



Vallourec
7 June 2005

***Annual General Meeting:
Ordinary and Extraordinary
General Meeting***



The Group

Our core business

- World leader in the production of seamless steel tubes and specific tubular products for industrial applications, particularly for the energy sector

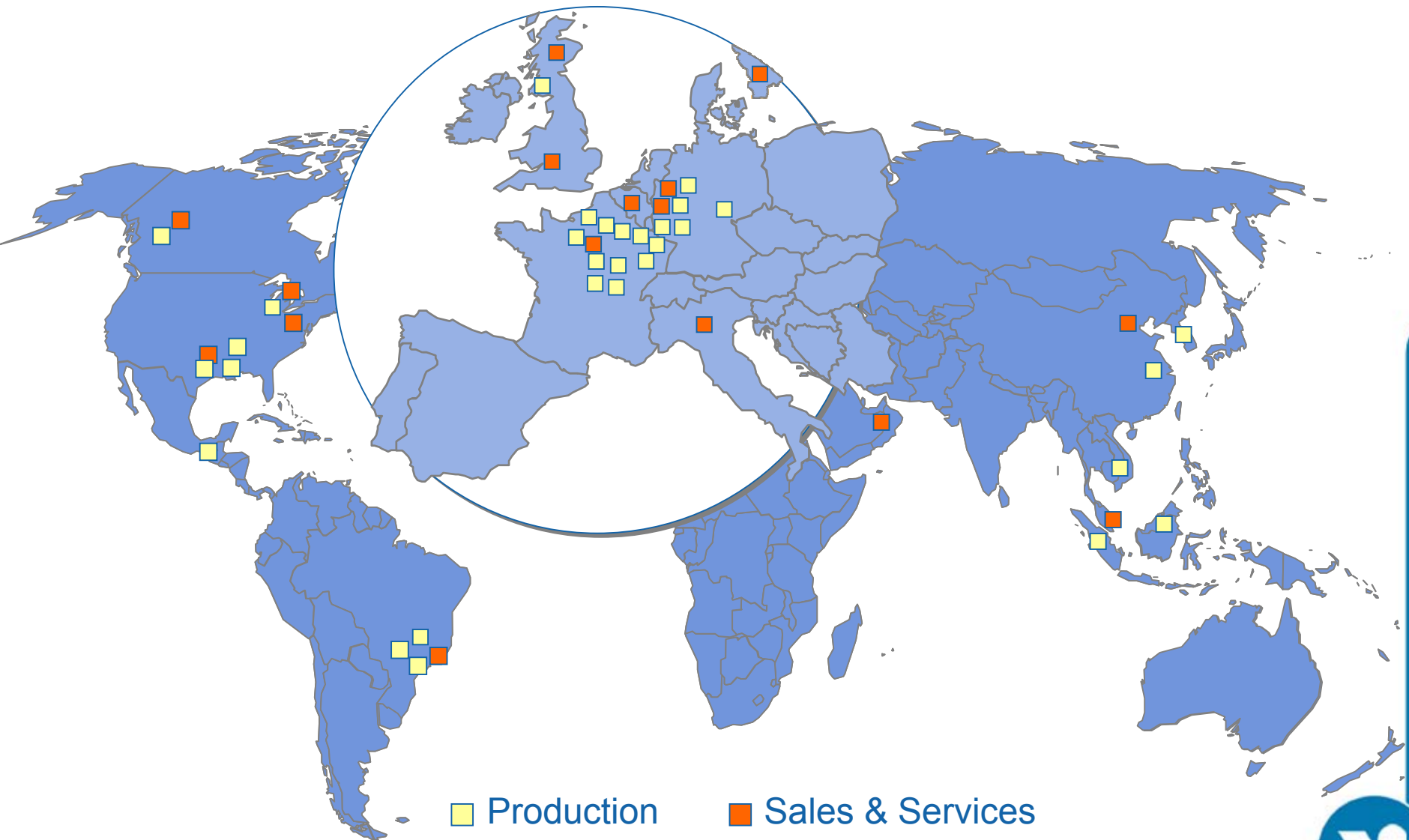


Group profile

- Industrial facilities in four continents:
 - Approximately 18,000 people
 - 27 industrial companies organized in 6 divisions by product or by market
 - 40 production units in 10 countries
- Industrial partnerships, majority-owned by Vallourec:
 - V & M TUBES (incl. V & M do BRASIL and V & M STAR) with Mannesmannröhren-Werke GmbH (45%)
 - Valtimet with Timet (44%)
- Technology partnership for the last 28 years in the threading of oil-drilling tubes, with the Sumitomo group, also a 19.5% partner in V & M STAR



Vallourec's production facilities worldwide

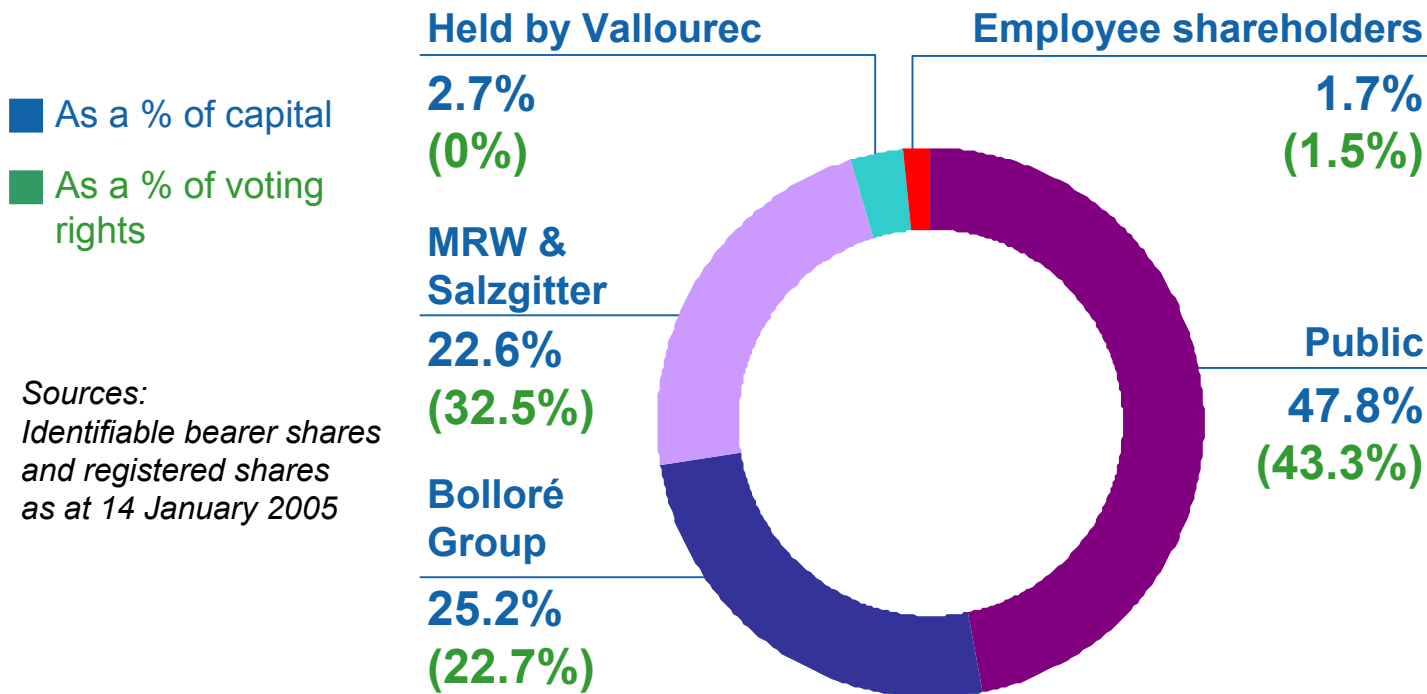


In summary

- Highly-performing industrial facilities in four continents
- A portfolio of tubular products, original and unique in its diversity: Vallourec is the world's most advanced seamless steel tube maker in highly value-added, specialized industrial applications
- World leader in most of these specialized applications, especially in the energy sector (oil and gas, power generation)



