

PRESS RELEASE



V A L L O U R E C

2004 FIRST HALF RESULTS

Strong rise in earnings due to strong growth in volumes:

- Sales: € 1,379 million (+15.0%)
- EBITDA: € 156.1 million (+39.9%)
- Net income, Group share: € 40.1 million (+120.3%)

Outlook:

- Sales: 2004 full-year sales growth of over 15%
- EBITDA: Second half of 2004 similar to first half in absolute terms

Boulogne-Billancourt, 15 September 2004 - Vallourec, world leader in the production of seamless steel tubes and tubular products for specific industrial applications, today announced its results for the first half of 2004. The consolidated financial statements were presented on 14 September 2004 by the Executive Board to the Supervisory Board which includes since the Annual General Meeting held on 10 June 2004, Messrs. Vincent Bolloré and Michel de Fabiani, as well as Mr. Thierry Marraud representing Financière de Sainte Marine (Bolloré group).

Consolidated sales for the first half of 2004 increased by 15.0% to € 1,378.8 million. EBITDA rose by 39.9% to € 156.1 million, giving an EBITDA/sales ratio of 11.3% compared with 9.3% for the first half of 2003. Total consolidated net income more than doubled. Group share of net income amounted to € 40.1 million compared with € 18.2 million for the first half of 2003.

Income statement (in € million)	First half 2003		First half 2004		Change H1 2004/ H1 2003
		as a % of sales		as a % of sales	
Sales	1,198.8		1,378.8		+15.0%
EBITDA	111.6	9.3%	156.1	11.3%	+39.9%
Operating income	59.0	4.9%	106.5	7.7%	+80.5%
Income before tax and extraordinary items	60.6	5.1%	102.4	7.4%	+69.0%
Total consolidated net income	37.0	3.1%	77.4	5.6%	+109.2%
Net income, Group share	18.2	N.A.	40.1	N.A.	+120.3%

ACTIVITY

Sales for the first half of 2004 mainly reflect the growth in Vallourec's level of activity: the 15% increase results from the combination of a volume effect of +12.7% and a mix, price and currency effect of +2.0%. The resulting mix, price and currency effect illustrates the initial impact of price increases applied gradually by Vallourec during the first half year as a means of passing on in its selling prices the increase in its raw material costs.

Vallourec's sales increased across all sectors. The Group's growth in the first half of 2004 was mainly driven by the demand for tubes for power generation plants in China and for tubes for oil and gas drilling in the US.

Sales by market

	First half 2004 sales (in € million)	Change First half 2004/ First half 2003	Contribution to total sales First half 2004
Oil and gas	501	+13.6%	36.3%
Power generation	198	+57.1%	14.4%
Total Energy	699	+23.3%	50.7%
Automotive	251	+4.6%	18.2%
Mechanical engineering	190	+9.8%	13.8%
Chemicals and petrochemicals	148	+10.4%	10.8%
Other	91	+7.1%	6.5%
Total Non-Energy	680	+7.6%	49.3%
Total	1,379	+15.0%	100%

In the oil and gas sector, the upturn was reasonably significant: despite the fall in the dollar, which was still material during the first half of 2004 in comparison with the second half of 2003, sales increased by 13.6% compared with the first half of 2003. When compared with the second half of 2003, the increase was even greater at 18.2%. Sales of OCTG tubes for oil and gas drilling recovered strongly in the US due to the combined effect of more buoyant activity, particularly on the part of the independent oil companies, and the recovery of market shares by V & M STAR. In the rest of the world, demand also increased, but more gradually, reflecting the cautious attitude of the major oil companies towards increasing their investment expenditure despite the increase in the price of crude oil.

Sales in the power generation sector rose by 57.1% compared with the first half of 2003 and by 27.7% compared with the second half of 2003. This strong growth over two consecutive half years is mainly due to the Chinese investments made in the electricity generation sector, which was particularly high as the country had not installed sufficient new power generation plants in recent years.

As regards tubes and components for the automotive industry, sales were up by 4.6% compared with the same period last year, due mainly to a high level of deliveries of seamless tubes in Brazil.

The improvement in the economic climate had an immediate impact on activity in the mechanical engineering sector and the volume of orders increased significantly. Sales in the first half year were up by 9.8% compared with the first half of 2003, due in part to distributors rebuilding their stock levels.

A similar recovery was experienced in the chemicals and petrochemicals sector, first-half sales being 10.4% higher than for the first half of 2003. Orders have picked up in Europe and the US, due mainly to purchases on the part of distributors, but it is still too early to assess the level of growth in demand on the part of end-users.

RESULTS

Operating costs increased by 15.8%, reflecting both:

- a 32.2% rise in purchases of raw materials, due to the combined effect of higher volumes and the increased cost of these raw materials,
- good control over other operating costs (up 6.0%).

EBITDA rose by 39.9% to € 156.1 million compared with € 111.6 million in the first half of 2003. EBITDA represented 11.3% of sales in the first half of 2004 compared with 9.3% for the same period last year.

Provisions resulting mainly from the proposed closure of two production sites - one in France and one in the US - gave rise to an extraordinary loss of € 10.8 million (compared with an extraordinary loss of € 4.3 million for the first half of last year).

