

PRESS RELEASE



Vallourec signs with Salzgitter a MOU to acquire full control of V & M Tubes

Boulogne-Billancourt, 21 January 2005 - Vallourec, world leader in the production of seamless steel tubes and specific tubular products for industrial applications, announces that it has signed a non-binding Memorandum of Understanding ('MOU') with Salzgitter and Salzgitter's wholly-owned subsidiary Mannesmannröhren-Werke ('MRW') by which Vallourec would acquire from MRW its 45% interest in Vallourec & Mannesmann Tubes ('V & M Tubes'), thereby increasing Vallourec's stake in V & M Tubes from 55% to 100%.

The agreed price for the acquisition of MRW's 45% interest in V & M Tubes is € 545 million. Such price is inclusive of the V & M Tubes dividend in respect of 2004. The consideration will be paid to MRW by Vallourec in cash upon completion of the transaction. The acquisition will be financed through available cash, long-term debt, which is expected to combine a term loan and a revolving credit facility, as well as a rights issue of € 125 million.

The rights issue is expected to be launched in the second quarter of 2005. Pre-emptive subscription rights will be offered to every Vallourec shareholder. Salzgitter / MRW have already indicated their intention to subscribe to the rights issue pro rata to their shareholding in Vallourec, i.e. 23.0%, and to remain a significant shareholder of Vallourec.

V & M Tubes, which is already fully consolidated within Vallourec, is Vallourec's main subsidiary. In the first half of 2004, V & M Tubes's sales of € 1,095 million accounted for 79% of Vallourec's consolidated sales and 83% of total EBITDA. V & M Tubes comprises in particular Vallourec's entire steel production, hot-rolled tubes and oil & gas activities.

V & M Tubes was created in 1997 by the combination of both Vallourec's and MRW's seamless steel tubes activities. The joint venture - 55% held by Vallourec and 45% held by MRW - subsequently acquired V & M do Brasil in 2000 and 80.5% of V & M Star in 2002.

Upon completion of the transaction, Vallourec will own 100% of its subsidiary V & M Tubes and will therefore benefit from 100% of V & M Tubes's net income and cash flow. Given the sound prospects for 2005, which follow a strong performance in 2004, the transaction is expected to be accretive as from 2005.

The planned combination of equity, cash and debt financing will enable Vallourec to maintain a gearing ratio (net debt / shareholders' equity) not exceeding the 50% range.

Pierre Verluca, Chairman of the Vallourec Executive Board, said: "We are extremely pleased to take full ownership of our main subsidiary V & M Tubes whilst continuing our longstanding and fruitful relationship with Mannesmannröhren-Werke and Salzgitter. The transaction will provide Vallourec with greater operational and financial flexibility to implement our strategy."

Jean-Paul Parayre, Chairman of the Vallourec Supervisory Board, added: "This transaction, which gives Vallourec full control of its key industrial asset and terminates the obligations related to the creation of V & M Tubes, will benefit our shareholders. Given V & M Tubes's prospects, the transaction is expected to have a significant accretive impact on earnings per share."



The MOU also contemplates that V & M Tubes will sell to MRW 10% of the shares in the steel mill HKM. V & M Tubes will retain a 20% holding in HKM.

Beyond this agreement, Vallourec and Salzgitter will continue their successful cooperation in research & development and in the exchange of materials and services.

Signature of a definitive agreement is expected to take place around the end of March 2005.

Completion of the transaction, which will be conditional upon, in particular, a clearance decision by the competent competition authorities and provision of the required financing, is expected to occur in the second quarter of 2005, immediately after completion of the rights issue and no later than 31 July 2005.

As a consequence of the transaction, the joint venture agreement signed between Vallourec and MRW in 1997, and in particular the reserved matters and the change of control clause, will be terminated.

Bolloré group has indicated that it will subscribe to the rights issue according to its share of 25.6%.

Rothschild & Cie is acting as Vallourec's financial adviser on the transaction.

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About V & M Tubes

Formed by the 1997 merger of the hot-rolled seamless steel tubes activities of Vallourec (55%) and Mannesmannröhren-Werke (45%), Vallourec & Mannesmann Tubes is a world leader in the production of seamless hot-rolled steel tubes for all applications, particularly for oil & gas and power generation. The combined capacity of the company's eight European tube mills (4 in France and 4 in Germany) and its sites in Brazil and the US exceeds 3 million tonnes, covering the world's largest range of dimensions.

About Salzgitter

The Salzgitter group is among the leading European steel groups. Sales approximately reach € 5 billion, production of crude steel exceeds 8 million tonnes and the group employs around 18,000 people. Salzgitter belongs to the German index MDAX.

About Mannesmannröhren-Werke

Mannesmannröhren-Werke manages the Tubes Division within Salzgitter group with 14 subsidiaries and affiliated companies, manufacturing and/or processing all types of seamless and welded tube and pipe at 40 production sites in 15 countries.

Calendar

- Consolidated sales for the fourth quarter of 2004 will be released on 2 February 2005,
- Consolidated results for the full year 2004 will be released on 9 March 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 Premier Marché (ISIN code: FR0000120354) and included in the following indices: SBF 120, CAC Mid 100, Next 150, Euronext 150. FTSE classification: engineering and machinery.

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