Shareholder structure

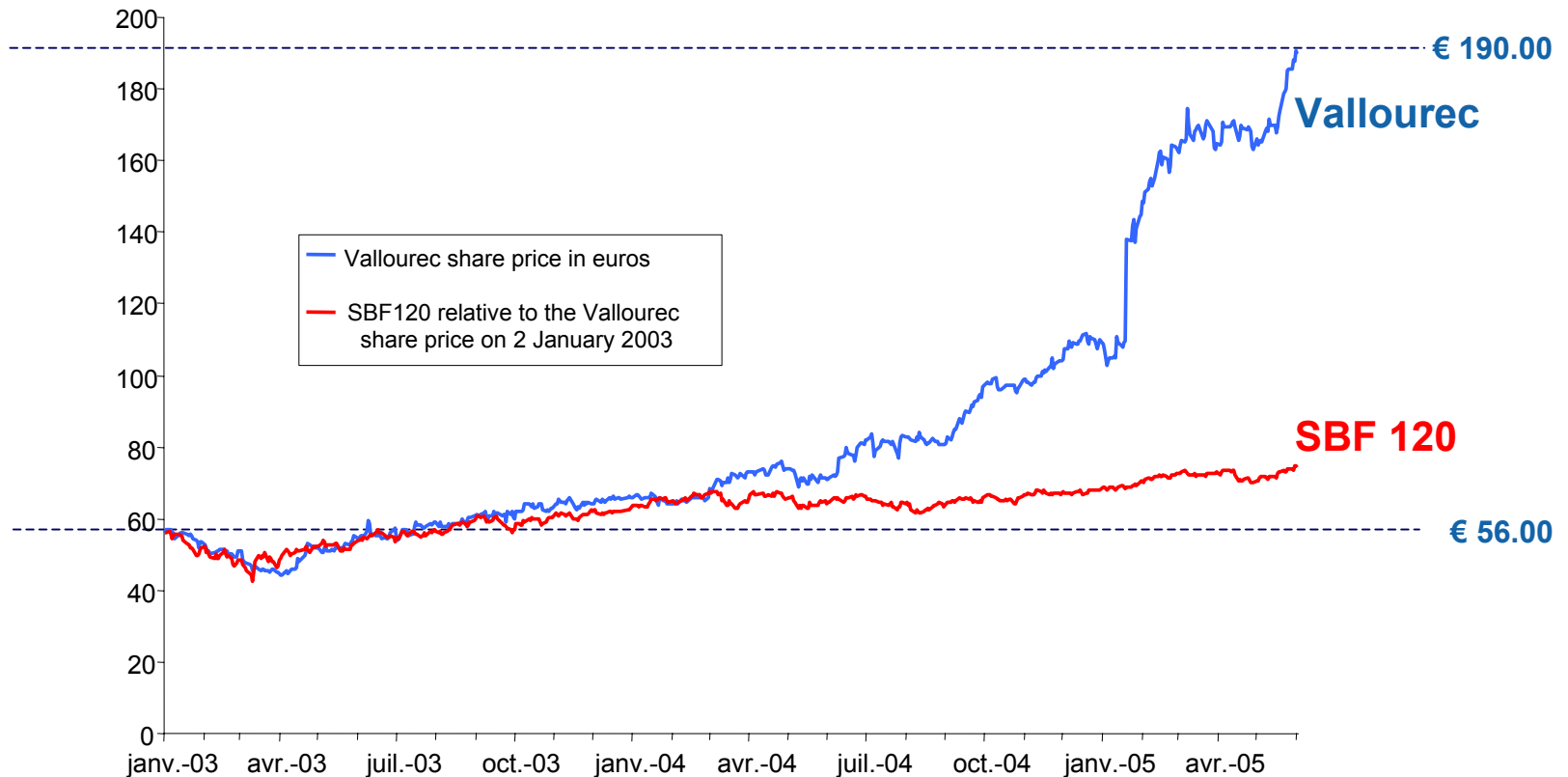


Sources:
Identifiable bearer shares
and registered shares
as at 14 January 2005

Number of shares as at 31 December 2004: 9,869,956
 Number of identified shareholders: 12,284 (holding 100% of the capital)
Voting rights published in BALO on 12 January 2005: 10,932,595



Vallourec share price / SBF 120



On 2 January 2003:

■ **Vallourec:** € 56.00
 ■ **SBF 120:** 2,234.02

On 3 June 2005:

■ **Vallourec:** € 190.00
 ■ **SBF 120:** 2,969.48

Change:

