

Section 8

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8.1 Management Board reports

8.1.1 Management report of the Management Board to the Ordinary General Meeting on 1 June 2006

After an excellent year 2004, 2005 was likewise a year that broke all records, both in terms of activity and results. 2005 also saw the achievement of an essential step in the Group's development with the acquisition of the 45% stake in V & M TUBES previously held by Mannesmannröhren-Werke. Thanks to this acquisition, Vallourec now has full control over the implementation of strategy in its main subsidiary.

Consolidated sales for the year totalled € 4,307.4 million, 41.8% up on 2004 sales which were themselves at record levels. At € 3,037.8 million, 2004 sales were up 27.9% compared with 2003 and, for the first time, broke through the symbolic € 3 billion barrier.

Whilst in 2004 the rise reflected mainly an increase in volumes (+14.6%), the 41.8% increase in 2005 was mainly due to a mix, price and currency effect of 35.7%, the volume effect being limited to 6%, with most of the Group's production facilities operating at full capacity since 2004. The scope effect was insignificant (-1.5%). The mix, price and currency effect was mainly due to the fact that Vallourec, benefiting from a favourable economic climate, was able to continue to apply further selling price increases in 2005, particularly in Brazil and the United States, and to constantly improve its product mix, whilst the full effect of price increases negotiated in 2004 was felt throughout 2005.

In the oil & gas sector, Vallourec achieved very strong growth in 2005 in North America and the rest of the world thanks to high volumes and a sharp rise in selling prices, particularly in the case of high value-added products. Sales increased by 65.4% over the year as a whole and were 35.7% higher in the second half than in the first. Sales in the power generation sector were 55.0% higher in 2005 than in 2004, reflecting the strength of this market, particularly in China, which continues to represent more than 50% of Vallourec's sales in this sector. In the rest of the world, sales also increased due to renovation and maintenance programmes. Overall, oil & gas and power generation activities together represented 59.3% of Vallourec's consolidated sales in 2005, illustrating the Group's policy of focusing increasingly on the energy sectors. By comparison, these activities accounted for only 34.6% of total annual sales in 2000.

Mechanical engineering, which is essentially a European business, benefited from the strong world demand for raw materials and energy, which created a very favourable environment for our applications. Over the year as a whole, sales in this sector increased by 33.9% compared with 2004. In the chemicals and petrochemicals sector, where Vallourec is becoming increasingly involved in major projects, sales increased by 38.0% in 2005. Tubes and components for the automotive industry, by contrast, suffered in 2005 from the fact that the number of new cars registered in Western Europe remained virtually stable (down 0.7%) and, more particularly, from the fall in the number of vehicles sold by PSA and Renault, the Group's two main customers in this market. At constant consolidation scope, Vallourec's sales nevertheless grew by 12.3%.

In terms of geographic breakdown, the global character of the Group's activities is becoming more apparent each year. France's share of 2005 consolidated sales was less than 10% (9.5%) and sales outside the enlarged, 25-member European Union represented more than 60% (61.3%) of the total, due, in particular, to increases in Asia and North America. Five years ago, in 2000, sales in France accounted for 22.7% of consolidated sales and those outside the Europe "of 15" accounted for only 41.6%.

Operating costs increased by 27.8%. This increase was due, on the one hand, to a 36.8% rise in purchases of raw materials and, on the other hand, to a 20.1% rise in all other operating costs. The increase in purchases of raw materials, which was significantly greater than the 14.6% increase in volumes, was due mainly to the sharp rise in their prices. Even though they tended to stabilize this year, average purchase prices were significantly higher than those of 2004. The rise in other operating costs was due, in particular, to the increase in transportation and energy costs.

The increase in selling prices and the enhanced product mix were the main causes of growth in EBITDA, which increased by 133.3% to € 1,060.6 million compared with € 454.6 million in 2004. EBITDA therefore achieved the record level of 24.6% of sales compared with 15.0% the previous year, which was itself a record.

The effective tax rate was 32.8% compared with 25.2% in 2004, since the Group had already used up almost all of its tax credits.

Total consolidated net income for 2005 was € 632.4 million, i.e. 14.7% of sales, compared with € 265.2 million, i.e. 8.7% of sales, in 2004, representing an increase of 138.5% over the previous year.

Due, in particular, to the positive effect of the acquisition of the 45% stake in V & M TUBES, which was effective as from 1 July 2005, net income, Group share, more than tripled to € 473.0 million compared with € 145.0 million in 2004. If the acquisition had taken place on 1 January 2005, Vallourec's net income, Group share, would have been € 576.7 million in 2005, instead of € 473.0 million, although total net income would have remained almost unchanged.

In this context, it should be noted that the total amount of employee profit sharing (both statutory and non-statutory profit sharing plans) allocated to the Group's employees rose sharply to € 55.5 million this year compared with € 18.8 million in 2004.

Despite an increase in gross capital expenditure of 86% to € 192.4 million in 2005, and financial investments totalling € 651.3 million (acquisition of the 45% stake in V & M TUBES and OMSCO's assets), the Group's total net debt grew by only € 259.3 million in 2005 because the rights offering in July 2005, which generated a net amount of € 123 million, enabled the Group to limit its recourse to debt.

The Group's cash position thus changed from positive net cash of € 54.6 million at 31 December 2004 to net debt of € 204.7 million at 31 December 2005, representing gearing (net debt / shareholders' equity) of 13.6%. It is important to note that the preservation of a sound financial structure is one of the key elements of Vallourec's strategy since it guarantees that the Group will be able, at all times, to manage its development independently and, in particular, to seize any opportunities for growth that may arise.

Capital expenditure in 2005 totalled € 192.4 million, up sharply (+86%) compared with the € 103.1 million incurred in 2004. The main items making up this total were as follows:

- In Brazil, increases in production capacity in respect of steel and tubes as a result of the modernization of the steel mill's continuous caster, the commissioning of a new furnace, modifications to the piercer and the downstream equipment of the continuous rolling mill and increases in drawing capacity. Additional resources were also allocated to mining and forest cultivation.

- As regards boiler tubes for the energy sector, the increase in production capacity in Europe in respect of large and small tubes and the commencement in China of construction work on a machining and finishing workshop, which will become operational as from mid-2006.

- In the stainless steel sector, increases in Changzhou Valinox Great Wall Co. Ltd's capacity in respect of condenser tubes by the commissioning of additional welding machines.

More generally, the very high utilization of the Group's production tools since 2004 has resulted in extremely significant levels of expenditure on maintenance and upgrading at all plants. The continuing improvements in safety and working conditions as well as compliance with environmental standards has also resulted in a material increase in expenditure in these areas.

Details of the main investments made during 2005 and the two preceding financial years are provided in section 4, paragraph 4.4.1, of the Reference Document for the financial year 2005, of which this report is an integral part.

As regards 2006, a further strong rise in capital expenditure, of more than 30%, is being considered, particularly in order to significantly increase the finishing capacity in respect of high value-added products.

As regards financial investments, in addition to the acquisition of full control of V & M TUBES already detailed above, a significant strategic investment was also made in 2006 with the acquisition of the assets of OMSCO, a division of Shawcor Ltd (Canada), which is based in Houston (USA) and specializes in the manufacture of steel drill pipes for the oil & gas industry. The company OMSCO Inc. has been consolidated into the financial statements of the Vallourec Group since 1 October 2005. This acquisition has enabled Vallourec to become the world number two in this sector, a position further strengthened by the acquisition, completed on 21 March 2006, of SMFI (*Société de Matériel de Forage Industriel*), a company based in Cosne-sur-Loire in France, which specializes in the manufacture of drill collars, heavy weight drill pipes and high-tech products for oil & gas drilling. V & M TUBES made these two acquisitions.

In November 2005, Valtimet entered into a joint-venture agreement with the Chinese company Baoti to form Xi'an Baotimet Valinox Tubes Co. Ltd, in Xi'an, in the Chinese province of Shaan'Xi. During 2006, this company will start producing welded titanium tubes for the Chinese power and chemicals markets.



At the beginning of April 2006, Valmet announced the acquisition of 75% of CST Ltd, an Indian company located in Hyderabad, which specializes in tubes for power plant condensers for the Indian market. The company was renamed CST Valinox Ltd.

As regards divestments, of note is the disposal referred to above at the beginning of 2005 of the automotive assembly and components activities in the Mercosur region, which no longer formed part of

the Group's long-term development strategy. At the end of March 2006 the sale was announced, to one of its main customers, of the subsidiary Spécitubes, which specializes in tubes for the aerospace sector. The affiliation with its new shareholder will enable Spécitubes to strengthen its position as European leader, whilst developing complementary activities for major aerospace customers.

TRENDS IN THE VALLOUREC GROUP'S MARKETS

■ Oil & gas

In 2005, the Group achieved sales in the oil & gas market of € 1,829.0 million compared with € 1,106.0 million in 2004, i.e. an increase of 65.4%. Excluding the scope effect resulting from the acquisition of OMSCO's assets, which was effective as from 1 October 2005, the increase would have been 62.8%. This increase was achieved as a result of high volumes and a significant increase in selling prices, particularly for high value-added products. The oil & gas market's contribution to the Group's total consolidated sales has increased significantly: from 36.4% in 2004 to 42.5% in 2005, clearly confirming that this remains the Group's key market.

The tubes produced by Vallourec for the oil & gas industry are largely threaded tubes designed for so-called "vertical" uses. They are used in wells, either during drilling operations or for equipping and operating the wells. These products are referred to as Oil Country Tubular Goods, abbreviated to OCTG. Vallourec also supplies line pipes for collecting and transporting petroleum products, especially offshore.

The whole of the petroleum industry has been, for the last two years, and continues to be driven by an increased demand and the soaring price of oil and natural gas. Having increased by 8.5% in 2004, worldwide capital expenditure on hydrocarbon exploration and production increased by nearly 13% in 2005, according to the French Oil Institute (l'Institut Français du Pétrole - IFP). No significant fall is expected in the short or medium term and 2006 will doubtless be a similar year with, also according to the IFP's projections, a further 8-10% increase in worldwide exploration/production expenditure.

During most of 2005, oil prices fluctuated between USD 55 and USD 65 a barrel with historical highs of close to USD 70 or even occasionally slightly above that level, depending on circumstances (hurricanes in the United States or social or political tensions in, notably, Iraq, Iran, Nigeria and Venezuela). At the beginning of April 2006, tensions between the international community and Iran concerning the latter's nuclear policy once again sent oil prices towards earlier record levels.

The price of gas has developed in a similar manner to that of oil and has been increasing incessantly in recent years, to reach an average of USD 8.99/Mbtu in 2005, up 45.4% compared with the average price of USD 6.19/Mbtu in 2004. It was USD 5.50 in 2003 and USD 3.36 in 2002.

Currently no expert, whether a pessimist or optimist depending on the viewpoint one takes, thinks that oil prices will fall significantly in the near future. Regardless of short-term tensions, this situation is expected to last at least until the shortfall in investment in recent years, in terms of both production and exploration, has been made good.

In the case of exploration in particular, several factors lead one to assume that activity could remain at the top of the cycle for a fairly long period, contrary to past experience: the need to obtain additional sources of supply and to reduce the dependency on production zones considered to be at risk, the high level of oil & gas prices that

make virtually all drilling programmes profitable and the need to rebuild reserves, which are currently considered to be totally insufficient to meet future needs. In this regard, the International Energy Agency, in a study published recently, predicts that world demand for oil will increase by 46% between 2003 and 2030 and demand for natural gas by 76%. Including coal, in 2030 these three sources are expected to still be supplying more than 80% of the world's energy. These requirements will result in colossal investment, in terms of both production capacity and infrastructure.

To return to the present, the number of rigs in operation, which is a significant indicator for Vallourec of the demand for its OCTG products, significantly increased once again in 2005.

In this regard it is important to note – and this remark is valid for the entire oil & gas market – that the rate of growth in demand for OCTG products, in terms of both volumes and quality, is greater than that for drilling products since growth in the activity is taking place in conditions that are becoming increasingly difficult from a technical point of view, in the case of both deep wells and off-shore. In addition, a major part of the recent development in the activity has concerned drilling for gas, which requires products that are more technically advanced (in terms of resistance to leaking and corrosion) in which Vallourec, through, in particular, its VAM® range, has recognized expertise. At the beginning of 2006 in the United States, around 85% of drilling was for gas.

In addition, as regards exploration, the discovery of new reserves implies the implementation of increasingly extensive programmes and this phenomenon can only become more pronounced with time. Another way of boosting reserves is better exploitation of oil & gas fields that have already been identified (enhanced recovery) or improved effectiveness of the production process and the development of increasingly sophisticated products, associated with an increased frequency of risks of corrosion.

This being the case, the number of rigs in operation in the United States (the benchmark zone) was on average 1,381 in 2005 compared with 1,190 in 2004 (+16%), 1,031 in 2003 and 831 in 2002, a poor year. In March 2006 the number of rigs in operation in this zone was 1,551, i.e. over double the low point of 750 in April 2002. The level of drilling is also very high in Canada, with an average of 458 rigs in operation in 2005, 24% higher than in 2004.

In the EAME region (Europe, Africa, the Middle East and the Far East, excluding Iraq and on-shore China), drilling has continued to increase steadily, although at a slower rate than in the North American

region. The number of rigs in operation was on average 592 in 2005, 8.6% higher than in 2004 (545). At the beginning of 2006 there were 640 in operation, close to the highest level during the last fifteen years. There is, however, scope for improvement as regards our OCTG products, as is illustrated, for example, by the targets for capital expenditure on production equipment announced recently by Aramco.

It is important to note the strong performance of the North Sea market which, after a catastrophic 2003 and an upturn in 2004, experienced a record year in 2005 thanks to the increasing power of the independents, which are increasingly replacing the large companies in this mature market. 2006 is expected to be better still, unless increased taxes imposed on the oil companies by the British government have a negative impact on activity.

In Brazil, drilling continues to grow significantly, particularly deep off-shore drilling, where world records are regularly beaten.

In total, the number of rigs in operation worldwide (excluding on-shore China, Iraq and the former USSR) was on average 2,746 in 2005, compared with 2,395 in 2004 (+14.7%), 2,174 in 2003 and 1,829 in 2002. In February 2006, the number stood at 3,193, and there is no indication of a fall in the near future.

■ Power generation

The products manufactured by the Group in this sector include carbon steel tubes, alloy and stainless steel or titanium tubes. These products, which are designed for power generation plants, include specialties for which there are few competitors, such as tubes for nuclear steam generators and header pipes for classic thermal power generation plants, the diameter of which may reach 1.5 m and the thickness 30 cm. All these tubes have highly sophisticated technical features and must, in particular, be capable of withstanding the extreme temperatures, pressures and corrosion that are found in all power generation plants.

In the field of electric power generation, whether conventional (fossil fuel) or nuclear, the average construction period is several years and our products are used in the second phase of the construction. This explains why the consequences of changes in market trends are lagged. After the low point reached in 2003, at which time the sector was still suffering from the repercussions of the South-East Asian monetary crisis in 1997 and the Enron affair, the energy sector has enjoyed a significant upturn since 2004, driven by the enormous worldwide requirements for energy, which are constantly increasing, particularly in China. The International Energy Agency states that, in order to be able to meet this growing demand, particularly in the emerging countries, between now and 2030 additional power generation capacity of around 4,700 GW will be required, in the form of either new or refurbished plants. Current installed capacity is about 4,000 GW. As regards the capital expenditure in respect of this additional capacity, approximately 75% will be allocated to conventional thermal power generation plants, whether combined cycle or nuclear, in which area Vallourec is directly involved, with the remaining 25% being apportioned between hydroelectric, wind and other alternative sources of power generation.

It should be noted that, in the case of electricity generation plants, one of the main concerns of operators is, of course, to improve returns and performance, which depend mainly on operating conditions that are becoming increasingly difficult, in terms of both temperature and pressure. Vallourec is very well placed to take advantage of this trend due to its unique range of special, high-tech products (boiler pipes in special alloys, header pipes and U-bent feedwater heaters) in which the Group is indisputably the world number one with a significant lead over its immediate competitors.

For a large number of products, the complexity of the technology, industrial protection (patents) and the certification and accreditation processes, particularly where lengthy performance testing is involved, are significant barriers to their entry into the market.

In 2005, Vallourec's sales in the power generation sector totalled € 724 million, 55% higher than in 2004 (€ 467 million). Sales in this sector have been increasing since the end of 2003. Sales in the second half of 2005 were 36.6% higher than in the first half and the contribution of this sector to consolidated Group sales has continued to rise, accounting for 16.8% in 2005 compared with 15.4% in 2004.

The market for boiler tubes has remained buoyant and continues to be driven by Chinese demand. After the strong surge in 2004/2005, Chinese demand in 2006 has remained at its extremely high level. It should be noted that, in mid-2005, the Group approved the construction, on the Changzhou site in China where Valtimet already has a presence, of a plant specializing in the machining and cold finishing of large-diameter tubes (steam headers) produced in Germany for power generation plants.

Some other countries in the Middle East and Far East (South Korea, Thailand, Burma and Japan, among others) also have high levels of demand for electricity. The outlook as regards the Indian market, in particular, is constantly improving. The Indian programme for the construction of new thermal power plants within the 2007-2012 budget has been increased and now provides for the commissioning during that period of additional capacity of 89 GW. This increase, although not on the scale of that experienced in China, is nevertheless significant in comparison with the previous budget.

In Europe and North America, the large number of moderately significant projects concerning the maintenance or renovation of combined-cycle power plants enabled activity levels in 2005 to remain high.

The European market is improving constantly. V & M TUBES has just been awarded the order to supply tubes for the power plant constructed for RWE in Neurath, in Germany. Some of these tubes will be manufactured in the new grade of steel (VM12) developed and patented by V & M TUBES for the so-called "ultra supercritical" power plants. V & M TUBES has also been nominated supplier for the Lagisha project in Poland – the world's largest "circulating fluidized bed" power plant (injection of limestone into the coal for sulphur capture).

The US market is also improving. One of the recent highlights was the passing of the new law on energy, which, as regards electricity production, provides finance and tax incentives designed to boost the construction of plants using clean coal technology. After years of waiting, this should facilitate the reappearance of fossil-fuelled thermal power plants in the country.

In the case of stainless steel and titanium tubes produced by Valtimet for the power generation sector, demand also remained buoyant in 2005, mainly as a result of the high requirements of the Chinese market. Valtimet benefited significantly from its presence in the country for nearly 10 years. In Changzhou, the additional capacity commissioned at the end of 2004 was fully used from day one. Installation is underway of a new production line that will increase capacity by a further 15%. This new production line will be operational shortly.

With the aim of strengthening further the Group's presence in this key market, at the end of 2005 Valtimet entered into a joint-venture agreement with Baoti, the leader in the Chinese titanium market, to manufacture in China welded titanium tubes for the local electricity and chemicals markets. The company, which has been named Xi'an Baotimet Valinox Tubes Co. Ltd, is 60%-controlled by Valtimet. Production is planned to start during the second half of 2006.

The main difficulty Valtimet experienced in 2005 concerned titanium supplies. The price of titanium soared in 2005 due to high demand from the aerospace sector and the shortage of "sponge", the first stage in the processing of the ore. This situation is expected to last at least until the end of 2006 – the timescale needed for the commissioning of the additional production capacity currently being generated. The renegotiation of supply contracts proved to be very difficult but Valtimet was able to capitalize on its long-standing relationships with suppliers to obtain the quantities it required and therefore to gain a competitive advantage. Fortunately, the company was able to pass on virtually all of the price increases, but, in view of the levels of such prices, there is a risk that some customers may seek to replace titanium with alternative products.

As regards nuclear power, the "renaissance" looks set to continue. Due to the ecological preoccupations surrounding other types of energy, nuclear power seems increasingly to be the only credible economic and industrial solution that will facilitate a reduction in greenhouse gas emissions. All market signals confirm that the upturn in nuclear power is not a passing phenomenon and that demand for tubes could continue to increase. The almost daily emergence of new projects confirms this trend. It is now definite that additional power plants will be built in the United States starting from 2010. In Asia and Europe, where new projects are already underway, the momentum is continuing. In addition, the maintenance requirements in respect of the equipment installed in the 1970s and 1980s and the postponement of planned closures of power plants will also generate significant requirements over the long term.

As regards the immediate future, Valinox Nucléaire's order book is full until the end of 2007 and 60% of its significantly-increased production capacity has already been reserved until 2010.

Finally, it is important to note that the "Pôle Nucléaire Bourgogne" association chaired by Valinox Nucléaire, which comprises around fifty companies within the sector including Framatome, EDF, DMV and Eramet, has been designated a "competitiveness cluster" by the French government. This recognition will make the Group eligible for support in terms of Research and Development and training.

■ Mechanical engineering

This is Vallourec's business line that is the most closely linked to the general economic trend. It has a very strong European dimension - about 80% of sales are made in Europe.

Sales are mainly associated, on the one hand, with industrial investment in general for all products incorporating sophisticated tubular parts that offer a technical advantage and, on the other hand, with the automotive industry (requirements of sub-contractors manufacturing mechanical components).

With a wide range of hot-finished or cold-drawn tubular products from 5 to 1,500 millimetres, the Group is involved in all of the sector's applications, including mechanical engineering, mining, lorry axles, mine drilling equipment, off-shore platforms, cranes, lifting equipment and hydraulic circuits. In addition, in order to be able to meet its customers' needs, Vallourec has developed, under registered trademarks (Mecaplus® and Ecoval®), a range of grades of fine-grained micro-alloyed carbon steel that respond perfectly to the problems specific to the sector and also facilitate bespoke solutions. Vallourec is thus world leader in all tubular steel applications for the mechanical engineering sector with customized products and recognized quality.

2005 confirmed the significant recovery experienced in 2004, after four years of continuously falling sales. In 2005, sales in the mechanical engineering sector totalled € 573 million compared with € 428 million in 2004, i.e. an increase of 33.9% after the increase of 30.5% already achieved the previous year. The contribution made by the sector to the Group's consolidated sales nevertheless fell slightly, from 14.1% in 2004 to 13.3% in 2005, due to the significant growth in the two markets linked to energy (oil & gas and power generation), but was higher than that of the automotive market, which suffered from both the mediocre European economic



climate in this sector in 2005 and the disposal of the components activities in the Mercosur region.

