

PRESS RELEASE



V A L L O U R E C

RIGHTS OFFERING (“AUGMENTATION DE CAPITAL AVEC DROIT PREFERENTIEL DE SOUSCRIPTION”) IN THE AMOUNT OF € 125 MILLION

Boulogne-Billancourt, 16 June 2005 - Vallourec, world leader in the production of seamless steel tubes and tubular products for specific industrial applications, announced today the opening of a rights offering (“*augmentation de capital avec maintien du droit préférentiel de souscription*”) to shareholders in the amount of € 124,981,908.40, issue premium included.

This rights offering through the issuance of 706,312 new shares, nominal value € 20 per share, at a subscription price of € 176.95 per share, is being made to Vallourec shareholders on the basis of 1 new share for 14 existing shares.

The rights will be detached on 20 June 2005 for shareholders of record on 17 June 2005, after the close of trading. The subscription period for the new shares will start on Monday, 20 June 2005 and end on Friday, 1 July 2005 inclusive. During this period, the rights will be negotiable and traded on the Eurolist of Euronext Paris. Subscriptions at the irreducible ratio (*à titre irréductible*) will be accepted. The issuance and admission to trading of the new shares is expected to occur on 13 July 2005.

Salzgitter / Mannesmannröhren-Werke GmbH and Bolloré group have agreed to participate in the rights offering in the amount of their stakes in Vallourec, which are 22.61% and 24.92%, respectively.

The balance is subject to an underwriting commitment by a syndicate led by CALYON and Société Générale.

This rights offering intends to finance, in part, the acquisition, for € 545 million, of the 45% stake owned by Salzgitter / Mannesmannröhren-Werke GmbH in V & M TUBES, Vallourec’s principal subsidiary. The balance of the financing for the acquisition will come from available cash flow and a long term bank loan. Vallourec’s gearing ratio (net debt / equity) will be around 40%, following the acquisition.

This acquisition will enable Vallourec to increase its stake in V & M TUBES from 55% to 100% and thereby gain access to all of V & M TUBES’ net income and cash flow.

The acquisition will also give Vallourec greater operational and financial maneuvering room for implementing its strategy. It will give Vallourec complete control of its principal industrial asset and end commitments that were assumed at the time V & M TUBES was formed in 1997, especially clauses relating to “reserved matters” and change of control.



NOT TO BE RELEASED IN THE UNITED STATES, CANADA, JAPAN, AND AUSTRALIA

Lastly, Vallourec indicated on 7 June 2005 that it awaited only the agreement of the Austrian competition law authorities to proceed with the acquisition. This approval was received on 14 June and completed the approvals previously obtained from competition authorities in the four other countries involved, including Germany and France. The Company now expects the acquisition to be finalized before the end of June 2005.

The Prospectus has received visa n° 05-556, dated 15 June 2005 from the *Autorité des marchés financiers*. Copies of this Prospectus in French may be obtained without charge from the institutions appointed to take subscriptions as well as at the registered office of Vallourec. It may be viewed on Vallourec's website (www.vallourec.com) and on the website of the *Autorité des marchés financiers* (www.amf-france.org).

This Prospectus consists of the *Document de référence* filed with the *Autorité des marchés financiers* on 20 April 2005, under number D.05-0497, and a *Note d'opération*.

The legal notice will be published in the *Bulletin des Annonces Légales Obligatoires* of 17 June 2005

Calendar

- The dividend for fiscal year 2004 will be paid on 6 July 2005
- Consolidated sales for the second quarter of 2005 will be released on 27 July 2005
- Consolidated results for the first half of 2005 will be released on 15 September 2005
- Consolidated sales for the third quarter of 2005 will be released on 27 October 2005.

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, chemicals and 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: SBF 120, CAC Mid 100 and NEXT 150.

FTSE classification: engineering and machinery.

Certain information contained in this press release relating to Vallourec's plans, objectives and forecasts is, by its very nature, forward-looking and based on assumptions and forecasts of the Company's management which are derived from the information currently available to it. Such forward-looking information is subject to risks and uncertainties and therefore actual results are likely to differ substantially from the projected results. Further information on these risks and uncertainties is provided in the Company's annual report.

This release may not be published, released, or distributed in the United States (including its territories and possessions, any States of the United States, and the District of Columbia). This release is not an offer for sale, nor a solicitation of an order to buy securities in the United States, or any other country. The securities described in this release have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States, or to an American citizen, or on his/her/its behalf, in the absence of such registration, or the availability of one or more of the exemptions from registration provided under the Securities Act. There will be no public offering of securities in the United States.