■ **Vallourec:** +239.3%
 ■ **SBF 120:** +32.9%

Market capitalization as at 3 June 2005: € 1.87 billion

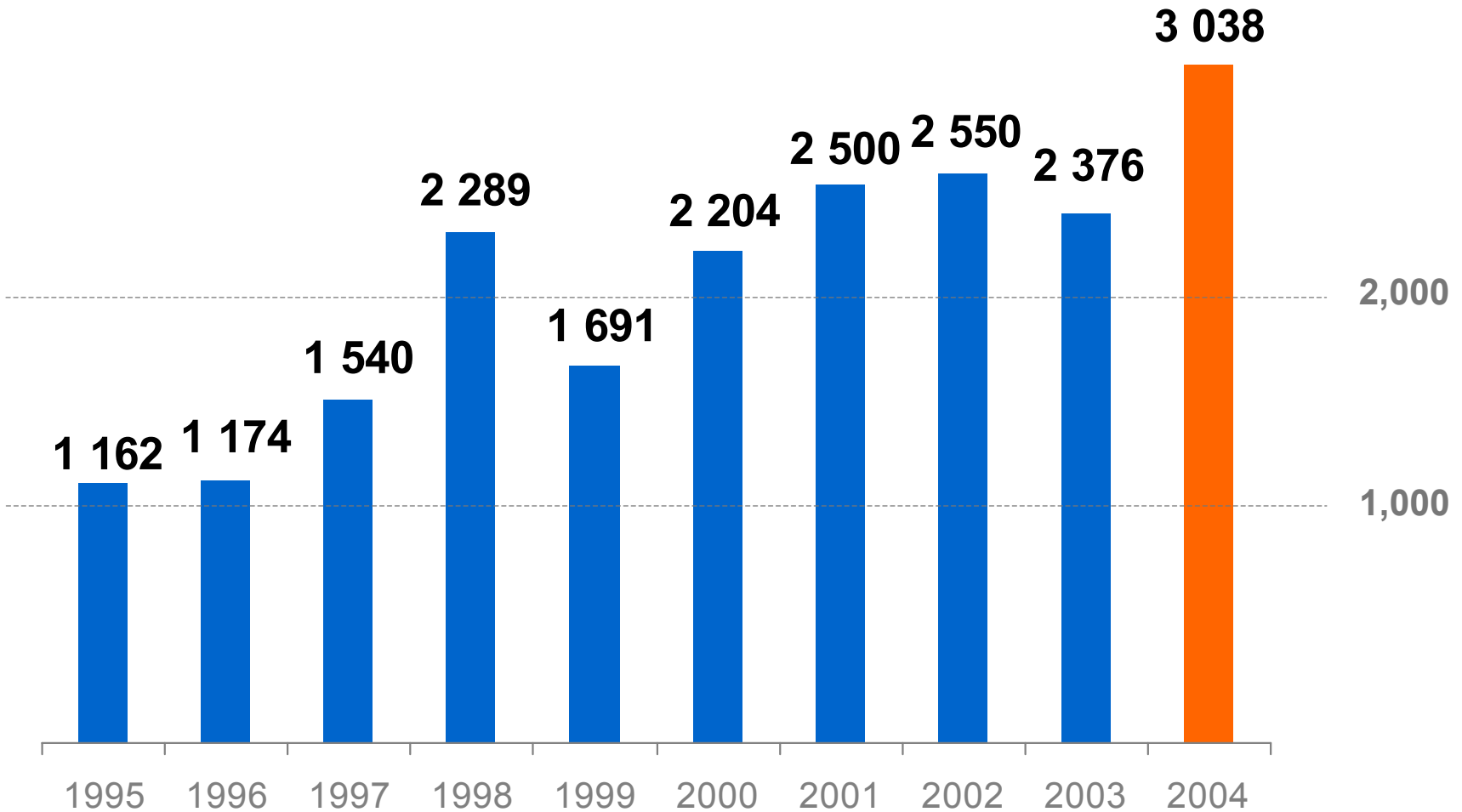




2004 full-year results

Sales trend

In € million

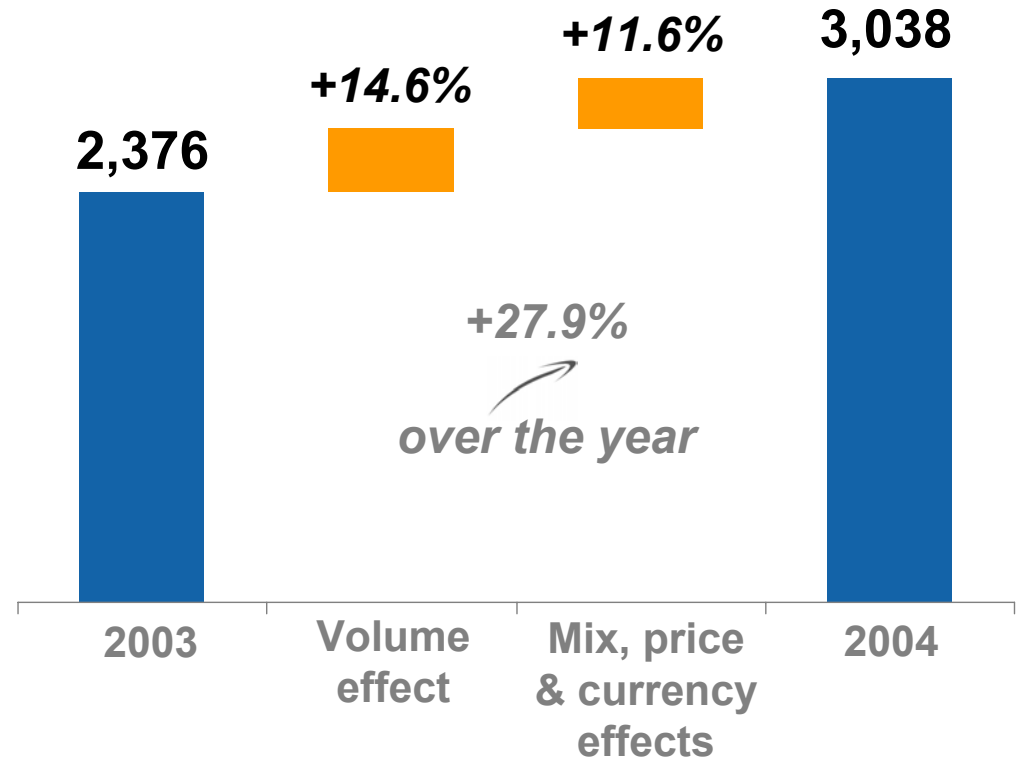
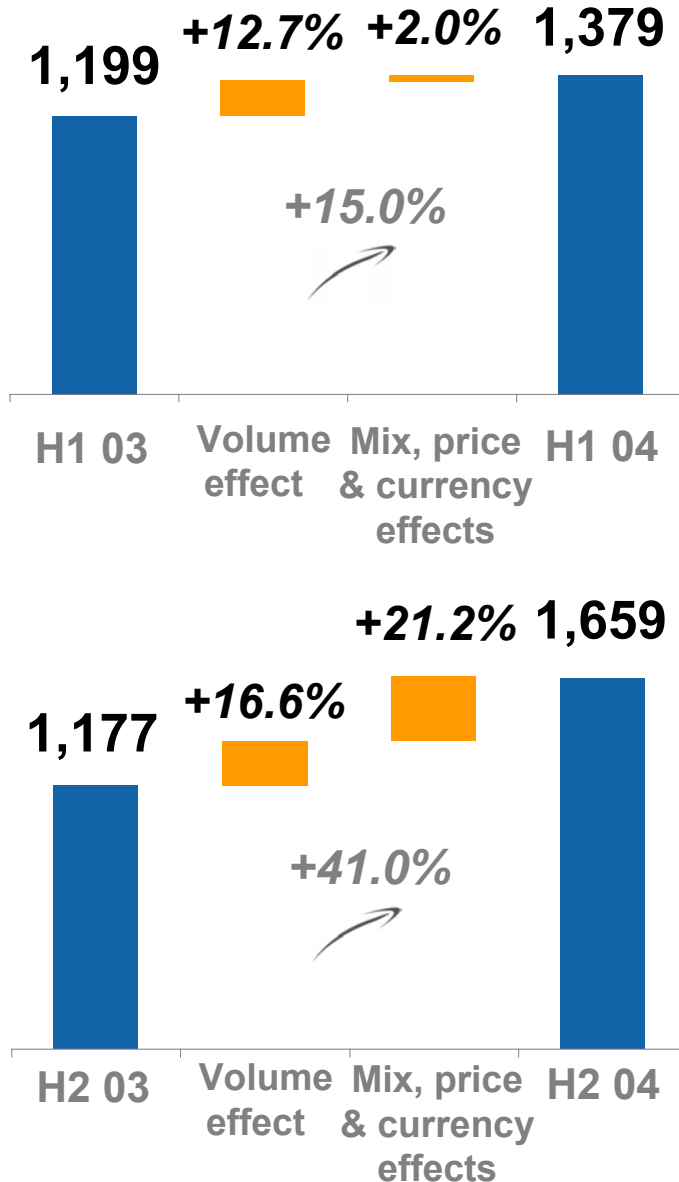


Record sales in 2004



Volume and price effects

In € million



Change in operating income and expenses

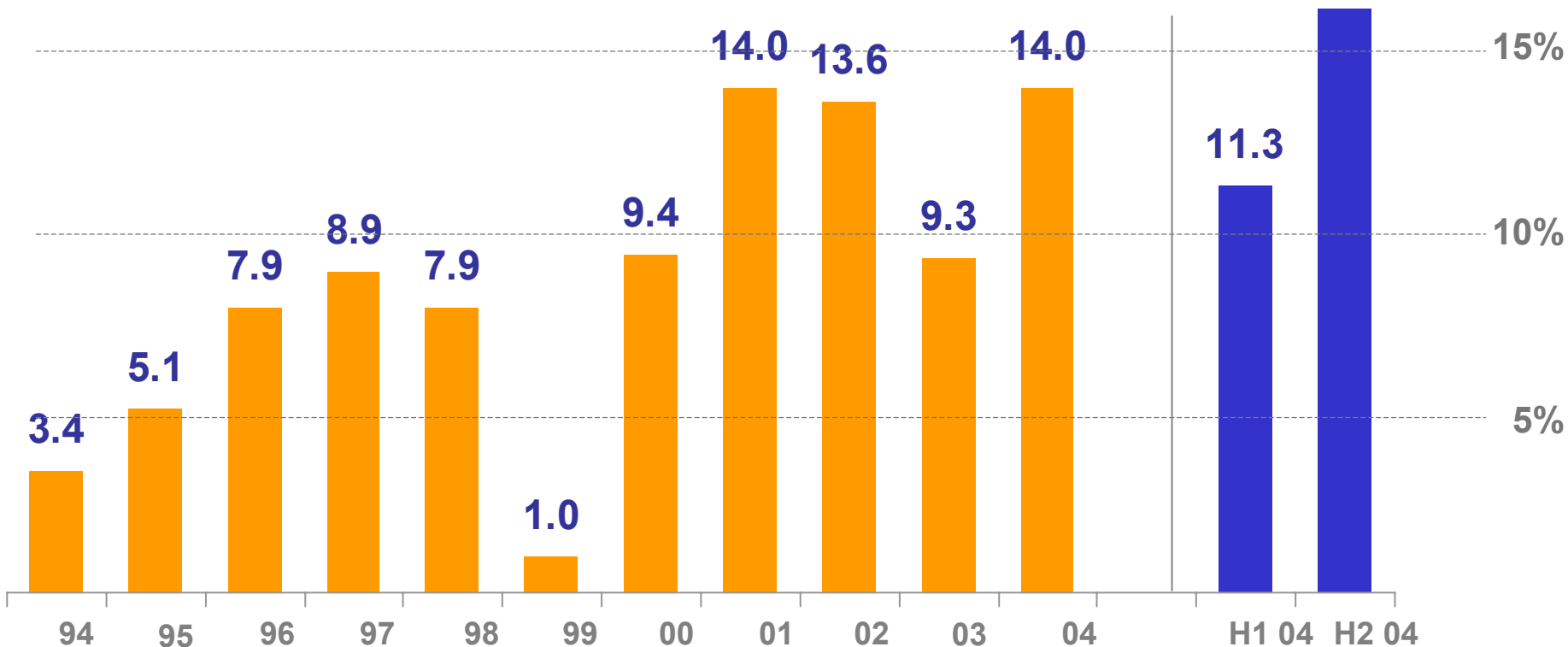
In € million

	2003		2004		Change 2004/2003
Sales	2,375.5		3,037.8		+27.9%
Operating revenues	2,444.8		3,195.6		+30.7%
		<i>% of sales</i>		<i>% of sales</i>	
Purchases of raw materials	-840.4	35.4%	-1,245.5	41.0%	+48.2%
Taxes and duties	-55.2	2.3%	-65.3	2.1%	+18.3%
Payroll costs	-580.0	24.4%	-615.0	20.2%	+6.0%
Other operating costs	-699.8	29.5%	-789.8	26.0%	+12.9%
Provisions	-49.6	2.1%	-55.3	1.8%	+11.5%
Operating costs	-2,225.0		-2,770.9		+24.5%
EBITDA	219.8		424.7		+93.2%



Change in profitability

EBITDA/sales ratio in %



Change in net income

In € million

	2003		2004		Change 2004/2003
	% of sales		% of sales		
EBITDA	219.8	9.3%	424.7	14.0%	+93.2%
Operating income	118.6	5.0%	329.9	10.9%	+178.2%
<i>Financial income</i>	5.1		8.6		
<i>Extraordinary income (loss)</i>	-19.2		-11.5		
<i>Goodwill amortization</i>	-2.9		-2.8		
<i>Statutory employee profit sharing</i>	-1.9		-3.0		
<i>Income tax</i>	-22.8		-69.6		
<i>Net income of equity affiliates</i>	0.1		0.2		
Total net income	77.0	3.2%	251.8	8.3%	+227.0%
Net income, Group share	39.7		135.7		+241.8%



Cash flow statement

In € million

	2003	2004
Gross cash flow from operations	196.5	359.2
Change in gross operating working capital requirement	37.7	-125.3
Gross capital expenditure	-75.4	-98.6
Dividends paid	-81.0	-48.8
Asset disposals	3.1	10.6
Non-operating items	-33.3	30.7
Reclassification of own shares	-14.4	-
Change in net cash	+33.2	+127.8