Demand for tubes for mechanical engineering, industry and general uses remained buoyant in 2005 with the exception of a slowdown in the middle of the year due to the prudent policy adopted by traders and distributors fearing that increased energy costs would adversely affect economic activity. However, the effects of this policy remained limited since neither distributors nor end customers had excessively high inventory levels, due to the curtailment measures adopted in 2004 and again at the beginning of 2005 because production equipment was operating at full capacity. Nevertheless, sales in the second half were slightly lower (6.5%) than those of the first half, which was amplified by the summer seasonal effect.

Overall, taking 2005 as a whole, sales benefited from the strong world demand for raw materials and energy that created a very favourable environment for our applications with our European customers who are major exporters. High levels of exports were made to the North American market and major orders have been received from the Chinese market, to meet, in particular, the needs of crane builders. Finally, mining exploration tubes continued to be the subject of strong demand, in a very favourable economic climate boosted by high raw material prices.

At the beginning of 2006, demand overall was at a very satisfactory level and the Group's policy is to focus on high value-added products without jeopardizing the comprehensive service provided to customers.

■ Automotive

The Group's sales in the automotive sector in 2005 totalled € 483 million compared with € 501 million in 2004, i.e. a fall of 3.6%. The contribution from the automotive activity to the Group's consolidated sales also fell from 16.5% in 2004 to 11.2% in 2005.

It should however be noted that the Group sold, with effect from 1 January 2005, its automotive components activities in the Mercosur region (Vallourec do Brasil Autopeças Ltda in Brazil and Vallourec Argentina in Argentina). The sales achieved by these two companies totalled € 71 million in 2004. At comparable consolidation scope, 2005 sales in the automotive sector increased by 12.3%.

The Vallourec Group's products for the automotive industry are manufactured in Europe and Brazil and supplied almost exclusively

to these two markets, for reasons that relate mainly to the constraints of the just-in-time methodology. Most of the products consist of precision tubes (drawn or welded) used by carmakers or their parts manufacturers and the rest consists of components or sub-assemblies designed to be mounted directly onto vehicles.

In the European automotive market (26 countries), despite a general fall of 0.7% compared with 2004, the number of new vehicles registered in 2005 remained comfortably above the 15 million barrier. With sales of passenger cars totalling 15.2 million in 2005, it proved itself to be a mature market, without significant annual increases but with a very sound base in terms of volume, despite economic uncertainties. Without the countries that recently joined the European Union, which have seen their activity slide overall by 10% entailed by the slump in the Polish market (down 26% compared with 2004), the former Western Europe would have recorded activity levels that remained more or less stable from one year to the next.

The 2005 figures confirm the downturn experienced by the two French carmakers that are also Vallourec's main customers in this activity. Renault saw its annual sales fall by 5.2%. The relaunch of the Clio (version III) did not mask the problems surrounding the Modus, sales of which were below even the most pessimistic targets, and customers' increasing disaffection with the Megan and its spin-off, the Scenic, both of which are former flagship models that have come to the end of their careers. The situation is rather more mixed at PSA where Citroën's good performance (+1.3%) has to some small extent offset Peugeot's sudden decline (-6%). For the year as a whole, the PSA group recorded a downturn of 2.9%. It suffered not only from the very disappointing sales of the 1007 but also from a drop in sales of the 407 which, after a good start (1,000 vehicles per day), fell to around 700, whilst average sales once production was fully underway were budgeted at 1,200 per day.

Despite this unfavourable environment, the Group held up relatively well thanks to its specialist products such as tubes for airbag inflators, high-pressure injection beams, in respect of which Vallourec has entered into three-year contracts with the main players in the European market, and stainless steel products. The automotive components activity benefited from the success of the new product, the engine add-on, which consists of a tubular structure that offers smart crash behaviour through programmed deformation placed in the front of the engine cradle and designed to absorb energy in the event of violent impact. This high-tech solution is already used in the Peugeot 407 and Citroën C4, as well as the new 207 model.

Renault, which until now has chosen to develop its own system, has just begun using this product to equip one of its new models. The outlook for this new product is extremely encouraging. Finally, demand for suspension systems for the Peugeot 807/Citroën/Fiat people carriers remains stable.

It is undoubtedly the case that Vallourec's automotive business suffered during the second half of the year as a result of the problems of its two main customers: although, at comparable consolidation scope, sales for 2005 as a whole grew by 12.3%, as detailed above, sales for the second half were more than 15% lower than those of the first half.

Trends in the bearing tubes market were similar to those in the automotive activity.

In Brazil, after a record year in 2004, the automotive manufacturing market (cars and lorries) remained buoyant in 2005, with growth of around 5% as a result, in particular, of exports and in spite of the strength of the domestic currency. The agricultural machinery market, by contrast, suffered a significant downturn.

During the first quarter of 2006, the European automotive market experienced a 3.4% increase in new car registrations. The French carmakers continued to struggle but the PSA group fared a little better with growth of 0.3% compared with the first quarter of 2004 whilst Renault suffered a 9.2% fall. Peugeot is placing a lot of hope on the new 207, which it began to market at the beginning of April 2006. The company intends to manufacture more than 600,000 models, i.e. 3 100 per day, a significantly higher volume than that of its direct competitors in a segment that is crucial since it represents one-third of the European market. Vallourec has a considerable interest in the future of this vehicle, for which it supplies the add-ons directly and the tubes for seats indirectly through Faurecia.

■ Chemicals and petrochemicals

After years of stagnation, in 2005 the chemicals and petrochemicals market clearly confirmed the upturn already seen in 2004, particularly in the second half of the year.

The Group's sales in the sector totalled € 461 million, i.e. an increase of 38% compared with sales of € 334 million in 2004, which were themselves 22.3% up on the preceding year. Sales in the sector have been increasing for two years now, with each half year

recording higher sales than the one before, and sales in the second half of 2005 were 14.4% higher than in the first half of the year. The relative contribution of the chemicals and petrochemicals activity to Group consolidated sales has nevertheless fallen slightly, to 10.7% compared with 11% last year, due to the very good performance of the oil & gas and power generation markets, as described above in this Reference Document.

In this sector, the Vallourec Group is developing a wide range of products in carbon steel, alloys or stainless steel and titanium that meet the specific requirements for each type of use: low or high temperatures, corrosive atmospheric conditions and particular constraints. The most popular products are line pipes, smooth, rifled or finned heat exchanger tubes, furnace tubes, and fittings used in oil refineries and chemical and petrochemical production plants, whether as new equipment or for maintenance.

Vallourec's main outlet in this activity is the petrochemicals market. It is also a world market. Sales in North and South America, where the Group has two subsidiaries V & M STAR and V & M do BRASIL, constitute about half of total sales, whilst sales in all other regions (Europe, the Middle East, the Far East, North Africa and Southern Africa, and Australasia) constitute the other half.

Although capital expenditure in the market has remained stagnant for a number of years, despite the obvious need for such investment, 2005 seems to have marked a turning point, particularly in the petrochemicals sector. The major problems associated with the excess of the demand for energy over the available supplies in the long-term are not regarded as straightforward economic problems but are now seen as one of the main reasons for the current high prices of oil & gas products. In the refining sector, world installed capacity is no greater today than it was at the beginning of the 1980s whilst consumption of refined products has continued to grow steadily during the intervening period. In the United States, where no additional capacity has been created for 30 years, hurricane Katrina was the catalyst (although none should have been needed) that brought this inadequacy to public attention. Work is due to begin on a significant number of projects in the near future. These projects involve both the renovation and updating of existing capacity and the construction of additional capacity since the problems associated with the geographical location, which had been one of the major obstacles, appear to have been resolved. In the rest of the world there are a large number of projects at the draft stage or in progress, particularly in the Middle East (Abu Dhabi, Iran, etc.). For the same reasons, the significant maintenance and upgrading programmes announced recently by the oil companies



are expected to result in substantial investment in coming years, particularly in Europe.

In addition, faced with the fear of a gradual depletion of conventional oil supplies, the oil companies are focusing on "non-conventional" crude oil (extra-heavy, tar sands, etc.) the exploitation of which is now profitable given the surge in the oil price. The reserves in Canada are huge but there are also reserves in Venezuela (Orinoco), Iran, Brazil, China and Russia and their exploitation will necessitate significant investment as regards both production and processing.

In view of the above, and since refining margins are higher than they have been for 30 years, the upturn in demand experienced at the end of 2004 looks set to continue and the outlook has every reason to remain positive for the foreseeable future.

■ Others

This heading comprises mainly the construction and aerospace markets. Their respective contributions to Vallourec's consolidated sales decreased from 6.6% in 2004 to 5.5% this year and is expected to fall in 2006 with the disposal of Spécitubes, which is due to take place during the first half of the year. Spécitubes is the European leader in the production of stainless steel and titanium tubes for the aerospace sector with sales of € 27 million in 2005. The company is to be acquired by one of its main customers. The affiliation with its new shareholder will enable Spécitubes to strengthen its position as regards major customers in the aerospace sector and develop its range of products for this sector. 2005 was a very good year for the aerospace sector and nothing seems to dampen the sector's optimism in the short term.

In the case of construction, the Group provides a complete range of very high quality structural tubes and sectioned shapes for large construction projects. Such projects have become more numerous in recent years and have led to buoyant demand for these types of products. Steel is being used increasingly in modern architecture, either on its own or in conjunction with other materials, especially glass. The significant technological progress achieved as regards the strength of steel now enables building projects to combine boldness and aesthetics in a way that would previously have been impossible. The Group's products are being used in an increasing number of impressive projects: Bangkok airport, the new central station in Berlin, Wembley stadium in London, the Bernabeu stadium in Madrid, covered football stadiums in Düsseldorf and Gelsenkirchen, Swiss Re's head office in London, etc.

In 2005, after a difficult start to the year due to some destocking and the inclement winter weather, activity quickly returned to a buoyant level. In addition to the traditional markets, demand for structural tubes also benefited from the requirements for the construction of the metal structures of oil rig platforms currently being built in South East Asia. The projects associated with preparations for the 2008 Olympic Games in Beijing and the World Fair to be held in Shanghai in 2010 are likewise generating growing volumes of business.

RESEARCH AND DEVELOPMENT

- The development of technologies for oil & gas exploitation results in the production of new types of steel and new threaded connections, thereby strengthening V & MTUBES' position as leader: deep sea wells, deep drilling and highly corrosive environments.

A growing number of projects are underway in Brazil, the United States, Africa and Indonesia.

VAM® Riser, designed for deep-sea applications, continues its development and was used successfully in Brazil, the United States and Indonesia. The fatigue constraints to which these products are subject necessitate cutting edge technology and specific testing procedures.

The interest of the main oil and gas drilling companies in the expansion of columns of casing pipes in wells has become more apparent. The connection specially designed for this high-tech application, the VAM® ET, has been the subject of numerous developments. This product enables engineering in wells to be simplified and oil & gas production to be increased.

CLEANWELL® is a non-polluting coating developed for the threaded connections that replaces the grease normally used, whilst protecting effectively against corrosion. Demand for these environmentally-friendly products is strong, particularly in the North Sea.

The VAM® HTF joint enables the Group to offer its customers an optimal solution under conditions of limited space, combined loads and very high torque. The product line that has been developed is now being marketed.

The drilling sector, which has recently been strengthened within the Group, is pursuing innovative developments in partnership with its customers.

- In the automotive sector, the Group is continuing the development of a significant number of tubular solutions for use especially for chassis, suspension and car body structure. The large number of uses, particularly in the field of safety, demonstrates the high potential for steel and tubing in the automotive industry.

The development of tubular components with "smart" crash behaviour (programmed deformation absorbing energy in the event of a high-speed frontal collision) is continuing. These tubular safety components are very innovative and competitive, as can be seen from their use in a large number of vehicles.

The Group has experienced continuing growth in the use of welded stainless steel for tank filler pipes and hydroformed applications such as exhaust gas recirculation systems.

- In the power generation sector, 2005 saw strong demand in China for the construction of thermal power generation plants that need significant quantities of tubes in a large variety of diameters and grades. The Group is the world leader in these products.

The development for this sector of a new grade (12% chromium) for use in power generation plants operating at high temperatures is continuing with long-term trials. The exceptional hot steam oxidation resistance of this steel is of particular interest to our customers.

- In the construction sector, the Group is winning an increasing number of contracts throughout the world. Innovative solutions applied to architectural design of major public buildings, such as Bangkok airport and the stadiums in Düsseldorf and Munich, are also being developed for smaller buildings, particularly in Brazil.

- The significant requirements for steel have increased the interest in the R&D programme in Brazil concerning the cast iron/charcoal domains. The selection of trees, the improvement of forest nutrition programmes and the optimization of charcoal carbonization are the main development axes of a process that is both competitive and environmentally friendly.

The 9% and 13% chromium steel and the steel for bearings (100C6) are regularly produced at the Saint-Saulve steel mill due to its vacuum treatment and forging equipment. Digital simulation continues to be used in order to improve the production process.

Vallourec Précision Soudage continues to develop tubes with highly sophisticated mechanical properties and tubular profiles designed for car safety applications. Its new welding line enables it to guarantee the high quality needed due to the exacting requirements of the uses to which its products are put, such as hydroforming and safety equipment.

Process communities are being set up within the Group. These enable rapid progress by sharing best practices for the Group's main processes. The threading of premium joints was the first process community approach. Other applications are now involved: steel making and casting, thermal process, etc.



INFORMATION PROVIDED IN ACCORDANCE WITH ARTICLE L. 225-102, SECTION 4, OF THE FRENCH CODE DE COMMERCE

■ Information on the social implications of the Group's activities

The employment-related indicators detailed below have been prepared on the basis of the companies fully consolidated and 100%-controlled by the Vallourec Group.

These indicators are in accordance with the provisions of Decree no. 2002-221 of 20 February 2002.

I. WORKFORCE

At 31 December 2005, Vallourec had 17,542 permanent employees worldwide.

The Group's production sites and sales premises are located in nine countries:

EUROPE		MERCOSUR		NAFTA		ASIA	
France	6,178	Brazil	5,256	Mexico	354	China	154
Germany	4,139			United States	1,145	Singapore	9
United Kingdom	273			Canada	34		

The total workforce remained stable as compared with the previous year, but the consolidation scope changed: the automotive activities based in Argentina and Brazil were sold and the Group's presence in the United States strengthened by the purchase of OMSCO Inc. The Vallourec Group now has more than 1,000 employees in the United States.

Change in workforce by geographical area

Workforce registered as at 31 December	2002	2003	2004	2005	Change 2005/2002	Breakdown
Europe	10,781	10,476	10,400	10,590	-2%	60%
Mercosur	5,483	5,697	5,714	5,256	-4%	30%
Nafta	1,062	1,216	1,195	1,533	44%	9%
Asia	93	118	175	163	43%	1%
Total	17,419	17,507	17,484	17,542	0.7%	100%

Breakdown of workforce by socio-professional category

Vallourec comes within the labour-intensive industrial category:

- workers represent 73% of the workforce,
- office, technical and middle-management staff represent 20% of the workforce,
- technical experts and senior managers represent 7% of the workforce.

Workforce registered as at 31 December	2004	2005	%
Workers	12,863	12,826	73
Technical and supervisory staff	3,464	3,533	20
Managerial staff	1,157	1,183	7
Total	17,484	17,542	100

Degree of flexibility

Due to the highly cyclical nature of the Group's activities, Vallourec's policy is to employ a stable nucleus of permanent staff so that it is able to handle its on-going workload and adapt to changes in the economic climate. The Group uses overtime and temporary staff to cope during periods of very high activity.

Workforce registered as at 31 December	2002	2003	2004	2005
Permanent staff	16,776	16,911	16,808	16,776
Staff employed on fixed-term contracts	643	596	676	766
Temporary staff	516	444	829	1,037
Degree of flexibility	7%	6%	9%	11%

Breakdown of the workforce by sex

Women make up 8% of the total workforce: 3% of the workers, 24% of the technical and supervisory staff and 13% of the managerial staff. Women mostly occupy administrative and sales positions and are beginning to occupy positions of responsibility in management and research. In decreasing order, the areas with the largest proportion of female employees are as follows:

Proportion of women	In the workforce in 2005	Hired in 2005
Asia	40%	25%
France	10%	9%
Nafta	8%	8%
Rest of Europe	7%	10%
Mercosur	7%	17%
Total	8%	12%

New employees

The Group hired 1,401 new employees during 2005, i.e. about 8% of the current workforce. There were no hiring problems affecting the Group as a whole although some problems were experienced concerning certain types of positions and certain geographical areas.

It should also be noted that 143 apprentices were recruited in 2005, in the following three countries:

- in Germany, where apprentices represent 24% of hirings,
- in France (9% of hirings),
- in Brazil (7% of hirings).

Breakdown of new employees	Number	%
Europe	849	61
Mercosur	371	26
Nafta	161	12
Asia	20	1
Total	1,401	100



Employees leaving the Group

In 2005, the number of employees leaving the Group – 1,343 – was slightly lower than the number of employees joining the Group. Their reasons for leaving break down as follows:

	Retired	Resigned	Made redundant	Dismissed	End of contract	Other	Total
France	118	61	95	92	89	30	485
Europe other than France	24	17	1	36	79	18	175
Mercosur	90	26	30	254	63	3	466
Nafta	10	52	9	113	0	7	191
Asia	0	0	1	0	3	22	26
Total	242	156	136	495	234	80	1,343
Breakdown	18%	12%	10%	37%	17%	6%	100%

The redundancies in France were due to the closure of the Laigneville premises in the Oise region (Vallourec Précision Etirage). The job preservation plan implemented by the Group enabled more than 70% of the employees concerned to be transferred within the Group, helped to find employment elsewhere or, in the case of those aged over 57, given early retirement.

II. ORGANIZATION OF WORKING TIME

1. Work patterns – Specific arrangements

The Group's policy is designed to provide the maximum flexibility so that work patterns can be adapted to customer demand.

The Group endeavours to reduce the strenuousness associated with employees' working arrangements. The solutions adopted may vary from country to country, since the notion of strenuousness is governed by cultural as well as physiological factors.

Due to the high level of activity during the year, more than 70% of workers worked in accordance with arrangements that enabled the Group's facilities to operate throughout the week and a significant amount of overtime was worked.

This policy must be considered in the context of national legislation and local conditions regarding dialogue between employers and employees.

2. Annual working hours – Production staff

In Brazil, Mexico and Asia, due to the amount of holiday, public holidays and the length of the ordinary working week, the number of hours normally worked over the year exceeds 2,000.

In the United States, the normal limit is around 1,800 hours.

In Europe, the number of hours normally worked is about 1,600.

	Maximum annual capacity	Number of hours normally worked per year
Asia	2,840	2,016
Brazil	2,515	2,019
France	1,952	1,527
Germany	2,116	1,564
Mexico	2,732	2,264
United Kingdom	2,047	1,687
United States	2,480	1,856

3. Part-time in France

As at 31 December 2005, in France, 78 employees worked part-time for personal or health reasons (part-time working on health grounds).

The main patterns of part-time working are half time or four-fifths time (with Wednesday as a day off).

Due to the differences in working methods, this information cannot be consolidated for the Group as a whole: the concept of part-time is typically French and has not been developed to any great extent elsewhere in the world.

4. Absenteeism

The rate of absenteeism is calculated by comparing the total of all paid leave (including paid leave for illness, maternity and accidents at work or while travelling to and from work) with the total number of hours worked.

	Rate of absenteeism
France	4%
Europe other than France	5%
Mercosur	2%
Nafta	3%
Asia	2%
Total	3%

III. REMUNERATION

1. Payroll costs

In 2005, the Group's payroll costs, excluding temporary staff, were 16% higher than the previous year at € 716 million. This increase resulted from both the payment of overtime due to the high levels of activity and increased profit sharing due to the Group's good results. It also reflects a currency effect which increased the payroll costs of countries outside the euro zone, in particular Brazil due to the rise in the real.

The Group's total payroll costs of € 716 million break down as follows:

- Salaries: € 483 million, i.e. an increase of 9% compared with last year
- Profit sharing (including statutory amounts): € 55 million, i.e. nearly 3.5 times higher than last year
- Social security charges: € 178 million, i.e. an increase of 12.6%.



Total payroll costs can be broken down by country as follows:

2005	Breakdown of total payroll costs	Breakdown of the workforce
Brazil	13.3%	30.8%
Canada	0.2%	0.2%
China	0.1%	1.0%
France	40.0%	35.7%
Germany	30.4%	23.5%
Mexico	1.2%	2.0%
United Kingdom	2.0%	1.4%
United States	12.6%	5.4%
Total	100%	100%

2. Average salaries

Vallourec's remuneration policy is based on the principles of employee motivation and fairness (whilst taking into account the conditions of the local employment market), including profit sharing and incentives.

	2004 Average salaries including profit sharing and social security charges (in euros)	2005 Average salaries including profit sharing and social security charges (in euros)	% increase 2005/2004	% 2005 social security charges
Brazil	13,400	17,960	34%	60%
Canada	45,900	51,660	12%	17%
China	3,200	4,330	35%	16%
France	41,300	46,410	12%	42%
Germany	51,100	53,700	5%	27%
Mexico	16,900	26,200	55%	23%
United Kingdom	47,600	58,340	22%	19%
United States	72,200	95,680	32%	32%

NB: all figures have been converted into euros. The percentage increase includes the currency effect.

3. Employee profit sharing

In 2005, profit sharing amounted to € 55 million and was paid to 13,025 employees (more than two-thirds of the workforce) in France, the United Kingdom, Mexico, Brazil and the United States.

This amount, which represented 8% of the Group payroll costs, represented 11.5% of the total payroll costs of the recipients.

IV. INDUSTRIAL RELATIONS – INTERNAL COMMUNICATION

■ Organization of the social dialogue

The system ensuring dialogue between employers and employees is organized in each country in accordance with the applicable national legislation.

In France, the Group Committee is the representative body for all French companies.

It has 26 representatives, chosen by the trade unions from among those elected by the works councils and meets twice a year in the presence of the Group's senior management. It is provided with general information on the Group (review of financial statements, activity, capital expenditure, etc). It is involved with the management of provident and employee savings schemes.