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V A L L O U R E C

Principal Terms of the capital increase by an issue of shares to be acquired for cash with the preferential subscription right of existing shareholders maintained (“Rights Offering”)

Visa n°05-556 issued by the *Autorité des marchés financiers* dated 15 June 2005
Release released at the request of the *Autorité des marchés financiers*
under the *Règlement Général*

Issuer Vallourec

FTSE™ Industry Sector Classification

- industry sector: 20, General Industrials
- industry: 26, Engineering & Machinery
- subgroup: 266, Engineering – Manufacturing

APE Code: 741 J

Nationality: French

Use of Proceeds

The purpose of this rights offering is to refinance, in part, the acquisition of all of the shares of Vallourec & Mannesmann Tubes (“V&M Tubes”) and those of its subsidiaries owned by Mannesmannröhren-Werke GmbH, a wholly-owned subsidiary of Salzgitter.

The transaction consists of the linked and simultaneous acquisition

- (i) by Vallourec of the 45% stake in the share capital of V&M Tubes, for 534.4 million,
- (ii) by V&M Tubes of the 1% stake in the share capital of V&M Deutschland GmbH, for € 3.6 million, and
- (iii) by Vallourec & Mannesmann Holdings Inc., subsidiary of V&M Tubes, of 33.33% of the share capital of Vallourec & Mannesmann Tubes Corp., for € 7 million,

or a total amount of € 545 million.

Upon completion of this transaction, Vallourec will own directly 100% of V&M Tubes and indirectly 100% of V&M Deutschland GmbH and Vallourec & Mannesmann Tubes Corp.

Completion of the Transaction and Satisfaction of the Conditions Precedent

The acquisition agreement described above was made on 13 May 2005, confirming the Memorandum of Understanding signed on 20 January 2005.

The approvals of the competition authorities have been obtained, and the conditions precedent have been met.



Financing	<p>The acquisition will be financed by using funds coming, in part, from the available cash flow of Vallourec, V&M Tubes, and Vallourec & Mannesmann Holdings Inc and, in part, by a bank loan in the amount of € 460 million negotiated by Vallourec for such purpose, the terms and conditions of which (“covenants”) are set forth in Chapter VII of the Prospectus.</p>
Financing and Accounting Impact	<p>The completion of the acquisition of the minority interests in V&M Tubes and its subsidiaries will be recorded in its books by Vallourec on the date of legal transfer of the shares, which will occur after effective payment for such shares.</p> <p>The minority interests acquired will be consolidated, therefore, in the financial results of Vallourec Group as from such date.</p>
Approvals	<p>Extraordinary General Meeting of Shareholders held on 25 February 2005, action of the Supervisory Board taken on 20 January 2005, action taken by the Executive Board on 15 June 2005 and decision of the Chairman of the Executive Board on 15 June 2005.</p> <p>Exercise of stock options was suspended as from 15 June 2005 for a maximum period of three months.</p>
Number of New Shares to be Issued	<p>Issue of 706,312 new shares, nominal value € 20 per share, <i>i.e.</i>, an increase in share capital in the nominal amount of € 14,126,240 representing 7.14% of the share capital and 6.45% of the voting rights on the basis of the share capital and the number of voting rights of Vallourec existing as of 15 June 2005.</p>
Effective Date of New Shares	<p>The new shares will be effective as from 1 January 2005, <i>i.e.</i>, they will entitle the owners thereof to receive dividends relating to fiscal year 2005 and thereafter. They will have the same rights and obligations as existing shares as of the time they are issued</p>
Subscription Price	<p>€ 176.95 per share, to be fully paid in cash upon subscription, of which € 20 will consist of the nominal value thereof and € 156.95 will consist of the issue premium therefor.</p>
Gross Proceeds and Net Proceeds from Issue	<p>The gross proceeds of the issue will amount to € 124,981,908.40, including issue premium.</p> <p>The estimated aggregate net proceeds will be approximately € 122 million, after deduction of the compensation due to the underwriters and legal and administrative expenses.</p>
Trading	<p>Vallourec shares are admitted to trading on the Eurolist of Euronext Paris, compartment A.</p>



**Shareholders' Preferential
Subscription Rights**

Subscription for, and acquisition of, the new shares is reserved, on a preferential basis, to owners of shares that constitute the existing share capital, or to transferees of their subscription rights, who may subscribe for, and acquire:

- **irreducible allotment:** the number of shares resulting from the irreducible ratio of 1 new share for 14 existing shares owned, without taking into consideration any fractional interests;
- **reducible allotment:** the number of new shares they may wish to acquire in addition to those to which they are entitled from the irreducible allotment through exercise of their preferential subscription rights. The number of shares allotted in this connection may not exceed (i) the number in their application therefor and (ii) the number to be issued in connection with the irreducible allotment and for which no subscriptions are received, with the number of shares actually awarded to be in proportion to the number of existing shares with respect to which the rights to acquire irreducible allotment shares were used.