Consolidated balance sheet

In € million

	31/12/2004		31/12/2004
Fixed assets	703.0	Shareholders' equity	730.8
Inventories and work-in-progress	600.2	Minority interests	478.6
Operating receivables	716.8	Total equity	1,209.4
Other receivables	93.4	Provisions	257.2
Cash	485.0	Bank debt	430.4
	2,598.4	Operating payables	601.9
		Other liabilities	99.5
			2,598.4

	31/12/2003	31/12/2004
Net debt	€ 73.2 million	-€ 54.6 million
Gearing ratio	7.1%	-4.5%



IFRS: impact on the 2004 income statement

In € million

	Adjustments (impact on net income)	Reclassifications (no impact on net income)	Total impact
EBITDA	+7.0	+22.9	+29.9
Operating income	+13.1	+12.2	+25.3
Total net income	+13.4*	-	+13.4*
Net income, Group share	+9.3	-	+9.3

* of which:

- depreciation +8.4
- goodwill amortization +2.8
- capitalized repairs +3.2



IFRS: impact on the 31/12/2004 balance-sheet

In € million

Fixed assets	+159.6
Inventories	-6.7
Other assets	-0.7
Cash	-
	<hr/>
	+152.2

- reduction in total depreciation
- reclassification from inventories to fixed assets

Shareholders' equity	+82.1
Minority interests	+21.1
Total equity	+103.2
Other liabilities	+49.0
Bank debt	-
	<hr/>
	+152.2

- increase in provisions for pensions and deferred tax



Parent company

Summary income statement

In € million

	Financial year 2003	Financial year 2004
Operating revenues	+ 2.1	+ 2.5
Operating costs	- 4.9	- 10.4
Operating loss	- 2.8	- 7.9
(Net) financial income	+ 55.6	+ 32.0
(Net) exceptional income	+ 0.8	+ 0.2
Income tax	+ 3.2	+ 5.8
Net income	+ 56.8	+ 30.1



Parent company

Summary balance sheets

In € million

	31/12/03	31/12/04		31/12/03	31/12/04
Tangible fixed assets	0.3	0.2	Shareholders' equity	536.1	555.1
Securities	500.0	503.7	Provisions	0.9	0.3
Loans and other	71.0	53.8	Bank debt	229.5	150.6
	<u>571.3</u>	<u>557.7</u>	Trade payables	1.6	3.1
Trade and other receivables	3.3	1.1	Credit-debit balance	23.7	21.6
Cash and cash equivalents	217.2	171.9		<u>791.8</u>	<u>730.7</u>
	<u>791.8</u>	<u>730.7</u>			





***Vallourec's business
in 2004***

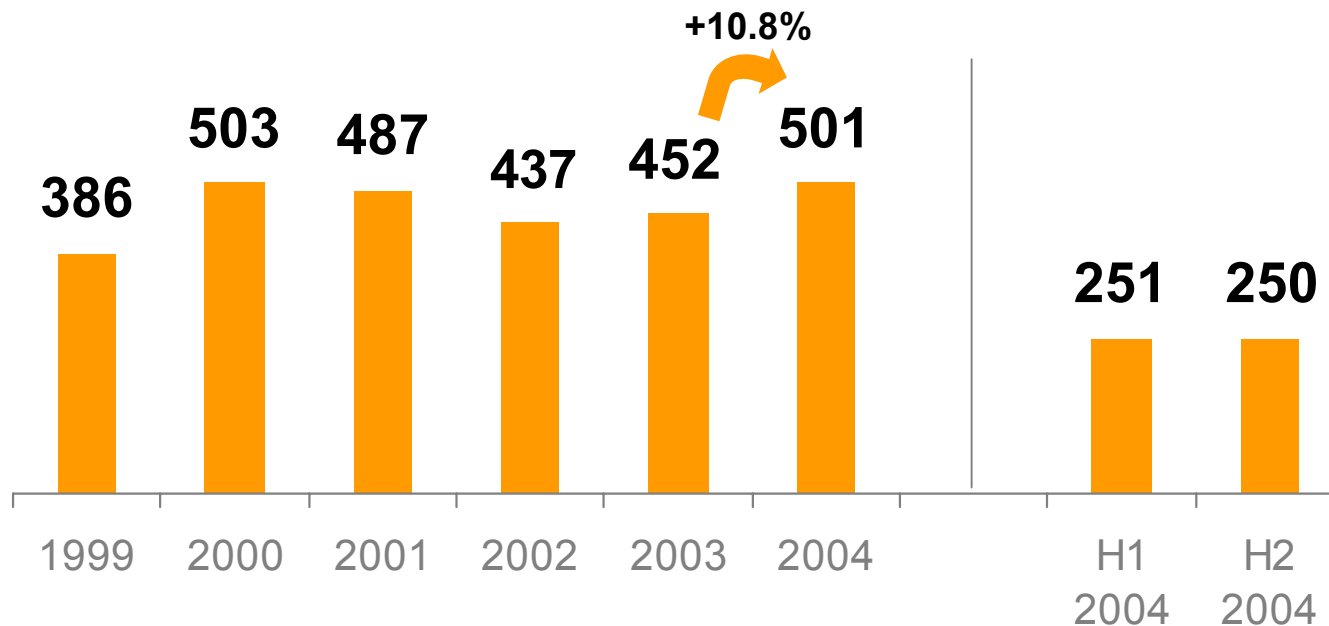
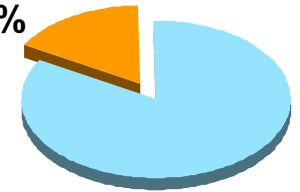
Vallourec and the automotive industry

**Automotive sales
in € million**

Automotive sales / total sales

16.5%

2004



**Growth fuelled by products with
higher added value**



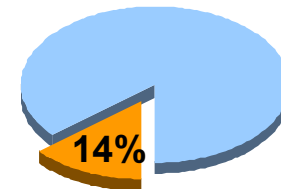
Sale of non-core activities in Brazil and Argentina

Vallourec do Brasil Autopeças Ltda:

- Sales of 203 million Brazilian reals (approximately € 58 million), 180 staff, plants in Curitiba and Porto Real
- Assembly of complete rear axle units for Renault do Brasil and Peugeot Citroën do Brasil
- Sold to Benteler group on 31 January 2005

Vallourec Argentina:

- Sales of 62 million Argentinean pesos (approximately € 17 million), 182 staff, plants in Buenos Aires and Cordoba
- Machining of automotive parts and assembly of rear axle units for Renault Argentina
- Sold to management on 8 February 2005



Vallourec do Brasil and Vallourec Argentina sales / total automotive sales in 2004



■ *A presence in markets with high added value*

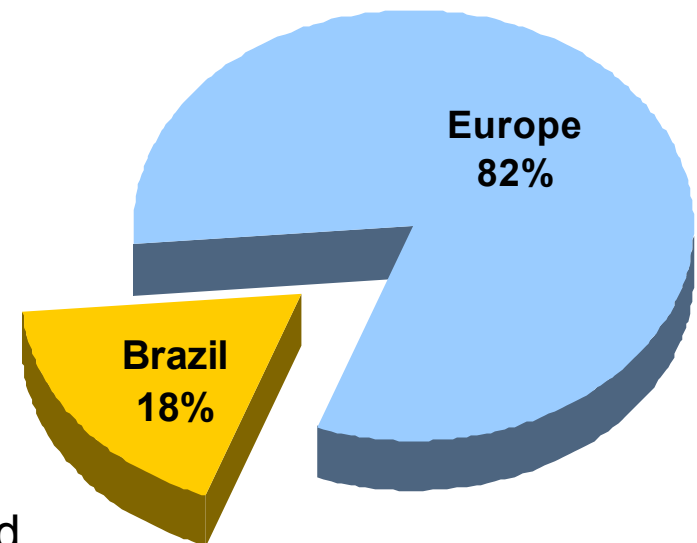
● Europe

- ✓ Seamless tubes (hot-rolled), produced in France and Germany (12% of the total)
- ✓ Drawn tubes, welded tubes, rings and components, produced by various specialized plants in France (67% of the total)
- ✓ Welded stainless tubes, produced in France (3% of the total)