In each company, the works councils, central works councils and consultative committees, which are elected, are informed and consulted about the economic affairs of the company or entity. They participate in the management of budgets in respect of employment-related matters.

The personnel representatives, who are elected by the employees of each entity, present employees' individual and collective claims in respect of salaries and working regulations.

The shop stewards are appointed by each trade union and represent employees in negotiations, in particular the statutory annual negotiation which takes place each year concerning salaries, the organization of working time and equal opportunities for men and women.

When certain subjects for negotiation concern all the Group's French companies, a negotiation committee is set up at Group level in France. Important negotiations concerning career development and training were entered into in 2005 and are still underway.

In Germany, most of the workforce is governed by the provisions of the act on co-determination in the mining and iron and steel industries of 21 May 1951.

At European level, a European Committee gathers 30 French, German and Scottish representatives from V & M TUBES. It is informed about the activity, results and strategy of V & M TUBES in Europe and the rest of the world. The European Committee meets in full once a year; its executive board meets five times a year.

■ Internal communication

Vallourec ensures that its staff are informed on an on-going basis of recent events concerning the Group: strategy, trends, products, financial performance, staff changes, etc. This information is made available to the staff concerned by means of the following communication media:

- “**Vallourec Info**”: a magazine intended for all Group employees worldwide. 20,000 copies are published, in four languages. The magazine is published twice a year.
- “**Bulletin des cadres**”: a newsletter, published in three languages, specifically for the Group's 1,200 managerial staff. Eleven issues are published each year.
- **Corporate presentation support**: slides presenting the Group's key figures are made available to managerial staff and updated following the release of annual results.

In addition, the Group's senior management presents at an annual management meeting financial results and short, medium and long-term strategic objectives and policies to the managerial staff.

■ Continuous improvement strategy

Vallourec endeavours to engage in active, transparent and on-going dialogue between employers and employees at all levels of the Group, in an atmosphere of mutual respect and consideration.

Employees throughout the Group, in all sectors and at all levels, participate in the continuous improvement strategy. The Continuous Improvement Teams are designed to involve employees in the solution of problems covering the widest fields. Members of the teams are appointed on a voluntary basis. The teams study the problems concerned and propose and implement solutions. In 2005, there were 600 such teams in operation throughout the world.

V. HEALTH AND SAFETY CONDITIONS

A safe environment and defined working conditions are prerequisites for stable growth, based on a strategy of risk analysis and on-going prevention.

It is essential that staff are trained in and familiarized with safety procedures on joining the Group and throughout their careers. One-quarter of the total time spent on training is devoted to safety training.



The 2005 consolidated accident frequency rate (FR, which corresponds to the number of notifiable accidents multiplied by 1,000,000 and divided by the number of hours worked) across all Group companies was 7.66 – a slightly better position than in 2004 (7.96).

The 2005 consolidated accident severity rate (SR: the number of non-working days due to accidents multiplied by 1,000 and divided by the number of hours worked) stayed at the same level as last year (0.42).

The Group's senior management has set companies as a target a safety index (calculated by the formula $FR + 30SR$) of less than 15. In 2005, of the Group's 40 industrial sites, 24 met the target and, at 8 plants, there were no accidents at all throughout the entire year.

No fatal industrial injuries occurred during 2005.

Each year, a safety trophy is awarded to the Group entity with the best record in this area. In 2005, it was awarded to Vallourec Composants Automobiles Vitry, for its excellent record and its stringent safety procedures.

VI. PROFESSIONAL TRAINING

Vallourec needs staff that are well-trained, motivated and able to adapt to changes in the Group's business and markets.

The Group therefore endeavours to reconcile its changing requirements with the individual aspirations of its employees by ensuring that all employees benefit from proper career development.

The on-going training of all of the Group's staff is entrusted to the companies and entities, since they are most able to assess their own staff's changing needs. Each company prepares an annual training plan that may be amended during the year if additional requirements arise.

In the case of workers, priority is given to safety and vocational training. Training on technical issues is provided where relevant (quality, non-destructive testing, etc.).

Technical and supervisory staff are trained in the basic techniques (vocational adjustment) and in any new techniques implemented at the sites. Supervisory staff are given training to manage their teams.

Staff in the administrative departments (sales, planning, etc.) receive technical training tailored to their specific tasks, and often receive language training in view of the Group's international dimension.

Three types of training are offered to managerial staff:

- During their first year, new recruits receive training to introduce them to the Group (introductory seminars on strategic aspects of policy - financial, employment matters, etc. - run by senior management, visits to plants, introductions to the Group's manufacturing processes and presentations on the markets for the Group's various businesses).
- Training to enable staff to perform the tasks of their specific position is offered throughout their career.
- Specific training (management, communication, etc.) aimed at improving individual performance and/or facilitating the acquisition of additional skills enabling staff to be promoted to other positions within the Group.

Number of hours spent on training by category in 2005

(in hours)	Workers	Technical and supervisory staff	Managerial staff	Total
Number of hours spent on training	207,919	92,508	36,618	337,045
Average hours of training	18	28	34	21

The average number of training hours provided by geographical area was as follows:

(in hours)	Average
France	19
Rest of Europe	18
Mercosur	25
Nafta	25
Asia	15

Amounts spent on training in 2005

The amounts spent on training totalled € 9.6 million, and break down as follows

- € 4.6 million represented the salary costs paid while employees were receiving training,
- € 5 million represented the cost of the training courses.

VII. EMPLOYMENT AND INTEGRATION OF DISABLED EMPLOYEES

Throughout the world, the Group directly employs 829 employees who are registered as disabled under the provisions of their national regulations, of which:

- 336 are in France,
- 249 are in the rest of Europe,
- 241 are in the Mercosur region,
- 3 are in the Nafta region.

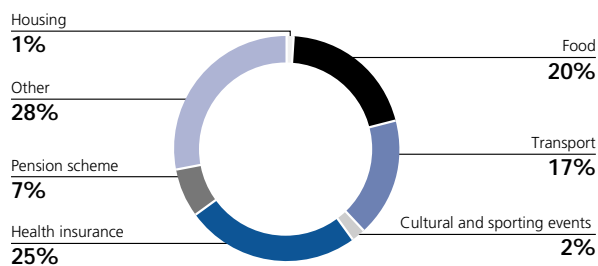
VIII. WELFARE

In 2005, the Group's welfare expenditure totalled € 22.7 million.

Welfare expenditure relates to the following:

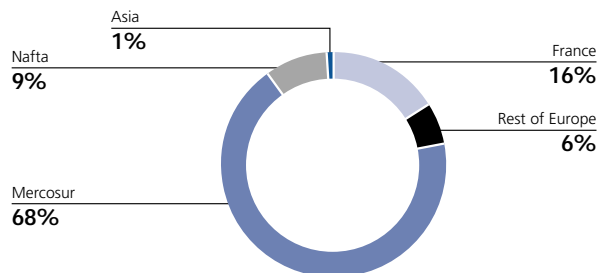
- Housing: amount spent on accommodation (either in subsidies or mandatory contributions).
- Food: amount spent on meals for employees (company restaurants).
- Transport: collecting employees and bringing them to work by buses subsidized by the company.
- Cultural and sporting events: sponsorship undertaken by the Group.
- Health insurance: amount spent in the form of subsidies or contributions to welfare plans, whether mandatory or voluntary.
- Pension scheme: amount spent on contributions or other systems implemented by the employer voluntarily (i.e. which the employer was under no statutory obligation to fund).

Breakdown of welfare expenditure



Brazil has a very active welfare policy, which includes financing and providing on-going support to a large number of facilities in the fields of medicine, education, etc.

Breakdown of welfare expenditure



The significant proportion relating to the Mercosur region is due to the financing by the Group of health and education benefits not funded by the state.

IX. LEVELS OF SUB-CONTRACTING

Since the end of 2005, the Group Corporate Purchasing department has implemented a programme of purchase audits for all companies within the Vallourec Group. This process involves the systematic questioning of the companies audited. It relates specifically to the compliance by suppliers with national and international requirements concerning safety, the environment and sustainable development. The Group has used nearly 2,200 production sub-contractors at a cost of nearly € 190 million.

■ Information on the environmental consequences of the Group's activities

Vallourec has drafted its production policy with the aim of minimizing the impact of its activities on the environment at all levels. Man and his environment are at the heart of the Group's policy, details of which are given in the sustainable development charter published by the Group.

Environment management

Pursuant to the management regulations applied to all aspects of the Vallourec Group's organization, each company's environmental policy is the responsibility of its management. The site manager is responsible for implementing an effective environmental management system, in accordance with local conditions and the nature of the business. He must appoint an environment manager to be responsible for all environmental matters.

In France, the Environment department, attached to the R&D and Technology department and based at the Group's Research Centre in Aulnoye (Nord), is responsible for coordinating the Group's environmental policy. It relies on the environment managers at each production site to communicate the Group's policy and to ensure that improvements continue to be made at the Group's offices and workshops.

Identical structures exist in Germany, Brazil and the United States: thus, for the Group as a whole, more than 50 people at production sites in each country specialize in environmental matters.

Communication between the various countries is improving, and facilitates progress throughout the Group by means of the comparison of the respective performances and solutions adopted by each.

The Environment department in France is also responsible for coordinating and supervising this benchmarking, and, in particular, for gathering and consolidating all the Group's environmental data. The environment report, which is circulated each year, summarizes this data, measures changes in the data as compared with earlier years in order to assess the progress achieved and highlights any problems encountered and the solutions implemented. The report presents by way of illustration "good examples" identified from among Vallourec's sites. For this purpose, all of the Group's sites worldwide are reviewed.

Audits and certifications

Environmental audits are organized regularly in each country, in order to assess compliance with regulations, environmental performance and environmental risks.

By the end of 2005, 13 of the Vallourec Group's sites had obtained ISO 14001 certification: Vallourec Composants Automobiles Vitry (France), Vallourec Précision Etirage Vitry (France), V & M DEUTSCHLAND in respect of its Mülheim, Rath, Reisholz and Zeithain plants (Germany), V & M do BRASIL in respect of all of its facilities and activities (mining, forestry, steel mills and pipe mills), V & M STAR in respect of its two plants (Youngstown and Houston), VAM PTS in Houston and VALLOUREC MANNESMANN OIL & GAS UK in respect of its Bellshill plant (Scotland).

A certification programme covering the main French plants has been implemented for the period 2005-2007, as a result of which 75% of Vallourec's plants (accounting for 95% of total production) will have ISO 14001 certification by the end of 2007.

Compliance with legislation

The compliance of the production sites' activities with legislation and regulations is regularly assessed, with the aid of audits.

In France, regulations are monitored by means of the intranet, via an environment portal that can be accessed by all production sites. The regular and systematic review of these provisions enables regular action to be taken in terms of improvements, investment and organization.

Environmental performance

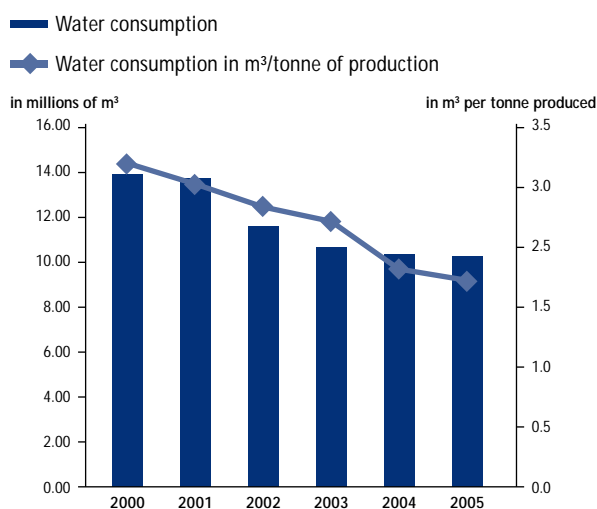
The Group has been making sustained efforts over the past few years to improve the use of resources (water, power and raw materials), to optimize consumption, reduce the discharge of pollutants and the volume of waste and ensure their systematic reprocessing and recovery. In order to facilitate the measurement of progress, indicators have been introduced at the various sites. The table below summarizes some of the main indicators for 2002 to 2005 for the Group as a whole.

Indicator	2002	2003	2004	2005
Water consumption	11,526,990 m ³	10,614,854 m ³	10,352,260 m ³	10,306,547 m ³
Effluent discharges	5,191,214 m ³	4,717,774 m ³	4,483,054 m ³	4,741,881 m ³
Electricity	1,472 gwh	1,479 gwh	1,680 gwh	1,713 gwh
Gas	3,250 gwh	3,099 gwh	3,633 gwh	3,817 gwh
Waste	356,680 tonnes	455,425 tonnes (*)	518,145 tonnes	520,287 tonnes
CO ₂	675,819 tonnes	644,748 tonnes	747,533 tonnes	772,224 tonnes

(*) V & M STAR as from 2003.

Among these natural resources, water occupies an important place as far as the Group is concerned. Our industry is a major consumer of water, but thanks to the significant efforts made at all sites to reduce consumption, noticeable progress has been made: in terms of relative value (i.e. water consumption in relation to tube production) the Group's consumption fell between 2000 and 2005 from 3.13 m³/tonne to 2.01 m³/tonne, as shown in the following chart:

Water consumption by Vallourec's plants



The significant progress also made in the area of carbon monoxide (CO₂) emissions is associated with the steel-making process implemented by V & M do BRASIL SA: charcoal is used instead of coke in its blast furnaces. In order to produce the charcoal needed for this process, V & M do BRASIL SA currently cultivates 130,000 hectares of eucalyptus forests which, while growing, consume carbon dioxide (CO₂) and produce oxygen. This process contributes directly to the reduction of greenhouse gases: the steel mill's emissions are exactly equal to the amounts consumed by the forests and are therefore consumed in full by the forests.

As regards the implementation of the European Directive on managing CO₂ emissions quotas, this has only affected the Saint-Saulve steel mill in 2005, with quotas of 92,855 tonnes. 2005 emissions, which were

verified by the APAVE, totalled 77,996 tonnes. Part (75%) of the difference is linked to lower production in the medium term (2005-2007) and the remainder (25%) is linked to improved performance, due, in particular, to the optimization of the furnace loading plans.

All measurements of discharges of pollutants into the environment are below the current statutory levels, and, generally, have improved steadily over the past three years.

As far as the French sites are concerned, the soil is the subject of risk characterization studies in two main circumstances: if the plant has been involved in metallurgical processes, even if such involvement took place before it became part of the Group, or if it possesses equipment that may cause pollution. No sites have been identified as requiring decontamination.

Work is being carried out at Précision Etirage's site at Laigneville associated with the discontinuance of production, following the closure of the site in 2005. Soil testing is underway. The site is currently expected to be classified as category 2: site to be monitored.

No environmental accidents occurred during 2005.

Investment related to environmental protection

In 2005, capital expenditure by the Group directly related to environmental protection amounted to € 17.4 million, i.e. 10.6% of total consolidated capital expenditure. This expenditure related mainly to the following:

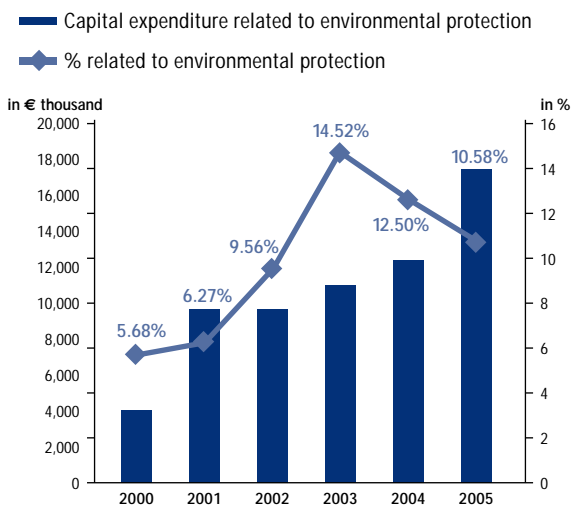
- Bringing equipment up to standard (filters, oil separation systems, retention basins, etc.) and costs related to the revision of operating licenses
- Provision of effluent separation systems
- Water recycling
- Modernization of water treatment plants
- Closed circuits for water used in ultrasonic non-destructive testing
- Filtration systems for atmospheric emissions
- Programmes aimed at reducing emissions of Volatile Organic Compounds (VOC): new facilities for varnishing



- Site clearance and rehabilitation
- Optimization of performance of heat-treatment furnaces (new burners, regulation, etc.)
- Site security
- Improvements to storage facilities, shavings recovery, waste sorting area, waste disposal, etc.

Between 2000 and 2005, capital expenditure related to environmental protection amounted to 10% of total capital expenditure, as shown in the following chart:

Capital expenditure by the Vallourec Group related to environmental protection



Contribution of Vallourec's products to the environment

Vallourec has also, for several years, been developing new products that are in line with trends in requirements associated with sustainable development and that are not harmful to land, air or water. An example of this trend is the VAM® threaded joint, the world leader as regards the safety of offshore oil wells, or the use of tubing in the automotive industry: since it has made vehicles lighter, it has facilitated a reduction in their fuel consumption. Many other products made by the Group are used in the production of clean energy or the reduction in chemical pollution.

CONSOLIDATED FINANCIAL STATEMENTS

The Vallourec Group's consolidated sales amounted to € 4,307.4 million in 2005 compared with € 3,037.8 million in 2004, representing an increase of 41.8%.

There were two changes in consolidation scope during 2005: the disposal, with effect from 1 January 2005, of the automotive components activities in Brazil and Argentina (2004 sales: € 71 million) and the consolidation, as from 1 October 2005, of OMSCO's assets (2004 fourth quarter sales: € 28 million). These changes generated a negative scope effect of 1.5%.

Operating costs before amortization and depreciation amounted to € 3,418.7 million, up 27.8% compared with € 2,674.3 million in 2004.

This resulted in operating income of € 965.3 million after amortization and depreciation of € 99.2 million, up by an impressive 172% compared with operating income of € 355.2 million after amortization and depreciation of € 89.0 million recorded in 2004.

The Group recorded a net financial loss of € 26.6 million compared with a net financial loss of € 0.9 million in 2004. This was due mainly to the following:

- the net financial costs (difference between interest income and interest charges) on the net debt of € 4.3 million,
- the discounting charges in respect of pensions amounting to € 8.8 million, and
- the cost of hedging sales in foreign currencies amounting to € 13.8 million.

The employees' profit share rose from € 3.0 million in 2004 to € 11.3 million in 2005. Including the discretionary employee profit-share included in payroll costs, the total allocated for 2005 would amount to € 55.5 million, a very substantial increase over the 2004 amount of € 18.8 million.

The income tax charge rose sharply in absolute terms (from € 89.4 million in 2004 to € 307.5 million in 2005) and in terms of the effective rate (from 25.5% in 2004 to 32.8% in 2005) since the Group had already used virtually all of its tax credits.

To sum up, consolidated net income was a profit of € 632.4 million, up 138.5% on the profit of € 265.2 million in 2004.

Consolidated net income, Group share, more than tripled to € 473.0 million compared with € 145.0 million in 2004, due, in particular, to the positive effect of the acquisition of the 45% stake in V & M TUBES as from 1 July 2005. If the acquisition had taken place on 1 January 2005, Vallourec's net income, Group share, would

have been € 576.7 million in 2005, instead of € 473.0 million, although the total net income would have remained almost unchanged.

In the consolidated balance sheet, despite an increase in gross capital expenditure of 86% to € 192.4 million in 2005 and financial investments totalling € 651.3 million (acquisition of the 45% stake in V & M TUBES and OMSCO's assets), the Group's total net debt grew by only € 259.3 million in 2005 because the rights offering in July 2005, which generated a net amount of € 123 million, enabled the Group to limit its recourse to debt.

The Group's cash position thus changed from positive net cash of € 54.6 million at 31 December 2004 to net debt of € 204.7 million at 31 December 2005, representing a gearing ratio (net debt / shareholders' equity) of 13.6%.

VALLOUREC (HOLDING COMPANY)

The holding company Vallourec posted a loss of € 8.7 million compared with a loss of € 8.0 million in 2004. This loss is not meaningful since it is not comparable from one year to the next.

Net financial income (the difference between financial income and financial costs) was € 12.2 million compared with € 31.9 million in 2004.

The income tax charge was negative once again this year and represents a net credit of € 10.0 million (€ 5.8 million in 2004) as a result of the transfer of tax losses in consolidated companies to Vallourec, the company heading the tax group.

Net income for the year was € 14.1 million compared with net income of € 30.1 million in 2004.

On the liabilities side of the balance sheet, share capital increased from € 197.4 million to € 212.0 million and additional paid-in capital increased from € 101.1 million to € 210.2 million due to, on the one hand, the capital increase in cash of € 123 million on 13 July 2005 and, on the other hand, to the exercise of 24,064 share subscription options between 1 January and 31 December 2005.

Participating interests on the assets side of the balance sheet increased from € 503.7 million to € 1,057.4 million, due, in particular, to the acquisition of the 45% stake in V & M TUBES. Accordingly, bank loans and other borrowings on the liabilities side of the balance sheet increased from € 150.6 million to € 462.4 million. Details of these changes are provided in the notes to the Company financial statements.

REMUNERATION OF COMPANY OFFICERS

In accordance with the requirements of Article L. 225-102-1 of the French Code de Commerce, we inform you that the total remuneration and any benefits in kind paid to each Company officer during the financial year, directly or indirectly, by Vallourec or by any company in the Group, was as follows:

■ Supervisory Board

In 2005, each member of the Supervisory Board received attendance fees of € 17,600. In respect of their membership of the Finance Committee, Messrs Michel de Fabiani, Thierry Marraud, Kunibert Martin and Jean-Claude Verdière each received additional attendance fees of € 4,700.

Mr Parayre also received a gross annual payment of € 85,000 as Chairman of the Supervisory Board.

■ Management Board

The gross amounts of the remuneration and any benefits in kind paid to members of the Management Board during 2005 were as shown in the table below:

In € thousand

	Fixed portion	First instalment of 2005 variable portion	Balance of 2004 variable portion	Total paid in 2005
Mr Verluca	400	100	88.9	588.9
Mr Fabre	315	78.8	77.1	470.9

The balance of the 2005 variable portion paid in 2006 amounted to € 100 thousand in the case of Mr Verluca and € 78.7 thousand in the case of Mr Fabre.