Subscription Period

From 20 June to 1 July 2005 inclusive.

Trading of New Shares

The date planned for admission to trading of the new shares on the Eurolist of Euronext Paris is 13 July 2005.
The new shares will have the same rights and obligations as existing shares as of the time they are issued.

**Intention to Subscribe of Principal
Shareholders**

- Salzgitter / Mannesmannröhren-Werke GmbH, which own, directly or indirectly, 2,235,666 Vallourec shares, representing 22.61% of the share capital, have committed to Vallourec to subscribe for, and acquire, all of the new shares offered to which they are entitled in connection with their irreducible allotment.
- Bolloré group, which owns, directly or indirectly, 2,463,810 Vallourec shares, representing 24.92% of the share capital, has committed to Vallourec to subscribe for, and acquire, all of the new shares to which it is entitled in connection with its irreducible allotment.

These subscription and acquisition commitments are subject to the Underwriting Agreement between Vallourec and the investment banking syndicate described below being in effect at the end of the subscription period.

Underwriting

The banking syndicate managed by CALYON and Société Générale has made a commitment to acquire and pay for all of the new shares for which no subscriptions have been received at the end of the subscription period, except for the new shares which are subject to the acquisition commitments of the principal shareholders, on the terms and commitments of an Underwriting Agreement signed on 15 June 2005. Such commitment will not constitute an irrevocable guarantee of completion (*garantie irrévocable de bonne fin*) for purposes of Article L. 225-145 of the French Code of Commerce. The Underwriting Agreement may be terminated under certain circumstances up until the actual settlement-delivery of the shares that are the subject of this rights offering. If the Underwriting Agreement should be terminated, it is possible that this rights offering will not be completed.



Reference Price of the Shares	Closing trading price of Vallourec shares on 14 June 2005: € 211.50 less € 3.20 corresponding to the net dividend payable on 6 July 2005, or € 208.30.	
Theoretical Value of Preferential Subscription Right	On the basis of the reference price of Vallourec shares of € 208.30, the estimated theoretical value of a preferential subscription right is € 2.09.	
Trading of Preferential Subscription Rights	The preferential subscription rights will be detached from the shares on 20 June 2005 and will trade on the Eurolist of Euronext Paris throughout the subscription period (ISIN Code FR0010208967), <i>i.e.</i> , from 20 June to 1 July 2005 inclusive.	
Tentative Timetable for Rights Offering	<p>Visa of the <i>Autorité des marchés financiers</i>: 15 June 2005</p> <p>Publication of the legal notice in the <i>Bulletin des Annonces légales obligatoires</i>: 17 June 2005</p> <p>Opening of the subscription period, detachment and beginning of trading of the preferential subscription rights: 20 June 2005</p> <p>Closing of the subscription period, end of trading of the preferential subscription rights: 1 July 2005</p> <p>Issuance of certificate of receipt of proceeds by depository institution - Issue of the new shares – Settlement-delivery - Admission of the new shares to trading on the Eurolist of Euronext Paris 13 July 2005</p>	
Investment Banks – Payment – Management	Subscription applications for shares and related payments in connection with this rights offering will be accepted from subscribers, or their authorized representatives, at the offices of CALYON and Société Générale in France. Subscription applications for shares and related payments from shareholders the shares of which are registered in pure registered form will be accepted by Crédit Agricole Investor Services Corporate Trust. They will be centrally handled by Société Générale, which will be responsible for preparing a funds deposit certificate indicating the completion of the rights issue.	

General Restrictions

Distribution of this Prospectus and the sale of the new shares and preferential subscription rights may be subject to specific laws and regulations in certain countries. Persons who obtain this Prospectus should inform themselves about any possible local restrictions or requirements and comply therewith.

Any person receiving this Prospectus must not distribute it, or cause it to be distributed, in such countries in violation of applicable law and regulations.

Any person who, for any reason whatsoever, transmits this Prospectus, or causes it to be transmitted, to such countries must call the recipient's attention to the contents of this section.

As a general matter, any person exercising preferential subscription rights outside of France must ensure that such exercise does not violate applicable law. This Prospectus, or any document relating to this rights issue, may not be distributed outside France except in compliance with applicable law and regulations and shall not constitute an offer to subscribe in any country(ies) where such offer would violate applicable law.

Person Responsible for Providing Information

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Availability of Prospectus

Copies of the Prospectus in French are available without charge from CALYON and Société Générale, as well as at Vallourec's registered office, 130, rue de Silly, 92100 Boulogne-Billancourt.

The Prospectus may also be reviewed on Vallourec's website (www.vallourec.com) and on the website of the Autorités des marchés financiers (www.amf-france.org).

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