● Brazil

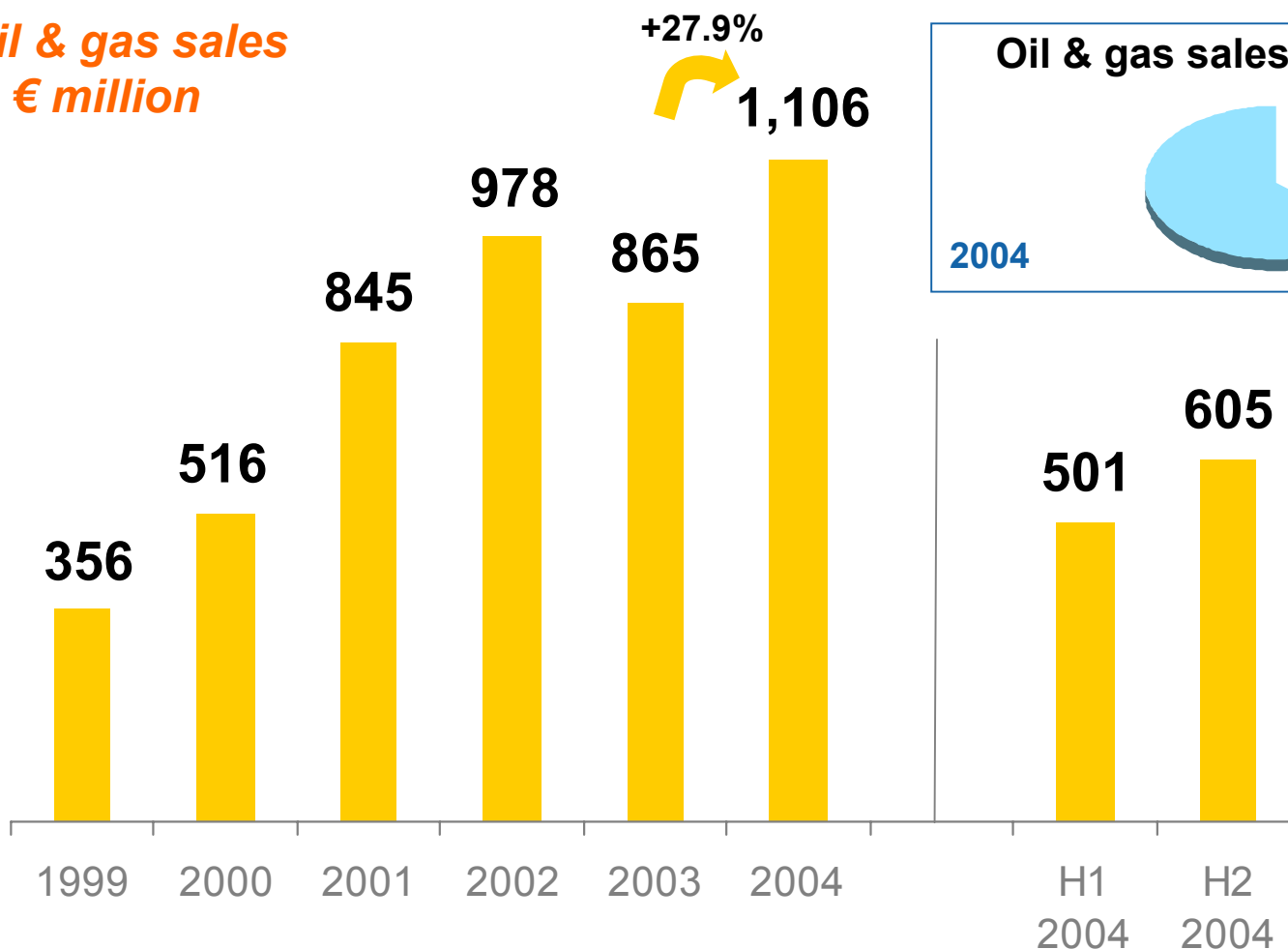
- ✓ Seamless tubes and drawn tubes produced by V & M do BRASIL (18% of the total)

Breakdown of 2004 pro forma automotive sales
(excluding Vallourec do Brasil and Vallourec Argentina)

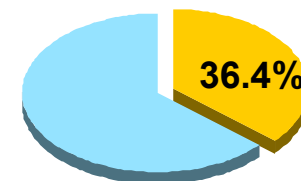


Vallourec, oil & gas

**Oil & gas sales
in € million**



Oil & gas sales / total sales



2004

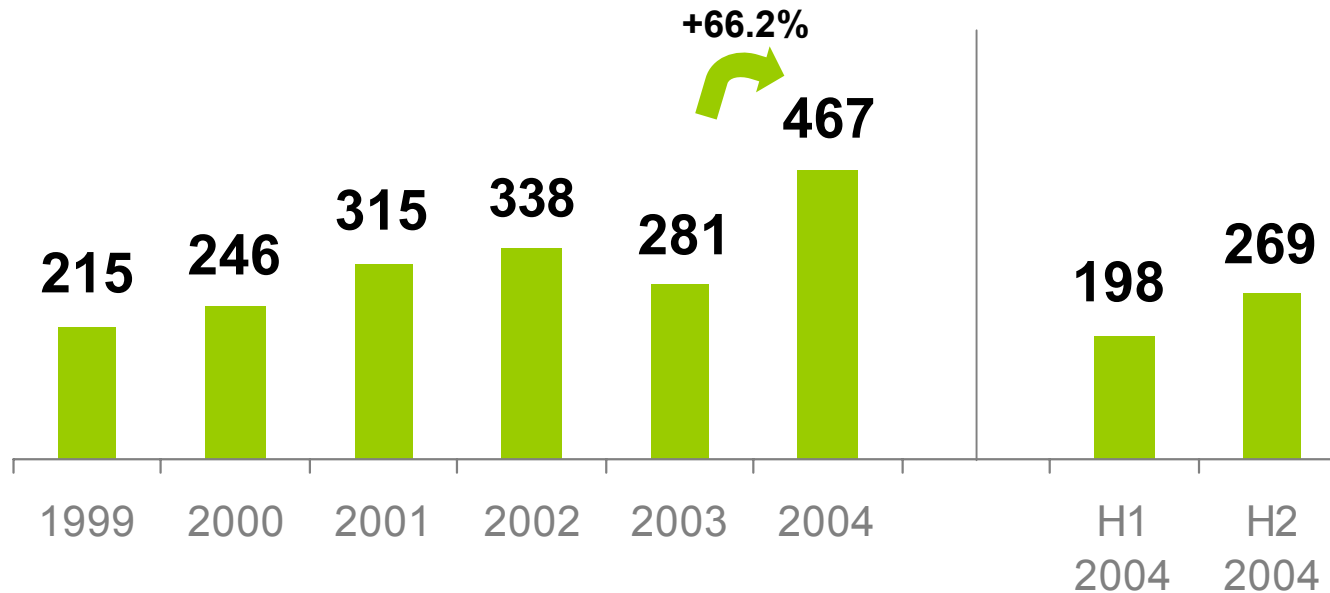
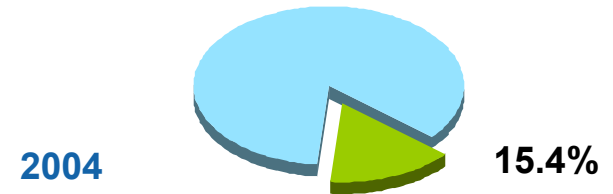
**Strong demand, particularly in the United States,
and a gradual increase in sales prices**



Vallourec and power generation

**Power generation sales
in € million**

Power generation sales / total sales



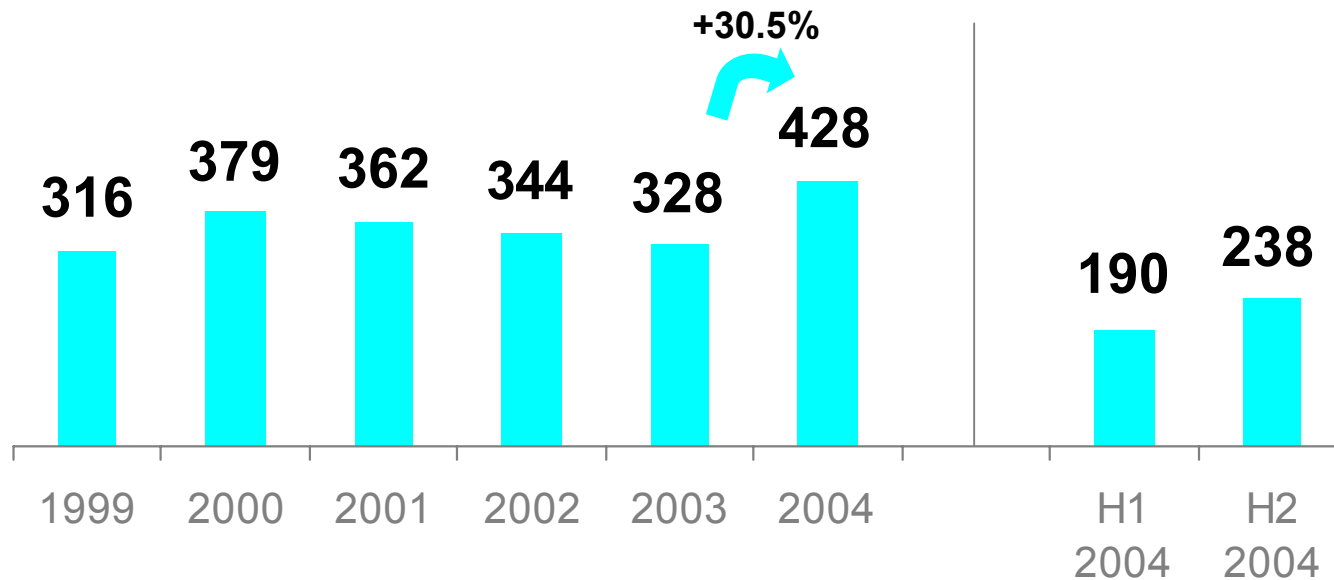
**A very strong level of activity, reflecting
continuing investment in China**



