

PRESS RELEASE



V A L L O U R E C

2003 FIRST-HALF RESULTS

In an economic environment that remains difficult:

- Consolidated sales: € 1,199 million (-6.0%)
- EBITDA/sales ratio in line with the Group's expectations: 9.3%
- Group share of net income: € 18.2 million
- Gearing ratio: 12.4%

Boulogne-Billancourt, 17 September 2003 - Vallourec, world leader in the production of seamless steel tubes and tubular products for specific industrial applications, today announced its consolidated results for the first half of 2003. The consolidated financial statements were presented by the Executive Board to the Supervisory Board at its meeting of 16 September 2003.

The results for the first half of 2003 were achieved in an economic environment that remains very difficult, and comparisons are based on the particularly good results of the first half of 2002. Consolidated sales for the first half of 2003 declined by 6.0% to € 1,198.8 million (€ 1,079.1 million when excluding V & M STAR). EBITDA amounted to € 111.6 million, giving an EBITDA/sales ratio of 9.3%, in line with the Group's earlier announcement. Consolidated net income was € 37.0 million (3.1% of sales) compared with € 84.1 million in the first half of 2002. Group share of net income amounted to € 18.2 million.

Consolidated data In € million	First half 2002*	First half 2003 excl. V & M STAR	First half 2003		Change First half 2003 / 2002
			in € million	as a % of sales	
Sales	1,275.9	1,079.1	1,198.8		-6.0%
EBITDA	193.0	99.4	111.6	9.3%	-42.2%
Operating income	148.5	56.8	59.0	4.9%	-60.3%
Income before tax and extraordinary items	129.1		60.6	5.1%	-53.1%
Total consolidated net income	84.1		37.0	3.1%	-56.0%
Net income (Group share)	40.0		18.2	na	-54.5%

* V & M STAR was consolidated with effect from the second half of 2002 only



Consolidated data In € million	First half 2002*	First half 2003
Gross cash flow from operations	142.6	113.6
Change in gross operating working capital requirement	+22.0	+2.5
Gross capital expenditure	50.0	31.1

* V & M STAR was consolidated with effect from the second half of 2002 only

	31.12.2002	30.06.2003
Net debt	106.4	130.7
Shareholders' equity (including minority interests)	1,069.0	1,057.9
Shareholders' equity (Group share)	653.0	629.7

The main changes in consolidation scope compared with the first half of 2002 were as follows:

- Acquisition and transfer on 1 July 2002 of the assets of V & M STAR, with consolidation in the 2002 financial statements as from this date.
- Sale on 31 May 2002 of Jacot, with effect from 1 June 2002. This disposal does not have a significant impact on the comparison of sales between the first half of 2002 and the first half of 2003.

ACTIVITY

Sales for the first half of 2003 (down 6.0% to € 1,198.8 million) continued the trend seen since the fourth quarter of 2002. On a like-for-like basis (excluding V & M STAR), the decline in sales reflects the combination of an adverse volume effect (-7.0%) and a mix, price and exchange effect (-9.1%). This stems mainly from the depreciation of the dollar and the real, although prices held up well.

The Oil and Gas activity continued to be impacted in the first quarter of 2003 by uncertainties raised by the crisis in Iraq. In the second quarter, the OCTG market saw a recovery in the USA, but not in the rest of the world. Overall, sales of tubular products for the Oil and Gas market declined by 10.7% compared with the second half of 2002. As regards the supply of tubes for power plants, sales weakened despite the level of activity in China remaining very satisfactory.

Products for the automotive industry posted a good performance. The mechanical engineering and chemicals and petrochemicals sectors continued to suffer due to weak demand in Europe. Overall, the non-energy activities did, however, post an increase of 1.4% compared with the second half of 2002.

In terms of geographic breakdown, sales outside the European Union represented 52.0% of Group sales.



Sales by business line

	Sales (In € million)	Weight in total sales for first half 2003	Change First half 2003 / Second half 2002
Oil and gas	441	36.8%	-10.7%
Power generation	126	10.5%	-19.7%
Total Energy	567	47.3%	-12.9%
Automotive	240	20.0%	+16.5%
Mechanical engineering	173	14.4%	-6.5%
Chemical and petrochemicals	134	11.2%	-9.4%
Others	85	7.1%	+1.2%
Total excl. Energy	632	52.7%	+1.4%
Total	1,199	100%	-5.9%

RESULTS

During the first half of 2003, Vallourec kept tight control over its operating costs, which, when excluding V & M STAR, were down by 11.5% compared with the first half of 2002.

EBITDA was € 111.6 million compared with € 193.0 million in the first half of 2002, representing 9.3% of sales compared with 15.1% in the first half of 2002. The EBITDA/sales ratio was therefore midway between the minimum target of 5% in a slump period and the performance achieved for the full-year 2002 (13.6%).

Net financial income was € 1.6 million, reflecting exchange rate gains on US\$-denominated liabilities.

After an income tax charge of € 16.8 million, consolidated net income was € 37.0 million, giving a margin of 3.1%. Group share of net income was € 18.2 million.