Total consolidated net income rose by 109.2% to € 77.4 million, i.e. 5.6% of sales. As for Group share of net income, it increased by 120.3% to € 40.1 million.

Net debt at 30 June 2004 fell to € 30.0 million compared with € 73.2 million six months earlier. The gearing ratio thus fell from 7.1% at the end of 2003 to 2.8% at 30 June 2004.

Cash flow statement <i>(in € million)</i>	First half 2003	First half 2004
Gross cash flow from operations	113.6	137.0
Change in gross operating working capital requirement	-2.5	-53.1
Gross capital expenditure	-31.1	-31.2
Paid dividends	-58.0	-25.6
Non-operating items	-31.9	+16.1
Reclassification of own shares	-14.4	-
Change in net cash	-24.3	+43.2

Balance sheet items <i>(in € million)</i>	31 December 2003	30 June 2004
Net debt	73.2	30.0
Shareholders' equity (including minority interests)	1,032.5	1,076.4
Shareholders' equity (Group share)	618.1	647.9

OUTLOOK

Vallourec is confident in its sales volumes for the second half of the year, which should confirm the good performance achieved during the first half. At the same time, the price increases that the Group began to introduce during the first half year will apply throughout the whole of the second half. In total, sales growth for the full year 2004 is expected to exceed that for the first half (15%).

The upward trend in the cost of raw materials (scrap metal, iron ore, coke, alloying elements, etc.) has continued since the end of the first half year. Given its characteristic volatility, there is a great deal of uncertainty as to the extent this trend will reach over the next few months. During the second half year, Vallourec will benefit fully from the effects of the initial increases in selling prices applied during the first half year and will benefit gradually from the effects of additional increases implemented to ensure that the Group continues to pass on increases in raw material costs. In this context, Vallourec estimates that its EBITDA for the second half year should, in absolute terms, be roughly at the same level as that for the first half.

Additional information is available on our website: www.vallourec.com

CALENDAR

- Consolidated sales for the third quarter of 2004 will be released on 28 October 2004.
- Consolidated sales for the fourth quarter of 2004 will be released on 2 February 2005.
- Consolidated results for the full year 2004 will be released on 9 March 2005.

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 machinery.*

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Summary consolidated income statement

(In € million)

VALLOUREC GROUP

	First half 2003		First half 2004		Change First half 2004/ First half 2003
		% of sales		% of sales	
Sales	1,198.8		1,378.8		+15.0%
Other revenues	52.2		96.4		+84.7%
Operating revenues	1,251.0		1,475.2		+17.9%
Purchases consumed	-424.9	35.4%	-561.6	40.7%	+32.2%
Taxes and duties	-27.9	2.3%	-26.5	1.9%	-5.0%
Payroll costs	-298.7	24.9%	-310.8	22.5%	+4.1%
Other operating costs	-356.0	29.7%	-386.9	28.1%	+8.7%
Provisions	-31.9	2.7%	-33.3	2.4%	+4.4%
Operating costs	-1,139.4		-1,319.1		+15.8%
EBITDA	111.6	9.3%	156.1	11.3%	+39.9%
Depreciation	-52.6	4.4%	-49.6	3.6%	-5.7%
OPERATING INCOME	59.0	4.9%	106.5	7.7%	+80.5%
Net financial loss	-4.8		-3.4		
Exchange variation	10.4		-3.7		
Other financial income (loss)	-4.0		3.0		
FINANCIAL INCOME (LOSS)	1.6		-4.1		
INCOME BEFORE TAX AND EXTRAORDINARY ITEMS	60.6	5.1%	102.4	7.4%	+69.0%
EXTRAORDINARY LOSS	-4.3		-10.8		
Goodwill amortization	-1.4		-1.4		
Employee profit sharing	-0.9		-0.9		
Income tax	-16.8		-11.5		-31.5%
Net income (loss) of equity affiliates	-0.2		-0.4		
TOTAL CONSOLIDATED NET INCOME	37.0	3.1%	77.4	5.6%	+109.2%
NET INCOME, GROUP SHARE	18.2		40.1		+120.3%

Summary consolidated balance sheet

(In € million)

VALLOUREC GROUP

	31/12/2003	30/06/2004		31/12/2003	30/06/2004
Intangible fixed assets	13.1	11.6	Shareholders' equity (1)	618.1	647.9
Goodwill	49.0	49.0			
Tangible fixed assets	572.7	554.9	Minority interests	414.4	428.5
Securities	65.6	65.7	Total	1,032.5	1,076.4
Loans and other	16.2	16.1			
Other	18.5	12.0			
Total	735.1	709.3			
Inventories and work-in-progress	462.4	537.0	Provisions	238.5	254.2
Operating receivables	521.7	626.2	Borrowings	499.1	504.5
Other receivables	83.8	69.0	Operating payables	390.9	514.1
Cash	425.9	474.5	Other liabilities	67.9	66.8
Total assets	2,228.9	2,416.0	Total liabilities and shareholders' equity	2,228.9	2,416.0

Net operating working capital requirement	593.2	649.1	(1) of which Group share of income	39.7	40.1
Net debt	73.2	30.0			