Vallourec and mechanical engineering

**Mechanical engineering sales
in € million**

Mechanical eng. sales / total sales



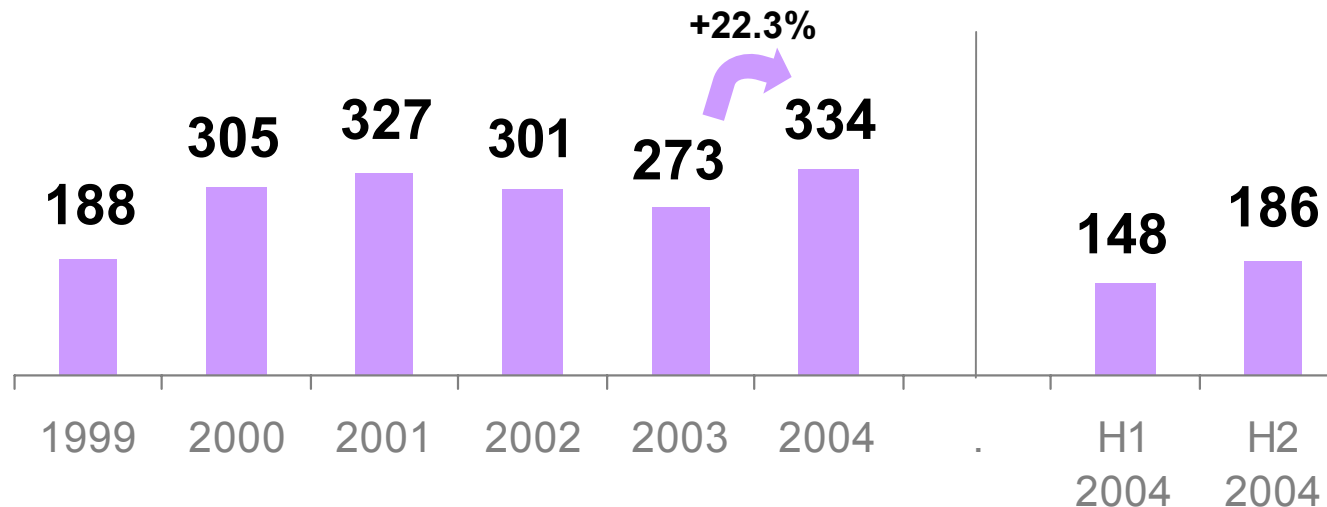
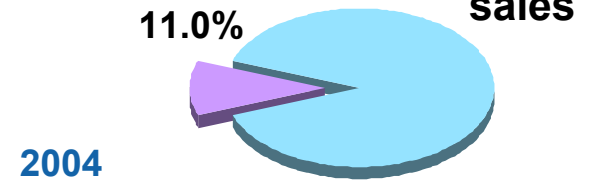
**Growth fuelled by the more favourable
economic climate in Europe**



Vallourec, chemicals and petrochemicals

**Chemicals and petrochemicals sales
in € million**

Chemicals-petrochem. sales / total sales



Demand remains strong among distributors in the USA and Brazil and for projects in Asia and the Middle East

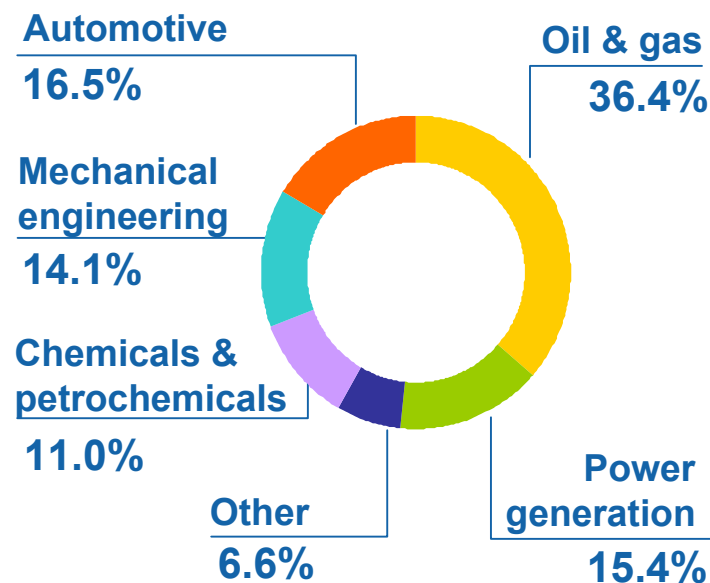
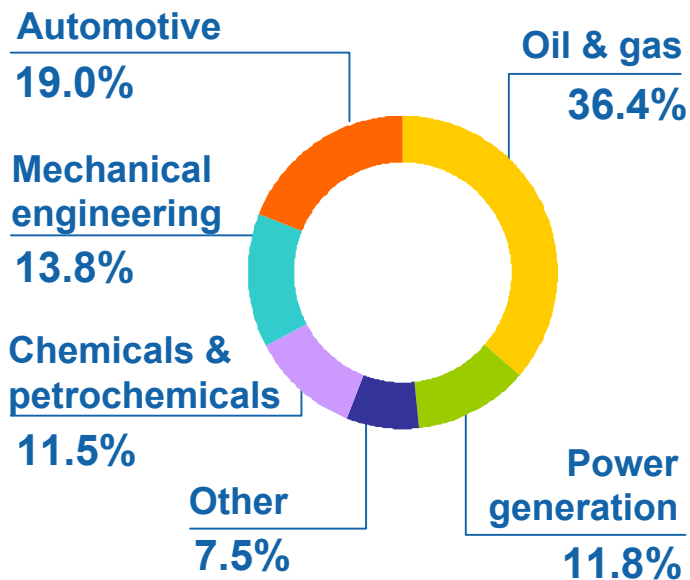


Sales breakdown

by market

2003 = € 2,376 million

2004 = € 3,038 million



Total Energy
1,146 M€ 48.2%

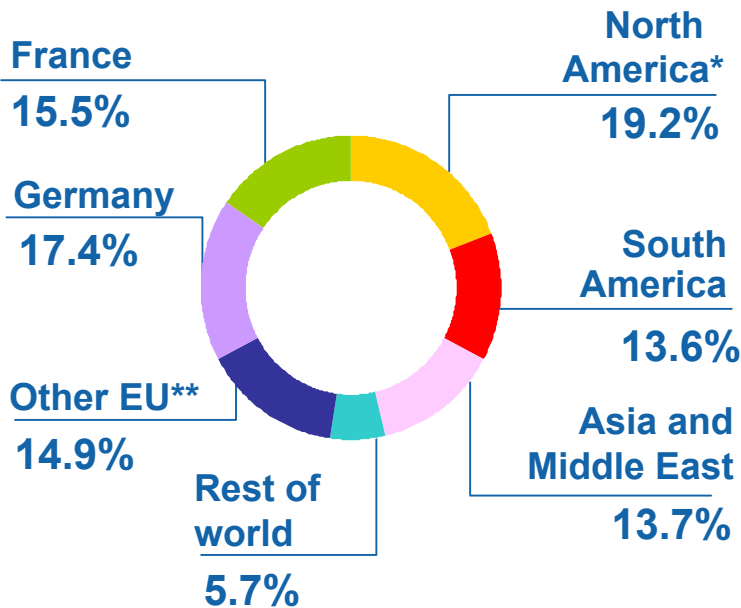
Total Energy
1,573 M€ 51.8%



Sales breakdown

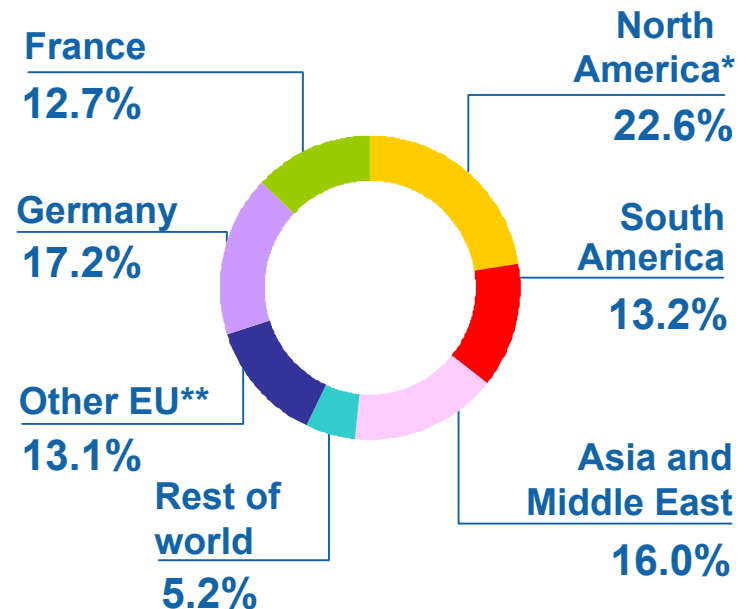
by geographic region

2003 = € 2,376 million



Total non-EU
€ 1,240 million 52.2%

2004 = € 3,038 million



Total non-EU
€ 1,732 million 57.0%

*including Mexico

** enlarged EU of 25 members





Review of proposed acquisition of full control of V & M TUBES



■ ***Vallourec has signed a definitive agreement to acquire full control of V & M TUBES***

