

PRESS RELEASE



Speech by the Chairman of the Executive Board Annual General Meeting held on 11 June 2003

Boulogne-Billancourt, 11 June 2003 - Vallourec, world leader in the production of seamless steel tubes and specific tubular products for industrial applications, held its Ordinary and Extraordinary General Meetings today in Paris. On that occasion, Mr Jean-Claude Cabre, Chairman of the Executive Board, stated:

“In the last five years the Group has grown significantly and taken on a strong international dimension. France now accounts for only 15% of consolidated sales, and the whole of the European Union for less than half. Energy in the widest sense (oil, gas and electricity), a growth market for many years given the continual increase in demand (especially in developing countries), now accounts for over half of the Group’s sales.

Following the acquisition of V & M do BRASIL in 2000, the integration of V & M STAR in 2002 makes Vallourec a world leader in the production of seamless steel tubes. This strategy for growth is based on:

- Giving priority to satisfying the present and future needs of our customers,
- and an active R&D policy, enabling the Group to acquire a technological lead, to enhance the competitiveness of its production facilities and to develop a portfolio of products and services with high added value.

The long-term contracts signed in 2002 with Total and Petrobras illustrate the type of cooperation and partnership Vallourec is developing with its major customers. Vallourec’s ongoing search for innovative solutions, particularly with regard to tubes for oil and gas, enables the Group to consolidate its world leadership position in special joints. Each year, five to six new patents expand the VAM® product range, which now includes about sixty current patents.

We shall pursue our strategy for growth while maintaining a balanced portfolio of businesses and a healthy financial structure. In this way, in spite of investing nearly € 1 billion over the last five years and without having had recourse to the financial market to increase equity, the gearing ratio at the end of 2002 was just 10%. We shall continue to manage the Group rigorously while endeavouring to be as flexible and reactive as possible in order to meet the fluctuations in our markets, which are cyclical and will remain so.

For the first five months of the current year, consolidated sales declined by 6.4% compared to the corresponding period of 2002. At constant consolidation scope, excluding the consolidation of V & M STAR, the decline would have been 15.5%, which is in line with the prospects for the start of the year announced last November and confirmed thereafter.

Although the conflict in Iraq has ended, it is very difficult to predict the general trend of the world economy during the second half-year. As far as our Group is concerned, two sectors are expected to benefit from favourable trading conditions:

- Brazil, which, in contrast to all the fears expressed before the election of President Lula, is pursuing an economic policy that is unanimously welcomed as being effective and that has enabled the Real to strengthen and V & M do BRASIL to achieve a high level of activity and very good results.
- OCTG (tubes for oil drilling), which, after the wait-and-see attitude adopted at the end of 2002 and earlier this year, is expected to return to a more satisfactory level of activity in the second half-year. This is particularly true in the US where the stabilization of the price of gas at more than USD 5 prompted a sharp rise in gas drilling. The number of active drilling platforms in the US is approaching 1,100, a level highly favourable to the consumption of OCTG tubes. This will boost our sales in Brazil and Europe, and particularly those of our US subsidiary V & M STAR, where weak sales in the fourth quarter of 2002 carried over into the early part of this year.



However, we do not yet see any significant improvement in the other sectors, particularly in Europe. Moreover, the costs of raw materials, particularly scrap metal, and of energy have risen considerably. In addition, the weakness of the dollar in relation to the euro adversely affects the competitiveness of our European businesses and the profitability of their dollar sales, despite the systematic hedging of exchange rates carried out in respect of our order book. As for the sales and earnings of our businesses outside Europe, the adverse impact arises only on the translation of their accounts into euros.

Overall, it will not be possible to recoup during the rest of 2003 the reduction in sales to the end of May compared with the same period in 2002. EBITDA will suffer the consequences but the EBITDA/sales ratio will remain significantly higher than our objective for the bottom of the cycle. This will, of course, affect the level of Group net income. Happily, we should this year escape the exchange losses in respect of the Real and the operating difficulties that our activities excluding V & M TUBES suffered last year, and this should have a positive impact on the Group's share of total consolidated net income.

In 2002, the Group showed its ability to achieve a satisfactory overall performance, in spite of an unfavourable economic climate: an operating margin of 13.6% and a net margin of 5.6% resulting in net income, Group share, of € 64.7 million.

In 2003, in an environment that is still very uncertain, we wanted to show our faith in the future by proposing that the General Meeting approves the distribution of a dividend of € 2.1 per share, unchanged from the previous year. This corresponds to the average payout ratio of approximately 33% approved by the Supervisory Board as a long-term dividend distribution policy.

We would like to thank you for your loyalty and count on your support to guarantee the Group's development.”

About Vallourec

Vallourec is a world leader in the production of seamless steel tubes and specific tubular products for industrial applications (oil and gas, power generation, chemicals and petrochemicals, automotive and mechanical engineering industries).

Vallourec is listed on the Euronext Paris Premier Marché (code: 12035).

Vallourec is included in the SBF 120, NEXT 150 and MID CAC indices, as well as being part of the Euronext segment Next Prime. FTSE classification: engineering and industrial capital goods.

Further information is available on www.vallourec.fr

For further information, please contact :

Investor relations

Vallourec
Henri Redig
Tel: (33 1) 49 09 38 28
Email: henri.redig@vallourec.fr

Press

Gavin Anderson & Company
Véronique Duhoux
Tel: (33 1) 42 94 66 78
Email: vduhoux@gavinanderson.fr