The variable remuneration is calculated on the basis of the consolidated net income, Group share, as adjusted in respect of exceptional items. The calculation is checked by the Auditors.

The members of the Management Board also each had a Company car.

As regards pension provision, there is no specific pension scheme for members of the Management Board who are, instead, covered by the supplementary pension scheme for the senior management of Vallourec and Setval, which was approved by the Supervisory Board at its meeting on 14 September 2005.



INFORMATION ON THE BREAKDOWN OF CAPITAL

At 31 December 2005 the shareholders and their respective shareholdings were as follows:

Shareholders	Shares		Voting rights	
	Number	%	Number	%
Salzgitter Mannesmann GmbH	1,820,358	17.17	3,640,527	29.93
Bolloré group	1,874,402	17.69	1,874,402	15.41
Free float	6,484,011	61.17	6,495,647	53.41
Group employees	151,812	1.43	151,812	1.25
Directly held by Vallourec	269,749	2.54	-	-
Total	10,600,332	100	12,162,388	100

As far as Vallourec is aware, the only two shareholders known and declared to hold directly or indirectly more than 5% of the capital and voting rights at this date were the German company Salzgitter Mannesmann GmbH (formerly Mannesmannröhren-Werke), a wholly-owned subsidiary of the German company Salzgitter AG, and the Bolloré group.

At 31 December 2005:

- The number of shares shown as held by Salzgitter Mannesmann GmbH and the Bolloré group was notified to us by the two companies.
- 1,831,805 shares registered for over four years, including 1,820,169 shares belonging to Salzgitter Mannesmann GmbH, are entitled to double voting rights in accordance with the provisions of Article 12 of Vallourec's By-laws.
- The only securities likely to give future access to Vallourec's capital that were in existence at 31 December 2005 were 8,174 share subscription options granted in accordance with the conditions described in paragraphs 3.2.4 and 6.3.2 of the Reference Document for the financial year 2005, of which this management report forms an integral part.

An analysis of identifiable bearer shares was carried out on 13 January 2006. The results are detailed in paragraph 3.3.1 of the Reference Document.

REGULATED AGREEMENTS

1) Agreements authorized during the year

■ Regulated agreements

At its meetings on 20 January, 8 March, 18 April and 27 April 2005, the Supervisory Board approved the progress and finalization of the negotiations Vallourec held with Mannesmannröhren-Werke (MRW)

and Salzgitter AG, both of which are shareholders of Vallourec, concerning the acquisition by Vallourec of the 45% interest held by the two companies in the common subsidiary V & M TUBES.

The Supervisory Board gave its agreement, in particular, to the acquisition price of the holding, set at € 545 million, and ratified the fact that the completion of this transaction would result in the termination of the joint venture agreement entered into by Vallourec and MRW in 1997, and, in particular, the clauses of the contract relating to "reserved matters" and change of control.

The Supervisory Board also gave its agreement to the parallel disposal to Salzgitter Mannesmann of 10% of the shares in the HKM German steel mill held by V & M TUBES, the latter retaining a 20% holding in this steel mill as well as the rights attaching to the holding concerning the steel produced by the mill.

The main provisions of this disposal were explained at the Annual General Meeting held on 7 June 2005 and are disclosed in the 2004 Reference Document, in particular in section 4, paragraph 4.9 ("Agreement between Vallourec and Mannesmannröhren-Werke concerning the acquisition of the 45% holding in V & M TUBES") and in the Management Board's management report to the General Meeting.

In connection with the acquisition of the 45% holding in V & M TUBES, the Supervisory Board also gave its agreement, at its meeting on 27 April 2005, to the signing of contracts relating to the processing of a maximum annual volume of 132,000 tonnes of tube hollows for drawing by Salzgitter Mannesmann, comprising a contract for V & M TUBES to supply tube rounds to Salzgitter Mannesmann.

The contract to supply tube rounds, which expires on 31 December 2017, has a penalty clause under which V & M TUBES, in the event of its failure to meet certain of its obligations, would be required to pay a maximum amount of € 60 million, this amount decreasing as from 2011.

The three members of Vallourec's Supervisory Board who also hold positions within the Salzgitter Mannesmann Group abstained from voting on all the aforementioned transactions.

■ Supplementary pension scheme for senior management

At its meeting on 14 September 2005, Vallourec's Supervisory Board examined and unanimously approved, on the basis of the report from the Appointments and Remuneration Committee, a draft "income guarantee scheme for the retired employees of Vallourec and Setval".

The Supervisory Board has noted that the profit from this defined benefit scheme (additional pension scheme) financed by the company and in respect of which the vesting of rights is conditional on the employee finishing his career at Vallourec and/or Setval, enables the Group's former managerial staff, under acceptable economic, financial and social conditions, to supplement their income following retirement. The Company undertakes to pay a lifetime annuity at a predetermined level, directly proportional to the salary and in accordance with the employee's seniority and career development. The annuity is capped at 20% of the average salary excluding bonus of the last three years and limited to four times the annual social security ceiling. The scheme is insured with AXA France Vie.

The regulation is established for an indefinite period but may be terminated at any time.

The Supervisory Board noted that the members of Vallourec's Management Board are likely to benefit from rights if they work within the Group until the end of their careers and ruled in accordance with the provisions of Article L. 225.86 of the French Code de Commerce.

2) Agreements approved in prior years that continue to apply in the current year

■ Assistance agreement entered into with Rothschild & Cie

It should be noted that, on 20 January 2005, Vallourec's Supervisory Board approved the extension of the assistance agreement originally entered into with Rothschild & Cie on 4 March 2003 until the finalization of the acquisition of the 45% interest in V & MTUBES, in return for the payment of an additional flat-rate commission of € 1,500,000, excluding taxes, half of which related to services provided by Rothschild & Cie during the second half of 2004.

The balance of € 750,000, excluding taxes, was paid to Rothschild & Cie in 2005.

ALLOCATION OF NET INCOME

The Management Board proposes the payment of a dividend of € 11.2 per share, which is much greater than the dividend paid in respect of the financial year 2004 (€ 3.2 per share).

This dividend corresponds to a distribution rate of 25.1% of consolidated net income, Group share. It is in accordance with the distribution policy announced by the Group.

We therefore propose to appropriate, from the net income for the financial year of € 14,144,934.26, € 1,460,752 to the legal reserve and to appropriate the balance of € 12,684,182.26, increased by an amount of € 106,039,536.14, of which € 101,916,198.73 will be deducted from retained earnings and € 4,123,337.41 will be deducted from general reserves, to give a total amount of € 118,723,718.40, by way of dividend.

After taking into account the interim dividend of € 4.0 per share paid on 12 October 2005, the balance remaining to be paid is € 7.20 per share, which will be paid on 5 July 2006.

In addition, when the financial statements for the first half of 2006 are reviewed, consideration will be given to the possibility of paying, during the second half of 2006, an interim dividend for the financial year 2006.

We would like to remind you, in accordance with the provisions of Article 47 of the law of 12 July 1965, that the dividends paid in respect of the last three financial years were as follows:

Financial year	Number of shares	Net dividend per share (in euros)	Tax credit per share (in euros)	Total dividend per share (in euros)
2002	9,730,226	2.10	1.05 (50%)	3.15
2003	9,730,226	1.60	0.80 (50%)	2.40
2004	9,869,956	3.20	None	3.20



SUPERVISORY BOARD

We ask you to:

- ratify the provisional appointment of Mr Heinz Jörg Fuhrmann approved by the Supervisory Board at its meeting on 14 December 2005, to replace Mr Kunibert Martin. The appointment of Mr Heinz Jörg Fuhrmann will come to an end, like that of his predecessor, at the close of this General Meeting. Mr Heinz Jörg Fuhrmann, who was born in 1956 and has a doctorate in engineering from Berlin University of Technology, has spent his entire career in the steel industry. He is a member of the Executive Board and CFO of Salzgitter AG.
- renew the appointments of Messrs Patrick Boissier, Wolfgang Eging, Heinz Jörg Fuhrmann, Denis Gautier-Sauvagnac and Jean-Paul Parayre, which expire at the end of this General Meeting, for a period of five years ending at the close of the General Meeting called to approve the financial statements for the financial year 2010.

STATUTORY AUDITORS

The appointments of the Statutory Auditors and the Alternative Auditors expire at the close of this General Meeting.

We recommend that you appoint, for a term of six years expiring at the close of the General Meeting called to approve the financial statements for the financial year 2011:

As Statutory Auditors:

KPMG SA

Represented by Messrs Jean-Paul Vellutini and Philippe Grandclerc
1, Cours Valmy - 92923 Paris-La Défense Cedex

Deloitte & Associés

Represented by Messrs Bertrand de Florival and Jean-Paul Picard
185, avenue Charles de Gaulle - 92524 Neuilly-sur-Seine

As Alternative Auditors:

SCP Jean-Claude André et Autres

Les hauts de Villiers
2 bis, rue de Villiers - 92300 Levallois-Perret
Alternative for KPMG

Société BEAS

7-9, Villa Houssaye - 92524 Neuilly-sur-Seine Cedex
Alternative for Deloitte & Associés

ATTENDANCE FEES

The maximum annual Board Members' attendance fees for allocation by the Supervisory Board is currently set at € 230,000 euros (eighth resolution of the Ordinary General Meeting held on 11 June 2002).

We ask you to approve an increase in the amount of the annual attendance fee budget to € 400,000 until further notice. This increase is justified, in particular, by the fact that, since 2002, membership of the Board has increased from 10 to 12 members, the members of the Finance Committee receive an additional attendance allowance and the position of Censeur (non-voting consulting director), which will be created this year (sixth resolution of the Extraordinary General Meeting to be held on 1 June 2006), may be remunerated.

SHARE BUY-BACK PROGRAMME

The previous General Meeting held on 7 June 2005 invested all powers in the Management Board to enable Vallourec, if need be, to buy back its own shares under the terms and conditions specified by law.

This authorization expires today. We believe it desirable to renew it for a further period ending at the close of the next General Meeting. The terms of this renewal are largely similar to those of the preceding authorization except that, in view of the recent volatility of the Company's share price, it seems to us that it would be preferable to set a maximum purchase price by reference to the value of the shares at the close of the last trading session preceding the General Meeting, increased by 50%, rather than setting the purchase price at an absolute value. No minimum selling price is stipulated since the setting of a minimum selling price is not mandatory.

Vallourec would be authorized to acquire a maximum of 10% of its capital, i.e. 1,060,033 shares as at today's date. Given that 269,749 shares (2.54%) are already held (see section 3, paragraph 3.3.1.1, of the 2005 Reference Document) the buy-back would cover a maximum of 790,284 shares (7.46%).

The maximum amount allocated to carrying out this programme is set at € 750 million compared with the previous limit of € 40 million, to take into account the increase in the share price in the intervening period.

APPENDIX TO THE MANAGEMENT BOARD'S MANAGEMENT REPORT-FINANCIAL YEAR 2005

List of other positions held by Vallourec Company officers

■ Members of the Supervisory Board

Jean-Paul PARAYRE

Date of first appointment: 13 June 1989 (*at which time Vallourec was managed by a Board of Directors*)

Date appointment most recently renewed: 15 June 2000

Date of appointment as Chairman of the Supervisory Board: 15 June 2000

Date on which appointment ceases: 31 December 2005 (*General Meeting called to approve the financial statements for the financial year 2005*)

Date of birth: 5 July 1937

Business address: None

Expertise and managerial experience

- 1977-1984: Chairman of the Management Board of PSA Peugeot-Citroën
- 1984-1990: COO then Chairman of the Management Board of Dumez
- 1990-1992: Vice-President and COO of Lyonnaise des Eaux Dumez
- 1994-1999: Vice-President and COO of Bolloré group
- 1996-1999: CEO of Saga.

Positions held in 2005

Positions and appointments held in French companies

- Chairman of the Supervisory Board of Vallourec and Stena Maritime
- Member of the Supervisory Board of Peugeot SA, Vallourec and Stena Maritime
- Director of Bolloré Investissement and SNEF

Positions and appointments held in foreign companies

- Member of the Advisory Board of V & M do BRASIL SA
- Director of SDV Cameroun (until October 2005), Stena International BV and Stena Line (until June 2005)

Positions held in 2004

Positions and appointments held in French companies

- Chairman of the Supervisory Board of Vallourec and Stena Maritime
- Member of the Supervisory Board of Peugeot SA, Vallourec and Stena Maritime
- Director of Bolloré Investissement, Seabulk (until September 2004), Sea-invest France (until September 2004) and SNEF

Positions and appointments held in foreign companies

- Member of the Advisory Board of V & M do BRASIL SA
- Director of SDV Cameroun, Stena International BV, Stena Line and Carillion plc (until December 2004)

Positions held in 2003

Positions and appointments held in French companies

- Chairman of the Supervisory Board of Vallourec and Stena Maritime
- Member of the Supervisory Board of Peugeot SA, Vallourec and Stena Maritime
- Director of Bolloré Investissement, SNEF, Seabulk and Sea-invest France

Positions and appointments held in foreign companies

- Member of the Advisory Board of V & M do BRASIL SA
- Director of SDV Cameroun, Carillion plc, Stena International BV, Stena Line and Stena UK (until September 2003)

Positions held in 2002

Positions and appointments held in French companies

- Chairman of the Supervisory Board of Vallourec and Stena Maritime
- Member of the Supervisory Board of Peugeot SA, Vallourec and Stena Maritime
- Director of Bolloré Investissement, SNEF, Seabulk and Sea-invest France

Positions and appointments held in foreign companies

- Member of the Advisory Board of V & M do BRASIL SA
- Director of SDV Cameroun, SDV Congo, Carillion plc, Stena UK, Stena International BV and Stena Line



Positions held in 2001**Positions and appointments held in French companies**

- Chairman of the Supervisory Board of Vallourec
- Member of the Supervisory Board of Peugeot SA and Vallourec
- Director of Bolloré Investissement, SNEF, Seabulk and Sea-invest France

Positions and appointments held in foreign companies

- Director of SDV Congo, SDV Cameroun, Carillion plc, Stena UK, Stena Line and Stena International
- Member of the Advisory Board of Candover (until April 2001).

Patrick BOISSIER

Date of first appointment: 15 June 2000

Date of appointment as Vice-Chairman of the Supervisory Board: 18 April 2005

Date on which appointment ceases: 31 December 2005 (*General Meeting called to approve the financial statements for the financial year 2005*)

Date of birth: 8 February 1950

Business address: Chantiers de l'Atlantique - Avenue Bourdelle - BP 61775 - 44617 Saint-Nazaire Cedex (France)

Expertise and managerial experience

20 years' managerial experience with industrial companies in the iron and steel, capital goods and shipbuilding sectors.

Positions held in 2005**Positions and appointments held in French companies**

- Chairman and CEO of Chantiers de l'Atlantique, Alstom Leroux Naval and Ateliers de Montoir
- Chairman of Chambre syndicale des Constructeurs de navires
- Director of Société Nationale de Sauvetage en Mer (SNSM), Institut Français de la mer, école des Mines de Nantes and Stéria
- Member of the Supervisory Board of Vallourec

Positions held in 2004**Positions and appointments held in French companies**

- Chairman and CEO of Chantiers de l'Atlantique, Alstom Leroux Naval and Ateliers de Montoir
- Chairman of Chambre syndicale des Constructeurs de navires
- Director of Société Nationale de Sauvetage en Mer (SNSM), Institut Français de la mer, école des Mines de Nantes and Stéria
- Member of the Supervisory Board of Vallourec

Positions held in 2003**Positions and appointments held in French companies**

- Chairman and CEO of Chantiers de l'Atlantique, Alstom Leroux Naval and Ateliers de Montoir
- Chairman of Chambre syndicale des Constructeurs de navires
- Director of Société Nationale de Sauvetage en Mer (SNSM), Institut Français de la mer, école des Mines de Nantes and Stéria
- Member of the Supervisory Board of Vallourec

Positions held in 2002**Positions and appointments held in French companies**

- Chairman and CEO of Chantiers de l'Atlantique, Alstom Leroux Naval and Ateliers de Montoir
- Chairman of Chambre syndicale des Constructeurs de navires
- Director of Société Nationale de Sauvetage en Mer (SNSM), Institut Français de la mer, école des Mines de Nantes, Stéria and Kit Grimpe
- Member of the Supervisory Board of Vallourec

Positions held in 2001**Positions and appointments held in French companies**

- Chairman and CEO of Chantiers de l'Atlantique, Alstom Leroux Naval and Ateliers de Montoir
- Chairman of Chambre syndicale des Constructeurs de navires
- Director of Société Nationale de Sauvetage en Mer (SNSM), Institut Français de la mer, école des Mines de Nantes, Stéria and Kit Grimpe
- Member of the Supervisory Board of Vallourec.

Luiz-Olavo BAPTISTA

Date of first appointment: 11 June 2002

Date on which appointment ceases: 31 December 2007 (*General Meeting called to approve the financial statements for the financial year 2007*)

Date of birth: 24 July 1938

Business address: Avenue Paulista 1294, 8° Andar - 01310-915 São Paulo SP (Brazil)

Expertise and managerial experience

- Professor of International Law, Barrister at the São Paulo bar and International Arbitrator (WTO, ICSID, UNCC, etc.)
- Doctor of International Law at the Université de Paris I
- Visiting Professor at the University of Michigan, the Université de Paris I and the Université de Paris X
- Professor of Law and International Trade at the Faculty of São Paulo
- Has published more than twenty books on International Law and Commercial Law.

Positions held in 2005

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec

Positions and appointments held in foreign companies

- Member of the Advisory Board of V & M do BRASIL SA
- Chairman of the Board of Directors of Oxon Participações S/A (until 31 October 2005)
- Director of De La Ronce S/A, Guala Closures do Brasil S/A and Vale do Mogi S/A
- Manager of Sofrel do Brasil Ltda
- Member of the Management Board of VDM Trading Limited (Ometto group), Opacco Holding S/A, Tote Investments Holding S/A, Bedford Investor C/V, Taro S/A, Phipe Holding S/A and Salorix Holding S/A
- Legal Official of Eagle River Holdings Ltd

Positions held in 2004

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec

Positions and appointments held in foreign companies

- Member of the Advisory Board of V & M do BRASIL SA
- Chairman of the Board of Directors of Oxon Participações S/A
- Director of De La Ronce S/A, Guala Closures do Brasil S/A and Vale do Mogi S/A
- Manager of Sofrel do Brasil Ltda
- Member of the Management Board of VDM Trading Limited (Ometto group), Opacco Holding S/A, Tote Investments Holding S/A, Bedford Investor C/V, Taro S/A, Phipe Holding S/A and Salorix Holding S/A
- Legal Official of Eagle River Holdings Ltd

Positions held in 2003

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec

Positions and appointments held in foreign companies

- Member of the Advisory Board of V & M do BRASIL SA
- Chairman of the Board of Directors of Oxon Participações S/A
- Director of De La Ronce S/A, Guala Closures do Brasil S/A and Vale do Mogi S/A
- Manager of Sofrel do Brasil Ltda
- Member of the Management Board of VDM Trading Limited (Ometto group), Opacco Holding S/A, Tote Investments Holding S/A, Bedford Investor C/V, Taro S/A, Phipe Holding S/A and Salorix Holding S/A
- Legal Official of Eagle River Holdings Ltd

Positions held in 2002

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec

Positions and appointments held in foreign companies

- Member of the Advisory Board of V & M do BRASIL SA
- Chairman of the Board of Directors of Oxon Participações S/A
- Director of De La Ronce S/A, Guala Closures do Brasil S/A and Vale do Mogi S/A
- Manager of Sofrel do Brasil Ltda



- Member of the Management Board of VDM Trading Limited (Ometto group), Opacco Holding S/A, Tote Investments Holding S/A, Bedford Investor C/V, Taro S/A, Phipe Holding S/A and Salorix Holding S/A
- Legal Official of Eagle River Holdings Ltd

Positions held in 2001

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec

Positions and appointments held in foreign companies

- Member of the Advisory Board of V & M do BRASIL SA
- Chairman of the Board of Directors of Oxon Participações S/A (since 25 April 2001)
- Director of De La Ronce S/A, Guala Closures do Brasil S/A and Vale do Mogi S/A
- Manager of Sofrel do Brasil Ltda
- Member of the Management Board of VDM Trading Limited (Ometto group), Opacco Holding S/A, Tote Investments Holding S/A, Bedford Investor C/V, Taro S/A, Phipe Holding S/A and Salorix Holding S/A
- Legal Official of Eagle River Holdings Ltd.

Vincent BOLLORÉ

Date of first appointment: 10 June 2004

Date on which appointment ceases: 31 December 2009 (*General Meeting called to approve the financial statements for the financial year 2009*)

Date of birth: 1 April 1952

Business address: Tour Bolloré - 31-32, quai de Dion-Bouton - 92811 Puteaux (France)

Expertise and managerial experience

Industrialist. Chairman of Bolloré group since 1981.