- Vallourec will increase its stake in V & M TUBES from 55% to 100% by acquiring 45% from Mannesmannröhren-Werke (MRW)
 - Vallourec will own 100% of V & M TUBES and affiliates (except for the 19.5% of V & M STAR held by Sumitomo)



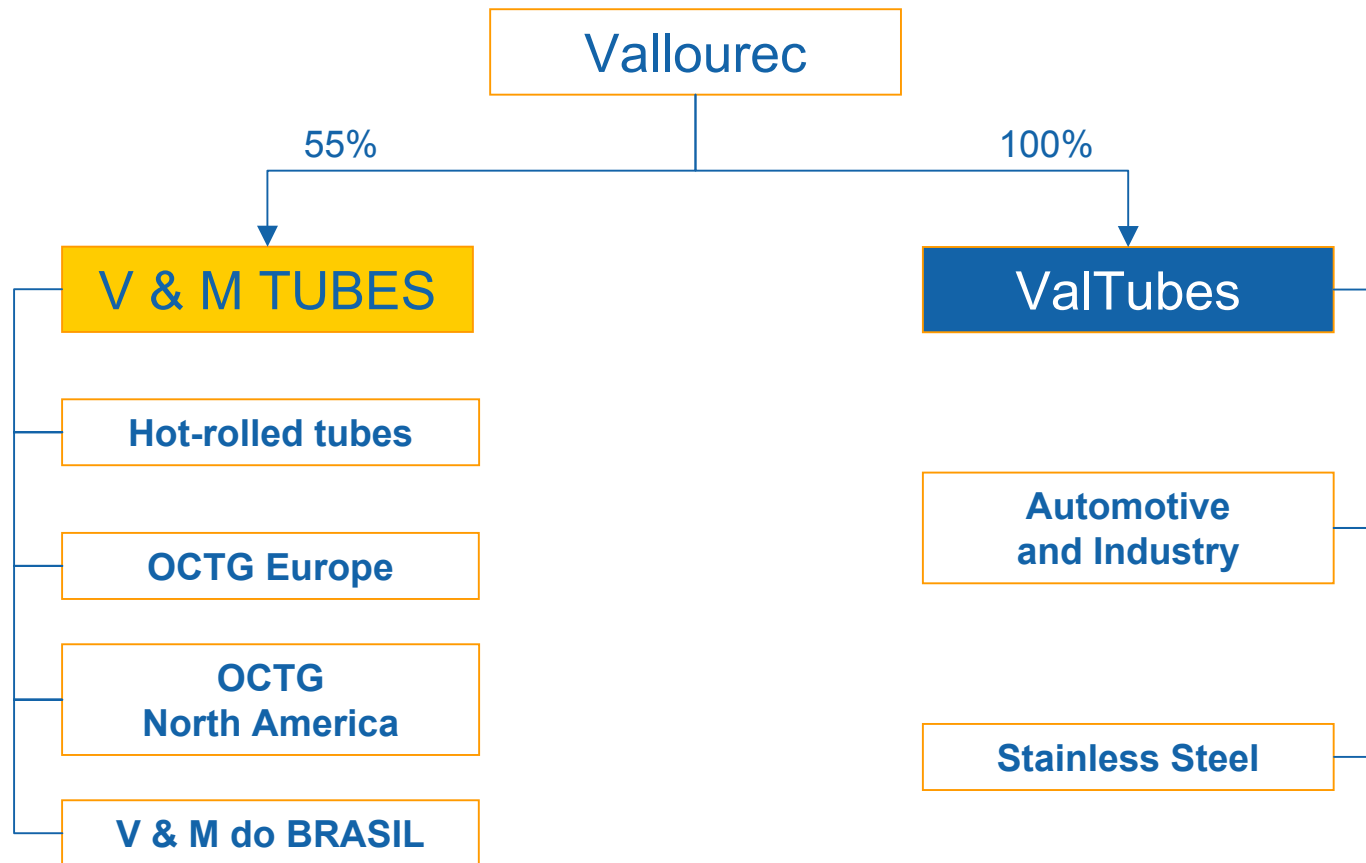
Acquisition price = € 545 million, including the 2004 dividend

- V & M TUBES will sell 10% of its share in the HKM steel mill to MRW
 - V & M TUBES will retain 20% of HKM and its sourcing volume from HKM remains unchanged

Now only waiting for clearance from the Austrian competition authorities



V & M TUBES within Vallourec



A major step in the construction of a fully integrated Group

- The provisions of the 1997 agreement between Vallourec and MRW (change of control clause and “reserved matters”) will expire
- Vallourec will have full command on V & M TUBES strategy (acquisitions, industrial investment, etc.)
- Moving towards a more cohesive Group structure: Vallourec will become fully integrated and will gain in clarity
- Access to 100% of V & M TUBES income and cash flow
- Easier access to financial resources to pursue organic and/or external growth

A highly valuable operational and financial move



V & M TUBES financial highlights

	2002		2003		2004	
<i>In € million</i>	V & M TUBES	Group	V & M TUBES	Group	V & M TUBES	Group
Sales	2,035	2,550	1,875	2,376	2,475	3,038
EBITDA	324	348	184	220	368	425
<i>EBITDA / sales</i>	<i>15.9%</i>	<i>13.6%</i>	<i>9.8%</i>	<i>9.3%</i>	<i>14.9%</i>	<i>14.0%</i>
Operating income	256	257	105	119	297	330
Total net income	159	142	80	77	231	252
Net income, Group share	84	65	44	40	119	136

Already fully consolidated, V & M TUBES contributes to the bulk of Vallourec's financial performance



Financial impact of the transaction

- € 125 million capital increase, with preferential subscription rights
 - Salzgitter / MRW and Bollore group intend to subscribe in proportion of their respective shareholdings in Vallourec
- Significant accretive impact for Vallourec
- Full access to V & M TUBES strong cash flow
- The intended financing, i.e. a combination of a capital increase, cash and debt, will allow Vallourec to maintain a gearing ratio of around 40%



Indicative timetable

- *Signing of MOU* 20 January 2005
 - *Extraordinary General Meeting* 25 February 2005
 - *Signing of the definitive agreement* 13 May 2005
 - *Clearance from competition authorities of four countries, including Germany and France* April-May 2005
 - *Launch of the capital increase*
 - *Completion of the transaction*
- } *Following clearance from Austrian authorities*





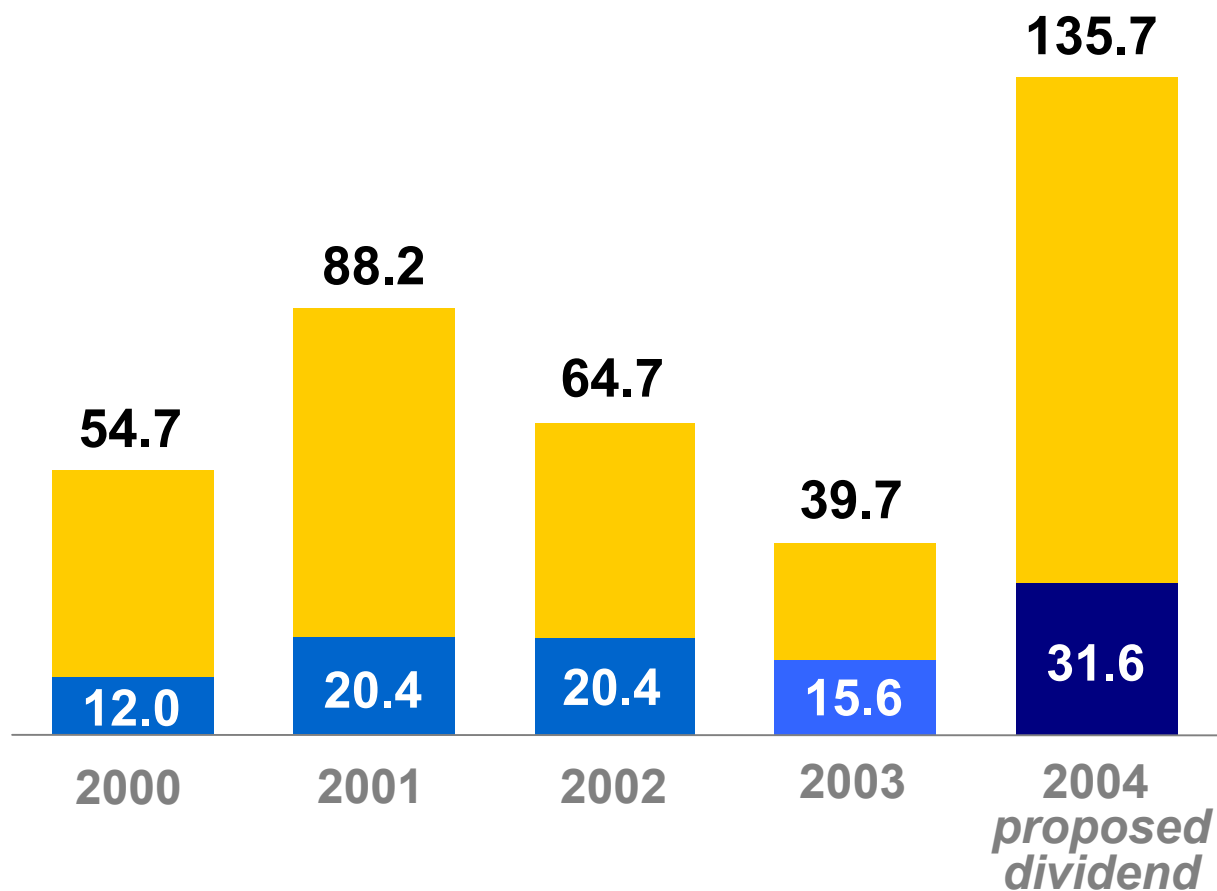
Dividends



Dividend policy

In € million

- Net income, Group share
- Allocated dividend
- Proposed dividend



Dividend per share (in €)