The Group's financial situation remains very healthy. After a distribution of dividends amounting to € 58.0 million in the first half of 2003, compared with € 12.7 million last year, net debt at 30 June 2003 was € 130.7 million (gearing ratio of 12.4%), to be compared to gross cash flow from operations, which reached € 113.6 million in the first half of 2003.

Overall, the performance achieved by the Vallourec group in a difficult economic environment derives particularly from the preservation of selling price level, the good activity recorded by V & M do BRASIL and the product mix structure.



OUTLOOK

Fundamentals for the oil and gas business remain good, even though there has been no significant upturn in demand for OCTG products outside the USA. Activity in Brazil is on a positive trend, with the economic situation having stabilized and lower inflation. By contrast, economic growth in Europe is virtually at a standstill and the dollar's weakness is penalizing Vallourec.

The Group anticipates that sales in the second half of 2003 will be similar to those in the first half. Given the delayed impact of currency movements due to Vallourec's systematic hedging policy, the erosion in the euro/dollar exchange rate will weigh on the results even more in the second half than in the first. However, this is not expected to prevent the Group's net income from remaining distinctly positive in the second half of the current year.

Additional information is available on our web site: www.vallourec.fr

AGENDA

Consolidated sales for the third and fourth quarters of 2003 will be released on 29 October 2003 and 2 February 2004 respectively.

The Group's annual consolidated financial statements for 2003 will be released on 3 March 2004.

APPENDICES

Documents accompanying this release:

- Summary consolidated income statement
- Summary consolidated balance sheet

About Vallourec

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

Vallourec is listed on the Euronext Paris Premier Marché (ISIN code: FR0000120354)

*Vallourec is included in the following indices: SBF 120, NEXT 150, MID CAC.
FTSE classification: engineering and industrial capital goods.*

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VALLOUREC GROUP	Summary consolidated income statement						
(In € million)							
	First half 2002		First half 2003 excl. V & M STAR		First half 2003		Change
		<i>% of sales</i>		<i>% of sales</i>		<i>% of sales</i>	
Sales	1,275.9		1,079.1		1,198.8		-6.0%
Other revenues	80.4		49.5		52.2		-35.1%
Operating revenues	1,356.3		1,128.6		1,251.0		-7.8%
Purchases consumed	-436.2	34.2%	-379.9	35.2%	-424.9	35.4%	-2.6%
Taxes and duties	-33.3	2.6%	-26.0	2.4%	-27.9	2.3%	-16.2%
Payroll costs	-299.2	23.5%	-278.8	25.8%	-298.7	24.9%	-0.2%
Other costs	-366.3	28.7%	-313.2	29.0%	-356.0	29.7%	-2.8%
Provisions	-28.3	2.2%	-31.3	2.9%	-31.9	2.7%	+12.7%
Operating costs	-1,163.3		-1,029.2		-1,139.4		-2.1%
EBITDA	193.0	15.1%	99.4	9.2%	111.6	9.3%	-42.2%
Depreciation	-44.5	3.5%	-42.6	3.9%	-52.6	4.4%	+18.2%
OPERATING INCOME	148.5	11.6%	56.8	5.3%	59.0	4.9%	-60.3%
Net financial income (loss)	0.7				-4.8		
Exchange variation	-19.0				10.4		
Other financial income (loss)	-1.1				-4.0		
FINANCIAL INCOME (LOSS)	-19.4				1.6		
INCOME (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS	129.1				60.6		-53.1%
Extraordinary items - Operations	2.4				-4.1		
- Capital	-4.9				0.2		
- Provisions	2.5				-0.4		
EXTRAORDINARY INCOME (LOSS)	0.0				-4.3		
Amortization of goodwill	-0.5				-1.4		
Employee profit sharing	-4.5				-0.9		
Income tax	-37.4				-16.8		-55.1%
Share in net income (loss) of equity affiliates	-2.6				-0.2		
TOTAL CONSOLIDATED NET INCOME	84.1				37.0		-56.0%
NET INCOME (LOSS), GROUP SHARE	40.0				18.2		-54.5%

Summary consolidated balance sheet

(In € million)	31.12. 2002	30.06.2003		31.12.2002	30.06.2003
Intangible fixed assets	15.8	13.7	Shareholders' equity (1)	653.0	629.7
Goodwill	59.8	54.4			
Tangible fixed assets	646.6	610.0	Minority interests	416.0	428.2
Securities	77.2	73.7	Total	1,069.0	1,057.9
Loans and other	20.6	20.5			
Others	15.6	19.0	Other shareholders' equity	67.5	0.0
	835.6	791.3			
Inventories and work-in-progress	494.1	504.1	Provisions	217.9	233.9
Trade receivables	564.4	571.5	Bank loans and other borrowings	348.1	351.2
			Operating payables	414.1	428.1
Other receivables	60.6	66.6			
Cash	241.7	220.5	Other liabilities	79.8	82.9
Total assets	2,196.4	2,154.0	Total liabilities and shareholders' equity	2,196.4	2,154.0
Net operating working capital requirement	644.4	647.5	(1) of which Group share of income	64.7	18.2
Net debt	106.4	130.7			