Positions held in 2005

Positions and appointments held in French companies

- Chairman and CEO of Bolloré and Bolloré Participations
- Chairman of the Board of Directors (dissociated management structure) of Bolloré Investissement, Financière de l'Odet, Bolloré Média and Havas
- Chairman of Bolloré Production (SAS)
- COO of Omnium Bolloré, Financière V and Sofibol
- Director of BatScap, Bolloré Investissement, Bolloré, Bolloré Participations, Bolloré Média, Compagnie des Glénans, Financière Moncey, Financière de l'Odet, Havas and Natexis Banques Populaires
- Member of the Supervisory Board of Vallourec
- Bolloré Participations permanent representative on the Board of Directors of Société Anonyme Forestière et Agricole, Société des Chemins de fer et Tramways du Var et du Gard, Société Industrielle et Financière de l'Artois, Société Bordelaise Africaine, Compagnie des Tramways de Rouen and IER
- Bolloré Participations permanent representative on the Supervisory Board of Compagnie du Cambodge
- Compagnie du Cambodge permanent representative on the Supervisory Board of Société Financière HR

Positions and appointments held in foreign companies

- Chairman of Plantations des Terres Rouges SA
- Vice-President of Nord Sumatra Investissements
- Vice-President of SOGB and Bereby Finances
- Director of BB Groupe SA, Centrages, Compagnie Internationale de Cultures, Financière Privée, Liberian Agricultural Company LAC, Mediobanca, Plantations Nord Sumatra Limited, Plantations des Terres Rouges, Red Land Roses, SDV Gabon, SDV Sénégal, Socfin, Socfinaf, Socfinal, Socfinasia, Socfinco, Socfindo, Socfininter, Socfin Plantations Sendirian Berhad and Sogesco
- Bolloré Participations permanent representative on the Board of Directors of SDV Cameroun, SDV Congo, SDV Côte d'Ivoire and Immobilière de la Pépinière
- Bolloré permanent representative on the Conseil d'Afrique Initiatives

Positions held in 2004

Positions and appointments held in French companies

- Chairman and CEO of Bolloré and Bolloré Participations
- Chairman of the Board of Directors (dissociated management structure) of Bolloré Investissement, Financière de l'Odet and Bolloré Média
- Chairman of Bolloré Production (SAS)

- COO of Omnium Bolloré, Financière V and Sofibol
- Director of BatScap, Bolloré Investissement, Bolloré, Bolloré Participations, Bolloré Média, Compagnie des Glénans, Financière Moncey, Financière de l'Odet, Generali France and Natexis Banques Populaires
- Member of the Supervisory Board of Vallourec
- Bolloré Participations permanent representative on the Board of Directors of Société Anonyme Forestière et Agricole, Société des Chemins de fer et Tramways du Var et du Gard, Société Industrielle et Financière de l'Artois, Société Bordelaise Africaine, Compagnie des Tramways de Rouen and IER
- Bolloré Participations permanent representative on the Supervisory Board of Compagnie du Cambodge
- Compagnie du Cambodge permanent representative on the Supervisory Board of Société Financière HR

Positions and appointments held in foreign companies

- Chairman of Plantations des Terres Rouges SA
- Vice-President of Nord Sumatra Investissements
- Vice-President of SOGB and Bereby Finances
- Director of BB Groupe SA, Centrages, Compagnie Internationale de Cultures, Financière Privée, Liberian Agricultural Company LAC, Mediobanca, Plantations Nord Sumatra Limited, Plantations des Terres Rouges, Red Land Roses, SDV Gabon, SDV Sénégal, Socfin, Socfinaf, Socfinal, Socfinasia, Socfinco, Socfindo, Socfininter, Socfin Plantations Sendirian Berhad and Sogescol
- Bolloré Participations permanent representative on the Board of Directors of SDV Cameroun, SDV Congo, SDV Côte d'Ivoire and Immobilière de la Pépinière
- Bolloré permanent representative on the Conseil d'Afrique Initiatives

Positions held in 2003

Positions and appointments held in French companies

- Chairman and CEO of Bolloré and Bolloré Participations
- Chairman of the Board of Directors (dissociated management structure) of Bolloré Investissement, Financière de l'Odet and Bolloré Média
- Chairman of Bolloré Production (SAS)
- COO of Omnium Bolloré, Financière V and Sofibol
- Director of BatScap, Bolloré Investissement, Bolloré, Bolloré Participations, Bolloré Média, Compagnie des Glénans, Financière Moncey, Financière de l'Odet and Tobaccor
- Bolloré Participations permanent representative on the Boards of Société Anonyme Forestière Agricole, Compagnie des Chemins de fer et Tramways du Var et du Gard, Société Industrielle et Financière de l'Artois, Société Bordelaise Africaine, Compagnie des Tramways de Rouen, Compagnie du Cambodge and IER
- Compagnie du Cambodge permanent representative on the Board of Société Financière HR

Positions and appointments held in foreign companies

- Chairman of Plantations des Terres Rouges and Selective East Asiatic
- Vice-President of Nord Sumatra Investissements
- Vice-President of SOGB and Bereby Finances
- Director of BB Groupe SA, Centrages, Compagnie Internationale de Cultures, Financière Privée, Liberian Agricultural Company LAC, Mediobanca, Plantations Nord Sumatra Limited, Red Land Roses, SDV Gabon, SDV Sénégal, Socfin, Socfinaf, Socfinal, Socfinasia, Socfinco, Socfindo, Socfininter, Socfin Plantations Sendirian Berhad and Sogescol
- Bolloré Participations permanent representative on the Boards of SDV Cameroun, SDV Congo, SDV Côte d'Ivoire and Immobilière de la Pépinière
- Bolloré permanent representative on the Conseil d'Afrique Initiatives

Positions held in 2002

Positions and appointments held in French companies

- Chairman and CEO of Bolloré Participations, Bolloré and Bolloré Média
- Chairman of the Board of Directors (dissociated management structure) of Bolloré Investissement and Financière de l'Odet
- Chairman of Bolloré Production (SAS)
- COO of Omnium Bolloré, Financière V, Sofibol and BB Investissement
- Director of Compagnie des Glénans, Bolloré Investissement, Bolloré, Bolloré Participations, Bolloré Média, Financière Moncey, Financière de l'Odet, BatScap, Seita and Tobaccor
- Bolloré Participations permanent representative on the Boards of Société Anonyme Forestière Agricole, Compagnie des Chemins de fer et Tramways du Var et du Gard, Société Industrielle et Financière de l'Artois, Société Bordelaise Africaine, Compagnie des Tramways de Rouen, Compagnie du Cambodge and IER
- Compagnie du Cambodge permanent representative on the Board of Société Financière HR

Positions and appointments held in foreign companies

- Chairman of Plantations des Terres Rouges, Selective East Asiatic and Socfindel Inc.
- Vice-President of SOGB and Bereby Finances



- Director of Siat, Société des Cigarettes gabonaises, Mabucig, Socfinasia, Sogescol, SDV Sénégal, SDV Gabon, Centrages, MTOA, SITAB, Socfininter, Financière Privée, Nord Sumatra Investissements, Red Land Roses, Socfin, Socfinco, Socfinaf Cy Ltd, Socfinal, Plantations Nord Sumatra Limited, Socfindo, Compagnie Internationale de Cultures, Socfin Plantations Sendirian Berhad, Socfin US Inc. and BB Groupe
- Bolloré Participations permanent representative on the Boards of SDV Cameroun, SDV Congo, SDV Côte-d'Ivoire, Immobilière de la Pépinière and Liberian Agricultural Company LAC
- Bolloré permanent representative on the Conseil d'Afrique Initiatives

Positions held in 2001

Positions and appointments held in French companies

- Chairman of Bolloré Investissement, Financière Moncey, Financière de l'Odet, Bolloré, Rivaud Loisirs Communication and Bolloré Participations
- COO of Omnium Bolloré, Financière V, Sofibol, Société Anonyme Forestière Agricole, Société Industrielle et Financière de l'Artois and BB Investissement
- Director of Compagnie des Glénans, Bolloré Investissement, Bolloré, Bolloré Participations, Financière Moncey, Financière de l'Odet, Omnium Bolloré, BatScap, Fiat France SA, Rivaud Loisirs Communication and Seita
- Bolloré Participations permanent representative on the Boards of Société Anonyme Forestière Agricole, Compagnie des Chemins de fer et Tramways du Var et du Gard, Société Industrielle et Financière de l'Artois, Société Bordelaise Africaine, Compagnie des Tramways de Rouen, Compagnie du Cambodge, Compagnie des Caoutchoucs de Padang, IER and Société Financière des Terres Rouges
- Bolloré permanent representative on the Boards of Tobaccor and Coralma International
- Compagnie du Cambodge permanent representative on the Supervisory Board of Société Financière HR

Positions and appointments held in foreign companies

- Chairman of Plantations des Terres Rouges Holding, Selective East Asiatic and Socfindel Inc.
- Vice-President of SOGB and Bereby Finances
- Bolloré permanent representative on the Conseil d'Afrique Initiatives
- Bolloré Participations permanent representative on the Boards of SDV Cameroun, SDV Congo, SDV Côte d'Ivoire, Immobilière de la Pépinière and Liberian Agricultural Company LAC
- Director of Siat, Société des Cigarettes Gabonaises, Mabucig, Socfinasia, Sogescol, SDV Sénégal, SDV Gabon, Centrages, MTOA, SAIT, SITAR, Socfinaf, CAITA CI, Socfininter, Financière Privée, Nord Sumatra Investissements, Socfin, Socfinco, Socfinal, Société 3 I, Plantations Nord Sumatra Limited, Socfindo, Caisse Privée de Banque, Compagnie Internationale de Cultures, Socfin Plantations Sendirian Berhad, Socfin US Inc. and BB Groupe SA.

Wolfgang EGING

Date of first appointment: 8 March 2005

Date on which appointment ceases: 31 December 2005 (*General Meeting called to approve the financial statements for the financial year 2005*)

Date of birth: 23 May 1949

Business address: Mannesmannröhren-Werke GmbH - Wiesenstrasse 36 - D-45473 Mülheim an der Ruhr (Germany)

Expertise and managerial experience

Management, management control, finance and sales.

Positions held in 2005

Positions and appointments held in French companies

- Chairman of the Supervisory Board of DMV Stainless SAS
- Member of the Supervisory Board of Vallourec SA
- Member of the Board of Directors of VALLOUREC & MANNESMANN TUBES (until 23 June 2005)

Positions and appointments held in foreign companies

- Chairman of the Executive Board of Mannesmannröhren-Werke GmbH
- Chairman of the Supervisory Board and Member of the Partners Committee of Hüttenwerke Krupp Mannesmann GmbH
- Chairman of the Supervisory Board of MHP Mannesmann Präzisrohr GmbH, DMV Stainless BV and Mannesmannröhren Mülheim GmbH
- Chairman of the Advisory Board of Mannesmann Line Pipe GmbH
- Vice-President of the Board of Directors of Borusan Mannesmann Boru Yatirim Holding AS
- Member of the Executive Board of Salzgitter AG
- Member of the Supervisory Board and Partners Committee of Europipe GmbH
- Member of the Supervisory Board of Salzgitter Mannesmann Handel GmbH

Positions held in 2004

Positions and appointments held in French companies

- Chairman of the Supervisory Board of DMV Stainless SAS
- Member of the Board of Directors of VALLOUREC & MANNESMANN TUBES

Positions and appointments held in foreign companies

- Chairman of the Executive Board of Mannesmannröhren-Werke AG
- Member of the Supervisory Board and of the Partners Committee of Hüttenwerke Krupp Mannesmann GmbH
- Chairman of the Supervisory Board of MHP Mannesmann Präzisrohr GmbH, DMV Stainless BV, Mannesmannröhren Mülheim GmbH and Mannesmann Robur BV
- Chairman of the Advisory Board of Mannesmann Line Pipe GmbH and Salzgitter Mannesmann Altersversorgung Service GmbH
- Vice-President of the Board of Directors of Borusan Mannesmann Boru Yatirim Holding AS
- Member of the Executive Board of Salzgitter AG
- Member of the Supervisory Board and Partners Committee of Europipe GmbH
- Member of the Supervisory Board of Salzgitter Mannesmann Handel GmbH, Salzgitter Mannesmann Forschung GmbH, BMB Vobarno Tubi and Röhrenwerk Gebr. Fuchs GmbH

Positions held in 2003

Positions and appointments held in French companies

- Chairman of the Supervisory Board of DMV Stainless SAS
- Member of the Board of Directors of VALLOUREC & MANNESMANN TUBES (since 1 July 2003)

Positions and appointments held in foreign companies

- Member of the Executive Board of Mannesmannröhren-Werke AG (Vice-President since 1 April 2003)
- Chairman of the Supervisory Board of MHP Mannesmann Präzisrohr GmbH, DMV Stainless BV, Mannesmannröhren Mülheim GmbH and Mannesmann Robur BV
- Chairman of the Advisory Board of Mannesmann Line Pipe GmbH
- Vice-President of the Board of Directors of Borusan Mannesmann Boru Yatirim Holding AS
- Member of the Executive Board of Salzgitter AG (since 1 October 2003)
- Member of the Supervisory Board and Partners Committee of Europipe GmbH

Positions held in 2002

Positions and appointments held in French companies

- Chairman of the Supervisory Board of DMV Stainless SAS

Positions and appointments held in foreign companies

- Member of the Executive Board of Mannesmannröhren-Werke AG
- Chairman and CEO of MHP Mannesmann Präzisrohr GmbH
- Chairman of the Supervisory Board of DMV Stainless BV and Mannesmann Robur BV
- Vice-President of the Board of Directors of Borusan Mannesmann Boru Yatirim Holding AS
- Member of the Supervisory Board and Partners Committee of Europipe GmbH

Positions held in 2001

Positions and appointments held in foreign companies

- Chairman and CEO of MHP Mannesmann Präzisrohr GmbH
- Chairman of the Supervisory Board of Mannesmann Robur BV.

Michel de FABIANI

Date of first appointment: 10 June 2004

Date on which appointment ceases: 31 December 2009 (*General Meeting called to approve the financial statements for the financial year 2009*)

Date of birth: 17 June 1945

Business address: None

Expertise and managerial experience

- Chairman of BP France from 1995 to 2004
- Vice-Chairman of BP Europe from 1997 to 2004
- CEO joint-venture BP Mobil Europe from 1997 to 2001
- CEO BP Europe from 1991 to 1995.



Positions held in 2005**Positions and appointments held in French companies**

- Member of the Supervisory Board of Vallourec
- Member of the Board of Directors of BP France, Institut Français du Pétrole and Rhodia

Positions and appointments held in foreign companies

- Member of the Board of Directors of Star Oil Mali, SEMS Maroc and EBTRANS Luxembourg

Positions held in 2004**Positions and appointments held in French companies**

- Chairman of the Board of Directors of BP France
- Member of the Supervisory Board of Vallourec (from 10 June 2004)
- Member of the Board of Directors of Institut Français du Pétrole and Rhodia

Positions and appointments held in foreign companies

- Member of the Board of Directors of Star Oil Mali

Positions held in 2003**Positions and appointments held in French companies**

- Chairman of the Board of Directors of BP France
- Member of the Board of Directors of Institut Français du Pétrole and Rhodia (from 1 May 2003)
- Member of the Board of Directors or Supervisory Board of BP Europe's subsidiaries

Positions held in 2002**Positions and appointments held in French companies**

- Chairman of the Board of Directors of BP France
- Member of the Board of Directors of Institut Français du Pétrole
- Member of the Board of Directors or Supervisory Board of BP Europe's subsidiaries

Positions held in 2001**Positions and appointments held in French companies**

- Chairman of the Board of Directors of BP France
- Member of the Board of Directors of Institut Français du Pétrole (from 1 May 2001)
- Member of the Board of Directors or Supervisory Board of BP Europe's subsidiaries.

Heinz Jörg FUHRMANN

Date of first appointment: 14 December 2005

Date on which appointment ceases: 31 December 2005 (*General Meeting called to approve the financial statements for the financial year 2005*)

Date of birth: 4 December 1956

Business address: SALZGITTER AG - Eisenhüttenstrasse 99 - D-38239 Salzgitter (Germany)

Expertise and managerial experience

- Diploma in Engineering: Rheinisch-Westfälische Technische Hochschule Aachen (Metallurgy)
- Doctorate in Engineering: Technische Universität Berlin (Dr.-Ing.)
- 1983-1994: Klöckner-Werke AG, Duisburg
- 1995-date: Preussag Stahl AG, now Salzgitter AG
- 1996-date: Member of the Executive Board of Salzgitter AG (CFO since 2001).

Positions held in 2005**Positions and appointments held in French companies**

- Chairman of the Supervisory Board of Ets Robert et Cie SAS (since 8 June 2005)
- Member of the Supervisory Board of Vallourec
- Member of the Board of Directors of VALLOUREC & MANNESMANN TUBES (until 23 June 2005)

Positions and appointments held in foreign companies

- Member of the Executive Board of Salzgitter AG
- Vice-President of the Supervisory Board of Salzgitter Mannesmann Handel GmbH
- Member of the Supervisory Board of Mannesmannröhren-Werke GmbH, Salzgitter Stahl GmbH, Salzgitter Flachstahl GmbH, Öffentliche Lebensversicherung Braunschweig, Öffentliche Sachversicherung Braunschweig, Hansaport Hafenbetriebsgesellschaft mbH and HSP Hoesch Spundwand und Profil GmbH (since 27 May 2005)

- Member of the Supervisory Board and Partners Committee of Europipe GmbH (since 9 September 2005)
- Member of the Advisory Board of ThyssenKrupp Gft Bautechnik GmbH (since 17 May 2005)

Positions held in 2004

Positions and appointments held in French companies

- Member of the Supervisory Board of Ets Robert et Cie SAS
- Member of the Board of Directors of VALLOUREC & MANNESMANN TUBES (since 1 April 2004)

Positions and appointments held in foreign companies

- Member of the Executive Board of Salzgitter AG
- Vice-President of the Supervisory Board of Salzgitter Mannesmann Handel GmbH
- Member of the Supervisory Board of Mannesmannröhren-Werke GmbH, Salzgitter Stahl GmbH, Salzgitter Flachstahl GmbH, Öffentliche Versicherung Braunschweig and Hansaport Hafenerbetriebsgesellschaft mbH

Positions held in 2003

Positions and appointments held in French companies

- Member of the Supervisory Board of Ets Robert et Cie SAS

Positions and appointments held in foreign companies

- Member of the Executive Board of Salzgitter AG
- Vice-President of the Supervisory Board of Salzgitter Handel GmbH
- Member of the Supervisory Board of Mannesmannröhren-Werke AG, Salzgitter Stahl GmbH, Salzgitter Flachstahl GmbH, Öffentliche Versicherung Braunschweig and Hansaport Hafenerbetriebsgesellschaft mbH
- Member of the Advisory Board of Universal Eisen und Stahl GmbH (until 4 April 2003)

Positions held in 2002

Positions and appointments held in French companies

- Member of the Supervisory Board of Ets Robert et Cie SAS

Positions and appointments held in foreign companies

- Member of the Executive Board of Salzgitter AG
- Vice-President of the Supervisory Board of Salzgitter Handel GmbH
- Member of the Supervisory Board of Mannesmannröhren-Werke AG, Salzgitter Stahl GmbH, Salzgitter Flachstahl GmbH, HSP Hoesch Spundwand und Profil GmbH (until 20 June 2002) and Hansaport Hafenerbetriebsgesellschaft mbH
- Member of the Advisory Board of Universal Eisen und Stahl GmbH
- Director of Wescol Group plc.

Positions held in 2001

Positions and appointments held in French companies

- Member of the Supervisory Board of Ets Robert et Cie SAS (since 30 January 2001)

Positions and appointments held in foreign companies

- Member of the Executive Board of Salzgitter AG
- Vice-President of the Supervisory Board of Salzgitter Handel GmbH
- Member of the Supervisory Board of Mannesmannröhren-Werke AG, Salzgitter Stahl GmbH (since 23 August 2001), Salzgitter Flachstahl GmbH (since 27 July 2001), HSP Hoesch Spundwand und Profil GmbH, Hansaport Hafenerbetriebsgesellschaft mbH, Personal-, Produktions- und Servicegesellschaft mbH (until 31 December 2001), Verkehrsbetriebe Peine-Salzgitter GmbH (until 31 December 2001) and Deutsche Erz und Metall Union GmbH (until 31 December 2001)
- Member of the Advisory Board of Universal Eisen und Stahl GmbH, Hövelmann & Lueg GmbH & Co. KG (until 31 December 2001), Peiner Hüttenstoffe GmbH (until 31 December 2001) and GESIS Gesellschaft für Informationssysteme mbH (from 22 January 2001 to 31 December 2001)
- Director of Steel Dynamics Inc. and Wescol Group plc.

Denis GAUTIER-SAUVAGNAC

Date of first appointment: 7 February 1997

Date on which appointment ceases: 31 December 2005 (*General Meeting called to approve the financial statements for the financial year 2005*)

Date of birth: 28 May 1943

Business address: UIMM - 56, avenue de Wagram - 75017 Paris (France)

Expertise and managerial experience

- Graduate of the École Nationale d'Administration (1967)
- COO of an agri-food group (1979-1985) and CEO of the French subsidiary of a UK merchant bank (1990-1993).



Positions held in 2005**Positions and appointments held in French companies**

- President and Managing Director of UIMM
- Chairman of the Board of Directors of UNEDIC
- Chairman and CEO of Capitole Europe SA
- Member of the Supervisory Board of France Conventions SA and Vallourec
- Member of the Executive Board of MEDEF

Positions held in 2004**Positions and appointments held in French companies**

- President and Managing Director of UIMM
- Chairman of the Board of Directors of UNEDIC
- Chairman and CEO of Capitole Europe SA
- Member of the Supervisory Board of France Conventions SA and Vallourec
- Member of the Executive Board of MEDEF
- Chairman GPA Relations du Travail

Positions held in 2003**Positions and appointments held in French companies**

- President and Managing Director of UIMM
- Vice-President of the Board of Directors of UNEDIC
- Chairman and CEO of Capitole Europe SA
- Member of the Supervisory Board of France Conventions SA and Vallourec

Positions held in 2002**Positions and appointments held in French companies**

- President and Managing Director of UIMM
- Vice-President of the Board of Directors of UNEDIC
- Chairman and CEO of Capitole Europe SA
- Member of the Supervisory Board of France Conventions SA and Vallourec

Positions held in 2001**Positions and appointments held in French companies**

- Chairman and CEO of Capitole Europe SA
- Member of the Supervisory Board of Vallourec
- Director of Sogeparc.

François HENROT

Date of first appointment: 8 June 1999

Date on which appointment ceases: 31 December 2005 (*General Meeting called to approve the financial statements for the financial year 2005*)

Date of birth: 3 July 1949

Business address: Banque Rothschild & Cie - 1, avenue de Matignon - 75008 Paris (France)

Expertise and managerial experience

- COO then Chairman of the Management Board of Compagnie Bancaire (1985-1995)
- Member of the Supervisory Board of Paribas and Chairman of the Supervisory Board of Crédit du Nord (1995-1997).