1.30	2.10	2.10	1.60	3.20
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Distribution rate

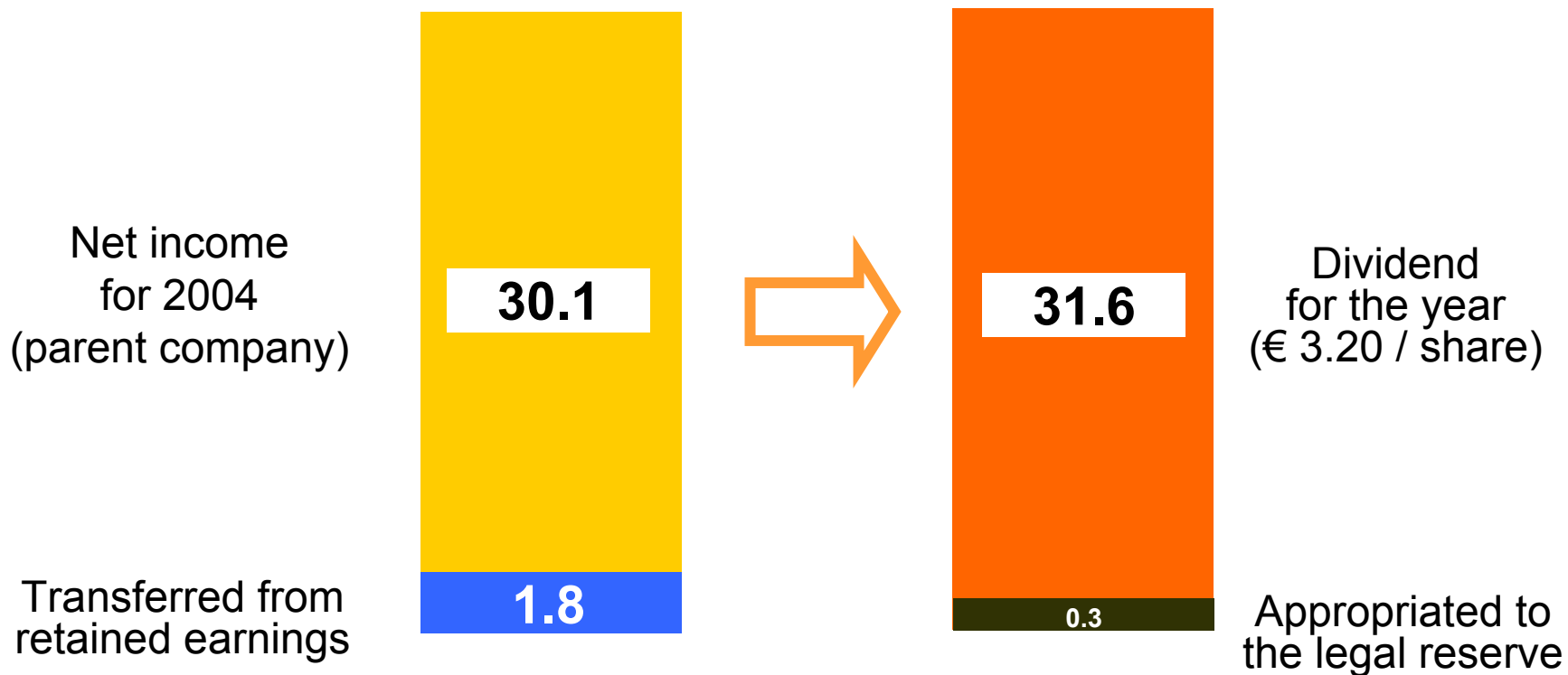
21.9%	23.1%	31.5%	39.2%	23.3%
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Proposed allocation

of parent company's net income

In € million





Outlook

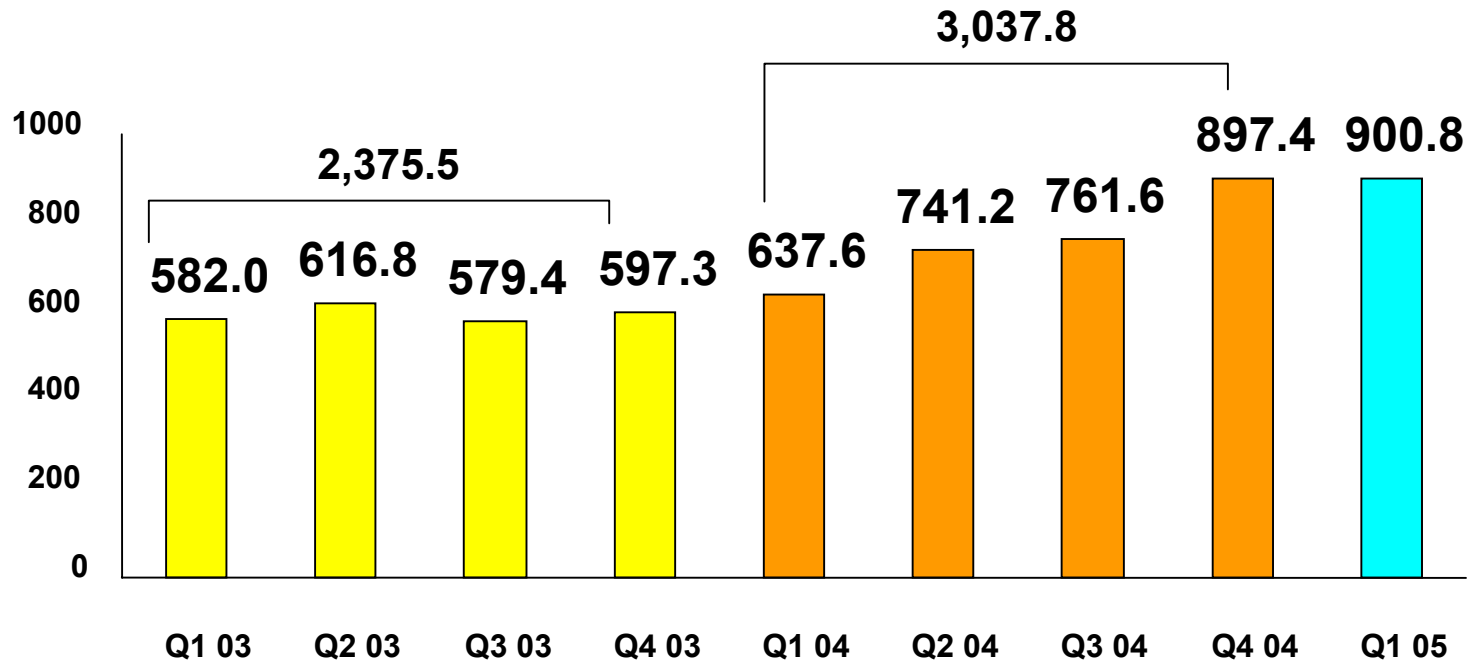
2004: strong achievements in an untypical environment

- Strong increase in activity in all sectors and across all markets
- Very strong increase in the cost of raw materials
- Successful offsetting of higher raw material prices by increasing selling prices

Taking advantage of its leading position in high value-added products, Vallourec increased its profitability and surpassed its top of the cycle objective in the second half



Very strong sales in Q1 2005



Sales by quarter (in € million)



Outlook for 2005

First half of 2005

- **Higher sales figure than in the second half of 2004:**
 - ✓ Stable volumes
 - ✓ Full impact of price increases
 - ✓ But slightly negative impact of the dollar
- **EBITDA/sales ratio should be close to 20%:**
 - ✓ Barring unforeseen circumstances

Second half of 2005 and beyond

- **Demand currently remains strong overall:**
 - ✓ But uncertainties regarding raw materials and the dollar
 - ✓ And top of the cycle

