and machinery.

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Summary consolidated income statement

(in IFRS – in € million)

VALLOUREC GROUP	2005		2006		Variation 2006 / 2005
		as % of sales		*as % of sales*	
Sales	4,307.4		5,541.8		+28.7%
Change in finished goods inventory	147.8	*3.4%*	190.5	*3.4%*	+28.9%
Other operating revenues	24.1	*0.6%*	29.2	*0.5%*	+21.2%
Purchases consumed	-1,699.3	*39.5%*	-2,000.9	*36.1%*	+17.7%
Taxes and duties	-53.0	*1.2%*	-58.8	*1.1%*	+10.9%
Payroll costs	-716.4	*16.6%*	-812.7	*14.7%*	+13.4%
Other operating costs	-948.5	*22.0%*	-1,220.5	*22.0%*	+28.7%
Provisions. net of reversals	-1.5	*0.0%*	-3.2	*0.1%*	+113.3%
EBITDA	1,060.6	*24.6%*	1,665.4	*30.1%*	+57.0%
Depreciation & amortization	-99.2	*2.3%*	-114.3	*2.1%*	+15.2%
Impairment of assets and goodwill	0.2		-1.5		
Assets disposals and restructuring	3.7		-4.8		
OPERATING INCOME	965.3	*22.4%*	1,544.8	*27.9%*	+60.0%
FINANCIAL INCOME	-26.6		-6.6		-75.2%
INCOME BEFORE TAX	938.7	*21.8%*	1,538.2	*27.8%*	+63.9%
Income tax	-307.5		-544.8		+77.2%
Net income of equity affiliates	1.2		5.9		
CONSOLIDATED NET INCOME	632.4	*14.7%*	999.3	*18.0%*	+58.0%
NET INCOME. GROUP SHARE	473.0		917.0		+93.9%

Summary consolidated balance sheet

(in IFRS – in € million)

VALLOUREC GROUP					
	31/12/05	31/12/06		31/12/05	31/12/06
Intangible fixed assets	21.2	20.5	Vallourec shareholders' equity (1)	1,390.9	2,130.4
Goodwill	91.0	87.3			
Net tangible fixed assets	919.9	996.7	Minority interests	112.2	92.8
Investments in equity affiliates	48.2	55.0	Total equity	1,503.1	2,223.2
Other non curent assets	31.5	39.5			
Deferred tax assets	45.1	19.3	Bank loan LT	469.6	467.4
Total non current assets	1.156.9	1 218.3	Employees benefit	209.8	195.2
			Deferred tax liabilities	53.3	75.1
Inventories & work-in-progress	861.2	1,039.3	Other provisions & liabilities	5.0	3.6
			Total non current liabilities	737.7	741.3
Trade receivables	906.2	1,002.7	Provisions	66.5	77.5
Financial instruments assets	1.8	91.0	Bank loan ST	276.4	380.5
Other current assets	116.9	111.9	Trade payables	496.6	602.4
			Financial instruments liabilities	102.3	26.1
Cash & cash equivalents	541.3	889.3	Other current liabilities	401.7	399.2
Total current assets	2,427.4	3,134.2	Total current liabilities	1,343.5	1,485.7
Assets due to be sold		175.6	Liabilities due to be sold		77.9
TOTAL ASSETS	3,584.3	4,528.1	TOTAL LIABILITIES	3,584.3	4,528.1

Financial net debt	204.7	- 41.4	(1) Net income. Group share	473.0	917.0

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