



V A L L O U R E C

Vallourec to pursue its growth strategy and strengthen its competitiveness:

Sumitomo Metals and Vallourec to jointly build a new state-of-the art integrated seamless pipe mill in Brazil

Boulogne-Billancourt, 28 March 2007 - Anticipating sustained demand for premium seamless steel tubes, Sumitomo Metals and Vallourec, the two long-standing partners in the field of premium connections for Oil & Gas applications, today announced their intention to jointly build and operate a premium seamless pipe plant in Brazil.

This new state-of-the art integrated steel works and seamless pipe mill to be erected in the State of Minas Gerais will have an annual seamless pipe production capacity of 600,000 tonnes. Production is expected to begin by mid-2010. The output will be shared equally between the two companies, i.e. each will have a capacity of 300,000 tonnes of seamless pipes per year. Pooling their resources will thus enable each company to meet its own projected increase in demand for premium products and reinforce its market position.

As part of the project, a steel mill will be erected with an annual capacity of 1,000,000 tonnes of steel in the form of round billets, of which approximately 700,000 tonnes will be required to feed the new seamless pipe plant, and the balance (i.e. 300,000 tonnes) will be used by Vallourec to reduce its external steel supply.

The new Brazilian tube mill will be primarily dedicated to the production of seamless OCTG (Oil Country Tubular Goods) products. It will produce tubes with diameters ranging from 168.3mm to 406.4mm and will include heat treatment capacity as well as threading lines. When running at full capacity, the joint venture will employ more than 1,000 people.

Sumitomo Metals and Vallourec, both experienced and recognized world class suppliers of tube + premium connections, share the view that the seamless pipe market for Oil and Gas applications will further develop, fuelled by strong existing and future energy demand worldwide. In particular, the need for premium seamless pipes to cater for increasingly challenging drilling conditions is expected to expand at a remarkable pace.

By pooling their expertise and strength, Sumitomo Metals and Vallourec will be able to erect a world-leading, premium seamless pipe manufacturing plant, using the latest technology available. They have decided to build such a high performance seamless pipe plant in Minas Gerais, Brazil, allowing them to benefit from the excellent access to growing markets (including North America, the Middle East and Africa) that such a location offers, as well as from the low raw material and manufacturing costs available in Brazil.

Sumitomo Metals and Vallourec have today signed a Memorandum of Understanding ('MOU') to create the joint venture that will build and operate the plant. Under the terms of this MOU, ownership of the joint venture will be split between the two partners such as it reflects, among other things, their respective steel and pipe output allocation. As such, Vallourec will have a majority interest in the joint venture.

The total investment is estimated at approximately US\$ 1.6 billion. A definite decision will be confirmed after final approval from the respective boards and presentation of the project to the relevant employee representative bodies as well as to the competent regulatory authorities.

The joint venture will increase Vallourec's global seamless pipe capacity by approximately 10%. It will also reinforce Vallourec's self-sufficiency in steel supply, enabling it to reduce its external steel purchases. This decision is perfectly in line with Vallourec's selective growth strategy, which involves strengthening its presence in high value-added products whilst reinforcing the competitiveness of its production base.

Vallourec currently operates two rolling mills in Brazil, which are fully integrated with two blast furnaces. In total, more than 5,000 people already work for Vallourec in Minas Gerais state, supplying seamless pipes mainly to the growing domestic Brazilian market, in which Petrobras is its main customer.

Sumitomo Metals and Vallourec, world leaders in the manufacture of high quality seamless pipes, have been collaborating for over 30 years in the field of VAM[®] premium connections for Oil & Gas applications. Whilst Sumitomo Metals has been operating a license to produce VAM[®] connections since 1976, cooperation between the two companies was extended in 1984 to include an R&D agreement.

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Appendix: Profile of the joint venture

Profile of the joint venture

Business	➤ Manufacture of seamless pipes (Manufacturing company; each parent company to conduct sales activities)
Capacity	➤ 600,000 tonnes/year of seamless pipes (300,000 tonnes/year for each parent company) ➤ One million tonnes/year of crude steel (The seamless pipe mill will use 700,000 tonnes and Vallourec will buy the rest)
Equipment	➤ Integrated steel works including: - Upstream facilities such as blast furnace and steel making plants - Seamless pipe mill (diameter of tubes ranging from 168.3 to 406.4mm) - Finishing facilities
Location	➤ State of Minas Gerais, Brazil
Scheduled production start-up	➤ By mid-2010
Investment	➤ Approximately US\$ 1.6 billion
Governance	➤ Each parent company will have the same number of management committee members
Shareholders	➤ Sumitomo Metals, Sumitomo Corporation and Vallourec: Share ownership will be split between Sumitomo and Vallourec to reflect the pipe and steel output allocation. Vallourec will have a majority holding in the joint venture.

About Sumitomo Metals Industries Ltd

Sumitomo Metal Industries, Ltd., one of the major integrated steelmakers in Japan, supplies wide variety of high quality steel products including sheets and plates, pipes and tubes, and components for trains. In pipes and tubes, its technology ranks as the best in the world.

About Vallourec

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

Vallourec is listed on the Euronext Paris Eurolist (ISIN code: FR0000120354), is eligible for the deferred settlement system and is included in the following indices: MSCI World Index, Euronext 100, CAC 40 and SBF 120. FTSE classification: engineering and machinery.

Calendar

- Results for the first quarter of 2007 will be released on 3 May 2007.
- The General Meeting will be held on 6 June 2007.
- Investor Day: 14 June 2007
- Results for the first half of 2007 will be released on 31 July 2007.

For further information, please contact:**Corporate Secretary and
External Communications**

Henri Redig
Vallourec
Tel: 33 (0)1 49 09 38 28
E-mail: henri.redig@vallourec.fr

Investor relations

Etienne Bertrand
Vallourec
Tel: 33 (0)1 49 09 35 58
E-mail: etienne.bertrand@vallourec.fr

Press relations

Fabrice Baron
Gavin Anderson & Co.
Tel: 33 (0)1 53 32 61 27
E-mail: fbaron@gavinanderson.fr

www.vallourec.com