Positions held in 2005**Positions and appointments held in French companies**

- Managing partner of Rothschild & Cie Banque and Rothschild & Cie
- Director of Eramet
- Member of the Supervisory Board of Cogedim and Vallourec

Positions held in 2004**Positions and appointments held in French companies**

- Managing partner of Rothschild & Cie Banque and Rothschild & Cie
- Director of Carrefour and Eramet
- Member of the Supervisory Board of Cogedim, Pinault-Printemps-Redoute and Vallourec

Positions held in 2003

Positions and appointments held in French companies

- Managing partner of Rothschild & Cie Banque and Rothschild & Cie
- Director of Carrefour and Eramet
- Member of the Supervisory Board of Cogedim, Pinault-Printemps-Redoute and Vallourec

Positions held in 2002

Positions and appointments held in French companies

- Managing partner of Rothschild & Cie Banque and Rothschild & Cie
- Director of Carrefour, Eramet and Montupet
- Member of the Supervisory Board of Cogedim, Pinault-Printemps-Redoute and Vallourec

Positions held in 2001

Positions and appointments held in French companies

- Managing partner of Rothschild & Cie Banque and Rothschild & Cie
- Director of Carrefour, Eramet, Montupet, BP France and Teleimage International
- Member of the Supervisory Board of Cogedim, Pinault-Printemps-Redoute and Vallourec

Wolfgang LEESE

Date of first appointment: 11 June 2002

Date on which appointment ceases: 31 December 2007 (*General Meeting called to approve the financial statements for the financial year 2007*)

Date of birth: 17 June 1946

Business address: SALZGITTER AG - Eisenhüttenstrasse 99 - D-38239 Salzgitter (Germany)

Expertise and managerial experience

- Diploma in economics (management)
- 33 years of professional experience.

Positions held in 2005

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec

Positions and appointments held in foreign companies

- Chairman of the Executive Board of Salzgitter AG and Salzgitter AG Stahl und Technologie
- Chairman of the Supervisory Board of Mannesmannröhren-Werke GmbH, Peiner Träger GmbH, HSP Hoesch Spundwand und Profil GmbH, Salzgitter Flachstahl GmbH and Salzgitter Stahl GmbH
- Member of the Executive Board of VDEh/Wirtschaftsvereinigung Stahl
- Member of the Supervisory Board of MAN Nutzfahrzeuge AG
- Member of the Advisory Board of Dresdner Bank AG and Norddeutsche Landesbank

Positions held in 2004

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec

Positions and appointments held in foreign companies

- Chairman of the Executive Board of Salzgitter AG and Salzgitter AG Stahl und Technologie
- Chairman of the Supervisory Board of Mannesmannröhren-Werke AG, Peiner Träger GmbH and Salzgitter Stahl GmbH
- Member of the Executive Board of VDEh/Wirtschaftsvereinigung Stahl
- Member of the Supervisory Board of MAN Nutzfahrzeuge AG
- Member of the Advisory Board of Dresdner Bank AG and Norddeutsche Landesbank

Positions held in 2003

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec

Positions and appointments held in foreign companies

- Chairman of the Executive Board of Salzgitter AG and Salzgitter AG Stahl und Technologie
- Chairman of the Supervisory Board of Mannesmannröhren-Werke AG, Peiner Träger GmbH and Salzgitter Stahl GmbH
- Member of the Executive Board of VDEh/Wirtschaftsvereinigung Stahl

- Member of the Supervisory Board of MAN Nutzfahrzeuge AG
- Member of the Advisory Board of Dresdner Bank AG and Norddeutsche Landesbank

Positions held in 2002

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec

Positions and appointments held in foreign companies

- Chairman of the Executive Board of Salzgitter AG and Salzgitter AG Stahl und Technologie
- Chairman of the Supervisory Board of Mannesmannröhren-Werke AG and Salzgitter Stahl GmbH
- Member of the Executive Board of VDEh/Wirtschaftsvereinigung Stahl
- Member of the Supervisory Board of MAN Nutzfahrzeuge AG
- Member of the Advisory Board of Norddeutsche Landesbank

Positions held in 2001

Positions and appointments held in foreign companies

- Chairman of the Executive Board of Salzgitter AG Stahl und Technologie
- Chairman of the Supervisory Board of Mannesmannröhren-Werke AG and Salzgitter Stahl GmbH
- Member of the Executive Board of VDEh/Wirtschaftsvereinigung Stahl
- Member of the Advisory Board of Norddeutsche Landesbank.

Thierry MARRAUD

Date of first appointment: 10 June 2004

Date on which appointment ceases: 31 December 2009 (*General Meeting called to approve the financial statements for the financial year 2009*)

Date of birth: 30 April 1942

Business address: Tour Bolloré - 31-32, quai de Dion-Bouton - 92811 Puteaux (France)

Expertise and managerial experience

- 30 years at the Saint-Gobain Group: Group CFO and COO mechanical paper and packaging division
- 5 years as Executive Member of Crédit Lyonnais (1995-2000), CEO of Marsh Mac Lennan France (2001-2002) and CFO of Bolloré group since 2003.

Positions held in 2005

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec, representing Société Financière de Sainte Marine
- Member of the Supervisory Board of Emin Leydier
- Director of Havas
- Director of Bolloré Investissement and Financière V permanent representative
- Bolloré permanent representative on the Board of Directors of SFDM
- Compagnie du Cambodge permanent representative at IER
- Financière de l'Odet permanent representative at Saga

Positions and appointments held in foreign companies

- Director of Sorebol

Positions held in 2004

Positions and appointments held in French companies

- Chairman and CEO of Financière de Sainte Marine
- Financière de l'Odet permanent representative at S.F.P.
- Member of the Supervisory Board of Vallourec, representing Société Financière de Sainte Marine
- Member of the Supervisory Board of Emin Leydier
- Member of the Supervisory Board of Atria Capital Partenaires

Positions held in 2003

Positions and appointments held in French companies

- Member of the Supervisory Board of Emin Leydier
- Member of the Supervisory Board of Atria Capital Partenaires

Positions held in 2002

Positions and appointments held in French companies

- Member of the Supervisory Board of Emin Leydier
- Member of the Supervisory Board of Atria Capital Partenaires

Positions held in 2001

Positions and appointments held in French companies

- Member of the Supervisory Board of Emin Leydier
- Member of the Supervisory Board of Atria Capital Partenaires
- Chairman of the Executive Board of Marsh Mac Lennan.

Jean-Claude VERDIERE

Date of first appointment: 1 July 2001

Date on which appointment ceases: 31 December 2006 (*General Meeting called to approve the financial statements for the financial year 2006*)

Date of birth: 11 April 1938

Business address: None

Expertise and managerial experience

- 40 years in the Vallourec Group, mainly in finance / management control
- Member of the Management Board and COO of Vallourec from 1994 to 2001.

Positions held in 2005

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec
- Member of the Board of Directors of ValTubes

Positions held in 2004

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec
- Member of the Board of Directors of Valtubes and Sopretac

Positions held in 2003

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec
- Member of the Board of Directors of Valtubes and Sopretac

Positions held in 2002

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec
- Member of the Board of Directors of Valtubes and Sopretac

Positions held in 2001

Positions and appointments held in French companies

- Member of the Supervisory Board of Vallourec (as from 1 July 2001)
- Member of the Management Board and COO of Vallourec (until 30 June 2001)
- Member of the Board of Directors of Valtubes and Sopretac.



■ Members of the Management Board

Pierre VERLUCA

Date of first appointment: 12 December 2000

Date of appointment as Chairman of the Management Board: 10 June 2004

Date on which appointment ceases: 31 December 2007 (*General meeting called to approve the financial statements for the financial year 2007*)

Date of birth: 22 January 1944

Business address: Vallourec - 130, rue de Silly - 92100 Boulogne (France)

Expertise and managerial experience

- Head of production at Ugine Kuhlmann from 1967 to 1973
- CFO of SADEC (Portugal) from 1973 to 1975
- Member of the Management Board of Vallourec since December 2000.

Positions held in 2005

Positions and appointments held in French companies (all Vallourec Group companies)

- Chairman of the Management Board of Vallourec
- Chairman of V & M FRANCE, VALLOUREC & MANNESMANN TUBES and ValTubes (formerly Sopretac)
- Director of Valtimet and VALLOUREC MANNESMANN OIL & GAS FRANCE

Positions and appointments held in foreign companies (all Vallourec Group companies)

- Chairman of the Supervisory Board of V & M DEUTSCHLAND GmbH
- Chairman of the Advisory Board of V & M do BRASIL SA
- Chairman of the Board of Directors of V & M Holdings, Vallourec Inc. and Vallourec Industries Inc.
- Director of Finalourec
- Director of V & M do BRASIL SA and Vallourec Tubes Canada
- Member of the Executive Committee of V & M STAR

Positions held in 2004

Positions and appointments held in French companies (all Vallourec Group companies)

- Chairman of the Management Board of Vallourec (since 10 June 2004, a member prior to that date)
- Chairman of V & M FRANCE (since 10 June 2004, Member of the Board prior to that date), VALLOUREC & MANNESMANN TUBES (since 11 June 2004, Member of the Board prior to that date), Sopretac (now ValTubes) (since 29 June 2004, Member and Director prior to that date), Valtubes (from 29 June 2004 until 16 December 2004, Member and Director prior to that date)
- Director of Valtimet and VALLOUREC MANNESMANN OIL & GAS FRANCE

Positions and appointments held in foreign companies (all Vallourec Group companies)

- Chairman of the Supervisory Board of V & M DEUTSCHLAND GmbH (since 25 June 2004, Member of the Board prior to that date)
- Chairman of the Advisory Board of V & M do BRASIL SA (since 15 October 2004)
- Chairman of the Board of Directors of V & M Holdings (since 10 June 2004, Director prior to that date), Vallourec Inc. and Vallourec Industries Inc.
- Director of Finalourec
- Director of V & M do BRASIL SA and Vallourec Tubes Canada
- Member of the Executive Committee of V & M STAR

Positions held in 2003

Positions and appointments held in French companies (all Vallourec Group companies)

- Member of the Management Board of Vallourec
- Member and Director of Sopretac and Valtubes
- Director of VALLOUREC & MANNESMANN TUBES, VALLOUREC MANNESMANN OIL & GAS FRANCE, Vallourec Composants Automobiles Hautmont, Vallourec Composants Automobiles Vitry, Vallourec Précision Etirage, Vallourec Précision Soudage, Valti and Valinox Nucléaire (until 7 February 2003)
- Member of the Board of V & M FRANCE

Positions and appointments held in foreign companies (all Vallourec Group companies)

- Chairman of the Board of Directors of V & M do BRASIL SA
- Director of Finalourec
- Director of V & M Holdings, Vallourec Tubes Canada, VAM PC, Vallourec Industries Inc., Vallourec Inc. and VALLOUREC MANNESMANN OIL & GAS UK
- Member of the Supervisory Board of V & M DEUTSCHLAND GmbH
- Member of the Executive Committee of V & M STAR

Positions held in 2002

Positions and appointments held in French companies (all Vallourec Group companies)

- Member of the Management Board of Vallourec
- Member and Director of Sopretac and Valtubes
- Director of VALLOUREC & MANNESMANN TUBES, Valinox Nucléaire, VALLOUREC MANNESMANN OIL & GAS FRANCE, Vallourec Composants Automobiles Hautmont, Vallourec Composants Automobiles Vitry, Vallourec Précision Etirage, Vallourec Précision Soudage, Escofier and Valti
- Member of the Board of V & M FRANCE

Positions and appointments held in foreign companies (all Vallourec Group companies)

- Chairman of the Board of Directors of V & M do BRASIL SA
- Director of Finalourec
- Director of V & M Holdings, Vallourec Tubes Canada, VAM PC, Vallourec Industries Inc., Vallourec Inc. and VALLOUREC MANNESMANN OIL & GAS UK
- Member of the Supervisory Board of V & M DEUTSCHLAND GmbH
- Member of the Executive Committee of V & M STAR (since 28 June 2002)

Positions held in 2001

Positions and appointments held in French companies (all Vallourec Group companies)

- Member of the Management Board of Vallourec
- Member and Director of Sopretac (since 29 June 2001) and Valtubes (since 1 July 2001)
- Director of VALLOUREC & MANNESMANN TUBES (since 5 June 2001), VALLOUREC MANNESMANN OIL & GAS FRANCE, Vallourec Composants Automobiles Vitry (since 23 February 2001), Vallourec Composants Automobiles Hautmont, Vallourec Précision Etirage, Vallourec Précision Soudage, Escofier, Eurocamus, Jacot, Valti (since 16 February 2001) and Valinox Nucléaire (since 23 May 2001)
- Member of the Board of V & M FRANCE

Positions and appointments held in foreign companies (all Vallourec Group companies)

- Chairman of the Board of Directors of V & M do BRASIL SA
- Director of Finalourec (since 18 June 2001)
- Director of V & M Holdings, VAM PC, Vallourec Industries Inc. and VALLOUREC MANNESMANN OIL & GAS UK
- Member of the Supervisory Board of V & M DEUTSCHLAND GmbH

François FABRE

Date of first appointment: 12 December 2000

Date on which appointment ceases: 31 December 2007 (*General Meeting called to approve the financial statements for the financial year 2007*)

Date of birth: 18 August 1941

Business address: Vallourec - 130, rue de Silly - 92100 Boulogne (France)

Expertise and managerial experience

- 40 years in the Vallourec Group (IT, plant management and human resources)
- Member of the Management Board since end-2000.

Positions held in 2005

Positions and appointments held in French companies (all Vallourec Group companies)

- Member of the Management Board of Vallourec
- Chairman of V & M Services and Interfit (until 9 September 2005)
- Director and COO of ValTubes (formerly Sopretac)
- Member of the Supervisory Board of V & M FRANCE
- Director of VALLOUREC & MANNESMANN TUBES, Escofier, Interfit, Valti, Vallourec Composants Automobiles Hautmont, Vallourec Composants Automobiles Vitry, Vallourec Précision Etirage, Vallourec Précision Soudage and VALLOUREC MANNESMANN OIL & GAS FRANCE

Positions and appointments held in foreign companies (all Vallourec Group companies)

- Chairman of the Supervisory Board of V & M DEUTSCHLAND GmbH
- Director of V & M do BRASIL SA, V & M Holdings, Vallourec Industries Inc., Vallourec Inc. and Finalourec
- Member of the Executive Committee of V & M STAR (until 15 March 2005)

Positions held in 2004

Positions and appointments held in French companies (all Vallourec Group companies)

- Member of the Management Board of Vallourec
- Chairman of V & M Services and Interfit (since 28 May 2004)
- Director and COO of Sopretac and Valtubes (until 16 December 2004)
- Member of the Supervisory Board of V & M FRANCE (since 22 June 2004)
- Director of VALLOUREC & MANNESMANN TUBES (since 11 June 2004), Escofier (since 28 May 2004), Valti (since 28 May 2004), Vallourec Composants Automobiles Hautmont (since 28 May 2004), Vallourec Composants Automobiles Vitry (since 28 May 2004), Vallourec Précision Etirage (since 14 June 2004), Vallourec Précision Soudage (since 14 June 2004) and VALLOUREC MANNESMANN OIL & GAS FRANCE

Positions and appointments held in foreign companies (all Vallourec Group companies)

- Chairman of the Supervisory Board of V & M DEUTSCHLAND GmbH (since 25 June 2004, manager prior to that date)
- Director of V & M do BRASIL SA, V & M Holdings, Vallourec Industries Inc. (since 10 June 2004), Vallourec Inc. (since 10 June 2004) and Finalourec
- Member of the Executive Committee of V & M STAR

Positions held in 2003

Positions and appointments held in French companies (all Vallourec Group companies)

- Member of the Management Board of Vallourec
- Chairman of V & M Services
- Director and COO of Sopretac and Valtubes
- Member of the Management Board of V & M FRANCE
- Director of VALLOUREC MANNESMANN OIL & GAS FRANCE

Positions and appointments held in foreign companies (all Vallourec Group companies)

- Manager of V & M DEUTSCHLAND GmbH
- Director of V & M do BRASIL SA, V & M Holdings and Finalourec
- Member of the Executive Committee of V & M STAR

Positions held in 2002

Positions and appointments held in French companies (all Vallourec Group companies)

- Member of the Management Board of Vallourec
- Chairman of V & M Services
- Director and COO of Sopretac and Valtubes
- Member of the Management Board of V & M FRANCE
- Director of VALLOUREC MANNESMANN OIL & GAS FRANCE and Cerec (until 13 November 2002)

Positions and appointments held in foreign companies (all Vallourec Group companies)

- Manager of V & M DEUTSCHLAND GmbH
- Director of V & M do BRASIL SA, V & M Holdings and Finalourec
- Member of the Executive Committee of V & M STAR (since 28 June 2002)

Positions held in 2001

Positions and appointments held in French companies (all Vallourec Group companies)

- Member of the Management Board of Vallourec
- Chairman of V & M Services
- Director and COO of Sopretac and Valtubes
- Member of the Management Board of V & M FRANCE
- Director of VALLOUREC MANNESMANN OIL & GAS FRANCE and Cerec

Positions and appointments held in foreign companies (all Vallourec Group companies)

- Manager of V & M DEUTSCHLAND GmbH
- Director of V & M do BRASIL SA, V & M Holdings and Finalourec.

8.1.2 Special report of the Management Board on options - Financial year 2005

In accordance with the requirements of Article L. 225-184 of the French Code de Commerce, we inform you that no share purchase or share subscription options were granted during the financial year 2005.

We remind you that the Extraordinary General Meeting held on 15 June 2000 authorized the Management Board to grant share subscription options (first resolution) and/or share purchase options (second resolution), up to the respective limits of 4% and 10% of Vallourec's share capital, to managers and/or employees of Group companies, for a period of five years that expired on 14 June 2005.

Under this authorization:

- 178,500 share subscription options, each giving the right to subscribe for one Vallourec share, were granted on 15 June 2000 to 144 beneficiaries at a price of € 38 per share, corresponding to 95% of the average of the last 20 prices quoted before the date the options were granted.

After a holding period of four years, these subscription options may be exercised during a period of three years from 15 June 2004 to 14 June 2007 inclusive. After taking into account i) the options exercised between 15 June 2004 and 31 December 2005, i.e. 163,794 options, of which 24,064 in 2005, ii) the options cancelled (6,750) since the date they were granted (the holders having left the Group) and iii) the adjustment resulting from the capital increase in cash in July 2005, the number of subscription options outstanding at 31 December 2005 amounted to 8,174, i.e. 0.08% of the share capital at that date, and the adjusted exercise price was then set at € 37.43 per share.

- 193,000 share purchase options, each giving the right to purchase one Vallourec share, were granted on 11 June 2003 to 148 beneficiaries at a price of € 53.65 per share, corresponding to the average of the last 20 prices quoted during the 20 trading sessions preceding the date the options were granted, not discounted.

These options, which cannot be exercised until after the end of a holding period of four years, may be exercised during a period of three years from 11 June 2007 to 10 June 2010 inclusive. After taking into account i) the options cancelled (2,750) since the date they were granted (the holders having left the Group) and ii) the adjustment resulting from the capital increase in cash in July 2005, the number of purchase options outstanding at 31 December 2005 amounted to 193,146, i.e. 1.82% of the share capital at that date, and the adjusted exercise price was then set at € 52.85 per share.

The Extraordinary General Meeting to be held on 1 June 2006 (eleventh resolution) will be asked to approve a resolution delegating to the Management Board the necessary authorization, valid for a period of 38 months, to grant, where appropriate, options to purchase Vallourec shares.

8.2 Report of the Chairman of the Supervisory Board on the conditions governing the preparation and organization of the Supervisory Board's work and the internal control procedures implemented by Vallourec

In accordance with the provisions of Article L. 225-68 of the French Code de Commerce, introduced by law no. 2003-706 of 1 August 2003 on financial security, the Chairman of Vallourec's Supervisory Board presents this report to the shareholders, detailing the conditions governing the preparation and organization of the Supervisory Board's work and the internal control procedures implemented by the Company.

A - CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE SUPERVISORY BOARD'S WORK

The internal regulations of the Supervisory Board, the situation of the Board members as regards the criteria of the Bouton report, the composition and operation of the two Committees (Finance Committee and Appointments and Remuneration Committee) set up within the Supervisory Board and the remuneration principles are detailed in section 6 of the Reference Document for the year ended 31 December 2005 dealing with Corporate Governance, of which this report forms an integral part.

The number of meetings of the Board is normally set at four per year but additional meetings may be organized where circumstances so require. In 2005, the Board met eight times, in particular in connection with the negotiations concerning the acquisition of the 45% shareholding in V & M TUBES. The average length of Board meetings is about three hours.

In order to ensure that Board members are able to attend meetings, the timetable of regular meetings is prepared very far in advance. For this reason, a meetings timetable for the following year is drawn up in June and agreed at the Board meeting held in September. As a result of the above procedures, the effective attendance rate of Board members at meetings is very high: out of all the meetings held in 2005, only five absences were noted. The absence rate of Board members at exceptional meetings is a little higher, but still remains low: as regards the four exceptional meetings in 2005, no more than two or three members were absent at any meeting. Members who were unable to attend were, however, represented at all meetings, whether regular or exceptional. The members of the Management Board attended all meetings.

The arrangements for the meetings are confirmed about a fortnight in advance by means of a notice of the meeting to which is attached the agenda and the draft minutes of the previous meeting. Board members are invited to submit any comments they have in advance of the Board meeting.

The Management Board endeavours to circulate documents of a financial nature a few days in advance of Board meetings. At meetings, a complete file incorporating all supporting documentation in respect of the items on the agenda is given to each participant. This file also contains the Management Board's quarterly report to the Supervisory Board on the Company's performance, prepared in accordance with the provisions of Article L. 225-68, section 4, of the French Code de Commerce. Where necessary, the Board relies on preliminary work carried out by the Finance Committee or the Appointments and Remuneration Committee.

Meetings are conducted in French with a simultaneous translation being provided for German members.

Meetings are chaired by the Supervisory Board Chairman who ensures, in particular, that each member expresses his opinion on the most important matters. In the unusual case of a Board member having a personal interest in one of the matters under consideration as specified in Article L. 225-86 of the French Code de Commerce, he will be required to leave the meeting while the matter concerned is being discussed.

In 2005, Vallourec's Auditors attended those Supervisory Board meetings at which the annual and half-year financial statements were approved.

After the first assessment of the operation of the Board carried out at the beginning of 2003, a further assessment was carried out in March/April 2006 on the basis of an updated questionnaire. It should be noted that, in order to comply with the request (made by the majority of the Board members during the assessment of the operation of the Board carried out at the beginning of 2003) for a system of periodic site visits, a meeting was held in April 2005 at Belo Horizonte (Brazil), which enabled the participants to visit all V & M do BRASIL's facilities (tube mill, steel mill, mine and forest).



B - INTERNAL CONTROL PROCEDURES

1. Objectives of internal control

The aim of internal control is to provide reasonable assurance, by means of a system of processes and procedures implemented by the Vallourec Group's staff, that the following three objectives may be achieved:

- Optimization of operational efficiency,
- Accuracy of financial information,
- Compliance with the laws and regulations currently in force.

As is the case with any control system, the Group's internal control system cannot guarantee that all risk of error or fraud is fully eliminated or controlled.

2. Description of internal control procedures

2.1 Internal control procedures adapted to the specific characteristics of the Vallourec Group

The organization of the Vallourec Group has for many years been based on the principle of decentralization. This approach is particularly well suited to the Group's international dimension, which was boosted in 1997 by the formation of VALLOUREC & MANNESMANN TUBES.

Consequently, responsibility for the implementation of appropriate internal control procedures governing risk management, financial control and compliance with legislation is delegated to the managers of each of the Group's subsidiaries.

To ensure the consistency of Group procedures worldwide, senior management relies on the functional departments to draw up the procedures necessary for the proper operation of controls, issue instructions regarding their implementation and ensure compliance with the said instructions.

The key operations and the internal control procedures applicable to them are as follows:

2.2 Internal control procedures in respect of financial and accounting information

2.2.1 Financial and accounting reporting

Financial and accounting information is prepared centrally on the basis of the subsidiaries' financial statements, adjusted to comply with Group standards. The necessary data is collected and processed by the new version of MAGNITUDE, which was installed in July 2004. MAGNITUDE is a reporting and consolidation software application

that is used by all consolidated subsidiaries and is compatible with the new IFRS accounting standards that Vallourec has adopted as from 1 January 2005.

Reports are produced monthly, and prepared in the month following the month to which they relate, whereas full accounting consolidations are produced quarterly and prepared in the two months following the end of the quarter to which they relate. The preparation of the annual and half-yearly consolidations is the responsibility of senior management under the control of the Finance Committee and the Group's Auditors.

The monitoring of off-balance-sheet commitments is an integral part of the quarterly consolidation process.

2.2.2 External financial information

Financial communications to third parties consist, on a quarterly basis, of the Group's consolidated sales and, on a half-yearly basis, of the financial statements prepared by the Management Board, submitted to the Supervisory Board and reviewed by the Auditors.

2.2.3 Cash position and financing

Responsibility for cash management is delegated to the subsidiaries, by means of well defined procedures and delegation. Any departure from the general rules requires the prior authorization of the Group Finance department.

The Group Finance department is also responsible for borrowings and investments with a term of more than one year. Responsibility for borrowings and investments with a term of less than one year is delegated to the subsidiaries, which are required to comply with specific Group procedures: quality of the banks involved, risk-free investment and monitoring of financial guarantees given.

Transactions in foreign currencies and foreign exchange hedging are also governed by rules issued by the Group Finance department.

Borrowings, investments and foreign exchange transactions are monitored on a monthly basis by means of a report produced by the Group treasurer and submitted to senior management.

2.2.4 Procedures and instructions

With the objective of producing high-quality financial and accounting information, Vallourec has produced procedures and instructions tailored to the French and foreign subsidiaries. These procedures are grouped by topic and deal mainly with accounting, treasury and reporting issues and, since 2004, with the IFRS framework.

Details of the procedures are available on an intranet site that can be consulted by all of the Group's finance staff.

A self-assessment procedure to review accounting and financial procedures was introduced at the end of 2003, using a questionnaire based on the report of the COSO (*Committee Of Sponsoring Organizations of the Treadway Commission*), the accepted framework in the field of internal control. The enquiry carried out by the Group's Internal Audit department focused on the fully-consolidated companies. All of the accounting cycles were analyzed: purchases – trade payables, sales – trade receivables, inventories, cash and bank balances, pay and property, plant and equipment.

Self-assessment procedures to review accounting controls were carried out separately in respect of each subsidiary. Each received a summary of the points for improvement and prepared an action plan for each weakness identified and for which the risk of occurrence is considered to be significant. The managers of the companies concerned have been kept informed of these assessments and the action plans drawn up at entity level.

Although the action points, the implementation of which began as early as 2004, vary from one entity to the other, the most frequent relate to the organization of a fixed assets inventory, the setting of additional parameters regarding access to computer files (SAP) and the description of internal control procedures in respect of accounting information.

2.2.5 Internal audit

The Internal Audit and Financial Control department is attached to the Group Finance department. It audits the subsidiaries in accordance with an audit plan, particularly in order to assess and improve the accuracy and reliability of the accounting and financial information.

Vallourec also has a team based at V & M do BRASIL SA. The team's audit plan is validated by the Internal Audit department. Its responsibilities relate mainly to internal control procedures.

External experts may be consulted in the case of one-off assignments.

The Internal Audit department also coordinates relations with the external Auditors, who are mainly affiliated to international audit firms.

2.3 Other key processes analyzed

2.3.1 Industrial investment

The Group's Investments and Technology department reports to senior management. It reports on investments to a committee set up in 2005 and composed of the Chairman of the Management Board and senior management. It examines the content of investment projects proposed by the sites as part of the divisions' industrial and

marketing plans. After validation, the decisions are taken and authorizations to proceed with a project are granted by the Board of the subsidiary concerned.

A posteriori controls of expenses and profitability of acquisitions are performed annually. The results of such tests and the performance measurement of acquisitions are brought to the attention of the division Chairmen.

Group procedures define the methods applicable to the preparation of capital expenditure proposals and the selection of projects, the requests for authorization, and the controls necessary to ensure compliance with the budget, timetable and objectives. In 2005, these procedures were supplemented by aspects concerning technology and purchasing.

2.3.2 Quality

Vallourec has a Group Quality department, which has developed quality management systems, described in the manuals, which comply with the ISO 9000 standard. These systems are implemented at all the production sites.

Compliance with quality procedures is checked by the Group's Quality Audit unit and by independent external bodies. The findings of these audits are analyzed and the appropriate corrective action taken.

2.3.3 Environment

Within the context of sustainable development, an Environment department was formed in 2002, with responsibility for coordinating and directing environmental matters. The department relies on local environment managers to ensure compliance with regulations.

The Environment department carries out audits and establishes key indicators that enable the main parameters to be periodically monitored.

A sustainable development charter was published in 2004 and an internal report on the environment is prepared each year.

At the end of 2005, thirteen sites had received certification under ISO 14001: four in Germany, three in Brazil, three in the United States, two in France and one in the United Kingdom.

In order to improve environmental management, the Group's policy is to obtain certification under ISO 14001 for as many sites as possible between now and the end of 2007, concentrating initially on France.

In 2005, a French site implemented a CO₂ emissions monitoring plan in connection with the first-time application of the national quota



allocation plan. Such emissions are the subject of an annual return verified by an approved organization and validated by the Inspection body for the classified facilities.

2.3.4 Research and Development

The Research and Development department has drawn up Group procedures concerning the management of programmes for developing new products and industrial processes. The processes thus defined are applied in a consistent manner by the entities concerned.

These procedures include those aspects concerning industrial property and their aim is the formalization of procedures in respect of design and commercial production.

Each year, audits are carried out by the Group Quality department.

2.3.5 Purchasing

Since 2005, the Group Purchasing department's role has been extended to strengthen the department's organization and improve its performance. In conjunction with the Investments department, it authorizes the more significant acquisitions and is usually involved in negotiations concerning raw materials, energy and investments, generally under the direct responsibility of the COO of each company.

The internal audit unit of the Group purchasing department performs checks, circulates information about best practice and develops procedures in this area.

2.3.6 Information systems

The Information Systems department is responsible for integrating and ensuring the consistency of the software used.

In a significant number of subsidiaries, most data processing is carried out by means of integrated software packages (SAP).

The information systems of all the French subsidiaries are managed by means of a single entity: the Vallourec Information Technology Centre (Centre des Techniques d'Information Vallourec - CTIV). In 2005 CTIV continued the development of a contingency plan to increase the security of information systems.

2.3.7 Human resources

The Group Human Resources department organizes career and skills development for those positions requiring a high level of responsibility or technical skills. It carries out comparative studies with market practices in a certain number of sectors.

The department checks compliance with labour regulations and the information relating to the workforce and to safety. It also

ensures that information for management reports is obtained and circulated.

In each country, the human resources managers are responsible for ensuring compliance with specific national regulations.

In Germany, most of the workforce is governed by the law on joint management in the steel industry and mines of 21 May 1951.

2.3.8 Customer relations

With the aim of specifying and formalizing certain practices regarding contractual relations with its customers, Vallourec has developed a procedure for managing customer risk: limits in respect of credit and delegation of authority, and credit insurance.

The Legal department has analyzed the legal provisions applicable to sales contracts entered into between the subsidiaries and their customers. These subsidiaries have standard documents defining the conditions with which their sales contracts should comply in order to reduce the level of risk. These standard documents are regularly reviewed by the Legal department.

2.3.9 Insurance

Industrial risks are covered by two types of Group insurance: general insurance (direct material damage to the Group's property, subject to specific exclusions, as well as any costs and consequential losses) and third-party liability insurance (liability arising as a result of injury or loss caused to third parties either resulting from the Group's operations or after delivery of goods or services).

3. Procedures to ensure continuous improvement

Beginning with the last quarter of 2003, Vallourec decided to carry out a self-assessment procedure to review internal control procedures in respect of accounting and financial information, human resources, the environment, purchasing, research and development, information systems and the terms and conditions applicable to sales contracts entered into between the subsidiaries and their customers.

These self-assessment procedures enabled action points to be drawn up. Subsidiaries began to take action in respect of these points in 2004, under the supervision of the functional departments.

This gradual process of improving internal control procedures was continued in 2005 and will continue into 2006.

8.3 Statutory Auditors' reports

8.3.1 Statutory Auditors' general report on the annual statutory accounts

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders of Vallourec,

In accordance with our appointment as statutory auditors by your Annual General Meetings, we hereby report to you for the year ended 31 December 2005 on the following:

- the audit of the accompanying annual financial statements of Vallourec,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

The annual financial statements have been approved by the Management Board. Our role is to express an opinion on these annual financial statements based on our audit.

I. Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, the annual financial statements give a true and fair view of the Company's financial position and its assets and liabilities as of 31 December 2005 and of the results of its operations for the year then ended, in accordance with French accounting regulations.

Without qualifying the above opinion, we would draw your attention to the matter disclosed in note I to the annual financial statements relating to the rules governing the measurement, recognition and presentation of the assets in accordance with regulations CRC 2002-10, CRC 2003-07 and CRC 2004-06 applicable in France as from 1 January 2005.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Company Law (Code de Commerce) relating to the justification of our assessments, we draw to your attention the following matters:

The Management of Vallourec is required to make estimates and assumptions that affect the amounts in the annual financial statements and accompanying notes. These assumptions are, by nature, subject to uncertainties, and actual results could differ from these estimates.



In the context of our audit of the annual financial statements for the year ended 31 December 2005, we considered that, of those items that are subject to significant accounting estimates, a justification of our assessments was required in the case of participating interests and provisions for liabilities and charges:

- We have assessed the information and assumptions on which the estimates used by Management were based and have reviewed the calculations made by your Company as they relate to the principles adopted in respect of the valuation and calculation of the impairment of participating interests described in note II to the annual financial statements.
- The principles adopted in respect of providing for liabilities and charges are described in note II of the notes to the annual financial statements. We have assessed the bases on which such provisions were made and the information concerning any significant contingencies of which the Company was aware at the year end, and reviewed the appropriateness of the information disclosed in note III to the annual financial statements.

On the basis of the above, we assessed whether these estimates were reasonable.

The assessments on these matters were performed in the context of our audit approach for the annual financial statements taken as a whole, and therefore contributed to enable us to express an unqualified opinion in the first part of this report.

III. Specific procedures and disclosures

We have also performed the other procedures required by law in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Management Board, and in the documents addressed to the shareholders with respect to the financial position and the annual financial statements.

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the acquisition of participating and controlling interests and as to the identity of shareholders (percentage of voting rights).

Neuilly-sur-Seine, 26 April 2006

The Statutory Auditors

CALAN RAMOLINO ET ASSOCIES

Bertrand de Florival Bernard Scheidecker

BARBIER FRINAULT & AUTRES

Ernst & Young

Philippe Hontarrède Christine Staub

8.3.2 Statutory Auditors' special report on certain related party transactions

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France and it should be understood that the agreements reported on are only those provided by the French Company Law (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the shareholders of Vallourec,

In accordance with our appointment as Statutory Auditors of your Company, we are required to report on certain related party transactions which have been brought to our attention.

The terms of our engagement do not require us to identify such agreements, if any, but to communicate to you, on the basis of the information provided to us, the principal terms and conditions of those agreements brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to article 117 of the decree of 23 March 1967 to assess the interest involved in respect of the conclusion of these agreements for the purpose of authorizing them.

Agreements authorized during the year

In accordance with Article L. 225-88 of the French Company Law (*Code de Commerce*), we have been informed of the following agreements which received the prior authorization of your Supervisory Board.

With Salzgitter Mannesmann

Persons concerned: Messrs Wolfgang Eging, Kunibert Martin and Wolfgang Leese.

At its meetings on 20 January, 8 March, 18 April and 27 April 2005, your Supervisory Board monitored and approved the progress and finalization of the negotiations Vallourec held with Mannesmannröhren-Werke GmbH (MRW) and Salzgitter AG, both of which are shareholders of Vallourec, concerning the acquisition by Vallourec of the 45% interest held by the two companies in the common subsidiary V & M TUBES.

The Supervisory Board gave its agreement, in particular, to the acquisition price of the investment, set at € 545 million, and ratified the fact that the completion of this transaction would result in the termination of the joint venture agreement entered into by Vallourec and MRW in 1997, and, in particular, the clauses of the contract relating to "reserved matters" and change of control.

At the same meeting on 27 April 2005, the Supervisory Board also gave its agreement to the parallel sale to Salzgitter Mannesmann of 10% of the shares in the HKM German steel mill held by V & M TUBES, the latter retaining a 20% holding in this steel mill as well as the rights attached to the holding concerning the steel produced by the mill.

The main provisions of this sale were explained at the Annual General Meeting held on 7 June 2005 and are disclosed in the 2004 Reference Document, in particular in section IV, paragraph 4.8 ("Agreement between Vallourec and Mannesmannröhren-Werke concerning the acquisition of the 45% holding in V & M TUBES") and in the Management Board's management report to the General Meeting.

In connection with the acquisition of the 45% holding in V & M TUBES, the Supervisory Board also gave its agreement, at its meeting on 27 April 2005, to the signing of contracts relating to the processing of a maximum annual volume of 132,000 tonnes of hollow tube rounds for drawing by Salzgitter Mannesmann, comprising a contract for V & M TUBES to supply tube rounds to the Salzgitter Mannesmann group.

The contract to supply tube rounds, which expires on 31 December 2017, has a penalty clause under which V & M TUBES, in the event of its failure to meet certain of its obligations, would be required to pay a maximum amount of € 60 million, this amount decreasing as from 2011.



With Messrs Pierre Verluca and François Fabre, members of the Management Board

At its meeting on 14 September 2005, the Supervisory Board examined and approved, on the basis of the report from the Appointments and Remuneration Committee, a draft "income guarantee scheme for the retired employees of Vallourec and Setval", insured with AXA France Vie.

Your Supervisory Board has noted that the profit from this defined benefit scheme financed by the Company and in respect of which the vesting of rights is conditional on the employee finishing his career at Vallourec and/or Setval, enables the Group's managerial staff, under acceptable economic, financial and social conditions, to supplement their income following retirement. The Company undertakes to pay to those concerned a lifetime annuity at a predetermined level, directly proportional to the salary and in accordance with the employee's seniority and career development. The annuity is capped at 20% of the average salary excluding bonus of the last three years and limited to four times the annual social security ceiling.

The Board, noting that the members of Management Board of Vallourec are likely to benefit from rights if they work within the Group until the end of their careers, ruled in accordance with the provisions of Article L. 225.86 of the French Company Law (*Code du Commerce*).

Agreements authorized in previous years having a continuing effect during the year

In addition, pursuant to the decree of 23 March 1967, we have been advised that the following related party transaction conducted and authorized in previous years has had continuing effect during the year:

With Rothschild & Cie

Your Supervisory Board, at its meeting on 20 January 2005, authorized the extension of the assistance agreement initially entered into with Rothschild & Cie by your Supervisory Board on 4 March 2003, until the finalization of the acquisition of the 45% interest in V & M TUBES, in return for the payment of an additional flat-rate commission of € 1,500,000, excluding taxes, half of which related to services provided during the second half of 2004. The fees borne by your Company in respect of the year ended 31 December 2005 thus totalled € 750,000, excluding taxes.

We conducted our procedures in accordance with professional standards applicable in France; those standards require that we agree the information provided to us with the relevant source documents.

Neuilly-sur-Seine, 26 April 2006

The Statutory Auditors

BARBIER FRINAULT & AUTRES
Ernst & Young

CALAN RAMOLINO et ASSOCIES

Philippe HONTARREDE Christine STAUB

Bertrand de FLORIVAL Bernard SCHEIDECKER

8.3.3 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders of Vallourec,

In accordance with our appointment as statutory auditors by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Vallourec for the year ended 31 December 2005.

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these annual financial statements based on our audit. These financial statements have been prepared for the first time in accordance with the IFRS framework as adopted in the European Union. They comprise, by way of comparison, the data relating to the financial year 2004 restated in accordance with the same rules with the exception of IAS 32 and IAS 39 which, in accordance with the option offered under IFRS 1, are only applied by the Company as from 1 January 2005.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and assets and liabilities of the Group as of December 31, 2005 and the results of its operations for the year then ended in accordance with the IFRS framework as adopted in the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Company Law (*Code de Commerce*) relating to the justification of our assessments, we draw to your attention the following matters:

As specified in paragraph A-2.2 of the notes to the consolidated financial statements, the Management of Vallourec is required to make estimates and assumptions that affect the amounts in the consolidated financial statements and accompanying notes. These assumptions are, by nature, subject to uncertainties, and actual results could differ from these estimates. In the context of our audit of the consolidated financial statements for the year ended 31 December 2005, we considered that, of those items that are subject to significant accounting estimates, a justification of our assessments was required in the case of long-lived tangible and intangible assets, goodwill, provisions for liabilities and charges, retirement benefit obligations and financial instruments:

- The methods adopted in respect of the valuation of long-lived tangible and intangible assets and goodwill are described in paragraphs A-2.6 to A-2.10 of the notes to the consolidated financial statements. We have assessed the information and assumptions on which the estimates used by Management were based and have reviewed the calculations made by your Company as explained in notes 1 and 2 to the consolidated financial statements.

- The principles adopted in respect of providing for liabilities and charges are described in paragraph A-2.12 of the notes to the consolidated financial statements. We have assessed the bases on which such provisions were made and the information concerning any significant contingencies of which the Company was aware at the year end, and reviewed the appropriateness of the information disclosed in note 15 to the consolidated financial statements.
- The principles adopted in respect of provisions for retirement obligations are described in paragraph A-2.13 of the notes to the consolidated financial statements. These obligations have been measured by independent actuaries. We have examined the information used, assessed the assumptions adopted and reviewed the appropriateness of the information disclosed in note 16 to the consolidated financial statements.
- The principles adopted in respect of the recognition and presentation of financial instruments are described in paragraph A-2.16 of the notes to the consolidated financial statements. We have assessed the documentation prepared by your Company justifying, in particular, the classification of financial instruments, the hedging relationships as well as their effectiveness, and reviewed the appropriateness of the information disclosed in note 8 of the consolidated financial statements.

On the basis of the above, we assessed whether these estimates were reasonable.

The assessments on these matters were performed in the context of our audit approach for the consolidated financial statements taken as a whole, and therefore contributed to enable us to express an unqualified opinion in the first part of this report.

III. Specific procedures and disclosures

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine, 26 April 2006

The Statutory Auditors

CALAN RAMOLINO ET ASSOCIES

BARBIER FRINAULT & AUTRES

Ernst & Young

Bertrand de Florival Bernard Scheidecker

Philippe Hontarrède Christine Staub

8.3.4 Statutory Auditors' report on the report of the Chairman of the Supervisory Board on internal control procedures

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMPANY LAW (*CODE DE COMMERCE*), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF VALLOUREC, WITH RESPECT TO THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND TREATMENT OF THE FINANCIAL AND ACCOUNTING INFORMATION.

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Vallourec shareholders,

In our capacity as Statutory Auditors of Vallourec and in accordance with Article L. 225-235 of the French Company Law (*Code de Commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-68 of the French Company Law (*Code de Commerce*) for the year ended 31 December 2005.

It is the Chairman's responsibility to report, in his report, notably on the conditions of preparation and organization of the Supervisory Board's work and on the internal control procedures implemented in the Company.

It is our responsibility to report to you our observations on the information included in the Chairman's report with respect to the internal control procedures relating to the preparation and treatment of the financial and accounting information.

We have performed our work in accordance with the professional guidelines applicable in France. These guidelines require that we plan and perform our procedures with a view to assessing whether the disclosures in the Chairman's report on the internal control procedures relating to the preparation and treatment of the financial and accounting information are true and fair.

These procedures include:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and treatment of financial and accounting information, as set out in the Chairman's report;
- obtaining an understanding of the work underlying the information thus set out in the report.

On the basis of the procedures we have performed, we have nothing to report with regard to the information concerning the internal control procedures of the Company relating to the preparation and treatment of the financial and accounting information, as included in the report of the Chairman of the Supervisory Board, prepared in accordance with the last paragraph of Article L. 225-68 of the French Company Law (*Code de Commerce*).

Neuilly-sur-Seine, 26 April 2006

The Statutory Auditors

CALAN RAMOLINO ET ASSOCIES

BARBIER FRINAULT & AUTRES

Ernst & Young

Bertrand de Florival Bernard Scheidecker

Philippe Hontarrède Christine Staub



8.4 Supervisory Board report

Vallourec's performance once again improved significantly in 2005: consolidated sales rose by 42% to € 4,307 million, EBITDA rose by 133% to € 1,061 million and the EBITDA/Sales ratio reached a record 24.6%.

During 2005, the Group also achieved a major stage in its development – the acquisition of full control of its subsidiary V & M TUBES. Following this acquisition, Vallourec now has full control over the company's strategy. As already reported, this acquisition contributed to the increase in net income, Group share, which more than tripled to € 473 million, and would have reached € 577 million if the additional 45% stake in V & M TUBES had been acquired on 1 January 2005.

The Supervisory Board congratulates the Management Board and, *via* the Management Board, all Group employees for these truly remarkable results, which illustrate the commitment and motivation demonstrated throughout the Group.

The Supervisory Board has examined the Management Board's management report and the financial statements for the year ended 31 December 2005 as well as the various documents attached thereto. The Supervisory Board considers that they accurately reflect the position of the Company and of the Group and that no special remarks are called for.

The Board has also reviewed the report of the Chairman of the Supervisory Board on the conditions governing the preparation and organization of the Supervisory Board's work and the internal control procedures implemented by the Company.

The Management Board proposes that you approve the payment of a dividend of € 11.20 per share, up significantly on the dividend of € 3.20 per share paid last year, which was itself double the dividend paid the year before. After taking into account the interim dividend of € 4 per share already paid in October 2005, the balance of € 7.20 per share will be paid on 5 July 2006. When the financial statements for the first half of 2006 are reviewed, consideration will be given to the possibility of paying, during the second half of the year, an interim dividend in respect of the financial year 2006.

One of the resolutions on which you will vote at the Annual General Meeting asks you to approve the transactions referred to in the Statutory Auditors' report on certain related party transactions entered into during 2005 or entered into in prior years and which continue to apply in 2005. These transactions mainly relate to the

acquisition of the 45% stake in V & M TUBES from Salzgitter Mannesmann. Three representatives from Salzgitter Mannesmann sit on Vallourec's Supervisory Board.

On 14 December 2005, Mr Kunibert Martin resigned from the Supervisory Board due to his retirement. The Supervisory Board would like to express its sincere thanks to Mr Martin for his commitment to Vallourec, which began even before his appointment to the Board in 2001 with his involvement in the initial studies relating to the setting up of V & M TUBES in 1997. The Board would also like to thank him for his contribution to the work of that company, particularly as a member of the Finance Committee since 2002. The Board has appointed Mr Heinz Jörg Fuhrmann to replace Mr Martin. Mr Fuhrmann has spent his entire career in the steel industry and is a member of the Executive Board and CFO of Salzgitter.

The appointments of Messrs Patrick Boissier, Wolfgang Eging, Heinz Jörg Fuhrmann, Denis Gautier-Sauvagnac and Jean-Paul Parayre as members of the Supervisory Board expire at the close of this General Meeting. The Board proposes that you renew these appointments for a period of five years expiring at the close of the General Meeting called to approve the financial statements for the financial year 2010.

The appointments of your Statutory Auditors have also expired. Following a selection process supervised by the Finance Committee of the Supervisory Board, the latter has decided to propose that you renew the appointment of Deloitte & Associés (until now represented by the firm Calan, Ramolino et Associés) and appoint KPMG SA as new Statutory Auditors.

Finally, you are asked to renew the annual share buy-back authorization. The terms of the authorization are in line with those normally governing such authorizations.

The other resolutions you are asked to approve do not call for particular comment and we invite you to approve them.

The Supervisory Board has also reviewed the resolutions presented to the Extraordinary General Meeting called at the close of this Annual General Meeting as well as the content of the Management Board's report to that Meeting. Although the Supervisory Board is not required to report on any of the matters covered by the resolutions, we confirm that we have examined the resolutions extremely carefully and we invite you to approve them.

8.5 Resolutions

Ordinary General Meeting of 1 June 2006

FIRST RESOLUTION *(Approval of the Statutory Auditors' special report on certain related party transactions)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having heard the special report of the Auditors in respect of the agreements subject to Article L. 225-86 of the French Code de Commerce, approves the operations stated in that report and records, where relevant, the continuation of agreements authorized previously during the year under review.

SECOND RESOLUTION *(Approval of the Company financial statements and the management report of the Management Board)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having heard the reports of the Management Board, the report of the Chairman of the Supervisory Board on internal control, the report of the Supervisory Board and the general report of the Auditors for the financial year ended 31 December 2005, hereby approves the management report of the Management Board and the Company financial statements for the financial year 2005 as presented, which show net income of € 14,144,934.26.

THIRD RESOLUTION *(Approval of consolidated financial statements)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having heard the reports of the Management Board, the Supervisory Board and the Auditors, approves the consolidated financial statements for the year ended 31 December 2005 as presented to it, which show net income of € 632,389 thousand.

FOURTH RESOLUTION *(Allocation of net income)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, hereby approves the allocation of net income recommended by the Management Board.

In so doing, it resolves to appropriate from the net income for the financial year an amount of € 1,460,752 to the legal reserve and to appropriate the balance of € 12,684,182.26, increased by the amount of € 106,039,536.14, € 101,916,198.73 of which was deducted from retained earnings and € 4,123,337.41 of which was deducted from general reserves, to give a total of € 118,723,718.40, to the distribution of dividends.

Shareholders are reminded that, at its meeting on 14 September 2005, the Management Board had already decided to distribute an interim dividend of € 4 per share (giving a total payment of € 41,322,332). This interim dividend was paid on 12 October 2005.

Accordingly, the balance of € 7.20 shall be paid to each of the 10,600,332 shares representing the share capital at 31 December 2005, corresponding to a total dividend paid to each share in respect of the financial year 2005 of € 11.20.

The Meeting stipulates that the Company shall not receive any dividend in respect of any of its own shares that it may hold on the ex-dividend date. The corresponding amount shall be appropriated to retained earnings. Accordingly, the Meeting authorizes the Management Board, if necessary, to amend the final amount of dividends actually distributed and the final amount appropriated to retained earnings.

The dividend will be paid on 5 July 2006.

In accordance with the provisions of Article 158.3 (2°) of the French General Tax Code (*Code Général des Impôts*), this dividend is eligible for the 40% deduction designed to compensate individuals domiciled in France for tax purposes for the abolition of the tax credit.



The General Meeting notes that the dividends granted for the preceding three financial years were as follows:

Financial year	Number of shares	Net dividend per share (in €)	Tax credit per share (in €)	Total income per share (in €)
2002	9,730,226	2.10	1.05 (50%)	3.15
2003	9,730,226	1.60	0.80 (50%)	2.40
2004	9,869,956	3.20	None	3.20

FIFTH RESOLUTION *(Ratification of the appointment of Mr Heinz Jörg Fuhrmann as a member of the Supervisory Board, to replace Mr Kunibert Martin, who has resigned)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, ratifies, in accordance with Article L. 225-78 of the French Code de Commerce, the provisional appointment as a member of the Supervisory Board of Mr Heinz Jörg Fuhrmann at the Supervisory Board meeting on 14 December 2005, to replace Mr Kunibert Martin, who resigned, for the remainder of Mr Martin's term of office, that is until the close of this Ordinary General Meeting.

SIXTH RESOLUTION *(Renewal of the term of office of a member of the Supervisory Board, said term of office having expired)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, resolves to renew the appointment as a member of the Supervisory Board of Mr Patrick Boissier for a term of five (5) years expiring at the end of the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2010.

SEVENTH RESOLUTION *(Renewal of the term of office of a member of the Supervisory Board, said term of office having expired)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, resolves to renew the appointment as a member of the Supervisory Board of Mr Wolfgang Eging for a term of five (5) years expiring at the end of the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2010.

EIGHTH RESOLUTION *(Renewal of the term of office of a member of the Supervisory Board, said term of office having expired)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, resolves to renew the appointment as a member of the Supervisory Board of Mr Heinz Jörg Fuhrmann for a term of five (5) years expiring at the end of the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2010.

NINTH RESOLUTION *(Renewal of the term of office of a member of the Supervisory Board, said term of office having expired)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, resolves to renew the appointment as a member of the Supervisory Board of Mr Denis Gautier-Sauvagnac for a term of five (5) years expiring at the end of the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2010.

TENTH RESOLUTION *(Renewal of the term of office of a member of the Supervisory Board, said term of office having expired)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, resolves to renew the appointment as a member of the Supervisory Board of Mr Jean-Paul Parayre for a term of five (5) years expiring at the end of the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2010.

ELEVENTH RESOLUTION *(Appointment of new Statutory Auditors)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, notes the expiry of the term of office as Statutory Auditors of the Company Barbier Frinault & Autres and resolves not to renew its appointment.

The General Meeting, on the recommendation of the Supervisory Board, resolves to appoint KPMG, domiciled at 1 Cours Valmy, 92923 Paris La Défense Cedex, as Statutory Auditors for a term of six (6) financial years until the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2011.

TWELFTH RESOLUTION *(Appointment of new Statutory Auditors)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, notes the expiry of the term of office as Statutory Auditors of the Firm Calan, Ramolino et Associés and resolves not to renew its appointment.

The General Meeting, on the recommendation of the Supervisory Board, resolves to appoint Deloitte & Associés whose registered office is at 185, avenue Charles de Gaulle, 92524 Neuilly Sur Seine, as Statutory Auditors for a term of six (6) financial years until the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2011.

THIRTEENTH RESOLUTION *(Appointment of new Alternative Auditors)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, notes the expiry of the term of office as Alternative Auditor of Mr Jean-Marc Besnier and resolves not to renew his appointment.

The General Meeting, on the recommendation of the Supervisory Board, resolves to appoint SCP Jean-Claude André & Autres, domiciled at Les hauts de Villiers, 2 bis rue de Villiers, 92300 Levallois-Perret, as Alternative Auditors to KPMG for a term of six (6) financial years until the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2011.

FOURTEENTH RESOLUTION *(Renewal of the term of office of Alternative Auditors)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, notes the expiry of the term of office as Alternative Auditors of BEAS Sarl and resolves to renew its appointment as Alternative Auditors to Deloitte & Associés for a term of six (6) financial years until the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2011.

FIFTEENTH RESOLUTION *(Modification of attendance fees)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, fixes at € 400,000 the total maximum annual amount of attendance fees that may be granted to members of the Supervisory Board for the financial year 2006 and each subsequent financial year until decided otherwise.

SIXTEENTH RESOLUTION *(Authorization of share buy-back programme)*

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, having heard the reports of the Management Board and Supervisory Board, authorizes the Management Board, in accordance with Articles L. 225-209 et seq. of the French Code de Commerce and the conditions laid down in Articles 241-1 to 241-8 of the general regulation of the *Autorité des Marchés Financiers* and European Regulation no. 2273/2003 of 22 December 2003 implementing EC Directive 2003/6/EC of 28 January 2003, to purchase the Company's shares with a view to:

- their attribution or sale (i) in accordance with the provisions of Articles L. 225-179 et seq. of the French Code de Commerce, or (ii) within the context of a share ownership plan or company savings plan, or (iii) in accordance with the provisions of Articles L. 225-197-1 et seq. of the French Code de Commerce, or
- an investment services provider stimulating the market for or liquidity of the shares by means of a liquidity contract in accordance with the code of business ethics recognized by the *Autorité des Marchés Financiers*, or



- their subsequent use by way of exchange, payment or other use in connection with any acquisition transaction, or
- their use in connection with the exercise of rights attached to transferable securities giving the right via the redemption, conversion, exchange, presentation of a warrant or in any other way to the attribution of shares in the Company, or
- their cancellation, subject to a further authorization being given by an Extraordinary General Meeting called and held subsequent to this day,
- implementing any market practice authorized by the Autorité des Marchés Financiers, and more generally carrying out any other transaction allowed by the prevailing legislation.

Purchases of Company shares may apply to a number of shares such that the number of shares held by the Company subsequent to such purchases does not exceed 10% of the Company's share capital. Such percentage shall apply to the share capital as adjusted for any transactions that may affect the share capital subsequent to this General Meeting.

The purchase, disposal, exchange or transfer of shares may be carried out by the Management Board on one or more occasions, at the times the Board considers appropriate, by any means on the stock exchange or over-the-counter and notably through any intervention on or off the market, public purchase or exchange offer, or the purchase of blocks of shares, including through the use of financial derivatives. The full amount of the repurchase programme may be acquired, ceded, exchanged or transferred by means of blocks of shares. Purchase, disposal, exchange or transfer transactions may take place during the period of a public offering subject to the limits authorized by the prevailing legal and regulatory requirements and subject to the provisions of Article 631-6 of the general regulation of the Autorité des Marchés Financiers relating to "black-out periods".

The maximum purchase price of each share is set at the value of the share at the close of the last stock exchange trading session preceding this General Meeting, increased by 50%.

The General Meeting invests all power in the Management Board to adjust the aforementioned purchase price in order to take account of the impact of any financial transactions on the value of the shares. In particular, in the event of any transactions in the Company's share capital, notably in the event of a stock split or reverse stock split, a capital increase by means of the capitalization of reserves and the attribution of bonus shares, the aforementioned prices shall be multiplied by a coefficient equal to the ratio between the number of

shares comprising the share capital before the transaction and the number after the transaction.

The General Meeting also resolves that, in the event of a public offer for the Company's shares to be settled entirely in cash, the Company may continue to implement its share buy-back programme.

The maximum amount of funds earmarked for the share buy-back programme is € 750 million.

The General Meeting invests all power in the Management Board to carry out these operations and to decide on and implement this authorization and, in particular, to place any stock exchange orders, conclude any agreements, notably concerning the keeping of registers of purchases and sales of shares, make any declarations to the Autorité des Marchés Financiers or any other body and effect the adjustment provided for under the prevailing regulations in the event of the purchase of shares at a price higher than the stock exchange price.

The Management Board is expressly authorized to delegate to its Chairman, with the latter having the option to sub-delegate to a person of his choice, the execution of decisions taken by the Management Board in connection with this authorization.

This authorization is granted for a period of eighteen months from today.

It cancels and replaces the authorization given by the Ordinary and Extraordinary General Meeting held on 7 June 2005.

8.6 Subsidiaries and participating interests as at 31 December 2005 in € thousand

Companies	Capital	Other share-holders' equity before allocation of income (loss)	Share of capital held (%)	Carrying amount of securities held	Loans and advances granted by Vallourec and not yet repaid	Total security and guarantees given by Vallourec	Sales excluding taxes for the last financial year	Income (loss) for the last financial year	Dividends received by Vallourec during the financial year
				gross	net				
A) Subsidiaries and participating interests with a carrying amount in excess of 1% of Vallourec's capital (i.e. € 2,120 thousand)									
Subsidiaries (at least 50%-owned) French companies									
Setval 130, rue de Silly 92100 Boulogne-Billancourt 322 593 104 RCS Nanterre	6,000	1,708	100	6,098	6,098	-	45,009	1,091	-
ValTubes 130, rue de Silly 92100 Boulogne-Billancourt 682 001 771 RCS Nanterre	100,323	76,455	100	216,323	216,323	-	27	42,198	3,010
VALLOUREC & MANNESMANN TUBES 130, rue de Silly 92100 Boulogne-Billancourt 411 373 525 RCS Nanterre	473,991	422,908	100	833,982	833,982	21,192	-	201,757	-
B) Overall information on other subsidiaries and participating interests									
I. Subsidiaries (at least 50%-owned)									
a) French companies				54	40				198
b) Foreign companies				1,338	941				440
II. Participating interests (10% to 50%-owned)									
a) French companies				-	-				-
b) Foreign companies				-	-				13



8.7 Companies controlled directly or indirectly as at 31 December 2005 (Law L. 233-3 of the Code de Commerce)

I - Direct controlling interest:

Name	% held	Name	% held
■ ASSURVAL	99.00		
■ SETVAL	100.00	■ FINALOUREC (Luxembourg)	99.99
■ VALSEPT	100.00	■ VALLOUREC Inc. (USA)	100.00
■ VALLOUREC & MANNESMANN TUBES	100.00	■ VALLOUREC TUBES CANADA (Canada)	100.00
■ ValTubes	100.00		

II - Indirect controlling interest, through:

Name	% held	Name	% held
ValTubes		VALLOUREC & MANNESMANN TUBES	
■ CEREC	100.00	■ OMSCO (USA) (via VALLOUREC & MANNESMANN HOLDING Inc.)	100.00
■ ESCOFIER TECHNOLOGIE	100.00	■ PEISA (Mexico)	100.00
■ INTERFIT	100.00	■ PRINVER (Mexico)	100.00
■ METALS PROCESS SYSTEMS	99.70	■ VALLOUREC INDUSTRIES Inc. (USA)	
■ SIDRO ROHRBOGEN GmbH (Germany)	100.00	(via VALLOUREC & MANNESMANN HOLDING Inc.)	100.00
■ SOPRENEUF	100.00	■ VALLOUREC ITALIANA Srl	50.00
■ SPECITUBES	100.00	(other subsidiaries hold the remainder)	
■ VALINOX NUCLEAIRE	100.00	■ VALLOUREC MANNESMANN OIL & GAS FRANCE	99.36
■ VALLOUREC BENELUX (Belgium)	99.96	■ VALLOUREC MANNESMANN OIL & GAS GERMANY GmbH	
■ VALLOUREC GmbH (Germany)	100.00	(Germany) (via V & M DEUTSCHLAND GmbH)	100.00
■ VALLOUREC NORDEN (Sweden)	100.00	■ VALLOUREC MANNESMANN OIL & GAS UK Ltd (GB)	99.37
■ VALLOUREC COMPOSANTS		■ VALLOUREC & MANNESMANN HOLDING Inc. (USA)	100.00
AUTOMOBILES HAUTMONT	100.00	■ VALLOUREC & MANNESMANN TUBES CORP. (USA)	
■ VALLOUREC COMPOSANTS		(via VALLOUREC & MANNESMANN HOLDING Inc.)	100.00
AUTOMOBILES VITRY	100.00	■ V & M CHANGZHOU Co. Ltd (China)	100.00
■ VALLOUREC PRECISION ETIRAGE	100.00	■ V & M do BRASIL SA (Brazil)	99.41
■ VALLOUREC PRECISION SOUDAGE	100.00	■ V & M FRANCE (other subsidiaries hold the remainder)	99.00
■ VALLOUREC UK Ltd (GB)	100.00	■ V & M DEUTSCHLAND GmbH (Germany)	100.00
■ VALTI	100.00	■ V & M SERVICES	100.00
■ VALTIMET	51.30	■ V & M ONE Sarl (via V & M SERVICES)	100.00
		■ V & M STAR (via V & M ONE)	80.53
		■ VAM FAR EAST Pte Ltd (Singapore)	51.00
		■ VAM PREMIUM CONNECTIONS Inc. (Canada)	100.00
		■ VAM PTS (USA) (via Vallourec Industries Inc.)	51.00
VALINOX NUCLEAIRE			
■ VALINOX NUCLEAR (USA)	100.00		
VALTIMET		V & M do BRASIL SA	
■ VALINOX ASIA (via VALTIMET)	65.83	■ V & M FLORESTAL Ltda	100.00
■ VALTIMET Inc. (USA) (via VALTIMET)	100.00	■ V & M MINERAÇÃO Ltda	100.00
VALINOX ASIA			
■ CHANGZHOU VALINOX GREAT WALL (China)	100.00		
VALTI			
■ VALTI GmbH (Germany)	100.00		

NONE OF THE ABOVE COMPANIES DIRECTLY HELD ANY OF ITS OWN SHARES AT 31 DECEMBER 2005



8.8 Evaluation of securities portfolio as at 31 December 2005

Name of company	Number of securities and nominal value	Carrying amount in € thousand
I - SHARES AND UNITS		
a) French participating interests		
Setval	399,998 units of € 15	6,098
ValTubes	6,688,181 shares of € 15	216,323
Valsept	2,500 shares of € 15	32
VALLOUREC & MANNESMANN TUBES	31,599,402 shares of € 15	833,982
b) Foreign participating interests		
Finalourec	47,995 shares of € 4.58	39
Vallourec Tubes Canada	100,000 shares of no par value	604
Vallourec Inc.	1,000 shares of USD 50	298
c) Other participating interests		
Assurval	495 units of € 20	8
Alberto Roca Deu SL	40 shares of € 6.01	-
II - BONDS AND SIMILAR SECURITIES		none
Total		1,057,384

8.9 Five-year financial summary in euros

	2001	2002	2003	2004	2005
CAPITAL					
Share capital	194,604,520	194,604,520	194,604,520	197,399,120	212,006,640
Number of ordinary shares in issue	9,730,226	9,730,226	9,730,226	9,869,956	10,600,332
Number of preference dividend shares (without voting rights) in issue					
Maximum number of new shares to be issued:					
- by conversion of bonds					
- by exercise of subscription rights	178,500	172,250	171,750	32,020	8,174
- by redemption of bonds					
OPERATIONS AND RESULTS FOR THE YEAR					
Sales excluding tax	-	-	-	-	-
Income (loss) before tax, employee profit sharing, amortization, depreciation and provisions	29,404,736	25,555,607	71,129,582	-58,687,367	-11,515,957
Income tax	-2,026,370	-12,983,543	-3,192,803	-5,827,453	-10,031,246
Employee profit sharing in respect of the year					
Income (loss) after tax, employee profit sharing, amortization, depreciation and provisions	39,457,204	19,058,711	56,780,396	30,064,061	14,144,934
Dividends distributed	20,433,473	20,433,475	15,568,362	31,583,859	118,723,718
PER SHARE DATA					
Income (loss) after tax and employee profit sharing, but before amortization, depreciation and provisions	3.23	3.96	7.64	-5.36	-0.14
Income (loss) after tax, employee profit sharing, amortization, depreciation and provisions	4.06	1.96	5.84	3.05	1.33
Dividend allotted to each share	2.10	2.10	1.60	3.20	11.20
EMPLOYEES					
Average number of employees during the financial year	4	6	5	5	5
Payroll for the financial year	452,178	422,011	530,257	594,460	573,987
Payroll-related costs (social security, employee benefits, etc.)	149,523	155,074	217,987	188,462	214,024